

# Producer Wire

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## Marketing Lessons for Corn and Soybeans from the 2022/23 Crop Year

The 2022/23 crop year for corn and soybeans will end on Aug. 31. This past year has included many surprises. Now is a good time to highlight some marketing lessons from 2022/23 and look ahead to continued implementation of a comprehensive risk management strategy for 2023/24. As always, your *Advance Trading* advisor stands ready to assist in the execution of your marketing program.



## Highlights

There were many surprises during the 2022/23 crop year for corn and beans

Marketing lessons provide foundation for continued implementation of risk management strategy for 2023/24

Chicken prices were lower last week but remained above estimated production costs

Ethanol grind: 1,048,000 barrel/day for week ending Aug. 18—down 2.0% compared to last week but up 6.2% vs. 2022

### LIVESTOCK

Kansas cash cattle prices were down \$0.94 cwt from last week at \$178.99 profited from \$17.88 to \$49.73 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 up 6.0 cents/dozens from last week at 107.3 cents/dozen and were above estimated production costs. Total production costs were down 2.8 cents/dozen from the week before at 66.2 cents/dozen. With this, producer margins were positive 41.2 cents/dozen.

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# Marketing year for corn and soybeans to end this week

Aug. 31 will mark the official conclusion of the 2022/23 crop year. The end of the crop year provides an opportunity to look back and review some marketing lessons learned for corn and soybeans.

## ❖ **Monitor closely what happens in South America**

A year ago, late season dryness took the top end off Brazil's corn crop. This year, however, was a much different story as corn production in Brazil is forecast at a record 135.0 MMT and 16% above the year ago level. Thus, Brazil will provide fierce competition to U.S. corn in export markets into early 2024, while a rebound in output in Argentina next year could add to that competition in the spring of summer. What happens in South America has never been more important than it is today.

## ❖ **Market highs can occur at any time**

After peaking at \$14.48  $\frac{1}{4}$  on April 29, 2022, November 2023 soybean futures eventually fell to \$11.30  $\frac{1}{2}$  on May 31, 2023. Those anticipating additional weakness in November 2023 soybean futures into harvest, however, have been surprised as the market has surged higher during the final weeks of the crop year on yield concerns linked to hot, dry weather. This is a prime example that price is unpredictable and market highs can occur at any time.

## ❖ **Utilization of risk management tools that provide downside price protection—and upside opportunity—key**

As noted above, November 2023 soybean futures made a high well before the start of the 2022/23 crop year. This is an important reminder that getting control of bushels prior to harvest by utilizing risk management tools that provide downside price protection—and upside opportunity—is a key to successful marketing.

## ❖ **Be prepared for market reaction to a USDA report, rather than react to the numbers**

The trade believed that the USDA's June 30 Acreage report would show a slight drop in 2023 U.S. corn acres from March. The report, however, pegged acres well above the March estimate and futures declined sharply post-report. A modest price recovery was subsequently seen into mid-July on weather concerns, but market then faltered again. This serves as a reminder to be prepared for market reaction to a USDA report, rather than react to the numbers.

## ❖ **Change happens and can be very fast**

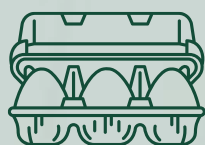
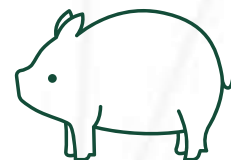
December 2023 corn futures rallied from \$5.49  $\frac{1}{4}$  on June 14, 2023 to \$6.29  $\frac{3}{4}$  on June 21 on crop concerns. A change to favorable weather stalled the rally, however, and December futures plummeted to \$4.83  $\frac{3}{4}$  by July 12—a decline of \$1.46 (23%) in just 14 trading days. While the market staged a rebound into late July, it has yet to recover all those losses. Change happens and can be very fast. Those executing a disciplined risk management strategy are positioned to manage increased price volatility.

# LIVESTOCK



The average cash price for 750-pound feeder cattle was up \$2.75 from the week before at \$265.00/cwt. Expected corn costs were up \$0.05 from the week before at \$6.45/bushel. At these levels, we pencil a breakeven price of \$213.15/cwt, up \$199 /cwt from the week before. With cash cattle in January projected to be \$185.73 /cwt, a feedyard could expect a loss of \$342.81 per head.

The Iowa/So. Minnesota weekly average price was down \$2.01/cwt from the week before to \$68.91/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs profited from \$15.24 to \$22.40 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in December and with estimated corn costs down \$0.05 to \$4.95/bushel and soybean meal down \$6.40 to \$408.90/ton, expected production costs are \$55.58/cwt to raise the pig to a live market weight in June. With cash hogs projected to be \$52.95/cwt, a pork producer would have a loss of \$6.59/cwt.



Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 08/12/23 were up 0.1% from the week before. Egg sets were down 1.0% from a year ago and average egg set over the last four weeks is down 0.4% 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 3.0% above the five-year average. Chick placements were up 0.4% from year ago levels. Placements during the latest week were up 0.6% from last week and placements over the last four weeks were down 1.1%.

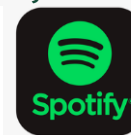
Chicken prices were down \$0.19 from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$4.89 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were up \$0.01 from last week at \$3.82 per bird. With this, estimated returns were up \$0.19 from the week before at \$1.07 per bird.



Ethanol grind: 1,048,000 barrels/day for the week ending Aug. 18—down 2.0% vs. last week but up 6.2% versus 2022. Stocks were 23.790 mb, down 0.645 mb from the prior week and down 1.017 mb versus last year.

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