



Forward Contract Compared to Put Option Opportunity

Today's Date **6/3/2011**

Forward Contract Opportunity

December Futures Price	\$ 6.93
Today's Basis - fall del.	\$ (0.70)
Today's Forward Contract Price	\$ 6.23

2011 New Crop Corn

Put Option Opportunity Using Dec 11 Corn Put Options

	\$ 6.80	\$ 6.60	\$ 6.40	\$ 6.20	\$ 6.00	\$ 5.80	\$ 5.60
Strike Price	\$ 6.80	\$ 6.60	\$ 6.40	\$ 6.20	\$ 6.00	\$ 5.80	\$ 5.60
Less Premium Cost	\$ (0.63)	\$ (0.52)	\$ (0.44)	\$ (0.36)	\$ (0.30)	\$ (0.22)	\$ (0.18)
Less Transaction Cost	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Futures Floor	\$ 6.16	\$ 6.07	\$ 5.95	\$ 5.83	\$ 5.69	\$ 5.57	\$ 5.41
Less Expected Basis	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)
Expected Minimum Cash Price	\$ 5.56	\$ 5.47	\$ 5.35	\$ 5.23	\$ 5.09	\$ 4.97	\$ 4.81

Revenue Per Acre Protected

Yield Estimate of 185 bu/ac	\$1,028.60	\$1,011.95	\$989.75	\$967.55	\$941.65	\$919.45	\$889.85
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Futures "Trade off point" above this point the put strategy nets more than the forward sale

	\$ 7.56	\$ 7.45	\$ 7.37	\$ 7.29	\$ 7.23	\$ 7.15	\$ 7.11
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Outcomes over a range of futures prices

Range of Prices	Expected Cash Prices at Various Futures Prices						
\$12.00	\$10.76	\$10.87	\$10.95	\$11.03	\$11.09	\$11.17	\$11.21
\$11.50	\$10.26	\$10.37	\$10.45	\$10.53	\$10.59	\$10.67	\$10.71
\$11.00	\$9.76	\$9.87	\$9.95	\$10.03	\$10.09	\$10.17	\$10.21
\$10.50	\$9.26	\$9.37	\$9.45	\$9.53	\$9.59	\$9.67	\$9.71
\$10.00	\$8.76	\$8.87	\$8.95	\$9.03	\$9.09	\$9.17	\$9.21
\$9.50	\$8.26	\$8.37	\$8.45	\$8.53	\$8.59	\$8.67	\$8.71
\$9.00	\$7.76	\$7.87	\$7.95	\$8.03	\$8.09	\$8.17	\$8.21
\$8.50	\$7.26	\$7.37	\$7.45	\$7.53	\$7.59	\$7.67	\$7.71
\$8.00	\$6.76	\$6.87	\$6.95	\$7.03	\$7.09	\$7.17	\$7.21
\$7.50	\$6.26	\$6.37	\$6.45	\$6.53	\$6.59	\$6.67	\$6.71
\$7.00	\$5.76	\$5.87	\$5.95	\$6.03	\$6.09	\$6.17	\$6.21
\$6.50	\$5.26	\$5.37	\$5.45	\$5.53	\$5.59	\$5.67	\$5.71
\$6.00	\$4.76	\$4.87	\$4.95	\$5.03	\$5.09	\$5.17	\$5.21
\$5.50	\$4.26	\$4.37	\$4.45	\$4.53	\$4.59	\$4.67	\$4.71
\$5.00	\$3.76	\$3.87	\$3.95	\$4.03	\$4.09	\$4.17	\$4.21
\$4.50	\$3.26	\$3.37	\$3.45	\$3.53	\$3.59	\$3.67	\$3.71
\$4.00	\$2.76	\$2.87	\$2.95	\$3.03	\$3.09	\$3.17	\$3.21

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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