

Tennessee Market Highlights

UTEXTENSION
INSTITUTE OF AGRICULTURE
THE UNIVERSITY OF TENNESSEE

February 7, 2020

Number: 6

Trends for the Week Compared to a Week Ago

Slaughter Cows

mostly steady

Slaughter Bulls

mostly steady

Feeder Steers

steady to \$3 lower

Feeder Heifers

unevenly steady

Feeder Cattle Index: 141.53

Fed Cattle

The 5-area live price on Thursday of \$120.83 was down \$1.24. The dressed price of \$192.91 was down \$1.56.

Corn

March closed at \$3.83 a bushel, up 2 cents since last Friday.

Soybeans

March closed at \$8.82 a bushel, up 10 cents since last Friday.

Wheat

March closed at \$5.58 a bushel, up 5 cents since last Friday.

Cotton

March closed at 67.75 cents per lb, up 0.25 cents since last Friday.

Livestock Comments by Dr. Andrew P. Griffith

FED CATTLE: Fed cattle traded \$1 lower compared to last week. Prices on a live basis were mainly \$121 to \$122 while dressed prices were mostly \$193.

The 5-area weighted average prices thru Thursday were \$120.83 live, down \$1.24 compared to last week and \$192.91 dressed, down \$1.56 from a week ago. A year ago, prices were \$124.02 live and \$198.52 dressed.

Fed cattle trade was slow to develop this week as cattle feeders continue to be pressured by packers to accept lower prices. This is not unprecedented given the current supply of cattle on feed and the seasonal slowdown in beef movement. February is a tough month to push beef given the weather conditions and consumers eating habits. Thus, strong slaughter levels and soft demand have packers unwilling to bid up to secure cattle. This market pattern may persist a few more weeks. Despite a softer live cattle futures market than just a few weeks ago, the expectation remains for finished cattle to reach as high as \$130 in the spring months. This seems like a tough feat at this time, but it is possible.

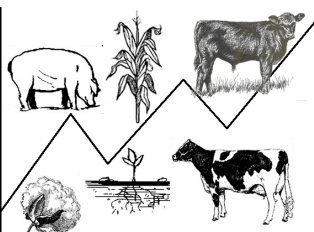
BEEF CUTOUT: At midday Friday, the Choice cutout was \$210.61 down \$0.32 from Thursday and down \$2.73 from last week. The Select cutout was \$204.85 down \$1.11 from Thursday and down \$6.05 from a week ago. The Choice Select spread was \$5.76 compared to \$2.44 a week ago.

Beef exports in 2019 totaled 3.02 billion pounds which is a 4.4 percent decline from 2018, but it is still the second largest quantity exported in a single year. Japan remains the top destination for U.S. beef with 2019 exports totaling 796.7 million pounds. This total represents a 10.0 percent decline compared to the previous year, but that decline was

largely related to the higher tariff rate U.S. beef exporters faced compared to the tariff rate other exporters faced. The tide should turn back in the favor of U.S. beef exports going to Japan now that the U.S. is on a level playing field as it relates to tariffs. South Korea was the second largest destination for beef totaling 683.3 billion pounds which was an increase of 7.1 percent compared to the previous year. The South Korean market has grown tremendously the past two years following the signing of a trade agreement that reduced tariff rates. Mexico, Canada, and Hong Kong round out the top five destinations for U.S. beef exports and all were lower than the previous year. New trade agreements should spur exports in 2020.

OUTLOOK: Based on Tennessee weekly auction market price averages, steer prices were steady to \$3 lower than last week while heifer prices were unevenly steady compared to a week ago. Slaughter cow prices and slaughter bull prices were mostly steady compared to the previous week. This week's softer price trends and a struggling feeder cattle and live cattle futures market could be cause for concern for cow-calf operations and stocker operations. There is no good reason for the market to be experiencing this weakness from a fundamental standpoint. There have not been any real surprises in market information as it relates to cattle supply and expected beef production nor has there been any negative information on the demand side. Despite no major changes to supply and demand, the market has softened. There are sure to be people blaming the failure of trade deals to result in realized trade, but trade is a long game. It is rare for a trade deal to result in immediate changes when trade was not well established before-

(Continued on page 2)



Livestock Comments by Dr. Andrew Griffith

(Continued from page 1)

hand. Others are likely to blame coronavirus or the acquittal of President Trump on impeachment charges. What one realizes after actively participating in this market for several years is that any piece of information can be used to send markets one way or the other. Once this is realized, one has to make the decision to take advantage of the opportunities the market offers when it offers them. This sudden price downtrend will most likely look like a blip on the radar in a few months, but that blip will mean some producers receive lower prices for the product they are selling. It is unlikely for this market to make any type of tremendous price run in the next four to six months given the strong cattle on feed numbers and a fairly stout calf crop from 2019. The price improvement that most will witness will be in the back half of the year and most may be in the last four months of the year.

ASK ANDREW, TN THINK TANK: During a discussion this week about weaning, preconditioning, and shrink, a question was asked about the best way to wean calves or the best way to reduce stress when weaning calves. The research has some mixed results on this question, but the research is fairly consistent that using a two-step process with nose clips or fence line weaning is the least stressful and

results in the weanling calves continuing to graze and gain weight. The two-step process allows the calf to be by the cow's side but a nose clip on the calf prevents the calf from nursing. The calves are then separated from the cows several days later at which time the nose clip is removed. Fence line weaning is where the calves and cows can have contact through a fence which tends to reduce stress. The method that tends to be the most stressful is complete separation which takes calves completely out of the line-of-sight of the cows. One specific weaning method may not be feasible in all situations, but anything that reduces stress on the cattle will be beneficial.

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 \$121.33 +0.20; April \$119.80 +0.05; June \$111.28 +0.10; Feeder cattle –March \$135.20 -0.70; April \$137.50 -0.08; May \$139.58 -0.48; August \$147.88 -0.40; March corn closed at \$3.84 up 4 cents from Thursday.

Crop Comments by Dr. Aaron Smith

Overview

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

New crop corn and soybean prices moved mostly sideways this week after the previous two weeks saw sharp declines. December corn futures dropped from \$4.04 $\frac{3}{4}$ on January 16th to a one month low of \$3.88 on February 3rd, a 16 $\frac{3}{4}$ cent decline. Since February 3rd prices have traded between \$3.89 and \$3.94. Soybean harvest futures prices experienced a more rapid decline than corn, dropping from \$9.82 $\frac{3}{4}$ on January 2nd to \$9.09 $\frac{1}{2}$ on February 3rd, a 73 $\frac{1}{4}$ cent decrease or 4.4 times the decline of corn. This week soybean prices have moved mostly sideways, between \$9.09 and \$9.28, indicating that futures prices have may have stabilized after the rapid declines. Uncertainty continues to be the common theme in corn and soybean markets. The coronavirus outbreak in China has likely pushed back any purchases of corn or soybeans under the Phase 1 trade agreement, in addition to creating logistical issues in accessing the largest agricultural import market in the world and potentially limiting global economic growth.

December cotton futures have increased since a new 4-week low of 67.57 was established earlier this week. Similar to soybeans, the potential disruptions to trade and movement of agricultural goods and services has effected cotton futures prices. However, upland cotton exports for the previous week were a marketing year high indicating strong global demand for US cotton at current prices. Total cotton export commitments (shipments + outstanding sales) are 84% of the marketing year total 5% above the 5-year average pace for this week in the marketing year.

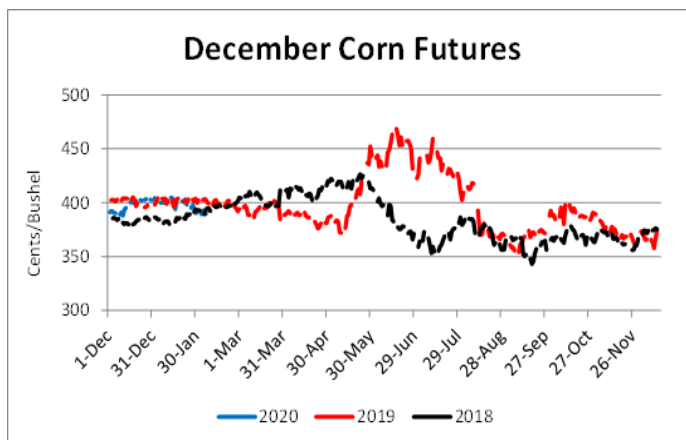
The first week of price discovery for the projected (spring) crop insurance price has concluded and with three weeks remaining prices (and volatility) are currently estimated at: corn \$3.92 (0.15); soybeans \$9.19 (0.12); and cotton \$0.69 (0.14). The projected crop insurance price is used with APH and buy-up level to establish revenue guarantees for farm units. Revenue guarantees can be an important factor for producers when selecting how many acres of each commodity a farmer wants to plant.

	Previous	Current	Change
USD Index	97.27	98.57	1.31
Crude Oil	51.58	50.32	-1.26
DJIA	28,318	29,103	785

Corn

Ethanol production for the week ending January 31 was 1.081 million barrels per day, down 52,000 barrels from the previous week. Ethanol stocks were 23.474 million barrels, down 0.770 million barrels compare to last week. Corn net sales reported by exporters for January 24-30 were down compared to last week with net sales of 49.1 million bushels for the 2019/20 marketing year and 3.6 million bushels for the 2020/21 marketing year. Exports for the same time period were down 12% from last week at 23.6 million bushels. Corn export sales and commitments were 51% of the USDA estimated total annual exports for the 2019/20 marketing year (September 1 to August 31) compared to the previous 5-year average of 64%. Across Tennessee, average corn basis (cash price-nearby futures price) strengthened or remained unchanged at Memphis, Northwest Barge Points, Northwest, and Upper-middle Tennessee. Overall, basis for the week ranged from 10 under to 23 over, with an average of 16 over the March futures at elevators and barge points. March 2020 corn futures closed at \$3.83, up 2 cents since last Friday. For the week, March 2020 corn futures traded between \$3.76 and \$3.85. Mar/May and Mar/Dec future spreads were 5 and 11 cents. May 2020 corn futures closed at \$3.88, up 2 cents since last Friday.

Corn	Mar 20	Change	Dec 20	Change
Price	\$3.83	\$0.02	\$3.94	\$0.04
Support	\$3.77	\$0.03	\$3.88	\$0.02
Resistance	\$3.87	\$0.00	\$3.96	-\$0.01
20 Day MA	\$3.84	-\$0.01	\$3.97	-\$0.02
50 Day MA	\$3.83	\$0.00	\$3.97	\$0.00
100 Day MA	\$3.87	\$0.00	\$4.00	-\$0.01
4-Week High	\$3.94	\$0.00	\$4.04	\$0.00
4-Week Low	\$3.75	\$0.00	\$3.88	-\$0.01
Technical Trend	Down	=	Down	+

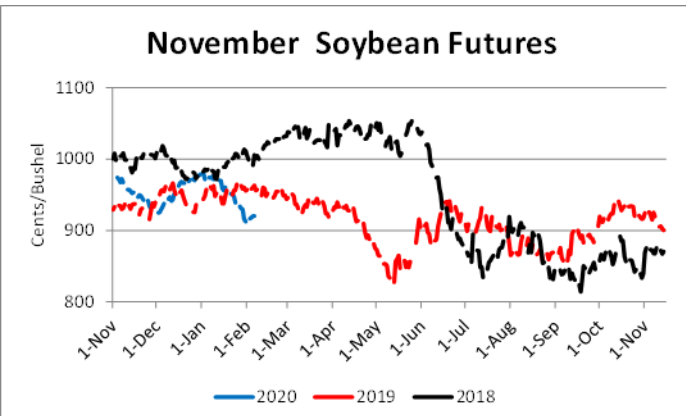


In Tennessee, new crop cash corn contracts ranged from \$3.86 to \$4.05. December 2020 corn futures closed at \$3.94, up 4 cents since last Friday. Downside price protection could be obtained by purchasing a \$4.00 December 2020 Put Option costing 29 cents establishing a \$3.71 futures floor.

Soybeans

Net sales reported by exporters were up compared to last week with net sales of 25.9 million bushels for the 2019/20 marketing year and 0.1 million bushels for the 2020/21 marketing year. Exports for the same period were up 25% compared to last week at 53.2 million bushels. Soybean export sales and commitments were 67% of the USDA estimated total annual exports for the 2019/20 marketing year (September 1 to August 31), compared to the previous 5-year average of 81%. Average soybean basis weakened at Memphis, Northwest Barge Points, Northwest, and Upper-middle Tennessee. Basis ranged from 20 under to 23 over the March futures contract at elevators and barge points. Average basis at the end of the week was 5 over the March futures contract. March 2020 soybean futures closed at \$8.82, up 10 cents since last Friday. For the week, March 2020 soybean futures traded between \$8.68 and \$8.88. Mar/May and Mar/Nov future spreads were 13 and 36 cents. May 2020 soybean futures closed at \$8.95, up 9 cents since last Friday. March soybean-to-corn price ratio was 2.30 at the end of the week.

Soybeans	Mar 20	Change	Nov 20	Change
Price	\$8.82	\$0.10	\$9.18	\$0.06
Support	\$8.72	\$0.07	\$9.11	\$0.06
Resistance	\$8.89	\$0.03	\$9.27	\$0.02
20 Day MA	\$9.04	-\$0.16	\$9.39	-\$0.14
50 Day MA	\$9.17	-\$0.03	\$9.49	-\$0.03
100 Day MA	\$9.27	-\$0.01	\$9.54	-\$0.02
4-Week High	\$9.54	-\$0.07	\$9.80	-\$0.02
4-Week Low	\$8.68	-\$0.04	\$9.09	-\$0.02
Technical Trend	Strong Down	=	Strong Down	=

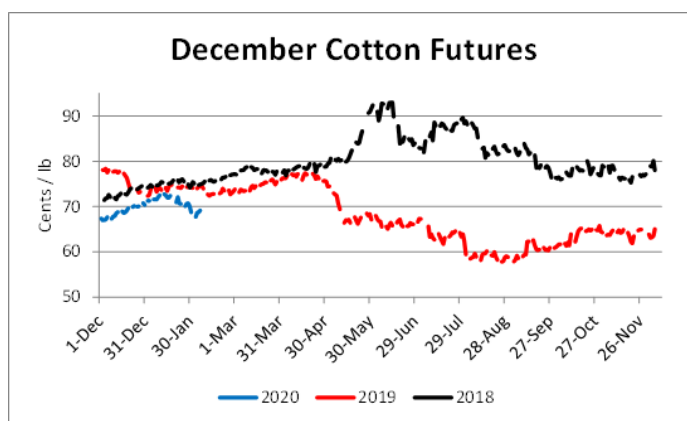


In Tennessee, new crop soybean cash contracts ranged from \$8.66 to \$9.26. Nov/Dec 2020 soybean-to-corn price ratio was 2.33 at the end of the week. November 2020 soybean futures closed at \$9.18, up 6 cents since last Friday. Downside price protection could be achieved by purchasing a \$9.20 November 2020 Put Option which would cost 43 cents and set an \$8.77 futures floor.

Cotton

Net sales reported by exporters were down compared to last week with net sales of 332,300 bales for the 2019/20 marketing year and 4,800 bales for the 2020/21 marketing year. Exports for the same time period were up 28% compared to last week at 418,800 bales. Upland cotton export sales were 84% of the USDA estimated total annual exports for the 2019/20 marketing year (August 1 to July 31), compared to the previous 5-year average of 79%. Delta upland cotton spot price quotes for February 6 were 65.16 cents/lb (41-4-34) and 67.41 cents/lb (31-3-35). Adjusted World Price (AWP) decreased 2.15 cents to 58.44 cents. March 2020 cotton futures closed at 67.75 cents, up 0.25 cents since last Friday. For the week, March 2020 cotton futures traded between 66.75 and 68.42 cents. Mar/May and Mar/Dec cotton futures spreads were 0.39 cents and 1.11 cents. May 2020 cotton futures closed at 68.14, down 0.17 cents since last Friday.

Cotton	Mar 20	Change	Dec 20	Change
Price	67.75	0.25	68.86	0.13
Support	66.72	0.59	68.07	0.45
Resistance	68.52	-1.51	69.51	-1.07
20 Day MA	69.48	-0.62	70.57	-0.75
50 Day MA	68.20	0.26	69.71	0.14
100 Day MA	66.18	0.29	67.95	0.23
4-Week High	71.96	0.00	73.00	0.00
4-Week Low	66.75	-0.65	67.57	-0.98
Technical Trend	Down	=	Down	=



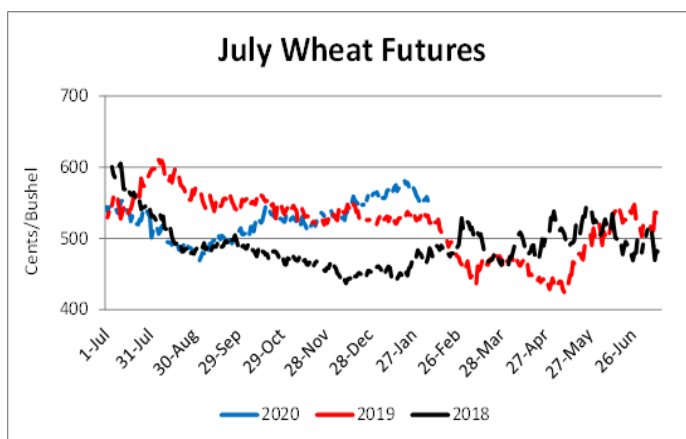
December 2020 cotton futures closed at 68.86, up 0.13 cents since last Friday. Downside price protection could be obtained by purchasing a 69 cent December 2020 Put Option costing 4.0 cents establishing a 65 cent futures floor.

Wheat

Wheat net sales reported by exporters were down compared to last week with net sales of 12.4 million bushels for the 2019/20 marketing year. Exports for the same time period were up 85% from last week at 14.9 million bushels. Wheat export sales were 80% of the USDA estimated total annual exports for the 2019/20 marketing year (June 1 to May 31), compared to the previous 5-year average of 86%. March 2020 wheat futures closed at \$5.58, up 5 cents since last Friday. March 2020 wheat futures traded between \$5.46 and \$5.65 this week. March wheat-to-corn price ratio was 1.46. Mar/May and Mar/Jul future spreads were -2 and -1 cents. May 2020 wheat futures closed at \$5.56, up 4 cents since last Friday. May wheat-to-corn price ratio was 1.43.

Crop Comments by Dr. Aaron Smith

Wheat	Mar 20	Change	Jul 20	Change
Price	\$5.58	\$0.05	\$5.57	\$0.05
Support	\$5.48	\$0.04	\$5.47	\$0.03
Resistance	\$5.68	-\$0.02	\$5.64	-\$0.02
20 Day MA	\$5.66	\$0.01	\$5.65	-\$0.01
50 Day MA	\$5.51	\$0.04	\$5.54	\$0.03
100 Day MA	\$5.30	\$0.03	\$5.36	\$0.03
4-Week High	\$5.92	\$0.00	\$5.89	\$0.00
4-Week Low	\$5.45	\$0.00	\$5.46	-\$0.03
Technical Trend	Up	=	Up	+



In Tennessee, June/July 2020 cash contracts ranged from \$5.58 to \$5.98. July 2020 wheat futures closed at \$5.57, up 5 cents since last Friday. Downside price protection could be obtained by purchasing a \$5.60 July 2020 Put Option costing 32 cents establishing a \$5.28 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>

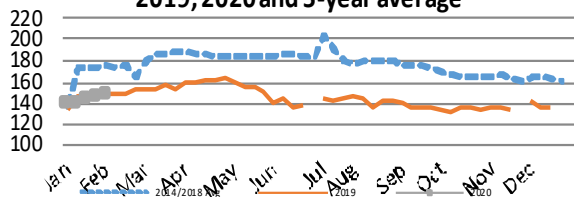
USDA AMS: Market News - <https://www.ams.usda.gov/market-news/search-market-news>

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.

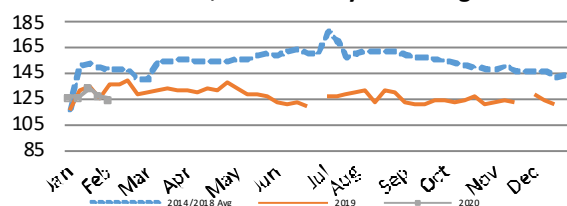
Prices Paid to Farmers by Elevators

		Friday, January 31, 2020---Thursday, February 6, 2020									
		Friday		Monday		Tuesday		Wednesday		Thursday	
		Low	High	Low	High	Low	High	Low	High	Low	High
No. 2 Yellow Soybeans		-----\$/bushel-----									
	Memphis	8.89-8.93		8.93-8.99		8.96-9.00		8.96-8.98		8.97-8.99	
	N.W. B.P.	8.94-8.94		8.98-9.00		9.00-9.02		8.98-9.00		8.98-9.01	
	N.W. TN	8.59-8.64		8.57-8.60		8.62-8.64		8.64-8.65		8.65-8.65	
	Upper Md.	8.81-8.85		8.66-8.88		8.80-8.90		8.80-8.91		8.83-8.91	
Yellow Corn											
	Memphis	4.01		3.99-4.01		4.03-4.04		4.01-4.03		3.99-4.01	
	N.W. B.P.	3.99-4.00		4.00-4.01		4.03-4.04		4.01-4.01		3.99-3.99	
	N.W. TN	3.89-3.96		3.88-3.93		3.88-3.97		3.91-3.96		3.88-3.93	
	Upper Md.	3.70-3.94		3.70-3.95		3.72-3.99		3.93-3.93		3.91-3.91	
Wheat											
	Memphis										
Cotton											
	Memphis	64.75-67.00		64.09-66.34		54.60-66.85		64.76-67.01		65.16-67.41	

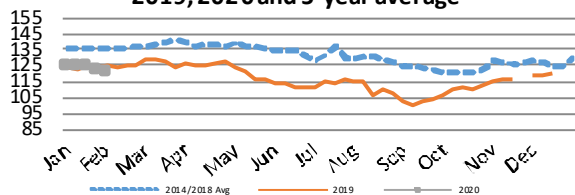
**Tennessee 500-600 lbs. M-1 Steer Prices
2019, 2020 and 5-year average**



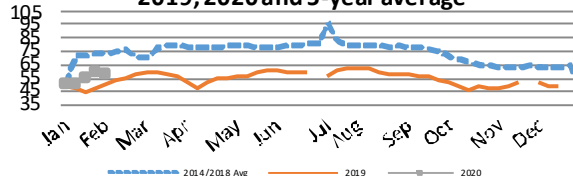
**Tennessee 700-800 lbs. M-1 Steers Prices
2019, 2020 and 5-year average**



**5-Area Finished Cattle Prices
2019, 2020 and 5-year average**



**Tennessee Slaughter Cow Prices
Breakers 75-80%
2019, 2020 and 5-year average**



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 Friday, February 7, 2020

	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	144.00	186.00	163.90	164.52	161.80
400-500 lbs	140.00	173.00	156.80	158.35	160.19
500-600 lbs	130.00	164.00	148.13	144.73	147.63
600-700 lbs	120.00	144.00	131.71	132.16	136.90
700-800 lbs	117.00	134.00	124.75	132.96	135.84
Steers: Small Frame #1-2					
300-400 lbs	150.00	155.00	153.30	145.36	145.86
400-500 lbs	132.50	157.00	148.59	153.73	135.36
500-600 lbs	110.00	135.00	125.36	129.74	130.95
600-700 lbs	---	---	---	118.79	125.59
Steers: Medium/Large Frame #3					
300-400 lbs	129.00	165.00	149.28	148.67	144.80
400-500 lbs	127.00	156.00	142.65	138.36	142.96
500-600 lbs	108.00	151.00	132.82	129.41	133.86
600-700 lbs	110.00	126.00	119.36	122.69	123.07
700-800 lbs	---	---	---	---	114.73
Holstein Steers					
300-400 lbs	---	---	---	---	---
500-600 lbs	---	---	0.00	0.00	---
700-800 lbs	---	---	---	---	---
Slaughter Cows & Bulls					
Breakers 75-80%	51.00	65.00	58.07	53.76	51.68
Boners 80-85%	38.50	53.00	47.42	52.02	53.34
Lean 85-90%	35.00	55.00	45.88	42.94	42.12
Bulls YG 1	0.00	0.00	0.00	73.73	70.52
Heifers: Medium/Large Frame #1-2					
300-400 lbs	122.00	150.00	136.85	135.92	134.00
400-500 lbs	118.00	142.00	130.14	133.05	130.49
500-600 lbs	107.00	135.00	124.35	122.57	124.59
600-700 lbs	102.00	128.00	115.74	116.56	117.67
Heifers: Small Frame #1-2					
300-400 lbs	120.00	127.50	123.75	126.49	127.58
400-500 lbs	111.00	125.00	118.08	119.74	124.58
500-600 lbs	106.00	115.00	110.20	111.22	113.72
600-700 lbs	---	---	---	98.55	106.64
Heifers: Medium/Large Frame #3					
300-400 lbs	110.00	140.00	127.45	126.15	126.21
400-500 lbs	110.00	130.00	120.32	126.23	120.35
500-600 lbs	102.00	127.00	115.12	114.31	118.86
600-700 lbs	100.00	115.00	106.03	109.96	109.33

Cattle Receipts

This week:8,901

Week ago:6,558

Year ago:8,536 (8)

Dickson Regional Livestock Center

Dickson, TN

Weighted Average Report for 02/03/2020

1 load of heifers, avg. wt. 692 lbs.; \$126.00

Hardin County Stockyard

Savannah, TN

Weighted Average Report for 02/05/2020

1 load of steers, avg. wt. 885 lbs.; \$125.50

Warren County Livestock Graded Sale

McMinnville, TN

Weighted Average Report for 02/05/2020

Total Receipts: 1,036

For complete report:

https://www.ams.usda.gov/mnreports/lld_mars_2079.pdf

Department of Agricultural and Resource Economics

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USDA / Tennessee Department of Agriculture Market News Service <http://www.tennessee.gov/agriculture/article/ag-farms-market-news>

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