Fill in the blanks (2 points each)

1. _______________ is the difference between futures prices.

2. Hedging is the holding of ______________ and ______________ positions in the cash and futures markets.

True or False (2 points each)

T or F 3. Put and call options are opposite positions that can offset each other.

T or F 4. The top reason crops fail is flooding.

T or F 5. Direct payments rates do not move with crop prices.

T or F 6. The last 2 corn crops are the 2 largest corn crops the U.S. has ever had.

T or F 7. A long hedge protects against rising prices.

T or F 8. Option premiums are established in a market.

T or F 9. A basis contract locks both the futures price and the basis.

T or F 10. A hedge-to-arrive contract protects you from futures price risk.

Short answer (2 points each):

11. Which is better for a long hedger, a narrowing basis or a widening one?
12. At what price level does the season average price for soybeans have to be below for countercyclical payments to begin?

13. How many months can a marketing loan, through the federal government’s marketing loan program, be utilized?

14. Name two of the new generation contract categories.

**Short Answer (5 points each)**

15. What does “nonrecourse” mean in the marketing loan program?

16. What is the soybean direct payment rate and how much would I receive in direct payments if I have 250 acres of soybean base and a direct payment yield of 35 bushels per acre?

17. What is the strike price and settlement (or closing) premium for the nearest in-the-money put option on the December 2012 corn futures on April 27, 2012? (State it in $/bushel, Check the markets after 4pm).

18. Why might you use a deferred price contract?
Long Answer (10 points each)

19. For 2012, you have an expected corn yield of 200 bushels per acre on your farm, based on your previous corn yields. The spring time insurance price for corn is $5.68 per bushel.

a) If you bought 80% yield insurance, what is your insurance guarantee?

b) If you bought 80% revenue insurance, what is your insurance guarantee?

c) If you got 150 bushels per acre in 2012 and the harvest time price was $6.00 per bushel, what would be the insurance payment if you bought 80% yield insurance?

d) If you got 150 bushels per acre in 2012 and the harvest time price was $6.00 per bushel, what would be the insurance payment if you bought 80% revenue insurance (with the harvest price option)?

20. How much are the total storage and opportunity costs for soybeans that I have in storage given the following details?
10,000 bushels of soybeans stored for 4 months
10 cents per bushel upfront charge plus 2 cents per bushel for each month
Harvest price of $12 and a short-term interest rate of 3%