

Producer Wire

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It's Not About Predicting, It's About Protecting

Calendar year 2023 saw some "twists and turns" that surprised market observers. A case in point is much higher than expected U.S. corn planted acreage. This helped fuel a downturn in 2023 corn futures during and after harvest to under \$4.60. This underscores an important principle as it relates to marketing: It's not about predicting price it's about protecting against a surprise in the market. Designing and implementing a disciplined risk management plan will be essential to successful marketing in 2024. As always, your *Advance Trading* advisor is well positioned to assist in developing a strategy to meet your needs.

Risk Management Summary



- Price is unpredictable-no one know what the high will be or when the high will be
- Regardless if we use futures, options or a combination of-we can protect the prices the market is offering
- We need to have a plan to stick to it-regardless if the market is volatile or flat
- By using options, we know our risk and know we are covered regardless of market direction
- Once we put a position on we are not done-options need disciplined management

Risk is known when utilizing long options in terms of the amount of loss, but not the likelihood of loss.

Highlights

Unexpected market developments were seen in 2023

Designing and implementing a disciplined risk management plan will be essential to successful marketing in 2024

Egg prices were down from the previous week but remain above estimated production costs

Ethanol grind: 1,074,000 barrel/day for week ending Dec. 8—dn fractionally vs last week but dn 1.2% vs. 2022

LIVESTOCK

Kansas cash cattle prices were down \$3.27 cwt from last week at \$170.97 projected a loss of \$142.64 to \$198.66 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 down 27.0 cents from last week at 141.3 cents/dozen and were above estimated production costs. Total production costs were up 0.8 cents/dozen from the week before at 70.0 cents/dozen. With this, producer margins were positive 71.3 cents/dozen.

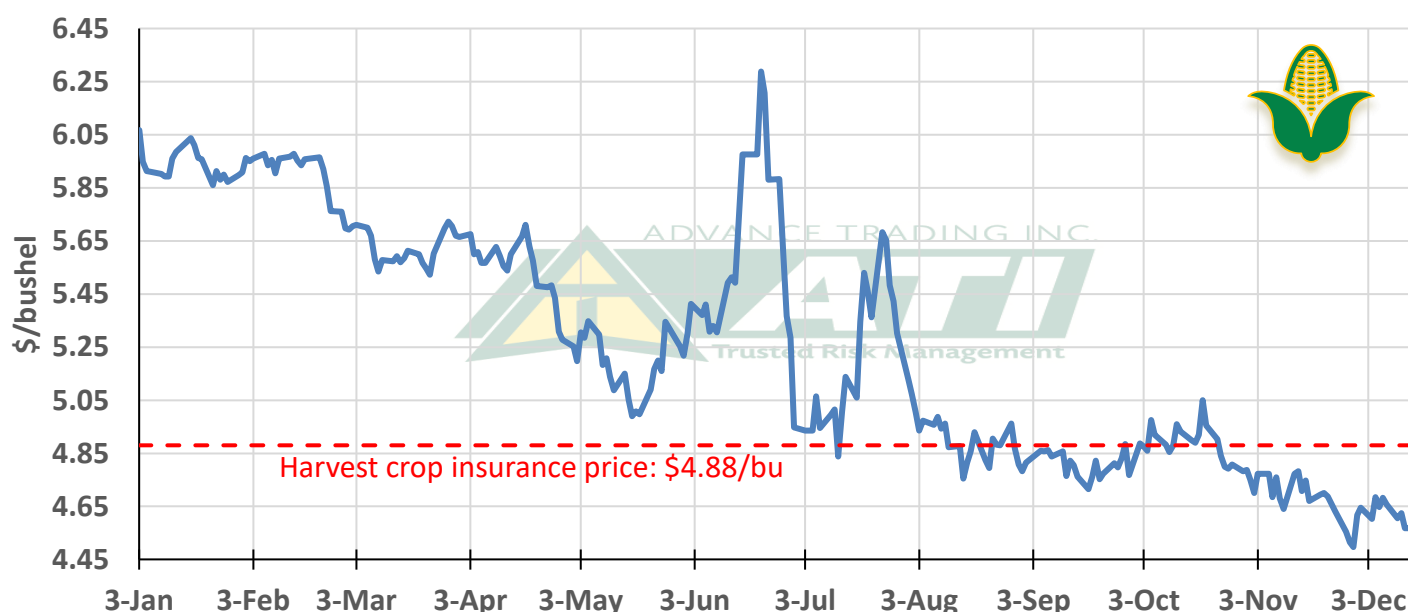
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Time to Take Stock of Marketing Plan

As we take stock of the past year, it's safe to say that there were some unexpected developments in the markets that surprised many observers. A case in point is the unexpectedly sharp increase in U.S. corn acreage. The USDA, in its Baseline Projections in February, forecast a 3.8% increase in U.S. corn plantings. All that changed, however, when the USDA *Acreage* report at the end of June forecast an increase in corn acreage of more 6%. That was followed by widespread improvement in weather conditions highlighted by cooler than normal temperatures and more rain across most of the Midwest. The result was the forecast of a much larger U.S. corn crop—and carryout—in the November USDA Supply/Demand report compared to the estimates in the February Baseline Projections report. **In fact, U.S. corn ending stocks in the November report totaled 2.156 bbu, which was an increase of 58% from the previous year.** This fueled a decline in December 2023 corn futures to \$4.57 at expiration—well below the harvest crop insurance price of \$4.88.

December 2023 Corn Futures Prices



In the context of this example, several items are critical to keep in mind when formulating risk management strategies. A snapshot of some of these is highlighted in the slide on the first page. As the cold of winter sets in, it might be useful to print out this summary and place it somewhere in your work office where you can regularly review it and consider its implications when—not if—rapid moves in prices reach a peak next year.

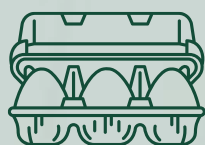
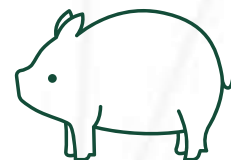
Our example also underscores an important principle as it relates to marketing: It's not about predicting price it's about protecting against a surprise in the market. Designing and implementing a disciplined risk management plan will be essential to successful marketing in 2024. As always, your *Advance Trading* advisor is well positioned to assist in developing a strategy to meet your needs.

LIVESTOCK



The average cash price for 750-pound feeder cattle was down \$4.10 from the week before at \$234.90/cwt. Expected corn costs were up \$0.06 from the week before at \$5.61/bushel. At these levels, we pencil a breakeven price of \$188.56/cwt, down \$2.26/cwt from the week before. With cash cattle in March projected to be \$174.59 /cwt, a feedyard could expect a loss of \$174.70 per head.

The Iowa/So. Minnesota weekly average price was down \$4.19/cwt from the week before to \$37.45/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs projected a loss of \$45.59 to \$57.43 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in February and with estimated corn costs up \$0.25 at \$4.88/bushel and soybean meal down \$8.00 to \$444.70/ton, expected production costs are \$56.32/cwt to raise the pig to a live market weight in August. With cash hogs projected to be \$66.78/cwt, a pork producer would have a profit of \$26.16/cwt.



Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 12/02/23 were up 0.3% from the week before. Egg sets were down 0.3% from a year ago and average egg set over the last four weeks is down 0.7% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was even with the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 0.9% below the five-year average. Chick placements were up 0.5% from year ago levels. Placements during the latest week were up 2.5% from last week and placements over the last four weeks were down 2.2%.

Chicken prices were up \$0.15 per bird from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$5.49 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were unchanged from last week at \$3.56 per bird. With this, estimated returns were up \$0.15 from the week before at \$1.93 per bird.

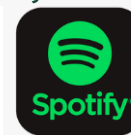


Ethanol grind: 1,074,000 barrels/day for the week ending Dec. 8—down fractionally vs last week but up 1.2% versus 2022. Stocks were 22.100 mb, up 0.651 mb from the prior week but down 2.309 mb versus last year.

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