Scott Strawn CEA-AG
402 Expo Dr
Perryton, TX 79070
Tel: 806-435-4501
scott.strawn@ag.tamu.edu

TX Livestock & Horse Brands Expiring, Need To Renew by February-

Tiffany Lashmet, J.D.
Texas A&M AgriLife Extension

In Texas, if a livestock owner uses brands, earmarks, tattoos, or electronic devices to mark their cattle, hogs, sheep, goats, or horses, they must register the brands with the county clerk. See Texas Agric. Code Sections 144.001; 144.041. Brands must be registered at the county clerk's office in any county where the livestock resides. See Texas Agric. Code Section 144.041. For example, if we have livestock both in Ochiltree County and in Hansford County, we will need to ensure that our brand is registered at both of those county clerk's offices. The registration will require identifying the brand itself, along with the location where the brand or other identifying information is placed on the animal. See Texas Agric. Code Section 144.042. Once producers renew their brands between now and February 28, 2022, they will be in place until August 30, 2031. For more information in Ochiltree County contact the County Clerk office at 806-435-8040

NOVEMBER 2021

OCHILTREE COUNTY AG NEWSLETTER

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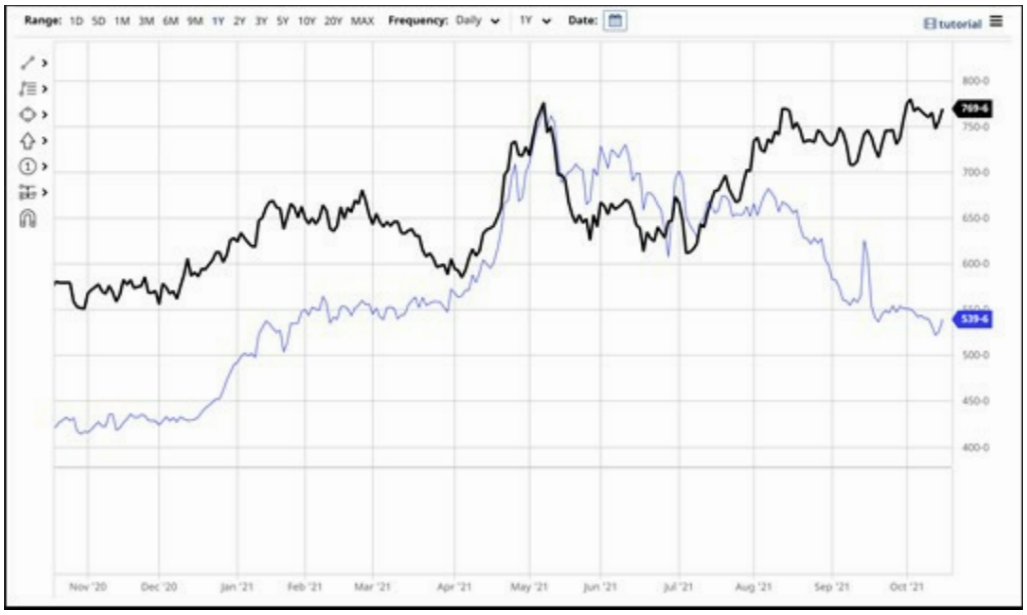
Wheat Market Outlook

Dr. Justin Benavidez - Texas A&M AgrilLife Extension

Wheat prices have followed corn prices for a long time in the last two years. During that time, corn prices were one of the most critical drivers to explain wheat market behavior. On the graph below (Graph 1. Kansas HRW Cash Price and CME Corn Cash Price), Kansas HRW cash prices (black line) followed CME cash corn prices. However, that trend changed about mid-July, in which wheat supply and demand fundamentals started playing a significant role in defining the market price.

Wheat cash prices sharply increased during the last semester of 2021, given a sharp decline in the US ending stocks of approximately 31% compared to the previous season. July 2022 Kansas HRW prices have also shown substantial growth during this last semester of 2021. The effect of the La Nina weather event will play a significant role in market price this year, given the low level of ending stocks. Fertilizer and input prices have also increased for the 2022-23 season, increasing the breakeven prices as previously discussed in the blog. These market prices are giving us an opportunity to hedge for those high input prices that we are locking up this year.

Graph 1. Kansas HRW Cash Price and CME Corn Cash Price



World wheat demand slightly increased during this season. The US, Russia, and Canada spring wheat production were lower than expected due to lack of rainfalls (Graph 2).

Graph 2. Wheat Conditions. Source: Global Agriculture Monitoring – GEOGLAM.

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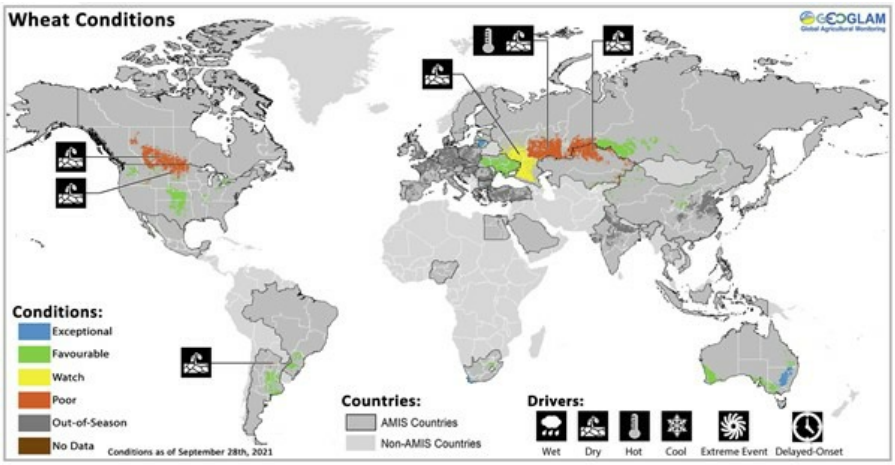
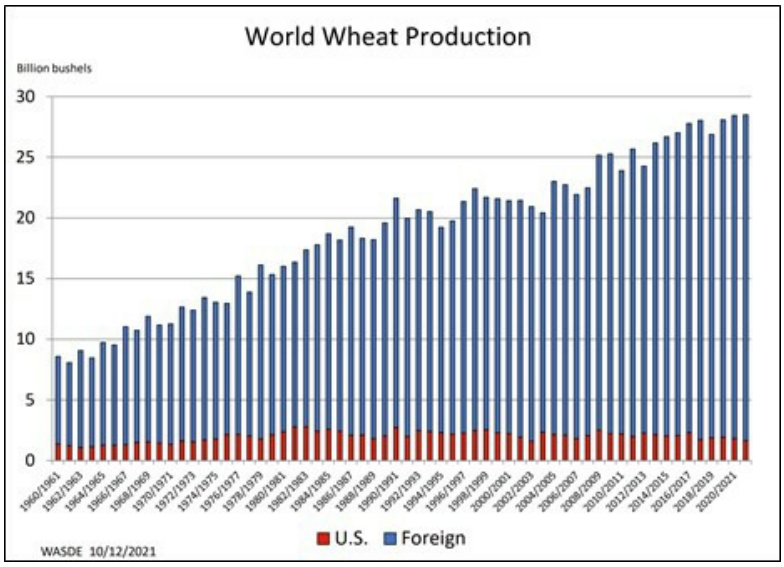


WASDE projected world wheat production is slightly higher than last year (775.87 mill mt). A higher production level in the EU, China, India, Argentina, and Australia compensated for the lower production from Russia, the US, and Canada. (Graph 3). World demand increased around 1%, resulting in a reduction of world wheat stocks of approximately 4% for the projected 2021-22 season (WASDE – USDA).



In the US, projected WASDE ending stock has significantly decreased compared to last year. Wheat production in the US for 2021-22 is projected to be the lowest in the previous 19 years. We have to go back to 2002 to see a production lower than 2021/22. Moreover, we have to go back to 07/08 to see wheat ending stocks lower than this season, even though 2013/14 was very close.

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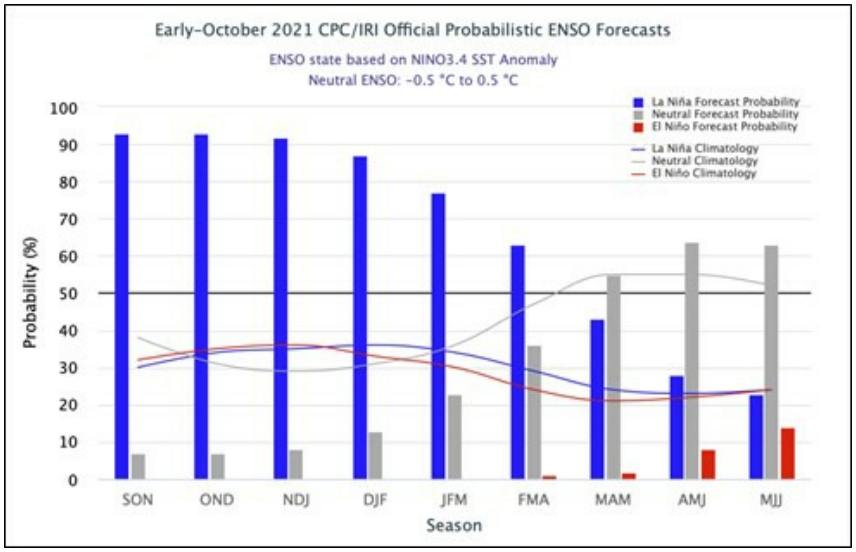
WASDE October report estimated 2021/22 ending stocks in 580 (mill bu.), far lower than the 1 million bushels threshold we had for several years and around 31% lower than last year. Demand in the US did not increase during the previous season. Exports were estimated to be about 12% lower than last season. At the same time, feed and residual used increased by about 38 million bushels, given the need for feed due to high corn prices during this period (Table 1).

Item	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Planted Ac. (Mil. Acs.)	56.2	56.8	55	50.1	46.1	47.8	45.5	44.3	46.7
Harvested Ac. (Mil. Acs.)	45.3	46.4	47.3	43.8	37.6	39.6	37.4	36.7	37.2
Yield (Bushels)	47.1	43.7	43.6	52.7	46.4	47.6	51.7	49.7	44.3
Supply	- - - - - - - - - - - - - - - Million Bushels - - - - - - - - - - - - - - -								
Beginning Stocks	718	590	752	976	1,181	1,099	1,080	1,028	844
Production	2,135	2,026	2,062	2,309	1,741	1,885	1,932	1,826	1,646
Imports	172	151	113	118	158	135	104	100	125
Total Supply	3,025	2,768	2,927	3,402	3,080	3,119	3,116	2,954	2,616
Disappearance									
Feed and Residual	228	113	149	160	47	88	97	97	135
Food and Seed	1,031	1,038	1,024	1,010	1,027	1,013	1,022	1,022	1,026
Exports	1,176	864	778	1,051	906	937	969	992	875
Total Use	2,435	2,015	1,952	2,222	1,981	2,039	2,087	2,110	2,036
Ending Stocks	590	752	976	1,181	1,099	1,080	1,028	844	580
Carryover/Use (%)	24.24	37.33	49.99	53.15	55.48	52.97	49.26	40	28.49
Avg. Farm Price ($/Bu.)	6.87	5.99	4.89	3.89	4.72	5.16	4.58	5.05	6.7

What can we expect for next season?

Given the forecasted weather's uncertainty, today's futures markets for the next HRW Winter crop have promising prices. The risk of lower wheat production in the US due to lower yields and lower corn production in the southern hemisphere has increased due to an upcoming Nina. The Early-October 2021 CPC/IRI Official Probabilistic ENSO Forecast has increased the likelihood of having a Nina during this winter season in the US until approximate springtime (Graph 4). The Nina weather event is usually correlated with less rainfall in the Rolling Plains and most winter wheat areas from the US. It is also correlated with higher chances of a drought in Argentina and some areas of Brazil, which can decrease corn production in that area, supporting prices for feed grains.



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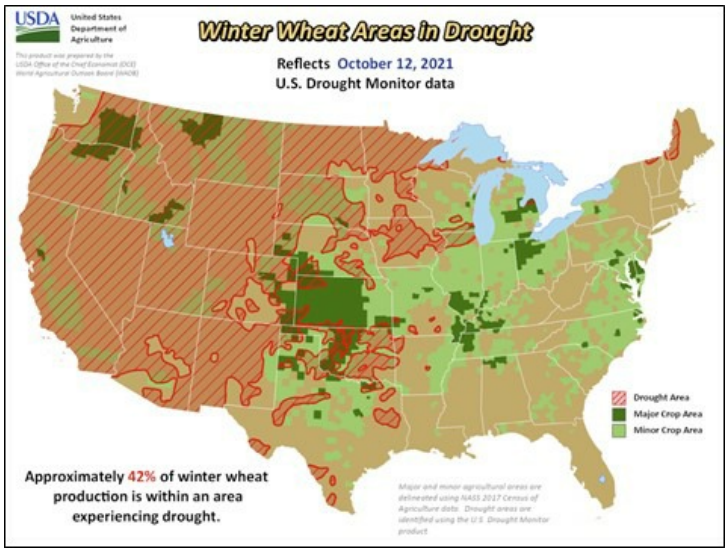
Drought conditions in the Southern High Plains have progressed during the last months. During September, the winter wheat area under drought conditions was about 33% in the US. USDA's latest report reflects an increase of 9 points. Winter wheat area under drought in the US is approximately 42% as of October 12, 2021 (Graph 5). The development of drought conditions in the US for winter wheat will play a significant role in the market for next season, considering the low beginning for the 2022-23 market.



The table below shows three different projected production scenarios for next year, given three yield levels (Table 2). It was assumed to increase the acreage by about 6% (Farm Futures Survey – August 2021) compared to last year and an average of 83% of harvested area. By November, USDA will release their model forecast from which we can estimate another 2022 planted acreage.

This projection showed that ending stocks for 2022-23 are still tight by the end of next season, even with higher yields. Projecting larger planted acres than last year and high yields, ending stock will improve, but still lower than the previous seven years.

Item		22/23		
	21/22	Low Yield	Average	High Yield
Planted Ac. (Mil. Acs.)	46.7	49.7	49.7	49.7
Harvested Ac. (Mil. Acs.)	37.2	41.3	41.3	41.3
Yield (Bushels)	44.3	45.0	49.2	51
Supply	Million Bushels			
Beginning Stocks	844	580	580	580
Production	1,646	1,856	2,030	2,104
Imports	125	125	125	125
Total Supply	2,616	2,561	2,735	2,809
Disappearance				
Feed and Residual	135	135	135	135
Food and Seed	1,026	1,026	1,026	1,026
Exports	875	875	875	875
Total Use	2,036	2,036	2,036	2,036
Ending Stocks	580	525	699	773
Carryover/Use (%)	28.49	26	34	38

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July 2022 HRW Prices have significantly increased during these last three months (Graph 6). Weather events will play a significant role in supporting these prices given the low ending stocks. Total production will depend on the final acreage planted this year. On the other hand, a reduction in exports or an increase in production from Australia, Argentina, and other countries, given this price level, might reduce the upward trend on prices.

Marketing Strategies:

Considering the estimated effect on yield of the drought on your farm, or the yield level protected by crop insurance, the market is giving us an opportunity to hedge a portion of our production using forward contracts, the futures market, or a combination of both.

Please check for current prices with your broker before. Suppose you are bullish (think that the market can go higher). In that case, you might consider buying a Put option, selling a future contract or doing a forward contract while buying a Call, maybe out of the money to make it cheaper. Remember that buying and selling futures have risks and will require margins when the price fluctuates. Buying an Option on the contrary, will required to purchase the premium only. Check with your brokers about strategies, price coverage levels, fees, and margins before operating in the futures markets.

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