

Producer Wire

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USDA Report Delivers Acreage Surprise— Harvest, Exports Will Drive Market

While the U.S. national average corn yield declined from August, prices were pressured by a higher production estimate compared to last month due to a larger-than-expected increase in harvested acreage. Harvest results and export trends will drive the market for the next month ahead of the next USDA report on Oct. 12. Market volatility, and opportunity, could remain high depending on whether yields meet, fall short of, or exceed the latest USDA forecasts and whether low prices stimulate an increase in U.S. export sales. Now is an important time to work closely with your *Advance Trading* advisor to execute your risk management strategy.



September 2023 Corn Acreage, Yield, and Production



	Planted (1,000 Acres)	Harvested (1,000 Acres)	Yield (Bushels/Acre)	Production (1,000 Bushels)
United States	94,868	87,096	173.8	15,133,911
% Change from Previous Estimate	↑ 0.8	↑ 0.9	↓ 0.7	↑ 0.2
% Change from Previous Season	↑ 7.1	↑ 10.0	↑ 0.3	↑ 10.2

Top 5 States - By Production									
	Planted (1,000 Acres)		Harvested (1,000 Acres)		Yield (Bushels/Acre)		Production (1,000 Bushels)		
		% Δ PY		% Δ PY		% Δ PY		% Δ PY	
Iowa	13,100	↑ 1.6	12,600	↑ 1.6	200		NC 2,520,000	↑ 1.6	
Illinois	11,200	↑ 3.7	11,000	↑ 3.8	198	↓ 7.5	2,178,000	↓ 4.0	
Nebraska	9,950	↑ 3.6	9,590	↑ 8.7	177	↑ 7.3	1,697,430	↑ 16.6	
Minnesota	8,600	↑ 7.5	8,200	↑ 9.5	180	↓ 7.7	1,476,000	↑ 1.1	
Indiana	5,500	↑ 4.8	5,380	↑ 4.9	194	↑ 2.1	1,043,720	↑ 7.1	

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Kansas cash cattle prices were up \$1.92 cwt from last week at \$179.96 projected a loss of \$16.63 to \$78.14 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 down 4.7 cents/dozens from last week at 119.7 cents/dozen and were above estimated production costs. Total production costs were down 0.3 cents/dozen from the week before at 64.4 cents/dozen. With this, producer margins were positive 55.3 cents/dozen.

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Highlights

U.S. corn crop estimate increased as larger-than-expected rise in acreage more than offsets lower yield

Potential persists for increased price volatility as harvest gains momentum

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

Ethanol grind: 1,039,000 barrel/day for week ending Sept. 8—up 2.7% compared to last week and up 7.9% vs. 2022



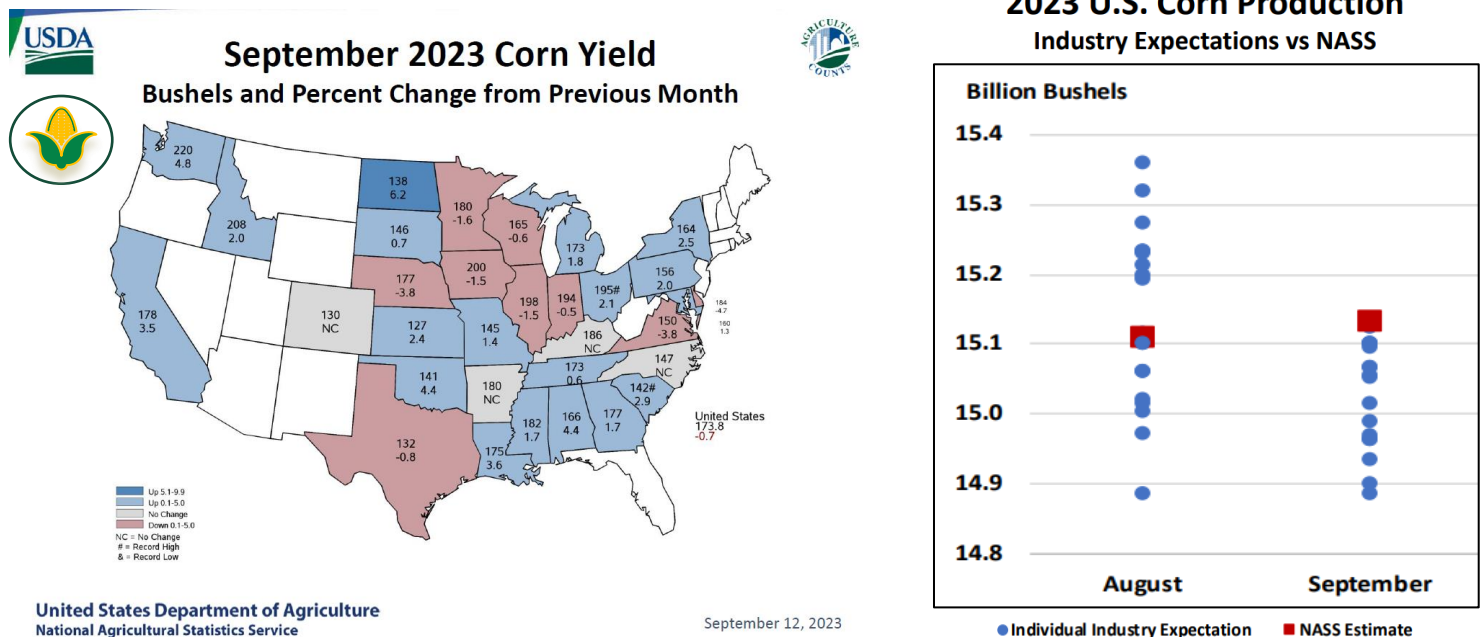
U.S. corn production estimate exceeds expectations due to surprisingly large jump in acreage

We have emphasized that monthly USDA Supply/Demand reports often contain surprises, and this week was no exception. Going into the report, the conventional wisdom was a reduction in the national average corn yield would result in a reduction in crop size. For example, the average trade guess for corn yield was 173.5 bpa compared to 175.1 in August with a range from 171.5-175.0. The same trend was evident for total corn production—the average guess of 15.008 billion bushels was down vs. the August projection of 15.111 with the range pegged at 14.762-15.125.

What did the USDA update say? At 173.8 bpa (-0.7% versus Aug.), the corn yield estimate was fractionally above the average guess but well within the range of expectations. Reductions in yield ranging from 1 to 7 bushels per acre compared to August were seen for most primary producing states. Yield was unchanged in Colorado, while yield increases ranging from 1 to 4 bushels were noted for Ohio, Kansas, South Dakota and North Dakota. Within five minutes after the release of the report, however, December corn futures had fallen \$0.08 compared to the previous day and eventually slid \$0.12 ¼ before rebounding late in the day to close \$0.09 ¼ lower. The updated yield was nearly in line with expectations, so what happened?

The USDA surprised the trade by increasing its projection of harvested acreage by 774,000 (+0.9%) compared to pre-report estimates of a more modest 120,000 increase. Largest increases relative to August were seen in Nebraska (+430,000), Kansas (+230,000), Minnesota (+200,000) and Missouri (+190,000). Effectively, the increase in harvested acreage more than offset the decline in yield. Total production was pegged at 15.134 bbu (+0.2%); this was above the average guess of 15.008, slightly above last month's estimate of 15.111 bbu and exceeded the highest guess prior to the report of 15.125 bbu (see chart below right). With no changes made to new-crop demand estimates, U.S. corn carryout for 2023/24 was pegged at 2.221 bbu compared to the average trade estimate of 2.140 (range 1.830-2.399) and 2.202 last month. *This year's projected carryout is forecast to be up almost 53% from 2022/23.*

This is yet another important example of how a USDA report can surprise market participants. Harvest results and export trends will drive the market for the next month ahead of the next USDA crop report on Oct. 12. Market volatility, and opportunity, could remain high depending on whether yields meet, fall short of, or exceed the latest USDA forecasts and whether low prices stimulate an increase in U.S. export sales. Now is an important time to work closely with your *Advance Trading* advisor to execute your risk management strategy.

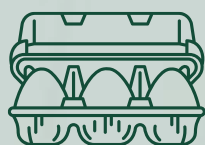
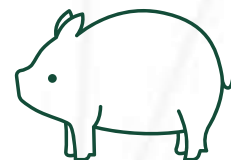


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The average cash price for 750-pound feeder cattle was down \$1.50 from the week before at \$248.75/cwt. Expected corn costs were down \$0.18 from the week before at \$5.64/bushel. At these levels, we pencil a breakeven price of \$198.21/cwt, down \$1.86 /cwt from the week before. With cash cattle in February projected to be \$191.70/cwt, a feedyard could expect a loss of \$81.44 per head.

The Iowa/So. Minnesota weekly average price was down \$1.04/cwt from the week before to \$58.92/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs ranged from a \$8.45 loss to a profit of \$0.05 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in January and with estimated corn costs up \$0.01 to \$4.74/bushel and soybean meal down \$3.50 to \$387.70/ton, expected production costs are \$54.28/cwt to raise the pig to a live market weight in July. With cash hogs projected to be \$58.54/cwt, a pork producer would have a profit of \$10.65/cwt.



Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 09/02/23 were down 1.5% from the week before. Egg sets were down 3.0% from a year ago and average egg set over the last four weeks is down 1.8% 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 3.5% above the five-year average. Chick placements were down 1.8% 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 1.2%.

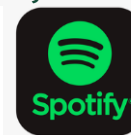
Chicken prices were unchanged from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$5.07 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were down \$0.03 from last week at \$3.73 per bird. With this, estimated returns were up \$0.04 from the week before at \$1.34 per bird.



Ethanol grind: 1,039,000 barrels/day for the week ending Sept. 8—up 2.7% vs. last week and up 7.9% versus 2022. Stocks were 21.171 mb, down 0.450 mb from the prior week and down 1.672 mb versus last year.

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