

Cash prices for all classes of cattle were again sharply higher during June (figure 1). Seasonally, the stocker volume is low and there was no test on stockers this week. The AMS has started listing Mobridge as a reporting location for cattle, but there has not been a sale yet to report. A quick look at video/satellite/direct sales shows that stocker prices with a fall delivery date have been reflecting a very small basis or price premium over feeder cattle futures. A tight basis would be consistent with the high corn and live cattle futures prices observed during the past six weeks. The live cattle futures prices are down sharply compared to last month, largely because of the lower cost of gain expected with lower corn prices.

While live cattle futures prices have fluctuated, the basis on live cattle has been stable and wider than average. For the first half of 2008 the basis in Sioux Falls has been below the five-year average reflecting the higher transportation cost of shipping cattle to a slaughter location (figure 2). The basis is similar to the levels observed in 2007. For some background information on basis trends see ExEx 5074. Basis trends continue to be important to follow given the continued use of forward contracts for fed cattle. Under mandatory livestock price reporting the AMS now lists the basis month of contracted cattle. As expected, most but not all are priced against the nearby contract.

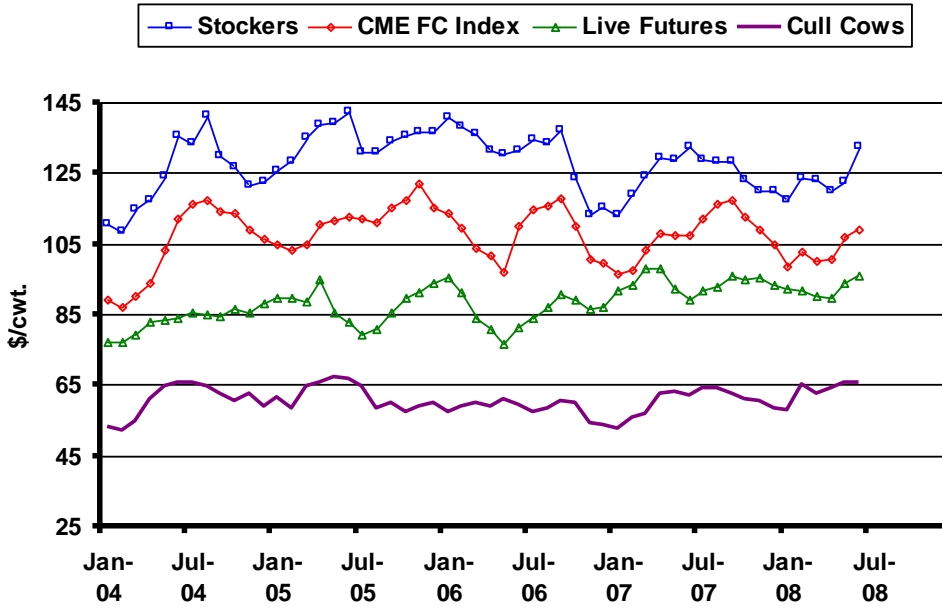
The *Cattle* report confirmed expectations of continued contraction of the cattle cycle. The overall inventory is down to 104.3 million head with a smaller calf crop expected for 2008 (figure 3). The beef side is the cause of the contraction as dairy numbers were steady. Beef cow slaughter has been running ahead of the pace of last year.

There are some mixed signals from the inventory report that are partially explained by looking at the *Cattle on Feed* report. Beef cow and beef replacement levels are down compared to this time last year (figure 4). The number of “other heifers” is unchanged from last year. The heifer mix on feed is currently higher than last quarter and last year. Clearly, there are no signs of expansion of beef inventories. The number of feeder cattle outside of feedlots is higher than a year ago. This in large part is because of fewer cattle currently on feed in both large and small feedlots. Higher feed costs have reduced the number of cattle on feed presumably because placements have been delayed. Technically, there could be heifers being held for development or breeding if the opportunity presented itself. However, it seems more likely that the heifers simply have not yet been placed on feed. Cattle imports from Canada are also higher year to date, which has added to the number on feed. Finally, Kansas is an anomaly as their heifer mix on feed is down sharply among the major feedlot states.

The June WASDE report had upward revisions to the price projections which remain well below the futures prices at this time (figure 5). Lower expected supply and slightly better exports are the primary factors behind the revisions. The ERS again revised the feeder cattle projections higher. The range of prices is close to the futures prices until the first quarter of 2009 (figure 6). Backgrounders may want to consider pricing opportunities given the premium of futures prices to the range of projections.

* 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. Sioux Falls Live Cattle Basis

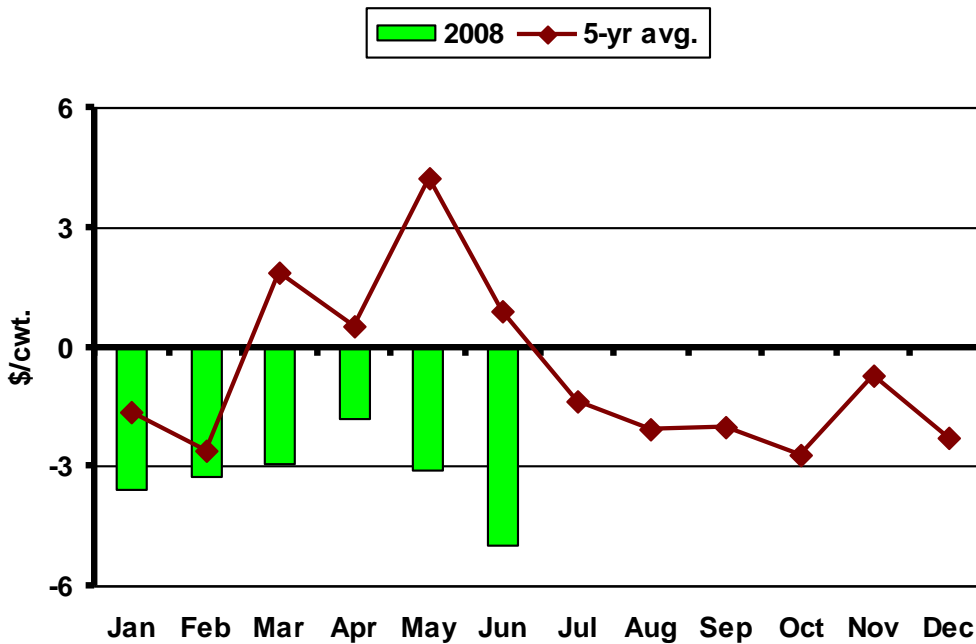
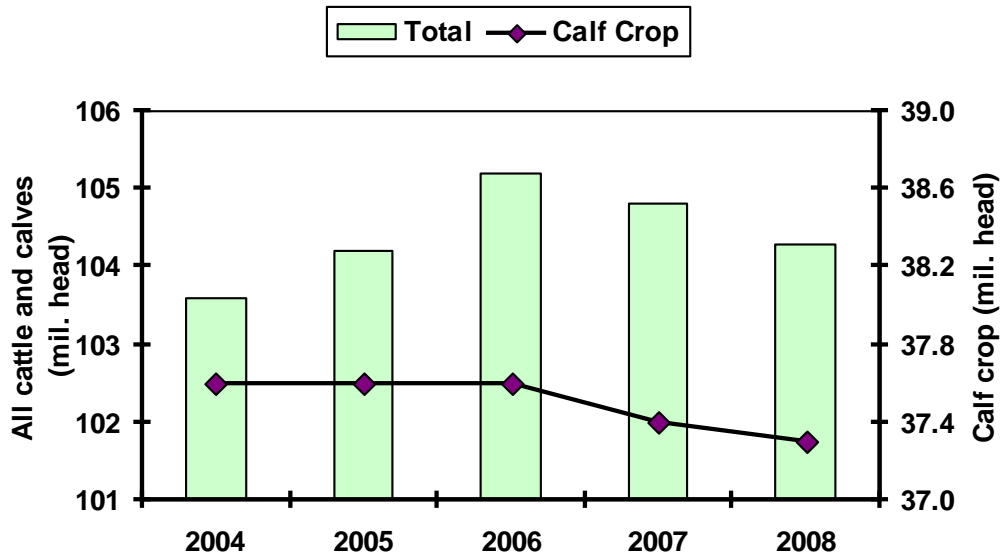
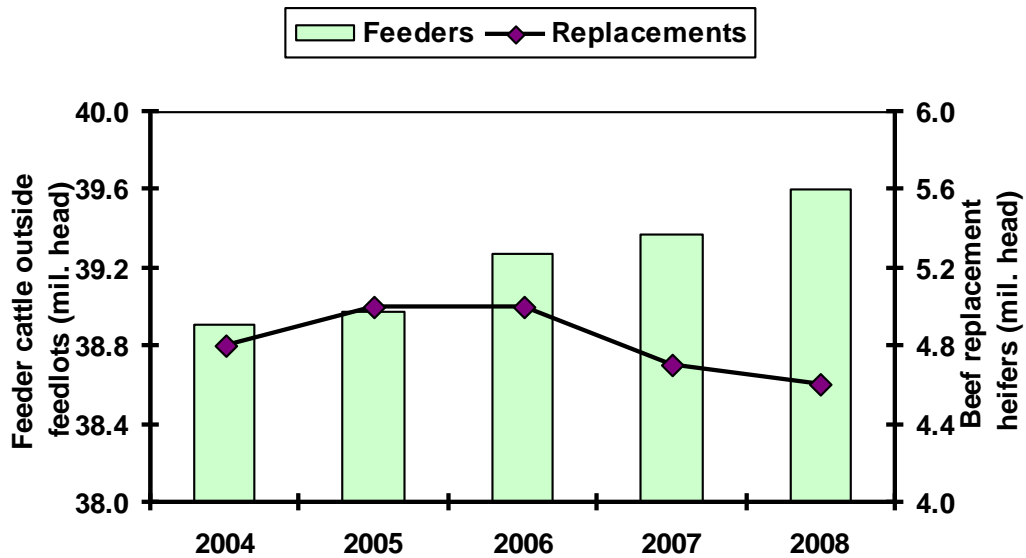


Fig. 3. July 1 U.S. Cattle Inventory



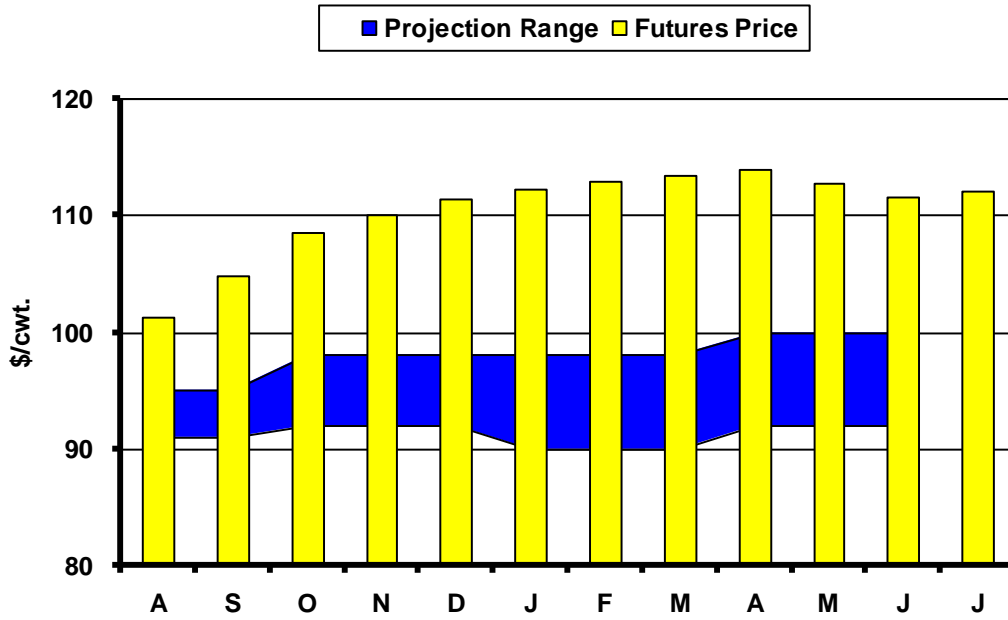
Source: USDA-NASS

Fig. 4. July 1 U.S. Cattle Inventory



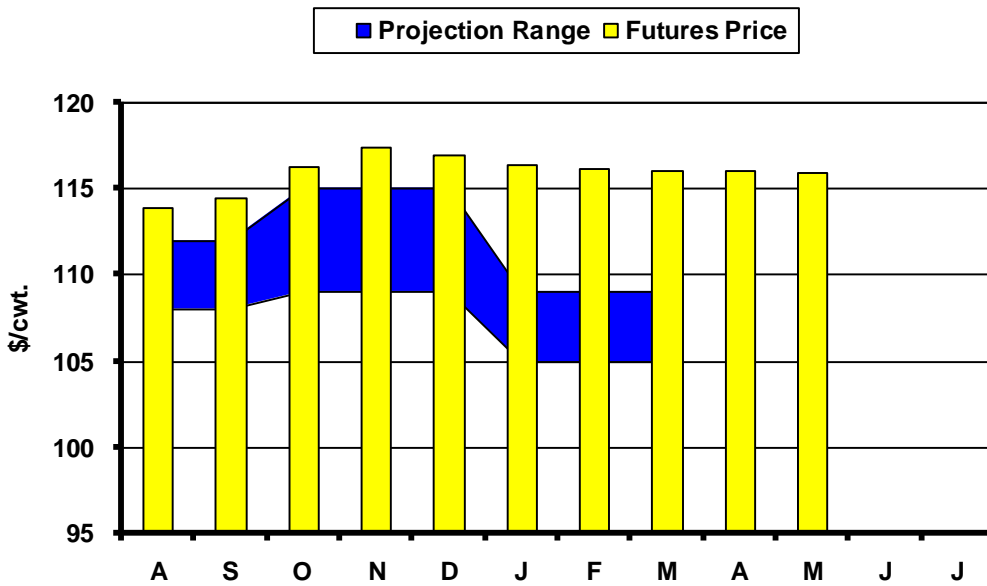
Source: USDA-NASS

Fig. 5. Live Cattle Futures and Projections



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

Fig. 6. Feeder Cattle Futures and Projections



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

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August 12: Crop Production (NASS)

August 12: Live Cattle Projections (WASDE)

August 19-21: Dakotafest

August 22: *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						

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						

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						

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						

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						

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						

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						

Futures Markets

Live	7/25/2008	6/20/2008	Change	Feeder	7/25/2008	6/20/2008	Change
AUG 08	97.83	104.85	-7.02	AUG 08	111.75	113.57	-1.82
OCT 08	105.10	112.02	-6.92	SEP 08	111.93	115.35	-3.43
DEC 08	107.30	113.52	-6.22	OCT 08	113.28	116.82	-3.54
FEB 09	108.53	116.20	-7.68	NOV 08	114.23	116.95	-2.73
APR 09	110.33	117.65	-7.33	JAN 09	114.28	115.20	-0.92
JUN 09	108.65	115.20	-6.55	MAR 09	113.90	115.55	-1.65
AUG 09	109.95	116.20	-6.25	APR 09	113.90	115.25	-1.35
OCT 09	112.45	118.50	-6.05	MAY 09	113.80		
DEC 09	111.00	118.50	-7.50				

Source: CME.