

# Corn Margin Watch: February



Corn prices and margins moved lower over the past two weeks, but received a massive jolt on the last day of February. Corn had spent most of the month working lower until rumors of changes to the Renewable Fuel Standards (RFS) mandate hit the market. It was widely reported that President Trump was readying an executive order to change the RFS in several ways. The CEO of the Renewable Fuels Association was quoted as saying the order would change the point of obligation of RIN (Renewable Identification Number) compliance, expand the availability of 15% blended ethanol into gasoline all year round, and limit eligibility for the bio-diesel tax credit to producers that use only U.S.-originated blending stocks. The Trump White House quickly denied the existence of such an order, and the corn rally dissipated. Before the excitement of the ethanol news the USDA released the first glance at the 2017/18 corn supply and demand picture at the annual Ag Outlook Forum. Those projections, combined with the hard data coming in late March from the Prospective Plantings and Quarterly Grain Stocks Reports, will form the basis of the initial corn balance sheet released in the May WASDE report. Until then, the USDA projects reduced planted acres of corn at 90.0 million acres and lower production at 14.065 billion bushels, on yields of 170.7 bpa. The largest demand adjustment was a reduction in export expectations of 325 million bushels, bringing the total back to 2015/16 levels. Given lower demand, acres, production and yields, stocks are projected slightly lower at 2,215 million bushels. As spring is just around the corner, there is plenty of uncertainty in the air and corn producers are considering flexible strategies to get through this highly charged period.



The estimated yield for the 2017 crop is 182 bushels per acre and the non-land operating cost is \$595 per acre. Land cost for 2017 is estimated at \$238 per acre <sup>1</sup>. Basis for the 2017 crop is estimated at \$-0.25 per bushel.



The estimated yield for the 2018 crop is 184 bushels per acre and the estimated operating cost is \$547 per acre. Land cost for 2018 is estimated at \$228 per acre <sup>1</sup>. Basis for the 2018 crop is estimated at \$-0.25 per bushel.

<sup>1</sup> 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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