

Producer Wire

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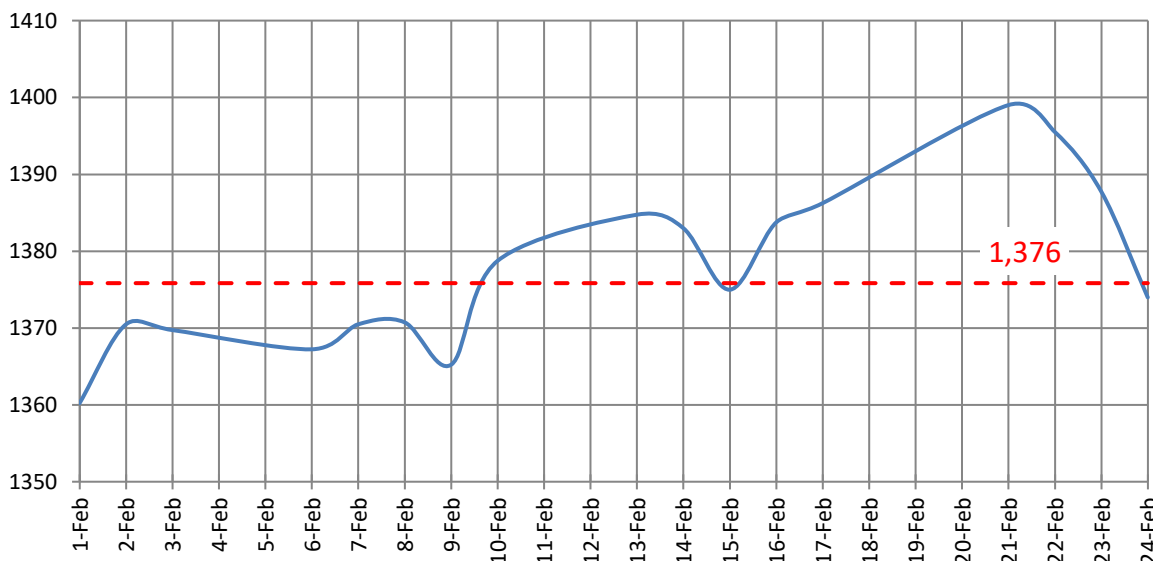


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Crop Insurance Important but Only Part of Overall Risk Management Strategy – Part 2

Crop insurance and yield scenarios are examined for projected 2023 soybean production. As highlighted previously for corn, a marketing program that utilizes options in conjunction with crop insurance generates the opportunity to participate in a stronger market while simultaneously providing downside price protection. Please consult with your Advance Trading advisor to review how to incorporate options together with crop insurance as part of a comprehensive risk management strategy.

November 2023 Soybean Futures (cents/bu)



Crop insurance a valuable tool as part of a risk management strategy but has some limitations

Options can be incorporated with crop insurance as part of a comprehensive risk management strategy

Broiler egg sets during the latest reported week were below last year's level

LIVESTOCK

Kansas cash cattle prices were up \$2.20 cwt from last week at \$164.00/cwt. At the current price, a feedyard that was not hedging lost \$96.49 to \$137.17 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 16.0 cents/dozen from last week at 232.7 cents/dozen and remained above estimated production costs. Total production costs were down 1.1 cent/dozen from the week before at 78.7 cents/dozen. With this, producer margins were positive 153.9 cents/dozen. (Read more...)



Ethanol grind: 1,003,000 barrel/day for week end Feb. 24—down 2.5% v. last week but up 0.6% v. 2022

Crop insurance base price for 2023 soybeans set at \$13.76

Last week, we highlighted that crop insurance has proven to be a valuable tool as part of a comprehensive risk management strategy. As noted previously, selection of a policy for your operation is an individual decision based on a variety of factors. This week we highlight the 2023 crop insurance grid for soybeans.

Soybean Example: 55 bpa APH

Crop insurance base prices for 2023 were established in February. In last week's wire, we focused on crop insurance questions related to corn. This week we are going to focus on soybeans, where the base price has been established at \$13.76. Specifically, we'll look at various policy coverage levels and yield scenarios for 2023. The grid at left spotlights the price at which an indemnity will be paid if the actual yield for 2023 production exceeds the APH (in this case, 55 bpa) by a certain percentage.

Price at which insurance pays if you raise a % over your APH \$13.76 November Price					
	APH plus				
Coverage	5%	10%	15%	20%	25%
70%	\$9.17	\$8.76	\$8.38	\$8.03	\$7.71
75%	\$9.83	\$9.38	\$8.97	\$8.60	\$8.26
80%	\$10.48	\$10.01	\$9.57	\$9.17	\$8.81
85%	\$11.14	\$10.63	\$10.17	\$9.75	\$9.36

For example, utilizing an APH of 55 bpa, a producer with 85% coverage has a revenue guarantee of \$643.28 ($(55 \times \$13.76) \times .85$). Effectively, this provides downside price protection to \$11.70 in November 2023 soybean futures ($\$643.28/55$). Looked at another way, under these assumptions an indemnity would be received if the average price of November 2023 futures in October was below \$11.70. Last week, we noted that a key limitation of utilizing crop insurance alone for corn, however, is what occurs when the realized yield is **above** the APH. The same applies for soybeans. For example, if the realized yield were 5% above the APH (i.e. 55×1.05 or 57.75), then the average price of November futures would have to be below \$11.14 ($\$643.28/57.75$). If the actual yield were 20% above the APH with 85% coverage, the average price of November futures would have to be below \$9.75 before crop insurance would pay.

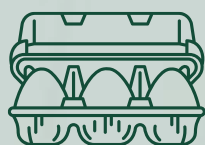
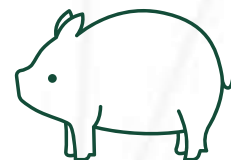
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LIVESTOCK



The average cash price for 750-pound feeder cattle was up \$5.30/cwt from the week before at \$188.60/cwt. Expected corn costs were down \$0.27 from the week before at \$7.09/bushel. At these levels, we pencil a breakeven price of \$168.50/cwt, up \$1.94/cwt from the week before. With cash cattle in June projected to be \$158.34/cwt, a feedyard could expect a loss of \$127.07 per head.

The Iowa/So. Minnesota weekly average price was down \$0.78/cwt from the week before to \$57.26/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs lost from \$12.12 to \$17.25 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 \$6.43/bushel and soybean meal at \$477.00/ton, expected production costs are \$62.75/cwt to raise the pig to a live market weight in December. With cash hogs projected to be \$70.13/cwt, a pork producer would have a profit of \$18.46 per animal.



Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 02/18/23 were down 0.7% 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 0.4% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 2.1% more than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 2.4% above the five-year average. Chick placements were up 1.6 % from year ago levels. Placements during the latest week were up 0.3% from last week and placements over the last four weeks were up 0.8%.

Chicken prices were up \$0.01 per bird from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$5.37 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were down \$0.01 from last week at \$3.98 per bird. With this, estimated returns were up \$0.01 from the week before at \$1.39 per bird.

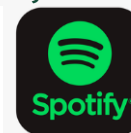


Ethanol grind: 1,003,000 barrels/day for the week ending Feb. 24—down 2.5% versus last week but up 0.6% v. 2022. Stocks were 24.775 mb, down 0.813 mb from the prior week, and down 0.158 mb versus last year.

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