

Producer Wire

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U.S. Corn, Soybean Crops Top Expectations; Focus on South American Weather

This week's much anticipated series of USDA reports contained some surprises, most notably for U.S. corn and soybean yields. Market focus from mid-January into at least early-March will shift to South American weather and production prospects. Weather markets often translate into increased uncertainty. Your *Advance Trading* advisor can help you turn uncertainty into opportunity by developing and implementing risk management strategies for 2023 and projected 2024 production.

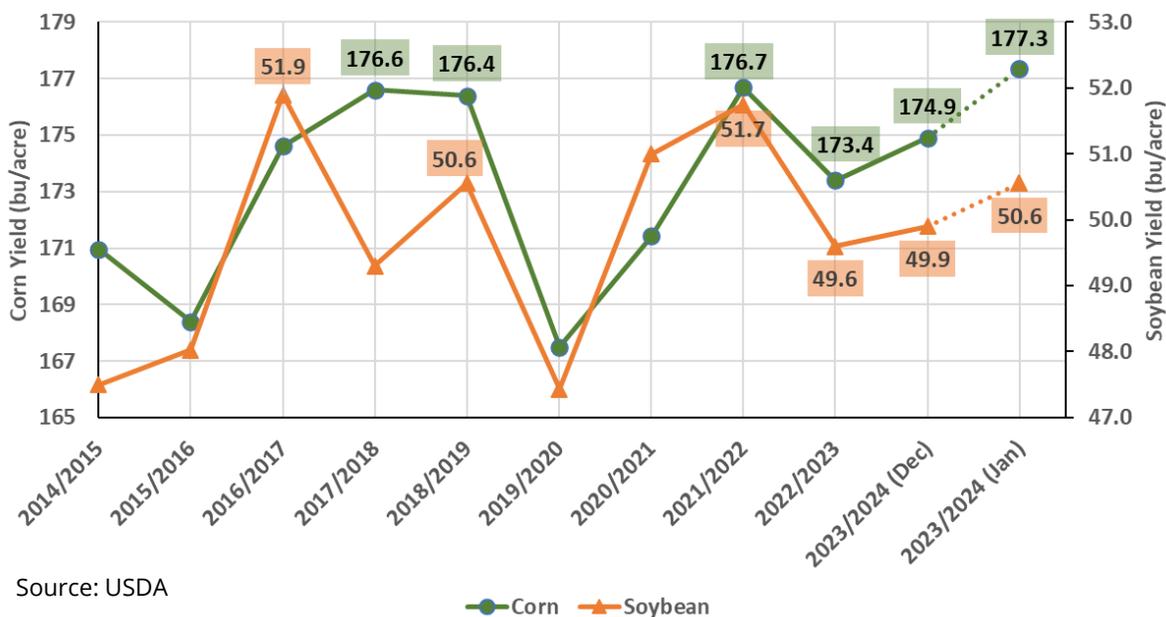
Highlights

Much higher-than-expected U.S. corn, soybean yields more than offset reduction in harvested acreage

Projections of 2023/24 U.S. ending stocks of corn and soybeans exceed average trade estimates

Chicken prices were higher last week and remained above estimated production costs

U.S. Corn and Soybean Yield



Source: USDA

LIVESTOCK

Kansas cash cattle prices were up \$0.47 cwt from last week at \$172.73 projected a loss of \$422.24 to \$476.54 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 9.3 cents from last week at 180.7 cents/dozen and were above estimated production costs. Total production costs were down 0.5 cents/dozen from the week before at 66.7 cents/dozen. With this, producer margins were positive 114.0 cents/dozen.



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Ethanol grind:
1,062,000 barrel/day for week ending Jan. 5—up 1.2% vs. last week and up 12.6% vs. 2023

U.S. corn and soybean yields well above average trade guesses; HRW wheat acreage a surprise

Last week we highlighted the potential for increased price volatility on the day in January when the USDA releases several reports. Starting with corn, harvested acreage was lowered 583,000 acres but is still up 10% from last year. The national average yield, however, was increased 2.4 bushel to a record 177.3 bpa. This was well above the average trade estimate of 174.7. As a result, production increased 107 mbu to a record 15.342 bbu. The revised production estimate was well above the average trade guess of 15.212, and near the top end of the range of estimates. Harvested acreage of soybeans was reduced by 435,000 acres and is 4% below last year. The national average yield, however, was increased by 0.7 bushel to 50.6. This was also well above the average trade estimate of 49.8. These changes combined to add 35 mbu to crop size to 4.165 bbu, which was above the average trade guess of 4.122 and, like corn, near the top end of the range of estimates provided by analysts.

In its Supply/Demand report, the USDA increased estimates of corn feed/residual and ethanol by 25 and 50 mbu, respectively. Ending stocks of corn for 23/24 still increased by 31 mbu to 2.162 bbu, which was above the average trade estimate of 2.094. **The stocks-to-use ratio is now pegged at 14.8% compared to less than 10% for each of the past three years.** For soybeans, the only change in usage was a 3 mbu decrease in residual disappearance. Ending stocks were pegged at 280 mbu, well above the average trade estimate of 242. The *Winter Wheat and Canola Seedings* report also contained a surprise. At just 24.0 million acres, seedings of hard red winter wheat were sharply below the average trade guess of 25.2, and equal to the bottom of the range of estimates.

September-November corn usage surpasses last year but soybean disappearance falls short of 22/23

Reviewing the Grain Stocks report, the December 1 inventory of corn at 12.169 bbu was well above the average trade guess of 12.013 but within the range of estimates. Corn feed/residual usage during Sept-Nov is estimated at 2.480 bbu, which was up 3.8% from last year compared to the annual forecast for a 3.4% increase. Total corn usage jumped nearly 6% from last year as exports and corn used for ethanol increased. December 1 soybean stocks of 3.000 bbu were slightly above the average trade guess of 2.976 but within the range of estimates. Total Sept-Nov usage was down 112 mbu (2.5%) from last year, however, due mainly to lower exports.

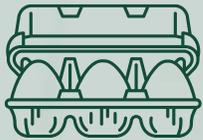
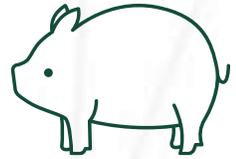
Market focus from mid-January into at least early-March will shift to South American weather and production prospects. There are indications that soybean output in Brazil may continue to decline, but near ideal weather in Argentina may support an increase in crop estimates. Weather markets often translate into increased uncertainty. Your *Advance Trading* advisor can help you turn uncertainty into opportunity by developing and implementing risk management strategies for 2023 and projected 2024 production.

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The average cash price for 750-pound feeder cattle was down \$13.76 from the week before at \$223.00/cwt. Expected corn costs were down \$0.09 from the week before at \$6.00/bushel. At these levels, we pencil a breakeven price of \$183.02/cwt, down \$9.08 /cwt from the week before. With cash cattle in June projected to be \$176.39 /cwt, a feedyard could expect a loss of \$82.85 per head.

The Iowa/So. Minnesota weekly average price was up \$0.36/cwt from the week before to \$33.89/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs projected a loss of \$53.01 to \$64.05 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in May and with estimated corn costs down \$0.06 at \$4.49/bushel and soybean meal cost down \$36.40 to \$374.40/ton, expected production costs are \$53.02/cwt to raise the pig to a live market weight in November. With cash hogs projected to be \$68.06/cwt, a pork producer would have a profit of \$37.60/cwt.



Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 12/30/23 were down 0.2% 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 0.6% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 2.8% more than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 2.5% above the five-year average. Chick placements were down 2.6% from year ago levels. Placements during the latest week were down 3.9% from last week and placements over the last four weeks were down 4.0%.

Chicken prices were up \$0.02 from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$5.66 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were down \$0.02 from last week at \$3.55 per bird. With this, estimated returns were up \$0.03 from the week before at \$2.10 per bird.



Ethanol grind: 1,062,000 barrels/day for the week ending Jan. 5—up1.2% vs. last week and up 12.6% versus 2023. Stocks were 24.371 mb, up 0.792 mb from the prior week and up 0.571 mb versus last year.

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