

# Producer Wire

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## Utilizing Options Can Help Control Emotions of Marketing

## Highlights

Soybean futures since early-October have experienced a major rally, although increased uncertainty has surfaced in February. A wide swing in emotions has surfaced in association with the increased price volatility of late, alternating from optimism to concern. Experiencing a range of emotions over a short period of time can potentially be detrimental to the effective implementation of strategies not only for the current crop but also for next year's production. Incorporating options into marketing can help control emotions by utilizing a more disciplined approach to risk management. Your *Advance Trading* advisor is prepared to assist with the development of strategies that best meet your needs.

Emotions can potentially be detrimental to the implementation of a risk management strategy

The emotional or psychological part of marketing is real.

Options help control Emotions.

Options can help control emotions by utilizing a more disciplined marketing approach

Cash hog prices increased last week but returns were below estimated production costs for most producers

### LIVESTOCK

Kansas cash cattle prices were up \$1.67 cwt from last week at \$160.23/cwt. At the current price, a feedyard that was not hedging lost \$193.93 to \$216.90 per head depending on how the feed was purchased. Projections indicate a loss for un-hedged producers. (Read more...)



### EGGS/POULTRY

Egg prices were down 34.3 cents/dozen from last week at 199.0 cents/dozen and remained above estimated production costs. Total production costs were up 0.5 cent/dozen from the week before at 80.6 cents/dozen. With this, producer margins were positive 118.4 cents/dozen. (Read more...)

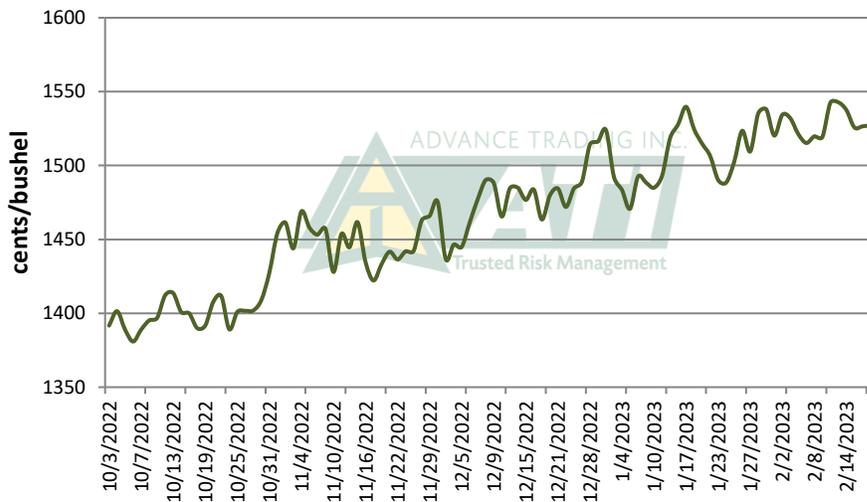


Ethanol grind: 1,014,000 barrel/day for week end Feb. 10—up 1.4% v. last week and up 0.5% v. 2022

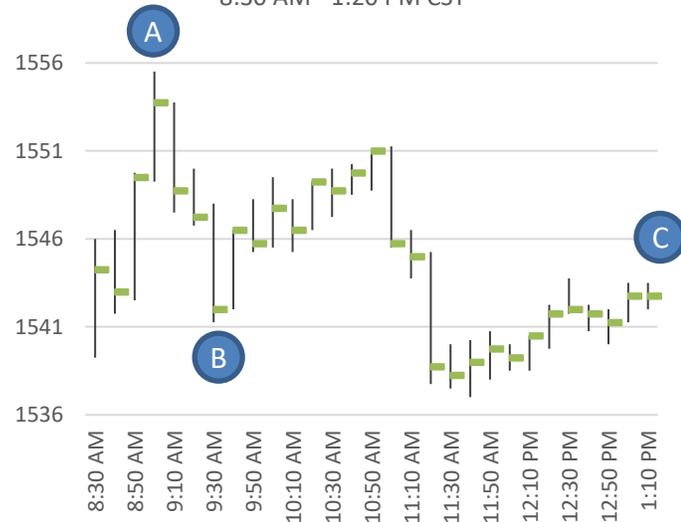
## A disciplined marketing approach can help manage rapid swings in the market

In early-October, March soybean futures were trading below \$13.75 with talk of sub-\$13.00 prices being seen by the conclusion of harvest. A number of fundamental events have since combined to spur a major rally, with the contract posting a high of \$15.55 ½ on Feb. 13 (A). That price was \$0.13 higher than the settlement price of the previous day. On that same day, however, the contract abruptly reversed direction and plummeted \$0.18 from the high (B) and settled less than a penny higher compared to the day before (C). The contract then declined a total of \$0.26 over the next two trading sessions, before erasing those gains by rebounding \$0.14 on Thursday-Friday of this week.

### March soybean futures



March Soybean Futures on February 13, 2023  
8:30 AM - 1:20 PM CST



With the entire 2023 growing season ahead, this type of back-and-forth movement in prices may be more the rule, rather than the exception. Given this possibility, how should you approach your risk management strategy? As a student of the market, you understand that increased market volatility should be viewed as potential opportunity, rather than with fear. That principle has been amplified recently as we have seen how quickly attitudes towards markets can change. While the general feeling prior to the Feb. 8 Supply/Demand report was 'how much higher can this market go?', it has since turned somewhat to 'is it near a peak?' *In the absence of a disciplined marketing strategy, rapid swings in the market such as those seen of late can be associated with emotions that can potentially be detrimental to the implementation of old- and new-crop strategies.*

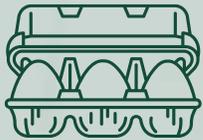
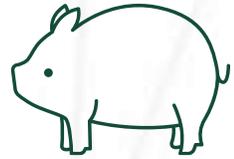
**Incorporating options into marketing can help control emotions by utilizing a more disciplined approach to risk management.** For example, owning a put or call option allows a producer to manage higher, or lower markets. This is in sharp contrast to an approach that is characterized by hoping the market will continue to move higher or rebound after experiencing a setback. The flexibility afforded by options can also be a valuable component of a comprehensive risk management plan. Your *Advance Trading* advisor is prepared to assist with the development of strategies that best meet your needs.

# LIVESTOCK



The average cash price for 750-pound feeder cattle was up \$7.00/cwt from the week before at \$194.00/cwt. Expected corn costs were down \$0.07 from the week before at \$7.47 /bushel. At these levels, we pencil a breakeven price of \$173.85/cwt, up \$4.06/cwt from the week before. With cash cattle in June projected to be \$157.82/cwt, a feedyard could expect a loss of \$200.31 per head.

The Iowa/So. Minnesota weekly average price was up \$3.04/cwt from the week before to \$58.02/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs lost from \$10.33 to \$15.90 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in June and with estimated corn costs at \$6.71/bushel and soybean meal at \$502.40/ton, expected production costs are \$64.41/cwt to raise the pig to a live market weight in December. With cash hogs projected to be \$72.16/cwt, a pork producer would have a profit of \$19.38 per animal.



Broiler egg sets during the latest reported week were above last year's levels. Egg sets during the week ending 02/04/23 were down 0.1% from the week before. Egg sets were down 0.2% from a year ago and average egg set over the last four weeks is up 0.3% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 2.4% more than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 2.2% above the five-year average. Chick placements were down 0.3% from year ago levels. Placements during the latest week were down 0.4% from last week and placements over the last four weeks were up 0.6%.

Chicken prices were up \$0.02 per bird from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$5.35 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were unchanged from last week at \$3.97 per bird. With this, estimated returns were up \$0.01 from the week before at \$1.37 per bird.



Ethanol grind: 1,014,000 barrels/day for the week ending Feb. 10—up 1.4% versus last week and up 0.5% v. 2022. Stocks were 25.339 mb, up 0.922 mb from the prior week, but down 0.144 mb versus last year.

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