



David Scheibel 320-365-3744  
 37554 Co Rd 4 877-365-3744  
 Bird Island MN 55310 320-579-0442 C

[david@mnwestag.com](mailto:david@mnwestag.com)  
[www.mnwestag.com](http://www.mnwestag.com)  
[www.mnwestagservices.com](http://www.mnwestagservices.com)

## Using a Put Option to Create a Price Floor

No Forward Contract Now  
 Let Crop Grow  
 Set cash grain price later  
 Offset put when you set cash price

### TODAY'S FLOOR CALCULATION

Futures Month	Dec 08
Strike Price	\$ 5.50
- Premium Cost	\$ 0.4200
- Trade Cost	\$ 0.01
= Futures Floor	\$ 5.07
- Expected Basis	\$ 0.56
= Expected Cash Floor	\$ 4.51
Expiration Date	11/21/08

### Example if a Market Goes HIGHER

This is for any situation where the market is **HIGHER than your strike price** when you set the actual price for your cash grain.

Example <b>HIGHER</b> Estimated Futures Price	
Futures Price	\$ 7.00
- Expected Basis	\$ 0.65
= Expected Cash Sale Price	\$ 6.35
- Premium Cost	\$ 0.4200
- Trade Cost	\$ 0.01
= Net Cash Sale	\$ 5.92
<b>Pros</b>	<b>Cons</b>
* Open Upside	* Floor price lower than what you can "lock in"
* No delivery Commitment	
* Fixed Costs	
* Protect above Insured Bushels	

### Example if a Market Goes LOWER

This is for any situation where the market is **LOWER than your strike price** when you set the actual cash price for your grain.

Example <b>LOWER</b> Estimated Futures Price	
Your Strike Price	\$ 5.50
- Expected Lower Futures Price	\$ 3.30
= Value of Put Option	\$ 2.20
- Premium Cost	\$ 0.4200
- Trade Cost	\$ 0.01
= Net Gain (Loss)	\$ 1.77
+Expected Lower Futures Price	\$ 3.30
- Expected Basis	\$ 0.46
= Net Cash Price	\$ 4.61

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