

Producer Wire

By Brian Basting
bbasting@advance-trading.com



www.advance-trading.com

Utilize Increased Price Volatility to Manage Market Positions

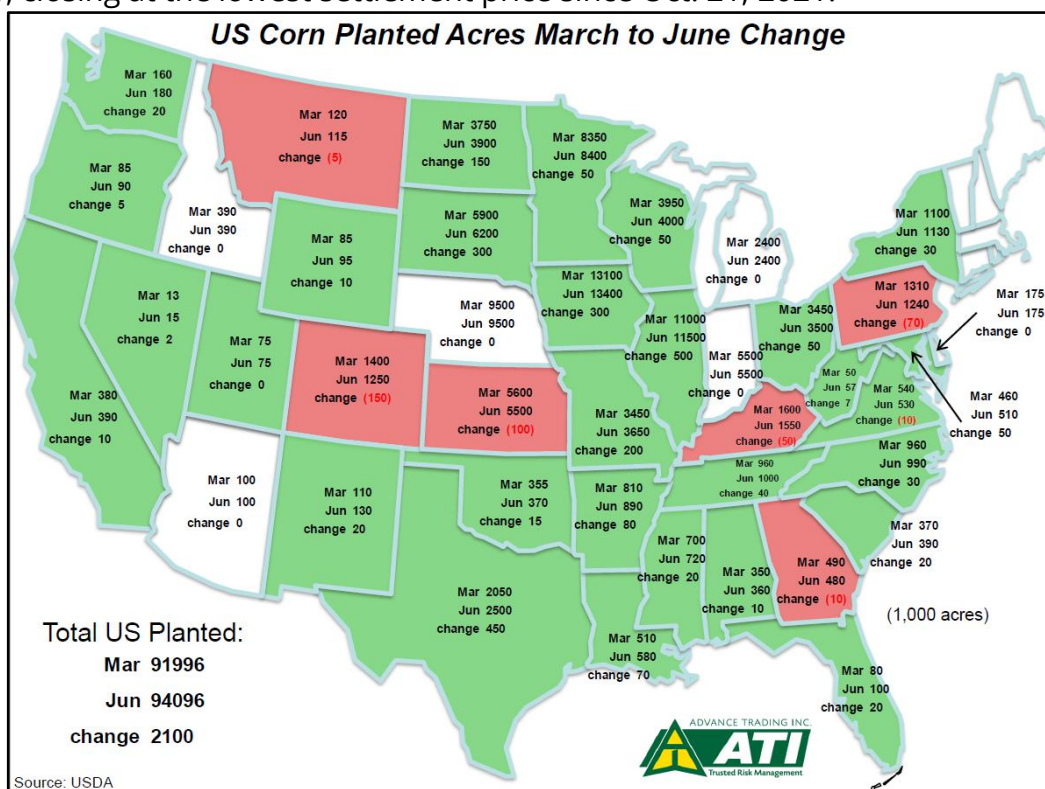
Highlights

Those monitoring the corn market were surprised by Friday's bearish USDA *Acreage* report. Not only was the updated corn plantings estimate up 2.1 million acres from March, but it was well above the highest pre-report trade estimate. In response to the report and ideas of improving weather, December corn futures collapsed on Friday, closing at the lowest settlement price since Oct. 21, 2021.

Bearish surprise for corn in USDA Acreage report, but weather uncertainty high ahead of pollination

Flexibility crucial to success in implementing successful risk management strategy

At current cash prices, returns for a cattle feedyard not hedging ranged from \$130.81 to \$161.12/head



LIVESTOCK

EGGS/POULTRY

Kansas cash cattle prices were down \$2.31 cwt from last week at \$179.69 profited from \$130.81 to \$161.12 per head depending on how the feed was purchased. Projections indicate a profit for un-hedged producers.

Egg prices were unchanged from last week at 90.7 cents/dozen and were above estimated production costs. Total production costs were down 1.1 cents/dozen from the week before at 73.9 cents/dozen. With this, producer margins were positive 16.7 cents/dozen.

Ethanol grind:
1,052,000 barrel/day for week ending June 23—unch compared to last week but up 0.1% vs. 2022

[\(Read more...\)](#)

[\(Read more...\)](#)



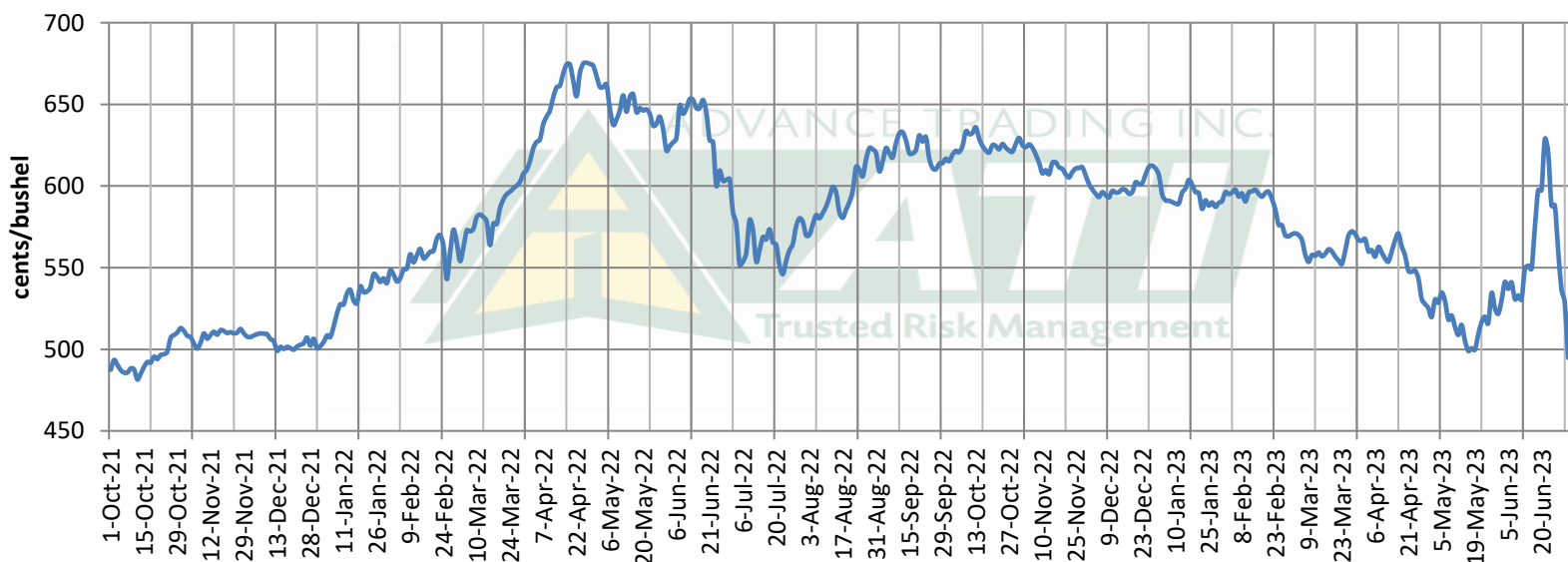
Report provides new-crop corn futures a bearish surprise, with plantings at the third highest level since 1944

It doesn't matter how long one has been involved in risk management, it's important to stay humble and be a student of the market. That was on full display again on Friday as the USDA surprised the corn market with a bearish *Acreage* report. The updated estimate of 94.1 million acres was not only 2.2 million acres above the average trade estimate of 91.9, it was also above the top end of the pre-report trade range (91.0-93.0). This represents the third highest planted acreage in the United States since 1944. Combined with ideas of improving weather, some suggest a 2023/24 corn carry-out of over 2.0 billion bushels is possible. At the close of trading, December corn futures fell nearly \$0.34 to \$4.94 ³/₄ — *the lowest settlement since Oct. 21, 2021*. Since closing at \$6.28 ³/₄ on June 21, December futures have plummeted \$1.34 (21.3%) in just seven trading days.

What triggered the increase in corn acres? It's impossible to know. Some believe that significant weakness in the SX3/CZ3 price ratio during May encouraged producers to continue to plant corn. For example, the SX3/CZ3 ratio on May 2 was 2.44; by May 30, however, it had fallen to just 2.20. It's impossible to know for sure. Perhaps more importantly, however is to ask, 'What have we learned?'

First, price prediction is impossible. Second, as a student of the market, you know how to utilize increased price volatility to manage market positions for your operation. Finally, there are a number of different strategies to consider moving forward. Although weather uncertainty remains high ahead of corn pollination, remember that a do-nothing approach is not a strategy at all. **The best way to take advantage of increased price volatility is to design and implement a flexible risk management strategy.** Your *Advance Trading* advisor is ready to help execute your plan.

December 2023 Corn Futures Prices

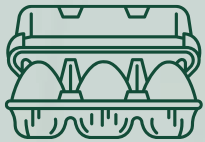
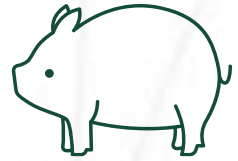


LIVESTOCK



The average cash price for 750-pound feeder cattle was down \$15.06/cwt from the week before at \$215.84/cwt. Expected corn costs were down \$0.02 from the week before at \$7.34/bushel. At these levels, we pencil a breakeven price of \$187.47/cwt, down \$9.57/cwt from the week before. With cash cattle in November projected to be \$179.18 /cwt, a feedyard could expect a loss of \$103.61 per head.

The Iowa/So. Minnesota weekly average price was up \$4.97/cwt from the week before to \$69.97/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs profited from \$17.20 to \$19.89 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in November and with estimated corn costs down at \$6.02 /bushel and soybean meal down at \$407.40/ton, expected production costs are \$59.39/cwt to raise the pig to a live market weight in April. With cash hogs projected to be \$47.96/cwt, a pork producer would have a loss of \$28.58/cwt.



Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 06/17/23 were down 0.7% 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 2.9% more than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 3.4% above the five-year average. Chick placements were down 0.6% from year ago levels. Placements during the latest week were up 0.5% from last week and placements over the last four weeks were down 0.7%.

Chicken prices were down \$0.24 from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$5.78 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were up \$0.03 from last week at \$3.84 per bird. With this, estimated returns were down \$0.27 from the week before at \$1.95 per bird.

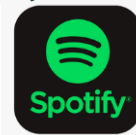


Ethanol grind: 1,052,000 barrels/day for the week ending June 23—unchanged vs. last week but up 0.1% versus 2022. Stocks were 22.979 mb, up 0.175 mb from the prior week, and up 0.233 mb versus last year.

INFO@ADVANCE-TRADING.COM

TOLL FREE 800.747.9021

Follow our Advance Trading Podcast on
Apple Podcast, Spotify or watch our YouTube videos



Information provided may include opinions of the author and is subject to disclosures found at the end of this document. The risk of trading futures and options can be substantial. All information, publications, and material used and distributed by Advance Trading Inc. shall be construed as a solicitation. ATI does not maintain an independent research department as defined in CFTC Regulation 1.71. Information obtained from third-party sources is believed to be reliable, but its accuracy is not guaranteed by Advance Trading Inc. Past performance is not necessarily indicative of future results.