

Producer Wire

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Avoid Trying to Use Weather Forecast to Predict Price—Manage Risk

Highlights

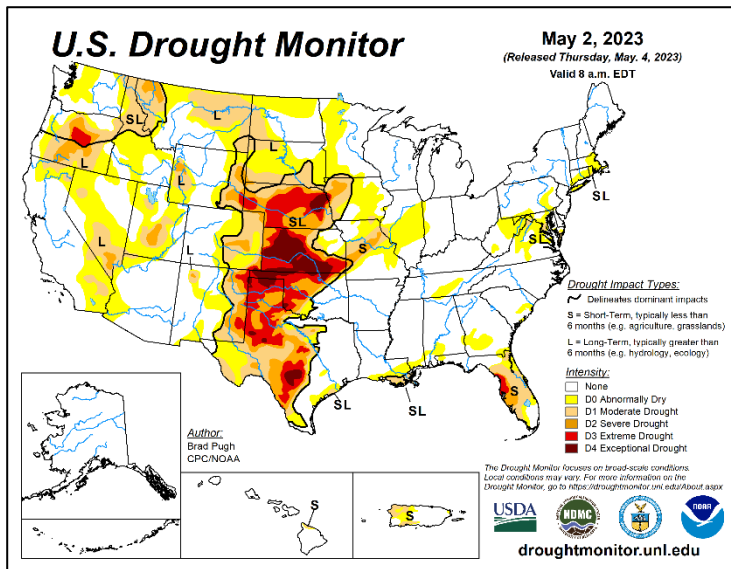
Some observers view the current drying pattern in the Midwest as bullish to prices, but others view it as bearish

Managing price, as opposed to predicting price, is a preferred strategy

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

Ethanol grind: 976,000 barrel/day for week ending April 28—up 0.9% compared to last week and up 0.7% vs. 2022

Dryness has surfaced key crop growing areas of the U.S. That is supported by the latest National Weather Service forecast for the month of May, which is projecting below normal precipitation for most of the U.S. corn and soybean production region. Some market observers have commented that the drying trend may be a sign that a drought could develop across the U.S. this summer. Others, however, contend that drier weather could support higher planted acreage totals than projected in the USDA March Prospective Plantings report. As a student of the market, you understand how important it is to avoid using the latest weather forecast to predict price. Instead, working closely with your *Advance Trading* advisor to manage price risk is a preferred strategy.



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EGGS/POULTRY

Kansas cash cattle prices were down \$1.75 cwt from last week at \$172.89 profited \$22.80 to \$65.19 per head depending on how the feed was purchased. Projections indicate a profit for unhedged producers.

Egg prices were down 48.0 cents/dozen from last week at 64.3 cents/dozen and fell below estimated production costs. Total production costs were down 4.8 cent/dozen from the week before at 71.0 cents/dozen. With this, producer margins were negative 6.7 cents/dozen.

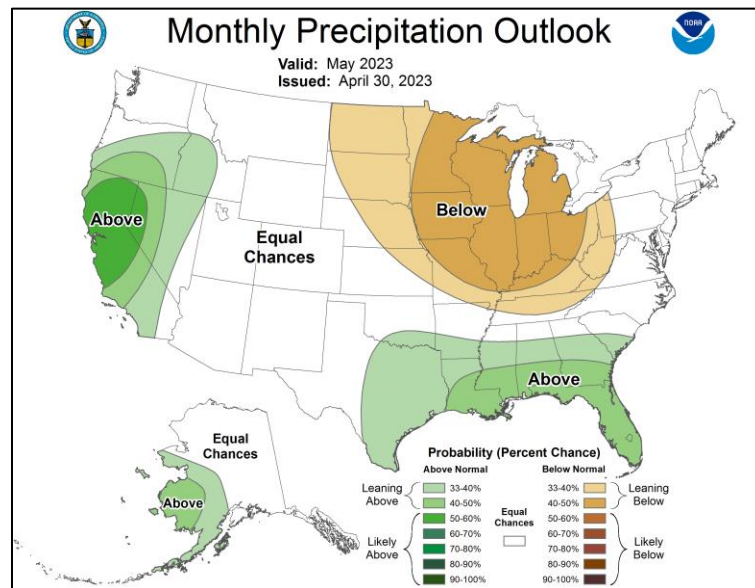
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Weather moving to the front burner of market fundamentals as growing season gets underway

Following a stop-and-go start to the spring season, planting was going full speed across many parts of the Midwest. There are ideas that progress was record fast in some locations, as producers took advantage of warmer and drier conditions. It has been interesting to watch the response to this change in conditions, however, in terms of the possible effect on markets. In one camp are those who note that the dryness that has surfaced in key growing areas will lead to poor crop emergence. That is reflected in the weekly National Weather Service *U.S. Drought Monitor*, which included an area of “Abnormally Dry” conditions across Central Illinois this week (see on first page). This camp has even gone so far as to say that this is just the start of the drying trend that could eventually lead to a summer drought. They also find support from contention from the recent NWS forecast for May, which is showing a below to much below normal precipitation for most U.S. corn and soybean production region (see map below). Bottom line: dry weather now is bullish to prices.



There is another camp, however, that is taking a different view on the drying trend. This camp believes that the current pattern is leading to timely planting for the primary producing states, which all else being equal, provides the best chance for trend (or above) yields. They also go so far as to say that the brisk planting pace will lead to more acres than shown in the USDA Prospective Plantings report. Bottom line: dry weather now is bearish to prices.

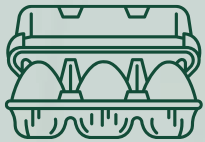
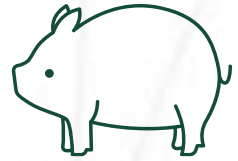
This is an example of how confusing it can be to market grain based on an opinion of how a fundamental factor—in this case weather—will determine the trend. As a student of the market, you understand how important it is to avoid using the latest weather forecast to predict price. Instead, working closely with your *Advance Trading* advisor to **manage price risk** is a preferred strategy.

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The average cash price for 750-pound feeder cattle was down \$0.50/cwt from the week before at \$217.50/cwt. Expected corn costs were up \$0.03 from the week before at \$7.05/bushel. At these levels, we pencil a breakeven price of \$186.44/cwt, down \$0.17/cwt from the week before. With cash cattle in September projected to be \$166.82/cwt, a feedyard could expect a loss of \$245.23 per head.

The Iowa/So. Minnesota weekly average price was up \$5.00/cwt from the week before to \$55.82/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs lost from \$11.95 to \$16.65 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in August and with estimated corn costs at \$5.76 /bushel and soybean meal at \$419.40/ton, expected production costs are \$58.79/cwt to raise the pig to a live market weight in February. With cash hogs projected to be \$56.72/cwt, a pork producer would have a loss of \$5.19/cwt.



Broiler egg sets during the latest reported week were above last year's levels. Egg sets during the week ending 04/22/23 were down 0.5% from the week before. Egg sets were up 0.1% 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 2.7% more than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 3.1% above the five-year average. Chick placements were down 0.3% from year ago levels. Placements during the latest week were up 0.05% from last week and placements over the last four weeks were down 0.4%.

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 \$6.23 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 \$0.05 from the week before at \$2.29 per bird.

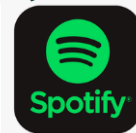


Ethanol grind: 976,000 barrels/day for the week ending April 28—up 0.9% versus last week and up 0.7% versus 2022. Stocks were 23.363 mb, down 0.943 mb from the prior week, and down 0.524 mb versus last year.

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