

Cash cattle prices were mixed during June (figure 1). Stocker cattle traded higher compared to May while feeder cattle, fat cattle and cull cows traded lower. Compared to last month the nearby live cattle futures contracts traded sharply higher, while the deferred contracts traded slightly lower. Feeder cattle futures traded sharply higher following the nearby live cattle and sharply lower corn. June marked the final end of cattle sales at the Sioux Falls Stockyards. The cash price history for live cattle and cull cows reflects the final sales data for Sioux Falls. The basis on live cattle was close to the 5-year average for the first half of 2009, except for June (figure 2).

We have begun tracking the slaughter cattle and cow prices the AMS reports for Worthing, South Dakota at the Sioux Falls Regional market. The slaughter cattle auction on Wednesday is reported in “SF\_LS111”, which can be found on the *Cattle Market Review* links section. Worthing is especially relevant because it is a par delivery location for the live cattle futures starting with the August 2009 contract. Live cattle futures are for 55% Choice, 45% Select, Yield Grade 3 beef steers. Thus, basis (the difference between cash and futures prices) for that quality of cattle should be driven to \$0.00 in Worthing during delivery months. There have been both live and dressed deliveries on other contracts earlier in 2009 at various other locations.

Herd expansion is again in check. NASS released the *Cattle* inventory report as of July 1 that shows a decline in the U.S. inventory to 101.8 million head (figure 3). Milk cow inventory is down 2 percent, but milk replacement heifers were unchanged! On the beef side, the cows and replacements are lower (figure 4). Thus the current and expected beef calf crops are lower. Calf prices for this fall will likely be supported by the lower level of feeder cattle outside of feedlots. After peaking in 2006 the level has fallen to its current 38.3 million head level. The lower amount available exists even after considering the lower number of cattle on feed.

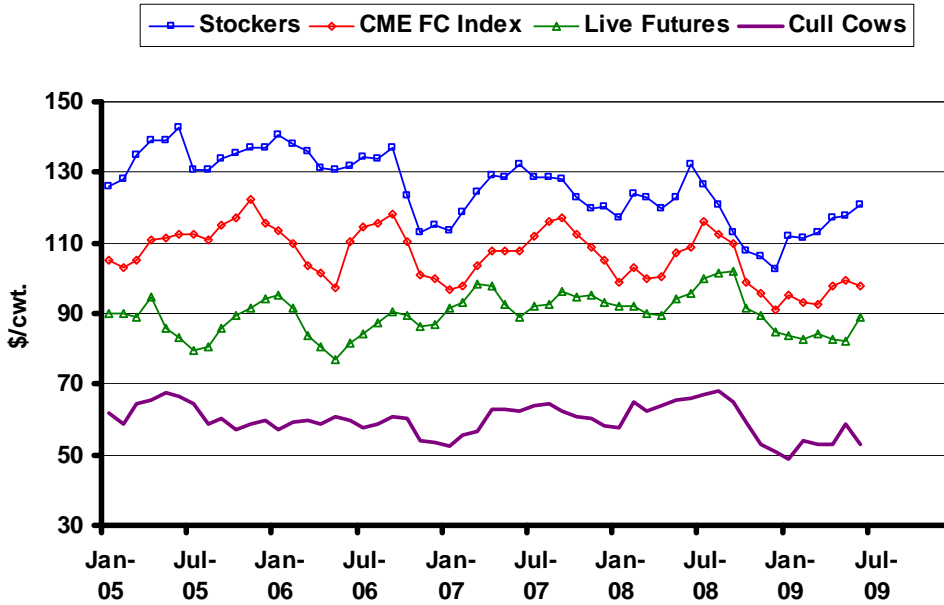
The inventory levels are supportive of higher cattle prices for the next two years, but other factors need to be considered. Lower corn has resulted in higher slaughter weights. In addition, the latest *Hogs and Pigs* report showed only a slight decline in sow farrowings and a sharp increase in pigs per litter. With heavy supplies of pork already in cold storage, beef will be challenged to rally extensively in the short run. The *Cattle on Feed* report confirms the contraction as the heifer mix is above April and year-ago levels.

The latest WASDE report had a slight adjustment to the live cattle projections as lower beef production partially offsets increased competition from competing meats. The projections encompass the futures prices through the first half of 2010 (figure 5). The initial projection for the second quarter of 2010 is \$86-94 per cwt for fat cattle. The ERS projection for the second quarter of 2010 for feeder cattle is \$96-104 per cwt. The rally in futures prices has resulted in prices above the projection range for the next year (figure 5). Typically, this pattern suggests pricing strategies would be warranted. However, one should factor in the tight supplies confirmed by the *Cattle* report. Please stop by the SDSU tent at Dakotafest and visit with faculty and staff in the Department of Economics about these and other markets.

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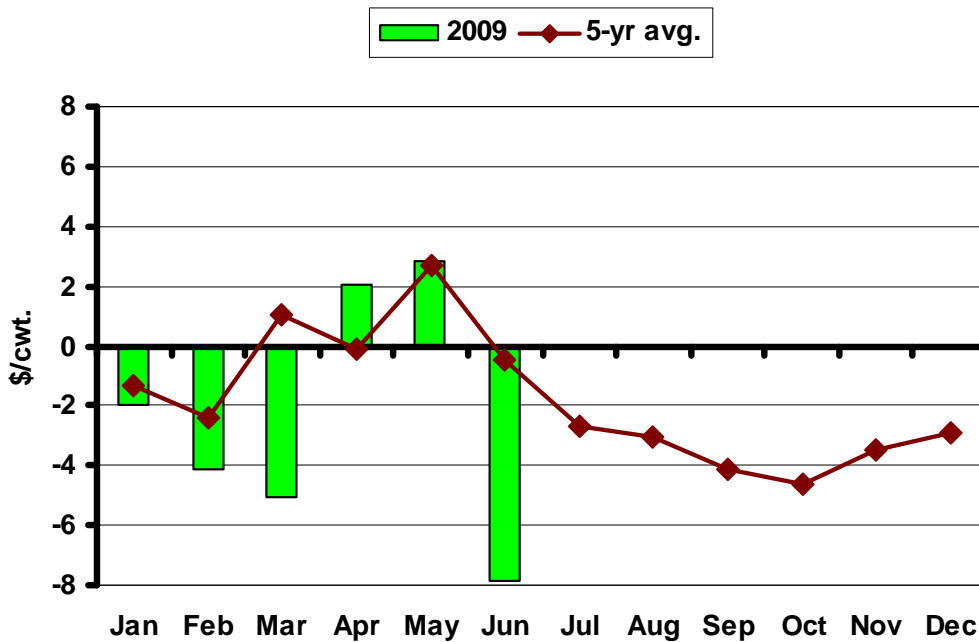
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**Fig. 1. Monthly South Dakota Cattle Prices**

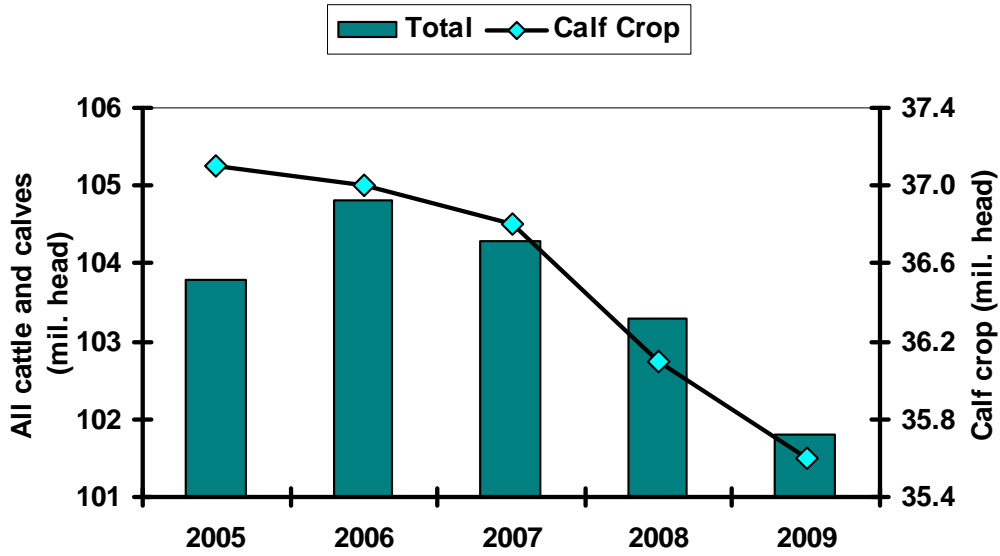


Sources: CME, USDA-AMS, & SDSU

**Fig. 2. Sioux Falls Live Cattle Basis**

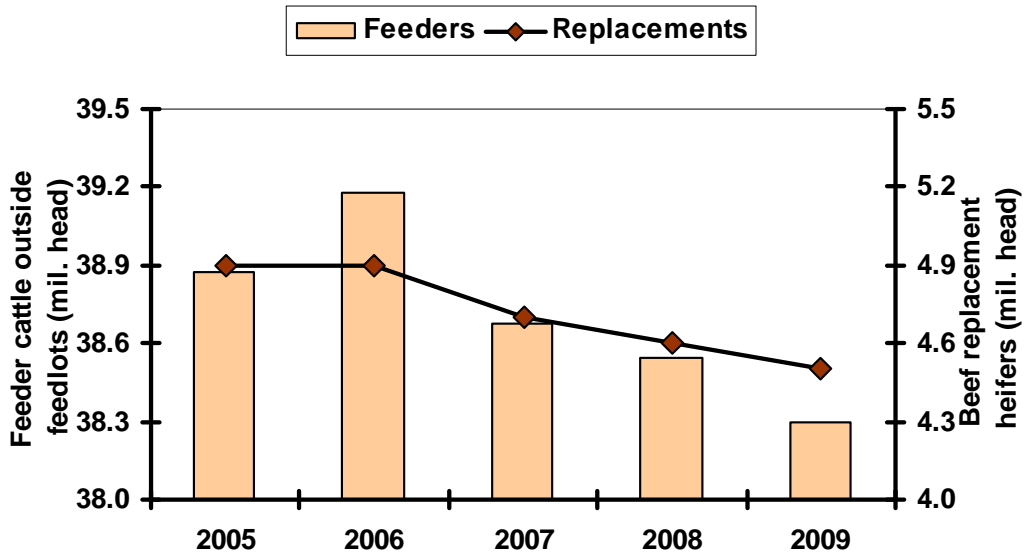


**Fig. 3. July 1 U.S. Cattle Inventory**



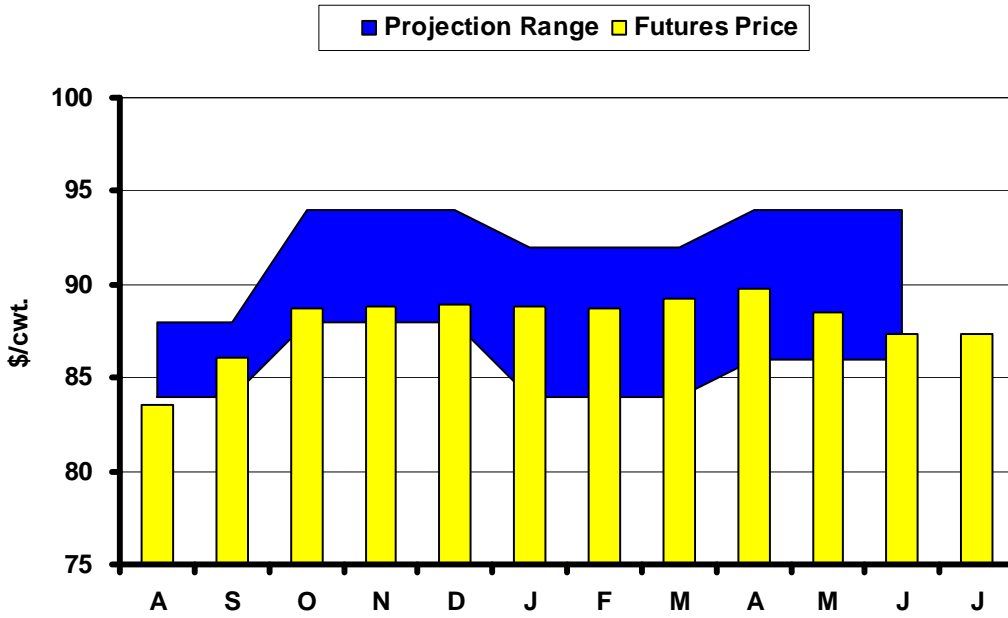
Source: USDA-NASS

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



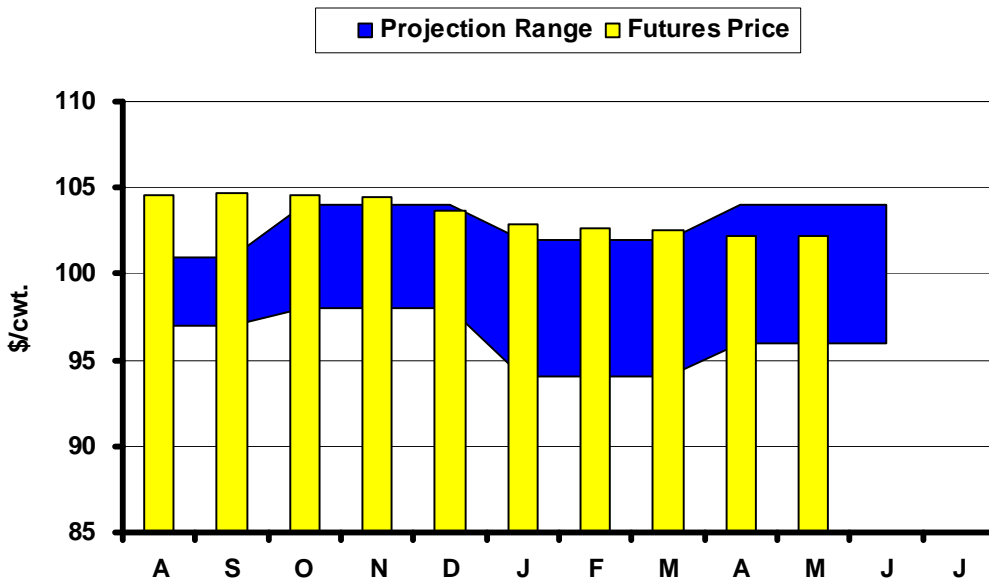
Source: USDA-NASS

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



Sources: CME & USDA-WASDE, July 10, 2009

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



Sources: CME & USDA-ERS, July 17, 2009

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August 12: Live Cattle Projections (WASDE)

August 18-20: Dakotafest

August 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
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
2009	83.61	82.84	84.09	82.88	82.34	88.86						

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

### Sioux Falls Price - Slaughter Steers, Choice 2-3, 1300-1500# (\$/cwt.)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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
2009	81.63	78.69	79.00	84.90	85.17	81.00						

Source: USDA-AMS.

### Sioux Falls Live Cattle Basis (\$/cwt.)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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
2009	-1.98	-4.15	-5.09	2.02	2.83	-7.86						

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
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
2009	49.00	54.00	53.00	52.88	58.75	53.00						

Notes: December 2006 was estimated using the average spread over heavy breakers. The April 2009 price is for heavy breakers.  
Source: USDA-AMS.

**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>
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
2009	112.10	111.29	113.06	117.17	117.44	120.79						

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>
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
2009	95.47	93.34	92.47	98.00	99.58	97.73						

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>
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
2009	16.63	17.95	20.59	19.17	17.86	23.07						

**Futures Markets**

Live	7/24/2009	6/19/2009	Change	Feeder	7/24/2009	6/19/2009	Change
AUG 09	84.53	82.13	2.40	AUG 09	102.55	98.10	4.45
OCT 09	89.75	87.75	2.00	SEP 09	102.35	98.25	4.10
DEC 09	89.50	88.88	0.63	OCT 09	102.75	98.40	4.35
FEB 10	88.80	90.10	-1.30	NOV 09	102.70	98.60	4.10
APR 10	90.23	91.45	-1.23	JAN 10	102.00	97.70	4.30
JUN 10	87.50	88.40	-0.90	MAR 10	102.10	97.25	4.85
AUG 10	88.00	89.00	-1.00	APR 10	102.00	96.90	5.10
OCT 10	90.00	93.25	-3.25	MAY 10	101.90	95.50	6.40
DEC 10	89.40	93.25	-3.85				

Source: CME.

For more market information, go to the Department of Economics website at <http://econ.sdstate.edu/>. Under the Extension tab are links to *Current Market Analysis* and the *Cattle Market Review* page. These comments are updated monthly. The first link on the *Cattle Market Review* page will take you to .pdf versions of this and archived reviews.