egy development, probably should not be considered a deterrent to cattlemen interested in using the futures market for sale of yearling steers in April.

Examination of standard deviations in the tables for other classes of cattle indicates that basis risk increases considerably as cattle weights decline. For example, the deviation for 300-400 pound Medium 1 steers is about $10-15 per cwt. from February through June, although it falls to about $7-9 per cwt. during the rest of the year. This relatively large fluctuation points to the need for very careful planning when hedging this class of cattle.

Seasonal Variations

The basis for calves becomes greater during the spring months (Figures 1-9) because, nationally, February-June is the time when there is the least supply of calves. Thus, there is more fluctuation in supply and, consequently, a greater standard deviation in the basis than during periods when supplies are greater. Notice in these annual charts that as one calculates the basis for the lighter weight animals (200-500 pound) the basis becomes increasingly negative. In the spring months the basis becomes even a larger negative number. As will be shown later this works to the detriment of hedgers.

Basis for 600-700 pound feeders embodies the opposite seasonal effect from 200-500 pound calves since the late fall months of October and November are the ones with the least supply of the lighter weight cattle, especially in the Southeast. The basis differs between the weights because throughout this area most calving takes place from December-March and weaned calves are typically backgrounded during the winter months for sale in the spring. The main points are: (a) potential hedgers need to be very cognizant of seasonal basis fluctuations