

- 7) I am a corn farmer, and I sell you corn. I am currently offering you a forward cash contract for 15,000 bushels of corn for April delivery for \$5.02. Is it a good deal? Why or why not?
- 8) The initial margin requirement for corn is \$1,350. Maintenance margin is \$1,000. If you hedge today and May corn is \$5.05 per bushel on Mar 1, and \$4.95 on Mar 15, explain the cash flow on your margin account between Feb 15 and Mar 15?
- 9) It is the morning of Apr 1. There is news that the biggest oil export country decides not to export for one month. What would you expect to happen in the markets and to your profit? (Assume you are hedged)
- 10) If you are a speculator, are your margin requirements for corn and ethanol futures contracts likely to be higher or lower than the ethanol plant? Why?