October 2, 2023

2023, WEEK 39

Producer Wire

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Management of Market Position Provides Peace of Mind

In addition to Friday's surprisingly bearish wheat production estimate, variable corn and soybeans yields have the potential to fuel more price volatility as harvest gains momentum. The presence of an *El Niño* weather pattern ahead of the South American growing season adds yet another element of uncertainty to the market. Effective marketing by definition requires having control of a position at all times. Your *Advance Trading* advisor is well prepared to assist in developing and executing risk management strategies during this busy time of year.

USDA September 1 Stocks 09/29/23

		Sep 29 Report	Prior Yr	Sep 12th S/D Estimate	Change from LY	Estimates Low	Estimates Avg.	Estimates High
All Wheat (billion bushels)	September 1 Stocks	1.78	1.776	NA	0.004	1.710	1.772	1.852
	JJA Wheat Feed/Res	0.227	0.143		0.084			
Corn (billion bushels)	September 1 Stocks	1.361	1.377	2.221	-0.016	1.320	1.429	1.487
Soybeans (billion bushels)	September 1 Stocks	0.268	0.274	0.375	-0.006	0.216	0.242	0.270

LIVESTOCK

Kansas cash cattle prices were up $0.38 cwt from last week at $183.00 projected a loss of $39.59 to $100.29 per head depending on how the feed was purchased. Projections indicate a profit for un-hedged producers.

(Read more...)

EGGS/POULTRY

Egg prices were down 5.3 cents/dozen from last week at 95.7 cents/dozen and were above estimated production costs. Total production costs were down 0.2 cents/dozen from the week before at 61.7 cents/dozen. With this, producer margins were positive 34.0 cents/dozen.

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Highlights

Yields for 2023 corn and soybeans have been variable so far

Effective marketing by definition requires having control of a position at all times

Chicken prices were higher last week and remained above estimated production costs

Ethanol grind: 1,009,000 barrel/day for week ending Sept. 22—up 3.7% compared to last week and up 18.0 vs. 2022

Uncertainty high regarding U.S. corn and bean yields ahead of the Oct. 12 USDA Crop Production report

The USDA shocked the market on Friday with a surprisingly bearish U.S. wheat production estimate in the *Small Grains Summary* report. Corn and soybean yields for the 2023 crop thus far have been exceptionally variable with some areas reporting better-than-expected results in contrast to disappointing production in other areas. A warm and dry near-term forecast across the Midwest is likely to lead to active harvest progress early this week with the next USDA *Crop Production* report scheduled for release Oct. 12. The presence of an *El Niño* weather pattern ahead of the South American growing season adds yet another element of uncertainty to the market. Variable production results have historically been associated with *El Niño* weather in Brazil and Argentina.

First, let's briefly review the results from the two USDA reports released on Friday: *Small Grains Summary* and *Grain Stocks*. The *Small Grains Summary* report provided an update on the size of the 2023 U.S. wheat crop. At 1.812 billion bushels, the revised 2023 all wheat production estimate was shockingly bearish. Not only was it 80 million bushels above the average trade guess of 1.732 bbu, it was also 55 mbu above the top end of the trade range (1.689-1.757). Production of hard red spring wheat increased 55 mbu in this report, while modest increases of 16 mbu and 9 mbu were seen in hard red winter and soft red winter, respectively.

Turning to the *Grain Stocks* report (see table on the first page), Sept. 1 stocks of wheat were 1.780 bbu compared to the average trade estimate of 1.770. The implication is that feed/residual use of wheat exceeded expectations. Sept. 1 stocks of corn were pegged at 1.361 bbu versus the average trade estimate of 1.439 bbu. The implication is June-August feed/residual use was 75-80 mbu above expectations. Finally, Sept.1 stocks of soybeans were 268 compared to the average trade estimate of 245. The implication is that the "add-back" of soybean bushels was larger-than-expected. Another way to look at this is perhaps the 2022 crop estimate was understated. The bearish wheat production estimate overwhelmed all other data, however, and spilled over into weaker corn and soybean futures.

Having downside protection in place while maintaining flexibility to participate in rallies is key

Effective marketing by definition requires having control of a position at all times. During times of uncertainty (i.e. yields, *El Niño* weather, etc.), *one of the benefits of this approach is the peace of mind obtained by having downside protection in place in the event of lower prices, while at the same time maintaining flexibility to participate if the market rallies.* Your *Advance Trading* advisor is well prepared to assist in developing and executing risk management strategies during this busy time of year.

LIVESTOCK

The average cash price for 750-pound feeder cattle was up $0.30 from the week before at $262.80/cwt. Expected corn costs were down $0.09 from the week before at $5.57/bushel. At these levels, we pencil a breakeven price of $206.74/cwt, down $0.27 /cwt from the week before. With cash cattle in February projected to be $195.55/cwt, a feedyard could expect a loss of $139.81 per head.

The Iowa/So. Minnesota weekly average price was down $0.15/cwt from the week before to $58.25/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs ranged from a profit of $0.47 to a loss of $11.64 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 $4.47/bushel and soybean meal down $5.40 to $373.20/ton, expected production costs are $52.53/cwt to raise the pig to a live market weight in July. With cash hogs projected to be $59.53/cwt, a pork producer would have a profit of $16.51/cwt.

Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 09/16/23 were up 1.0% from the week before. Egg sets were down 2.2% from a year ago and average egg set over the last four weeks is down 2.9% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 3.9% more than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 4.5% above the five-year average. Chick placements were down 2.9% 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 2.8%.

Chicken prices were up $0.03/bird from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was $5.13 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were down $0.03 from last week at $3.67 per bird. With this, estimated returns were up $0.06 from the week before at $1.46 per bird.

Ethanol grind: 1,009,000 barrels/day for the week ending Sept. 22—up 3.0% vs. last week and up 18.0% versus 2022. Stocks were 22.048 mb, up 0.367 mb from the prior week but down 0.643 mb versus last year.

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