

Cash cattle prices were lower during December across all classes of cattle except stockers (figure 1). Stocker prices were steady during December and the weekly series has dropped slightly in January, but remains above year ago levels. The live and feeder cattle futures prices have shown a similar trend over the past month. The nearby contracts have traded at sharply lower levels while the deferred contracts have traded higher. Note that the futures prices are now available on the “CME Group” website following the merger of the CME and CBOT.

Regional basis patterns give some insight into analyzing prices in recent years and lay the foundation for marketing plans for 2008. The cash prices for stocker and feeder steers from South Dakota locations can be compared to the CME feeder cattle index to obtain a location basis. This shows how regional prices compare to a national price and would be the basis to use when adjusting futures prices to a local projected price. Livestock Risk Protection on stockers also settles to the index price, thus the location basis is the appropriate adjustment to make for that product. The five-year average smoothes out impacts from a given month and shows a fairly consistent pattern (figure 2). For stockers the basis peaks from March to June, then supply pressure drops the basis to its narrowest levels in November. For feeders the basis is very small for most months, as South Dakota feeder cattle make up a portion of the underlying index. The location basis does widen out (or becomes larger) during May and June.

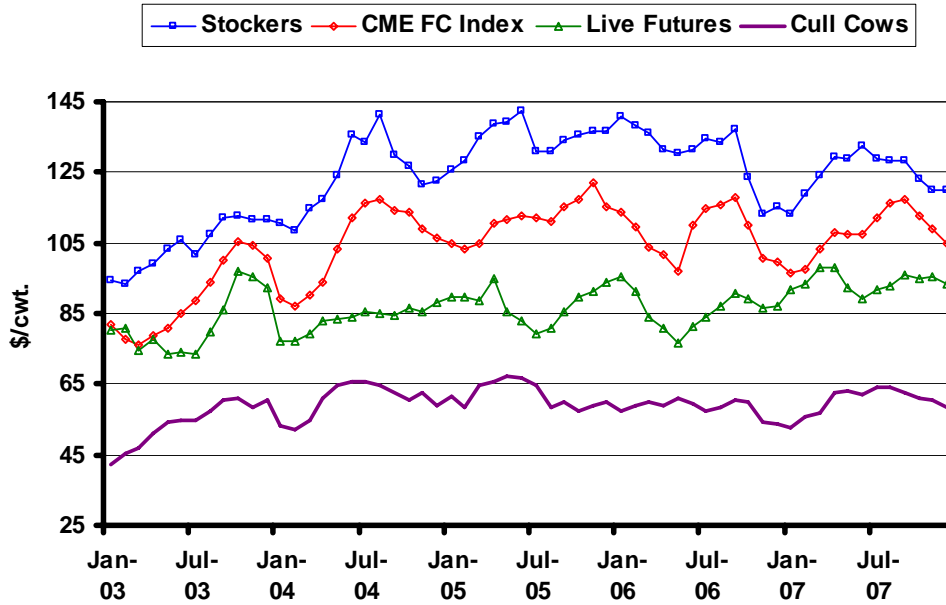
For producers using the feeder cattle futures or options contracts a basis relative to the nearby contract is more appropriate. The basis is the monthly cash price for South Dakota feeder cattle minus the monthly average of the nearby futures contract (figure 3). The pattern is quite variable during individual years as local factors (especially small volumes traded) can affect the prices. During 2007 the basis was unusually low during January and then quite high during June and August. The five-year average is probably a more accurate representation of basis levels to expect when hedging. June is the outlier month as it is two months from the August expiration and cash volume is quite low during the summer months.

The basis on live cattle was relatively wide during 2007 (figure 4). The basis is the monthly cash price from Sioux Falls minus the monthly average of the nearby live cattle futures price. The basis followed the seasonal pattern for the year, but was very wide (or quite negative) during January and during September through December. The wide basis was quite localized. The 5-area steer price followed the nearby futures price quite well during the period, while the Sioux Falls price diverged from both series. For planning purposes, the five-year average basis has been quite reasonable to use and would be recommended for 2008.

The latest WASDE report had small upward revisions to the price projections for fed cattle as feedlots have many cattle on feed but with higher feed costs. The initial projections for the 4th quarter of 2008 are \$86-94 per cwt, the only period where futures are sharply higher (figure 5). The ERS projections for the 4th quarter are \$104-112 per cwt. The projections and futures prices are quite similar, suggesting no obvious marketing decisions at this time (figure 6). Additional price tables can be found in the archives (linked below in the .htm version).

* Diersen is an associate professor in the Department of Economics at South Dakota State University. Contact him at 605-688-4864 or matthew.diersen@sdstate.edu with questions or comments.

Fig. 1. Monthly South Dakota Cattle Prices



Sources: CME, USDA-AMS, & SDSU

Fig. 2. South Dakota Cattle - Location Basis ('03-'07)

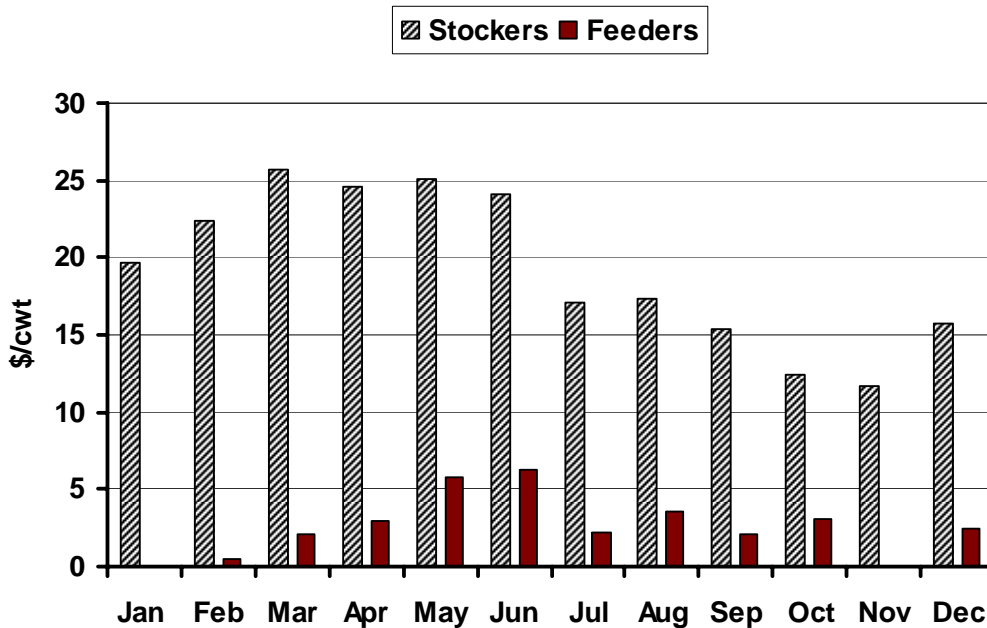
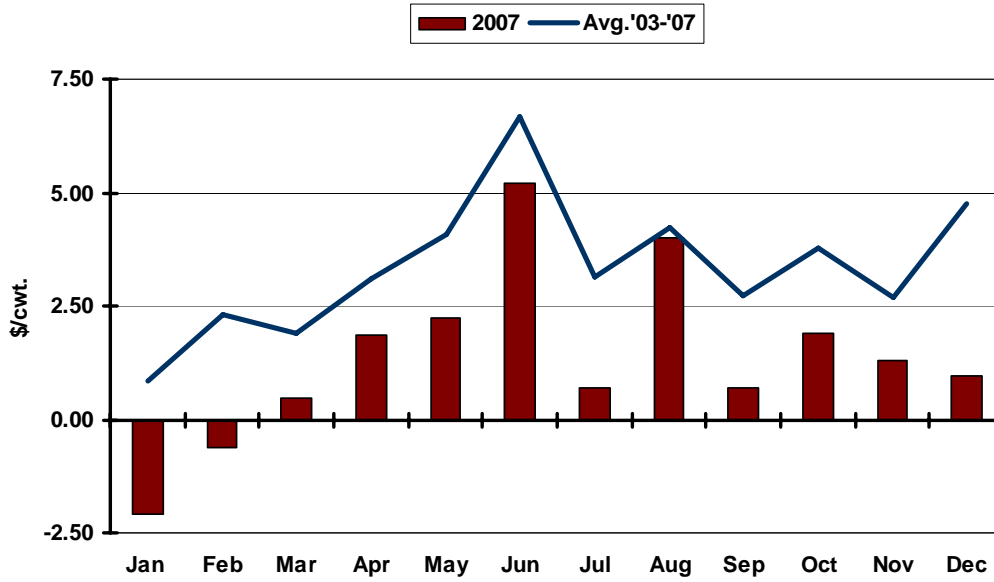


Fig. 3. South Dakota Feeder Cattle Basis



Sources: AMS, CME, SDSU

Fig. 4. Sioux Falls Live Cattle Basis

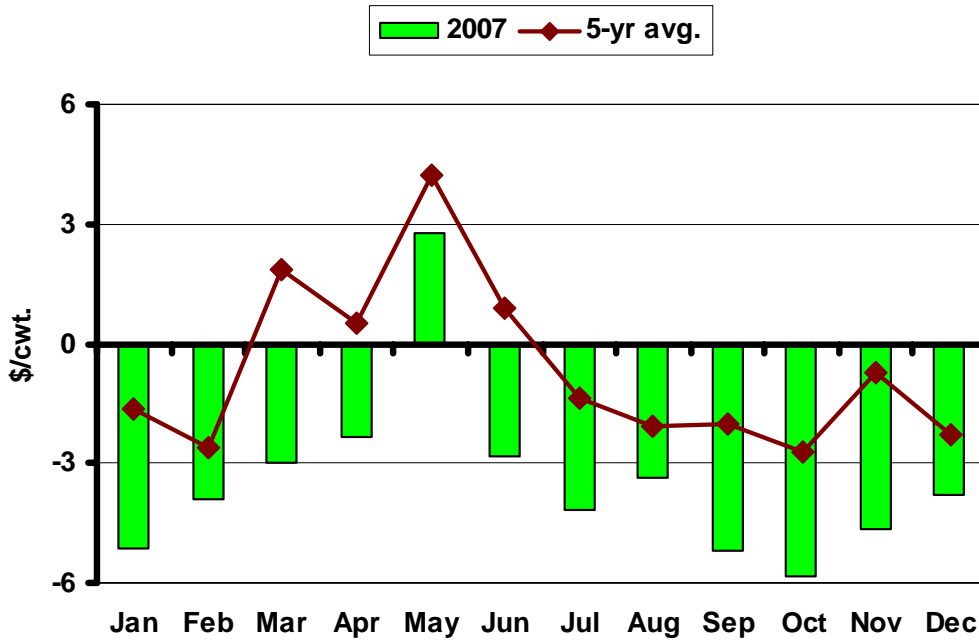
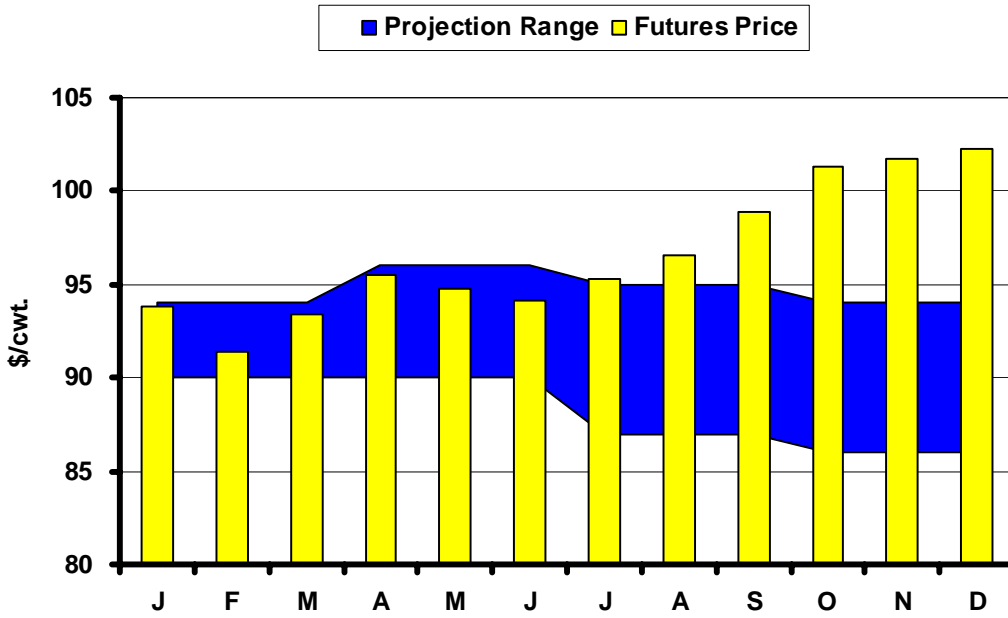
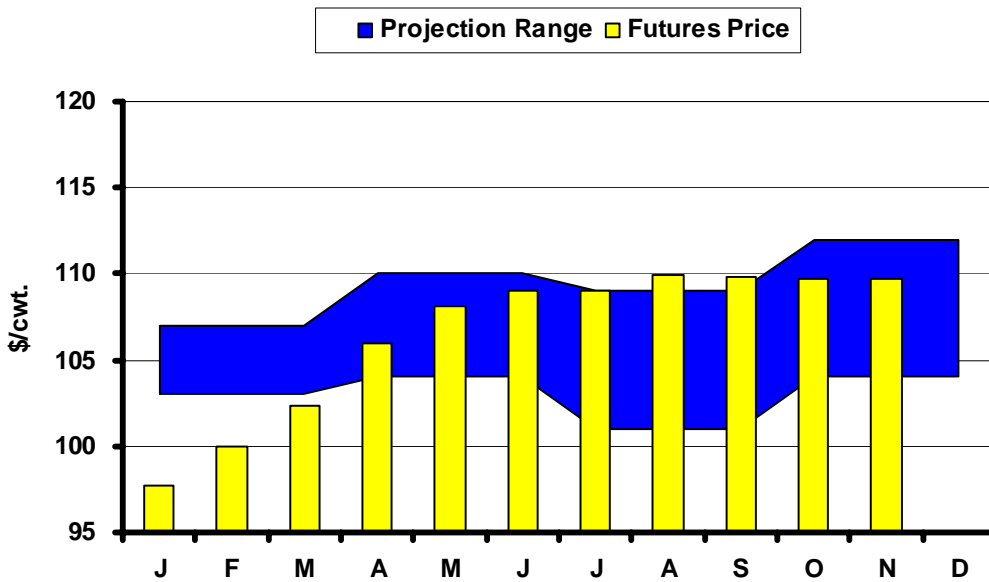


Fig. 5. Live Cattle Futures and Projections



Sources: CME & USDA-WASDE, January 11, 2008

Fig. 6. Feeder Cattle Futures and Projections



Sources: CME & USDA-ERS, January 18, 2008

In the Chute

January 24: Cattle Outlook – Sioux Falls, SD (Diersen)
January 24: Cattle Outlook – Faulkton, SD (Guthmiller)
January 25: *Cattle on Feed* (NASS)
January 28: Cattle Outlook – Stockholm, SD (Guthmiller)
January 29: Cattle Outlook – Sisseton, SD (Guthmiller)
January 31: *Agricultural Prices* (NASS)
February 8: Live Cattle Projections (WASDE)

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>
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	91.93	92.65	96.21	94.92	95.39	93.28

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

Sioux Falls Price - Slaughter Steers, Choice 2-4, 1100-1300# (\$/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	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	89.30	91.00	89.08	90.75	89.50

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

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>
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	-4.18	-3.35	-5.21	-5.84	-4.64	-3.78

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>
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	64.30	62.50	60.83	60.50	58.25

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	128.55	128.16	122.93	120.00	120.19

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	116.31	117.22	112.58	108.78	105.00

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	12.24	10.94	10.35	11.22	15.19

Futures Markets

Live	1/18/2008	12/21/2007	Change	Feeder	1/18/2008	12/21/2007	Change
FEB 08	91.00	97.40	-6.40	JAN 08	97.68	103.83	-6.15
APR 08	94.25	97.95	-3.70	MAR 08	102.30	106.28	-3.98
JUN 08	93.28	93.70	-0.42	APR 08	105.93	108.80	-2.88
AUG 08	96.05	93.97	2.08	MAY 08	108.13	110.00	-1.88
OCT 08	100.20	98.25	1.95	AUG 08	109.90	110.70	-0.80
DEC 08	101.30	98.00	3.30	SEP 08	109.80	109.80	0.00
FEB 09	102.60	98.70	3.90	OCT 08	109.73	109.15	0.57
APR 09	101.70	98.70	3.00	NOV 08	109.70	108.40	1.30
JUN 09	98.70						

Source: CME.