

Price

=

Futures
Price +

Basis

The Marketing Puzzle

Forward
Contract

Futures
Contract

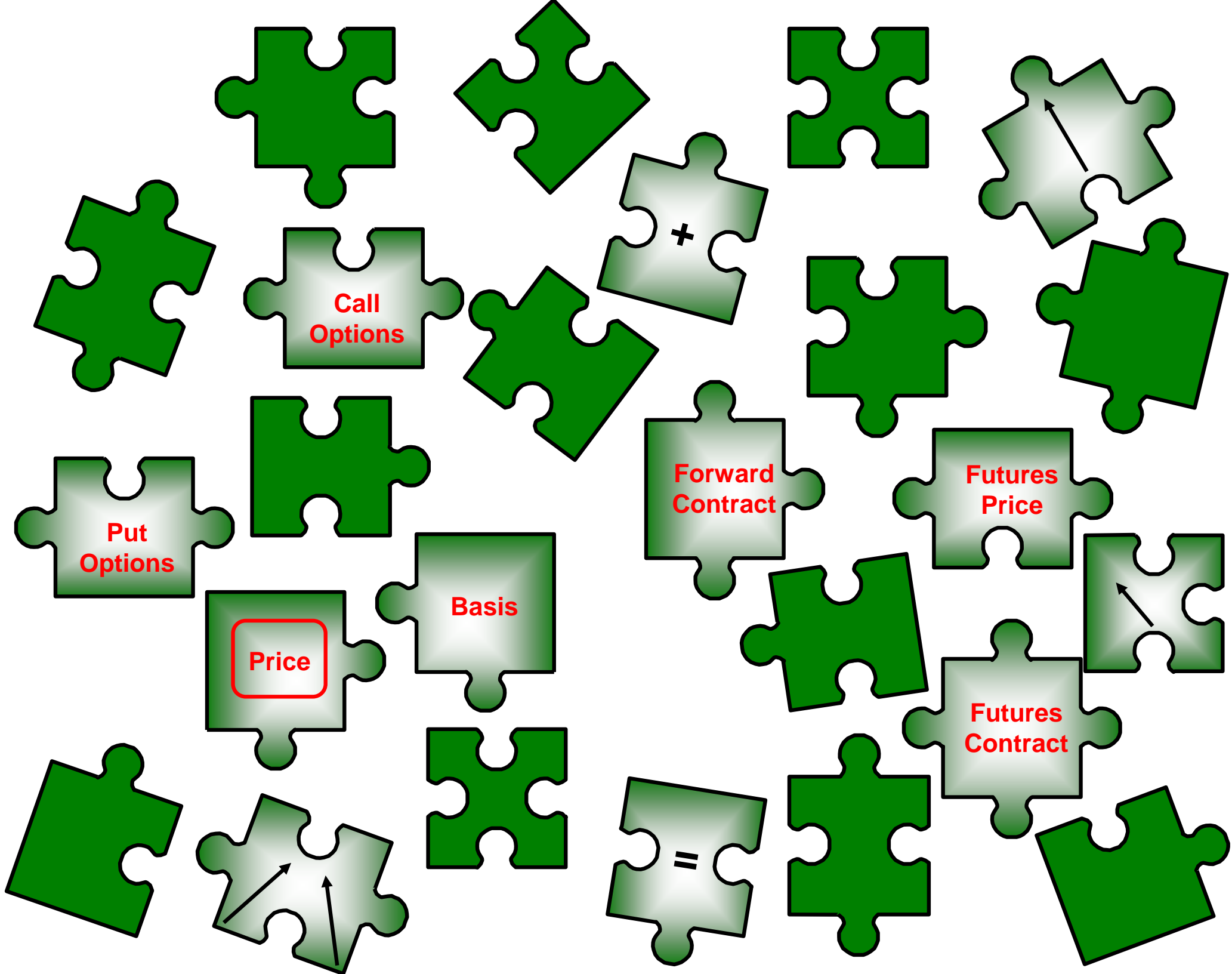
Kim Anderson

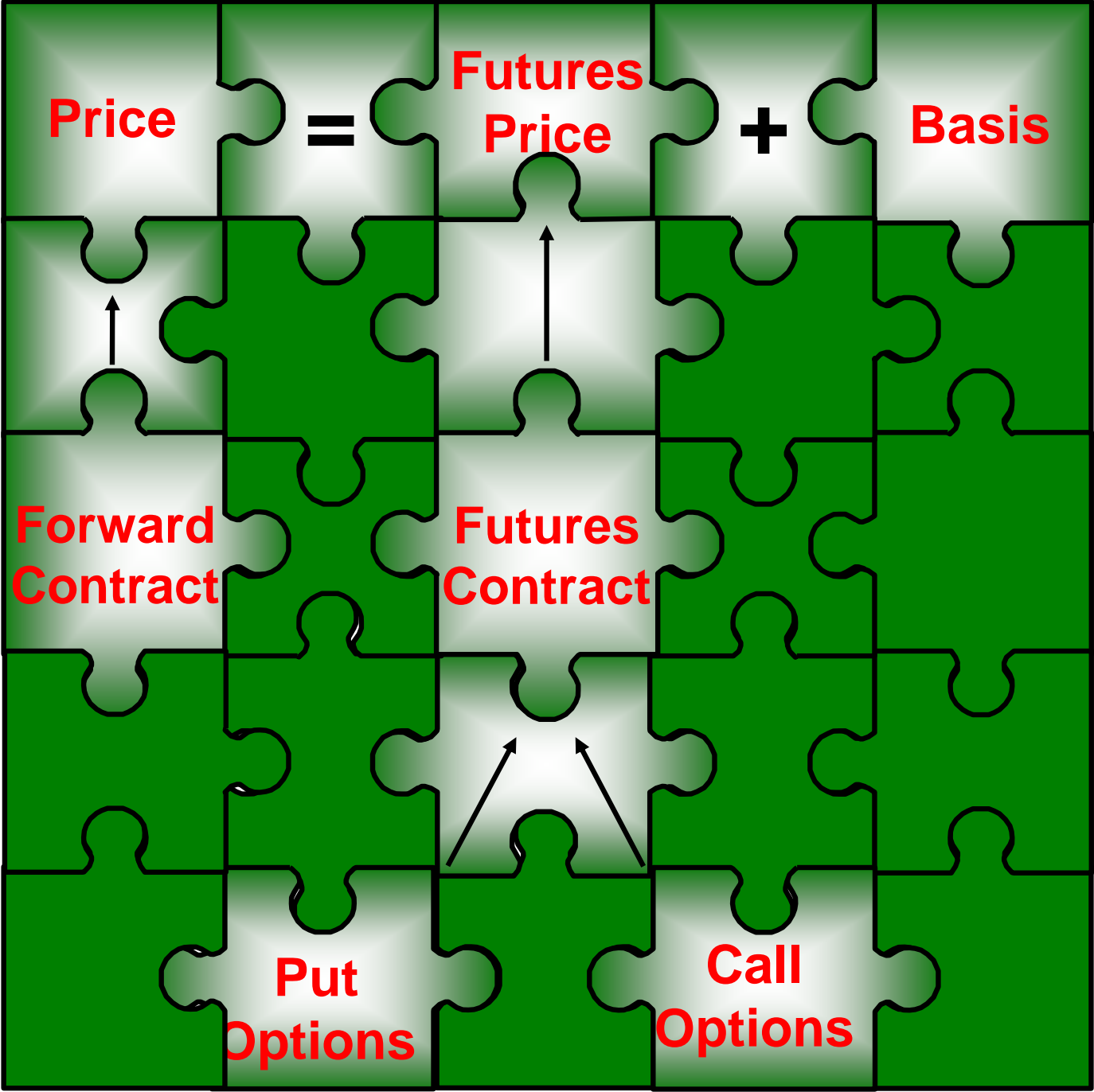
Cooperative Extension Crop Marketing Specialist

Oklahoma State University

Options

Options







**Actual
Dollars/Unit
Received**



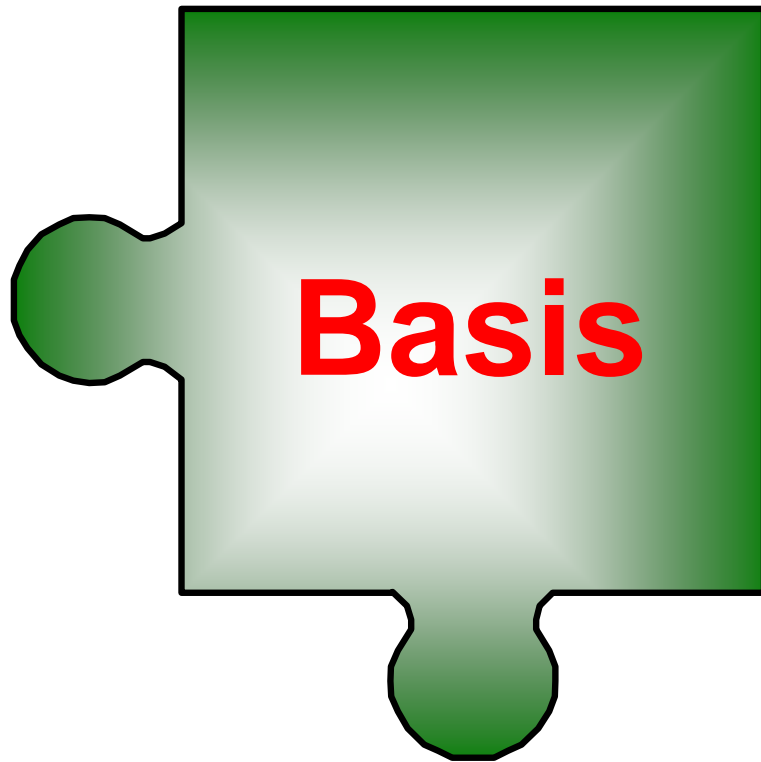
\$4.10

\$4.50

-\$0.40



**Price of a
Commodity
Futures
Contract**



**Difference
Between
Two Prices**



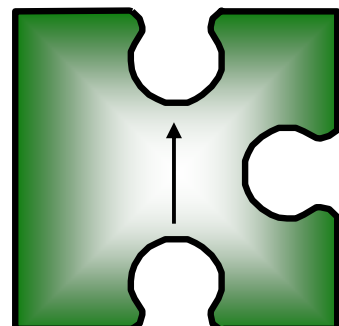
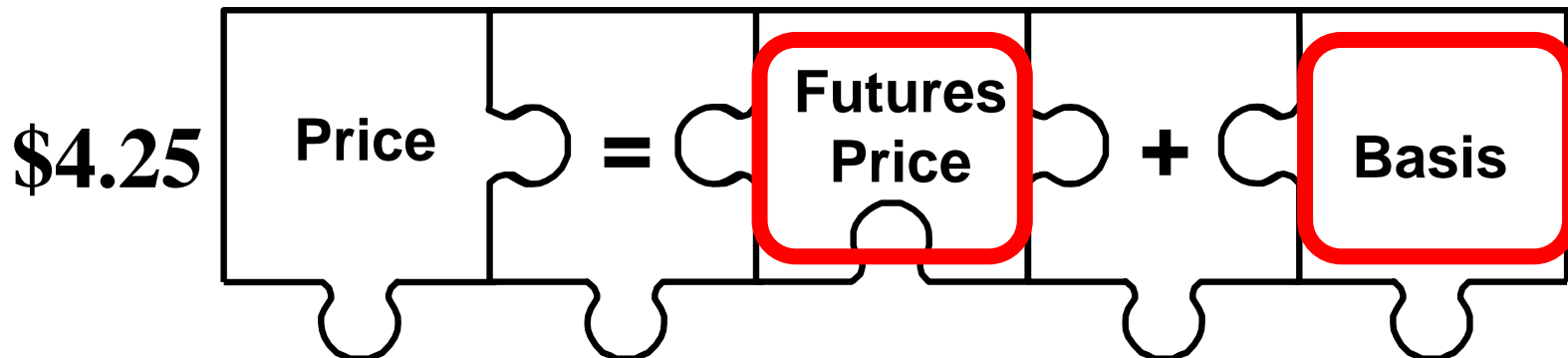
\$4.10

\$4.50

-\$0.40



A Contract requiring delivery (acceptance) of a specified quantity and quality of a specified commodity during a specified period at a specified location, at a specified price.



\$4.75

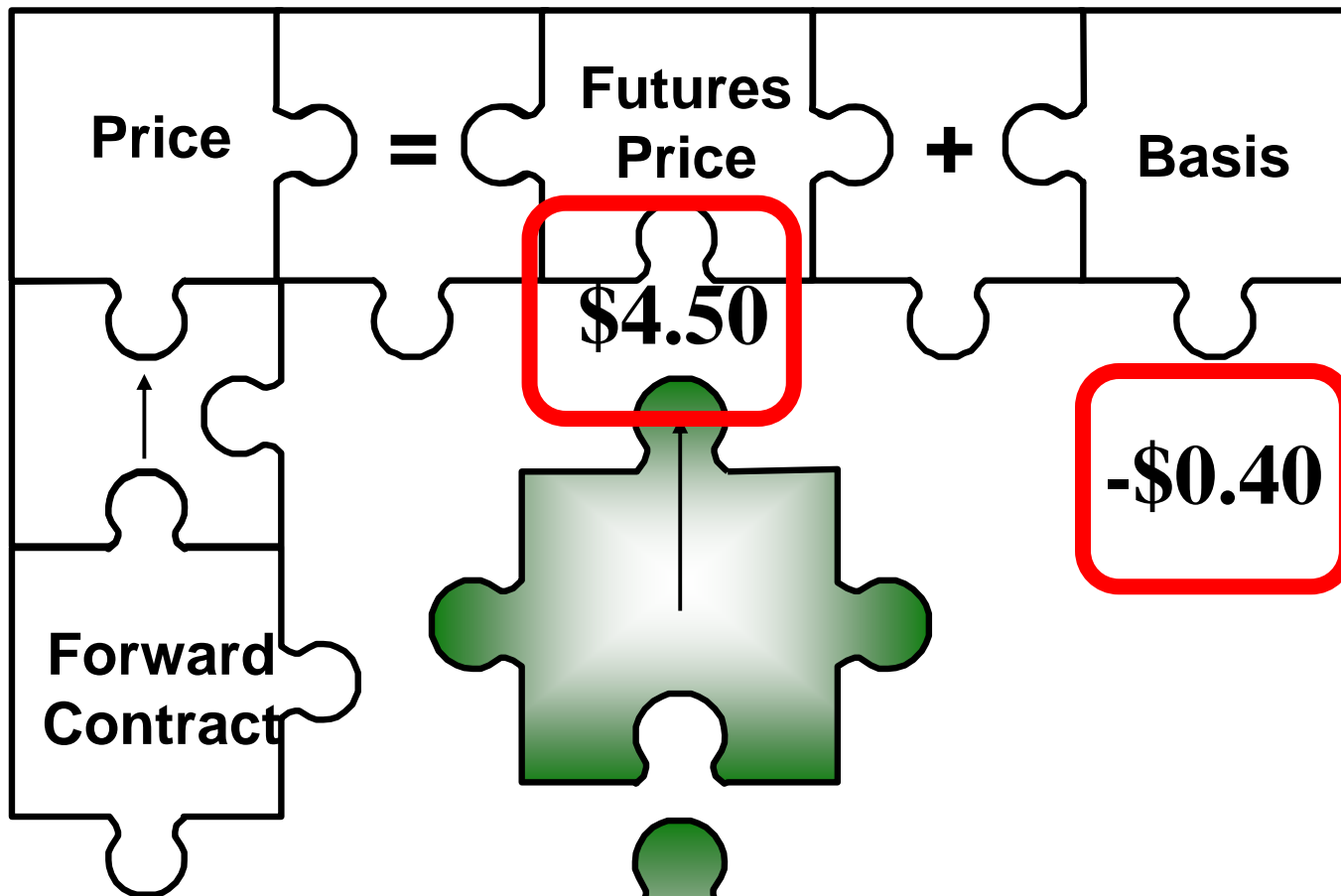
-\$0.50





A contract requiring delivery (short/sold) or a acceptance (long/bot/buy) of a specified quantity and quality of a commodity during a specified delivery period at a specified location, at a specified futures contract price.

\$4.10



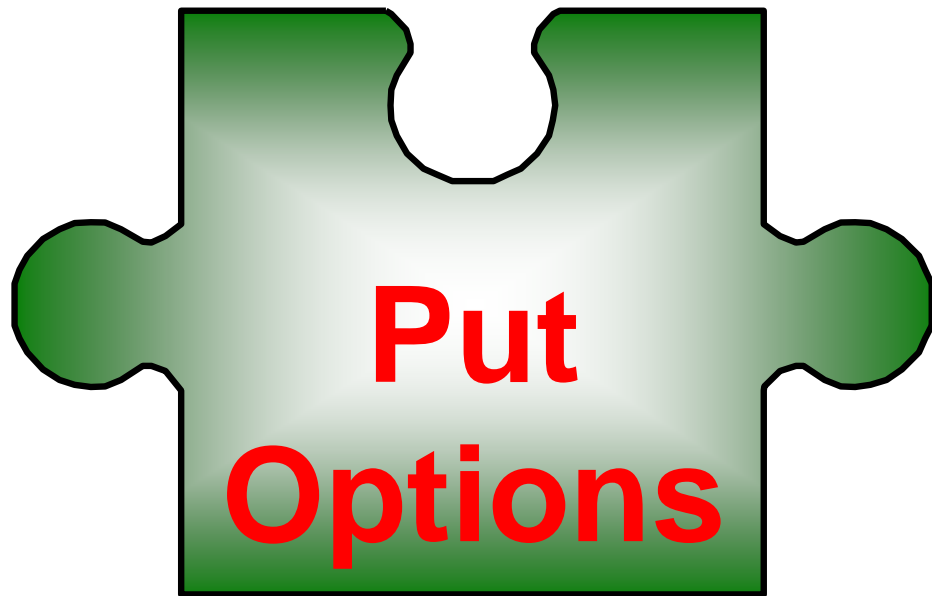
\$4.50

-\$0.40

**Forward
Contract**

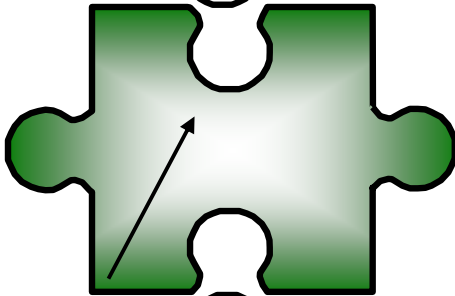
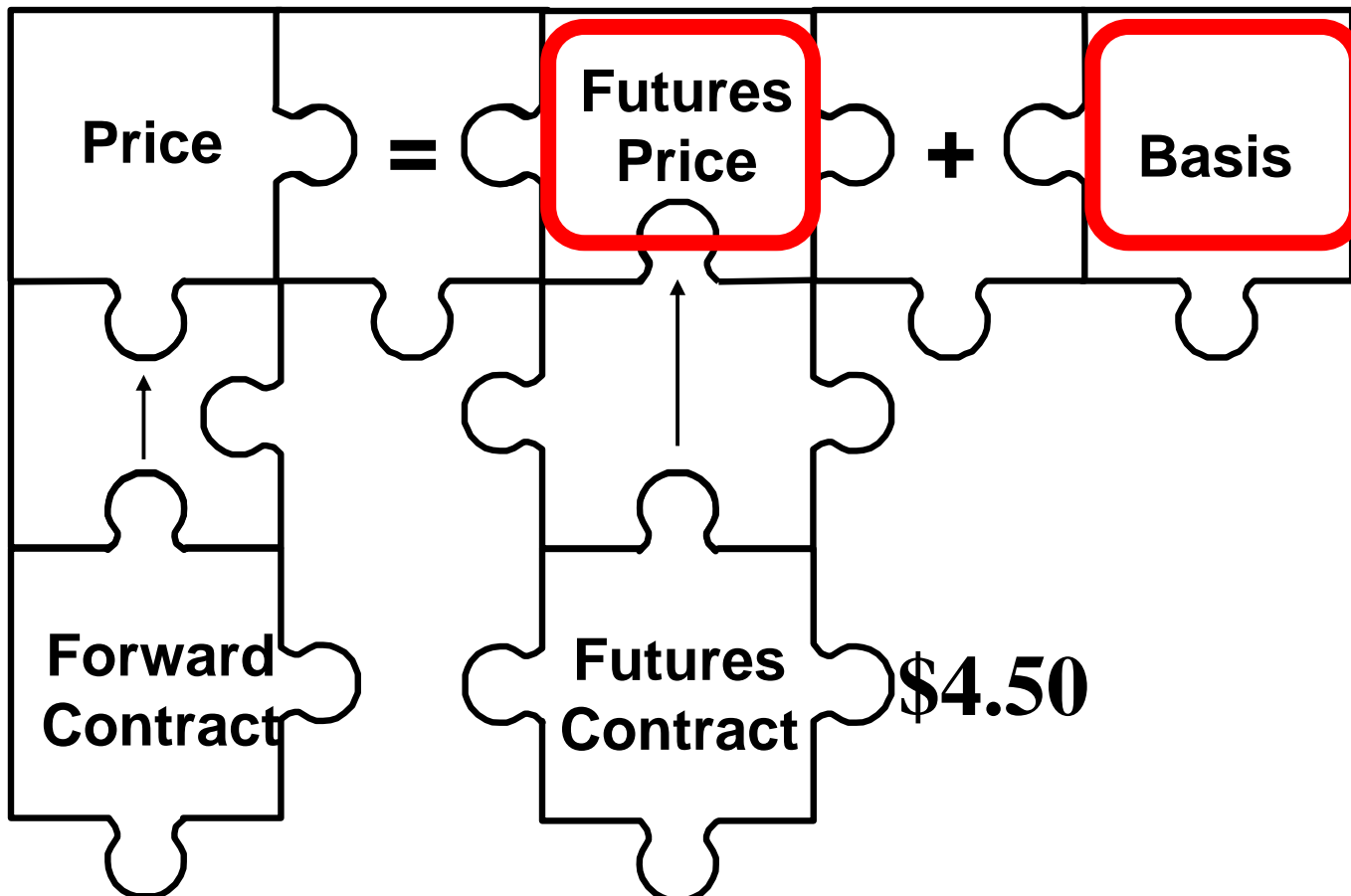
**Futures
Contract**

\$4.50

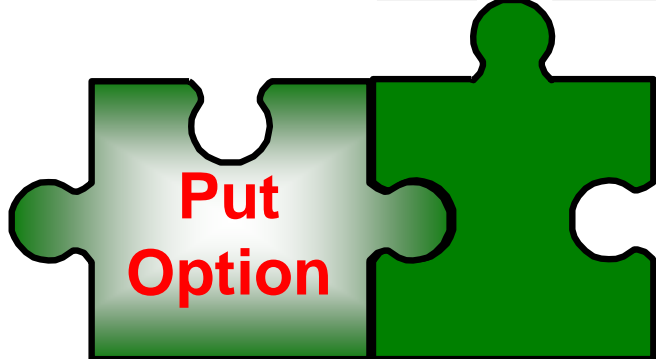


A contract which gives the **buyer** the "right" to sell a specified **Futures Contract** at a specified **price**.

Premium (value) increases as price decreases.



**Buy 450
@\$0.30**





A contract which gives the buyer the **"right" to buy** a specified **Futures Contract** at a specified **price.**

Premium (value) increases as price increases.

