



Forward Contract Compared to Put Option Opportunity

Today's Date **8/18/2011**

Forward Contract Opportunity

December Futures Price	\$ 7.16
Today's Basis - fall del.	\$ (0.60)
Today's Forward Contract Price	\$ 6.56

2011 New Crop Corn

Put Option Opportunity Using	Dec 11	Corn Put Options		Expiration Nov 25			
Strike Price	\$ 7.10	\$ 7.00	\$ 6.80	\$ 6.60	\$ 6.40	\$ 6.20	\$ 6.00
Less Premium Cost	\$ (0.42)	\$ (0.40)	\$ (0.29)	\$ (0.23)	\$ (0.16)	\$ (0.12)	\$ (0.09)
Less Transaction Cost	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Futures Floor	\$ 6.67	\$ 6.59	\$ 6.50	\$ 6.36	\$ 6.23	\$ 6.07	\$ 5.90
Less Expected Basis	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)
Expected Minimum Cash Price	\$ 6.07	\$ 5.99	\$ 5.90	\$ 5.76	\$ 5.63	\$ 5.47	\$ 5.30

Revenue Per Acre Protected							
Yield Estimate of 185 bu/ac	\$1,123	\$1,108	\$1,092	\$1,066	\$1,042	\$1,012	\$981

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

	\$ 7.58	\$ 7.56	\$ 7.45	\$ 7.39	\$ 7.32	\$ 7.28	\$ 7.25
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Outcomes over a range of futures prices

Range of Prices	Expected Cash Prices at Various Futures Prices						
\$12.00	\$10.97	\$10.99	\$11.10	\$11.16	\$11.23	\$11.27	\$11.30
\$11.50	\$10.47	\$10.49	\$10.60	\$10.66	\$10.73	\$10.77	\$10.80
\$11.00	\$9.97	\$9.99	\$10.10	\$10.16	\$10.23	\$10.27	\$10.30
\$10.50	\$9.47	\$9.49	\$9.60	\$9.66	\$9.73	\$9.77	\$9.80
\$10.00	\$8.97	\$8.99	\$9.10	\$9.16	\$9.23	\$9.27	\$9.30
\$9.50	\$8.47	\$8.49	\$8.60	\$8.66	\$8.73	\$8.77	\$8.80
\$9.00	\$7.97	\$7.99	\$8.10	\$8.16	\$8.23	\$8.27	\$8.30
\$8.50	\$7.47	\$7.49	\$7.60	\$7.66	\$7.73	\$7.77	\$7.80
\$8.00	\$6.97	\$6.99	\$7.10	\$7.16	\$7.23	\$7.27	\$7.30
\$7.50	\$6.47	\$6.49	\$6.60	\$6.66	\$6.73	\$6.77	\$6.80
\$7.00	\$6.07	\$5.99	\$6.10	\$6.16	\$6.23	\$6.27	\$6.30
\$6.50	\$6.07	\$5.99	\$5.90	\$5.76	\$5.73	\$5.77	\$5.80
\$6.00	\$6.07	\$5.99	\$5.90	\$5.76	\$5.63	\$5.47	\$5.30
\$5.50	\$6.07	\$5.99	\$5.90	\$5.76	\$5.63	\$5.47	\$5.30
\$5.00	\$6.07	\$5.99	\$5.90	\$5.76	\$5.63	\$5.47	\$5.30
\$4.50	\$6.07	\$5.99	\$5.90	\$5.76	\$5.63	\$5.47	\$5.30
\$4.00	\$6.07	\$5.99	\$5.90	\$5.76	\$5.63	\$5.47	\$5.30

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

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