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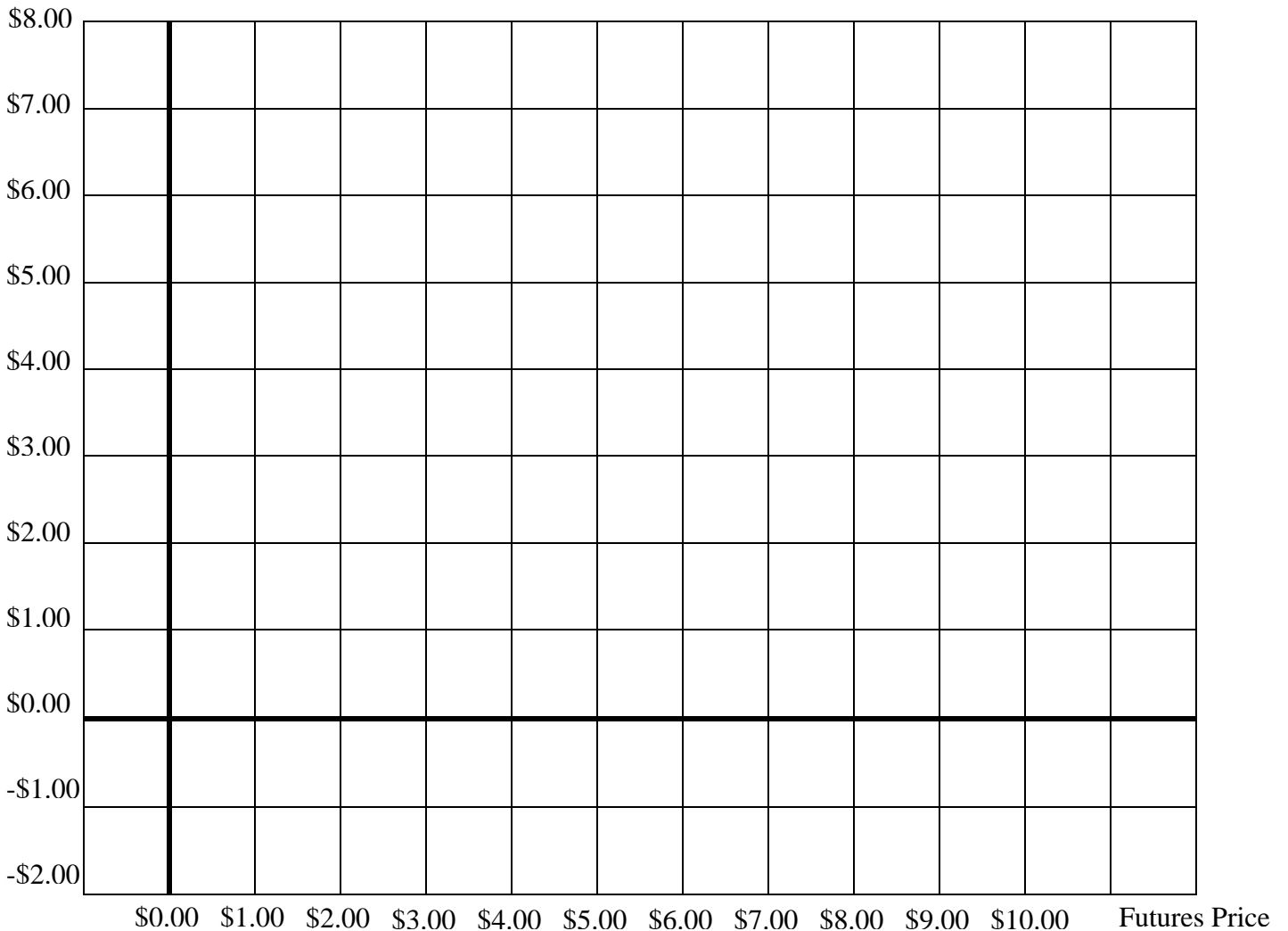
\_\_\_\_\_ % Homework          \_\_\_\_\_ % Exams          \_\_\_\_\_ % Marketing Assignment

For the following questions use the attached futures and options data. Assume historical expected basis of  $-\$0.25$  per bushel and a commission of  $\$0.01$  per bushel for both crops.

**Show the math and draw the graph.**

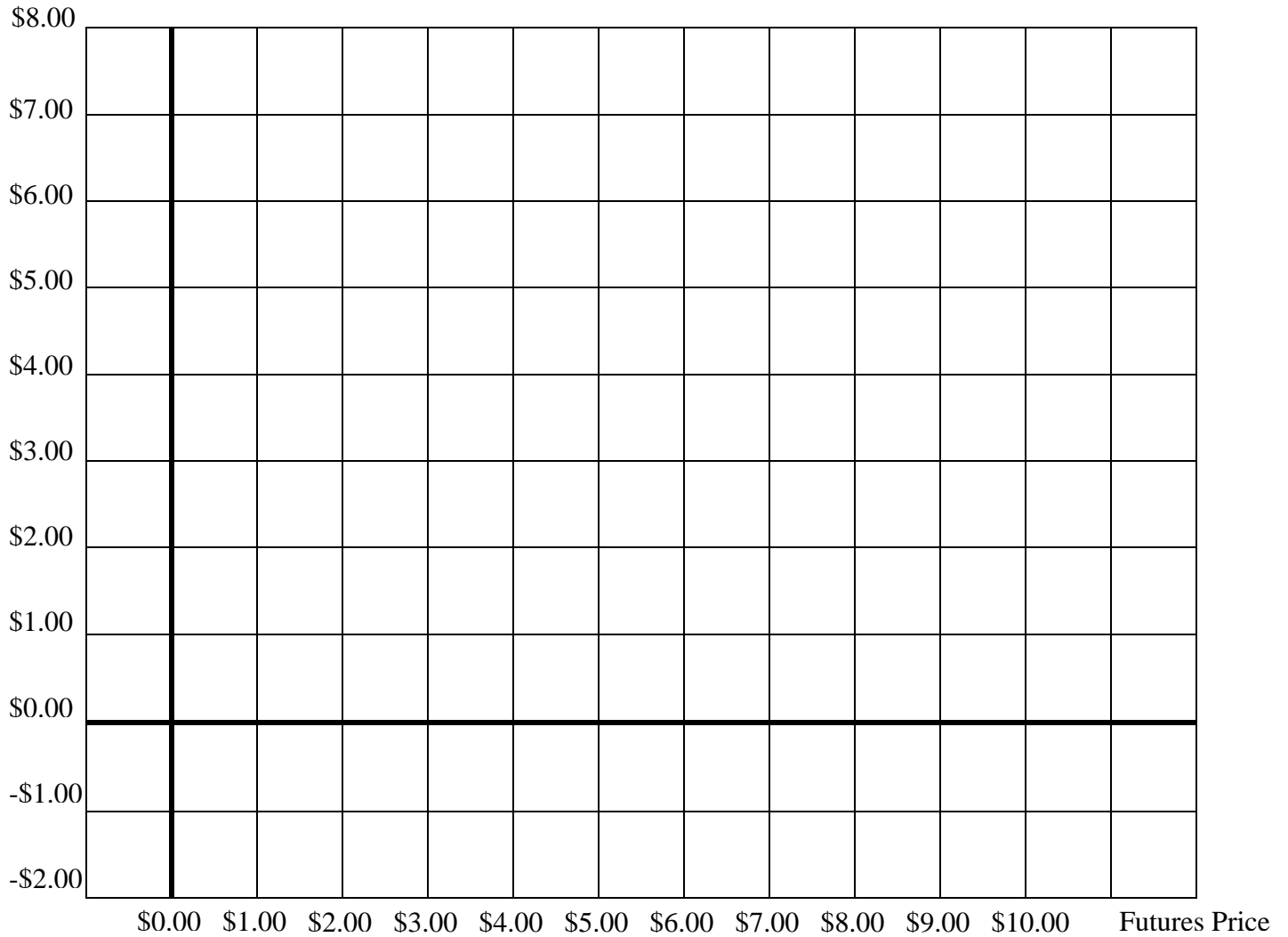
1. A corn producer buys a  $\$5.00$  put option and sells a  $\$6.00$  call option on Dec. 2014 corn futures, what is her floor price? Does she have a price ceiling under this strategy? If so, what is it? If the Dec. 2014 corn futures price rises to  $\$5.80$ , what is her net price?

Return/Net Price



2. A corn producer buys a \$6.00 put option on Dec. 2014 corn futures. What is her floor price with the option in place? If the Dec. 2014 corn futures price falls to \$3.75, what is her net price?

Return/Net Price





All prices and premiums are listed in dollars per bushel

Dec. 2014 Corn

Futures 4.96

Price

Options	Strike Price	Premium	Options	Strike Price	Premium
Put	4.50	0.20	Call	4.50	0.67
Put	4.60	0.24	Call	4.60	0.61
Put	4.70	0.28	Call	4.70	0.55
Put	4.80	0.33	Call	4.80	0.50
Put	4.90	0.38	Call	4.90	0.45
Put	5.00	0.44	Call	5.00	0.41
Put	5.10	0.50	Call	5.10	0.37
Put	5.20	0.56	Call	5.20	0.33
Put	5.30	0.63	Call	5.30	0.30
Put	5.40	0.70	Call	5.40	0.27
Put	5.50	0.77	Call	5.50	0.24
Put	5.60	0.84	Call	5.60	0.21
Put	5.70	0.92	Call	5.70	0.19
Put	5.80	1.00	Call	5.80	0.17
Put	5.90	1.08	Call	5.90	0.15
Put	6.00	1.16	Call	6.00	0.14
Put	6.10	1.25	Call	6.10	0.12
Put	6.20	1.34	Call	6.20	0.11
Put	6.30	1.42	Call	6.30	0.10
Put	6.40	1.51	Call	6.40	0.09
Put	6.50	1.60	Call	6.50	0.08
Put	6.60	1.70	Call	6.60	0.07
Put	6.70	1.79	Call	6.70	0.06
Put	6.80	1.88	Call	6.80	0.05
Put	6.90	1.98	Call	6.90	0.04
Put	7.00	2.07	Call	7.00	0.03