Producer Wire

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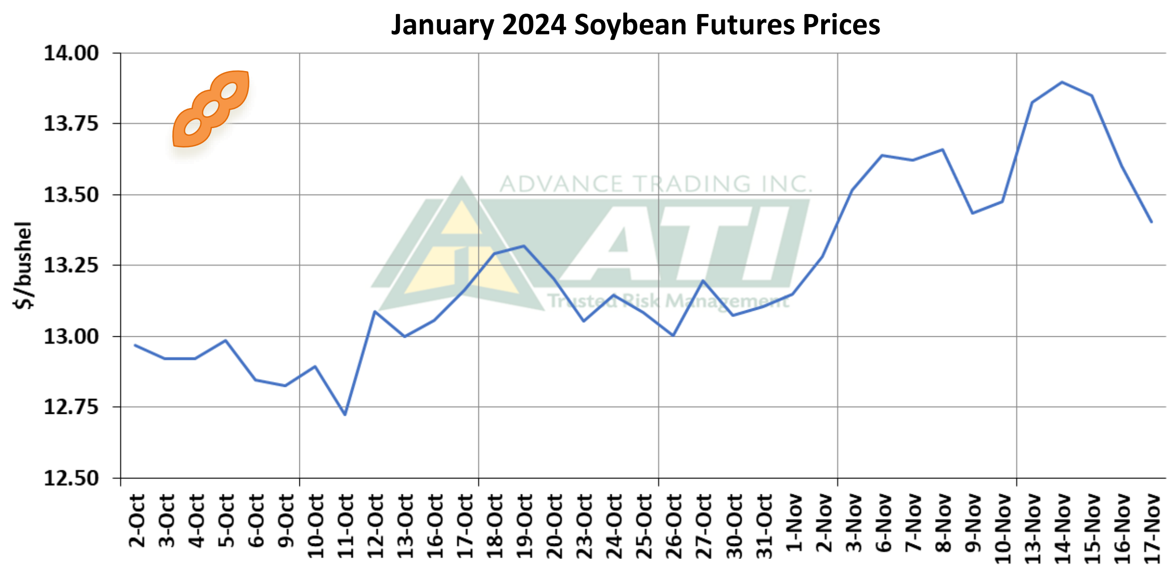
Remain in Control

A significant percentage of 2023 U.S. soybean production has been sold. By purchasing call options when sales were made, a producer not only eliminated downside price risk but also maintained control of bushels to participate if a bull market were to happen. With January 2024 soybean futures rallying $0.75 since early October, management of call option positions has taken on added importance in defending net equity for 2023 production. By controlling the emotions associated with a stronger market, a producer not only remains focused on execution but can also begin managing a marketing program for projected 2024 bushels.



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Kansas cash cattle prices were down $5.06 cwt from last week at $180.02 projected a loss of $106.25 to $192.38 per head depending on how the feed was purchased. Projections indicate a loss for un-hedged producers.

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EGGS/POULTRY

Egg prices were again up 52.7cents from last week at 182.3 cents/dozen and were above estimated production costs. Total production costs were down 0.1 cents/dozen from the week before at 68.2 cents/dozen. With this, producer margins were positive 114.2 cents/dozen.

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Highlights

January 2024 soybean futures have rallied $0.75 since early October

Management of call option positions defends net equity for 2023 production

At current cash prices, losses for a cattle feedyard not hedging ranged from $106.25 to $192.38/head

Ethanol grind: 1,047,000 barrel/day for week ending Nov. 10—up 0.5% compared to last week and 3.6% vs. 2022

Adverse weather in South America helps fuel rebound in soybean price

The USDA in its latest Grain Stocks report released on September 29, pegged U.S. ending stocks of soybeans for 2022/23 at 0.268 billion bushels—down 2% from 2021/22. More importantly, however, the estimate surprised the trade, which was anticipating stocks to be 0.245 bbu. Furthermore, the estimate was well above the midpoint of the range of pre-report estimates (0.216-0.285). The report, coupled with increased producer selling of new crop with the onset of harvest, pressured January 2024 soybean futures to $12.70 ¼ on Oct. 11.

Since that point, however, supportive fundamentals have surfaced. The estimate of the U.S. national average soybean yield fell to 49.6 bpa in last month's Supply/Demand report, while carryout declined to 0.220 bbu. Adverse weather has also surfaced in Brazil, with the ongoing El Niño weather trend resulting in a divergent pattern across the country. Areas in northern Brazil, including the top producing state of Mato Grosso, are the driest in 45 years while excessive wetness in the south has severely delayed planting in the state of Rio Grande do Sul. The next 30-45 days will be critical in determining final yields for Brazil.

Return of China to export market underscores importance of controlling emotions in strategy execution

Although the USDA did increase its national yield estimate in the November Supply/Demand report, export demand trends have firmed. For example, China has returned to aggressively buying U.S. beans. Export sales for the 2023/24 crop year to all destinations for the latest week were a marketing year high of 144 mbu, with China purchasing two-thirds of that total. The return of China to the U.S. market fueled an upward revision of 50 million bushels in the annual export forecast by ATI Research to 1.750 bbu.

Where to from here? **As a student of the market, you know that price prediction is impossible**. It is widely acknowledged that a significant percentage of 2023 soybean production has already been sold. By purchasing call options when sales were completed, a producer not only eliminated downside price risk but also maintained control of bushels to participate if a price rebound were to happen. With a price recovery taking place, management of call option positions has taken on added importance in defending net equity for 2023 production. <u>By controlling the emotions associated with a stronger market, a producer not only remains focused on execution but can also begin managing a marketing program for projected 2024 bushels.</u> Your *Advance Trading* advisor is prepared to assist in the execution of risk management strategies for 2023 and 2024 production.

LIVESTOCK

The average cash price for 750-pound feeder cattle was down $0.48 from the week before at $251.82/cwt. Expected corn costs were down $0.13/bushel from the week before at $5.64/bushel. At these levels, we pencil a breakeven price of $199.59/cwt, down $0.98 /cwt from the week before. With cash cattle in April projected to be $179.84/cwt, a feedyard could expect a loss of $246.89 per head.

The Iowa/So. Minnesota weekly average price was down $1.08/cwt from the week before to $49.89/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs projected a loss of $15.50 to $24.92 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in March and with estimated corn costs down $0.11 at $4.50/bushel and soybean meal up $7.30 to $479.40/ton, expected production costs are $55.88/cwt to raise the pig to a live market weight in September. With cash hogs projected to be $63.42/cwt, a pork producer would have a profit of $18.85/cwt.

Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 11/04/23 were down 2.9% from the week before. Egg sets were down 4.5% from a year ago and average egg set over the last four weeks is down 4.1% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 0.9% less than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 0.3% above the five-year average. Chick placements were down 4.1% from year ago levels. Placements during the latest week were down 0.5% from last week and placements over the last four weeks were down 4.7%.

Chicken prices were down $0.14/bird from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was $4.99 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were down $0.01 from last week at $3.59 per bird. With this, estimated returns were down $0.13/bird from the week before at $1.40 per bird.

Ethanol grind: 1,047,000 barrels/day for the week ending Nov. 10—up 0.5% versus last week and 3.6% versus 2022. Stocks were 21.000 mb, down 0.011 mb from the prior week but down 0.298 mb versus last year.