



## Forward Contract Compared to Put Option Opportunity

Today's Date **4/15/2011**

### Forward Contract Opportunity

December Futures Price	\$ 6.53
Today's Basis - fall del.	\$ (0.70)
Today's Forward Contract Price	\$ 5.83

2011 New Crop Corn

### Put Option Opportunity Using Dec 11 Corn Put Options

	\$ 6.40	\$ 6.20	\$ 6.00	\$ 5.80	\$ 5.60	\$ 5.40	\$ 5.20
Strike Price	\$ 6.40	\$ 6.20	\$ 6.00	\$ 5.80	\$ 5.60	\$ 5.40	\$ 5.20
Less Premium Cost	\$ (0.65)	\$ (0.55)	\$ (0.45)	\$ (0.39)	\$ (0.32)	\$ (0.25)	\$ (0.19)
Less Transaction Cost	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Futures Floor	\$ 5.74	\$ 5.64	\$ 5.54	\$ 5.40	\$ 5.27	\$ 5.14	\$ 5.00
Less Expected Basis	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)
Expected Minumim Cash Price	\$ 5.14	\$ 5.04	\$ 4.94	\$ 4.80	\$ 4.67	\$ 4.54	\$ 4.40

### Revenue Per Acre Protected

Yield Estimate of 185 bu/ac	\$950.90	\$932.40	\$913.90	\$888.00	\$863.95	\$839.90	\$814.00
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Futures "Trade off point" above this point the put strategy nets more than the forward sale

	\$ 7.18	\$ 7.08	\$ 6.98	\$ 6.92	\$ 6.85	\$ 6.78	\$ 6.72
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### Outcomes over a range of futures prices

Range of Prices	Expected Cash Prices at Various Futures Prices						
\$12.00	\$10.74	\$10.84	\$10.94	\$11.00	\$11.07	\$11.14	\$11.20
\$11.50	\$10.24	\$10.34	\$10.44	\$10.50	\$10.57	\$10.64	\$10.70
\$11.00	\$9.74	\$9.84	\$9.94	\$10.00	\$10.07	\$10.14	\$10.20
\$10.50	\$9.24	\$9.34	\$9.44	\$9.50	\$9.57	\$9.64	\$9.70
\$10.00	\$8.74	\$8.84	\$8.94	\$9.00	\$9.07	\$9.14	\$9.20
\$9.50	\$8.24	\$8.34	\$8.44	\$8.50	\$8.57	\$8.64	\$8.70
\$9.00	\$7.74	\$7.84	\$7.94	\$8.00	\$8.07	\$8.14	\$8.20
\$8.50	\$7.24	\$7.34	\$7.44	\$7.50	\$7.57	\$7.64	\$7.70
\$8.00	\$6.74	\$6.84	\$6.94	\$7.00	\$7.07	\$7.14	\$7.20
\$7.50	\$6.24	\$6.34	\$6.44	\$6.50	\$6.57	\$6.64	\$6.70
\$7.00	\$5.74	\$5.84	\$5.94	\$6.00	\$6.07	\$6.14	\$6.20
\$6.50	\$5.24	\$5.34	\$5.44	\$5.50	\$5.57	\$5.64	\$5.70
\$6.00	\$5.14	\$5.04	\$4.94	\$5.00	\$5.07	\$5.14	\$5.20
\$5.50	\$5.14	\$5.04	\$4.94	\$4.80	\$4.67	\$4.64	\$4.70
\$5.00	\$5.14	\$5.04	\$4.94	\$4.80	\$4.67	\$4.54	\$4.40
\$4.50	\$5.14	\$5.04	\$4.94	\$4.80	\$4.67	\$4.54	\$4.40
\$4.00	\$5.14	\$5.04	\$4.94	\$4.80	\$4.67	\$4.54	\$4.40

### 2011 Corn - Example

	Revenue Insurance floor			\$6.01 base	
Coverage Election	65%	70%	75%	80%	85%
Futures Equivalent Price	\$ 3.91	\$ 4.21	\$ 4.51	\$ 4.81	\$ 5.11
Basis	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)
Cash Equivalent	\$ 3.21	\$ 3.51	\$ 3.81	\$ 4.11	\$ 4.41

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

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