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Summary

- Price change for December corn, November soybean futures on day of August USDA crop report can be volatile
- Many factors can influence price direction other than yield change
- Broiler egg sets during the latest reported week were above last year's level
- Ethanol grind: 1,013,000 barrels/day for wk end July 30—dn 0.1% v last week, up 8.8% v. 2020 but dn 2.6% v. 2019

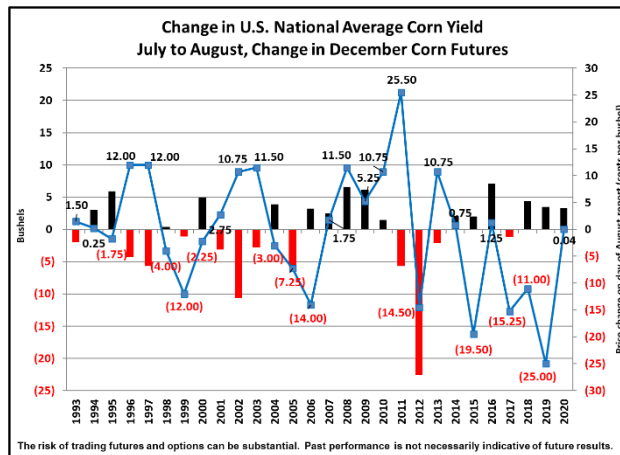
August Crop Report and Market Change Highlights Unpredictability of Price

Summary: Interest in the USDA's August 12 *Crop Production* report is high. A review of changes in December corn futures and November soybean futures on the day that the August report is released underscores the importance of managing market volatility as opposed to attempting to predict price direction. As always, your *Advance Trading* advisor is prepared to assist in the development and execution of your marketing program.

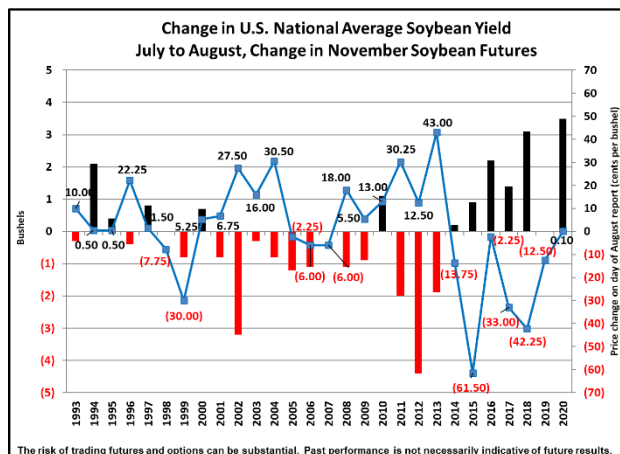
Market volatility often high on day August USDA crop report is released

Interest in the USDA's August 12 *Crop Production* report is high, given the divergence in crop condition ratings across primary corn and soybean production areas. The charts below highlight the change the U.S. corn and soybean yield projected by the USDA from July to August (bars), and the change in new-crop December corn and

November soybean futures in cents per bushel on the day the August report is released (blue line).



Observations: It's interesting to note that while that a major price change has often been associated with a significant adjustment in yield (e.g. 2013 for beans), that is not always the case. For example, the corn yield in 2015 only increased 2.0 bpa but December futures declined 19.5 cents. **Plus, a higher (lower) yield does not always lead to a lower (higher) price.** In 2017, the corn yield declined 1.2 bushel, but price fell 15.25 cents. Sometimes, it may be the relationship of August yield to expectations that drives the market.



Regardless, as a student of the market you know that price prediction is impossible. How the market reacts on the day that the USDA releases a crop report (or on any day, for that matter) is influenced by many factors. For the August report, contributing factors to price change might include how the actual yield estimate compared to the average trade guess; latest weather forecasts; outside market trends; export activity; and trade developments, just to name a few. *This underscores the importance of managing market volatility as opposed to attempting to predict price direction.* As always, your *Advance Trading* advisor is prepared to assist in the development and execution of your marketing program.



LIVESTOCK/POULTRY

- Kansas cash cattle prices were up \$1.12/cwt from last week to \$120.14/cwt. At the current price, a feedyard that was not hedging lost from \$108.72 to \$155.50 per head depending on how the feed was purchased. Projections indicate a loss for un-hedged producers. The average cash price for 750-pound feeder cattle was up \$2.30/cwt from the week before to \$161.54/cwt. Expected corn costs were unchanged from the week before at \$6.82/bushel. At these levels, we pencil a breakeven price of \$148.05/cwt, up \$1.44 /cwt from the week before. With cash cattle in December projected to be \$136.86/cwt, a feedyard could expect a loss of \$139.89 per head.
- The Iowa/So. Minnesota weekly average price dn \$2.58/cwt from the week before to \$76.80/cwt. At this price, our calculations indicate a typical Iowa hog producer with un-hedged hogs profited \$42.30 to \$48.00 per head, depending on how the feed was purchased. A sow bred today would farrow a pig in December and with estimated corn costs at \$5.31/bushel and soybean meal at \$353.90/ton, expected production costs are \$55.11/cwt to raise the pig to a live market weight in June. With cash hogs projected to be \$60.25/cwt, a pork producer would have a profit of \$12.85 per animal.
- Egg prices were dn 3.3 cents/dozen from last week at 65.3 cents/dozen which was below estimated production costs. Total production costs were up 0.1 cent/dozen from the week before at 67.3 cents/dozen. With this, producer margins were negative 2.0 cents/dozen.
- Chicken prices were down from last week but remained higher than estimated production costs. Income from both whole broilers and further processed birds was dn \$0.04 per bird from the week before to \$4.62 per bird. Our estimates indicate feed, growout costs and processing for an average integrator were up \$0.02 from last week at \$3.73 per bird. With this, estimated returns were dn \$0.07 from the week before at \$0.88 per bird.
- Broiler egg sets during the latest reported week were above last year's levels. Egg sets during the week ending 07/24/21 were up 1.7% from the week before. Egg sets were up 5.7% from a year ago and average egg set over the last four weeks is up 4.0% from last year. Egg sets were above the 5-year average for this time of year. Last week's egg set was 6.6% more than the average set for this time for 2016 through 2020 and over the last four weeks, egg sets have averaged 5.5% above the five-year average. Chick placements were above year ago levels. Placements during the latest week were up 0.7% from a year ago and placements over the last four weeks have averaged 1.1% below last year.

ENERGY/ETHANOL

- Ethanol grind: Production of 1,013,000 barrels/day for the week ending July 30 was down 0.1% versus the previous week but up 8.8% versus 2020. However, it was down 2.6% compared to 2019

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