POET grain

Laddonia

FUTURES/ HTA

What is a Futures or HTA contract?

A Futures (Hedge to Arrive) contract, allows you to lock in a designated futures price now, and price the basis later prior to delivery.

When doing HTAs there is a fee involved for carrying the hedge. The fee is .03 cents plus .01 cent/ option month past the current trading period. You will set your futures price vs a corresponding month, then you will pick a delivery period and set your basis.

Advantages:

- **Eliminates futures risk**
- **Delivery period is flexible**
- **May take advantage of basis rallies**
- **No margin Calls**
- **Avoid low flat prices**

Disadvantages:

- **Upside future gains cannot be realized**
- **At risk for basis change**
- **Basis must be set prior to delivery**

How it works:

It is July, and the current December futures are trading at $3.80. You decide to set this futures price, knowing that there is a $0.03 fee involved.

It is now September and December futures are trading at 3.70 with a basis of - .15 under. You decide to lock in this basis.

Here's the math:

Dec. Futures (in July)	$3.80
Dec. Basis (in September)	- $0.15
Contract Fee	- $0.03
Option Month Fee	-$0.01
Cash Price	$3.61

You will be paid $3.61 upon delivery of the grain in December.

Here are a couple of different scenarios that could take place as well:

Scenario #2

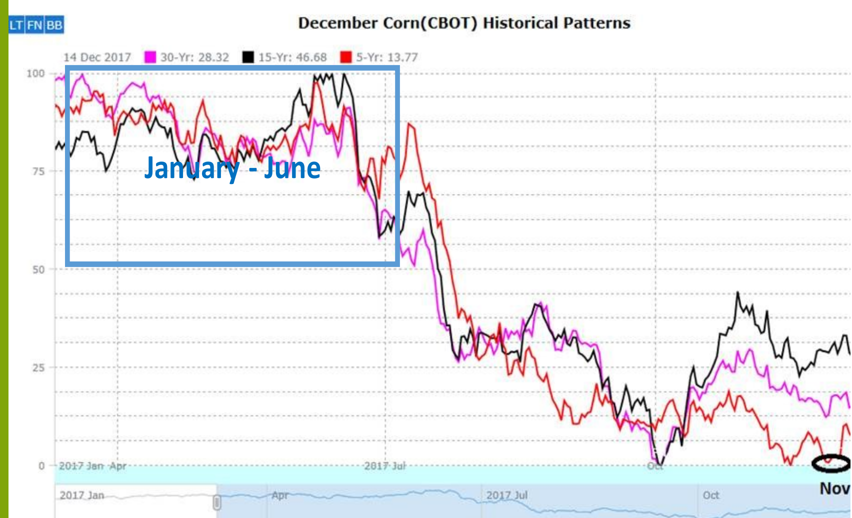
Set December futures price in January at $3.90

It is May and the November basis has went to –.12 and you like that basis.

Futures Against Dec :	3.90
Fee :	-.03
Option Month Fee :	-.04 (May, July, September, Dec)
Final Future Price :	3.83
Basis Set for Nov	-.12
	$3.71

- **You then will deliver you bushels in Nov @ 3.71 cash price**

- Being Knowledgeable of future rallies and basis improvements are very beneficially when choosing this contract.
- If you want to roll the futures contract +/- spread and .02 fee.



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