



Risk Assessed Marketing
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Compare Livestock Risk Protection (LRP) Contract with Chicago Mercantile Exchange (CME) Put Option Premiums for Similar Coverage

	Current			History		
1 Coverage Date	10/14/2003	10/13/2003	10/10/2003	10/9/2003	10/8/2003	10/7/2003
2 Option Expires	4/29/2004	4/29/2004	4/29/2004	4/29/2004	4/29/2004	4/29/2004
3 April Futures Price						
4 Futures Increase/Decrease	(\$1.500)	\$1.500	\$0.700	(\$1.300)	\$1.500	\$1.500
5 April Feeder Cattle Futures Close	\$91.900	\$93.400	\$91.900	\$91.200	\$92.500	\$91.000
6 April Feeder Cattle Put Strike	\$88.00	\$88.00	\$86.00	\$86.00	\$86.00	\$84.00
7 Calculated Implied Put Volatility	20.77	23.02	20.25	19.30	18.42	17.33
8 Weeks to Expiration	28.300	28.400	28.900	29.000	29.100	29.300
9 Short-term Interest Rate	1.44%	144.00%	1.44%	1.47%	1.44%	1.46%
10 April Put Premium	\$3.700	\$3.800	\$2.900	\$2.900	\$2.300	\$1.850
11 Total Contract Premium	\$1,850.00	\$1,900.00	\$1,450.00	\$1,450.00	\$1,150.00	\$925.00
12 Commission ¹	\$75	\$75	\$75	\$75	\$75	\$75
13 Total Producer Costs	\$1,925.00	\$1,975.00	\$1,525.00	\$1,525.00	\$1,225.00	\$1,000.00
Premium Adjusted for Strike Price and LRP Expiration Date ²	\$3.730		\$2.954	\$2.895	\$2.313	\$1.852
15 Comparison Premium	\$1,940.00		\$1,552.00	\$1,522.50	\$1,231.50	\$1,001.00
16 LRP Expires	4/13/2004	No Offer	4/9/2004	4/8/2004	4/7/2004	4/6/2004
17 LRP Weeks Covered³	26.000		26.000	26.000	26.000	26.000
18 Coverage Level	94.2500%		94.3500%	93.0300%	94.5500%	93.9100%
19 Expected Price	\$93.931		\$92.019	\$93.153	\$91.719	\$90.289
20 LRP Expected Price Change	\$93.931		(\$1.134)	\$1.434	\$1.430	\$1.287
21 LRP Guarantee "Put Strike"⁴	\$88.53		\$86.82	\$86.66	\$86.72	\$84.79
22 Premium/head/750 lbs calf⁵	\$27.03		\$21.19	\$16.69	\$17.56	\$14.58
23 LRP Adj. to CME Contract Size ⁶	\$1,802.00		\$1,412.67	\$1,112.67	\$1,170.67	\$972.00
24 Total Producer Costs	\$1,802.00		\$1,412.67	\$1,112.67	\$1,170.67	\$972.00
25 Adjusted Premium Difference	(\$138.00)		(\$139.33)	(\$409.83)	(\$60.83)	(\$29.00)
26 % LRP Discount vs Adj. Put	(7.11%)		(8.98%)	(26.92%)	(4.94%)	(2.90%)

Footnotes on next Page

¹Commissions vary and some brokers charge a flat commission for options that includes the sale of the option, if it is in-the-money.

²The strike price and time value left in the option do not match the LRP guarantee on most days. Therefore, the put premium was adjusted to reflect the LRP strike and remaining time value so the two products could be compared.

³The LRP contract based on the April Put declines in time coverage daily. For example the coverage weeks declined from 30 weeks on 10/2/03 to 26 weeks on 10/3/03.

⁴The LRP strike varies daily and is based on the expected market price and can not exceed 95% of the expected market price.

⁵LRP premiums are based on the previous day's close of CME option market.

⁶LRP premiums were adjusted to cover 66.67 head of 750 pound calves or 50,000 pounds that is equivalent to a CME option. Unlike the futures and options, LRP does not have a fixed size contract. For example a producer could purchase an LRP contract on 10 head of 750 pound calves for a total of 7,500 pounds.