

# Corn Margin Watch: July



Corn prices and margins were lower over the past two weeks. Confirmation of non-threatening weather pressured prices, leaving corn futures across the board near contract lows. With corn conditions hovering around the mid-70's in the Good-to-Excellent categories throughout this entire crop season, at this point the market is pricing in a large crop of corn. The August WASDE report is the first this year that will incorporate actual field surveys in yield projections. On the demand side, U.S. exports of corn continue to push toward the end of the marketing year at a strong pace. To date, total corn export sales commitments measure just over 100% of the USDA expectation of 1,900 million bushels. Meanwhile, with five weeks remaining to fulfill sales commitments, actual shipments stand at 81.4% of the export projection. The U.S. export market continues to make up for lower supplies out of Brazil to address global needs. Following reductions to the Safrina corn crop in Brazil in July, there are whispers of even greater reductions to the August crop reports. Lower corn price and strong margins have encouraged ethanol producers to continue to accelerate production, which averaged nearly 1,000,000 barrels of production per day over the last seven weeks. Given the uncertainty over the eventual size of the current crop, as well as significantly lower prices over the past month, some corn producer clients are considering adjustments to current positions that would reduce the strength of their hedges to capture equity and allow for the opportunity to benefit from a rebound in prices.



The estimated yield for the 2016 crop is 184 bushels per acre and the non-land operating cost is \$555 per acre. Land cost for 2016 is estimated at \$220 per acre<sup>1</sup>. Basis for the 2016 crop is estimated at \$-0.2 per bushel.



The estimated yield for the 2017 crop is 184 bushels per acre and the estimated operating cost is \$555 per acre. Land cost for 2017 is estimated at \$220 per acre<sup>1</sup>. Basis for the 2017 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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