



Forward Contract Compared to Put Option Opportunity

Today's Date **03/26/12**

Forward Contract Opportunity

September Minn Wheat	\$ 8.28
Today's Basis - fall del.	\$ (0.50)
Today's Forward Contract Price	\$ 7.78

2012 New Crop Spring Wheat

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

Minneapolis Grain Exchange

Put Option Opportunity Using Dec 12 Mpls Wheat Put Options Expire Nov 23

Strike Price	\$8.20	\$8.00	\$7.90	\$7.80	\$7.70	\$7.60	\$7.50
Less Premium Cost	\$ (0.82)	\$ (0.69)	\$ (0.64)	\$ (0.57)	\$ (0.52)	\$ (0.47)	\$ (0.42)
Less Transaction Cost	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Futures Floor	\$ 7.37	\$ 7.30	\$ 7.25	\$ 7.22	\$ 7.17	\$ 7.12	\$ 7.07
Less Expected Basis	\$ (0.50)	\$ (0.50)	\$ (0.50)	\$ (0.50)	\$ (0.50)	\$ (0.50)	\$ (0.50)
Expected Minimum Cash Price	\$ 6.87	\$ 6.80	\$ 6.75	\$ 6.72	\$ 6.67	\$ 6.62	\$ 6.57

Revenue Per Acre Protected

Yield Estimate of 50 bu/ac	\$343.50	\$340.00	\$337.50	\$336.00	\$333.50	\$331.00	\$328.50
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Futures "Trade off point" above this point the put strategy nets more than the forward sale

	\$ 9.10	\$ 8.97	\$ 8.92	\$ 8.85	\$ 8.80	\$ 8.75	\$ 8.70
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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	\$9.80	\$9.85	\$9.92	\$9.97	\$10.02	\$10.07
\$10.75	\$9.42	\$9.55	\$9.60	\$9.67	\$9.72	\$9.77	\$9.82
\$10.50	\$9.17	\$9.30	\$9.35	\$9.42	\$9.47	\$9.52	\$9.57
\$10.25	\$8.92	\$9.05	\$9.10	\$9.17	\$9.22	\$9.27	\$9.32
\$10.00	\$8.67	\$8.80	\$8.85	\$8.92	\$8.97	\$9.02	\$9.07
\$9.75	\$8.42	\$8.55	\$8.60	\$8.67	\$8.72	\$8.77	\$8.82
\$9.50	\$8.17	\$8.30	\$8.35	\$8.42	\$8.47	\$8.52	\$8.57
\$9.25	\$7.92	\$8.05	\$8.10	\$8.17	\$8.22	\$8.27	\$8.32
\$9.00	\$7.67	\$7.80	\$7.85	\$7.92	\$7.97	\$8.02	\$8.07
\$8.75	\$7.42	\$7.55	\$7.60	\$7.67	\$7.72	\$7.77	\$7.82
\$8.50	\$7.17	\$7.30	\$7.35	\$7.42	\$7.47	\$7.52	\$7.57
\$8.25	\$6.92	\$7.05	\$7.10	\$7.17	\$7.22	\$7.27	\$7.32
\$8.00	\$6.87	\$6.80	\$6.85	\$6.92	\$6.97	\$7.02	\$7.07
\$7.75	\$6.87	\$6.80	\$6.75	\$6.72	\$6.72	\$6.77	\$6.82
\$7.50	\$6.87	\$6.80	\$6.75	\$6.72	\$6.67	\$6.62	\$6.57
\$7.25	\$6.87	\$6.80	\$6.75	\$6.72	\$6.67	\$6.62	\$6.57
\$7.00	\$6.87	\$6.80	\$6.75	\$6.72	\$6.67	\$6.62	\$6.57
\$6.75	\$6.87	\$6.80	\$6.75	\$6.72	\$6.67	\$6.62	\$6.57

2012 Hard Red Spring Wheat

Revenue Insurance floor

\$7.84 base price

Coverage Election	65%	70%	75%	80%	85%
Futures Price	\$ 5.10	\$ 5.49	\$ 5.88	\$ 6.27	\$ 6.66
Basis	\$ (0.50)	\$ (0.50)	\$ (0.50)	\$ (0.50)	\$ (0.50)
Cash Equivalent	\$ 4.60	\$ 4.99	\$ 5.38	\$ 5.77	\$ 6.16

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

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