



Forward Contract Compared to Put Option Opportunity

Today's Date **2/3/2012**

Forward Contract Opportunity

December Futures Price	\$ 5.81
Today's Basis - fall del.	\$ (0.65)
Today's Forward Contract Price	\$ 5.16

2011 New Crop Corn

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

Put Option Opportunity Using	Dec 11	Corn Put Options		Expiration Nov 25			
Strike Price	\$ 6.00	\$ 5.80	\$ 5.70	\$ 5.60	\$ 5.50	\$ 5.40	\$ 5.30
Less Premium Cost	\$ (0.70)	\$ (0.58)	\$ (0.53)	\$ (0.48)	\$ (0.43)	\$ (0.38)	\$ (0.34)
Less Transaction Cost	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Futures Floor	\$ 5.29	\$ 5.21	\$ 5.16	\$ 5.11	\$ 5.06	\$ 5.01	\$ 4.95
Less Expected Basis	\$ (0.65)	\$ (0.65)	\$ (0.65)	\$ (0.65)	\$ (0.65)	\$ (0.65)	\$ (0.65)
Expected Minimum Cash Price	\$ 4.64	\$ 4.56	\$ 4.51	\$ 4.46	\$ 4.41	\$ 4.36	\$ 4.30

Revenue Per Acre Protected							
Yield Estimate of 185 bu/ac	\$858	\$844	\$834	\$825	\$816	\$807	\$796

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

\$ 6.51	\$ 6.39	\$ 6.34	\$ 6.29	\$ 6.24	\$ 6.19	\$ 6.15
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Outcomes over a range of futures prices

Range of Prices	Expected Cash Prices at Various Futures Prices						
\$8.50	\$7.14	\$7.26	\$7.31	\$7.36	\$7.41	\$7.46	\$7.50
\$8.25	\$6.89	\$7.01	\$7.06	\$7.11	\$7.16	\$7.21	\$7.25
\$8.00	\$6.64	\$6.76	\$6.81	\$6.86	\$6.91	\$6.96	\$7.00
\$7.75	\$6.39	\$6.51	\$6.56	\$6.61	\$6.66	\$6.71	\$6.75
\$7.50	\$6.14	\$6.26	\$6.31	\$6.36	\$6.41	\$6.46	\$6.50
\$7.25	\$5.89	\$6.01	\$6.06	\$6.11	\$6.16	\$6.21	\$6.25
\$7.00	\$5.64	\$5.76	\$5.81	\$5.86	\$5.91	\$5.96	\$6.00
\$6.75	\$5.39	\$5.51	\$5.56	\$5.61	\$5.66	\$5.71	\$5.75
\$6.50	\$5.14	\$5.26	\$5.31	\$5.36	\$5.41	\$5.46	\$5.50
\$6.25	\$4.89	\$5.01	\$5.06	\$5.11	\$5.16	\$5.21	\$5.25
\$6.00	\$4.64	\$4.76	\$4.81	\$4.86	\$4.91	\$4.96	\$5.00
\$5.75	\$4.64	\$4.56	\$4.56	\$4.61	\$4.66	\$4.71	\$4.75
\$5.50	\$4.64	\$4.56	\$4.51	\$4.46	\$4.41	\$4.46	\$4.50
\$5.25	\$4.64	\$4.56	\$4.51	\$4.46	\$4.41	\$4.36	\$4.30
\$5.00	\$4.64	\$4.56	\$4.51	\$4.46	\$4.41	\$4.36	\$4.30
\$4.75	\$4.64	\$4.56	\$4.51	\$4.46	\$4.41	\$4.36	\$4.30
\$4.50	\$4.64	\$4.56	\$4.51	\$4.46	\$4.41	\$4.36	\$4.30

2012 Corn - Example	Revenue Insurance floor			\$6.00 example projected price	
Coverage Election	65%	70%	75%	80%	85%
Futures Equivalent Price	\$ 3.90	\$ 4.20	\$ 4.50	\$ 4.80	\$ 5.10
Basis	\$ (0.65)	\$ (0.65)	\$ (0.65)	\$ (0.65)	\$ (0.65)
Cash Equivalent	\$ 3.25	\$ 3.55	\$ 3.85	\$ 4.15	\$ 4.45

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

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