

Producer Wire

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What Answers Did the Market Get from the USDA Supply/Demand Report?

Highlights

USDA forecasting record U.S. corn, soybean yields for 2023

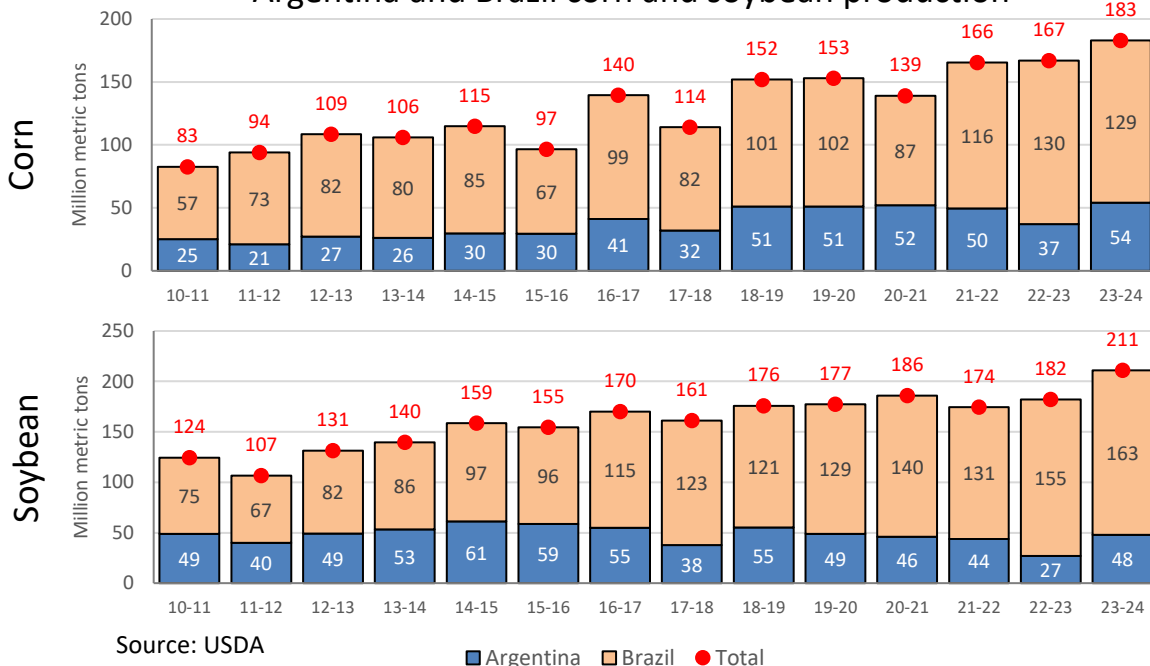
Effective risk management provides downside price protection, but keeps flexibility to participate in market strength

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

Ethanol grind: 965,000 barrel/day for week ending May 5—down 1.1% compared to last week and down 2.6% vs. 2022

The USDA Supply/Demand report released on May 12 provided the first official look at new-crop corn and soybean fundamentals. Of note was the forecast of record U.S. corn and soybean yields and a significant increase in South American soybean and corn production. As a student of the market, you know that price prediction is impossible. Working closely with your *Advance Trading* advisor to implement a risk management strategy that provides downside price protection, but flexibility to participate in market strength, is prudent.

Argentina and Brazil corn and soybean production



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EGGS/POULTRY

Kansas cash cattle prices were down \$1.02 cwt from last week at \$171.87 profited \$25.83 to \$52.29 per head depending on how the feed was purchased. Projections indicate a profit for un-hedged producers.

Egg prices were down 8.0 cents/dozen from last week at 56.3 cents/dozen and fell below estimated production costs. Total production costs were up 2.7 cent/dozen from the week before at 73.8 cents/dozen. With this, producer margins were negative 17.4 cents/dozen.

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USDA forecasts record U.S. corn and soybean yields

The USDA Supply/Demand report last week provided the first look at new-crop fundamentals for corn and beans. Citing the assumptions of “normal planting progress and summer growing season weather”, the USDA forecast the U.S. corn yield at a record 181.5 bpa. This was unchanged from the Agricultural Outlook Forum in February. Utilizing the planted acreage estimate from its March Prospective Plantings report and normal abandonment, corn production was penciled in at a record 15.265 bbu. That is projected to be more than 5% above forecasted usage of 14.485 bbu, boosting 23/24 ending stocks from 1.417 bbu to 2.222.

For beans, the USDA pegged the 2023 U.S. yield at a record 52.0 bpa (also unchanged from the Outlook Forum) assuming “normal weather”. With plantings pegged at 87.5 million acres, bean production for 2023 was penciled in at a record 4.510 bbu. That is projected to be more than 2% above forecasted usage of 4.411 bbu, meaning ending stocks for 23/24 would increase to 0.335 bbu from 0.215 this year.

Notable increase in South American corn, soybean production projected in 2023/24

Developments in the Black Sea remain at the forefront of the market. Due to the war with Russia, the USDA forecast a 19% and 35% decline in Ukraine corn production and exports, respectively. One factor that may compensate for Ukraine’s projected shortfall is record corn production in South America. Corn production in Brazil for 23/24 is forecast to nearly unchanged, but output in Argentina is projected to increase by 46%. Combined Brazil/Argentina production is forecast at a record 183.0 MMT (7.2 bbu), while exports are pegged at a record 95.5 MMT (3.760 bbu). Imports of corn by China will also be a key factor, with the USDA projecting an increase in Chinese corn imports from 18.0 MMT in 22/23 to 23.0 MMT in 23/24.

Soybean production in Argentina is also forecast to rebound in 23/24, with the USDA is projecting harvested acreage to increase by 9%. With trend yields, bean production is forecast at 48.0 MMT, or 78% above this year’s drought-impacted total. Harvested acreage in Brazil, meanwhile, pegged to increase by 4% to a record 112.7 million acres. With a normal yield, production would reach a record 163.0 MMT (6.0 bbu). Similar to corn, China is forecast to increase its imports of soybeans from 98.0 MMT (3.6 bbu) in 22/23 to 100.0 MMT (3.7 bbu) in 23/24.

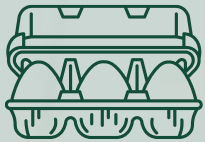
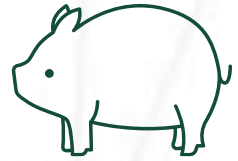
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The average cash price for 750-pound feeder cattle was down \$24.00/cwt from the week before at \$193.50/cwt. Expected corn costs were up \$0.14 from the week before at \$7.19/bushel. At these levels, we pencil a breakeven price of \$172.05/cwt, down \$14.39/cwt from the week before. With cash cattle in October projected to be \$164.63/cwt, a feedyard could expect a loss of \$92.75 per head.

The Iowa/So. Minnesota weekly average price was down \$0.78/cwt from the week before to \$55.04/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs lost from \$13.91 to \$18.61 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in September and with estimated corn costs at \$6.42 /bushel and soybean meal at \$413.10/ton, expected production costs are \$60.97/cwt to raise the pig to a live market weight in March. With cash hogs projected to be \$50.25/cwt, a pork producer would have a loss of \$26.81/cwt



Broiler egg sets during the latest reported week were above last year's levels. Egg sets during the week ending 04/29/23 were up 0.7% from the week before. Egg sets were up 0.7% 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 4.4% more than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 3.9% above the five-year average. Chick placements were down 0.7% from year ago levels. Placements during the latest week were down 0.01% from last week and placements over the last four weeks were down 0.5%.

Chicken prices were up unchanged 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 \$0.04 from last week at \$3.90 per bird. With this, estimated returns were up \$0.03 from the week before at \$2.32 per bird.

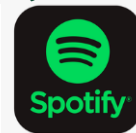


Ethanol grind: 965,000 barrels/day for the week ending May 5—down 1.1% versus last week and down 2.6% versus 2022. Stocks were 23.291 mb, down 0.072 mb from the prior week, and down 0.849 mb versus last year

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