

Name: _____

Grain Market Short Course

Homework 3

(Due January 29, 2003)

Part I. Multiple Choice Questions: (Circle the letter associated with the best answer. Each question is worth 3 points.)

- 1) If cash price falls by less than futures then basis:
 - a) strengthened.
 - b) remained constant.
 - c) weakened.
 - d) none of the above.

- 2) If I want the right to hedge corn production later, I would:
 - a) buy a futures contract.
 - b) sell a futures contract.

- 3) Basis usually gets weaker after harvest.
 - a) True
 - b) False

- 4) Prices are less volatile than basis.
 - a) true
 - b) false

- 5) Most producers hedge in the futures market:
 - a) True.
 - b) False.

- 6) A harvest basis which is stronger than normal provides an incentive to:
 - a) Sell at harvest.
 - b) Buy a put option.
 - c) Store grain.
 - d) None of the above.

- 7) Prices can usually be accurately forecast based on their level the last three years.
 - a) True
 - b) False

