Producer Wire

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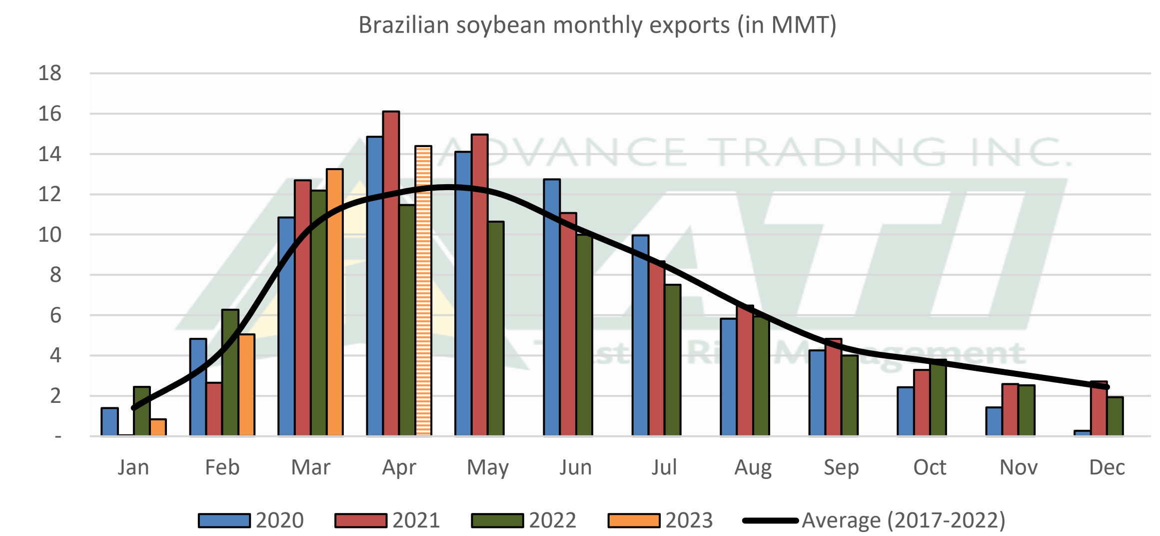
Timeless Lessons of the Unpredictable Nature of Price and Managing Volatility

Extreme, and unexpected, price volatility has been seen in new-crop soybean prices of late. Perception of market activity seemed to go from bullish optimism to pessimism in a short period of time, reflecting a record-breaking pace of soybean exports from Brazil and uncertainty regarding future demand from China. Recent market activity provides some timeless lessons on the unpredictable nature of price and managing volatility. A disciplined risk management strategy that provides downside price protection and flexibility to participate in market rallies is well suited for the current uncertain environment. Your *Advance Trading* advisor is prepared to continue to help execute a customized strategy for your operation.



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Kansas cash cattle prices were up $3.07 cwt from last week at $170.12 ranged from -$48.62 to +$27.42 per head depending on how the feed was purchased. Projections indicate a loss for un-hedged producers.

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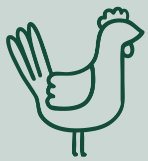
EGGS/POULTRY



Egg prices were down 73.0 cents/dozen from last week at 190.3 cents/dozen and remained above estimated production costs. Total production costs were dozen 1.6 cent/dozen from the week before at 76.5 cents/dozen. With this, producer margins were positive 113.8 cents/dozen.

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Highlights

New-crop soybean futures decline amid robust exports from Brazil, policy change in China

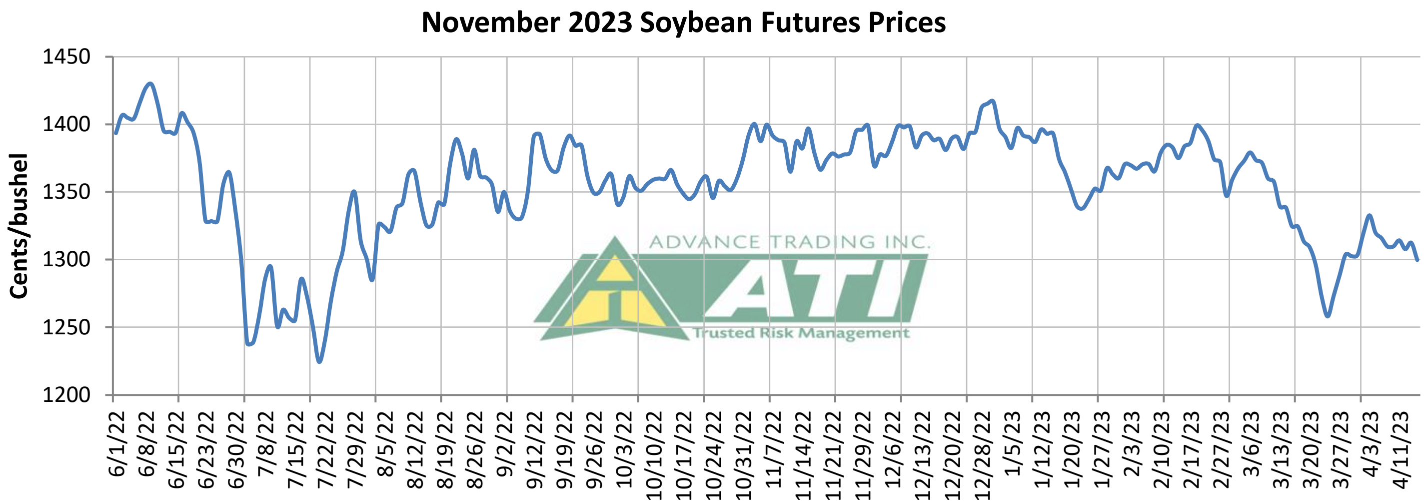
Value of consistent execution of a marketing plan underscored by unpredictable nature of price

At current cash prices, returns for a cattle feedyard not hedging ranged from -$49 to +$27/head

Ethanol grind: 959,000 barrel/day for week ending April 7—down 4.4% compared to last week and down 3.6% versus 2022

Rapid selloff in new-crop soybeans a key reminder that increased price volatility can occur at any time

Recent price action in new-crop soybean futures has been extreme and unexpected. For example, November 2023 soybean futures topped $14.00 in late-February as drought devastated soybean production in Argentina. *Over the next month, however, the contract plummeted $1.50 to briefly trade below $12.50 on March 24—the lowest price since July 25, 2022*. Following a brief rally, the market resumed its slide, dropping below $13.00 on Friday.



It seemed that market perception went from bullish optimism to pessimism in a very short period of time. It's impossible to say what triggered the selloff, but robust soybean exports from Brazil were likely a key factor. Brazil exported nearly 13.3 MMT of soybeans in March, up from 5.2 MMT in February and 1.1 MMT more than in 2022. That was a new high of the month, exceeding the 12.7 MMT shipped in March of 2021. On top of that, ANEC, a Brazilian trade group representing grain exporters, recently raised its April Brazil soybean export forecast to 14.3 MMT, a 26% increase over vs. April 2022. The corresponding lack of demand for U.S. soybeans from Mexico, Africa and Other Asia has the *ATI Research* export forecast for 2022/23 at 1.940 bbu—or 75 mbu below the USDA.

There was also news this week that China has launched a three-year campaign to further cut the use of soybeans in animal feed as it seeks to reduce its reliance on imports and enhance food security. In a statement by the agriculture ministry on Friday, China said it aims to cut the amount of soymeal used in feed to below 13% by 2025, from 14.5% in 2022. China is the largest importer of U.S. beans, so this change could put future demand at risk.

What can we learn from the current situation? Increased volatility can occur at any time and those who are best prepared will be in position to manage it. In addition, it underscores that not only is price unpredictable, but change happens and can be very fast. This is critical to remember, regardless of market direction. **Of perhaps greatest importance, though, is the value of consistent execution of a marketing plan.** While some adjustments to any strategy may eventually be necessary, the abandonment of a marketing program based on the latest bit of fundamental news can often be a recipe for increased stress and eventual failure.

A disciplined risk management strategy that provides downside price protection and flexibility to participate in market rallies is well suited for the current uncertain environment. Your *Advance Trading* advisor is prepared to continue to help execute a customized strategy for your operation.

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The average cash price for 750-pound feeder cattle was up $16.00/cwt from the week before at $211.50/cwt. Expected corn costs were up $0.01 from the week before at $7.25/bushel. At these levels, we pencil a breakeven price of $183.65/cwt, up $10.15/cwt from the week before. With cash cattle in August projected to be $165.31/cwt, a feedyard could expect a loss of $229.23 per head.

The Iowa/So. Minnesota weekly average price was down $3.62/cwt from the week before to $52.58/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs lost from $24.64 to $21.54 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 $6.60/bushel and soybean meal at $454.30/ton, expected production costs are $62.45/cwt to raise the pig to a live market weight in January. With cash hogs projected to be $54.38/cwt, a pork producer would have a loss of $20.19 per animal.

Broiler egg sets during the latest reported week were slightly below last year's levels. Egg sets during the week ending 04/01/23 were down 0.9% from the week before. Egg sets were down 0.02% from a year ago and average egg set over the last four weeks is up 0.1% from last year. Egg sets were above the 5-year average. Last week's egg set was 1.9% more than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 2.3% above the five-year average.

Chicken prices were up $0.13 per bird from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was $6.08 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were up $0.01 from last week at $3.96 per bird. With this, estimated returns were up $0.13 from the week before at $2.13 per bird.

Ethanol grind: 959,000 barrels/day for the week ending April 7—down 4.4% versus last week and 3.6% versus 2022. Stocks were 25.128 mb, down 0.008 mb from the prior week, but up 0.325 mb versus last year.