



# HedgersEdge.com LLC

Futures Brokerage, Risk Management & Market Research for the  
Agri-Business Community

Copyright 2007 HedgersEdge.com llc  
888-220-3344

Toll Free 888-220-3344 May 1, 2007  
Andrew Gottschalk & Bob Wilson

The attached table outlines the historical relationship of the June live cattle futures' expiration price to the April live cattle futures' expiration price. The April 2007 cattle futures expired at \$97.27. Since 1990, only two years saw the June futures expire above the April futures' expiration price. Those two years were 1996 and 2006. The average price increase at expiration for those years was 9.1%, equivalent to a potential price level for the June futures at expiration this year of \$106.12. The fundamental supply pattern does not match the 1996 period, while the demand base during June of 2006 is vastly different from this year. Point: There are few similarities with this year when compared to 1996 and 2006.

Fifteen years, or 88.0%, of observations since 1990 had the June cattle futures expire below the April futures' expiration price. The average price decline is 7.1%, which would equate to an expiration price this year at \$90.35. More detailed analysis of the data reveals that five years, encircled in blue below, scored declines ranging from 4.2% to 4.9%, for an average decline of 4.5%. Such a decline this year would establish a target price at expiration for the June 2007 cattle futures at \$92.90. Given the expected supply-demand fundamentals this year, we believe that \$92.90 at expiration is a likely level for the June live cattle futures.

### Historical Profile: June Futures EXPIRATION Price versus April Futures Expiration Price

Expiration Price	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	AVG
April Cattle Futures	\$80.00	\$79.95	\$77.72	\$80.90	\$75.25	\$67.30	\$56.55	\$69.92	\$65.77	\$66.60	\$74.25	\$77.10	\$66.70	\$79.05	\$88.30	\$93.92	\$79.20	\$97.27	
Exp Price	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
June Futures	\$76.65	\$71.87	\$72.25	\$75.50	\$62.87	\$64.12	\$63.02	\$64.70	\$62.97	\$63.75	\$67.47	\$71.52	\$63.40	\$73.22	87.25	82.77	84.55	???	
Advancing Years							\$6.47										\$5.35		\$5.91
% Change							11.4%										6.8%		9.1%
Declining Years	-\$3.35	-\$8.08	-\$5.47	-\$5.40	-\$12.38	-\$3.18		-\$5.22	-\$2.80	-\$2.85	-\$6.78	-\$5.58	-\$3.30	-\$5.83	-\$1.05	-\$11.15			-\$5.49
% Change	-4.2%	-10.1%	-7.0%	-6.7%	-16.5%	-4.7%		-7.5%	-4.3%	-4.3%	-9.1%	-7.2%	-4.9%	-7.4%	-1.2%	-11.9%			-7.1%

Stay informed: always manage your financial risk.

Thanks, Andy & Bob