



Forward Contract Compared to Put Option Opportunity

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

Forward Contract Opportunity

November Futures Price	\$ 12.37
Today's Basis - fall del.	\$ (0.85)
Today's Forward Contract Price	\$ 11.52

2011 New Crop Soybeans

Basis varies from -.50 to -.85 in Southern MN

Put Option Opportunity Using Nov 11 Soybean Put Options Expiration Oct 21

Strike Price	\$12.40	\$12.20	\$12.00	\$11.80	\$11.60	\$11.40	\$11.20
Less Premium Cost	\$ (0.94)	\$ (0.83)	\$ (0.73)	\$ (0.63)	\$ (0.54)	\$ (0.46)	\$ (0.39)
Less Transaction Cost	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Futures Floor	\$ 11.45	\$ 11.36	\$ 11.26	\$ 11.16	\$ 11.05	\$ 10.93	\$ 10.80
Less Expected Basis	\$ (0.85)	\$ (0.85)	\$ (0.85)	\$ (0.85)	\$ (0.85)	\$ (0.85)	\$ (0.85)
Expected Minimum Cash Price	\$ 10.60	\$ 10.51	\$ 10.41	\$ 10.31	\$ 10.20	\$ 10.08	\$ 9.95

Revenue Per Acre Protected

Yield Estimate of 50 bu/ac	\$530.00	\$525.50	\$520.50	\$515.50	\$510.00	\$504.00	\$497.50
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Futures "Trade off point" above this point the put strategy nets more than the forward sale

	\$ 13.31	\$ 13.20	\$ 13.10	\$ 13.00	\$ 12.91	\$ 12.83	\$ 12.76
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Outcomes over a range of futures prices

Range of Prices	Expected Cash Prices at Various Futures Prices						
\$18.00	\$16.20	\$16.31	\$16.41	\$16.51	\$16.60	\$16.68	\$16.75
\$17.50	\$15.70	\$15.81	\$15.91	\$16.01	\$16.10	\$16.18	\$16.25
\$17.00	\$15.20	\$15.31	\$15.41	\$15.51	\$15.60	\$15.68	\$15.75
\$16.50	\$14.70	\$14.81	\$14.91	\$15.01	\$15.10	\$15.18	\$15.25
\$16.00	\$14.20	\$14.31	\$14.41	\$14.51	\$14.60	\$14.68	\$14.75
\$15.50	\$13.70	\$13.81	\$13.91	\$14.01	\$14.10	\$14.18	\$14.25
\$15.00	\$13.20	\$13.31	\$13.41	\$13.51	\$13.60	\$13.68	\$13.75
\$14.50	\$12.70	\$12.81	\$12.91	\$13.01	\$13.10	\$13.18	\$13.25
\$14.00	\$12.20	\$12.31	\$12.41	\$12.51	\$12.60	\$12.68	\$12.75
\$13.50	\$11.70	\$11.81	\$11.91	\$12.01	\$12.10	\$12.18	\$12.25
\$13.00	\$11.20	\$11.31	\$11.41	\$11.51	\$11.60	\$11.68	\$11.75
\$12.50	\$10.70	\$10.81	\$10.91	\$11.01	\$11.10	\$11.18	\$11.25
\$12.00	\$10.60	\$10.51	\$10.41	\$10.51	\$10.60	\$10.68	\$10.75
\$11.50	\$10.60	\$10.51	\$10.41	\$10.31	\$10.20	\$10.18	\$10.25
\$11.00	\$10.60	\$10.51	\$10.41	\$10.31	\$10.20	\$10.08	\$9.95
\$10.50	\$10.60	\$10.51	\$10.41	\$10.31	\$10.20	\$10.08	\$9.95
\$10.00	\$10.60	\$10.51	\$10.41	\$10.31	\$10.20	\$10.08	\$9.95
\$9.50	\$10.60	\$10.51	\$10.41	\$10.31	\$10.20	\$10.08	\$9.95

2012 Soybean Example

Revenue Insurance floor

\$12.40 example projected price

Coverage Election	65%	70%	75%	80%	85%
Futures Price	\$ 8.06	\$ 8.68	\$ 9.30	\$ 9.92	\$ 10.54
Basis	\$ (0.85)	\$ (0.85)	\$ (0.85)	\$ (0.85)	\$ (0.85)
Cash Equivalent	\$ 7.21	\$ 7.83	\$ 8.45	\$ 9.07	\$ 9.69

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

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