



Forward Contract Compared to Put Option Opportunity

Today's Date **08/18/11**

Forward Contract Opportunity

September Minn Wheat	\$ 8.96
Today's Basis - fall del.	\$ (0.25)
Today's Forward Contract Price	\$ 8.71

2011 New Crop Spring Wheat

Put Option Opportunity Using Dec 11 Mpls Wheat Put Options Expire Nov 25

	\$9.00	\$8.80	\$8.60	\$8.40	\$8.20	\$8.00	\$7.80
Strike Price	\$9.00	\$8.80	\$8.60	\$8.40	\$8.20	\$8.00	\$7.80
Less Premium Cost	\$ (0.60)	\$ (0.49)	\$ (0.38)	\$ (0.31)	\$ (0.24)	\$ (0.18)	\$ (0.13)
Less Transaction Cost	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Futures Floor	\$ 8.39	\$ 8.30	\$ 8.21	\$ 8.08	\$ 7.95	\$ 7.81	\$ 7.66
Less Expected Basis	\$ (0.45)	\$ (0.45)	\$ (0.45)	\$ (0.45)	\$ (0.45)	\$ (0.45)	\$ (0.45)
Expected Minimum Cash Price	\$ 7.94	\$ 7.85	\$ 7.76	\$ 7.63	\$ 7.50	\$ 7.36	\$ 7.21

Revenue Per Acre Protected	\$9.00	\$8.80	\$8.60	\$8.40	\$8.20	\$8.00	\$7.80
Yield Estimate of 50 bu/ac	\$397.00	\$392.50	\$388.00	\$381.50	\$375.00	\$368.00	\$360.50

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

	\$ 9.56	\$ 9.45	\$ 9.34	\$ 9.27	\$ 9.20	\$ 9.14	\$ 9.09
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Outcomes over a range of futures prices

Range of Prices	Expected Cash Prices at Various Futures Prices						
\$15.00	\$13.94	\$14.05	\$14.16	\$14.23	\$14.30	\$14.36	\$14.41
\$14.50	\$13.44	\$13.55	\$13.66	\$13.73	\$13.80	\$13.86	\$13.91
\$14.00	\$12.94	\$13.05	\$13.16	\$13.23	\$13.30	\$13.36	\$13.41
\$13.50	\$12.44	\$12.55	\$12.66	\$12.73	\$12.80	\$12.86	\$12.91
\$13.00	\$11.94	\$12.05	\$12.16	\$12.23	\$12.30	\$12.36	\$12.41
\$12.50	\$11.44	\$11.55	\$11.66	\$11.73	\$11.80	\$11.86	\$11.91
\$12.00	\$10.94	\$11.05	\$11.16	\$11.23	\$11.30	\$11.36	\$11.41
\$11.50	\$10.44	\$10.55	\$10.66	\$10.73	\$10.80	\$10.86	\$10.91
\$11.00	\$9.94	\$10.05	\$10.16	\$10.23	\$10.30	\$10.36	\$10.41
\$10.50	\$9.44	\$9.55	\$9.66	\$9.73	\$9.80	\$9.86	\$9.91
\$10.00	\$8.94	\$9.05	\$9.16	\$9.23	\$9.30	\$9.36	\$9.41
\$9.50	\$8.44	\$8.55	\$8.66	\$8.73	\$8.80	\$8.86	\$8.91
\$9.00	\$7.94	\$8.05	\$8.16	\$8.23	\$8.30	\$8.36	\$8.41
\$8.50	\$7.94	\$7.85	\$7.76	\$7.73	\$7.80	\$7.86	\$7.91
\$8.00	\$7.94	\$7.85	\$7.76	\$7.63	\$7.50	\$7.36	\$7.41
\$7.50	\$7.94	\$7.85	\$7.76	\$7.63	\$7.50	\$7.36	\$7.21
\$7.00	\$7.94	\$7.85	\$7.76	\$7.63	\$7.50	\$7.36	\$7.21
\$6.50	\$7.94	\$7.85	\$7.76	\$7.63	\$7.50	\$7.36	\$7.21

2011 Hard Red Spring Wheat	Revenue Insurance floor					\$9.89 base
Coverage Election	65%	70%	75%	80%	85%	
Futures Price	\$ 6.43	\$ 6.92	\$ 7.42	\$ 7.91	\$ 8.41	
Basis	\$ (0.25)	\$ (0.25)	\$ (0.25)	\$ (0.25)	\$ (0.25)	
Cash Equivalent	\$ 6.18	\$ 6.67	\$ 7.17	\$ 7.66	\$ 8.16	

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

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