Cattle Market Review – April 17, 2009 **Matthew Diersen[*]**

Cash cattle prices were mixed during March (figure 1). Fed and stocker prices were higher for the month while feeder and cull cow prices were lower. The futures prices for live cattle are higher than last month and the basis for fed cattle in Sioux Falls remains relatively wide. The futures prices for feeder cattle are sharply higher for the nearby months. The weekly stocker cattle price continues to trend higher (figure 2).

On the input side the prices for corn and alfalfa hay in South Dakota were 20% below the levels from last March. Hay prices have fallen sharply since January. The *Prospective Plantings* report showed South Dakota farmers intend to harvest 3.9 million acres of hay in 2009 (figure 3). The increase is consistent with increased acres of hay insured. The intended level would exceed intentions and actual harvested levels from 2008 and likely keep hay prices held at levels much lower than seen during the past two years. Nationally alfalfa prices remain vulnerable to tight existing stocks and likely production. The beef sector, however, should not be as affected as the dairy sector.

Lower input costs will improve profitability for cattle producers. Substantially lower pork production is expected as sow farrowings are trending lower. A large number of hogs in 2008 competed for corn and added to meat production. There was a build up of pork in cold storage during 2008, but not an excessive amount. Less competing meat supplies are expected in 2009, which supports higher beef prices. The beef and cattle trade outlook has been difficult to consistently quantify. Beef exports have been affected by a stronger U.S. dollar relative to currencies of beef importing countries. Canada's dollar has shifted making beef imports and cattle exports less likely. Thus, while the U.S. economy has shown some signs of improving, the trade situation does not favor expansion of beef exports. Global beef production is forecasted to be down because of less production in the U.S. and Argentina.

Producers looking to price or protect yearlings pastured this summer or calves to be sold this fall have a variety to tactics to consider. The sharp increase in feeder cattle futures has likely increased the attractiveness of hedging. The volatility has fallen in recent months making options and Livestock Risk Protection more cost-effective. Regardless of the method, the basis on feeder and stocker cattle needs to estimated to assess costs and returns when marketing. The five-year average location basis reveals that strong seasonal patterns exist for South Dakota stocker and feeder cattle (figure 4). The cash prices are compared to the monthly CME Feeder Cattle Index to obtain the average basis levels. This basis reflects the quality and transportation cost differences of cattle in South Dakota compared to cattle sold elsewhere.

The latest WASDE report adjusted the price projection range slightly for fed cattle (figure 5). The higher futures for the nearby contracts have moved them to the high end of the projection range. The ERS price projections for feeder cattle were also adjusted slightly, but the sharp increase in futures prices has changed the common recommendation of late (figure 6). The futures prices exceed the high end of the projection range in the second quarter, suggesting a pricing strategy. There is still (limited) upside potential for the fourth quarter.

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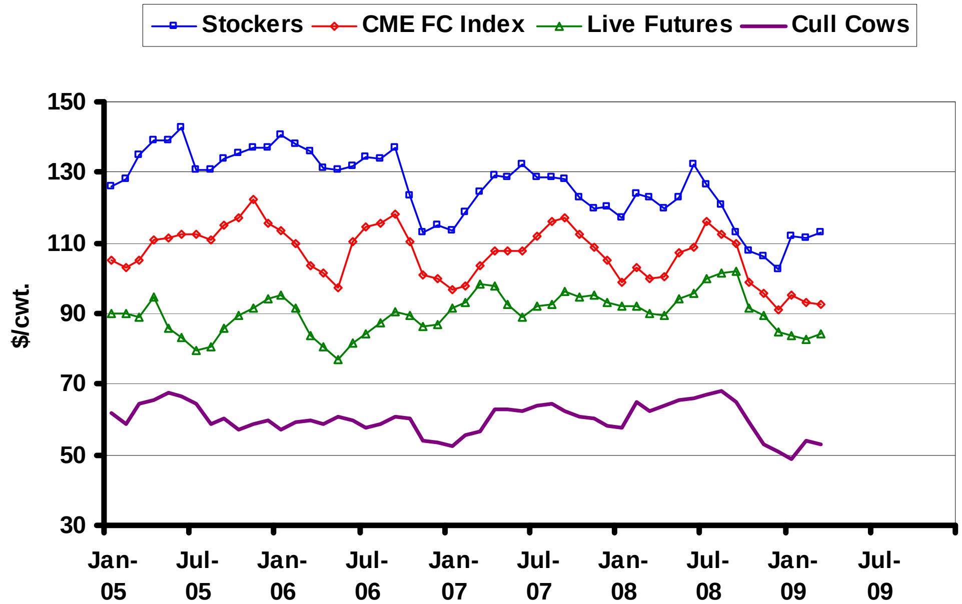
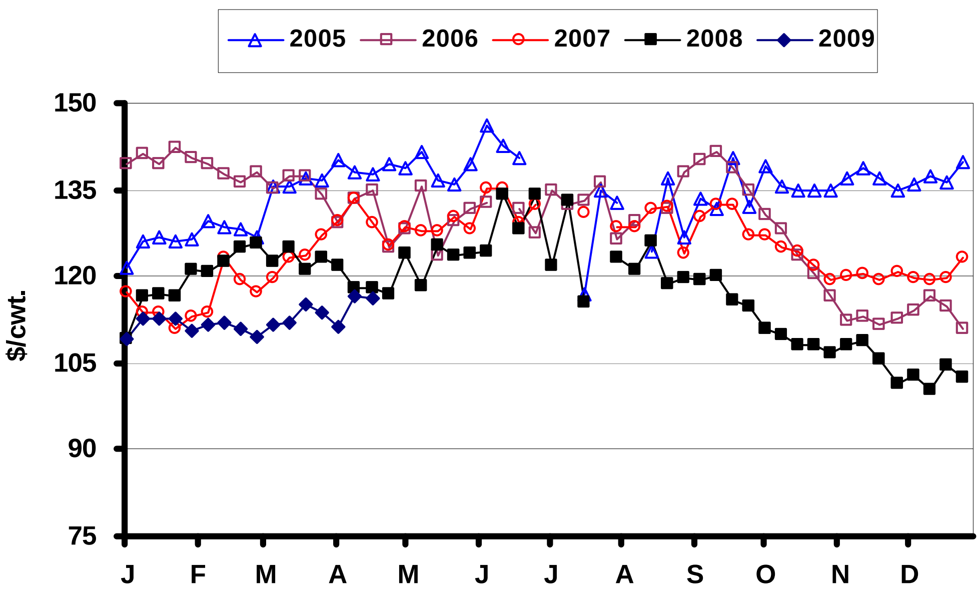
Fig. 1. Monthly South Dakota Cattle Prices

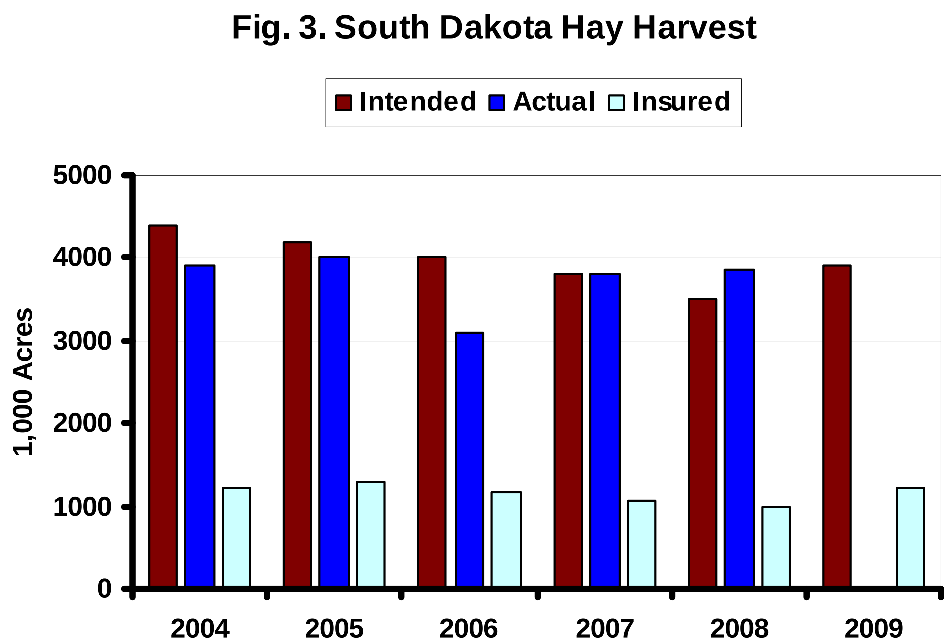


Sources: CME, USDA-AMS, & SDSU

Fig. 2. Weekly South Dakota Stocker Cattle Prices



Sources: USDA-AMS & SDSU



Sources: USDA-NASS and USDA-RMA

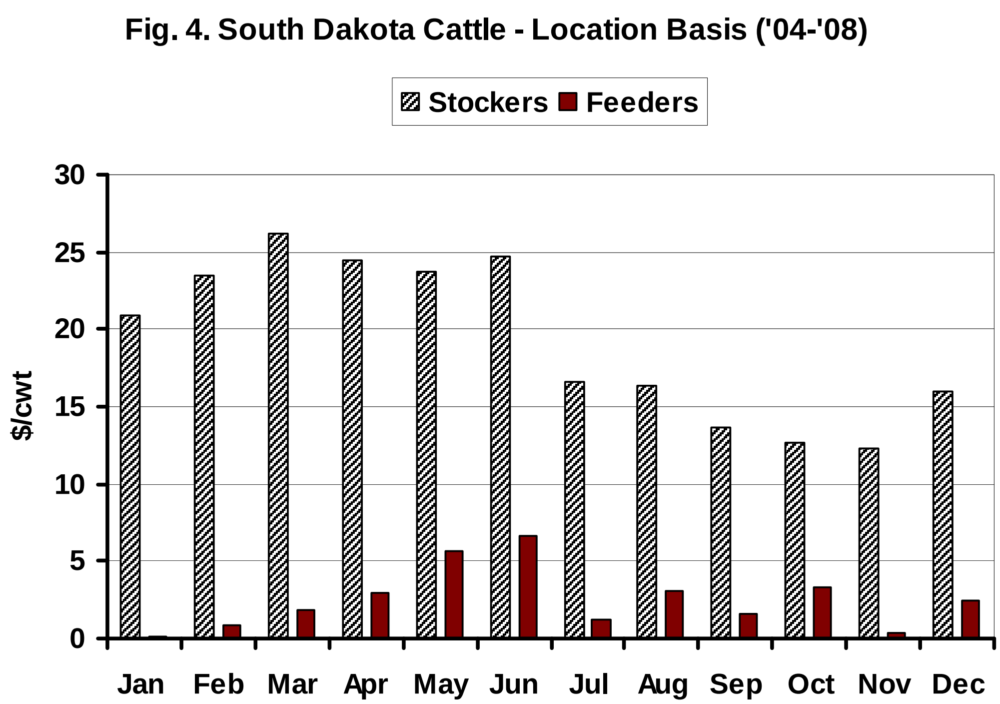
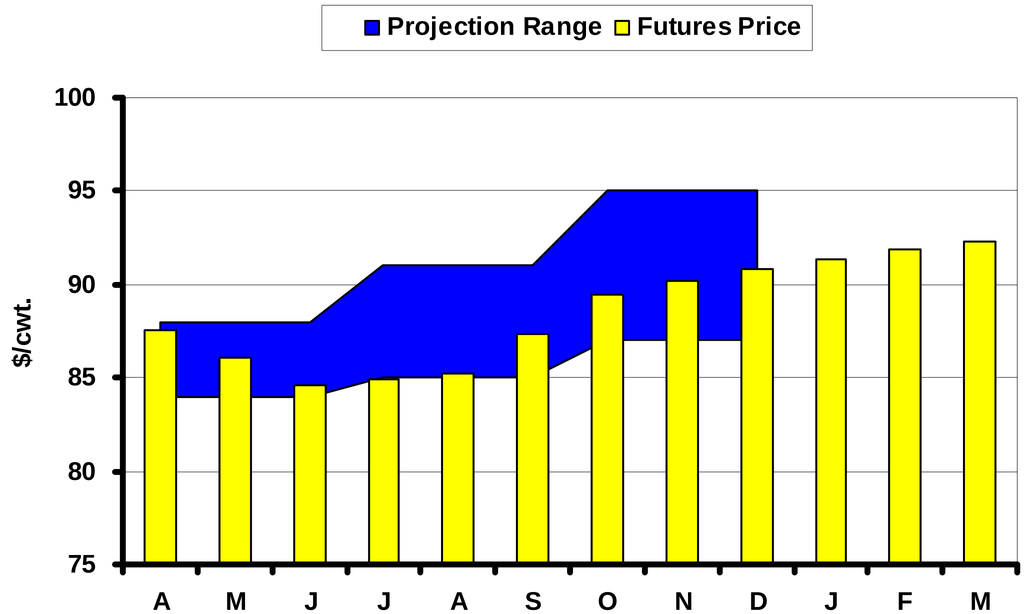
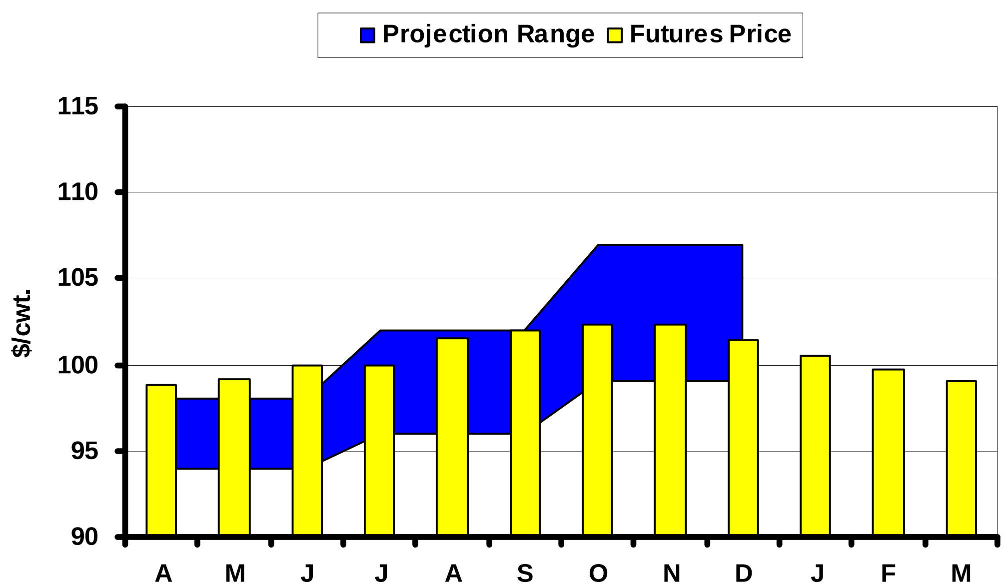


Fig. 5. Live Cattle Futures and Projections



Sources: CME & USDA-WASDE, April 9, 2009

Fig. 6. Feeder Cattle Futures and Projections



Sources: CME & USDA-ERS, April 16, 2009

In the Chute
May 12: Live Cattle Projections (WASDE)
May 22: *Cattle on Feed* (NASS)
May 29: *Meat Animals – PDI* (NASS)

Live Cattle Futures, Monthly Average of Nearby Contract ($/cwt.)

	Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*
2004	77.18	77.20	79.39	83.14	83.52	83.88	85.44	84.92	84.50	86.71	85.68	88.32
2005	89.88	89.92	88.89	94.79	85.62	83.00	79.37	80.78	85.70	89.49	91.46	94.07
2006	95.43	91.34	83.85	80.65	76.87	81.56	84.08	87.14	90.72	89.40	86.60	86.88
2007	91.55	93.34	98.30	98.07	92.35	89.06	91.93	92.65	96.21	94.92	95.39	93.28
2008	92.09	92.00	90.04	89.58	94.13	95.99	99.79	101.56	102.03	91.77	89.50	84.77
2009	83.61	82.84	84.09									

Source: CME. Note: The data reflect the average of the daily closes.

Sioux Falls Price - Slaughter Steers, Choice 2-3, 1300-1500# ($/cwt.)

	Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*
2004	82.38	77.88	86.70	88.44	89.75	88.00	83.69	83.50	81.70	82.44	81.75	85.95
2005	88.50	86.25	90.65	92.31	88.88	84.00	79.44	78.30	84.65	86.44	89.58	91.25
2006	93.81	89.31	85.85	81.31	81.33	81.75	80.89	84.00	87.00	85.88	83.81	84.13
2007	86.42	89.44	95.31	95.75	95.10	86.25	87.75	89.30	91.00	89.08	90.75	89.50
2008	88.50	88.75	87.13	87.80	91.06	91.00	95.35	96.63	94.31	85.40	85.50	82.00
2009	81.63	78.69	79.00									

Source: USDA-AMS.

Sioux Falls Live Cattle Basis ($/cwt.)

	Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*
2004	5.20	0.68	7.31	5.30	6.23	4.12	-1.75	-1.42	-2.80	-4.27	-3.93	-2.37
2005	-1.38	-3.67	1.76	-2.48	3.26	1.00	0.07	-2.48	-1.05	-3.05	-1.88	-2.82
2006	-1.62	-2.03	2.00	0.66	4.46	0.19	-3.19	-3.14	-3.72	-3.52	-2.79	-2.75
2007	-5.13	-3.90	-2.99	-2.32	2.75	-2.81	-4.18	-3.35	-5.21	-5.84	-4.64	-3.78
2008	-3.59	-3.25	-2.91	-1.78	-3.07	-4.99	-4.44	-4.93	-7.72	-6.37	-4.00	-2.77
2009	-1.98	-4.15	-5.09									

Note: The data reflect the difference between the monthly Sioux Falls' slaughter cattle price and the monthly average of the nearby live cattle futures prices.

Sioux Falls Price - Slaughter Cows, Commercial 2-4 ($/cwt.)

	Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*
2004	53.25	52.13	54.60	60.75	64.88	65.60	65.81	64.63	62.80	60.50	62.75	58.75
2005	61.67	58.47	64.40	65.50	67.38	66.75	64.56	58.50	60.17	57.38	58.95	59.88
2006	57.13	59.13	59.94	58.75	60.75	59.63	57.50	58.56	60.67	60.19	54.13	53.70
2007	52.50	55.58	56.83	62.75	62.88	62.25	64.00	64.30	62.50	60.83	60.50	58.25
2008	57.83	65.08	62.33	64.17	65.44	65.94	67.00	67.83	64.75	59.13	52.75	50.75
2009	49.00	54.00	53.00									

Source: USDA-AMS. Note: December 2006 was estimated using the average spread over heavy breakers.

South Dakota Stocker Cattle Prices, Monthly Averages ($/cwt.)

	Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*
2004	110.80	108.25	114.59	117.22	123.88	135.57	133.68	141.20	129.81	126.50	121.59	122.32
2005	125.77	128.34	135.10	138.99	139.13	142.62	130.68	130.80	134.00	135.36	136.85	136.84
2006	140.59	138.06	136.10	131.46	130.54	131.67	134.42	133.57	137.13	123.49	113.16	115.15
2007	113.22	118.92	124.38	129.14	128.80	132.43	128.78	128.55	128.16	122.93	120.00	120.19
2008	117.32	123.80	122.93	119.80	122.79	132.34	126.33	120.95	113.17	107.98	105.94	102.55
2009	112.10	111.29	113.06									

Source: USDA-AMS. Note: The data reflect a weighted average of 5-600# No. 1 medium and medium and large steers.

CME Feeder Cattle Index ($/cwt.)

	Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*
2004	89.40	86.96	90.10	93.70	103.21	112.00	116.15	117.54	114.15	113.82	108.89	106.22
2005	104.89	103.19	104.97	110.70	111.47	112.61	112.37	111.09	115.04	117.27	122.10	115.38
2006	113.60	109.60	103.69	101.67	97.13	110.16	114.62	115.70	117.94	110.26	100.71	99.85
2007	96.67	97.57	103.39	107.91	107.68	107.59	112.03	116.31	117.22	112.58	108.78	105.00
2008	98.79	102.79	100.14	100.48	107.15	108.90	116.00	112.54	109.61	98.84	95.62	90.81
2009	95.47	93.34	92.47									

Source: CME. Note: The data reflect the average of the daily CME Feeder Cattle Index.

South Dakota Stocker Cattle Basis Relative to the CME Feeder Cattle Index ($/cwt.)

	Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*
2004	21.40	21.29	24.49	23.52	20.67	23.57	17.53	23.66	15.66	12.68	12.70	16.10
2005	20.88	25.15	30.13	28.29	27.66	30.01	18.31	19.71	18.96	18.09	14.75	21.46
2006	26.99	28.46	32.41	29.79	33.41	21.51	19.80	17.87	19.19	13.23	12.45	15.30
2007	16.55	21.35	20.99	21.23	21.12	24.84	16.75	12.24	10.94	10.35	11.22	15.19
2008	18.53	21.01	22.79	19.32	15.64	23.43	10.33	8.41	3.56	9.14	10.32	11.74
2009	16.63	17.95	20.59									

Futures Markets

Live	4/17/2009	3/20/2009	Change	Feeder	4/17/2009	3/20/2009	Change
APR 09	88.33	85.20	3.13	APR 09	99.18	93.77	5.41
JUN 09	84.53	82.85	1.68	MAY 09	99.53	95.37	4.16
AUG 09	85.13	84.07	1.06	AUG 09	101.95	98.22	3.73
OCT 09	88.80	87.72	1.08	SEP 09	102.55	99.32	3.23
DEC 09	90.75	90.05	0.70	OCT 09	102.78	99.40	3.38
FEB 10	91.97	91.30	0.67	NOV 09	102.85	99.65	3.20
APR 10	92.70	91.75	0.95	JAN 10	100.65	98.00	2.65
JUN 10	89.20	88.40	0.80	MAR 10	99.10	98.00	1.10
AUG 10	88.70	86.05	2.65				

Source: CME.

For more market information, go to the Department of Economics website at http://econ.sdstate.edu/. Under the Extension tab are links to *Current Market Analysis* and the *Cattle Market Review* page. These comments are updated monthly. The first link on the *Cattle Market Review* page will take you to .pdf versions of this and archived reviews.