

# 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.

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, must be set before delivery
- Fees– .03 +.01 per option month until desired period

## How it works:

It is September, and the current March futures are trading at \$6.70. You decide to set this futures price, knowing that there is a \$0.03 fee involved.

It is now December and March futures are trading at 6.55 with a basis of +.15 over. You decide to lock in this basis.

Here's the math:

March Futures (in September)	\$6.70
March Basis (in December)	+.15
Contract Fee	-\$0.03
Option Month Fee	<u>-\$0.01</u>
Cash Price	\$6.81

You will be paid \$6.81 upon delivery of the grain in March

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

### Scenario #2

#### **Set March futures price in June at \$6.60**

It is January and the February basis has went to +.18 and you like that basis.

<b>Futures Against Mar:</b>	6.60
<b>Fee :</b>	-.03
<b>Option Month Fee :</b>	<u>-.03</u> ( July, September, Dec)
<b>Final Future Price :</b>	6.51
<b>Basis Set for Nov</b>	<u><b>+.18</b></u>
	<b>\$6.69</b>

- You then will deliver you bushels in February @ 6.69 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.

