



## Forward Contract Compared to Put Option Opportunity

Today's Date 7/21/2011

### Forward Contract Opportunity

December Futures Price	\$ 6.72
Today's Basis - fall del.	\$ (0.60)
Today's Forward Contract Price	\$ 6.12

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	\$ (0.60)	\$ (0.49)	\$ (0.38)	\$ (0.34)	\$ (0.25)	\$ (0.19)	\$ (0.14)
Less Transaction Cost	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Futures Floor	\$ 6.19	\$ 6.10	\$ 6.01	\$ 5.85	\$ 5.74	\$ 5.60	\$ 5.45
Less Expected Basis	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)
Expected Minimum Cash Price	\$ 5.59	\$ 5.50	\$ 5.41	\$ 5.25	\$ 5.14	\$ 5.00	\$ 4.85

### Revenue Per Acre Protected

Yield Estimate of 185 bu/ac	\$1,034.15	\$1,017.50	\$1,000.85	\$971.25	\$950.90	\$925.00	\$897.25
-----------------------------	------------	------------	------------	----------	----------	----------	----------

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

	\$ 7.32	\$ 7.21	\$ 7.10	\$ 7.06	\$ 6.97	\$ 6.91	\$ 6.86
--	---------	---------	---------	---------	---------	---------	---------

### Outcomes over a range of futures prices

Range of Prices	Expected Cash Prices at Various Futures Prices						
\$12.00	\$10.79	\$10.90	\$11.01	\$11.05	\$11.14	\$11.20	\$11.25
\$11.50	\$10.29	\$10.40	\$10.51	\$10.55	\$10.64	\$10.70	\$10.75
\$11.00	\$9.79	\$9.90	\$10.01	\$10.05	\$10.14	\$10.20	\$10.25
\$10.50	\$9.29	\$9.40	\$9.51	\$9.55	\$9.64	\$9.70	\$9.75
\$10.00	\$8.79	\$8.90	\$9.01	\$9.05	\$9.14	\$9.20	\$9.25
\$9.50	\$8.29	\$8.40	\$8.51	\$8.55	\$8.64	\$8.70	\$8.75
\$9.00	\$7.79	\$7.90	\$8.01	\$8.05	\$8.14	\$8.20	\$8.25
\$8.50	\$7.29	\$7.40	\$7.51	\$7.55	\$7.64	\$7.70	\$7.75
\$8.00	\$6.79	\$6.90	\$7.01	\$7.05	\$7.14	\$7.20	\$7.25
\$7.50	\$6.29	\$6.40	\$6.51	\$6.55	\$6.64	\$6.70	\$6.75
\$7.00	\$5.79	\$5.90	\$6.01	\$6.05	\$6.14	\$6.20	\$6.25
\$6.50	\$5.29	\$5.40	\$5.51	\$5.55	\$5.64	\$5.70	\$5.75
\$6.00	\$4.79	\$4.90	\$5.01	\$5.05	\$5.14	\$5.20	\$5.25
\$5.50	\$4.29	\$4.40	\$4.51	\$4.55	\$4.64	\$4.70	\$4.75
\$5.00	\$3.79	\$3.90	\$4.01	\$4.05	\$4.14	\$4.20	\$4.25
\$4.50	\$3.29	\$3.40	\$3.51	\$3.55	\$3.64	\$3.70	\$3.75
\$4.00	\$2.79	\$2.90	\$3.01	\$3.05	\$3.14	\$3.20	\$3.25

### 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	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)
Cash Equivalent	\$ 3.31	\$ 3.61	\$ 3.91	\$ 4.21	\$ 4.51

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

(an equal opportunity provider) The information contained herein was obtained from sources believed to be reliable, but cannot be guaranteed. All examples given are strictly hypothetical and neither the information, nor any opinion expressed, constitutes a solicitation to market commodities, to buy or sell futures, or options on futures. Past performance and results are not indicative of, nor do they guarantee, future performance. Commodity marketing has inherent risks. Trading and/or marketing decisions, as well as any gains or losses thereof, are the sole responsibility of the commodity owner, producer, and/or account holder. Minnesota West Ag Services, LLC, its principals and employees assume no liability for any use of any information contained herein. Reproduction or rebroadcast without authorization is forbidden.