

Cash prices for most classes of cattle were steady in May compared to a month earlier, with the exception of fed cattle which were slightly lower (figure 1). On the futures side, the nearby live cattle contracts traded sharply lower and the deferred contracts higher than last month. Feeder cattle futures are lower. Next week the *Acreage* report will give some indication of the acres of hay and other feedstuff available in 2007. Tight stocks and harvest delays have propped up prices heading into the new marketing year. Prices for other hay (non-alfalfa) in South Dakota finished the 2006 marketing year at a record level of \$79 per ton (figure 2). Alfalfa is close to the record levels of 1997. The price break in that year did not occur until July.

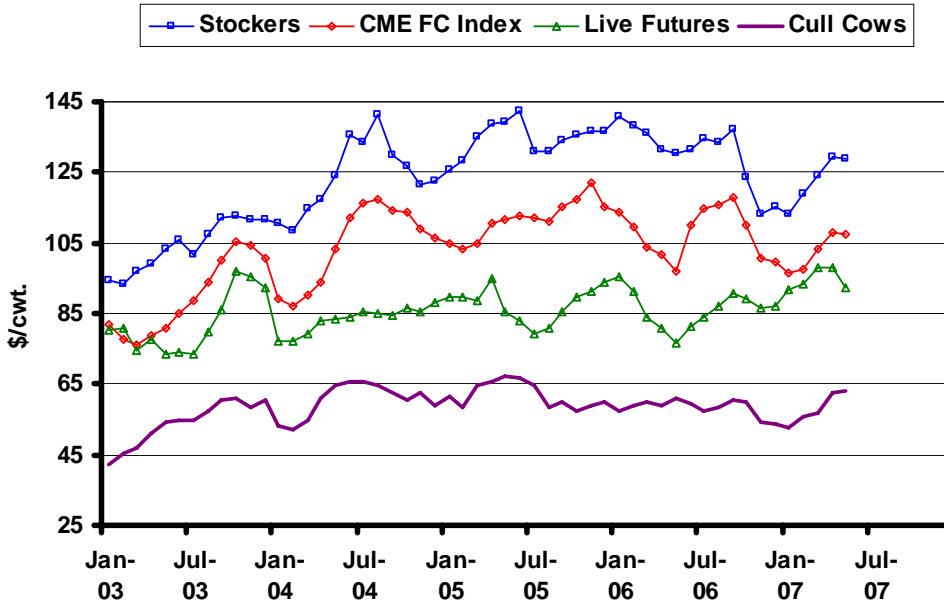
Relatively little fundamental news has been released to support or refute the price levels observed on fed cattle during the past few months. One indication of where the market may be heading comes from the weekly Packer-Owned report. The Agricultural Marketing Service (AMS) collects forward pricing volume and basis information on forward-contracted fed cattle. The volume contracted at this time for the remainder of 2007 is 848,180 head, spread out over the next twelve months (figure 3). The volume exceeds the amount contracted at this time last year of 672,571 head. As can be seen in the chart, the number contracted by month is greater in 2007 than in 2006 out through November with a relatively large spike in September. This suggests there has been relatively high uncertainty about supply around September, which lessens at the beginning of 2008. Forward basis levels, reported as a minimum, maximum and average, are at higher levels than at other times earlier in 2007.

June is also the time of year when forward contract activity of feeder cattle begins to occur either through direct sales or electronic auctions. In the latest National Feeder & Stocker Summary, AMS reported average prices for feeder cattle with fall delivery dates. The prices for 550 pound steers, at \$122 per cwt in the Northcentral district, reflect a fairly large basis of \$14 per cwt over the fall feeder cattle futures prices (figure 4). There is also a slight premium observed in the forward prices for 750 pound steers relative to futures. As July tends to be a volatile month for prices, largely because of corn market uncertainty, those with low tolerance for risk may want to look at different alternatives in the coming weeks to both take advantage of high price levels and pending uncertainty. Just a reminder that Livestock Risk Protection (LRP) insurance policies have several changes that beginning July 1, 2007. The new 100% coverage level means that producers will be able to establish a floor price on calves or feeders at much higher levels than under the old deductible rules. Rules forbidding using LRP with other marketing tools have also been removed, making the product more attractive for producers.

The latest WASDE report revised projections for the third quarter higher for fed cattle. Futures remain well above the high end of projections in the fourth quarter of 2007 and the first quarter of 2008, suggesting limited upside potential (figure 5). For feeder cattle, futures prices are right at the high end of expectations (figure 6). In the June *Cattle on Feed* report placements were sharply higher than a year ago while marketings were again lower. The number on feed, at 11.3 million head, remains seasonally and historically high. The placements tended to be in the higher weight categories.

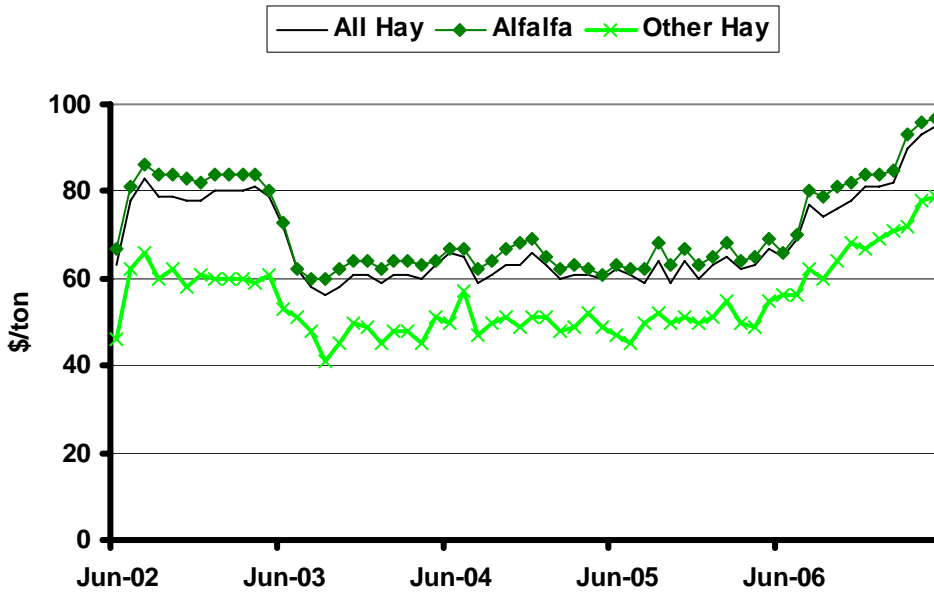
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Fig. 1. Monthly South Dakota Cattle Prices



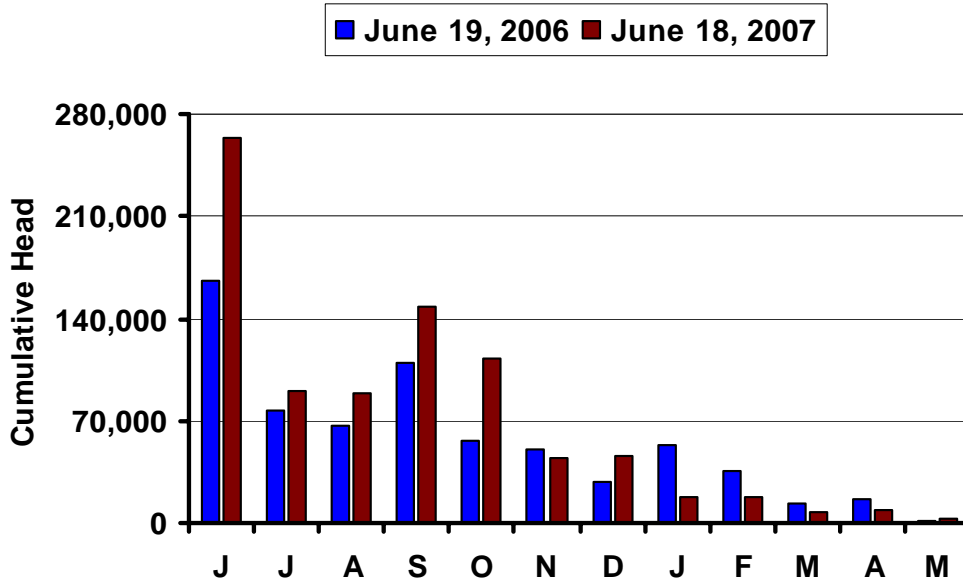
Sources: CME, USDA-AMS, & SDSU

Fig. 2. Monthly South Dakota Hay Prices



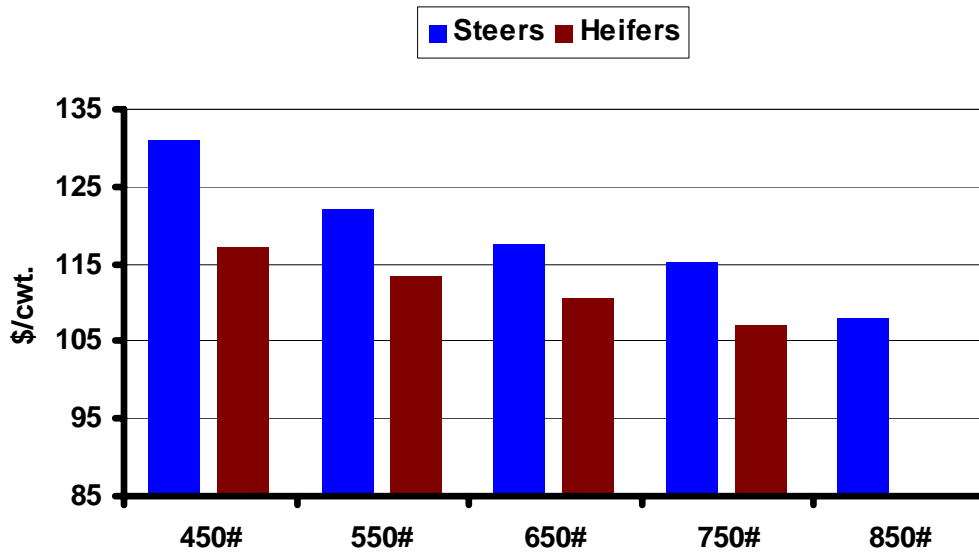
Source: USDA-NASS

Fig. 3. Forward Contract Purchased Cattle



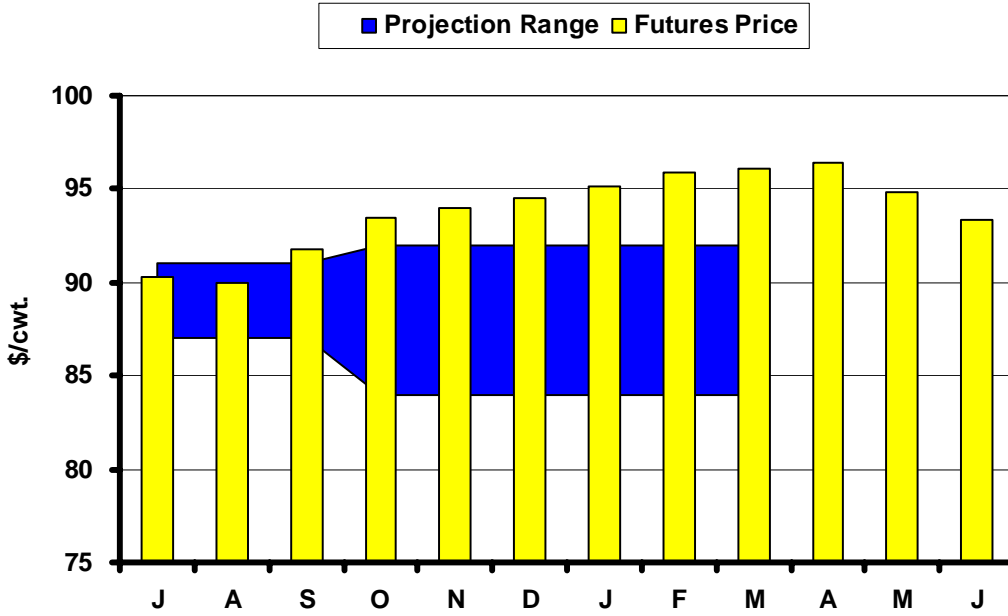
Source: AMS, LM_CT153

Fig. 4. Northcentral Region Fall Contract Prices



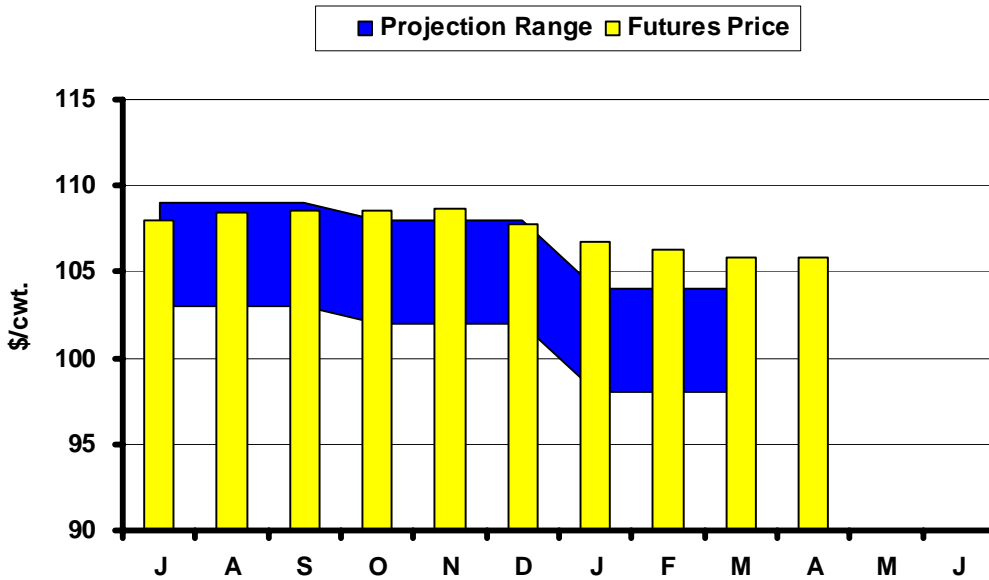
Source: AMS, SJ_LS850

Fig. 5. Live Cattle Futures and Projections



Sources: CME & USDA-WASDE, June 11, 2007

Fig. 6. Feeder Cattle Futures and Projections



Sources: CME & USDA-ERS, June 19, 2007

In the ChuteJune 29: *Acreage* (NASS)

July 1: New Fiscal Year for LRP

July 12: Live Cattle Projections (WASDE)

July 20: *Cattle on Feed* (NASS)July 20: *Cattle* (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>
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							

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							

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							

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							

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							

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							

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							

Futures Markets

Live	6/22/2007	5/21/2007	Change	Feeder	6/22/2007	5/21/2007	Change
JUN 07	87.63	93.60	-5.97	AUG 07	108.35	113.70	-5.35
AUG 07	89.58	93.40	-3.83	SEP 07	108.55	113.35	-4.80
OCT 07	93.43	96.85	-3.43	OCT 07	108.60	112.55	-3.95
DEC 07	95.10	96.60	-1.50	NOV 07	108.35	111.75	-3.40
FEB 08	96.50	97.27	-0.77	JAN 08	106.25	109.50	-3.25
APR 08	97.15	96.57	0.58	MAR 08	105.70	108.05	-2.35
JUN 08	94.00	93.27	0.73	APR 08	105.70	106.90	-1.20
AUG 08	92.70	91.30	1.40				

Source: CME.