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Hedging and Basis Considerations For Feeder Cattle Livestock Risk Protection Insurance

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Background

Livestock Risk Protection (LRP) Insurance for feeder cattle is a price-risk management tool available to feeder cattle producers with cattle in Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Nevada, North Dakota, Ohio, Oklahoma, South Dakota, Texas, Utah, West Virginia, Wisconsin, and Wyoming. LRP indemnifies against declines in feeder cattle sales prices, as determined by the Chicago Mercantile Exchange (CME) Feeder Cattle Cash Index, which represents a national average cash feeder steer price. Producers can use LRP to protect against declines in their own cash sales price while still benefiting from price increases, similar to using CME feeder cattle put options. When using CME put options or futures contracts to protect against price level changes, hedgers remain exposed to basis risk, a change in the difference between their local cash price and futures price. As a result, livestock producers using futures or options to hedge selling prices often use historical basis data to forecast basis and expected cash selling price for future livestock sales. Although the futures or option contracts provide protection against decreases (and, in the case of futures contracts, increases) in price level, changes in basis result in an actual selling price higher or lower than the expected selling price.

Similar to using futures or options, cattle producers using LRP insurance to hedge sales prices are also exposed to a type of basis risk. However, the difference between producers' selling price and futures price, or *futures basis*, is not relevant when using LRP. Instead, the difference between the producer's selling price and the CME Feeder Cattle Cash Index, or *LRP basis*, is used to determine the expected selling price for future sales of feeder cattle. The LRP insurance contract pays an indemnity to the producer if the Actual Ending Value (AEV), measured by the CME Feeder Cattle Cash Index, on the ending date of the contract falls below the Coverage Price established when the producer purchased the coverage endorsement. The amount of the indemnity is the difference between the Coverage Price and AEV. Therefore, the changes in the relationship between a producer's selling price relative to the AEV (i.e., changes in the LRP basis) will determine whether the actual selling price is equal to the expected selling price. Consequently, forecasting LRP basis is important when hedging with LRP. This paper examines historical LRP basis and demonstrates its use in hedging with LRP.

Hedging With Futures and Options – A Review

Futures Hedging

Futures hedging is using the futures market as a temporary substitute transaction for a cash market transaction that is expected to occur at a date in the future. Hedging with futures protects producers against the risk of price level changes; however, changes in basis can result in higher or lower net selling prices. Consider, for example, that in October a Nebraska cow-calf producer weans 140 head of steer calves and backgrounds them until the first week of March when they will be sold as 700 lb. feeder steers. The producer decides to hedge the sale by selling 2 CME March feeder cattle futures contracts at the current price of $85.00/cwt (the price of March feeder cattle futures in October). The producer expects the futures basis in March for 700 lb. feeder steers in Nebraska to be $4.00/cwt (e.g., the March cash market in Nebraska will be $4.00/cwt higher than the March futures market in March). The producer's expected selling price (ESP) in March can be found by adding the futures basis to the price level established by selling the March futures contracts and subtracting the brokerage commission for trading futures contracts (here assumed to be $100/contract, or $0.20/cwt). The ESP is $88.80/cwt (=$85.00/cwt + $4.00/cwt - $0.20/cwt). So, the producer expects to receive $88.80/cwt for the cattle, net of brokerage commission. This price will not change as a result of price level increases or decreases but will change if basis is stronger or weaker than $4.00/cwt.

The actual selling price (ASP) for the producer's cattle will be determined in March when the feeder cattle are sold in the Nebraska cash market and the March futures contracts are offset. During the period of the hedge (October to March), the March feeder cattle futures prices could increase or decrease, and the March futures basis could strengthen or weaken relative to the expected $4.00/cwt futures basis. Suppose price levels do decrease such that March feeder cattle futures are $80.00/cwt in March, but March futures basis is $4.00/cwt, as expected. This situation is summarized in the following table.

Date	*Cash Market*	*Futures Market*	*Basis*
October	No action	Sell 2 CME March feeder cattle futures contracts at $85/cwt	Expected March basis to be $4.00/cwt
March	Sell 140 head of 700 lb. steers at $84/cwt	Buy 2 CME March feeder cattle futures contracts at $80/cwt	Actual March basis is $4.00/cwt
	Cash price received = $84/cwt	Net on futures = $5/cwt	No change

The ASP, after accounting for the futures transactions, is determined by adding gains on the futures trade to the cash selling price and subtracting brokerage commission. In this case, the ASP is $88.80/cwt (cash price received of $84.00/cwt plus the gain on futures trade of $5.00/cwt less $0.20/cwt brokerage commission). Here, the futures hedge protected the producer against a decline in price level. Moreover, the producer's ASP is equal to the ESP because the actual March futures basis of $4.00/cwt was exactly as forecasted in October.

The ASP will not equal the ESP if the actual March futures basis is not $4.00/cwt. To see this, suppose again that March feeder cattle futures prices in March are $80.00/cwt but that basis is $1.00/cwt ($3/cwt weaker than forecasted). In this case, the cash market selling price is lower relative to the futures market, as shown in the following table.

Date	*Cash Market*	*Futures Market*	*Basis*
October	No action	Sell 2 CME March feeder cattle futures contracts at $85/cwt	Expected March basis to be $4.00/cwt
March	Sell 140 head of 700 lb. steers at $81/cwt	Buy 2 CME March feeder cattle futures contracts at $80/cwt	Actual March basis is $1.00/cwt
	Cash price received = $81/cwt	Net on futures = $5/cwt	Difference between actual and expected = -$3.00/cwt

In this case where the March futures basis was weaker than expected, the ASP is $85.80/cwt (cash selling price of $81.00/cwt plus the gain on futures contract of $5.00/cwt less $0.20/cwt brokerage commission). The same decline in price level resulted in the same gain on the futures trade ($5.00/cwt); however, because the March futures basis was $3.00/cwt weaker than expected, the cash price received was $3.00/cwt less than in the previous example. Thus, the ASP is $3/cwt less than before, and $3/cwt less than the ESP. The ESP, as an expectation of gross revenue, is often used for budgeting purposes. In cases where the ASP is lower than the ESP, actual revenues are less than expected. Developing an ESP at the outset of a hedge that closely approximates the ASP is important when making budget decisions. Because the only difference between ESP and ASP in a futures hedge is determined by differences in actual futures basis relative to the expected futures basis, forecasting what the futures basis will be at the conclusion of the hedge is critical to minimizing the risk of receiving an actual sales price less than expected when the hedge was initiated.

It is also possible for the ASP to be higher than the ESP. This occurs when actual futures basis is stronger than the expected futures basis forecast. For example, suppose that in the example above, the actual March futures basis was $6.00/cwt ($2.00/cwt higher than expected). In this case, the ASP would be $90.80/cwt (cash selling price of $86.00/cwt plus the gain on futures contract of $5.00/cwt less $0.20/cwt brokerage commission), $2.00/cwt higher than the ESP of $88.80/cwt. Another possibility in the examples above is that the price level increased between October and March. If this were to occur, the hedger would realize a loss on the futures transaction but would realize a higher selling price in the cash market. This would not cause a difference between the ASP and ESP. However, a decrease (increase) in the actual March futures basis relative to the expected March futures basis would still result in an ASP that was lower (higher) than the ESP.

Options Hedging

Livestock producers can use options on futures contracts to create a minimum expected selling price and, unlike hedging with futures, not be prevented from realizing higher selling prices in the event price level increases at the conclusion of the hedge. To do so, producers purchase put options, which give them the right but not obligation to sell the underlying futures contract at a specified strike price at any time during the life of the option. The minimum price established with the put option is determined by subtracting the option's premium (or purchase price) from the specified strike price. To translate the minimum price into an expected minimum selling price for the livestock, the appropriate futures basis must be added and the brokerage commission deducted, as in the futures hedge. Suppose, for example, that a cow-calf producer purchases 2 March CME feeder cattle put options with a $82/cwt strike price for $1.50/cwt to create a minimum selling price for the sale of 140 head of 700 lb. steers in March. As before, the producer's expected futures basis in March is $4.00/cwt and brokerage fees are $0.20/cwt. The minimum expected sale price (MESP) is $84.30/cwt ($82.00/cwt - $1.50/cwt + $4.00/cwt - $0.20/cwt). The ASP for the cattle in March will depend on the price level (i.e.,

whether the put option is used) and the actual March futures basis. Suppose, as in the example above, that the March live cattle futures decline to $80/cwt in March and that futures basis is $4.00/cwt (as forecasted). In this case, the put option with the strike price of $82/cwt has $2.00/cwt of intrinsic value and could be sold for $2.00/cwt. The outcome of this option hedge is shown in the table below.

Date	*Cash Market*	*Option Market*	*Basis*
October	No action	Buy 2 $82/cwt CME March feeder cattle put options for $1.50/cwt	Expected March basis to be $4.00/cwt
March	Sell 140 head of 700 lb. steers at $84/cwt	Sell 2 $82/cwt CME March feeder cattle put options for $2.00/cwt	Actual March basis is $4.00/cwt
	Cash price received = $84/cwt	Net on options = $0.50/cwt	No change

The ASP is computed as before (cash price received plus net on options less brokerage fees). Here, the ASP is $84.30/cwt (= $84.00/cwt + $0.50/cwt - $0.20/cwt). The MESP was realized in this case when price levels decreased and the put option had value in March. Even with the price level decrease from $85/cwt in October to $80/cwt in March, the ASP could be lower than the MESP if actual March futures basis was weaker than the forecasted $4.00/cwt. Suppose, for example, that the actual March futures basis was $1.00/cwt. This effectively lowers the cash price received to $81/cwt, but the net on options and brokerage fees remains the same so that the ASP is $81.30/cwt, $3.00/cwt less than the MESP. This $3.00/cwt difference is a result of the actual March futures basis being $3.00/cwt less than forecasted.

In the case of futures price level being higher than the strike price ($82/cwt), the hedger would not offset the put option (i.e., let it expire worthless). The livestock would be sold at a higher cash market price, and only half the brokerage commission (from initially purchasing the put option) would be deducted. This would (assuming constant futures basis) result in ASP exceeding the MESP. Futures basis risk is still present, however, in that a futures basis weaker (stronger) than forecasted will decrease (increase) the ASP even when futures price level is higher than the option strike price.

Like futures hedging, hedging with put options leaves producers exposed to futures basis risk. As we will see, hedging with LRP insurance contracts works similarly to options hedging and there is still basis risk present. However, the futures basis risk is replaced by a different basis risk, which is discussed in the next section.

Futures Basis vs. LRP Basis

When purchasing LRP insurance, feeder cattle producers select a Coverage Price, which is based on the CME Feeder Cattle Cash Index, which represents a national weighted average price for 700-849 lb. steers. If the AEV (actual ending value) of the LRP insurance policy (which is equivalent to the CME Feeder Cattle Cash Index on the policy's ending date) is less than the Coverage Price, the LRP insurance pays an indemnity equivalent to the difference between the Coverage Price and AEV. Conversely, if the AEV exceeds the Coverage Price, no indemnity is paid. The producers' ASP (actual selling price) is determined by adding any LRP indemnity received to the cash market selling price and deducting the LRP insurance premium paid. The ASP will differ from the Coverage Price (less premium) by the difference between the local cash market selling price (where the feeder cattle are sold) and the LRP's AEV (CME Feeder Cattle Cash Index). This difference is called LRP basis. Like futures basis, LRP basis must be forecasted for the time of the cash market sale (when the LRP policy ends) to determine the expected sales price for the cattle.

LRP basis is different than futures basis; therefore, using historical futures basis to forecast basis to use when hedging with LRP is not appropriate. However, similar techniques can be used. Rather than examining seasonal trends in the difference between local cash price and futures price (e.g., futures basis), the difference between the local cash price and the CME Feeder Cattle Cash Index (e.g., LRP basis) is of interest. *Figures 1* and *2* illustrate the CME Feeder Cattle Cash Index price and Nebraska 700-800 lb. feeder steer price from 2001 to January 2005. During this period, lowest prices (about $80/cwt) occurred in the summer of 2002 and beginning of 2003, corresponding to low fed cattle prices. Feeder steer price reached $110/cwt in the fourth quarter of 2003 as a result of record high fed cattle prices driven by strong domestic and international beef demand, reduced domestic and international cattle supplies, and substantially lower carcass weights. Feeder steer prices reached a high near $120/cwt in the summer of 2004 as a result of tight feeder cattle supplies. The prices in *Figures 1* and *2* indicate that the Nebraska 700-800 lb. feeder steer price generally tracks closely to the CME Feeder Cattle Cash Index price. This is in large part because the CME Index price includes in its weighted average prices for feeder steer sales in Nebraska. Still, there is not always a one-to-one correspondence and the Nebraska feeder steer LRP basis changes.

The Nebraska combined weighted average steer price, depicted in *Figure 2* for 700-800 lb. steers, represents an average sales price for feeder steers in Nebraska and is used as an estimate of producers' actual selling price. Depending upon the sale location

and quality of cattle, an individual producer's actual selling price will likely differ from the Nebraska combined weighted average price. Many feeder cattle sales experience seasonal low volume of sales of specific weight and quality cattle; thus, reporting cash prices and LRP basis for all quality and weight ranges of feeder cattle at several locations that may be insurable through LRP is not possible. However, the Nebraska combined weighted average price, which combines prices from seven sales in Nebraska, does have enough volume throughout the year to report consistent price series for several weight categories of medium and large frame #1 feeder steers and heifers. Producers should adjust these prices and basis data reported in this publication by the differences they expect to receive for their quality of cattle and sale location.

The feeder cattle insurable under LRP include steers, heifers, and bulls weighing less than 600 lbs., steers and heifers weighing 600-900 lbs. Traditional beef breeds, cattle of predominately Brahman influence, and dairy breeds are eligible for insurance. The typical price slide for feeder cattle results in higher per hundred weight prices for lighter weight feeder cattle. Further, heifers typically sell at discounts to steers due to differences in feeding performance, as do Brahman and dairy cattle. To partially account for the different price of lighter versus heavier cattle, steers versus heifers, and beef breeds relative to Brahman and dairy breeds, a price adjustment factor is applied to EEV, AEV, coverage price, and premium. Recall that the AEV is determined by the Feeder Cattle Cash Index, which represents a national weighted average price for 700-849 lb. steers. Heifers, Brahman and dairy breeds, and lighter weight steers are not represented in the index (heifers, Brahman, and dairy breeds would have lower prices and the lighter weight steers would have higher per hundred weight prices). Therefore, the index does not as closely reflect the price of these cattle, but through a constant price adjustment factor these differences are reduced. *Table 1* contains the price adjustment factors for each category of feeder cattle. The LRP coverage prices, rates, and AEV pricing page on the USDA Web site automatically incorporate the price adjustment factors for the appropriate category of cattle selected. Thus, it is not necessary for users to make these adjustments themselves. However, these price adjustment factors are important because they change the LRP basis risk for the light weight steer calves, heifers, Brahman cattle, and dairy breeds. For these categories, the LRP basis is equivalent to the difference between the local selling price and the AEV multiplied by the price adjustment factor. Because the price adjustment factors essentially move the AEV closer to the sales price being protected, it reduces the overall magnitude of the basis and has the potential to decrease some of the LRP basis risk variability.

Table 1. Feeder Cattle Price Adjustment Factors

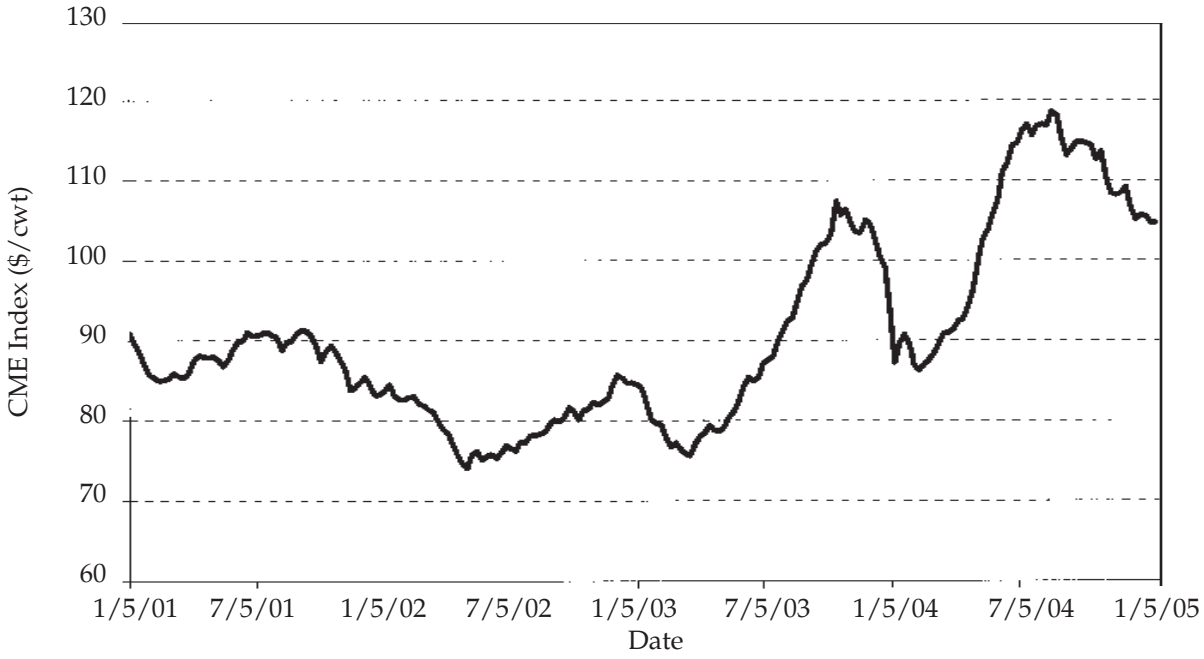
Weight Category	*Steers*	*Heifers*	*Brahman*	*Dairy*
<600 lb.	110%	100%	100%	100%
600-900 lb.	100%	90%	90%	80%

Table 2 reports summary statistics for LRP basis and traditional futures basis for Nebraska feeder steers and heifers weighing from 500-900 lbs. in 100-lb. increments from 2001 to 2004. These summary statistics and the following graphs incorporate the price adjustment factors where appropriate. The mean LRP basis for Nebraska 700-800 lb. feeder steers of $4.44/cwt indicates that, on average, the Nebraska 700-800 lb. feeder steer price is $4.44/cwt higher than the CME Feeder Cattle Cash Index. The stronger LRP and futures basis for 600-700 lb. feeder steers is a reflection of higher cash prices paid ($/cwt) for lighter animals. For corresponding weight categories, steer basis is stronger than heifer due to higher cash prices paid for steers as a result of better feeding performance (e.g., average daily gain, feed efficiency). The substantially lower LRP basis for 500-600 lb. steers relative to futures basis is a result of the 110 percent price adjustment factor. Similarly, the heavier weight feeder heifer LRP basis averages are higher than the futures basis due to the 90 percent price adjustment factor.

Variability in basis, as measured by the standard deviation, was slightly smaller for LRP basis than for futures basis for all steer and heifer weight categories except 500-600 lb. steers. This suggests that LRP basis is slightly less variable (i.e., slightly easier to predict) than futures basis. The coefficient of variation (CV) measures variability in the basis after accounting for different sized means (which is relevant to consider due to the different sized means created by the price adjustment factors). A higher CV is associated with more variability and potentially increased difficulty in forecasting the basis for a future date using historical data. As shown in *Table 2,* the CV for Nebraska 500-800 lb. steer and 500-600 lb. heifer LRP basis is higher than for futures basis, indicating that LRP basis is more variable (less predictable) about its mean for these weights of cattle.

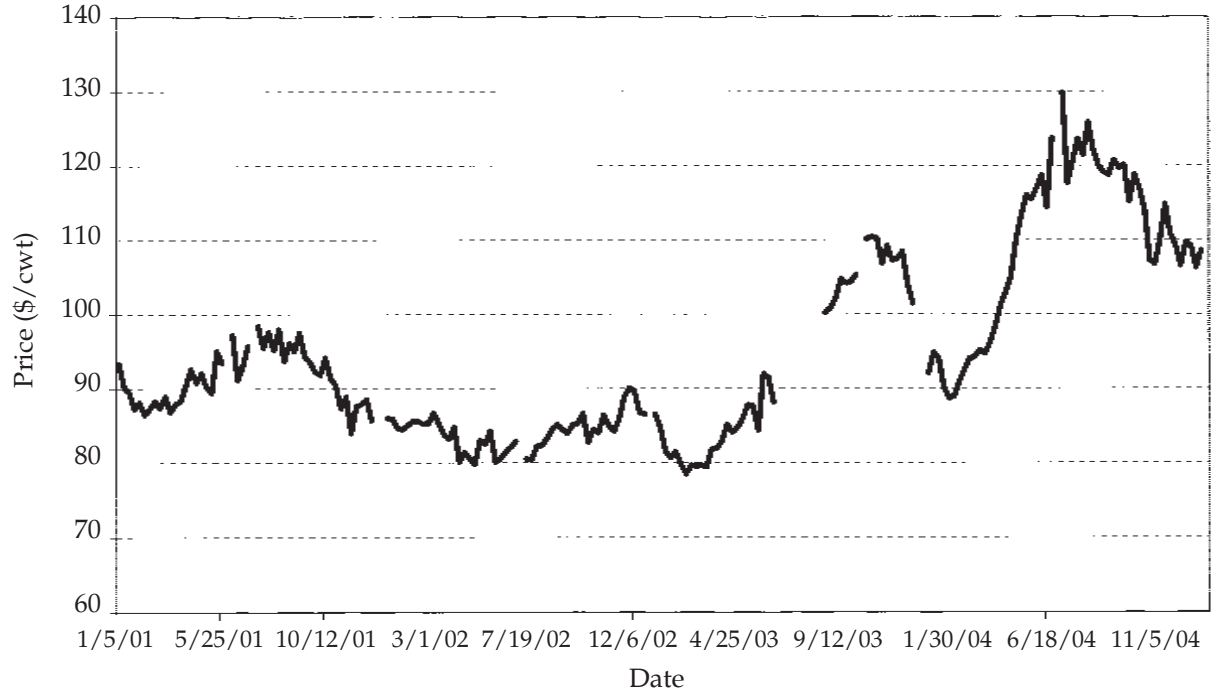
Conversely, the CV for heavier weight feeder heifer LRP basis is smaller than for futures basis. Because LRP basis is slightly less variable for heavier weight feeder heifers, the risk of changes in basis may be lower when hedging sales of heavier weight heifers with LRP versus futures contracts. Still, the differences in variability between LRP and futures basis is relatively small for feeder steers and heifers, in contrast to the differences in LRP and futures basis for fed cattle and swine. Essentially, the decrease in basis risk when hedging with LRP versus futures contract is not substantial for feeder cattle.

The seasonal trend in feeder cattle prices in Nebraska differs by weight of feeder cattle. Prices for lighter weight 500-600 lb. feeder steers tend to be highest



Source: University of Nebraska

Figure 1. CME Feeder Cattle Cash Price Index, 2000-2005.



Source: University of Nebraska

Figure 2. Nebraska Combined Weighted Average 700-800 lb. Feeder Steer Prices, 2001-2005.

Table 2. Nebraska Feeder Steer and Heifer LRP Basis and Futures Basis Summary Statistics, 2001-2004.

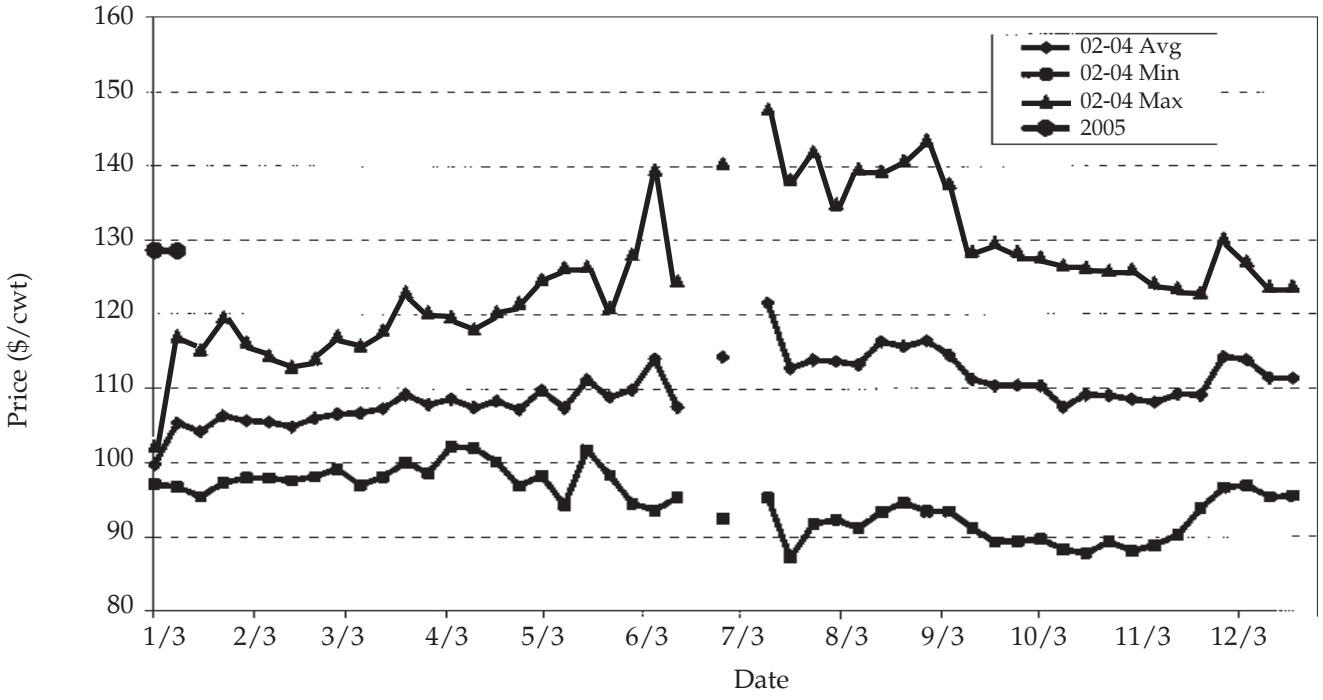
Feeder Cattle Price Series	*Mean*	*Minimum*	*Maximum*	*Standard Deviation*	*Coefficient of Variation**
	($/cwt)	*($/cwt)*	*($/cwt)*	*($/cwt)*	
500-600 lb. Steer					
LRP Basis	9.56	-5.65	23.08	7.02	0.73
Futures Basis	19.60	5.74	36.23	6.97	0.36
600-700 lb. Steer					
LRP Basis	10.19	1.30	21.75	4.13	0.41
Futures Basis	11.07	1.74	26.60	4.34	0.39
700-800 lb. Steer					
LRP Basis	4.44	-3.13	13.58	2.62	0.59
Futures Basis	5.32	-1.02	18.43	2.77	0.52
800-900 lb. Steer					
LRP Basis	0.03	-7.88	7.18	2.38	72.01
Futures Basis	0.92	-7.43	12.03	2.84	3.08
500-600 lb. Heifer					
LRP Basis	9.02	-1.37	18.96	5.08	0.56
Futures Basis	9.93	-1.54	20.43	5.35	0.54
600-700 lb. Heifer					
LRP Basis	11.63	3.10	18.55	3.21	0.28
Futures Basis	3.39	-5.14	11.73	3.36	0.59
700-800 lb. Heifer					
LRP Basis	7.31	-0.53	18.34	2.48	0.34
Futures Basis	-0.93	-9.15	8.10	2.59	2.78
800-900 lb. Heifer					
LRP Basis	4.03	-7.67	11.32	2.52	0.63
Futures Basis	-4.19	-18.15	3.41	2.71	0.65

* Coefficient of variation is standard deviation divided by the absolute value of the mean. Thus, it is a unitless number.

in the spring and early summer months, corresponding to a time with smaller supplies and demand for feeder cattle suitable for summer grazing *(Figure 3)*. Conversely, prices are highest in the fall months and lowest in the spring months for heavier weight 700-800 lb. feeder steers *(Figure 4)*. *Figures 5* to *12* illustrate the Nebraska feeder steer and heifer LRP basis by weight categories from 2002 to January 2005. Seasonally, LRP basis tends to be strongest for lighter weight feeder steers and heifers in spring and early summer and weakest in the fall months. LRP basis for heavier weight feeder steers and heifers typically is steadier throughout the year, with some tendency to be higher in the fall months. The trends in LRP basis follow those of Nebraska cash prices because the same relative supply and demand factors tend to be stronger in Nebraska than other parts of the country, which are also represented in the CME Feeder Cattle Cash Index.

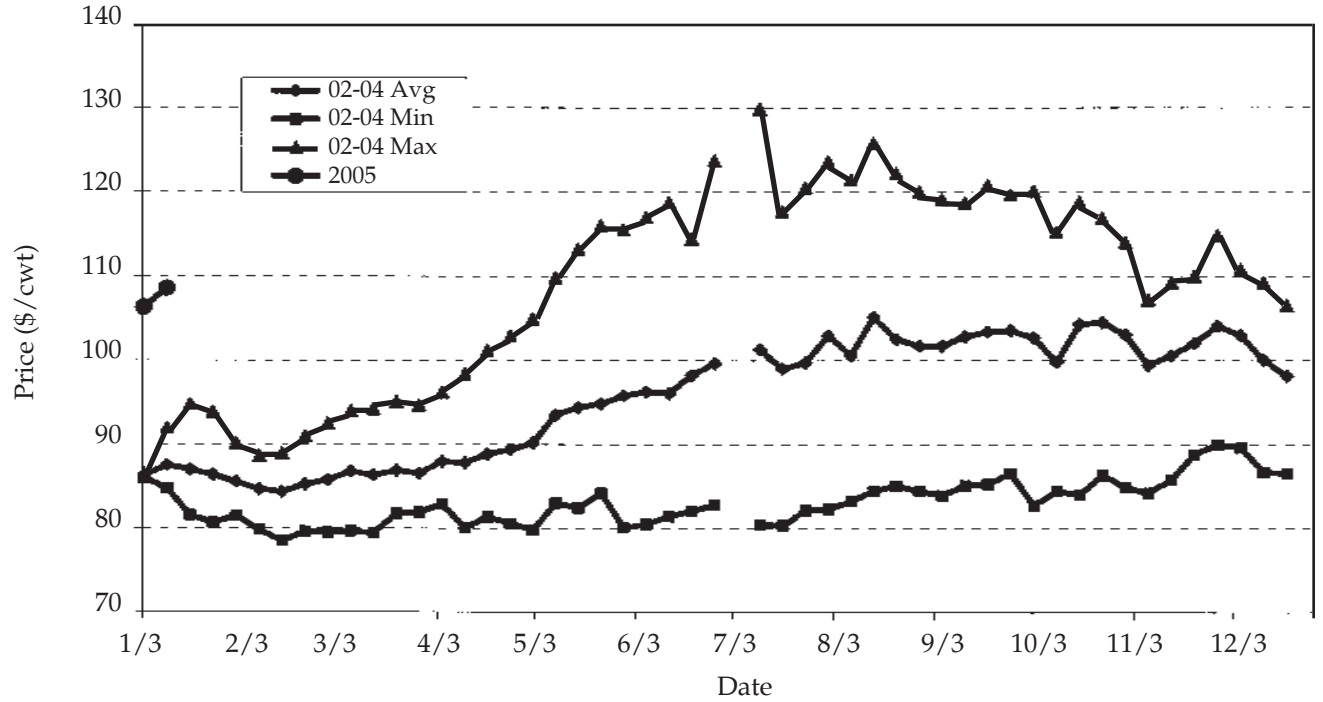
The data used in *Figures 1* to *12* are reported in *Tables 3* to *11*. These tables report data from January 2001 to December 2004 to provide historical background on the respective price and basis series and will provide the necessary LRP basis information to determine the expected selling price when hedging with LRP (discussed in the next section). The feeder cattle price series used in this analysis, the Nebraska combined weighted average prices, are relatively new as a result of changes made by USDA Agricultural Marketing Service in feeder cattle sale reporting prices. As a result, an analysis of the optimal length of historical basis data to use in forecasting current basis cannot be accomplished with this data. Similar analyses with Nebraska fed cattle prices and fed and feeder cattle prices in other geographic markets suggest that three- to five-year averages forecast basis better than shorter averages. Therefore, the three-year average LRP basis will be used to forecast LRP basis. So, for 2005, the 2002-2004 weekly average LRP basis will be used as a predictor of LRP basis. The 2003-2005 historical LRP basis will be used as a forecast for 2006 LRP basis, and so on. Thus, it is important to routinely track and update LRP basis, as is the case for traditional futures basis.

The Nebraska combined weighted average prices used in this analysis represent a price averaged across seven feeder cattle sales in Nebraska for medium and large frame #1 steers and heifers. These prices provide a reasonable and representative price and basis for Nebraska feeder cattle producers hedging with LRP. However, it is still an average price. Individual producers should select the price series that most closely represents their actual selling prices based on sale location and quality of cattle and adjust that price and basis data by the premiums or discounts they typically expect for their feeder cattle.



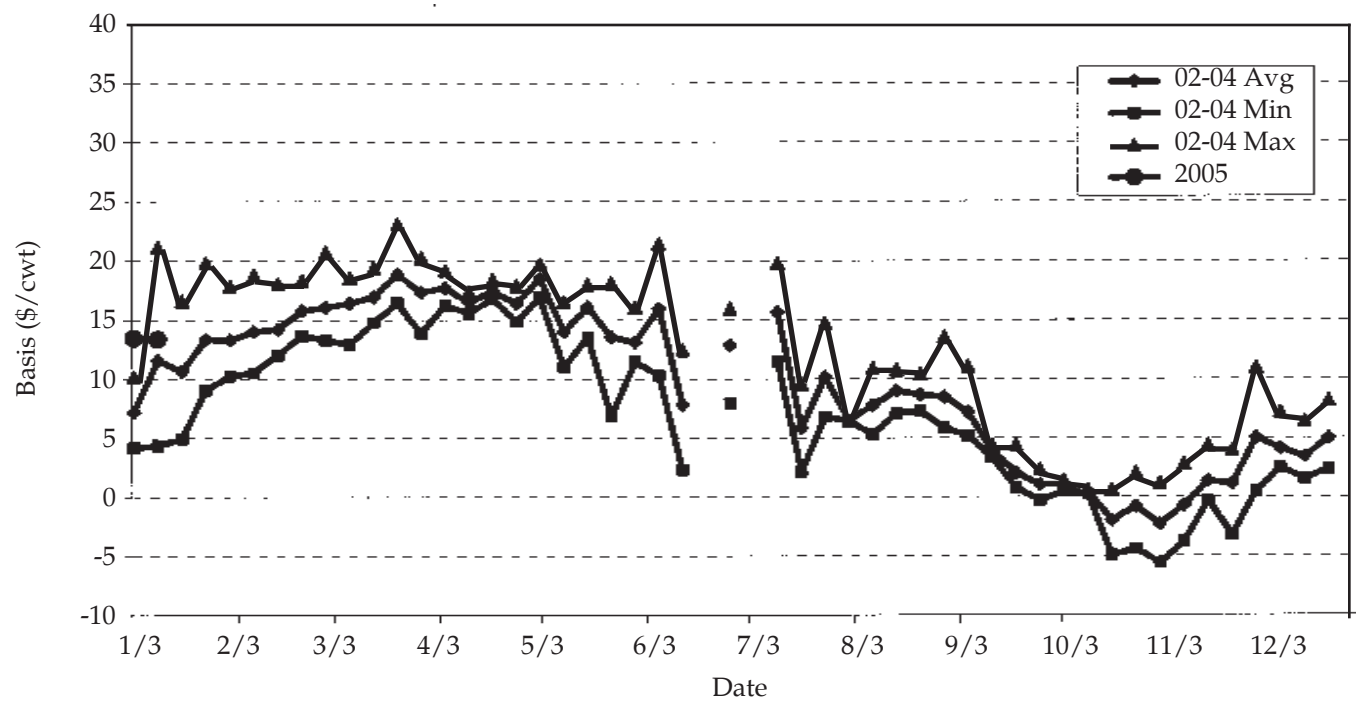
Source: University of Nebraska

Figure 3. Nebraska Combined Weighted Average 500-599 lb. Steer Price, 2002-2005.



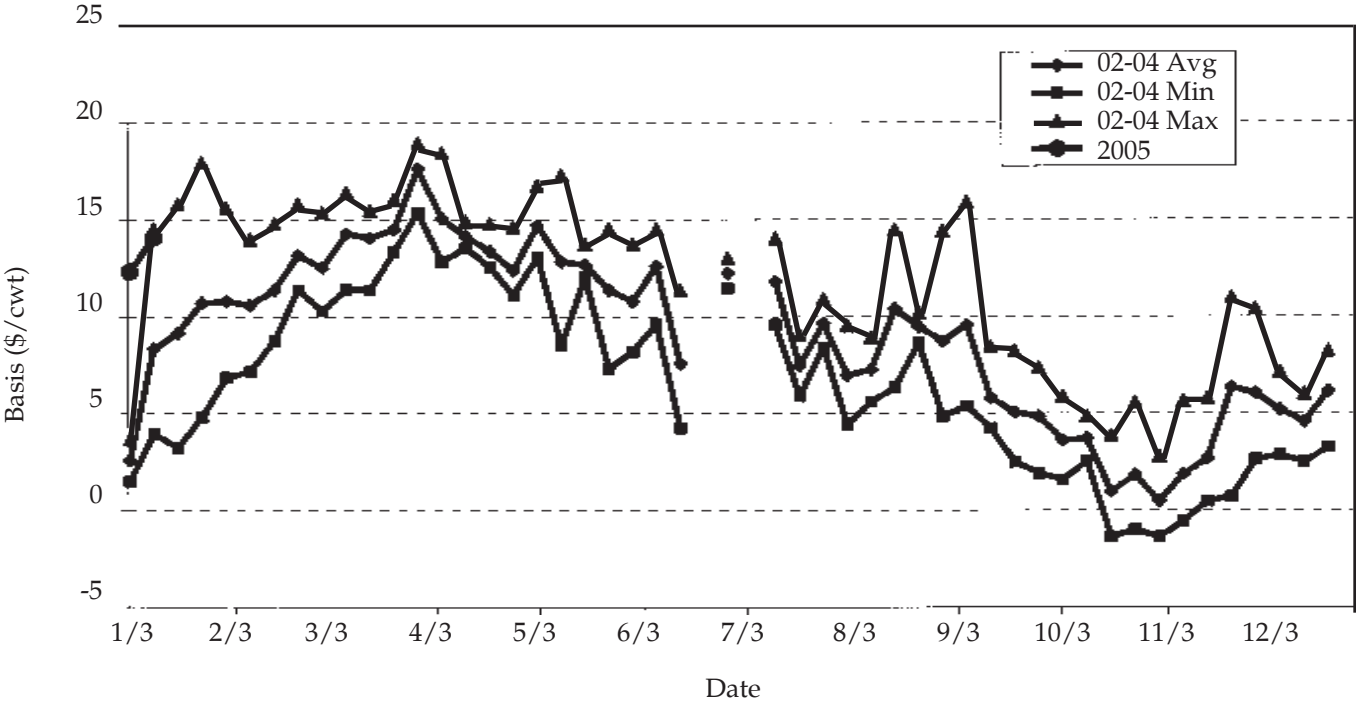
Source: University of Nebraska

Figure 4. Nebraska Combined Weighted Average 700-799 lb. Steer Price, 2002-2005.



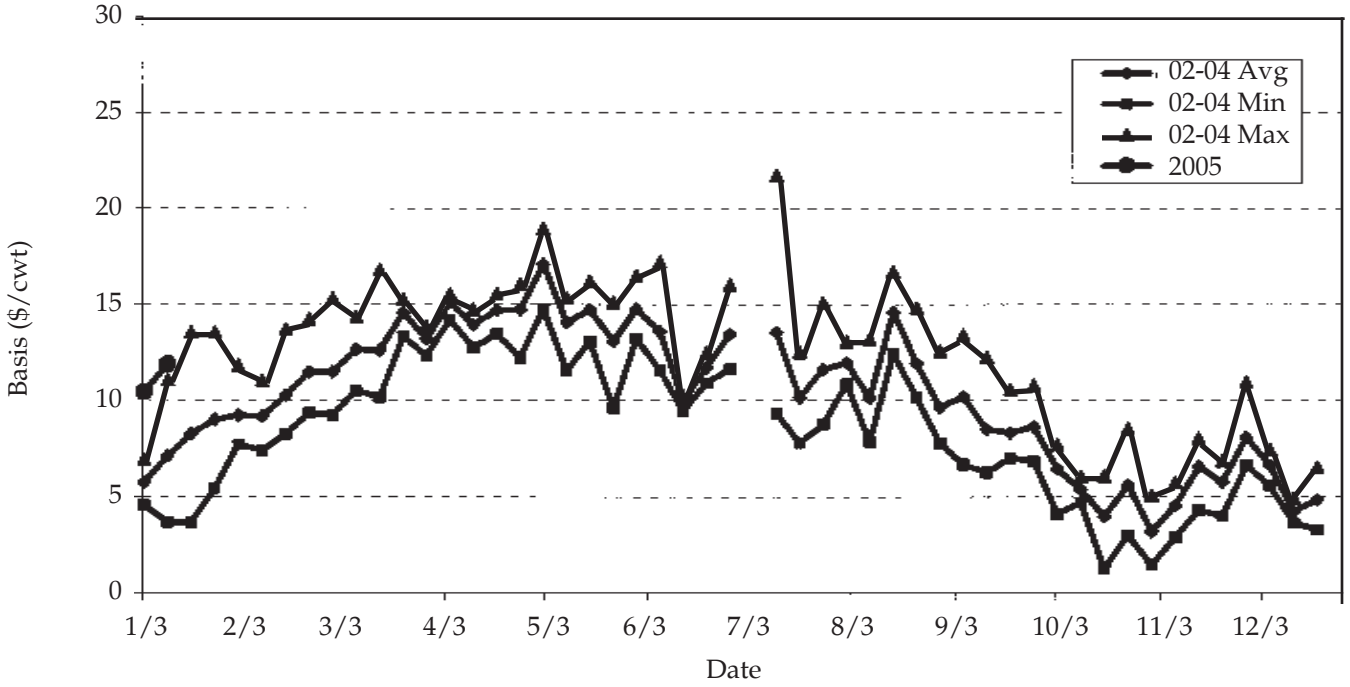
Source: University of Nebraska

Figure 5. Nebraska Combined Weighted Average 500-599 lb. Steer LRP Basis, 2002-2005.



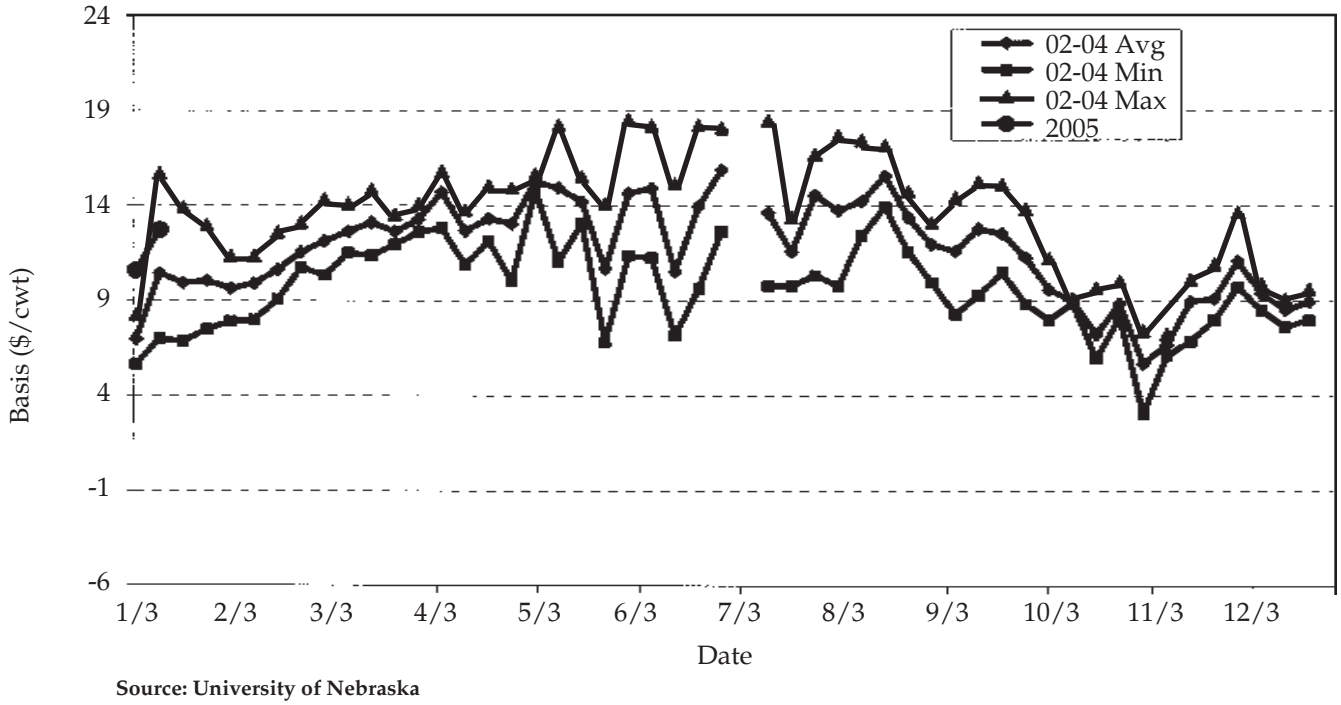
Source: University of Nebraska

Figure 6. Nebraska Combined Weighted Average 500-599 lb. Heifer LRP Basis, 2002-2005.



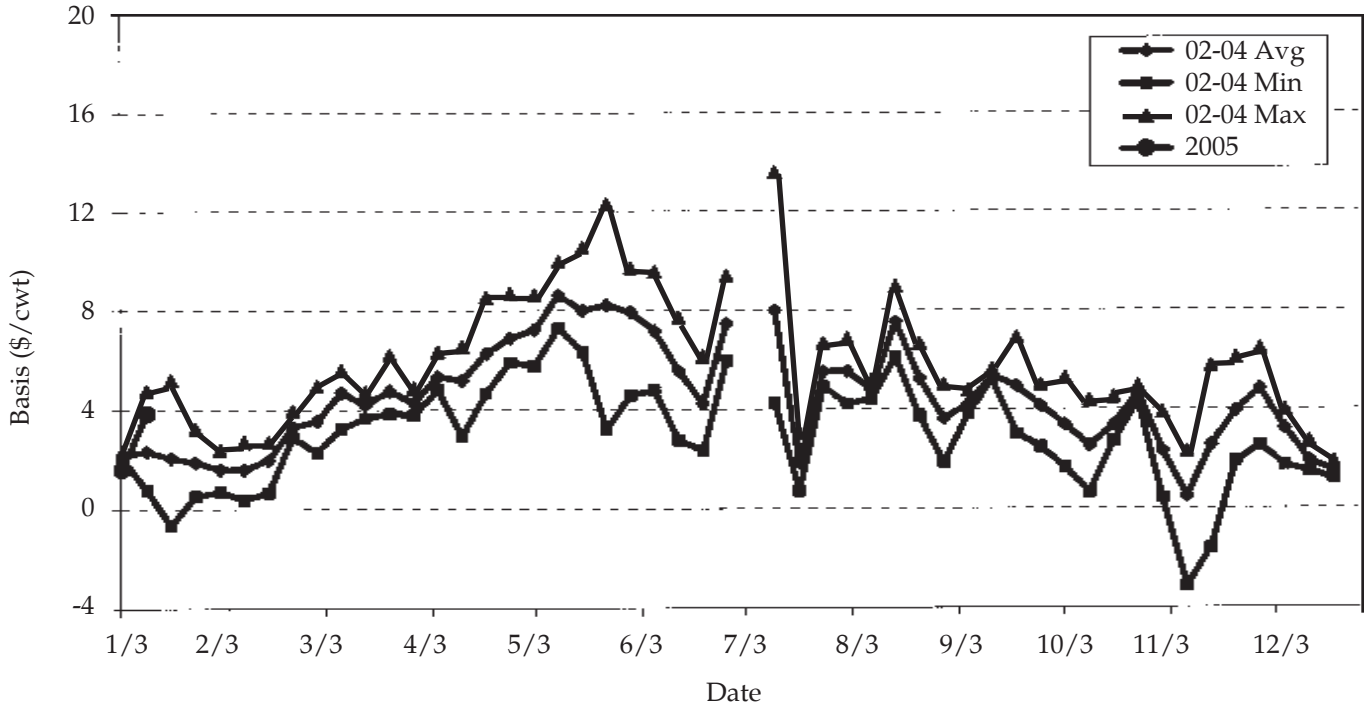
Source: University of Nebraska

Figure 7. Nebraska Combined Weighted Average 600-699 lb. Steer LRP Basis, 2002-2005.



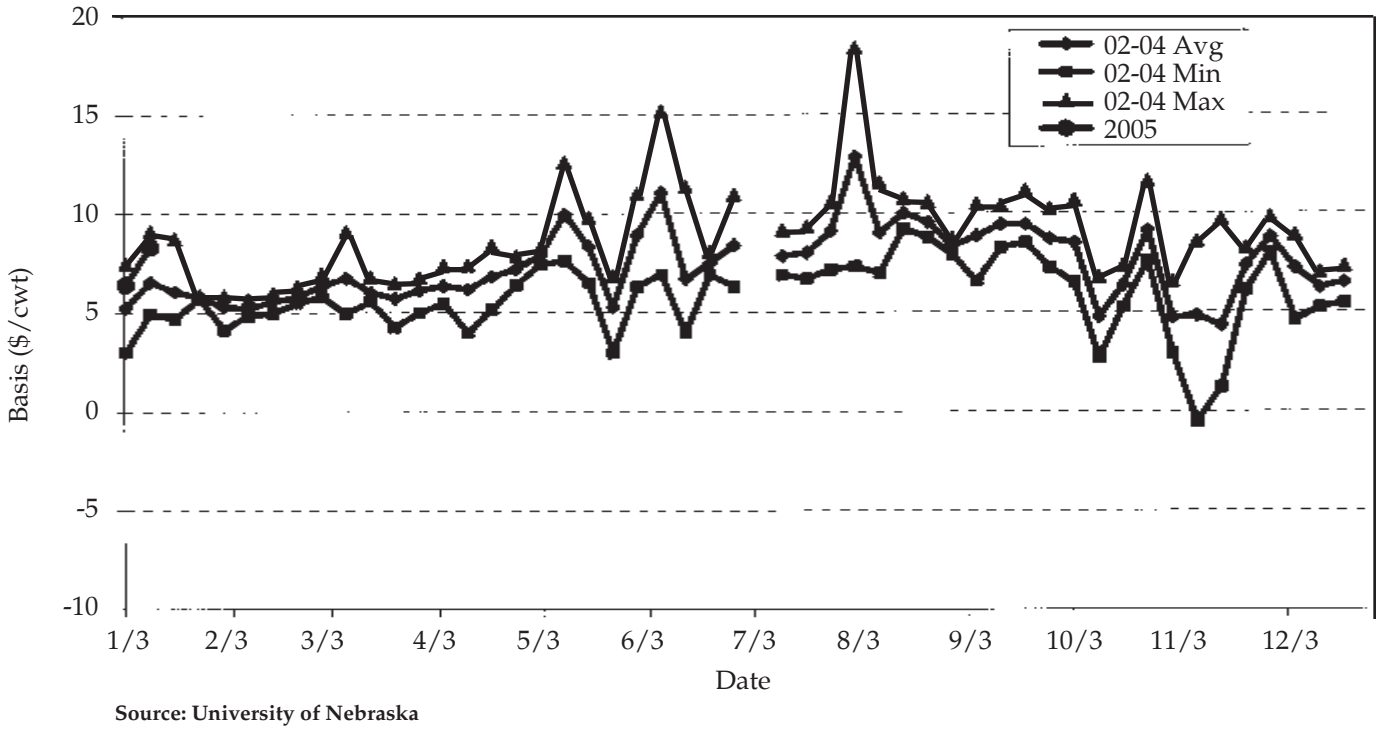
Source: University of Nebraska

Figure 8. Nebraska Combined Weighted Average 600-699 lb. Heifer LRP Basis, 2002-2005.



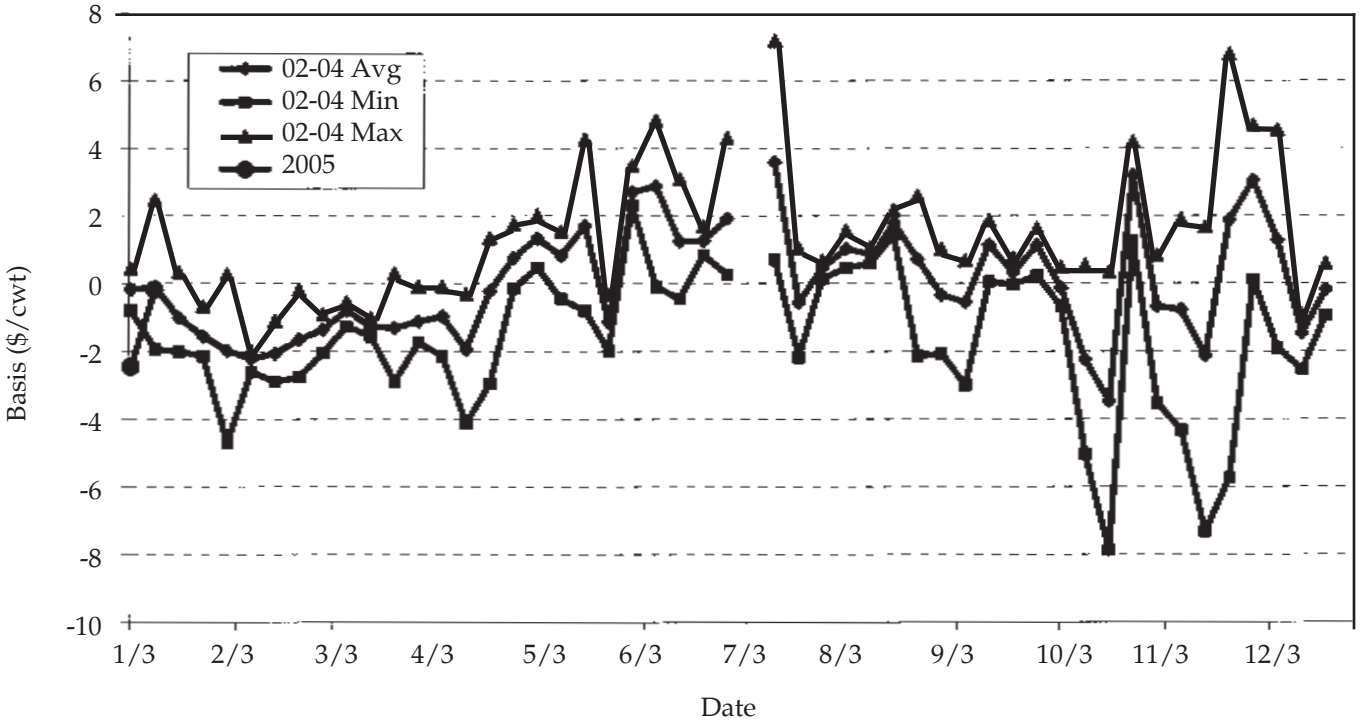
Source: University of Nebraska

Figure 9. Nebraska Combined Weighted Average 700-799 lb. Steer LRP Basis, 2002-2005.



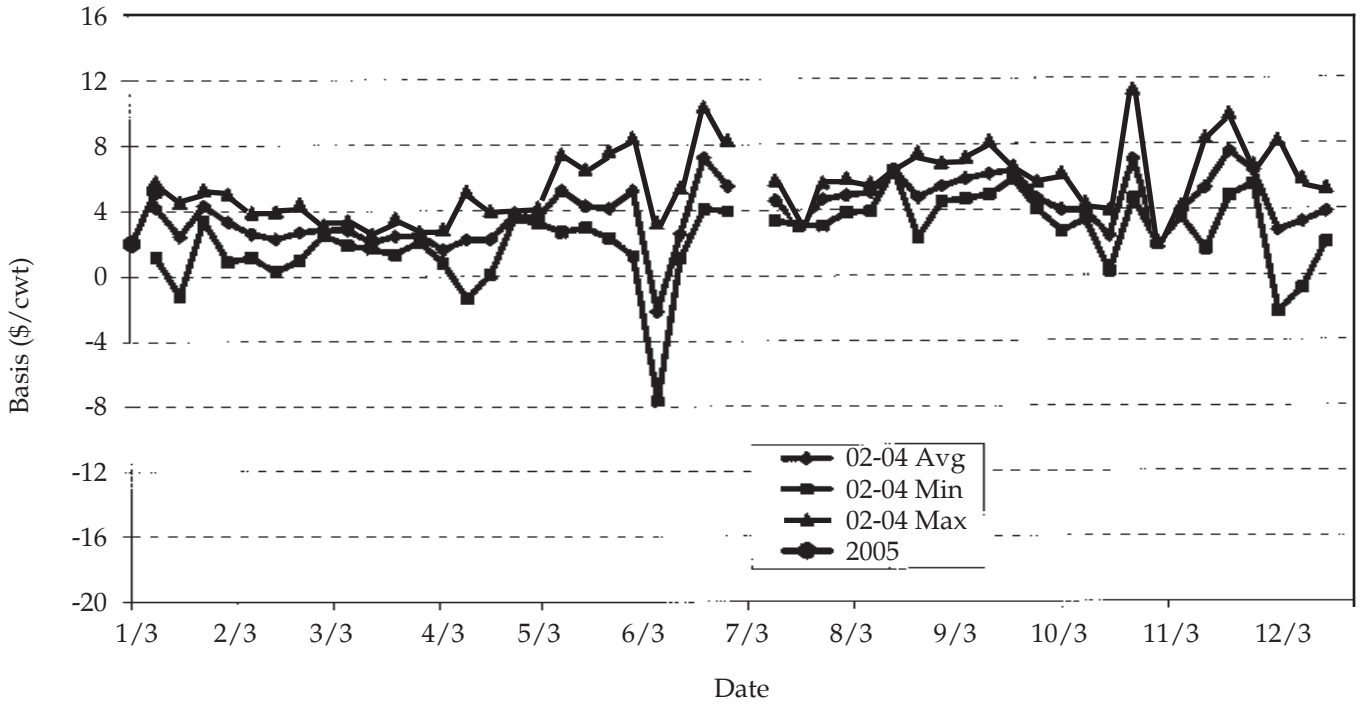
Source: University of Nebraska

Figure 10. Nebraska Combined Weighted Average 700-799 lb. Heifer LRP Basis, 2002-2005.



Source: University of Nebraska

Figure 11. Nebraska Combined Weighted Average 800-899 lb. Steer LRP Basis, 2002-2005.



Source: University of Nebraska

Figure 12. Nebraska Combined Weighted Average 800-899 lb. Heifer LRP Basis, 2002-2005.

Table 3. CME Feeder Cattle Cash Index Price, 2001-2004.

Date	*Week*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*
1/3	1	90.84	83.65	84.48	93.82	87.32	83.65	93.82
1/10	2	89.57	84.49	83.98	87.21	85.23	83.98	87.21
1/17	3	88.47	83.10	82.20	89.62	84.97	82.20	89.62
1/24	4	86.92	82.62	80.13	90.70	84.49	80.13	90.70
1/31	5	85.66	82.65	79.72	89.47	83.95	79.72	89.47
2/7	6	85.34	82.89	79.43	86.95	83.09	79.43	86.95
2/14	7	85.00	83.04	77.81	86.26	82.37	77.81	86.26
2/21	8	85.06	82.16	76.75	87.02	81.98	76.75	87.02
2/28	9	85.29	81.93	77.23	87.59	82.25	77.23	87.59
3/7	10	85.91	81.41	76.42	88.42	82.08	76.42	88.42
3/14	11	85.51	81.10	75.76	89.53	82.13	75.76	89.53
3/21	12	85.28	79.97	75.57	90.86	82.13	75.57	90.86
3/28	13	85.99	78.95	77.02	90.93	82.30	77.02	90.93
4/4	14	87.48	78.45	78.08	91.38	82.64	78.08	91.38
4/11	15	88.13	77.13	78.52	92.37	82.67	77.13	92.37
4/18	16	87.95	75.75	79.41	92.70	82.62	75.75	92.70
4/25	17	87.84	74.57	78.78	94.27	82.54	74.57	94.27
5/2	18	88.06	74.02	78.63	96.32	82.99	74.02	96.32
5/9	19	87.56	75.75	79.20	99.88	84.95	75.75	99.88
5/16	20	86.76	76.13	80.48	102.70	86.44	76.13	102.70
5/23	21	87.55	75.10	81.15	103.74	86.67	75.10	103.74
5/30	22	88.88	75.51	82.44	105.78	87.91	75.51	105.78
6/6	23	89.94	75.73	84.31	107.41	89.15	75.73	107.41
6/13	24	89.97	75.31	85.38	111.07	90.59	75.31	111.07
6/20	25	91.04	75.94	84.98	112.10	91.01	75.94	112.10
6/27	26	90.59	76.86	85.30	114.35	92.17	76.86	114.35
7/4	27	90.67	76.51	87.10	114.67	92.76	76.51	114.67
7/11	28	90.91	76.22	87.55	116.26	93.34	76.22	116.26
7/18	29	91.03	77.33	88.10	116.99	94.14	77.33	116.99
7/25	30	90.69	77.24	89.88	115.63	94.25	77.24	115.63
8/1	31	90.33	78.10	91.11	116.77	95.33	78.10	116.77
8/8	32	88.82	78.11	92.39	117.05	95.85	78.11	117.05
8/15	33	89.87	78.39	92.81	116.87	96.02	78.39	116.87
8/22	34	89.95	78.44	94.84	118.54	97.27	78.44	118.54
8/29	35	90.83	79.46	96.81	118.18	98.15	79.46	118.18
9/5	36	91.31	80.12	97.44	115.09	97.55	80.12	115.09
9/12	37	91.21	79.87	99.53	113.10	97.50	79.87	113.10
9/19	38	90.56	80.40	101.23	113.88	98.50	80.40	113.88
9/26	39	89.34	81.62	101.93	114.76	99.44	81.62	114.76
10/3	40	87.44	81.14	102.18	114.83	99.38	81.14	114.83
10/10	41	88.66	80.09	103.44	114.58	99.37	80.09	114.58
10/17	42	89.32	81.30	107.33	114.37	101.00	81.30	114.37
10/24	43	88.65	81.45	105.63	112.58	99.89	81.45	112.58
10/31	44	87.46	82.32	106.36	113.59	100.76	82.32	113.59
11/7	45	86.29	81.95	104.58	110.34	98.96	81.95	110.34
11/14	46	83.78	82.40	103.49	108.34	98.08	82.40	108.34
11/21	47	84.13	82.79	103.44	108.10	98.11	82.79	108.10
11/28	48	84.78	84.54	104.99	108.41	99.32	84.54	108.41
12/5	49	85.48	85.68	104.48	109.14	99.77	85.68	109.14
12/12	50	84.44	85.28	102.47	106.59	98.11	85.28	106.59
12/19	51	83.16	84.65	100.29	105.11	96.68	84.65	105.11
12/26	52	83.21	84.77	99.06	105.62	96.48	84.77	105.62

Table 4. 500-600 lb. Nebraska Feeder Steer Cash Price and LRP Basis, 2001-2004.

		Price							*LRP Basis*						
Date	*Week*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*
1/3	1	107.82	102.25	97.13		99.69	97.13	102.25	7.89	10.23	4.20		7.22	4.20	10.23
1/10	2	106.07	102.20	96.74	117.06	105.33	96.74	117.06	7.54	9.26	4.36	21.12	11.58	4.36	21.12
1/17	3	104.23	101.81	95.38	115.23	104.14	95.38	115.23	6.91	10.40	4.96	16.64	10.67	4.96	16.64
1/24	4	105.50	102.11	97.26	119.58	106.31	97.26	119.58	9.88	11.22	9.11	19.80	13.38	9.11	19.80
1/31	5	107.28	102.70	97.97	116.28	105.65	97.97	116.28	13.05	11.78	10.27	17.86	13.30	10.27	17.86
2/7	6	103.37	103.92	97.90	114.43	105.42	97.90	114.43	9.50	12.74	10.53	18.78	14.01	10.53	18.78
2/14	7	105.72	103.92	97.60	112.91	104.81	97.60	112.91	12.22	12.57	12.01	18.03	14.20	12.01	18.03
2/21	8	105.80	105.76	98.11	114.05	105.97	98.11	114.05	12.23	15.38	13.68	18.33	15.80	13.68	18.33
2/28	9	105.31	103.42	99.16	117.07	106.55	99.16	117.07	11.49	13.29	14.21	20.72	16.07	13.29	20.72
3/7	10	109.94	107.27	96.99	115.81	106.69	96.99	115.81	15.43	17.72	12.92	18.54	16.40	12.92	18.54
3/14	11	110.74	105.89	98.11	117.89	107.29	98.11	117.89	16.68	16.68	14.77	19.40	16.95	14.77	19.40
3/21	12	109.10	104.38	100.08	123.02	109.16	100.08	123.02	15.29	16.41	16.95	23.08	18.81	16.41	23.08
3/28	13	113.87	104.67	98.61	120.28	107.85	98.61	120.28	19.28	17.82	13.89	20.25	17.32	13.89	20.25
4/4	14	110.84	103.93	102.15	119.71	108.60	102.15	119.71	14.62	17.63	16.26	19.19	17.70	16.26	19.19
4/11	15	112.13	102.24	101.93	118.04	107.40	101.93	118.04	15.18	17.39	15.55	16.44	16.46	15.55	17.39
4/18	16	111.18	100.10	104.46	120.35	108.30	100.10	120.35	14.43	16.78	17.11	18.38	17.42	16.78	18.38
4/25	17	111.33	96.89	103.06	121.60	107.18	96.89	121.60	14.70	14.86	16.40	17.90	16.39	14.86	17.90
5/2	18	110.22	98.31	106.22	124.78	109.77	98.31	124.78	13.35	16.88	19.73	18.83	18.48	16.88	19.73
5/9	19	110.56	94.31	101.52	126.42	107.42	94.31	126.42	14.25	10.99	14.40	16.55	13.98	10.99	16.55
5/16	20	111.98	101.73	105.28	126.51	111.17	101.73	126.51	16.54	17.98	16.76	13.54	16.09	13.54	17.98
5/23	21	111.25	98.35	107.37	120.95	108.89	98.35	120.95	14.95	15.73	18.10	6.83	13.55	6.83	18.10
5/30	22		94.51	106.80	128.15	109.82	94.51	128.15		11.45	16.11	11.78	13.11	11.45	16.11
6/6	23	116.45	93.63	108.93	139.56	114.04	93.63	139.56	17.51	10.32	16.19	21.40	15.97	10.32	21.40
6/13	24	112.89	95.31	102.65	124.50	107.49	95.31	124.50	13.92	12.47	8.72	2.32	7.84	2.32	12.47
6/20	25	109.56			130.96				9.41			7.65			
6/27	26	117.59	92.50	109.79	140.48	114.25	92.50	140.48	17.94	7.96	15.95	14.69	12.87	7.96	15.95
7/4	27														
7/11	28	113.99	95.29		147.65	121.47	95.29	147.65	13.98	11.45		19.76	15.61	11.45	19.76
7/18	29	113.84	87.20		138.28	112.74	87.20	138.28	13.70	2.13		9.58	5.86	2.13	9.58
7/25	30	112.54	91.76	107.81	141.95	113.84	91.76	141.95	12.78	6.80	8.95	14.75	10.17	6.80	14.75
8/1	31	109.75	92.39		134.91	113.65	92.39	134.91	10.39	6.47		6.46	6.47	6.46	6.47
8/8	32	112.96	91.19	108.81	139.67	113.22	91.19	139.67	15.25	5.26	7.18	10.91	7.79	5.26	10.91
8/15	33	113.41	93.37		139.33	116.35	93.37	139.33	14.56	7.13		10.77	8.95	7.13	10.77
8/22	34	107.42	94.59	111.57	140.83	115.66	94.59	140.83	8.47	8.31	7.25	10.43	8.66	7.25	10.43
8/29	35	108.89	93.46	112.32	143.54	116.44	93.46	143.54	8.97	6.05	5.83	13.53	8.47	5.83	13.53
9/5	36	107.80	93.42	112.39	137.68	114.50	93.42	137.68	7.36	5.29	5.20	11.08	7.19	5.20	11.08
9/12	37	104.88	91.17	113.91	128.57	111.22	91.17	128.57	4.55	3.31	4.42	4.16	3.96	3.31	4.42
9/19	38	103.37	89.30	112.09	129.72	110.37	89.30	129.72	3.76	0.85	0.74	4.45	2.01	0.74	4.45
9/26	39	100.97	89.44	113.15	128.58	110.39	89.44	128.58	2.70	-0.34	1.03	2.34	1.01	-0.34	2.34
10/3	40	99.26	89.69	113.70	127.73	110.37	89.69	127.73	3.07	0.44	1.30	1.41	1.05	0.44	1.41
10/10	41	100.34	88.28		126.67	107.47	88.28	126.67	2.82	0.19		0.63	0.41	0.19	0.63
10/17	42	98.66	87.78	113.13	126.37	109.09	87.78	126.37	0.40	-1.66	-4.93	0.57	-2.01	-4.93	0.57
10/24	43	96.84	89.39	111.78	125.89	109.02	89.39	125.89	-0.68	-0.20	-4.41	2.04	-0.86	-4.41	2.04
10/31	44	96.60	88.07	111.35	126.10	108.51	88.07	126.10	0.39	-2.48	-5.65	1.15	-2.33	-5.65	1.15
11/7	45	95.28	88.86	111.22	124.21	108.09	88.86	124.21	0.36	-1.29	-3.82	2.83	-0.76	-3.82	2.83
11/14	46	93.97	90.24	113.79	123.57	109.20	90.24	123.57	1.80	-0.40	-0.05	4.40	1.32	-0.40	4.40
11/21	47	96.68	93.79	110.54	122.88	109.07	93.79	122.88	4.13	2.71	-3.25	3.96	1.14	-3.25	3.96
11/28	48	100.00	96.57	115.94	130.24	114.25	96.57	130.24	6.74	3.57	0.45	10.98	5.00	0.45	10.98
12/5	49	100.38	96.91	117.39	127.25	113.85	96.91	127.25	6.35	2.66	2.46	7.20	4.11	2.46	7.20
12/12	50	96.77	95.32	115.01	123.70	111.34	95.32	123.70	3.88	1.51	2.29	6.45	3.42	1.51	6.45
12/19	51		95.46	114.69	123.81	111.32	95.46	123.81		2.35	4.37	8.18	4.97	2.35	8.18
12/26	52				122.06								5.88		

Table 5. 500-600 lb. Nebraska Feeder Heifer Cash Price and LRP Basis, 2001-2004.

		Price							*LRP Basis*						
Date	*Week*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*
1/3	1	97.72	85.15	88.16		86.65	85.15	88.16	6.88	1.50	3.67		2.59	1.50	3.67
1/10	2	95.44	91.11	87.92	101.73	93.59	87.92	101.73	5.87	6.62	3.94	14.52	8.36	3.94	14.52
1/17	3	95.00	91.56	85.43	105.43	94.14	85.43	105.43	6.53	8.46	3.23	15.81	9.17	3.23	15.81
1/24	4	94.56	92.02	84.94	108.65	95.20	84.94	108.65	7.64	9.40	4.81	17.95	10.72	4.81	17.95
1/31	5	96.55	92.57	86.58	105.09	94.74	86.58	105.09	10.88	9.92	6.86	15.62	10.80	6.86	15.62
2/7	6	94.14	93.58	86.59	100.94	93.70	86.59	100.94	8.80	10.69	7.16	13.98	10.61	7.16	13.98
2/14	7	94.04	93.58	86.57	101.04	93.73	86.57	101.04	9.04	10.54	8.76	14.78	11.36	8.76	14.78
2/21	8	94.70	94.47	88.13	102.84	95.14	88.13	102.84	9.64	12.31	11.37	15.82	13.17	11.37	15.82
2/28	9	94.75	93.86	87.52	102.96	94.78	87.52	102.96	9.46	11.92	10.29	15.37	12.53	10.29	15.37
3/7	10	98.38	96.40	87.83	104.84	96.36	87.83	104.84	12.47	14.99	11.40	16.42	14.27	11.40	16.42
3/14	11	95.09	96.43	87.14	105.01	96.19	87.14	105.01	9.58	15.33	11.37	15.48	14.06	11.37	15.48
3/21	12	97.21	93.32	89.69	106.92	96.64	89.69	106.92	11.92	13.35	14.11	16.06	14.51	13.35	16.06
3/28	13	96.25	97.91	92.39	109.48	99.93	92.39	109.48	10.26	18.96	15.37	18.55	17.62	15.37	18.96
4/4	14	98.64	92.39	90.91	109.82	97.70	90.91	109.82	11.16	13.93	12.83	18.44	15.07	12.83	18.44
4/11	15	101.63	90.69	92.48	107.29	96.82	90.69	107.29	13.50	13.55	13.96	14.92	14.14	13.55	14.92
4/18	16	98.56	88.53	91.97	107.50	96.00	88.53	107.50	10.60	12.78	12.56	14.80	13.38	12.56	14.80
4/25	17	99.29	85.69	90.20	108.88	94.92	85.69	108.88	11.44	11.12	11.42	14.60	12.38	11.12	14.60
5/2	18	100.78	88.23	95.40	109.39	97.67	88.23	109.39	12.71	14.20	16.77	13.07	14.68	13.07	16.77
5/9	19	101.47	84.26	91.87	117.19	97.77	84.26	117.19	13.91	8.51	12.66	17.31	12.82	8.51	17.31
5/16	20	98.67	88.16	94.21	114.98	99.11	88.16	114.98	11.90	12.02	13.73	12.27	12.67	12.02	13.73
5/23	21	98.64	87.42	95.71	111.03	98.05	87.42	111.03	11.09	12.31	14.55	7.29	11.38	7.29	14.55
5/30	22		83.71	92.81	119.52	98.68	83.71	119.52		8.20	10.36	13.73	10.76	8.20	13.73
6/6	23	104.70	85.36	98.81	121.10	101.75	85.36	121.10	14.76	9.62	14.50	13.69	12.60	9.62	14.50
6/13	24	102.09	82.45	89.62	122.44	98.17	82.45	122.44	12.12	7.14	4.24	11.36	7.58	4.24	11.36
6/20	25	104.38			125.03				13.33			12.93			
6/27	26	104.37	88.32	97.55	127.38	104.42	88.32	127.38	13.77	11.46	12.24	13.03	12.25	11.46	13.03
7/4	27														
7/11	28	103.97	85.80		130.29	108.04	85.80	130.29	13.05	9.58		14.03	11.80	9.58	14.03
7/18	29	100.41	83.23		126.05	104.64	83.23	126.05	9.37	5.90		9.05	7.48	5.90	9.05
7/25	30	102.70	85.65		126.55	106.10	85.65	126.55	12.00	8.41		10.92	9.66	8.41	10.92
8/1	31	101.75	82.51		126.30	104.41	82.51	126.30	11.42	4.41		9.53	6.97	4.41	9.53
8/8	32	103.66	83.72		125.98	104.85	83.72	125.98	14.84	5.61		8.92	7.27	5.61	8.92
8/15	33	103.81	84.73		131.34	108.03	84.73	131.34	13.94	6.33		14.46	10.40	6.33	14.46
8/22	34	97.49	87.06	104.42	128.75	106.74	87.06	128.75	7.54	8.62	9.58	10.20	9.47	8.62	10.20
8/29	35	101.12	84.32	103.70	132.58	106.86	84.32	132.58	10.29	4.85	6.88	14.39	8.71	4.85	14.39
9/5	36	99.55	85.51	104.84	130.98	107.11	85.51	130.98	8.24	5.39	7.40	15.89	9.56	5.39	15.89
9/12	37	97.35	84.59	103.75	121.55	103.29	84.59	121.55	6.14	4.71	4.22	8.45	5.79	4.22	8.45
9/19	38	94.15	82.90	105.60	122.13	103.54	82.90	122.13	3.59	2.50	4.37	8.24	5.04	2.50	8.24
9/26	39	93.68	83.52	107.16	122.13	104.27	83.52	122.13	4.34	1.90	5.23	7.37	4.83	1.90	7.37
10/3	40	93.64	82.69	105.52	120.74	102.98	82.69	120.74	6.20	1.55	3.34	5.90	3.60	1.55	5.90
10/10	41	93.07	82.62		119.44	101.03	82.62	119.44	4.41	2.53		4.85	3.69	2.53	4.85
10/17	42	90.47	81.69	105.96	118.25	101.97	81.69	118.25	1.15	0.39	-1.37	3.88	0.97	-1.37	3.88
10/24	43	87.99	82.32	104.63	118.16	101.70	82.32	118.16	-0.66	0.87	-1.01	5.57	1.81	-1.01	5.57
10/31	44	87.33	82.25	105.00	116.39	101.21	82.25	116.39	-0.13	-0.07	-1.37	2.79	0.45	-1.37	2.79
11/7	45	85.89	81.40	105.06	116.00	100.82	81.40	116.00	-0.40	-0.56	0.48	5.66	1.86	-0.56	5.66
11/14	46	86.86	82.85	105.27	114.12	100.75	82.85	114.12	3.08	0.45	1.78	5.78	2.67	0.45	5.78
11/21	47	88.56	93.78	104.16	115.41	104.45	93.78	115.41	4.43	10.99	0.71	7.31	6.34	0.71	10.99
11/28	48	89.85	89.63	107.61	118.80	105.35	89.63	118.80	5.06	5.09	2.62	10.39	6.03	2.62	10.39
12/5	49	89.86	88.51	110.04	116.30	104.95	88.51	116.30	4.38	2.83	5.55	7.16	5.18	2.83	7.16
12/12	50	88.64	87.76	107.63	112.61	102.67	87.76	112.61	4.20	2.48	5.16	6.01	4.55	2.48	6.01
12/19	51		87.87	107.21	113.34	102.80	87.87	113.34		3.22	6.91	8.22	6.12	3.22	8.22
12/26	52				112.27							6.65			

Table 6. 600-700 lb. Nebraska Feeder Steer Cash Price and LRP Basis, 2001-2004.

		Price							*LRP Basis*						
Date	*Week*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*
1/3	1	98.70	90.59	89.05		89.82	89.05	90.59	7.85	6.94	4.57		5.75	4.57	6.94
1/10	2	94.47	91.08	87.66	98.28	92.34	87.66	98.28	4.89	6.58	3.68	11.07	7.11	3.68	11.07
1/17	3	94.52	90.70	85.84	103.16	93.23	85.84	103.16	6.05	7.60	3.64	13.53	8.26	3.64	13.53
1/24	4	93.34	90.63	85.59	104.24	93.49	85.59	104.24	6.42	8.01	5.45	13.54	9.00	5.45	13.54
1/31	5	95.10	90.80	87.42	101.27	93.16	87.42	101.27	9.44	8.15	7.70	11.80	9.21	7.70	11.80
2/7	6	92.81	91.90	86.84	97.99	92.24	86.84	97.99	7.47	9.00	7.41	11.03	9.15	7.41	11.03
2/14	7	93.06	91.90	86.04	99.95	92.63	86.04	99.95	8.06	8.85	8.23	13.69	10.26	8.23	13.69
2/21	8	95.87	92.93	86.10	101.25	93.42	86.10	101.25	10.81	10.77	9.35	14.22	11.45	9.35	14.22
2/28	9	94.08	91.75	86.47	102.92	93.71	86.47	102.92	8.79	9.81	9.24	15.32	11.46	9.24	15.32
3/7	10	96.40	94.44	86.92	102.77	94.71	86.92	102.77	10.49	13.03	10.50	14.35	12.62	10.50	14.35
3/14	11	95.60	91.89	85.92	106.33	94.71	85.92	106.33	10.09	10.79	10.15	16.80	12.58	10.15	16.80
3/21	12	95.85	93.27	90.85	105.93	96.68	90.85	105.93	10.56	13.30	15.28	15.07	14.55	13.30	15.28
3/28	13	97.37	91.26	90.39	104.75	95.47	90.39	104.75	11.38	12.31	13.37	13.82	13.16	12.31	13.82
4/4	14	99.85	93.99	92.26	106.93	97.73	92.26	106.93	12.37	15.53	14.18	15.55	15.09	14.18	15.55
4/11	15	100.18	89.84	92.83	107.09	96.59	89.84	107.09	12.04	12.71	14.31	14.72	13.91	12.71	14.72
4/18	16	100.80	90.74	92.85	108.27	97.29	90.74	108.27	12.84	14.99	13.44	15.57	14.67	13.44	15.57
4/25	17	101.20	86.78	94.66	110.34	97.26	86.78	110.34	13.36	12.21	15.88	16.06	14.72	12.21	16.06
5/2	18	100.82	88.75	96.21	115.31	100.09	88.75	115.31	12.76	14.73	17.58	18.99	17.10	14.73	18.99
5/9	19	103.19	87.30	94.54	115.12	98.99	87.30	115.12	15.63	11.55	15.34	15.23	14.04	11.55	15.34
5/16	20	104.09	92.38	93.52	117.57	101.16	92.38	117.57	17.33	16.24	13.04	14.87	14.72	13.04	16.24
5/23	21	100.05	89.57	96.26	113.36	99.73	89.57	113.36	12.50	14.47	15.11	9.62	13.06	9.62	15.11
5/30	22		88.70	96.99	122.31	102.66	88.70	122.31		13.19	14.55	16.52	14.75	13.19	16.52
6/6	23	103.92	87.57	101.57	118.97	102.70	87.57	118.97	13.97	11.84	17.26	11.56	13.55	11.56	17.26
6/13	24	103.93	85.49	95.64	120.50	100.54	85.49	120.50	13.96	10.18	10.25	9.43	9.95	9.43	10.25
6/20	25	103.48	86.85		124.59	105.72	86.85	124.59	12.43	10.91		12.49	11.70	10.91	12.49
6/27	26	108.79	88.48	101.33	127.02	105.61	88.48	127.02	18.20	11.62	16.03	12.67	13.44	11.62	16.03
7/4	27														
7/11	28	105.66	85.56	96.97	138.01	106.85	85.56	138.01	14.74	9.34	9.42	21.75	13.50	9.34	21.75
7/18	29	105.32	85.13		129.49	107.31	85.13	129.49	14.28	7.79		12.50	10.14	7.79	12.50
7/25	30	106.05	85.99	100.83	130.72	105.84	85.99	130.72	15.36	8.75	10.95	15.09	11.60	8.75	15.09
8/1	31	103.53	88.95		129.81	109.38	88.95	129.81	13.20	10.84		13.04	11.94	10.84	13.04
8/8	32	105.59	87.40	100.25	130.22	105.95	87.40	130.22	16.77	9.28	7.86	13.17	10.10	7.86	13.17
8/15	33	103.07	90.80		133.60	112.20	90.80	133.60	13.20	12.41		16.72	14.57	12.41	16.72
8/22	34	102.84	89.23	104.97	133.35	109.18	89.23	133.35	12.89	10.79	10.13	14.80	11.91	10.13	14.80
8/29	35	102.18	87.25	105.41	130.72	107.79	87.25	130.72	11.35	7.78	8.59	12.54	9.64	7.78	12.54
9/5	36	100.20	86.80	107.93	128.48	107.73	86.80	128.48	8.89	6.68	10.48	13.38	10.18	6.68	13.38
9/12	37	100.38	86.87	105.80	125.34	106.00	86.87	125.34	9.17	6.99	6.27	12.24	8.50	6.27	12.24
9/19	38	94.68	87.77	108.23	124.45	106.82	87.77	124.45	4.12	7.37	7.00	10.57	8.31	7.00	10.57
9/26	39	96.20	88.47	110.14	125.55	108.05	88.47	125.55	6.86	6.85	8.21	10.79	8.62	6.85	10.79
10/3	40	95.37	85.24	109.73	122.53	105.83	85.24	122.53	7.93	4.10	7.54	7.70	6.45	4.10	7.70
10/10	41	94.98	84.78		120.66	102.72	84.78	120.66	6.32	4.69		6.07	5.38	4.69	6.07
10/17	42	93.25	85.80	108.63	120.45	104.96	85.80	120.45	3.93	4.50	1.30	6.08	3.96	1.30	6.08
10/24	43	92.18	86.79	108.61	121.13	105.51	86.79	121.13	3.53	5.34	2.98	8.55	5.62	2.98	8.55
10/31	44	91.07	85.33	107.82	118.66	103.93	85.33	118.66	3.61	3.01	1.46	5.06	3.18	1.46	5.06
11/7	45	88.44	84.83	109.54	116.09	103.49	84.83	116.09	2.15	2.88	4.96	5.75	4.53	2.88	5.75
11/14	46	89.10	86.71	110.85	116.38	104.65	86.71	116.38	5.31	4.31	7.36	8.04	6.57	4.31	8.04
11/21	47	91.02	89.26	107.44	114.96	103.88	89.26	114.96	6.89	6.47	3.99	6.85	5.77	3.99	6.85
11/28	48	92.06	91.17	111.64	119.38	107.39	91.17	119.38	7.28	6.62	6.65	10.97	8.08	6.62	10.97
12/5	49	91.11	91.25	111.94	116.03	106.40	91.25	116.03	5.63	5.57	7.45	6.89	6.64	5.57	7.45
12/12	50	88.73	88.92	106.58	111.53	102.34	88.92	111.53	4.29	3.64	4.10	4.94	4.23	3.64	4.94
12/19	51		87.93	105.01	111.66	101.53	87.93	111.66		3.28	4.71	6.55	4.85	3.28	6.55
12/26	52				114.96							9.34			

Table 7. 600-700 lb. Nebraska Feeder Heifer Cash Price and LRP Basis, 2001-2004.

		Price							*LRP Basis*						
Date	*Week*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*
1/3	1	91.60	80.93	84.29		82.61	80.93	84.29	9.84	5.64	8.26		6.95	5.64	8.26
1/10	2	88.74	84.68	82.56	94.18	87.14	82.56	94.18	8.12	8.64	6.98	15.68	10.43	6.98	15.68
1/17	3	87.42	83.86	80.82	94.55	86.41	80.82	94.55	7.80	9.06	6.84	13.89	9.93	6.84	13.89
1/24	4	86.53	84.05	79.60	94.61	86.09	79.60	94.61	8.30	9.69	7.48	12.98	10.05	7.48	12.98
1/31	5	87.09	84.04	79.64	91.87	85.18	79.64	91.87	9.99	9.65	7.89	11.35	9.63	7.89	11.35
2/7	6	85.72	84.94	79.47	89.61	84.67	79.47	89.61	8.91	10.34	7.98	11.35	9.89	7.98	11.35
2/14	7	85.41	84.94	79.09	90.24	84.76	79.09	90.24	8.91	10.20	9.06	12.61	10.62	9.06	12.61
2/21	8	86.04	84.72	79.83	91.43	85.33	79.83	91.43	9.49	10.78	10.75	13.11	11.55	10.75	13.11
2/28	9	87.35	85.43	79.84	93.18	86.15	79.84	93.18	10.58	11.69	10.33	14.34	12.12	10.33	14.34
3/7	10	88.14	85.58	80.30	93.68	86.52	80.30	93.68	10.82	12.31	11.51	14.09	12.64	11.51	14.09
3/14	11	87.36	84.35	81.28	95.43	87.02	81.28	95.43	10.41	11.36	13.09	14.85	13.10	11.36	14.85
3/21	12	85.90	83.94	81.53	94.20	86.56	81.53	94.20	9.14	11.97	13.52	12.42	12.63	11.97	13.52
3/28	13	87.09	83.66	82.40	95.94	87.33	82.40	95.94	9.70	12.60	13.09	14.10	13.26	12.60	14.10
4/4	14	88.95	86.07	83.09	98.04	89.07	83.09	98.04	10.22	15.46	12.82	15.80	14.69	12.82	15.80
4/11	15	89.54	80.30	84.44	96.52	87.08	80.30	96.52	10.22	10.88	13.76	13.38	12.67	10.88	13.76
4/18	16	89.40	80.92	83.59	98.48	87.66	80.92	98.48	10.24	12.74	12.12	15.05	13.30	12.12	15.05
4/25	17	90.58	77.14	85.10	99.76	87.33	77.14	99.76	11.52	10.03	14.20	14.92	13.05	10.03	14.92
5/2	18	90.06	81.39	86.04	102.36	89.93	81.39	102.36	10.81	14.77	15.28	15.67	15.24	14.77	15.67
5/9	19	88.80	79.24	86.76	108.11	91.37	79.24	108.11	10.00	11.06	15.48	18.21	14.92	11.06	18.21
5/16	20	90.24	84.03	86.36	105.52	91.97	84.03	105.52	12.15	15.51	13.93	13.09	14.18	13.09	15.51
5/23	21		74.40	84.22	107.46	88.69	74.40	107.46		6.81	11.18	14.09	10.69	6.81	14.09
5/30	22		79.33	88.22	113.76	93.77	79.33	113.76		11.37	14.02	18.55	14.65	11.37	18.55
6/6	23	96.19	79.42	91.12	114.89	95.14	79.42	114.89	15.24	11.25	15.24	18.22	14.90	11.25	18.22
6/13	24	89.38	74.94	86.12	115.11	92.06	74.94	115.11	8.40	7.16	9.28	15.15	10.53	7.16	15.15
6/20	25	97.06	78.00		119.14	98.57	78.00	119.14		15.12	9.65	18.25	13.95	9.65	18.25
6/27	26	94.90	81.83	93.65	121.00	98.83	81.83	121.00	13.37	12.66	16.88	18.08	15.87	12.66	18.08
7/4	27														
7/11	28	97.71	78.38	91.35	123.15	97.62	78.38	123.15	15.89	9.78	12.55	18.51	13.61	9.78	18.51
7/18	29	94.81	79.39		118.68	99.03	79.39	118.68	12.88	9.79		13.38	11.59	9.79	13.38
7/25	30	96.44	79.85	97.59	120.69	99.38	79.85	120.69	14.82	10.34	16.70	16.62	14.55	10.34	16.70
8/1	31	93.34	80.08		122.81	101.44	80.08	122.81	12.04	9.79		17.71	13.75	9.79	17.71
8/8	32	96.44	82.71	95.96	122.79	100.49	82.71	122.79	16.50	12.41	12.80	17.44	14.22	12.41	17.44
8/15	33	96.96	84.49		122.37	103.43	84.49	122.37	16.08	13.93		17.18	15.56	13.93	17.18
8/22	34	94.81	82.17	99.16	121.44	100.92	82.17	121.44	13.86	11.58	13.81	14.75	13.38	11.58	14.75
8/29	35	95.18	81.49	100.24	119.16	100.30	81.49	119.16	13.42	9.97	13.10	12.79	11.96	9.97	13.10
9/5	36	93.41	80.39	99.86	118.00	99.42	80.39	118.00	11.23	8.28	12.16	14.42	11.62	8.28	14.42
9/12	37	93.72	81.18	103.36	117.06	100.53	81.18	117.06	11.63	9.29	13.78	15.27	12.78	9.29	15.27
9/19	38	91.12	82.86	103.10	117.62	101.19	82.86	117.62	9.61	10.49	12.00	15.13	12.54	10.49	15.13
9/26	39	89.57	82.27	102.92	117.10	100.76	82.27	117.10	9.17	8.81	11.18	13.81	11.27	8.81	13.81
10/3	40	88.55	81.03	103.19	112.86	99.03	81.03	112.86	9.86	8.00	11.23	9.51	9.58	8.00	11.23
10/10	41	89.25	81.22		111.99	96.60	81.22	111.99	9.46	9.14		8.87	9.00	8.87	9.14
10/17	42	87.79	79.19	102.57	112.64	98.13	79.19	112.64	7.40	6.01	5.97	9.71	7.23	5.97	9.71
10/24	43	86.57	81.66	103.18	111.37	98.73	81.66	111.37	6.78	8.35	8.11	10.04	8.83	8.11	10.04
10/31	44	84.63	77.19	102.31	109.67	96.39	77.19	109.67	5.91	3.10	6.58	7.44	5.71	3.10	7.44
11/7	45	83.81	80.48	100.26	106.57	95.77	80.48	106.57	6.15	6.72	6.14	7.27	6.71	6.14	7.27
11/14	46	83.06	81.01	103.06	107.65	97.24	81.01	107.65	7.66	6.85	9.92	10.14	8.97	6.85	10.14
11/21	47	85.59	82.98	101.09	108.22	97.43	82.98	108.22	9.87	8.46	7.99	10.93	9.13	7.99	10.93
11/28	48	85.62	85.84	104.32	111.24	100.47	85.84	111.24	9.31	9.76	9.83	13.67	11.08	9.76	13.67
12/5	49	85.43	85.59	103.93	108.04	99.19	85.59	108.04	8.50	8.48	9.90	9.81	9.40	8.48	9.90
12/12	50	84.14	84.39	101.02	105.05	96.82	84.39	105.05	8.15	7.63	8.79	9.11	8.51	7.63	9.11
12/19	51		84.16	99.91	103.84	95.97	84.16	103.84		7.97	9.64	9.24	8.95	7.97	9.64
12/26	52				109.02							13.96			

Table 8. 700-800 lb. Nebraska Feeder Steer Cash Price and LRP Basis, 2001-2004.

		Price							*LRP Basis*						
Date	*Week*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*
1/3	1	93.32	85.96	86.52		86.24	85.96	86.52	2.47	2.31	2.03		2.17	2.03	2.31
1/10	2	90.20	85.90	84.75	92.00	87.55	84.75	92.00	0.62	1.41	0.77	4.79	2.32	0.77	4.79
1/17	3	89.48	84.67	81.54	94.83	87.01	81.54	94.83	1.01	1.57	-0.66	5.20	2.04	-0.66	5.20
1/24	4	87.27	84.49	80.65	93.95	86.36	80.65	93.95	0.35	1.86	0.51	3.24	1.87	0.51	3.24
1/31	5	88.11	85.02	81.44	90.15	85.54	81.44	90.15	2.44	2.37	1.71	0.68	1.59	0.68	2.37
2/7	6	86.47	85.58	79.81	88.65	84.68	79.81	88.65	1.13	2.68	0.38	1.70	1.59	0.38	2.68
2/14	7	87.24	85.58	78.47	88.97	84.34	78.47	88.97	2.24	2.53	0.66	2.71	1.97	0.66	2.71
2/21	8	88.29	85.21	79.62	90.98	85.27	79.62	90.98	3.22	3.05	2.86	3.96	3.29	2.86	3.96
2/28	9	87.38	85.29	79.51	92.55	85.78	79.51	92.55	2.09	3.36	2.28	4.95	3.53	2.28	4.95
3/7	10	88.89	86.66	79.67	94.01	86.78	79.67	94.01	2.97	5.25	3.24	5.58	4.69	3.24	5.58
3/14	11	86.80	85.29	79.43	94.25	86.32	79.43	94.25	1.29	4.19	3.66	4.72	4.19	3.66	4.72
3/21	12	87.91	83.80	81.78	95.12	86.90	81.78	95.12	2.62	3.83	6.20	4.26	4.76	3.83	6.20
3/28	13	88.27	83.15	81.89	94.69	86.58	81.89	94.69	2.28	4.19	4.87	3.76	4.27	3.76	4.87
4/4	14	90.35	84.77	82.89	96.26	87.97	82.89	96.26	2.87	6.32	4.81	4.88	5.34	4.81	6.32
4/11	15	92.58	80.05	85.08	98.40	87.84	80.05	98.40	4.44	2.92	6.56	6.03	5.17	2.92	6.56
4/18	16	90.78	81.37	84.08	101.22	88.89	81.37	101.22	2.83	5.62	4.67	8.52	6.27	4.67	8.52
4/25	17	92.00	80.59	84.68	102.95	89.40	80.59	102.95	4.16	6.02	5.90	8.67	6.87	5.90	8.67
5/2	18	90.16	79.77	85.89	104.95	90.20	79.77	104.95	2.10	5.75	7.26	8.63	7.21	5.75	8.63
5/9	19	89.39	83.02	87.75	109.86	93.54	83.02	109.86	1.83	7.27	8.55	9.98	8.60	7.27	9.98
5/16	20	94.99	82.47	87.59	113.24	94.43	82.47	113.24	8.23	6.33	7.11	10.54	7.99	6.33	10.54
5/23	21	93.41	84.24	84.35	116.03	94.87	84.24	116.03	5.86	9.14	3.20	12.29	8.21	3.20	12.29
5/30	22		80.08	91.92	115.50	95.83	80.08	115.50		4.57	9.48	9.72	7.92	4.57	9.72
6/6	23	97.17	80.50	91.46	116.97	96.31	80.50	116.97	7.22	4.76	7.15	9.56	7.16	4.76	9.56
6/13	24	91.08	81.44	88.15	118.78	96.12	81.44	118.78	1.11	6.13	2.76	7.70	5.53	2.76	7.70
6/20	25	93.02	82.08		114.42	98.25	82.08	114.42	1.97	6.14		2.32	4.23	2.32	6.14
6/27	26	95.65	82.80	92.36	123.75	99.63	82.80	123.75	5.05	5.94	7.05	9.40	7.46	5.94	9.40
7/4	27														
7/11	28	98.38	80.48	93.68	129.84	101.33	80.48	129.84	7.46	4.26	6.13	13.58	7.99	4.26	13.58
7/18	29	95.47	80.36		117.69	99.02	80.36	117.69	4.43	3.02		0.69	1.86	0.69	3.02
7/25	30	97.59	82.18	96.54	120.54	99.75	82.18	120.54	6.90	4.94	6.66	4.91	5.50	4.91	6.66
8/1	31	95.18	82.31		123.61	102.96	82.31	123.61	4.85	4.21		6.84	5.52	4.21	6.84
8/8	32	97.92	83.27	97.09	121.45	100.60	83.27	121.45	9.10	5.16	4.70	4.40	4.75	4.40	5.16
8/15	33	93.66	84.49		125.83	105.16	84.49	125.83	3.79	6.10		8.95	7.53	6.10	8.95
8/22	34	96.10	85.07	100.19	122.23	102.49	85.07	122.23	6.15	6.63	5.35	3.68	5.22	3.68	6.63
8/29	35	95.01	84.45	100.79	120.02	101.75	84.45	120.02	4.18	4.99	3.98	1.83	3.60	1.83	4.99
9/5	36	97.49	83.94	102.18	119.12	101.74	83.94	119.12	6.18	3.82	4.74	4.02	4.19	3.82	4.74
9/12	37	94.37	85.13	104.71	118.72	102.85	85.13	118.72	3.16	5.25	5.18	5.62	5.35	5.18	5.62
9/19	38	93.58	85.29	104.21	120.77	103.42	85.29	120.77	3.02	4.89	2.98	6.88	4.92	2.98	6.88
9/26	39	92.23	86.59	104.39	119.68	103.55	86.59	119.68	2.89	4.97	2.46	4.91	4.11	2.46	4.97
10/3	40	91.80	82.76	105.32	120.09	102.72	82.76	120.09	4.36	1.62	3.13	5.26	3.34	1.62	5.26
10/10	41	94.10	84.45		115.21	99.83	84.45	115.21	5.44	4.36		0.62	2.49	0.62	4.36
10/17	42	91.36	84.01	110.17	118.84	104.34	84.01	118.84	2.04	2.71	2.84	4.47	3.34	2.71	4.47
10/24	43	90.45	86.37	110.41	116.88	104.55	86.37	116.88	1.80	4.92	4.78	4.29	4.67	4.29	4.92
10/31	44	87.28	84.95	110.21	113.99	103.05	84.95	113.99	-0.18	2.63	3.84	0.40	2.29	0.40	3.84
11/7	45	88.86	84.22	106.84	107.21	99.42	84.22	107.21	2.57	2.26	2.26	-3.13	0.46	-3.13	2.26
11/14	46	83.98	85.86	109.22	106.73	100.60	85.86	109.22	0.19	3.46	5.72	-1.61	2.52	-1.61	5.72
11/21	47	87.53	88.83	107.25	109.99	102.02	88.83	109.99	3.40	6.04	3.80	1.88	3.91	1.88	6.04
11/28	48	87.86	90.02	107.50	114.83	104.11	90.02	114.83	3.08	5.47	2.51	6.42	4.80	2.51	6.42
12/5	49	88.51	89.64	108.45	110.87	102.98	89.64	110.87	3.03	3.96	3.96	1.73	3.22	1.73	3.96
12/12	50	85.65	86.75	104.06	109.26	100.02	86.75	109.26	1.21	1.47	1.58	2.67	1.91	1.47	2.67
12/19	51		86.52	101.45	106.53	98.16	86.52	106.53		1.87	1.15	1.41	1.48	1.15	1.87
12/26	52				109.71							4.09			

Table 9. 700-800 lb. Nebraska Feeder Heifer Cash Price and LRP Basis, 2001-2004.

		Price							*LRP Basis*						
Date	*Week*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*
1/3	1	87.82	78.30	83.51		80.90	78.30	83.51	6.06	3.02	7.47		5.24	3.02	7.47
1/10	2	86.98	80.97	81.16	87.58	83.24	80.97	87.58	6.36	4.93	5.57	9.09	6.53	4.93	9.09
1/17	3	85.11	79.46	78.70	89.39	82.52	78.70	89.39	5.48	4.66	4.72	8.73	6.04	4.66	8.73
1/24	4	84.21	80.06	77.83	87.51	81.80	77.83	87.51	5.98	5.70	5.71	5.87	5.76	5.70	5.87
1/31	5	83.51	80.23	77.59	84.66	80.82	77.59	84.66	6.41	5.84	5.83	4.14	5.27	4.14	5.84
2/7	6	83.53	79.69	76.32	83.93	79.98	76.32	83.93	6.72	5.09	4.83	5.67	5.20	4.83	5.67
2/14	7	82.31	79.69	75.73	83.61	79.68	75.73	83.61	5.81	4.95	5.70	5.98	5.54	4.95	5.98
2/21	8	82.38	79.42	75.42	83.89	79.58	75.42	83.89	5.83	5.48	6.34	5.57	5.80	5.48	6.34
2/28	9	82.44	79.54	75.73	85.79	80.35	75.73	85.79	5.67	5.80	6.22	6.95	6.32	5.80	6.95
3/7	10	83.31	79.42	73.74	88.69	80.62	73.74	88.69	5.99	6.15	4.96	9.11	6.74	4.96	9.11
3/14	11	80.84	78.69	73.74	87.39	79.94	73.74	87.39	3.89	5.70	5.55	6.80	6.02	5.55	6.80
3/21	12	81.06	76.24	74.51	88.18	79.64	74.51	88.18	4.31	4.27	6.50	6.40	5.72	4.27	6.50
3/28	13	81.72	76.04	75.90	88.61	80.18	75.90	88.61	4.33	4.98	6.58	6.77	6.11	4.98	6.77
4/4	14	84.39	76.07	76.44	89.65	80.72	76.07	89.65	5.66	5.46	6.17	7.41	6.35	5.46	7.41
4/11	15	85.02	73.40	77.85	90.53	80.59	73.40	90.53	5.70	3.98	7.17	7.40	6.18	3.98	7.40
4/18	16	83.34	73.32	78.37	91.83	81.17	73.32	91.83	4.18	5.15	6.90	8.40	6.82	5.15	8.40
4/25	17	85.62	73.50	78.21	92.72	81.47	73.50	92.72	6.56	6.38	7.31	7.87	7.19	6.38	7.87
5/2	18	85.85	74.05	78.78	94.91	82.58	74.05	94.91	6.60	7.43	8.02	8.22	7.89	7.43	8.22
5/9	19	84.49	75.80	80.94	102.47	86.40	75.80	102.47	5.69	7.62	9.65	12.57	9.95	7.62	12.57
5/16	20	84.46	75.00	81.18	102.21	86.13	75.00	102.21	6.37	6.48	8.75	9.78	8.34	6.48	9.78
5/23	21	88.25	73.55	76.00	100.20	83.25	73.55	100.20	9.46	5.95	2.96	6.84	5.25	2.96	6.84
5/30	22		74.26	83.62	106.18	88.02	74.26	106.18		6.30	9.42	10.98	8.90	6.30	10.98
6/6	23	90.85	75.08	86.98	111.82	91.29	75.08	111.82	9.90	6.91	11.10	15.15	11.05	6.91	15.15
6/13	24	89.50	71.73	81.61	111.30	88.21	71.73	111.30	8.53	3.95	4.77	11.33	6.68	3.95	11.33
6/20	25	91.72	75.25		108.94	92.09	75.25	108.94	9.78	6.90		8.05	7.47	6.90	8.05
6/27	26	88.76	75.46	84.68	113.86	91.33	75.46	113.86	7.23	6.29	7.91	10.95	8.38	6.29	10.95
7/4	27														
7/11	28	92.26	75.47	86.28	113.78	91.84	75.47	113.78	10.44	6.87	7.48	9.14	7.83	6.87	9.14
7/18	29	88.72	76.29		114.61	95.45	76.29	114.61	6.79	6.69		9.31	8.00	6.69	9.31
7/25	30	91.77	76.65	90.47	114.64	93.92	76.65	114.64	10.15	7.14	9.58	10.57	9.10	7.14	10.57
8/1	31	91.16	77.60		123.43	100.52	77.60	123.43	9.86	7.31		18.34	12.82	7.31	18.34
8/8	32	90.95	77.26	91.61	116.90	95.25	77.26	116.90	11.01	6.96	8.45	11.55	8.99	6.96	11.55
8/15	33	90.21	79.74		115.95	97.85	79.74	115.95	9.32	9.19		10.77	9.98	9.19	10.77
8/22	34	91.00	79.35	95.91	115.95	97.07	79.35	115.95	10.05	8.76	10.55	9.26	9.52	8.76	10.55
8/29	35	91.40	79.40	95.86	114.71	96.65	79.40	114.71	9.65	7.88	8.72	8.34	8.32	7.88	8.72
9/5	36	90.42	78.65	97.19	114.03	96.62	78.65	114.03	8.24	6.54	9.49	10.45	8.83	6.54	10.45
9/12	37	89.43	80.13	99.18	112.15	97.15	80.13	112.15	7.34	8.24	9.60	10.36	9.40	8.24	10.36
9/19	38	86.96	80.95	99.60	113.64	98.06	80.95	113.64	5.45	8.58	8.49	11.15	9.41	8.49	11.15
9/26	39	86.26	80.69	100.27	113.50	98.15	80.69	113.50	5.85	7.23	8.53	10.21	8.66	7.23	10.21
10/3	40	86.90	79.50	102.61	111.73	97.94	79.50	111.73	8.20	6.47	10.64	8.38	8.50	6.47	10.64
10/10	41	88.23	78.84		105.81	92.32	78.84	105.81	8.43	6.76		2.68	4.72	2.68	6.76
10/17	42	86.46	79.61	101.83	110.25	97.23	79.61	110.25	6.07	6.44	5.24	7.32	6.33	5.24	7.32
10/24	43	84.62	80.89	106.66	109.45	99.00	80.89	109.45	4.84	7.58	11.59	8.12	9.10	7.58	11.59
10/31	44	83.10	77.00	102.26	106.79	95.35	77.00	106.79	4.38	2.91	6.53	4.56	4.67	2.91	6.53
11/7	45	83.64	80.09	102.68	98.78	93.85	80.09	102.68	5.98	6.33	8.55	-0.53	4.78	-0.53	8.55
11/14	46	79.04	76.15	102.80	98.71	92.55	76.15	102.80	3.64	1.99	9.65	1.21	4.28	1.21	9.65
11/21	47	82.96	82.74	99.17	105.01	95.64	82.74	105.01	7.23	8.22	6.07	7.71	7.33	6.07	8.22
11/28	48	82.59	84.06	104.27	106.08	98.13	84.06	106.08	6.29	7.97	9.77	8.51	8.75	7.97	9.77
12/5	49	82.66	85.29	102.91	102.78	96.99	85.29	102.91	5.72	8.18	8.88	4.55	7.20	4.55	8.88
12/12	50	81.82	83.21	99.19	101.13	94.51	83.21	101.13	5.83	6.45	6.96	5.20	6.20	5.20	6.96
12/19	51		82.88	97.55	100.03	93.48	82.88	100.03		6.70	7.29	5.43	6.47	5.43	7.29
12/26	52				101.56							6.50			

Table 10. 800-900 lb. Nebraska Feeder Steer Cash Price and LRP Basis, 2001-2004.

		Price							*LRP Basis*						
Date	*Week*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*
1/3	1	89.18	82.85	84.93		83.89	82.85	84.93	-1.67	-0.80	0.44		-0.18	-0.80	0.44
1/10	2	87.93	82.56	83.12	89.69	85.12	82.56	89.69	-1.64	-1.94	-0.86	2.48	-0.11	-1.94	2.48
1/17	3	86.69	81.74	80.19	89.96	83.96	80.19	89.96	-1.78	-1.36	-2.01	0.34	-1.01	-2.01	0.34
1/24	4	84.56	80.47	79.45	88.88	82.93	79.45	88.88	-2.36	-2.15	-0.68	-1.83	-1.55	-2.15	-0.68
1/31	5	84.08	81.15	80.00	84.76	81.97	80.00	84.76	-1.58	-1.50	0.27	-4.71	-1.98	-4.71	0.27
2/7	6	82.71	80.83	77.44	84.34	80.87	77.44	84.34	-2.63	-2.07	-1.99	-2.61	-2.22	-2.61	-1.99
2/14	7	83.36	80.83	76.71	83.37	80.30	76.71	83.37	-1.64	-2.22	-1.10	-2.89	-2.07	-2.89	-1.10
2/21	8	83.88	80.14	76.57	84.25	80.32	76.57	84.25	-1.19	-2.02	-0.19	-2.77	-1.66	-2.77	-0.19
2/28	9	82.88	79.89	76.32	86.44	80.88	76.32	86.44	-2.41	-2.04	-0.91	-1.15	-1.37	-2.04	-0.91
3/7	10	82.29	80.86	75.15	87.85	81.29	75.15	87.85	-3.63	-0.55	-1.27	-0.57	-0.80	-1.27	-0.55
3/14	11	81.80	79.54	74.76	88.24	80.84	74.76	88.24	-3.71	-1.56	-1.01	-1.30	-1.29	-1.56	-1.01
3/21	12	81.90	77.08	75.87	89.52	80.82	75.87	89.52	-3.39	-2.90	0.29	-1.34	-1.32	-2.90	0.29
3/28	13	82.39	77.22	76.93	89.38	81.18	76.93	89.38	-3.60	-1.73	-0.09	-1.55	-1.12	-1.73	-0.09
4/4	14	83.63	78.37	77.42	89.23	81.67	77.42	89.23	-3.85	-0.09	-0.66	-2.15	-0.97	-2.15	-0.09
4/11	15	87.19	73.02	78.21	90.98	80.74	73.02	90.98	-0.95	-4.12	-0.31	-1.39	-1.94	-4.12	-0.31
4/18	16	85.20	72.80	80.32	94.04	82.38	72.80	94.04	-2.76	-2.95	0.91	1.34	-0.24	-2.95	1.34
4/25	17	86.28	74.41	79.43	96.03	83.29	74.41	96.03	-1.56	-0.16	0.65	1.76	0.75	-0.16	1.76
5/2	18	85.00	74.49	80.15	98.34	84.32	74.49	98.34	-3.06	0.46	1.52	2.02	1.33	0.46	2.02
5/9	19	85.00	75.30	80.75	101.22	85.76	75.30	101.22	-2.56	-0.45	1.55	1.34	0.81	-0.45	1.55
5/16	20	84.96	75.32	82.15	106.97	88.15	75.32	106.97	-1.81	-0.81	1.67	4.27	1.71	-0.81	4.27
5/23	21		73.12	80.85		76.98	73.12	80.85		-1.98	-0.31		-1.15	-1.98	-0.31
5/30	22		79.00	84.76	108.09	90.61	79.00	108.09		3.49	2.31	2.30	2.70	2.30	3.49
6/6	23	91.47	75.62	89.13	111.31	92.02	75.62	111.31	1.53	-0.11	4.82	3.90	2.87	-0.11	4.82
6/13	24	93.02	76.38	84.94	114.17	91.83	76.38	114.17	3.04	1.07	-0.45	3.10	1.24	-0.45	3.10
6/20	25	87.69	77.64		112.94	95.29	77.64	112.94	-3.36	1.69		0.84	1.26	0.84	1.69
6/27	26	90.21	78.06	85.56	118.65	94.09	78.06	118.65	-0.39	1.20	0.26	4.30	1.92	0.26	4.30
7/4	27														
7/11	28	93.36	76.93	90.43	123.44	96.93	76.93	123.44	2.44	0.71	2.87	7.18	3.59	0.71	7.18
7/18	29	90.20	78.37		114.82	96.59	78.37	114.82	-0.84	1.03		-2.18	-0.57	-2.18	1.03
7/25	30	94.29	77.37	90.54	116.23	94.71	77.37	116.23	3.59	0.13	0.66	0.60	0.46	0.13	0.66
8/1	31	90.17	79.67		117.23	98.45	79.67	117.23	-0.16	1.57		0.46	1.02	0.46	1.57
8/8	32	92.80	79.16	92.98	118.03	96.72	79.16	118.03	3.98	1.04	0.59	0.97	0.87	0.59	1.04
8/15	33	91.71	80.57		118.30	99.43	80.57	118.30	1.84	2.17		1.43	1.80	1.43	2.17
8/22	34	91.20	81.05	96.52	116.40	97.99	81.05	116.40	1.25	2.61	1.68	-2.14	0.72	-2.14	2.61
8/29	35	91.43	80.49	96.81	116.12	97.81	80.49	116.12	0.59	1.03	0.00	-2.07	-0.35	-2.07	1.03
9/5	36	89.99	80.80	98.08	112.09	96.99	80.80	112.09	-1.32	0.68	0.64	-3.00	-0.56	-3.00	0.68
9/12	37	90.98	81.38	101.40	113.15	98.64	81.38	113.15	-0.23	1.50	1.87	0.05	1.14	0.05	1.87
9/19	38	88.89	80.37	101.99	114.10	98.82	80.37	114.10	-1.67	-0.04	0.76	0.21	0.31	-0.04	0.76
9/26	39	87.96	83.15	103.56	114.99	100.56	83.15	114.99	-1.38	1.53	1.63	0.22	1.13	0.22	1.63
10/3	40	88.15	81.63	101.97	114.15	99.25	81.63	114.15	0.71	0.49	-0.22	-0.69	-0.14	-0.69	0.49
10/10	41	90.10	80.63		109.54	95.08	80.63	109.54	1.44	0.54		-5.05	-2.25	-5.05	0.54
10/17	42	88.05	81.63	99.46	111.48	97.52	81.63	111.48	-1.28	0.33	-7.88	-2.89	-3.48	-7.88	0.33
10/24	43	87.72	85.55	109.83	113.85	103.08	85.55	113.85	-0.93	4.10	4.20	1.27	3.19	1.27	4.20
10/31	44	80.73	83.15	107.02	110.06	100.08	83.15	110.06	-6.73	0.83	0.66	-3.54	-0.68	-3.54	0.83
11/7	45	85.51	82.06	100.25	112.25	98.19	82.06	112.25	-0.78	0.10	-4.33	1.91	-0.77	-4.33	1.91
11/14	46	79.98	84.07	102.75	101.01	95.94	84.07	102.75	-3.81	1.67	-0.74	-7.33	-2.13	-7.33	1.67
11/21	47	86.50	87.38	110.23	102.37	99.99	87.38	110.23	2.37	4.59	6.79	-5.74	1.88	-5.74	6.79
11/28	48	87.28	88.89	109.69	108.52	102.37	88.89	109.69	2.49	4.35	4.69	0.11	3.05	0.11	4.69
12/5	49	85.04	86.86	109.04	107.23	101.04	86.86	109.04	-0.44	1.18	4.55	-1.91	1.27	-1.91	4.55
12/12	50	82.13	84.36	101.53	104.06	96.65	84.36	104.06	-2.31	-0.92	-0.95	-2.54	-1.47	-2.54	-0.92
12/19	51		85.24	99.35	104.92	96.50	85.24	104.92		0.59	-0.95	-0.20	-0.18	-0.95	0.59
12/26	52			89.69	106.48	98.08	89.69	106.48				0.86			

Table 11. 800-900 lb. Nebraska Feeder Heifer Cash Price and LRP Basis, 2001-2004.

		Price							*LRP Basis*						
Date	*Week*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-204 Minimum*	*2002-04 Maximum*	*2001*	*2002*	*2003*	*2004*	*2002-04 Average*	*2002-04 Minimum*	*2002-04 Maximum*
1/3	1	81.23		82.45					-0.53		6.41				
1/10	2	82.96	77.23	81.40	84.19	80.94	77.23	84.19	2.34	1.19	5.81	5.69	4.23	1.19	5.81
1/17	3	81.37	73.56	77.98	85.22	78.92	73.56	85.22	1.74	-1.24	4.00	4.56	2.44	-1.24	4.56
1/24	4	80.35	77.77	77.46	85.85	80.36	77.46	85.85	2.12	3.41	5.34	4.22	4.32	3.41	5.34
1/31	5	80.79	78.36	76.82	81.42	78.87	76.82	81.42	3.69	3.97	5.07	0.90	3.31	0.90	5.07
2/7	6	80.93	77.32	75.40	79.41	77.37	75.40	79.41	4.13	2.71	3.91	1.15	2.59	1.15	3.91
2/14	7	80.28	77.32	74.00	77.90	76.40	74.00	77.90	3.78	2.58	3.97	0.27	2.27	0.27	3.97
2/21	8	79.81	76.52	73.54	79.33	76.46	73.54	79.33	3.26	2.58	4.46	1.01	2.68	1.01	4.46
2/28	9	79.39	76.86	72.44	81.37	76.89	72.44	81.37	2.62	3.12	2.94	2.54	2.86	2.54	3.12
3/7	10	80.01	76.41	72.21	81.49	76.70	72.21	81.49	2.69	3.14	3.42	1.90	2.82	1.90	3.42
3/14	11	77.56	75.60	69.86	82.57	76.01	69.86	82.57	0.61	2.61	1.67	1.98	2.09	1.67	2.61
3/21	12	77.11	73.31	71.62	84.20	76.38	71.62	84.20	0.35	1.34	3.60	2.43	2.45	1.34	3.60
3/28	13	78.14	73.73	72.08	83.94	76.58	72.08	83.94	0.75	2.67	2.77	2.10	2.51	2.10	2.77
4/4	14	81.13	71.42	73.19	83.40	76.00	71.42	83.40	2.40	0.81	2.92	1.16	1.63	0.81	2.92
4/11	15	78.84	68.06	75.85	86.02	76.64	68.06	86.02	-0.48	-1.36	5.17	2.89	2.23	-1.36	5.17
4/18	16	81.52	68.29	74.10	87.45	76.61	68.29	87.45	2.36	0.11	2.63	4.02	2.25	0.11	4.02
4/25	17	81.01	71.00	74.82	88.38	78.06	71.00	88.38	1.95	3.88	3.92	3.54	3.78	3.54	3.92
5/2	18	80.29	69.92	74.00	90.90	78.27	69.92	90.90	1.03	3.30	3.23	4.21	3.58	3.23	4.21
5/9	19	79.83	70.87	76.79	97.34	81.67	70.87	97.34	1.02	2.70	5.50	7.44	5.21	2.70	7.44
5/16	20	86.90	71.88	75.40	98.95	82.07	71.88	98.95	8.82	3.36	2.97	6.52	4.28	2.97	6.52
5/23	21	78.00	70.00	75.35	101.00	82.12	70.00	101.00	-0.79	2.41	2.31	7.64	4.12	2.31	7.64
5/30	22		69.18	80.08	103.64	84.30	69.18	103.64		1.22	5.88	8.44	5.18	1.22	8.44
6/6	23	83.82	71.45		89.00	80.23	71.45	89.00	2.87	3.29		-7.67	-2.19	-7.67	3.29
6/13	24	87.39	69.04	77.90	105.36	84.10	69.04	105.36	6.42	1.26	1.06	5.39	2.57	1.06	5.39
6/20	25	85.34	72.44		111.20	91.82	72.44	111.20	3.40	4.09		10.31	7.20	4.09	10.31
6/27	26	84.46	73.32	80.71	111.20	88.41	73.32	111.20	2.93	4.15	3.93	8.28	5.46	3.93	8.28
7/4	27														
7/11	28	87.37	71.97		110.46	91.21	71.97	110.46	5.55	3.37		5.82	4.60	3.37	5.82
7/18	29	87.03	72.72		108.34	90.53	72.72	108.34	5.10	3.12		3.05	3.08	3.05	3.12
7/25	30	84.98	72.56	86.54	109.33	89.48	72.56	109.33	3.35	3.04	5.65	5.26	4.65	3.04	5.65
8/1	31	87.05	74.15		111.05	92.60	74.15	111.05	5.75	3.86		5.95	4.91	3.86	5.95
8/8	32	85.15	74.21	88.83	110.96	91.33	74.21	110.96	5.21	3.91	5.67	5.61	5.07	3.91	5.67
8/15	33	86.26	77.04		111.61	94.32	77.04	111.61	5.38	6.49		6.42	6.45	6.42	6.49
8/22	34		75.09	92.85	108.99	92.31	75.09	108.99		4.49	7.49	2.30	4.76	2.30	7.49
8/29	35	85.91	76.47	94.01	110.86	93.78	76.47	110.86	4.15	4.95	6.87	4.49	5.44	4.49	6.87
9/5	36	85.98	76.75	94.93	109.28	93.65	76.75	109.28	3.80	4.64	7.23	5.70	5.86	4.64	7.23
9/12	37	84.95	76.80	97.78	107.23	93.93	76.80	107.23	2.86	4.91	8.20	5.44	6.18	4.91	8.20
9/19	38	83.26	78.18	97.79	109.08	95.01	78.18	109.08	1.75	5.82	6.68	6.58	6.36	5.82	6.68
9/26	39	83.35	77.71	97.45	107.32	94.16	77.71	107.32	2.95	4.25	5.71	4.03	4.67	4.03	5.71
10/3	40	83.56	76.10	98.19	106.02	93.43	76.10	106.02	4.87	3.07	6.22	2.67	3.99	2.67	6.22
10/10	41	84.15	76.48		106.52	91.50	76.48	106.52	4.35	4.40		3.40	3.90	3.40	4.40
10/17	42	82.54	77.17	96.81	105.91	93.30	77.17	105.91	2.15	3.99	0.21	2.98	2.40	0.21	3.99
10/24	43	80.91	77.97	106.39	106.54	96.97	77.97	106.54	1.13	4.67	11.32	5.21	7.07	4.67	11.32
10/31	44	79.15		97.58	104.25	100.91	97.58	104.25	0.43		1.85	2.02	1.93	1.85	2.02
11/7	45	82.22	77.26	98.33	103.55	93.04	77.26	103.55	4.56	3.50	4.20	4.24	3.98	3.50	4.24
11/14	46	78.30	80.10	101.50	99.06	93.55	80.10	101.50	2.90	5.94	8.36	1.56	5.29	1.56	8.36
11/21	47	80.87	82.48	102.92	102.14	95.84	82.48	102.92	5.14	7.96	9.82	4.84	7.54	4.84	9.82
11/28	48	83.50	82.79	101.20	103.09	95.69	82.79	103.09	7.20	6.70	6.70	5.52	6.31	5.52	6.70
12/5	49	81.64	79.40	102.20	95.96	92.52	79.40	102.20	4.71	2.29	8.17	-2.27	2.73	-2.27	8.17
12/12	50	76.21	82.64	96.80	95.11	91.52	82.64	96.80	0.21	5.89	4.57	-0.83	3.21	-0.83	5.89
12/19	51		80.41	95.56	96.58	90.85	80.41	96.58		4.23	5.29	1.98	3.83	1.98	5.29
12/26	52				103.10							8.04			

Hedging With LRP Insurance

LRP can be used to create a minimum sales price for feeder cattle, similar to purchasing put options. However, hedging with LRP does not require trading any futures or option contracts. Further, there are no brokerage commission fees for hedgers to pay to use LRP insurance. Feeder cattle LRP insurance provides a substantial amount of flexibility in the number of head insured under one specific coverage endorsement (from 1 to 1,000 head) and permits users to insure up to 2,000 head per crop year (July 1 to June 30). This is in contrast to CME feeder cattle futures and option contracts, which are based on 50,000 pounds.

To hedge a future sale of feeder cattle with LRP insurance, an ending date for the LRP policy that corresponds to the time when the cattle are expected to be marketed is selected. Producers then choose a coverage price level from USDA's Risk Management Agency's (RMA) daily Coverage Price, Rate, and Actual Ending Value Table available at http://www3.rma.usda.gov/apps/livestock_reports/main_menu.cfm. The Coverage Price is based on some percentage (from 70 percent to 95 percent) of the Expected Ending Value (EEV), which is an expectation of the CME Feeder Cattle Cash Index price at the policy's ending date. To insure the Coverage Price, producers pay a premium equivalent to 87 percent of the premium cost stated on RMA's daily table (USDA provides a subsidy of 13 percent of the premium cost).

The LRP insurance will only pay an indemnity in the event of a price decrease such that the AEV is less than the Coverage Price. Therefore, it establishes a floor price, but allows the producer to benefit from price increases. The price floor, or minimum expected sale price (MESP), is determined by subtracting the premium cost from the Coverage Price, and adding LRP basis:

$MESP_{LRP}$ = Coverage Price – Premium Cost To Producer + Expected LRP basis

The LRP insurance will cover decreases in the AEV (CME index price) below the Coverage Price dollar-for-dollar, thus making up for decreases in the cash market price. However, if the local cash market price decreases more than the AEV (i.e., Nebraska LRP basis weakens relative to what was expected), the actual selling price (ASP) will be less than the $MESP_{LRP}$. Conversely, if the local cash market price does not decrease as much as the AEV (i.e., Nebraska LRP basis strengthens relative to expected), the ASP will be higher than the $MESP_{LRP}$.

An example can demonstrate the process of hedging with LRP. Suppose that on October 29, 2004, a cow-calf producer purchased a Specific Coverage Endorsement (LRP insurance policy) for 600-700 lb. feeder steers with plans to market in Nebraska at the end of March. On October 29, an LRP policy was available with an ending date of March 25, 2005, and a Coverage Price of $92.94/cwt (91 percent of the EEV of $101.74/cwt). The producer premium for this policy was $1.92/cwt (87 percent of $2.21/cwt, the total premium). The 2002-2004 average Nebraska steer LRP basis for the week ending March 28 (week 13 of the year) from *Table 6* can be used as the expected Nebraska steer LRP basis for March 25, 2005. *Table 6* reports the three-year average Nebraska steer LRP basis for the 13th week of the year is $13.16/cwt. The $MESP_{LRP}$ can be calculated:

$MESP_{LRP}$ = Coverage Price – Premium Cost To Producer + Expected LRP basis
$MESP_{LRP}$ = $92.94/cwt – $1.92/cwt + $13.16/cwt
$MESP_{LRP}$ = $104.18/cwt

The LRP insurance policy provides protection if prices decrease and are lower than the Coverage Price on March 25, 2005. For example, assume that the AEV on March 25, 2005, was $90.00/cwt and the Nebraska 600-700 lb. feeder steer LRP basis was $13.16/cwt (as forecasted above). This indicates that the Nebraska 600-700 lb. feeder steer price is $103.16/cwt. Further, an LRP indemnity of $2.94/cwt will be paid (Coverage Price of $92.94/cwt less AEV of $90.00/cwt) because the AEV is less than the Coverage Price. The ASP for the cattle is determined by adding the LRP indemnity to the local cash selling price and deducting the premium:

ASP_{LRP} = Local Cash Selling Price + LRP Indemnity – Premium Cost To Producer
ASP_{LRP} = $103.16/cwt + $2.94/cwt – $1.92/cwt
ASP_{LRP} = $104.18/cwt

In this case when the AEV decreased below the Coverage Price, the ASP_{LRP} equaled the $MESP_{LRP}$. Without LRP insurance, the ASP would have been the Nebraska 600-700 lb. feeder steer cash market price of $103.16/cwt. While in this example the difference is not substantial, a larger drop in price would have resulted in an ASP lower than the $MESP_{LRP}$ without the LRP insurance policy.

The LRP insurance policy will allow the producer to benefit from higher prices on March 25, 2005. Suppose that the AEV on March 25, 2005, was $100.00/cwt and the Nebraska 600-700 lb. feeder steer LRP basis was $13.16/cwt (as forecasted above). The Nebraska 600-700 lb. feeder steer price is $113.16/cwt in this case. No LRP indemnity will be paid because the AEV exceeds the Coverage Price of $92.94/cwt. The ASP for the cattle is determined as before:

ASP_{LRP} = Local Cash Selling Price + LRP Indemnity – Premium Cost To Producer
ASP_{LRP} = $113.16/cwt + $0.00/cwt – $1.92/cwt
ASP_{LRP} = $111.24/cwt

In this case, when the AEV increased above the Coverage Price, the ASP_{LRP} exceeded the $MESP_{LRP}$. The producer benefited from the price increase. Without LRP insurance, the ASP would have been the Nebraska cash market price of $113.16/cwt. The difference between the ASP_{LRP} and the sale price without LRP is due to the cost of the LRP insurance ($1.92/cwt). While in this case the producer would have been better off to not have hedged with LRP, the policy did provide protection in case of a decline in prices (the producer essentially gave up $1.92/cwt of the increase as payment for protection from price decreases).

The Nebraska feeder steer LRP basis can also affect whether the ASP_{LRP} realized meets the $MESP_{LRP}$ (in the event of a price decrease). Suppose, as before, the AEV on March 25, 2005, was $90.00/cwt but that the Nebraska 600-700 lb. feeder steer LRP basis was $10.00/cwt ($3.16/cwt weaker than as forecasted with the three-year average from *Table 6*). This indicates that the Nebraska 600-700 lb. feeder steer price was $100.00/cwt. An LRP indemnity of $2.94/cwt would be paid as before because the AEV ($90.00/cwt) was less than the Coverage Price ($92.94/cwt). The ASP for the cattle would have been:

ASP_{LRP} = Local Cash Selling Price + LRP Indemnity – Premium Cost To Producer
ASP_{LRP} = $100.00/cwt + $2.94/cwt – $1.92/cwt
ASP_{LRP} = $101.02/cwt

Here, the ASP_{LRP} was $3.16/cwt lower than the $MESP_{LRP}$. This difference was due to the weaker than expected LRP basis. In both this case and the first case, the price level decline was the same amount, so the difference between what the producer expected to receive versus what was actually received was not affected by the price decrease, but instead the unanticipated change in the relationship between the CME Feeder Cattle Cash Index price and the Nebraska 600-700 lb. feeder steer price (LRP basis).

A stronger than forecasted Nebraska 600-700 lb. feeder steer LRP basis would result in an ASP_{LRP} higher than the $MESP_{LRP}$. For example, assume again that the AEV on March 25, 2005, was $90.00/cwt but that the Nebraska 600-700 lb. feeder steer LRP basis was $15.00/cwt ($1.84/cwt stronger than as forecasted with the three-year average from *Table 6*). This indicates that the Nebraska 600-700 lb. feeder steer price was $105.00/cwt. An LRP indemnity of $2.94/cwt would be paid as before because the AEV was less than the Coverage Price. The ASP for the cattle would have been:

ASP_{LRP} = Local Cash Selling Price + LRP Indemnity – Premium Cost To Producer
ASP_{LRP} = $105.00/cwt + $2.94/cwt – $1.92/cwt
ASP_{LRP} = $106.02/cwt

Here, the ASP_{LRP} was $1.84/cwt higher than the $MESP_{LRP}$. This difference was due to the stronger than expected LRP basis. In both cases, the price level decline was the same amount, so the difference between what the producer expected to receive versus what was actually received was not affected by the price decrease, but instead the unanticipated change in the relationship between the CME Feeder Cattle Cash Index price and the Nebraska steer price.

The worksheet at the end of the paper can help evaluate a hedge for feeder cattle using LRP.

Conclusion

The decision to hedge selling prices using either futures, options, or LRP insurance is determined by a number of factors and each alternative has advantages and disadvantages. The expectation for future price moves can influence a producer's choice of which of these products to use. If there is a strong expectation that price could increase in the future, options or LRP insurance offers the flexibility to provide downside protection while allowing the producer to participate in a price rally. Conversely, using a futures hedge may provide acceptable risk coverage in markets where prices are not expected to increase. Of the three alternatives, futures contracts are the most liquid; i.e., it is possible to lift the hedge prior to the sale of the livestock if so desired. CME options are also liquid in this sense, but with smaller volume of trade, some price slippage can occur. LRP insurance cannot be lifted (and recover part of the premium) prior to the ending date of the contract. However, LRP does offer some advantages over futures and options. Producers do not pay brokerage fees when using LRP and are not subject to margin calls. Additionally, smaller groups of livestock can be insured.

LRP offers feeder cattle producers the opportunity to create a minimum sale price for cattle, similar to using put options. But, just as feeder cattle producers hedging with futures and options remain exposed to futures basis risk, producers using LRP insurance are not protected from changes in LRP basis. LRP basis was defined as the difference between the Nebraska combined weighted average steer (or heifer) price and the CME Feeder Cattle Cash Index. Analysis of historical feeder cattle LRP basis and futures basis indicates that LRP basis may be slightly more variable for feeder steers and light weight feeder heifers and slightly less variable for heavier weight feeders. However, there was little difference in LRP basis and futures basis variability for feeder cattle, in contrast to the basis variability difference for fed cattle. Historical 3-year average basis was reported in tables and can be directly used in determining expected minimum sale prices established by purchasing LRP insurance.

Feeder Cattle LRP Worksheet

When You Purchase/Consider Purchasing LRP

		Example	Your Case
1.	**Select End Date** • When You Plan To Sell Feeder Cattle • See RMA's Daily Table*	March 25, 2005	
2.	**Select Coverage Price** • From RMA's Daily Table* • The Higher The Coverage Price, The Higher The Premium	$92.94/cwt	
3.	**Compute Premium You Pay** • 87 Percent Of Total Premium On RMA's Daily Table*	$1.92 cwt	
4.	**Forecast LRP Basis For End Date** • See *Tables 4-11* For Feeder Cattle Price Series Representing The Sex And Weight Of Cattle You're Insuring • Record Three-Year Average For Week Corresponding To End Date In #1	$13.16/cwt	
5.	**Calculate Minimum Expected Selling Price** • Line 2 – Line 3 + Line 4	$104.18/cwt	

**http://www.rma.usda.gov/apps/livestock_reports/main_menu.cfm*

When LRP Ending Date Arrives And You Have Sold Cattle

		Example	Your Case
6.	**Price Received In Nebraska Cash Feeder Cattle Market**	$100.00/cwt	
7.	**Determine AEV** • From RMA's Daily Table • CME Feeder Cattle Cash Index	$90.00/cwt	
8.	**Compute Indemnity** • If Line 7 Is Less Than Line 2, Subtract Line 7 From Line 2 And Enter On Line 8 • If Line 7 Is Greater Than Line 2, Enter $0/cwt On Line 8	$2.94/cwt	
9.	**Actual Sale Price** • Line 6 + Line 8 – Line 3	$101.02/cwt	