Pricing Decision Chart for Cash Product Sellers

Futures-Up

Basis-Weakening

You like the basis now, so you'll CALL it

Expected Change for Futures and Basis

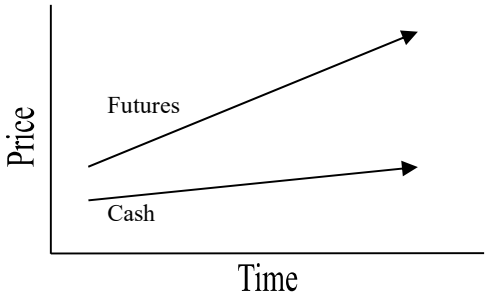
Basis-Strengthening

You like the basis long-term (later), so you better PUT a ring on it

Futures-Down

ACTION

1. Basis Contract
2. Sell Cash, Buy Futures
3. Sell Cash, Buy Call
4. Forward Contract, Buy Call
5. Minimum Price Contract

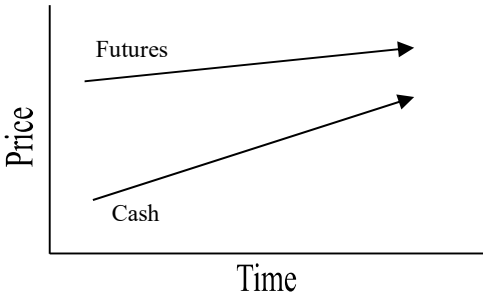


Futures: Now **Later**

Basis: **Now** Later

ACTION

1. Store Cash
2. Delayed Pricing
3. Store Cash, Buy Put
4. Minimum Price Hedge-to-Arrive

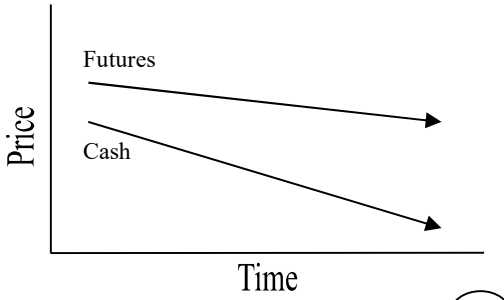


Futures: Now **Later**

Basis: Now **Later**

ACTION

1. Sell Cash
2. Forward Contract
3. Sell Cash, Buy Call
4. Forward Contract, Buy Call
5. Minimum Price Contract

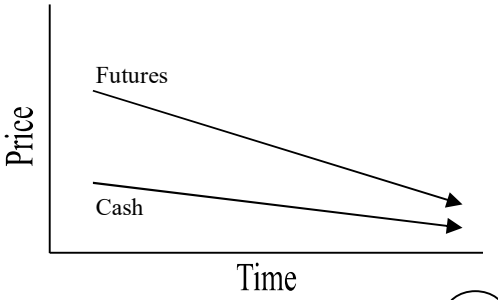


Futures: **Now** Later

Basis: **Now** Later

ACTION

1. Hedge (Store Cash, Sell Futures)
2. Hedge-to-Arrive
3. Store Cash, Buy Put
4. Minimum Price Hedge-to-Arrive



Futures: **Now** Later

Basis: Now **Later**