

Producer Wire

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Anticipating the Behavior of a Weather Market is Impossible—Manage Risk

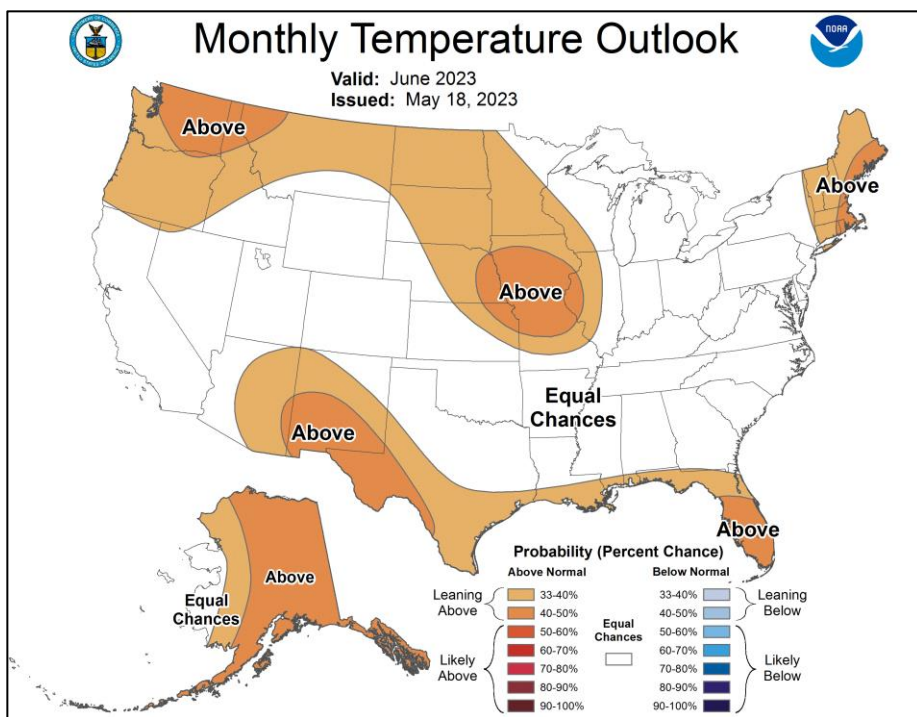
Highlights

Weather related production concerns can present attractive pricing opportunities. Such events are often quite volatile, however, underscoring the importance of developing and implementing a disciplined approach to risk management. As always, your *Advance Trading* advisor is ready to help implement a customized marketing strategy for your operation.

Uncertainty high regarding U.S. summer weather

Weather markets are often quiet volatile, underscoring importance of a disciplined approach to marketing

At current cash prices, returns for a cattle feedyard not hedging ranged from \$0.70 to \$25.22/head



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Kansas cash cattle prices were down \$1.53 cwt from last week at \$170.34 profited \$0.70 to \$25.22 per head depending on how the feed was purchased. Projections indicate a profit for unhedged producers.

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EGGS/POULTRY



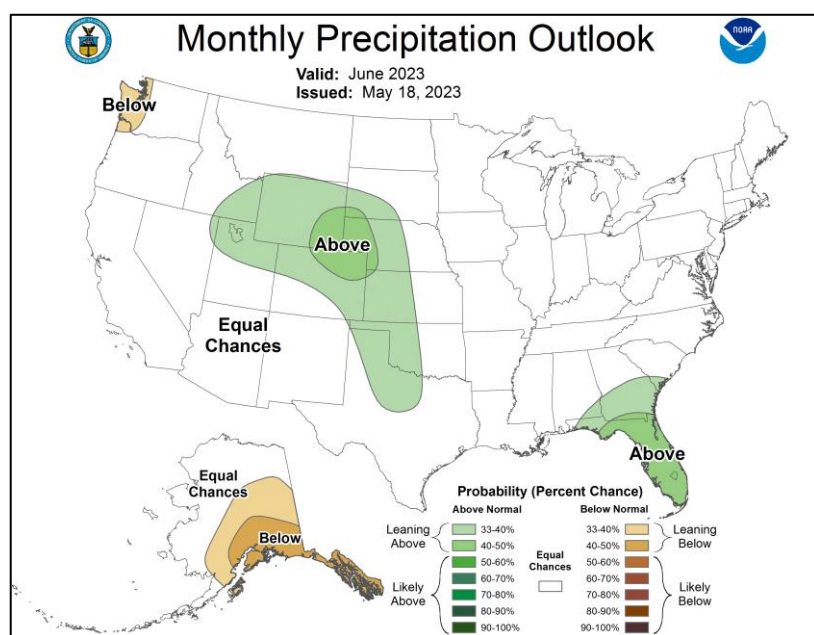
Egg prices were unchanged from last week at 56.3 cents/dozen and were below estimated production costs. Total production costs were down 0.1 cent/dozen from the week before at 73.7 cents/dozen. With this, producer margins were negative 17.3 cents/dozen.

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Ethanol grind: 987,000 barrel/day for week ending May 12—up 2.3% compared to last week but down 0.4% vs. 2022

Weather uncertainty likely to add to price volatility as summer growing season approaches

The NWS this week forecast warmer to much warmer than normal temperatures during June for most of the western Corn Belt and Northern Plains. Some contend this is just the start of a pattern that will eventually evolve into a hot, and potentially dry summer that would result in below trend yields for corn and soybeans. The fact, however, is it is impossible to accurately forecast weather and production at this point in the growing season. There are simply too many unknowns. Given the current uncertainty, let's review some time-honored principles that accompany weather markets.



Price can exceed expectations—both to the upside and downside: There are some projections that the corn and soybean markets have already peaked. **As a student of the market, you understand this critical fact: We simply don't know what the high will be since price prediction—in this case, anticipating the behavior of a weather market—is impossible.** It's also important to remember that price can exceed expectations, both to the upside and downside. In this type of environment, it's critical to exercise discipline to manage price risk.

Increased price volatility—and opportunity—is seen: Increased price volatility can be viewed with fear, or as opportunity. We strongly believe that increased price volatility should always be viewed as opportunity.

Execution is key to managing a weather market event: It's one thing to acknowledge that price prediction is impossible and price volatility should be viewed as opportunity. It's another to do something about it—that is, design and execute a risk management strategy. By executing a well-thought-out marketing plan, you are taking control of the situation as opposed to acting on a whim that can lead to less than desirable results.

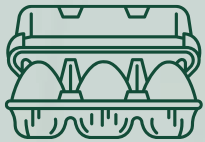
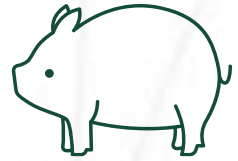
Weather related production concerns can present attractive pricing opportunities. Such events are often quite volatile, however, underscoring the importance of developing and implementing a disciplined approach to risk management. As always, your *Advance Trading* advisor is ready to help implement a customized marketing strategy for your operation.

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The average cash price for 750-pound feeder cattle was up \$16.50/cwt from the week before at \$210/cwt. Expected corn costs were down \$0.23 from the week before at \$6.96/bushel. At these levels, we pencil a breakeven price of \$181.24/cwt, up \$9.19/cwt from the week before. With cash cattle in October projected to be \$166.94/cwt, a feedyard could expect a loss of \$178.72 per head.

The Iowa/So. Minnesota weekly average price was up \$3.72/cwt from the week before to \$58.76/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs lost from \$5.97 to \$9.29 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 \$6.31/bushel and soybean meal at \$419.90/ton, expected production costs are \$60.79/cwt to raise the pig to a live market weight in March. With cash hogs projected to be \$49.78/cwt, a pork producer would have a loss of \$57.52/cwt.



Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 05/13/23 were down 0.1% from the week before. Egg sets were down 0.1% from a year ago and average egg set over the last four weeks is up 0.3% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 3.3% more than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 3.0% above the five-year average. Chick placements were down 0.9% from year ago levels. Placements during the latest week were down 0.3% from last week and placements over the last four weeks were down 0.7%.

Chicken prices were up \$0.02 from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$6.25 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were down \$0.02 from last week at \$3.88 per bird. With this, estimated returns were up \$0.05 from the week before at \$2.37 per bird.

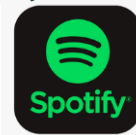


Ethanol grind: 987,000 barrels/day for the week ending May 12—up 2.3% versus last week but down 0.4% versus 2022. Stocks were 23.191 mb, down 0.100 mb from the prior week, and down 0.600 mb versus last year.

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