



Forward Contract Compared to Put Option Opportunity

Today's Date 4/2/2011

Forward Contract Opportunity

December Futures Price	\$ 6.63
Today's Basis - fall del.	\$ (0.70)
Today's Forward Contract Price	\$ 5.93

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)	\$ (0.52)	\$ (0.44)	\$ (0.35)	\$ (0.28)	\$ (0.23)	\$ (0.18)
Less Transaction Cost	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Futures Floor	\$ 5.74	\$ 5.67	\$ 5.55	\$ 5.44	\$ 5.31	\$ 5.16	\$ 5.01
Less Expected Basis	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)
Expected Minimum Cash Price	\$ 5.14	\$ 5.07	\$ 4.95	\$ 4.84	\$ 4.71	\$ 4.56	\$ 4.41

Revenue Per Acre Protected

Yield Estimate of 185 bu/ac	\$950.90	\$937.95	\$915.75	\$895.40	\$871.35	\$843.60	\$815.85
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Futures "Trade off point" above this point the put strategy nets more than the forward sale

	\$ 7.28	\$ 7.15	\$ 7.07	\$ 6.98	\$ 6.91	\$ 6.86	\$ 6.81
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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	\$10.87	\$10.95	\$11.04	\$11.11	\$11.16	\$11.21
\$11.50	\$10.24	\$10.37	\$10.45	\$10.54	\$10.61	\$10.66	\$10.71
\$11.00	\$9.74	\$9.87	\$9.95	\$10.04	\$10.11	\$10.16	\$10.21
\$10.50	\$9.24	\$9.37	\$9.45	\$9.54	\$9.61	\$9.66	\$9.71
\$10.00	\$8.74	\$8.87	\$8.95	\$9.04	\$9.11	\$9.16	\$9.21
\$9.50	\$8.24	\$8.37	\$8.45	\$8.54	\$8.61	\$8.66	\$8.71
\$9.00	\$7.74	\$7.87	\$7.95	\$8.04	\$8.11	\$8.16	\$8.21
\$8.50	\$7.24	\$7.37	\$7.45	\$7.54	\$7.61	\$7.66	\$7.71
\$8.00	\$6.74	\$6.87	\$6.95	\$7.04	\$7.11	\$7.16	\$7.21
\$7.50	\$6.24	\$6.37	\$6.45	\$6.54	\$6.61	\$6.66	\$6.71
\$7.00	\$5.74	\$5.87	\$5.95	\$6.04	\$6.11	\$6.16	\$6.21
\$6.50	\$5.24	\$5.37	\$5.45	\$5.54	\$5.61	\$5.66	\$5.71
\$6.00	\$5.14	\$5.07	\$4.95	\$5.04	\$5.11	\$5.16	\$5.21
\$5.50	\$5.14	\$5.07	\$4.95	\$4.84	\$4.71	\$4.66	\$4.71
\$5.00	\$5.14	\$5.07	\$4.95	\$4.84	\$4.71	\$4.56	\$4.41
\$4.50	\$5.14	\$5.07	\$4.95	\$4.84	\$4.71	\$4.56	\$4.41
\$4.00	\$5.14	\$5.07	\$4.95	\$4.84	\$4.71	\$4.56	\$4.41

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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