

Cash prices were generally higher in July across different classes of cattle (figure 1). Prices moved slightly lower for stocker cattle on continued thin volume. On the futures side, live cattle futures were mixed. Feeder cattle futures were sharply higher except for the deferred May 2008 contract which was lower. Recent inquiries have focused on the January to March feeder cattle market.

The feed situation has improved slightly for South Dakota. The August *Crop Production* report showed that the hay yield for South Dakota is above average at 1.91 tons per acre. The good yield level partially offsets a much below-average acreage amount. Production is forecasted to be slightly below average. Despite good production levels, hay prices were at record high levels for the month of July because of demand from eastern states. Nationally production tends to be less than 85 percent of the 10-year average level for states east of South Dakota (figure 2). Above-average production is only forecasted for states in the west and in the southern plains.

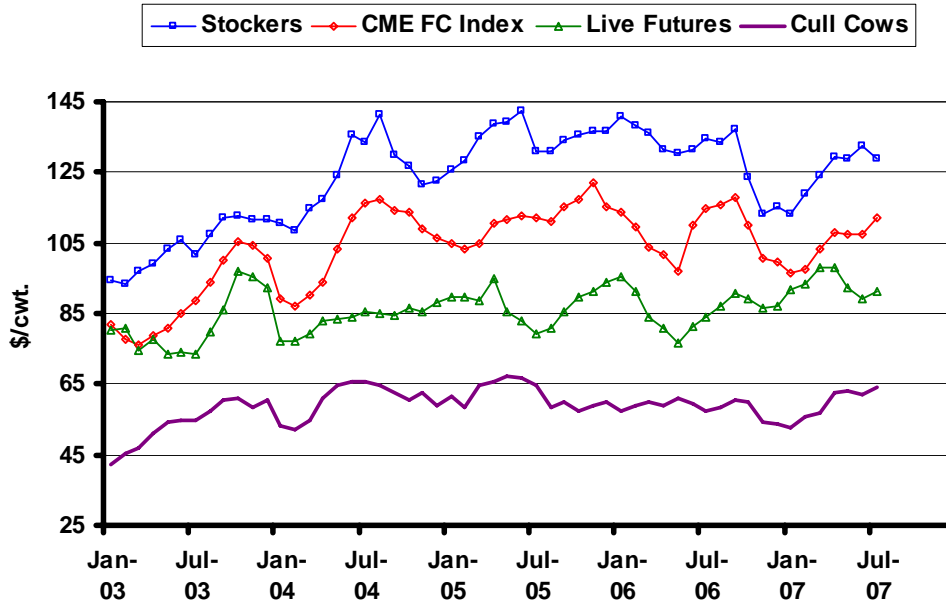
Cattle expansion was held in check this year as feed supplies and pasture conditions limited the amount of replacements held back. Now as the feed situation becomes clearer expansion is likely to occur in the southern plains, but remain limited in the southeast U.S. The U.S. inventory level was down slightly on July 1 compared to a year ago (figure 3). The inventory in Canada followed a similar modest decline. The only class of cattle with an increase in Canada was steers more than a year old. Cattle imports from Canada are up compared to a year ago for both slaughter and feeder cattle. Beef imports from Canada are down slightly compared to a year ago. The smaller U.S. calf crop, and slightly lower cow numbers in Canada, both support higher calf and feeder cattle prices in the U.S.

One way to capture high calf price currently available is through the use of Livestock Risk Protection (LRP). As of August 17 there were policies on calves available with ending dates from November 16 to April 11. LRP is designed for livestock sales that occur during the last 30 days of the policy. That means that the November 16 policy would be appropriate for producers selling calves during the last half of October and the first half of November. The ending values for LRP on calves are tied to the feeder cattle futures prices. The ending values by month are currently between \$120 and \$130 per cwt (figure 4). The highest floor price is typically a few dollars lower reflecting a small deductible and a premium. For the April 11 policy, the floor price is relatively low because only a large deductible is currently available.

The latest WASDE report had small increases in the price projections for fed cattle. Futures prices are higher than the projection range through the first quarter of 2008, suggesting pricing strategies are warranted (figure 5). The ERS revised the price projections for feeder cattle sharply higher following the inventory report. The futures prices for feeders are higher than projections through the end of 2007 (figure 6). Pricing strategies would be warranted until 2008 when upside potential would suggest protection strategies would be more appropriate. The August *Cattle on Feed* report showed an inventory between 2005 and 2006 levels and few placements of light-weight feeders.

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Fig. 1. Monthly South Dakota Cattle Prices



Sources: CME, USDA-AMS, & SDSU

Fig. 2. 2007 Hay Production vs. 10-year Average

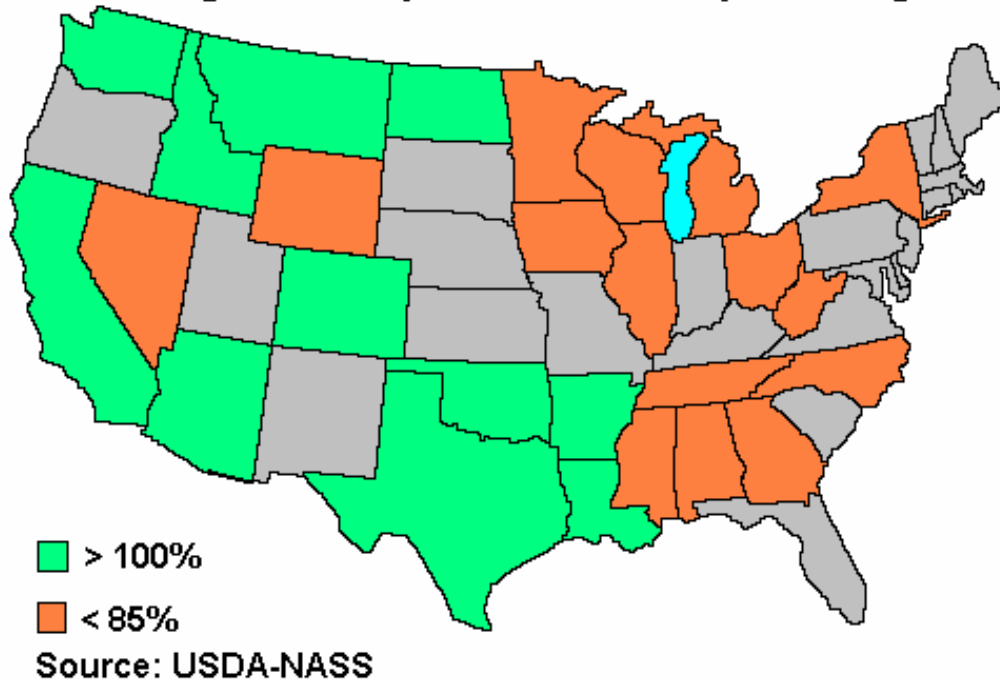
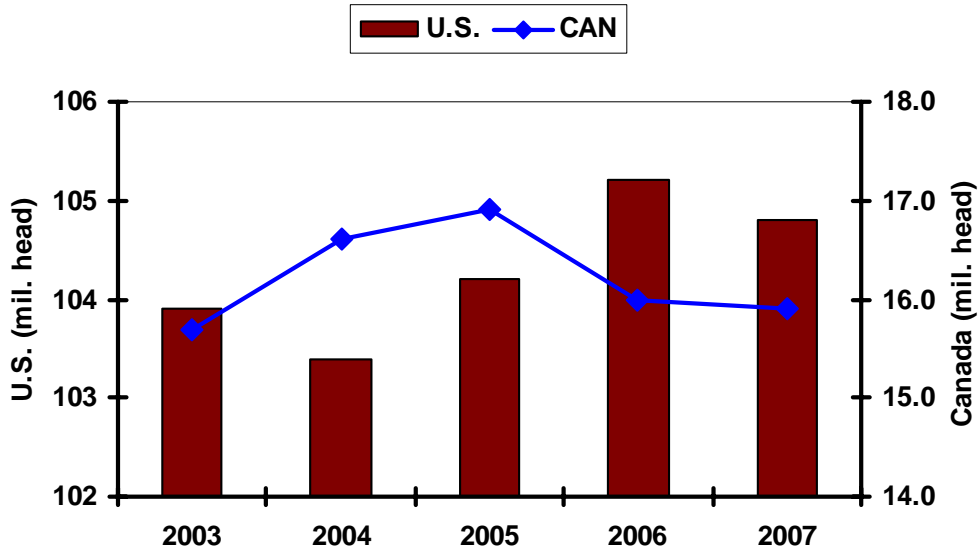
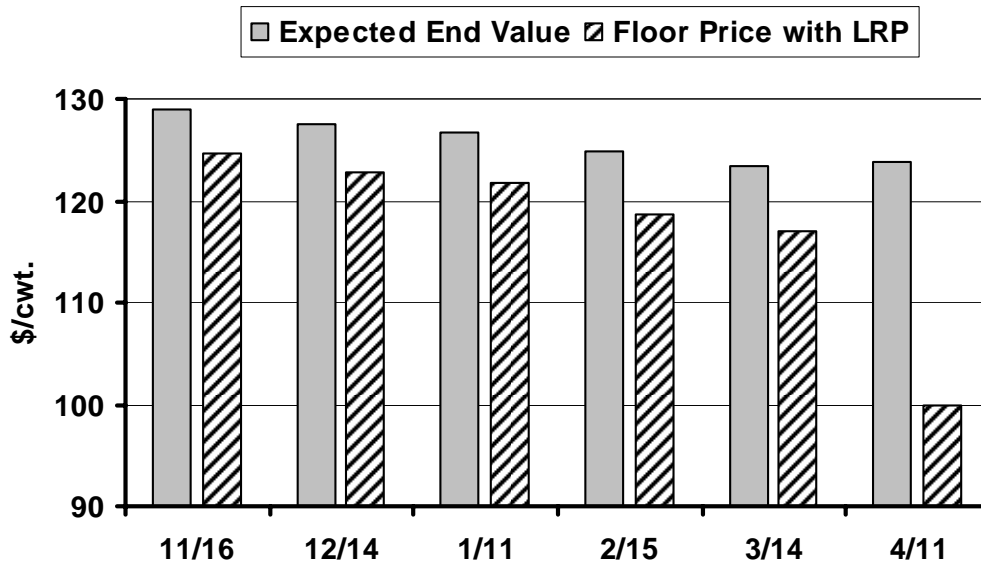


Fig. 3. July 1 Cattle Inventory



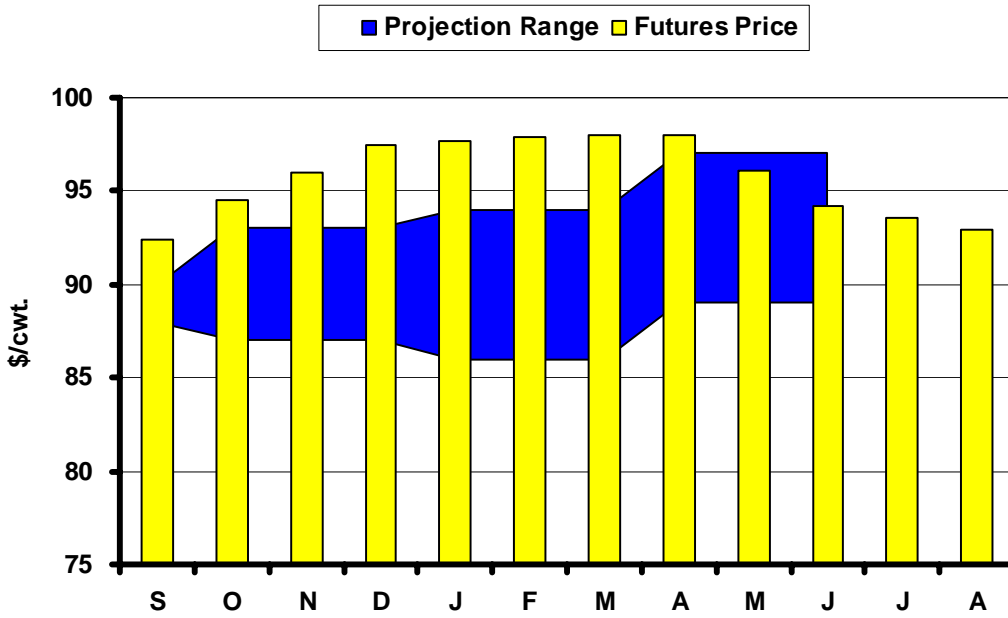
Source: USDA-NASS

Fig. 4. LRP on Steers Weight 1 and Highest Floor



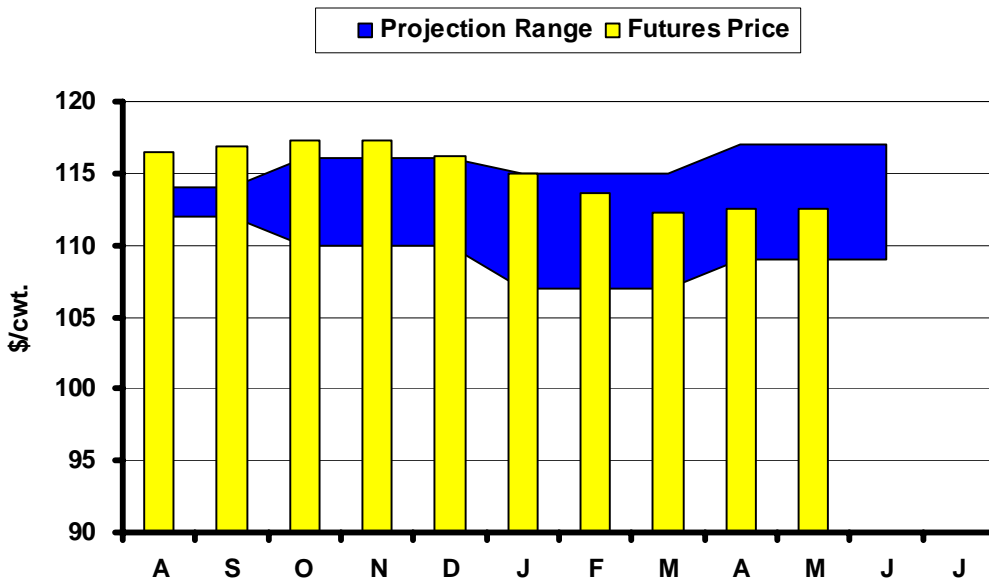
Source: USDA-RMA

Fig. 5. Live Cattle Futures and Projections



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

Fig. 6. Feeder Cattle Futures and Projections



Sources: CME & USDA-ERS, August 20, 2007

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August 21-23: Dakotafest

August 31: *Agricultural Prices* (NASS)

September 12: Live Cattle Projections (WASDE)

September 21: *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	98.07	92.35	89.06	91.52					

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	95.75	95.10	86.25	87.75					

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	-2.32	2.75	-2.81	-3.77					

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	62.75	62.88	62.25	64.00					

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	129.14	128.80	132.43	128.78					

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	107.91	107.68	107.59	112.03					

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	21.23	21.12	24.84	16.75					

Futures Markets

Live	8/17/2007	7/20/2007	Change	Feeder	8/17/2007	7/20/2007	Change
AUG 07	91.95	90.82	1.13	AUG 07	116.42	115.50	0.92
OCT 07	95.47	96.60	-1.13	SEP 07	116.87	116.67	0.20
DEC 07	97.87	98.67	-0.80	OCT 07	117.22	116.92	0.30
FEB 08	98.80	98.90	-0.10	NOV 07	117.32	116.40	0.92
APR 08	99.05	98.90	0.15	JAN 08	114.97	114.30	0.67
JUN 08	94.62	94.72	-0.10	MAR 08	112.20	112.00	0.20
AUG 08	93.50	93.07	0.43	APR 08	112.60	112.47	0.13
				MAY 08	112.60	113.00	-0.40

Source: CME.