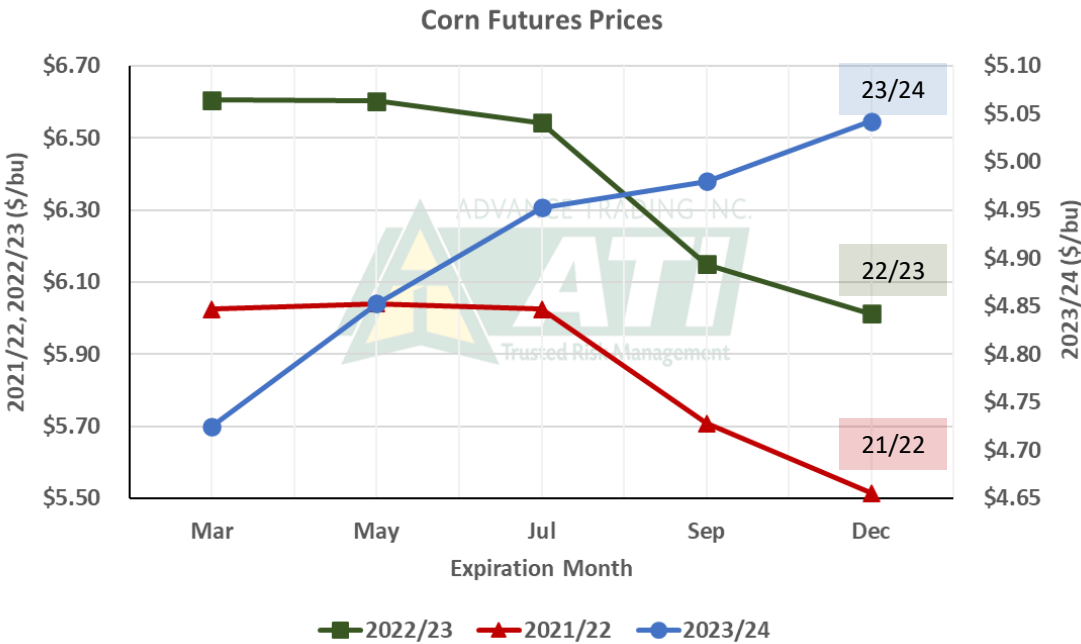


# Producer Wire

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## The Importance of Managing Futures Market Carry

The premium of deferred corn futures contracts, or market carry, is higher this year compared to recent years. Futures prices offered for 2024 delivery are not guaranteed to be at today's level as the crop year proceeds, however, with market erosion possible if no major supply or demand surprises are seen. A variety of risk management tools can be utilized to "lock in" the current market carry, while also providing the flexibility to participate if a price rally develops.



**LIVESTOCK**

Kansas cash cattle prices were up \$1.06 cwt from last week at \$169.91 projected a loss of \$242.36 to \$298.14 per head depending on how the feed was purchased. Projections indicate a loss for un-hedged producers.

[\(Read more...\)](#)



**EGGS/POULTRY**

Egg prices were up 32.0 cents from last week at 173.3 cents/dozen and were above estimated production costs. Total production costs were down 1.1 cents/dozen from the week before at 68.9 cents/dozen. With this, producer margins were positive 104.4 cents/dozen.

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## Highlights

Market carry in corn futures is higher this year compared to recent years

A variety of risk management tools can be utilized to "lock in" the current market carry, while maintaining flexibility

Cash hog prices declined last week, and returns remained below estimated production costs for most producers

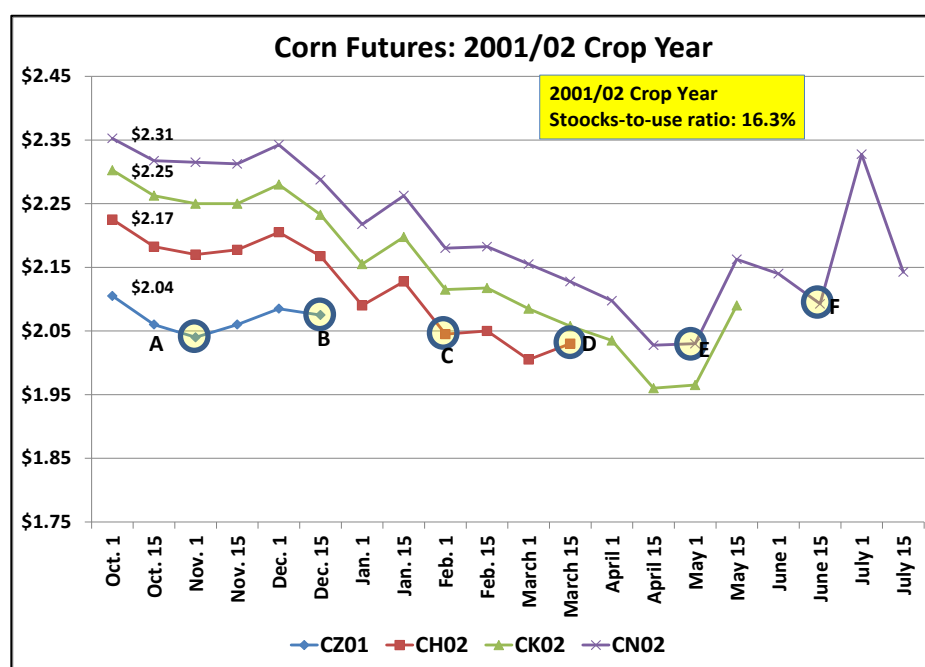
Ethanol grind: 1,071,000 barrel/day for week ending Dec. 15—down 0.3% vs last week but up 4.1% vs. 2022

# Futures market premiums currently offered for deferred 2024 corn contracts may erode with time

The premium of deferred corn futures contracts, or market carry, is higher this year compared to recent years.

**What's extremely important to note, however, is that the futures prices offered for 2024 delivery are not guaranteed to be at today's level later in the crop year.** The best way to illustrate this is with an example. On Nov. 1, 2001, the December 2001 corn contract closed at \$2.04 (point "A" on chart at left). By Feb. 1, the March 2002 contract was also at \$2.04 (point "C"), although that was \$0.13 lower compared to where it was on Nov. 1.

Note how the May and July contracts also generally eroded during the crop year (points "C", "D", "E" and "F"); e.g., on May 1 (point "E"), July futures were at \$2.03—\$0.28 below where the contract was on Nov. 1. Even though the market eventually rallied, July futures by expiration were still \$0.17 below the Nov. 1 price. In the absence of a major surprise in supply or demand, this gradual erosion in price has often happened in a crop year characterized by large "market carry".



Note the U.S. corn stocks-to-use ratio for 2001/02 was 16.3%. By comparison, the U.S. corn stocks-to-use ratios for the past three crop years i.e., 2020/21, 2021/22 and 2022/23 were 8.3%, 9.2% and 9.9%, respectively. Utilizing data from the USDA Supply/Demand report earlier this month, the projected stocks-to-use ratio for 2023/24 is 14.7%. *This is much closer to what was seen in 2001/02 compared to the each of the past three years.*

It's impossible to say at this point if this pattern of gradual price erosion will occur in the 2023/24.

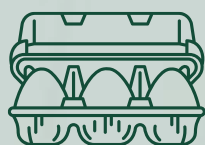
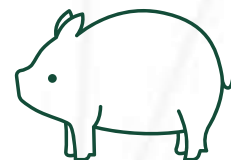
**A variety of risk management tools can be utilized to "lock in" the current market carry, however, while also providing the flexibility to participate if a price rally develops.** It is prudent with harvest complete to consult with your *Advance Trading* advisor to identify which strategy is the best fit for your operation.

# LIVESTOCK



The average cash price for 750-pound feeder cattle was down \$3.36 from the week before at \$231.54/cwt. Expected corn costs were down \$0.08 from the week before at \$5.73/bushel. At these levels, we pencil a breakeven price of \$187.07/cwt, down \$2.50 /cwt from the week before. With cash cattle in May projected to be \$176.68 /cwt, a feedyard could expect a loss of \$129.90 per head.

The Iowa/So. Minnesota weekly average price was down \$1.95/cwt from the week before to \$35.51/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs projected a loss of \$50.27 to \$53.93 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in April and with estimated corn costs up \$0.23 at \$4.65/bushel and soybean meal down \$9.10 to \$435.60/ton, expected production costs are \$55.24/cwt to raise the pig to a live market weight in October. With cash hogs projected to be \$71.21/cwt, a pork producer would have a profit of \$39.93/cwt.



Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 12/09/23 were down 3.1% from the week before. Egg sets were down 4.2% from a year ago and average egg set over the last four weeks is down 1.9% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 0.6% less than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 1.4% above the five-year average. Chick placements were down 1.3% from year ago levels. Placements during the latest week were up 1.2% from last week and placements over the last four weeks were down 1.1%.

Chicken prices were up \$0.08 from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$5.57 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were up \$0.01 from last week at \$3.57 per bird. With this, estimated returns were up \$0.07 from the week before at \$2.00 per bird.

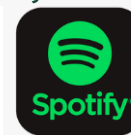


Ethanol grind: 1,071,000 barrels/day for the week ending Dec. 15—down 0.3% vs last week but up 4.1% versus 2022. Stocks were 22.906 mb, up 0.806 mb from the prior week but down 1.161 mb versus last year.

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