



Forward Contract Compared to Put Option Opportunity

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

Forward Contract Opportunity

November Futures Price	\$ 13.55
Today's Basis - fall del.	\$ (0.80)
Today's Forward Contract Price	\$ 12.75

2011 New Crop Soybeans

Put Option Opportunity Using Nov 11 Soybean Put Options Expiration Oct 21

Strike Price	\$13.50	\$13.40	\$13.20	\$13.00	\$12.80	\$12.60	\$12.40
Less Premium Cost	\$ (0.44)	\$ (0.35)	\$ (0.27)	\$ (0.20)	\$ (0.18)	\$ (0.11)	\$ (0.08)
Less Transaction Cost	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Futures Floor	\$ 13.05	\$ 13.04	\$ 12.92	\$ 12.79	\$ 12.61	\$ 12.48	\$ 12.31
Less Expected Basis	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)
Expected Minimum Cash Price	\$ 12.35	\$ 12.34	\$ 12.22	\$ 12.09	\$ 11.91	\$ 11.78	\$ 11.61

Revenue Per Acre Protected

Yield Estimate of 50 bu/ac	\$617.50	\$617.00	\$611.00	\$604.50	\$595.50	\$589.00	\$580.50
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Futures "Trade off point" above this point the put strategy nets more than the forward sale

	\$ 13.99	\$ 13.90	\$ 13.82	\$ 13.75	\$ 13.73	\$ 13.66	\$ 13.63
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Outcomes over a range of futures prices

Range of Prices	Expected Cash Prices at Various Futures Prices						
\$18.00	\$16.85	\$16.94	\$17.02	\$17.09	\$17.11	\$17.18	\$17.21
\$17.50	\$16.35	\$16.44	\$16.52	\$16.59	\$16.61	\$16.68	\$16.71
\$17.00	\$15.85	\$15.94	\$16.02	\$16.09	\$16.11	\$16.18	\$16.21
\$16.50	\$15.35	\$15.44	\$15.52	\$15.59	\$15.61	\$15.68	\$15.71
\$16.00	\$14.85	\$14.94	\$15.02	\$15.09	\$15.11	\$15.18	\$15.21
\$15.50	\$14.35	\$14.44	\$14.52	\$14.59	\$14.61	\$14.68	\$14.71
\$15.00	\$13.85	\$13.94	\$14.02	\$14.09	\$14.11	\$14.18	\$14.21
\$14.50	\$13.35	\$13.44	\$13.52	\$13.59	\$13.61	\$13.68	\$13.71
\$14.00	\$12.85	\$12.94	\$13.02	\$13.09	\$13.11	\$13.18	\$13.21
\$13.50	\$12.35	\$12.44	\$12.52	\$12.59	\$12.61	\$12.68	\$12.71
\$13.00	\$12.35	\$12.34	\$12.22	\$12.09	\$12.11	\$12.18	\$12.21
\$12.50	\$12.35	\$12.34	\$12.22	\$12.09	\$11.91	\$11.78	\$11.71
\$12.00	\$12.35	\$12.34	\$12.22	\$12.09	\$11.91	\$11.78	\$11.61
\$11.50	\$12.35	\$12.34	\$12.22	\$12.09	\$11.91	\$11.78	\$11.61
\$11.00	\$12.35	\$12.34	\$12.22	\$12.09	\$11.91	\$11.78	\$11.61
\$10.50	\$12.35	\$12.34	\$12.22	\$12.09	\$11.91	\$11.78	\$11.61
\$10.00	\$12.35	\$12.34	\$12.22	\$12.09	\$11.91	\$11.78	\$11.61
\$9.50	\$12.35	\$12.34	\$12.22	\$12.09	\$11.91	\$11.78	\$11.61

2011 Soybean Example

	Revenue Insurance floor			\$13.49 base		
Coverage Election	65%	70%	75%	80%	85%	
Futures Price	\$ 8.77	\$ 9.44	\$ 10.12	\$ 10.79	\$ 11.47	
Basis	\$ (0.80)	\$ (0.80)	\$ (0.80)	\$ (0.80)	\$ (0.80)	
Cash Equivalent	\$ 7.97	\$ 8.64	\$ 9.32	\$ 9.99	\$ 10.67	

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

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