

Cash prices diverged further during August as stockers and feeders dropped sharply while live cattle moved above \$100 per cwt for the month (figure 1). On the futures side the live cattle contracts moved lower with lower corn futures. The feeder cattle futures responded by moving sharply lower. The decline of feeder futures carried over to the weekly cash price for stockers (figure 2). The volume of stockers sold in South Dakota tends to be relatively low at this time of year. In 2007 the volume was a little higher as there were some dry areas where calves were moved earlier than usual. That does not appear to be the case in 2008 and the lower relative price gives a strong incentive to producers to retain ownership if feed costs make that feasible. The overall implication may be orderly to slightly lagged marketing of calves in the northern plains. Backgrounders still face relatively high corn prices, lower live cattle futures, costly substitute feeds (hay), and a backlog of feeders that were not placed on feed any earlier this year. These factors make it difficult to say when (or if) the spread on stockers will widen back out.

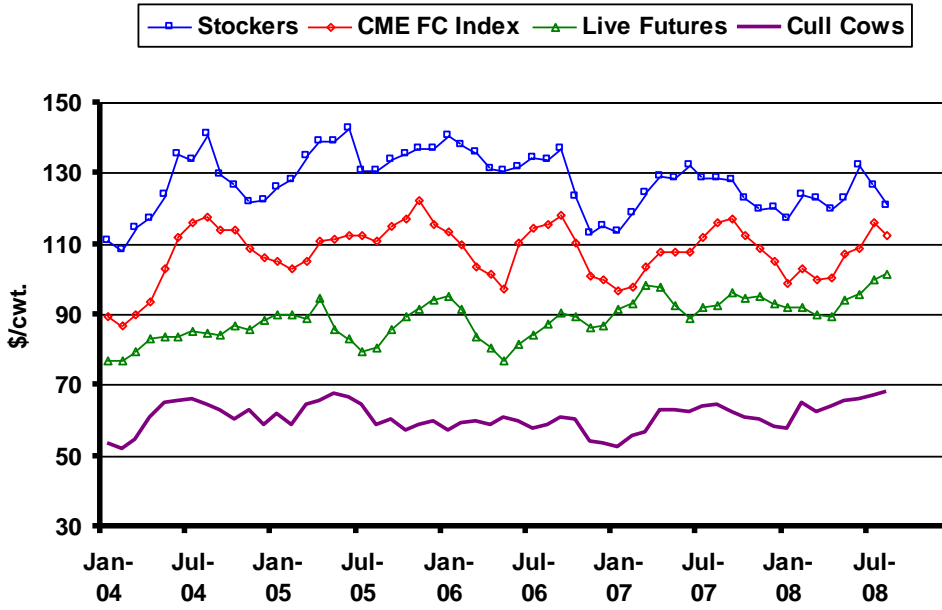
For some different perspectives on the hay situation, marketing calves, and the energy situation, there is a recorded webinar on such topics that can be viewed for the next few weeks. September 30 is the deadline to purchase or change *Forage Production* insurance coverage for the 2009 crop year. The farm bill has several disaster aid provisions with different demands on producers to have adequate insurance coverage. Producers susceptible to losses tied to a hay crop failure would likely benefit from having insurance. Use of *Forage Production* insurance, mainly on alfalfa and alfalfa mix hay, had dropped off slightly in recent years in South Dakota (figure 3). The coverage has stayed above \$50 million, but the acres insured fell below 1.0 million across the state. In recent years the insurance has paid more in indemnity payments than producers have paid in. The substantial premium subsidy is captured by producers who tend to buy-up yield coverage at the 50% level or higher. For the 2009 crop year the price election level is \$98 per ton for alfalfa and alfalfa mix, up substantially from recent years.

Basis levels on live cattle continue to be relatively wide, reflecting higher fuel costs and some seasonality. Basis bids on forward contracts reflect a continuation of this trend. The volume contracted has also continued ahead of last year's pace. Since July, the Agricultural Marketing Service has been reporting contracts by basis month and relative the total observed by month for the prior year. Thus, as of today there were already contracted sales for September of 2008 that exceeded the volume for all of September of 2007 (figure 4). The same is true for October and November. Looking ahead to April (of 2009) there is only a small fraction already contracted compared to the volume observed a year earlier (April of 2008).

The latest WASDE report had slight revisions to price projections for the remainder of 2008 following tighter supplies of market ready cattle. The futures prices still remain above the high end of the projection range, suggesting limited upside (figure 5). The September *Cattle on Feed* report confirms the tighter supplies, as there continues to be a pattern of lower on-feed and placement totals compared to last year. The placements continue to be of feeders in the heaviest weight category. The ERS feeder projections were adjusted somewhat (and may have had typos). The range is well above the futures prices at this time (figure 6).

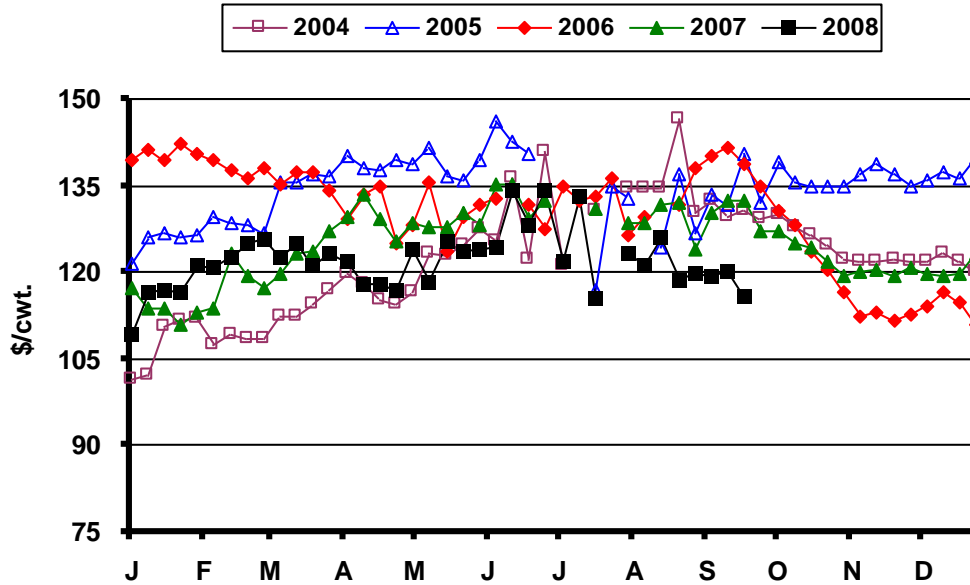
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Fig. 1. Monthly South Dakota Cattle Prices



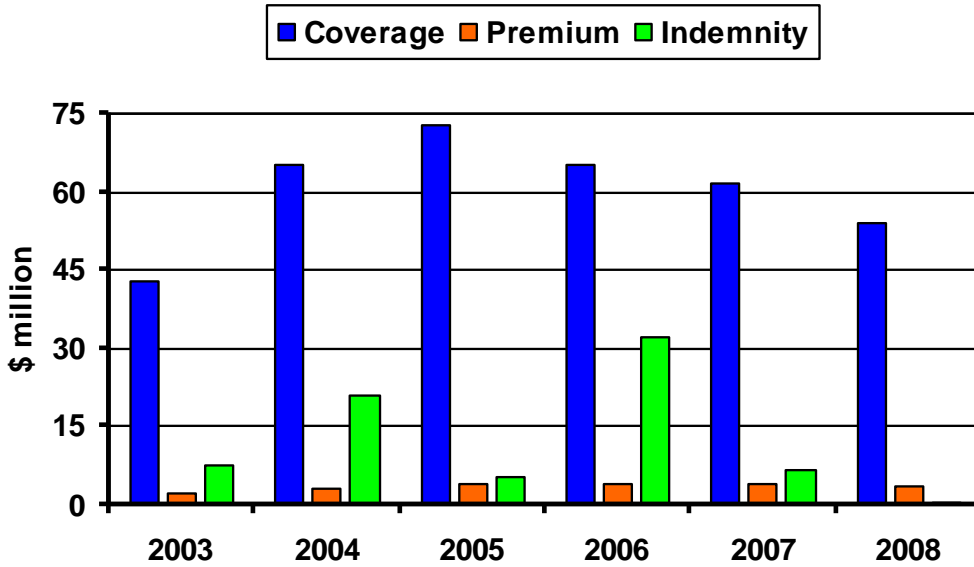
Sources: CME, USDA-AMS, & SDSU

Fig. 2. Weekly South Dakota Stocker Cattle Prices



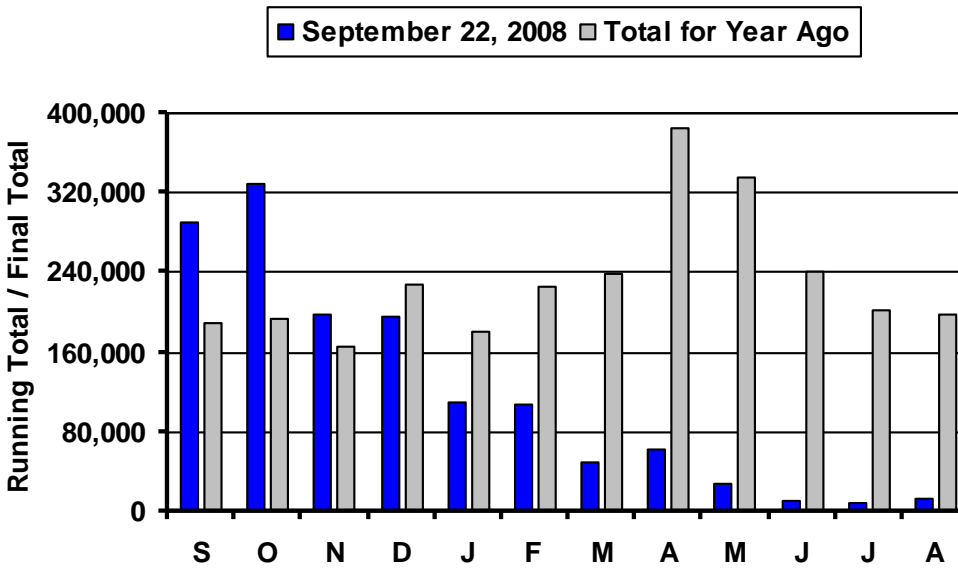
Sources: USDA-AMS & SDSU

Fig. 3. South Dakota Hay Insurance



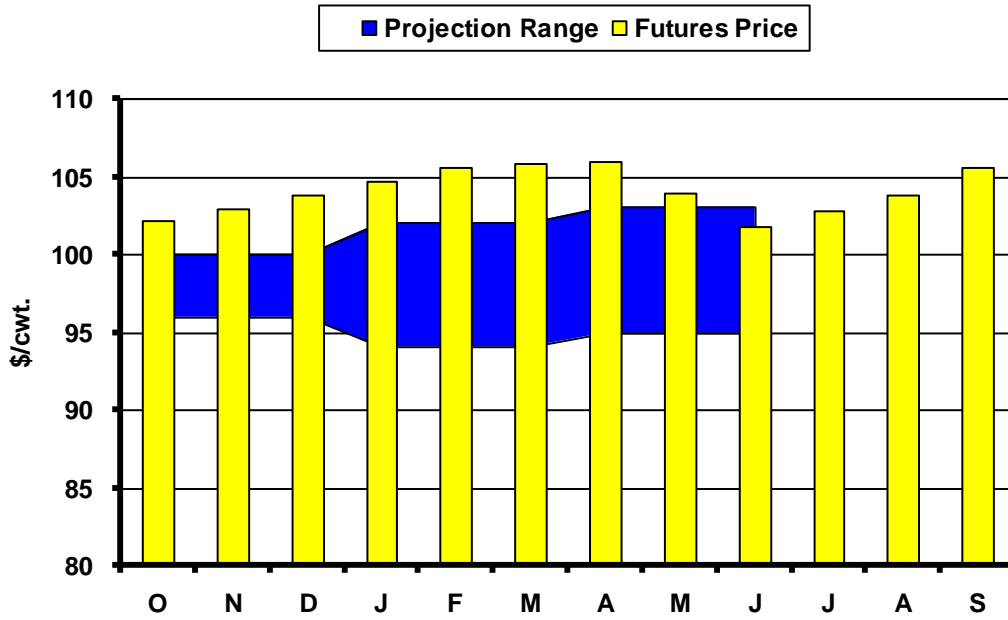
Source: RMA

Fig. 4. Forward Contract Purchased Cattle



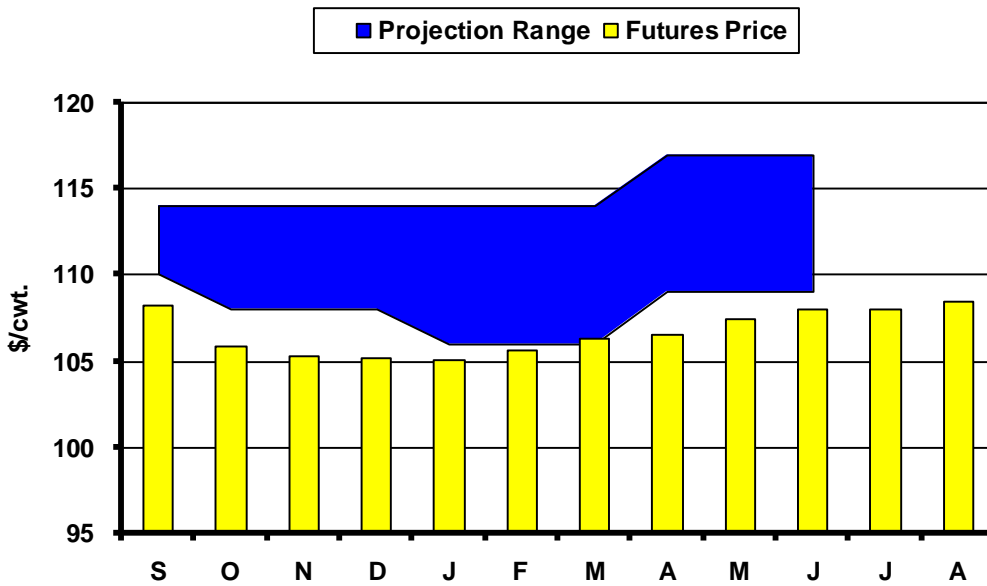
Source: AMS, LM_CT153

Fig. 5. Live Cattle Futures and Projections



Sources: CME & USDA-WASDE, September 12, 2008

Fig. 6. Feeder Cattle Futures and Projections



Sources: CME & USDA-ERS, September 19, 2008

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October 7: Backgrounding Workshop – Tripp, SD

October 10: Live Cattle Projections (WASDE)

October 10: *Crop Production* (NASS)

October 17: *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				

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				

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				

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				

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				

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				

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				

Futures Markets

Live	9/22/2008	8/22/2008	Change	Feeder	9/22/2008	8/22/2008	Change
OCT 08	102.45	105.78	-3.33	SEP 08	108.05	112.95	-4.90
DEC 08	103.90	106.90	-3.00	OCT 08	106.00	112.50	-6.50
FEB 09	104.15	107.18	-3.02	NOV 08	105.65	112.30	-6.65
APR 09	104.73	108.45	-3.73	JAN 09	105.50	112.20	-6.70
JUN 09	100.75	105.93	-5.18	MAR 09	106.50	112.00	-5.50
AUG 09	102.70	107.93	-5.22	APR 09	107.20	112.10	-4.90
OCT 09	105.60	110.25	-4.65	MAY 09	107.80	112.38	-4.58
DEC 09	106.40	109.75	-3.35	AUG 09	109.00		

Source: CME.