



# HedgersEdge.com LLC

Futures Brokerage, Risk Management & Market Research for the  
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The accompanying table provides a history of the April cattle futures' expiration price versus the February cattle futures' expiration price. Several observations are apparent. April futures at expiration closed above the February futures' expiration price in only seven years since 1990. The average gain at expiration was \$3.77/cwt. A similar gain this year measured from the \$94.45/cwt February futures' expiration price would imply an April futures' expiration price at \$98.22/cwt. The average of the two years that posted the largest gains, 2004 and 2005, is \$ 6.45/cwt. Such an advance this year would have the April cattle futures expire at \$100.90/cwt. It should be noted that the aforementioned two years were associated with price declines during February, unlike the price action this year. Two other years, 1998 and 2000, scored average gains of \$4.52/cwt above their respective February futures' contract expiration price. Similar price action this year would imply the April cattle futures could expire at \$98.97/cwt.

**Hazard condition:** Since 1990, ten years saw the April futures expire below the respective February futures' expiration price. The average decline was \$3.66/cwt. A similar decline this year would have the April futures expire at \$90.80/cwt.

Historical Profile: April Futures Expiration Price vs February Futures Expiration Price																			
Expiration	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
February Futures	\$78.85	\$80.60	\$78.47	\$82.17	\$75.35	\$74.75	\$63.00	\$68.10	\$61.22	\$65.10	\$69.75	\$82.37	\$70.37	\$79.12	\$81.50	\$87.82	\$90.15	\$94.45	
April Futures	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	AVG
	\$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	???	
Advancing Years	\$1.15							\$1.82	\$4.55	\$1.50	\$4.50				\$6.80	\$6.10			\$3.77
Declining Years		-\$0.65	-\$0.75	-\$1.27	-\$0.10	-\$7.45	-\$6.45					-\$5.27	-\$3.67	-\$0.07			-\$10.95		-\$3.66

Given the fundamentals of declining fed cattle supplies and a sharp decline expected in carcass weights associated with very adverse feeding conditions, this market may still have more upside potential. That potential may be aided by seasonally improved demand during the month of April and May. We believe it is reasonable, although not without risk, to expect the April futures contract to expire between \$98.97 and \$101.90. *Stay informed; always manage your financial risk.*

Thanks,  
Andy & Bob