

Table 1. Each Week's Price Compared to the Expiration Price, Feeder Cattle, January Contract, 1991-2009

Weeks Out	Average Error	St. Dev.	Years Above	% of Years Above	Years Below	% of Years Below
52	-2.3%	11.0%	6	50.0%	6	50.0%
26	-2.3%	9.0%	11	57.9%	8	42.1%
13	-1.4%	4.6%	13	68.4%	6	31.6%
1	0.1%	0.5%	9	47.4%	10	52.6%

Table 2. Each Week's Price Compared to the Expiration Price, Feeder Cattle, March Contract, 1991-2009

Weeks Out	Average Error	St. Dev.	Years Above	% of Years Above	Years Below	% of Years Below
52	-3.1%	11.1%	6	60.0%	4	40.0%
26	-1.7%	6.3%	10	52.6%	9	47.4%
13	-0.3%	6.3%	10	52.6%	9	47.4%
1	-0.4%	1.8%	8	42.1%	11	57.9%

Table 3. Each Week's Price Compared to the Expiration Price, Feeder Cattle, April Contract, 1991-2009

Weeks Out	Average Error	St. Dev.	Years Above	% of Years Above	Years Below	% of Years Below
52	-1.4%	14.0%	8	61.5%	5	38.5%
26	-0.8%	9.0%	10	52.6%	9	47.4%
13	-0.3%	7.5%	10	52.6%	9	47.4%
1	-0.4%	1.2%	10	52.6%	8	42.1%

Table 4. Each Week's Price Compared to the Expiration Price, Feeder Cattle, May Contract, 1991-2009

Weeks Out	Average Error	St. Dev.	Years Above	% of Years Above	Years Below	% of Years Below
52	-1.3%	12.5%	6	60.0%	4	40.0%
26	0.4%	8.6%	11	57.9%	8	42.1%
13	0.9%	7.2%	10	52.6%	9	47.4%
1	-0.3%	0.6%	10	58.8%	6	35.3%

Table 5. Each Week's Price Compared to the Expiration Price, Feeder Cattle, August Contract, 1991-2008

Weeks Out	Average Error	St. Dev.	Years Above	% of Years Above	Years Below	% of Years Below
52	2.9%	12.8%	5	45.5%	6	54.5%
26	4.8%	9.8%	4	22.2%	14	77.8%
13	3.3%	5.1%	5	27.8%	13	72.2%
1	0.2%	0.9%	10	55.6%	8	44.4%

Table 6. Each Week's Price Compared to the Expiration Price, Feeder Cattle, September Contract, 1991-2008

Weeks Out	Average Error	St. Dev.	Years Above	% of Years Above	Years Below	% of Years Below
52	4.7%	14.0%	3	30.0%	7	70.0%
26	4.3%	9.3%	4	22.2%	14	77.8%
13	1.6%	4.9%	9	50.0%	9	50.0%
1	0.0%	0.5%	6	33.3%	12	66.7%

Table 7. Each Week's Price Compared to the Expiration Price, Feeder Cattle, October Contract, 1991-2008

Weeks Out	Average Error	St. Dev.	Years Above	% of Years Above	Years Below	% of Years Below
52	5.5%	13.2%	3	33.3%	6	66.7%
26	2.4%	8.7%	6	33.3%	12	66.7%
13	-0.5%	7.6%	8	44.4%	10	55.6%
1	0.1%	1.0%	8	44.4%	10	55.6%

Table 8. Each Week's Price Compared to the Expiration Price, Feeder Cattle, November Contract, 1991-2008

Weeks Out	Average Error	St. Dev.	Years Above	% of Years Above	Years Below	% of Years Below
52	0.0%	13.1%	4	44.4%	5	55.6%
26	0.5%	9.4%	8	44.4%	10	55.6%
13	-1.7%	8.1%	9	50.0%	9	50.0%
1	-0.1%	1.2%	7	38.9%	11	61.1%

Table 9 (below) provides analysis on the overall effectiveness of the contracts as predictors of expiration prices. As shown by the very small average errors (.8% of \$90/cwt is \$.72/cwt), the contracts are very accurate. The most accurate month on average was November. However, the least variable months were January and March.

Table 9. Overall Error for All Contracts, Feeder Cattle, 1991-2009.

Contract	Avg. % Error	St. Dev.
January	-0.9%	7.6%
March	-1.4%	7.5%
April	-1.0%	9.1%
May	0.4%	8.5%
August	3.7%	8.6%
September	3.3%	8.5%
October	2.1%	8.9%
November	0.1%	9.2%
Overall	0.8%	8.5%

This analysis is intended to provide some insight into how accurately Feeder Cattle futures predict the contract expiration price. The results of this simple analysis suggest that they are very accurate, and that as increasing amounts of information become available, weekly futures prices become increasingly accurate at predicting expiration prices. This is shown by the errors' tendencies to approach zero and the decreases in their standard deviations as the contract matures. As is the case in all economic situations, more information is always beneficial, and helps traders make more accurate and profitable decisions.

Figure 1. January Avg. % Error by Weeks to Expiration, Feeder Cattle Futures, 1991-2009.

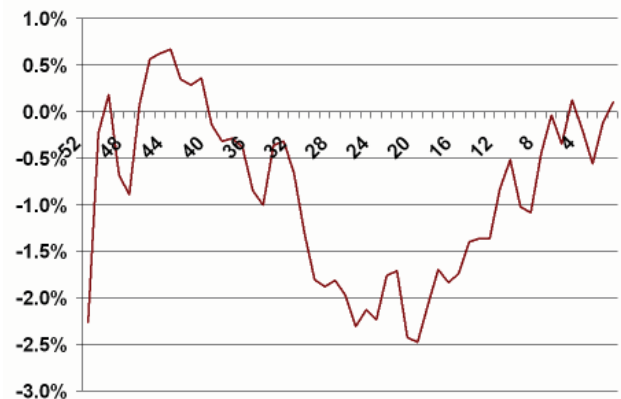


Figure 2. March Avg. % Error by Weeks to Expiration, Feeder Cattle Futures, 1991-2009.

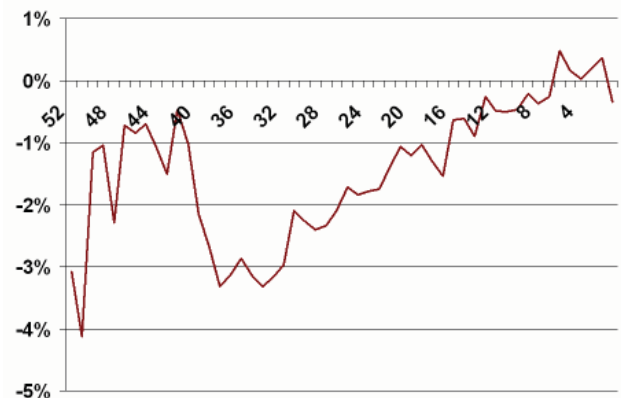


Figure 3. April Avg. % Error by Weeks to Expiration, Feeder Cattle Futures, 1991-2009.

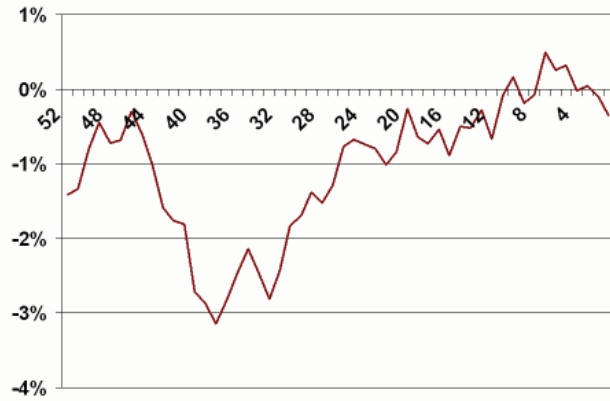


Figure 4. May Avg. % Error by Weeks to Expiration, Feeder Cattle Futures, 1991-2009.

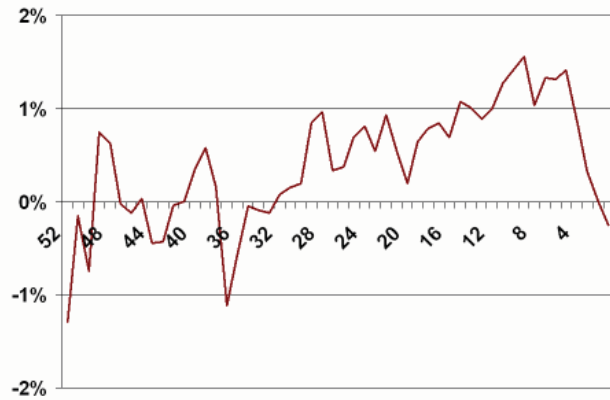


Figure 5. August Avg. % Error by Weeks to Expiration, Feeder Cattle Futures, 1991-2008.

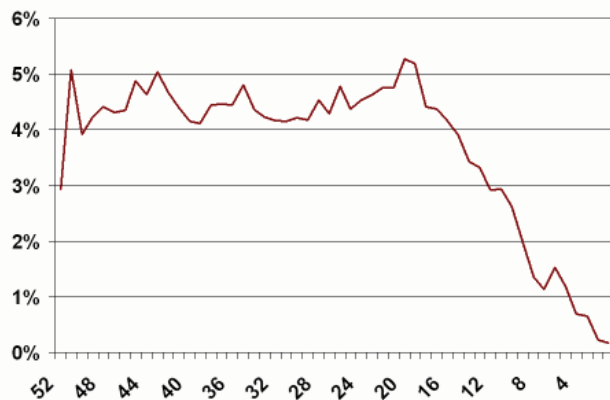


Figure 6. September Avg. % Error by Weeks to Expiration, Feeder Cattle Futures, 1991-2008.

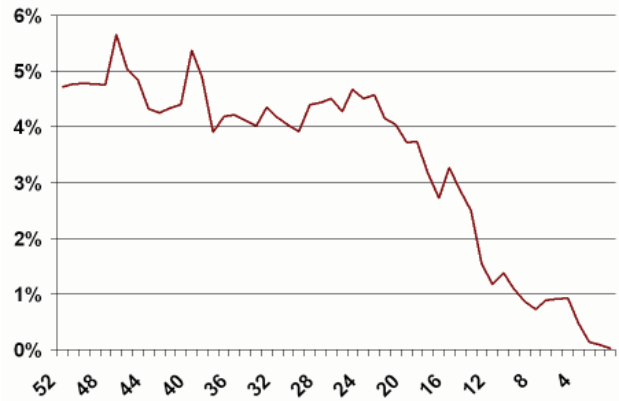


Figure 7. October Avg. % Error by Weeks to Expiration, Feeder Cattle Futures, 1991-2008.

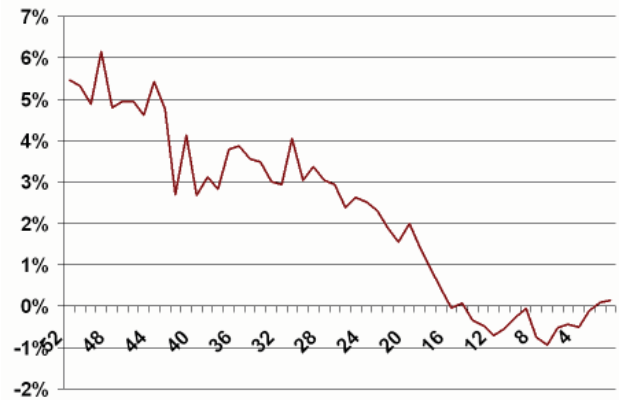
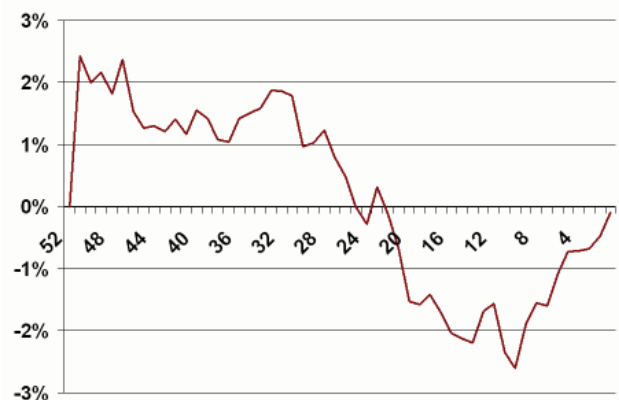


Figure 8. November Avg. % Error by Weeks to Expiration, Feeder Cattle Futures, 1991-2008.



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Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Jack M. Payne, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.