

Tennessee Market Highlights

UT EXTENSION
INSTITUTE OF AGRICULTURE
THE UNIVERSITY OF TENNESSEE

February 5, 2021

Number: 5

Trends for the Week Compared to a Week Ago

Slaughter Cows

\$4 to \$6 higher

Slaughter Bulls

\$3 to \$5 higher

Feeder Steers

under 600 pounds \$2 to \$6 higher
600 pounds and over steady to lower

Feeder Heifers

under 500 pounds \$2 to \$4 higher
500 pounds and over steady to \$3 lower

Feeder Cattle Index: 136.27

Fed Cattle

The 5-area live price on Thursday of \$113.28 was up \$1.79. The dressed price of \$179.32 was up \$3.56.

Corn

March closed at \$5.48 a bushel, up 1 cent since last Friday.

Soybeans

March closed at \$13.66 a bushel, down 4 cents since last Friday.

Wheat

March closed at \$6.41 a bushel, down 22 cents since last Friday.

Cotton

March closed at 82.74 cents per lb, up 2.1 cents since last Friday.

Livestock Comments by Dr. Andrew P. Griffith

FED CATTLE: Fed cattle traded \$1 to \$2 higher compared to last week on a live basis. Prices on a live basis were primarily \$112 to \$114 while dressed prices were mainly \$177 to \$180.

The 5-area weighted average prices thru Thursday were \$113.28 live, up \$1.79 compared to last week and \$179.32 dressed, up \$3.56 from a week ago. A year ago, prices were \$120.83 live and \$192.91 dressed.

The basis gap between the cash price and the live cattle futures price is slowly being closed by cash prices moving to the futures price. This is a good scenario for most hedged cattle feeders since many of them probably made hedging decisions based on an even basis. There is still some gap to fill their remains time to fill such a gap. The futures market is pricing in a strong spring rally for finished cattle with April live cattle futures a full \$10 higher than current cash prices. Essentially, the April futures contract is pricing in a nine percent price increase over the next 12 weeks. This may be the information cattle feeders are using to bid for feeder cattle, but there remains the expectation of higher feed costs persisting. The market has a long way to go to reach projections.

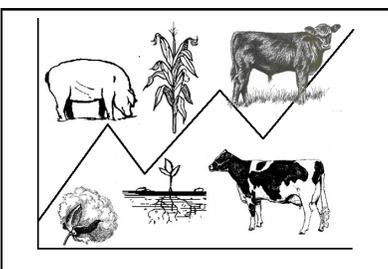
BEEF CUTOUT: At midday Friday, the Choice cutout was \$234.51 up \$0.26 from Thursday and up \$0.61 from a week ago. The Select cutout was \$221.47 up \$1.03 from Thursday and down \$0.96 from last week. The Choice Select spread was \$13.04 compared to \$11.47 a week ago.

The week over week price change may be an indication that boxed beef prices have stalled. However, current prices are strong, which means stalling may not be such a bad thing. The alternative could be for boxed beef prices to decline, which means it would start raining on the parade. Most purveyors of the beef market

likely expect beef prices to soften in February and possibly into March as these two months tend to experience soft demand. Such a decline would lead into another escalation of prices as grilling season hits. It is difficult to know how consumers will respond with many restaurants remaining closed or at reduced capacity. If restaurants move toward full capacity at any point, one could expect consumers to be hesitant at first but also eager to dine in such restaurants. Another unknown will be summer sports such as baseball where a considerable quantity of beef is consumed. Given the information for how the market responded in 2020, beef prices are likely to remain strong in 2021. As demand goes so will prices.

OUTLOOK: Based on Tennessee livestock auction data, steer prices were \$2 to \$6 higher compared to last week for steers weighing less than 600 pounds and steady to lower for steers weighing 600 pounds and heavier. Similarly, heifer prices were \$2 to \$4 higher for heifers weighing less than 500 pounds and steady to \$3 lower for heifers weighing 500 pounds and heavier compared to a week ago. Slaughter cow prices were \$4 to \$6 higher while slaughter bull prices were \$3 to \$5 higher compared to last week. As the cattle market rolled into February, optimism abounds for the cattle industry. Lightweight calf prices are beginning to catch fire even before there are any signs of spring greening. This bodes well for the calf market moving through February and March. The higher calf prices would indicate that stocker producers believe feeder cattle prices will be much stronger moving through the summer months, which is exactly what futures traders are banking on right now. With two months of grass cattle buying ahead of the market, there is ample time for 500 pound steer values to

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Livestock Comments by Dr. Andrew Griffith

(Continued from page 1)

push higher than the \$800 per head mark. Heifers of similar weight will likely push toward \$700 per head at the same time. Thus, many operations will view this as a profitable price level as it relates to variable cash expenses. There is potential for the value of these animals to move higher than what is stated, but that is more of a timing issue than anything else. Similar to the calf market, the slaughter cow market is beginning to see some traction. Slaughter cow prices tend to pick up steam in the first month of the year and peak in May or June. However, the largest gains for slaughter cow prices generally occur in February. Thus, producers who have cows they need to move may benefit from marketing those animals in the next few weeks instead of continuing to feed those animals through March and April.

ASK ANDREW, TN THINK TANK: A unique question about retained ownership was asked this week, but the specific question and answer is not the important part of the discussion. The specific question was not one that is often asked, but variants of it had been asked a time or two before. Some cattle producers are always pushing the limits of what they think is possible as it relates to production and marketing. There are sure to be failures along the way, but there are also

successes. It is those successes that push a producer to push the limits again. Pushing the limits and evaluating methods of production and marketing that are not familiar or even common in the business is how the industry improves and becomes more efficient. Thus, do not discount ideas or thoughts that may seem out of the ordinary. There was a time when placing a large number of cattle into a pen and feeding them a concentrated diet for five months was farfetched. Pushing the limits and trying something new may result in a worse outcome, or it may result in a better outcome.

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 +0.28; April \$123.78 +0.03; June \$119.98 -0.23; Feeder cattle –March \$138.28 -1.23; April \$142.20 -0.48; May \$144.78 -0.30; August \$152.35 -0.38; March corn closed at \$5.49 down 2 cents from Thursday.

Crop Comments by Dr. Aaron Smith

Overview

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

February is the critical crop insurance price determination period for spring planted crops in Tennessee. The projected price will be the average daily close for the harvest futures contract for corn (December), cotton (December), and soybeans (November). As of February 5, the projected prices were: \$4.49 for corn, \$0.79 for cotton, and \$11.55 for soybeans. There is still 3 weeks left in the price determination period so prices will change, but the August-January rally has crop insurance projected prices poised to be at the highest level since 2013 (cotton \$0.83; soybeans \$12.87) or 2014 (corn \$4.62).

In 5 of the last 8 years the December corn price closed February lower than the open. The average change was -4.1 cents with annual changes ranging from -35 to +18.5 cents. November soybean prices closed higher in 4 out of 8 years with an average change of +4.4 cents and a range of -73 to +61 cents. December cotton prices closed higher in 5 out of 8 years with an average change of +0.04 cents and a range of -5.65 to +3.75 cents.

Revenue protection crop insurance protects producer revenue from falling below the revenue guarantee. As such, higher prices, increases the revenue guarantee. For example, a projected price of \$4.49 x 170 bu/acre APH x 80% coverage level = \$611/acre revenue guarantee. Compared to last year, \$3.88 x 170 APH x 80% = \$494/acre, this would be a substantial change in the revenue risk faced by Tennessee crop producers for the 2021 crop year. Producers will need to weigh the appropriate buy-up level, premium cost, unit structure, and other crop insurance add-ins when selecting the appropriate crop insurance plan for their operation. Working with a crop insurance agent to identify the best policy for your operation under multiple scenarios is strongly encouraged.

	Previous	Current	Change
USD Index	90.53	91.04	0.50
Crude Oil	52.33	56.95	4.62
DJIA	30,148	31,134	986

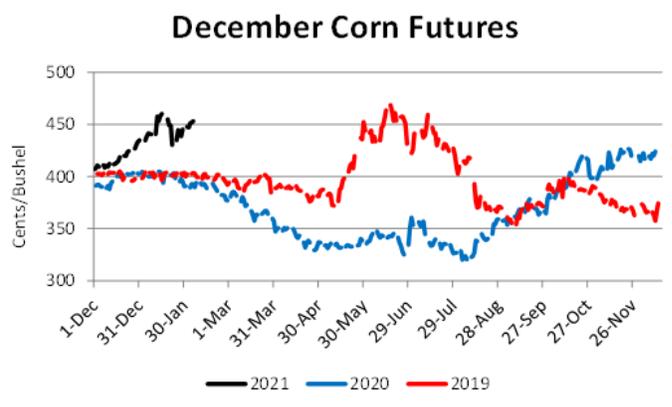
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Crop Comments by Dr. Aaron Smith

Corn

Ethanol production for the week ending January 29 was 0.936 million barrels per day, up 3,000 barrels from the previous week. Ethanol stocks were 24.316 million barrels, up 0.714 million barrels compared to last week. Corn net sales reported by exporters for January 22-28 were up compared to last week with net sales of 292.8 million bushels for the 2020/21 marketing year – a marketing year high– and 3.3 million bushels for the 2021/22 marketing year. Exports for the same time period were down 30% from last week at 39.2 million bushels. Corn export sales and commitments were 87% 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 60%. Across Tennessee, average corn basis (cash price-nearby futures price) weakened at Mississippi River and strengthened or remained unchanged at Northwest, North-Central, West-Central, and West elevators and barge points. Overall, basis for the week ranged from 5 over to 39 over, with an average of 22 over the March futures at elevators and barge points. March 2021 corn futures closed at \$5.48, up 1 cent since last Friday. For the week, March 2021 corn futures traded between \$5.36 and \$5.58. Mar/May and Mar/Dec future spreads were -1 and -97 cents. May 2021 corn futures closed at \$5.47, unchanged since last Friday.

Corn	Mar 21	Change	Dec 21	Change
Price	\$5.48	\$0.01	\$4.51	\$0.06
Support	\$5.40	\$0.24	\$4.45	\$0.16
Resistance	\$5.62	\$0.03	\$4.56	\$0.03
20 Day MA	\$5.28	\$0.15	\$4.47	\$0.03
50 Day MA	\$4.77	\$0.12	\$4.30	\$0.04
100 Day MA	\$4.40	\$0.09	\$4.12	\$0.03
4-Week High	\$5.58	\$0.05	\$4.65	\$0.00
4-Week Low	\$4.87	\$0.25	\$4.23	\$0.00
Technical Trend	Up	=	Up	+

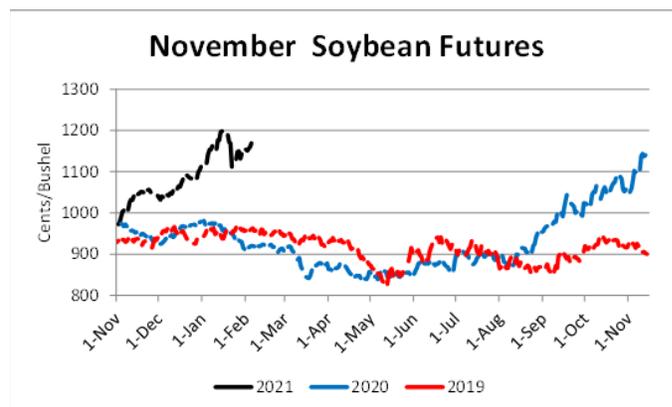


December 2021 corn futures closed at \$4.51, up 6 cents since last Friday. Downside price protection could be obtained by purchasing a \$4.60 December 2021 Put Option costing 48 cents establishing a \$4.12 futures floor.

Soybeans

Net sales reported by exporters were down compared to last week with net sales of 30.3 million bushels for the 2020/21 marketing year and 23.3 million bushels for the 2021/22 marketing year. Exports for the same period were down 11% compared to last week at 72.1 million bushels. Soybean export sales and commitments were 97% 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 77%. Across Tennessee, average soybean basis weakened or remained unchanged at West-Central, West, North-Central, and Northwest and strengthened at Mississippi River elevators and barge points. Basis ranged from 5 under to 33 over the March futures contract. Average basis at the end of the week was 18 over the March futures contract. March 2021 soybean futures closed at \$13.66, down 4 cents since last Friday. For the week, March 2021 soybean futures traded between \$13.41 and \$13.83. Mar/May and Mar/Nov future spreads were -1 and -205 cents. May 2021 soybean futures closed at \$13.65, down 2 cents since last Friday. March 2021 soybean-to-corn price ratio was 2.49 at the end of the week.

Soybeans	Mar 21	Change	Nov 21	Change
Price	\$13.66	-\$0.04	\$11.61	\$0.18
Support	\$13.55	\$0.38	\$11.48	\$0.43
Resistance	\$13.89	-\$0.20	\$11.69	-\$0.04
20 Day MA	\$13.75	\$0.08	\$11.59	\$0.05
50 Day MA	\$12.84	\$0.18	\$11.08	\$0.10
100 Day MA	\$11.74	\$0.19	\$10.47	\$0.10
4-Week High	\$14.36	\$0.00	\$12.03	\$0.00
4-Week Low	\$12.98	\$0.18	\$10.97	\$0.06
Technical Trend	Down	=	Down	=



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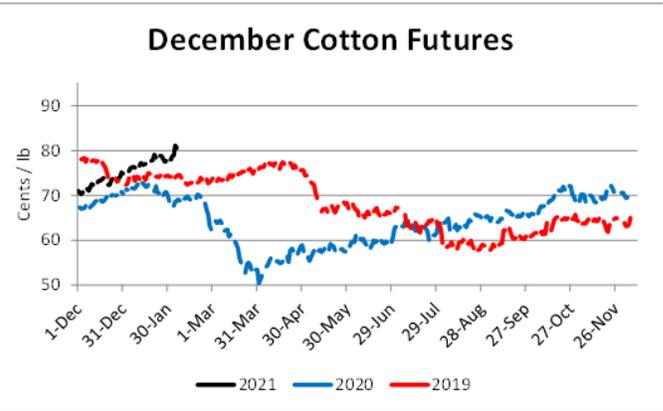
Crop Comments by Dr. Aaron Smith

November 2021 soybean futures closed at \$11.61, up 18 cents since last Friday. Downside price protection could be achieved by purchasing an \$11.80 November 2021 Put Option which would cost 88 cents and set a \$10.92 futures floor. Nov/Dec 2021 soybean-to-corn price ratio was 2.57 at the end of the week.

Cotton

Net sales reported by exporters were down compared to last week with net sales of 286,700 bales for the 2020/21 marketing year and 3,800 bales for the 2021/22 marketing year. Exports for the same time period were up 16% compared to last week at 319,000 bales. Upland cotton export sales were 91% 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 79%. Delta upland cotton spot price quotes for February 4 were 82.28 cents/lb (41-4-34) and 84.53 cents/lb (31-3-35). Adjusted World Price (AWP) decreased 1.21 cents to 66.38 cents. March 2021 cotton futures closed at 82.74, up 2.1 cents since last Friday. For the week, March 2021 cotton futures traded between 79.8 and 84.89 cents. Mar/May and Mar/Dec cotton futures spreads were 1.28 cents and -2.1 cents. May 2021 cotton futures closed at 84.02 cents, up 2.18 cents since last Friday.

Cotton	Mar 21	Change	Dec 21	Change
Price	82.74	2.10	80.64	2.95
Support	81.11	1.80	79.65	2.91
Resistance	85.71	4.20	81.89	3.17
20 Day MA	81.29	0.58	78.10	0.92
50 Day MA	77.59	0.94	74.96	0.89
100 Day MA	73.59	0.79	71.69	0.70
4-Week High	84.89	1.83	81.40	2.20
4-Week Low	78.65	1.75	75.48	1.38
Technical Trend	Up	=	Up	=

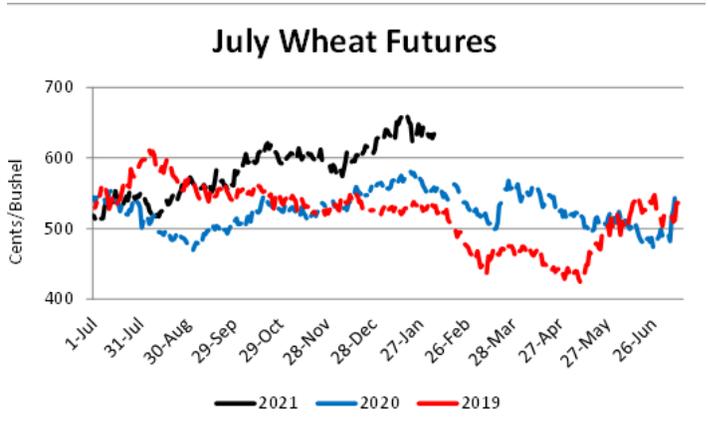


December 2021 cotton futures closed at 80.64 cents, up 2.95 cents since last Friday. Downside price protection could be obtained by purchasing an 81 cent December 2021 Put Option costing 6.89 cents establishing a 74.11 cent futures floor.

Wheat

Wheat net sales reported by exporters were up compared to last week with net sales of 23.6 million bushels for the 2020/21 marketing year and 3.4 million bushels for the 2021/22 marketing year. Exports for the same time period were down 2% from last week at 18.3 million bushels. Wheat export sales were 84% 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 85%. In Tennessee, spot wheat prices ranged from \$6.74 to \$6.81. March 2021 wheat futures closed at \$6.41, down 22 cents since last Friday. March 2021 wheat futures traded between \$6.25 and \$6.71 this week. March wheat-to-corn price ratio was 1.17. Mar/May and Mar/Jul future spreads were 4 and -9 cents. May 2021 wheat futures closed at \$6.45, down 17 cents since last Friday.

Wheat	Mar 21	Change	Jul 21	Change
Price	\$6.41	-\$0.22	\$6.32	-\$0.11
Support	\$6.22	-\$0.13	\$6.16	-\$0.07
Resistance	\$6.57	-\$0.21	\$6.41	-\$0.13
20 Day MA	\$6.54	\$0.00	\$6.40	-\$0.01
50 Day MA	\$6.27	\$0.05	\$6.19	\$0.03
100 Day MA	\$6.11	\$0.04	\$6.06	\$0.04
4-Week High	\$6.93	\$0.00	\$6.70	\$0.00
4-Week Low	\$6.24	\$0.10	\$6.15	\$0.07
Technical Trend	Down	-	Down	=



Crop Comments by Dr. Aaron Smith

In Tennessee, new crop wheat cash contracts ranged from \$6.15 to \$6.78. July 2021 wheat futures closed at \$6.32, down 11 cents since last Friday. Downside price protection could be obtained by purchasing a \$6.40 July 2021 Put Option costing 55 cents establishing a \$5.85 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_mbbl_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>

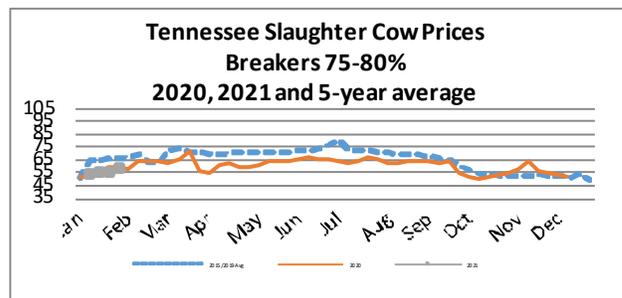
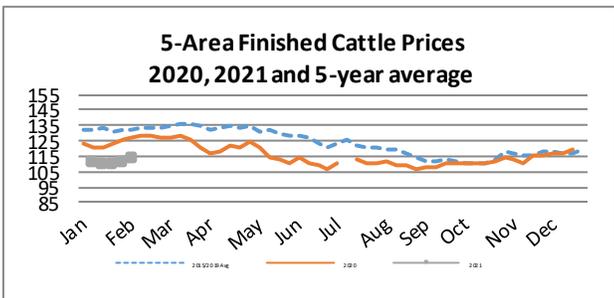
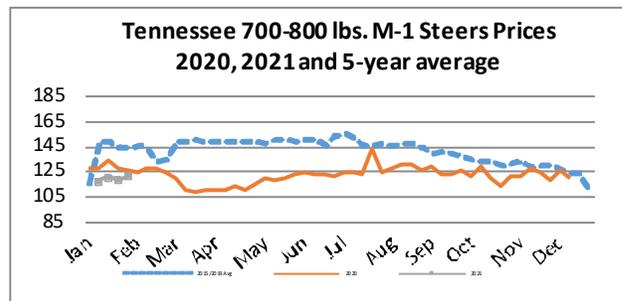
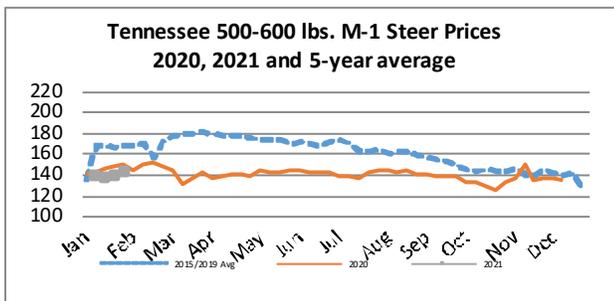
USDA AMS: Market News - <https://www.ams.usda.gov/market-news/search-market-news>

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 29, 2021---Thursday, February 4, 2021

	Friday Average	Monday Average	Tuesday Average	Wednesday Average	Thursday Average
No. 2 Yellow Soybeans	-----\$/bushel-----				
Northwest	13.75	13.70	13.60	13.76	13.78
North Central	13.80	13.75	13.65	13.81	13.83
West Central	13.87	13.82	13.72	13.88	13.90
West	14.02	13.98	13.88	14.02	14.04
Mississippi River	13.97	13.92	13.82	14.00	14.02
Yellow Corn					
Northwest	5.62	5.65	5.60	5.69	5.66
North Central	5.52	5.54	5.48	5.57	5.55
West Central	5.67	5.69	5.63	5.72	5.70
West	5.86	5.88	5.81	5.91	5.89
Mississippi River	5.81	5.85	5.79	5.88	5.82
Wheat					
Northwest					
North Central	6.88	6.81	6.74	6.78	6.68
West					
Mississippi River					
Cotton	-----\$/pound-----				
Memphis	78.64-80.89	78.03-80.28	78.69-80.94	78.99-81.24	82.28-84.53



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 Monday, February 1, 2021

	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	150.00	183.00	166.28	162.85	166.17
400-500 lbs	130.00	172.00	151.06	153.44	159.92
500-600 lbs	125.00	156.00	141.74	138.01	146.22
600-700 lbs	115.00	141.00	128.65	126.26	134.67
700-800 lbs	105.00	125.00	120.30	117.57	126.73
Steers: Small Frame #1-2					
300-400 lbs	112.50	155.00	136.90	147.82	---
400-500 lbs	122.50	151.00	139.62	145.27	135.48
500-600 lbs	---	---	---	121.28	133.33
600-700 lbs	---	---	---	106.82	115.55
Steers: Medium/Large Frame #3					
300-400 lbs	130.00	168.00	150.97	149.47	---
400-500 lbs	120.00	151.00	139.57	141.11	---
500-600 lbs	110.00	135.00	126.75	125.82	---
600-700 lbs	108.00	126.00	117.51	115.22	---
700-800 lbs	100.00	118.00	111.90	107.07	---
Holstein Steers					
300-400 lbs	---	---	---	---	---
500-600 lbs	---	---	---	---	---
700-800 lbs	---	---	---	73.20	---
Slaughter Cows & Bulls					
Breakers 75-80%	48.00	66.50	57.34	53.66	58.44
Boners 80-85%	46.00	66.50	56.70	52.55	46.57
Lean 85-90%	37.00	59.00	45.82	43.74	46.05
Bulls YG 1	75.00	97.00	84.92	80.72	79.63
Heifers: Medium/Large Frame #1-2					
300-400 lbs	114.00	150.00	131.57	135.18	136.74
400-500 lbs	113.00	144.00	127.99	128.29	131.17
500-600 lbs	104.00	135.00	121.53	120.59	125.48
600-700 lbs	94.00	126.00	113.68	112.54	119.22
Heifers: Small Frame #1-2					
300-400 lbs	---	---	---	123.08	128.43
400-500 lbs	---	---	---	118.23	116.94
500-600 lbs	112.50	122.00	118.92	107.73	116.67
600-700 lbs	110.00	113.00	111.48	---	95.5
Heifers: Medium/Large Frame #3					
300-400 lbs	110.00	143.00	130.15	126.28	---
400-500 lbs	110.00	133.00	121.62	121.13	---
500-600 lbs	94.00	124.00	113.56	110.67	105.73
600-700 lbs	90.00	117.00	102.79	104.41	---

Cattle Receipts

This week:5,888

Week ago:8,523

Year ago:7,782

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

Hardin County Stockyard-Savannah, TN

Weighted Average Report for 02/3/2021

Total Receipts: 804

2 loads of steers avg. wt. 757 lbs., M&L 1, Black/BWF 1ChX, 5-6

Flesh, \$133.50

For complete report:

https://www.ams.usda.gov/mnreports/ams_2068.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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