



Forward Contract Compared to Put Option Opportunity

Today's Date 3/26/2012

Forward Contract Opportunity

November Futures Price	\$ 13.34
Today's Basis - fall del.	\$ (0.65)
Today's Forward Contract Price	\$ 12.69

2012 New Crop Soybeans

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

Put Option Opportunity Using Nov 12 Soybean Put Options Expiration Oct 26

Strike Price	\$13.40	\$13.20	\$13.00	\$12.80	\$12.60	\$12.40	\$12.20
Less Premium Cost	\$ (0.93)	\$ (0.84)	\$ (0.72)	\$ (0.62)	\$ (0.54)	\$ (0.45)	\$ (0.39)
Less Transaction Cost	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Futures Floor	\$ 12.46	\$ 12.35	\$ 12.27	\$ 12.17	\$ 12.05	\$ 11.94	\$ 11.80
Less Expected Basis	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)
Expected Minimum Cash Price	\$ 11.76	\$ 11.65	\$ 11.57	\$ 11.47	\$ 11.35	\$ 11.24	\$ 11.10

Revenue Per Acre Protected

Yield Estimate of 50 bu/ac	\$588.00	\$582.50	\$578.50	\$573.50	\$567.50	\$562.00	\$555.00
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Futures "Trade off point" above this point the put strategy nets more than the forward sale

	\$ 14.27	\$ 14.18	\$ 14.06	\$ 13.96	\$ 13.88	\$ 13.79	\$ 13.73
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Outcomes over a range of futures prices

Range of Prices	Expected Cash Prices at Various Futures Prices						
\$18.00	\$16.36	\$16.45	\$16.57	\$16.67	\$16.75	\$16.84	\$16.90
\$17.50	\$15.86	\$15.95	\$16.07	\$16.17	\$16.25	\$16.34	\$16.40
\$17.00	\$15.36	\$15.45	\$15.57	\$15.67	\$15.75	\$15.84	\$15.90
\$16.50	\$14.86	\$14.95	\$15.07	\$15.17	\$15.25	\$15.34	\$15.40
\$16.00	\$14.36	\$14.45	\$14.57	\$14.67	\$14.75	\$14.84	\$14.90
\$15.50	\$13.86	\$13.95	\$14.07	\$14.17	\$14.25	\$14.34	\$14.40
\$15.00	\$13.36	\$13.45	\$13.57	\$13.67	\$13.75	\$13.84	\$13.90
\$14.50	\$12.86	\$12.95	\$13.07	\$13.17	\$13.25	\$13.34	\$13.40
\$14.00	\$12.36	\$12.45	\$12.57	\$12.67	\$12.75	\$12.84	\$12.90
\$13.50	\$11.86	\$11.95	\$12.07	\$12.17	\$12.25	\$12.34	\$12.40
\$13.00	\$11.76	\$11.65	\$11.57	\$11.67	\$11.75	\$11.84	\$11.90
\$12.50	\$11.76	\$11.65	\$11.57	\$11.47	\$11.35	\$11.34	\$11.40
\$12.00	\$11.76	\$11.65	\$11.57	\$11.47	\$11.35	\$11.24	\$11.10
\$11.50	\$11.76	\$11.65	\$11.57	\$11.47	\$11.35	\$11.24	\$11.10
\$11.00	\$11.76	\$11.65	\$11.57	\$11.47	\$11.35	\$11.24	\$11.10
\$10.50	\$11.76	\$11.65	\$11.57	\$11.47	\$11.35	\$11.24	\$11.10
\$10.00	\$11.76	\$11.65	\$11.57	\$11.47	\$11.35	\$11.24	\$11.10
\$9.50	\$11.76	\$11.65	\$11.57	\$11.47	\$11.35	\$11.24	\$11.10

2012 Soybean Example

Coverage Election	Revenue Insurance floor			\$12.55 base price	
	65%	70%	75%	80%	85%
Futures Price	\$ 8.16	\$ 8.79	\$ 9.41	\$ 10.04	\$ 10.67
Basis	\$ (0.65)	\$ (0.65)	\$ (0.65)	\$ (0.65)	\$ (0.65)
Cash Equivalent	\$ 7.51	\$ 8.14	\$ 8.76	\$ 9.39	\$ 10.02

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

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