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## Reduce Spring Wheat Basis Risk Through A Complimentary Strategy

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Minneapolis Grain

Exchange

Hello:

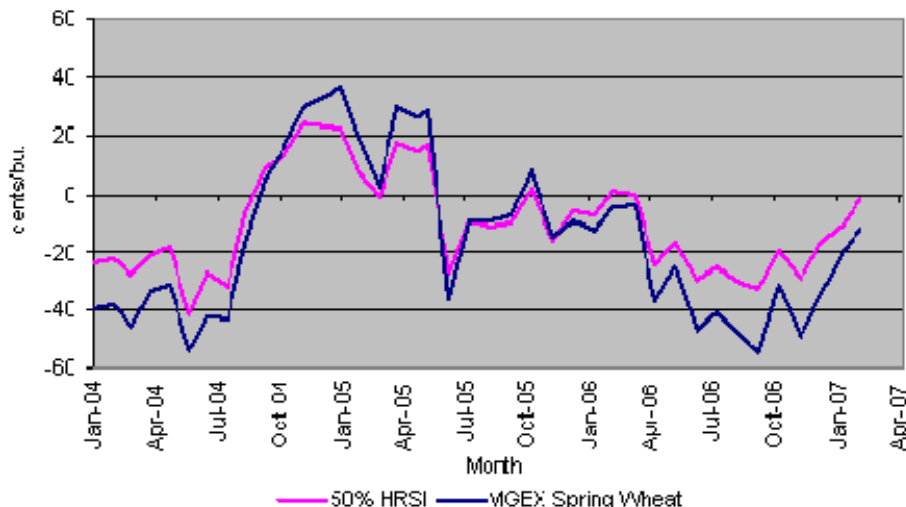
Finding the right trading strategy can be challenging, especially in volatile markets. One strategy to consider with your hard red spring wheat is a **combined use of traditional, physically delivered hard red spring wheat futures contracts and the Minneapolis Grain Exchange (MGEX) financially settled hard red spring wheat index (HRSI) futures contract.**

The HRSI wheat index futures contract reflects **country-level elevator bids**; therefore, offering a **more stable country-level basis** than traditional delivery-based wheat futures contracts.

Incorporating new components into a hedging program can be unnerving. However, hedgers **do not need to radically alter** their hedging routine to benefit from the improved basis offered by the MGEX HRSI futures contract. By **dedicating even a small portion** of the hedge to the HRSI futures contract, overall basis risk can be reduced considerably. To view results of reducing basis risk through the use of HRSI with traditional, physical delivery contracts [click here](#).

The basis behavior for a 50% HRSI hedge is illustrated in this chart.

### Montana, Hard Red Spring Wheat Basis, 2004-2006



Clearly, additional basis stability can be achieved by placing a portion of wheat hedges in the MGEX HRSI contract. In addition to the HRSI, the MGEX offers index futures contracts for soft red winter wheat (SRWI) and hard red winter wheat (HRWI). **These futures contracts can be use as a complimentary tool with traditional physically delivered futures contracts for hedgers.** Potential users of the MGEX wheat index futures contracts should not to take an "all or none" approach to the index contracts. Rather, they should "get their feet wet" by using them to **enhance current hedging strategies.**



Follow these links to additional information on the [HRSI](#) and for similar examples for [SRWI](#) and [HRWI](#).

To learn more about how the MGEX products can work into your trading strategy go to [www.mgex.com/products.html](http://www.mgex.com/products.html), reply to this message or call me at 612-321-7151.

Best Regards,

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