

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

Weeks Out	Average Error	St. Dev.	Years Above	% of Years Above	Years Below	% of Years Below
52	0.3%	10.4%	6	33.3%	12	66.7%
26	0.5%	10.3%	7	36.8%	11	57.9%
13	0.9%	7.0%	7	36.8%	12	63.2%
1	0.3%	1.5%	8	42.1%	11	57.9%

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

Weeks Out	Average Error	St. Dev.	Years Above	% of Years Above	Years Below	% of Years Below
52	-0.4%	11.3%	9	47.4%	10	52.6%
26	-0.1%	8.4%	9	47.4%	10	52.6%
13	-0.5%	7.7%	9	47.4%	10	52.6%
1	0.6%	2.0%	7	36.8%	12	63.2%

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

Weeks Out	Average Error	St. Dev.	Years Above	% of Years Above	Years Below	% of Years Below
52	-2.0%	11.2%	11	57.9%	8	42.1%
26	-0.7%	7.5%	10	52.6%	9	47.4%
13	-0.6%	7.5%	13	68.4%	6	31.6%
1	-0.4%	1.6%	12	63.2%	7	36.8%

Table 4. Each Week's Price Compared to the Expiration Price, Live Cattle, August Contract, 1991-2008

Weeks Out	Average Error	St. Dev.	Years Above	% of Years Above	Years Below	% of Years Below
52	2.0%	10.3%	5	29.4%	12	70.6%
26	1.6%	8.7%	7	38.9%	11	61.1%
13	1.9%	7.0%	6	33.3%	12	66.7%
1	0.6%	1.8%	8	44.4%	10	55.6%

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

Weeks Out	Average Error	St. Dev.	Years Above	% of Years Above	Years Below	% of Years Below
52	4.7%	9.8%	5	27.8%	13	72.2%
26	2.9%	10.2%	7	38.9%	11	61.1%
13	1.6%	8.3%	7	38.9%	11	61.1%
1	0.6%	1.2%	6	33.3%	12	66.7%

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

Weeks Out	Average Error	St. Dev.	Years Above	% of Years Above	Years Below	% of Years Below
52	0.5%	9.3%	6	33.3%	12	66.7%
26	-0.7%	10.7%	6	33.3%	12	66.7%
13	-1.2%	6.7%	11	61.1%	7	38.9%
1	-0.7%	4.7%	10	55.6%	8	44.4%

Table 7 (below) provides analysis on the overall effectiveness of the contracts as predictors of expiration prices. As shown by the very small average errors (.7% of \$90/cwt is \$.63/cwt), the contracts are very accurate. The most accurate months on average were December and April. However, the least variable months were June and August.

Table 7. Overall Error for All Contracts, Live Cattle, 1991-2009.

Contract	Avg. % Error	St. Dev.
February	1.2%	9.0%
April	-0.4%	8.7%
June	-0.9%	7.6%
August	2.0%	7.8%
October	2.7%	9.0%
December	-0.4%	8.6%
Overall	0.7%	8.5%

This analysis is intended to provide some insight into how accurately Live 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. February Avg. % Error by Weeks to Expiration, Live Cattle Futures, 1991-2009.

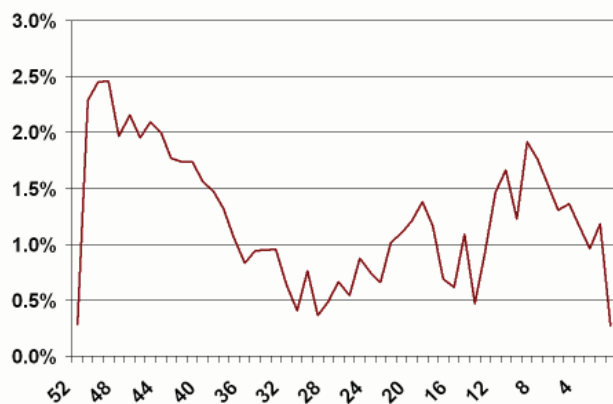


Figure 2. April Avg. % Error by Weeks to Expiration, Live Cattle Futures, 1991-2009.

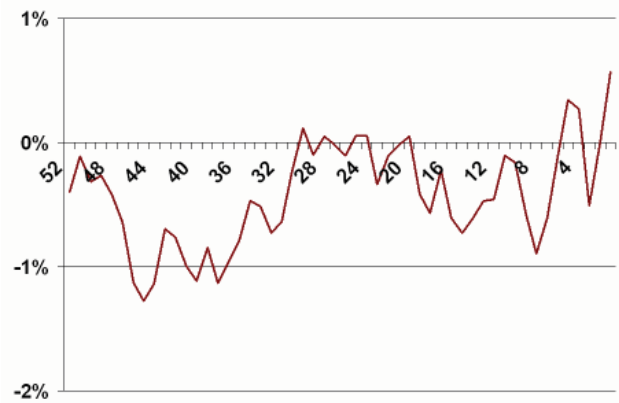


Figure 3. June Avg. % Error by Weeks to Expiration, Live Cattle Futures, 1991-2009.

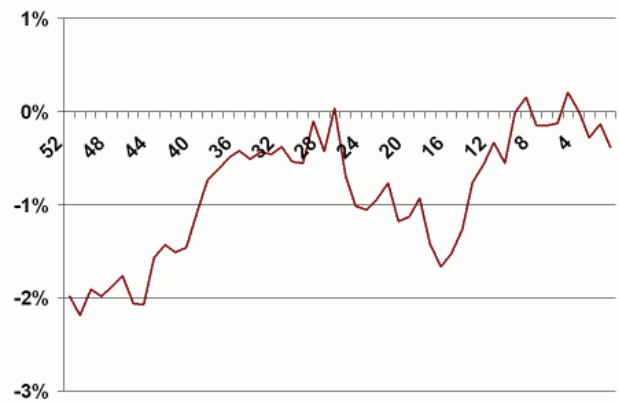


Figure 4. August Avg. % Error by Weeks to Expiration, Live Cattle Futures, 1991-2008

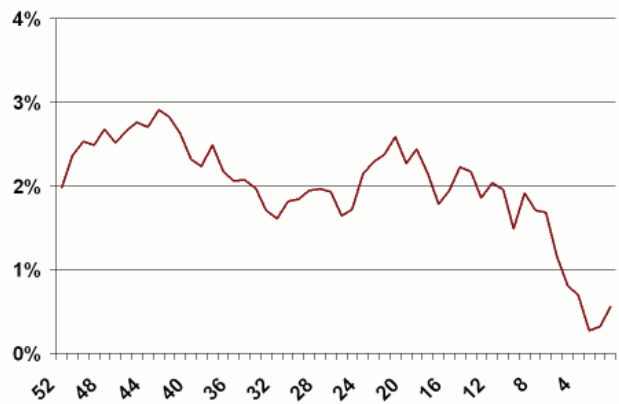


Figure 5. October Avg. % Error by Weeks to Expiration, Live Cattle Futures, 1991-2008.

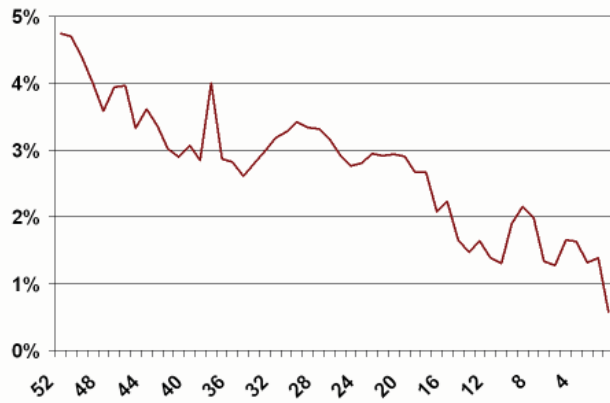
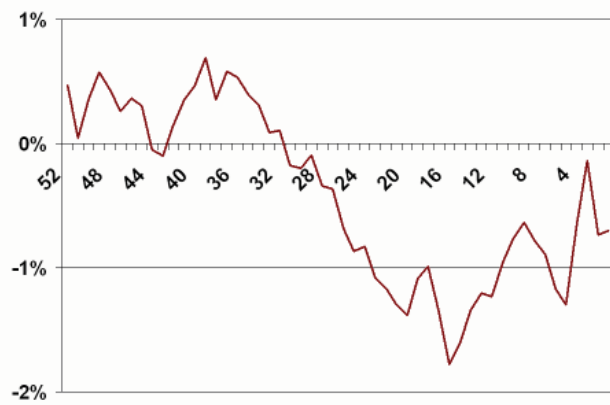


Figure 6. December Avg. % Error by Weeks to Expiration, Live Cattle Futures, 1991-2008.



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