AG NOTES

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FARMERS MARKET

It was really good last week, and we are expecting a good turnout of vendors and customers. The market is Thursday afternoons, 2:30 pm (no early sales), next to the big blue water tower at the Celebration Grounds. Come see us.

WHAT'S THE MARKET?

Drs. Andrew Griffith and Aaron Smith, UT Extension livestock and crop economists, shared these comments. And I may share mine in brackets.

Fed cattle traded steady to $1 higher compared to last week on a live basis. Prices on a live basis were primarily $120 to $122 while dressed prices were mostly $196 to $198. The 5-area weighted average prices thru Thursday were $121.05 live, up $0.40 compared to last week and $197.49 dressed, up $0.70 from a week ago. A year ago, prices were $98.49 live and $160.02 dressed.

Finished cattle prices are holding their ground, which means cattle feeders are probably experiencing higher cash prices than they expected for this time of year given the price cattle were trading a month or two ago. There have not been any signs of the market moving lower as live cattle futures continue to call for higher prices moving through the third and fourth quarter of the year.

Live cattle futures do not appear to be as optimistic as they were, but there remains plenty of optimism moving forward. Seasonal trends would suggest finished cattle prices softening through August, but that is a difficult idea to entertain or sell given the strength that has remained in the market in recent weeks. Similarly, it is hard to sell a strengthening market through August.

Based on Tennessee weekly auction market data, steer prices were unevenly steady compared to a week ago while heifer prices were mostly steady compared to last week. Harvest cow prices were steady to $1 higher while harvest bull prices were mostly steady compared to the previous week.

With confidence, one can say the feeder cattle market has experienced support the past six weeks. The August feeder cattle contract has traded in a range of $152 to $163 during that time period and has shown no signs of breaking out to the low side or the top side. At the same time, the CME feeder cattle index has been hovering around $154, which means there should be no problem for futures and cash prices to converge the next few weeks with prices in the mid to upper $150s.

There have been several analysts question why feeder cattle prices continue to experience strength. The answer is a combination of several factors. First, cattle going on feed today would most likely be traded on the February live cattle contract, which is trading over $137. The value of gain when buying an 800-pound steer at $154 and selling him at 1,400 pounds at $137 is $1.14 per pound. Second, corn and other feedstuff prices have softened, which means expected cost of gain is likely lower than the value of gain at this point. Third, cattle feeders have to be calculated risk takers, but that means they are still risk takers. Sometimes taking on risk is necessary to achieve a profit. Lastly, many feedlots must fill pen space, or their fixed costs will result in a loss to the operation also.

This does not necessarily explain everything related to feeder cattle price strength, but it is a good start to what is supporting prices.

Corn and wheat were up; cotton and soybeans were mixed for the week. Weather has and will continue to be a dominant factor in price direction for row crops as we approach harvest. However, looking forward demand will play an important role in price direction. Specifically, export demand. As such, it is beneficial to examine the USDA's 2021/22 marketing year projections for U.S. production and exports, along with the attendant U.S. contribution to global exports.

For corn, the USDA estimates 2021/22 marketing year production at 15.165 billion bushels and exports at 2.5 billion bushels (16.4 % of U.S. production). Total global exports are projected at 7.828 billion bushels. The U.S. share of global corn exports for the 2021/22 marketing year is projected to be 31.9%. 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. September 2021 corn futures closed at $5.47, unchanged since last Friday. For the week, September 2021 corn futures traded between $5.36 and $5.64.

For soybeans, the USDA estimates 2021/22 marketing year production at 4.405 billion bushels and exports at 2.075 billion bushels (47.1 % of U.S. production). Total global exports are projected at 6.351 billion bushels. The U.S. share of global soybean exports for the 2021/22 marketing year is projected to be 32.7%. Across Tennessee, average soybean basis strengthened or remained unchanged at West-Central and North-Central; and weakened at West, Northwest, Mississippi River elevators and barge points. August 2021 soybean futures closed at $14.14, up 13 cents since last Friday. For the week, August 2021 soybean futures traded between $13.80 and $14.49. September 2021 soybean-to-corn price ratio was 2.48 at the end of the week.

For wheat, the USDA estimates 2021/22 marketing year production at 1.746 billion bushels and exports at 875 million (50.1% of U.S. production). Total global exports are estimated at 7.495 billion bushels. The U.S. share of global wheat exports for the 2021/22 marketing year is projected to be 11.7%. In Tennessee, spot wheat prices at elevators and barge points ranged from $6.44 to $6.95. September 2021 wheat futures closed at $7.03, up 19 cents since last Friday. September 2021 wheat futures traded between $6.65 and $7.11 this week. December 2021 wheat futures closed at $7.13, up 20 cents since last Friday.

The U.S. is projected to supply about 1/3 of total global exports of corn, soybeans, and cotton. About 85% of U.S. cotton and 50% of U.S. soybean and wheat production is projected to be exported. The amount exported will be contingent on 2021 production, as significant uncertainties remain regarding the size of the crop. Nevertheless, export sales will have a strong influence on prices throughout the fall and winter.