

Cash cattle prices were steady for April across all classes of cattle (figure 1). The futures prices have been quite volatile as of late. For both live and feeder cattle futures, the nearby contracts are trading slightly higher with the deferred contracts trading sharply higher than a month ago. The weekly stocker price continues to be volatile as volume is low this time of year. The sharp increase in feeder futures presents opportunities to place relatively high price floors under calves to be sold this fall. Livestock Risk Protection (LRP) would give some desired basis protection on calve, and the ending values are quite high at this time. One drawback at the moment is the lack of high coverage levels, for example those above 95%.

Inputs continue to be a focus of concern. South Dakota hay prices in May again reached all-time record high levels for alfalfa and grass hay. May 1 stocks of hay in South Dakota, at 1.93 million tons, are up from last year and above the 10-year average (figure 2). Usually, that would mean prices would be very low. However, prices continue to be supported by demand from other states. Expected hay acres at trend yield suggest production and supply in 2008 will be less than in 2007. That too will support hay prices this year. Pasture rental rates have increased substantially in Southwest South Dakota this spring (figure 3). The range on pairs is \$22-36 per month and on yearlings is \$13-28 per month. For producers with excess grass, it may be time to look at its rental value relative to returns from running additional cows or yearlings. The value of grass as weight on a yearling may also start to pencil out favorably relative to returns from adding cows.

County-level cattle inventories were recently released by NASS. While the data are as of January 1, they are still interesting as they show weather impacts and structural shifts over and through time. At the district level, the inventories from last year are down sharply in the southwest, southeast and north central districts (figure 4). The drop in the southwest is likely because of reduced carrying capacity from dry conditions. The drop in the southeast does not such a clear cause.

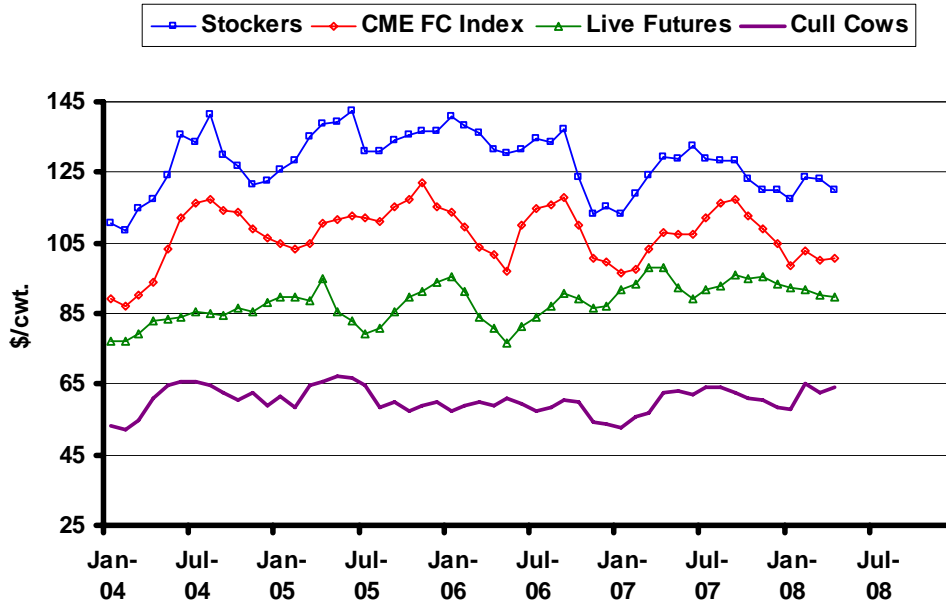
The April WASDE report had minor revisions to the price projections for the remainder of 2008 as the range was increased \$1 per cwt (figure 5). The initial projections for the first quarter of 2009 are for a price range of \$88-96 per cwt. The futures prices are much higher than the highest levels suggested by the fundamentals, suggesting limited additional upside through the first quarter of 2009. The ERS feeder cattle projections were also adjusted slightly higher on higher cow slaughter so far in 2008. The initial projection range for the first quarter of 2009 is \$97-105 per cwt.

Feeder cattle futures are trading well-above the high end of the projection range (figure 6). The main risk now is corn prices moving higher, which would affect stocker prices more than feeder prices. Some of that cow slaughter may be because of quicker culling and less feeding, making that a weaker indicator than otherwise. The heifer mix on feed (from last month) was up from a year ago. If those trends continue to hold, then it would imply heavy contraction.

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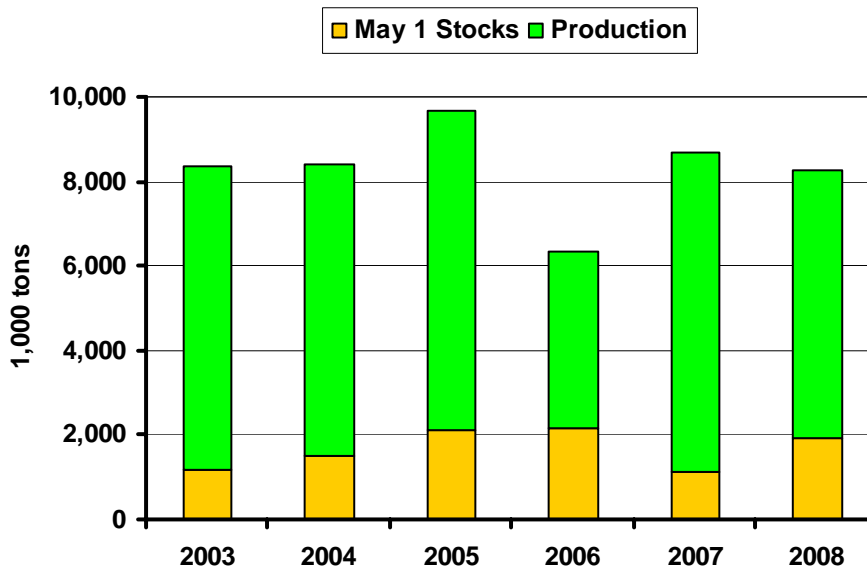
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**Fig. 1. Monthly South Dakota Cattle Prices**



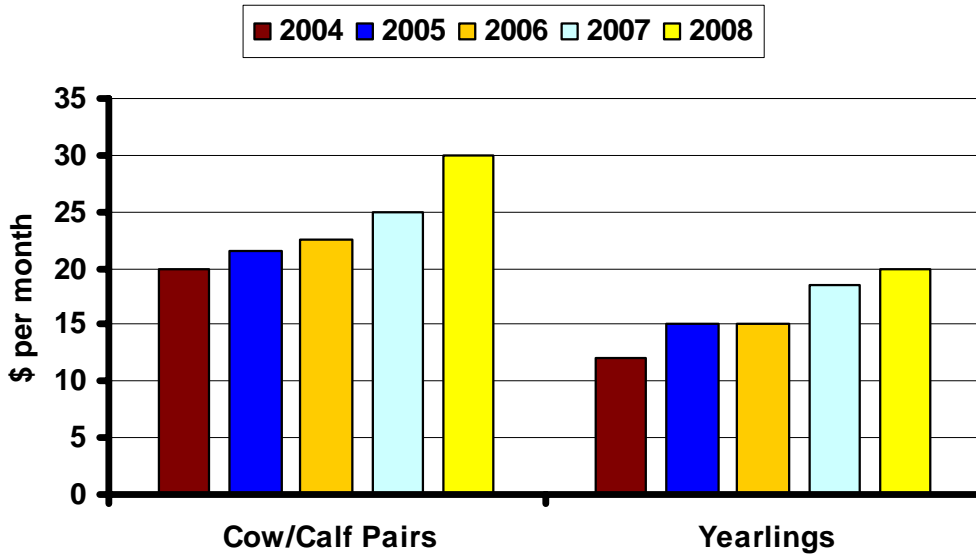
Sources: CME, USDA-AMS, & SDSU

**Fig. 2. South Dakota Hay Supply**



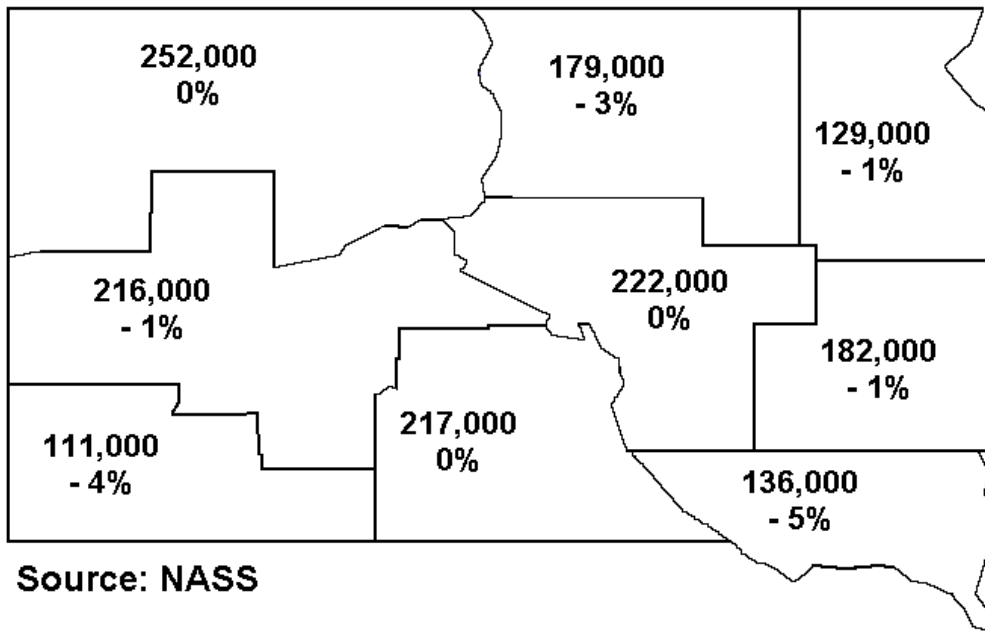
Source: USDA-NASS Note: 2008 Production is based on average yield and intended harvested acres.

**Fig. 3. Southwest South Dakota Grazing Fees**



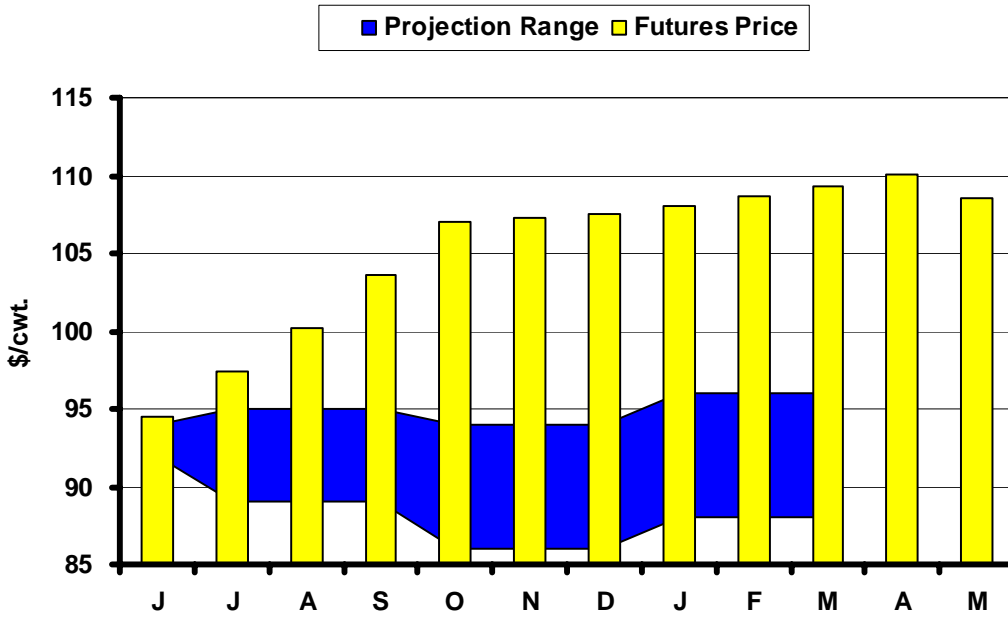
Source: USDA-AMS, TO\_LS150

**Fig. 4. 2008 South Dakota Beef Cows & Change from 2007.**



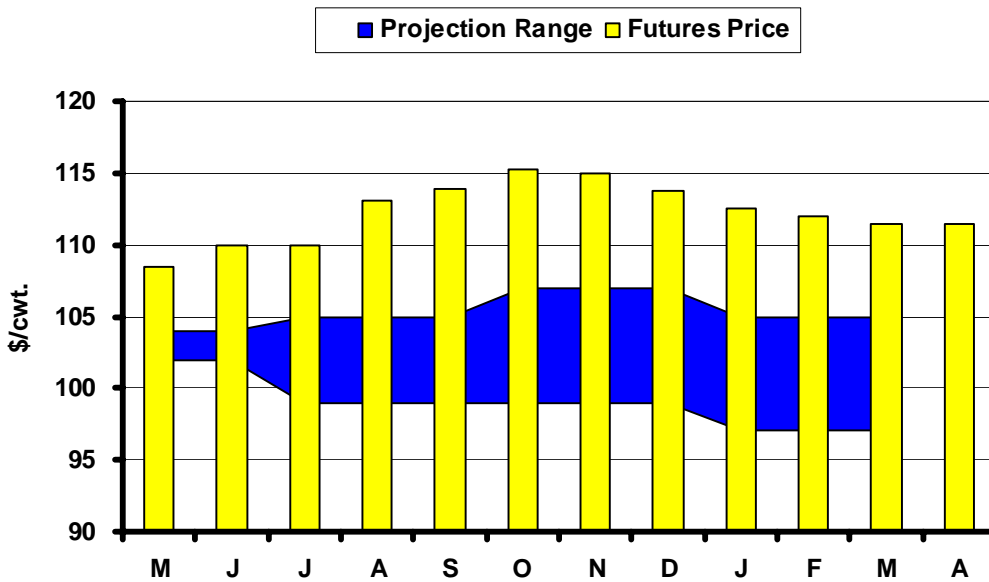
Source: NASS

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



Sources: CME & USDA-WASDE, May 9, 2008

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



Sources: CME & USDA-ERS, May 16, 2008

**In the Chute**

May 27: Risk Planning for Forage Producers Workshop, White River (Diersen)

May 28: Risk Planning for Forage Producers Workshop, Isabel (Diersen)

May 29: Risk Planning for Forage Producers Workshop, Belle Fourche (Diersen)

June 10: Live Cattle Projections (WASDE)

June 20: *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
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								

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
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								

Source: USDA-AMS.

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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								

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
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								

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								

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								

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	22.79								

**Futures Markets**

Live	5/16/2008	4/25/2008	Change	Feeder	5/16/2008	4/25/2008	Change
JUN 08	93.88	93.37	0.50	MAY 08	108.48	107.75	0.72
AUG 08	99.10	99.07	0.03	AUG 08	113.08	110.65	2.43
OCT 08	105.55	103.90	1.65	SEP 08	113.85	111.80	2.05
DEC 08	106.00	103.92	2.08	OCT 08	115.28	112.50	2.78
FEB 09	107.63	105.85	1.78	NOV 08	115.00	112.00	3.00
APR 09	108.75	105.85	2.90	JAN 09	112.50	110.85	1.65
JUN 09	105.50	103.00	2.50	MAR 09	111.50	109.50	2.00
AUG 09	106.15			APR 09	111.50		

Source: CME.