

Producer Wire

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Avoid Attempting to Predict Yield, Price— Focus on Managing Risk, Part 2

Highlights

USDA to complete survey next week in preparation for release of Crop Production report on August 11th

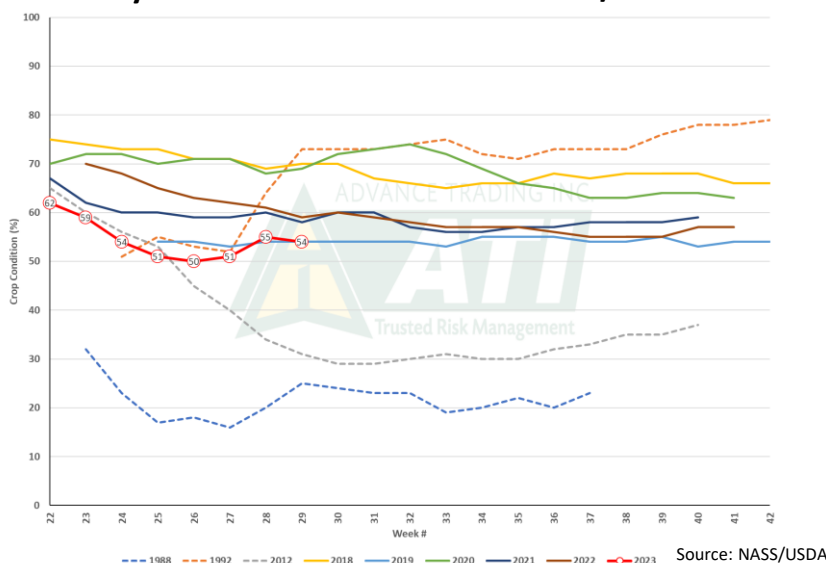
U.S. final soybean yield can show significant variability from initial USDA forecast

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

Ethanol grind: 1,094,000 barrel/day for week ending July 21—up 2.2% compared to last week and up 7.1% vs. 2022

The USDA next week will complete its survey for the *Crop Production* report on Aug. 11. History shows the potential for a significant change in the U.S. soybean yield from the initial forecast to the final total. Plus, there is heightened uncertainty about the potential impact of warmer and drier than normal weather on pod fill during August as well as possibly more double crop acreage. As a student of the market, you realize this is a recipe for increased price volatility—and potential opportunity—ahead of harvest. As always, your *Advance Trading* advisor stands ready to help implement customized risk management strategies for your operation.

U.S. Soybean Production Rated as Good/Excellent



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Kansas cash cattle prices were up \$3.23 cwt from last week at \$180.32 which profited from \$137.75 to \$151.20 per head, depending on how the feed was purchased. Projections indicate a profit for un-hedged producers.



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EGGS/POULTRY

Egg prices were unchanged from last week at 90.7 cents/dozen and were above estimated production costs. Total production costs were up 0.7 cents/dozen from the week before at 76.7 cents/dozen. With this, producer margins were positive 14.0 cents/dozen.

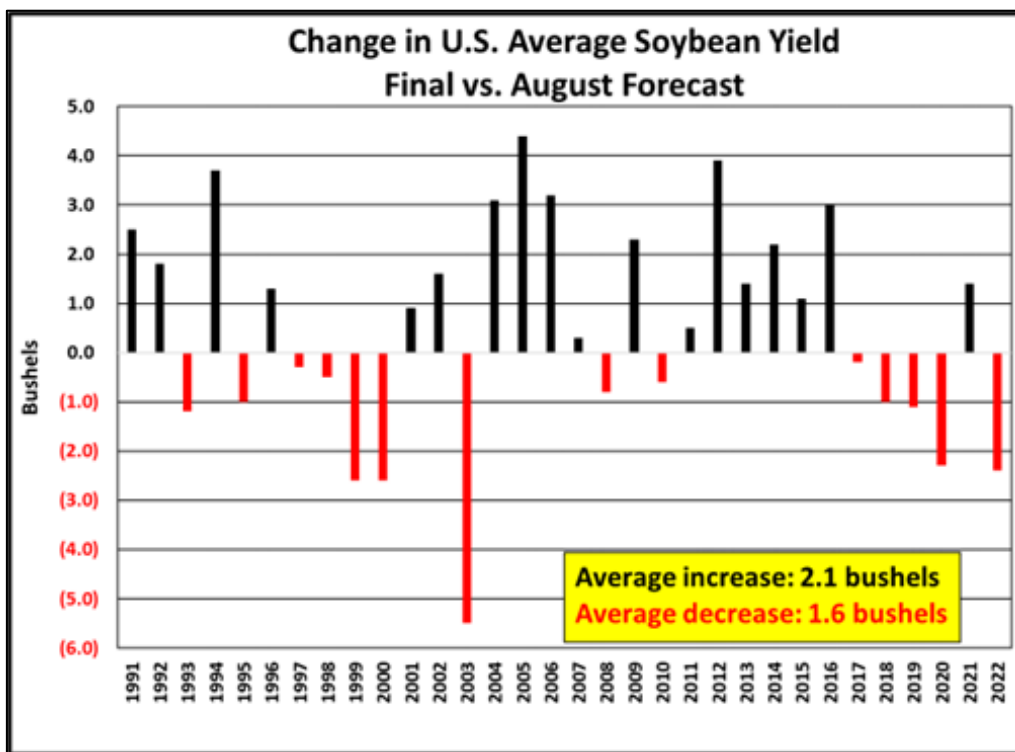


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Uncertainty about soybean yields, acreage suggests potential for increased price volatility

The USDA next week will complete its survey for release of its Crop Production report on Aug. 11. History shows soybean yields can still change significantly before harvest. There have been years when bean crop condition ratings have been extremely high in late-July, only to have late season dry weather and/or pests decimate yields. Alternatively, there have been instances when an average looking bean crop rebounded to generate higher-than-expected yields due to ideal weather in late summer. Last week, we examined the accuracy of the August corn yield in relation to the final estimate. This week, we perform the same analysis for beans.

For review, the chart at below shows the change in the national average U.S. soybean yield from the August report to the final estimate. Since 1991, final yield has been higher than the August forecast 18 times and lower 14 times. The average increase has been 2.1 bpa ranging from 0.2 bushels in 2007 to 4.3 bushels in 2005. Alternatively, the average decrease has been 1.6 bpa ranging from 0.3 bushels in 2017 to 5.5 bushels in 2003. *With harvested acreage currently pegged at 82.7 million acres, the 2023 crop could—on average—increase 174 mbu or decrease 132 mbu from the August forecast.*



Soybean crop conditions initially deteriorated after ratings were first reported in early June. A modest recovery was then seen in early July before edging slightly lower this week. At the moment, there is heightened uncertainty about the potential impact of warmer and drier than normal weather on pod fill during August. Plus, there are ideas that the surge in prices in early July could have resulted in an increase in double crop acreage.

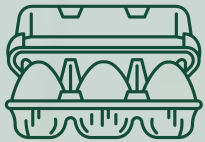
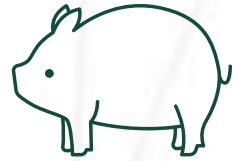
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The average cash price for 750-pound feeder cattle was up \$15.00/cwt from the week before at \$249.00/cwt. Expected corn costs were dn \$1.11 from the week before at \$6.06/bushel. At these levels, we pencil a breakeven price of \$201.55/cwt, up \$3.73/cwt from the week before. With cash cattle in December projected to be \$183.93/cwt, a feedyard could expect a loss of \$220.25 per head.

The Iowa/So. Minnesota weekly average price was up \$1.78/cwt from the week before to \$76.75/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs profited from \$32.05 to \$39.54 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in November and with estimated corn costs up \$0.12 at \$5.92 /bushel and soybean meal dn \$19.00 at \$442.80/ton, expected production costs are \$59.99/cwt to raise the pig to a live market weight in May. With cash hogs projected to be \$50.23/cwt, a pork producer would have a loss of \$24.40/cwt.



Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 07/15/23 were dn 0.4% from the week before. Egg sets were dn 1.0% from a year ago and average egg set over the last four weeks is dn 0.2% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 2.6% more than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 2.8% above the five-year average. Chick placements were dn 1.9% from year ago levels. Placements during the latest week were dn 1.3% from last week and placements over the last four weeks were dn 1.0%.

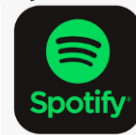
Chicken prices were dn \$0.33 from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$5.03 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were up \$0.01 from last week at \$3.87 per bird. With this, estimated returns were dn \$0.35 from the week before at \$1.16 per bird.



Ethanol grind: 1,094,000 barrels/day for the week ending July 21—up 2.2% vs. last week and up 7.1% versus 2022. Stocks were 23.228 mb, up 0.062 mb from the prior week, but dn 0.100 mb versus last year.

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