

Cash prices for stocker cattle, feeder cattle and cull cows were sharply higher in April compared to a month earlier (figure 1). Cash prices for slaughter steers moved slightly higher for the month. On the futures side, live cattle prices are higher and feeder cattle are lower compared to last month. One can see in the tables, shown in the PDF version, that several monthly high prices have been set across the different classes. The sharp price declines in the latter part of 2006 had multiple impacts. As shown in the *Meat Animals Production, Disposition, and Income 2006 Summary*, the decline in prices reduced the average price for the year compared to 2005. During 2006 inshipments and marketings were both higher in South Dakota compared to during 2005. However, the lower prices resulted in a “Value of Production” of \$1.5 billion, down slightly from 2005. The value of production would be the figure most closely related to comparable data on South Dakota’s gross state product.

The cost increases continue on the input side for cattle producers. The May 1 stocks of hay in South Dakota totaled 1.15 million tons, a relatively low level. When coupled with average production trends the supply for 2007 will be relatively low compared to recent years – meaning continued price pressure. Prices for other hay (non-alfalfa) in South Dakota have been at record high levels for the fourth straight month. Grazing fees also continue to increase (figure 2). The latest fees from Southwestern South Dakota for pairs had a midpoint price of \$25 per month and for yearlings had a midpoint price of \$18.50 per month. Demand would technically be lower from cows, as the overall inventory of beef cows in South Dakota was down 52,000 head from a year ago. Each district in South Dakota had fewer beef cows as of January 1, 2007 with the largest percentage decline in the Southwest (figure 3).

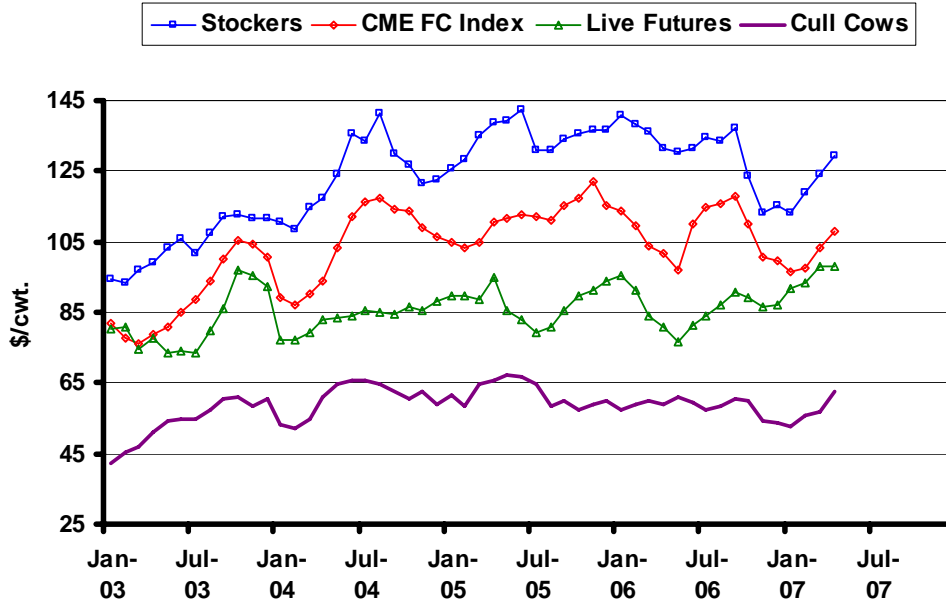
South Dakota producers are probably aware of a risk management tool called Livestock Risk Protection or LRP, which has been available in the state since 2003. LRP provides price protection on fed cattle and feeder cattle similar to put options. Recently a number of changes in LRP were announced that take effect beginning July 1, 2007 with the new fiscal year for the insurance. Several states have been added to the list as eligible to receive coverage (figure 4). There will be a new 100% coverage level added, eliminating the need to take a large deductible. The restriction against using LRP with other positions has also been relaxed in the new fiscal year. These changes should make LRP more appealing to producers and may improve the effectiveness of the tool.

The latest WASDE report again revised projections slightly higher for the remainder of 2007 for fed cattle. The first range of projections for the first quarter of 2008 is very wide at \$84-92 per cwt. Futures remain well above the high end of projections (figure 5). For feeder cattle, similar changes occurred in the projections with the range for the first quarter of 2008 at \$94-102 per cwt. The futures prices (shown as of May 18) are sharply higher than projections (figure 6). Note that June and July are not contract months and the prices reflect a smooth move from May to August. In the May *Cattle on Feed* report placements exceeded levels from a year ago while marketings were again lower. The number on feed, at 11.3 million head, remains seasonally high.

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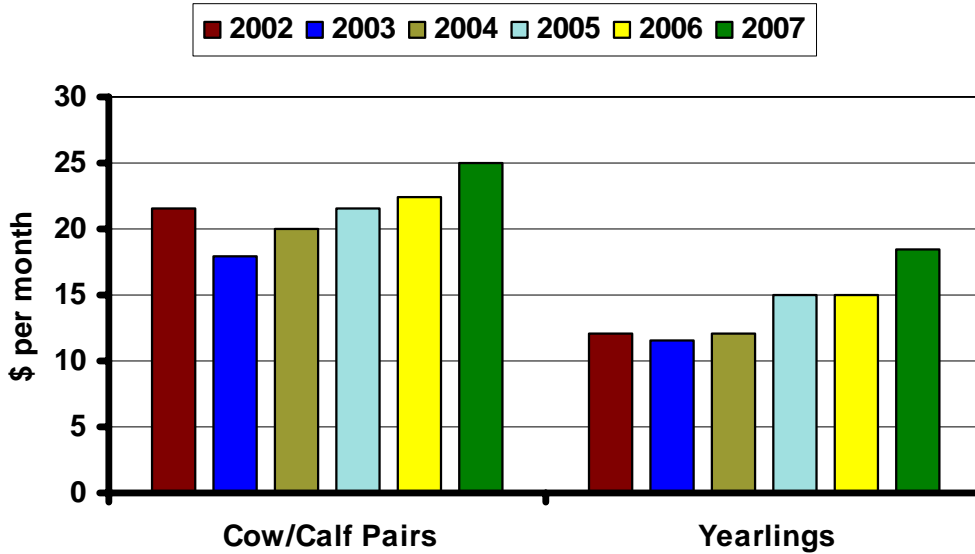
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**Fig. 1. Monthly South Dakota Cattle Prices**



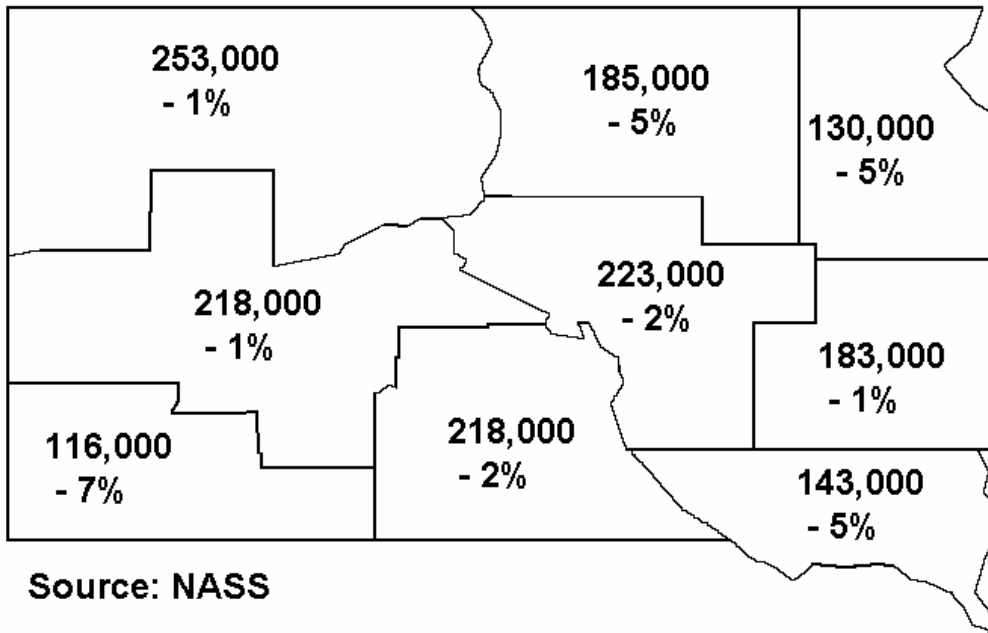
Sources: CME, USDA-AMS, & SDSU

**Fig. 2. Southwest South Dakota Grazing Fees**

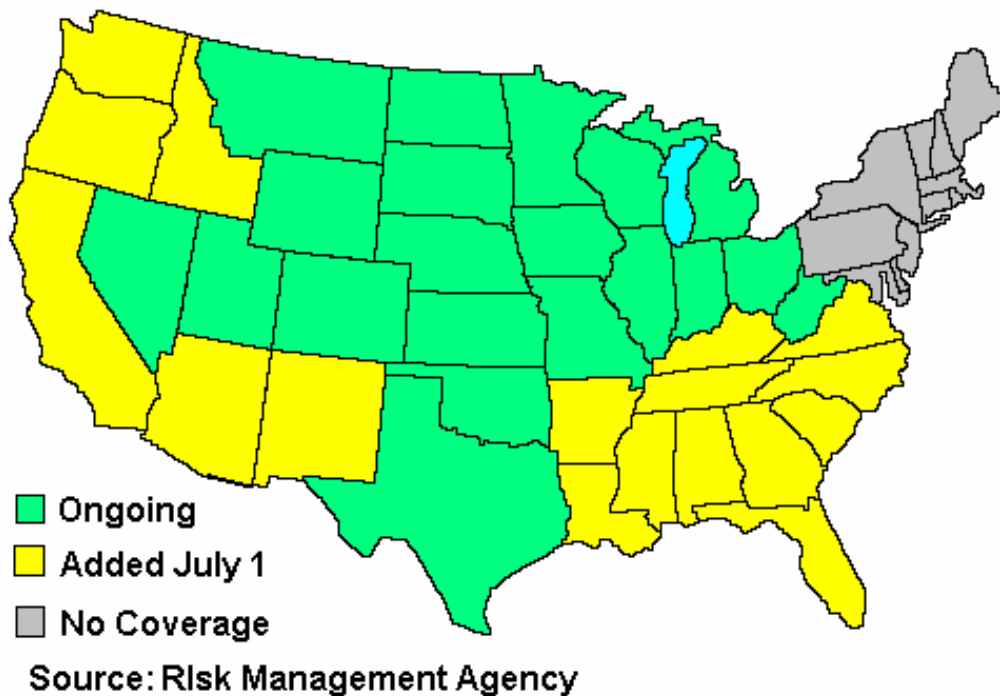


Source: USDA-AMS, TO\_LS150

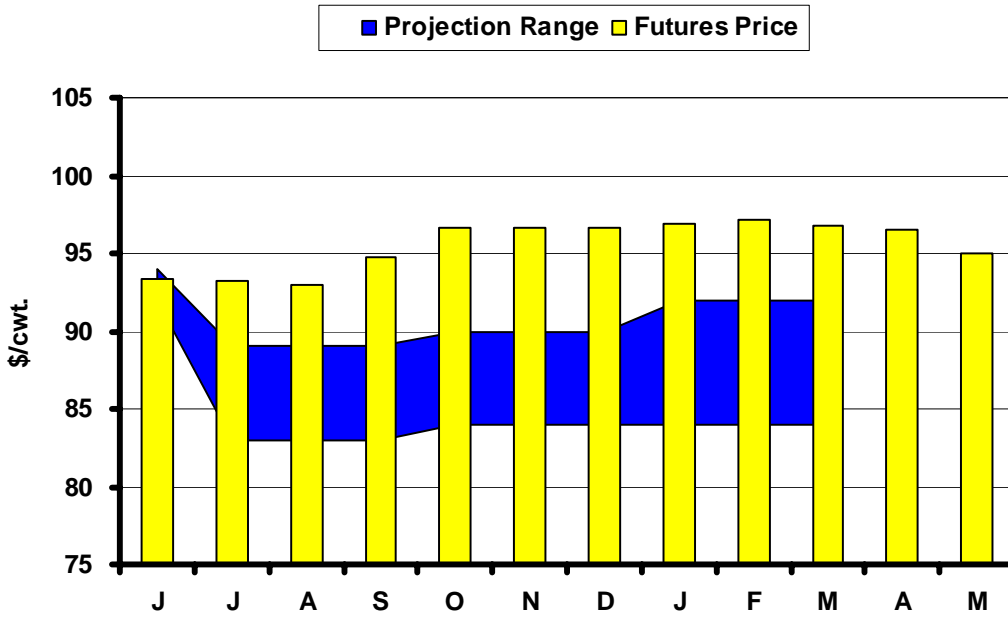
**Fig. 3. 2007 Beef Cow Inventory by District with Annual Change**



**Fig. 4. States with Livestock Risk Protection**

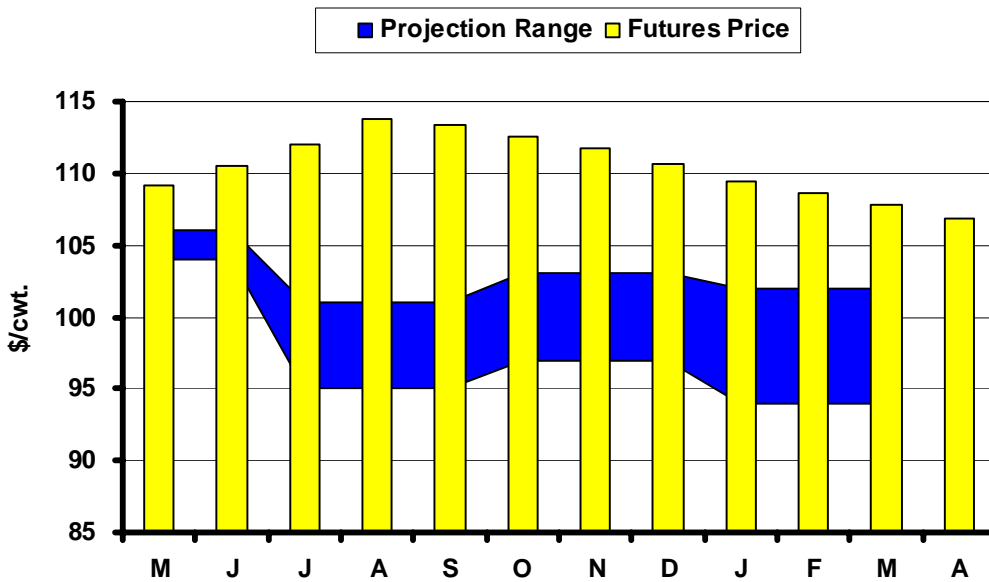


**Fig. 5. Live Cattle Futures and Projections**



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

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



Sources: CME & USDA-ERS, May 21, 2007

**In the Chute**

June 11: Live Cattle Projections (WASDE)

June 22: *Cattle on Feed* (NASS)June 29: *Acreage* (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								

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								

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								

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								

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								

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								

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								

**Futures Markets**

Live	5/21/2007	4/20/2007	Change	Feeder	5/21/2007	4/20/2007	Change
JUN 07	93.60	92.28	1.32	MAY 07	108.92	107.45	1.47
AUG 07	93.40	90.63	2.78	AUG 07	113.70	110.75	2.95
OCT 07	96.85	94.40	2.45	SEP 07	113.35	109.80	3.55
DEC 07	96.60	94.88	1.72	OCT 07	112.55	109.60	2.95
FEB 08	97.27	95.08	2.19	NOV 07	111.75	108.98	2.78
APR 08	96.57	94.40	2.17	JAN 08	109.50	106.98	2.53
JUN 08	93.27	92.08	1.19	MAR 08	108.05	106.25	1.80
AUG 08	91.30	91.40	-0.10	APR 08	106.90		

Source: CME.