

Producer Wire

By Brian Basting
bbasting@advance-trading.com

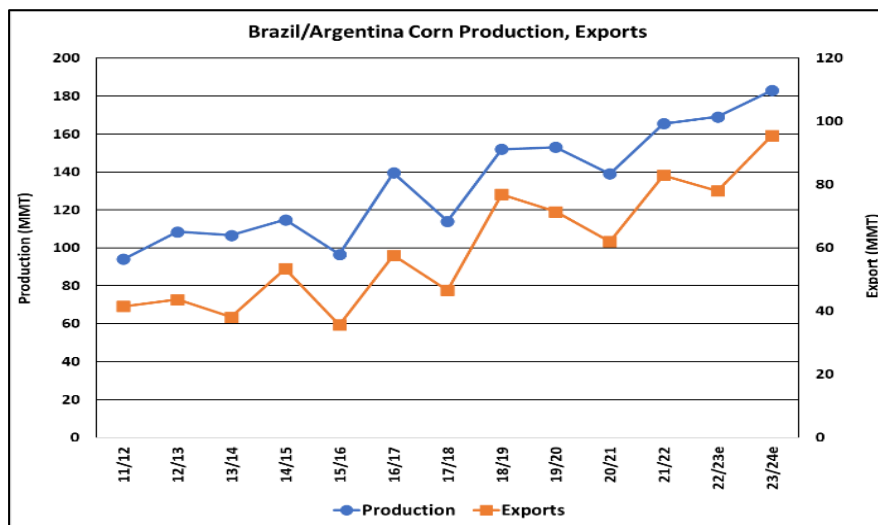


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Defend 2024 Corn Balance Sheet Amid Possible Jump in South American Exports

Highlights

High prices eventually “cure” high prices by encouraging increased production and demand destruction. The USDA this month forecast a 22% increase in combined corn exports from Brazil and Argentina for the 2023/24 crop year on the heels of a projected increase in planted acreage and the assumption of trend yields. If realized, this would result in severe competition for U.S. exports from the spring of 2024 through the remainder of that calendar year. With December 2024 corn futures near \$5.10, it's critical to remember that the projected crop insurance price for 2024 will not be established until February 29, 2024. As a student of the market, you understand that much can change in six months. Working closely with your *Advance Trading* advisor to defend your balance sheet by implementing risk management strategies for projected 2024 corn production is prudent.



High prices eventually
“cure” high prices

Implementing risk
management strategies
to defend your 2024 corn
balance sheet is prudent

Cash hog prices eased
last week, but returns
remained above
estimated production
costs for most producers

LIVESTOCK

Kansas cash cattle prices were down \$0.42 cwt from last week at \$179.93 profited from \$27.12 to \$51.71 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 up 4.3 cents/dozens from last week at 95.0 cents/dozen and were above estimated production costs. Total production costs were down 2.2 cents/dozen from the week before at 69.0 cents/dozen. With this, producer margins were positive 26.0 cents/dozen.

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Ethanol grind:
1,069,000 barrel/day
for week ending Aug.
11—up 4.5% compared
to last week and up
8.7% vs. 2022



Potential exists for significant increase in corn production, exports in South America in 2024

We have emphasized on many occasions that eventually high prices will “cure” high prices. In the case of supply, high prices encourage increased planted acreage both domestically and amongst world competitors. High prices also stimulate the adoption of improved farming practices and the finest seed genetics. On the demand side, high prices encourage substitution of cheaper feed alternatives, liquidation of livestock and poultry herds and the shuttering of processing plants.

With the exception of a brief period in early September 2021, price of nearby corn futures remained above \$5.00 from January 2021 through July 2023. This month’s USDA Supply/Demand report sent strong signals that high prices may have already “cured” high prices. The first region that can respond to high prices by increasing acreage is South America (Brazil and Argentina). In the Supply/Demand report, the USDA forecast an 8% increase in combined corn production for 2023/24 in Brazil and Argentina to a record 183 MMT.

Why is this important? If record production is realized, the USDA is also forecasting record combined exports from Brazil and Argentina of 95.5 MMT—a 22% increase from 2022/23 (see chart on the first page). **In turn, that would result in severe competition for U.S. corn exports from spring of 2024 through the remainder of the calendar year.** This could not only increase ending stocks for the 2023/24 crop year, but also lead to a higher carry-out for 2024/25.

Nearby corn futures prices (cents/bushel): Jan/2021 – Aug/2023



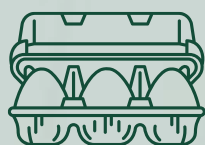
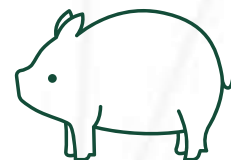
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The average cash price for 750-pound feeder cattle was down \$1.50 from the week before at \$262.25/cwt. Expected corn costs were down \$0.10 from the week before at \$6.40/bushel. At these levels, we pencil a breakeven price of \$211.16/cwt, down \$1.45 /cwt from the week before. With cash cattle in January projected to be \$187.32 /cwt, a feedyard could expect a loss of \$298.02 per head.

The Iowa/So. Minnesota weekly average price was down \$2.91/cwt from the week before to \$70.92/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs profited from \$19.34 to \$26.81 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in December and with estimated corn costs down \$0.35 to \$5.00/bushel and soybean meal down \$12.30 to \$425.30/ton, expected production costs are \$56.20/cwt to raise the pig to a live market weight in June. With cash hogs projected to be \$58.14/cwt, a pork producer would have a profit of \$4.85/cwt.



Broiler egg sets during the latest reported week were below last year's levels. Egg sets during the week ending 08/05/23 were up 0.3% from the week before. Egg sets were down 0.8% from a year ago and average egg set over the last four weeks is down 0.3% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 2.6% more than the average set for this time for 2018 through 2022 and over the last four weeks, egg sets have averaged 2.7% above the five-year average. Chick placements were down 1.7% from year ago levels. Placements during the latest week were up 0.1% from last week and placements over the last four weeks were down 1.5%.

Chicken prices were down \$3.00 from last week remaining higher than estimated production costs. Income from both whole broilers and further processed birds was \$4.69 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were up \$0.01 from last week at \$3.81 per bird. With this, estimated returns were down \$0.09 from the week before at \$0.88 per bird.

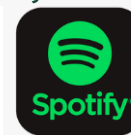


Ethanol grind: 1,069,000 barrels/day for the week ending Aug. 11—up 4.5% vs. last week and up 8.7% versus 2022. Stocks were 23.435 mb, up 0.555 mb from the prior week, but down 0.011 mb versus last year.

INFO@ADVANCE-TRADING.COM
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