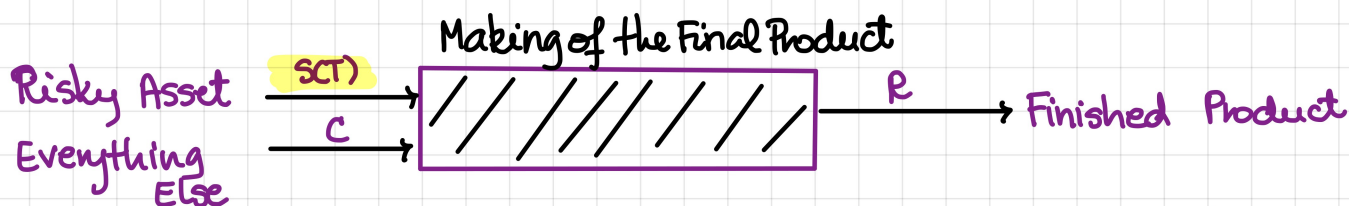


User/Buyer of Goods (to use as raw material).

fixed and deterministic
C... the total aggregate costs of production of some final product ~~without~~ the underlying asset valued @ time $\cdot T$ when the underlying asset is needed & purchased

R... "revenue" .. the price @ which the user of goods can sell their final product valued @ time $\cdot T$

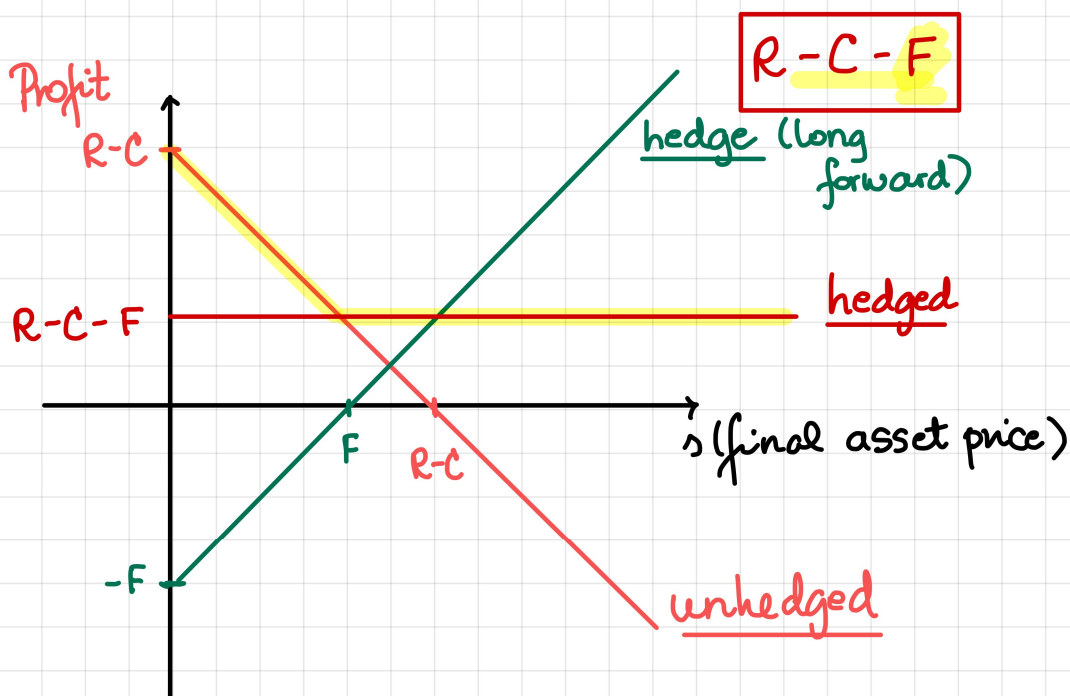
$S(T)$... the market price @ a temporarily fixed time $\cdot T$ of the underlying asset



The Bottom Line @ Time $\cdot T$: $R - C - S(T)$ unhedged

The appropriate hedge is the LONG FORWARD (BUY FORWARD):

$S(T) - F$ hedge



total
hedged
position

Assume : $F < R-C$