

Producer Wire

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Be Prepared for Potential Increased Market Volatility with Oct. 12 USDA Report

U.S. corn and soybean yields continue to be quite variable as harvest gains momentum. Thus, there is perhaps a greater amount of uncertainty than usual surrounding production estimates in the next update from the USDA on October 12. Some contend output will decrease even more than indicated in the September report, while others suggest that an increase will be seen. Your *Advance Trading* advisor is well prepared to assist in implementing a customized risk management strategy for your operation.

Nearby Corn and Soybean Futures Prices (cents/bushel)



Highlights

Release of the USDA October Crop Production report has historically been accompanied by major price moves

It is critical to have your marketing plan in place prior to release of what could be a market-moving report

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

Ethanol grind:
1,009,000 barrel/day for week ending Sept. 29—unchanged compared to last week but up 13.5% vs. 2022

LIVESTOCK

Kansas cash cattle prices were down \$0.01 cwt from last week at \$182.99 projected a loss of \$16.85 to a profit of \$45.77 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 unchanged from last week at 95.7 cents/dozen and were above estimated production costs. Total production costs were down 0.8 cents/dozen from the week before at 60.9 cents/dozen. With this, producer margins were positive 34.8 cents/dozen.

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Surprise changes to demand forecasts can also potentially offset adjustments to yield

The next USDA U.S. corn and soybean production update for 2023 will be released on October 12. For review, the USDA last month pegged the national average corn yield at 173.8 bpa (down 1.3 bushel vs. August), while the average for beans was 50.1 (down 0.8 bushel vs. August). There is already a wide range of private estimates of yield for both crops circulating throughout the market. *From a risk management perspective, however, the most critical component of your marketing program is managing market movement in response to possible yield changes.*

What magnitude of price changes may be seen in this report? As a student of the market, you know that is impossible to answer. What we can do, however, is examine history of the change in yield in the October report compared to September and look at the change in futures prices on the day that the report is released (see table below).

YIELD (bpa) Change Oct. vs. Sep.			FUTURES PRICE (\$/bu) Change vs. previous day		
Column 1	CORN	BEANS		CZ Corn	SX Beans
2003	3.7	(2.4)	2003	(\$0.0550)	\$0.2100
2004	9.0	3.5	2004	(\$0.0225)	(\$0.2600)
2005	2.9	2.0	2005	\$0.0325	\$0.2550
2006	(1.2)	1.0	2006	\$0.1425	\$0.1750
2007	(1.1)	0.0	2007	\$0.0725	(\$0.0475)
2008	1.7	(0.5)	2008	(\$0.3000)	(\$0.7000)
2009	2.3	0.1	2009	(\$0.0175)	\$0.2800
2010	(6.7)	(0.3)	2010	\$0.3000	\$0.7000
2011	0.0	(0.3)	2011	(\$0.0425)	\$0.0400
2012	(0.8)	2.5	2012	\$0.3650	\$0.2525
2013	NA	NA	2013	NA	NA
2014	2.5	0.5	2014	(\$0.1075)	(\$0.1950)
2015	0.5	0.1	2015	(\$0.0850)	\$0.0450
2016	(1.0)	0.8	2016	(\$0.0850)	(\$0.0875)
2017	1.9	(0.4)	2017	\$0.0300	\$0.2675
2018	(0.6)	0.3	2018	\$0.0650	\$0.0600
2019	0.2	(1.0)	2019	(\$0.1400)	(\$0.0025)
2020	(0.1)	0.0	2020	\$0.0800	\$0.1550
2021	0.2	0.9	2021	(\$0.1050)	(\$0.3000)
2022	(0.6)	(0.7)	2022	\$0.0000	\$0.1975
No October report in 2013 due to Federal Government shutdown					
There is risk in trading futures and options. Past performance is not necessarily indicative of future results.					

Observations: In general, a lower (higher) yield is accompanied by a higher (lower) price . . . but not always. For example, the corn yield in 2017 increased 1.9 bushel compared to September but December corn futures increased \$0.03. In 2008, the bean yield declined 0.5 bushel compared to September, but November soybean futures fell \$0.70. It is important to remember that yield changes relative to trade expectations can influence price trends. Plus, surprise changes to demand forecasts both domestically and internationally can also potentially offset an adjustment to yield.

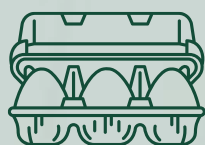
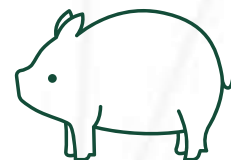
There seems to be a greater-than-usual amount of debate surrounding nationwide yields associated with the October report. Some contend output will decrease even more than indicated in the September report, while others suggest that an increase will be seen. In this type of environment, it is critical to have your marketing plan in place prior to release of what could be a market-moving report.

LIVESTOCK



The average cash price for 750-pound feeder cattle was up \$3.30 from the week before at \$266.10/cwt. Expected corn costs were unchanged from the week before at \$5.57/bushel. At these levels, we pencil a breakeven price of \$208.39/cwt, up \$2.05 /cwt from the week before. With cash cattle in February projected to be \$195.50/cwt, a feedyard could expect a loss of \$161.11 per head.

The Iowa/So. Minnesota weekly average price was down \$3.17/cwt from the week before to \$55.08/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs projected a loss of \$6.63 to \$19.60 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in January and with estimated corn costs unchanged at \$4.47/bushel and soybean meal up \$3.00 to \$376.20/ton, expected production costs are \$52.99/cwt to raise the pig to a live market weight in July. With cash hogs projected to be \$59.66/cwt, a pork producer would have a profit of \$16.68/cwt.



Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 09/23/23 were down 0.2% from the week before. Egg sets were down 1.9% from a year ago and average egg set over the last four weeks is down 3.2% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 2.9% 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 5.1% from year ago levels. Placements during the latest week were down 2.1% from last week and placements over the last four weeks were down 3.7%.

Chicken prices were down \$0.02/bird from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$5.11 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were down \$0.02 from last week at \$3.65 per bird. With this, estimated returns were unchanged from the week before at \$1.46 per bird.

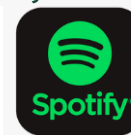


Ethanol grind: 1,009,000 barrels/day for the week ending Sept. 29—unchanged v. last week but up 13.5% versus 2022. Stocks were 21.884 mb, down 0.164 mb from the prior week but up 0.199 mb versus last year.

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