



Forward Contract Compared to Put Option Opportunity

Today's Date **05/05/10**

Forward Contract Opportunity

| | |
|--------------------------------|-----------|
| September Minn Wheat | \$ 5.31 |
| Today's Basis - fall del. | \$ (0.45) |
| Today's Forward Contract Price | \$ 4.86 |

New Crop Spring Wheat

Put Option Opportunity

| | | | | | |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|
| Strike Price | \$5.50 | \$5.40 | \$5.20 | \$5.00 | \$4.80 |
| Less Premium Cost | \$ (0.35) | \$ (0.30) | \$ (0.21) | \$ (0.14) | \$ (0.09) |
| Less Transaction Cost | \$ (0.01) | \$ (0.01) | \$ (0.01) | \$ (0.01) | \$ (0.01) |
| Futures Floor | \$ 5.14 | \$ 5.09 | \$ 4.98 | \$ 4.85 | \$ 4.70 |
| Less Expected Basis | \$ (0.45) | \$ (0.45) | \$ (0.45) | \$ (0.45) | \$ (0.45) |
| Expected Minimum Cash Price | \$ 4.69 | \$ 4.64 | \$ 4.53 | \$ 4.40 | \$ 4.25 |

Revenue Per Acre Protected

| | | | | | |
|----------------------------|----------|----------|----------|----------|----------|
| Yield Estimate of 50 bu/ac | \$234.50 | \$232.00 | \$226.50 | \$220.00 | \$212.50 |
|----------------------------|----------|----------|----------|----------|----------|

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

| | | | | | |
|--|---------|---------|---------|---------|---------|
| | \$ 5.66 | \$ 5.61 | \$ 5.52 | \$ 5.45 | \$ 5.40 |
|--|---------|---------|---------|---------|---------|

Outcomes over a range of futures prices

| Range of Prices | Expected Cash Prices at Various Futures Prices | | | | |
|-----------------|--|--------|--------|--------|--------|
| \$7.00 | \$6.19 | \$6.24 | \$6.33 | \$6.40 | \$6.45 |
| \$6.80 | \$5.99 | \$6.04 | \$6.13 | \$6.20 | \$6.25 |
| \$6.60 | \$5.79 | \$5.84 | \$5.93 | \$6.00 | \$6.05 |
| \$6.40 | \$5.59 | \$5.64 | \$5.73 | \$5.80 | \$5.85 |
| \$6.20 | \$5.39 | \$5.44 | \$5.53 | \$5.60 | \$5.65 |
| \$6.00 | \$5.19 | \$5.24 | \$5.33 | \$5.40 | \$5.45 |
| \$5.80 | \$4.99 | \$5.04 | \$5.13 | \$5.20 | \$5.25 |
| \$5.60 | \$4.79 | \$4.84 | \$4.93 | \$5.00 | \$5.05 |
| \$5.40 | \$4.69 | \$4.64 | \$4.73 | \$4.80 | \$4.85 |
| \$5.20 | \$4.69 | \$4.64 | \$4.53 | \$4.60 | \$4.65 |
| \$5.00 | \$4.69 | \$4.64 | \$4.53 | \$4.40 | \$4.45 |
| \$4.80 | \$4.69 | \$4.64 | \$4.53 | \$4.40 | \$4.25 |
| \$4.60 | \$4.69 | \$4.64 | \$4.53 | \$4.40 | \$4.25 |
| \$4.40 | \$4.69 | \$4.64 | \$4.53 | \$4.40 | \$4.25 |
| \$4.20 | \$4.69 | \$4.64 | \$4.53 | \$4.40 | \$4.25 |
| \$4.00 | \$4.69 | \$4.64 | \$4.53 | \$4.40 | \$4.25 |
| \$3.80 | \$4.69 | \$4.64 | \$4.53 | \$4.40 | \$4.25 |
| \$3.60 | \$4.69 | \$4.64 | \$4.53 | \$4.40 | \$4.25 |

2010 Hard Red Spring Wheat

| Coverage Election | Revenue Insurance floor | | | | |
|-------------------|-------------------------|-----------|-----------|-----------|-----------|
| | 65% | 70% | 75% | 80% | 85% |
| Futures Price | \$ 3.53 | \$ 3.80 | \$ 4.07 | \$ 4.34 | \$ 4.62 |
| Basis | \$ (0.45) | \$ (0.45) | \$ (0.45) | \$ (0.45) | \$ (0.45) |
| Cash Equivalent | \$ 3.08 | \$ 3.35 | \$ 3.62 | \$ 3.89 | \$ 4.17 |