

# PREMIUM PLUS

## What is a premium plus contract?

The **POET Premium Plus contract** is a multi-component contract that puts a premium on your cash price.

A call is sold at a specific strike price for a specific trading period and that premium is what is added to your cash price. If on the **expiration date** associated with the call, the futures price closes at or above the strike price you would then owe a second obligation less our basis in the call option months.



### Advantages:

- Good option if you think the market is headed sideways or downward
- Take your premium upfront
- If futures price is below the strike price on the expiration date then there is no additional bushels required to be delivered on.

### Disadvantages:

- There is a possible double obligation tied to this contract
- Unknown if you owe the bushels until expiration date. Basis can only be set once you know if strike price has been set on the expiration day.
- 5000 increment bushels

## How it works:

**Part #1** Selling 5000bu delivered in May

<b>May Futures:</b>	\$3.60
<b>Basis:</b>	<u>-.08</u>
<b>Cash Price:</b>	\$3.52
Selling a \$4.10 Dec Call @ .20 premium	<u>+ .20</u>
<b>Final Price</b>	3.72/ bu paid out in May after delivery

Once the contract is established, two different scenarios could play out

### **Part #2**

#### **Scenario #1:**

Strike Price: \$4.10

Expiration Date: 11/22

On Nov 22nd, Dec futures close at \$4.15.  
You now owe another 5000 bushels.

A new contract will be established with a set \$4.10 (your strike price) futures minus current local basis.

#### **Scenario #2**

Strike Price: \$4.10

Expiration Date: 11/22

Dec futures are \$4.05 on the close on Nov 22, now you owe nothing and the double obligation commitment is over.

### **Keys to Remember:**

- If the Dec futures are \$4.20 at the close on the Nov 22nd strike date, **the like amount of bushels is still owed at the locked \$4.10 futures minus current basis.**
- You are looking for this to happen on one date, and one date **ONLY**—The option expiration date. That date is the only date that matters for your second obligation.
- The premium gained on this contract given upfront is NEVER taken away,
- Can be added to any existing or new contracted bushels
- Variety of option month with your call and strike prices are available at your choosing.