

Producer Wire

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Supply/Demand Report Reviewed

Highlights

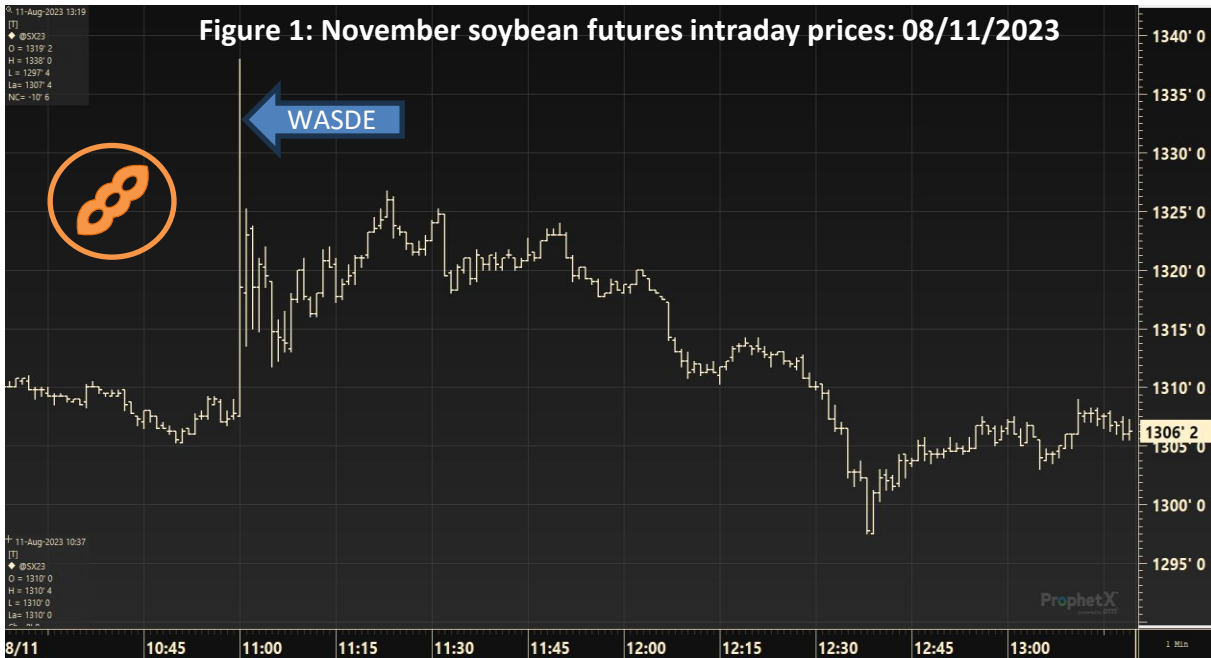
USDA report forecasts lower U.S. corn, soybean production and new-crop ending stocks compared to July

Late-day collapse in corn, soybean prices a reminder of the importance of disciplined management of price volatility

Egg prices were unchanged from the previous week but remain above estimated production costs

Ethanol grind: 1,023,000 barrel/day for week ending Aug. 4—down 4.1% compared to last week but up 0.1% vs. 2022

Lower U.S. corn and soybean production and new-crop ending stocks highlighted the USDA's August 11 Supply/Demand report. Immediately following the report, futures prices for corn and soybeans soared but subsequently collapsed to finish lower at the close of trading. This is yet another reminder that price is unpredictable and disciplined management of price volatility is an excellent way to defend your balance sheet. Your *Advance Trading* advisor is ready to provide guidance on your marketing strategy as harvest nears.



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Kansas cash cattle prices were down \$1.81 cwt from last week at \$180.35 profited from \$54.33 to \$70.53 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 again unchanged from last week at 90.7 cents/dozen and were above estimated production costs. Total production costs were down 1.9 cents/dozen from the week before at 71.2 cents/dozen. With this, producer margins were positive 19.5 cents/dozen.



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Lower U.S. corn, soybean yields forecast by the USDA

As always, the USDA Supply/Demand report contained some surprises. For soybeans, the USDA forecast the 2023 U.S. soybean crop at 4.205 billion bushels—below the average trade guess of 4.252 and near the low end of the range of 4.173-4.300. The national average yield is forecast at 50.9 bushels per acre, which was down 1.1 bushel from July and near the low end of the trade range of 50.5-52.0. In the wake of recent increased rain in key areas, debate has already begun about the yield forecast and is likely to continue into the next USDA report on Sept. 12.

Turning to the old crop balance sheet, U.S. imports for 2022/23 were increased 5 million bushels to 30 mbu, boosting ending stocks to 0.260 bbu (vs. average trade guess of 0.252). For new-crop, exports were reduced 25 mbu to 1.825 bbu with the USDA noting “lower supplies.” Despite lower usage, ending stocks for 2023/24 were reduced by 55 mbu to 0.245 bbu—below the average trade guess of 0.263 but within the range of 0.191-0.313. The average farm price for 2022/23 is forecast at \$14.20, which is unchanged from last month while the average price for 2023/24 increased \$0.30 to \$12.70. *Within seconds after the report was released, November 2023 soybean futures rallied \$0.30 from \$13.08 to \$13.38.*



Looking at corn, the 2023 crop is pegged at 15.111 bbu—slightly below the average trade guess of 15.153 (range: 14.885-15.361). The national average yield of 175.1 bpa was down 2.4 bushel from July but within the trade range of 172.4-178.0. Total supply for 2023/24 is projected at 16.6 bbu—up almost 10% from a year ago. Turning to old-crop, non-ethanol food, seed and industrial use of corn was lowered 20 mbu, and exports were reduced 25 mbu. As a result, ending stocks for 2022/23 were increased 55 mbu to 1.457 bbu—slightly above the average trade guess of 1.410. For new-crop, reductions in usage were noted for exports (50 mbu), feed/residual (25) and non-ethanol FSI (20). Total usage for 2023/24 is forecast at 14.390 bbu—up 5% vs. last year. Ending stocks are pegged at 2.202 bbu—slightly above the average trade guess of 2.167 (range: 1.961-2.358). The average farm price for 2022/23 was unchanged at \$6.60, while the estimate for 2023/24 increased \$0.10 to \$4.90. *Within seconds minutes after the report was released, December 2023 corn futures rallied nearly \$0.10 from \$4.98 ¼ to \$5.07 ½.*

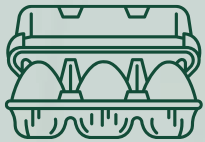
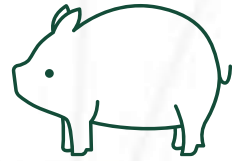
Despite the initial bullish reaction to the report, futures prices for corn and soybeans at the close of trading on Friday were lower; November soybeans fell almost \$0.32 from the post-report high to close at \$13.06 ¼, while December corn plunged \$0.20 ¼ to finish at \$4.87 ¼. This is yet another reminder that price is unpredictable and disciplined management of price volatility is an excellent way to defend your balance sheet. Your Advance Trading advisor is ready to provide guidance on your marketing strategy as harvest nears.

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The average cash price for 750-pound feeder cattle was up \$4.75 from the week before at \$263.75/cwt. Expected corn costs were down \$0.52 from the week before at \$6.49/bushel. At these levels, we pencil a breakeven price of \$212.61/cwt, up \$0.33/cwt from the week before. With cash cattle in December projected to be \$189.94/cwt, a feedyard could expect a loss of \$283.33 per head.

The Iowa/So. Minnesota weekly average price was down \$3.27/cwt from the week before to \$73.83/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs profited from \$24.54 to \$33.41 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 \$5.34 /bushel and soybean meal down at \$422.60/ton, expected production costs are \$57.78/cwt to raise the pig to a live market weight in May. With cash hogs projected to be \$56.97/cwt, a pork producer would have a loss of \$2.02/cwt.



Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 07/29/23 were down 0.4% from the week before. Egg sets were down 0.6% 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 2.7% 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 0.8% from year ago levels. Placements during the latest week were up 1.1% from last week and placements over the last four weeks were down 1.6%.

Chicken prices were down \$0.09 from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$4.77 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were up \$0.02 from last week at \$3.80 per bird. With this, estimated returns were down \$0.11 from the week before at \$0.97 per bird.

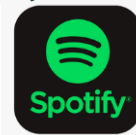


Ethanol grind: 1,023,000 barrels/day for the week ending Aug. 4—down 4.1% vs. last week but up 0.1% versus 2022. Stocks were 22.880 mb, up 0.020 mb from the prior week, but down 0.376 mb versus last year.

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