America’s farmers are resilient. In spite of the many risks they face, they are adept at moving their businesses forward. They are masters at contingency planning.

If there’s one area of farming that demands this type of planning, it is farm marketing. Commodity price risk is one of the most unpredictable aspects of managing an operation.

To prepare for market uncertainty, resilient farmers do things differently. Strategy, consistency and discipline are hallmarks of their marketing. They use all tools available to capture price opportunities and protect against risks.

Options strategies can play a significant role. This report defines 12 key options strategies and explains their importance in overall marketing management.
Marketing is an ongoing series of decisions.

Markets move on perception, momentum and attitude. Just a little of one or the other is enough to send markets soaring and, sometimes, immediately reversing direction once the smoke clears. That is why resilient marketers think through difficult decisions ahead of time.

Marketers typically follow a common cycle of emotions in sync with the market phases. This means that when markets are rising, marketers usually feel more optimism. When markets begin dropping, anxiety and fear start to build. These negative emotions can lead to hopelessness.

When marketers get emotional, they often make poor decisions. Yet by applying consistency, strategy and discipline to their marketing, farmers can break the market's grip on their emotions.

>> Consistency – It's about sticking with price opportunity and risk management strategies in good times and bad. Great marketing is measured over the long haul.

>> Strategy – Learn to pre-plan marketing strategies. Know what you will do if the market goes up a little or a lot, or down a little or a lot. Make decisions based on long-term goals.

>> Discipline – Discipline requires committing to watch the markets daily to know whether any targets are hit and pulling the trigger when targets are hit, with the goal of building the best possible average price over time.

Following these three marketing principles, you can position your operation counter cyclically to the market. By doing this, you can protect against severe risk ahead of a market drop and be positioned to act when opportunity re-appears near the market bottom.

Using tools for the ultimate goal.

We have just talked about the importance of emotions and decision-making. Once you have committed to becoming a consistent, strategic and disciplined marketer, options become a powerful marketing tool.

Learn these tools and how they work. You'll gain a critical skill that can return great value over the life of your operation.

Recognize that there is no position or strategy that protects your breakeven or desired margin while giving you flexibility to capture a higher price and doesn't cost anything. View marketing expenses in the context of their ultimate goal – a high average price for all bushels grown.

### Glossary of Common Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>At-the-Money</td>
<td>An option whose strike price is equal to the current market price of an underlying futures.</td>
</tr>
<tr>
<td>Call Option</td>
<td>An option which gives the option buyer the right but not the obligation to purchase (go long) the underlying futures contract at the strike price on or before the expiration date.</td>
</tr>
<tr>
<td>CME Group Trading Floor</td>
<td>The exchange where options are traded for grains and livestock.</td>
</tr>
<tr>
<td>Contract Size</td>
<td>Corn, soybeans, wheat: 5,000 bushels</td>
</tr>
<tr>
<td>Delta</td>
<td>A measurement of how an option changes value relative to a change in the underlying futures contract expressed in a percentage. An at-the-money option will generally have a delta of 50% while a deep-in-the-money option will have a delta closer to one. An out-of-the-money option has a delta smaller than 50%.</td>
</tr>
<tr>
<td>Exercise</td>
<td>The action taken by the holder of a call if he wishes to go long the underlying futures contract or by the holder of a put if he wishes to go short the underlying futures contract.</td>
</tr>
<tr>
<td>In the Money</td>
<td>A call is in the money if its strike price is below the current price of the underlying futures contract. A put is in the money if its strike price is above the current price of the underlying futures contract. In-the-money value is also known as intrinsic value.</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td>The dollar amount which would be realized if the option were to be exercised immediately. (This is also known as in-the-money value.)</td>
</tr>
<tr>
<td>Long</td>
<td>Buy</td>
</tr>
<tr>
<td>Margin</td>
<td>Good faith deposit required by exchanges when entering futures contracts or short options. Initial margin is the dollar amount required to establish a position, and maintenance margin is the dollar amount required to hold or maintain a position. Margin required by exchanges is often about 3 to 5% of the value of the underlying futures.</td>
</tr>
<tr>
<td>Out of the Money</td>
<td>A call option whose strike price is above the current futures price or a put option whose strike price is below the current futures price.</td>
</tr>
<tr>
<td>Premium</td>
<td>The price of an option, not including related brokerage commissions or fees.</td>
</tr>
<tr>
<td>Put Option</td>
<td>An option that gives the option buyer the right to sell (go short) the underlying futures contract at the strike price on or before the expiration date.</td>
</tr>
<tr>
<td>Short</td>
<td>Sell</td>
</tr>
<tr>
<td>Strike Price</td>
<td>The price at which the holder of a call or put may choose to exercise his right to purchase or sell the underlying futures contract.</td>
</tr>
<tr>
<td>Time Value</td>
<td>Any amount in which the option exceeds its intrinsic value. If an option has no intrinsic value, its premium is entirely time value.</td>
</tr>
<tr>
<td>Writer</td>
<td>The person who sells (writes) the option. The seller of an option is subject to a potential obligation if the buyer chooses to exercise the option.</td>
</tr>
</tbody>
</table>
Twelve options strategies for your marketing toolbox.

The following section further defines our 12 options strategies and illustrates risk potential. The key to the right identifies the breakeven point and value of option at expiration for each chart in this section. Please note that in the analysis of each strategy, the potential opportunities and risks do not include commissions and fees.

1. **LONG CALL OPTION**

The owner of a call option buys the right but not the obligation to own the underlying futures contract. There could be any variety of reasons to own a call option. Typically, however, the owner of a call option is someone who wants to establish a ceiling against higher prices or someone who wants to retain ownership of a sold commodity such as corn. Feed buyers use call options to shift risk while grain farmers will use calls after selling their crop. It is very common for grain farmers to buy calls if they want to replace crop that they would have preferred to store, but lacked storage space. Or, if a farmer forward sells corn in spring, yet wants to participate in case a weather market were to drive prices higher, he may buy a call to retain paper ownership of this forward-sold grain.

Note: This chart shows one July $4.50 corn call purchased for 30 cents, thus $4.80 becomes the breakeven point. Option value increases as futures rise. Although the downside risk is fixed, the 30-cent premium is at risk. The charts for all 12 options strategies indicate hypothetical purchase or sale points to illustrate breakeven, option value at expiration and risk.

2. **SHORT CALL OPTION**

A person who sells an option does so in an attempt to collect premium. He guarantees the underlying futures for the owner of the call option. A person who sells a call option is collecting premium, anticipating that the underlying futures contract will not exceed the strike price of the sold call. A speculator would sell a call to collect premium. A farmer may do the same.

However, a farmer may want to sell a call against un-priced crop. The only way a call option can be of greater value after he sells the call is if the underlying corn futures contract rallies. He benefits as his crop gains value up to the strike price. At option expiration, if corn futures are higher than the strike price of the sold call, the owner will exercise his option and the farmer will be assigned a short futures at the strike price. He still collects the premium, so he has benefited through premium collection and an increase in his crop value. At expiration, if futures are not above the strike price of the sold option, the farmer collects premium. Many farmers sell calls to add value to their crop. A short call option will require margin.
LONG PUT OPTION

The owner of a put buys the right but not obligation to sell the underlying futures contract. Usually, producers of a commodity will buy a put to establish a price floor. A common occurrence is when farmers buy puts against bushels they did not want to forward sell due to the uncertainty of growing a crop. A combination of forward contracting and put buying is a method used by many to lower price risk against their growing crop. Another use is to protect the value of grain in storage by establishing a futures floor. This provides peace of mind as the farmer waits for prices to rally.

SHORT PUT OPTION

The seller (writer) of a put option does so in an attempt to collect premium. He guarantees the underlying futures for the owner of the put option. When someone sells a put option they are collecting premium anticipating that the underlying futures contract will not be below the strike price of the sold put. A short put option will require margin.

A speculator would sell a put to collect premium. A farmer may do the same. However, a farmer may want to sell a put option after he has sold his crop and is willing to re-own at a lower futures price or willing to collect premium to add value to his crop.

At option expiration, if the underlying futures is below the strike price of the sold put, the owner of the put will exercise his option. The farmer is assigned a long futures at the strike price, plus he collects the premium. In effect, the farmer is now an owner of his crop on paper at a price level lower than where he sold his crop.

A feed buyer would sell a put to collect premium and lessen the cost of feed. Or, a feed buyer would be assigned a long futures at the strike price, at expiration, should the underlying futures be below the strike price.

In summary, a grain farmer would sell puts to collect premium or be willing to be long futures for a re-ownership position. A feed buyer would sell puts to collect premium to lessen the cost of feed or be willing to be long futures as a hedge against higher prices.
5. BULL CALL SPREAD

A bull call spread is the purchase of a lower strike price call and shorting of a higher strike price call with the same month and underlying futures. This is sometimes referred to as a vertical spread. The purpose of a bull call spread is to reduce out-of-pocket expense. It is used when you have an expectation that prices will rise but not above the strike price of the short call. As an example, if July corn is trading at $4.00 and you believe corn will rally to $5.00 but not beyond, you could buy a $4.00 call. However, if you feel the cost of the $4.00 call is too high, you could enter a bull call spread by buying this call for $0.40 and at the same time selling a $5.00 call, say priced at $0.20. In this case, your net out-of-pocket cost is $0.20. Your profit potential is fixed at the difference of the strike prices less cost. In this example, $1 less $.20 less commission and associated fees. The exchange views this position as a fixed-risk position, so there is no margin requirement.

6. BEAR PUT SPREAD

A bear put spread is the purchase of a put option and shorting of a lower strike price put with the same month and underlying futures. The purpose of a bear put spread is to reduce out-of-pocket expense. It is used when you have an expectation that prices will drop but not below the strike price of the sold put. As an example, if July corn is trading at $4.50 and you believe corn will drop to $3.50 but not beyond, you could buy a $4.50 put. However, if you feel the cost is too high, say $.40, you could still buy this put for $.40 but also then sell a $3.50 put, say priced at $.20, so that your net out-of-pocket cost is $.20. Your profit potential is fixed at the difference of the strike prices less cost. In this example, $1 less $.20 less commission and associated fees. The exchange views this position as a fixed-risk position, so there is no margin requirement.
7. **FENCE**

The term fence is used because this strategy “fences” in a range of prices. A farmer would use a fence to establish a price floor against un-priced inventory. As an example, if December corn futures are trading at $4.00 and an at-the-money put is priced at $.40, a farmer could buy this put to establish a floor. However, he may feel that prices could also rally, say up to $5.00. He could also sell a $5.00 call for $.20. He has now fenced in a range of prices for his un-priced production. The $4.00 put establishes a floor, and the short $5.00 call establishes a ceiling.

If the underlying futures price is below $5.00 at expiration, the $5.00 short call expires worthless, thus reducing the cost of the long put by $.20. If futures at expiration is above $5.00, the short call will be exercised and the farmer will be assigned a short futures at $5.00. He still collects the premium of $.20. The $4.00 put would expire worthless.

A fence is a method of establishing a floor, yet reducing cost versus just the purchase of a likewise put. The short call can be viewed as a challenge to the market to rally, thus providing an opportunity for un-priced production to gain value up to the sold strike.

Feed buyers would use a fence in an opposite way. They would buy a call and sell a put, establishing a price ceiling against future actual product purchase while being willing to be long futures at the short put strike. Fence strategies require margin.

8. **CALENDAR FENCE**

This strategy is used by a crop farmer to establish a price floor for an extended period of time while selling a call option with a shorter period of time. The goal is to experience time-value erosion with the short call and ultimately lessen the cost of the long put.

A farmer may use this in the winter months in lieu of a fence with the same underlying futures month. For example: In February, a farmer may want to buy a put against expected new crop production using the December contract. However, he may not want to sell a December call in case a drought occurs and prices rally during the growing season. He may choose to sell a May call option with less time value. The trade off is that with a short May call, he will collect less time value than if he had sold a December call, yet his risk of being short a call in a summer weather market is removed.

Variables such as ending stocks and weather elsewhere in the world will need to be taken into account due to the fact that, in these chart examples, May represents the value of the previous year’s crop and December the value of expected new crop. If old crop supplies are tight and supply rationing were to occur through higher prices, the value of the previous year’s crop could be substantially higher than new crop prices. This strategy requires margin.
9. **LONG RATIO CALL SPREAD**

This strategy is used to establish a long position with a delta that could be greater than 100 percent. A delta of 100 percent (also referred to as One) represents a futures position or an option that is very deep in the money and moves penny for penny with a change in the underlying futures market. An at-the-money call has a delta of about 50 percent. Let’s say three out-of-the-money calls have a combined delta of 60 percent, or 20 percent each. The at-the-money call is priced at $.45 and each out-of-the-money call is priced at $.15.

If a farmer has sold production and believes that if prices rally they will do so by a very large amount, he may consider this strategy for re-ownership. Or, if a feed buyer feels prices are likely to go lower, but wants a position with a strong delta should a crop shortage occur, he could consider this strategy to hedge feed costs.

As an example: Sell one at-the-money call and buy three out-of-the-money calls. At option expiration date, if the underlying futures is below the strike of the short call, all options expire without value. In other words, the farmer spent $.45 on the long calls and received $.45 for a short call. If, at expiration, futures are above the strike price of the long calls and all options are exercised (turned into futures), the farmer will have one short futures and three long futures. This will leave him with a net of two long futures or a delta of 200 percent.

### Futures Price

<table>
<thead>
<tr>
<th>Futures Price</th>
<th>Gain</th>
<th>Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Potential is unlimited. Risk is limited.**

10. **LONG RATIO PUT SPREAD**

This strategy is used to establish a short position with a delta that could be greater than 100 percent. A delta of 100 percent (also referred to as One) represents a futures position or an option that is very deep in the money and moves penny for penny with a change in the underlying futures market. An at-the-money put has a delta of about 50 percent. Let’s say three out-of-the-money puts have a combined delta of 60 percent, or 20 percent each. The at-the-money put is priced at $.45 and each out-of-the-money put is priced at $.15.

If a farmer has un-priced production and feels that if prices drop they will do so by a very large amount, he may consider this strategy for price protection. This position establishes a price floor with the potential of an increasing delta.

As an example: Sell one at-the-money put and buy three out-of-the-money puts. At option expiration date, if the underlying futures is above the strike of the short put, all options expire without value. Therefore, the farmer spent $.45 on the long puts and received $.45 for a short put. If, at expiration, futures are below the strike price of the long puts and all options are exercised (turned into futures) the farmer will have three short futures and one long futures. This will leave him with a net of two short futures or a delta of 200 percent. Risk is fixed to a range of prices. Maximum risk occurs if the underlying futures is at the strike price of the long puts at expiration. At this time, the long calls would expire without value and the short call would be in the money. This position could require margin.

### Futures Price

<table>
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<tr>
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<td>$0</td>
<td></td>
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</table>

**Potential is unlimited. Risk is limited.**
11. **LONG STRANGLE**

This strategy is used to eventually establish either a long or short position. It is often used when it appears prices could move substantially in either direction. It consists of purchasing an out-of-the-money call and out-of-the-money put with the same underlying futures contract and month. A farmer could use this strategy to re-own bushels he has sold and establish a price floor for bushels he has not sold. Risk is fixed.

12. **SHORT STRANGLE**

This strategy is used to collect premium with the acceptance that:

- A short futures could be assigned if the underlying futures at expiration is above the sold call strike.
- A long futures could be assigned if the underlying futures at expiration is below the sold put strike.

It’s often used when it appears prices are range-bound and not expected to move outside the sold strike price levels. A short strangle consists of selling an out-of-the-money call and out-of-the-money put with the same underlying futures contract and month.

A farmer would use this as a way to re-own if prices moved lower and his short put was exercised and turned into a long futures. He still collects the premium of the short put and call. Or, if prices rally and the short call is exercised, he is assigned a short futures at the call strike price while still collecting the premium of both options. He may now be hedging un-priced production at a higher price than when both options were originally sold. Risk is unlimited. Margin is required.
A potential win/win strategy.

An opportunity farmers may consider is selling out-of-the-money call options against un-priced production, whether in the field or in storage. Let's say it is November 1st and March corn futures are trading at $4.00. A farmer has corn in storage. A March $5.00 call is trading for $.15. This call is $1 out of the money. One of three things can happen. Corn prices can go higher, lower, or not change.

With a late-February option expiration, if prices do not change or if prices go lower, the farmer will gain all $.15. If corn prices rally up to $5.00, the farmer experiences a gain in his un-priced corn and the short $5.00 call still expires worthless. If March futures rally beyond $5.15 (breakeven price without commission and fees) the short call will now be losing value. Cash un-priced corn will be gaining; however, it will likely be close to an even trade-off. So, for practical purposes, you establish a ceiling at $5.15.

Nonetheless, from $4.00 in November to $5.15 in late February equates to a gain of 19.2%. If the corn price drops after November 1st, he still gains the $.15 from the short call, which leaves him $.15 better off than if he had not sold the call. That's why this strategy can be viewed as a win/win.
Applying marketing tools in the context of the big picture.

Now that you have read about 12 key marketing tools and have an understanding of their functions, the next step is to apply them within a strategic marketing approach.

Strategic marketers are goal-oriented and disciplined. They never leave planning mode. These farmers know what they are going to do and when they’re going to do it.

There is no substitute for smart, dynamic strategies.

Strategic marketing involves several layers of decision-making. Each decision should be made according to how it will influence overall average price. You should always strive to obtain the best possible average price for all sales or purchases within a reasonable risk parameter, and to maintain a reasonable cost for managing that opportunity and risk.

Strategic marketers view marketing in terms of a decision tree. As you pre-plan how you might apply the 12 options strategies covered in this report, create a decision tree (see figure below) for your own goals and risk tolerance.

We call this decision tree Market Scenario Planning™. It’s a way of envisioning all the possible scenarios of what could happen so that you can develop strategies in advance of any given scenario unfolding. Making these decisions ahead of time prevents emotional decision-making in times of high volatility.

Market Scenario Planning involves review of each strategy’s impact in the various price scenarios. Reviewing impact enables you to decide which strategy is best for your situation. A simplified way of looking at it is to imagine this thought process:

“If the market goes up a little, I’ll do A.”
“If the market goes up a lot, I’ll do B.”
“If the market goes down a little, I’ll do C.”
“If the market goes down a lot, I’ll do D.”
“I’ll prepare in advance for whatever the market may do.”

There is no substitute for smart, dynamic strategies. You can gather all the information you want on corn futures, oil, China’s stated intentions, USDA reports, and any number of other market-moving factors, and still not know where the market will go. A price you believe to be high might go higher. Low prices can go lower. Equally important, factors that move markets can easily fuel emotions. This is when mistakes get made. Putting strategies in place, reviewing them regularly and maintaining your discipline to execute as planned are prerequisites to successful application of marketing tools.

Market Scenario Planning
Planning for whatever the market may do.
The relentless pursuit of great marketing.

The purpose of using options strategies is to position yourself to do marketing well. In volatile and uncertain times, options strategies can help you capture opportunity when it presents itself and manage risk, which can be extreme. So what does it mean to do marketing well?

Let’s first dispel what it does not mean.

Doing marketing well is not defined by consistently capturing the top of a bull market and avoiding the depths of a bear market. No one can do this. The best analysts may be able to guess the correct general trend of price, but it’s impossible to consistently predict specific tops and bottoms. Strategy, consistency and discipline are hallmarks of doing marketing well.

Great marketing builds a solid average price for every bushel grown over the long haul. It focuses on maximizing the separation between the average price received for grain and the final market price in a bear market, and on minimizing the separation between the average price received and the final market price in a bull market (see graph at right).

This concept offers a distinct advantage to an operation. In bear markets, it positions you to expand your operation for the next bull market. Farmers who do not implement any price opportunity or risk management strategies will be selling their production at lower prices. It enables you to be counter cyclical to other grain farmers and able to expand at the right time instead of at high grain prices in front of the next bear market.

What Does Great Marketing Look Like?

Minimize separation between your average price and market price during bull markets

Maximize separation between your average price and market price during bear markets

Traits of progressive farmers.

It’s virtually impossible to run an operation effectively without business relationships. Chances are, you seek counsel from your seed dealer, agronomist, lender, machinery dealer and many others.

Resilient marketers include marketing analysts in their circle of trusted business relationships. Markets have become so uncertain that it’s difficult to run an operation and effectively manage marketing alone.

If you believe your time is better spent managing your farm, your next step may be to hire an expert. If you decide to go this route, find someone you like and enjoy working with. Look for a strategic thinker who prepares you for whatever the market may do and remains accountable.

Stewart-Peterson is a commodity consulting and marketing services firm offering opportunity and risk management services for clients nationwide. Since 1985, we have helped clients develop a strategic, consistent and disciplined approach to farm marketing, preparing them for whatever the market may do.

Are you interested in educational resources for farm marketing? Please visit www.stewart-peterson.com for special reports and more. Or, call us at 800.334.9779.

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This report was written by Stewart-Peterson Senior Market Analyst Bryan Doherty with support from the Stewart-Peterson team. Doherty provides expert counsel to farmers looking to protect commodity prices and take advantage of market opportunities while minimizing future risks. For more than 25 years, he has focused on strategic marketing customized to individual needs. If you have questions for Bryan, please call 800-334-9779 or email at bdoherty@stewart-peterson.com.
STRATEGIES: AN OVERVIEW

When deciding between a handsaw and chainsaw, you choose the tool that will produce the best possible result. Similarly, as you look to either shift risk or add value to your production, there’s an appropriate time and place for each option strategy. The table below provides an overview of 12 important strategies for your toolbox that can have a material impact on your marketing.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Function</th>
<th>Risk</th>
<th>Potential</th>
<th>Mechanics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Call</td>
<td>Grain producers: Retain ownership of sold grain. Feed buyers: establish a price ceiling.</td>
<td>Fixed</td>
<td>Unlimited</td>
<td>Pay Premium</td>
</tr>
<tr>
<td>Short Call</td>
<td>Collect premium: believe market is going lower or willing to be exercised and short futures.</td>
<td>Unlimited</td>
<td>Limited</td>
<td>Collect Premium</td>
</tr>
<tr>
<td>Long Put</td>
<td>Grain producers: Establish a price floor.</td>
<td>Fixed</td>
<td>Unlimited</td>
<td>Pay Premium</td>
</tr>
<tr>
<td>Short Put</td>
<td>Collect premium: believe market is going higher or willing to be exercised and be long futures.</td>
<td>Unlimited</td>
<td>Limited</td>
<td>Collect Premium</td>
</tr>
<tr>
<td>Bull Call Spread</td>
<td>Establish a fixed risk long position. Cost reduction vs. buying a call option. Moderately bullish.</td>
<td>Fixed</td>
<td>Fixed: The difference between strike prices less cost.</td>
<td>Buy a lower strike call option and sell a higher strike call option in the same month for the same commodity.</td>
</tr>
<tr>
<td>Bear Put Spread</td>
<td>Establish a fixed risk short position. Cost reduction vs. buying a put option. Moderately bearish.</td>
<td>Fixed</td>
<td>Fixed: The difference between strike prices less cost.</td>
<td>Buy a higher strike put option and sell a lower strike put option in the same month for the same commodity.</td>
</tr>
<tr>
<td>Fence: long or short</td>
<td>Fence in a range of prices. Grain producers: Establish a price floor with acceptance of hedge at higher level. Feed buyers: Establish a price ceiling with acceptance of hedge at lower level.</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>Short Fence: buy put/sell call. Long Fence: buy call/sell put.</td>
</tr>
<tr>
<td>Long Ratio Call Spread</td>
<td>Establish a long position: (Producers) retain ownership; (Buyers) establish a price ceiling. Goal: Establish a delta that can increase greater than the equivalent of one long call.</td>
<td>Fixed – to a range.</td>
<td>Unlimited</td>
<td>Sell a lower strike price call and buy multiple out-of-the-money calls.</td>
</tr>
<tr>
<td>Long Ratio Put Spread</td>
<td>Establish a short position: (Producers) establish a price floor.</td>
<td>Fixed – to a range.</td>
<td>Unlimited</td>
<td>Sell a higher strike price put and buy multiple out-of-the-money puts.</td>
</tr>
<tr>
<td>Long Strangle</td>
<td>Establish a long position if prices rally or establish a short position if prices drop. Entered when futures price could move substantially from current level.</td>
<td>Fixed</td>
<td>Unlimited</td>
<td>Buy out-of-the-money call and put.</td>
</tr>
<tr>
<td>Short Strangle</td>
<td>Collect premium: Expect underlying futures prices to remain between strike prices at option expiration. Willing to accept long position at lower futures price and short position at higher futures price.</td>
<td>Unlimited</td>
<td>Fixed</td>
<td>Sell out-of-the-money put and call.</td>
</tr>
</tbody>
</table>