

kets in north Florida (these markets are so close together they can be considered one market for these statistical purposes). The correlation was 0.99 in virtually every month with 0.97 being the lowest, and that was in January when there were considerable missing values. Overall the analysis indicates the two sets of prices move together in all months.

A regression analysis on the 600-700 pound data indicates the two market price average was numerically \$0.48 higher than the state average, although statistically the very large standard error indicates there is no difference between the two price series. In a practical sense producers hedging 600-700 pound cattle in the Marianna-Graceville area should reduce their basis by \$0.48 from the data provided in this analysis.

Cash prices (C) are subtracted from futures prices (F) to calculate the basis (B), i.e. $B = F - C$. A positive basis means that the futures price is above the particular cash price. Also, the basis reported is tied to the nearby contract, i.e., the closest contract to maturity that is being evaluated.

Judgment is required in determining the time to change from one contract to the next one when calculating the nearby basis. The approach used in this report is switching to a new contract price when the trading month becomes the same as the contract month. For example, the March feeder cattle contract is traded until the 20th of March at the CME, but our basis is shifted to the April contract as of March 1st. The eight feeder cattle contract months are January, March, April, May, August, September, October and November.

Location is another factor. Since futures markets reflect Midwest and Southwest markets, producers should make allowances for their grades as well as distance from the Florida cash price reference point, which is Okeechobee in the southern part of the state. Thus,