

Perfect Hedge



<u>Date</u>	<u>Cash</u>	<u>Futures</u>	<u>Basis</u>
Oct. 26	Buy 10,000 bu. @\$2.40	Sell 10,000 Bu. @\$2.75	\$0.35
Nov. 1	Sell 10,000 Bu. @\$2.15	Buy 10,000 Bu. @\$2.50	\$0.35
NET		+0.25	-0-
Receipts			
	Nov. 1 Cash Sale Proceeds	\$2.15	
	Gain on futures	<u>0.25</u>	
	Total	\$2.40	
Expense			
	Oct. 26 Cash Purchase Cost	<u>-2.40</u>	
NET		-0-	

Production Hedge for Wheat

<u>Date</u>	<u>Cash</u>	<u>Futures</u>	<u>Basis</u>
Sept. 1, '98	No action expects to receive \$3.10/bu. at harvest	Sell Sept. @ \$3.60	\$0.50 exp.
Aug. 1, '99	Harvests Wheat Sells @ \$2.70	Buy Sept. @ <u>\$3.20</u>	\$0.50 actual
NET		+0.40	-0-
Receipts			
Aug. 1 Cash Proceeds		\$2.70	
Gain from futures		<u>0.40</u>	
Total		\$3.10	
Expected Price of \$3.10 is realized			

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NET		+0.40	-0-
Receipts			
	Aug. 1 Cash Proceeds	\$2.70	
	Gain from futures	<u>0.40</u>	
	Total	\$3.10	
Expected Price of \$3.10 is realized			

Comparing Producer Marketing Alternatives

Comparison Factors	Cash Sale	Forward Contract	Hedge With Futures	Agr'l. Options
Downward Price Protection	Low	High	High	High
Profit Opportunity	High (if prices rise)	Low	Low	High
Marketing Flexibility	High	Low	Midium	High
Degree of Difficulty	Easy	Easy	Medium	More Complex