POET grain

Macon

# 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 | -$0.01 |
| 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**

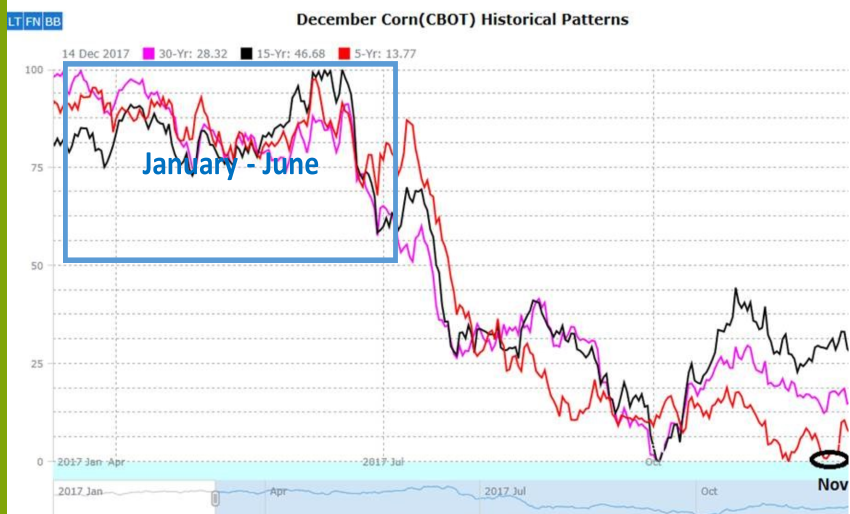
**Set March futures price in June at $6.60**

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

| | |
|---|---|
| **Futures Against Mar**: | 6.60 |
| **Fee** : | -.03 |
| **Option Month Fee :** | -.03( July, September, Dec) |
| **Final Future Price** : | 6.51 |
| **Basis Set for Nov** | +.18 |
| | **$6.69** |

- **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.

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