Pricing Decision Chart for Cash Product Sellers

Expected Change for Futures and Basis

Futures-Up

Futures-Down

Basis-Weakening

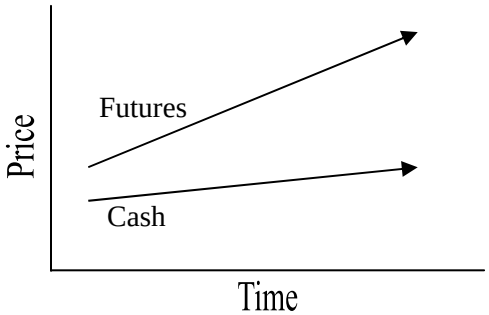
You like the basis now, so you'll CALL it

Basis-Strengthening

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

ACTION

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

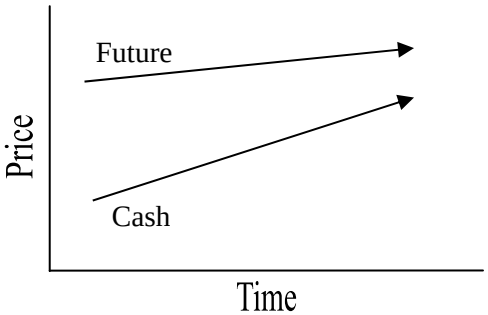


Futures: *Now* *Later*

Basis: *Now* *Later*

ACTION

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

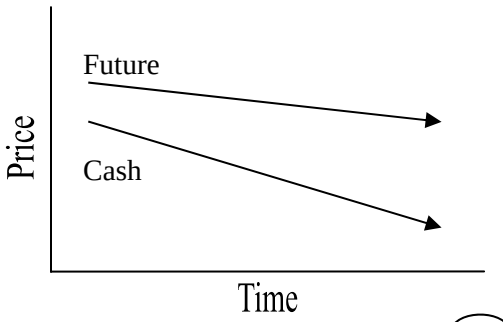


Futures: *Now* *Later*

Basis: *Now* *Later*

ACTION

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

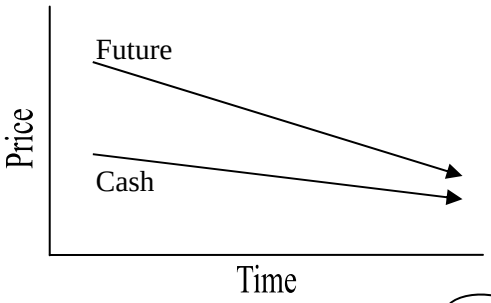


Futures: *Now* *Later*

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*