

# Producer Wire

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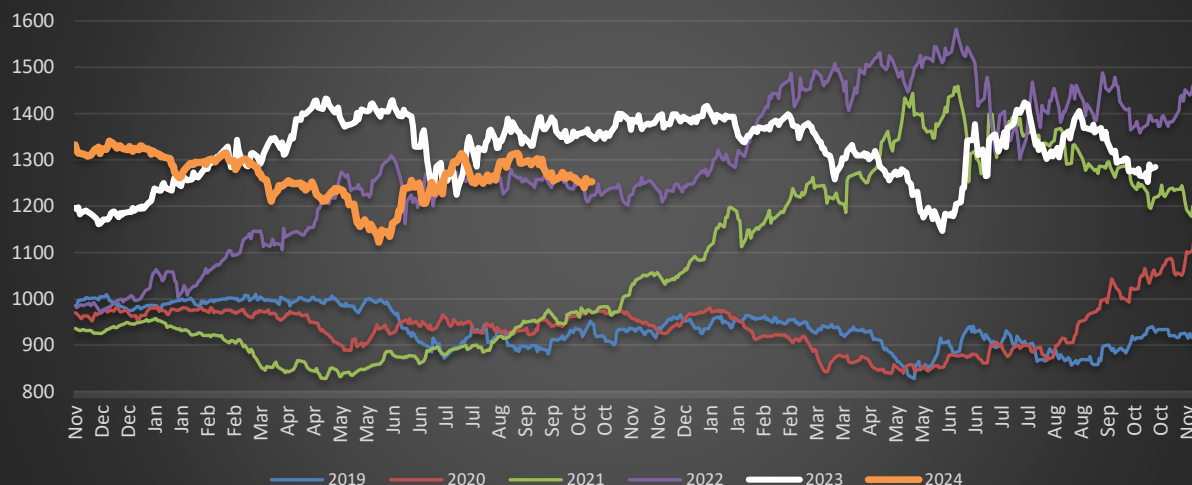


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## Risk Management Strategy Execution Critical for 2023 & 2024 Soybean Crops

November 2023 and 2024 soybean futures remain well above the five-year average for November futures for this time of year. As a student of the market, you understand the critical importance of risk management strategy execution for 2023 and 2024 soybean crops. As you execute, you feel the control associated with a disciplined marketing plan and avoid poor decisions that are often seen amid market uncertainty. Your *Advance Trading* advisor is ready to assist in the implementation of your strategy.

### Seasonal November Soybean Futures



## Highlights

November 2023 and 2024 soybean futures remain well above the five-year average for this time of year

Opportunities to implement risk management strategies for 2023 and 2024 soybean crops are present

At current cash prices, returns for a cattle feedyard not hedging ranged from a \$7.41 loss to a profit of \$60.09/head

### LIVESTOCK

Kansas cash cattle prices were down \$0.99 cwt from last week at \$182.00 projected a loss of \$7.41 to a profit of \$60.09 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 0.3 cents/dozen from the week before at 61.8 cents/dozen. With this, producer margins were positive 33.9 cents/dozen.

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Ethanol grind:  
1,004,000 barrel/day  
for week ending Oct.  
6—down 0.5%  
compared to last week  
but up 7.7% vs. 2022



## Producers that execute risk management during a rise in market uncertainty will maintain price-control

November 2023 soybean futures this week rebounded to trade just shy of \$13.00 while November 2024 futures climbed back above \$12.50. Since rallying to a high of \$14.09 ½ on Aug. 28, November 2023 futures had plummeted \$1.59 (11%). November 2024 soybean futures, meanwhile, fell \$0.85 over the same time period (6%). Stronger-than expected export competition from Brazil and larger-than-expected ending stocks from the 2022/23 crop year have pressured nearby prices. At the same time, weakness in the November 2024 soybean contract has been fueled in part by ideas of a potential increase in U.S. planted soybean acreage next spring as producers move away from corn due to declining profitability relative to beans. Despite these bearish headwinds, November 2023 and 2024 futures remain \$1.88 and \$1.60 above the five-year average for November futures for this time of year.

Let's review this week's USDA Supply/Demand report. The national average bean yield was lowered by 0.5 bushel per acre to 49.6 bpa, down 4.6% from the May forecast. Crush was increased 10 mbu compared to September, but exports were reduced by 35 mbu due to increased competition from Brazil. After including a 2 mbu increase in residual use, total demand was down 23 mbu versus last month. Ending stocks for 2023/24 are pegged at 0.220 bbu—unchanged compared to September. Comparing the 2023/24 bean marketing year with 2022/23, exports are projected to decline 237 mbu (12%). Crush, meanwhile, is forecast to increase 88 mbu (4%). Total soybean usage of 4.183 bbu is forecast to be down 118 mbu (3%) compared to last year. Needless to say much can, and probably will, change by August 31, 2024 but this should serve as a reminder that "high prices cure high prices."

Given this overview, what are some risk management strategies to consider?

- **Establish a price floor for 2023 production while maintaining upside potential**—No one knows if a low had been made, or if more weakness is ahead. A put option strategy can establish a price floor, while maintaining upside potential. A cash sale combined with a call option purchase is another possibility;
- **Attention can then be directed to protecting projected 2024 production**—Having established a marketing strategy for 2023 production, attention can be given to projected 2024 output. One alternative to consider is the purchase of a November 2024 soybean put option. This would establish an initial price floor for projected output well ahead of the base crop insurance period in February 2024.

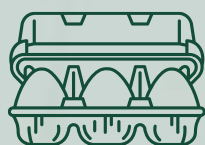
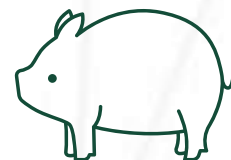
*As you execute, you will feel the control associated with a disciplined marketing plan and avoid the poor decisions that are often seen as market uncertainty increases. Your Advance Trading advisor is ready to assist in the implementation of your strategy.*

# LIVESTOCK



The average cash price for 750-pound feeder cattle was down \$1.40 from the week before at \$264.70/cwt. Expected corn costs were unchanged from the week before at \$5.72/bushel. At these levels, we pencil a breakeven price of \$208.29/cwt, down \$0.10 /cwt from the week before. With cash cattle in February projected to be \$194.89/cwt, a feedyard could expect a loss of \$167.51 per head.

The Iowa/So. Minnesota weekly average price was up \$0.66/cwt from the week before to \$55.74/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs projected a loss of \$4.32 to \$15.33 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 \$4.92/bushel and soybean meal down \$14.10 to \$362.10/ton, expected production costs are \$53.16/cwt to raise the pig to a live market weight in July. With cash hogs projected to be \$60.74/cwt, a pork producer would have a profit of \$18.93/cwt.



Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 09/30/23 were down 0.3% from the week before. Egg sets were down 4.2% from a year ago and average egg set over the last four weeks is down 3.1% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 1.5% more than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 1.8% above the five-year average. Chick placements were down 3.0% from year ago levels. Placements during the latest week were down 0.9% from last week and placements over the last four weeks were down 3.7%.

Chicken prices were down \$0.10/bird from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$5.01 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were down \$0.04 from last week at \$3.61 per bird. With this, estimated returns were down \$0.06 from the week before at \$1.40 per bird.

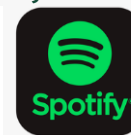


Ethanol grind: 1,004,000 barrels/day for the week ending Oct. 6—down 0.5% v. last week but up 7.7% versus 2022. Stocks were 21.526 mb, down 0.358 mb from the prior week and down 0.337 mb versus last year.

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