

# UTTERBACK MARKETING SERVICES

## 03/21/05 PM COMMENT

**BOB'S GENERAL COMMENTS:** Let's first review the UMS position. It is our objective to help producers **SELL** inventory in order to come up with the best return possible for the least risk possible. We have established an objective of trying to make at least 10% pre-tax profit before government payments. While this varies from farmer to farmer because of the fix cost and labor cost allocation I believe recent prices have achieved and exceeded this basis profit objective.

Subsequently we have decided it is time to sell based upon the prices being offered and the seasonal selling time period. The issue becomes does the current price being offered have significant upside risk exposure? For some time our position has been that December corn above \$2.42 and Nov beans above \$5.80 represented a selling value. As we have learned, I have been negative on beans with the recent rally to \$6.50. In the future the potential risk can be even higher. Are you ready for \$1.25 to \$1.50 annual ranges in corn and \$2.50 to \$3 in beans?

**WHAT HAS THE RECENT RALLY TAUGHT ME?** I said it several times in seminars around the country this winter that I believe the potential of a 1970's type market is starting to develop. The implication to the seller is two fold.

1. It's going to be increasingly more difficult being a seller in the future as demand grows. The reason being the potential of big fund interest to push prices higher than the numbers imply. Essentially, we don't really know how much upside risk exists when the big boys start pushing the market!
2. Subsequently, I believe producers either have to wait till the market confirms a top to sell. The issue then becomes how to identify a top? Second, how do you get producers to sell when the markets are rapidly breaking? It's my experience it's very difficult to sell in a steep down trending market.
3. I would suggest this implies there is only one way to sell. One must sell into the strength when a basic pre-tax profit objective is being hit but also give one self a out if the market breaks into new highs like the 1988, 1983 and 1996 price events.

**HOW TO SELL?** This is the question that's becoming very important now and in the future. You want to sell, but the fear of higher prices keeps you from moving and when the market breaks the fear of fall prices freeze you. You are on an emotional roller coaster, which ends when you feel comfortable in selling but no opportunity exists.

This is where **SELL AND DEFEND** concept comes into play. Get a floor under your cash inventory but have some type of upside price protection.

**CURRENT POSITION:** The current position regarding corn, beans and wheat is supply is going to increase domestically as well as internationally. While demand is strong, higher fuel prices and an increase in interest rates in U.S. and China are being put into place to keep demand in check, with strong bean and corn plantings in the U.S. with average yields will build world stocks. The subsequent event will be a price break like April of last year to fall. The farmers will be caught with unpriced inventory in the bin hoping for a rally!

Currently we have suggested a very aggressive selling position in either hedge to arrive or long put position. The upside is protected by long calls. Our strategy is to sell beans early for cash flow but to store corn for the expected big carry. We still believe there will be some level of LDP on corn but beans could be questionable.

**AS YOU REVIEW THE PREFORMANCE OF THE SELL AND DEFEND STRATEGY  
WHAT IS ITS BIGGEST ADVANTAGES AND WEAKNESS?**

**ADVANTAGES:** The first big advantage is the inventory is sold. One knows where the floor is at and is not constantly worrying about if the inventory is going to be sold. The second big advantage is one has not spent an extreme amount on call protection. We have tried to keep corn call cost below 12 cents and beans below 25 cents.

**DISADVANTAGE:** As we have seen since the late Feb lows the call vertical in all commodities did not go up as fast as the futures. This is because of the sensitivity of the strategy. The at-the-money calls were less than 50% while the shorts were around 25%. So essentially the call vertical gave us about a 25% offset of the upside price move.

The vertical call is designed to give the best offset of upside risk at expiration, not during a mid year rally.

This is where one of the biggest problems for the vertical call, mid-session rallies which motivates producers to try to selective trade the market to add value to the early cash sale. I sense the producer wants an unlimited opportunity position at low cost. Unfortunately such cheap strategies don't naturally exist one has to develop them over time.

### **HAS THE RECENT RALLY CHANGED YOUR OPINION ON HOW TO DEFEND UPSIDE RISK EXPOSURE?**

The growing demand base, large fund activity and the uncertainty of weather, are all very explosive bullish elements, which make it difficult judging how far the market will move up in any one year. As we move into the future and ethanol and other demand for corn and beans develop it will be increasing more important to have a more unlimited upside potential rather than a limited vertical call strategy as we currently are employing. I don't believe we have a major worry for corn this year but beans we will have to watch.

**HOW DOES ONE GET UNLIMITED UPSIDE POTENTIAL?** First, let's assume we are talking about a strategy where you have established a floor on a crop and have taken out crop insurance to ensure yield. You are short via futures, long put, flex hedge at your elevator or a Hedge to Arrive contract.

**THE FIRST WAY IS SELECTIVELY TRADE LONG FUTURES.** The positive you get 1 to 1 offset of short sale if the market rallies. The problem is to be effective you have to be extremely involved in the market. Second, you have to have a technical process to follow. Even if you do commit time and effort the biggest reason why I don't like buying futures against a short position is one to one feature. If you are not exactly right you can do more damage than good. Frankly, I believe if you have the instinct and ability to call the long side of the market that effectively why be a producer.

**BUY A LONG CALL:** This has historically been my tool of choice. Say you have just sold beans at \$6.20 and Corn at \$2.40. You buy a \$2.50 corn call for 20 cents or a \$2.20 floor price and you buy a \$6.20 call for 58 cents or \$5.62 floor price. The reaction is almost universal we can't spend that much money! I have very rarely found a time when the calls where seemed to be a good investment until after the event. Then everybody loves the calls!

**SO THE PROBLEM OF BUYING CALLS IS THE COST?** Is there any way around this? This has essentially been our historical effort. Try to manage the time when we buy the calls. Our game plan I believe for the future will always be to buy deep-out-of-the-money calls at strike prices we want to be long.

For example for 2006 we would like to buy the \$2.70 to \$2.80 call some time in the fall of 2005 below the 12 cent level. For beans we would like to buy the \$6 calls at 20 cents or cheaper. Even when we push and watch the seasonal, the cost is still going to be at least 12 to 15 for corn and 25 to 30 for beans.

**IS THERE ANYWAY TO GET THE PREMIUM COST DOWN?** I see two alternatives which I will be proposing for the 2006 marketing season for corn and beans.

Alternative one: Try to take advantage of the seasonal price decline between May and August to SPECULATIVE raise capital in order to buy the Dec 2006 and Nov 2006 long calls. Remember since we are long cash for 2006 no long positions are needed. Simply short positions are being implemented.

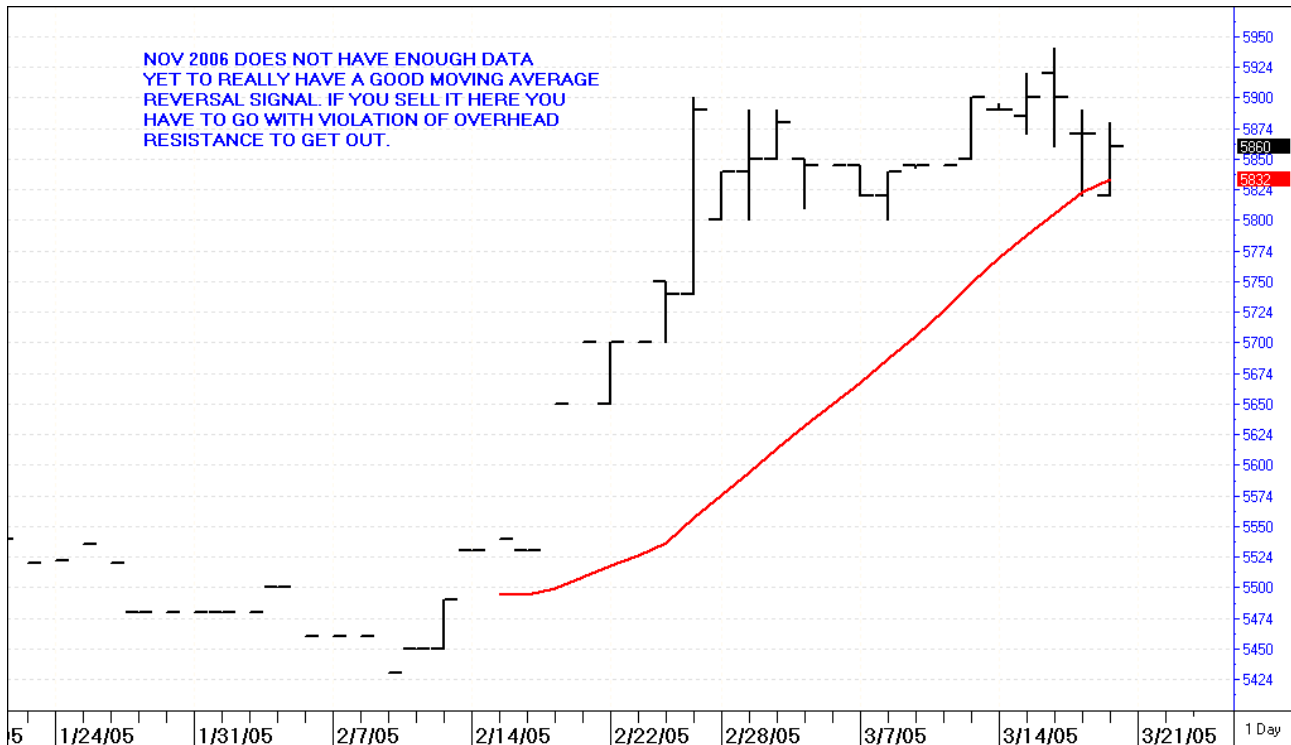
The process would involve selective trading the Dec 06 corn and Nov 06 beans in relation to the trend following process. The key is to pick a time interval that's fast enough that you stay in tune with the trend by not fast enough to create a lot of activity. People study this all the time. I don't profess to have the best count but the 16 to 21 day on the short count and 34 to 47 on the long count seem to give the best performance.

The chart below show 20/40 day moving average on the Dec 2006 contract. It has had two trades since last summer. The model is currently long but the momentum indicator call the SSTO is indicating a market very close to being overbought. It is very tempting to sell the overbought condition. The problem I seem to always find myself in is if I take the bait on the overbought sell when do I get out? While it may be slow I like to stay with the Moving average and only speed up the time count if something major fundamental development has occurred.



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As a general rule on this type of strategy I never want to risk much more than half what I'm trying to make per trade. Remember in corn I need about 15-cents. So I would suggest a 7-cent stop/position in corn. In beans I'm needing 30-cents so a 15 cent maximums stop. Also remember, when the model reverses, you have to accept it even if you have all kinds of reasons why not to. If you get out of the position with the model it's very difficult to get back in the rhythm.



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So starting in April/May we will be watching the 2006 contracts very closely for technical reversal signals to selectively sell in order to be short. We are going to take a measureable risk on this seasonal decline time period in order to get enough money to buy our call premium.

**WHAT IF YOU DON'T WANT TO BE A SELECTIVE TRADER BUT YOU STILL WANT TO HAVE UNLIMITED UPSIDE POTENTIAL?**

This is where our desire of what we want is in conflict with what the market will offer. Remember, the market's not a charitable institution. To get something you have to give up something up in either opportunity or assume risk.

As one moves up the scale in trying to create an unlimited upside potential position I must unfortunately become more complex. There is a strategy that will give you unlimited upside potential but in return you must give up something. You must give up near term protection.

For example: Let's assume you have sold 100% of 2005 corn now going into the report at \$2.52 or higher in the July 06 contract. Let's assume you are going to roll it back to the Dec some time in April/May on our instruction. However, let's assume you have not bought the calls what should you do.

1. Buy a \$2.50 Dec call at 18.5 cents: Hold into report and if market is bearish liquidate on close in Dec below \$2.40. As for upside hold until summer. Unlimited upside potential but at cost of 18.5 cents plus one commission or 19.5 cents.
2. Buy a \$2.50 Dec call/Sell a \$3 call at 11.25 cents plus two cents commission for 13.25 cents. This strategy has reduced your cost by 6.25 cents over the alternative one but you have no protection above \$3.

The client using this strategy must have a decision-making process for when to liquidate the \$3 calls. I'm suggesting a trade above \$2.62. Second, since call protection is desired all the way to fall I would try to reduce the cost by selling the second call. I would sell when model goes short.

Long term we may be able to reduce the total call protection including commissions below 6 cents for a 50-cent upside protection.

Officially, this is our current recommended course of action and it will be implemented for the 2005 crop since we are in position.

**IS THERE ANY OTHER WAY TO PROTECT UPSIDE?** I dare say there are various other ways to protect but one technique that I've been experimenting with is called the ratio back spread. It essentially reverses the order of the vertical call strategy.

**For example:** You sell the July \$2.30 call for 12.25 cents and you buy (3) July \$2.50 calls for 6.5 cents. The total premium paid is 7.25 plus three cents commission or 10.25 cents. Essentially the same as the bull call spread. This is where the similarities end. In this example you have no price protection between \$2.30 and \$2.50. The loss in the \$2.30 is offset by the gains in the \$2.50's. However above \$2.50 you have two long calls working for you. Since two positions would just about equal the risk of a cash sale you would be what we like to say is delta neutral. This means the gain in the calls would offset almost one to one you lose in the cash sale.

So if the market were trading at \$3 in July, you would have a 50-cent gain on two positions or a cool \$1 gain to add to your cash position for a 50-cent move in the market. Not BAD!

**SO REMEMBER, THIS STRATEGY WORKS FANTASTIC WHEN YOU HAVE BIG MOVES!**

**WHAT'S THE CATCH?** There is a two big catch's with this strategy as I see it. Let's say you put the back spread on in July today and we simply creep higher to \$2.50 level when the calls expire. This means all the premium in the \$2.50 is gone but your \$2.30 is worth 20 cents more. Your initial cost of 10.25 cents now goes up 20 cents for a total cost of 30.25 cents. Essentially this would lower your net selling price 30 cents, very negative.

**SO THIS STRATEGY IS VERY TIME SPECIFIC:** You cannot allow the out-of-the-money calls to drop completely in value. This implies sometime in late April to early May if the market is not moving in your direction you will need to adjust.

**CAN WE GO TO MORE DEFERRED CONTRACTS AT THE START:** You can but the deep-out-of-the-money calls are more difficult to buy in the 3 by 1 desired ratio because of all the increased time value cost. For example a \$2.40 long call going for 22 cents and a \$2.70 call going for 13 cents or 17 cents plus three cents commission or 20 cents. You have 10-cent more cost. This is why you have to try to keep closer to the nearby contracts.

**SO WE KNOW WE LIKE THE GENERAL INITIAL COST. WE KNOW WE LIKE THE UNLIMITED UPSIDE FEATURE, THE PROBLEM IS THE 20-CENT EXPOSURE IF THE MARKET MOVES IN OUR TREND BUT DOES NOT EXPLODE. HOW DOES ONE REDUCE THIS RISK EXPOSURE?**

Essentially, we want to create a delta neutral short call. This means we want the time value decay of the at-the-money call but we don't want the flat price upside risk of the short call. This implies you have to get a long position in place equal to the delta of the short call.

Here's where it gets a little tricky and why one would almost have to do this in a managed account where it can be watched daily. Essentially, I see two reasonable ways to offset the flat price risk exposure of the short call.

**SELECTIVE SELL PUTS:** For example the delta on \$2.30 call is about .4986 or 50% risk of a long futures. To get this level of coverage you would have to sell \$2.30 PUT for about 14.6 cents.

I see two problems as the market moves higher you will have to sell more puts to keep your delta aligned.

Second, the liquidity in the puts is sometimes difficult to get out as fast as you want. You cannot really use project (a). The big advantage of selling puts is if you have established your short position in long puts or short futures you can establish the short put for very little margin activity. In some cases, you will actually reduce margin requirements.

**Summary:** While it may be an effective tool to use in quiet markets to offset short call flat price risk exposure, I don't like the feature of having to sell more puts as the market rises. It has the potential of making the strategy too active.

The more realistic alternative would be to SELECTIVELY TRADE LONG JULY futures against the short calls when the 60 min day trading model is long.

The 60 min chart with a faster moving average below shows that since Feb you have had two buy signals. Last Friday, producers stepped to the sidelines and are currently in expectation of a price decline.



SOURCE: CBOT PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. ALTHOUGH EVERY REASONABLE ATTEMPT HAS BEEN MADE TO ENSURE THE ACCURACY OF THE INFORMATION PROVIDED, UTTERBACK MARKETING SERVICES INC. ASSUMES NO RESPONSIBILITY FOR ANY ERRORS OR OMISSIONS.

**Summary:** The growing potential volatility is forcing the seller to look for better ways to defend his upside risk exposure after the sale has been made. Granted, one can wait for a top but it's been my historical experience producers can't sell after a top. So a sell and defend strategy is the only way to get the inventory priced but still benefit if the price moves higher. Officially, we are not going to change our technique for 2005 but we are investigating more aggressive strategies for 2006.

The problem we see is if the strategy becomes more complex, I'm concerned that it would be simply too difficult to keep up for the day-to-day Internet copy. I will be discussing this more in the future. I hope this analysis has helped, if you are interested give us a call about your 2006 plan of attack.

**CORN: CORN OLD CROP CATCH-UP STRATEGY:** Do you really want to hold corn in the bin when we have such a strong short-covering rally with over 2 billion still in inventory and the upcoming report may indicate increased planted acres?

If you do you are betting squarely on the hope of major weather events will drive U.S. production below 134 this year. You may be right. If you are you better be taking Maximum Insurance coverage.

My suggestions have been to let it go and lock up the basis and be done with the crop.

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**2004 CROP -- CORN CALL DEFENSE SELLING STRATEGY:** It really looks like the market suckered us in but we will hold into the report and assume a small loss just to prevent against a surprise bullish March



Prospective Planting Intentions report. Anything below a 1 million increase in corn acres must be considered positive.

**HOLD ALL POSITIONS UNTIL AFTER THE MARCH 31 REPORT.**

**Current Open Positions for those following our recommendations:**

LONG CALLS	STRIKE PRICE	ENTRY DATE	PERCENT SOLD	ENTRY PRICE	EXIT DATE	EXIT PRICE	PROFIT/LOSS
BOUGHT DEC \$1.80 CALLS (IN THEORY ONLY DUE TO LIQUIDITY)		11/02/04	33%	20.5	11/15/04	.235	3-cents
BOUGHT MAY \$1.90 PUTS TO DEFEND LONG FUTURES THIS SPRING.	\$1.90	11/30/04	100%	.025		.015	(1) loss
Bought Dec \$2.40 call/sold Dec \$2.80 call	\$2.40/2.80	3-11-05	100%	.122			

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**2005 CROP -- CORN CALL DEFENSE STRATEGY:** The big question we have to ask ourselves in corn and beans bought with the call protection is how to get the best use of our money in light of all the uncertainty about inflation and weather.

I'm really starting to believe we may be better served if, in the late April to May correction we get corn back to the winter lows, we really push ourselves to take off all short calls. This would allow the long calls to more effectively protect upside risk exposure. The problem is we may be incurring more call premium cost exposure. I will be discussing this in the future but right now this is the way I'm leaning.

**OFFICIALLY: NO ACTION UNTIL AFTER MARCH 31 REPORT.**

**Current Open Positions for those following our recommendations:**

LONG CALLS	ENTRY DATE	PERCENT SOLD	ENTRY PRICE	EXIT DATE	EXIT PRICE	PROFIT/LOSS	YEAR TO DATE P/L
BOUGHT DEC 05 \$2.70 CALLS LIQUIDATED	11/02/04	10%	12	11/17/04	.13	.01	.01
ROLL \$2.70 CALLS INTO \$2.50/\$3.00 VERTICAL	11/17/04	10%	.12				
BOUGHT \$2.50/\$3.00 VERTICAL	11/18/04	50%	11				
BOUGHT \$2.30/\$2.80 VERTICAL	2/11/05	30%	.12				

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**2005 SELLING PROGRAM:** Last week's break on Friday back to the technical breakout of \$2.42 is now putting pressure on hedgers. Should they get something on or not? I continue to suggest that corn acres will not increase much more than 1 million acres. My real concern in corn is will we get corn planted on time. The weather forecast for the Midwest is increasingly looking like a cool spring. This I believe will keep the market uneasy well into April. Therefore, some potential does exist for bounce in April/May. I would continue to be strong seller towards the \$2.50 level in Dec. To keep maximum flexibility I would focus on buying PUTS until you get the inventory planted and crops are looking good.

**WHEN TO ROLL JULY 2006 HEDGES BACK TO 2005?** Right now the spread is doing exactly what we hoped it would. The Dec 05 is gaining on the July 06 and the reason is buyers want to get control of inventory. This spread action sort of supports the bull move for now. However, one must be prepared for this spread to get really volatile as it tries to put a top in the market in the April/May time period. I would suggest anything between -10 to plus 5 is realistic range for how tight it can get. Frankly, below -9 is going to take some real concern about spring plantings. So for now we simply sit back and wait. We have improved the bottom line by 5.5 cents by being in July. There is no reason to get in a hurry to back roll at this time.

If you are just putting on hedges, I would still suggest you sell the July 06 even though we may only be back there for another 30 to 45 days. It just gives you a little more coverage for the March 31 report surprise on acres and the spring delayed planting weather scare.

**Current Open Positions for those following our recommendations:**

HEDGE POSITION	ENTRY DATE	PERCENT SOLD	ENTRY PRICE	EXIT DATE	EXIT PRICE	PROFIT/LOSS
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<b>SOLD FIRST INCREMENT</b>	<b>12/3/04</b>	<b>20%</b>	<b>\$2.52</b>			
<b>SOLD INCREMENT</b>	<b>12/06/04</b>	<b>20%</b>	<b>\$2.53</b>			
<b>SOLD INCREMENT</b>	<b>12/08/04</b>	<b>10%</b>	<b>\$2.51</b>			
<b>SOLD INCREMENT</b>	<b>12/13/04</b>	<b>20%</b>	<b>2.52</b>			
<b>SOLD INCREMENT</b>	<b>12/14/04</b>	<b>20%</b>	<b>2.53</b>			
<b>SOLD INCREMENT</b>	<b>12/14/04</b>	<b>10%</b>	<b>2.54</b>			

**2005 LDP AND COUNTER CYCLICAL DEFENSE PROGRAM:** No action is anticipated until August/Sept on this phase of the program. We started out in the \$1.90 but since the market is rallying and the difference between Dec \$1.90 and \$2 is narrowing we are going to roll up. We want to move up one strike now if the spread narrows to 1 cent.

**OFFICIAL ALERT: ROLL UP \$1.90 PUTS TO \$2 PUTS AT 1-CENT DIFFERENCE.**

**Current Open Positions for those following our recommendations:**

HEDGE POSITION	ENTRY DATE	PERCENT	ENTRY PRICE	EXIT DATE	EXIT PRICE	PROFIT/LOSS
<b>BOUGHT \$1.90 CORN PUTS FOR 50% OF FUTURES LONGS TO BE BOUGHT THIS FALL</b>	<b>12/20/04</b>	<b>50%</b>	<b>.0225</b>			
<b>BOUGHT \$1.90 CORN PUTS FOR 50% OF FUTURES LONGS TO BE BOUGHT THIS FALL</b>	<b>12/21/04</b>	<b>50%</b>	<b>.020</b>			

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**2006 SELLING PROGRAM:** As we outlined in general comments we are looking at starting a much more aggressive plan for 2006 to get call premium paid for. If you don't want to be a selective trader of futures you will simply have to wait to fall to buy calls.

The plan of attack now is.

1. Wait until after March 31 report to make sure we don't see any reduce acreage surprises.
2. Focus on going short when the model goes short and being out when it's goes long.
3. Take profits from short trades between spring and fall to contribute to the buying of Dec 2006 long calls. Hopefully, we can make enough to create a zero cost trade.

**RECOMMENDATION: PULL ALL ORDERS NOW, THE MODEL IS LONG, LET'S WAIT UNTIL AFTER THE MARCH 31 REPORT TO SELL.**

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**SOYBEAN OVERVIEW: 2005 SOYBEAN CALL BUYING STRATEGY:** Based upon last week's recommendations, producers rolled up the \$6 Long calls to \$6.40 long calls on the open Friday. We are assuming those following our recommendations got out of the long \$6 calls around 70 cents and bought the \$5.40 calls around 53 cents. Remember, the reason was to take some money off the table but still leave a reasonable level of coverage in place.

IF THE MARKET CRASHES IN APRIL/MAY, look at taking off the \$7 call and have a cheap long call in place. IF THE MARKET RALLIES, look at rolling the \$7 short calls to the \$7.60. No decision will be made until on when to roll up until after the reports.

**OFFICIAL ALERT: All long calls have been rolled up to take some money off the table.**

LONG CALL POSITIONS	ENTRY DATE	ENTRY PRICE	PERCENT SOLD	EXIT DATE	EXIT PRICE	PROFIT LOSS
<b>BOUGHT NOV \$6 CALL</b>	<b>11/04/04</b>	<b>.26</b>	<b>10%</b>	<b>3-18-05</b>	<b>.70</b>	<b>.44</b>
<b>BOUGHT NOV \$6 CALL</b>	<b>11/04/04</b>	<b>.25</b>	<b>20%</b>	<b>3-18-05</b>	<b>.70</b>	<b>.45</b>
<b>SOLD NOV \$7 CALLS</b>	<b>11/09/04</b>	<b>-.10</b>	<b>30%</b>			
<b>BOUGHT NOV \$6 CALL</b>	<b>11/16/04</b>	<b>.38</b>	<b>50%</b>	<b>3-18-05</b>	<b>.70</b>	<b>.32</b>
<b>SOLD NOV \$7.20 CALLS TO REDUCE COST</b>	<b>11/24/04</b>	<b>-.20</b>	<b>50%</b>			



<b>ROLLED UP TO \$6.40 CALLS</b>	<b>3-18-05</b>	<b>.53</b>	<b>80%</b>			
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**2005 SOYBEAN SELLING STRATEGY: NOW THAT FUTURES HAVE BEEN ROLLED INTO PUTS**

**WHAT NOW?** If you were one of the producers who sold futures instead of selling cash and subsequently rolled into puts you have now capped your near term cash flow exposure. In fact you really want the market to explode. If the market rallies we will be looking at some time in the future to roll the puts back into a cash or short futures position.

**WHAT IF WE CLOSE BELOW \$6.25?**

While it would be negative I would suggest caution in being too active now until we get past the reports. Simply focus on rollup the calls if you have them in place and keep the put in position.

**IS THERE A LEVEL WHERE DOWNSIDE RISK SHOULD BE GIVEN UP?**

This is a real tough question because if I'm right about acres and we get a normal crop carryover is going to go above 550 next year which should translate in to Nov beans below \$5. However, with all the excitement about inflation we may fail to see this level of downside risk. So if we were to experience a sizeable correction in the May time period say below \$5.80 I really believe serious consideration should be given to rolling down puts or selling some puts to defend against a summer price bounce. We will be talking more about this later. For now I want to sit back this week and see if this market has any upside potential.

**Current Open Positions for those following our recommendations:**

POSITIONS	ENTRY DATE	PERCENT SOLD	ENTRY PRICE	EXIT DATE	EXIT PRICE	PROFIT/LOSS
<b>SOLD FIRST INCREMENT OF NOV 05 BEANS</b>	11/17/04	10%	5.80	3-10-05	\$6.30	(.50)
<b>SOLD 2<sup>ND</sup> INCREMENT OF NOV 05 BEANS</b>	11/22/04	20%	\$5.85	3-10-05	\$6.30	(.45)
<b>SOLD 3<sup>RD</sup> INCREMENT OF NOV 05 BEANS</b>	11/23/04	20%	\$5.90	3-10-05	\$6.30	(.40)
<b>SOLD 4<sup>TH</sup> INCREMENT OF NOV 05 BEANS</b>	12/13/04	10%	\$5.70	3-10-05	\$6.30	(.60)
<b>SOLD 5<sup>TH</sup> INCREMENT OF NOV 05 BEANS</b>	12/20/04	20%	\$5.71	3-10-05	\$6.30	(.59)
<b>SOLD LAST INCREMENT OF BEANS</b>	02/22/05	20%	\$5.91	3-10-05	\$6.30	(.30)
<b>BOUGH NOV \$6.40 PUTS</b>	3-10-05	100%	.59 CENTS			

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**2005 DECEMBER WHEAT: 2005 HEDGING STRATEGY:** We may have missed rolling up the wheat calls however now that the market's backed off a little we are going to sit on the position until after the report.

**Current Open Positions for those following our recommendations:**

SHORT POSITIONS	ENTRY DATE	PERCENT SOLD	ENTRY PRICE	EXIT DATE	EXIT PRICE	PROFIT/LOSS
<b>JULY CALLS-CLOSED</b>	8/18/04	50%	\$0.095	11/09/04	.0625	-.0325
<b>JULY CALLS-CLOSED</b>	8/27/04	50%	.100	11/09/04	.0625	-.0325
<b>\$3.70 JULY CALLS-CLOSED</b>	11/09/04	100%	.1150	11/22/04	.0875	-.0275
<b>LONG DEC \$3.50</b>	12/22/04	100%	.22			
<b>SOLD DEC \$3.90</b>	12/22/04	100%	-.125			
<b>SOLD DEC 2005 FOR 20%</b>	12/09/04	20%	\$3.35			
<b>SOLD DEC 2005 FOR 10%</b>	12/16/04	10%	\$3.30			
<b>SOLD DEC 2005 FOR 30%</b>	12/20/04	30%	\$3.37			
<b>SOLD DEC 2005 FOR 10%</b>	12/27/04	10%	\$3.30			
<b>SOLD DEC 2005 FOR 10%</b>	12/27/04	10%	\$3.25			
<b>MOVED TO 100% SOLD</b>	1/7/04	30%	\$3.38			

BEFORE TRADING, ONE SHOULD BE AWARE THAT WITH POTENTIAL PROFITS THERE IS ALSO POTENTIAL FOR LOSSES, WHICH MAY BE VERY LARGE. YOU SHOULD READ THE "RISK DISCLOSURE STATEMENT" AND "OPTION DISCLOSURE STATEMENT" AND SHOULD UNDERSTAND THE RISKS BEFORE TRADING. COMMODITY TRADING MAY NOT BE SUITABLE FOR RECIPIENTS OF THIS PUBLICATION. THOSE ACTING ON THIS INFORMATION ARE RESPONSIBLE FOR THEIR OWN ACTIONS. ALTHOUGH EVERY REASONABLE ATTEMPT HAS BEEN MADE TO ENSURE THE ACCURACY OF THE INFORMATION PROVIDED, UTTERBACK MARKETING SERVICES INC. ASSUMES NO RESPONSIBILITY FOR ANY ERRORS OR OMISSIONS. ANY REPLICATION OR OTHER USE OF THIS INFORMATION AND THOUGHTS EXPRESSED HEREIN WITHOUT THE WRITTEN PERMISSION OF UTTERBACK MARKETING SERVICES INC. IS STRICTLY PROHIBITED. COPYRIGHT UTTERBACK MARKETING SERVICES INC. 2005.