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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
Strike Price
- Premium Cost
- Trade Cost \$ 0.01
= Futures Floor
- Expected Basis
= Expected Cash Floor
Expiration Date

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

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 LOWER Estimated Futures Price
Your Strike Price
- Expected Lower Futures Price
= Value of Put Option
- Premium Cost
- Trade Cost \$ 0.01
= Net Gain (Loss)
+ Expected Lower Futures Price
- Expected Basis
= Net Cash Price

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