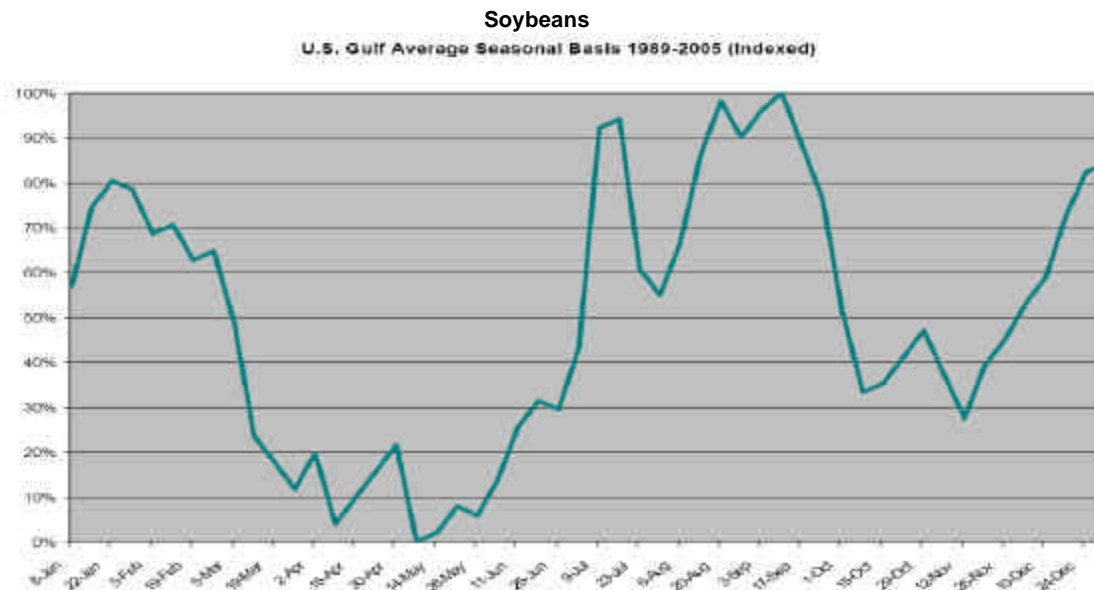


Commodity Price Management Spread Guide

What to Look for:

Procurement agents are exposed to the risk of a strengthening basis. To protect against this portion of risk, which is distinct from price risk, one might consider buying a nearby futures contract and selling a deferred futures contract. Here are some things to look for before deciding to continue with such a strategy:

1. Make sure that the basis of the commodity in question is seasonally strong during the period of time which represents the period you are concerned about a strengthening basis. Below is a graph that illustrates the seasonality of soybean basis over the last sixteen years.



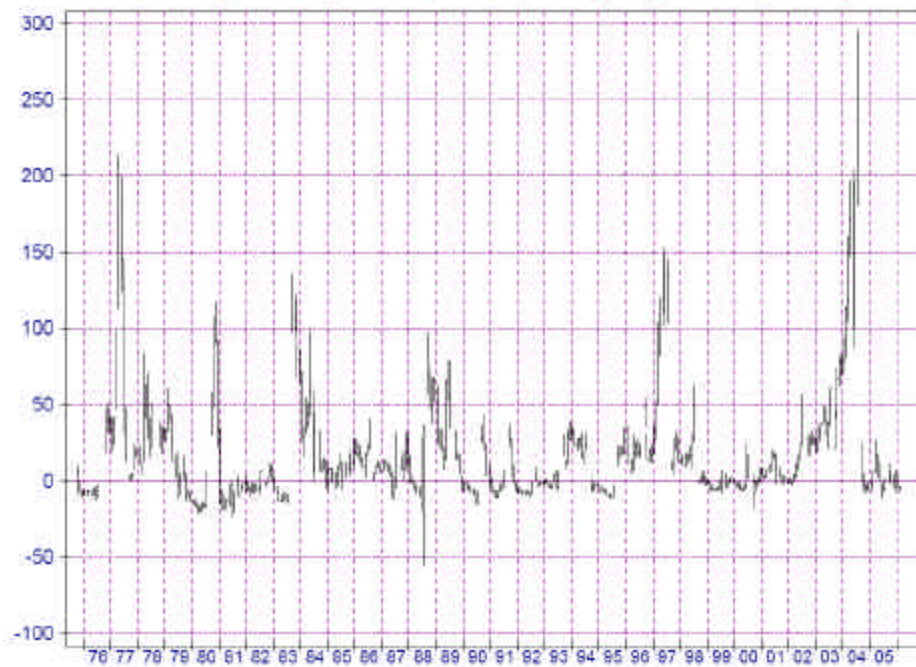
2. When choosing a spread in which to enter, you will want to choose one that also has a period where it seasonally increases, or strengthens. Below is a graph which depicts the seasonal relationship of the July and September Soybean futures during the last fifteen years (the dotted line), as well as the current proposed level of the spread (the dark line). This graph has been provided by Moore Research, Inc. The graph shows a seasonal tendency for this spread to strengthen from April to July. That is the July contract gains value relative to September. Reflecting back to the previous graph, this is the same period of time basis values tend to strengthen.

Jul06 Soybeans(CBOT) - Sep06 Soybeans(CBOT) With 15 Year Seasonal(91-05)



3. Something else which should be considered is the present level of the proposed futures spread. It should currently not be at an historically strong level, because it may not have much room to strengthen in the future. Below is a graph (also provide by Moore Research, Inc.) that illustrates the historical relationship of the July 2006 – September 2006 futures spread. Notice that the spread is not strong relative to history and can make the strategy appear all the more attractive.

Monthly Jul Soybeans(CBOT) - Sep Soybeans(CBOT)



It is important to seek advice from our CIH professionals considering executing such a spread. Please remember that these types of spreads are only designed to recuperate some losses that occur from weakening basis levels. They are not designed to make money.

The information contained herein was obtained from sources we believe to be reliable. Neither the information nor any opinion expressed constitutes a solicitation by us to purchase and/or sell commodity futures contracts. The information and trades contained herein are examples to illustrate a hedge strategy used to reduce the risk of commodity price changes for a producer. There is a risk of loss in all trading.