Economic Update: Economic Indicators, Commodity Prices, Feed Costs, and Spring Planting

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Tennessee ranked 32nd in the Nation for unemployment rate.
Continuing unemployment claims are approximately 3 times pre-COVID levels and new claims are double.
Initial unemployment claims were up 108% December to January.

Source: BLS - https://www.bls.gov/
Food Service and Drinking Places: U.S. Total Monthly Seasonally Adjusted Sales, 2019-2020 (Month-over-Month Change)

Grocery Stores: U.S. Total Monthly Seasonally Adjusted Sales, 2019-2020 (Month over Month Change)

- Month-over-month reduction in food service sales the past three time periods.
- Data does not account for local purchases (farmers markets CSAs, farm direct to consumer sales)
- Long term opportunities and challenges for producers selling into these markets.

Nearby Lean Hog Futures Jan 2020 to Feb 2021

- ASF and export demand.
- Increased feed costs in 2021.
- How much will China buy on 2021?
Nearby Class III Futures Mar 20 to Feb 21

- DLG21 (Feb '21) Last: 15.61
- DLH21 (Mar '21) Last: 16.63
- DJL21 (Apr '21) Last: 17.20
- DLK21 (May '21) Last: 17.40
- DLM21 (Jun '21) Last: 17.60
- DLN21 (Jul '21) Last: 17.70
- DLQ21 (Aug '21) Last: 17.70
- DLU21 (Sep '21) Last: 17.75
- DLV21 (Oct '21) Last: 17.78
- DLX21 (Nov '21) Last: 17.46
- DLZZ21 (Dec '21) Last: 17.20
- Corn DDGS up 52% ($160 to $243) over last year.

- Ethanol Production down 9.3% (1,033 to 937) compared to last year.
Soybean meal price has increased 45% ($308 to $447) compared to last year.

- Access/availability issues.

Cottonseed meal price up 82% ($253 to $460) compared to last year.
Cash prices remain strong, but have moved sideways since the middle of January.
Cash prices continue to show strength based on lower domestic stocks and strong export demand.
Managed Money and Nearby Corn Futures Price

- About $88 billion in corn futures markets.
  - Managed money is long $7.7 billion.

- About $105 billion in soybean futures markets.
  - Managed money is long $9.2 billion.

- About $20 billion in cotton futures markets.
  - Managed money is long $5.4 billion.
Crop Insurance Prices

• As at February 16 (prices will be finalized Feb 28):
  – Cotton: $0.81
  – Corn: $4.51
  – Soybean: $11.66

• Highest spring crop insurance prices since 2013 or 2014.

• Higher spring price = higher revenue guarantee.

• Compared to last year:
  – Cotton: $0.68
  – Corn: $3.88
  – Soybean: $9.17

• Potentially a completely different revenue/price risk profile for row crop producers in 2021.
National Spring Plantings

• Since 2000, the greatest number of acres planted for each commodity was:
  – Corn - 97.3 million acres (2012);
  – Soybeans - 90.2 million acres (2017); and
  – Cotton 15.8 million acres (2001).
  – The NASS estimates for 2020 were 90.8, 83.1, and 12.1 million acres planted.

• 2021 early estimates: 87-94 million acres of corn and soybeans; 12.5-13.5 million acres of cotton.
Woodland, 2,473,436
Pastureland, 2,633,066
Other, 481,415
Cropland, 5,286,321

Tennessee Agricultural Land ~10.874 Million Acres

Tennessee Cropland, 5,286,321 acres
Harvested, 4,566,352
Pastured Only, 202,451
Cultivated Summer Fallow, 55,527
Failed, 46,504
Idle, 415,487

Source: USDA 2017 Ag Census
Tennessee Planted Acres - Corn, Soybeans, Cotton- and Hay Harvested Acres, 2006-2020

<table>
<thead>
<tr>
<th>Year</th>
<th>Corn</th>
<th>Cotton</th>
<th>Soybean</th>
<th>Hay</th>
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Max: 1,040,000, 700,000, 1,750,000, 1,965,000
Min: 550,000, 155,000, 1,080,000, 1,665,000
Average: 806,000, 359,667, 1,491,333, 1,810,467

Source: USDA NASS
Liquid Fertilizer Price, 2014-2021
Closing Thoughts

• Economic uncertainty in the US and global economies will likely continue through the end of the second quarter of 2021, and perhaps beyond.
• Commodity markets are likely to remain volatile early in 2021.
• Row crop pricing opportunities have been available.
• Livestock and crop inputs have appreciated substantially.
• Overall the 2021 outlook is cautiously optimistic.
THANK YOU!

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