

# Foundation Contract



The Foundation contract combines pricing bushels on a daily basis with the protection of a floor price for a powerful marketing tool.

Guaranteeing a floor price for the futures component of a cash sale, the Foundation contract provides an improvement over the Floored Average contract as it will not use any prices lower than the floor in the computation of the average. This guarantees the contract will settle above the floor unless every day in the pricing period settles at or below the floor.

One advantage of this contract is that it can be done for any quantity of bushels; no minimum of bushels required. Also, these contracts cost less than exchange-traded puts and calls, and do not require additional marketing decisions.

Foundation is one of the CHI COMPASS® family of over-the-counter products from CHS Hedging. These products help level out price risk with alternative cash contracts that simplify both decision-making and execution. CHI COMPASS contracts price themselves over a specific period of time and are simply initiated by signing up current bushels.

Learn more at [www.chshedging.com](http://www.chshedging.com)

On Twitter @hedgeit

On YouTube: CHSHedging Channel



This communication is a solicitation and for informational purposes only. There is a risk of loss when engaging in these kinds of transactions.

# Foundation Contract Example

Futures Contract	December 13 (CZ13)
Futures Floor	\$6.35
Averaging Period	October 10, 2012 through October 16, 2013
Cost	\$0.55

## Potential Results

Average closing futures price between Oct. 10, 2012, and Oct. 16, 2013, is \$7.05 (using \$6.35 in the average anytime the futures close below \$6.35)

Average Price	\$7.05
Cost	\$0.55
Settlement Price	\$6.50

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Average closing futures price between Oct. 10, 2012, and Oct. 16, 2013, is \$7.50 (using \$6.35 in the average anytime the futures close below \$6.35)

Average Price	\$7.50
Cost	\$0.55
Settlement Price	\$6.95

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Average closing futures price between Oct. 10, 2012, and Oct. 16, 2013, is \$6.18 (using \$6.35 in the average anytime the futures close below \$6.35)

Floor Price	\$6.35
Cost	\$0.55
Settlement Price	\$5.80

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The settlement price in this instance is a futures-only price for CZ13. This could be a Futures Fixed contract or it could be the futures pricing for basis that has already been established. For comparison, the cost of a December \$6.30 put would be \$0.65.



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