

Table 1. Each Week's Price Compared to the Expiration Price, February Contract, 1990-2008

Weeks Out	Average Error	St. Dev.	Years Above	Years Below	% of Years Above	% of Years Below
52	1.7%	15.5%	7	10	38.9%	55.6%
26	1.8%	11.8%	8	11	42.1%	57.9%
13	-1.0%	8.7%	10	9	52.6%	47.4%
1	-0.6%	2.0%	11	7	61.1%	38.9%

Table 2. Each Week's Price Compared to the Expiration Price, April Contract, 1990-2008

Weeks Out	Average Error	St. Dev.	Years Above	Years Below	% of Years Above	% of Years Below
52	1.7%	18.1%	6	10	37.5%	62.5%
26	2.7%	14.7%	7	12	36.8%	63.2%
13	-1.6%	15.4%	10	9	52.6%	47.4%
1	0.6%	1.6%	6	11	33.3%	61.1%

Table 3. Each Week's Price Compared to the Expiration Price, June Contract, 1990-2008

Weeks Out	Average Error	St. Dev.	Years Above	Years Below	% of Years Above	% of Years Below
52	6.6%	13.3%	5	11	31.3%	68.8%
26	4.4%	12.8%	6	13	31.6%	68.4%
13	0.1%	10.8%	8	11	42.1%	57.9%
1	0.4%	3.4%	8	11	42.1%	57.9%

Table 4. Each Week's Price Compared to the Expiration Price, July Contract, 1990-2008

Weeks Out	Average Error	St. Dev.	Years Above	Years Below	% of Years Above	% of Years Below
52	5.7%	16.9%	4	10	28.6%	71.4%
26	0.5%	14.5%	8	11	42.1%	57.9%
13	-2.5%	10.6%	10	9	52.6%	47.4%
1	-0.1%	2.2%	6	11	31.6%	57.9%

Table 5. Each Week's Price Compared to the Expiration Price, August Contract, 1990-2008

Weeks Out	Average Error	St. Dev.	Years Above	Years Below	% of Years Above	% of Years Below
52	10.3%	12.0%	2	14	11.8%	82.4%
26	4.3%	12.8%	8	11	42.1%	57.9%
13	1.7%	8.3%	9	10	47.4%	52.6%
1	0.8%	2.3%	6	10	31.6%	52.6%

Table 6. Each Week's Price Compared to the Expiration Price, October Contract, 1990-2008

Weeks Out	Average Error	St. Dev.	Years Above	Years Below	% of Years Above	% of Years Below
52	2.5%	21.8%	6	13	31.6%	68.4%
26	-3.5%	15.9%	9	10	47.4%	52.6%
13	-1.1%	12.3%	9	10	47.4%	52.6%
1	-0.9%	1.7%	13	5	68.4%	26.3%

Table 7. Each Week's Price Compared to the Expiration Price, December Contract, 1990-2008

Weeks Out	Average Error	St. Dev.	Years Above	Years Below	% of Years Above	% of Years Below
52	-9.3%	43.9%	12	7	63.2%	36.8%
26	-10.5%	36.6%	10	9	52.6%	47.4%
13	-8.0%	23.1%	11	8	57.9%	42.1%
1	-0.7%	3.1%	11	7	61.1%	38.9%

Table 8 (below) provides analysis on the overall effectiveness of the contracts as predictors of expiration prices. As shown by the very small average errors, and the overall average error of 0.0%, the contracts are very accurate. The most accurate month on average was February, which also has one of the lowest standard deviations. The least variable month was August. December's forecast error and variability are both significantly larger than other months on average. Again, it's likely this was caused by its 1998 contract.

Table 8. Overall Error for All Contracts, Lean Hogs, 1990-2008.

Contract	Avg. % Error	St. Dev.
February	-0.4%	11.9%
April	1.2%	15.4%
June	3.2%	12.4%
July	1.5%	13.0%
August	4.4%	11.2%
October	-1.2%	16.0%
December	-9.1%	31.7%
Overall	0.0%	15.9%

This analysis is intended to provide some insight into how accurately Lean Hog 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 Average % Error by Weeks from Expiration, Lean Hog Futures, 1990-2008.

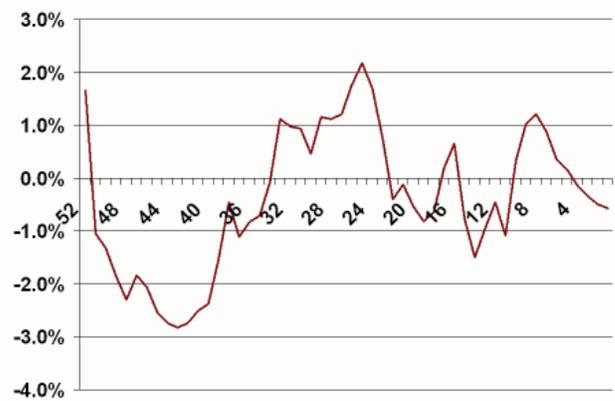


Figure 2. April Average % Error by Weeks from Expiration, Lean Hog Futures, 1990-2008.

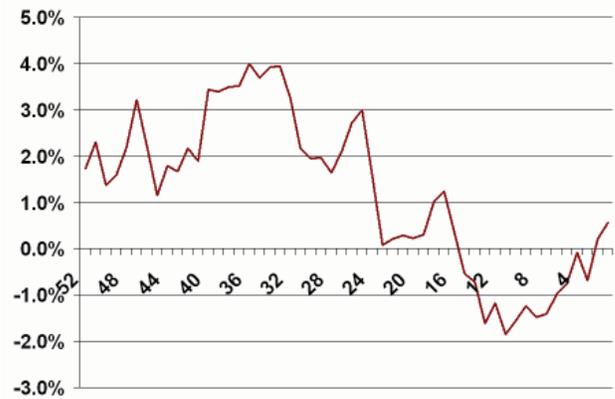


Figure 3. June Average % Error by Weeks from Expiration, Lean Hog Futures, 1990-2008.

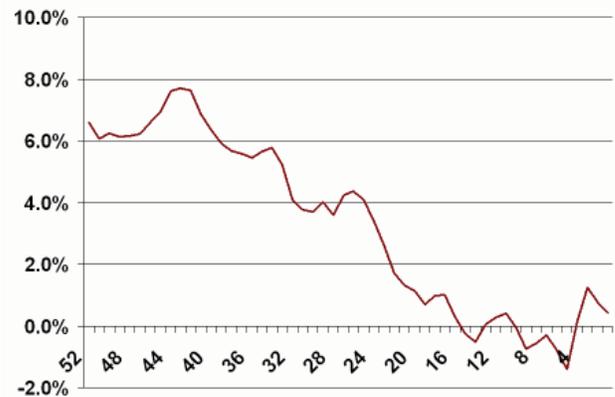


Figure 4. July Average % Error by Weeks from Expiration, Lean Hog Futures, 1990-2008.

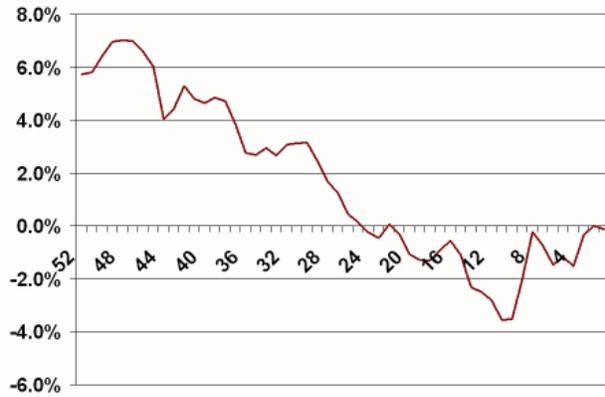


Figure 5. August Average % Error by Weeks from Expiration, Lean Hog Futures, 1990-2008.

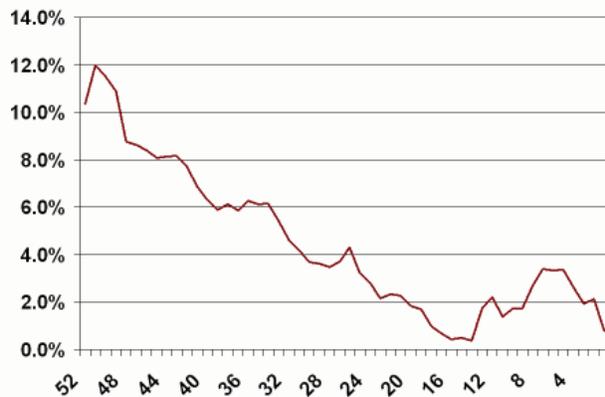


Figure 6. October Average % Error by Weeks from Expiration, Lean Hog Futures, 1990-2008.

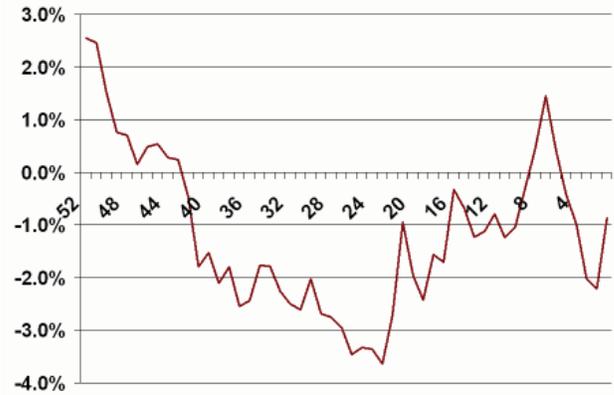
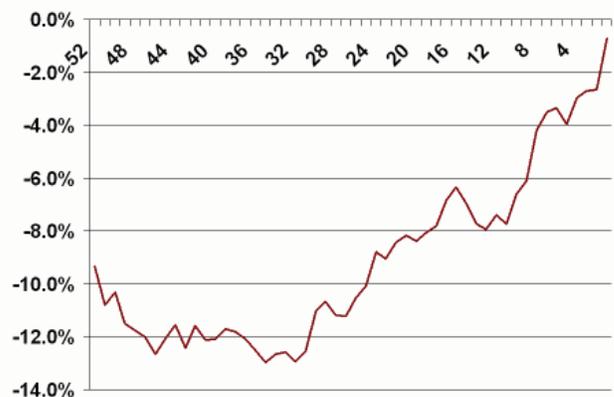


Figure 7. December Average % Error by Weeks from Expiration, Lean Hog Futures, 1990-2008.



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