

Corn Margin Watch: January



Corn prices and margins have gained steam the past two weeks as weather premiums have been added to the heretofore lethargic corn market. Extreme dryness in Argentina has many crop watchers there concerned about reduced yields. Conversely, also adding fuel to the market, are potentially excessive rains in Brazil, which would hold up soybean harvest activity, therefore delaying second crop corn planting progress. The longer it takes to get the second crop corn in the ground, the greater the chance of exposing the critical pollination period to the possibility of less-than-desired moisture levels as the normal summer rainy season ends. Many private forecasters have started to trim South American corn production estimates over these concerns. The corn market, however, did come off of monthly highs with a welcomed wetter longer-range Argentinian forecast, yet many of these have disappointed in both volume and coverage so far this growing season. Demand for corn has picked up as U.S. corn export sales for two of the past three weeks scored the second- and third-highest weekly totals for this marketing year. Weekly ethanol production over the past two weeks has been steady and has recovered from the sizable month-ago dip. Brazilian premiums to U.S.-priced ethanol have sparked exports expectations and production gains. The corn market will stay driven by South American weather prospects and continued U.S. export demand.



The estimated yield for the 2018 crop is 186 bushels per acre and the non-land operating cost is \$544 per acre. Land cost for 2018 is estimated at \$222 per acre¹. Basis for the 2018 crop is estimated at \$-0.2 per bushel.



The estimated yield for the 2019 crop is 186 bushels per acre and the estimated operating cost is \$544 per acre. Land cost for 2019 is estimated at \$222 per acre¹. Basis for the 2019 crop is estimated at \$-0.25 per bushel.

¹ The Corn Margin Watch yield, land and non-land operating cost values are based upon central Illinois low productivity farmland crop estimates in the "Historic Corn, Soybean, Wheat, and Double-crop Soybeans" report published by the Department of Agricultural and Consumer Economics at the University of Illinois.

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