

Cattle prices quit settling down and are again moving sharply as corn continues to fluctuate and the economic outlook sputters. In October the cash prices for all classes of cattle were sharply lower (figure 1). The futures price for live and feeder cattle were sharply lower for the month across all contract months. Weekly stocker prices are usually under supply pressure this time of year as the larger runs of cattle move through the sale rings (figure 2). The futures prices have also pressured prices and stockers are currently traded at levels last observed in 2002. The stocker series reflects the addition of Mobridge Livestock Exchange and Stockmen's Livestock Market (Yankton). Both have had sales with 5-600 pound steers, while neither has been large enough to affect the overall average.

On the input side, the cash price for corn continues to fall. There is some carry in the corn futures market and basis is wide enough that those looking to purchase corn would have incentives to store grain, much like sellers have at the present time. Hay prices continue to be supported by demand from the dairy sector and by continued stocks or supply pressure from the northwest part of the U.S. The final range and pasture conditions for 2008 were released last week and did not show any broad area with extensive levels of very poor or poor conditions. Thus, there should be less cost pressure and less feed availability pressure on herds.

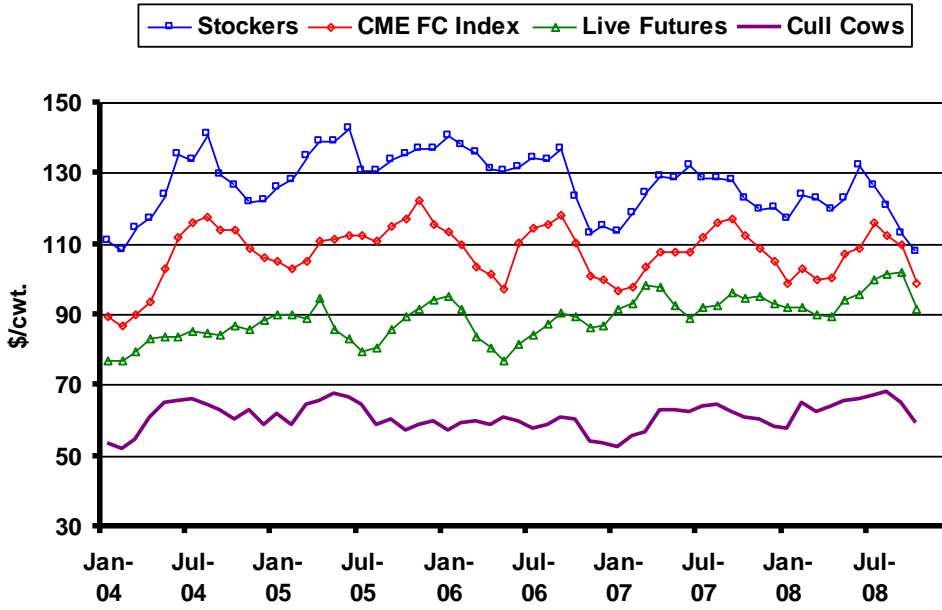
Slaughter cow prices have been fairly strong throughout 2008 as a weak dollar made imported beef relatively expensive. In addition, the dairy sector has been steadily expanding in recent quarters. The result has been a consistent increase in beef cow slaughter over 2007 levels (figure 3). Through October there were about 300,000 additional beef cows slaughtered in 2008. With heifer slaughter stable, a smaller calf crop is expected in 2009.

The pressure on calf and feeder prices is likely to continue in the short run as the supply of feeder cattle outside of feedlots remains large compared to levels observed in recent years. The slow pace of placements and marketings by feedlots for most of 2008 has led to a backlog of heavier feeders that have been sold this fall in direct competition with calves and stockers. Placements in October were not high enough to reverse this trend (figure 4).

The latest WASDE report revised the price projection range lower as fewer exports are expected following the strengthening of the dollar. The futures prices have dropped also so they remain below the bottom end of the projection range for the second and third quarters of 2009 (figure 5). A couple of people have commented on and asked about the basis on fed cattle. In Sioux Falls the basis was very wide for September and October. Lower shipping costs should narrow the basis in the coming months. The ERS price projections for feeder cattle were also revised lower because of poor feeding margins and higher interest costs pressuring prices. While that may be true nationally, in the north-central region interest rates are lower than a year ago for those with a stable credit situation. Regardless, the futures prices are much lower than the bottom of the projection range of the first three quarters of 2009 (figure 6). For those retaining ownership there is upside potential for 2009, but no guarantees.

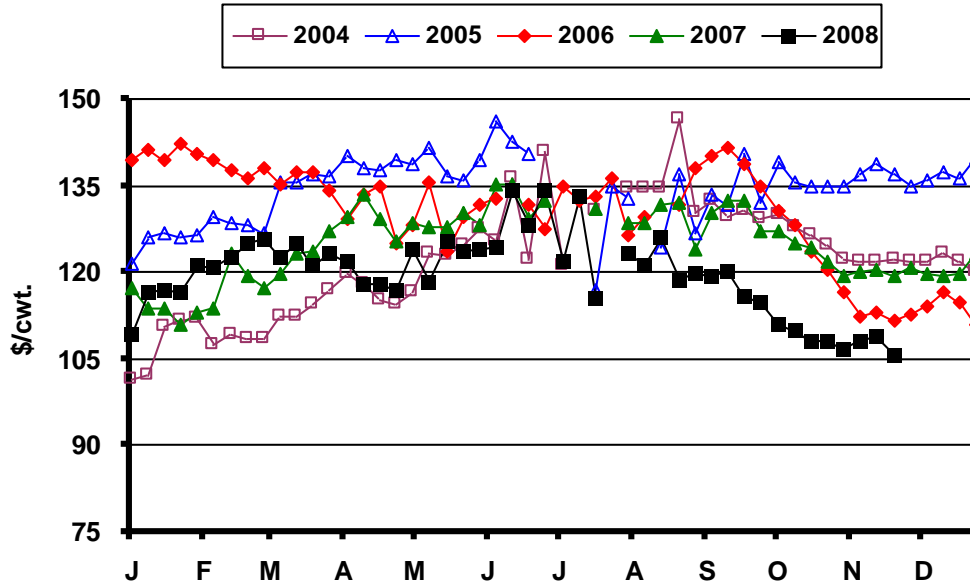
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Fig. 1. Monthly South Dakota Cattle Prices



Sources: CME, USDA-AMS, & SDSU

Fig. 2. Weekly South Dakota Stocker Cattle Prices



Sources: USDA-AMS & SDSU

Figure 3.

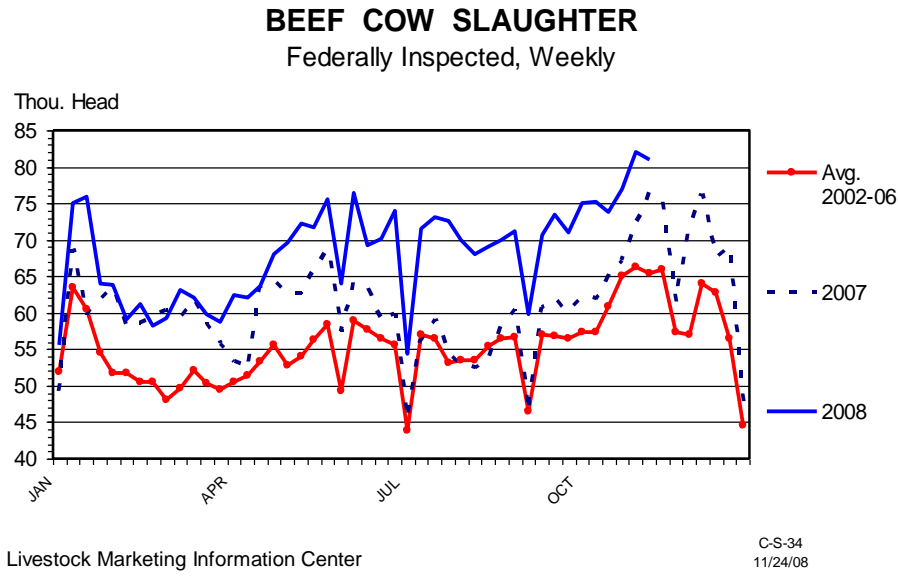


Figure 4.

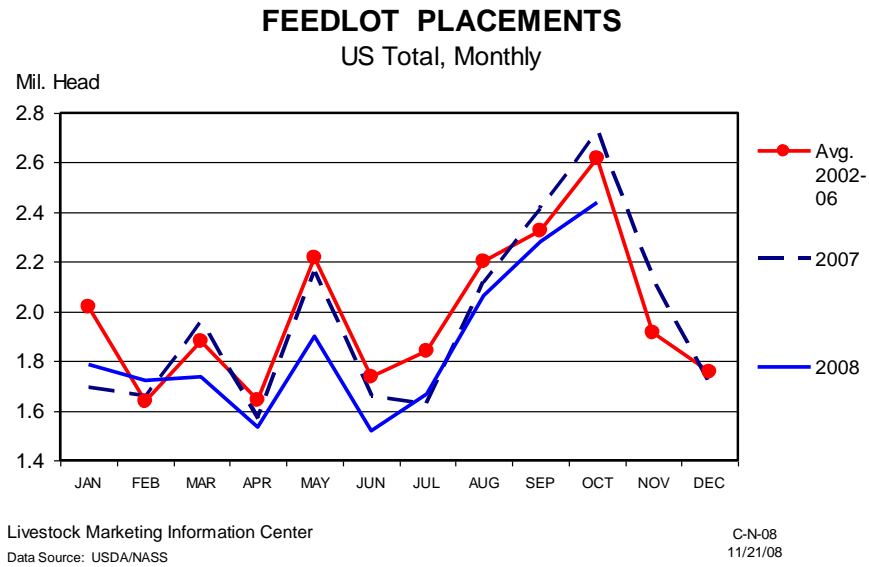
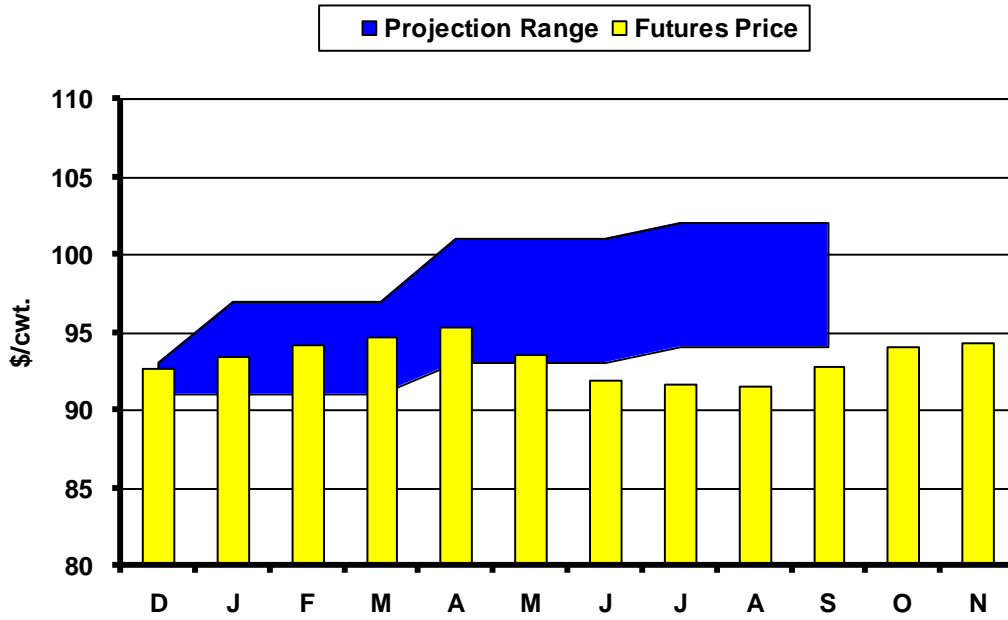
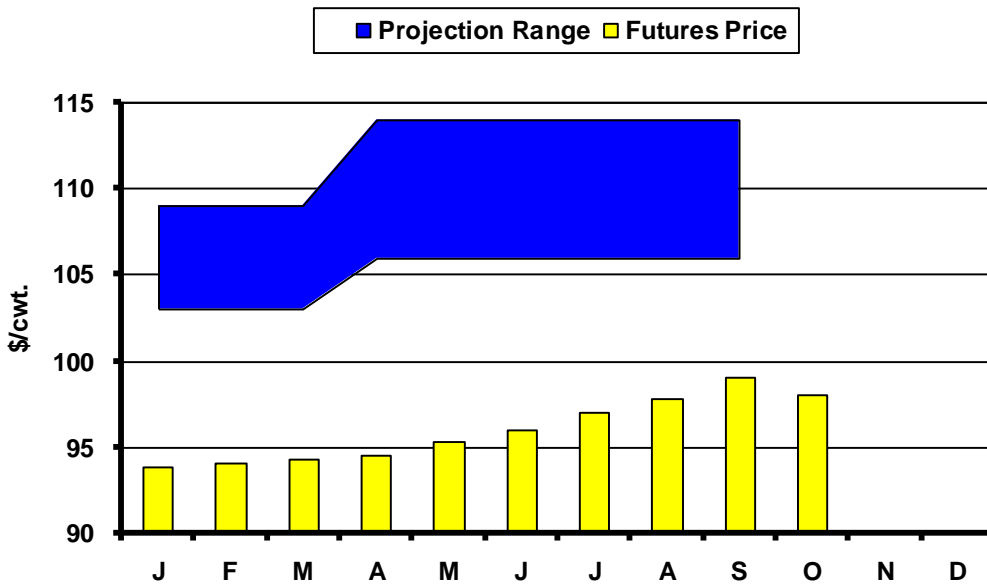


Fig. 5. Live Cattle Futures and Projections



Sources: CME & USDA-WASDE, November 10, 2008

Fig. 6. Feeder Cattle Futures and Projections



Sources: CME & USDA-ERS, November 17, 2008

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December 9: Livestock Outlook – Madison, SD (Diersen)

December 11: Live Cattle Projections (WASDE)

December 19: *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	94.13	95.99	99.79	101.56	102.03	91.77		

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	91.06	91.00	95.35	96.63	94.31	85.40		

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	-3.07	-4.99	-4.44	-4.93	-7.72	-6.37		

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	65.44	65.94	67.00	67.83	64.75	59.13		

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	122.79	132.34	126.33	120.95	113.17	107.98		

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	107.15	108.90	116.00	112.54	109.61	98.84		

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	19.32	15.64	23.43	10.33	8.41	3.56	9.14		

Futures Markets

Live	11/21/2008	10/22/2008	Change	Feeder	11/21/2008	10/22/2008	Change
DEC 08	84.90	89.88	-4.97	JAN 09	89.40	96.08	-6.68
FEB 09	85.50	90.95	-5.45	MAR 09	90.15	97.15	-7.00
APR 09	86.82	91.43	-4.61	APR 09	90.45	97.60	-7.15
JUN 09	82.67	88.00	-5.33	MAY 09	90.95	98.70	-7.75
AUG 09	82.90	88.23	-5.32	AUG 09	93.00	100.90	-7.90
OCT 09	86.10	91.50	-5.40	SEP 09	93.50	103.10	-9.60
DEC 09	87.10	93.30	-6.20	OCT 09	93.50	100.90	-7.40
FEB 10	88.10	94.60	-6.50				
APR 10	91.50						

Source: CME.