

Tennessee Market Highlights

UTEXTENSION
INSTITUTE OF AGRICULTURE
THE UNIVERSITY OF TENNESSEE

January 8, 2021

Number: 1

Trends for the Week Compared to a Week Ago

Slaughter Cows

No trends

Slaughter Bulls

No trends

Feeder Steers

No trends

Feeder Heifers

No trends

Feeder Cattle Index: 135.35

Fed Cattle

The 5-area live price on Thursday of \$111.48 was down \$0.01. The dressed price of \$176.02 was up \$0.47.

Corn

March closed at \$4.96 a bushel, up 12 cents since last Friday.

Soybeans

March closed at \$13.74 a bushel, up 63 cents since last Friday.

Wheat

March closed at \$6.38 a bushel, down 2 cents since last Friday.

Cotton

March closed at 79.77 cents per lb, up 1.65 cents since last Friday.

Livestock Comments by Dr. Andrew P. Griffith

FED CATTLE: Fed cattle traded steady compared to last week on a live basis. Prices on a live basis were primarily \$111 to \$112 while dressed prices were mainly \$175 to \$177.

The 5-area weighted average prices thru Thursday were \$111.48 live, down \$0.01 compared to last week and \$176.02 dressed, up \$0.47 from a week ago. A year ago, prices were \$124.00 live and \$198.64 dressed.

The finished cattle market held steady this week, which is a disappointment for most, but it could be considered a win given the live cattle futures movement earlier in the week. The futures market started the week off on a rocky note, but it quickly corrected with the market finishing where it started. Current cash prices are trading \$2 to \$3 lower than the February contract. This negative basis can be a blessing and a curse depending on what position a person holds. Given that prices held steady in the South and were \$1 higher in the North compared to last week bodes well for an increasing market. The key to a strengthening market is probably in beef consumers hands. Will consumers demand beef, or will they eat something else?

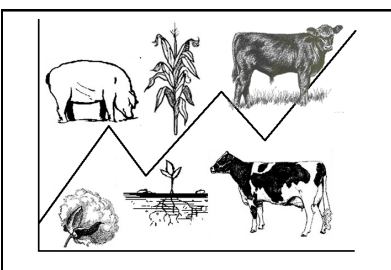
BEEF CUTOUT: At midday Friday, the Choice cutout was \$206.55 up \$0.74 from Thursday and down \$2.70 from a week ago. The Select cutout was \$196.92 up \$0.33 from Thursday and up \$0.05 from last week. The Choice Select spread was \$9.63 compared to \$12.38 a week ago.

The Choice Select spread provides information on relative demand for Choice grade beef compared to Select grade beef given the quantity supplied. It is fairly common for the Choice Select spread to narrow during the winter months as more consumers shift from middle meats to end meats. This shift is largely dependent on preparation method. For instance, many middle meats are grilled, which is a quick

and satisfying method to cook steaks. However, this time of year, many consumers are using the crock pot or oven to cook many beef items. These are good methods of slow cooking roasts that are tender and stacked with flavor. Thus, many consumers desire paying less for a Select grade roast than a Choice grade roast, because they know the method of preparation will result in a quality eating experience. Additionally, supply of each grade is important to note. The past few years more cattle have been grading Choice, which means more Choice beef on the market and less Select beef. This dynamic narrows the spread during the winter months, and it may approach \$1 at some point.

OUTLOOK: Trends could not be established this week due to the two week layoff from the regular sales prior to Christmas. However, marketings were a mixed bag depending on the auction. Some of the auctions had a large run of cattle this week while other auctions had a lighter run than is typical for the respective market. Regardless of the physical marketings, most years start with optimism, but that has not been reflected in the feeder cattle futures market the first week of the year. In actuality, feeder cattle futures began to slip following the Christmas holiday and that slide has continued into the first week of 2021. January feeder cattle futures prices have declined about \$5 per hundredweight since Christmas with most of the other contract months following its lead. This decline has definitely put a damper on local cattle prices this week. Those that will be impacted the most are producers who wait until the new year to market cattle. The downward price action in the futures market the past two weeks undoubtedly resulted in negative price reaction for producers who marketed cattle this week. Unfortunately, this situation will likely

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Livestock Comments by Dr. Andrew Griffith

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bleed over into next week, which means cattle prices stagnating, there is still optimism in the calf and feeder cattle market. Thus, any producer who is bullish about the cattle market may view buying calves or feeder cattle today as a prime opportunity. There is no one who can perfectly predict the market all of the time so today's purchase of cattle should be based on what the market is offering today and not the possibility that it will improve. As of right now, there appears to be more pressure on the cattle market than information to support higher prices, but odder things have happened. Prices in 2021 are expected to exceed prices in 2020 for most classes of cattle.

ASK ANDREW, TN THINK TANK: This week a question was asked about the advantages of Livestock Risk Protection insurance (LRP) relative to a put option. The biggest advantage is that LRP has tended to be a little less expensive than the put option. In other words, the higher government subsidy rate has made the LRP cost a little more attractive than the cost of a put option at the same strike price. Another benefit to LRP is that the premium is not due until the ending date of the insurance. When purchasing a put option, the money has to be sent in at the time of purchase, which means that money could be tied up for several months. Yet another upgrade to LRP is the ability to market cattle within 60 days prior to

the ending date of the LRP contract. This is not a benefit relative to a put option, but it does provide considerable marketing flexibility relative to the 30 day window that the insurance had previously. There are still the disadvantages of LRP not being as flexible as a put option such as not being able to sell it back, but this is minor for someone attempting to hedge.

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 –February \$114.48 -0.50; April \$119.30 -0.20; June \$115.28 -0.10; Feeder cattle – January \$135.83 -0.88; March \$136.83 -0.75; April \$139.08 -0.60; May \$140.63 -0.63; March corn closed at \$4.96 up 2 cents from Thursday.

Crop Comments by Dr. Aaron Smith

Overview

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

March corn futures breached \$5.00 this week, up 52% (\$1.71 $\frac{1}{4}$) since August 12. March soybean futures closed the week at \$13.74 $\frac{3}{4}$, up 55% (\$4.48 $\frac{1}{2}$) since August 12. Nearby futures prices are now at their highest level since 2014. The upward trend remains well intact with new highs being set almost every week. The high futures prices and strong basis

across Tennessee have likely caused many producers to sell most (or all) of the remaining crop in storage (a prudent decision given where prices were just 5 months ago). A few will continue to wait to see how high prices will go before selling the remainder of the crop, accepting the associated risk (a riskier move with potentially greater payoffs).

Looking forward many producers will consider starting or increasing 2021 crop pricing. December 2021 corn is at \$4.40 and soybeans are \$11.60, very strong price offerings compared to 2015-2020 new crop prices at the same time of the year, when prices only occasionally exceed \$4 for corn and \$10 for soybeans. While starting to price the crop is recommended producers should caution themselves not to sell their way out of this rally. Pricing more than 50% of production before planting may limit a producers ability to take advantage of additional rallies, particularly if on farm storage post-harvest is an option. An incremental approach to pricing into this rally should be considered with clearly defined stops based on the producers comfort level with pricing production based on the time of the year.

80 cent cotton was not what was predicted based on current global supply and demand fundamentals, but the market broke through that barrier this week. The trend that started back in early April remains in place. New crop cotton futures have rallied along with grains and oilseeds pushing the December contract over 76 cents. While substantially improved, it is unlikely that current cotton prices will attract acres over corn and soybeans. In Tennessee, cotton acres will likely be limited to those with existing investment in cotton infrastructure and harvest equipment.

	Previous	Current	Change
USD Index	89.90	90.08	0.18
Crude Oil	48.41	52.19	3.78
DJIA	30,606	31,047	441

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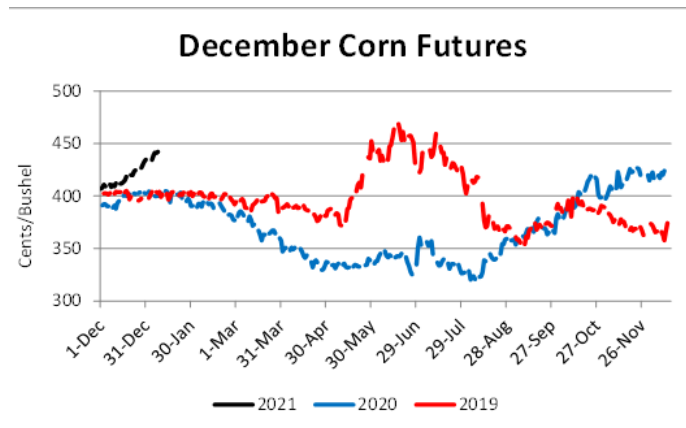
Crop Comments by Dr. Aaron Smith

Wheat prices have benefitted from the rally in corn and soybeans. However, unlike corn and soybeans, wheat prices do not have the same tailwinds of tight global stocks and production concerns in Brazil (Brazil typically imports wheat). There are wheat production concerns in Argentina and the US plains. However, wheat is far more diversified in terms of production regions than corn or soybeans (wheat is grown on almost every continent and in both hemispheres). This reduces the chance of large scale production failures compared to crops with greater concentration of production.

Corn

Ethanol production for the week ending January 1 was 0.935 million barrels per day, up 1,000 barrels from the previous week. Ethanol stocks were 23.284 million barrels, down 0.220 million barrels compared to last week. Corn net sales reported by exporters for December 25-31 were down compared to last week with net sales of 29.5 million bushels for the 2020/21 marketing year. Exports for the same time period were down 23% from last week at 40.5 million bushels. Corn export sales and commitments were 65% 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 53%. Across Tennessee, average corn basis (cash price-nearby futures price) strengthened at Northwest, North-Central, Mississippi River, West-Central, and West elevators and barge points. Overall, basis for the week ranged from 5 over to 40 over, with an average of 23 over the March futures. March 2021 corn futures closed at \$4.96, up 12 cents since last Friday. For the week, March 2021 corn futures traded between \$4.79 and \$5.02. Mar/May and Mar/Dec future spreads were 1 and -56 cents. May 2021 corn futures closed at \$4.97, up 14 cents since last Friday.

Corn	Mar 21	Change	Dec 21	Change
Price	\$4.96	\$0.12	\$4.40	\$0.06
Support	\$4.89	\$0.33	\$4.36	\$0.10
Resistance	\$5.03	\$0.13	\$4.45	\$0.08
20 Day MA	\$4.55	\$0.17	\$4.25	\$0.08
50 Day MA	\$4.34	\$0.07	\$4.11	\$0.04
100 Day MA	\$4.09	\$0.08	\$4.00	\$0.04
4-Week High	\$4.02	-\$0.83	\$4.44	\$0.08
4-Week Low	\$4.18	\$0.04	\$4.07	\$0.03
Technical Trend	Up	=	Up	=



December 2021 corn futures closed at \$4.40, up 6 cents since last Friday. Downside price protection could be obtained by purchasing a \$4.50 December 2021 Put Option costing 48 cents establishing a \$4.00 futures floor.

Soybeans

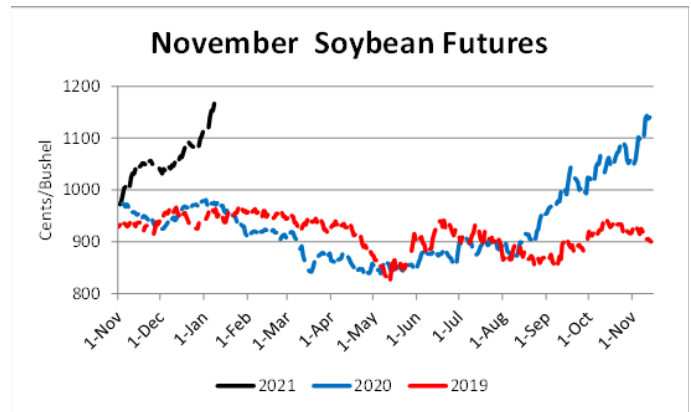
Net sales reported by exporters were down compared to last week with net sales of 1.4 million bushels for the 2020/21 marketing year—a marketing year low—and 2.9 million bushels for the 2021/22 marketing year. Exports for the same period were down 24% compared to last week at 68.2 million bushels. Soybean export sales and commitments were 91% 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 73%. Across Tennessee, average soybean basis strengthened at West-Central, Mississippi River, West, North-Central, and Northwest elevators and barge points. Basis ranged from 1 under to 40 over the March futures contract. Average basis at the end of the week was 24 over the March futures contract. March 2021 soybean futures closed at \$13.74, up 63 cents since last Friday. For the week, March 2021 soybean futures traded between \$13.01 and \$13.86. Mar/May and Mar/Nov future spreads were -3 and -213 cents. May 2021 soybean futures closed at \$13.71, up 65 cents since last Friday. March 2021 soybean-to-corn price ratio was 2.77 at the end of the week.

November 2021 soybean futures closed at \$11.61, up 50 cents since last Friday. Downside price protection could be achieved by purchasing an \$11.80 November 2021 Put Option which would cost 104 cents and set a \$10.76 futures floor. Nov/Dec 2021 soybean-to-corn price ratio was 2.64 at the end of the week.

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Crop Comments by Dr. Aaron Smith

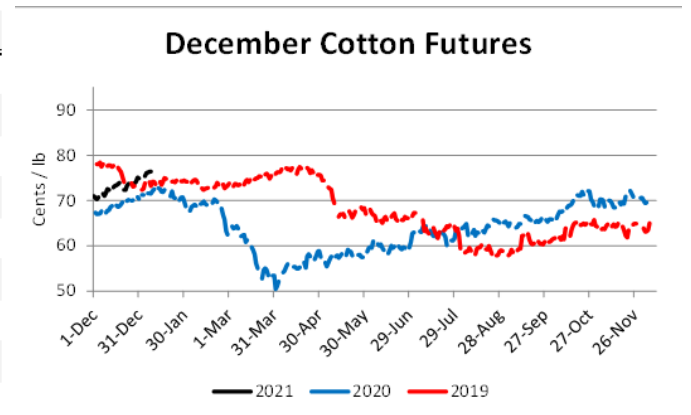
Soybeans	Mar 21	Change	Nov 21	Change
Price	\$13.74	\$0.63	\$11.61	\$0.50
Support	\$13.32	\$0.63	\$11.37	\$0.52
Resistance	\$14.07	\$0.86	\$11.81	\$0.66
20 Day MA	\$12.62	\$0.47	\$10.95	\$0.25
50 Day MA	\$11.87	\$0.29	\$10.53	\$0.16
100 Day MA	\$10.94	\$0.23	\$10.05	\$0.12
4-Week High	\$13.86	\$0.66	\$11.69	\$0.51
4-Week Low	\$11.50	\$0.07	\$10.39	\$0.17
Technical Trend	Up	=	Up	=



Cotton

Net sales reported by exporters were down compared to last week with net sales of 153,100 bales for the 2020/21 marketing year. Exports for the same time period were down 2% compared to last week at 270,000 bales. Upland cotton export sales were 79% 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 73%. Delta upland cotton spot price quotes for January 7 were 77.26 cents/lb (41-4-34) and 79.51 cents/lb (31-3-35). Adjusted World Price (AWP) increased 2.22 cents to 65.25 cents. March 2021 cotton futures closed at 79.77, up 1.65 cents since last Friday. For the week, March 2021 cotton futures traded between 78.25 and 80.93 cents. Mar/May and Mar/Dec cotton futures spreads were 0.78 cents and -3.58 cents. May 2021 cotton futures closed at 80.55 cents, up 1.85 cents since last Friday.

Cotton	Mar 21	Change	Dec 21	Change
Price	79.77	1.65	76.19	1.32
Support	79.06	1.97	75.64	1.21
Resistance	80.74	1.83	77.12	1.65
20 Day MA	76.94	1.94	74.09	1.26
50 Day MA	73.75	0.75	71.71	0.54
100 Day MA	70.63	0.80	69.21	0.62
4-Week High	80.93	2.54	76.89	1.64
4-Week Low	71.86	0.79	70.90	0.71
Technical Trend	Up	=	Up	=



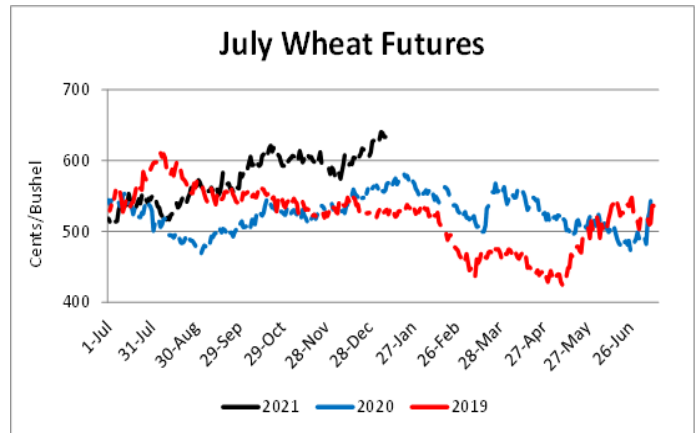
December 2021 cotton futures closed at 76.19 cents, up 1.32 cents since last Friday. Downside price protection could be obtained by purchasing a 77 cent December 2021 Put Option costing 6.16 cents establishing a 70.84 cent futures floor.

Crop Comments by Dr. Aaron Smith

Wheat

Wheat net sales reported by exporters were down compared to last week with net sales of 10.1 million bushels for the 2020/21 marketing year and 0.2 million bushels for 2021/22 marketing year. Exports for the same time period were down 4% from last week at 15.4 million bushels. Wheat export sales were 78% 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 79%. March 2021 wheat futures closed at \$6.38, down 2 cents since last Friday. March 2021 wheat futures traded between \$6.34 and \$6.64 this week. March wheat-to-corn price ratio was 1.29. Mar/May and Mar/Jul future spreads were 2 and -7 cents. May 2021 wheat futures closed at \$6.40, up 1 cent since last Friday.

Wheat	Mar 21	Change	Jul 21	Change
Price	\$6.38	-\$0.02	\$6.31	\$0.03
Support	\$6.25	\$0.22	\$6.18	\$0.18
Resistance	\$6.56	-\$0.06	\$6.45	\$0.03
20 Day MA	\$6.22	\$0.17	\$6.14	\$0.13
50 Day MA	\$6.08	\$0.02	\$6.04	\$0.02
100 Day MA	\$5.91	\$0.06	\$5.89	\$0.05
4-Week High	\$6.64	\$0.20	\$6.46	\$0.17
4-Week Low	\$5.67	\$0.02	\$5.71	\$0.01
Technical Trend	Up	=	Up	=



In Tennessee, new crop wheat cash contracts ranged from \$6.16 to \$6.54. July 2021 wheat futures closed at \$6.31, up 3 cents since last Friday. Downside price protection could be obtained by purchasing a \$6.40 July 2021 Put Option costing 54 cents establishing a \$5.86 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>

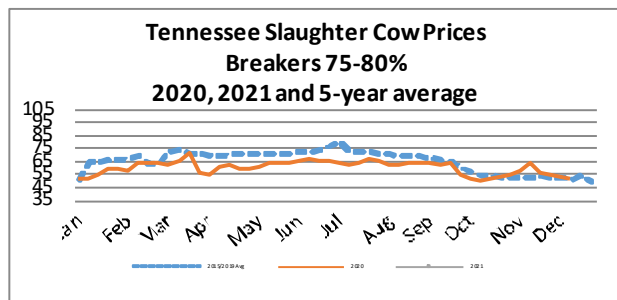
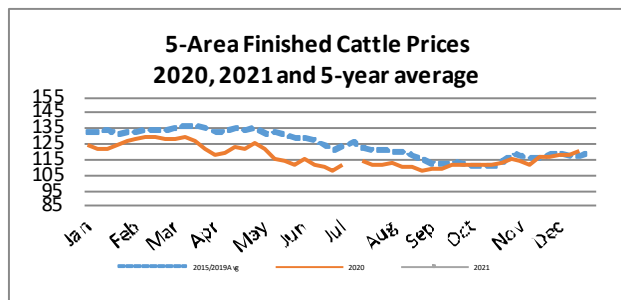
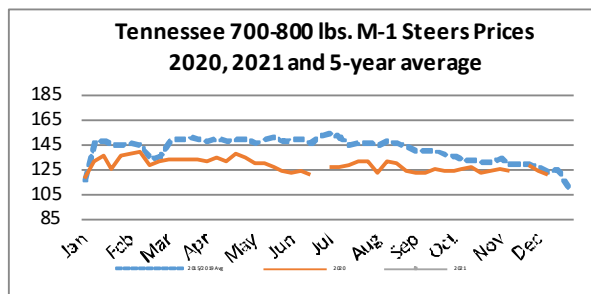
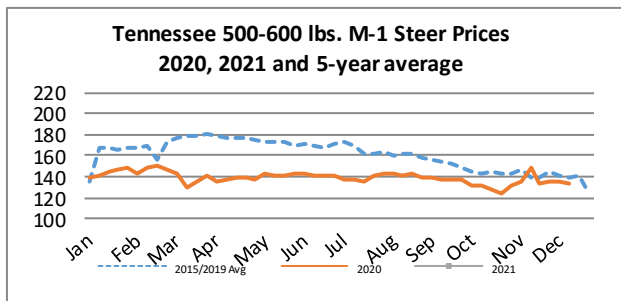
USDA AMS: Market News - <https://www.ams.usda.gov/market-news/search-market-news>

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, January 1, 2021---Thursday, January 7, 2021

	Friday Average	Monday Average	Tuesday Average	Wednesday Average	Thursday Average
No. 2 Yellow Soybeans	-----\$/bushel-----				
Northwest		13.13	13.47	13.62	13.57
North Central		13.33	13.67	13.82	13.75
West Central		13.31	13.65	13.80	13.73
West		13.52	13.86	14.00	13.95
Mississippi River		13.49	13.83	14.00	13.94
Yellow Corn					
Northwest		4.97	5.06	5.09	5.08
North Central		4.89	4.97	5.00	4.99
West Central		5.01	5.09	5.12	5.11
West		5.23	5.32	5.35	5.34
Mississippi River		5.20	5.29	5.35	5.35
Wheat					
Northwest					
North Central					
West					
Mississippi River					
Cotton	-----\$/pound-----				
Memphis	0-0	73.60-75.85	74.26-76.51	74.97-77.22	77.26-79.51



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>

Graded Sales, Video Board Sales, Video Sales & Loads

Hodge Livestock Network-January 7, 2021

2 loads of steers; est. wt. 800 lbs. Range 725-875 lbs.; All Black & BWF; 80% #1s and 20% #1 1/2; 80 % Medium to 20% Large; Medium flesh; \$129.50

1 load of steers; est. wt. 800 lbs. Range 725-900 lbs.; All Black & BWF; 80% #1s and 20% #1 1/2; 80 % Medium to 20% Large; Medium flesh; \$130.00

1 load of steers; est. wt. 825 lbs. Range 735-870 lbs.; All Black & BWF; 80% #1s and 20% #1 1/2; Medium to Large; Medium flesh; \$129.50

1 load of steers; est. wt. 850 lbs. Range 825-950 lbs.; Approx. 70% Black & BWF, 20% Char-X, and 10% Reds; 70% #1, 20% #1 1/2, and 10% good #2s; 80 % Medium to 20% Large; Light Medium to Medium flesh; \$119.25

1 load of steers; est. wt. 750 lbs. Range 700-825 lbs.; Approx. 70% Black & BWF, 20% Char-X, and 10% Reds; 70% #1, 20% #1 1/2, and 10% good #2s; 80 % Medium to 20% Large; Light Medium to Medium flesh; \$122.25

1 load of heifers; est. wt. 700 lbs. Range 600-800 lbs.; Approx. 70% Black & BWF, 20% Char-X, and 10% Reds, 4 to 5 very light ear; 70% #1, 20% #1 1/2, and 10% good #2s; 80 % Medium to 20% Large; Light Medium to Medium flesh; \$114.25

Bluegrass Stockyards Livestock/Video/Internet Auction Lexington, KY

Weighted Average Report for 01/05/2021

Total Receipts: 155

For complete report:

https://www.ams.usda.gov/mnreports/ams_2896.pdf

Browning Livestock Market Video/Internet Auction Lafayette, TN

Weighted Average Report for 01/6/2021

Total Receipts: 418

For complete report:

https://www.ams.usda.gov/mnreports/ams_3467.pdf

Graded Sheep & Goat Sale

Columbia Graded Sheep and Goat Sale-Columbia, TN

Weighted Average Report for 12/28/20

Total Receipts: 611

For complete report: https://www.ams.usda.gov/mnreports/ams_2081.pdf

Department of Agricultural and Resource Economics

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USDA / Tennessee Department of Agriculture Market News Service <https://www.tn.gov/agriculture/farms/news.html>

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