



Forward Contract Compared to Put Option Opportunity

Today's Date **3/26/2012**

Forward Contract Opportunity

December Futures Price	\$ 5.59
Today's Basis - fall del.	\$ (0.60)
Today's Forward Contract Price	\$ 4.99

2012 New Crop Corn

Basis varies from -.50 to -.65 in Southern MN

Put Option Opportunity Using	Dec 12		Corn Put Options		Expiration Nov 23			
Strike Price	\$ 5.80	\$ 5.70	\$ 5.60	\$ 5.50	\$ 5.40	\$ 5.30	\$ 5.20	\$ 5.20
Less Premium Cost	\$ (0.64)	\$ (0.57)	\$ (0.52)	\$ (0.46)	\$ (0.41)	\$ (0.36)	\$ (0.32)	\$ (0.32)
Less Transaction Cost	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Futures Floor	\$ 5.15	\$ 5.12	\$ 5.07	\$ 5.03	\$ 4.98	\$ 4.93	\$ 4.87	\$ 4.87
Less Expected Basis	\$ (0.65)	\$ (0.65)	\$ (0.65)	\$ (0.65)	\$ (0.65)	\$ (0.65)	\$ (0.65)	\$ (0.65)
Expected Minimum Cash Price	\$ 4.50	\$ 4.47	\$ 4.42	\$ 4.38	\$ 4.33	\$ 4.28	\$ 4.22	\$ 4.22

Revenue Per Acre Protected								
Yield Estimate of 185 bu/ac	\$833	\$827	\$818	\$810	\$801	\$792	\$781	\$781

Futures "Trade off point" above this point the put strategy nets more than the forward sale

	\$ 6.23	\$ 6.16	\$ 6.11	\$ 6.05	\$ 6.00	\$ 5.95	\$ 5.91
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Outcomes over a range of futures prices

Range of Prices	Expected Cash Prices at Various Futures Prices							
\$8.50	\$7.20	\$7.27	\$7.32	\$7.38	\$7.43	\$7.48	\$7.52	
\$8.25	\$6.95	\$7.02	\$7.07	\$7.13	\$7.18	\$7.23	\$7.27	
\$8.00	\$6.70	\$6.77	\$6.82	\$6.88	\$6.93	\$6.98	\$7.02	
\$7.75	\$6.45	\$6.52	\$6.57	\$6.63	\$6.68	\$6.73	\$6.77	
\$7.50	\$6.20	\$6.27	\$6.32	\$6.38	\$6.43	\$6.48	\$6.52	
\$7.25	\$5.95	\$6.02	\$6.07	\$6.13	\$6.18	\$6.23	\$6.27	
\$7.00	\$5.70	\$5.77	\$5.82	\$5.88	\$5.93	\$5.98	\$6.02	
\$6.75	\$5.45	\$5.52	\$5.57	\$5.63	\$5.68	\$5.73	\$5.77	
\$6.50	\$5.20	\$5.27	\$5.32	\$5.38	\$5.43	\$5.48	\$5.52	
\$6.25	\$4.95	\$5.02	\$5.07	\$5.13	\$5.18	\$5.23	\$5.27	
\$6.00	\$4.70	\$4.77	\$4.82	\$4.88	\$4.93	\$4.98	\$5.02	
\$5.75	\$4.45	\$4.52	\$4.57	\$4.63	\$4.68	\$4.73	\$4.77	
\$5.50	\$4.50	\$4.47	\$4.42	\$4.38	\$4.43	\$4.48	\$4.52	
\$5.25	\$4.50	\$4.47	\$4.42	\$4.38	\$4.33	\$4.28	\$4.27	
\$5.00	\$4.50	\$4.47	\$4.42	\$4.38	\$4.33	\$4.28	\$4.22	
\$4.75	\$4.50	\$4.47	\$4.42	\$4.38	\$4.33	\$4.28	\$4.22	
\$4.50	\$4.50	\$4.47	\$4.42	\$4.38	\$4.33	\$4.28	\$4.22	

2012 Corn - Example	Revenue Insurance floor			\$5.68 base price	
Coverage Election	65%	70%	75%	80%	85%
Futures Equivalent Price	\$ 3.69	\$ 3.98	\$ 4.26	\$ 4.54	\$ 4.83
Basis	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)
Cash Equivalent	\$ 3.09	\$ 3.38	\$ 3.66	\$ 3.94	\$ 4.23

Assumes producing a crop that yields equal to your crop insurance APH

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