

Rolling Hedges Worksheet

Crop	Soft Red Winter Wheat				
Initial Hedge Month	Jul	2009	Operating Loan Interest Rate	4.25%	
Initial Futures Price	\$ 6.75		Interest Cost Per Month	0.35%	
Current Nearby Basis	\$ (1.22)		Interest Cost Per Bu. Per Month	\$ (0.0196)	\$ (0.09793) Total Operating Interest Charge For Storage Period (Per Bu.)
Current Hedged Cash Price	\$ 5.53		Marketing Loan Interest Rate	4.00%	(Reduce operating interest rate to savings rate if operating loan for this crop year is paid off)
Current Futures Price	\$ 5.06		Marketing Loan Interest Per Month	0.33%	
Current Cash Price	\$ 3.84		Marketing Loan Interest Per Bu. Per Month	0	\$ - Total Marketing Loan Interest Charge for Storage Period (Per Bu.)
Current Margin Position	\$ 1.69		Storage Cost Per Month	\$ (0.05)	(Grain elevator has traditionally paid this)
Difference (gain/loss)	\$ 1.69		Transaction Cost Per Bu (Brokerage)	\$ (0.01)	Many elevators have implemented a margin payoff program where the producer pays any margin the elevator has contributed prior to allowing the roll into a different contract month
Re-hedge Month	Dec	2009	Transaction Cost Per Bu - Charge per option month (Elevator fee)	\$ -	Farmers who hedge with futures always cover this cost
Futures Price	\$ 5.62		Option Months in Roll	0	
Futures equivalent	\$ 7.31		Total Transaction Costs	\$ (0.01)	
Expected Basis	\$ (0.60)		Months Additional Storage	5	While it makes farmers feel better to move the lowest initial price contracts ahead, it is better to move higher initial price contracts further out to minimize interest costs
Expected Cash Price	\$ 6.71		Total Cost of Storage, Interest and Transactions	\$ (0.36)	
Difference From Initial Hedge	\$ 1.18		Expected Net Gain (Loss) From Storage and Rolling	\$ 0.82	

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