



Forward Contract Compared to Put Option Opportunity

Today's Date **02/03/12**

Forward Contract Opportunity

September Minn Wheat	\$ 7.94
Today's Basis - fall del.	\$ (0.50)
Today's Forward Contract Price	\$ 7.44

2011 New Crop Spring Wheat

Basis varies from -.30 to -.50 in Southern MN

Minneapolis Grain Exchange

Put Option Opportunity Using Dec 11 Mpls Wheat Put Options Expire Nov 25

	\$8.00	\$7.90	\$7.80	\$7.70	\$7.60	\$7.50	\$7.40
Strike Price	\$8.00	\$7.90	\$7.80	\$7.70	\$7.60	\$7.50	\$7.40
Less Premium Cost	\$ (0.82)	\$ (0.77)	\$ (0.70)	\$ (0.64)	\$ (0.59)	\$ (0.52)	\$ (0.48)
Less Transaction Cost	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Futures Floor	\$ 7.17	\$ 7.12	\$ 7.09	\$ 7.05	\$ 7.00	\$ 6.97	\$ 6.91
Less Expected Basis	\$ (0.50)	\$ (0.50)	\$ (0.50)	\$ (0.50)	\$ (0.50)	\$ (0.50)	\$ (0.50)
Expected Minimum Cash Price	\$ 6.67	\$ 6.62	\$ 6.59	\$ 6.55	\$ 6.50	\$ 6.47	\$ 6.41

Revenue Per Acre Protected

Yield Estimate of 50 bu/ac	\$333.50	\$331.00	\$329.50	\$327.50	\$325.00	\$323.50	\$320.50
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Futures "Trade off point" above this point the put strategy nets more than the forward sale

	\$ 8.76	\$ 8.71	\$ 8.64	\$ 8.58	\$ 8.53	\$ 8.46	\$ 8.42
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Outcomes over a range of futures prices

Range of Prices	Expected Cash Prices at Various Futures Prices						
\$11.00	\$9.67	\$9.72	\$9.79	\$9.85	\$9.90	\$9.97	\$10.01
\$10.75	\$9.42	\$9.47	\$9.54	\$9.60	\$9.65	\$9.72	\$9.76
\$10.50	\$9.17	\$9.22	\$9.29	\$9.35	\$9.40	\$9.47	\$9.51
\$10.25	\$8.92	\$8.97	\$9.04	\$9.10	\$9.15	\$9.22	\$9.26
\$10.00	\$8.67	\$8.72	\$8.79	\$8.85	\$8.90	\$8.97	\$9.01
\$9.75	\$8.42	\$8.47	\$8.54	\$8.60	\$8.65	\$8.72	\$8.76
\$9.50	\$8.17	\$8.22	\$8.29	\$8.35	\$8.40	\$8.47	\$8.51
\$9.25	\$7.92	\$7.97	\$8.04	\$8.10	\$8.15	\$8.22	\$8.26
\$9.00	\$7.67	\$7.72	\$7.79	\$7.85	\$7.90	\$7.97	\$8.01
\$8.75	\$7.42	\$7.47	\$7.54	\$7.60	\$7.65	\$7.72	\$7.76
\$8.50	\$7.17	\$7.22	\$7.29	\$7.35	\$7.40	\$7.47	\$7.51
\$8.25	\$6.92	\$6.97	\$7.04	\$7.10	\$7.15	\$7.22	\$7.26
\$8.00	\$6.67	\$6.72	\$6.79	\$6.85	\$6.90	\$6.97	\$7.01
\$7.75	\$6.67	\$6.62	\$6.59	\$6.60	\$6.65	\$6.72	\$6.76
\$7.50	\$6.67	\$6.62	\$6.59	\$6.55	\$6.50	\$6.47	\$6.51
\$7.25	\$6.67	\$6.62	\$6.59	\$6.55	\$6.50	\$6.47	\$6.41
\$7.00	\$6.67	\$6.62	\$6.59	\$6.55	\$6.50	\$6.47	\$6.41
\$6.75	\$6.67	\$6.62	\$6.59	\$6.55	\$6.50	\$6.47	\$6.41

2012 Hard Red Spring Wheat

Revenue Insurance floor

\$8.00 example projected price

Coverage Election	65%	70%	75%	80%	85%
Futures Price	\$ 5.20	\$ 5.60	\$ 6.00	\$ 6.40	\$ 6.80
Basis	\$ (0.50)	\$ (0.50)	\$ (0.50)	\$ (0.50)	\$ (0.50)
Cash Equivalent	\$ 4.70	\$ 5.10	\$ 5.50	\$ 5.90	\$ 6.30

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

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