AG NOTES

By John Teague
UT/TSU Extension
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WHAT'S THE MARKET?

Drs. Andrew Griffith and Aaron Smith, livestock and crop economists with UT Extension, shared these comments. (I may have some in parentheses.)

Fed cattle traded $3 to $4 higher compared to last week on a live basis. Prices on a live basis primarily ranged from $139 to $144 while dressed prices were mainly $229 to $230. The 5-area weighted average prices thru Thursday were $143.73 live, up $3.21 compared to last week and $229.73 dressed, up $3.71 from a week ago. A year ago, prices were $122.85 live and $195.54 dressed.

Based on Tennessee weekly auction market reports, steer prices this week were $2 to $5 lower compared to a week ago while heifer prices were $3 to $6 lower compared to last week. Harvest cow prices were $1 to $3 higher while bull prices were steady compared to the previous week.

The quantity of cattle being sold through local markets was slowed due to severe heat and humidity this week with heat indices consistently exceeding 100 degrees. The same heat wave reduced buyer interest as hauling and sorting cattle in extreme temperatures results in increased stress, which then results in increased shrink, morbidity and mortality. (Nobody wants that to deal with.)

Much of the Southeast United States could be facing some severe conditions if moisture is not received fairly quickly. This situation should put producers on notice as they attempt to determine strategies to reduce the impacts of current climatic conditions. No one wants to be forced in to selling cattle, but if pastures get short then selling a few cattle or paying high feed prices may be the only two alternatives to make it through the situation. Producers are not in a dire situation at this point, but it never hurts to be prepared and have a plan. (Hay is a real concern for livestock folks right now, and the usual alternatives of buying hay locally or from other areas may not be good ones. The spring crop of hay was really short for most folks.)

On the crop side, corn was up, and soybeans, cotton, and wheat were down for the week.

This week the Dow Jones Industrial Average (DJIA) continued its downward trajectory. In the past six months, the DJIA is down 5,043 points (14.44%), closing Friday at 29,889. The Federal Reserve increased the benchmark interest rate by 0.75% the largest interest rate increases since 1994. Additional increases in 2022 of 1 to 2.5% seem likely as the Federal Reserve attempts to slow inflation. The current annualized inflation rate is estimated at 8.6%. Inflation and interest rates have dramatic implications for agriculture due to elevated input prices and increased debt servicing requirements. (Economic conditions directly affect costs to farmers, and usually any negatives cause prices they receive to fall as well, causing a double whammy.)

December corn has rebounded off the recent June 1 low of $6.82, closing the weak at $7.31 and positioning the contract to possibly take out the current high of $7.66 ¼. The USDA's June 30th Acreage report could provide the fuel for corn to take another step up. The December corn contract has solid support near $6.80.

After last week's November soybean contract high of $15.84 ¾, prices retreated 43 cents this week. The long term up trend in soybeans prices remains intact, however without new bullish information a correction could be forthcoming. Protecting against a downside move in soybeans futures should be considered for producers with limited price protection for the 2022 crop.

Is the current pull back in July wheat futures a result of harvest progressing or are wheat markets commencing a downward trend? Wheat futures have traded largely between $10.00 and $12.50 since the beginning of March.

(Like so many other businesses, farmers are hurting. It seems that any progress in prices is offset by extremely high costs. Remember, they pay retail for inputs and receive wholesale prices for their production. And then factor in the weather, there is only one set of good conditions, and several bad ones. Hot, dry, cold or wet, is worse than warm or cool with adequate and timely moisture. What we faced last week and will continue with this week will result in some shortages of some kind. And that goes for our weather. About half of the United States is under drought of one level or another. It is really bad out west, with lack of water affecting crops of all kinds and livestock production. Death loss of harvest ready cattle in feedlots due to extreme heat has been reported and ranchers are in a sell-off mode in many areas. Planting is somewhat off schedule all over and those areas that use irrigation water are being rationed at the very least, reducing plantings.)

Let’s all hope this gets better.