



Fuel Hedging – Sunrise Cooperative

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OTC Division

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StoneX Overview



Corporate Overview

- **Serving more than 20,000 accounts.**
- **In more than 130 countries.**
- **Through a network of more than 3100 professionals.**
- **Across 91 offices around the world.**



Customers/Markets We Serve

Agriculture



Precious Metals



Energy



Base Metals



Softs



Food Service



Cotton/Textiles



Forest Products



Renewable Fuels



Merchant Services



Dairy



Livestock



Foreign Exchange



International Securities





Direct Access to Markets

- CBOE Futures Exchange
- Chicago Mercantile Exchange
- Chicago Board of Trade
- COMEX
- Eurex
- Euronext.Amsterdam
- Euronext.Paris
- Intercontinental Exchanges— US, Canada and United Kingdom
- London Metal Exchange
- Mercado de Valores de Buenos Aires S.A. (Merval)
- Mexican Derivatives Exchange
- Minneapolis Board of Trade
- Nasdaq
- NYSE Arca
- New York Mercantile Exchange
- New Zealand Exchange



Hedging

Hedging is a generally accepted business practice.



Hedging

A hedge is a temporary transaction to protect you from adverse price moves until you make the real transaction.



Reasons for Hedging your Fuel Use

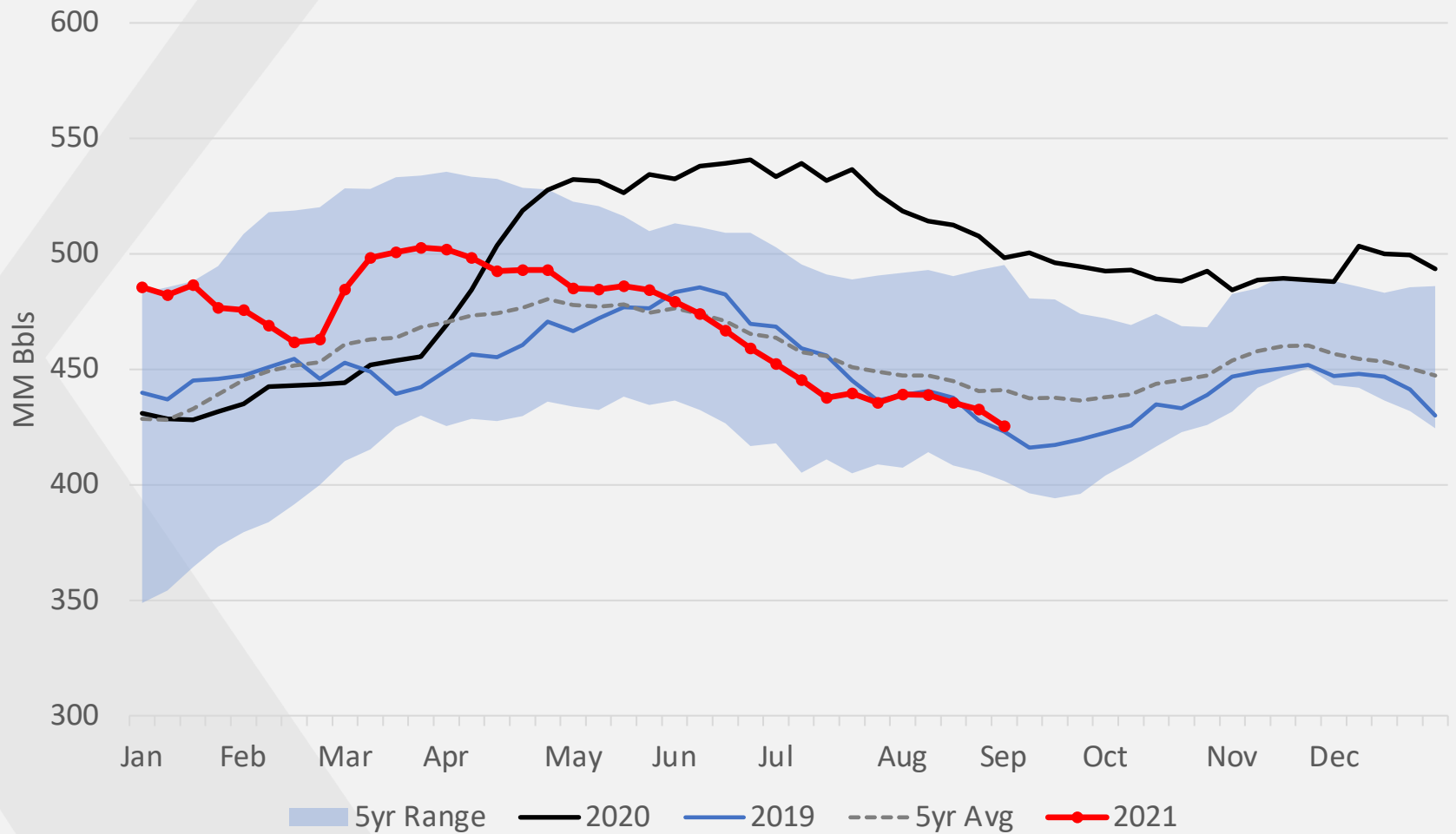
- Budgeting tool
 - Basis protection (Chi ULSD/CBOB Swaps)
- Better supply security
- Flexibility



Energy Market Overview

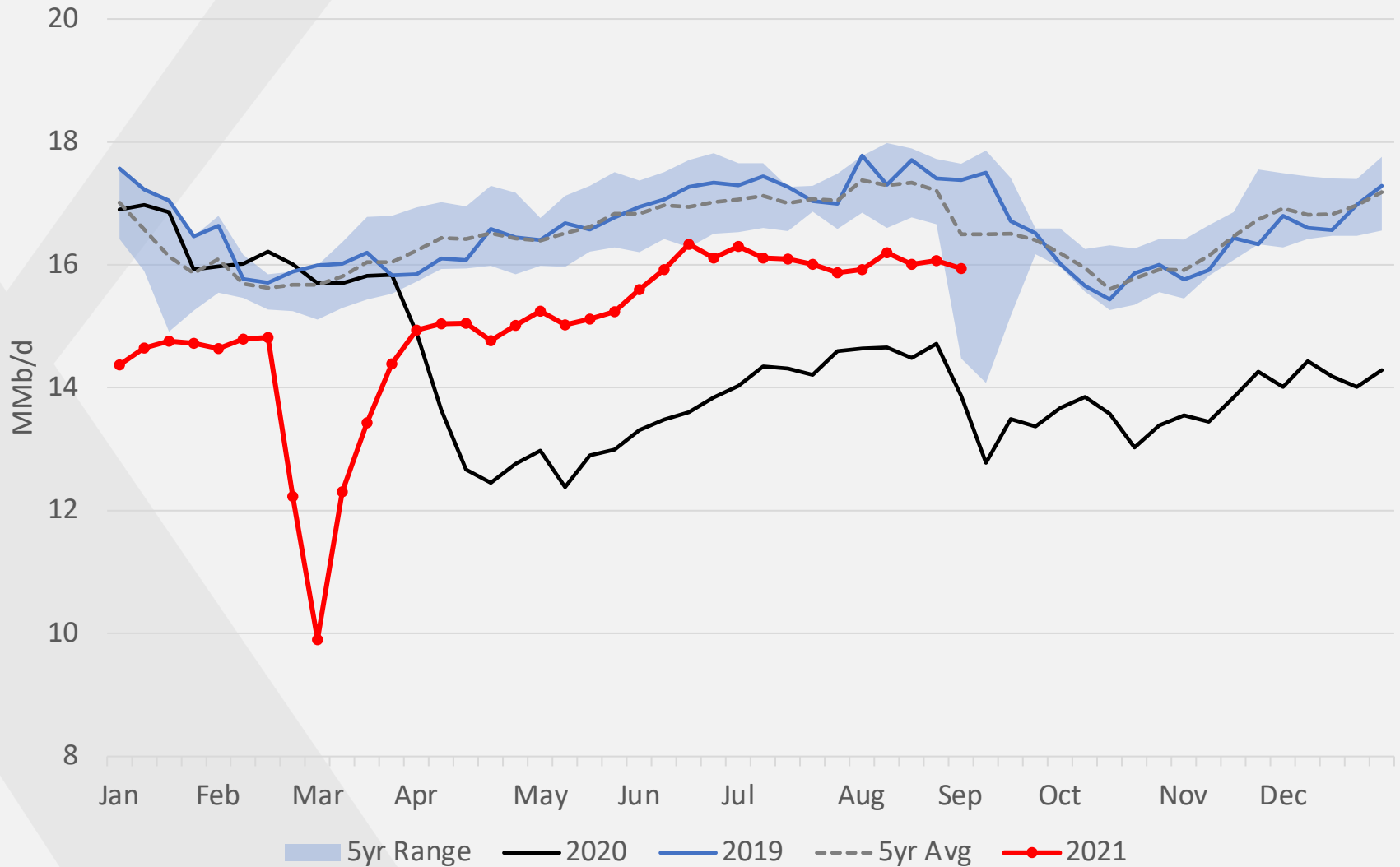


Commercial Crude Stocks



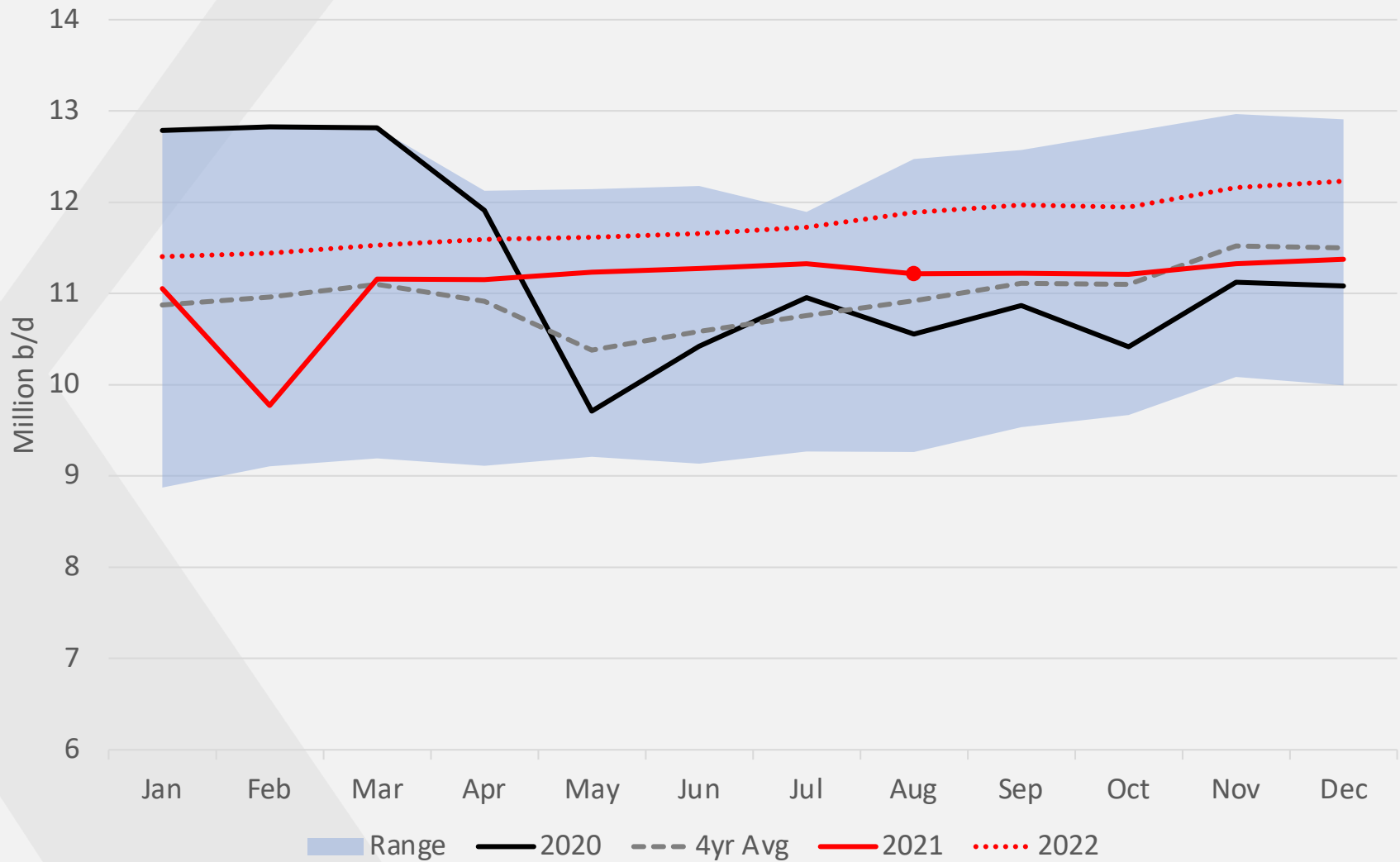


U.S. Refiner Net Input of Crude Oil, Weekly



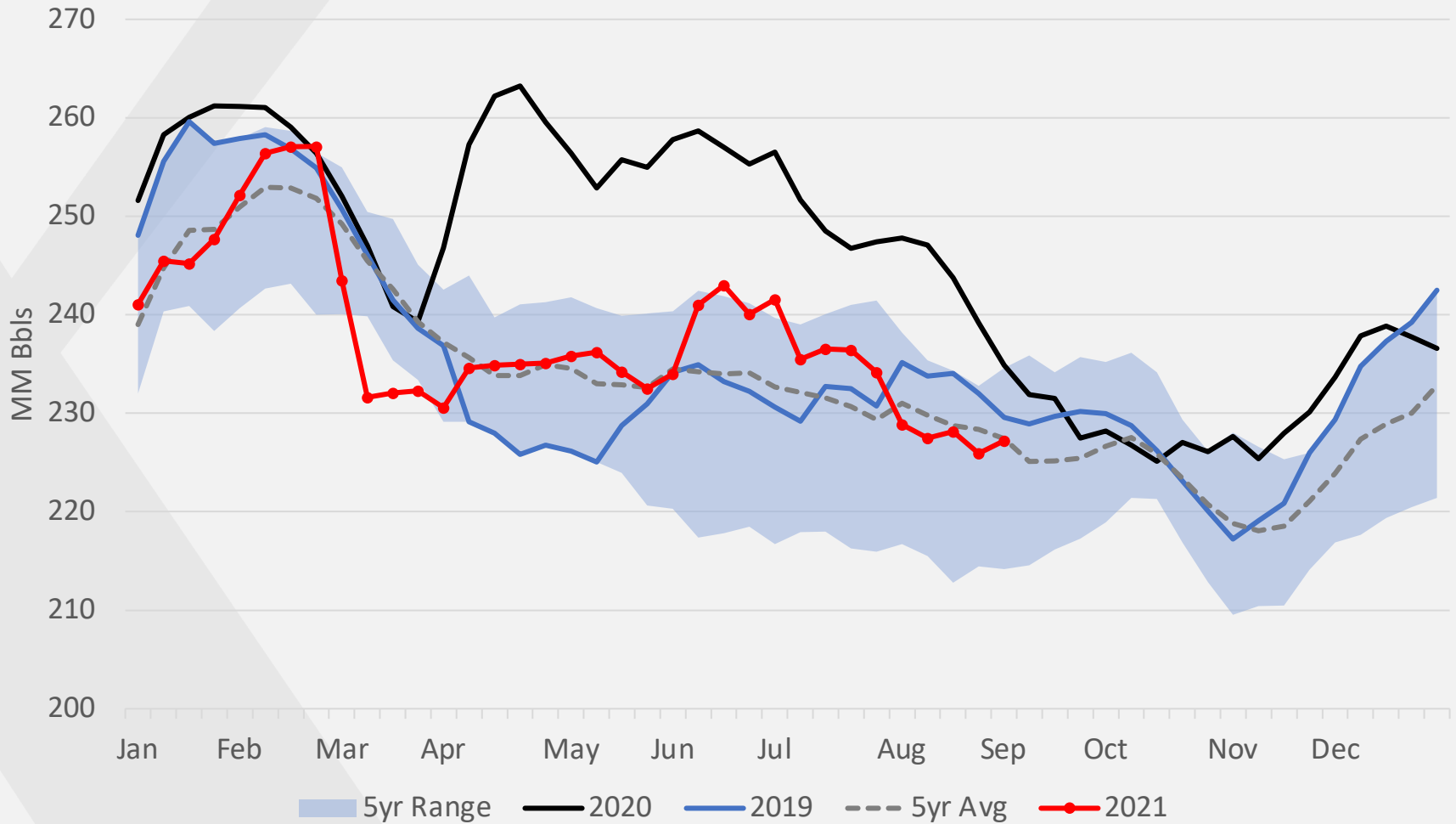


Crude Oil Production (a)



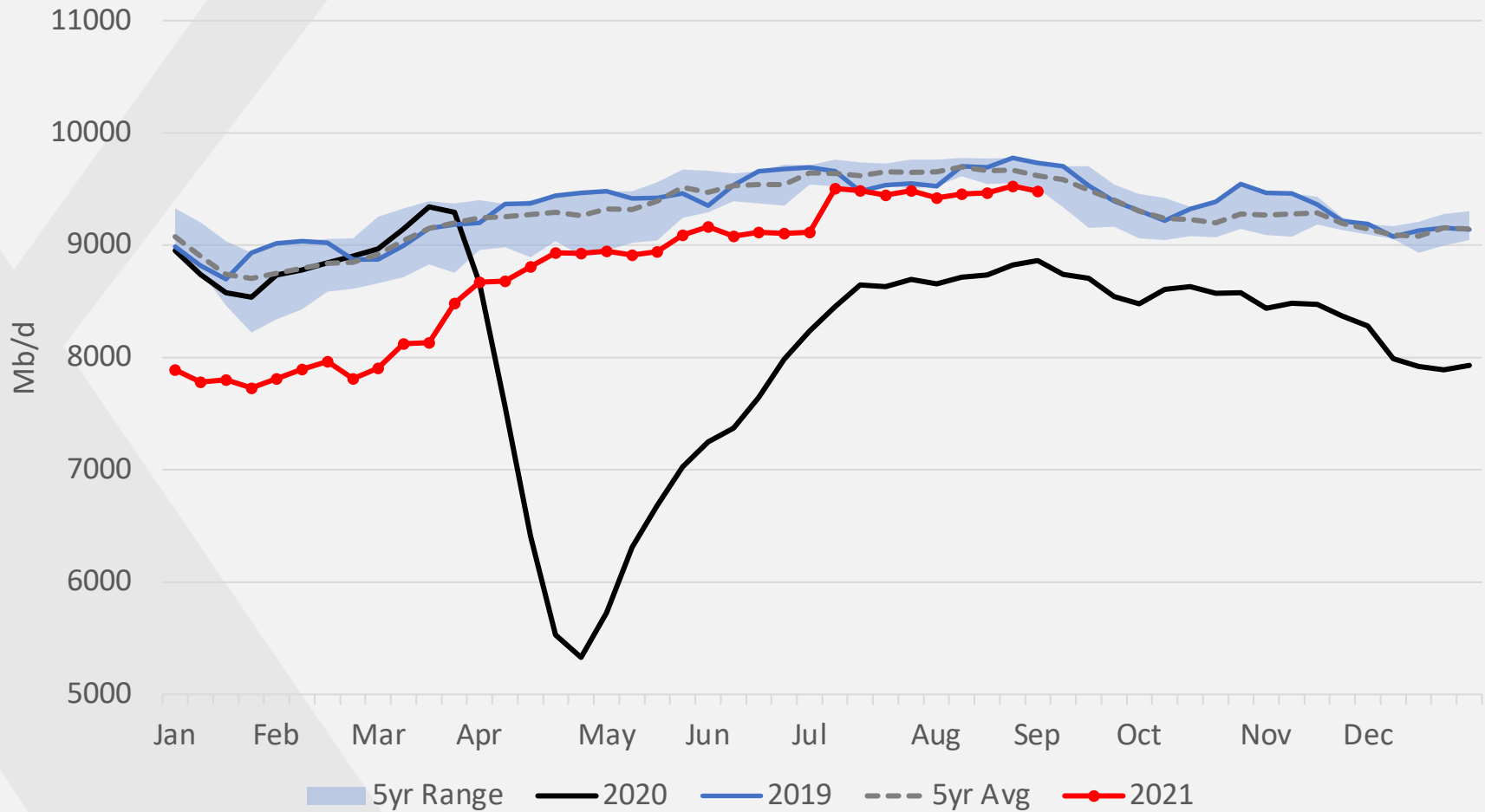


U.S. Ending Stocks of Total Gasoline, Weekly



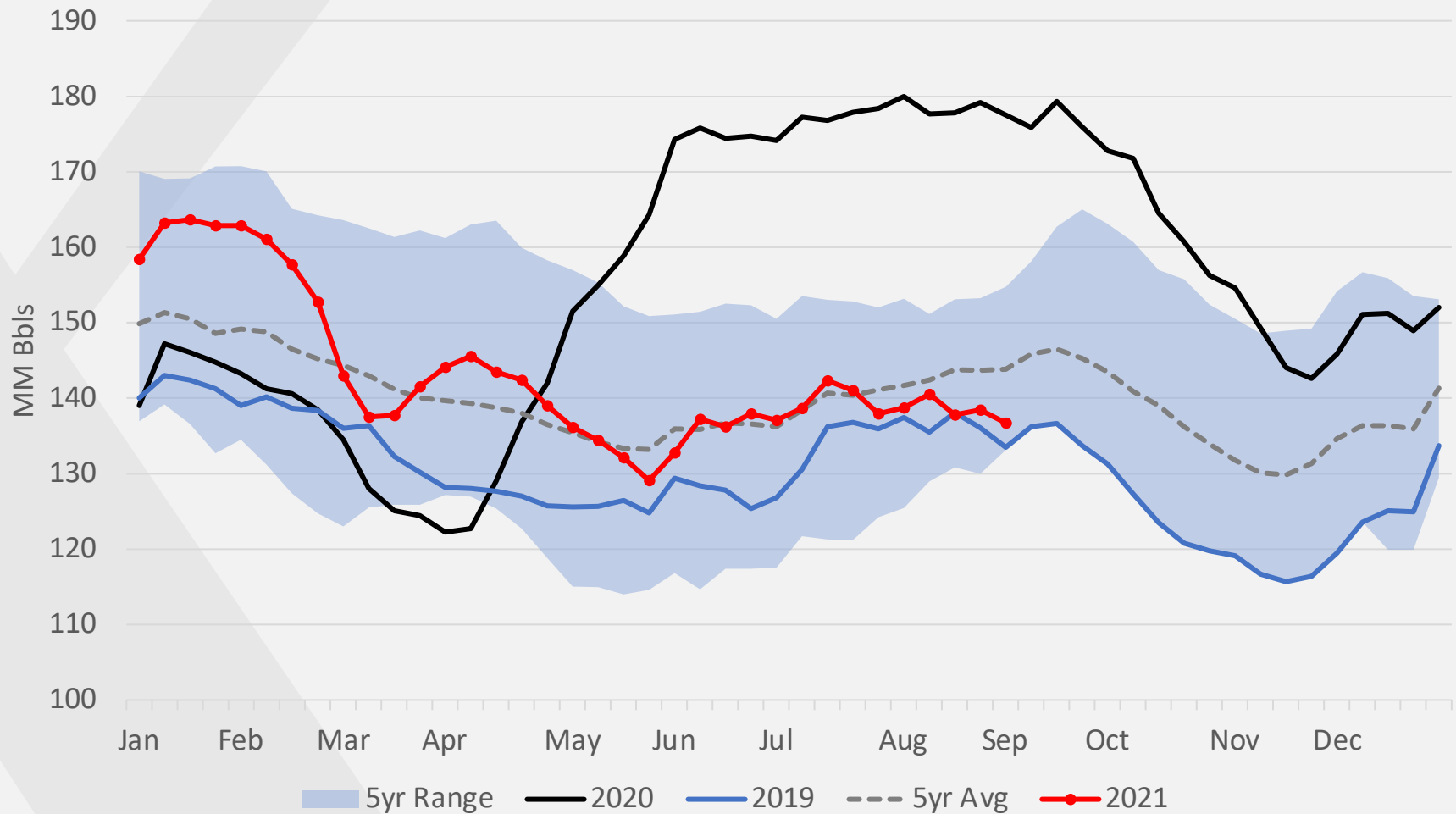


Motor Gasoline Domestic Demand, 4wk Avg



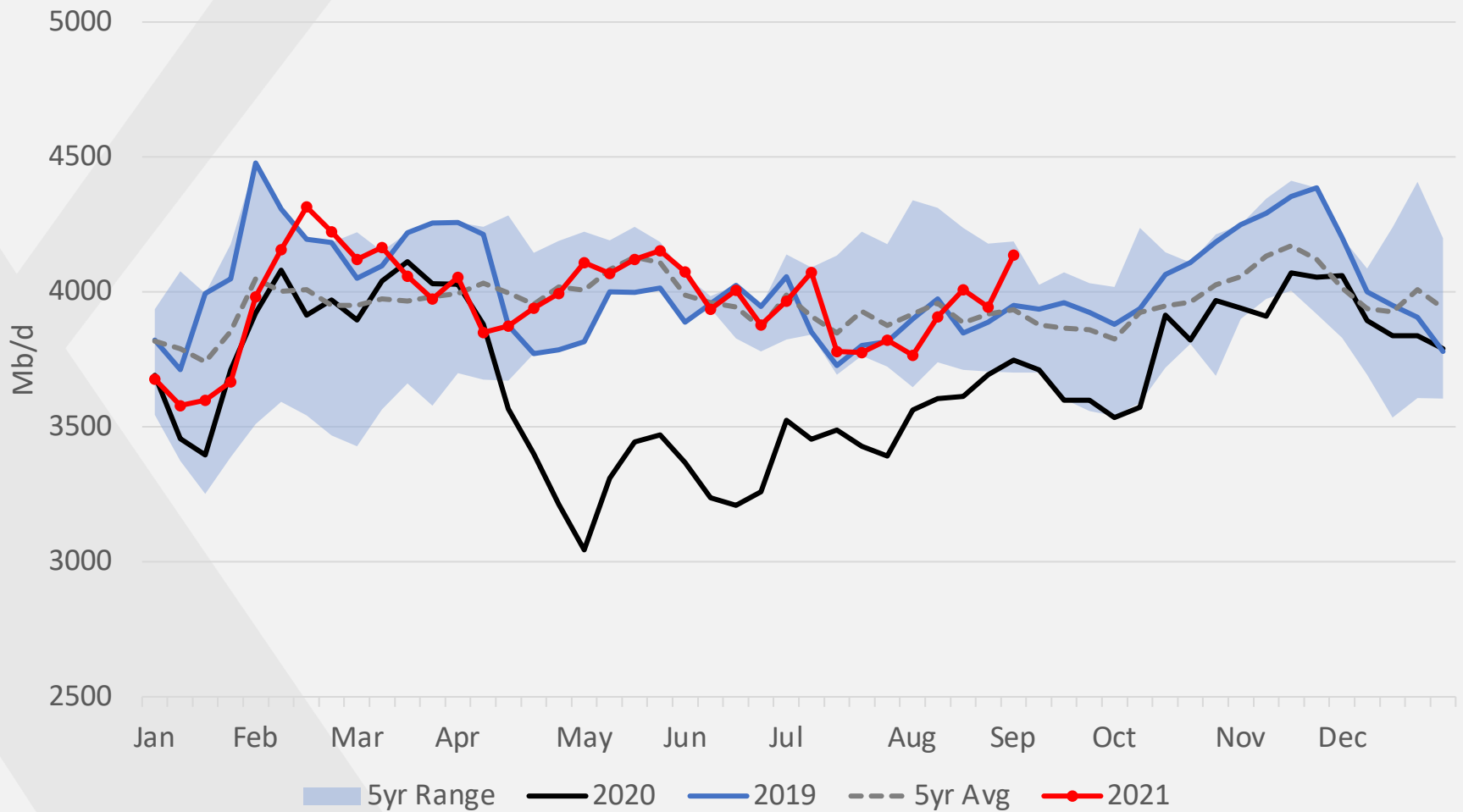


U.S. Ending Stocks of Distillate Fuel Oil, Weekly



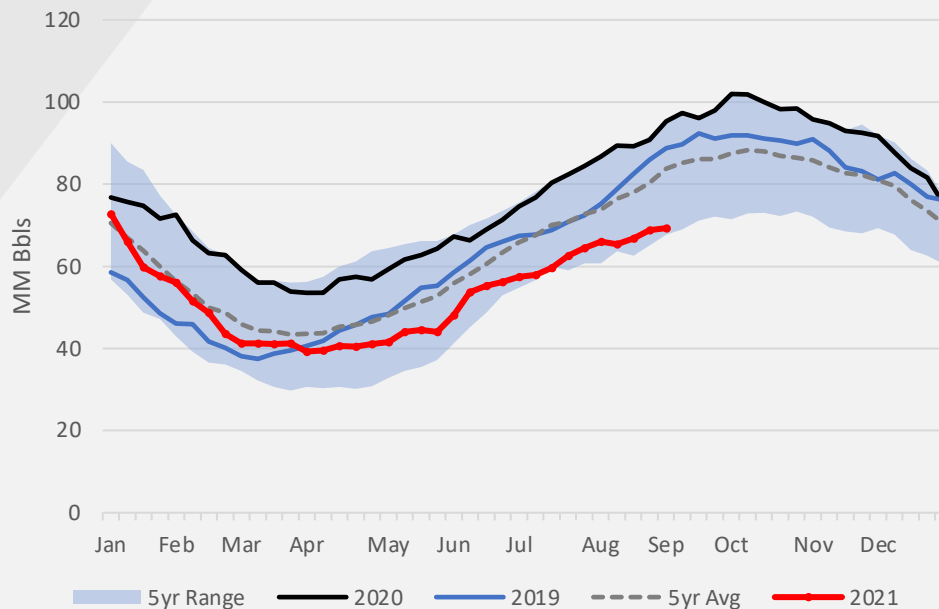


Distillates Domestic Demand, 4wk Avg



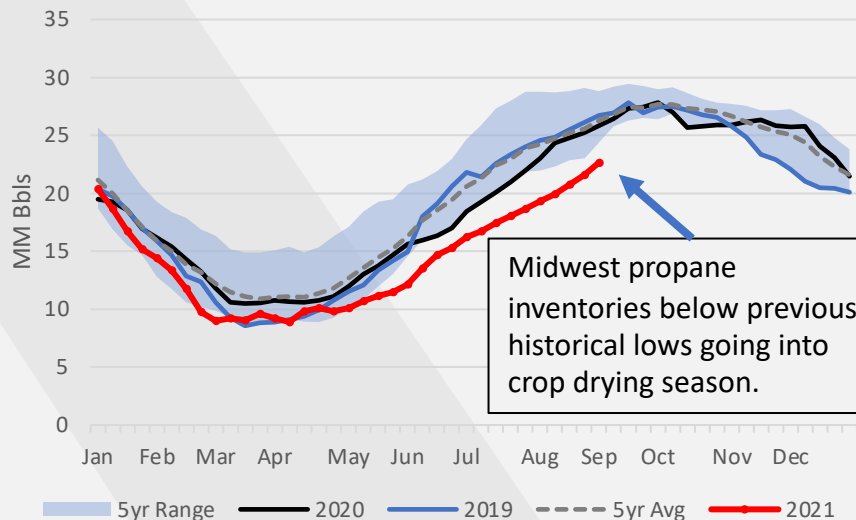


U.S. Propane Inventories



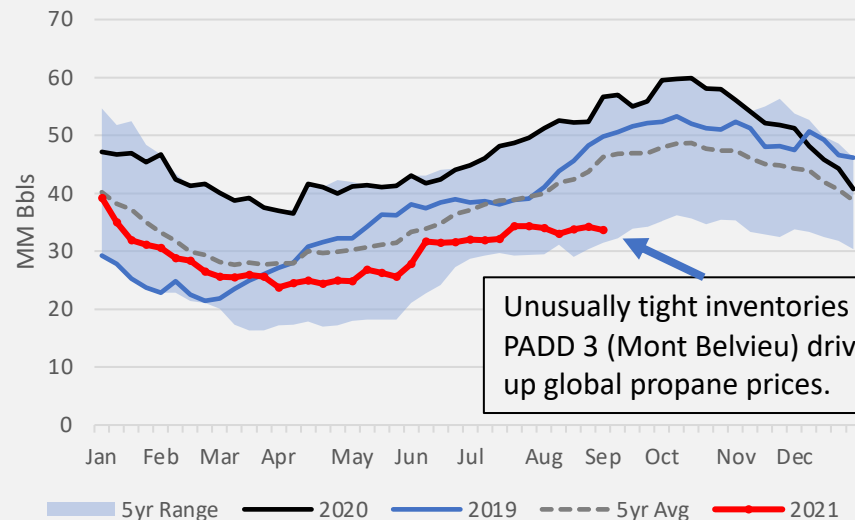
Total U.S. propane inventories are at seasonal lows with little time left for builds before demand picks up.

Midwest Propane Inventories



Midwest propane inventories below previous historical lows going into crop drying season.

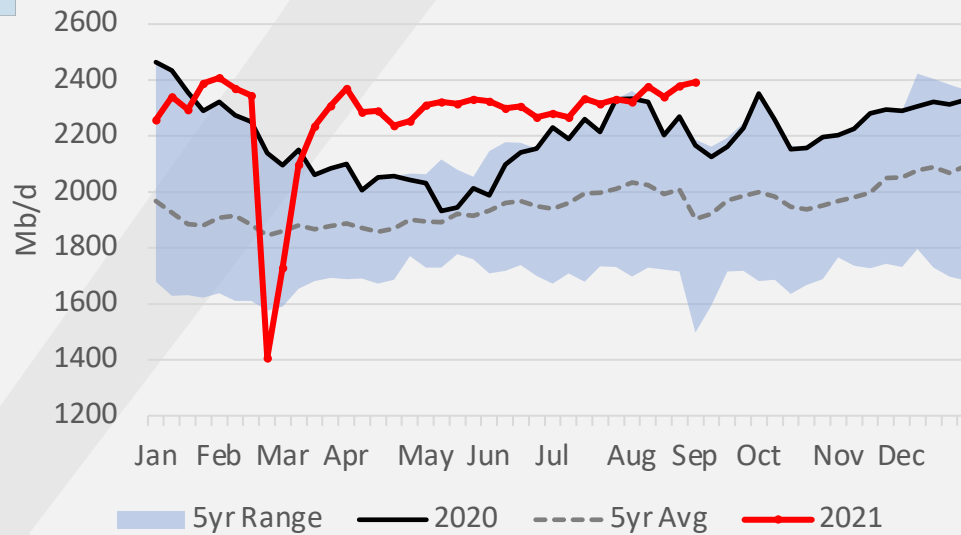
Gulf Coast Propane Inventories



Unusually tight inventories in PADD 3 (Mont Belvieu) driving up global propane prices.

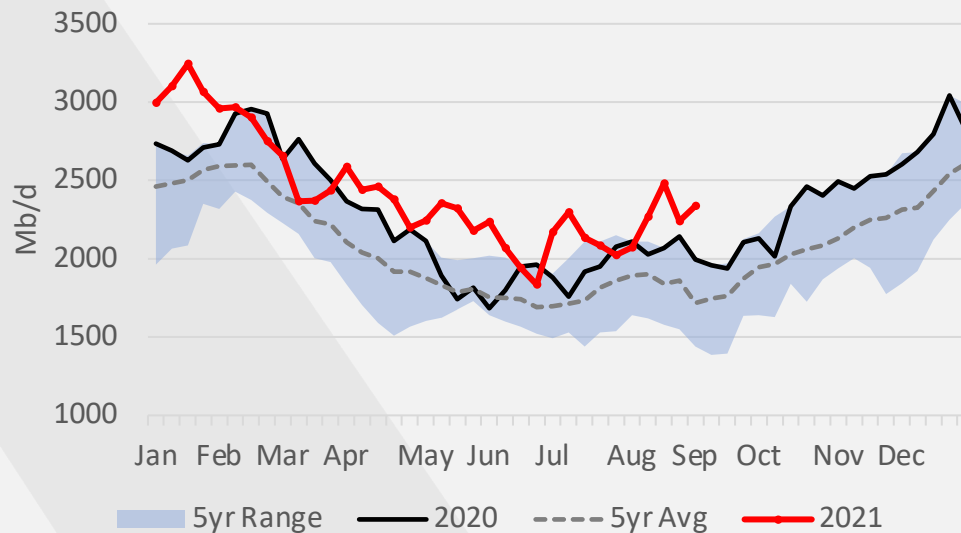


U.S. Propane/Propylene Production



YTD production up 4.5% year/year with growth slowing.

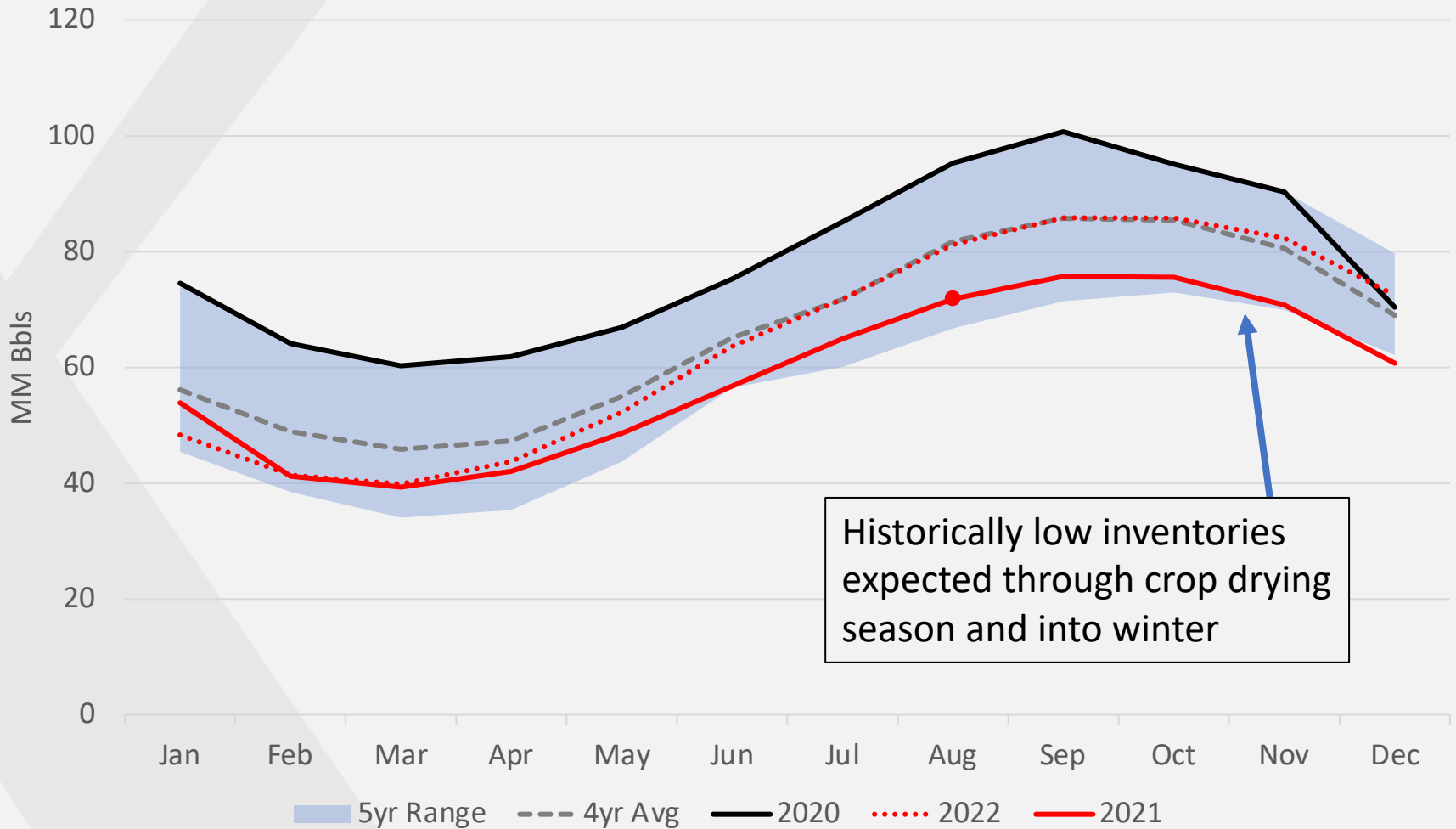
Propane Total Demand, 4wk Avg



YTD total demand is up 8% y/y.
Exports: +9%
Domestic Demand: +7%

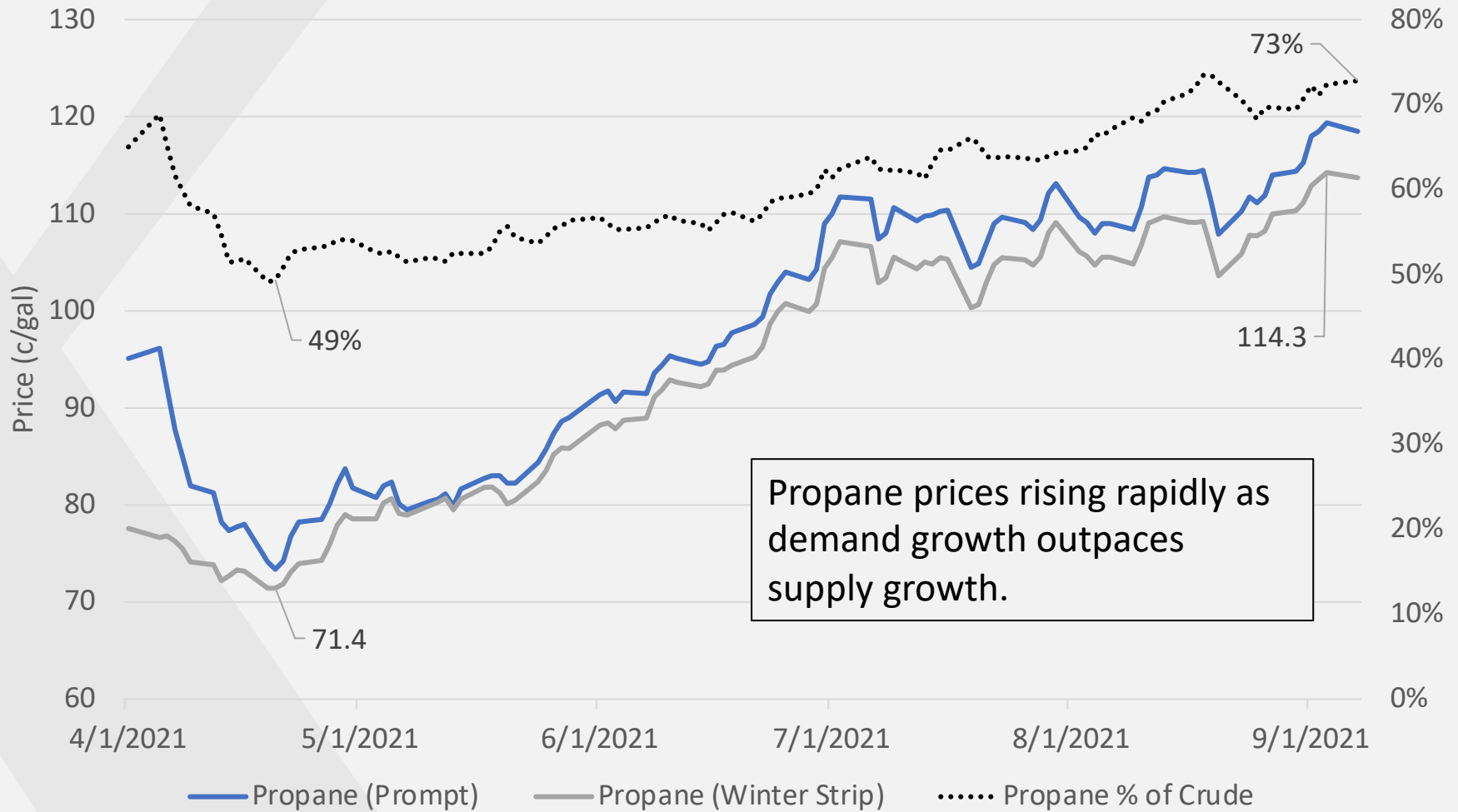


Propane Inventory Forecast





Propane Historical Pricing





Forecast of potential market movers

- COVID-19 variants: Delta, others
- 18+ months of limited investment in upstream sector
- Lower production, slower growth ahead for U.S. producers
- OPEC+ growing its share of global production
- Pipeline shutdowns, cybersecurity concerns
- Hurricanes, other natural disasters
- Sanctions on Iran & Venezuela



Hedging Benefits

- Budgeting tool
 - Basis protection (Chi ULSD/CBOB Swaps)
- Better supply security
- Flexibility



Strategies



Strategy 1: Fixed Forward Contracts – Market at \$1.90

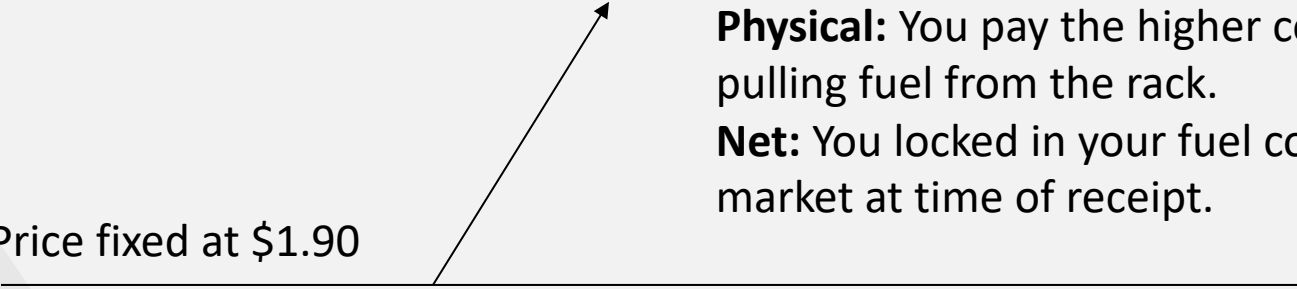
Market at \$1.90

* Educational example only, does not include commissions and fees



Strategy 1: Fixed Forward Contracts – Market Higher

Price fixed at \$1.90



Financial: You receive the difference between where the market is and what you initially locked in your fuel cost.

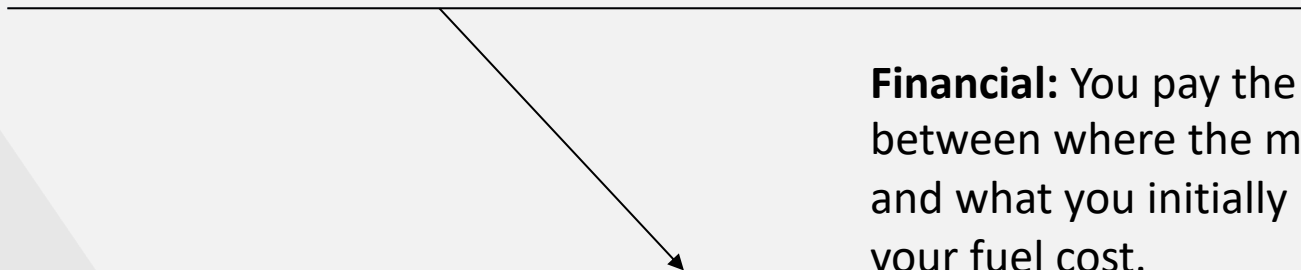
Physical: You pay the higher cost when pulling fuel from the rack.

Net: You locked in your fuel cost below market at time of receipt.



Strategy 1: Fixed Forward Contracts – Market Lower

Price fixed at \$1.90



Financial: You pay the difference between where the market is and what you initially locked in your fuel cost.

Physical: You pay the lower cost when pulling fuel from the rack.

Net: You locked in your fuel cost above market at time of receipt.



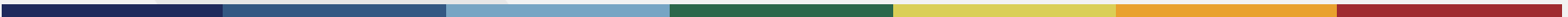
Strategy 1: Fixed Forward

Pros

- If market prices rise, you've locked in your fuel cost.
- You can protect yourself against rising basis (asymmetric risk to the upside)
- You can lock in fuel cost for a variety of physical purchase agreements (Euro, Asian, etc.)
- You can easily enter and exit swap agreements for up to 2 years out.

Cons

- If market prices decline, you've locked in your fuel cost.

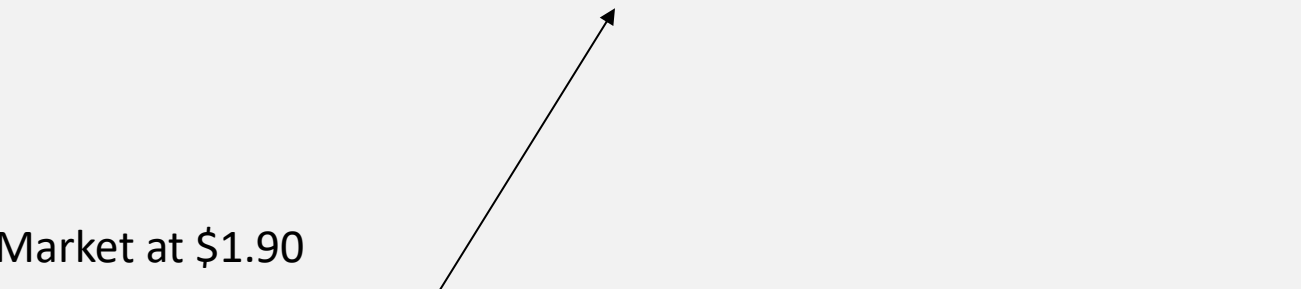




Strategy 2: Max Price Contract – Market at \$1.90

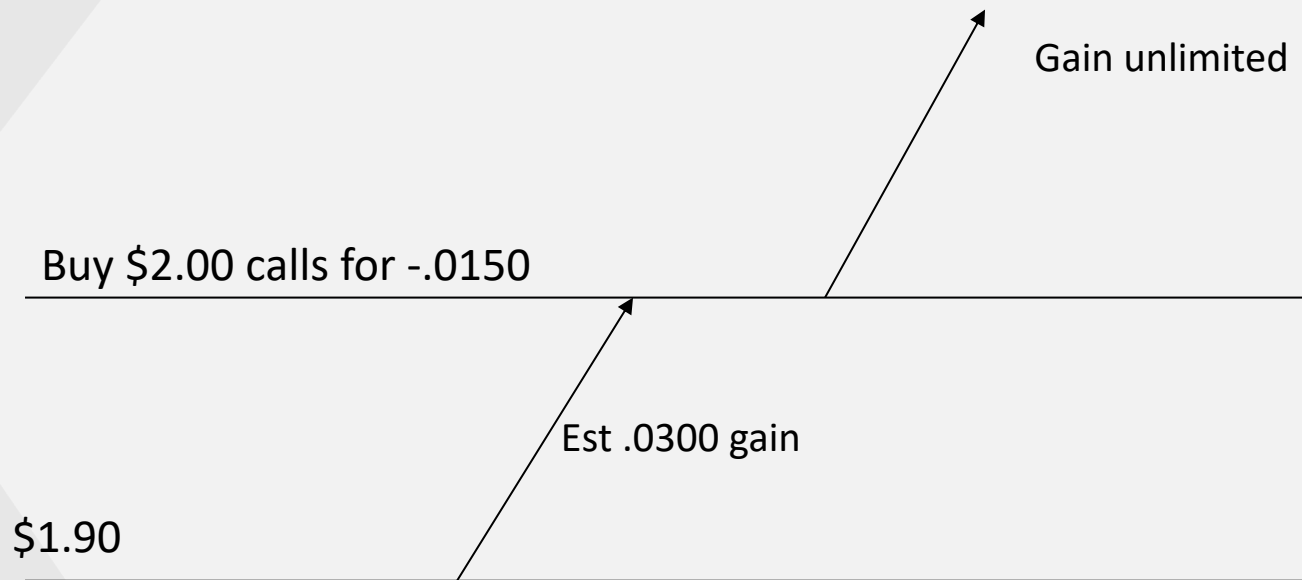
Buy \$2.00 10 cent out of the money calls for -.0150

Market at \$1.90





Strategy 2: Market Higher



* Educational example only, does not include commissions and fees




Strategy 2: Market Lower

Buy \$2.00 calls for $-.0150$

\$1.90

Maximum loss is $-.0150$
premium paid



* Educational example only, does not include commissions and fees



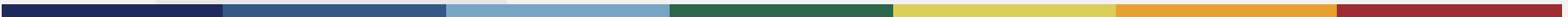
Strategy 2: Max Price Contract

Pros

- If market prices rise, you gain on call option and have locked in the maximum price for your fuel cost.
- If market prices fall, you benefit from lower fuel costs.
- You can easily enter and exit options up to two years out, but we recommend shorter term protection.

Cons

- You pay initial option premium.





Questions?



Conclusion – Fuel Hedging

- Budgeting tool
 - Basis protection (Chi ULSD/CBOB Swaps)
- Better supply security
- Flexibility



Contact Info

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Thank You

