

Cattle prices continued a slow decline during December to finish at the lowest level in two to six years depending on the class (figure 1). Cull cow and stocker prices are down the most compared to recent years. For futures the prices this past month have been mixed. The nearby live cattle contracts are lower, but the deferred contracts are higher. Weekly stockers were under year-end supply pressure to finish out 2008 and have risen during the first part of 2009 (figure 2). For planning purposes the stockers for fall of 2009 are expected to trade in a range between that observed in 2006 for lows and 2007 for highs. Beef herds will likely show substantial contraction and thus a smaller calf crop in 2009. Thus, from a supply standpoint a return of the low prices observed in 2008 seems unlikely. Profitability was affected by low stocker prices and steadily increasing costs. Thus, expansion like that observed in 2005 seems unlikely.

There is likely to be a large number of feeders outside feedlots in the *Cattle* report, which will weigh on calf and feeder prices through the first half of 2009. The January *Cattle on Feed* report showed slightly higher marketings during December. The on-feed total is down sharply from last year. The placements were down slightly and continue to be dominated by heavier-weight feeders. The heifer mix is higher also, confirming a contraction of herds.

A few people have asked about the competing meats situation. For 2008 there was record high meat production across the major classes of beef, pork, and chicken. In addition, at the end of 2008 much of this was starting to pile up in cold storage (figure 3). Because of the presence of these stocks, it is difficult to be optimistic about major short-run price rallies. The USDA projections for 2009 are for slightly lower production across all classes of meats. There is some production cutbacks expected for swine, especially after factoring in smaller inventories in Canada.

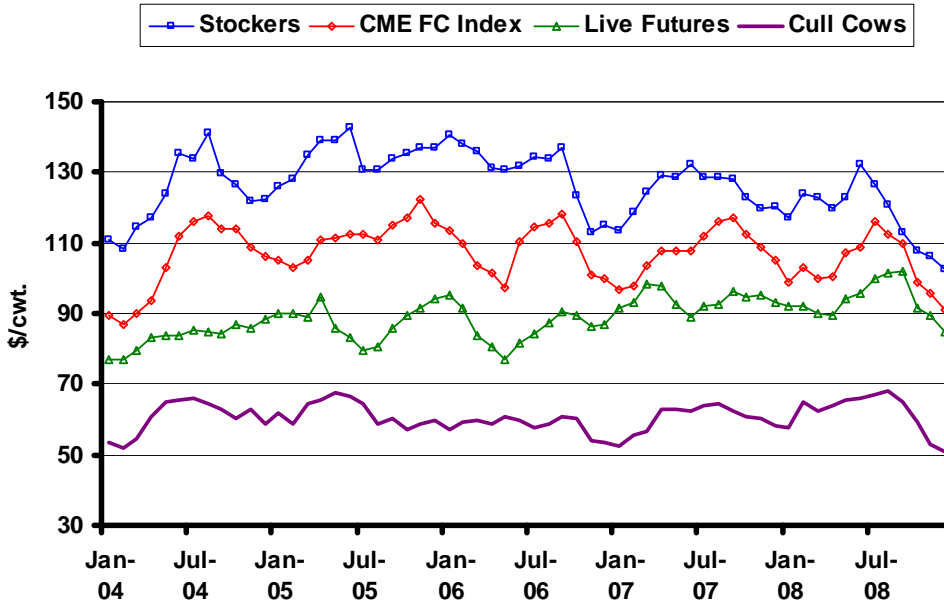
The basis on fed cattle in 2008 was relatively wide throughout the year (figure 4). The high transportation cost explains part of the change from normal. A shift toward more feeding in the northern plains would also explain some of the widening. Recent basis bids on forward contracted cattle have reflected more typical levels – those observed in the 5-year average. With lower fuel costs basis should be narrower in 2009 compared to 2008. With the overall level of cattle on feed running below recent years the regional supply pressures should also be less of a factor.

The latest WASDE report again revised the price projection range for fed cattle slightly lower (figure 5). The initial projections for the fourth quarter of 2009 range from \$91-99 per cwt. The projection range remains higher than futures prices for the first three quarters of 2009. Retail beef prices have remained high, which delays any major movement of stocks. The ERS price projections for feeder cattle were also revised lower. The futures prices remain much lower than the bottom of the projection range throughout 2009 (figure 6). The initial projection range for the fourth quarter is \$104-112 per cwt. With a typical stocker basis of \$10 the fall 2009 stocker price would have a mid-point forecast of \$118 per cwt. With November feeder cattle futures trading at \$97 the futures-adjusted stocker forecasted price is \$107 per cwt.

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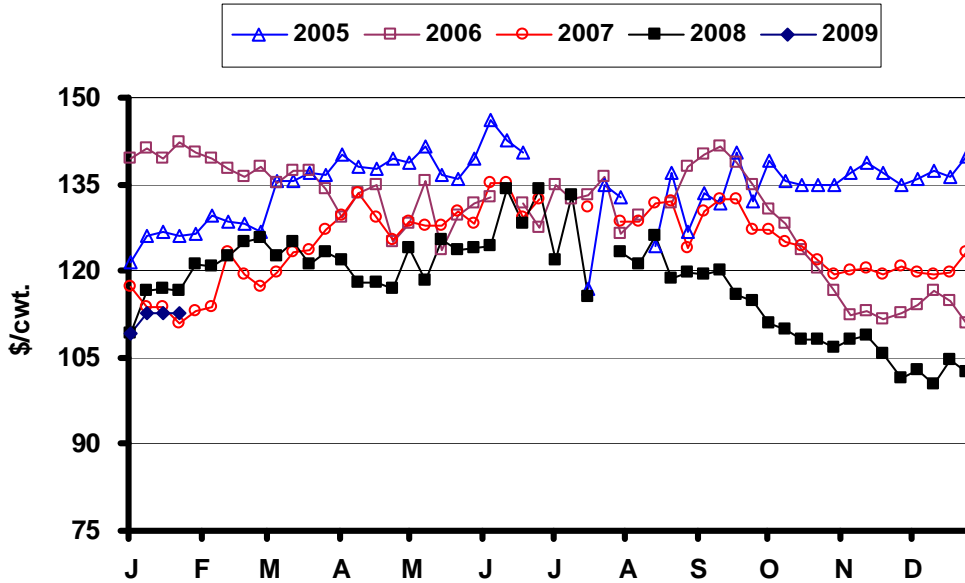
\* Diersen is an associate professor in the Department of Economics at South Dakota State University. Contact him at 605-688-4864 or [matthew.diersen@sdstate.edu](mailto:matthew.diersen@sdstate.edu) with questions or comments.

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



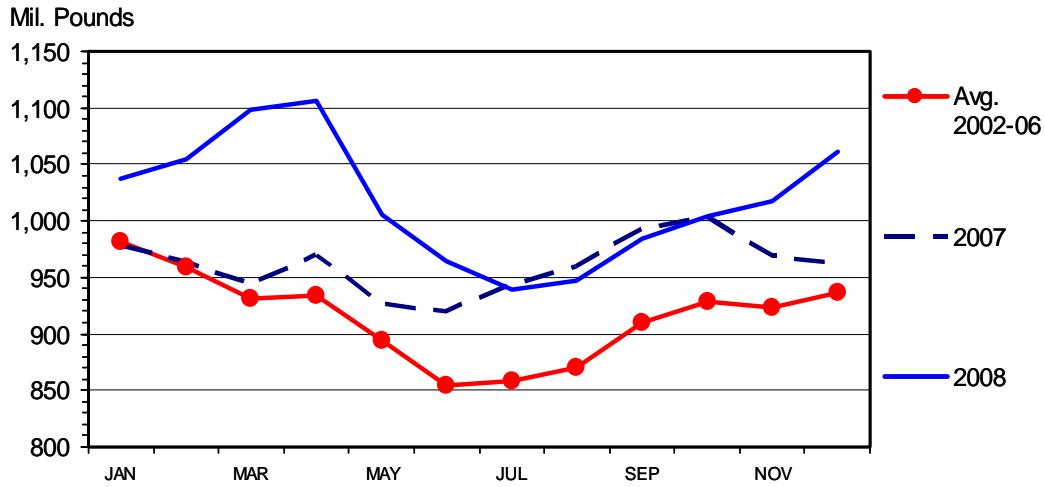
Sources: CME, USDA-AMS, & SDSU

**Fig. 2. Weekly South Dakota Stocker Cattle Prices**



Sources: USDA-AMS & SDSU

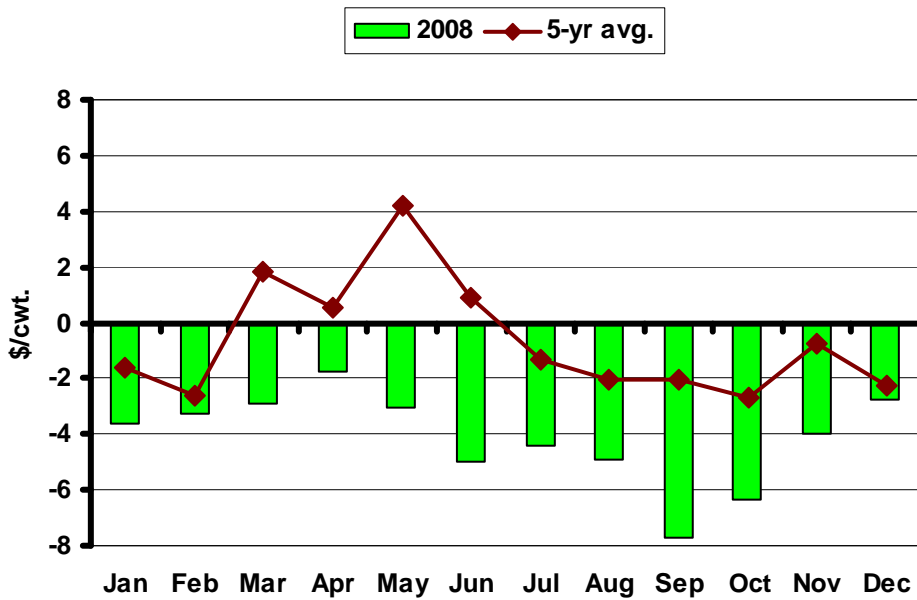
**Fig. 3. TOTAL RED MEAT IN COLD STORAGE**  
End of the Month



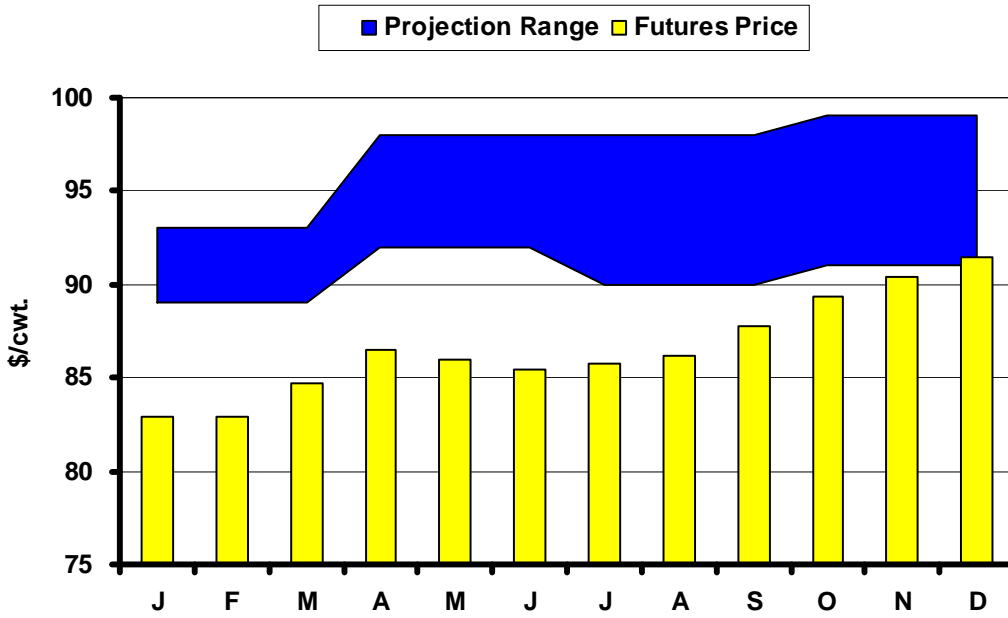
Livestock Marketing Information Center  
Data Source: USDA/NASS

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**Fig. 4. Sioux Falls Live Cattle Basis**

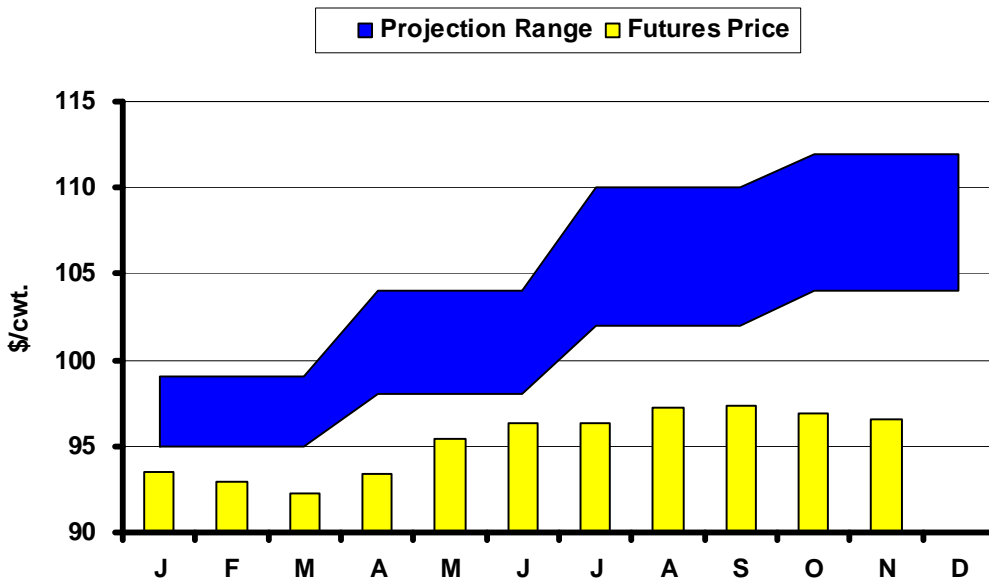


**Fig. 5. Live Cattle Futures and Projections**



Sources: CME & USDA-WASDE, January 12, 2009

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



Sources: CME & USDA-ERS, January 22, 2009

**In the Chute**

January 29: Livestock Outlook – Sioux Falls, SD (Diersen)

January 30: *Cattle* (NASS)

February 10: Live Cattle Projections (WASDE)

February 11: Livestock Outlook – Chamberlain, SD (Diersen)

February 20: *Cattle on Feed* (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	92.00	90.04	89.58	94.13	95.99	99.79	101.56	102.03	91.77	89.50	84.77

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	88.75	87.13	87.80	91.06	91.00	95.35	96.63	94.31	85.40	85.50	82.00

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	-3.25	-2.91	-1.78	-3.07	-4.99	-4.44	-4.93	-7.72	-6.37	-4.00	-2.77

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.)**

	<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	65.08	62.33	64.17	65.44	65.94	67.00	67.83	64.75	59.13	52.75	50.75

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	123.80	122.93	119.80	122.79	132.34	126.33	120.95	113.17	107.98	105.94	102.55

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	102.79	100.14	100.48	107.15	108.90	116.00	112.54	109.61	98.84	95.62	90.81

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	21.01	22.79	19.32	15.64	23.43	10.33	8.41	3.56	9.14	10.32	11.74

**Futures Markets**

Live	1/23/2009	12/19/2008	Change	Feeder	1/23/2009	12/19/2008	Change
FEB 09	82.68	86.78	-4.10	JAN 09	93.65	93.50	0.15
APR 09	85.80	89.20	-3.40	MAR 09	92.75	93.23	-0.47
JUN 09	84.18	85.58	-1.40	APR 09	93.53	94.25	-0.72
AUG 09	84.88	85.38	-0.50	MAY 09	95.65	95.10	0.55
OCT 09	88.80	88.40	0.40	AUG 09	97.40	96.13	1.28
DEC 09	90.40	89.75	0.65	SEP 09	97.40	96.50	0.90
FEB 10	91.70	90.90	0.80	OCT 09	97.30	96.80	0.50
APR 10	92.00	87.50	4.50	NOV 09	97.40	96.85	0.55
JUN 10	90.00						

Source: CME.