represents the average basis, which is also the one presented in the tables. As an example, Table 4 and Figure 4 illustrate that the basis for 600-700 pound Medium 1 steers for week 15 (or the second week of April) is $6.5023. This positive number means that on the average Florida cash prices for feeders near the contract weight are $6.50 per cwt. under the April contract quote for that week. Thus, if the futures quote (F) were $66.00 per cwt., then the Florida "realized price" would be estimated at $59.50 per cwt. This is calculated as follows:

"Realized Price" = Futures - Closing Basis
= $66.00 - $6.50
"Realized Price" = $59.50

The basis is an average which carries the implication that in some years it will be higher or lower than that calculated above. The indicator for basis risk (i.e., the risk from changes in the basis) is estimated by the standard deviations presented in the second columns of Tables 1-9 and are represented by the upper and lower lines in Figures 1-9. The standard deviation corresponding to the second week of April for 600-700 pound Medium 1 steers in Table 4 is $2.5535. Statistically, approximately 66 percent of the time the actual basis will lie within $2.55 above and below the average basis. In other words, 66 percent of the time the basis would fall between $3.95 ($6.50 - $2.55) and $9.05 ($6.50 + $2.55).

The impact of this variation in the basis on a producer's decision to hedge can be placed in perspective by comparing the basis risk to the potential risk faced from market price fluctuations during any one given week. For the example just presented, the Florida market for 600-700 pound cattle sometimes does fluctuate $1-3 in any one week which means that the basis risk, while a factor in planning and strat-