

Tennessee Market Highlights

UTEXTENSION
INSTITUTE OF AGRICULTURE
THE UNIVERSITY OF TENNESSEE

January 20, 2023

Number: 3

Trends for the Week Compared to a Week Ago

Slaughter Cows

Steady to \$1 lower

Slaughter Bulls

Steady

Feeder Steers

Steady

Feeder Heifers

Steady

Feeder Cattle Index: 177.87

Fed Cattle

The 5-area live price on Thursday of \$155.07 was down \$2.54. The dressed price of \$248.01 was down \$2.92.

Corn

March closed at \$6.76 a bushel, up 1 cent since last Friday.

Soybeans

March closed at \$15.06 a bushel, down 21 cents since last Friday.

Wheat

March closed at \$7.41 a bushel, down 2 cents since last Friday.

Cotton

March closed at 86.7 cents per lb, up 4.41 cents since last Friday.

Livestock Comments by Dr. Andrew P. Griffith

FED CATTLE: Fed cattle traded \$2 lower compared to last week on a live basis. Prices on a live basis were mainly \$155 to \$156 while dressed prices were mainly \$248 to \$249.

The 5-area weighted average prices thru Thursday were \$155.07 live, down \$2.54 compared to last week and \$248.01 dressed, down \$2.92 from a week ago. A year ago, prices were \$137.39 live and \$217.92 dressed.

February live cattle futures experienced a sharp decline on Thursday, which resulted in cattle feeders letting go of cattle for lower prices this week. The market appeared to reestablish its footing on Friday, but Thursday cash trade had already established the market for the week. The lower finished cattle market is not a worse-case scenario for cattle feeders, because the market has remained resilient through what is largely considered the dead of winter. The ability of the market to hold the current price mark bodes well for cattle feeders moving into the spring as finished cattle prices should move higher. The real determinant of live cattle prices will be if conditions cause herd contraction to continue.

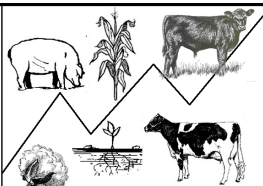
BEEF CUTOUT: At midday Friday, the Choice cutout was \$271.70 up \$0.19 from Thursday and down \$6.73 from a week ago. The Select cutout was \$257.16 up \$1.47 from Thursday and down \$0.88 from last week. The Choice Select spread was \$14.54 compared to \$20.39 a week ago.

It is difficult to know if the winter doldrums are upon the beef market or if this week's lower boxed beef prices are just a hiccup. The best bet is that winter precipitation in densely populated areas is negatively impacting beef prices to go along with flooding in other densely populated locations. Boxed beef prices tend to soften

during the winter months so it should be no surprise to see Choice boxed beef prices soften. What makes it difficult to comprehend is the fact that prices have continued to outperform expectations and any slight decline catches the eye of speculators. The one sign in the market that points towards seasonal changes in wholesale beef prices is the narrowing of the Choice Select spread. This is really the first week to see a significant narrowing of the spread since the middle of May. The narrowest spread in 2022 occurred the last week of February when it dipped below \$2 for the weekly average. The spread is likely to continue narrowing through the winter, but the main thing is consumers continued strong demand for beef.

OUTLOOK: Based on Tennessee weekly auction price averages, steer prices were mainly steady this week compared to last week while heifer prices were also steady compared to the previous week. Slaughter cow prices were steady to \$1 lower than last week while slaughter bull prices were steady compared to a week ago. Most of the interest in cattle at this point is in the lightweight classes and more so in the lightweight classes that are weaned and vaccinated. Stocker and backgrounding operations are constantly in the market for these cattle, but grass cattle buyers will begin to gain interest as the market moves into February and March. Their interest will persist through April and even into early May. Thus, the expectation is for lightweight calf prices to increase over the next three months. This could push the price of a 500 pound steer close to \$200 per hundredweight and the same weight heifer price to \$170 or a little better. These are favorable prices for the seller and the buyer given the recent history of calf prices and the expectations of feeder cattle prices moving through the

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Livestock Comments by Dr. Andrew Griffith

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summer and fall months. A person could hedge a \$600 margin on cattle purchased in the spring and expected to be sold in late summer or early fall as an 800 pound animal in a 50,000 pound lot. Thus, the cost of gain can be fairly high and a profit still experienced. The key in this system for the seller is to manage feed resources between now and the expected sell date such that there are adequate resources for the cow herd. For the buyer, the key is to limit morbidity and mortality and to lock in a favorable sell price if the producer does not want to assume the price risk. Producers should continue to keep their eyes on the slaughter cow market as prices will begin to escalate quickly in February. Prices will really increase if producers begin holding back cows to capitalize on higher calf prices.

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, 2023 totaled 11.69 million head, down 2.9% compared to a year ago, with the pre-report estimate average expecting a 3.3% decline. December placements in feedlots totaled 1.80 million head, down 8.0% from a year ago with the pre-report estimate average expecting placements down 8.9%. December marketing's totaled 1.74 million head down 6.1% from 2021 with pre-report estimates expecting a 5.3% decrease in marketings. Placements on feed by weight: under 700 pounds down 9.2%, 700 to 899 pounds down 7.8%, 900 pounds and over down 2.5%.

ASK ANDREW, TN THINK TANK: There was a question this week concerning when to purchase calves this spring and what type and weight would be the route to go. From a profitability standpoint, a person could purchase steers, heifers, or bulls of nearly any size and probably be profitable. This is especially true for someone using price risk management who could lock in a profitable price for a sell during the summer or fall months. However, there are certainly characteristics of each weight and class of animal that should make the final determination. For instance, producers with bulls surrounding the property where these cattle are going may not want heifers as there is a good chance bulls will attempt to visit. Another example, purchasing bull calves carries more risk than purchasing steers. Thus, there is a trade off in paying more for steers and the higher risk of morbidity and mortality with bulls. As it relates to when to buy and what size, that is largely dependent on how long a person wants to grow those cattle and what weight they would like to market them.

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 \$156.63 +0.68; April \$159.93 +0.80; June \$156.58 +0.58; Feeder cattle –January \$177.93 -0.18; March \$180.98 +0.88; April \$185.78 +0.63; May \$190.35 +0.30; March corn closed at \$6.76 down 1 cent from Thursday.

Crop Comments by Dr. Aaron Smith

Overview

Cotton was up; wheat and soybeans were down; and corn was mixed for the week.

Compared to the previous five years, 2021 and 2022 corn and soybean harvest futures prices experienced increased trading ranges. December 2022 corn futures, from December 1, 2021 to contract expiration, had a trading range of \$2.23 (\$5.43 to \$7.66). November 2022 soybean futures, from November 1, 2021 to contract expiration, had a trading range of \$3.81 (\$12.02 to \$15.81). Tight U.S. stocks, the Russia-Ukraine conflict, global inflation, supply chain disruptions, and drought in the U.S. and South America have propelled prices higher but have also increased volatility. The 2021 and 2022 December contracts had 49 and 65 trading days with moves of more than 10 cents up or down. The previous five years had a total of 54 trading days with a greater than 10-cent move. Similarly, in 2021 and 2022, the November soybean contract had 45 and 74 trading days with a greater than 20-cent up or down move. For the previous five years, the November soybean contract had a total of 64 days with a greater than 20-cent up or down move.

What will 2023 bring for soybean and corn futures prices and how should this affect producers marketing and risk management decisions? As of January 19, the 2023 average daily closing futures prices for corn and soybean harvest contracts were near the top of the 2010-2022 price range – November 2023 soybeans have averaged \$13.89 and December 2023 corn \$5.98. As such, it would be reasonable to think that prices have more downside risk than upside potential, but this will be largely determined by weather. Additionally, there remains a tremendous amount of uncertainty in the global economy, geopolitics, and U.S. and global production for the 2023 crop year, thus it is also likely that volatility will continue in corn and soybean futures markets.

	Previous	Current	Change
USD Index	101.95	101.75	-0.19
Crude Oil	79.82	81.31	1.49
DJIA	34,217	33,235	-982

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Crop Comments by Dr. Aaron Smith

So, what should producers do? Protecting against downside risk seems logical given current market conditions. This can be accomplished using numerous marketing tools (futures, contracts, options etc.). Put options provide an opportunity to establish a futures price floor. There are several put option strategies that producers can consider – at-the-money put options, out-of-the-money put options, or a combination of put and call options to reduce premium expense. Each producer will have different risk tolerances, so there is no one size fits all approach. The key is to evaluate strategies and choose the one that makes the most sense for your individual circumstances. A simple example of an out-of-the-money put option strategy (current December corn futures are trading at \$6.00) is:

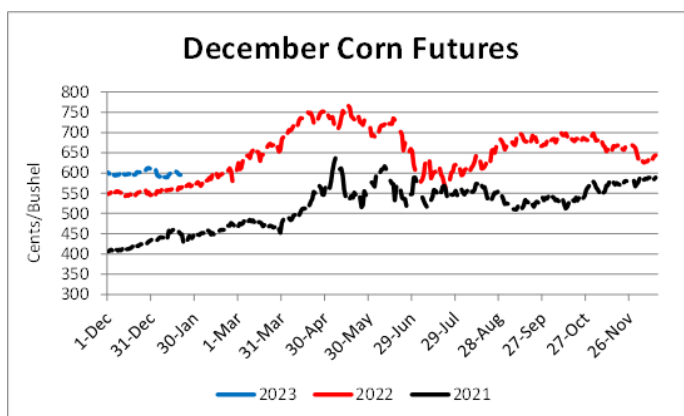
Buy a \$5.50 December Put Option for 27 cents setting a \$5.23 futures floor. This removes 87% ($\$5.23/\6.00) of the futures price risk, while leaving the upside open and the flexibility to set basis at a later date.

The current uncertainty and volatility in corn and soybean futures markets necessitates downside price protection. Producers should evaluate strategies that can remove price risk for the 2023 crop.

Corn

Ethanol production for the week ending January 13 was 1.008 million barrels per day, up 65,000 from the previous week. Ethanol stocks were 23.402 million barrels, down 398,000 compared to last week. Corn net sales reported by exporters for January 6-12 were 44.6 million bushels for the 2022/23 marketing year and 3.4 million bushels for the 23/24 marketing year. Exports for the same period were up 85% compared to last week at 28.2 million bushels. Corn export sales and commitments were 47% of the USDA estimated total annual exports for the 2022/23 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, and West-Central elevators and barge points and weakened at North-Central and Mississippi River elevators and barge points. Overall, basis for the week ranged from 50 under to 42 over, with an average of 10 over the March futures at elevators and barge points. March 2023 corn futures closed at \$6.76, up 1 cent since last Friday. For the week, March 2023 corn futures traded between \$6.68 and \$6.88. May 2023 corn futures closed at \$6.74, up 1 cent since last Friday. Mar/May and Mar/Dec future spreads were -2 and -81 cents.

Corn	Mar 23	Change	Dec 23	Change
Price	\$6.76	\$0.01	\$5.95	-\$0.03
Support	\$6.70	\$0.30	\$5.90	\$0.13
Resistance	\$6.88	\$0.00	\$6.06	-\$0.02
20 Day MA	\$6.68	\$0.06	\$5.99	\$0.00
50 Day MA	\$6.62	\$0.00	\$6.02	-\$0.02
100 Day MA	\$6.74	\$0.00	\$6.12	-\$0.01
4-Week High	\$6.88	\$0.03	\$6.13	\$0.00
4-Week Low	\$6.48	\$0.04	\$5.83	\$0.00
Technical Trend	Up	=	Down	=



New crop cash prices ranged from \$5.06 to \$5.86 at elevators and barge points. December 2023 corn futures closed at \$5.95, down 3 cents since last Friday. Downside price protection could be obtained by purchasing a \$6.00 December 2023 Put Option costing 52 cents establishing a \$5.48 futures floor.

Soybeans

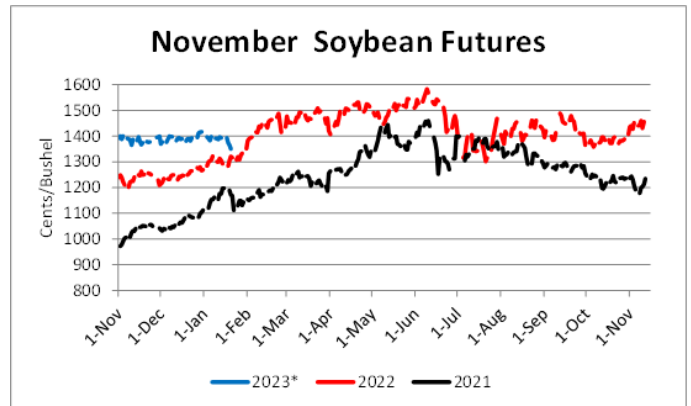
Across Tennessee, average soybean basis weakened or remained unchanged at West, Northwest, West-Central, North-Central, and Mississippi River elevators and barge points. Basis ranged from 10 under to 55 over, with an average basis of 30 over the March futures contract. Soybean net weekly sales reported by exporters were 36.2 million bushels for the 2022/23 marketing year. Exports for the same period were up 27% compared to last week at 75.9 million bushels. Soybean export sales and commitments were 84% of the USDA estimated total annual exports for the 2022/23 marketing year (September 1 to August 31), compared to the previous 5-year average of 77%. March 2023 soybean futures closed at \$15.06, down 21 cents since last Fri-

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Crop Comments by Dr. Aaron Smith

day. For the week, March 2023 soybean futures traded between \$15.03 and \$15.48. Jan/Mar and Jan/Nov future spreads were -5 and -154 cents. May 2023 soybean futures closed at \$15.01, down 26 cents since last Friday.

Soybeans	Mar 23	Change	Nov 23	Change
Price	\$15.06	-\$0.21	\$13.52	-\$0.41
Support	\$14.97	\$0.18	\$13.41	-\$0.31
Resistance	\$15.36	-\$0.10	\$13.82	-\$0.34
20 Day MA	\$15.01	\$0.09	\$13.90	-\$0.03
50 Day MA	\$14.75	\$0.05	\$13.87	-\$0.02
100 Day MA	\$14.49	\$0.03	\$13.74	-\$0.01
4-Week High	\$15.48	\$0.11	\$14.27	\$0.00
4-Week Low	\$14.65	\$0.03	\$13.50	-\$0.28
Technical Trend	Up	=	Down	=

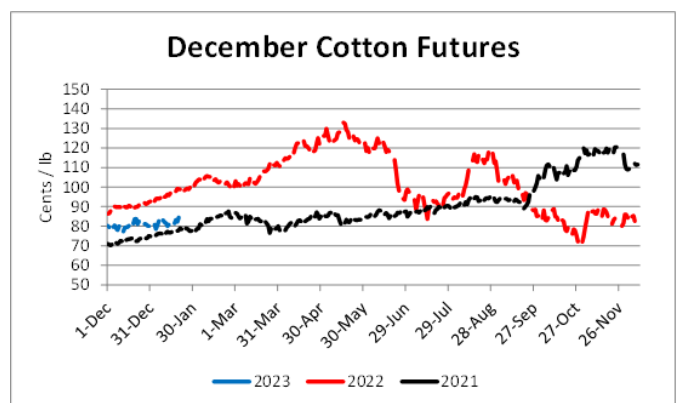


November 2023 soybean futures closed at \$13.52 down 41 cents since last Friday. New crop cash soybean prices at elevators and barge points ranged from \$13.32 to \$13.88. Downside price protection could be achieved by purchasing a \$13.60 November 2023 Put Option which would cost 86 cents and set a \$12.74 futures floor. Nov/Dec 2023 soybean-to-corn price ratio was 2.27 at the end of the week.

Cotton

Delta upland cotton spot price quotes for January 19 were 83.89 cents/lb (41-4-34) and 86.14 cents/lb (31-3-35). Adjusted world price (AWP) was down 2.25 cents at 72.43 cents. Cotton net weekly sales reported by exporters were net sales of 209,400 bales for the 2022/23 marketing year and 26,900 bales for the 2023/24 marketing year. Exports for the same period were up 22% compared to last week at 183,100 bales. Upland cotton export sales were 80% of the USDA estimated total annual exports for the 2022/23 marketing year (August 1 to July 31), compared to the previous 5-year average of 82%. March 2023 cotton futures closed at 86.7 cents, up 4.41 cents since last Friday. For the week, March 2023 cotton futures traded between 81.97 and 86.7 cents. May 2023 cotton futures closed at 87.06 cents, up 4.46 cents since last Friday. Mar/May and Mar/Dec cotton futures spreads were 0.36 cents and -2.03 cents.

Cotton	Mar 23	Change	Dec 23	Change
Price	86.70	4.41	84.67	3.88
Support	82.47	2.57	81.82	3.13
Resistance	88.91	2.97	86.24	3.55
20 Day MA	84.02	0.14	81.64	0.34
50 Day MA	83.50	0.11	79.92	0.42
100 Day MA	85.87	-1.08	78.90	-0.24
4-Week High	89.65	0.00	84.81	0.37
4-Week Low	80.37	0.57	78.59	0.16
Technical Trend	Up	=	Up	=



December 2023 cotton futures closed at 84.67 cents, up 3.88 cents since last Friday. Downside price protection could be obtained by purchasing an 85 cent December 2023 Put Option costing 10.59 cents establishing a 74.41 cent futures floor.

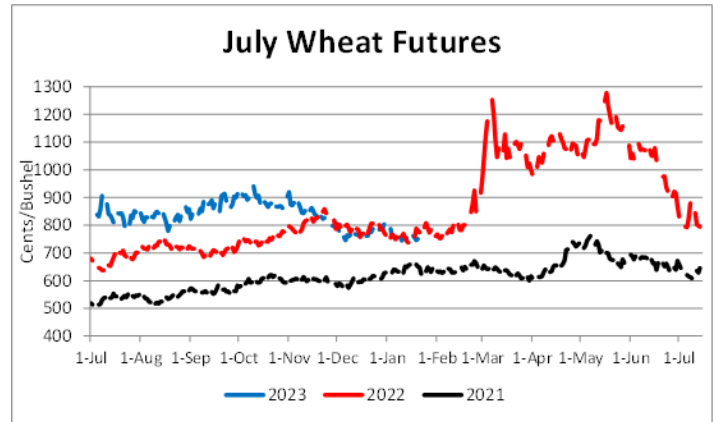
Wheat

Wheat net weekly sales reported by exporters were 17.4 million bushels for the 2022/23 marketing year and 1.3 million bushels for the 2023/24 marketing year. Exports for the same period were up 60% compared to last week at 11.4 million bushels. Wheat export sales were 74% of the USDA estimated total annual exports for the 2022/23 marketing year (June 1 to May 31), compared to the previous 5-year average of 83%. Wheat cash prices at elevators and barge points ranged from \$7.37 to \$7.62.

Crop Comments by Dr. Aaron Smith

March 2023 wheat futures closed at \$7.41, down 2 cents since last Friday. March 2023 wheat futures traded between \$7.27 and \$7.60 this week. March wheat-to-corn price ratio was 1.10. May 2023 wheat futures closed at \$7.49 down 3 cents since last Friday. Mar/May and Mar/Jul future spreads were 8 and 10 cents.

Wheat	Mar 23	Change	Jul 23	Change
Price	\$7.41	-\$0.02	\$7.51	-\$0.02
Support	\$7.23	\$0.10	\$7.36	\$0.09
Resistance	\$7.54	-\$0.22	\$7.62	-\$0.09
20 Day MA	\$7.55	-\$0.02	\$7.67	-\$0.02
50 Day MA	\$7.74	-\$0.10	\$7.87	-\$0.10
100 Day MA	\$8.26	-\$0.03	\$8.34	-\$0.03
4-Week High	\$7.99	\$0.00	\$8.08	\$0.00
4-Week Low	\$7.20	\$0.00	\$7.35	\$0.00
Technical Trend	Down	=	Down	=



New crop wheat cash prices at elevators and barge points ranged from \$6.92 to \$7.46. July 2023 wheat futures closed at \$7.51 down 2 cents since last Friday. Downside price protection could be obtained by purchasing a \$7.60 July 2023 Put Option costing 62 cents establishing a \$6.98 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>

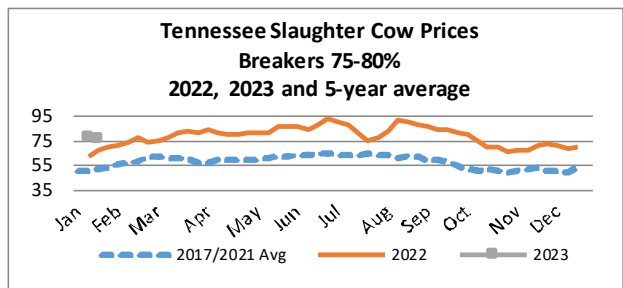
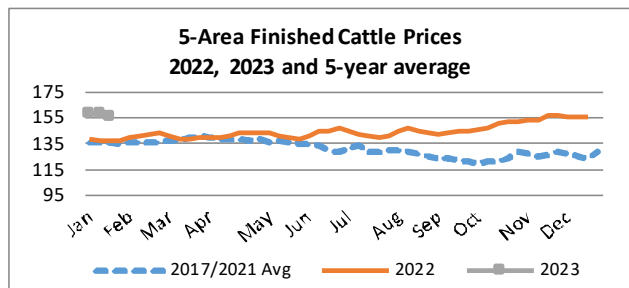
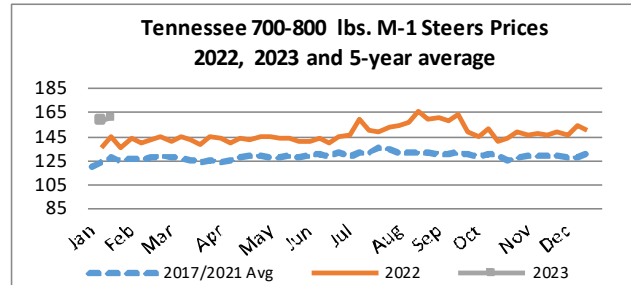
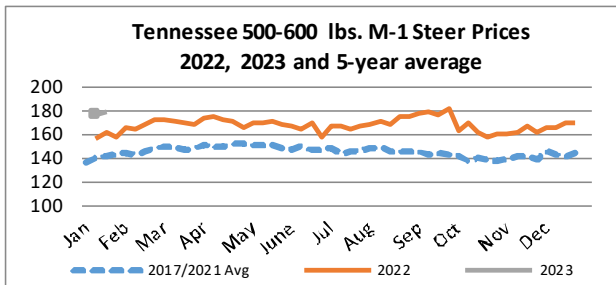
USDA AMS: Market News - <https://www.ams.usda.gov/market-news/search-market-news>

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 13, 2023---Thursday, January 19, 2023

	Friday Average	Monday Average	Tuesday Average	Wednesday Average	Thursday Average
No. 2 Yellow Soybeans	-----\$/bushel-----				
Northwest	15.28				
North Central	15.63		15.65	15.50	15.40
West Central	15.43		15.55	15.40	15.30
West	15.79		15.90	15.70	15.57
Mississippi River	15.71		15.76	15.61	15.54
Yellow Corn					
Northwest	6.90		7.00	6.96	6.92
North Central	6.35		6.45	6.41	6.27
West Central	7.10		7.27	7.23	7.19
West	7.03		7.11	7.07	7.05
Mississippi River	6.96		7.04	6.98	6.94
Wheat					
Northwest					
North Central	7.54		7.62	7.53	7.45
West					
Mississippi River	7.44		7.51	7.43	7.38
Cotton	-----\$/pound-----				
Memphis	82.79-85.04		83.32-85.57	85.31-87.56	83.89-86.14



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 17, 2023

	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	182.00	222.50	209.84	195.45	189.06
400-500 lbs	171.00	207.50	192.60	188.77	172.55
500-600 lbs	162.50	194.00	178.02	175.35	161.74
600-700 lbs	140.00	180.00	167.24	161.75	151.43
700-800 lbs	140.00	169.00	160.01	157.20	143.75
Steers: Small Frame #1-2					
300-400 lbs	180.00	200.00	189.08	---	153.32
400-500 lbs	120.00	176.00	147.39	167.61	---
500-600 lbs	130.00	160.00	145.14	146.50	131.16
600-700 lbs	---	---	---	---	---
Steers: Medium/Large Frame #3					
300-400 lbs	140.00	207.50	176.57	179.36	158.81
400-500 lbs	150.00	187.50	171.88	160.69	161.50
500-600 lbs	132.00	172.50	159.22	158.97	143.18
600-700 lbs	120.00	160.00	147.22	147.47	133.49
700-800 lbs	130.00	153.00	143.19	140.96	126.09
Holstein Steers					
300-400 lbs	---	---	---	---	---
500-600 lbs	---	---	---	---	---
700-800 lbs	---	---	---	---	---
Slaughter Cows & Bulls					
Breakers 75-80%	65.00	84.00	75.22	76.72	66.12
Boners 80-85%	64.00	82.00	74.25	73.99	63.03
Lean 85-90%	49.00	73.50	63.96	65.68	54.14
Bulls YG 1	86.00	107.00	99.41	100.46	91.75
Heifers: Medium/Large Frame #1-2					
300-400 lbs	144.00	190.00	167.55	164.07	147.96
400-500 lbs	136.00	176.00	161.28	157.26	142.02
500-600 lbs	137.50	166.00	153.29	149.80	135.87
600-700 lbs	125.00	156.00	140.81	140.75	130.69
Heifers: Small Frame #1-2					
300-400 lbs	130.00	155.00	144.68	144.05	137.20
400-500 lbs	140.00	159.00	151.82	139.39	128.88
500-600 lbs	120.00	145.00	132.46	128.03	119.97
600-700 lbs	108.00	125.00	121.11	---	---
Heifers: Medium/Large Frame #2-3					
300-400 lbs	140.00	163.00	152.69	155.03	133.62
400-500 lbs	135.00	162.50	150.27	144.43	131.55
500-600 lbs	120.00	150.00	137.45	139.34	122.68
600-700 lbs	120.00	140.00	130.58	125.25	117.83

Cattle Receipts

This week:6,810

Week ago:7,765

Year ago:5,626

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 1/13/2023

For complete report:

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

Dickson Regional Livestock Center – Dickson, TN

1/16/2023

59 steers, 882 lbs., M&L 1, 42-Black/BWF, 9-ChX, 8-Red/RWF,
5 Flesh, \$169.00

Browning Livestock Market Video/Internet Auction - Lafayette, TN

Weighted Average Report for 1/18/2023

For complete report:

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

East Tennessee Livestock Center Video Sale - Sweetwater, TN

1/18/2023

1 load out of 75 steers from BQA certified producer; Est weight 890 lbs.; 95% L&M-1s & 5% L&M-2s; medium flesh; 100% BLK/BWF; \$176.00

1 load out of 70 Holstein steers from BQA certified producer; Est weight 940 lbs.; 95% L&M-1s & 5% L&M-2s; medium flesh; \$132.75

1 load out of 75 home-raised steers from BQA certified producer; Est weight 860 lbs.; 95% L&M-1s & 5% L&M-2s; medium flesh; 100% BLK/BWF; \$168.00

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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