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Live cattle basis this spring has been more positive than typical. During March and April 2003, weekly average Kansas live cattle basis (computed using April live cattle futures) was more positive than both the 2000-2002 average and, in all but one week, even higher than the most positive basis of the last three years. During March and April, the average difference between this year's basis and the 2000-2002 average was \$1.92/cwt. This trend continued following expiration of the April live cattle futures contract. Basis for the weeks ending May 2nd and May 9th (computed using June live cattle futures) averaged about \$1.96/cwt. higher than the 2000-2002 average. The fact that basis this spring was more positive than average was a benefit to short hedgers since actual sale prices (net of any gain or loss in the futures market) turned out to be higher than expected sale prices estimated when hedges were initiated. And it suggests that basis over the next several weeks will likely continue to be more positive than average.

But successful hedging requires that hedgers be able to forecast basis (cash price minus futures price) for the date they plan to offset their futures position and complete their cash transaction. To improve live cattle basis predictability, the Chicago Mercantile Exchange recently introduced serial month live cattle futures contracts. Effectively, this means that live cattle futures contracts will be traded every month, instead of every other month. The new contracts (January, March, May, July, September, and November) will only trade 120 days in advance of expiration, a far shorter trading period than the traditional month contracts. The shorter trading period was chosen to improve contract liquidity in deferred futures contracts.

It will be interesting to see if serial futures contracts lead to improved basis predictability. Stay tuned.

The Markets

Weekly average Kansas slaughter cattle prices were essentially flat compared to the previous week, averaging \$78.19/cwt. (live weight), but average Nebraska prices rose about \$0.80/cwt. to \$125.65/cwt. (carcass weight). Steer calf prices were steady in Kansas, but declined nearly \$5/cwt. in Nebraska as demand for grazing cattle waned. Feeder weight steers strengthened in both Kansas and Nebraska, climbing nearly \$2/cwt. in both states. Weekly average light Choice boxed beef prices increased \$0.72/cwt. and the light Choice-Select spread rose to \$17.48, its highest level since June 2001.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$78.19	\$77.99	\$67.88
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$125.65	\$124.80	\$109.53
700-800 lb. Feeder Steer Price, Kansas 4 market avg.	\$84.13	\$82.30	\$79.68
500-600 lb. Feeder Steer Price, Kansas 4 market avg.	\$98.97	\$98.80	\$94.71
700-800 lb. Feeder Steer Price, Neb. 7 market avg.	\$87.75	\$85.89	\$83.02
500-600 lb. Feeder Steer Price, Neb. 7 market avg.	\$101.52	\$106.22	\$94.31
Choice Boxed Beef Price, 600-750 lb. carcass	\$134.52	\$133.80	\$112.38
Choice-Select Spread, 600-750 lb. carcass	\$17.48	\$16.36	\$8.31