Attitude Toward Risk

Please mark your answers to the following questions. There are no right or wrong answers, since each person’s attitude toward risk may be different from that of his or her neighbor.

1. Two hybrids planted side by side in your area have shown the following results over the past five years:

<table>
<thead>
<tr>
<th>Hybrid</th>
<th>Average Yield</th>
<th>Range</th>
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</thead>
<tbody>
<tr>
<td>A</td>
<td>160 bu/a</td>
<td>140 – 180 bu/a</td>
</tr>
<tr>
<td>B</td>
<td>185 bu/a</td>
<td>100 – 220 bu/a</td>
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</tbody>
</table>

If you had only these two hybrids to choose from, what would you do?

_____ 1. Plant all hybrid A.
_____ 2. Plant half of each.
_____ 3. Plant all hybrid B.

2. If you knew that there was a 1% chance that your new house would be destroyed by tornado or fire in any given year, how much would you be willing to pay to insure it for its replacement cost of $200,000?

_____ 1. Up to $4,000 per year.
_____ 2. Up to $2,000 per year.
_____ 3. Up to $1,000 per year.

3. In June you project that you will have to sell half (40,000 bushels) of your expected corn this fall to pay your cash rent. The elevator offers you $3.80/bushel for fall delivery. Market forecasters predict that there is a 25% chance that fall corn prices will be as high as $4.40, but also a 40% chance that they will be as low as $3.00. What would you do?

_____ 1. Contract all 40,000 bushels now.
_____ 2. Contract 20,000 now, sell 20,000 at harvest.
_____ 3. Wait and sell all 40,000 bushels at harvest.

4. You still owe $100,000 on 160 acres purchased 8 years ago for $300,000, at 9% interest. A rich aunt dies and leaves you $100,000. What would you do with it?

_____ 1. Pay off the $100,000 of debt on your present land.
_____ 2. Buy additional land for cash ($100,000).
_____ 3. Buy more additional land for $300,000 using the $100,000 as a down payment and borrowing the rest.