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2023, WEEK 13

Producer Wire

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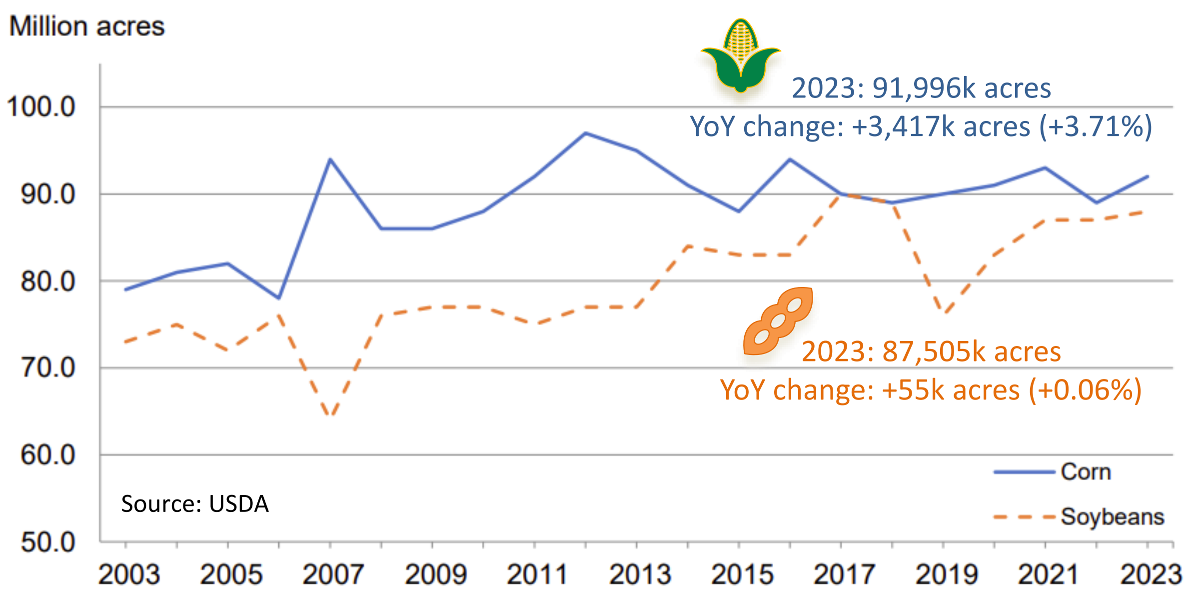
Reviewing the USDA Prospective Plantings and Grain Stocks Reports

The March 31 USDA *Grain Stocks* and *Prospective Plantings* reports were bullish for soybeans, supportive for old-crop corn, but bearish for new-crop corn. Given the uncertainty on weather associated with the spring planting season, the potential for increased price volatility is high. It remains critical to maintain close contact with your *Advance Trading* advisor and execute risk management strategies to defend your balance sheet.

Corn and Soybean Planted Acreage - United States



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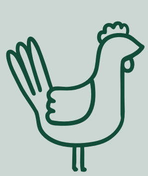
Kansas cash cattle prices were down $0.91 cwt from last week at $162.99/cwt. At the current price, a feedyard that was not hedging lost $81.97 to $155.85 per head depending on how the feed was purchased. Projections indicate a loss for un-hedged producers. (Read more...)

EGGS/POULTRY



Egg prices were up 3.0 cents/dozen from last week at $3.05/dozen and remained above estimated production costs. Total production costs were down 0.8 cent/dozen from the week before at 76.1 cents/dozen. With this, producer margins were positive $2.29 cents/dozen. (Read more...)

Highlights

New-crop corn acreage exceeds the average trade estimate and near the top end of the range

Uncertainty regarding spring planting weather implies potential for increased price volatility is high

Chicken prices were higher last week and remained above estimated production costs

Ethanol grind: 1,003,000 barrel/day for week end March 24—up 0.6% v. last week but down 3.2% v. 2022

Lower-than-expected soybean stocks estimate suggests the 2022 U.S. soybean crop may be overestimated

As highlighted in recent wires, the potential for significant (and unpredictable) price swings exists with the release of the USDA *Prospective Plantings* and *Grain Stocks* reports and more surprises were seen this year. Starting with beans, the USDA pegged March 1 stocks at 1.685 bbu, which was sharply below the average trade estimate of 1.728. Early ideas are that the lower-than-expected stocks total implies that the USDA overestimated the 2022 U.S. soybean crop. Any adjustment to crop size has historically not been made until the September *Grain Stocks* report, although the USDA may elect to increase its estimate of residual use in the April 11 Supply/Demand report. That could lead to an ending stocks estimate for 22/23 below 200 mbu. The *Prospective Plantings* report pegged 2023 acreage at 87.5 million, which was 0.8 million below the average trade estimate of 88.3 (range 87.4-89.6) and only fractionally higher than 2022. Utilizing the trend yield from the USDA Outlook Forum of 52.0 bpa, production would be 4.5 bbu. After incorporating the aforementioned reduction in beginning stocks and utilizing usage estimates from the Outlook Forum, ending stocks for 2023/24 could fall below 250 mbu.

Turning to corn, the *Grain Stocks* report pegged March 1 inventories at 7.401 bbu—73 mbu below the average trade estimate of 7.474 (range 7.240-7.830). Friday's report confirmed that total feed usage from Sept-Feb was ~3.82 bbu, or 7% below a year ago. The current USDA forecast of annual feed use for 22/23 is nearly 8% lower. However, given the narrowing wheat-corn spread, significant substitution of wheat for corn is possible in feed rations this summer. This suggests that a notable change in annual corn feed use is unlikely in the April 11 supply/demand report.

Turning to the *Prospective Plantings* report, the USDA estimated 2023 acreage at 92.0 million acres. That was 3.4 million acres higher than last year, above the average trade estimate of 91.0 million and near the top end of the range of 87.7-92.1. Utilizing the USDA trend yield from the Ag Outlook Forum of 181.5 bpa, production for 2023 would be a record 15.248 bbu. Incorporating the current USDA ending stocks projection for 2022/23 of 1.342 bbu and adding in a small amount of imports, total supply for 2023/24 would be 16.6 bbu. Usage for 2023/24 from the Outlook Forum was 14.5 bbu. **Under these assumptions, ending stocks for 2023/24 would increase to 2.1 bbu, which would be an increase of more than 50% from the current year and the highest level in five years.**

A bullish reaction to the reports was seen for soybeans as expected, while new-crop corn posted slight declines. *Given the uncertainty on weather associated with the spring planting season, the potential for increased price volatility is high*. It remains critical to maintain close contact with your *Advance Trading* advisor and execute risk management strategies to defend your balance sheet.

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The average cash price for 750-pound feeder cattle was up $2.00/cwt from the week before at $197.30/cwt. Expected corn costs were down $0.01 from the week before at $7.29/bushel. At these levels, we pencil a breakeven price of $174.84/cwt, up $1.21/cwt from the week before. With cash cattle in August projected to be $157.36/cwt, a feedyard could expect a loss of $218.60 per head.

The Iowa/So. Minnesota weekly average price was up $0.48/cwt from the week before to $57.66/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs lost from $6.78 to $11.49 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in July and with estimated corn costs at $6.56/bushel and soybean meal at $440.10/ton, expected production costs are $62.22/cwt to raise the pig to a live market weight in January. With cash hogs projected to be $58.74/cwt, a pork producer would have a loss of $8.69 per animal.

Broiler egg sets during the latest reported week were above last year's levels. Egg sets during the week ending 03/18/23were up 0.1% from the week before. Egg sets were up 0.4% from a year ago and average egg set over the last four weeks is up 0.5% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 2.2% 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 0.2% from year ago levels. Placements during the latest week were unchanged from last week and placements over the last four weeks were up 0.2%.

Chicken prices were up $0.08 per bird from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was $5.80 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were down $0.02 from last week at $3.94 per bird. With this, estimated returns were up $0.11 from the week before at $1.87 per bird.

Ethanol grind: 997,000 barrels/day for the week ending March 17—down 1.7% versus last week and down 4.3% v. 2022. Stocks were 26.188 mb, down 0.206 mb from the prior week, and up 0.040 mb versus last year.

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