

Tennessee Market Highlights

UT EXTENSION
INSTITUTE OF AGRICULTURE
THE UNIVERSITY OF TENNESSEE

January 22, 2021

Number: 3

Trends for the Week Compared to a Week Ago

Slaughter Cows

steady

Slaughter Bulls

steady to \$2 lower

Feeder Steers

unevenly steady

Feeder Heifers

unevenly steady

Feeder Cattle Index: 133.19

Fed Cattle

The 5-area live price on Thursday of \$109.23 was down \$0.29. The dressed price of \$172.59 was down \$0.47.

Corn

March closed at \$5.00 a bushel, down 31 cents since last Friday.

Soybeans

March closed at \$13.11 a bushel, down 105 cents since last Friday.

Wheat

March closed at \$6.34 a bushel, down 41 cents since last Friday.

Cotton

March closed at 81.56 cents per lb, up 0.86 cents since last Friday.

Livestock Comments by Dr. Andrew P. Griffith

FED CATTLE: Fed cattle traded steady to slightly softer compared to last week on a live basis. Prices on a live basis were primarily \$108 to \$110 while dressed prices were mainly \$172 to \$174.

The 5-area weighted average prices thru Thursday were \$109.23 live, down \$0.29 compared to last week and \$172.59 dressed, down \$0.47 from a week ago. A year ago, prices were \$124.28 live and \$198.86 dressed.

Packers did not throw any bones to cattle feeders this week as finished cattle prices did well to hold their ground from last week. Packers have been able to capitalize on higher beef prices, and they are not being forced to pass any of those margin gains down the line. The interesting part of this equation is that February live cattle futures are trading over \$116 which means the \$7 gap between today's cash price and the futures price has to be closed at some point. It can either happen by cash prices increasing, futures prices decreasing, or a mixture of both. The April live cattle contract is over \$122 which provides a lot of optimism for cattle feeders moving forward. One would have to imagine cattle feeders are laying off some risk at this level.

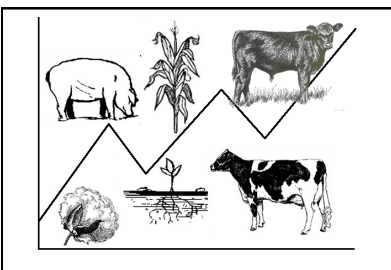
BEEF CUTOUT: At midday Friday, the Choice cutout was \$223.05 up \$1.85 from Thursday and up \$9.43 from a week ago. The Select cutout was \$213.52 up \$3.24 from Thursday and up \$10.37 from last week. The Choice Select spread was \$9.53 compared to \$10.47 a week ago.

Boxed beef prices are off to a rapid start to begin the new year. The Choice and Select boxes started the year off a little slow, but the Choice price has advanced \$14 per hundredweight while the Select price has increased \$16 per hundredweight since the end of 2020. The driver behind higher prices does not appear to be supply driven, because beef production the first couple weeks of the year was greater than the same weeks one year ago. The thought

then goes to demand driving the price. Looking at monthly beef trade data, beef and veal exports in November were 13.2 percent higher than the previous year and totaled 277 million pounds. Monthly data is not available for December, but the weekly beef muscle cut export data shows an increase of 23.3 percent for December and this has likely carried over to 2021. It appears the appetite for beef is strong, and that same strength is likely found domestically as well. Additionally, there have been news reports that China may become a bigger player in U.S. markets now that the new presidential administration has taken office.

OUTLOOK: Steer and heifer prices were unevenly steady compared to last week based on daily Tennessee market reports. Similarly, slaughter cow prices were steady while slaughter bull prices were steady to \$2 lower compared to a week ago. Feeder cattle receipts were fairly strong across the markets that were reported this week. Strong marketing by cattle producers was likely due to the drier conditions that persisted this week, which allowed trucks and trailers to get into pastures. Another reason many producers are moving cattle in the near term is to make room for the next calf crop that is already hitting the ground or that will be hitting the ground the next two to three months. Demand for calves to put on grass has not taken off yet, but that is because spring green up is still eight to ten weeks away. However, demand for light-weight cattle will begin to pick up in the coming weeks as several buyers will be trying to buy some cattle before the grass cattle run reaches warp speed. This expected increase in demand will slowly begin to support calf prices, which should be beneficial to producers who are in a situation where they have to sell calves in the near term. Feeder cattle futures are also providing some price risk management opportunities for buyers of those cattle. For example,

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Livestock Comments by Dr. Andrew Griffith

(Continued from page 1)

the August feeder cattle contract price has shown a \$5 per hundredweight increase this week and has exceeded the contract high. This does not mean producers should lock in the price and forget about it, but producers should be considering their alternatives to secure a price in some form or fashion. The stronger futures market may or may not hold, but it should support cash prices of calves and feeder cattle in the near term. Switching to the slaughter cow market. Slaughter cow prices should begin to gain some steam in February and March. This may be an appropriate time to market animals that are in a body condition score of five or higher.

The January cattle on feed report for feedlots with a 1000 head or more capacity indicated cattle and calves on feed as of January 1, 2020 totaled 11.97 million head, no change compared to a year ago, with the pre-report estimate average expecting a decline of 0.5%. December placements in feedlots totaled 1.84 million head, up 0.7% from a year ago with the pre-report estimate average expecting placements down 2.9%. December marketing's totaled 1.85 million head up 1.0% from 2019 with pre-report estimates expecting a 0.6% increase in marketings. Placements on feed by weight: under 700 pounds down 2.7%, 700 to 899 pounds up 4.8%, 900 pounds and over up 2.5%.

ASK ANDREW, TN THINK TANK: Why do people do what they have always done when there are proven alternatives that re-

turn more value? Is it because they are idiots? This is a summarization of a question that has been posed and one I have had myself. As easy as it is to say, "Yes, those people are idiots!" This is probably not the reason cattle producers make the choice to not change certain practices to more profitable practices. As an economist, my first thought is that people should make choices that maximize profit to the operation. However, most people make decisions based on what maximizes their "utility" or overall enjoyment and benefit. Thus, someone who finds significant value in fishing, spending time with family, or serving their community may forgo performing time-consuming practices that increase value to their cattle herd, because they obtain a greater utility from doing other things than the additional income would provide. It is easy to farm people's ground from the windshield, but it does not mean they are not doing something more valuable. Who is the idiot now?

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 \$116.73 +2.63; April \$122.53 +2.58; June \$118.80 +1.68; Feeder cattle –January \$137.25 +1.38; March \$144.15 +5.00; April \$146.13 +4.25; May \$147.03 +3.10; March corn closed at \$5.01 down 24 cents from Thursday.

Crop Comments by Dr. Aaron Smith

Overview

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

This week corn, soybean, and wheat markets took a step back. March corn was down 41 cents from last week's high of \$5.41 ½; March soybeans were down 125 cents compared to last week's high of \$14.36 ½; and March wheat was down 59 cents compared to last week's high of \$6.93. The correction across markets was not unexpected as corn, soybean, and wheat futures had gained \$1.75/bu, \$4.50/bu, and \$1.10/bu since August. A decrease in prices was inevitable. The question moving forward is: Is this a temporary decline, brought on by an overheated market, or is this the start of down trend? I would tend to lean toward the former rather than the latter and would suggest that futures are looking to find a new trading range rather than start a downtrend. The underlying supply and demand numbers supported the August 2020-January 2021 rally, but you can only have so many weeks with double digit gains before the market declines and seeks a to establish a new trading range. Next week we are likely to see some volatility as markets seek a path forward. Nearby soybean futures should find support near \$12.50, corn near \$4.50, and wheat near \$6.00.

Harvest futures also pulled back this week and now December corn is at \$4.30, November soybeans at \$11.12, and wheat at \$6.24. Hopefully producers got some 2021 production priced before the correction on Friday. With this correction, now may be a good time to take a deep breath and revisit where your pricing is relative to your marketing plan. There is still plenty of time in the marketing year, but to take advantage of high prices in futures markets producers need to get some 2021 production priced.

	Previous	Current	Change
USD Index	90.72	90.24	-0.48
Crude Oil	52.31	52.21	-0.1
DJIA	30,913	31,051	138

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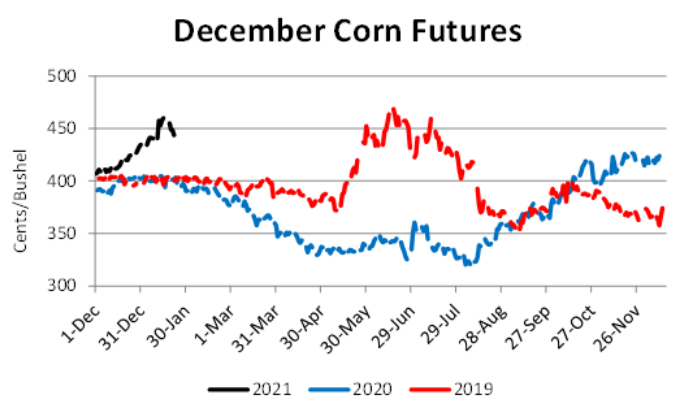
Crop Comments by Dr. Aaron Smith

Cotton futures were up for the week, but experienced a sharp pull back on Friday losing over a cent off the nearby futures contract and 0.57 cents off the December contract. Harvest prices near 79 cents are a very good price to get started and if cotton futures breach 80 cents pricing up to 50% of projected 2021 production should be considered.

Corn

Ethanol production for the week ending January 15 was 0.945 million barrels per day, up 4,000 barrels from the previous week. Ethanol stocks were 23.628 million barrels, down 0.064 million barrels compared to last week. Corn net sales reported by exporters for January 8-14 were up compared to last week with net sales of 56.6 million bushels for the 2020/21 marketing year and 1.8 million bushels for the 2021/22 marketing year. Exports for the same time period were down 39% from last week at 34.9 million bushels. Corn export sales and commitments were 72% 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 56%. Across Tennessee, average corn basis (cash price-nearby futures price) weakened at Northwest, North-Central, West-Central, West, and Mississippi River elevators and barge points. Overall, basis for the week ranged from 5 over to 43 over, with an average of 25 over the March futures at elevators and barge points. March 2021 corn futures closed at \$5.00, down 31 cents since last Friday. For the week, March 2021 corn futures traded between \$4.99 and \$5.34. Mar/May and Mar/Dec future spreads were 3 and -70 cents. May 2021 corn futures closed at \$5.03, down 31 cents since last Friday.

Corn	Mar 21	Change	Dec 21	Change
Price	\$5.00	-\$0.31	\$4.30	-\$0.30
Support	\$4.84	-\$0.21	\$4.15	-\$0.25
Resistance	\$5.31	-\$0.16	\$4.54	-\$0.13
20 Day MA	\$4.95	\$0.16	\$4.41	\$0.06
50 Day MA	\$4.54	\$0.08	\$4.22	\$0.04
100 Day MA	\$4.23	\$0.06	\$4.06	\$0.03
4-Week High	\$5.41	\$0.00	\$4.65	\$0.00
4-Week Low	\$4.41	\$0.18	\$4.17	\$0.07
Technical Trend	Up	=	Up	=



December 2021 corn futures closed at \$4.30, down 30 cents since last Friday. Downside price protection could be obtained by purchasing a \$4.40 December 2021 Put Option costing 45 cents establishing a \$3.95 futures floor.

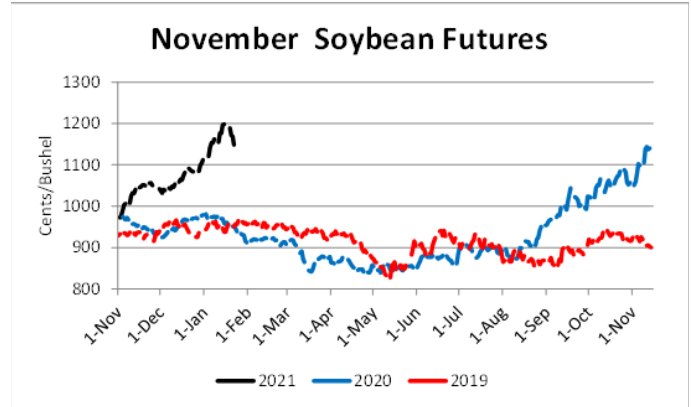
Soybeans

Net sales reported by exporters were up compared to last week with net sales of 66.8 million bushels for the 2020/21 marketing year and 30.5 million bushels for the 2021/22 marketing year. Exports for the same period were up 17% compared to last week at 87.4 million bushels. Soybean export sales and commitments were 95% 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 75%. Across Tennessee, average soybean basis weakened or remained unchanged at West-Central, Mississippi River, West, North-Central, and Northwest elevators and barge points. Basis ranged from 5 under to 41 over the March futures contract. Average basis at the end of the week was 26 over the March futures contract. March 2021 soybean futures closed at \$13.11, down 105 cents since last Friday. For the week, March 2021 soybean futures traded between \$13.05 and \$14.21. Mar/May and Mar/Nov future spreads were 0 and -199 cents. May 2021 soybean futures closed at \$13.11, down 103 cents since last Friday. March 2021 soybean-to-corn price ratio was 2.62 at the end of the week.

(Continued on page 4)

Crop Comments by Dr. Aaron Smith

Soybeans	Mar 21	Change	Nov 21	Change
Price	\$13.11	-\$1.05	\$11.12	-\$0.85
Support	\$12.66	-\$1.24	\$10.65	-\$0.88
Resistance	\$13.89	-\$0.66	\$11.88	-\$0.27
20 Day MA	\$13.46	\$0.26	\$11.42	\$0.16
50 Day MA	\$12.44	\$0.21	\$10.87	\$0.13
100 Day MA	\$11.35	\$0.17	\$10.27	\$0.09
4-Week High	\$14.36	\$0.00	\$12.03	\$0.00
4-Week Low	\$12.42	\$0.58	\$10.75	\$0.16
Technical Trend	Up	=	Up	=

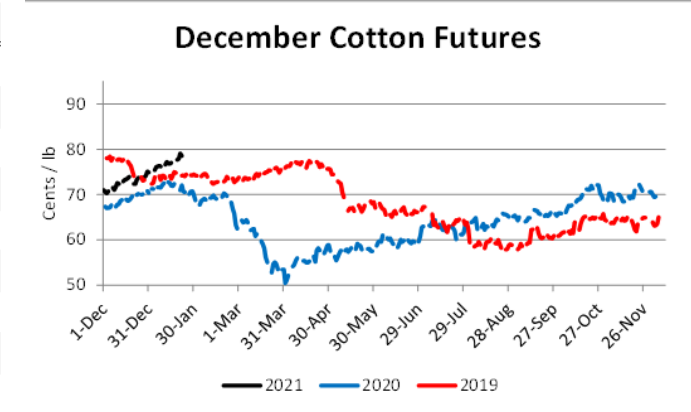


November 2021 soybean futures closed at \$11.12, down 85 cents since last Friday. Downside price protection could be achieved by purchasing an \$11.20 November 2021 Put Option which would cost 79 cents and set a \$10.41 futures floor. Nov/Dec 2021 soybean-to-corn price ratio was 2.59 at the end of the week.

Cotton

Net sales reported by exporters were down compared to last week with net sales of 292,400 bales for the 2020/21 marketing year and 39,500 bales for the 2021/22 marketing year. Exports for the same time period were up 17% compared to last week at 322,400 bales. Upland cotton export sales were 86% 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 76%. Delta upland cotton spot price quotes for January 20 were 79.59 cents/lb (41-4-34) and 81.84 cents/lb (31-3-35). Adjusted World Price (AWP) increased 0.47 cents to 66.7 cents. March 2021 cotton futures closed at 81.56, up 0.86 cents since last Friday. For the week, March 2021 cotton futures traded between 80.6 and 83.06 cents. Mar/May and Mar/Dec cotton futures spreads were 1.1 cents and -3.09 cents. May 2021 cotton futures closed at 82.66 cents, up 1.04 cents since last Friday.

Cotton	Mar 21	Change	Dec 21	Change
Price	81.56	0.86	78.47	1.45
Support	80.81	0.73	77.74	1.53
Resistance	82.93	1.19	79.40	1.87
20 Day MA	79.62	1.14	76.14	1.05
50 Day MA	75.65	0.85	73.21	0.71
100 Day MA	72.04	0.62	70.36	0.52
4-Week High	83.06	0.98	79.20	1.75
4-Week Low	74.40	0.12	72.15	0.00
Technical Trend	Up	=	Up	=



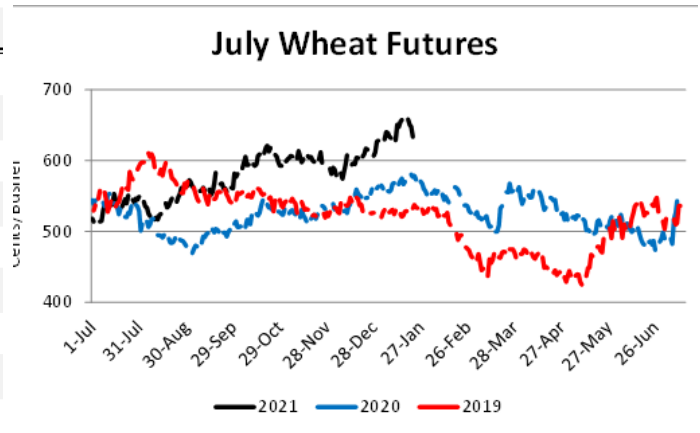
December 2021 cotton futures closed at 78.47 cents, up 1.45 cents since last Friday. Downside price protection could be obtained by purchasing a 79 cent December 2021 Put Option costing 6.42 cents establishing a 72.58 cent futures floor.

Wheat

Wheat net sales reported by exporters were up compared to last week with net sales of 12.1 million bushels for the 2020/21 marketing year. Exports for the same time period were down 26% from last week at 9.7 million bushels. Wheat export sales were 80% 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 82%. March 2021 wheat futures closed at \$6.34, down 41 cents since last Friday. March 2021 wheat futures traded between \$6.33 and \$6.91 this week. March wheat-to-corn price ratio was 1.27. Mar/May and Mar/Jul future spreads were 2 and -10 cents. May 2021 wheat futures closed at \$6.36, down 40 cents since last Friday.

Crop Comments by Dr. Aaron Smith

Wheat	Mar 21	Change	Jul 21	Change
Price	\$6.34	-\$0.41	\$6.24	-\$0.33
Support	\$6.16	-\$0.29	\$6.07	-\$0.30
Resistance	\$6.68	-\$0.17	\$6.54	-\$0.26
20 Day MA	\$6.46	\$0.09	\$6.35	\$0.08
50 Day MA	\$6.17	\$0.04	\$6.12	\$0.03
100 Day MA	\$6.02	\$0.04	\$5.98	\$0.03
4-Week High	\$6.93	\$0.00	\$6.70	\$0.00
4-Week Low	\$6.07	\$0.18	\$6.00	\$0.12
Technical Trend	Up	=	Up	=



In Tennessee, new crop wheat cash contracts ranged from \$6.34 to \$6.72. July 2021 wheat futures closed at \$6.24, down 33 cents since last Friday. Downside price protection could be obtained by purchasing a \$6.30 July 2021 Put Option costing 40 cents establishing a \$5.90 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_mbb1_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>

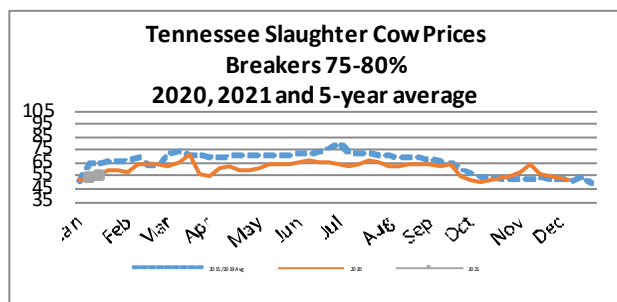
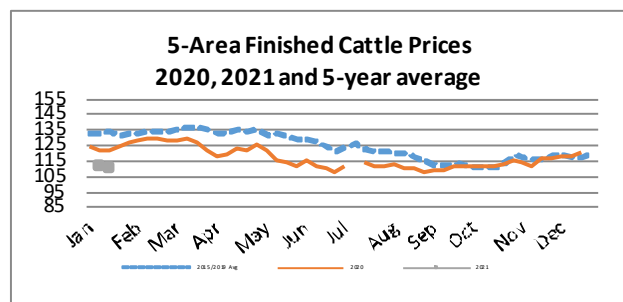
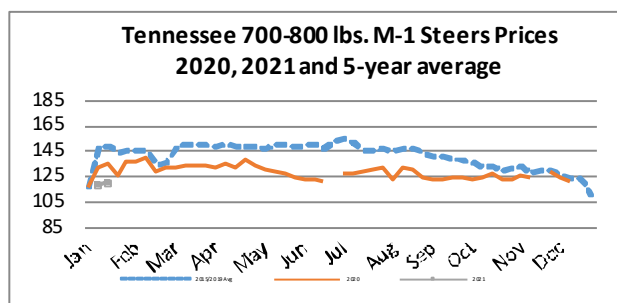
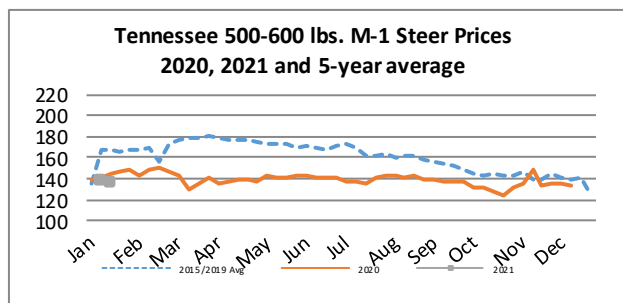
USDA AMS: Market News - <https://www.ams.usda.gov/market-news/search-market-news>

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 15, 2021---Thursday, January 21, 2021

	Friday Average	Monday Average	Tuesday Average	Wednesday Average	Thursday Average
No. 2 Yellow Soybeans	-----\$/bushel-----				
Northwest	14.22		13.91	13.75	13.75
North Central	14.37		14.06	13.90	13.90
West Central	14.45		14.14	13.98	13.98
West	14.58		14.27	14.11	14.08
Mississippi River	14.56		14.24	14.08	14.08
Yellow Corn					
Northwest	5.47		5.41	5.37	5.39
North Central	5.37		5.31	5.27	5.29
West Central	5.64		5.50	5.46	5.48
West	5.74		5.69	5.65	5.66
Mississippi River	5.70		5.64	5.60	5.62
Wheat					
Northwest					
North Central					
West					
Mississippi River					
Cotton	-----\$/pound-----				
Memphis	78.70-80.95		79.15-81.40	79.59-81.84	80.57-82.82



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 Tuesday, January 19, 2021

	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	140.00	190.00	160.06	161.09	160.28
400-500 lbs	134.00	171.00	149.81	151.14	154.04
500-600 lbs	120.00	154.00	136.91	137.27	140.11
600-700 lbs	116.00	133.00	123.98	126.58	133.75
700-800 lbs	106.00	126.00	119.34	116.97	125.59
Steers: Small Frame #1-2					
300-400 lbs	---	---	---	141.60	140.41
400-500 lbs	---	---	---	130.87	137.80
500-600 lbs	---	---	---	119.92	120.65
600-700 lbs	---	---	---	113.65	---
Steers: Medium/Large Frame #3					
300-400 lbs	132.00	172.50	144.81	150.24	140.40
400-500 lbs	130.00	155.00	141.57	137.89	136.71
500-600 lbs	100.00	132.50	122.83	125.32	129.08
600-700 lbs	103.00	121.00	115.11	118.39	120.23
700-800 lbs	99.00	113.00	107.70	100.54	108.35
Holstein Steers					
300-400 lbs	---	---	---	---	---
500-600 lbs	---	---	---	---	---
700-800 lbs	---	---	---	---	---
Slaughter Cows & Bulls					
Breakers 75-80%	46.00	61.00	53.98	52.69	50.05
Boners 80-85%	44.00	60.50	53.01	52.01	49.85
Lean 85-90%	40.00	54.00	46.34	43.22	40.84
Bulls YG 1	70.50	91.00	81.94	78.51	69.85
Heifers: Medium/Large Frame #1-2					
300-400 lbs	104.00	150.00	134.51	132.42	131.22
400-500 lbs	105.00	140.00	123.76	125.85	126.98
500-600 lbs	102.00	129.00	115.68	117.45	121.12
600-700 lbs	95.00	123.50	110.55	111.21	115.23
Heifers: Small Frame #1-2					
300-400 lbs	120.00	130.00	125.00	119.15	121.71
400-500 lbs	115.00	118.00	116.82	116.84	118.47
500-600 lbs	100.00	100.00	100.00	106.36	---
600-700 lbs	---	---	---	---	---
Heifers: Medium/Large Frame #3					
300-400 lbs	115.00	133.00	121.91	124.06	121.42
400-500 lbs	105.00	123.00	117.00	117.26	118.24
500-600 lbs	98.00	116.00	106.59	108.49	111.34
600-700 lbs	90.00	105.00	96.55	98.73	108.95

Cattle Receipts

This week: 4,833

Week ago: 5,702

Year ago: 7,613

Link to report: https://www.ams.usda.gov/mnreports/ams_2063.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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