

Corn Margin Watch: July



Corn prices and margins were not as volatile and trended lower over the past two weeks. The weather, while not ideal, provided timely moisture to some areas and presently does not look particularly threatening as far out as mid-August, erasing some of the weather-related premiums. The market has priced in assumptions of lower yields as drought in approximately 15% of corn production areas has stressed overall corn condition ratings. Good/Excellent categories have hovered in the low-to-mid sixties for the past few readings. The big question is, just how much lower? Certainly not the 170.7 bpa estimated in the July report, but some uncertainty will be assuaged in the August WASDE report, as the USDA will incorporate actual observations and field surveys to formulate a new yield estimate. From August to November each year NASS conducts two monthly surveys to come up with updated corn yield estimates: a grower survey of farmers' assessments of yield prospects, and an objective yield survey. The objective yield survey is comprised of sample fields throughout large producing states where actual measurements are taken according to set standards. Also coming into play will be the assumed acreage estimates, which are compiled in the June Planted Acreage Report and monitored throughout the growing season for extreme weather-related deviations. Many corn producers, who were proactively strengthening positions into the early summer rally, continue to consider adjustments to reduce delta.



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 ¹. 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 ¹. Basis for the 2018 crop is estimated at \$-0.35 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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