

Producer Wire

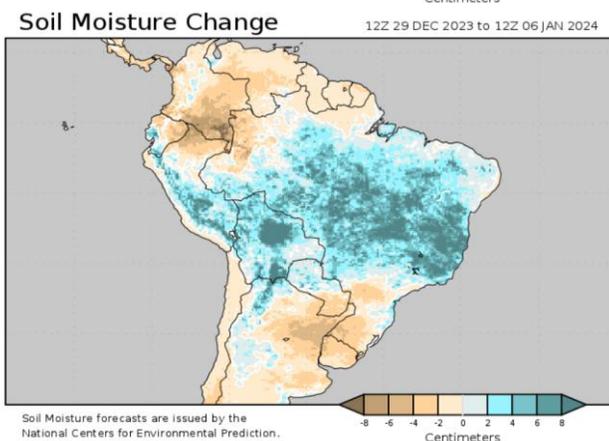
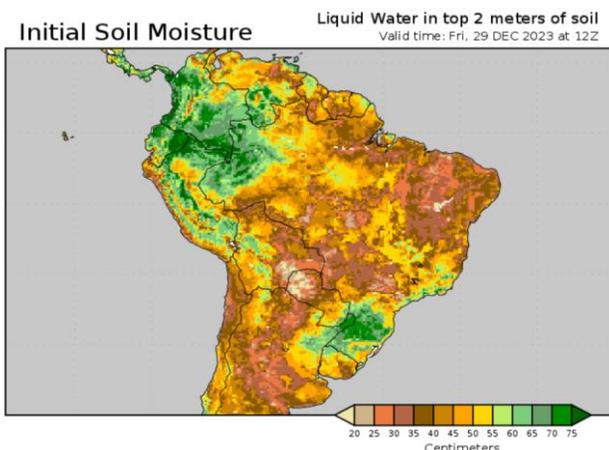
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Anticipating the Behavior of a Weather Market is Impossible—Manage Risk

Interest in South American weather trends is high at the moment. Changes in weather patterns are often associated with increased price volatility, underscoring the importance of developing and implementing a disciplined approach to risk management. As always, your *Advance Trading* advisor is ready to help implement a customized marketing strategy for your operation.



Source:
The Center for Ocean-Land-Atmosphere Studies

Highlights

Uncertainty high regarding South American weather

Increased price volatility—and opportunity—is seen

Weather markets are often quiet volatile, underscoring importance of a disciplined approach to marketing

Ethanol grind: 1,107,000 barrel/day for week ending Dec. 22—up 3.4% vs last week and up 15.0% vs. 2022

ENERGY/ETHANOL

Ethanol grind: 1,107,000 barrels/day for the week ending Dec. 22—up 3.4% vs last week and up 15.0% versus 2022. Stocks were 23.517 mb, up 0.611 mb from the prior week but down 1.119 mb versus last year.

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Weather uncertainty likely to add to price volatility with key part of growing season for South America at hand

It appears that Oct-Dec of 2023 will rank as the driest since at least 1979 for the Brazilian states of Mato Grosso and Goiás. A significant pattern change to much wetter conditions is being forecast for this region starting on Dec. 31, however, and possibly lasting through the first half of January. While some contend that this upcoming period could be one of the wettest on record for the region, others suggest that some crop damage is irreversible at this point. Given this uncertainty, let's review some time-honored principles that accompany weather markets.

Price can exceed expectations—both to the upside and downside: There are some projections that the corn and soybean markets have already bottomed. **As a student of the market, you understand this critical fact: We simply don't know what the low will be since price prediction—in this case, anticipating the behavior of a weather market—is impossible.** It's also important to remember that price can exceed expectations, both to the upside and downside. In this type of environment, it's critical to exercise discipline to manage price risk.

Increased price volatility—and opportunity—is seen: Increased price volatility can be viewed with fear, or as opportunity. We strongly believe that increased price volatility should always be viewed as opportunity.

Execution is key to managing a weather market event: It's one thing to acknowledge that price prediction is impossible and price volatility should be viewed as opportunity. It's another to do something about it—that is, design and execute a risk management strategy. By executing a well-thought-out marketing plan, you are taking control of the situation as opposed to acting on a whim that can lead to less than desirable results.

Weather related production concerns can present attractive pricing opportunities. Such events are often quite volatile, however, underscoring the importance of developing and implementing a disciplined approach to risk management. As always, your *Advance Trading* advisor is ready to help implement a customized marketing strategy for your operation.

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