

Producer Wire

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Marketing Decision Should Be Known Before Market Volatility Occurs

Highlights

Uncertainty about U.S. corn production potential remains high

Preparation of marketing plan best done in advance of increased price volatility

Cash hog prices firmed last week, and returns were above estimated production costs for most producers

Ethanol grind: 1,036,000 barrel/day for week ending June 2—up 3.2% compared to last week but down 0.3% vs. 2022


Price volatility in new-crop corn has been relatively low of late, although there is still considerable uncertainty about U.S. corn production potential. An effective risk management plan is extremely difficult, if not impossible, to execute if it is not carefully constructed prior to an unexpected increase in market volatility. Effectively, every decision made should be known well before any market volatility takes place. As a student of the market, you understand that the reaction to increased price volatility should be calm and systematic. Your *Advance Trading* advisor is prepared to partner in implementing a strategy for your operation.

Every decision the farmer makes should be known well before any market volatility takes place.


A plan is in place and the reaction to price is calm and systematic.

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EGGS/POULTRY



Kansas cash cattle prices were up \$6.93 cwt from last week at \$178.24 profited from \$55.88 to \$92.47 per head depending on how the feed was purchased. Projections indicate a profit for un-hedged producers.



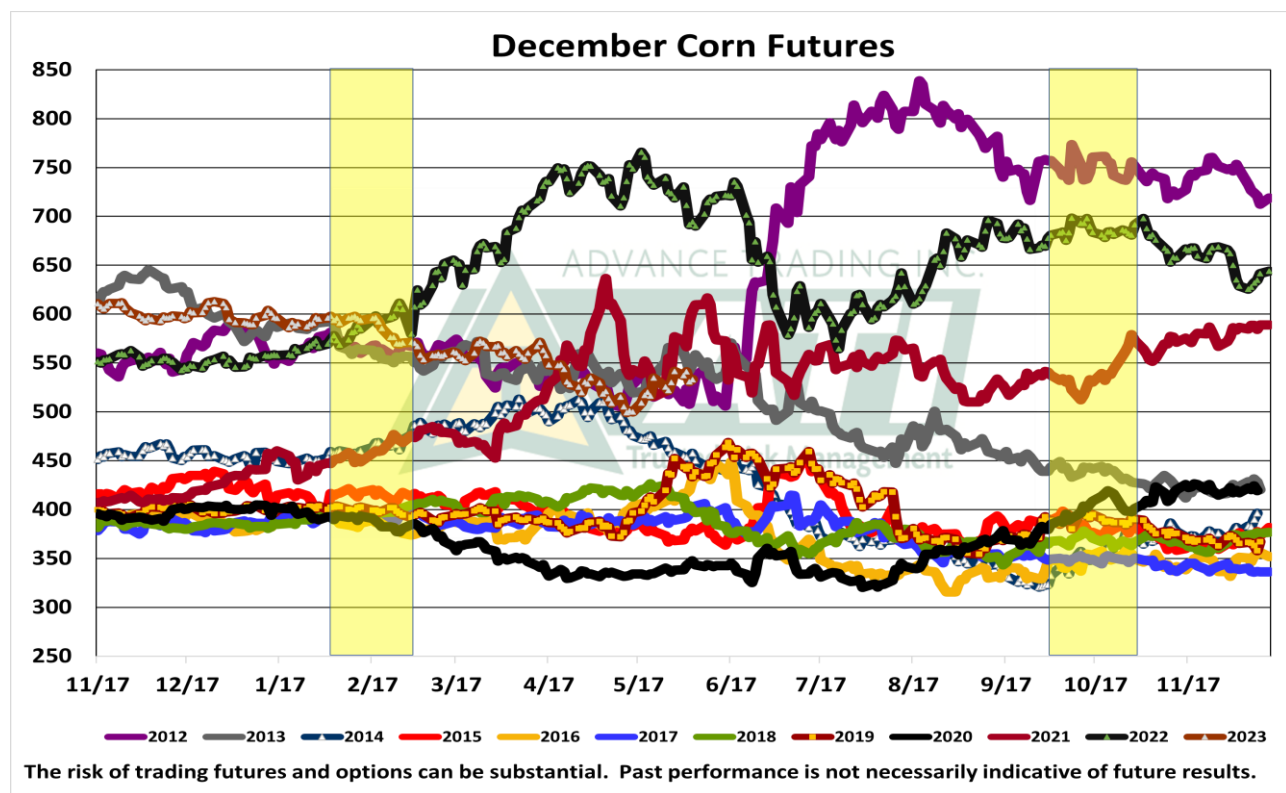
Egg prices were up unchanged from last week at 90.3 cents/dozen and were above estimated production costs. Total production costs were down 0.2 cents/dozen from the week before at 72.6 cents/dozen. With this, producer margins were positive 17.7 cents/dozen.

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Preparation of marketing strategy well in advance sets stage for calm, systematic response to volatile markets harvest

The official start to summer is less than two weeks away, yet price volatility in new-crop corn has been more subdued of late (see chart of December corn futures below). There is still considerable uncertainty, however, about U.S. corn production potential and recent history shows how quickly price action can change. For example, December 2022 corn futures plummeted more than \$1.85 from mid-June into late-July. A similar pattern developed in 2016, when December 2016 futures declined more than \$1.30 from mid-June into late August. At the other end of the spectrum, however, there have been times when the market surged from mid-June forward. For example, December 2015 corn futures rallied nearly \$0.90 from mid-June into mid-July. And in the drought year of 2012, December futures climbed \$3.12 from the mid-June to early August.



Stepping back and looking at the chart above, I realized how challenging it could be for a producer without a risk management plan in place to deal with this type of price volatility. One minute, the market is sliding lower (moving higher) and a bearish (bullish) theme is dominant; a few minutes later, however, psychology has—at least temporarily—shifted the market to a bullish (bearish) stance. **The key lesson to take from this is that market change happens and can happen very fast.**

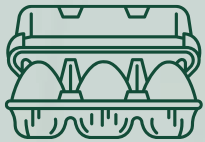
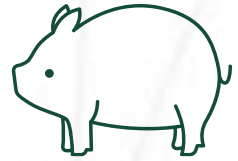
In this type of environment, an effective risk management plan is extremely difficult, if not impossible, to execute if it is not carefully constructed prior to an unexpected increase in market volatility. Effectively, every decision made should be known well before any market volatility takes place. As a student of the market, you understand that the reaction to increased price volatility should be calm and systematic. Your *Advance Trading* advisor is prepared to partner in implementing a strategy for your operation.

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The average cash price for 750-pound feeder cattle was down \$0.50/cwt from the week before at \$224.50/cwt. Expected corn costs were down \$0.08 from the week before at \$6.96/bushel. At these levels, we pencil a breakeven price of \$190.94/cwt, down \$0.70/cwt from the week before. With cash cattle in November projected to be \$177.36 /cwt, a feedyard could expect a loss of \$169.74 per head.

The Iowa/So. Minnesota weekly average price was up \$0.64/cwt from the week before to \$64.79/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs profited from \$6.07 to \$6.58 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 \$6.53/bushel and soybean meal at \$384.80/ton, expected production costs are \$60.63/cwt to raise the pig to a live market weight in March. With cash hogs projected to be \$47.10/cwt, a pork producer would have a loss of \$33.82/cwt.



Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 05/27/23 were down 0.6% from the week before. Egg sets were down 0.9% from a year ago and average egg set over the last four weeks is down 0.1% from last year. Egg sets were above the 5-year average for this time of year. 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 2.2% above the five-year average. Chick placements were down 1.1% from year ago levels. Placements during the latest week were up 0.1% from last week and placements over the last four weeks were down 0.8%.

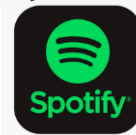
Chicken prices were down \$0.01 from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$6.28 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were unchanged from last week at \$3.81 per bird. With this, estimated returns were up unchanged from the week before at \$2.48 per bird



Ethanol grind: 1,036,000 barrels/day for the week ending June 2—up 3.2% versus last week but down 0.3% versus 2022. Stocks were 22.948 mb, up 0.616 mb from the prior week, but down 0.688 mb versus last year.

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