

Cash prices for all classes of cattle finished higher in March compared to a month earlier (figure 1). On the futures side, live cattle are lower compared to last month, while feeder cattle futures are sharply higher. The weekly stockers have continued to be seasonally high reflecting the high level of deferred live cattle futures prices.

The *Prospective Plantings* report showed a marked increase in corn acres, which has been supportive of feeder and stocker cattle prices. Perhaps overshadowed in the report were the hay acres figures. For South Dakota the report showed that producers intend to harvest 3.8 million acres of hay in 2007. Recall that 2006 had many hay acres abandoned; the lowest level harvested since 1942. The acres intended for 2007 is below most levels in recent years (figure 2). Coupled with very tight stocks prices are expected to remain high until potential harvest pressure in August or September. Prices for non-alfalfa hay in South Dakota have been at record high levels for the third straight month.

Pasture rental rates are also high, continuing the trend of recent years. Looking at the most frequently reported levels reveals sharp increases again in much of the eastern counties (figure 3). A year ago the sharpest increases were concentrated in counties along the northeast and southeast borders. In 2007 the sharpest increases were observed in counties south and counties north of those with large increases a year ago. Thus, costs for grazing will continue to pressure returns with few ways to mitigate the increases in the short run.

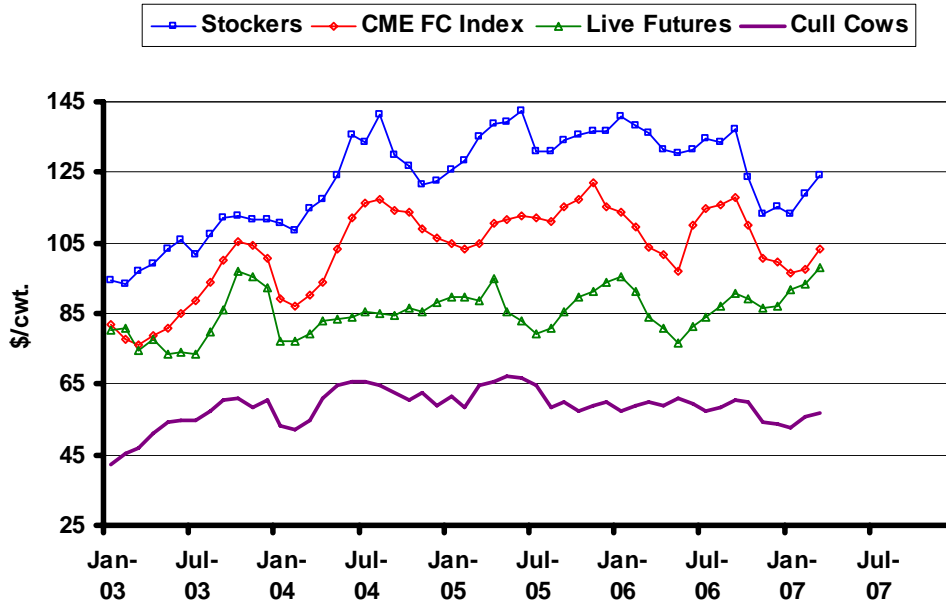
Much of the volatility in the cattle markets has been concentrated in the effects on cash and nearby futures prices. The deferred contract prices for both live and feeder cattle have increased since the beginning of 2007. Backing out the mid-month implied volatility shows the relative stability of the deferred contracts (figure 4). The volatility for the June live cattle contract has increased from 15 to 18 percent, but still remains at a historically typical level. The volatility for August feeder cattle contract has been very consistent at 16 percent – despite all the corn market and live cattle market changes. Thus, prices are higher for feeder cattle and the cost of insurance has not increased. Put options and Livestock Risk Protection are both available further out than in recent years and at historically reasonable cost.

The latest WASDE report showed projections revised slightly higher for 2007 for fed cattle in response to slightly lower production levels. While the futures prices have declined slightly they continue to remain above the high end of the projection range for 2007 (figure 5). The sharp pattern in the futures prices clearly shows the seasonal break the trade expects in the summer. For feeder cattle, the futures prices and fundamentals again show wide disparity especially for the third quarter (figure 6). Coupled with the low volatility, either pricing or protection strategies would be warranted in the feeder market. In the April *Cattle on Feed* report placements exceeded levels from a year ago while marketings were down. Placements were up for all the heavier weight categories. The number on feed moved up slightly to 11.6 million head, which is seasonally uncommon. The heifer mix is up sharply compared to a year ago, suggesting the limited expansion plans have been held in check.

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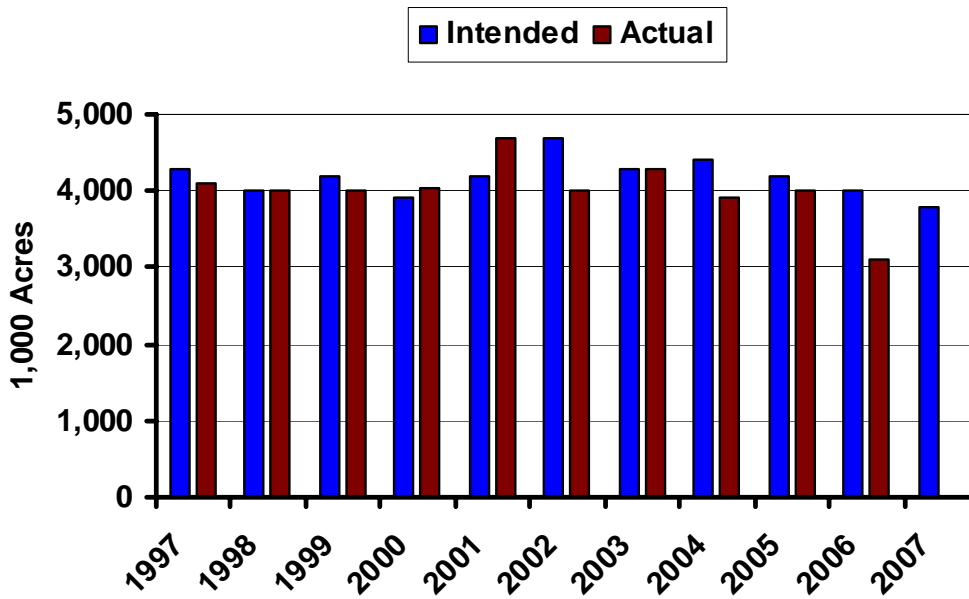
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**Fig. 1. Monthly South Dakota Cattle Prices**



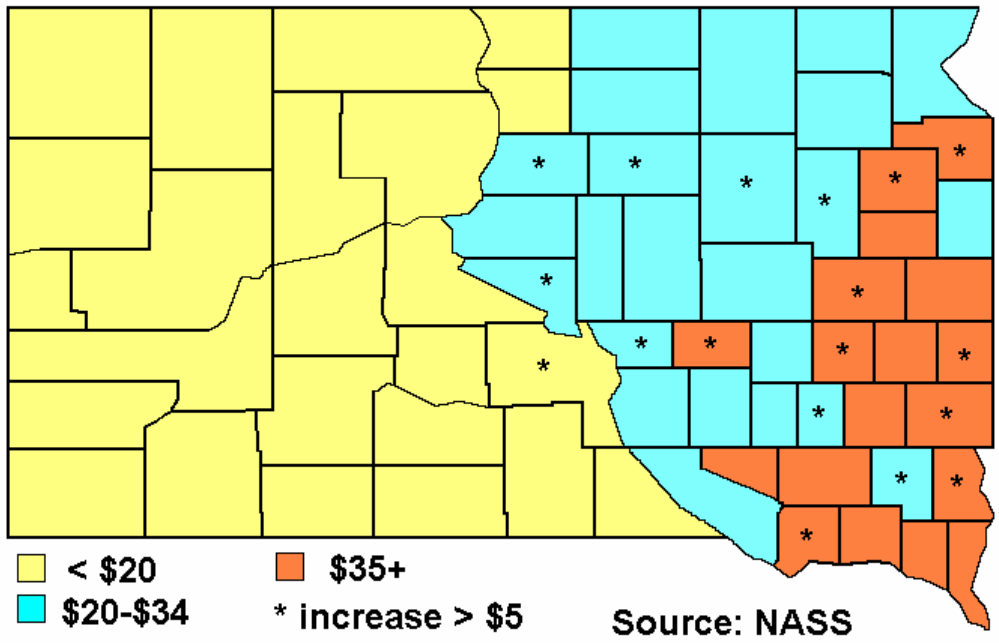
Sources: CME, USDA-AMS, & SDSU

**Fig. 2. Hay Acres in South Dakota**

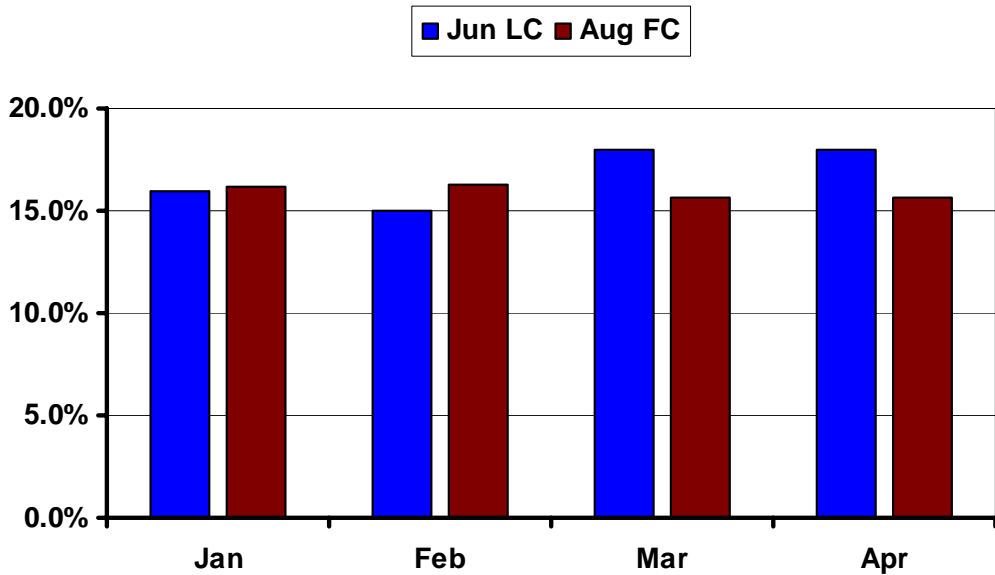


Source: USDA-NASS

**Fig. 3. Most Frequent 2007 Pastureland Rent (\$/acre)**

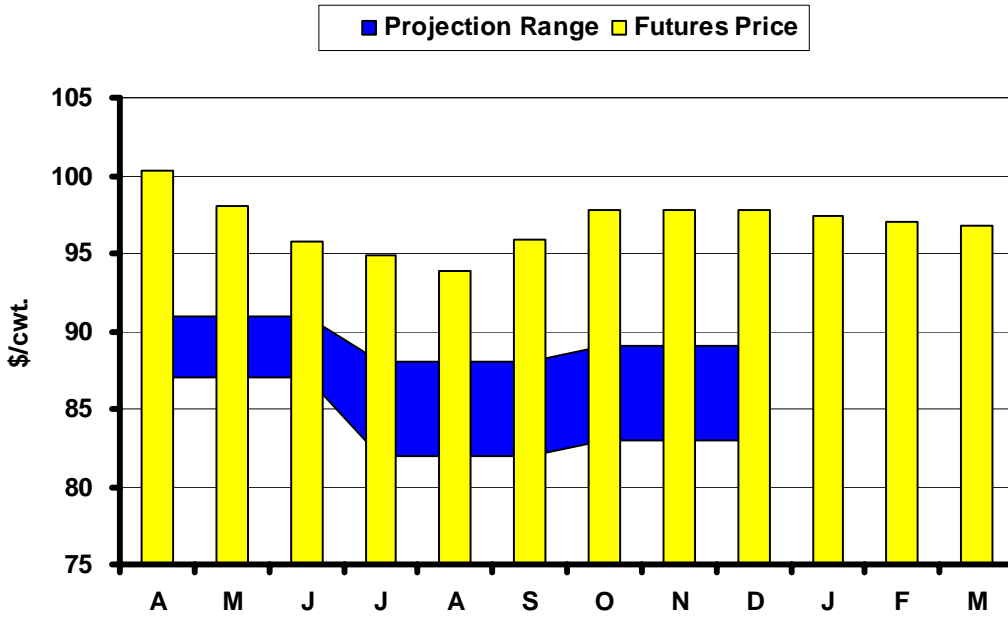


**Fig. 4. Mid-Month Volatility of Cattle Contracts**



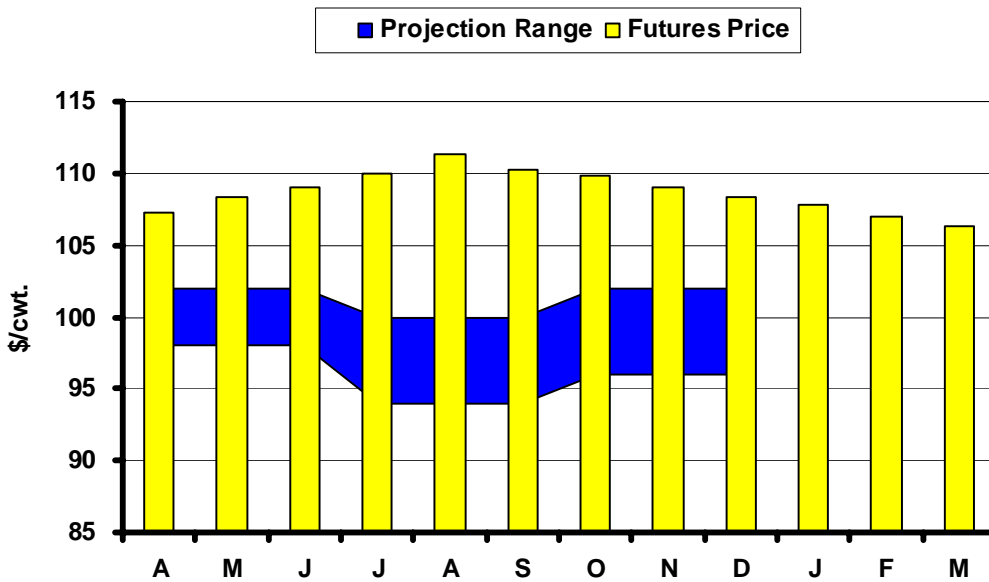
Source: CME

**Fig. 5. Live Cattle Futures and Projections**



Sources: CME & USDA-WASDE, April 10, 2007

**Fig. 6. Feeder Cattle Futures and Projections**



Sources: CME & USDA-ERS, April 18, 2007

## In the Chute

April 27: *Meat Animals PDI* (NASS)

May 11: *Live Cattle Projections* (WASDE)

May 18: *Cattle on Feed* (NASS)

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	71.40	73.03	72.82	67.18	62.17	62.87	68.07	65.07	68.78	68.40	73.46	74.44
2003	80.56	80.61	74.68	77.60	73.71	73.80	73.37	79.80	86.14	97.25	95.47	92.09
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									

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

### Sioux Falls Price - Slaughter Steers, Choice 2-4, 1100-1300# (\$/cwt.)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	66.85	69.75	70.75	68.56	65.85	63.63	61.44	62.20	63.81	64.60	67.33	70.58
2003	75.30	76.44	75.88	79.05	78.13	75.75	75.63	79.94	88.81	100.35	105.00	92.38
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									

Source: USDA-AMS. Note: Prices from 2004 onward are for Choice 2-3, 1300-1500#.

### Sioux Falls Live Cattle Basis (\$/cwt.)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	-4.55	-3.28	-2.07	1.38	3.68	0.76	-6.63	-2.87	-4.97	-3.80	-6.13	-3.86
2003	-5.26	-4.17	1.20	1.45	4.42	1.95	2.26	0.14	2.67	3.10	9.53	0.29
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									

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
2002	42.90	45.38	49.13	48.75	47.60	48.38	45.13	43.20	44.25	43.30	40.50	39.67
2003	42.20	45.50	46.75	51.00	54.17	54.50	54.90	57.50	60.44	60.75	58.33	60.50
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									

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

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

	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>
2002	100.45	101.77	100.97	95.98	94.91	92.76	87.93	91.66	93.04	87.77	88.94	94.80
2003	94.20	93.36	96.84	99.02	103.41	105.61	101.47	107.21	112.13	112.71	111.38	111.63
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									

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.)**

	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>
2002	83.36	82.57	80.40	76.23	75.45	75.96	76.98	78.57	80.56	81.20	82.89	85.02
2003	81.90	77.80	76.27	78.73	80.62	85.01	88.70	94.10	100.21	105.25	104.13	100.82
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									

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.)**

	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>
2002	14.66	16.95	19.04	19.45	19.07	22.67	17.71	15.47	9.64	10.05	10.14	15.23
2003	12.30	15.56	20.57	20.29	22.79	20.60	12.77	13.11	11.92	7.46	7.25	10.81
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									

**Futures Markets**

Live	4/20/2007	3/23/2007	Change	Feeder	4/20/2007	3/23/2007	Change
APR 07	95.63	98.10	-2.47	APR 07	107.05	105.13	1.93
JUN 07	92.28	94.70	-2.43	MAY 07	107.45	106.73	0.73
AUG 07	90.63	92.30	-1.68	AUG 07	110.75	108.23	2.53
OCT 07	94.40	96.23	-1.82	SEP 07	109.80	105.95	3.85
DEC 07	94.88	96.65	-1.78	OCT 07	109.60	107.05	2.55
FEB 08	95.08	96.45	-1.38	NOV 07	108.98	106.40	2.57
APR 08	94.40	96.45	-2.05	JAN 08	106.98	106.00	0.97
JUN 08	92.08	93.23	-1.15	MAR 08	106.25		
AUG 08	91.40	92.23	-0.82				

Source: CME.