

Producer Wire

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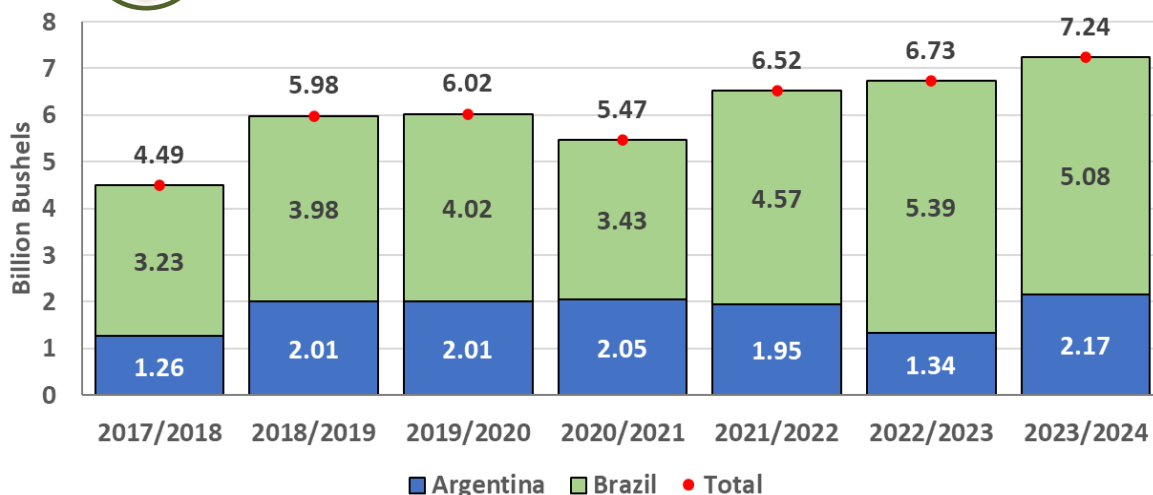
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Defend Your Balance Sheet

The harvest crop insurance price for corn was finalized on Oct. 31 at \$4.88. A review of “what if” scenarios suggest some producers will not receive an indemnity. Where harvest is completed, gross revenue for 2023 production can now be calculated—and protected. In view of uncertainty about Chinese corn demand and South American weather, it is critical to work with your *Advance Trading* advisor to implement risk management strategies for 2023 production.



Corn Production



Source: USDA

Highlights

Critical to implement risk management strategies for 2023 production

December 2023 corn futures this week declined to the lowest daily settlement price since September 24, 2021

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

LIVESTOCK

Kansas cash cattle prices were up \$0.01 cwt from last week at \$184.57 projected a loss of \$35.85 to \$104.45 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 again up 2.7cents from last week at 98.3 cents/dozen and were above estimated production costs. Total production costs were up 1.0 cents/dozen from the week before at 68.1 cents/dozen. With this, producer margins were positive 30.3 cents/dozen.

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Ethanol grind:
1,052,000 barrel/day
for week ending Oct.
27—up 1.2% compared
to both last week and
2022



Chinese corn demand, South American weather highlight market uncertainty as crop insurance protection ends

Many producers earlier this year purchased crop insurance to cover expected corn production. The harvest price for December 2023 corn was established at \$4.88 at the conclusion of October, compared to the base level of \$5.91 in February. We can utilize these prices to quantify crop insurance payments under yield and coverage levels e.g., a producer with a 180 BPA guarantee yield with actual yield of 150 would receive a payment of \$172 per acre with 85% coverage

Crop Insurance Payments for Corn with a Revenue Protection Policy and 180 BPA Guarantee Yield

		Coverage		
		75%	80%	85%
		Dollars per acre		
Harvest Yield bu/acre	100	\$310	\$363	\$416
	125	\$188	\$241	\$294
	150	\$66	\$119	\$172
	175	\$0	\$0	\$50
	200	\$0	\$0	\$0
	225	\$0	\$0	\$0
	250	\$0	\$0	\$0
	275	\$0	\$0	\$0

As the 2023 corn harvest nears completion, it is clear that some producers will not receive an indemnity this year. While some poor yields are being seen in areas that were impacted by hot, dry weather this summer, other regions are reporting yields near or above the guarantee level. It is important to note that this does not diminish the value of crop insurance. The decision to purchase crop insurance this year was consistent with the implementation of a comprehensive risk management program. As a marketing tool designed to provide protection against a production shortfall, crop insurance did exactly what it was supposed to do. In instances where near-trend yields are realized, however, a payment will probably not be made.

Where harvest is completed, gross revenue for 2023 production can be calculated—and protected. **Understanding this is crucial to gain control over your marketing.** While some believe higher prices are likely, it is impossible to say if that is true. Corn planting has begun in South America and the USDA in October forecast record combined 2023/24 corn acreage of 74.1 million acres for Brazil and Argentina. With normal weather, the USDA projected record combined production of the two countries of 7.24 billion bushels. *As a student of the market, you know that it is impossible to predict price.* New developments in Chinese corn demand and/or changing weather in South America are prime examples of that principle.

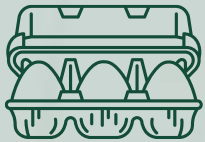
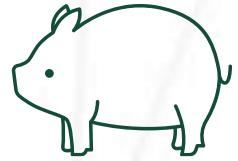
As corn harvest is finished, it is critical that all unsold 2023 corn production be covered with risk management strategies. Your *Advance Trading* advisor is well prepared to help you develop a marketing program to defend your balance sheet.

LIVESTOCK



The average cash price for 750-pound feeder cattle was down \$13.50 from the week before at \$240.00/cwt. Expected corn costs were unchanged from the week before at \$5.76/bushel. At these levels, we pencil a breakeven price of \$192.92/cwt, down \$8.49 /cwt from the week before. With cash cattle in March projected to be \$188.08 /cwt, a feedyard could expect a loss of \$60.45 per head.

The Iowa/So. Minnesota weekly average price was down \$0.13/cwt from the week before to \$52.13/cwt. At this price, our calculations indicate a typical Iowa hog producer with unhedged hogs projected a loss of \$11.19 to \$21.87 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in February and with estimated corn costs down \$0.15 at \$4.69/bushel and soybean meal up \$18.50 to \$462.40/ton, expected production costs are \$56.09/cwt to raise the pig to a live market weight in August. With cash hogs projected to be \$59.20/cwt, a pork producer would have a profit of \$7.76/cwt.



Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 10/21/23 were up 0.7% from the week before. Egg sets were down 3.3% from a year ago and average egg set over the last four weeks is down 4.6% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 2.0% more than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 1.5% above the five-year average. Chick placements were down 6.2% from year ago levels. Placements during the latest week were down 2.0% from last week and placements over the last four weeks were down 4.0%.

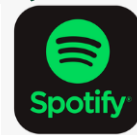
Chicken prices were unchanged from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$4.98 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were unchanged from last week at \$3.60 per bird. With this, estimated returns were unchanged from the week before at \$1.38 per bird.



Ethanol grind: 1,052,000 barrels/day for the week ending Oct. 27—up 1.2% versus both last week and 2022. Stocks were 21.012 mb, down 0.386 mb from the prior week and down 1.220 mb versus last year.

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