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## 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	Nov 08
Strike Price	\$ 12.00
- Premium Cost	\$ 1.1900
- Trade Cost	\$ 0.01
= Futures Floor	\$ 10.80
- Expected Basis	\$ 1.00
= Expected Cash Floor	\$ 9.80
Expiration Date	10/24/08

### 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	\$ 16.50
- Expected Basis	\$ 1.30
= Expected Cash Sale Price	\$ 15.20
- Premium Cost	\$ 1.1900
- Trade Cost	\$ 0.01
= Net Cash Sale	\$ 14.00
<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	\$ 12.00
- Expected Lower Futures Price	\$ 9.00
= Value of Put Option	\$ 3.00
- Premium Cost	\$ 1.1900
- Trade Cost	\$ 0.01
= Net Gain (Loss)	\$ 1.80
+Expected Lower Futures Price	\$ 9.00
- Expected Basis	\$ 0.55
= Net Cash Price	\$ 10.25

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