

Tennessee Market Highlights

UTEXTENSION
INSTITUTE OF AGRICULTURE
THE UNIVERSITY OF TENNESSEE

December 11, 2020

Number: 50

Trends for the Week Compared to a Week Ago

Slaughter Cows

Steady to \$1 lower

Slaughter Bulls

Steady

Feeder Steers

Under 550 lbs. steady to \$3 higher 550 lbs. and heavier steady to \$3 lower

Feeder Heifers

Steady to \$3 lower

Feeder Cattle Index: 137.11

Fed Cattle

The 5-area live price on Thursday of \$106.86 was down \$2.91. The dressed price of \$167.80 was down \$4.49

Corn

March closed at \$4.23 a bushel, up 3 cents since last Friday

Soybeans

January closed at \$11.60 a bushel, down 3 cents since last Friday

Wheat

March closed at \$6.14 a bushel, up 39 cents since last Friday

Cotton

March closed at 74.08 cents per lb, up 2.51 cents since last Friday

Livestock Comments by Dr. Andrew P. Griffith

FED CATTLE: Fed cattle traded \$2 to \$3 lower compared to last week on a live basis. Prices on a live basis were primarily \$106 to \$108 while dressed prices were mainly \$167 to \$168.

The 5-area weighted average prices thru Thursday were \$106.86 live, down \$2.91 compared to last week and \$167.80 dressed, down \$4.49 from a week ago. A year ago, prices were \$118.81 live and \$188.11 dressed.

Packers closed the door on higher cattle prices as they took a hit in the mouth on boxed beef prices. Cattle feeders are sure to feel like they were hit in the face with a 2 x 4 as basis remains negative and the December live cattle contract is nearly \$2 lower than where it started the month. Futures traders make trades based on many different sets of information, and a coronavirus vaccine may be one of them. However, it is not known how consumers will react when a vaccine is available to the general public nor will the change effect long-term beef and cattle prices. Beef demand has remained strong throughout the pandemic, and reopening of restaurants and food service will most likely send the market back to pre-coronavirus tendencies.

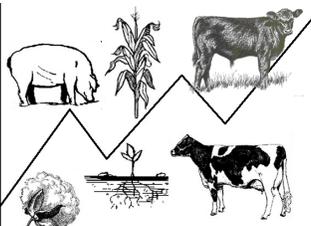
BEEF CUTOUT: At midday Friday, the Choice cutout was \$213.57 down \$1.02 from Thursday and down \$23.91 from last week. The Select cutout was \$196.26 down \$2.21 from Thursday and down \$17.51 from a week ago. The Choice Select spread was \$17.31 compared to \$16.74 a week ago.

The large week-over-week price decline is a good indicator that retailers and restaurants have met their immediate needs as it relates to beef purchases. There is sure to be some late year purchases to restock meat counters following the run consumers will make at grocery stores the next couple of weeks, but the process of restocking is unlikely to make boxed beef prices shoot higher. The most probable move for boxed

beef prices is for both the Choice and Select cutout prices to decline with the Choice cutout declining more than the Select. This decline will originate from lower rib primal prices as the holiday season passes. The lower middle meat prices will result in the typical narrowing of the Choice Select spread as consumption patterns seasonally shift to more end meats as opposed to middle meats. The chuck and round should provide the majority of the strength in the cutout during winter, but there remains hope for the brisket and short plate. The loin has been the disappointing primal this holiday season.

OUTLOOK: Based on Tennessee weekly auction market price averages, steers weighing less than 550 pounds were steady to \$3 higher while steers weighing 550 pounds and heavier were steady to \$3 lower compared to week ago prices. Heifer prices were steady to \$3 lower compared to last week while slaughter cow prices were steady to \$1 lower and bull prices were steady compared to last week's prices. There were still several head of cattle moving this week which may be a function of the fairly nice weather to get trailers in and out of pastures and the fact that calf prices have shown a little strength from week to week. There is no doubt the strongest demand has continued to be for weaned and vaccinated calves as was evident by the \$11 per hundredweight premium for 525-pound calves. The expectation is that the run of calves will slow through the end of the year with the holiday season knocking on the door, but favorable weather conditions could result in some producers continuing to set wheels under their calf crop. The slightly stronger calf prices the past couple of weeks is largely due to higher feeder cattle futures prices. Most feeder cattle futures contract prices have displayed considerable strength the past two weeks and are trading at the upper end of the recent trading range. This does not

(Continued on page 2)



Livestock Comments by Dr. Andrew Griffith

(Continued from page 1)

mean they have traded to the contract high, but there is reason to believe feeder cattle futures will at a minimum hold their ground for a little while and maybe even move higher. There is no way to know where a certain contract will top out or to know where cash prices will be on the day the cattle are sold. What should be known with more certainty is what price a person has to receive to achieve a certain profit goal. If the futures market is pricing in an acceptable profit for cattle to be sold next year given local basis then now or sometime soon may be the time to be an active cattle marketer and manage some price risk.

ASK ANDREW, TN THINK TANK: There are always questions this time of year concerning marketing cattle before the end of the year or after the first of the year. Many people ask this question and make their decision based on tax implications and cattle price expectations. From the cattle price standpoint, the price of most classes of cattle tends to be higher in January than in December which means it is better to wait until after the first of the year. From a tax perspective, it depends if the additional income pushes a producer into a higher tax bracket or not. If a person's taxable income is going to be less than \$40,126 before selling cattle and the selling of those cattle will push taxable income above that threshold then it may be wise to hold the cattle over, because the federal income tax rate jumps from 12 percent to 22 percent for every dollar of taxable income over

\$40,125 up to \$85,525. The tax rate only increases to 24 percent for income between \$85,526 and \$163,300. The point is that it is important to know where one falls in federal income tax bracket to assist in decision making. There are higher tax brackets than are mentioned here. (Single filer information.)

Please send questions and comments to agriff14@utk.edu or send a letter to Andrew P. Griffith, University of Tennessee, P.O. Box 160, 1000 Main Entrance Dr., Spring Hill, TN 37174.

FRIDAY'S FUTURES MARKET CLOSING PRICES: Friday's closing prices were as follows: Live/fed cattle – December \$108.75 +0.83; February \$113.25 +1.40; April \$117.38 +1.40; Feeder cattle –January \$139.73 +2.13; March \$140.55 +1.30; April \$141.90 +1.18; May \$142.43 +1.10; December corn closed at \$4.24 up 4 cents from Thursday.

Overview

Corn, cotton, and wheat were up; soybeans were mixed for the week.

Since November 10, March corn futures have moved mostly sideways in a trading range of \$4.13 to \$4.40. While a breakout higher cannot be ruled out, it appears corn prices may consolidate in a new trading range and move sideways through the end of the year. This is after the impressive rally from August to November that saw March corn increase over \$1.00 (\$3.38 to \$4.40). Continued strong export sales have the potential to provide support to prices. On the bearish side rising ethanol stocks and new COVID-19 restrictions, reducing travel, could limit corn purchased for ethanol production in early 2021.

January soybeans have also started to move sideways in a tighter trading range, between \$11.40 and \$12.00. New export sales have slowed substantially over the past three weeks, however export shipments of past sales remain extremely strong with almost 100 million bushels shipped for the week of November 27-December 3. Rains in Brazil have mitigated some of the concerns in South America, however moisture remains below normal and could affect production if dry weather reemerges. With U.S soybean ending stocks projected at only 175 million bushels a decline in South American production could trigger higher prices and increased volatility.

Last week's price declines in wheat were reversed by a moderately bullish WASDE report. Global wheat stocks were decreased 145 million bushels, due primarily to lower EU production and increased feed use as feed wheat is more price competitive with corn in global markets. Although projected wheat stocks are down compared to last month, the USDA projections still indicate record large global ending stocks at 11.63 billion bushels, up 584 million year-over-year.

	Previous	Current	Change
USD Index	90.73	90.98	0.25
Crude Oil	46.03	46.58	0.55
DJIA	30,171	30,034	-137

(Continued on page 3)

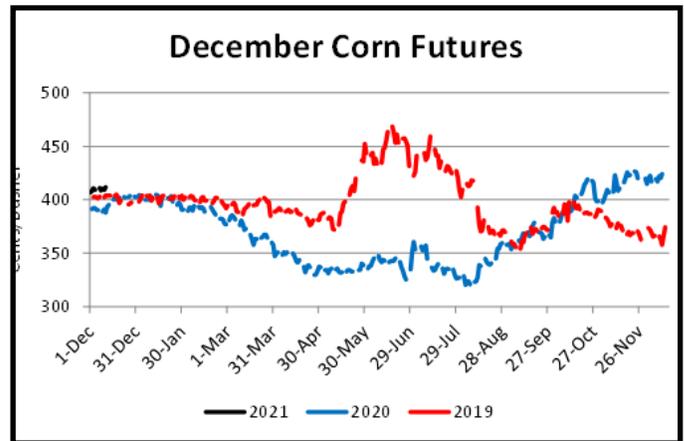
Crop Comments by Dr. Aaron Smith

Cotton received bullish support from the December WASDE report with U.S. production being revised down 1.14 million bales. Reductions were expected but the combination of lower production and increased exports (+400,000 bales) leaves projected stocks at a more manageable 5.7 million bales. Foreign cotton stocks were also revised down 2.42 million bales from the previous month's projection of 94.24 million bales. With the changes made by USDA to supply and demand estimates cotton prices have the potential to work higher possibly to the 75-78 cent range. Unfortunately, COVID-19 triggered disruptions to the U.S. and global economies could quickly remove this optimism.

Corn

Ethanol production for the week ending December 4 was 0.991 million barrels per day, up 17,000 barrels from the previous week. Ethanol stocks were 22.083 million barrels, up 0.843 million barrels compared to last week. Corn net sales reported by exporters for November 27-December 3 were down compared to last week with net sales of 53.6 million bushels for the 2020/21 marketing year. Exports for the same time period were down 33% from last week at 28.1 million bushels. Corn export sales and commitments were 59% of the USDA estimated total exports for the 2020/21 marketing year (September 1 to August 31) compared to the previous 5-year average of 46%. Across Tennessee, average corn basis (cash price-nearby futures price) weakened at North-Central, Mississippi River, West-Central, Northwest, and West elevators and barge points. Overall, basis for the week ranged from 10 under to 28 over, with an average of 15 over the March futures. March 2021 corn futures closed at \$4.23, up 3 cents since last Friday. For the week, March 2021 corn futures traded between \$4.15 and \$4.27. Mar/May and Mar/Dec future spreads were 3 and -11 cents. May 2021 corn futures closed at \$4.26, up 3 cents since last Friday.

Corn	Mar 21	Change	Dec 21	Change
Price	\$4.23	\$0.03	\$4.12	\$0.02
Support	\$4.15	\$0.01	\$4.05	\$0.00
Resistance	\$4.28	-\$0.01	\$4.15	\$0.01
20 Day MA	\$4.25	\$0.00	\$4.09	\$0.02
50 Day MA	\$4.15	\$0.05	\$4.00	\$0.02
100 Day MA	\$3.87	\$0.03	\$3.88	\$0.02
4-Week High	\$4.39	\$0.00	\$4.15	\$0.00
4-Week Low	\$4.13	\$0.05	\$4.00	\$0.08
Technical Trend	Down	-	Down	-



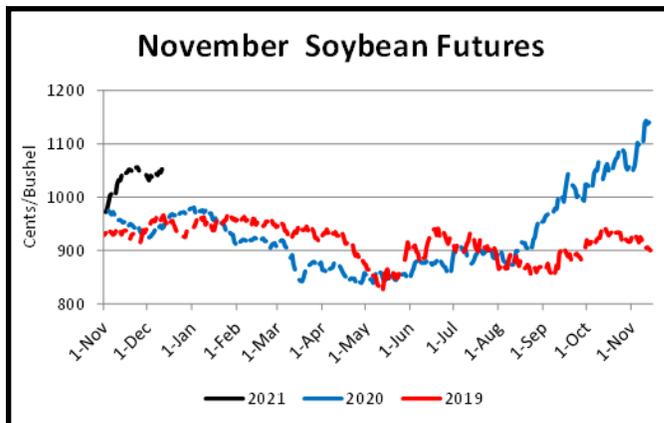
December 2021 corn futures closed at \$4.12, up 2 cents since last Friday. Downside price protection could be obtained by purchasing a \$4.20 December 2021 Put Option costing 38 cents establishing a \$3.82 futures floor.

Soybeans

Net sales reported by exporters were up compared to last week with net sales of 20.9 million bushels for the 2020/21 marketing year and 6.2 million bushels for the 2021/22 marketing year. Exports for the same period were up 8% compared to last week at 98.9 million bushels. Soybean export sales and commitments were 88% of the USDA estimated total annual exports for the 2020/21 marketing year (September 1 to August 31), compared to the previous 5-year average of 64%. Across Tennessee, average soybean basis weakened or remained unchanged at Mississippi River, West, West-Central, North-Central, and Northwest elevators and barge points. Basis ranged from 9 under to 27 over the January futures contract. Average basis at the end of the week was 11 over the January futures contract. January 2021 soybean futures closed at \$11.60, down 3 cents since last Friday. For the week, January 2021 soybean futures traded between \$11.42 and \$11.78. Jan/Mar and Jan/Nov future spreads were 6 and -108 cents. March 2021 soybean futures closed at \$11.66, up 1 cent since last Friday. March 2021 soybean-to-corn price ratio was 2.76 at the end of the week.

Crop Comments by Dr. Aaron Smith

Soybeans	Jan 21	Change	Nov 21	Change
Price	\$11.60	-\$0.03	\$10.52	\$0.14
Support	\$11.46	-\$0.03	\$10.38	\$0.08
Resistance	\$11.69	-\$0.10	\$10.60	\$0.14
20 Day MA	\$11.67	\$0.06	\$10.46	\$0.07
50 Day MA	\$11.09	\$0.14	\$10.08	\$0.09
100 Day MA	\$10.29	\$0.13	\$9.68	\$0.08
4-Week High	\$12.00	\$0.00	\$10.60	\$0.00
4-Week Low	\$11.38	\$0.55	\$10.22	\$0.35
Technical Trend	Down	-	Down	-

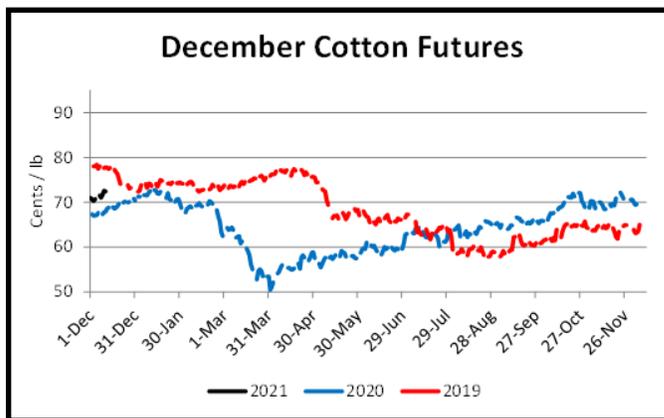


November 2021 soybean futures closed at \$10.52, up 14 cents since last Friday. Downside price protection could be achieved by purchasing a \$10.60 November 2021 Put Option which would cost 76 cents and set a \$9.84 futures floor. Nov/Dec 2021 soybean-to-corn price ratio was 2.55 at the end of the week.

Cotton

Net sales reported by exporters were up compared to last week with net sales of 451,000 bales for the 2020/21 marketing year and 48,000 for the 2021/22 marketing year. Exports for the same time period were up 79% compared to last week at 323,200 bales. Upland cotton export sales were 76% of the USDA estimated total annual exports for the 2020/21 marketing year (August 1 to July 31), compared to the previous 5-year average of 66%. Delta upland cotton spot price quotes for December 10 were 71.51 cents/lb (41-4-34) and 73.76 cents/lb (31-3-35). Adjusted World Price (AWP) decreased 0.25 cents to 58.17 cents. March 2021 cotton futures closed at 74.08, up 2.51 cents since last Friday. For the week, March 2021 cotton futures traded between 71.35 and 74.75 cents. Mar/May and Mar/Dec cotton futures spreads were 0.81 cents and -1.71 cents. May 2021 cotton futures closed at 74.89 cents, up 2.44 cents since last Friday.

Cotton	Mar 21	Change	Dec 21	Change
Price	74.08	2.51	72.37	1.67
Support	71.99	1.51	71.20	1.32
Resistance	75.73	3.43	73.28	2.26
20 Day MA	72.32	0.51	70.84	0.56
50 Day MA	71.14	0.66	69.77	0.60
100 Day MA	68.15	0.50	67.17	0.45
4-Week High	74.75	0.48	72.85	1.04
4-Week Low	70.18	0.11	68.69	0.09
Technical Trend	Up	=	Up	=



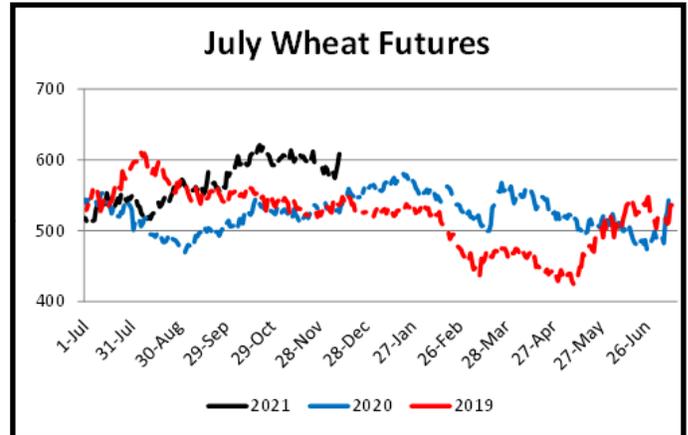
December 2021 cotton futures closed at 72.37 cents, up 1.67 cents since last Friday. Downside price protection could be obtained by purchasing a 73 cent December 2021 Put Option costing 5.42 cents establishing a 67.58 cent futures floor.

Crop Comments by Dr. Aaron Smith

Wheat

Wheat net sales reported by exporters were up compared to last week with net sales of 22.7 million bushels for the 2020/21 marketing year. Exports for the same time period were up 22% from last week at 20.3 million bushels. Wheat export sales were 73% of the USDA estimated total annual exports for the 2020/21 marketing year (June 1 to May 31), compared to the previous 5-year average of 72%. March 2021 wheat futures closed at \$6.14, up 39 cents since last Friday. March 2021 wheat futures traded between \$5.65 and \$6.19 this week. March wheat-to-corn price ratio was 1.45. Mar/May and Mar/Jul future spreads were 0 and -7 cents. May 2021 wheat futures closed at \$6.14, up 36 cents since last Friday.

Wheat	Mar 21	Change	Jul 21	Change
Price	\$6.14	\$0.39	\$6.07	\$0.28
Support	\$5.79	\$0.11	\$5.80	\$0.08
Resistance	\$6.37	\$0.48	\$6.25	\$0.34
20 Day MA	\$5.94	-\$0.05	\$5.95	-\$0.04
50 Day MA	\$6.03	\$0.02	\$5.99	\$0.02
100 Day MA	\$5.74	\$0.02	\$5.74	\$0.02
4-Week High	\$6.22	-\$0.06	\$6.15	-\$0.04
4-Week Low	\$5.65	-\$0.09	\$5.70	-\$0.08
Technical Trend	Up	+	Up	+



In Tennessee, new crop wheat cash contracts ranged from \$5.61 to \$6.10. July 2021 wheat futures closed at \$6.07, up 28 cents since last Friday. Downside price protection could be obtained by purchasing a \$6.10 July 2021 Put Option costing 42 cents establishing a \$5.68 futures floor.

Additional Information:

Links for data presented:

U.S. Export Sales - <https://apps.fas.usda.gov/export-sales/esrd1.html>

USDA FAS: Weekly Export Performance Indicator – <https://apps.fas.usda.gov/esrquery/esrpi.aspx>

EIA: Weekly ethanol Plant Production - https://www.eia.gov/dnav/pet/pet_pnp_wprode_s1_w.htm

EIA: Weekly Supply Estimates - https://www.eia.gov/dnav/pet/pet_sum_sndw_a_EPOOXE_sae_mdbl_w.htm

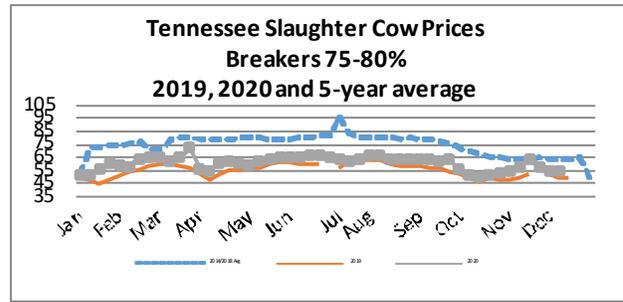
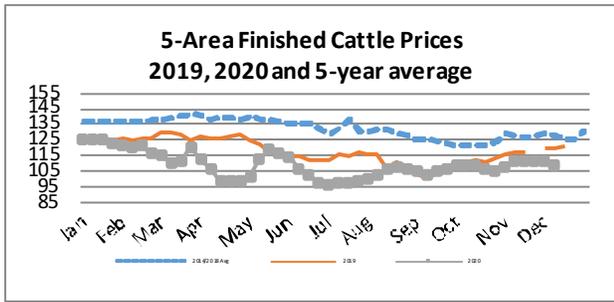
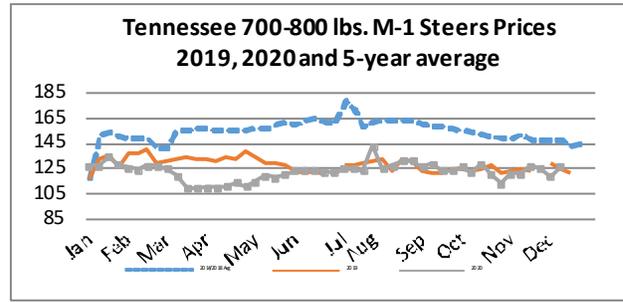
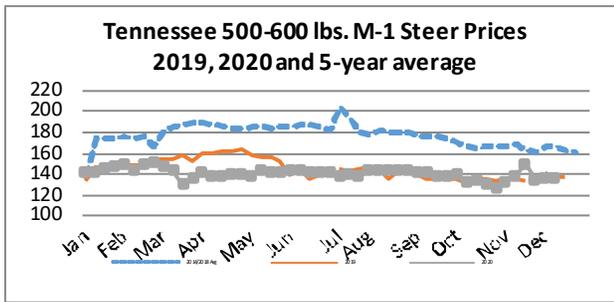
Upland Cotton Reports - <https://www.fsa.usda.gov/FSA/epasReports?area=home&subject=ecpa&topic=fta-uc>

Tennessee Crop Progress - https://www.nass.usda.gov/Statistics_by_State/Tennessee/Publications/Crop_Progress_&Condition/

U.S. Crop Progress - <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1048>

USDA AMS: Market News - <https://www.ams.usda.gov/market-news/search-market-news>

If you would like further information or clarification on topics discussed in the crop comments section or would like to be added to our free email list please contact me at aaron.smith@utk.edu.



Prices Paid to Farmers by Elevators					
Friday, December 4, 2020---Thursday, December 10, 2020					
	Friday Average	Monday Average	Tuesday Average	Wednesday Average	Thursday Average
No. 2 Yellow Soybeans	-----\$/bushel-----				
Northwest	11.59	11.50	11.37	11.50	11.44
North Central	11.63	11.54	11.46	11.59	11.53
West Central	11.84	11.75	11.62	11.75	11.69
West	11.94	11.85	11.72	11.85	11.79
Mississippi River	11.93	11.82	11.69	11.82	11.77
Yellow Corn					
Northwest	4.37	4.34	4.30	4.34	4.32
North Central	4.17	4.14	4.10	4.14	4.11
West Central	4.47	4.44	4.40	4.44	4.41
West	4.50	4.49	4.46	4.52	4.50
Mississippi River	4.49	4.47	4.44	4.49	4.47
Wheat					
Northwest					
North Central					
West					
Mississippi River					
Cotton	-----\$/pound-----				
Memphis	68.82-71.07	69.63-71.88	69.23-71.48	70.30-72.55	71.51-73.76

Futures Settlement Prices: Crops & Livestock

- Corn: <https://www.cmegroup.com/trading/agricultural/grain-and-oilseed/corn.html>
- Soybeans: <https://www.cmegroup.com/trading/agricultural/grain-and-oilseed/soybean.html>
- Wheat: <https://www.cmegroup.com/trading/agricultural/grain-and-oilseed/wheat.html>
- Soybean Meal: <https://www.cmegroup.com/trading/agricultural/grain-and-oilseed/soybean-meal.html>
- Cotton: <https://www.theice.com/products/254/Cotton-No-2-Futures/data?marketId=5352193>
- Live Cattle: <https://www.cmegroup.com/trading/agricultural/livestock/live-cattle.html>
- Feeder Cattle: <https://www.cmegroup.com/trading/agricultural/livestock/feeder-cattle.html>
- Lean Hogs: <https://www.cmegroup.com/trading/agricultural/livestock/lean-hogs.html>
- Class III Milk: <https://www.cmegroup.com/trading/agricultural/dairy/class-iii-milk.html>

Prices on Tennessee Reported Livestock Auctions for the week ending Friday, December 11, 2020

	This Week			Last Week's	Year Ago
	Low	High	Weighted Average	Weighted Average	Weighted Average
-----\$/cwt-----					
Steers: Medium/Large Frame #1-2					
300-400 lbs	139.50	180.00	161.47	155.47	149.98
400-500 lbs	128.00	172.50	153.35	145.18	145.48
500-600 lbs	117.00	155.00	135.24	134.85	135.15
600-700 lbs	115.00	138.00	129.15	126.52	127.23
700-800 lbs	113.00	136.00	125.26	117.03	122.78
Steers: Small Frame #1-2					
300-400 lbs	134.00	165.00	146.01	135.01	143.12
400-500 lbs	120.00	132.50	125.95	---	124.40
500-600 lbs	115.00	120.00	117.42	---	110.17
600-700 lbs	112.50	125.00	117.59	---	108.70
Steers: Medium/Large Frame #3					
300-400 lbs	105.00	160.00	147.34	138.11	132.89
400-500 lbs	121.00	150.00	138.60	133.81	130.09
500-600 lbs	110.00	135.00	124.42	121.37	119.17
600-700 lbs	100.00	125.00	117.84	114.10	117.59
700-800 lbs	---	---	---	104.78	108.68
Holstein Steers					
300-400 lbs	---	---	---	---	86.11
500-600 lbs	---	---	---	---	---
700-800 lbs	---	---	---	---	83.76
Slaughter Cows & Bulls					
Breakers 75-80%	47.00	62.00	52.51	53.57	47.71
Boners 80-85%	42.50	59.50	50.27	51.20	47.92
Lean 85-90%	33.00	54.00	42.16	42.07	38.72
Bulls YG 1	72.00	84.00	76.64	76.62	70.82
Heifers: Medium/Large Frame #1-2					
300-400 lbs	---	---	---	129.82	122.88
400-500 lbs	---	---	---	124.86	118.05
500-600 lbs	---	---	---	118.40	111.88
600-700 lbs	---	---	---	108.75	107.13
Heifers: Small Frame #1-2					
300-400 lbs	114.00	150.00	131.55	---	113.33
400-500 lbs	109.00	138.00	124.24	113.22	109.40
500-600 lbs	96.00	127.00	117.21	107.47	106.22
600-700 lbs	89.00	123.00	112.57	---	95.11
Heifers: Medium/Large Frame #3					
300-400 lbs	100.00	135.00	120.89	118.95	113.00
400-500 lbs	107.50	125.00	118.25	115.70	108.63
500-600 lbs	94.00	120.00	110.97	109.31	101.54
600-700 lbs	92.50	115.00	107.71	98.04	100.56

Cattle Receipts

This week:8,158

Week ago:7,230

Year ago:10,551

Lower Middle Tennessee Cattlemen's Association-Video Board Sale-Columbia, TN

Weighted Average Report for 12/4/20

Total Receipts: 1,443

For complete report:

https://www.ams.usda.gov/mnreports/ams_3340.pdf

East Tennessee Livestock Center Video/Board Sale Sweetwater, TN

Weighted Average Report for 12/9/20

Total Receipts: 60

For complete report:

https://www.ams.usda.gov/mnreports/ams_2228.pdf

Farmers Livestock Market Feeder Cattle Video Board Sale Greeneville, TN

Weighted Average Report for 12/5/20

Total Receipts: 303

For complete report:

https://www.ams.usda.gov/mnreports/ams_2241.pdf

Hardin Valley Stockyard-Savannah, TN

Weighted Average Report for 12/9/20

Total Receipts: 1,340

2 loads of 180 Steers; avg. wt. 575lbs., M&L 1, Black/BWF ChX RWF, 5-6 flesh; \$148.50

Department of Agricultural and Resource Economics

314 Morgan Hall • 2621 Morgan Circle • arec.tennessee.edu

USDA / Tennessee Department of Agriculture Market News Service <http://www.tennessee.gov/agriculture/article/ag-farms-market-news>

1-800-342-8206