

Cash cattle prices were lower during January across all classes of cattle (figure 1). Since late January the futures prices for live cattle and feeder cattle have been steady for the nearby contracts and higher for the deferred months. The weekly stocker cattle price in South Dakota has been trending seasonally higher in recent weeks. Input prices continue to be high and volatile. During January hay prices reached record high levels in South Dakota. Grazing fees also reached record highs in 2007. In the January *Agricultural Prices* report, NASS reported that rates in South Dakota averaged \$21.00 per month for animal units, \$25.20 per month for cow-calf pairs, and \$23.00 per month on a per head basis. The rates have steadily increased in recent years and are the highest state-level rates behind Nebraska.

The cattle cycle continues to be disrupted by spotty drought conditions and higher feed costs. In the *Cattle* report, NASS reported that as of January 1, 2008 there were 96.7 million head of cattle in the U.S. (figure 2). The number of beef cows is down slightly, as is the number of beef replacement heifers. The decline in heifers is highest among those expected to calve in 2008. The number of “other” heifers and the number of calves are smaller than last year, thus there is a smaller pool of potential replacement heifers to draw from at this time. The South Dakota inventory levels have followed the U.S. patterns in recent years. The total inventory was unchanged in South Dakota at 3.7 million head. The beef cow and beef replacement levels are down slightly. A slight difference from the U.S. situation is a small increase in “other” heifers and in calf inventory levels. Thus, South Dakota producers are in a better position to expand.

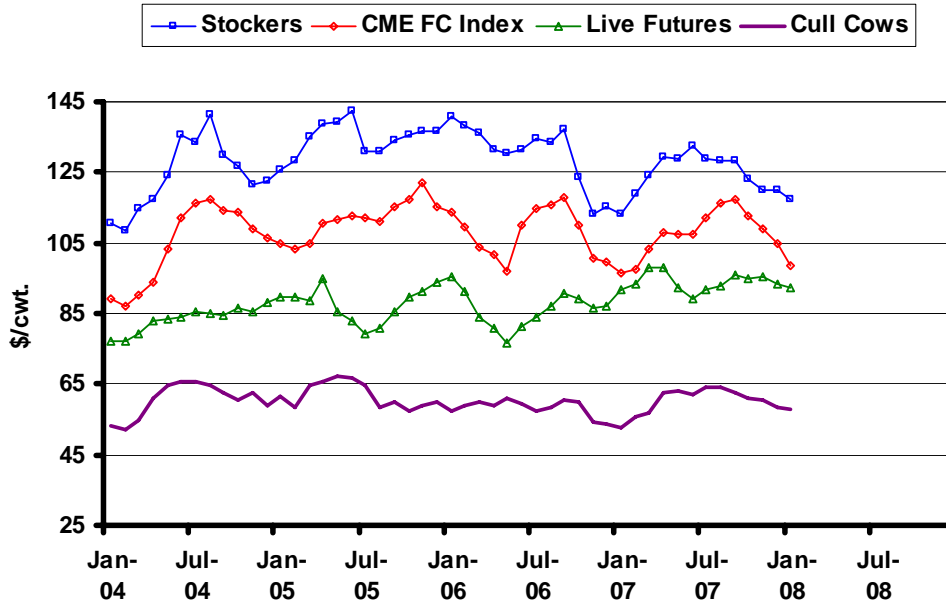
The smaller beef cow and replacement inventory levels suggest a smaller U.S. calf crop in 2008, suggesting upward pressure on calf prices from the supply side. Calf prices should also be supported by relatively high fed cattle prices which are partially offsetting higher corn prices. Note that upside moves, such as occurred in 2005, are unlikely as the overall inventory of cattle remains high compared to that year. The shock to the cattle cycle can be seen in the long range projections from USDA (figure 3). The cattle inventory is likely to decline in 2009 then slowly build back to a brief peak in 2011. The USDA projects cash returns per cow are expected to be lower in 2008 compared to 2007 with the next sharp increase not likely until 2010.

The February *Cattle on Feed* report confirmed that a large inventory remains on feed. Placements during January were larger than last year, but primarily among lighter weight classes. The heifer mix is also higher than a year ago, consistent with the cattle inventory statistics showing fewer replacements. Total capacity of large feedlots (greater than 1,000 head) remained steady at 16.8 million head. In South Dakota there has been some growth in large feedlots. Placements and marketings have a fairly consistent pattern by month (figure 4). Marketing by large feedlots totaled 469,000 head in 2007, up 44,000 head from 2006. The number marketed by smaller lots was constant at 290,000 head in 2007.

The latest WASDE report had small revisions to the price projections, which remain below the futures prices during the second half of 2008 (figure 5). The ERS feeder cattle projections for the 4th quarter were revised lower, widening the difference below futures prices (figure 6).

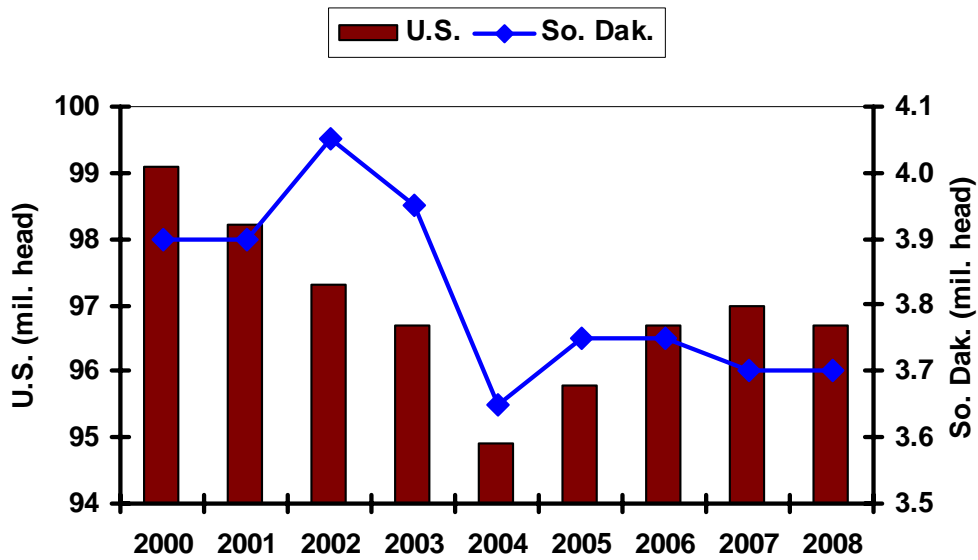
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Fig. 1. Monthly South Dakota Cattle Prices



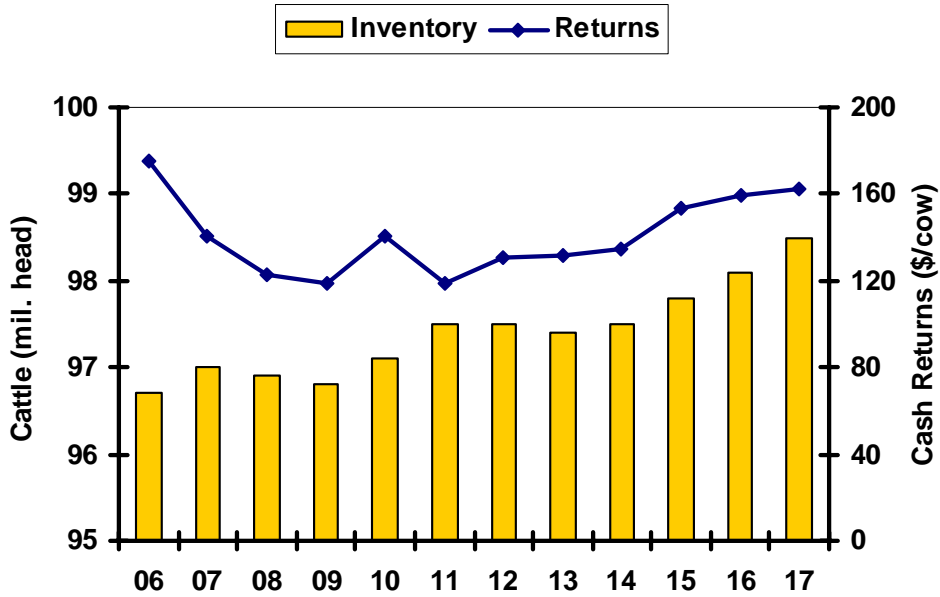
Sources: CME, USDA-AMS, & SDSU

Fig. 2. January 1 All Cattle and Calves Inventory



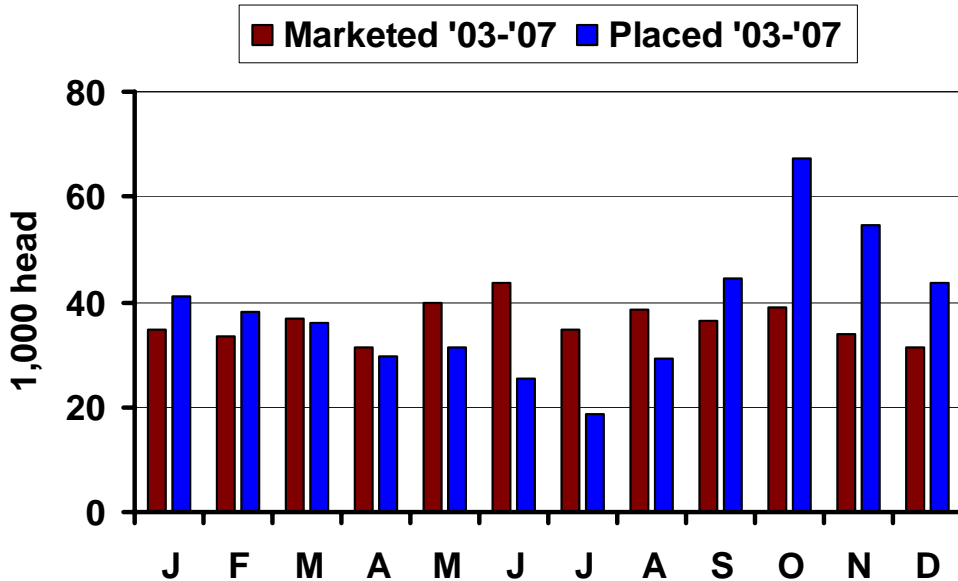
Source: USDA-NASS

Fig. 3. USDA Projections, 2006-2017



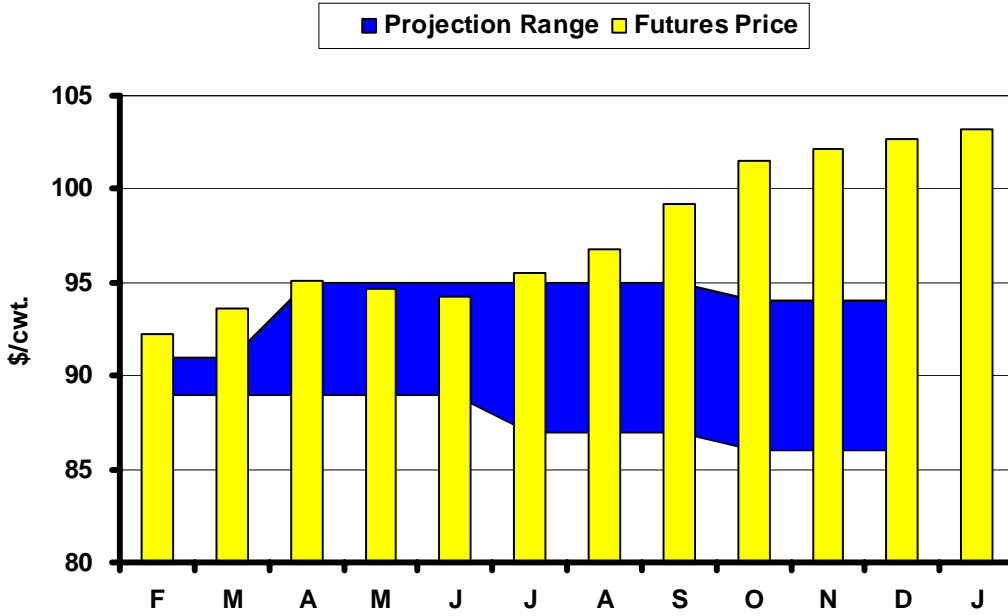
Source: OCE-2008-1, February 2008

Fig. 4. Average South Dakota Feedlot Activity



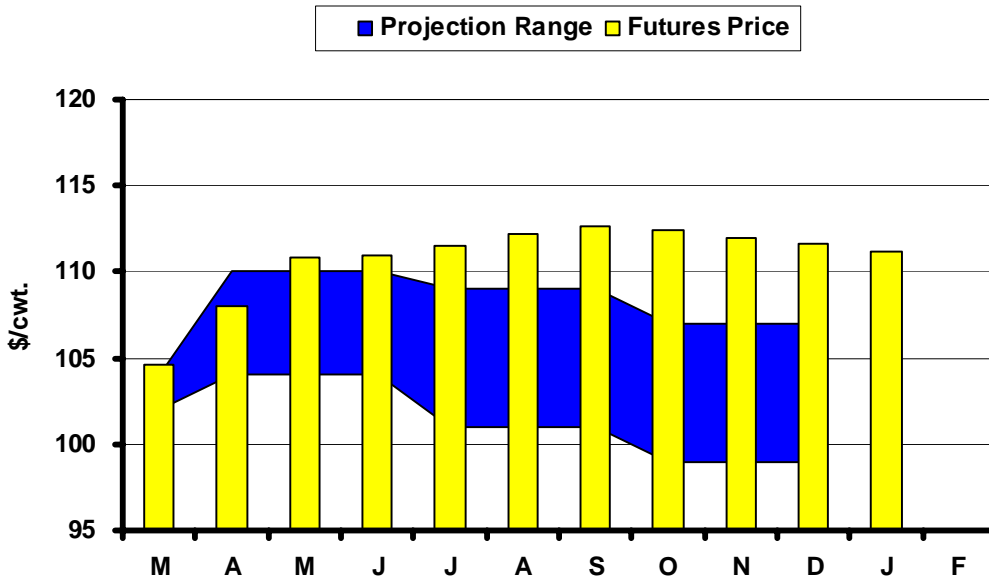
Source: USDA-NASS

Fig. 5. Live Cattle Futures and Projections



Sources: CME & USDA-WASDE, February 8, 2008

Fig. 6. Feeder Cattle Futures and Projections



Sources: CME & USDA-ERS, February 15, 2008

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March 3-4: Cattle Risk & Outlook – Martin, SD (Diersen)

March 11: Live Cattle Projections (WASDE)

March 20: *Cattle on Feed* (NASS)March 31: *Prospective Plantings* (NASS)**Live Cattle Futures, Monthly Average of Nearby Contract (\$/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>
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	91.93	92.65	96.21	94.92	95.39	93.28
2008	92.09											

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

Sioux Falls Price - Slaughter Steers, Choice 2-3, 1300-1500# (\$/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>
2003	75.60	76.13	76.44	79.75	79.38	76.44	76.25	81.13	90.69	101.85	105.00	91.94
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											

Source: USDA-AMS.

Sioux Falls Live Cattle Basis (\$/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>
2003	-4.96	-4.48	1.76	2.15	5.67	2.64	2.88	1.33	4.55	4.60	9.53	-0.15
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											

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.)

	<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>
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	64.30	62.50	60.83	60.50	58.25
2008	57.83											

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>
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	128.55	128.16	122.93	120.00	120.19
2008	117.32											

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>
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	116.31	117.22	112.58	108.78	105.00
2008	98.79											

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>
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	12.24	10.94	10.35	11.22	15.19
2008	18.53											

Futures Markets

Live	2/22/2008	1/18/2008	Change	Feeder	2/22/2008	1/18/2008	Change
FEB 08	92.00	91.00	1.00	MAR 08	103.93	102.30	1.63
APR 08	93.98	94.25	-0.28	APR 08	107.30	105.93	1.38
JUN 08	94.40	93.28	1.13	MAY 08	110.65	108.13	2.53
AUG 08	96.90	96.05	0.85	AUG 08	112.00	109.90	2.10
OCT 08	102.03	100.20	1.83	SEP 08	112.13	109.80	2.33
DEC 08	103.00	101.30	1.70	OCT 08	112.25	109.73	2.53
FEB 09	104.40	102.60	1.80	NOV 08	112.10	109.70	2.40
APR 09	103.75	101.70	2.05	JAN 09	110.00		
JUN 09	101.45	98.70	2.75				

Source: CME.