

Cash cattle prices were steady during May (figure 1). Cull cows were higher for the month. The live cattle futures prices are steady to lower compared to last month, while the feeder cattle futures are sharply lower. The weekly stocker cattle price has fluctuated around \$120 per cwt. in recent weeks without any major seasonal rally (figure 2). The stocker price is a weighted average of 500-600# steers from AMS reported locations in South Dakota. In a couple of weeks Sioux Falls will no longer have sales. However, the AMS recently added Sioux Falls Regional Livestock in Worthing, SD to their list of reported locations. Auctions in Mobridge and Yankton were each added in the past year so the volume reflected in the stocker price series will likely not be affected by the loss of Sioux Falls.

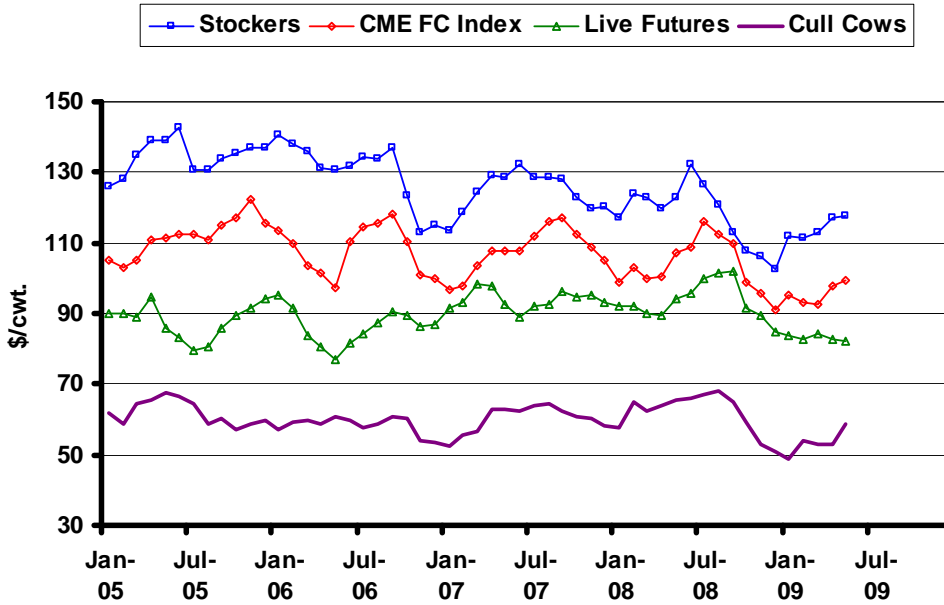
Historically there are some direct sales of calves by this time of year with fall delivery dates. However, the AMS reports in recent weeks suggest that sellers are holding out for better prices. Seasonally this is the time of year with the most volatility in the corn market that carries over to the feeder cattle market. As cow-calf producers look to fall pricing opportunities the risk is difficult to ignore. The November feeder cattle futures contract has been trading around \$98 per cwt. in recent weeks. Looking at the past 10 years the November contract is quite volatile between June and November. In 2003 the price increased over \$17 per cwt. before settling (figure 3). In 2008, however, the price decreased over \$17 per cwt. Protection strategies, while appropriate for transferring this risk, are currently giving a floor price of around \$100 per cwt. for calves. Producers will really need to weigh the risk against giving up the large premiums for insurance available at this time.

A report released in late May by NASS, *Meat Animals Production, Disposition, and Income*, shows the aggregate effects of higher feed prices and lower cattle prices. In South Dakota cattle production was up slightly to 1.48 billion pounds for 2008. However, cash receipts were down from levels observed in recent years (figure 4). Receipts were \$1.7 billion in 2008, down from \$1.8 billion in 2007 and the lowest since 2004. This report adjusts for calves that enter and leave the state, so while receipts are important so is the net value of production. For 2008 the value of production was \$1.4 billion, down slightly from 2007. Thus, more pounds were produced for less money. The value of production is at the lowest level since 2003. The lower prices for the year to date do not bode well for the value of production for 2009.

The latest WASDE report had very little adjustment to the live cattle projections. The projections remain above the futures prices through the rest of 2009 (figure 5). Protection strategies would be warranted until the pattern shifts for the first quarter of 2010. The ERS price projections for feeder cattle shows upside potential for the next three quarters compared to current futures prices (figure 6). Protection strategies, while warranted, would not give much for a floor price. One alternative to consider are synthetic puts: selling a futures contract and buying an out-of-the-money call option. A synthetic would give a higher floor price and leave the upside open compared to buying a put option outright. Finally, May feedlot placements were down sharply compared to last year and relatively few heavy cattle were placed on feed.

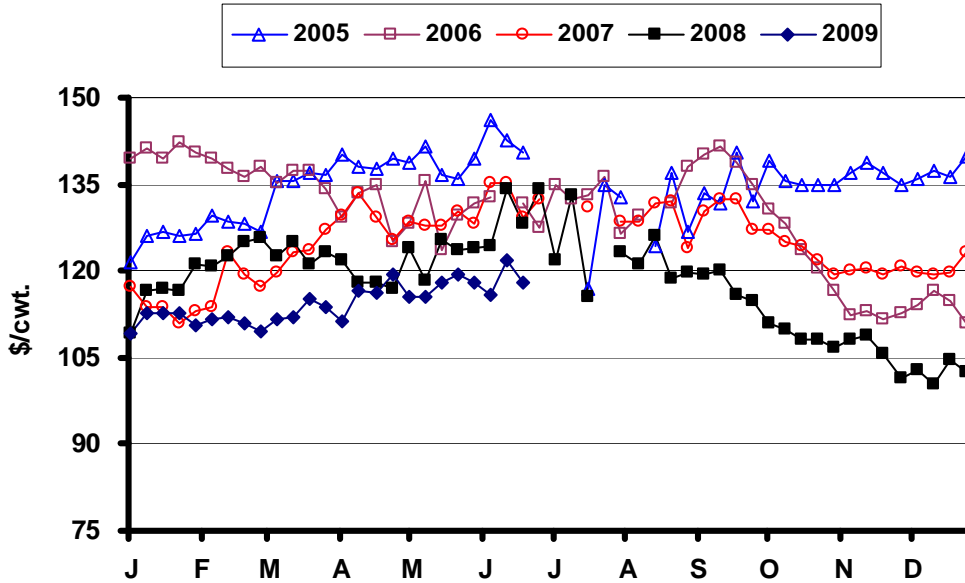
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Fig. 1. Monthly South Dakota Cattle Prices



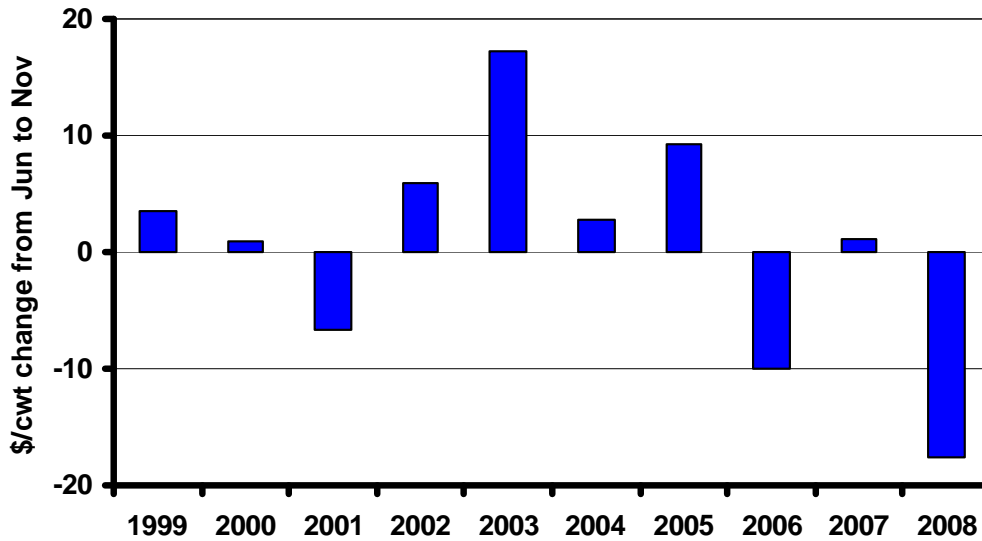
Sources: CME, USDA-AMS, & SDSU

Fig. 2. Weekly South Dakota Stocker Cattle Prices



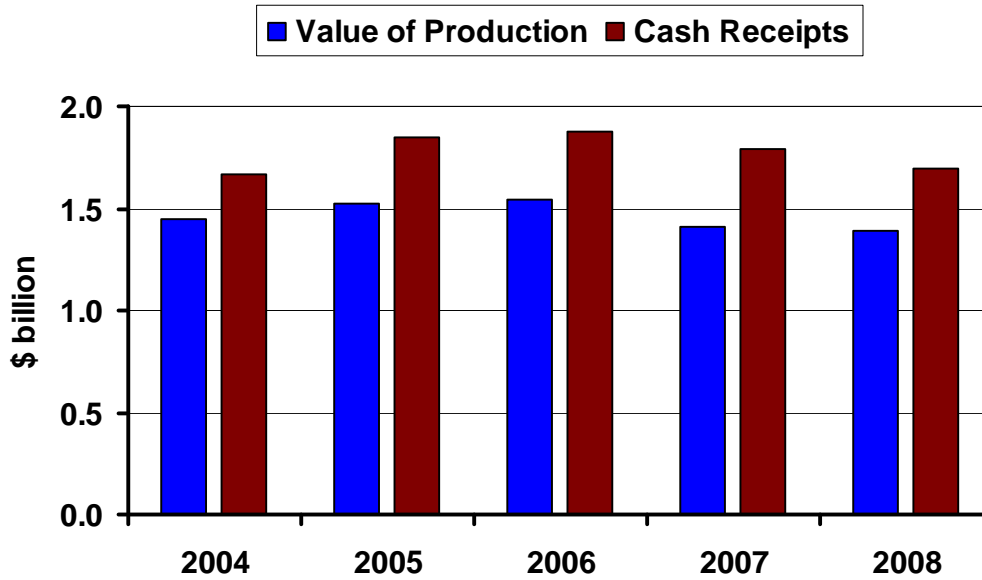
Sources: USDA-AMS & SDSU

Fig. 3. November Feeder Cattle Futures Changes



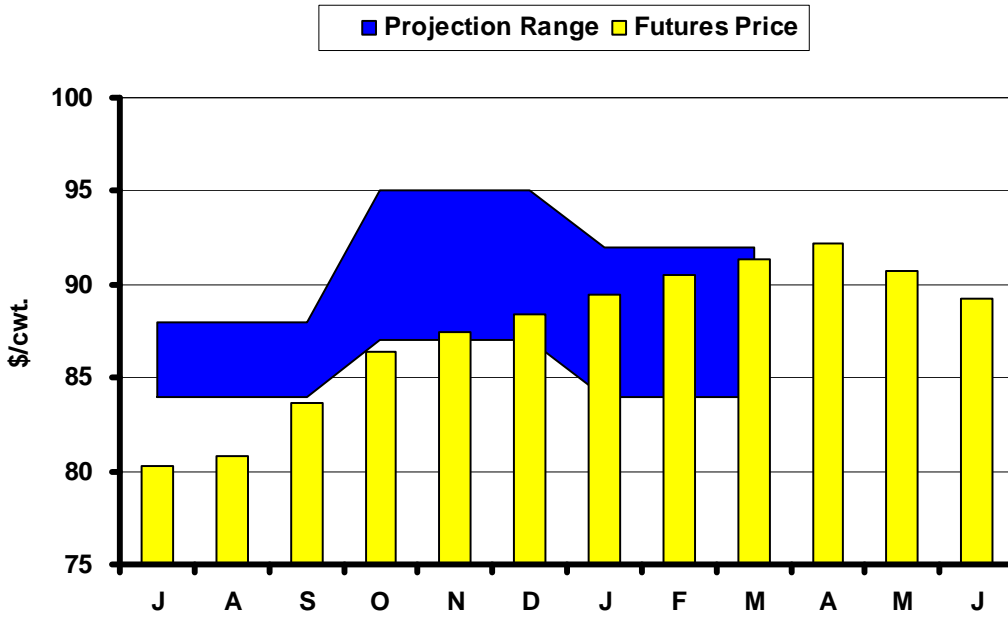
Data Source: LMIC

Fig. 4. South Dakota Cattle and Calves



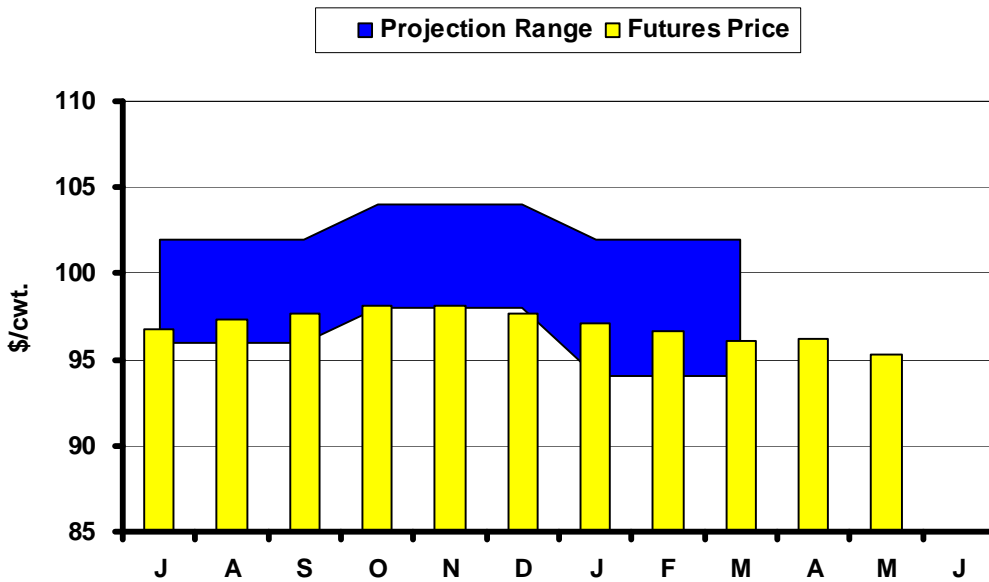
Source: USDA-NASS

Fig. 5. Live Cattle Futures and Projections



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

Fig. 6. Feeder Cattle Futures and Projections



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

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June 30: Acreage (NASS)

July 10: Live Cattle Projections (WASDE)

July 24: 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>
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							

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>
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							

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>
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							

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>
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							

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							

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							

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							

Futures Markets

Live	6/19/2009	5/20/2009	Change	Feeder	6/19/2009	5/20/2009	Change
JUN 09	80.93	82.23	-1.30	AUG 09	98.10	101.70	-3.60
AUG 09	82.13	82.88	-0.75	SEP 09	98.25	102.18	-3.93
OCT 09	87.75	88.50	-0.75	OCT 09	98.40	102.30	-3.90
DEC 09	88.88	90.70	-1.83	NOV 09	98.60	102.75	-4.15
FEB 10	90.10	92.15	-2.05	JAN 10	97.70	101.00	-3.30
APR 10	91.45	93.68	-2.22	MAR 10	97.25	100.50	-3.25
JUN 10	88.40	90.73	-2.32	APR 10	96.90	99.70	-2.80
AUG 10	89.00	90.30	-1.30	MAY 10	95.50		
OCT 10	93.25	91.75	1.50				

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.