

Tennessee Market Highlights

UTEXTENSION
INSTITUTE OF AGRICULTURE
THE UNIVERSITY OF TENNESSEE

January 21, 2022

Number: 3

Trends for the Week Compared to a Week Ago

Slaughter Cows

\$1 to \$2 higher

Slaughter Bulls

\$3 higher

Feeder Steers

steady to \$2 lower

Feeder Heifers

steady to \$4 higher

Feeder Cattle Index: 161.20

Fed Cattle

The 5-area live price on Thursday of \$137.39 was up \$0.81. The dressed price of \$217.92 was down \$0.07.

Corn

March closed at \$6.16 a bushel, up 20 cents since last Friday.

Soybeans

March closed at \$14.14 a bushel, up 45 cents since last Friday.

Wheat

March closed at \$7.80 a bushel, up 39 cents since last Friday.

Cotton

March closed at 120.75 cents per lb, up 1.05 cents since last Friday.

Livestock Comments by Dr. Andrew P. Griffith

FED CATTLE: Fed cattle traded steady to \$1 higher compared to last week on a live basis. Prices on a live basis primarily ranged from \$136 to \$138 while dressed prices were mainly \$217 to \$218.

The 5-area weighted average prices thru Thursday were \$137.39 live, up \$0.81 compared to last week and \$217.92 dressed, down \$0.07 from a week ago. A year ago, prices were \$109.23 live and \$172.59 dressed.

The finished cattle market failing to gain ground could be seen as a disappointment given that wholesale beef prices continued to escalate this week. However, it could easily be considered a win given reduced slaughter levels to begin the year. The finished cattle market is supported by beef demand and fewer cattle, and the expectation is that those two factors will continue to support prices. Another factor that will support prices is lighter cattle being marketed. Fed cattle weights seasonally decline during the winter, and they decline more as the weather becomes less favorable. This means cattle weights will continue to decline for a couple more months at which time price should begin increasing and heavier cattle sold.

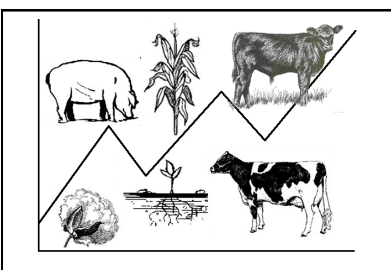
BEEF CUTOUT: At midday Friday, the Choice cutout was \$292.72 down \$0.26 from Thursday and up \$7.94 from a week ago. The Select cutout was \$282.67 up \$0.49 from Thursday and up \$9.43 from last week. The Choice Select spread was \$10.05 compared to \$11.54 a week ago.

It has been well documented that coronavirus continues to impact slaughter and processing facilities. The continued absence of workers has slowed line speeds and resulted in reduced slaughter rates and thus beef production. The reduction in beef supplied to the market has resulted in boxed beef prices strengthening the past few weeks. There is no reason to be-

lieve this situation will change anytime soon as the market has failed to figure out how to navigate coronavirus will some form of "normalcy" and seasonal price movements. Thus, beef buyers can fully expect beef prices to remain elevated and have significant volatility as the nation and world continue to navigate a two-year long pandemic. The continued disruptions along the broader supply chain will likely continue to support more regionalized and local production and processing systems as consumers desire a consistent product and consistent availability. Local and regional systems do not necessarily guarantee these two attributes, but they do have the ability to reduce some middlemen.

OUTLOOK: Based on Tennessee weekly auction market reports steer prices this week were steady to \$2 lower compared to a week ago while heifer prices were steady to \$4 higher compared to last week. Slaughter cow prices were \$1 to \$2 higher while bull prices were \$3 higher compared to the previous week. Trends this week are based on limited marketings as the Mid-South region continues to be hampered by substantial winter precipitation that has kept trucks and trailers out of pastures. It appears the region will be spared from further precipitation the next several days, which likely means marketings will be strong next week if cattle producers are willing to brave the cold temperatures and north wind. Prices for grass cattle will slowly inch higher the next several weeks and then gain significant momentum toward the end of February and hold that momentum into the middle of April. If expectations are met then 550 pound steers may be valued near \$1,000 per head at their peak price in Tennessee this spring. The feeder cattle market will track with calf values and is expected to

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Livestock Comments by Dr. Andrew Griffith

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continue strengthening. The summer and fall feeder cattle futures contracts are trading \$20 higher than the current CME feeder cattle index, which may present hedging opportunities for stocker and backgrounding operations. However, those same values could be considered hedging opportunities on the buying side for cattle feeders. The cash feeder cattle market is expected to fulfill the expectations in the futures market for summer and fall, and there is a good possibility the market moves higher than current futures contract expectations. It may be wise for producers to place orders above current prices on some percentage of cattle to be marketed in summer and fall in case the market moves to loftier levels. Optimism abounds in the cattle markets, but this is met with the warning to not get greedy as the market can give and the market can take away.

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, 2022 totaled 12.04 million head, up 0.5% compared to a year ago, with the pre-report estimate average expecting a decrease of 0.2%. December placements in feedlots totaled 1.96 million head, up 6.4% from a year ago with the pre-report estimate average expecting placements up 2.5%. December marketing's totaled 1.86 million head up 0.2% from 2020 with pre-report estimates expecting a 0.8% increase in marketings. Placements on feed by weight: under 700 pounds up 9.5%, 700 to 899 pounds up 5.2%, 900 pounds and over down 2.4.

ASK ANDREW, TN THINK TANK: A recent question that crossed my path was, what is the biggest cost in a cow-calf operation? The typical answer is the cost of feeding animals including pasture, hay, and supplemental feed. However, this question that has been asked several times throughout my years at the University, made me do a little more thinking. What is one of the largest costs for an individual animal? The answer to that is failure to wean and market a calf. This may come in the form of failure to conceive, abortion, or calf dying prior to marketing. Regardless of the reason, failure to market a calf out of a cow every 12 months can become expensive and will cost more this year than last year as prices continue to increase. This is an important topic as the spring calving season will soon begin and as the breeding season for fall calving cows is ending. Producers should consider investing in pregnancy determination and marketing females that fail to calve. Another question, can a person be called a cattle producer if all their cows do not produce? Does that make them a part time producer?

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 \$137.93 -0.40; April \$142.10 -1.08; June \$137.30 -1.08; Feeder cattle – January \$160.28 -0.90; March \$163.30 -1.65; April \$168.13 -1.40; May \$171.93 -0.88; March corn closed at \$6.16 up 5 cents from Thursday.

Crop Comments by Dr. Aaron Smith

Overview

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

The rise in fertilizer and other input prices has been well documented. In Tennessee, 2022 estimates for corn, cotton, and soybean production have total costs up 31-39%, 21-27%, and 18-29% compared to 2021. A large portion of the increased cost can be attributed to fertilizer prices.

For example, UAN is up 171%, urea is up 148%, potash is up 119%, and DAP is up 79% compared to the same week last year. The direction of input prices remains highly uncertain. A reasonable case can be made for additional increases or a moderate pull back in fertilizer prices in the 1st quarter of 2022.

Current commodity prices have helped to maintain the potential for profitable outcomes for the 2022 crop year. However, a lot can change during a growing season, so producers should examine ways to mitigate the increased financial risk in 2022. Using output price risk management to offset increased financial risk, due to higher input prices, should be investigated by producers. One method to examine the increased financial risk is to estimate the number of bushels (or lbs) of projected production required to cover specified input costs. For example, last year based on prevailing corn market prices of \$4.40/bu, 33 bu/acre of production would be required to pay for fertilizer expenses – estimated at \$148/acre. In 2022, even with a projected harvest price substantially higher at \$5.65/bu, it would take 56 bu/acre to cover fertilizer expenses -- estimated at \$318/acre. Assuming a yield target of 175 bu/acre, 32% of total production would be required to cover fertilizer expense, compared to 18.8% in 2021.

	Previous	Current	Change
USD Index	95.15	95.61	0.47
Crude Oil	83.86	85.1	1.24
DJIA	35,770	34,389	-1,381

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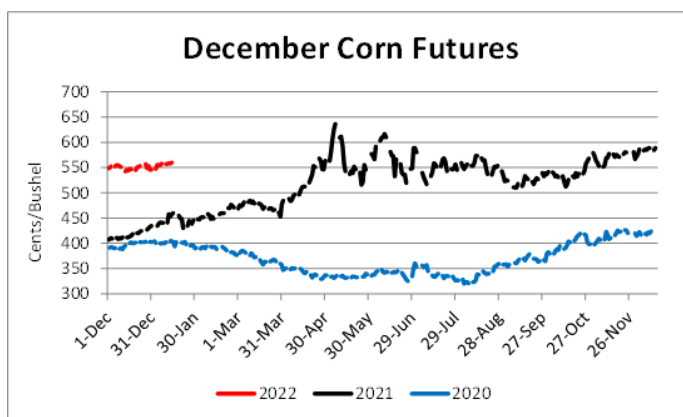
Crop Comments by Dr. Aaron Smith

To mitigate the increased financial risk, price risk management can be useful. This can be accomplished through temporarily bridging price risk gaps or establishing final cash prices. Establishing final cash prices is the simpler of the two concepts. A producer can simply use a cash forward contract, for harvest delivery, to secure a price. If the farm has 1,000 acres of corn the producer could contract 56,000 bushels (56 bu/acre x 1,000) at \$5.65 to cover his fertilizer expense. This is a reasonable strategy; however, producers should be cognizant about exchanging price risk for production risk or selling their way out of an extended market rally. The second option is to identify price risk gaps and obtain temporary protection against decreases in price. An example of this would be using options to bridge the time gap until crop insurance provides some protection. A \$5.60 December put option could be purchased for 48 cents. The put option would be held at least until crop insurance prices were set, at which time the remaining time-value of the option could be recovered or the put option could be held if market conditions dictated. While both strategies have advantages and disadvantages, however producers need to be thinking about how to offset the increased financial and price risk that is in 2022 markets.

Corn

Ethanol production for the week ending January 14 was 1.053 million barrels per day, up 47,000 from the previous week. Ethanol stocks were 23.592 million barrels, up 0.681 million compared to last week. Corn net sales reported by exporters for January 7-13, 2022, were up compared to last week with net sales of 43 million bushels for the 2021/22 marketing year and 4.1 million bushels for the 2022/23 marketing year. Exports for the same period were up 28% from last week at 51.1 million bushels – a marketing year high. Corn export sales and commitments were 69% of the USDA estimated total exports for the 2021/22 marketing year (September 1 to August 31) compared to the previous 5-year average of 61%. Across Tennessee, average corn basis (cash price-nearby futures price) strengthened or remained unchanged at West, Northwest, West-Central, North-Central, and Mississippi River elevators and barge points. Overall, basis for the week ranged from 15 under to 38 over, with an average of 15 over the March futures at elevators and barge points. March 2022 corn futures closed at \$6.16, up 20 cents since last Friday. For the week, March 2022 corn futures traded between \$5.88 and \$6.18. Mar/May and Mar/Dec future spreads were -2 and -51 cents. May 2022 corn futures closed at \$6.14, up 7 cents since last Friday.

Corn	Mar 22	Change	Dec 22	Change
Price	\$6.16	\$0.20	\$5.65	\$0.07
Support	\$6.02	\$0.22	\$5.56	\$0.03
Resistance	\$6.18	\$0.12	\$5.68	\$0.05
20 Day MA	\$6.02	\$0.02	\$5.55	\$0.03
50 Day MA	\$5.92	\$0.04	\$5.52	\$0.01
100 Day MA	\$5.67	\$0.02	\$5.37	\$0.02
4-Week High	\$6.18	\$0.01	\$5.66	\$0.04
4-Week Low	\$5.84	\$0.02	\$5.42	\$0.03
Technical Trend	Up	+	Up	=



New crop cash prices at elevators and barge points ranged from \$5.22 to \$5.76. December 2022 corn futures closed at \$5.65, up 7 cents since last Friday. Downside price protection could be obtained by purchasing a \$5.70 December 2022 Put Option costing 57 cents establishing a \$5.13 futures floor.

Soybeans

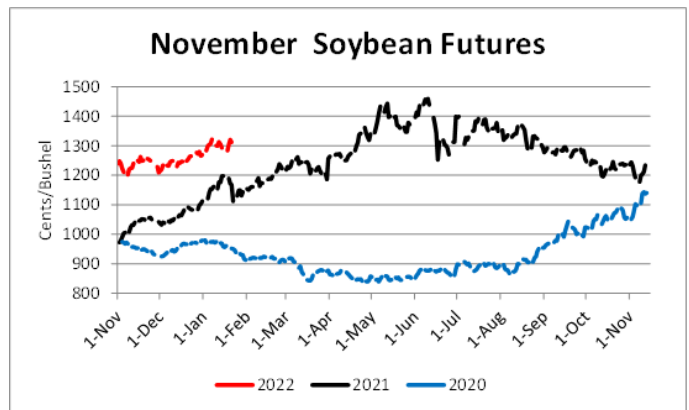
Net sales reported by exporters were up compared to last week with net sales of 24.7 million bushels for the 2021/22 marketing year and 19.4 million bushels for the 2022/23 marketing year. Exports for the same period were up 77% compared to last week at 66.3 million bushels. Soybean export sales and commitments were 77% of the USDA estimated total annual exports for the 2021/22 marketing year (September 1 to August 31), compared to the previous 5-year average of 79%. Across Tennessee, average soybean basis strengthened or remained unchanged at West-Central and North-Central elevators and barge points and weakened at West, Northwest, and Mississippi River elevators and barge points. Basis ranged from 20 under to 40 over, with

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Crop Comments by Dr. Aaron Smith

an average basis of 13 over the March futures contract. March 2022 soybean futures closed at \$14.14, up 45 cents since last Friday. For the week, March 2022 soybean futures traded between \$13.49 and \$14.29. Mar/May and Mar/Nov future spreads were 9 and -98 cents. March 2022 soybean-to-corn price ratio was 2.3 at the end of the week. May 2022 soybean futures closed at \$14.23, up 44 cents since last Friday.

Soybeans	Mar 22	Change	Nov 22	Change
Price	\$14.14	\$0.45	\$13.16	\$0.23
Support	\$13.72	\$0.18	\$12.89	\$0.07
Resistance	\$14.56	\$0.46	\$13.40	\$0.32
20 Day MA	\$13.78	\$0.18	\$12.94	\$0.11
50 Day MA	\$13.12	\$0.14	\$12.62	\$0.08
100 Day MA	\$12.90	\$0.03	\$12.51	\$0.01
4-Week High	\$14.29	\$0.14	\$13.25	\$0.03
4-Week Low	\$13.09	\$0.55	\$12.52	\$0.22
Technical Trend	Up	=	Up	=

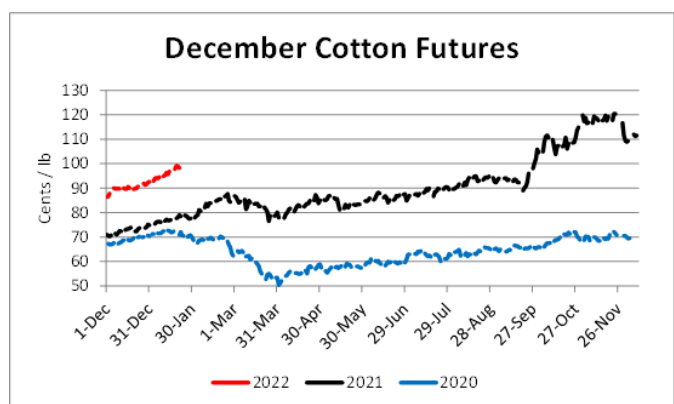


Nov/Dec 2022 soybean-to-corn price ratio was 2.33 at the end of the week. New crop cash soybean prices at elevators and barge points ranged from \$12.56 to \$13.43. November 2022 soybean futures closed at \$13.16, up 23 cents since last Friday. Downside price protection could be achieved by purchasing a \$13.20 November 2022 Put Option which would cost 96 cents and set a \$12.24 futures floor.

Cotton

Net sales reported by exporters were down compared to last week with net sales of 273,000 bales for the 2021/22 marketing year and 139,200 bales for the 2022/23 marketing year. Exports for the same period were up 19% compared to last week at 198,700 bales. Upland cotton export sales were 77% of the USDA estimated total annual exports for the 2021/22 marketing year (August 1 to July 31), compared to the previous 5-year average of 78%. Delta upland cotton spot price quotes for January 20 were 122.62 cents/lb (41-4-34) and 124.87 cents/lb (31-3-35). Adjusted world price increased 4.86 cents to 110.44 cents. March 2022 cotton futures closed at 120.75 cents, up 1.05 cents since last Friday. For the week, March 2022 cotton futures traded between 119.05 and 124.78 cents. Mar/May and Mar/Dec cotton futures spreads were -2.77 cents and -21.9 cents. May 2022 cotton futures closed at 117.98 cents, up 1.64 cents since last Friday.

Cotton	Mar 22	Change	Dec 22	Change
Price	120.75	1.05	98.85	2.02
Support	119.06	4.08	97.57	3.23
Resistance	125.92	3.66	99.90	1.66
20 Day MA	116.07	3.00	94.71	1.77
50 Day MA	112.49	0.69	91.98	0.59
100 Day MA	107.13	1.15	89.40	0.60
4-Week High	124.78	4.88	99.40	2.15
4-Week Low	106.57	2.30	89.51	1.01
Technical Trend	Up	=	Up	=



December 2022 cotton futures closed at 98.85 cents, up 2.02 cents since last Friday. Downside price protection could be obtained by purchasing a 99 cent December 2022 Put Option costing 9.56 cents establishing a 89.44 cent futures floor.

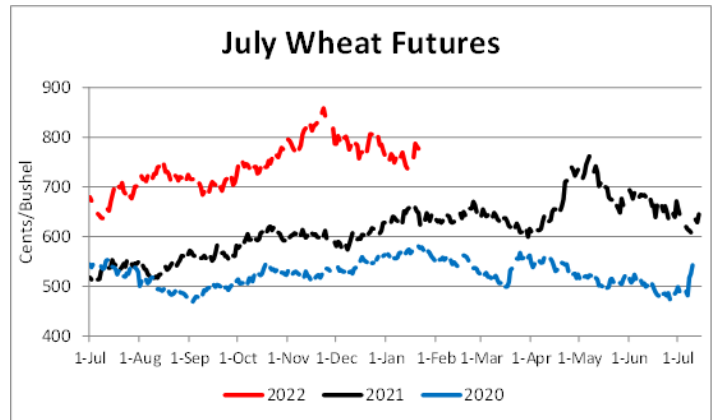
Wheat

Wheat net sales reported by exporters were up compared to last week with net sales of 14 million bushels for the 2021/22 marketing year and 2.6 million bushels for the 2022/23 marketing year. Exports for the same period were up 52% from last

Crop Comments by Dr. Aaron Smith

week at 14.4 million bushels. Wheat export sales were 75% of the USDA estimated total annual exports for the 2021/22 marketing year (June 1 to May 31), compared to the previous 5-year average of 82%. Wheat cash prices at elevators and barge points ranged from \$7.89 to \$8.27. March 2022 wheat futures closed at \$7.80, up 39 cents since last Friday. March 2022 wheat futures traded between \$7.41 and \$8.02 this week. March wheat-to-corn price ratio was 1.27. Mar/May and Mar/Jul future spreads were 4 and -6 cents. May 2022 wheat futures closed at \$7.84, up 40 cents since last Friday. May wheat-to-corn futures price ratio was 1.27.

Wheat	Mar 22	Change	Jul 22	Change
Price	\$7.80	\$0.39	\$7.74	\$0.37
Support	\$7.73	\$0.42	\$7.67	\$0.37
Resistance	\$8.11	\$0.59	\$7.99	\$0.52
20 Day MA	\$7.72	-\$0.01	\$7.68	-\$0.02
50 Day MA	\$7.94	\$0.00	\$7.89	\$0.00
100 Day MA	\$7.70	\$0.01	\$7.62	\$0.03
4-Week High	\$8.24	\$0.00	\$8.13	\$0.00
4-Week Low	\$7.35	\$0.00	\$7.36	\$0.00
Technical Trend	Up	+	Up	+



New crop wheat cash prices at elevators and barge points ranged from \$7.27 to \$8.20. July 2022 wheat futures closed at \$7.74, up 37 cents since last Friday. Downside price protection could be obtained by purchasing a \$7.80 July 2022 Put Option costing 59 cents establishing a \$7.21 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>

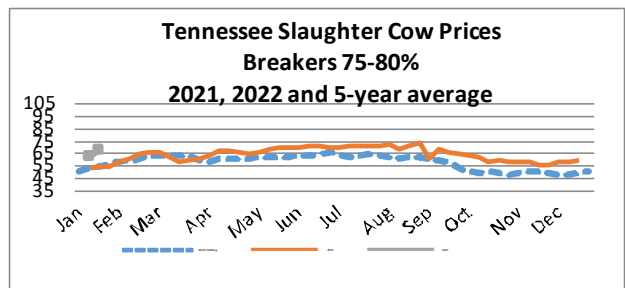
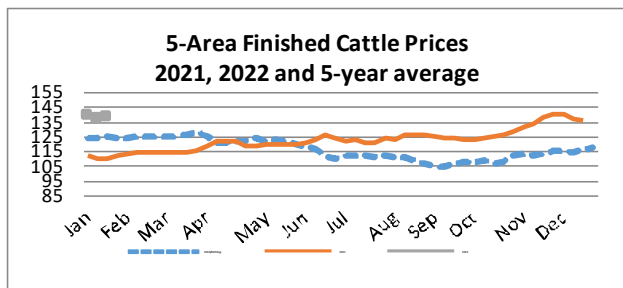
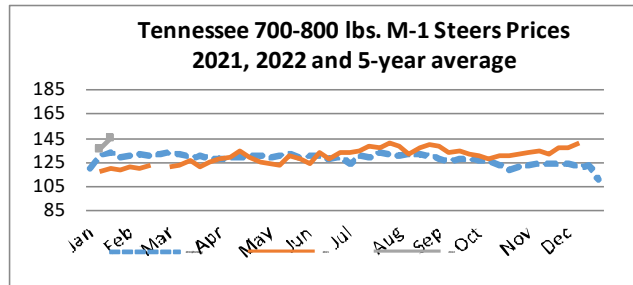
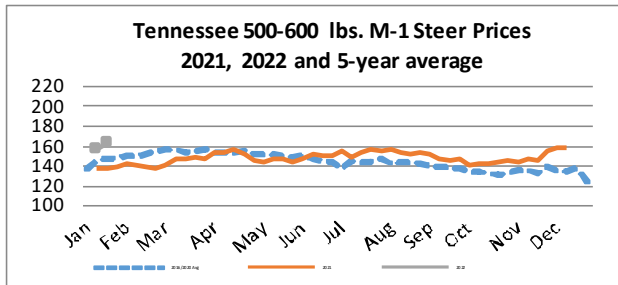
Tennessee Crop Progress - https://www.nass.usda.gov/Statistics_by_State/Tennessee/Publications/Crop_Progress_&_Condition/

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 14, 2022---Thursday, January 20, 2022					
	Friday Average	Monday Average	Tuesday Average	Wednesday Average	Thursday Average
No. 2 Yellow Soybeans	-----\$/bushel-----				
Northwest	13.50		13.41	13.71	14.06
North Central	13.70		13.71	14.01	14.36
West Central	13.80		13.71	14.01	14.36
West	14.22		14.01	14.31	14.66
Mississippi River	14.07		13.95	14.19	14.53
Yellow Corn					
Northwest	5.96		6.00	6.11	6.11
North Central	5.81		5.85	5.96	5.96
West Central	6.20		6.24	6.35	6.35
West	6.31		6.37	6.48	6.49
Mississippi River	6.23		6.26	6.36	6.38
Wheat					
Northwest					
North Central	7.72		7.99	8.27	8.20
West					
Mississippi River	7.72		7.89	8.21	8.14
Cotton	-----\$/pound-----				
Memphis	119.45-121.70		120.83-123.08	123.70-125.95	122.62-124.87



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 18, 2022

	This Week		Weighted Average	Last Week's	Year Ago
	Low	High		Weighted Average	Weighted Average
-----\$/cwt-----					
Steers: Medium/Large Frame #1-2					
300-400 lbs.	158.00	220.00	189.06	182.95	160.28
400-500 lbs.	142.00	195.00	172.55	168.40	154.04
500-600 lbs.	146.00	177.00	161.74	155.62	140.11
600-700 lbs.	136.00	163.00	151.43	146.20	133.75
700-800 lbs.	125.00	151.25	143.75	135.50	125.59
Steers: Small Frame #1-2					
300-400 lbs.	141.00	170.00	153.32	---	140.41
400-500 lbs.	---	---	---	---	137.80
500-600 lbs.	124.00	145.00	131.16	142.50	120.65
600-700 lbs.	---	---	---	132.50	---
Steers: Medium/Large Frame #3					
300-400 lbs.	141.00	192.50	158.81	159.62	140.40
400-500 lbs.	142.00	185.00	161.50	159.82	136.71
500-600 lbs.	119.00	160.00	143.18	141.51	129.08
600-700 lbs.	118.00	148.00	133.49	128.17	120.23
700-800 lbs.	116.00	132.00	126.09	---	108.35
Holstein Steers					
300-400 lbs.	---	---	---	100.62	---
500-600 lbs.	---	---	---	91.00	---
700-800 lbs.	---	---	---	---	---
Slaughter Cows & Bulls					
Breakers 75-80%	54.50	74.00	66.12	61.99	50.05
Boners 80-85%	51.00	74.00	63.03	59.86	49.85
Lean 85-90%	42.00	66.50	54.14	51.75	40.84
Bulls YG 1	79.00	103.00	91.75	89.31	69.85
Heifers: Medium/Large Frame #1-2					
300-400 lbs.	125.00	163.00	147.96	144.54	131.22
400-500 lbs.	129.00	156.00	142.02	139.84	126.98
500-600 lbs.	116.00	149.00	135.87	134.05	121.12
600-700 lbs.	115.00	144.00	130.69	131.63	115.23
Heifers: Small Frame #1-2					
300-400 lbs.	132.50	146.00	137.20	---	121.71
400-500 lbs.	120.00	135.00	128.88	125.21	118.47
500-600 lbs.	115.00	125.00	119.97	118.49	---
600-700 lbs.	---	---	---	---	---
Heifers: Medium/Large Frame #2-3					
300-400 lbs.	120.00	151.00	133.62	132.33	121.42
400-500 lbs.	120.00	145.00	131.55	128.90	118.24
500-600 lbs.	110.00	132.50	122.68	122.76	111.34
600-700 lbs.	110.00	130.00	117.83	112.74	108.95

Cattle Receipts

This week:5,626

Week ago:5,161

Year ago:4,833

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

Graded Sales, Video Board Sales, Video Sales & Loads

Graded Goat & Sheep Sales

East Tennessee Livestock Center Graded Holstein Steer Sale-Sweetwater, TN

Weighted Average Report for 1/14/22

For complete report:

https://www.ams.usda.gov/mnreports/ams_2072.pdf

Browning Livestock Market-Lafayette, TN

1/19/22

1 load of 57 steers; weighing 850 lbs.; \$151.00

1 load of 52 steers; weighing 950 lbs.; \$142.25

East Tennessee Livestock Center Video Sale-Sweetwater, TN

1/19/22

1 load out of 86 steers from BQA certified producer; Est. weight 860 lbs.; 95% L&M-1s and 5% L&M-2s; medium flesh; 100% Black/BWF; \$155.00

1 load out of 85 Holstein steers from BQA certified producer; Est. weight 835 lbs.; 95% L&M-1s and 5% L&M-2s; medium flesh; \$115.00

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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