

# 2008 LIVESTOCK GUIDE



The Livestock Trader's Reference for Supply/Demand,  
Price Tendencies, and Market Strategies



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# DISCLAIMERS

**HYPOTHETICAL RISK DISCLOSURE:** THE DATA CONTAINED HERE IN ARE BELIEVED TO BE RELIABLE BUT CANNOT BE GUARANTEED AS TO RELIABILITY, ACCURACY, OR COMPLETENESS; AND, AS SUCH ARE SUBJECT TO CHANGE WITHOUT NOTICE. CFEA WILL NOT BE RESPONSIBLE FOR ANYTHING WHICH MAY RESULT FROM RELIANCE ON THIS DATA OR THE OPINIONS EXPRESSED HEREIN.

DISCLOSURE OF RISK: THE RISK OF LOSS IN TRADING FUTURES AND OPTIONS CAN BE SUBSTANTIAL; THEREFORE, ONLY GENUINE RISK FUNDS SHOULD BE USED. FUTURES AND OPTIONS MAY NOT BE SUITABLE INVESTMENTS FOR ALL INDIVIDUALS, AND INDIVIDUALS SHOULD CAREFULLY CONSIDER THEIR FINANCIAL CONDITION IN DECIDING WHETHER TO TRADE. OPTION TRADERS SHOULD BE AWARE THAT THE EXERCISE OF A LONG OPTION WOULD RESULT IN A FUTURES POSITION. HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW.

NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL, OR IS LIKELY TO, ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.

ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM, IN SPITE OF TRADING LOSSES, ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS, IN GENERAL, OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

**SEASONAL RISK DISCLOSURE:** SEASONAL TENDENCIES ARE A COMPOSITE OF SOME OF THE MOST CONSISTENT COMMODITY FUTURES SEASONALS THAT HAVE OCCURRED IN THE PAST 15 YEARS. THERE ARE USUALLY UNDERLYING, FUNDAMENTAL CIRCUMSTANCES THAT OCCUR ANNUALLY THAT TEND TO CAUSE THE FUTURES MARKETS TO REACT IN SIMILAR DIRECTIONAL MANNER DURING A CERTAIN CALENDAR YEAR. EVEN IF A SEASONAL TENDENCY OCCURS IN THE FUTURE, IT MAY NOT RESULT IN A PROFITABLE TRANSACTION AS FEES AND THE TIMING OF THE ENTRY AND LIQUIDATION MAY IMPACT ON THE RESULTS. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT HAS IN THE PAST, OR WILL IN THE FUTURE, ACHIEVE PROFITS USING THESE RECOMMENDATIONS. NO REPRESENTATION IS BEING MADE THAT PRICE PATTERNS WILL RECUR IN THE FUTURE – SEE ABOVE HYPOTHETICAL RISK DISCLOSURE FOR FURTHER CLARIFICATION.

**ALSO SEE “CFTC’S 10 TIPS ON AVOIDING FUTURES FRAUD” ON FOLLOWING PAGE**

**GENERAL FUTURES/OPTIONS RISK DISCLOSURE:** The risk of loss in trading futures and options can be substantial; therefore, only genuine risk funds should be used. Futures and options ARE not suitable investments for all individuals, and individuals should carefully consider their financial condition in deciding whether to trade. Option traders should be aware that the exercise of a long option would result in a futures position.

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# CFTC'S 10 TIPS ON AVOIDING FUTURES FRAUD

If you are solicited by a company that claims to trade commodity futures or options contracts and asks you to commit funds for those purposes, you should be very careful. Watch for the warning signs listed below, and take the following precautions before placing your funds with any company that offers leveraged or financed commodity transactions.

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## **1. Stay Away From Opportunities That Sound Too Good to Be True**

Get-rich-quick schemes tend to be frauds. Always remember that there is no such thing as a "free lunch." Getting your money back once it is gone can be difficult or impossible.

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## **2. Avoid Any Company that Predicts or Guarantees Large Profits**

Most retail customers in the commodity futures and options markets lose money. No one can promise that your trading will have a different result.

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## **3. Stay Away From Companies That Promise Little or No Financial Risk**

Be suspicious of companies that downplay risks or state that written risk disclosure statements are routine formalities imposed by the government. The futures and options markets are volatile and you can lose most or all of your funds very quickly. The futures and options markets are not the place to put any funds that you cannot afford to lose, such as retirement funds.

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## **4. Avoid Any Company That Predicts or Guarantees Large Profits Because of Well-Known Current Events, Published Reports or Predictable, Seasonal Changes in Demand**

The futures markets very quickly factor in well-known public events, such as disruptions caused by political upheavals or natural disasters, thus removing any obvious opportunity for profit. Be very cautious of firms that claim they have "inside information" about a particular situation.

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## **5. Be Skeptical About Unsolicited Phone Calls or Emails about Investments, Especially Those from Out-of-State Salespersons or Companies with Which You Are Unfamiliar**

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## **6. Be Wary of High-Pressure Efforts to Convince You to Send or Transfer Cash Immediately to the Firm, via Overnight Shipping Companies, the Internet, by Mail, or Otherwise**

If a trade in the futures markets is a good idea today, chances are it will still be a good idea after you have done enough research to gain some comfort in the trade.

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## **7. Don't Trade on Margin Unless You Understand What It Means**

Margin trading can make you responsible for losses that greatly exceed the dollar amount you deposited.

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## **8. Be Wary of Sending or Transferring Cash Overseas, or over the Internet**

Many companies offering trading on-line are not located within the United States and might not display an address or any other information identifying their nationality on their Web site. Be aware that if you transfer funds to those foreign firms, it may be very difficult or impossible to recover your funds.

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## **9. Be Sure You Get the Company's Performance Track Record in a Form that is Subject to Verification**

Be suspicious of companies that will not provide you with information about their performance track record, and verify any information you receive. If you can, before doing business with any company, check the company's materials with someone whose financial advice you trust.

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## **10. Do not Deal With Anyone Who Won't Give You Their Background**

Get the background of the persons running or promoting the company, if possible. Do not rely solely on oral statements or promises from the firm's employees. Ask for all information in written form. If you cannot satisfy yourself that the persons with whom you are dealing are completely legitimate and above-board, the wisest course of action is to avoid trading through those companies.

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### **Stay Informed...**

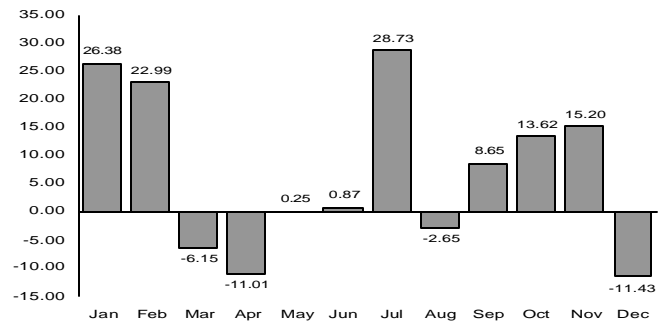
1. Contact the CFTC by  
Telephone through our Consumer Hot-line at 1-866-FON-CFTC (1-866-366-2382),  
E-mail at [enforcement@cftc.gov](mailto:enforcement@cftc.gov) or Visiting the CFTC's Consumer Protection web page.
2. Contact the National Futures Association to see whether the company is registered with the CFTC or is a member of the National Futures Association (NFA). You can do this easily by calling the NFA (800-621-3570 or 800-676-4NFA) or by checking the NFA's registration and membership information on its website at [www.nfa.futures.org/basicnet/](http://www.nfa.futures.org/basicnet/). While registration may not be required, you might want to confirm the status and disciplinary record of a particular company or salesperson.
3. Get in touch with other authorities, including your state's securities commissioner ([www.nasaa.org](http://www.nasaa.org)), Attorney General's consumer protection bureau ([www.naag.org/](http://www.naag.org/)), the Better Business Bureau ([www.bbb.org](http://www.bbb.org)) and the National Futures Association ([www.nfa.futures.org](http://www.nfa.futures.org)).
4. Be sure you get all information about the company and verify that data, if possible. If you can, check the company's materials with someone whose financial advice you trust.
5. Learn all possible information about fees charged, and the basis for each of these charges.
6. Keep records of any information and documents you receive from the company, and your conversations with salespersons. It's also a good idea to ask for sales representations in writing.

# FAST FACTS ON LIVE CATTLE FUTURES

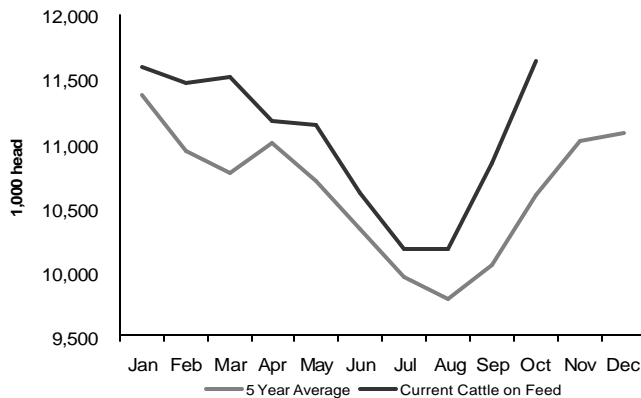
**2008 Comments:** *Declining Calf crops coupled with declining populations as feed costs are rising could set the stage for higher Cattle prices. Rising feed costs should be able to be passed along to consumers, as well as an growing appetite for Livestock from developing countries could prove to be supportive of prices in the coming months and year.*

Estimated Price Ranges		
Bear	Neutral	Bull
84.00-89.00	89.00 – 97.00	97.00 – 106.00

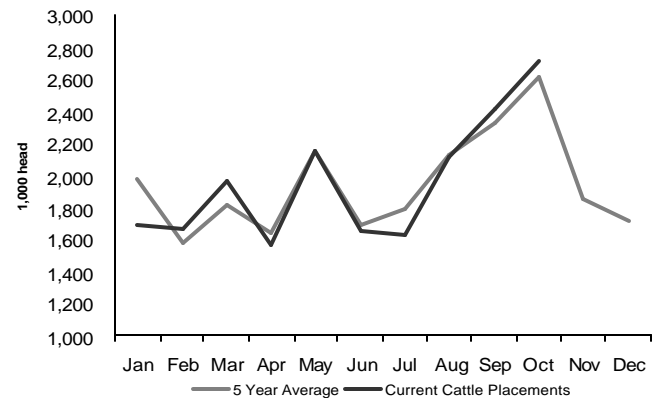
## MONTHLY FUTURES PERFORMANCE IN CENTS/LB



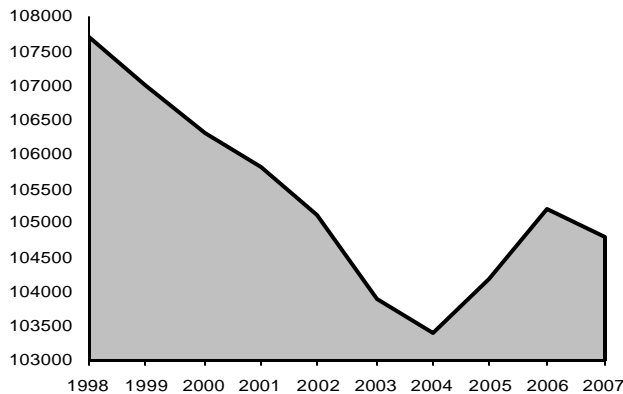
## Cattle on Feed Vs Average



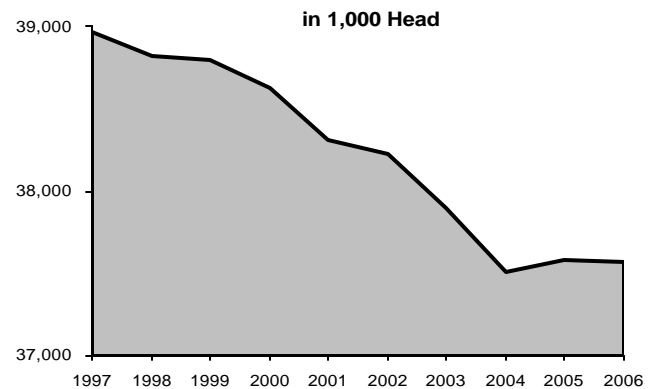
## Cattle Placements Vs Average



## January 1<sup>st</sup> US Cattle Population



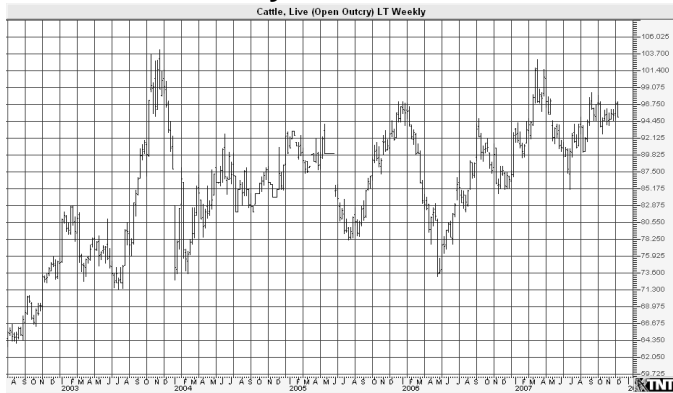
## January – December Calf Crop



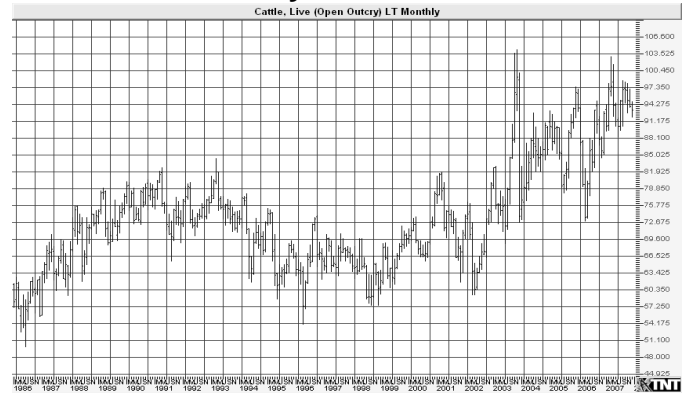
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# FAST FACTS LIVE CATTLE SEASONALS

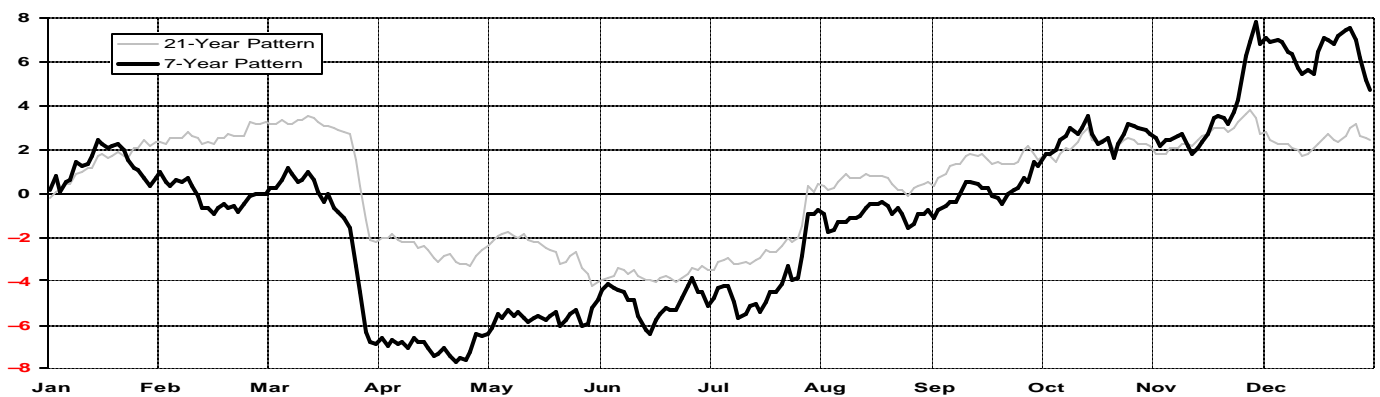
## 5 Year Weekly Front Month Futures



## 15 Year Monthly Front Month Futures



## FRONT MONTH FUTURES SEASONAL AVERAGE



## Seasonal Trades

Commodity	Symbol	Position	Entry Date	Exit Date	# Win	# Loss	Average P&L	Average Loss
FEB LIVE CATTLE	LC2009G	Long	01/02	01/17	12	3	\$ 497.73	\$ (333.33)
APR LIVE CATTLE	LC2008J	Short	03/12	03/30	12	3	\$ 649.87	\$ (546.67)
OCT LIVE CATTLE	LC2008V	Long	06/21	07/09	12	3	\$ 482.27	\$ (427.33)
OCT LIVE CATTLE	LC2008V	Long	07/16	08/06	12	3	\$ 444.93	\$ (566.67)
DEC LIVE CATTLE	LC2008Z	Long	08/29	09/14	12	3	\$ 346.13	\$ (787.33)

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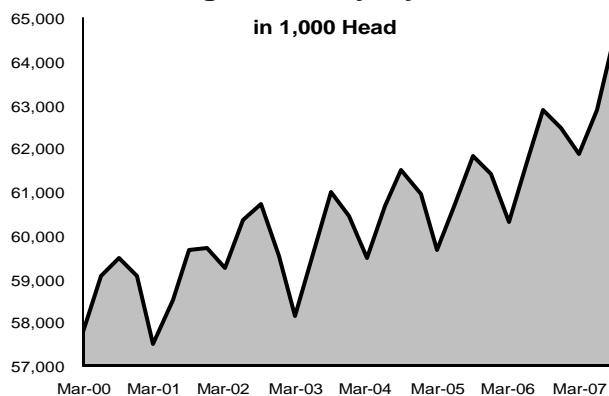
# FAST FACTS ON LEAN HOG FUTURES

**2008 Comments:** *Rising US Hog Inventories, coupled with increased breedings should see an increase in supply, and an increase in slaughter rates which should pressure prices. These factors, combined with increased world Pork production may well weigh on prices in 2008. Especially look for weakness in the late summer and fall of 2008.*

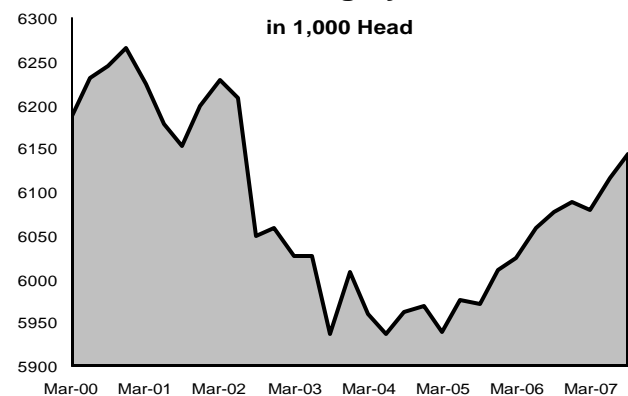
## Estimated Price Ranges

Bear	Neutral	Bull
60.00 – 64.00	64.00 – 68.00	68.00 – 74.00

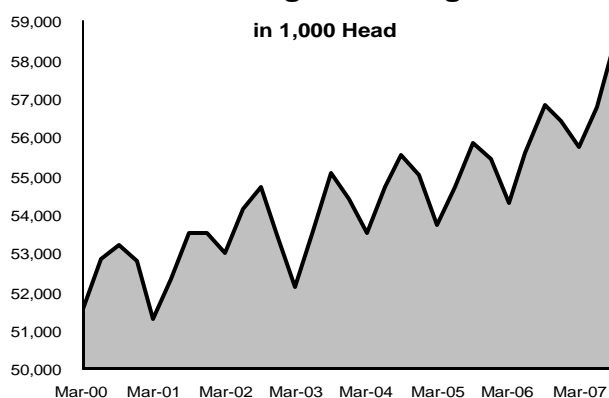
## US Hog Inventory By Quarter



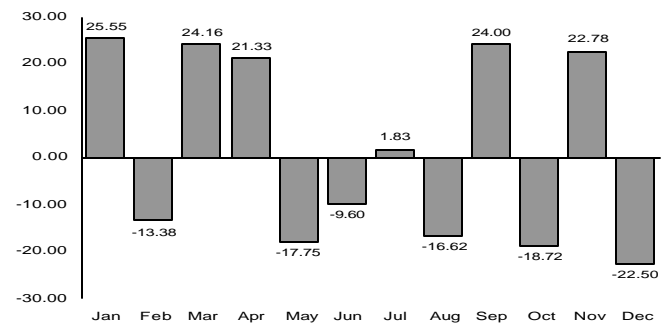
## US Farrowing by Quarter



## US Hog Marketing



## MONTHLY FUTURES PERFORMANCE IN CENTS/LB



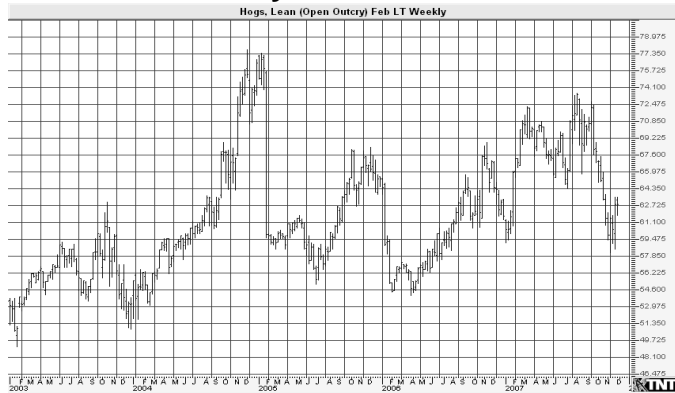
## World Pork Production & Consumption in 1,000 Metric Tons

	Production 2007	Consumption 2007
China	47,000	46,690
EU-27	22,040	20,790
Brazil	2,980	2,265
Russia	1,880	2,734
Canada	1,850	970
Japan	1,260	2,500
Total Foreign	84,801	84,900
Total US	9,877	8,939
World Total	94,678	93,839

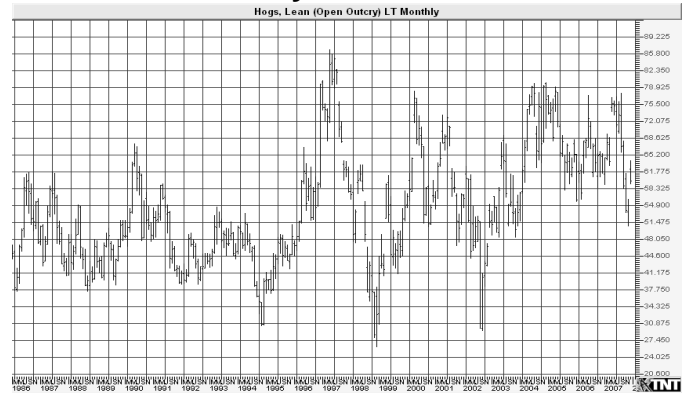
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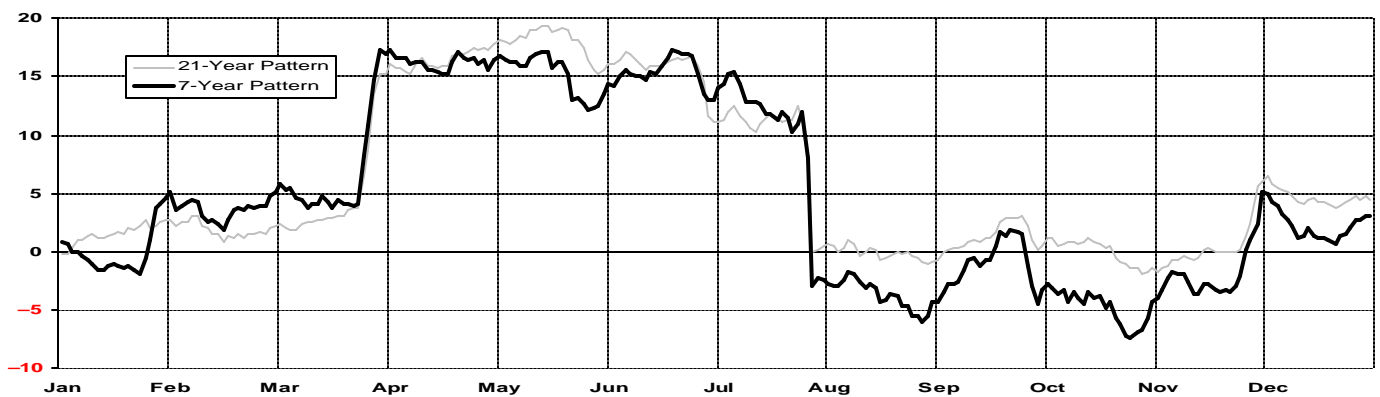
## 5 Year Weekly Front Month Futures



## 15 Year Monthly Front Month Futures



## FRONT MONTH FUTURES SEASONAL AVERAGE



## Seasonal Trades

Commodity	Symbol	Position	Entry Date	Exit Date	# Win	# Loss	Average P&L	Average Loss
JUL LEAN HOGS	LH2008N	Long	02/15	03/01	12	3	\$ 380.27	\$ (607.33)
JUL LEAN HOGS	LH2008N	Long	03/29	05/01	12	3	\$ 791.33	\$ (1,326.67)
JUL LEAN HOGS	LH2008N	Short	05/11	05/29	12	3	\$ 988.00	\$ (375.33)
OCT LEAN HOGS	LH2008V	Short	08/07	08/21	12	3	\$ 663.47	\$ (840.67)
DEC LEAN HOGS	LH2008Z	Short	10/11	10/29	13	2	\$ 787.73	\$ (955.00)
FEB LEAN HOGS	LH2009G	Short	11/30	12/21	13	2	\$ 650.67	\$ (986.00)

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HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL, OR IS LIKELY TO, ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM, IN SPITE OF TRADING LOSSES, ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS, IN GENERAL, OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

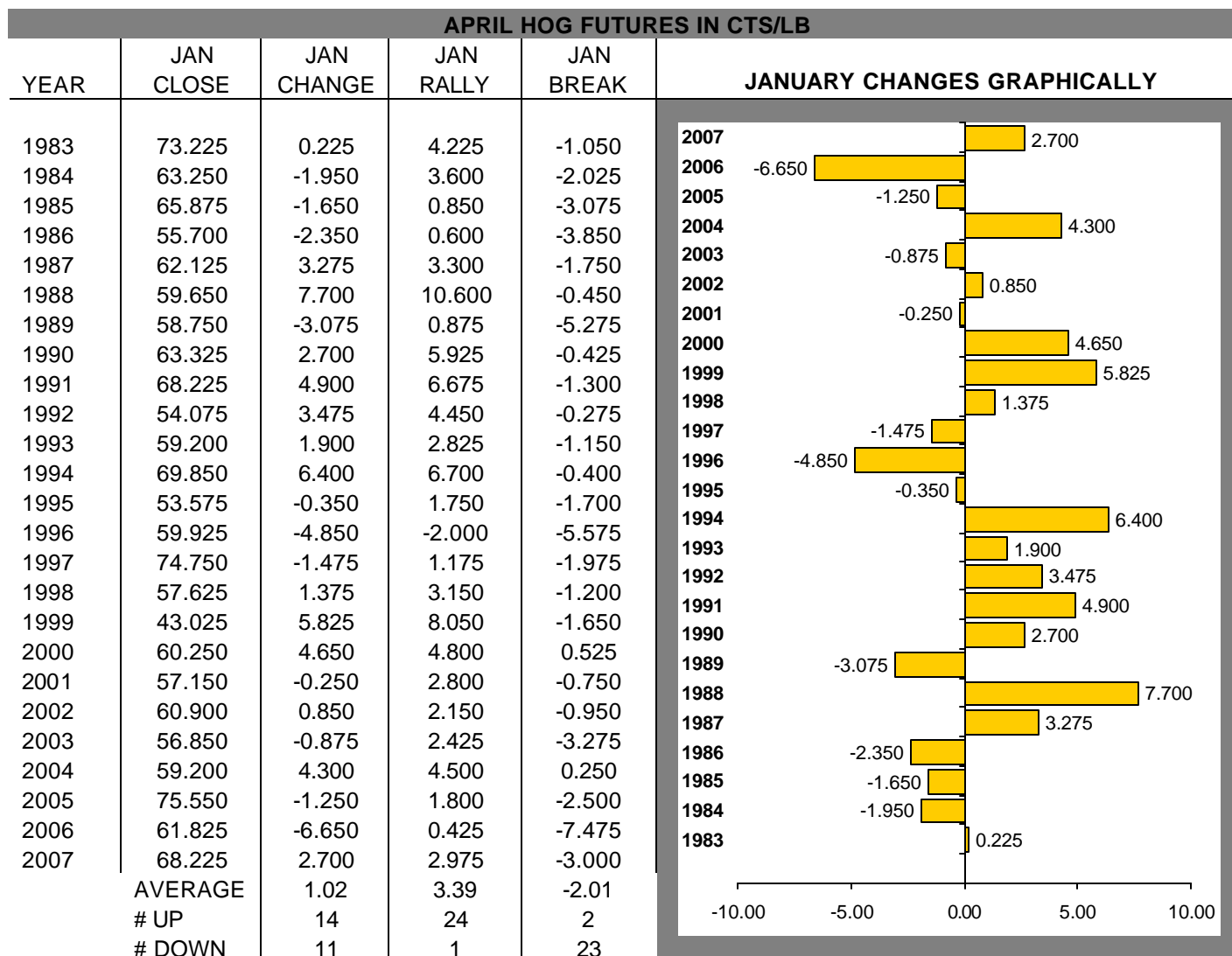


# HOGS HAVE A HAPPY NEW YEAR...

## JANUARY IS THE STRONGEST MONTH FOR PORK

January is the strongest month on record for Lean Hog futures, as supplies are tight due to increased Holiday consumption ~ "can you say Christmas Ham?"

January's tend to be especially strong when prices are weak in December. Price weakness tends to cause slaughter rates to drop dramatically, and as such often supplies come up short as end of year demand kicks in. As such, the best January's have typically followed December weakness. The APRIL Hog futures have reversed 10 of the last 17 December declines, gaining an average of +1.95 cents/lb in January following December weakness.



JAN RALLY=JANUARY HIGH-DECEMBER CLOSE, JAN BREAK=JANUARY LOW-DECEMBER CLOSE  
PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. SEE HYPOTHETICAL DISCLAIMER

Traders should beware however when January is weak. Given that the Lean Hog futures are cashed settled – meaning traders can hold the contract to expiry without worry of delivery – traders may wish to look at following January weakness with short positions into expiry of the February contract. Nine of the last 12 (75.0%) January declines have been followed by February declines averaging –1.96 cents/lb.

# JANUARY UP 20 YEARS SINCE 1982...

## LIVE CATTLE'S 2<sup>ND</sup> STRONGEST MONTH

January is the 2<sup>nd</sup> strongest month on record for Live Cattle futures. However, traders should take warn, as the month often comes in "like a lion and leaves like a lamb" as often weakness in the later half of the month is common.

Since 1982, April Live Cattle futures have posted gains in 20 years (76.9%), gaining an average of 1.00 cent/lb on the month. In January, April futures have rallied an average of +2.69 cents/lb and only experienced an average break of -1.26 cent/lb, sowing the strength of this month.

APRIL LIVE CATTLE FUTURES IN CTS/LB					JANUARY CHANGES GRAPHICALLY
YEAR	JAN CLOSE	JAN CHANGE	JAN RALLY	JAN BREAK	
1982	61.70	7.23	7.48	0.32	
1983	60.40	1.18	3.33	-0.38	
1984	66.13	-1.68	2.20	-2.15	
1985	68.05	0.22	0.77	-1.88	
1986	61.90	0.55	2.65	-2.33	
1987	62.88	6.73	6.80	0.15	
1988	67.80	2.38	4.83	-0.33	
1989	76.43	0.95	1.18	-2.32	
1990	76.03	0.35	2.03	-0.58	
1991	77.53	1.05	1.20	-2.27	
1992	77.15	4.13	4.27	-0.18	
1993	76.85	0.17	2.78	-0.13	
1994	76.45	0.73	1.43	-0.80	
1995	74.15	1.25	2.35	0.05	
1996	63.85	-2.53	0.63	-3.65	
1997	66.83	1.28	1.65	-0.45	
1998	67.48	-1.30	0.92	-2.83	
1999	65.08	2.05	3.48	-0.57	
2000	72.05	0.47	1.93	-0.58	
2001	76.83	-2.30	1.88	-2.75	
2002	75.52	1.85	2.28	-0.77	
2003	79.98	1.07	1.25	-1.80	
2004	73.43	1.93	6.20	-1.00	
2005	88.32	2.70	4.68	0.03	
2006	91.58	-3.47	0.50	-4.22	
2007	93.18	-0.60	1.20	-1.48	
<b>AVERAGE</b>		<b>1.01</b>	<b>2.69</b>	<b>-1.26</b>	
<b># UP</b>		<b>20</b>	<b>26</b>	<b>4</b>	
<b># DOWN</b>		<b>6</b>	<b>0</b>	<b>22</b>	

JAN RALLY=JANUARY HIGH-DECEMBER CLOSE, JAN BREAK=JANUARY LOW-DECEMBER CLOSE  
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The best January's have typically followed December weakness. Following the last 10 weak Decembers, April Live Cattle futures have posted an average gain of +2.17 cents/lb in January on a monthly settlement basis, reversing December breaks on 8 occasions.

Traders should also note that 13 of the last 20 January Rallies have seen April Live Cattle continue its strength through February as well, showing that the beginning of the year is definitely the time of the year to look to be bullish the Cattle market.

# JANUARY SPREAD TRADING OPPORTUNITY

Slower slaughter rates during the holidays and plant closures during December can create tightness in January. Movement also tends to be slow, as inland waterways are frozen. This creates a situation where nearby contracts tend to gain on deferred's in the Livestock Markets (bull spreads).

- Long April Live Cattle, Short June Live Cattle: Enter on roughly the 1<sup>st</sup> trading day of January, Exit on roughly the 11<sup>th</sup> to last trading day of January

## Hypothetical Performance Record

Entry Date	Spread Entry	Exit Date	Spread Exit	P&L (cwt)	Best Price	Best P&L(cwt)	Worst Price	Worst P&L(cwt)
1/4/1993	3.725	1/15/1993	5.075	1.350	5.075	1.350	3.525	-0.200
1/3/1994	1.650	1/17/1994	2.175	0.525	2.325	0.675	1.300	-0.350
1/3/1995	5.925	1/17/1995	6.700	0.775	6.700	0.775	5.875	-0.050
1/2/1996	3.950	1/17/1996	3.975	0.025	4.025	0.075	3.525	-0.425
1/2/1997	2.425	1/17/1997	2.625	0.200	3.050	0.625	2.425	0.000
1/2/1998	0.250	1/15/1998	-0.625	-0.875	0.250	0.000	-0.950	-1.200
1/4/1999	0.050	1/14/1999	0.950	0.900	1.125	1.075	0.050	0.000
1/3/2000	2.075	1/14/2000	2.400	0.325	2.575	0.500	1.775	-0.300
1/2/2001	4.225	1/17/2001	5.950	1.725	5.975	1.750	4.000	-0.225
1/2/2002	3.475	1/16/2002	3.925	0.450	4.175	0.700	3.400	-0.075
1/2/2003	6.525	1/16/2003	7.475	0.950	8.150	1.625	6.525	0.000
1/2/2004	2.750	1/15/2004	3.950	1.200	3.950	1.200	2.375	-0.375
1/3/2005	5.675	1/18/2005	6.250	0.575	6.675	1.000	5.675	0.000
1/3/2006	7.750	1/18/2006	7.250	-0.500	7.750	0.000	6.825	-0.925
1/3/2007	4.675	1/18/2007	3.700	-0.975	5.250	0.575	3.700	-0.975
<b># Observations</b>	<b>15</b>	<b>Total P&amp;L</b>		<b>6.65</b>	<b>Worst P&amp;L</b>		<b>-0.98</b>	
<b># Up</b>	<b>12</b>	<b>Average P&amp;L</b>		<b>0.44</b>	<b>Average Draw</b>		<b>-0.34</b>	
<b># Down</b>	<b>3</b>	<b>Average Gain</b>		<b>0.75</b>	<b>Worst Draw</b>		<b>-1.20</b>	
<b>% Up</b>	<b>80%</b>	<b>Average Loss</b>		<b>-0.78</b>	<b>Worst Draw on Gain</b>		<b>-0.43</b>	

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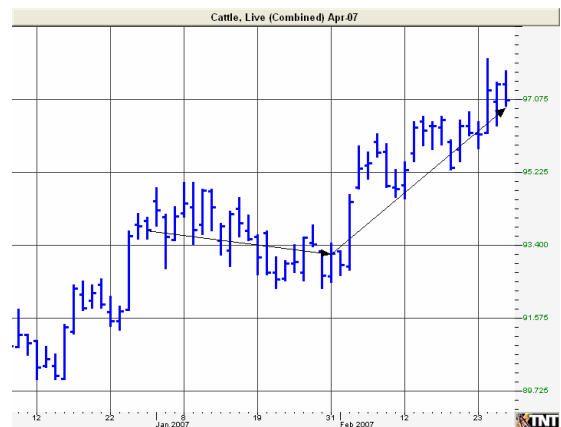
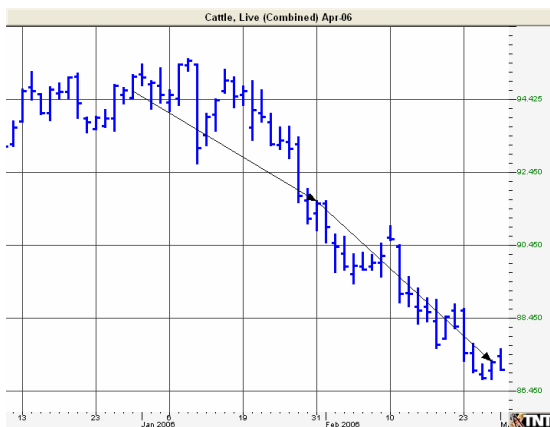
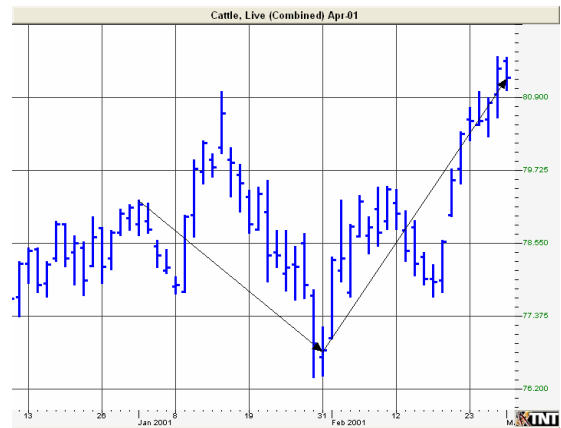
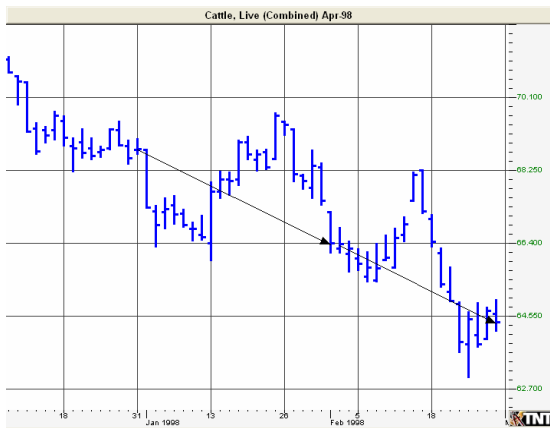
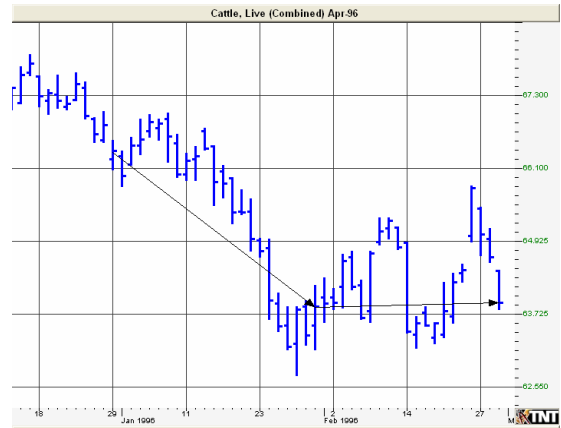
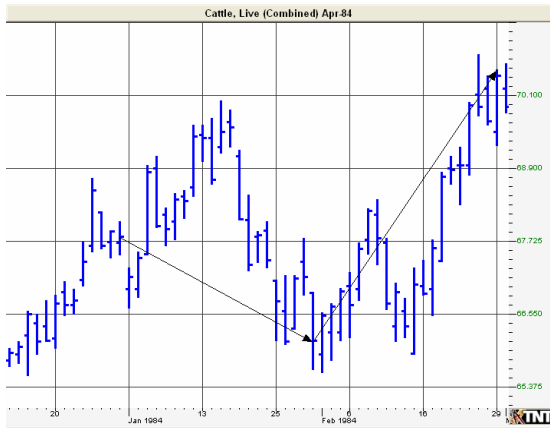
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# RARE JANUARY LIVE CATTLE WEAKNESS REVERSED IN FEBRUARY

January is the 2<sup>nd</sup> strongest month on record for Live Cattle, with the April futures gaining in 20 of the last 26 years. February is the 3<sup>rd</sup> strongest month on record, as 13 of the last 20 January rallies have been continued by the April futures. However, even the rare bout of January weakness has been reversed on 4 of the last 6 occasions as can be seen below. With this in mind, bullish Cattle traders should not panic surrounding New Year's weakness, as 19 of the 26 years have seen April Live Cattle futures score gains in January and February.

## APRIL LIVE CATTLE FUTURES



CHARTS COMPLIMENTS OF TRACK 'N TRADE PRO ([www.TRYTNT.com](http://www.TRYTNT.com))  
PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

# JANUARY STRENGTH OFTEN REVERSED...

## FADE JANUARY RALLIES IN HOGS

Many traders quip that tops are not made because of smart selling, but due to the end of buying. January is the strongest month on record for Hog futures, and often this strength is reversed in February.

Following the last 14 January rallies since 1983, April Hog futures have reversed in February 10 times (71.4%), declining by an average of -0.87 cents/lb on a monthly settlement basis.

APRIL LEAN HOGFUTURES IN CENTS/LB								
YEAR	JAN CLOSE	JAN CHANGE	FEB HIGH	FEB LOW	FEB CLOSE	FEB RALLY	FEB BREAK	FEB CHANGE
1983	73.225	0.225	74.525	68.850	69.375	1.300	-4.375	-3.850
1984	63.250	-1.950	63.750	59.400	61.700	0.500	-3.850	-1.550
1985	65.875	-1.650	66.475	61.900	63.000	0.600	-3.975	-2.875
1986	55.700	-2.350	56.000	50.800	51.450	0.300	-4.900	-4.250
1987	62.125	3.275	62.825	57.425	58.475	0.700	-4.700	-3.650
1988	59.650	7.700	63.975	58.300	58.450	4.325	-1.350	-1.200
1989	58.750	-3.075	59.600	55.600	59.075	0.850	-3.150	0.325
1990	63.325	2.700	68.475	62.700	68.025	5.150	-0.625	4.700
1991	68.225	4.900	70.400	65.400	70.075	2.175	-2.825	1.850
1992	54.075	3.475	57.975	52.650	53.675	3.900	-1.425	-0.400
1993	59.200	1.900	62.150	57.500	61.500	2.950	-1.700	2.300
1994	69.850	6.400	70.050	66.150	66.875	0.200	-3.700	-2.975
1995	53.575	-0.350	53.850	50.950	53.700	0.275	-2.625	0.125
1996	59.925	-4.850	65.675	59.450	65.600	5.750	-0.475	5.675
1997	74.750	-1.475	75.550	71.950	74.475	0.800	-2.800	-0.275
1998	57.625	1.375	57.600	47.500	49.025	-0.025	-10.125	-8.600
1999	43.025	5.825	48.900	42.150	43.000	5.875	-0.875	-0.025
2000	60.250	4.650	61.450	55.800	58.075	1.200	-4.450	-2.175
2001	57.150	-0.250	63.550	56.300	62.800	6.400	-0.850	5.650
2002	60.900	0.850	62.800	58.400	60.350	1.900	-2.500	-0.550
2003	56.850	-0.875	56.700	51.500	54.550	-0.150	-5.350	-2.300
2004	59.200	4.300	62.275	57.850	62.025	3.075	-1.350	2.825
2005	75.550	-1.250	75.850	71.650	74.225	0.300	-3.900	-1.325
2006	61.825	-6.650	63.750	59.600	61.475	1.925	-2.225	-0.350
2007	68.225	2.700	69.450	65.900	67.750	1.225	-2.325	-0.475
AVERAGE		1.02				2.06	-3.06	-0.53
#UP		14				23	0	8
#DOWN		11				2	25	17
FOLLOWING UP JANUARY								
AVERAGE						2.43	-3.02	-0.87
#UP						13	0	4
#DOWN						1	14	10

FEB RALLY = FEBRUARY HIGH – JANUARY CLOSE; FEB BREAK = FEBRUARY LOW – JANUARY CLOSE.

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Traders should beware, however, that following the rare January/February Rally, prices have reversed half the time. Hence, traders should be more cautious in a very strong market, but a mixed market with limited gains may prove to be a sign of an intermediate top and possibly a change of trend.

# FEBRUARY SPREAD TRADING OPPORTUNITY

Low end of year and New Year demand tends to cause supply buildups in the interior of the country. Couple transportation difficulties as well as producers making room for spring farrowing and one can begin to get an idea why bear spreads work in this environment.

- Long June Hogs, Short April Hogs: Enter on roughly the 1<sup>st</sup> trading day of February, Exit on roughly the 9<sup>th</sup> trading day of March.

## Hypothetical Performance Record

Entry Date	Spread Entry	Exit Date	Spread Exit	P&L (cwt)	Best Price	Best P&L(cwt)	Worst Price	Worst P&L(cwt)
2/1/1993	4.650	3/11/1993	5.100	0.450	5.900	1.250	4.650	0.000
2/1/1994	4.350	3/11/1994	6.725	2.375	6.725	2.375	4.200	-0.150
2/1/1995	5.700	3/13/1995	6.850	1.150	6.850	1.150	5.375	-0.325
2/1/1996	5.600	3/13/1996	4.675	-0.925	5.750	0.150	4.075	-1.525
2/3/1997	5.250	3/13/1997	7.350	2.100	7.350	2.100	4.850	-0.400
2/2/1998	7.175	3/12/1998	7.775	0.600	9.250	2.075	7.175	0.000
2/1/1999	10.925	3/11/1999	12.300	1.375	12.525	1.600	8.975	-1.950
2/1/2000	7.475	3/13/2000	9.275	1.800	9.750	2.275	7.475	0.000
2/1/2001	6.075	3/13/2001	6.075	0.000	7.025	0.950	3.575	-2.500
2/1/2002	5.600	3/13/2002	8.650	3.050	8.750	3.150	5.475	-0.125
2/3/2003	7.500	3/13/2003	10.025	2.525	10.300	2.800	7.500	0.000
2/2/2004	4.850	3/11/2004	6.175	1.325	6.350	1.500	4.150	-0.700
2/1/2005	2.850	3/11/2005	8.375	5.525	8.375	5.525	2.850	0.000
2/1/2006	7.075	3/13/2006	8.900	1.825	9.550	2.475	7.075	0.000
2/1/2007	9.525	3/13/2007	10.550	1.025	10.800	1.275	9.075	-0.450

<b># Observations</b>	<b>15</b>	<b>Total P&amp;L</b>	<b>24.200</b>	<b>Worst P&amp;L</b>	<b>-0.925</b>
<b># Up</b>	<b>13</b>	<b>Average P&amp;L</b>	<b>1.613</b>	<b>Average Draw</b>	<b>-0.542</b>
<b># Down</b>	<b>2</b>	<b>Average Gain</b>	<b>1.933</b>	<b>Worst Draw</b>	<b>-2.500</b>
<b>% Up</b>	<b>87%</b>	<b>Average Loss</b>	<b>-0.463</b>	<b>Worst Draw on Gain</b>	<b>-1.950</b>

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# MARCH LIVE CATTLE BAROMETER...

## THE MARCH TREND IS YOUR FRIEND!

March is a critical month for the Live Cattle month. In March, the fall placed Cattle are fast approaching slaughter weight and as such the marketplace must come to grips with eminent supplies in most years. This can readily be seen by the fact that following the last 15 down March's, June Live Cattle futures have continued lower in April 12 times (80.0%). Even the rarer strong March's are continued in April, with 8 of the last 11 March rallies being continued in April (72.7%). As such, Cattle traders should respect the March trend, looking for it to continue in April.

JUNE LIVE CATTLE FUTURES IN CTS/LB								
YEAR	MAR CLOSE	MAR CHANGE	APR HIGH	APR LOW	APR CLOSE	APR RALLY	APR BREAK	APR CHANGE
1982	66.43	3.50	70.10	66.20	69.58	3.68	-0.22	3.15
1983	69.63	4.35	71.15	65.10	66.13	1.53	-4.52	-3.50
1984	68.70	-0.40	69.70	65.63	66.18	1.00	-3.08	-2.53
1985	67.20	-0.18	66.93	62.33	62.65	-0.28	-4.88	-4.55
1986	58.25	-2.08	57.55	53.18	57.20	-0.70	-5.08	-1.05
1987	63.43	1.03	67.25	62.75	67.20	3.83	-0.68	3.78
1988	70.88	2.48	72.38	68.60	70.90	1.50	-2.27	0.03
1989	73.03	-2.03	73.38	70.10	71.45	0.35	-2.93	-1.58
1990	72.93	1.98	74.20	72.40	72.98	1.28	-0.52	0.05
1991	77.13	0.10	78.38	75.53	76.10	1.25	-1.60	-1.02
1992	74.78	1.00	74.85	72.50	73.10	0.08	-2.28	-1.68
1993	76.25	1.93	77.03	74.78	76.78	0.78	-1.47	0.53
1994	74.28	-0.70	74.95	70.55	71.30	0.67	-3.73	-2.98
1995	61.70	-5.70	64.73	61.05	62.95	3.03	-0.65	1.25
1996	62.48	-0.70	63.85	54.00	57.35	1.38	-8.48	-5.13
1997	65.08	-0.43	65.65	63.00	64.75	0.58	-2.08	-0.33
1998	65.78	-0.80	69.60	65.63	69.50	3.83	-0.15	3.72
1999	63.60	-2.00	65.50	62.40	62.83	1.90	-1.20	-0.77
2000	68.98	0.33	70.20	68.23	69.28	1.22	-0.75	0.30
2001	72.68	-1.28	73.83	71.03	71.65	1.15	-1.65	-1.02
2002	65.80	-3.83	67.10	59.33	63.63	1.30	-6.47	-2.18
2003	70.38	-0.03	72.30	70.20	71.93	1.93	-0.17	1.55
2004	76.23	3.30	82.15	74.75	80.40	5.93	-1.48	4.18
2005	85.25	2.90	87.35	83.05	85.63	2.10	-2.20	0.38
2006	74.35	-8.28	76.75	72.75	73.50	2.40	-1.60	-0.85
2007	94.88	-0.63	97.25	91.95	94.13	2.38	-2.93	-0.75
AVERAGE		-0.24				1.69	-2.43	-0.42
# UP		11				24	0	11
# DOWN		15				2	26	15
FOLLOWING UP MARCH					AVERAGE	2.10	-1.64	0.56
					# UP	11	0	8
					# DOWN	0	11	3
FOLLOWING DOWN MARCH					AVERAGE	1.39	-3.00	-1.15
					# UP	13	0	3
					# DOWN	2	15	12

APR RALLY=APRIL HIGH-MARCH CLOSE, APR BREAK=APRIL LOW-MARCH CLOSE

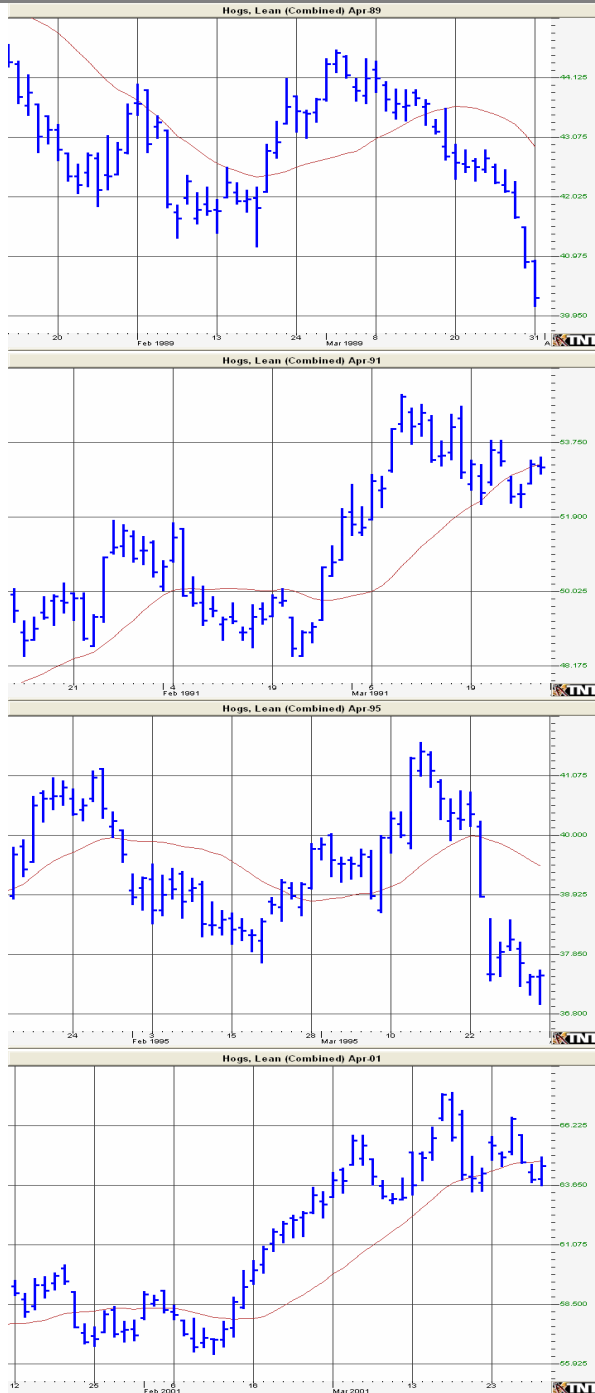
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# FEBRUARY HOG RALLIES CONTINUED IN MARCH

Though not as bad for pricing as August or October, February tends to be a weak month for April Hog futures. April Hogs have declined in February in 17 of the last 25 years (68.0%). However, traders should pay special attention to the rare strong February, after all as Sherlock Holmes once said "it is the fact that the dog didn't bark which is the clue."

The lack of February Break in Hogs is usually met with an advance in March, as can be seen below.

## APRIL HOG FUTURES POST FEBRUARY STRENGTH



Charts compliments of TRACK 'N TRADE ([www.TRYTNT.com](http://www.TRYTNT.com)) Past performance is not necessarily indicative of future results.



# MARCH SPREAD TRADING OPPORTUNITY

Consumptions tends to wane in the spring time. Couple this with cow/calf operators getting rid of winter pastured animals in preparation for spring calving, and supply typically increases during this weak demand period. Also transportation congestion is usually resolved.

- Long August Live Cattle, Short June Live Cattle: Enter on roughly the 8<sup>th</sup> trading day of March, Exit on roughly the 9<sup>th</sup> trading day of May.

## Hypothetical Performance Record

Entry Date	Spread Entry	Exit Date	Spread Exit	P&L (cwt)	Best Price	Best P&L(cwt)	Worst Price	Worst P&L(cwt)
2/1/1993	4.650	3/11/1993	5.100	0.450	5.900	1.250	4.650	0.000
2/1/1994	4.350	3/11/1994	6.725	2.375	6.725	2.375	4.200	-0.150
2/1/1995	5.700	3/13/1995	6.850	1.150	6.850	1.150	5.375	-0.325
2/1/1996	5.600	3/13/1996	4.675	-0.925	5.750	0.150	4.075	-1.525
2/3/1997	5.250	3/13/1997	7.350	2.100	7.350	2.100	4.850	-0.400
2/2/1998	7.175	3/12/1998	7.775	0.600	9.250	2.075	7.175	0.000
2/1/1999	10.925	3/11/1999	12.300	1.375	12.525	1.600	8.975	-1.950
2/1/2000	7.475	3/13/2000	9.275	1.800	9.750	2.275	7.475	0.000
2/1/2001	6.075	3/13/2001	6.075	0.000	7.025	0.950	3.575	-2.500
2/1/2002	5.600	3/13/2002	8.650	3.050	8.750	3.150	5.475	-0.125
2/3/2003	7.500	3/13/2003	10.025	2.525	10.300	2.800	7.500	0.000
2/2/2004	4.850	3/11/2004	6.175	1.325	6.350	1.500	4.150	-0.700
2/1/2005	2.850	3/11/2005	8.375	5.525	8.375	5.525	2.850	0.000
2/1/2006	7.075	3/13/2006	8.900	1.825	9.550	2.475	7.075	0.000
2/1/2007	9.525	3/13/2007	10.550	1.025	10.800	1.275	9.075	-0.450

<b># Observations</b>	<b>15</b>	<b>Total P&amp;L</b>	<b>24.200</b>	<b>Worst P&amp;L</b>	<b>-0.925</b>
<b># Up</b>	<b>13</b>	<b>Average P&amp;L</b>	<b>1.613</b>	<b>Average Draw</b>	<b>-0.542</b>
<b># Down</b>	<b>2</b>	<b>Average Gain</b>	<b>1.933</b>	<b>Worst Draw</b>	<b>-2.500</b>
<b>% Up</b>	<b>87%</b>	<b>Average Loss</b>	<b>-0.463</b>	<b>Worst Draw on Gain</b>	<b>-1.950</b>

Monthly spread trading ideas are presented as a beginning basis for trading ideas. Be sure to check the current fundamental and technical nature of the market before initiating a trade. See disclaimer and warning below.

SEASONAL TENDENCIES ARE A COMPOSITE OF SOME OF THE MOST CONSISTENT COMMODITY FUTURES SEASONALS THAT HAVE OCCURRED IN THE PAST 15 YEARS. THERE ARE USUALLY UNDERLYING, FUNDAMENTAL CIRCUMSTANCES THAT OCCUR ANNUALLY THAT TEND TO CAUSE THE FUTURES MARKETS TO REACT IN SIMILAR DIRECTIONAL MANNER DURING A CERTAIN CALENDAR YEAR. EVEN IF A SEASONAL TENDENCY OCCURS IN THE FUTURE, IT MAY NOT RESULT IN A PROFITABLE TRANSACTION AS FEES AND THE TIMING OF THE ENTRY AND LIQUIDATION MAY IMPACT ON THE RESULTS. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT HAS IN THE PAST, OR WILL IN THE FUTURE, ACHIEVE PROFITS USING THESE RECOMMENDATIONS. NO REPRESENTATION IS BEING MADE THAT PRICE PATTERNS WILL RECUR IN THE FUTURE.

**DISCLOSURE OF RISK:** THE RISK OF LOSS IN TRADING FUTURES AND OPTIONS CAN BE SUBSTANTIAL; THEREFORE, ONLY GENUINE RISK FUNDS SHOULD BE USED. FUTURES AND OPTIONS ARE NOT SUITABLE INVESTMENTS FOR ALL INDIVIDUALS, AND INDIVIDUALS SHOULD CAREFULLY CONSIDER THEIR FINANCIAL CONDITION IN DECIDING WHETHER TO TRADE. OPTION TRADERS SHOULD BE AWARE THAT THE EXERCISE OF A LONG OPTION WOULD RESULT IN A FUTURES POSITION. HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL, OR IS LIKELY TO, ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM, IN SPITE OF TRADING LOSSES, ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS, IN GENERAL, OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

# STRONG MARCH'S CONTINUED IN APRIL...

## FOLLOW MARCH HOG STRENGTH

"I want my baby, my baby, my baby back ribs" is a popular jingle expressing the popularity of pork and barbequing. In years when summer demand is perceived to be large, distributors tend to buy early, often pushing summer Hog contracts – like the July – up during March. When this occurs, price advances tend to continue through April.

Following the last 15 March advances since 1982, July Hogs futures have continued higher in April on 11 occasions (73.3%), gaining an average of +2.30 cents/lb. But the real strength of this trend continuation can be seen by the fact that the average April Rally has been +4.15 cents/lb, or twice as large absolutely than the average April Break under such circumstances of -1.77 cents/lb.

JULY LEAN HOGFUTURES IN CENTS/LB								
YEAR	MAR CLOSE	MAR CHANGE	APR HIGH	APR LOW	APR CLOSE	APR RALLY	APR BREAK	APR CHANGE
1982	75.925	6.800	82.125	75.475	81.925	6.200	-0.450	6.000
1983	70.975	-2.300	72.425	65.600	67.050	1.450	-5.375	-3.925
1984	78.675	7.200	81.750	77.075	77.725	3.075	-1.600	-0.950
1985	69.425	-1.875	69.925	66.200	66.500	0.500	-3.225	-2.925
1986	59.350	1.375	63.250	55.050	62.700	3.900	-4.300	3.350
1987	62.975	2.150	71.025	60.950	68.575	8.050	-2.025	5.600
1988	67.825	4.925	69.925	65.775	66.750	2.100	-2.050	-1.075
1989	63.250	-1.700	64.850	61.075	64.350	1.600	-2.175	1.100
1990	76.200	3.025	84.675	76.875	83.925	8.475	0.675	7.725
1991	77.500	1.400	78.525	75.325	78.425	1.025	-2.175	0.925
1992	60.225	-0.525	63.400	60.150	62.250	3.175	-0.075	2.025
1993	73.400	6.775	74.325	67.550	67.900	0.925	-5.850	-5.500
1994	70.500	-2.800	71.500	67.550	68.375	1.000	-2.950	-2.125
1995	58.375	-2.425	60.550	57.150	57.850	2.175	-1.225	-0.525
1996	71.550	1.600	78.975	72.550	78.200	7.425	1.000	6.650
1997	81.500	3.625	86.400	80.050	84.475	4.900	-1.450	2.975
1998	58.625	0.675	60.975	56.850	59.925	2.350	-1.775	1.300
1999	54.225	-1.850	60.525	54.200	60.300	6.300	-0.025	6.075
2000	71.300	5.925	74.900	69.700	74.250	3.600	-1.600	2.950
2001	66.225	2.350	69.625	65.600	65.725	3.400	-0.625	-0.500
2002	58.900	-4.275	59.350	50.500	52.375	0.450	-8.400	-6.525
2003	58.300	-2.975	64.400	56.575	64.075	6.100	-1.725	5.775
2004	70.625	7.900	74.900	68.900	74.850	4.275	-1.725	4.225
2005	77.900	2.275	80.400	75.250	78.750	2.500	-2.650	0.850
2006	65.650	-2.675	68.600	63.450	68.250	2.950	-2.200	2.600
2007	75.250	-2.850	78.950	74.525	75.350	3.700	-0.725	0.100
<b>AVERAGE</b>		<b>1.22</b>				<b>3.52</b>	<b>-2.10</b>	<b>1.39</b>
<b>#UP</b>		<b>15</b>				<b>26</b>	<b>2</b>	<b>17</b>
<b>#DOWN</b>		<b>11</b>				<b>0</b>	<b>24</b>	<b>9</b>
<b>FOLLOWING UP MARCH</b>								
<b>AVERAGE</b>						<b>4.15</b>	<b>-1.77</b>	<b>2.30</b>
<b>#UP</b>						<b>15</b>	<b>2</b>	<b>11</b>
<b>#DOWN</b>						<b>0</b>	<b>13</b>	<b>4</b>

APR RALLY = MARCH HIGH – FEBRUARY CLOSE; APR BREAK = APRIL LOW – MARCH CLOSE.

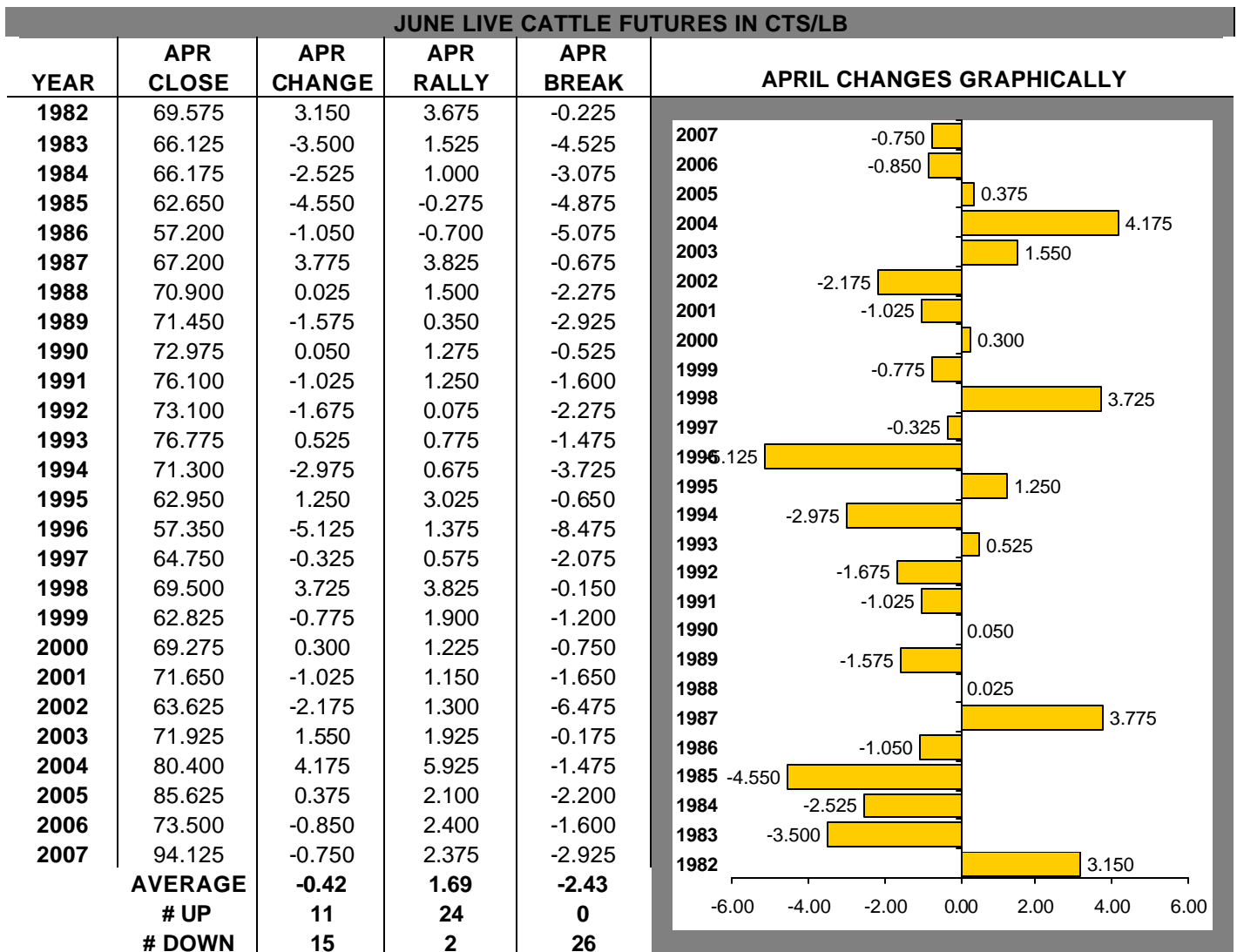
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# DESPITE MIXED BATTING AVERAGE...

## APRIL'S 2<sup>ND</sup> WEAKEST MONTH FOR LIVE CATTLE

April is a mixed month for Live Cattle futures. The June futures have settled higher 11 times and lower 15 times since 1982. However, when weakness hits in April, it tends to be very strong, while rallies tend to be more conservative, making it the 2<sup>nd</sup> worst month on record for Live Cattle futures.

The average April has been +1.69 cents/lb, while the average April Break has been almost 50% more severe measuring an average of -2.43 cents/lb. In 9 years ('83, '84, '85, '86, '89, '94, '96, '02, and '07) June Live Cattle futures have experienced an April Break of more than -2.50 cents/lb, with 2002, 1996, and 1986 seeing April Breaks in excess of -5.00 cents/lb.



APR RALLY=APRIL HIGH-MARCH CLOSE, APR BREAK=APRIL LOW-MARCH CLOSE

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Since 1982, twenty April's (76.9%) have continued their March trend. Hence, traders should expect April to be a continuation month, especially to the downside. Following April weakness, June Live Cattle futures have continued lower in May on 10 of 15 occasions (66.6%), so traders should definitely look for significantly lower prices in years with March weakness.

# APRIL SPREAD TRADING OPPORTUNITY

Winter On-Feed supplies are looming over the market. This coupled with the freeing up of the transportation system tends to weigh heavily on Cattle prices, especially the front month futures. In this environment, short nearby and long deferred contract strategies (bear spreads) tend to work well.

- Long December Live Cattle, Short June Live Cattle: Enter on roughly the 5<sup>th</sup> trading day of April, Exit on roughly the 3<sup>rd</sup> trading day of May.

## Hypothetical Performance Record

Entry Date	Spread Entry	Exit Date	Spread Exit	P&L (cwt)	Best Price	Best P&L(cwt)	Worst Price	Worst P&L(cwt)
4/7/1993	-2.125	5/5/1993	-2.075	0.050	-1.025	1.100	-2.675	-0.550
4/8/1994	-0.650	5/4/1994	2.550	3.200	2.550	3.200	-0.650	0.000
4/7/1995	0.475	5/3/1995	1.450	0.975	1.725	1.250	-0.025	-0.500
4/8/1996	-0.075	5/3/1996	0.825	0.900	4.850	4.925	-0.075	0.000
4/7/1997	6.225	5/5/1997	5.225	-1.000	6.450	0.225	4.525	-1.700
4/7/1998	2.175	5/5/1998	1.425	-0.750	2.450	0.275	0.925	-1.250
4/8/1999	2.775	5/5/1999	2.950	0.175	3.075	0.300	1.900	-0.875
4/7/2000	4.750	5/3/2000	4.800	0.050	4.875	0.125	3.925	-0.825
4/6/2001	1.650	5/3/2001	2.975	1.325	2.975	1.325	1.650	0.000
4/5/2002	4.750	5/3/2002	5.225	0.475	5.850	1.100	4.325	-0.425
4/7/2003	0.050	5/5/2003	0.275	0.225	0.850	0.800	-0.450	-0.500
4/7/2004	1.975	5/5/2004	-1.850	-3.825	4.275	2.300	-1.850	-3.825
4/6/2005	1.650	5/3/2005	2.975	1.325	2.975	1.325	1.650	0.000
4/7/2006	6.775	5/3/2006	7.525	0.750	8.425	1.650	6.650	-0.125
4/9/2007	1.000	5/3/2007	3.100	2.100	3.100	2.100	1.000	0.000
<b># Observations</b>	15	<b>Total P&amp;L</b>	5.975	<b>Worst P&amp;L</b>	-3.825			
<b># Up</b>	12	<b>Average P&amp;L</b>	0.398	<b>Average Draw</b>	-0.705			
<b># Down</b>	3	<b>Average Gain</b>	0.963	<b>Worst Draw</b>	-3.825			
<b>% Up</b>	80%	<b>Average Loss</b>	-1.858	<b>Worst Draw on Gain</b>	-0.875			

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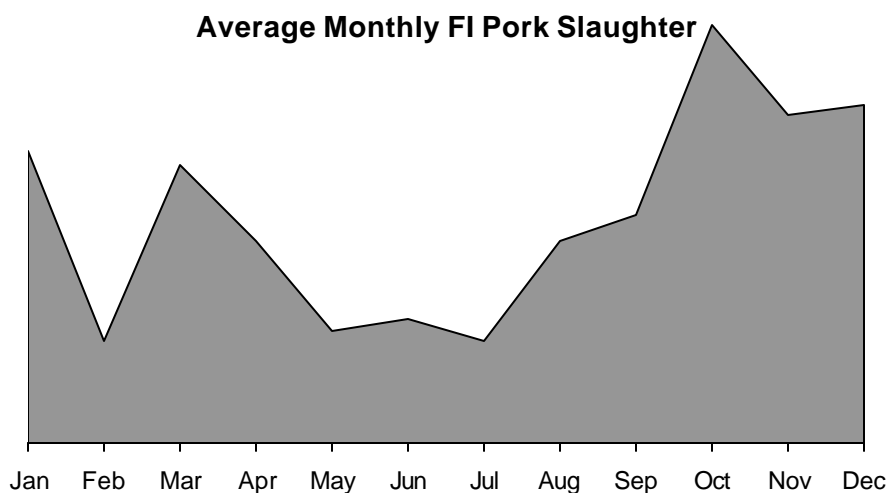
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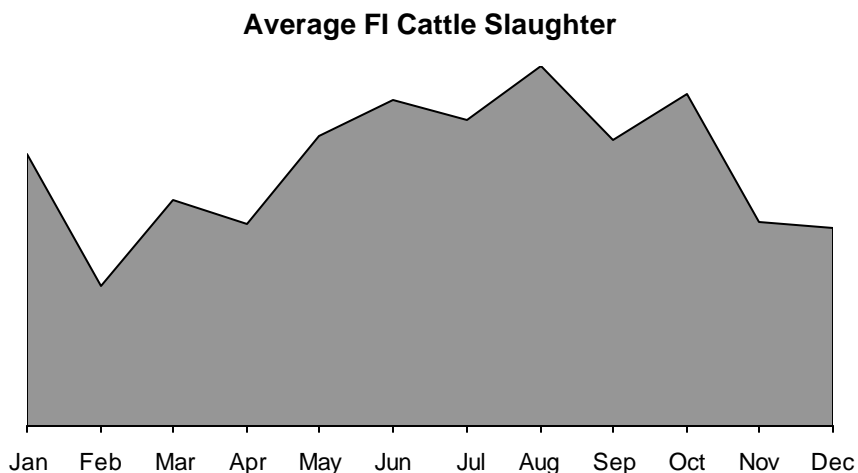
# SLAUGHTER PATTERNS

Just as breeding and feeding patterns tend to follow a semi-regular pattern throughout the year, so too does slaughter. Packers try to keep animal slaughter rates in line with future demand, which is extremely seasonal in nature.

In the Hog market, slaughter rates tend to bottom in July and pick up throughout the summer and into late fall, finally topping out in most years in early November. This makes sense, as demand for Pork tends to increase in the summer, and fall. Slaughter rates tend to slow in December due to the holidays, and decline in the early part of the year as dictated by breeding patterns. This pattern is evident in the 5 year average weekly slaughter graph below.



The Cattle market follows a similar balancing act between available supply and consumer demand, though it is not as pronounced as that for Pork. Slaughter tends to peak in June to meet barbeque demand for the summer as well as too free up space in feedlots for the summer/fall placement rush.



Though generally increased slaughter is viewed as a negative for pricing, one should look at cash pricing – like pork cut-outs and boxed beef prices – in conjunction with slaughter levels. If prices are rising on increasing slaughter it is a clue that consumer demand is strong, while when prices decline it is evident that slaughter rates are greater than demand.

# MAY SPREAD TRADING OPPORTUNITY

Hog populations tend to be increasing, while consumption tends to slow, thus weighing on June hogs. July Hogs tend to find support from increasing demand as barbecuing increases into the summer months.

- Long August Lean Hogs, Short July Lean Hogs: Enter on roughly the 9<sup>th</sup> trading day of May, Exit on roughly the 5<sup>th</sup> trading day of June.

## Hypothetical Performance Record

Entry Date	Spread Entry	Exit Date	Spread Exit	P&L (cwt)	Best Price	Best P&L(cwt)	Worst Price	Worst P&L(cwt)
5/13/1993	-2.175	6/7/1993	-1.775	0.400	-1.775	0.400	-2.250	-0.075
5/12/1994	-1.450	6/7/1994	-0.450	1.000	-0.450	1.000	-1.850	-0.400
5/11/1995	-0.075	6/7/1995	0.075	0.150	0.200	0.275	-0.375	-0.300
5/13/1996	-4.825	6/7/1996	-2.800	2.025	-2.800	2.025	-5.025	-0.200
5/13/1997	-2.750	6/6/1997	-1.775	0.975	-1.325	1.425	-2.750	0.000
5/13/1998	-3.325	6/5/1998	-2.675	0.650	-2.650	0.675	-3.650	-0.325
5/13/1999	-1.150	6/7/1999	1.425	2.575	1.425	2.575	-1.150	0.000
5/11/2000	-3.475	6/7/2000	-0.625	2.850	-0.625	2.850	-3.475	0.000
5/11/2001	-4.050	6/7/2001	-2.800	1.250	-2.275	1.775	-4.050	0.000
5/13/2002	-2.450	6/7/2002	-1.025	1.425	-0.350	2.100	-2.450	0.000
5/13/2003	-0.800	6/6/2003	1.125	1.925	1.300	2.100	-0.800	0.000
5/7/2004	-2.975	6/7/2004	-0.275	2.700	-0.275	2.700	-2.975	0.000
5/12/2005	-1.325	6/7/2005	-0.875	0.450	-0.450	0.875	-1.575	-0.250
5/11/2006	-0.850	6/7/2006	-1.000	-0.150	-0.350	0.500	-1.575	-0.725
5/11/2007	-0.325	6/7/2007	-0.375	-0.050	0.000	0.325	-0.775	-0.450
<b># Observations</b>	15	<b>Total P&amp;L</b>	18.175	<b>Worst P&amp;L</b>	-0.150			
<b># Up</b>	13	<b>Average P&amp;L</b>	1.212	<b>Average Draw</b>	-0.182			
<b># Down</b>	2	<b>Average Gain</b>	1.413	<b>Worst Draw</b>	-0.725			
<b>% Up</b>	87%	<b>Average Loss</b>	-0.100	<b>Worst Draw on Gain</b>	-0.400			

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# MAY HOG WEAKNESS CONTINUES...

## MAY MAYHAM CREATES JUNE WEAKNESS

Late spring/early Summer tends to be the time of the lowest slaughter for the Hog market. Typically, the market tends to begin to anticipate slightly an increase in supply by depressing prices. This anticipation of the future can be seen by the fact that 10 of the last 14 down May's have been followed by decreases in June.

On average, following a down May, October Hog futures have declined by -1.00 cent/lb, with an average June Break of -3.02 cents/lb and an average June Rally of +2.20 cents/lb. In 11 of the 14 down May years studied, the October futures posted lower monthly lows in June compared to May.

OCTOBER LEAN HOGFUTURES IN CENTS/LB								
YEAR	MAY CLOSE	MAY CHANGE	JUN HIGH	JUN LOW	JUN CLOSE	JUN RALLY	JUN BREAK	JUN CHANGE
1982	79.575	1.100	79.325	67.900	75.725	-0.250	-11.675	-3.850
1983	56.200	-2.475	57.350	53.125	54.325	1.150	-3.075	-1.875
1984	74.925	0.500	79.050	71.875	72.525	4.125	-3.050	-2.400
1985	63.875	0.125	64.375	59.400	60.200	0.500	-4.475	-3.675
1986	56.475	1.775	68.850	55.400	67.725	12.375	-1.075	11.250
1987	59.450	2.500	62.350	59.125	60.050	2.900	-0.325	0.600
1988	62.225	3.575	62.700	55.550	58.475	0.475	-6.675	-3.750
1989	55.900	-2.225	60.550	55.875	58.850	4.650	-0.025	2.950
1990	71.425	-0.150	74.450	67.925	71.275	3.025	-3.500	-0.150
1991	62.725	-3.625	63.925	60.950	61.075	1.200	-1.775	-1.650
1992	53.300	-1.700	55.400	51.825	55.275	2.100	-1.475	1.975
1993	57.625	0.175	58.050	54.075	54.450	0.425	-3.550	-3.175
1994	58.475	-0.975	60.800	57.100	57.775	2.325	-1.375	-0.700
1995	56.300	1.150	58.975	55.550	57.975	2.675	-0.750	1.675
1996	66.475	1.250	69.325	63.450	65.275	2.850	-3.025	-1.200
1997	71.850	-4.050	73.500	69.600	73.500	1.650	-2.250	1.650
1998	52.200	-1.850	54.100	49.300	49.575	1.900	-2.900	-2.625
1999	53.850	-2.950	55.500	43.650	43.650	1.650	-10.200	-10.200
2000	59.875	-2.150	60.600	57.025	58.875	0.725	-2.850	-1.000
2001	54.270	0.075	60.375	54.000	58.375	6.105	-0.270	4.105
2002	39.600	-3.450	40.800	36.850	38.800	1.200	-2.750	-0.800
2003	57.825	4.125	59.600	55.925	57.050	1.775	-1.900	-0.775
2004	60.275	0.050	66.300	61.000	66.100	6.025	0.725	5.825
2005	60.625	-3.750	60.700	53.600	56.550	0.075	-7.025	-4.075
2006	56.600	-0.975	63.550	56.650	62.150	6.950	0.050	5.550
2007	67.150	-0.350	69.375	64.050	64.125	2.225	-3.100	-3.025
<b>AVERAGE</b>		<b>-0.55</b>				<b>2.72</b>	<b>-3.01</b>	<b>-0.36</b>
<b>#UP</b>		<b>12</b>				<b>25</b>	<b>2</b>	<b>9</b>
<b>#DOWN</b>		<b>14</b>				<b>1</b>	<b>24</b>	<b>17</b>
<b>FOLLOWING DOWN MAY</b>								
<b>AVERAGE</b>						<b>2.20</b>	<b>-3.02</b>	<b>-1.00</b>
<b>#UP</b>						<b>14</b>	<b>1</b>	<b>4</b>
<b>#DOWN</b>						<b>0</b>	<b>13</b>	<b>10</b>

JUN RALLY = JUNE HIGH - MAY CLOSE; JUN BREAK = JUNE LOW - MAY CLOSE.

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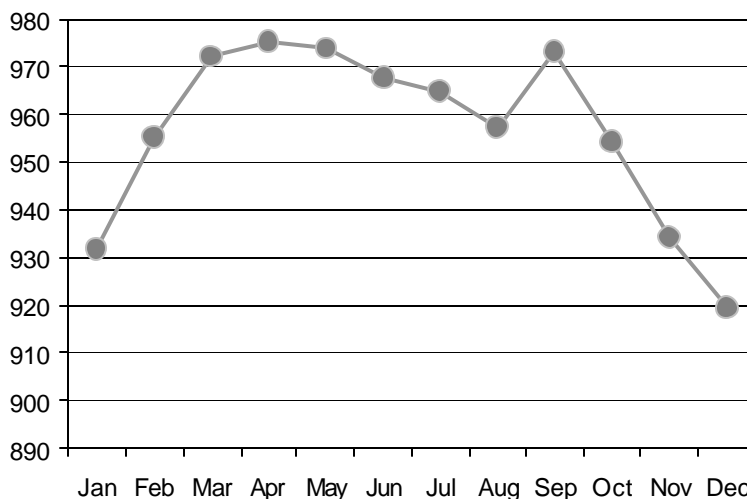
# SEASONAL NATURE OF HOG FARROWING

Though Hog production has moved off the farm and into large, indoor, factory style production facilities in the last 5 years, the nature of Hog breeding has not changed all that much surprisingly. The most active time of the year for birthing (farrowing) is in the spring, with April commanding the highest spot, followed by May, June, and March. Hence, it is no wonder that everyone has heard of a Spring Pig!

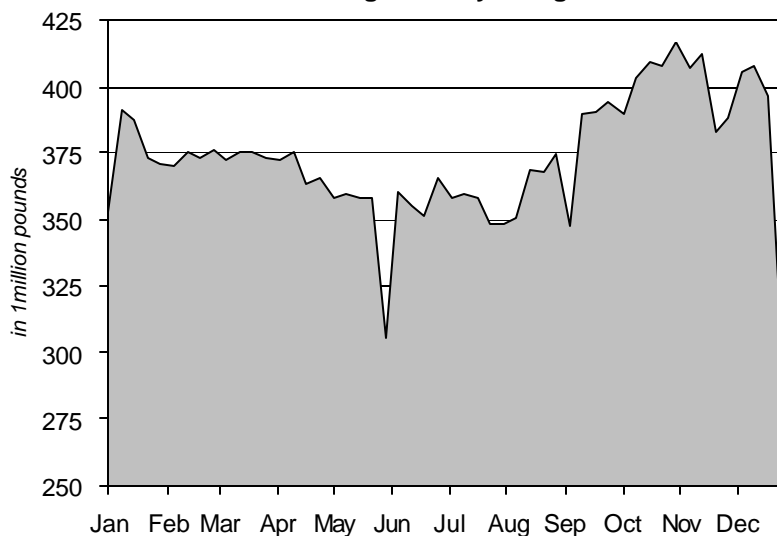
The pattern of farrowings has a lot to do with the available supply of slaughter weight hogs at specific times of the year. Slaughter rates tend to increase from July through to the end of the year – with a sharp spike downward during the Holidays as slaughter plants shut for the Holidays.

With this normal increase in supply, is it any wonder that the period from October to

**Average Monthly Hog Farrowing**



**5 Year Average Weekly Slaughter**



December is the weakest period for Hog futures. Based on the same general conclusions, the slowest time of the year for farrowings is October through January, with December marking the usual year low in Farrowings. Thus, it is not surprising that September is the strongest month on record for Hog prices, with a total gain of +43.80 cwt in the last 19 years basis the October futures.

The most consistently strong three month period is the March through May period, which coincides with the typical lows in slaughter patterns.

The pattern of slaughter is logically tied to the pattern of breeding and farrowing as breeding and farrowing lay the ground work for making slaughter ready Hogs. With the indoor facilities, Hogs can go from the birth

to slaughter in as little roughly 40 weeks, thus making Spring Pigs into Christmas Hams.

Traders should watch roughly 9 months out after farrowing numbers. When farrowings are low, supply 9 months out can be tight, as the available supply of slaughter weight animals may be lacking and thus slaughter numbers could suffer. However, when farrowings are high, prices can come under pressure 9 months out as supplies can be plentiful and slaughter rates may increase.

Of course, slaughter rates alone do not make up the price of Hog futures, as the consumer is the ultimate price setter. However, given the fickle nature of consumer tastes, the supply side of the market is much easier to predict, especially when Hog market participants remember farrowing patterns from the previous 9 months, as these will effect slaughter patterns which have a strong influence on price. Traders should pay particular attention to the February through April farrowings, as these will have a strong impact on prices in September through December, as well as the October through December farrowing period, as this will greatly effect August through October period, which is typically a time of great volatility.



# JUNE SPREAD TRADING OPPORTUNITY

Processing margins tend to wane in this period as consumers do not seem anxious to pay up for beef. This weakness – especially in Boxed Beef prices – tends to weigh on near by contracts relative to deferred contracts, especially as slaughter rates begin increasing.

- Long October Lean Hogs, Short August Lean Hogs: Enter on roughly the 9<sup>th</sup> trading day of June, Exit on roughly the 5<sup>th</sup> trading day of July.

## Hypothetical Performance Record

Entry Date	Spread Entry	Exit Date	Spread Exit	P&L (cwt)	Best Price	Best P&L(cwt)	Worst Price	Worst P&L(cwt)
6/11/1993	-0.050	7/8/1993	0.350	0.400	0.575	0.625	-0.075	-0.025
6/13/1994	3.125	7/8/1994	3.550	0.425	4.425	1.300	3.125	0.000
6/13/1995	0.675	7/10/1995	1.050	0.375	1.375	0.700	0.600	-0.075
6/13/1996	1.300	7/8/1996	2.200	0.900	2.400	1.100	0.875	-0.425
6/12/1997	3.475	7/8/1997	3.950	0.475	3.950	0.475	2.650	-0.825
6/11/1998	-0.575	7/8/1998	0.550	1.125	0.550	1.125	-0.825	-0.250
6/11/1999	1.275	7/8/1999	1.500	0.225	1.600	0.325	0.750	-0.525
6/13/2000	1.975	7/10/2000	2.600	0.625	2.600	0.625	1.975	0.000
6/13/2001	1.450	7/9/2001	1.700	0.250	1.700	0.250	0.475	-0.975
6/13/2002	1.950	7/8/2002	2.400	0.450	2.400	0.450	1.575	-0.375
6/12/2003	1.400	7/8/2003	0.825	-0.575	1.475	0.075	0.825	-0.575
6/14/2004	0.750	7/8/2004	1.950	1.200	1.950	1.200	-0.325	-1.075
6/13/2005	2.425	7/8/2005	3.800	1.375	3.800	1.375	2.150	-0.275
6/13/2006	-10.775	7/10/2006	-7.450	3.325	-7.450	3.325	-10.975	-0.200
6/13/2007	-6.400	7/9/2007	-5.100	1.300	-5.100	1.300	-7.200	-0.800
<b># Observations</b>	15	<b>Total P&amp;L</b>	11.875	<b>Worst P&amp;L</b>	-0.575			
<b># Up</b>	14	<b>Average P&amp;L</b>	0.792	<b>Average Draw</b>	-0.427			
<b># Down</b>	1	<b>Average Gain</b>	0.889	<b>Worst Draw</b>	-1.075			
<b>% Up</b>	93%	<b>Average Loss</b>	-0.575	<b>Worst Draw on Gain</b>	-1.075			

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# BULLISH JUNE'S CONTINUED IN JULY...

## BUY JUNE STRENGTH IN OCTOBER LIVE CATTLE

Usually by June/July, slaughter rates in the Cattle market have peaked. In years when slaughter rates are not keeping up with increasing consumption – thanks to the BBQ season – October Live Cattle futures begin to rise in anticipation of a short-fall in supply when slaughter rates decline.

This worry driven increase in October Live Cattle futures can be seen by the fact that following the last 12 years when the October futures have increased in June, they have continued rallying in July on 10 occasions (83.3%). The average July Rally following post June strength has been +2.77 cents/lb, or almost twice as large as the average July Break under such circumstances of -1.49 cents/lb.

OCTOBER LIVE CATTLE FUTURES IN CENTS/LB								
YEAR	JUN CLOSE	JUN CHANGE	JUL HIGH	JUL LOW	JUL CLOSE	JUL RALLY	JUL BREAK	JUL CHANGE
1982	60.98	-3.38	63.40	58.50	62.43	2.43	-2.48	1.45
1983	57.95	-1.35	60.90	56.95	60.48	2.95	-1.00	2.53
1984	64.08	1.93	64.45	60.85	61.60	0.38	-3.23	-2.48
1985	59.23	-3.35	60.73	53.65	55.93	1.50	-5.58	-3.30
1986	55.30	4.98	60.65	53.98	59.05	5.35	-1.33	3.75
1987	61.68	0.50	63.08	58.60	62.78	1.40	-3.08	1.10
1988	65.23	-2.08	69.90	63.80	69.10	4.68	-1.42	3.88
1989	73.10	4.08	76.10	72.13	75.53	3.00	-0.97	2.43
1990	75.25	0.05	79.10	74.75	78.98	3.85	-0.50	3.73
1991	74.50	-1.25	75.98	72.90	73.20	1.48	-1.60	-1.30
1992	72.38	3.48	73.90	71.85	73.63	1.53	-0.52	1.25
1993	75.13	1.10	75.70	72.48	75.20	0.58	-2.65	0.08
1994	68.25	-0.53	72.48	67.25	71.73	4.23	-1.00	3.48
1995	63.68	1.63	65.95	63.05	65.88	2.28	-0.62	2.20
1996	67.35	1.73	70.05	67.20	68.55	2.70	-0.15	1.20
1997	67.88	-0.48	71.45	66.60	70.63	3.58	-1.27	2.75
1998	64.20	-2.10	65.08	59.90	59.93	0.88	-4.30	-4.28
1999	63.95	-0.78	65.55	62.95	64.38	1.60	-1.00	0.42
2000	69.18	-0.85	70.45	68.15	68.80	1.28	-1.02	-0.38
2001	75.05	-1.00	76.00	73.63	73.90	0.95	-1.43	-1.15
2002	65.47	1.08	68.70	65.48	67.75	3.23	0.01	2.28
2003	70.93	0.33	78.40	70.20	77.70	7.48	-0.72	6.78
2004	86.30	-1.43	91.73	84.65	88.75	5.43	-1.65	2.45
2005	82.55	-3.90	84.05	80.50	83.40	1.50	-2.05	0.85
2006	89.68	5.50	91.18	85.60	88.70	1.50	-4.07	-0.97
2007	94.73	-0.50	100.00	94.10	99.95	5.28	-0.62	5.23
<b>AVERAGE</b>		0.13				2.73	-1.70	1.31
<b>#UP</b>		12				26	1	19
<b>#DOWN</b>		14				0	25	7
<b>FOLLOWING UP JUNE</b>								
<b>AVERAGE</b>						2.77	-1.49	1.78
<b>#UP</b>						12	1	10
<b>#DOWN</b>						0	11	2

JUL RALLY= JULY HIGH – JUNE CLOSE, JUL BREAK=JULY LOW – JUNE CLOSE.

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Traders should note that July is the strongest month on record for Live Cattle, and that the bulk of July Rallies are usually over done and corrected in August.

# LIVE CATTLE UP 19 OF 26 YEARS IN JULY...

## LIVE CATTLE'S STRONGEST MONTH

July is typical of futures market logic. July tends to be a very large consumption month – back yard BBQ's – as well as at the height of the yearly slaughter cycle. Typically, following June/July, slaughter rates slow, while consumption tends to stay steady, causing stocks in storage to decrease going into the winter and benefiting the October futures.

It is no wonder then that July is the strongest month on record for Live Cattle futures. The October contract has posted gains in 19 of the last 26 years (73.0%). On average, October Live Cattle futures have posted a gain of +1.31 cents/lb. July Rallies have averaged +2.73 cent/lb, dwarfing the average July Break of only -1.70 cents/lb.

OCTOBER LIVE CATTLE FUTURES IN CTS/LB					JULY CHANGES GRAPHICALLY
YEAR	JUL CLOSE	JUL CHANGE	JUL RALLY	JUL BREAK	
1982	62.425	1.450	2.425	-2.475	
1983	60.475	2.525	2.950	-1.000	
1984	61.600	-2.475	0.375	-3.225	
1985	55.925	-3.300	1.500	-5.575	
1986	59.050	3.750	5.350	-1.325	
1987	62.775	1.100	1.400	-3.075	
1988	69.100	3.875	4.675	-1.425	
1989	75.525	2.425	3.000	-0.975	
1990	78.975	3.725	3.850	-0.500	
1991	73.200	-1.300	1.475	-1.600	
1992	73.625	1.250	1.525	-0.525	
1993	75.200	0.075	0.575	-2.650	
1994	71.725	3.475	4.225	-1.000	
1995	65.875	2.200	2.275	-0.625	
1996	68.550	1.200	2.700	-0.150	
1997	70.625	2.750	3.575	-1.275	
1998	59.925	-4.275	0.875	-4.300	
1999	64.375	0.425	1.600	-1.000	
2000	68.800	-0.375	1.275	-1.025	
2001	73.900	-1.150	0.950	-1.425	
2002	67.750	2.280	3.230	0.005	
2003	77.700	6.775	7.475	-0.725	
2004	88.750	2.450	5.425	-1.650	
2005	83.400	0.850	1.500	-2.050	
2006	88.700	-0.975	1.500	-4.075	
2007	99.950	5.225	5.275	-0.625	
AVERAGE		1.31	2.73	-1.70	
# UP		19	26	1	
# DOWN		7	0	25	

JUL RALLY=JULY HIGH-JUNE CLOSE, JULY BREAK=JULY LOW-JUNE CLOSE  
PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. SEE HYPOTHETICAL DISCLAIMER

The best July's are usually continuations of June strength. 10 of the last 12 June rallies have seen October Live Cattle futures continue higher in July, with an average gain of +1.77 cents/lb. In total since 1982, the June/July period has seen gains in October Live Cattle futures in 17 of the last 26 years (65.4%).

# JULY SPREAD TRADING OPPORTUNITY

Low slaughter rates and increasing demand from backyard barbeques tends to support the support prices of near term contracts relative to back month futures. Hog producers who had early farrowings tend to be very savvy in marketing, only marketing lighter weight animals if prices are advantageous.

- Long August Lean Hogs, Short October Lean Hogs: Enter on roughly the 2<sup>nd</sup> trading day of July, Exit on roughly the last trading day of July.

## Hypothetical Performance Record

Entry Date	Spread Entry	Exit Date	Spread Exit	P&L (cwt)	Best Price	Best P&L(cwt)	Worst Price	Worst P&L(cwt)
7/6/1993	15.050	7/23/1993	13.050	-2.000	16.400	1.350	12.800	-2.250
7/6/1994	13.950	7/22/1994	14.975	1.025	16.750	2.800	13.950	0.000
7/6/1995	8.000	7/21/1995	6.800	-1.200	8.000	0.000	6.800	-1.200
7/8/1996	-7.950	7/23/1996	-7.500	0.450	-7.475	0.475	-10.275	-2.325
7/7/1997	-0.200	7/23/1997	2.550	2.750	2.550	2.750	-0.875	-0.675
7/6/1998	16.050	7/23/1998	19.325	3.275	19.325	3.275	16.050	0.000
7/6/1999	23.450	7/23/1999	24.850	1.400	27.000	3.550	22.200	-1.250
7/6/2000	17.400	7/21/2000	19.050	1.650	19.625	2.225	17.025	-0.375
7/6/2001	18.625	7/23/2001	21.100	2.475	21.100	2.475	18.625	0.000
7/8/2002	28.075	7/23/2002	28.850	0.775	29.250	1.175	27.625	-0.450
7/7/2003	18.725	7/23/2003	25.350	6.625	25.375	6.650	18.300	-0.425
7/6/2004	26.875	7/23/2004	28.925	2.050	29.475	2.600	24.575	-2.300
7/6/2005	29.225	7/22/2005	27.725	-1.500	29.750	0.525	27.375	-1.850
7/11/2006	30.725	7/21/2006	30.975	0.250	31.750	1.025	24.375	-6.350
7/10/2007	33.675	7/24/2007	30.300	-3.375	33.675	0.000	28.650	-5.025
<b># Observations</b>	15	<b>Total P&amp;L</b>	14.650	<b>Worst P&amp;L</b>	-3.375			
<b># Up</b>	11	<b>Average P&amp;L</b>	0.977	<b>Average Draw</b>	-1.632			
<b># Down</b>	4	<b>Average Gain</b>	2.066	<b>Worst Draw</b>	-6.350			
<b>% Up</b>	73%	<b>Average Loss</b>	-2.019	<b>Worst Draw on Gain</b>	-6.350			

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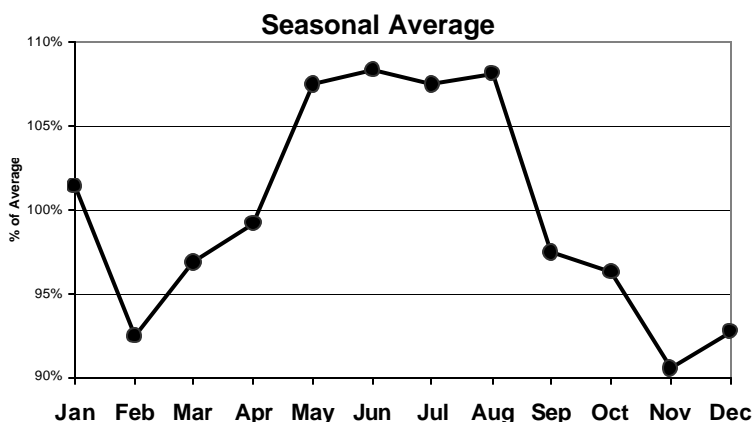
\*\*\*\* NOTE THIS MONTHLY SPREAD TENDENCY IS NOT STATISTICALLY SIGNIFICANT, IN TERMS OF EITHER ACCURACY NOR RETURNS \*\*\*\*

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# SEASONALITY OF CATTLE MARKETING

Cattle marketing is extremely seasonal and cyclical in nature. Not only is the supply of slaughter weight animals dependent upon the placement cycle, marketing can be greatly effected by other factors, such as consumer tastes, processing margins from packers and a whole slew of other variables.



The law of supply and demand dictates that prices will rise when supply diminishes faster than demand or demand outstrips supply. It is often though that because beef is a non-storable commodity (only able to be stored temporarily), that marketing is synonymous with demand. However, this may not be the case fully. However, examining this assumption against the typical price behavior of Cattle futures leads to a different conclusion.

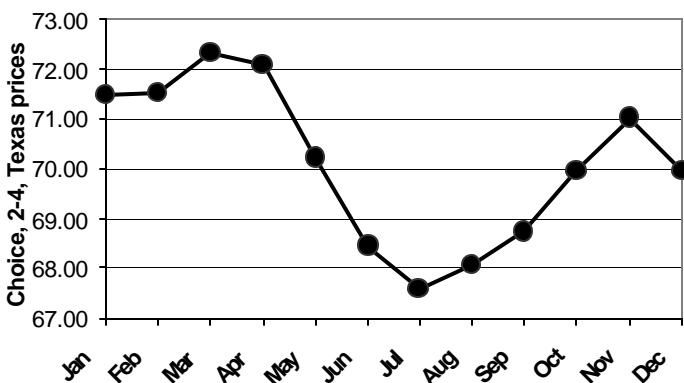
Cattle marketing in the last 19 years have tended to peak from June through August, running up strongly in the later part of spring and early summer. The price of the Slaughter Steers

(choice 2-4, Texas, 1100-1300 lbs) has historically been weak during this period of rising demand. Perhaps this is accounted for by the supply of beef outstripping demand.

Cattle marketing have tended to diminish in the fall and early winter (September through December); however, slaughter steer prices (choice 2-4, Texas, 1100-1300 lbs) tend to gain strongly in the later part of the year, as marketing diminish.

This apparent lack of correlation between marketing and prices is easily understood, if one takes a look at the beef marketing practices. Typically, slaughterhouses tend to gear up production when demand is strong. They adjust to increasing demand with increased slaughtering, as ideally this leaves the slaughterhouses with the lowest risk of having to discount large inventories, and allows them to maintain the largest profit margins. By keeping the supply of beef behind the demand curve and fulfilling current demand only, slaughterhouses are able to minimize their own risk, and manage the onslaught of supply during the late spring and summer months.

**Slaughter Steer Prices  
19 Year Seasonal Average**



Traditionally, the largest demand for beef, except for brief holiday demand for specific higher end cuts, is during the summer. With America on vacations, the amount of fast food (hamburgers) consumption is large, as well as demand from backyard barbeques. This allows the slaughterhouses to absorb the increase in slaughter ready animals with minimal lowering of bids. However, this same tactic tends to work to their detriment during times of slow demand. During these periods, they tend to run at lower capacities, and large orders or sudden surges in demand require them to go to the market for large supplies of animals at once. During the winter and early spring, when the supply of slaughter ready animals is low, packers must raise their bids to encourage feedlots to take animals off of feed to meet their demand. Also, since the packers are not prepared for these sudden surges, they tend to bid more aggressively to obtain supply.

By understanding the natural supply and demand cycle for beef, the astute marketer or speculator can be better prepared sudden shifts in supply and demand dynamics in the marketplace and the resulting effect on prices.

# AUGUST SPREAD TRADING OPPORTUNITY

Strong demand has traditionally fueled bull spreads in the Live Cattle market during the later part of summer (long nearby and short deferred contracts). Low placements and low numbers of Cattle on Feed have supported bull spreads as well.

- Long December Live Cattle, Short June Lean Hogs: Enter on roughly the last trading day of August, Exit on roughly the 9<sup>th</sup> trading day of September.

## Hypothetical Performance Record

Entry Date	Spread Entry	Exit Date	Spread Exit	P&L (cwt)	Best Price	Best P&L(cwt)	Worst Price	Worst P&L(cwt)
8/31/1993	2.075	9/14/1993	2.175	0.100	2.450	0.375	2.050	-0.025
8/31/1994	2.025	9/14/1994	2.850	0.825	2.975	0.950	2.025	0.000
8/31/1995	3.850	9/14/1995	4.450	0.600	4.650	0.800	3.850	0.000
8/30/1996	3.125	9/13/1996	3.900	0.775	3.900	0.775	2.625	-0.500
8/29/1997	-1.650	9/12/1997	-1.300	0.350	-1.200	0.450	-1.750	-0.100
8/31/1998	-1.300	9/14/1998	1.200	2.500	1.375	2.675	-1.325	-0.025
8/31/1999	0.600	9/14/1999	1.425	0.825	1.425	0.825	0.100	-0.500
8/31/2000	-1.400	9/14/2000	-0.625	0.775	-0.625	0.775	-1.600	-0.200
8/31/2001	0.275	9/18/2001	0.175	-0.100	0.600	0.325	0.050	-0.225
8/30/2002	2.425	9/13/2002	3.250	0.825	3.300	0.875	2.425	0.000
8/29/2003	8.400	9/12/2003	10.800	2.400	10.850	2.450	8.400	0.000
8/31/2004	4.800	9/14/2004	5.625	0.825	5.625	0.825	4.375	-0.425
8/31/2005	4.150	9/14/2005	5.100	0.950	5.125	0.975	3.500	-0.650
8/31/2006	24.500	9/14/2006	22.350	-2.150	25.700	1.200	22.350	-2.150
8/31/2007	23.625	9/14/2007	20.525	-3.100	23.950	0.325	20.325	-3.300
<b># Observations</b>	<b>15</b>	<b>Total P&amp;L</b>	<b>6.400</b>	<b>Worst P&amp;L</b>	<b>-3.100</b>			
<b># Up</b>	<b>12</b>	<b>Average P&amp;L</b>	<b>0.427</b>	<b>Average Draw</b>	<b>-0.540</b>			
<b># Down</b>	<b>3</b>	<b>Average Gain</b>	<b>0.979</b>	<b>Worst Draw</b>	<b>-3.300</b>			
<b>% Up</b>	<b>80%</b>	<b>Average Loss</b>	<b>-1.783</b>	<b>Worst Draw on Gain</b>	<b>-0.650</b>			

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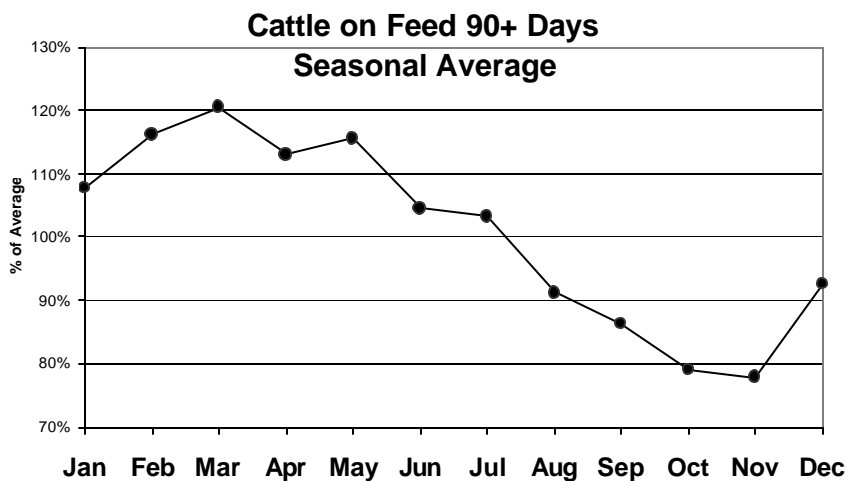
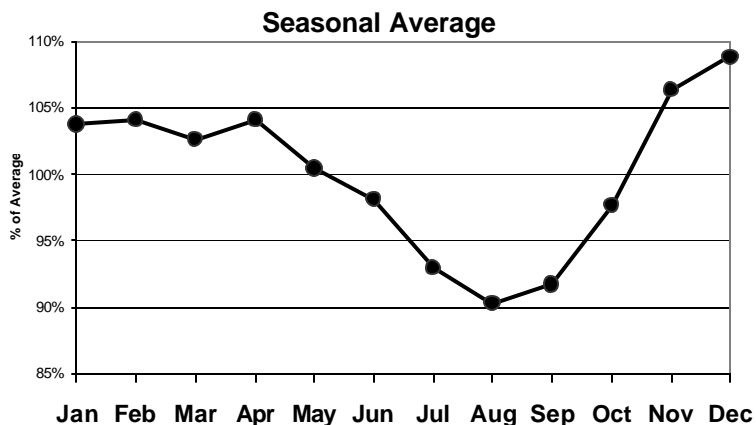
# SEASONAL NATURE OF CATTLE ON FEED

Unlike Hogs, which have moved production to indoor facilities, Cattle production from breeding to feeding is still done outdoors. As such, Cattle production is dependent upon the climate and the forces of nature. As such, Cattle On Feed numbers tend to be very seasonal in nature.

The bulk of Cattle are born in the spring, when pasture conditions are lush and weather is hospitable for calves. The spring born calves are typically placed on feed before winter sets in, as winter pasturing is difficult and usually involves adding feed to pasturing, a proposition many cow/calf operations do not wish to undertake.

The Cattle placed on feed in the fall are usually being marketed in the late winter/early spring. Hence, the number of cattle on feed tends to peak in December, and reach its trough in August.

In the last 19 years, the number of Cattle on Feed has traditionally varied by 21% throughout the year. Typically, the August/September lows, when pasture conditions are favorable and spring calves are not yet ready for placement, the number of Cattle on Feed tends to drop by –10% below the yearly average.



The number of Cattle on Feed is a misleading statistic, as cattle on feed covers a wide variety of animals, some just starting out and others ready to be sold for slaughter (marketed) very soon. One way of looking at the supply of cattle ready for marketing is to look at the Cattle on Feed 90+ days. On average, the number of cattle on feed but close to marketing peaks in March/April, which coincides with the increase in marketings seen from March through August. This large supply of cattle ready for slaughter tends to weigh on prices, causing futures to dip in April and May – traditionally the two worst months for cattle futures prices.

Cattle on feed 90+ days tends to bottom at the end of the year, as lots are full of the spring calf placements. This lack of supply of slaughter ready animals tends to be supportive of prices, counter acting worries about the large absolute numbers on feed currently – given the fall/early winter placement rush. It is the lack of supply of slaughter ready animals which probably accounts for the strength in the futures from November through February – the top four performing months for live cattle futures prices historically.

By understanding not only how and when cattle are placed but also what the composition of the cattle on feed is, the speculator/hedger in the live cattle futures market is better prepared to anticipate changes in pricing. Obviously, this only takes into account half of the equation – the supply side – but by understanding not only how many cattle are on feed, and the size relative to normal distributions, but how long they have been on feed can give the astute trader a leg up in anticipating price direction.

# AUGUST HOG WEAKNESS REVERSES ...

## SEPTEMBER STRENGTH LIFTS FALL HOGS

August is the 2<sup>nd</sup> worst month on record for Hog futures, declining in half of the last 26 years by an average of -0.96 cents/lb. However, the August Break typically sets up the Hog market for a September Rally, as “back to school” Federal Lunch program purchases as well as increase familial consumption tends to support prices of the nearby futures.

Following the last 13 August declines, the October Hog futures have posted monthly gains in September on 10 occasions (76.9%) averaging +3.27 cents/lb. The average post August weakness September Rally has been an impressive +5.67 cents/lb, dwarfing the average September Break -2.02 cents/lb under such scenarios. As such, traders may wish to view August weakness as a blessing and a chance to establish long positions in the October Hog futures.

OCTOBER LEAN HOGFUTURES IN CENTS/LB								
YEAR	AUG CLOSE	AUG CHANGE	SEP HIGH	SEP LOW	SEP CLOSE	SEP RALLY	SEP BREAK	SEP CHANGE
1982	83.425	3.000	87.650	77.500	79.650	4.225	-5.925	-3.775
1983	58.175	3.700	59.325	54.800	55.325	1.150	-3.375	-2.850
1984	64.250	0.175	65.400	59.250	59.350	1.150	-5.000	-4.900
1985	49.050	-5.000	56.075	46.550	55.900	7.025	-2.500	6.850
1986	78.000	4.075	80.000	68.925	70.400	2.000	-9.075	-7.600
1987	68.050	2.125	69.850	63.500	64.275	1.800	-4.550	-3.775
1988	52.100	-1.025	54.725	50.550	53.500	2.625	-1.550	1.400
1989	54.700	0.900	59.325	52.225	59.200	4.625	-2.475	4.500
1990	65.275	-8.800	75.400	65.275	74.075	10.125	0.000	8.800
1991	59.700	-1.450	64.250	58.300	62.050	4.550	-1.400	2.350
1992	54.125	2.975	57.325	53.375	57.200	3.200	-0.750	3.075
1993	63.750	1.975	67.775	63.100	63.675	4.025	-0.650	-0.075
1994	52.125	-5.075	53.200	49.050	49.200	1.075	-3.075	-2.925
1995	60.325	0.575	64.175	59.750	62.625	3.850	-0.575	2.300
1996	70.825	-1.625	79.150	70.225	78.000	8.325	-0.600	7.175
1997	70.450	-4.700	71.850	67.700	67.800	1.400	-2.750	-2.650
1998	37.275	-5.175	43.450	35.400	42.625	6.175	-1.875	5.350
1999	45.800	2.450	49.600	40.975	48.975	3.800	-4.825	3.175
2000	52.925	-4.525	58.625	52.800	58.350	5.700	-0.125	5.425
2001	58.250	-1.925	61.750	57.600	58.600	3.500	-0.650	0.350
2002	30.875	-10.825	41.075	29.400	40.200	10.200	-1.475	9.325
2003	54.775	3.475	61.200	54.675	55.525	6.425	-0.100	0.750
2004	65.975	-3.250	77.850	64.150	75.000	11.875	-1.825	9.025
2005	63.700	6.175	67.400	61.600	67.200	3.700	-2.100	3.500
2006	66.900	5.150	68.400	61.725	63.625	1.500	-5.175	-3.275
2007	66.825	-8.375	68.000	58.350	58.900	1.175	-8.475	-7.925
<b>AVERAGE</b>		<b>-0.96</b>				<b>4.43</b>	<b>-2.73</b>	<b>1.29</b>
<b>#UP</b>		<b>13</b>				<b>26</b>	<b>0</b>	<b>16</b>
<b>#DOWN</b>		<b>13</b>				<b>0</b>	<b>25</b>	<b>10</b>
<b>FOLLOWING DOWN AUGUST</b>								
<b>AVERAGE</b>						<b>5.67</b>	<b>-2.02</b>	<b>3.27</b>
<b>#UP</b>						<b>13</b>	<b>0</b>	<b>10</b>
<b>#DOWN</b>						<b>0</b>	<b>12</b>	<b>3</b>

SEP RALLY = SEPTEMBER HIGH – AUGUST CLOSE; SEPBREAK = SEPTEMBER LOW – AUGUST CLOSE.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. SEE HYPOTHETICAL RISK DISCLAIMER



# SEPTEMBER SPREAD TRADING OPPORTUNITY

Winter tends to be a very bullish time of year for Cattle, as slaughter rates slow and demand tends to pick up. Often the December contract tends to experience holes in available supply, and as such tends to gain on the deferred, summer slaughter months.

- Long February Lean Hogs, Short December Lean Hogs: Enter on roughly the 4<sup>th</sup> to last trading day of September, Exit on roughly the 9<sup>th</sup> trading day of November.

## Hypothetical Performance Record

Entry Date	Spread Entry	Exit Date	Spread Exit	P&L (cwt)	Best Price	Best P&L(cwt)	Worst Price	Worst P&L(cwt)
9/28/1992	-1.475	11/9/1992	0.550	2.025	0.575	2.050	-1.550	-0.075
9/27/1993	-0.700	11/9/1993	2.150	2.850	2.150	2.850	-1.100	-0.400
9/26/1994	1.200	11/9/1994	5.075	3.875	5.200	4.000	0.975	-0.225
9/26/1995	2.875	11/9/1995	5.000	2.125	5.200	2.325	2.350	-0.525
9/26/1996	-0.725	11/8/1996	-0.625	0.100	1.925	2.650	-0.725	0.000
9/26/1997	-0.825	11/7/1997	0.925	1.750	0.925	1.750	-0.825	0.000
9/28/1998	2.900	11/9/1998	6.900	4.000	7.100	4.200	2.800	-0.100
9/27/1999	3.125	11/9/1999	4.025	0.900	5.000	1.875	3.100	-0.025
9/26/2000	0.075	11/9/2000	3.175	3.100	3.175	3.100	0.075	0.000
9/26/2001	0.475	11/9/2001	3.200	2.725	3.200	2.725	0.475	0.000
9/26/2002	5.500	11/8/2002	6.950	1.450	7.500	2.000	3.800	-1.700
9/26/2003	2.250	11/7/2003	6.350	4.100	6.350	4.100	2.200	-0.050
9/27/2004	-2.950	11/9/2004	0.000	2.950	0.600	3.550	-2.950	0.000
9/26/2006	-0.100	11/9/2006	3.200	3.300	3.250	3.350	-0.100	0.000
9/25/2007	4.925	11/13/2007	7.050	2.125	8.225	3.300	4.925	0.000

# Observations	15	Total P&L	37.375	Worst P&L	0.100
# Up	15	Average P&L	2.492	Average Draw	-0.207
# Down	0	Average Gain	2.492	Worst Draw	-1.700
% Up	100%	Average Loss	#DIV/0!	Worst Draw on Gain	-1.700

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# BULLISH SEPTEMBER'S ARE CONTINUED ...

## FOLLOW SEPTEMBER STRENGTH IN LIVE CATTLE

Typically by September, slaughter rates are decreasing as the Cattle Industry is focusing upon placements of feeders onto feedlots. Typically, slaughter rates slow because the supply of slaughter weight animals is low, as feedlots increase marketings early to make room on the lots for the new, thin, Feeder Cattle.

In years when the decrease in slaughter and supply is met with strong demand, December Live Cattle futures rise during September. Such September strength is usually continued through November. Following the last 15 September increases, December Live Cattle futures have continued higher through November 12 times (80.0%). The average October/November rally was +3.77 cents/lb, or twice as large as the average October/November break of -1.64 cents/lb, showing how strong bullish moves can be this time of the year.

DECEMBER LIVE CATTLE FUTURES IN CENTS/LB								
YEAR	SEP CLOSE	SEP CHANGE	OCT/NOV HIGH	OCT/NOV LOW	NOV CLOSE	OCT/NOV RALLY	OCT/NOV BREAK	OCT/NOV CHANGE
1982	59.025	-2.650	63.775	56.650	60.450	4.750	-2.375	1.425
1983	60.750	3.850	64.275	58.650	63.425	3.525	-2.100	2.675
1984	63.550	-1.325	68.300	62.000	67.675	4.750	-1.550	4.125
1985	61.825	3.600	68.950	61.075	68.875	7.125	-0.750	7.050
1986	56.200	-3.225	62.125	54.800	62.100	5.925	-1.400	5.900
1987	66.600	-0.450	69.250	60.800	64.850	2.650	-5.800	-1.750
1988	73.775	1.275	75.500	71.950	72.325	1.725	-1.825	-1.450
1989	74.325	0.700	76.250	72.900	74.975	1.925	-1.425	0.650
1990	76.450	1.625	79.775	74.975	78.550	3.325	-1.475	2.100
1991	76.775	3.375	77.225	72.075	73.525	0.450	-4.700	-3.250
1992	73.650	1.100	76.925	72.750	76.775	3.275	-0.900	3.125
1993	74.125	-1.175	75.400	71.150	71.550	1.275	-2.975	-2.575
1994	68.500	-0.575	71.000	66.750	67.425	2.500	-1.750	-1.075
1995	66.650	1.350	69.250	65.600	67.600	2.600	-1.050	0.950
1996	68.150	0.100	68.975	64.500	67.025	0.825	-3.650	-1.125
1997	67.100	-1.650	68.250	65.450	67.200	1.150	-1.650	0.100
1998	61.750	0.775	66.450	61.125	63.050	4.700	-0.625	1.300
1999	69.300	1.700	71.075	67.200	70.250	1.775	-2.100	0.950
2000	70.675	1.650	73.600	70.050	72.175	2.925	-0.625	1.500
2001	67.320	-7.275	70.775	61.750	67.225	3.455	-5.570	-0.095
2002	70.625	0.450	75.100	69.025	74.775	4.475	-1.600	4.150
2003	84.950	4.000	99.300	84.400	99.250	14.350	-0.550	14.300
2004	87.275	-0.175	90.850	82.200	90.325	3.575	-5.075	3.050
2005	90.000	4.500	93.500	88.800	93.450	3.500	-1.200	3.450
2006	89.850	-2.900	91.100	84.425	85.700	1.250	-5.425	-4.150
2007	99.800	-0.225	99.975	93.750	93.850	0.175	-6.050	-5.950
<b>AVERAGE</b>		0.32				3.38	-2.47	1.36
<b>#UP</b>		15				26	0	17
<b>#DOWN</b>		11				0	26	9
<b>FOLLOWING UP SEPTEMBER</b>								
<b>AVERAGE</b>						3.77	-1.64	2.43
<b>#UP</b>						15	0	12
<b>#DOWN</b>						0	15	3

OCT/NOV RALLY= OCTOBER/NOVEMBER HIGH -SEPTEMBER CLOSE, OCT/NOV BREAK=OCTOBER/NOVEMBER LOW-SEPTEMBER CLOSE. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. SEE HYPOTHETICAL RISK DISCLAIMER

# SEPTEMBER HOG BULLS SLAUGHTERED ...

## SEPTEMBER RALLIES REVERSED IN OCTOBER

September or October typically marks the height of the Pork slaughter cycle, as the "Spring" pigs reach slaughter weight and fast become Christmas Hams.

Typically, when the feed/breed/slaughter cycle is running behind schedule, Hog prices rally on a lack of fresh supply, especially as Fall/Winter Pork demand kicks in with Federal Lunch Programs as well anticipation of Holiday demand. As such, September tends to be a strong month for Hog futures, with the December contract posting gains in 16 of the last 26 years (61.5%). However, the September Rallies tend to be fleeting.

Following the last 16 September Rallies, December Hog futures have reversed course and declined in October on 12 occasions (75.0%), falling by an average of -1.02 cents/lb on a monthly settlement basis and experiencing an average October Break of -3.23 cents/lb, showing just how violent this break can be.

DECEMBER LEAN HOGFUTURES IN CENTS/LB								
YEAR	SEP CLOSE	SEP CHANGE	OCT HIGH	OCT LOW	OCT CLOSE	OCT RALLY	OCT BREAK	OCT CHANGE
1982	80.475	-0.250	80.625	73.025	73.600	0.150	-7.450	-6.875
1983	55.325	-1.900	59.350	54.200	58.550	4.025	-1.125	3.225
1984	62.100	-4.650	65.800	61.375	65.475	3.700	-0.725	3.375
1985	58.375	5.650	64.050	58.175	63.125	5.675	-0.200	4.750
1986	69.725	-5.600	72.975	66.200	69.725	3.250	-3.525	0.000
1987	61.175	-4.625	64.825	57.975	58.050	3.650	-3.200	-3.125
1988	58.125	2.450	59.200	55.125	55.600	1.075	-3.000	-2.525
1989	59.950	2.550	64.725	59.475	62.925	4.775	-0.475	2.975
1990	71.200	4.275	75.800	68.975	69.950	4.600	-2.225	-1.250
1991	60.425	1.275	61.075	56.075	56.375	0.650	-4.350	-4.050
1992	57.925	3.075	60.750	57.025	57.325	2.825	-0.900	-0.600
1993	64.050	1.350	69.575	64.625	66.275	5.525	0.575	2.225
1994	49.200	-4.100	49.725	44.325	47.650	0.525	-4.875	-1.550
1995	62.975	3.050	63.400	58.950	59.050	0.425	-4.025	-3.925
1996	77.425	5.075	79.450	69.575	73.500	2.025	-7.850	-3.925
1997	63.425	-3.950	64.000	60.025	62.225	0.575	-3.400	-1.200
1998	40.400	3.450	44.600	37.225	37.400	4.200	-3.175	-3.000
1999	46.625	3.200	49.700	44.300	46.525	3.075	-2.325	-0.100
2000	54.200	3.900	55.175	50.500	51.175	0.975	-3.700	-3.025
2001	54.820	0.500	57.150	46.700	51.650	2.330	-8.120	-3.170
2002	40.550	5.250	43.550	38.325	43.125	3.000	-2.225	2.575
2003	53.600	-0.325	61.025	51.150	53.325	7.425	-2.450	-0.275
2004	69.125	5.400	69.250	63.500	67.450	0.125	-5.625	-1.675
2005	63.350	1.800	65.650	59.275	61.675	2.300	-4.075	-1.675
2006	60.850	-2.850	65.375	58.350	64.950	4.525	-2.500	4.100
2007	62.250	-6.575	61.550	53.450	53.875	-0.700	-8.800	-8.375
<b>AVERAGE</b>		<b>0.67</b>				<b>2.72</b>	<b>-3.45</b>	<b>-1.04</b>
<b>#UP</b>		<b>16</b>				<b>25</b>	<b>1</b>	<b>7</b>
<b>#DOWN</b>		<b>10</b>				<b>1</b>	<b>25</b>	<b>18</b>
<b>FOLLOWING UP SEPTEMBER</b>								
<b>AVERAGE</b>						<b>2.72</b>	<b>-3.23</b>	<b>-1.02</b>
<b>#UP</b>						<b>16</b>	<b>1</b>	<b>4</b>
<b>#DOWN</b>						<b>0</b>	<b>15</b>	<b>12</b>

OCT RALLY = OCTOBER HIGH - SEPTEMBER CLOSE; OCT BREAK = OCTOBER LOW - SEPTEMBER CLOSE.

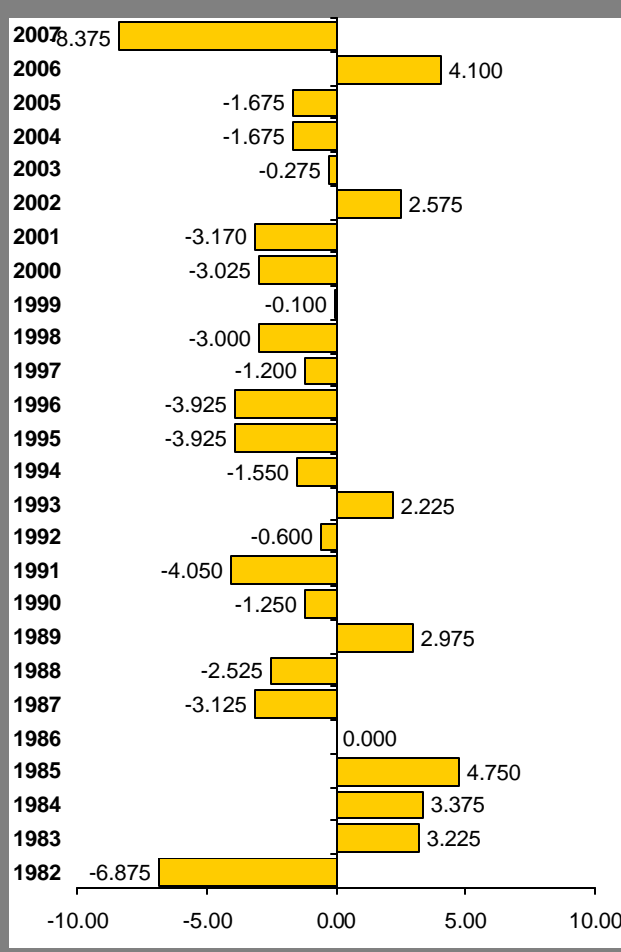
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# SPRING PIGS SLAUGHTERED IN OCTOBER...

## HOG MARKETS WEAKEST MONTH

Though “Wilber” from the classic kid’s book, Charlotte’s Web as well as the Hollywood Pig, “Babe”, were both Spring Pigs, they experienced a much different fate than norm. Usually Pigs farrowed in Spring – hence the name – are slaughter in September/October (5 to 7 months after birth). This increase in slaughtering tends to push prices lower.

The normal breeding/feeding cycle in Hogs makes October typically the worst month on record for Hog futures prices. In the last 26 years, December Hog futures have declined on 18 occasions (69.2%) by an average of -1.04 cents/lb. With an average October Break of -3.45 cents/lb, bullish traders should be hesitant about long positions during October.

DECEMBER HOG FUTURES IN CTS/LB					OCTOBER CHANGES GRAPHICALLY
YEAR	Oct CLOSE	Oct CHANGE	Oct RALLY	Oct BREAK	
1982	73.600	-6.875	0.150	-7.450	
1983	58.550	3.225	4.025	-1.125	
1984	65.475	3.375	3.700	-0.725	
1985	63.125	4.750	5.675	-0.200	
1986	69.725	0.000	3.250	-3.525	
1987	58.050	-3.125	3.650	-3.200	
1988	55.600	-2.525	1.075	-3.000	
1989	62.925	2.975	4.775	-0.475	
1990	69.950	-1.250	4.600	-2.225	
1991	56.375	-4.050	0.650	-4.350	
1992	57.325	-0.600	2.825	-0.900	
1993	66.275	2.225	5.525	0.575	
1994	47.650	-1.550	0.525	-4.875	
1995	59.050	-3.925	0.425	-4.025	
1996	73.500	-3.925	2.025	-7.850	
1997	62.225	-1.200	0.575	-3.400	
1998	37.400	-3.000	4.200	-3.175	
1999	46.525	-0.100	3.075	-2.325	
2000	51.175	-3.025	0.975	-3.700	
2001	51.650	-3.170	2.330	-8.120	
2002	43.125	2.575	3.000	-2.225	
2003	53.325	-0.275	7.425	-2.450	
2004	67.450	-1.675	0.125	-5.625	
2005	61.675	-1.675	2.300	-4.075	
2006	64.950	4.100	4.525	-2.500	
2007	53.875	-8.375	-0.700	-8.800	
AVERAGE		-1.04	2.72	-3.45	
# UP		7	25	1	
# DOWN		18	1	25	

OCT RALLY=OCTOBER HIGH-SEPTEMBER CLOSE, OCT BREAK=OCTOBER LOW-SEPTEMBER CLOSE  
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Traders should note that not only the worst, but also the most consistently weak Octobers have followed September Rallies. The “trend is your friend” under many circumstances, but when faced with the heaviest slaughter rates of the year, not many bullish markets can hold up. This can be seen by the fact that 12 of the last 16 strong Septembers have seen December Hog futures decline in October. However, October weakness is often undone in November.

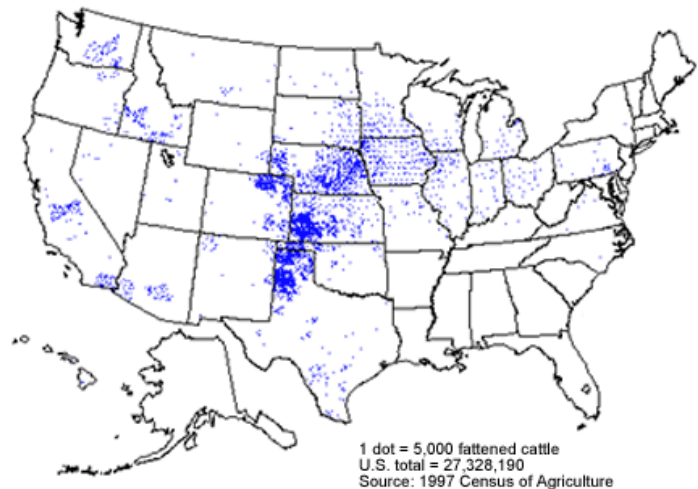
# SEASONALITY OF CATTLE PLACEMENTS

Cattle placement is a tricky business. Everything from grain prices to transportation costs and availability, as well as weather can effect a decision to place or not.

Cow/calf operations and stocker operations must decide to place cattle on feed when it is most economical for them. However, they are running against the clock, as a small window of opportunity exists for them, in which their cattle weigh between 600 and 800 pounds. They must also be able to transport their cattle on pasture to a feedlot, which at times can be difficult.

Pasture conditions can also wreak havoc on the early part of the production cycle. For example, during droughts when pasture conditions are extremely poor, cow/calf and stocker operations are forced to sell their cattle early, or feed them grain. Typically, most small to medium sized cow/calf and stocker operations are not prepared to feed grain rations, and as such would rather sell their production early and avoid the extra expense and risk associated with grain feeding.

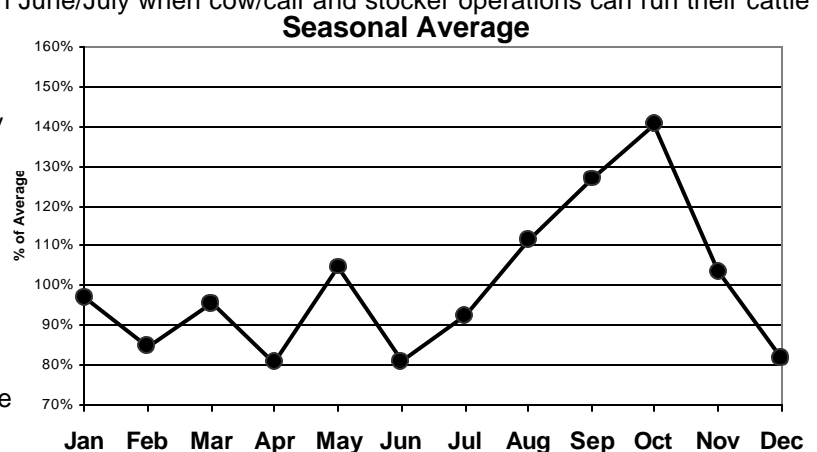
Cattle fattened on grain and concentrates and sold, 1997



Besides weather, transportation, and pasture conditions, cattle placements are also effected greatly by demand for feeder cattle from feedlots. Space as well profitability are the key determining factors in feedlot demand for feeders. Obviously, during times of high profitability, feedlots wish to maximize production, and their appetite for feeder cattle is large. However, they have capacity issues, and strive to spread production out throughout the year. Ideally, the demand for feeder cattle is best when grain prices are low and live cattle prices are high. Droughts and other natural calamities, which can cause increased placements, also lower the profitability of feedlots, creating periods where feeder cattle prices suffer not only from excess supply but poor demand as well as rising grain prices lower profitability in cattle feeding.

Historically, placements tend to be the lowest in June/July when cow/calf and stocker operations can run their cattle on pasture. Pasture is the least expensive form of weight gain for cattle, and as such when possible cattle are typically held at pasture as long as possible. This limited supply tends to support feeder cattle futures prices in June and July, the two strongest months historically.

However, as pasture conditions deteriorate and winter approaches, the number of cattle being placed on feed tends to increase dramatically. Cow/calf and stocker operations try to lower their herd counts dramatically by the first heavy snow fall and the on set of winter in October/November. This mass rush to place cattle tends to be a drag of feeder cattle futures prices, as historically October and November have traditionally been the two worst months on record.



Understanding when and why cow/calf and stocker operations place cattle on feed can help speculators and hedgers to anticipate increases and decreases in the supply of feeder cattle. During the spring through fall, we present pasture conditions and historical grain prices – rough profitability measures for feedlots – so users of the Livestock Almanac can better anticipate prices reactions to changing conditions in the Feeder Cattle market.

# OCTOBER SPREAD TRADING OPPORTUNITY

October is traditionally the heaviest slaughter month of the year. The influx of Hogs being brought to slaughter tends to weigh on prices, as demand begins to fall. October tends to be a good month to establish bear spreads (long deferred contracts, short nearby futures).

- Long July Lean Hogs, Short April Lean Hogs: Enter on roughly the 6<sup>th</sup> trading day of October, Exit on roughly the 2<sup>nd</sup> to last trading day of October.

## Hypothetical Performance Record

Entry Date	Spread Entry	Exit Date	Spread Exit	P&L (cwt)	Best Price	Best P&L(cwt)	Worst Price	Worst P&L(cwt)
10/8/1993	3.100	10/28/1993	3.375	0.275	3.375	0.275	3.050	-0.050
9/9/1994	5.100	10/29/1994	5.075	-0.025	5.275	0.175	4.975	-0.125
10/9/1995	3.875	10/30/1995	4.425	0.550	5.000	1.125	3.875	0.000
10/8/1996	1.000	10/30/1996	2.450	1.450	3.250	2.250	1.000	0.000
10/8/1997	4.600	10/30/1997	5.825	1.225	6.125	1.525	4.325	-0.275
10/8/1998	7.925	10/29/1998	9.050	1.125	9.050	1.125	7.575	-0.350
10/8/1999	6.200	10/28/1999	7.175	0.975	7.175	0.975	5.850	-0.350
10/9/2000	4.700	10/30/2000	5.450	0.750	5.525	0.825	4.675	-0.025
10/8/2001	4.850	10/30/2001	7.125	2.275	7.725	2.875	4.850	0.000
10/8/2002	8.150	10/30/2002	6.475	-1.675	8.175	0.025	6.475	-1.675
10/8/2003	2.250	10/30/2003	2.350	0.100	2.500	0.250	0.250	-2.000
10/8/2004	0.075	10/28/2004	0.950	0.875	2.050	1.975	0.075	0.000
10/10/2005	-0.700	10/28/2005	0.575	1.275	1.050	1.750	-0.825	-0.125
10/6/2006	2.150	10/30/2006	2.500	0.350	3.500	1.350	1.975	-0.175
10/8/2007	6.300	10/30/2007	9.550	3.250	9.550	3.250	5.875	-0.425

# Observations	15	Total P&L	12.775	Worst P&L	-1.675
# Up	13	Average P&L	0.852	Average Draw	-0.372
# Down	2	Average Gain	1.113	Worst Draw	-2.000
% Up	87%	Average Loss	-0.850	Worst Draw on Gain	-2.000

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# PRE-HOLIDAY CHEER SUPPORTS HOGS...

## NOVEMBER'S 2<sup>nd</sup> STRONGEST MONTH FOR HOGS

Declining slaughter rates as well as increasing demand ahead of the Holidays tends to support Hog prices into years end. This is evident by the fact that February Hog futures have posted an average gain of +1.14cents/lb, making November the 2<sup>nd</sup> strongest month on record for Hogs.

The strength in November is very telling by examining the average November Rally and Break. The average rally in November between 1983 and 2007 was +3.36 cents/lb, or almost 50% larger absolutely than the average November Break of -2.26 cents/lb. Couple this with 15 advances during the month of November versus 10 declines, and it may well pay to be bullish Hogs ahead of the Holidays.

FEBRUARYLEAN HOG FUTURES IN CTS/LB																																																									
YEAR	NOV CLOSE	NOV CHANGE	NOV RALLY	NOV BREAK	NOVEMBER CHANGES GRAPHICALLY																																																				
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# UP		17	24	2																																																					
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NOV RALLY=NOVEMBER HIGH-OCTOBER CLOSE, NOV BREAK=NOVEMBER LOW-OCTOBER CLOSE  
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Traders should look for especially strong and consistently up November's following October weakness. Since 1983, February Hogs have declined in October on 11 occasions. Following these 11 October declines, prices have reversed in November and posted an average gain of +2.48 cents/lb in 9 years (81.8%).

# LIMIT MOVES AND LIVESTOCK FUTURES

A limit move is defined as the maximum advance or decline – from the previous days settlement price – permitted for a contract in one trading session by the rules of the exchange. It is an artificial circuit breaker put on trading, to avoid excess volatility.

The market technician and analyst, Robert Howe, observed in 1977 that “*a price at the limit of a tradable daily range, once reached, becomes an objective which the market will again test and ultimately exceed.*” In other words, Howe's Limit Rule says that limit prices will be tested – possibly only briefly – and typically sooner rather than later.

Based on the strong historical tendency for limit moves to be exceeded within several days of their occurrence, the following trading rules were developed by Robert Howe and Moore Research Center ([www.mrci.com](http://www.mrci.com))

**If a market trades limit up, shorter term traders should look to:**

1. Buy into any price retracements - intraday or in the immediately following trading days.
2. Traders already long may be encouraged to hold their positions or even add to them.
3. Prospective sellers should be discouraged from immediately establishing bearish positions until after the limit up price is exceeded – by at least 1 tick.

**If a market trades limit down, shorter term traders should look to:**

1. Sell into any price increases - intraday or in the immediately following trading days.
2. Traders already short may be encouraged to hold their positions or even add to them.
3. Prospective buyers should be discouraged from immediately establishing bullish positions until after the limit down price is exceeded – by at least 1 tick.

In observing all the limit moves in the last five years, Howe's Limit Rule has proved historically (hypothetically) to be extremely accurate. For example, of the 33 occurrences where prices traded to the limit up value in Live Cattle in the last decade – basis the closest to delivery contract not in its delivery month – all saw the limit price of that exceeded within 5 trading days and 25 of the 32 limit down prices were exceeded within 5 trading days.

Using these observations surrounding limit moves, traders should expect the market short term to move in the direction of the limit move. Corrections against this shorter-term trend should be minor until the limit price is exceeded - by at least 1 tick (0.025 cwt).

Limit moves tend to be the most powerful and most indicative of the long term trend in prices when they occur unexpectedly (*none news/report driven*) and in the opposite direction of the prevailing trend or following a period of non-volatile price congestion - *channel break-outs for the technically driven trader*.

Limit moves after a prolonged trend can sometimes be an indication of exhaustion with in the move. The violation of a limit price by a small amount, with in a prolonged trend, may foreshadow a failure within this price move indicating that a change in the longer term price direction is imminent. A limit move after a strong trend, which fails to be exceeded – *known as a “hanging limit”* – may also indicate that the trend is more apt to reverse (price exhaustion).

For more information on Howe's Limit Rule, please contact Moore Research Center:

**Moore Research Center, Inc.**

85180 Lorane Hwy  
Eugene, OR 97405  
800-927-7259

[www.mrci.com](http://www.mrci.com)

Link to Moore Research Center's Howe's Limit rule article: [www.mrci.com/howe.asp](http://www.mrci.com/howe.asp)



# NOVEMBER SPREAD TRADING OPPORTUNITY

The fourth quarter tends to see the heaviest slaughter rate of the year. This influx of supply combined with weak demand near Thanksgiving, a traditional Turkey Holiday, tends to weigh on nearby contracts relative to deferred contracts in most years.

- Long April Lean Hogs, Short February Lean Hogs: Enter on roughly the 5<sup>th</sup> trading day of November, Exit on roughly the 5<sup>th</sup> trading day of January.

## Hypothetical Performance Record

Entry Date	Spread Entry	Exit Date	Spread Exit	P&L (cwt)	Best Price	Best P&L(cwt)	Worst Price	Worst P&L(cwt)
11/6/1992	-2.425	1/7/1993	1.775	4.200	1.900	4.325	-1.675	0.750
11/5/1993	-1.675	1/7/1994	1.325	3.000	1.650	3.325	-0.375	1.300
11/7/1994	0.375	1/9/1995	0.450	0.075	0.600	0.225	-0.750	-1.125
11/7/1995	-0.075	1/8/1996	-2.000	-1.925	-2.000	-1.925	-5.275	-5.200
11/7/1996	-4.975	1/7/1997	-2.000	2.975	-2.000	2.975	-5.275	-0.300
11/7/1996	-4.975	1/7/1997	-1.250	3.725	-0.575	4.400	-3.775	1.200
11/7/1997	-3.275	1/8/1998	4.150	7.425	7.175	10.450	2.400	5.675
11/6/1998	2.400	1/8/1999	2.075	-0.325	2.125	-0.275	-0.300	-2.700
11/5/1999	1.850	1/7/2000	1.550	-0.300	1.550	-0.300	-1.025	-2.875
11/7/2001	1.400	1/8/2002	4.950	3.550	4.950	3.550	1.400	0.000
11/7/2002	3.700	1/8/2003	6.300	2.600	6.450	2.750	3.075	-0.625
11/7/2003	1.575	1/8/2004	3.475	1.900	3.875	2.300	1.475	-0.100
11/5/2004	-3.700	1/7/2005	0.900	4.600	1.025	4.725	-3.700	0.000
11/7/2005	0.975	1/9/2006	4.125	3.150	4.125	3.150	0.650	-0.325
11/7/2006	1.600	1/9/2007	3.300	1.700	4.050	2.450	1.300	-0.300

<b># Observations</b>	15	<b>Total P&amp;L</b>	36.350	<b>Worst P&amp;L</b>	-1.925
<b># Up</b>	12	<b>Average P&amp;L</b>	2.423	<b>Average Draw</b>	-0.308
<b># Down</b>	3	<b>Average Gain</b>	3.242	<b>Worst Draw</b>	-5.200
<b>% Up</b>	80%	<b>Average Loss</b>	-0.850	<b>Worst Draw on Gain</b>	-1.125

Monthly spread trading ideas are presented as a beginning basis for trading ideas. Be sure to check the current fundamental and technical nature of the market before initiating a trade. See disclaimer and warning below.

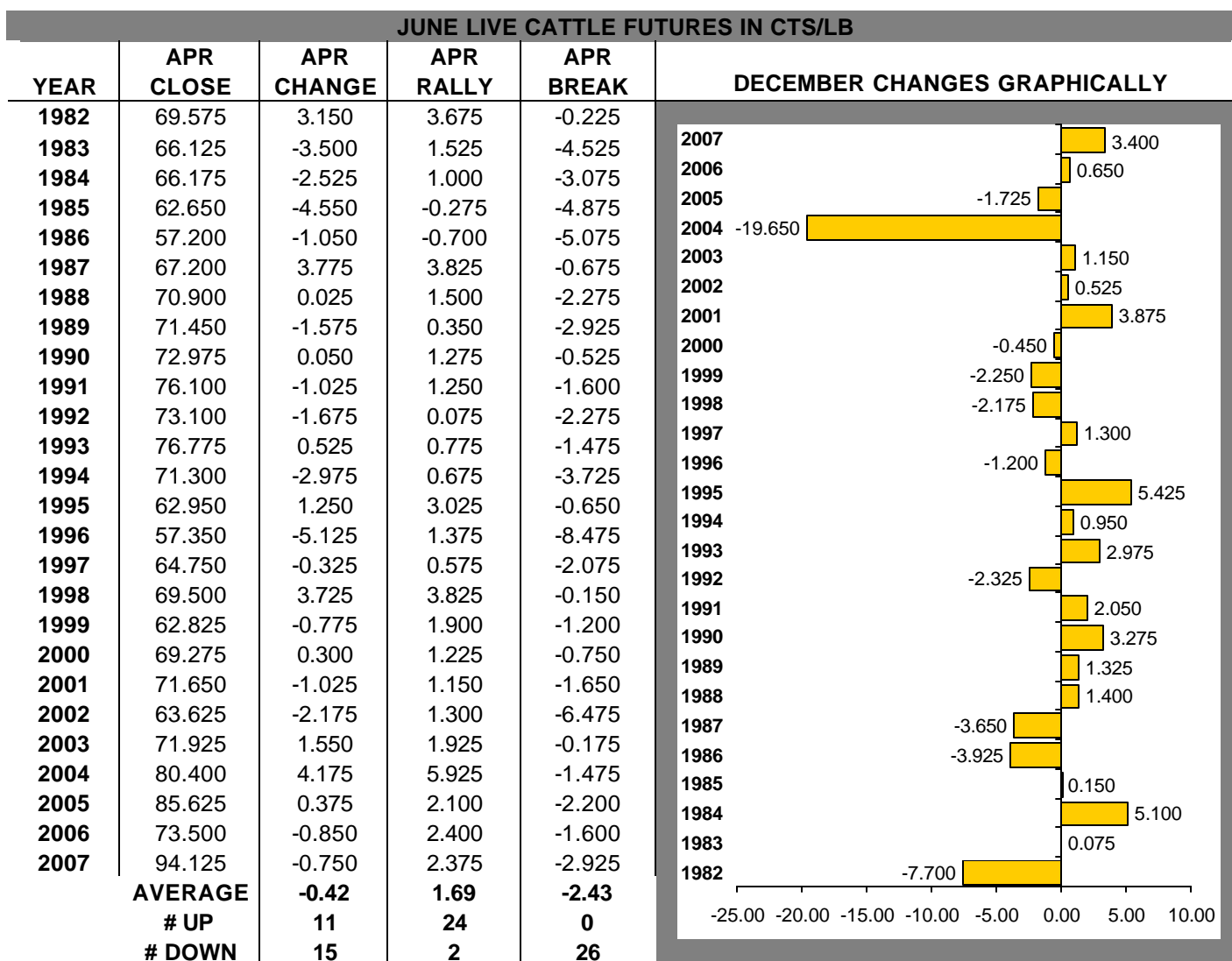
SEASONAL TENDENCIES ARE A COMPOSITE OF SOME OF THE MOST CONSISTENT COMMODITY FUTURES SEASONALS THAT HAVE OCCURRED IN THE PAST 15 YEARS. THERE ARE USUALLY UNDERLYING, FUNDAMENTAL CIRCUMSTANCES THAT OCCUR ANNUALLY THAT TEND TO CAUSE THE FUTURES MARKETS TO REACT IN SIMILAR DIRECTIONAL MANNER DURING A CERTAIN CALENDAR YEAR. EVEN IF A SEASONAL TENDENCY OCCURS IN THE FUTURE, IT MAY NOT RESULT IN A PROFITABLE TRANSACTION AS FEES AND THE TIMING OF THE ENTRY AND LIQUIDATION MAY IMPACT ON THE RESULTS. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT HAS IN THE PAST, OR WILL IN THE FUTURE, ACHIEVE PROFITS USING THESE RECOMMENDATIONS. NO REPRESENTATION IS BEING MADE THAT PRICE PATTERNS WILL RECUR IN THE FUTURE.

**DISCLOSURE OF RISK:** THE RISK OF LOSS IN TRADING FUTURES AND OPTIONS CAN BE SUBSTANTIAL; THEREFORE, ONLY GENUINE RISK FUNDS SHOULD BE USED. FUTURES AND OPTIONS ARE NOT SUITABLE INVESTMENTS FOR ALL INDIVIDUALS, AND INDIVIDUALS SHOULD CAREFULLY CONSIDER THEIR FINANCIAL CONDITION IN DECIDING WHETHER TO TRADE. OPTION TRADERS SHOULD BE AWARE THAT THE EXERCISE OF A LONG OPTION WOULD RESULT IN A FUTURES POSITION. HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL, OR IS LIKELY TO, ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM, IN SPITE OF TRADING LOSSES, ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS, IN GENERAL, OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

# THANKS TO "MAD COW" ... DECEMBER IS THE WEAKEST MONTH FOR LIVE CATTLE

On December 23<sup>rd</sup>, 2003 after the Chicago Mercantile Exchange had settled trade for the day, the USDA announced the first U.S. case of Bovine spongiform encephalopathy (BSE), commonly known as mad-cow disease. From the close on the 23<sup>rd</sup> of December 2003 at 90.675, the February Live Cattle futures fell limit down the next 4 days to finish December at 73.525. This decline of -17.15 cents/lb moved December from the 5<sup>th</sup> strongest month to the worst month on record.

If one ignores the 2003 "Mad Cow" break, then the worst month on record becomes April, and the second worst month is March.



APR RALLY=APRIL HIGH-MARCH CLOSE, APR BREAK=APRIL LOW-MARCH CLOSE

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. SEE HYPOTHETICAL DISCLAIMER

The best December's have traditionally followed November weakness, with 7 of the last 10 down Novembers being followed by strong Decembers. Traders should view December weakness as a blessing, as following the last 10 weak December's, the February and April Live Cattle futures have posted gains on 7 occasions (70.0%) – including a gain in January 2004 of +3.175 cents/lb after the 2003 "Mad Cow" break.

# DECEMBER LIVE CATTLE BREAKS CREATE JANUARY BARGAINS... BUY DECEMBER DIPS

They say the “trend is your friend” but often times they forget the other half of the saying. The complete saying is “the trend is your friend until it bends of ends.” This fact can clearly be seen in the behavior of April Live Cattle at years end.

December weakness has occurred in 10 years since 1982. Following these weak December's, April Live Cattle futures have posted gains through February in 7 years. The average gain during the 1<sup>st</sup> two months following a down December has been +2.41 cents/lb, with an average rally of +4.86 cents/lb and an average break of only -1.78 cents/lb. Hence, December downtrends may not be very good friends to the informed traders, in fact they may make better fades.

APRIL LIVE CATTLE FUTURES IN CENTS/LB								
YEAR	DEC CLOSE	DEC CHANGE	JAN/FEB HIGH	JAN/FEB LOW	FEB CLOSE	DEC/FEB CHANGE	DEC/FEB RALLY	DEC/FEB BREAK
1982	54.475	-7.950	65.800	54.800	64.225	9.750	11.325	0.325
1983	59.225	0.450	66.000	58.850	64.575	5.350	6.775	-0.375
1984	67.800	3.225	70.750	65.600	70.400	2.600	2.950	-2.200
1985	67.825	-0.300	69.000	64.975	65.025	-2.800	1.175	-2.850
1986	61.350	-1.575	64.000	57.400	61.375	0.025	2.650	-3.950
1987	56.150	-2.400	65.250	56.300	64.975	8.825	9.100	0.150
1988	65.425	1.750	73.550	65.100	71.500	6.075	8.125	-0.325
1989	75.475	1.775	78.450	73.150	78.050	2.575	2.975	-2.325
1990	75.675	1.850	77.875	74.750	75.450	-0.225	2.200	-0.925
1991	76.475	0.525	80.350	74.200	80.225	3.750	3.875	-2.275
1992	73.025	-1.500	79.175	72.850	77.400	4.375	6.150	-0.175
1993	76.675	2.250	80.500	76.200	80.225	3.550	3.825	-0.475
1994	75.725	0.875	77.150	74.025	77.100	1.375	1.425	-1.700
1995	72.900	4.275	75.250	72.400	74.275	1.375	2.350	-0.500
1996	66.375	-1.225	67.000	62.725	63.925	-2.450	0.625	-3.650
1997	65.550	0.575	70.400	65.050	69.625	4.075	4.850	-0.500
1998	68.775	-3.575	69.700	62.975	64.375	-4.400	0.925	-5.800
1999	63.025	-1.800	68.750	62.450	68.025	5.000	5.725	-0.575
2000	71.575	0.225	73.500	69.750	71.175	-0.400	1.925	-1.825
2001	79.125	3.725	81.575	76.375	81.375	2.250	2.450	-2.750
2002	73.670	1.370	76.520	72.900	74.200	0.530	2.850	-0.770
2003	78.900	0.925	80.150	75.000	75.825	-3.075	1.250	-3.900
2004	71.500	-12.425	77.700	70.500	76.850	5.350	6.200	-1.000
2005	85.620	-0.100	90.300	85.300	86.050	0.430	4.680	-0.320
2006	95.050	1.800	95.550	86.750	87.225	-7.825	0.500	-8.300
2007	93.775	3.475	98.100	92.300	97.050	3.275	4.325	-1.475
<b>AVERAGE</b>		<b>-0.15</b>				<b>1.90</b>	<b>3.89</b>	<b>-1.86</b>
<b>#UP</b>		<b>16</b>				<b>19</b>	<b>26</b>	<b>2</b>
<b>#DOWN</b>		<b>10</b>				<b>7</b>	<b>0</b>	<b>24</b>
<b>FOLLOWING DOWN DECEMBER</b>								
<b>AVERAGE</b>						<b>2.41</b>	<b>4.86</b>	<b>-1.78</b>
<b>#UP</b>						<b>7</b>	<b>10</b>	<b>2</b>
<b>#DOWN</b>						<b>3</b>	<b>0</b>	<b>8</b>

JAN/FEB RALLY = JANUARY/FEBRUARY HIGH – DECEMBER CLOSE; JAN/FEB BREAK = JANUARY/FEBRUARY LOW – DECEMBER CLOSE. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. SEE HYPOTHETICAL RISK DISCLAIMER

# DECEMBER SPREAD TRADING OPPORTUNITY

The fourth quarter tends to see the heaviest slaughter rate of the year. This influx of supply combined with weak demand in the Holidays, which tend to favor beef roasts and turkeys over pork, tends to weigh on nearby contracts relative to deferred contracts in most years.

- Long April Lean Hogs, Short February Lean Hogs: Enter on roughly the 4<sup>TH</sup> trading day of December, Exit on roughly the 5<sup>th</sup> trading day of January.

## Hypothetical Performance Record

Entry Date	Spread Entry	Exit Date	Spread Exit	P&L (cwt)	Best Price	Best P&L(cwt)	Worst Price	Worst P&L(cwt)
12/6/1993	0.275	1/7/1994	1.775	1.500	1.900	1.625	0.200	-0.075
12/6/1994	0.975	1/9/1995	1.325	0.350	1.650	0.675	-0.375	-1.350
12/6/1995	-0.225	1/8/1996	0.450	0.675	0.450	0.675	-0.750	-0.525
12/5/1996	-5.125	1/7/1997	-2.000	3.125	-2.000	3.125	-5.125	0.000
12/5/1996	-5.125	1/7/1997	-2.000	3.125	-2.000	3.125	-5.125	0.000
12/4/1997	-3.175	1/8/1998	-1.250	1.925	-0.575	2.600	-3.500	-0.325
12/4/1998	4.100	1/8/1999	4.150	0.050	7.175	3.075	4.100	0.000
12/6/1999	0.550	1/7/2000	2.075	1.525	2.125	1.575	0.050	-0.500
12/6/2000	-0.600	1/8/2001	1.550	2.150	1.550	2.150	-0.700	-0.100
12/6/2001	4.325	1/8/2002	4.950	0.625	4.950	0.625	2.575	-1.750
12/5/2002	5.075	1/8/2003	6.300	1.225	6.450	1.375	5.075	0.000
12/4/2003	3.175	1/8/2004	3.475	0.300	3.775	0.600	1.475	-1.700
12/6/2004	-2.650	1/7/2005	0.900	3.550	1.025	3.675	-2.650	0.000
12/6/2005	2.750	1/9/2006	4.125	1.375	4.125	1.375	1.975	-0.775
12/6/2006	2.575	1/8/2007	3.650	1.075	4.050	1.475	2.575	0.000

# Observations	15	Total P&L	22.575	Worst P&L	0.050
# Up	15	Average P&L	1.505	Average Draw	-0.473
# Down	0	Average Gain	1.505	Worst Draw	-1.750
% Up	100%	Average Loss		Worst Draw on Gain	-1.750

Monthly spread trading ideas are presented as a beginning basis for trading ideas. Be sure to check the current fundamental and technical nature of the market before initiating a trade. See disclaimer and warning below.

SEASONAL TENDENCIES ARE A COMPOSITE OF SOME OF THE MOST CONSISTENT COMMODITY FUTURES SEASONALS THAT HAVE OCCURRED IN THE PAST 15 YEARS. THERE ARE USUALLY UNDERLYING, FUNDAMENTAL CIRCUMSTANCES THAT OCCUR ANNUALLY THAT TEND TO CAUSE THE FUTURES MARKETS TO REACT IN SIMILAR DIRECTIONAL MANNER DURING A CERTAIN CALENDAR YEAR. EVEN IF A SEASONAL TENDENCY OCCURS IN THE FUTURE, IT MAY NOT RESULT IN A PROFITABLE TRANSACTION AS FEES AND THE TIMING OF THE ENTRY AND LIQUIDATION MAY IMPACT ON THE RESULTS. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT HAS IN THE PAST, OR WILL IN THE FUTURE, ACHIEVE PROFITS USING THESE RECOMMENDATIONS. NO REPRESENTATION IS BEING MADE THAT PRICE PATTERNS WILL RECUR IN THE FUTURE.

**DISCLOSURE OF RISK:** THE RISK OF LOSS IN TRADING FUTURES AND OPTIONS CAN BE SUBSTANTIAL; THEREFORE, ONLY GENUINE RISK FUNDS SHOULD BE USED. FUTURES AND OPTIONS ARE NOT SUITABLE INVESTMENTS FOR ALL INDIVIDUALS, AND INDIVIDUALS SHOULD CAREFULLY CONSIDER THEIR FINANCIAL CONDITION IN DECIDING WHETHER TO TRADE. OPTION TRADERS SHOULD BE AWARE THAT THE EXERCISE OF A LONG OPTION WOULD RESULT IN A FUTURES POSITION. HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL, OR IS LIKELY TO, ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM, IN SPITE OF TRADING LOSSES, ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS, IN GENERAL, OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

# APPENDIX I

## Cattle Inventory

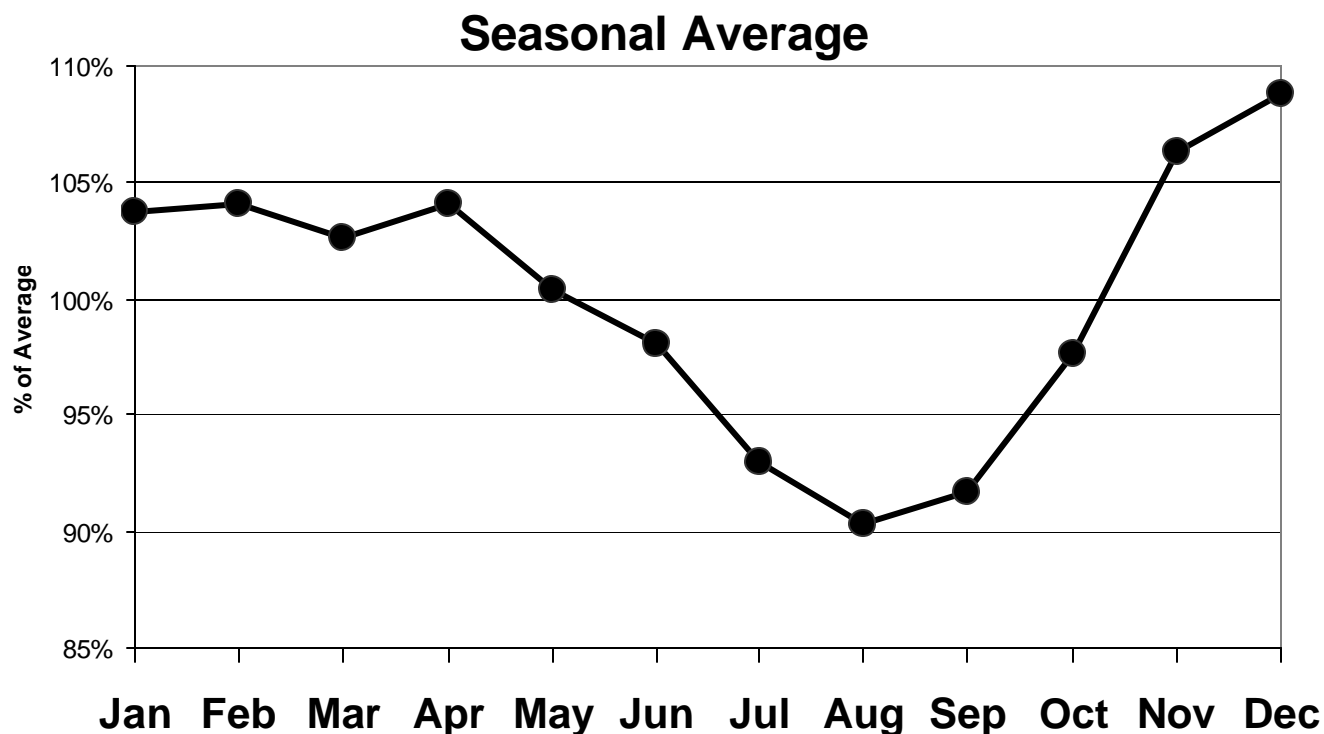
- Cattle & Calf Inventory January 1<sup>st</sup>
- Calf Crop

## Cattle on Feed

### Monthly Cattle on Feed Report

- Cattle on Feed
- Placements
- Marketings
- Other Disappearance

# Cattle On Feed (in Thousand Head)



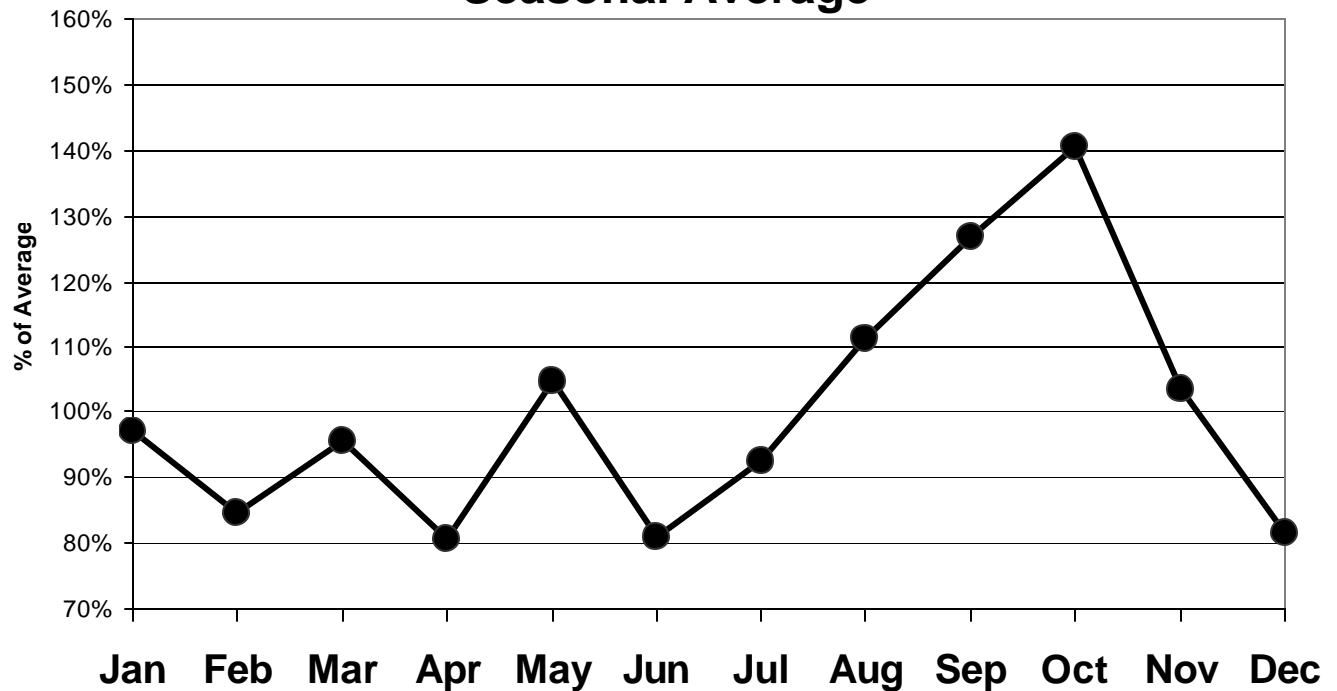
## ADJUSTED CATTLE ON FEED (Thousand Head)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1987	6,923	6,575	6,446	6,512	6,563	6,920	6,597	6,176	6,337	7,055	7,819	7,829
1988	7,322	7,085	6,824	6,970	6,807	7,148	6,815	6,314	6,199	6,671	7,399	7,385
1989	7,003	6,883	6,841	7,140	7,032	6,850	6,374	5,981	5,920	6,269	7,143	7,453
1990	7,293	7,363	7,180	7,348	7,122	6,931	6,475	6,224	6,271	6,933	7,891	8,158
1991	7,906	7,887	7,801	7,883	7,600	7,680	7,072	6,662	6,427	6,583	7,272	7,583
1992	7,206	7,046	7,031	6,979	6,862	6,930	6,506	6,237	6,242	6,789	7,854	8,025
1993	8,080	7,948	7,672	7,590	7,291	7,366	7,017	6,810	6,981	7,437	8,219	8,418
1994	8,256	8,139	7,981	7,960	7,772	7,511	6,910	6,841	6,949	7,295	7,988	8,198
1995	8,031	8,119	8,227	8,328	8,233	8,182	7,734	7,391	7,189	7,722	8,420	8,685
1996	10,346	9,900	9,696	9,812	9,173	8,601	7,840	7,546	7,831	8,841	10,073	10,633
1997	10,558	10,341	10,275	10,391	9,926	9,615	8,958	8,770	9,121	9,963	10,988	11,436
1998	11,155	10,785	10,365	10,107	9,717	9,703	9,161	8,985	9,022	9,747	10,755	11,033
1999	9,021	10,509	10,420	10,394	10,032	9,987	9,565	9,209	9,536	10,276	11,475	11,761
2000	9,752	11,574	11,330	11,202	10,944	10,967	10,399	10,180	10,374	11,016	11,864	11,948
2001	11,798	11,941	11,695	11,523	11,170	11,245	11,011	10,891	10,855	11,125	11,863	11,891
2002	11,572	9,951	9,905	11,577	10,951	9,449	9,056	8,750	8,845	9,088	9,315	9,395
2003	10,593	10,683	10,521	10,703	10,530	10,534	9,923	9,585	9,829	10,213	11,038	11,330
2004	11,565	11,128	10,977	10,748	10,360	10,625	10,117	9,853	9,973	10,497	11,334	11,334
2005	11,299	11,342	11,154	10,873	10,641	10,771	10,394	10,093	10,000	10,482	11,473	11,726
2006	11,804	12,110	12,023	11,812	11,559	11,187	10,872	10,822	10,986	11,385	11,969	11,973
2007	11,974	11,726	11,599	11,644	11,297	11,272	10,737	10,299	10,302	10,967	11,760	12,081
2008												

Years prior to 1992 are adjusted based on 92-93 factor  
Source: USDA/NASS Cattle On Feed Report

# Cattle Placements (in Thousand Head)

## Seasonal Average

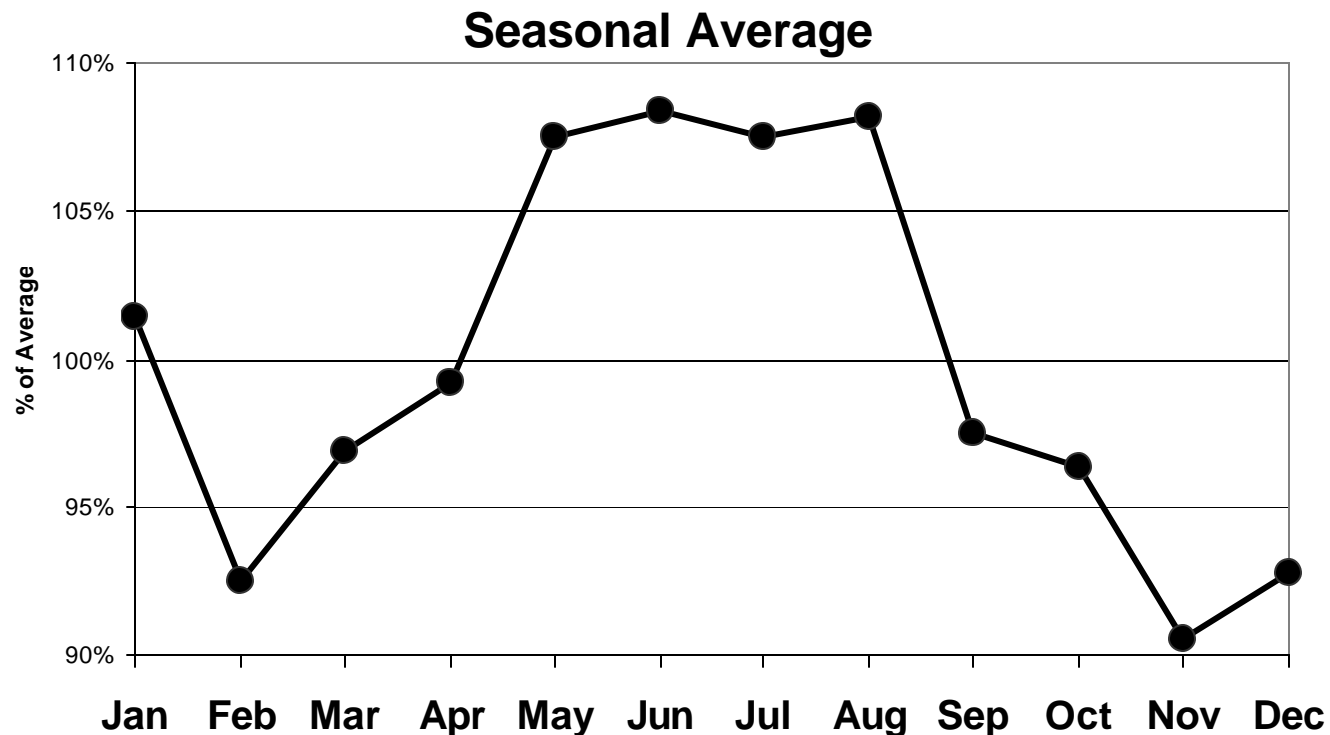


## ADJUSTED CATTLE PLACEMENTS (Thousand Head)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1987	1,352	1,270	1,580	1,572	1,864	1,302	1,205	1,790	2,310	2,372	1,436	1,153
1988	1,422	1,215	1,699	1,405	2,044	1,261	1,169	1,552	2,063	2,224	1,445	1,179
1989	1,459	1,418	1,815	1,422	1,526	1,175	1,206	1,531	1,824	2,407	1,712	1,275
1990	1,608	1,232	1,716	1,259	1,519	1,223	1,434	1,640	2,058	2,465	1,708	1,202
1991	1,518	1,313	1,584	1,337	1,726	1,034	1,254	1,382	1,705	2,282	1,627	1,208
1992	1,364	1,359	1,447	1,330	1,592	1,187	1,337	1,525	2,049	2,460	1,547	1,427
1993	1,377	1,076	1,441	1,212	1,720	1,312	1,415	1,752	2,001	2,243	1,610	1,215
1994	1,416	1,256	1,518	1,310	1,359	1,113	1,520	1,761	1,915	2,244	1,642	1,345
1995	1,631	1,532	1,681	1,403	1,673	1,356	1,404	1,653	2,173	2,278	1,804	1,446
1996	1,549	1,713	1,948	1,364	1,557	1,305	1,746	2,265	2,653	3,007	2,348	1,695
1997	1,887	1,797	1,966	1,548	1,864	1,444	1,995	2,429	2,711	2,916	2,207	1,552
1998	1,725	1,454	1,708	1,583	2,031	1,563	1,926	2,031	2,649	2,829	2,056	1,496
1999	1,933	1,808	2,031	1,688	2,049	1,794	1,812	2,428	2,759	3,114	2,170	1,646
2000	2,216	1,880	2,031	1,707	2,305	1,664	1,907	2,440	2,686	2,829	2,014	1,699
2001	2,263	1,580	1,852	1,551	2,367	1,965	1,986	2,204	2,136	2,697	1,908	1,578
2002	1,902	1,538	1,654	1,453	1,990	1,422	1,619	1,936	2,188	2,389	1,667	1,380
2003	2,135	1,657	2,042	1,870	2,297	1,682	1,992	2,374	2,474	2,781	1,926	1,748
2004	1,751	1,610	1,804	1,603	2,367	1,639	1,720	2,099	2,385	2,701	1,743	1,834
2005	1,888	1,523	1,750	1,660	2,223	1,769	1,678	1,993	2,355	2,788	2,045	1,884
2006	2,199	1,598	1,837	1,629	1,913	1,946	1,963	2,295	2,227	2,430	1,889	1,714
2007	1,692	1,659	1,960	1,537	2,159	1,657	1,622	2,119	2,420	2,716	2,116	
2008												

Years prior to 1992 are adjusted based on 92-93 factor  
Source: USDA/NASS Cattle On Feed Report

# Cattle Marketings (in Thousand Head)



## ADJUSTED CATTLE MARKETINGS (Thousand Head)

<i>Year</i>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1987	1,609	1,316	1,428	1,391	1,373	1,560	1,577	1,566	1,520	1,536	1,333	1,470
1988	1,583	1,376	1,448	1,452	1,563	1,546	1,634	1,619	1,530	1,424	1,368	1,383
1989	1,505	1,366	1,435	1,426	1,588	1,613	1,556	1,532	1,436	1,471	1,344	1,280
1990	1,453	1,340	1,434	1,389	1,606	1,633	1,620	1,525	1,323	1,427	1,373	1,244
1991	1,442	1,306	1,381	1,525	1,538	1,563	1,596	1,579	1,485	1,527	1,259	1,316
1992	1,449	1,278	1,401	1,351	1,439	1,524	1,535	1,453	1,450	1,333	1,304	1,290
1993	1,399	1,261	1,436	1,412	1,530	1,578	1,555	1,517	1,490	1,394	1,322	1,305
1994	1,481	1,357	1,467	1,430	1,542	1,632	1,550	1,602	1,525	1,504	1,370	1,432
1995	1,484	1,372	1,513	1,437	1,667	1,754	1,698	1,815	1,594	1,529	1,478	1,412
1996	1,930	1,845	1,756	1,896	2,045	1,996	1,978	1,930	1,573	1,697	1,695	1,684
1997	2,012	1,802	1,764	1,915	2,058	2,041	2,126	2,033	1,816	1,800	1,674	1,748
1998	1,996	1,805	1,872	1,881	1,952	2,033	2,052	1,942	1,863	1,769	1,700	1,813
1999	2,021	1,832	1,986	1,946	1,995	2,153	2,116	2,046	1,957	1,835	1,801	1,842
2000	2,048	2,046	2,056	1,875	2,167	2,175	2,082	2,197	1,990	1,915	1,825	1,754
2001	2,042	1,745	1,926	1,815	2,196	2,122	2,047	2,186	1,820	1,891	1,800	1,811
2002	1,792	1,532	1,565	1,996	1,864	1,773	1,889	2,135	1,848	1,979	1,731	1,801
2003	1,970	1,725	1,803	1,985	2,228	2,222	2,270	2,075	2,032	1,855	1,537	1,740
2004	1,782	1,692	1,966	1,894	2,023	2,077	1,926	1,923	1,800	1,798	1,635	1,777
2005	1,772	1,634	1,963	1,801	1,997	2,083	1,918	2,033	1,816	1,739	1,701	1,715
2006	1,810	1,612	1,958	1,795	2,170	2,198	1,955	2,072	1,760	1,765	1,802	1,625
2007	1,841	1,711	1,843	1,821	2,085	2,140	1,999	2,066	1,701	1,876	1,738	
2008												

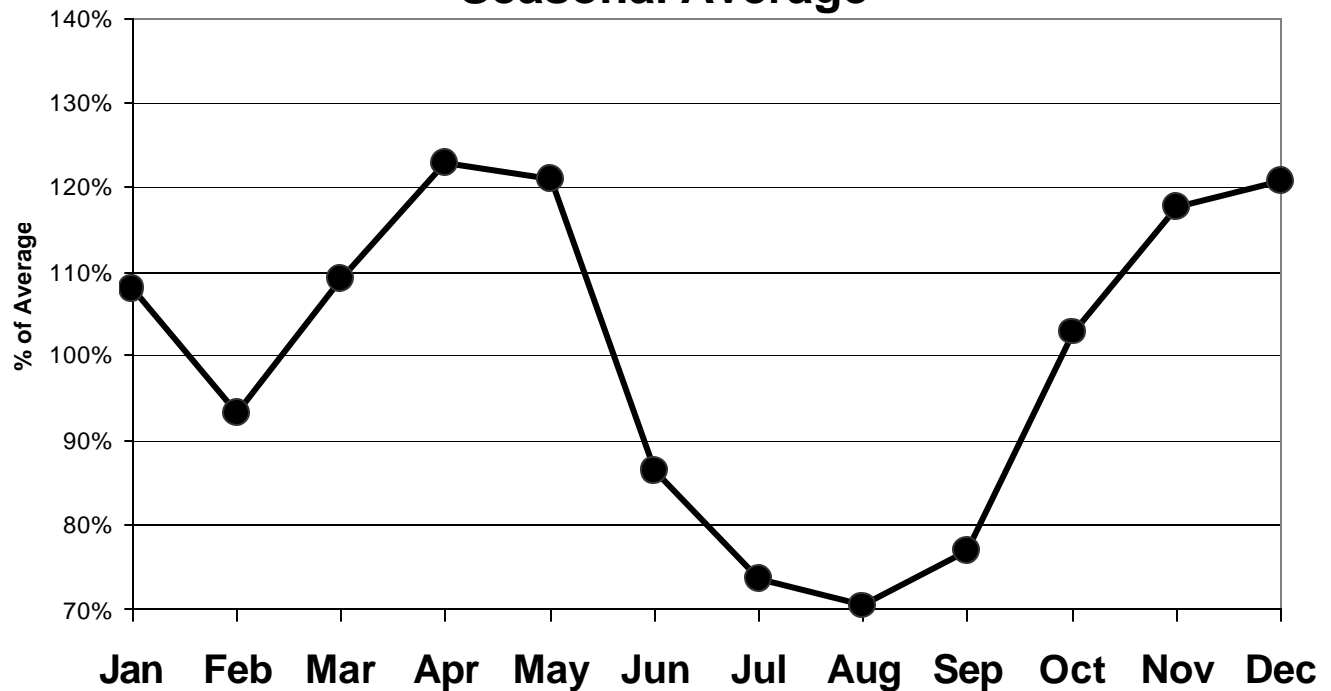
Years prior to 1992 are adjusted based on 92-93 factor

Source: USDA/NASS Cattle On Feed Report



# Cattle Disappearance (in Thousand Head)

## Seasonal Average



## ADJUSTED CATTLE DISAPPEARANCE (Thousand Head)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1987	103	85	76	108	111	66	59	55	60	72	87	98
1988	86	102	90	108	113	52	52	53	56	71	91	95
1989	84	94	61	96	127	47	52	61	40	60	74	72
1990	92	77	97	97	116	52	64	66	67	78	77	100
1991	95	92	111	99	109	87	76	54	72	65	66	77
1992	75	96	98	96	85	87	71	67	52	62	72	82
1993	110	91	87	99	115	83	67	64	55	67	89	72
1994	52	57	72	68	78	82	39	51	44	47	62	80
1995	59	52	67	61	57	50	49	40	46	51	61	52
1996	65	72	76	107	84	70	62	50	70	78	93	86
1997	92	61	86	98	117	60	57	45	53	91	85	85
1998	99	69	94	92	93	72	50	52	61	52	78	85
1999	70	65	71	104	99	63	52	55	55	80	83	90
2000	69	78	103	90	115	57	44	49	48	66	105	95
2001	78	81	98	89	101	77	59	54	40	68	80	93
2002	74	52	60	83	66	42	36	43	53	84	90	99
2003	75	71	62	63	65	61	60	60	63	101	97	90
2004	94	69	67	97	79	70	58	56	61	66	108	92
2005	73	77	68	91	96	63	61	53	57	58	91	91
2006	83	73	90	87	115	63	58	59	68	81	83	88
2007	97	75	72	99	99	52	61	50	54	47	57	
2008												

Years prior to 1992 are adjusted based on 92-93 factor  
Source: USDA/NASS Cattle On Feed Report

# APPENDIX II

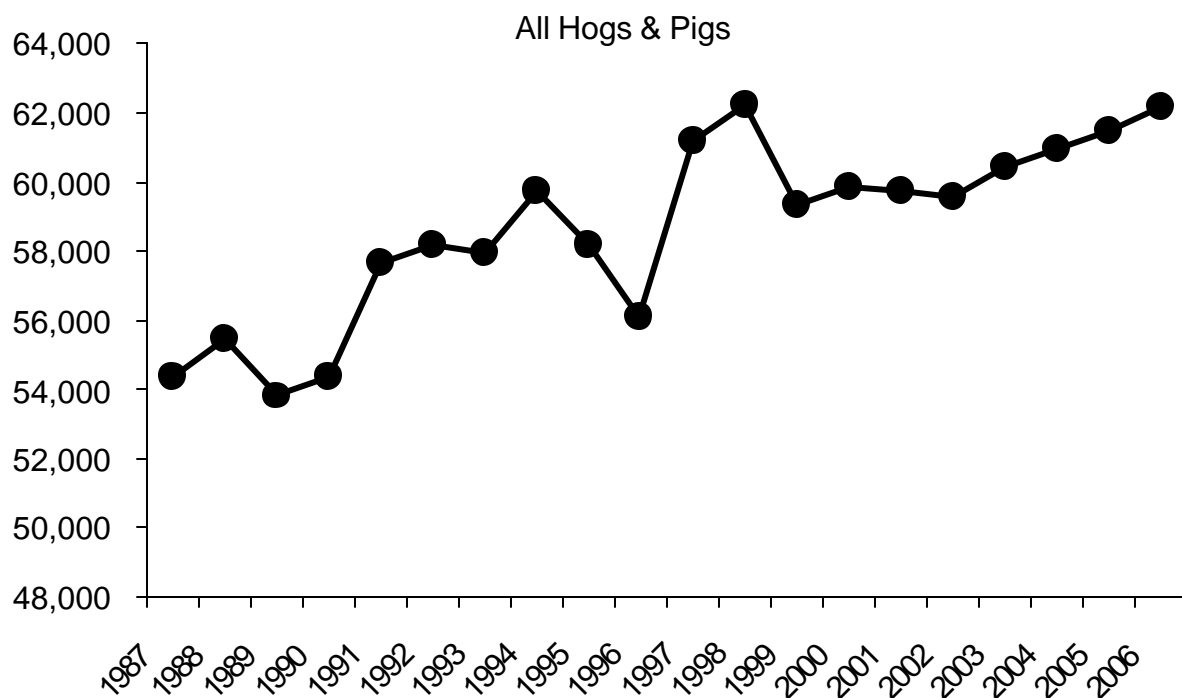
50 State Inventory of Hogs & Pigs  
Quarterly Hogs and Pigs Report (March 1<sup>st</sup>,  
June 1<sup>st</sup>, September 1<sup>st</sup>, December 1<sup>st</sup>)

- Inventory: All Hogs & Pigs, Kept for Breeding, For Market
- Pig Crop Statistics
- Farrowing Statistics

December 1st

## 50 State Inventory of Hogs & Pigs

(in 1,000 Head)



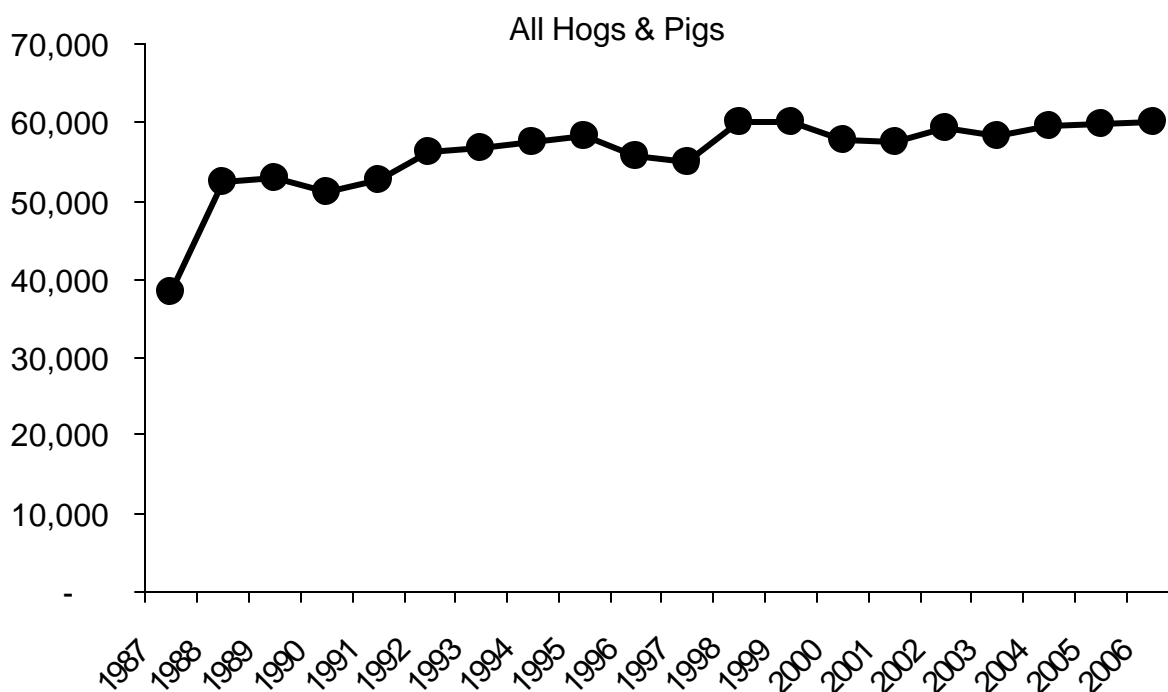
### Hogs & Pigs December 1<sup>st</sup>

Year	Total Hogs & Pigs	All Breeding	All Market	Market: under 60 lbs	Market: 60 – 119 lbs	Market: 120 – 179 lbs	Market: 180 lbs +
1989	53,788	6,857	46,931	17,185	12,174	9,663	7,909
1990	54,416	6,847	47,569	17,852	12,195	9,622	7,900
1991	57,649	7,229	50,420	18,671	12,966	10,367	8,416
1992	58,202	7,109	51,093	19,122	12,846	10,420	8,705
1993	57,940	7,166	50,774	19,171	12,627	10,268	8,709
1994	59,738	6,998	52,739	19,477	13,007	10,927	9,329
1995	58,201	6,770	51,431	18,916	12,755	10,704	9,057
1996	56,124	6,578	49,546	18,503	12,193	10,209	8,641
1997	61,158	6,957	54,200	20,237	13,319	11,188	9,457
1998	62,206	6,682	55,523	20,140	13,631	11,585	10,168
1999	59,342	6,234	53,109	19,241	13,107	11,073	9,687
2000	59,138	6,270	52,868	19,421	12,933	10,846	9,669
2001	59,804	6,209	53,594	19,908	12,924	10,744	10,018
2002	59,513	6,012	53,501	19,461	13,054	10,881	10,105
2003	60,449	5,990	54,458	19,779	13,259	11,110	10,312
2004	60,975	5,969	55,005	19,980	13,439	11,186	10,401
2005	61,449	6,011	55,438	20,055	13,524	11,293	10,567
2006	62,149	6,088	56,061	20,334	13,603	11,544	10,580
2007							
2008							

Source: Quarterly Hogs & Pigs Report, USDA/NASS  
<http://usda.mannlib.cornell.edu/reports/nassr/livestock/php-bb/>

March 1st

## 50 State Inventory of Hogs & Pigs (in 1,000 Head)



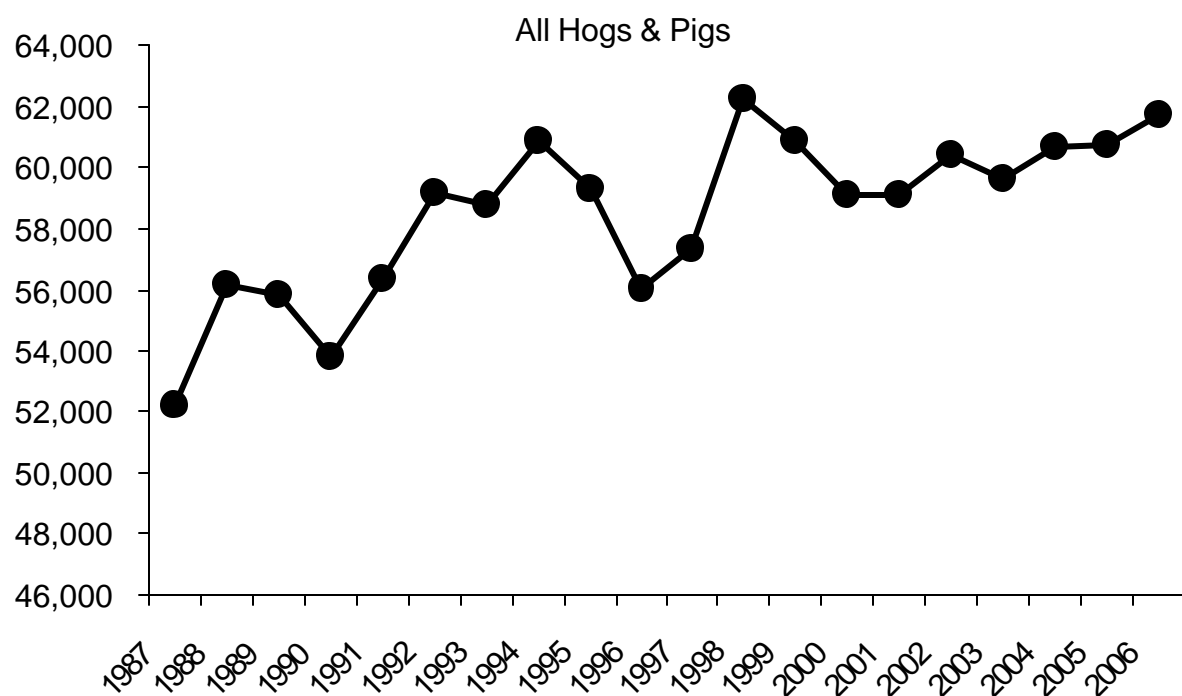
Hogs & Pigs March 1<sup>st</sup>

Year	Total Hogs & Pigs	All Breeding	All Market	Market: under 60 lbs	Market: 60 – 119 lbs	Market: 120 – 179 lbs	Market: 180 lbs +
1989	52,965	7,081	45,884	17,624	10,995	9,493	7,772
1990	51,120	6,806	44,314	16,895	10,582	9,199	7,638
1991	52,790	6,997	45,793	17,678	11,036	9,320	7,759
1992	56,180	7,155	49,025	19,040	11,865	9,780	8,340
1993	56,661	7,053	49,608	18,502	12,060	10,480	8,566
1994	57,435	7,189	50,246	18,750	12,144	10,575	8,778
1995	58,283	6,945	51,337	19,144	12,395	10,640	9,159
1996	55,741	6,701	49,040	18,534	11,732	10,021	8,754
1997	55,049	6,637	48,412	18,490	11,627	9,858	8,437
1998	60,163	6,942	53,220	20,192	12,791	10,774	9,464
1999	60,191	6,527	53,663	19,978	12,899	10,995	9,792
2000	57,782	6,190	51,593	19,217	12,409	10,552	9,414
2001	57,524	6,232	51,292	18,737	12,417	10,805	9,334
2002	59,248	6,236	53,011	19,487	12,975	11,172	9,377
2003	58,187	5,956	52,231	19,110	12,655	10,944	9,522
2004	59,520	5,961	53,558	19,823	12,954	11,205	9,578
2005	59,699	5,941	53,757	19,667	13,087	11,360	9,644
2006	60,176	6,025	54,151	19,988	13,006	11,334	9,824
2007							
2008							

Source: Quarterly Hogs & Pigs Report, USDA/NASS  
<http://usda.mannlib.cornell.edu/reports/nassr/livestock/php-bb/>

June 1st

## 50 State Inventory of Hogs & Pigs (in 1,000 Head)



Hogs & Pigs June 1<sup>st</sup>

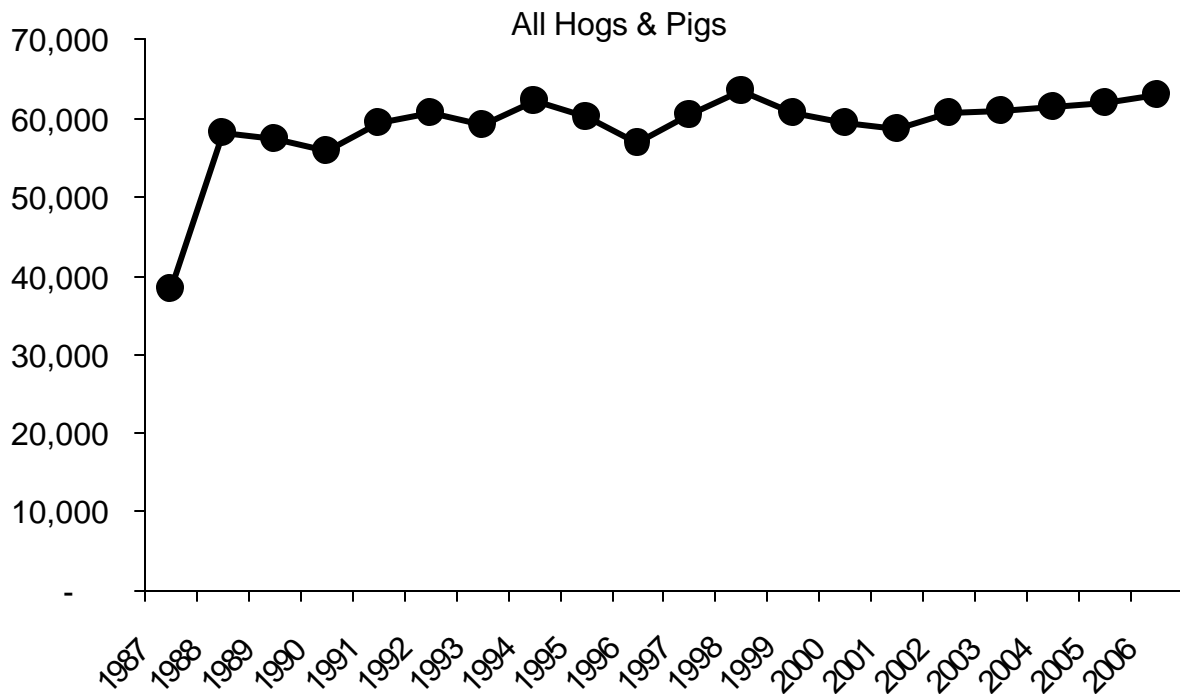
Year	Total Hogs & Pigs	All Breeding	All Market	Market: under 60 lbs	Market: 60 – 119 lbs	Market: 120 – 179 lbs	Market: 180 lbs +
1989	55,880	7,315	48,565	20,727	12,070	8,765	7,003
1990	53,800	7,065	46,735	19,806	11,698	8,515	6,716
1991	56,340	7,485	48,855	20,720	12,365	8,815	6,955
1992	59,175	7,520	51,655	21,540	13,005	9,615	7,495
1993	58,795	7,260	51,536	20,739	12,898	9,877	8,022
1994	60,847	7,532	53,315	22,024	13,092	10,007	8,193
1995	59,329	7,117	52,211	21,042	12,841	9,780	8,549
1996	56,038	6,682	49,356	19,645	12,196	9,757	7,759
1997	57,366	6,789	50,577	19,988	12,574	10,002	8,013
1998	62,213	6,958	55,254	21,482	13,711	11,084	8,978
1999	60,896	6,515	54,380	20,532	13,501	11,076	9,272
2000	59,117	6,234	52,884	19,907	13,247	10,710	9,019
2001	58,603	6,186	52,417	19,923	12,992	10,536	8,967
2002	60,288	6,209	54,078	20,186	13,588	10,884	9,420
2003	58,736	5,940	52,796	19,617	13,113	10,727	9,339
2004	60,698	5,937	54,760	20,292	13,500	11,256	9,714
2005	60,732	5,977	54,754	20,423	13,376	11,143	9,813
2006	61,687	6,060	55,627	20,808	13,692	11,485	9,643
2007							
2008							

Source: Quarterly Hogs & Pigs Report, USDA/NASS  
<http://usda.mannlib.cornell.edu/reports/nassr/livestock/php-bb/>

September 1st

## 50 State Inventory of Hogs & Pigs

(in 1,000 Head)



Hogs & Pigs September 1<sup>st</sup>

Year	Total Hogs & Pigs	All Breeding	All Market	Market: under 60 lbs	Market: 60 – 119 lbs	Market: 120 – 179 lbs	Market: 180 lbs +
1988	58,060	7,189	50,871	19,560	12,620	10,525	8,166
1989	57,315	6,832	50,483	19,150	12,502	10,559	8,272
1990	55,890	6,815	49,075	18,936	12,168	10,132	7,839
1991	59,360	7,245	52,115	20,210	13,025	10,610	8,270
1992	60,655	7,290	53,365	20,090	13,575	10,905	8,795
1993	59,169	7,208	51,961	19,632	13,089	10,689	8,551
1994	62,208	7,468	54,740	20,633	13,883	11,223	9,002
1995	60,137	6,907	53,229	19,822	13,347	11,044	9,017
1996	56,961	6,577	50,384	18,782	12,498	10,418	8,687
1997	60,456	6,858	53,598	20,662	13,388	10,673	8,875
1998	63,488	6,875	56,612	21,189	14,032	11,555	9,837
1999	60,776	6,301	54,474	20,243	13,414	11,129	9,689
2000	59,495	6,246	53,250	19,955	13,055	10,817	9,422
2001	59,777	6,158	53,619	19,911	13,438	10,854	9,417
2002	60,725	6,054	54,670	20,070	13,655	11,019	9,926
2003	60,859	5,918	54,941	20,368	13,729	11,334	9,510
2004	61,519	5,962	55,556	20,729	13,613	11,235	9,981
2005	61,846	5,972	55,873	20,764	13,876	11,404	9,830
2006	62,814	6,079	56,735	20,998	13,991	11,585	10,162
2007							

Source: Quarterly Hogs & Pigs Report, USDA/NASS

<http://usda.mannlib.cornell.edu/reports/nassr/livestock/php-bb/>

# APPENDIX III

## Live Cattle Seasonal Price Charts

- February Contract
- April Contract
- June Contract
- August Contract
- October Contract
- December Contract

## Feeder Cattle Seasonal Price Charts

- January Contract
- March Contract
- April Contract
- May Contract
- August Contract
- October Contract
- November Contract

## Lean Hog Seasonal Price Charts

- February Contract
- April Contract
- June Contract
- July Contract
- August Contract
- October Contract
- December Contract

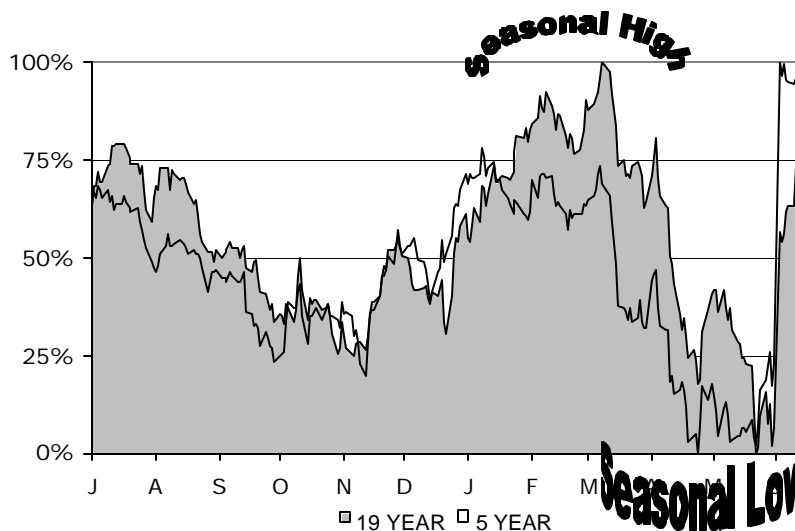
# Seasonal Charts

The seasonal charts depicted in this publication are a pictorial presentation of the normal behavior of the markets. The charts are made for specific contract months, so that the trader can see the behavior of the specific contract they are looking at. This detail is of the utmost importance in markets with new and old crop contracts, such as the grain futures markets.

The charts depict behavior on a relative basis, meaning the actual prices are not forecast, just the relative position of the market versus its contract high and low. On the seasonal charts, the high is depicted as 1.0, or 100%, while the low is depicted as 0.0 or 0%. Using a 12-month period, we rank all 19 years analyzed in terms of where each day falls as a percentage of the highest and lowest price of that 12-month period for each specific year. These prices are then averaged and the average is depicted in our charts for a 5 year period as well as the 19 year period.

To read the chart, just remember that the top of the chart is the forecasted contract high for the 12 months displayed and the bottom is the forecasted contract low.

## ***June Live Cattle Sample Seasonal Chart***



What these charts depict is the average behavior of the futures market. Similar to a map, the seasonal charts may be helpful in finding your direction and avoiding pitfalls. Trading using strictly the seasonal charts is similar to driving across the country with only a national map. You know the basic layout of the highways, but detours and construction can cause you to lose your way.

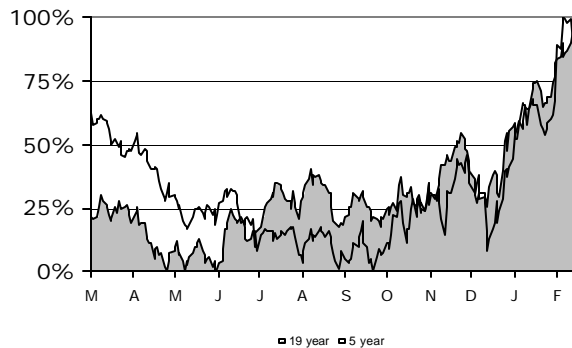
Obviously, the markets will not follow the patterns exactly, but they can be helpful in planning your market operations, showing the producer, purchaser, and speculator times of the year when the market has historically rallied or broken, and they can act accordingly.

SEASONAL TENDENCIES ARE A COMPOSITE OF SOME OF THE MOST CONSISTENT COMMODITY FUTURES SEASONALS THAT HAVE OCCURRED IN THE PAST 15 YEARS. THERE ARE USUALLY UNDERLYING, FUNDAMENTAL CIRCUMSTANCES THAT OCCUR ANNUALLY THAT TEND TO CAUSE THE FUTURES MARKETS TO REACT IN SIMILAR DIRECTIONAL MANNER DURING A CERTAIN CALENDAR YEAR. EVEN IF A SEASONAL TENDENCY OCCURS IN THE FUTURE, IT MAY NOT RESULT IN A PROFITABLE TRANSACTION AS FEES AND THE TIMING OF THE ENTRY AND LIQUIDATION MAY IMPACT ON THE RESULTS. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT HAS IN THE PAST, OR WILL IN THE FUTURE, ACHIEVE PROFITS USING THESE RECOMMENDATIONS. NO REPRESENTATION IS BEING MADE THAT PRICE PATTERNS WILL RECUR IN THE FUTURE.

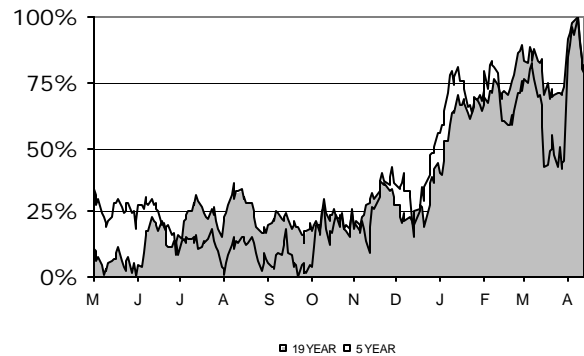


# Live Cattle Futures Seasonal Charts

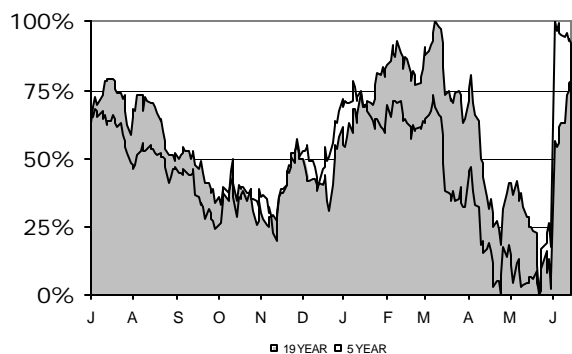
**February Live Cattle Seasonal Average**



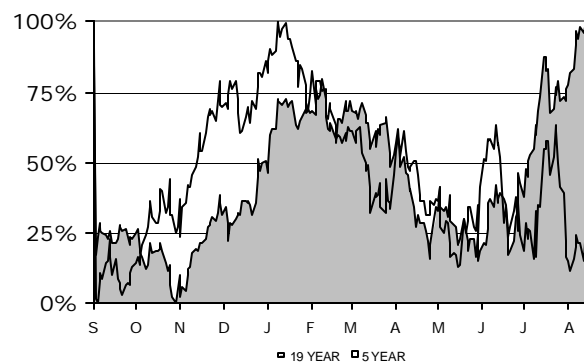
**April Live Cattle Seasonal Average**



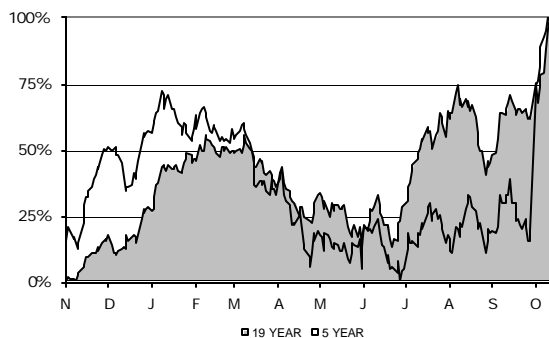
**June Live Cattle Seasonal Average**



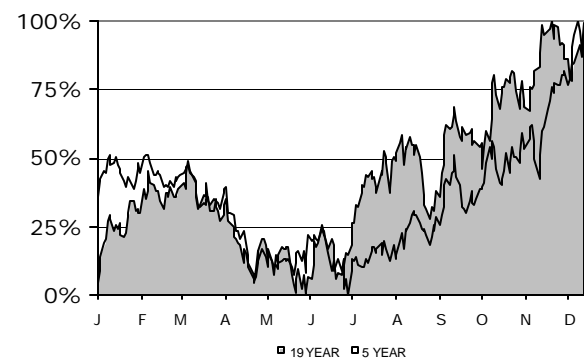
**August Live Cattle Seasonal Average**



**October Live Cattle Seasonal Average**



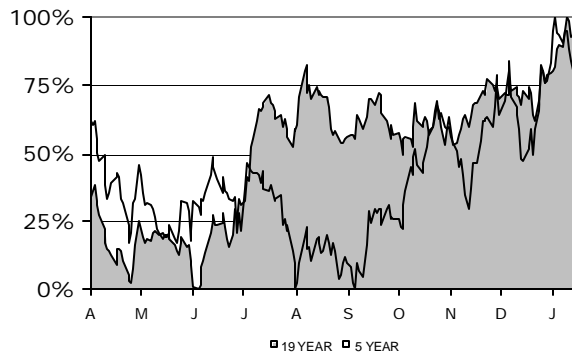
**December Live Cattle Seasonal Average**



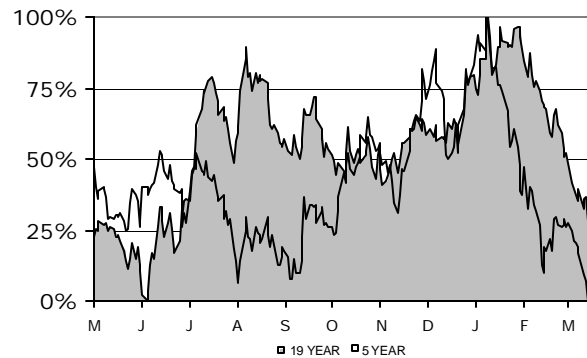
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# Feeder Cattle Futures Seasonal Charts

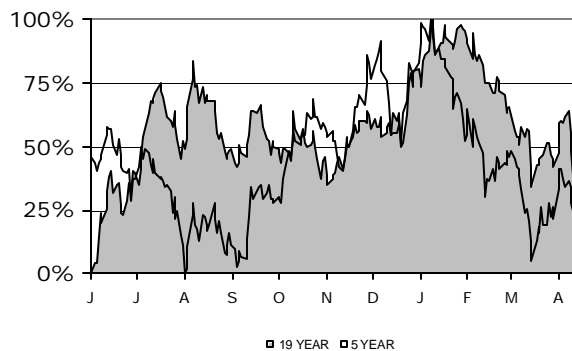
**January Feeder Cattle Seasonal Average**



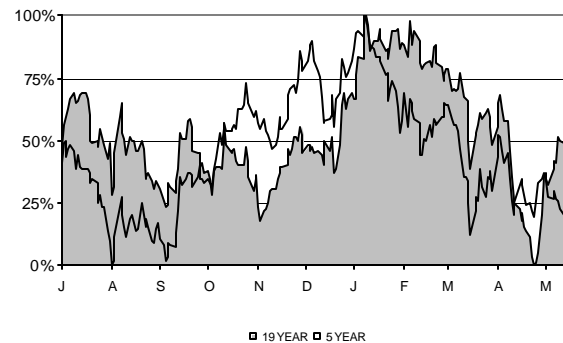
**March Feeder Cattle Seasonal Average**



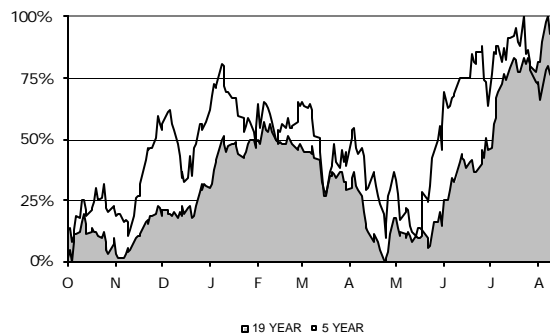
**April Feeder Cattle Seasonal Average**



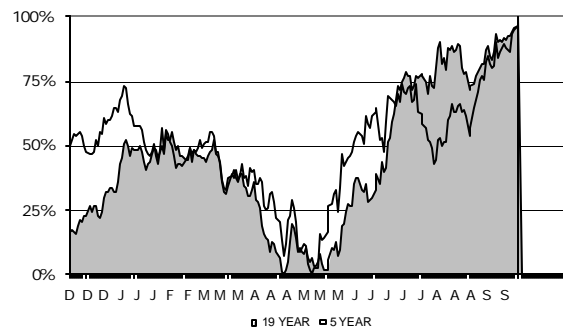
**May Feeder Cattle Seasonal Average**



**August Feeder Cattle Seasonal Average**



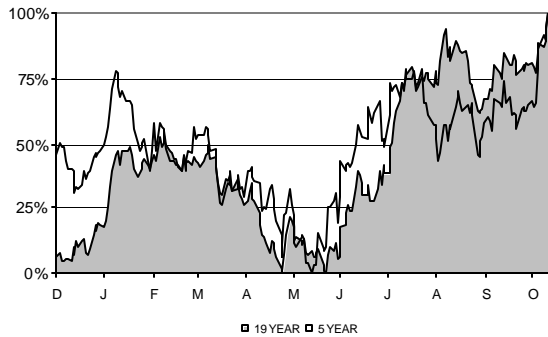
**September Feeder Cattle Seasonal Average**



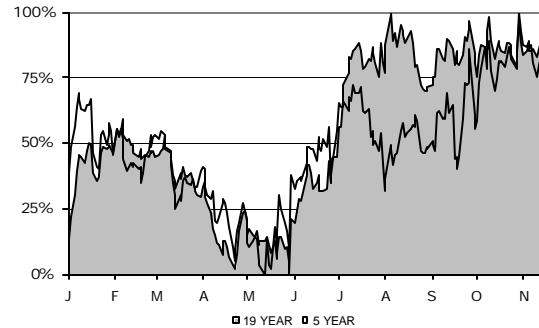
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# Feeder Cattle Futures Seasonal Charts

**October Feeder Cattle Seasonal Average**



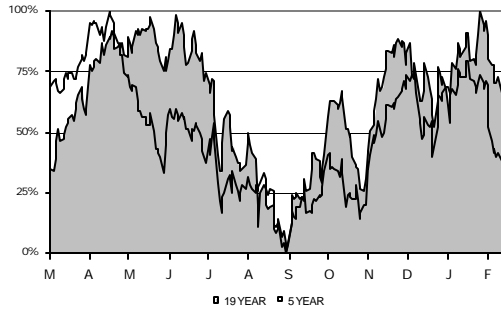
**November Feeder Cattle Seasonal Average**



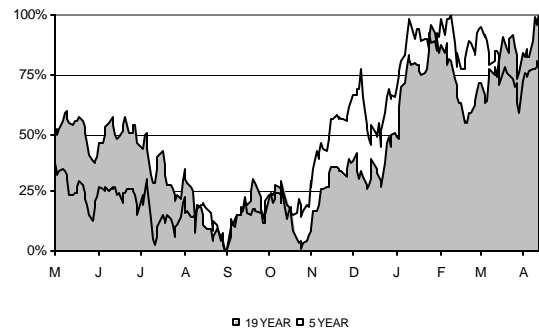
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# Lean Hog Futures Seasonal Charts

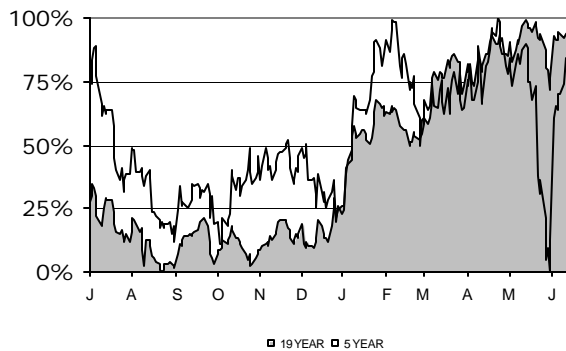
**February Lean Hog Seasonal Average**



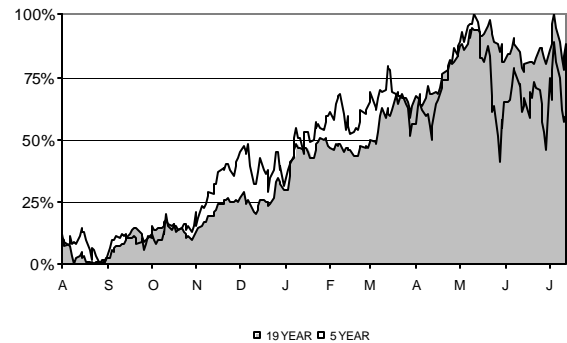
**April Lean Hog Seasonal Average**



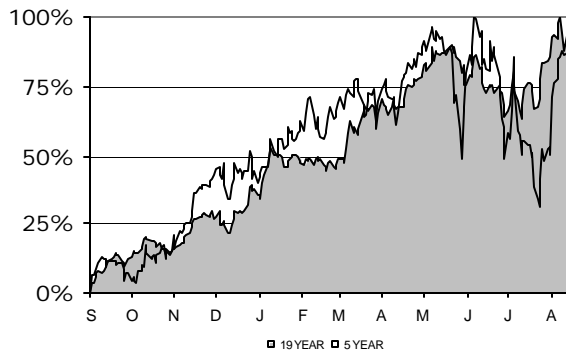
**June Lean Hog Seasonal Average**



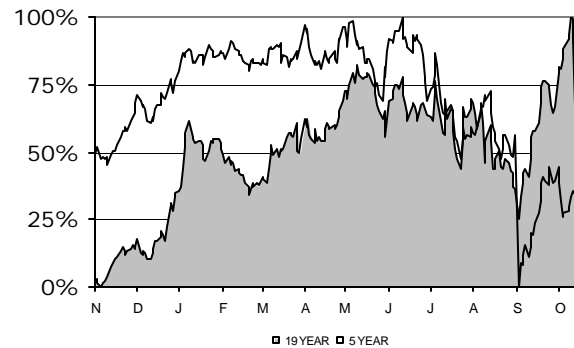
**July Lean Hog Seasonal Average**



**August Lean Hog Seasonal Average**



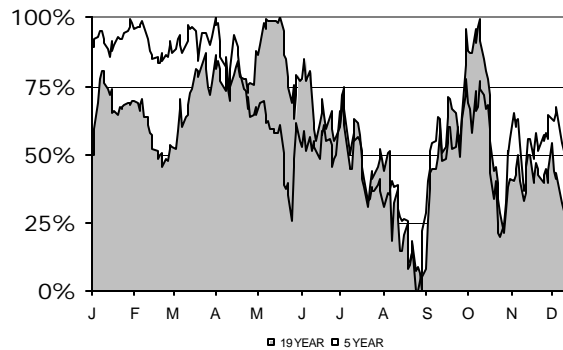
**October Lean Hog Seasonal Average**



SEASONAL TENDENCIES ARE A COMPOSITE OF SOME OF THE MOST CONSISTENT COMMODITY FUTURES SEASONALS THAT HAVE OCCURRED IN THE PAST 15 YEARS. THERE ARE USUALLY UNDERLYING, FUNDAMENTAL CIRCUMSTANCES THAT OCCUR ANNUALLY THAT TEND TO CAUSE THE FUTURES MARKETS TO REACT IN SIMILAR DIRECTIONAL MANNER DURING A CERTAIN CALENDAR YEAR. EVEN IF A SEASONAL TENDENCY OCCURS IN THE FUTURE, IT MAY NOT RESULT IN A PROFITABLE TRANSACTION AS FEES AND THE TIMING OF THE ENTRY AND LIQUIDATION MAY IMPACT ON THE RESULTS. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT HAS IN THE PAST, OR WILL IN THE FUTURE, ACHIEVE PROFITS USING THESE RECOMMENDATIONS. NO REPRESENTATION IS BEING MADE THAT PRICE PATTERNS WILL RECUR IN THE FUTURE.

# Lean Hog Futures Seasonal Charts

**December Lean Hog Seasonal Average**



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# APPENDIX IV

## Live Cattle Seasonal Volatility Charts

- February Contract
- April Contract
- June Contract
- August Contract
- October Contract
- December Contract

## Feeder Cattle Seasonal Volatility Charts

- January Contract
- March Contract
- April Contract
- May Contract
- August Contract
- October Contract
- November Contract

## Lean Hog Seasonal Volatility Charts

- February Contract
- April Contract
- June Contract
- July Contract
- August Contract
- October Contract
- December Contract

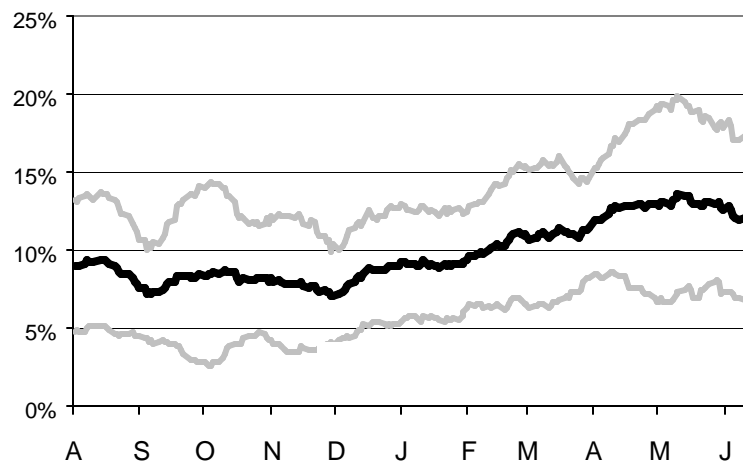
# Seasonal Volatility Charts

Historic volatility is the standard deviation of the day-to-day logarithmic closing price changes, expressed as an annualized percentage. Simply put, historical volatility is the degree to which prices fluctuate over a period.

All of the volatility measures presented here are 20 day average historical volatilities for the last 19-years. This information can help speculators watch for periods of volatility, knowing when prices should be volatile and when they should not, based on the past. Though the future (or futures/options) does not necessarily have to repeat the past, these charts can help you spot periods when volatility is normally high or low, and you can plan your future market operations accordingly. For options traders, this information can be invaluable, as volatility is a key component in pricing options.

The charts depict behavior on a average basis, meaning the average volatility is plotted as the dark center line. Above and below this average is plotted the standard deviation of the average volatility, giving traders a clue when current volatility is historically high or low.

**June Live Cattle Volatility Average**



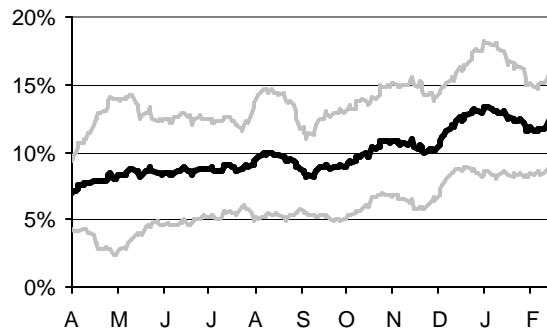
What these charts depict is the average behavior of the futures market. Similar to a map, the average volatility charts may be helpful in fine tuning stop losses, choosing to buy or sell options, as well as avoiding pitfalls. Trading using strictly the average volatility charts is similar to driving across the country with only a national map. You know the basic layout of the highways, but detours and construction can cause you to lose your way.

Obviously, the markets will not follow these patterns exactly, but they can be helpful in planning your market operations, showing the producer, purchaser, and speculator times of the year when the market has historically been wild or quiet, and they can act accordingly.

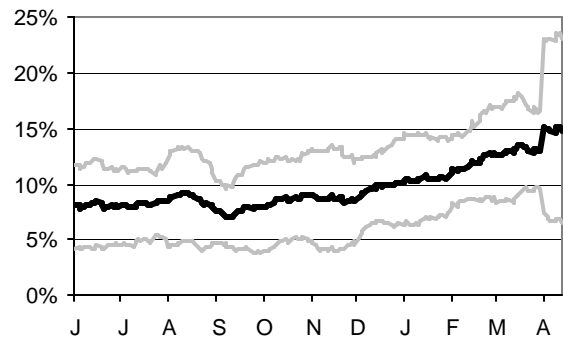
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# Live Cattle Futures Seasonal Volatility Charts

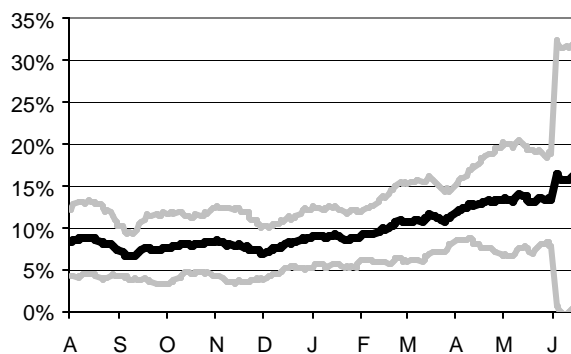
**February Live Cattle Volatility Average**



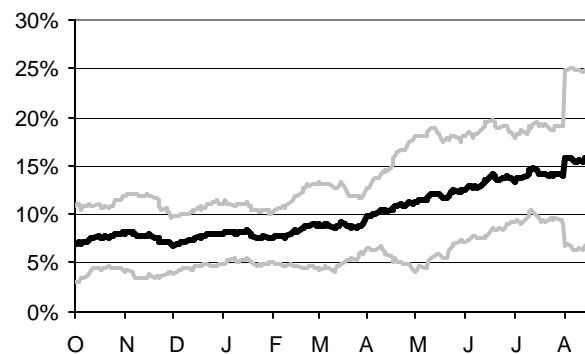
**April Live Cattle Volatility Average**



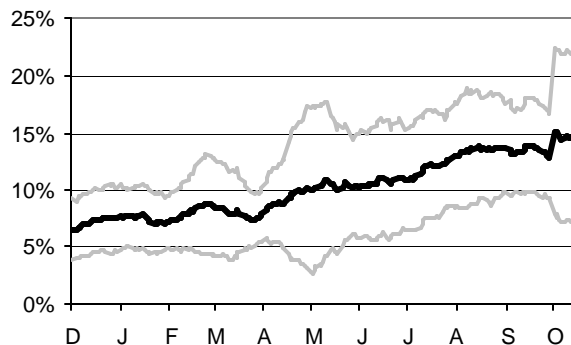
**June Live Cattle Volatility Average**



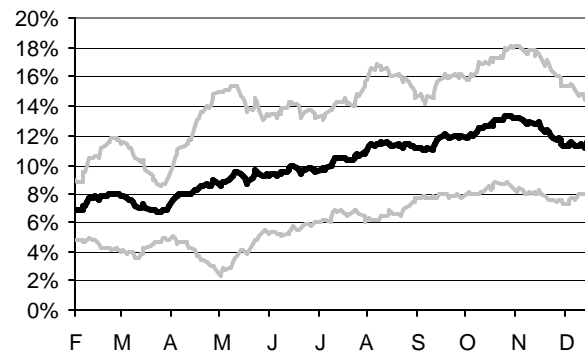
**August Live Cattle Volatility Average**



**October Live Cattle Volatility Average**



**December Live Cattle Volatility Average**

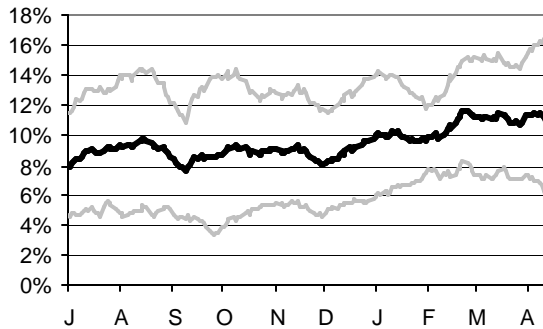


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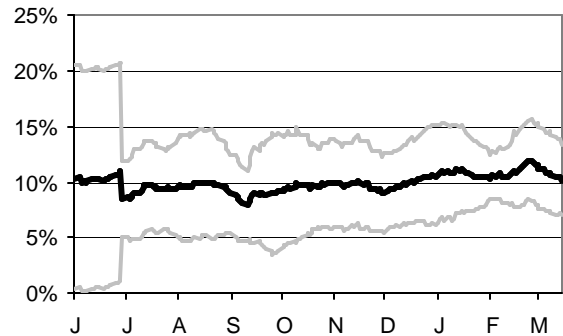


# Feeder Cattle Futures Seasonal Volatility Charts

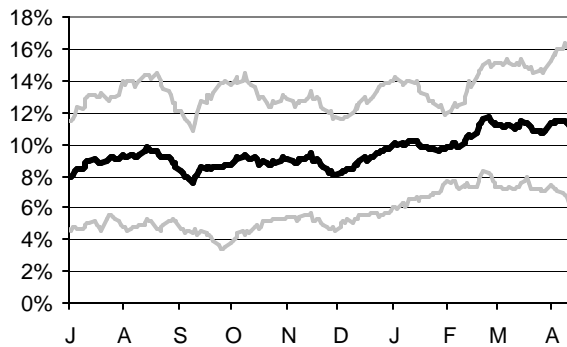
**January Feeder Cattle Volatility Average**



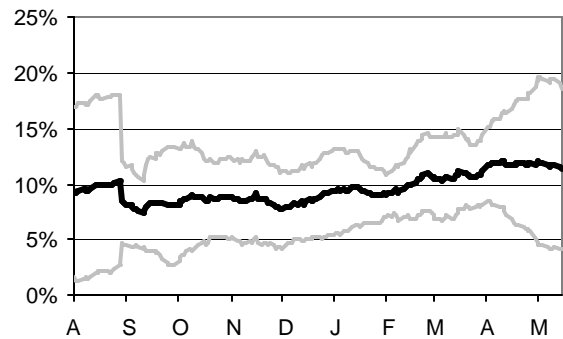
**March Feeder Cattle Volatility Average**



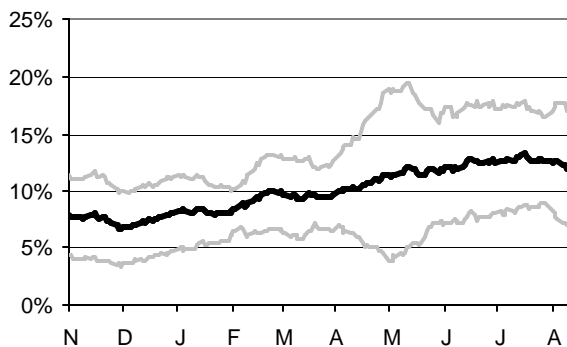
**April Feeder Cattle Volatility Average**



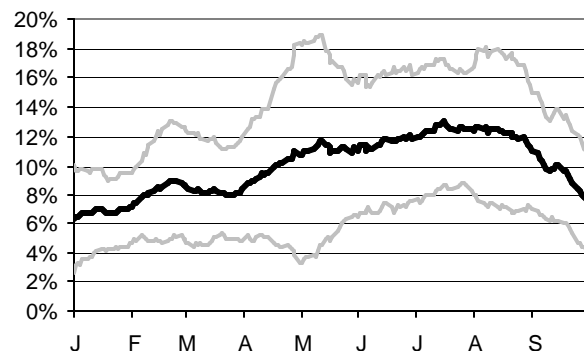
**May Feeder Cattle Volatility Average**



**August Feeder Cattle Volatility Average**



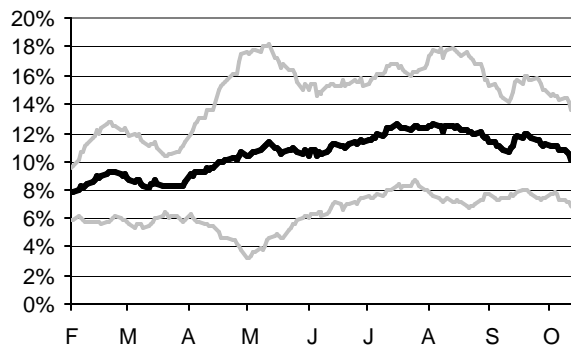
**September Feeder Cattle Volatility Average**



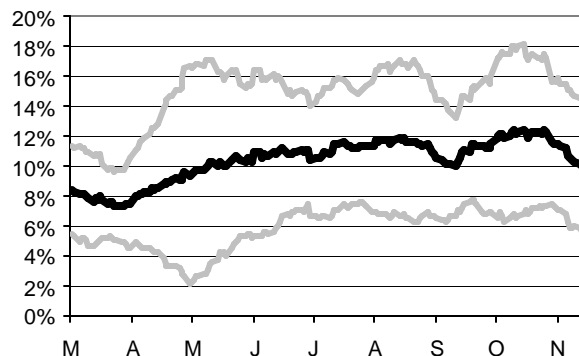
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# Feeder Cattle Futures Seasonal Volatility Charts

**October Feeder Cattle Volatility Average**



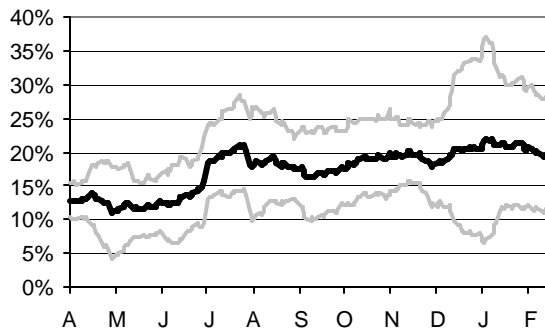
**November Feeder Cattle Volatility Average**



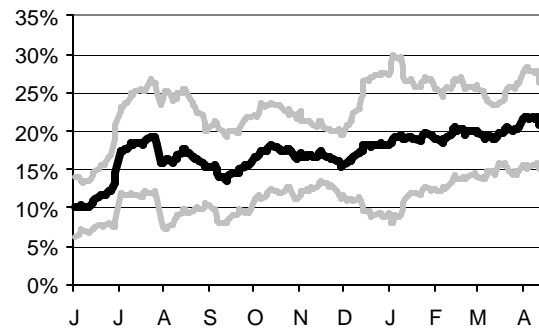
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# Lean Hog Futures Seasonal Volatility Charts

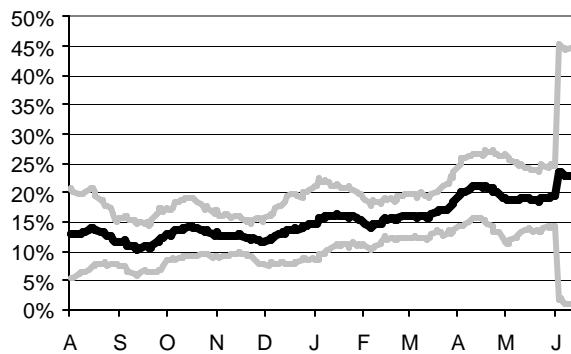
**February Lean Hog Volatility Average**



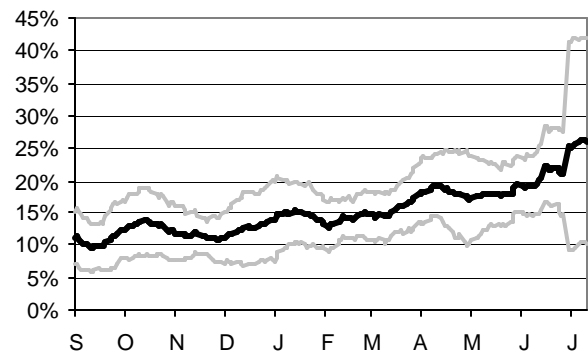
**April Lean Hog Volatility Average**



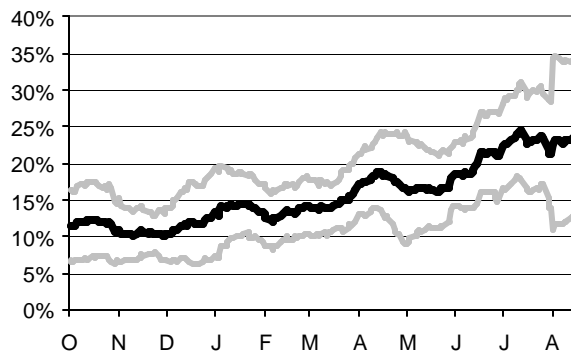
**June Lean Hog Volatility Average**



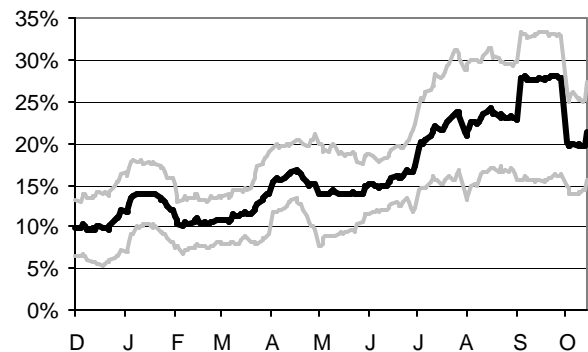
**July Lean Hog Volatility Average**



**August Lean Hog Volatility Average**



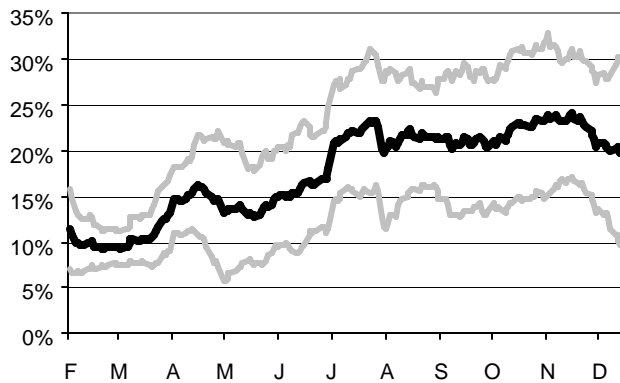
**October Lean Hog Volatility Average**



SEASONAL TENDENCIES ARE A COMPOSITE OF SOME OF THE MOST CONSISTENT COMMODITY FUTURES SEASONALS THAT HAVE OCCURRED IN THE PAST 15 YEARS. THERE ARE USUALLY UNDERLYING, FUNDAMENTAL CIRCUMSTANCES THAT OCCUR ANNUALLY THAT TEND TO CAUSE THE FUTURES MARKETS TO REACT IN SIMILAR DIRECTIONAL MANNER DURING A CERTAIN CALENDAR YEAR. EVEN IF A SEASONAL TENDENCY OCCURS IN THE FUTURE, IT MAY NOT RESULT IN A PROFITABLE TRANSACTION AS FEES AND THE TIMING OF THE ENTRY AND LIQUIDATION MAY IMPACT ON THE RESULTS. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT HAS IN THE PAST, OR WILL IN THE FUTURE, ACHIEVE PROFITS USING THESE RECOMMENDATIONS. NO REPRESENTATION IS BEING MADE THAT PRICE PATTERNS WILL RECUR IN THE FUTURE.

# Lean Hog Futures Seasonal Charts

**December Lean Hog Volatility Average**



SEASONAL TENDENCIES ARE A COMPOSITE OF SOME OF THE MOST CONSISTENT COMMODITY FUTURES SEASONALS THAT HAVE OCCURRED IN THE PAST 15 YEARS. THERE ARE USUALLY UNDERLYING, FUNDAMENTAL CIRCUMSTANCES THAT OCCUR ANNUALLY THAT TEND TO CAUSE THE FUTURES MARKETS TO REACT IN SIMILAR DIRECTIONAL MANNER DURING A CERTAIN CALENDAR YEAR. EVEN IF A SEASONAL TENDENCY OCCURS IN THE FUTURE, IT MAY NOT RESULT IN A PROFITABLE TRANSACTION AS FEES AND THE TIMING OF THE ENTRY AND LIQUIDATION MAY IMPACT ON THE RESULTS. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT HAS IN THE PAST, OR WILL IN THE FUTURE, ACHIEVE PROFITS USING THESE RECOMMENDATIONS. NO REPRESENTATION IS BEING MADE THAT PRICE PATTERNS WILL RECUR IN THE FUTURE.

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