

# Producer Wire

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## Discipline an Essential Ingredient to Successful Marketing

With harvest fast approaching, many are attempting to predict what the trend in prices for corn and soybeans will be. As a student of the market, you know that price prediction is impossible, and that discipline is an essential ingredient to successful marketing. This entails following a system of rules for managing a position during periods of increased price volatility, regardless of market direction. Ongoing contact with your *Advance Trading* advisor and diligent execution of risk management strategies is prudent.

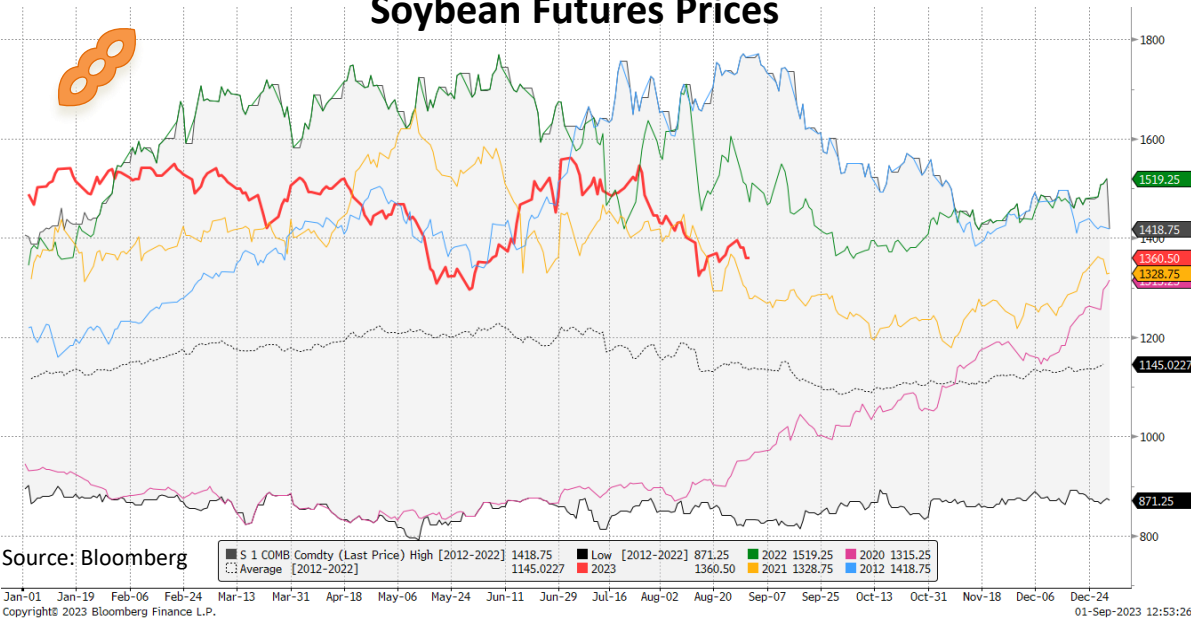
## Highlights

Many are attempting to predict what the trend in corn and soybean prices will be, which is impossible

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

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

### Soybean Futures Prices



### LIVESTOCK

Kansas cash cattle prices were down \$0.05 cwt from last week at \$178.94 profited from \$19.12 to \$64.59 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 12.3 cents/dozens from last week at 119.7 cents/dozen and were above estimated production costs. Total production costs were up 0.8 cents/dozen from the week before at 66.1 cents/dozen. With this, producer margins were positive 53.6 cents/dozen.



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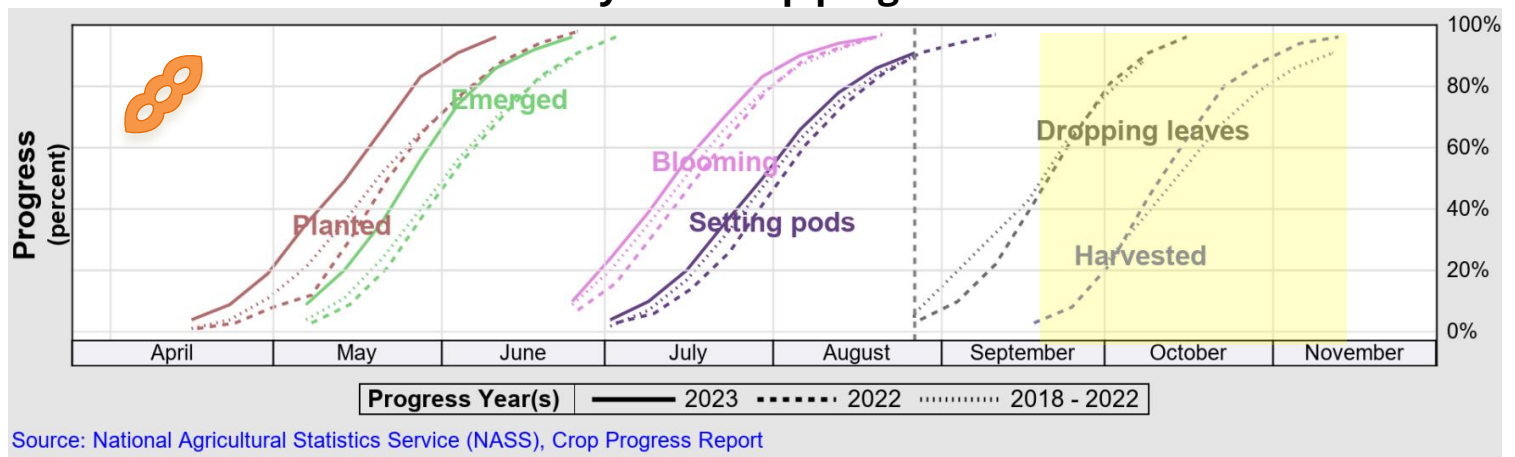
Ethanol grind: 1,007,000 barrel/day for week ending Aug. 25—dn 3.9% compared to last week but up 3.8% vs. 2022

# Soybean futures firmer, corn futures weakening as harvest begins

As the beginning of corn and soybean harvest approaches, many are attempting to predict what the eventual trend in prices for each crop will be. Recently, I was asked a question about price direction by two different contacts: "What's going on—how low can corn prices go?" and "Will beans make new highs?" *It bears repeating at this point that as a student of the market, you know that price prediction is impossible.* For example, U.S. yields are not the only variable that will influence price direction. In the wake of the latest data from the Farm Service Agency, some contend upward adjustments in corn and soybean acreage will be seen in the September USDA *Crop Production* report. What should be noted, however, is that even if an increase in acreage is seen, total production could still be lower if the national average yield decreases.

Then there is demand. Although more USDA announcements of U.S. beans being sold to China have been seen of late, unshipped export sales of corn and soybeans remain well below last year. This is being countered, however, by concerns that a less-than-ideal finish to the U.S. growing season will result in smaller crops in the USDA *Crop Production* report on Sept.12. At this point, it is critical to note that other "left hooks" could still occur, i.e., unforeseen events that result in a wide swing in price. In this case, the risk to a producer is a "left hook" that would have bearish price consequences. This could be political, economic, or even something that has not been seen before. The sum of all these factors is increased price volatility.

## Soybean crop progress



## Management of market position is recommended, not price prediction

We have highlighted before that rather than looking at increased price volatility with fear it should be viewed as opportunity. One of the essential ingredients to successful marketing is discipline. By definition in this context, discipline is "a rule or system of rules governing conduct or activity". Markets are unpredictable and can swing sharply higher, or lower depending on a change in supply, demand, or any of the "left hook" factors that surface.

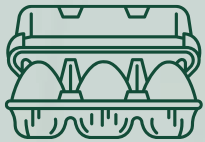
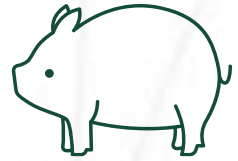
How would exercising discipline in marketing apply in this environment? **By following a system of rules for managing a position during periods of increased price volatility, regardless of market direction.** Note that there is no hint of price prediction in this process, i.e., when the market reaches a certain level, this will be done. Rather management of a particular position is emphasized that provides flexibility, and protection, during periods of increased price volatility. Ongoing contact with your **Advance Trading** advisor and diligent execution of risk management strategies is prudent.

# LIVESTOCK



The average cash price for 750-pound feeder cattle was down \$13.58 from the week before at \$251.42/cwt. Expected corn costs were down \$0.09 from the week before at \$6.36/bushel. At these levels, we pencil a breakeven price of \$204.16/cwt, down \$9.00/cwt from the week before. With cash cattle in January projected to be \$187.74 /cwt, a feedyard could expect a loss of \$205.20 per head.

The Iowa/So. Minnesota weekly average price was down \$5.35/cwt from the week before to \$63.56/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs profited from \$2.48 to \$9.74 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in December and with estimated corn costs up \$0.11 to \$5.06/bushel and soybean meal down \$1.40 to \$407.50/ton, expected production costs are \$55.96/cwt to raise the pig to a live market weight in June. With cash hogs projected to be \$52.78/cwt, a pork producer would have a loss of \$7.94/cwt.



Broiler egg sets during the latest reported week were above last year's levels. Egg sets during the week ending 08/19/23 were up 0.1% from the week before. Egg sets were up 0.4% from a year ago and average egg set over the last four weeks is up 0.8% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 4.9% more than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 4.7% above the five-year average. Chick placements were up 0.2% from year ago levels. Placements during the latest week were down 0.9% from last week and placements over the last four weeks were up 0.9%.

Chicken prices were up \$0.17 from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$5.05 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were down \$0.03 from last week at \$3.79 per bird. With this, estimated returns were up \$0.20 from the week before at \$1.27 per bird.

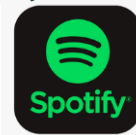


Ethanol grind: 1,007,000 barrels/day for the week ending Aug. 25—down 3.9% vs. last week but up 3.8% versus 2022. Stocks were 21.609 mb, down 1.181 mb from the prior week and down 1.924 mb versus last year.

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