

Producer Wire

By Brian Basting
bbasting@advance-trading.com



www.advance-trading.com

August Crop Report and Market Change Highlights Unpredictability of Price

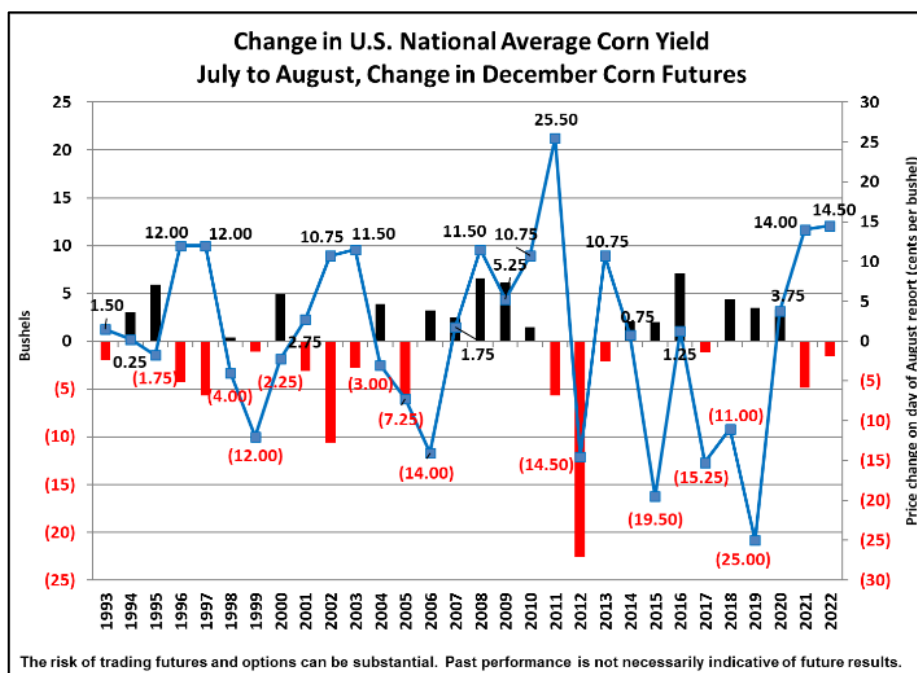
Highlights

Price change for
December corn,
November soybean
futures on day of August
USDA crop report can be
volatile

Many factors can
influence price
direction other than
yield change

At current cash prices,
returns for a cattle
feedyard not hedging
ranged from \$65.23 to
\$87.61/head

Ethanol grind:
1,067,000 barrel/day
for week ending July
28—down 2.5%
compared to last week
but up 2.3% vs. 2022



LIVESTOCK

Kansas cash cattle prices were down \$1.78 cwt from last week at \$178.54 profited from \$65.23 to \$87.61 per head depending on how the feed was purchased. Projections indicate a profit for un-hedged producers.

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

EGGS/POULTRY

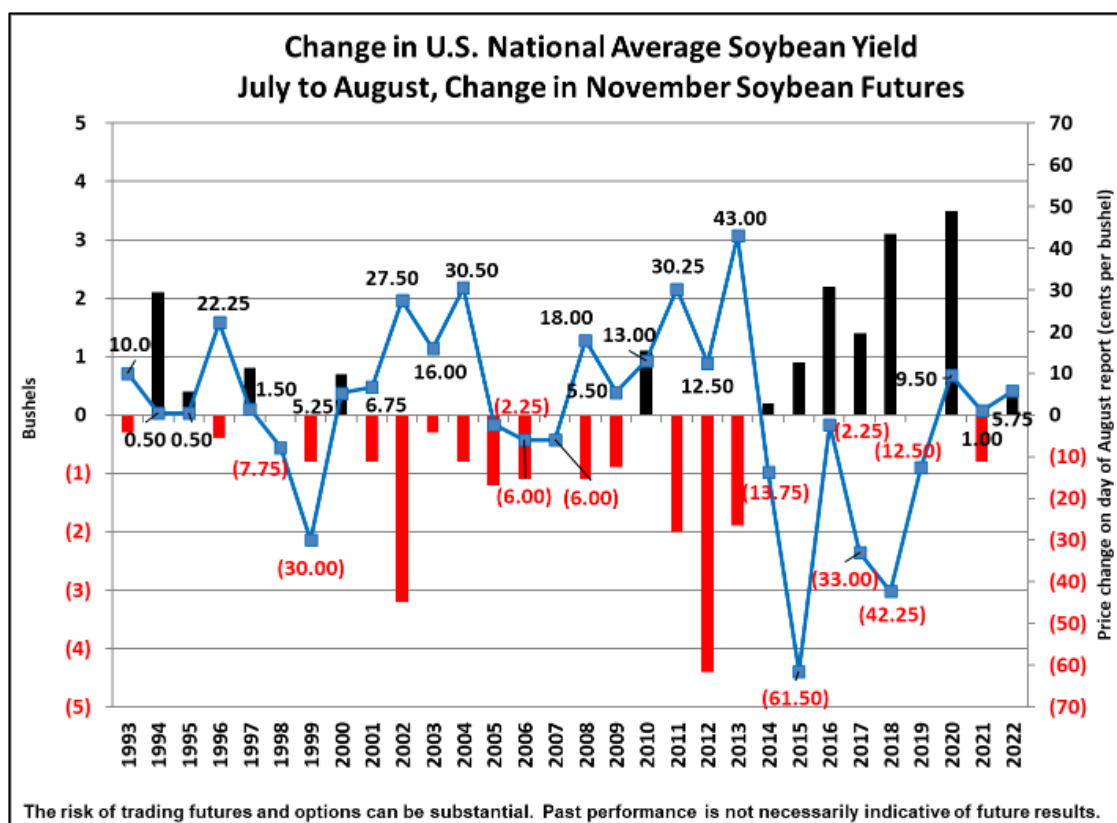
Egg prices were unchanged from last week at 90.7 cents/dozen and were above estimated production costs. Total production costs were unchanged from the week before at 73.1 cents/dozen. With this, producer margins were positive 17.6 cents/dozen.

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



Market volatility often high on day August USDA crop report is released

Interest in the USDA's August 11 *Crop Production* report is high, given the divergence in crop condition ratings across primary corn and soybean production areas. The charts on the first page and below highlight the change the U.S. corn and soybean yield projected by the USDA from July to August (bars), and the change in new-crop December corn and November soybean futures in cents per bushel on the day the August report is released (blue line).



Observations: It's interesting to note that while a major price change has often been associated with a significant adjustment in yield (e.g. 2013 for beans), that is not always the case. For example, the corn yield in 2015 only increased 2.0 bpa but December futures declined 19.5 cents. **Plus, a higher (lower) yield does not always lead to a lower (higher) price.** In 2017, the corn yield declined 1.2 bushel, but price fell 15.25 cents. Sometimes, it may be the relationship of August yield to expectations that drives the market.

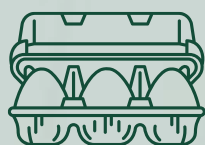
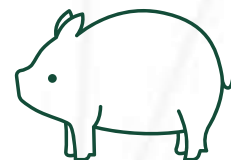
Regardless, as a student of the market, you know that price prediction is impossible. How the market reacts on the day that the USDA releases a crop report (or on any day, for that matter) is influenced by many factors. For the August report, contributing factors to price change might include how the actual yield estimate compared to the average trade guess; latest weather forecasts; acreage changes; export activity; and geopolitical developments, just to name a few. This underscores the importance of managing market volatility as opposed to attempting to predict price direction. As always, your *Advance Trading* advisor is prepared to assist in the development and execution of your marketing program.

LIVESTOCK



The average cash price for 750-pound feeder cattle was up \$10.00 from the week before at \$59.00/cwt. Expected corn costs were down \$0.06 from the week before at \$7.01/bushel. At these levels, we pencil a breakeven price of \$212.28/cwt, up \$5.99 /cwt from the week before. With cash cattle in December projected to be \$186.03 /cwt, a feedyard could expect a loss of \$328.05 per head.

The Iowa/So. Minnesota weekly average price was up \$0.35/cwt from the week before to \$77.10/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs profited from \$32.07 to \$40.98 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 \$5.78 /bushel and soybean meal down at \$433.60/ton, expected production costs are \$59.24/cwt to raise the pig to a live market weight in May. With cash hogs projected to be \$52.40/cwt, a pork producer would have a loss of \$17.10/cwt.



Broiler egg sets during the latest reported week were above last year's levels. Egg sets during the week ending 07/22/23 were down 0.2% from the week before. Egg sets were up 0.1% from a year ago and average egg set over the last four weeks is down 0.3% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 3.1% more than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 3.1% above the five-year average. Chick placements were down 2.1% from year ago levels. Placements during the latest week were down 0.5% from last week and placements over the last four weeks were down 1.3%.

Chicken prices were down \$0.16 from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$4.87 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were up \$0.01 from last week at \$3.78 per bird. With this, estimated returns were down \$0.16 from the week before at \$1.08 per bird.

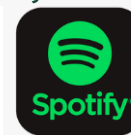


Ethanol grind: 1,067,000 barrels/day for the week ending July 28—down 2.5% vs. last week but up 2.3% versus 2022. Stocks were 22.860 mb, down 0.368 mb from the prior week, and down 0.534 mb versus last year

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.