AG NOTES

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WHAT'S THE MARKET?

I've shared with you over time how the market for our cattle and grains are responding to the virus crisis. Both are very important to the human population across the world and this country and particularly this county.

The first reason is obviously the food supply. Make no mistake here, the farmers of this country have produced a supply that is more than adequate. But this supply is being interrupted by processing facilities that have sick employees and in some cases these operations are being forced to shut the doors in response.

Headlines imply that some of the companies are ruthless in staying open, but they are caught in a bad predicament. They have animals and products that have to be processed or lost on the one hand, and on the other hand they have a staff of employees that are valuable and essential to that processing that are sick and need to be out until they recover. Many plants have closed voluntarily as a last resort, and we are beginning to see the results.

These closings will have consequences for all of us. I predict you will see shortages in some of the food chain. How long these shortages will last is unpredictable.

Drs. Andrew Griffith and Aaron Smith, livestock and crops economists for UT Extension, have provided this look at the market. (I'll have my comments in brackets.)

The 5-area weighted average prices through Thursday were $96.95 live, up $0.18 compared to last week and $154.27 dressed, down $0.06 from a week ago. A year ago, prices were $126.75 live and $204.62 dressed.

Cash trade was light again this week which is largely due to harvest facilities being shut down or the slowing of operations. There is nothing to say other than cattle feeders are having to market cattle into an absolutely terrible market.

The soft prices primarily stem from the cattle market assembly line backing up or bottlenecking at the packer level. The reduced slaughter levels are backing finished cattle up in the feedlot which means there is limited pen space for new feeder cattle placements.

Since there is little space to put feeder cattle, feedlot managers are not willing to bid very hard to pull those cattle out of the country and into their yards be-cause then they have more mouths to feed and nowhere to go with the animals that need to be leaving. This also puts a strain on the calf market because some stocker and backgrounding operations are at capacity and not able to move their heavy feeders to the feedlot.

The one thing that has kept the lighter calf market steady through the turbulence is the spring grass cattle demand. Lightweight calf prices have held their spot the past couple of months, but that would still be considered a soft market, because the calf market generally has a strong run during March and April.

(The real comparison is to what calf prices have been over the past five years or so in a "normal" market scenario. We are really off several percentage points from the norm.) Losses in the live cattle industry are estimated at just under $14 billion and this will go up. The meat trade is skyrocketed due to shortages at the stores and the demand.

Corn, soybeans, and wheat were down. Here are some historical numbers to illustrate the down grain market.

Nearby futures prices from the beginning of January to April 15th dropped approximately $1.25 for soybeans and $0.75 for corn. A rough estimate of losses is $2.84 billion for corn and $1.08 billion for soybeans, both still in storage on the farms and not marketed yet. That is $3.92 billion in lost value for two commodities, just in three months of trading.

(The corn market is also affected by the transportation and petroleum industries. Ethanol has dropped in demand, since the oil market has dropped to negative prices and the population has dropped in their driving habits. Corn used for ethanol production is not needed since so many of these plants have shut down, so this is reflected in market price.)

Soybean export sales and commitments were 79% 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 95%. Average soybean basis weakened at Memphis, Northwest Barge Points, Northwest, and Upper-middle Tennessee. May 2020 soybean futures closed at $8.32, unchanged since last Friday. For the week, May 2020 soybean futures traded between $8.08 and $8.48. July 2020 soybean futures closed at $8.39, down 3 cents since last Friday.

(A look at the charts for harvest time futures contacts show these grains are trading at lowest levels in three years and at these levels earlier in the year, and a big crop this year will only mean a supply in excess of demand and even lower prices.)

EMAIL ADDRESSES

I am planning on timely newsletters and email releases for all program areas provided by our office. As we continue on our mission of providing research-based information and education to our communities, I see group emails as a viable way to continue to do that. We use the print media, our websites and social media to disperse information, but we see that emails are heavily used by so many.

Please help us to collect your email addresses for timely messages from us. We don't share our contacts with anyone and we will use them guardedly. This is only an attempt to make sure we are able to serve our clients in Bedford County.

If you would like to be included in these email groups, please email me at jteague1@utk.edu and let me know that you want to be included in these email releases and what areas of interest you have.

Stay safe. Keep your distance. Wash your hands. Use a face mask in crowded areas and buildings.