

Corn Margin Watch: July



The corn market reversed its strength over the first half of July and dropped to the lowest level since May on a combination of bearish factors. Applying pressure to all agricultural commodity markets was recent news that the Trump Administration announced it was moving forward with an additional 10% tariff on the remaining \$300 billion of trade from China not already subjected to higher duties beginning September 1. This sharply escalates the trade war and greatly diminishes expectations for any progress to be made in face-to-face meetings set to resume in Washington next month following the most recent round of talks in Shanghai. China responded by allowing the yuan to depreciate to the lowest level against the U.S. dollar in more than a decade, as well as directing state-owned companies to suspend imports of U.S. agricultural products. Weather has been largely favorable across the Corn Belt which has allowed crop conditions to hold steady, although 25-30% of the Midwest is now at risk of greater moisture stress with a lack of recent precipitation. Ahead of the August WASDE, expectations are low that USDA will make significant adjustments to either planted acreage or the yield forecast to alter the balance sheet measurably from July's estimates. It will likely be October now before the market has a better handle on exactly how much the late planting and slow crop progress will affect this year's production. On the export front, June corn exports were soft at 3.068 million tons which was the smallest June total since 2013. The figure compares with 4.689 million in May and 7.182 million in June of 2018. Marketing-year-to-date corn exports of 46.63 million are down from 49.174 million last year. Our clients are taking advantage of current price weakness to add upside flexibility to hedge positions.



The estimated yield for the 2019 crop is 195 bushels per acre and the non-land operating cost is \$584 per acre. Land cost for 2019 is estimated at \$219 per acre¹. Basis for the 2019 crop is estimated at \$0 per bushel.



The estimated yield for the 2020 crop is 195 bushels per acre and the estimated operating cost is \$584 per acre. Land cost for 2020 is estimated at \$219 per acre¹. Basis for the 2020 crop is estimated at \$-0.1 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.

The information contained in this publication is taken from sources believed to be reliable, but is not guaranteed by Commodity & Ingredient Hedging, LLC, nor any affiliates, as to accuracy or completeness, and is intended for purposes of information and education only. Nothing therein should be considered as a solicitation to trade commodities or a trade recommendation by Commodity & Ingredient Hedging, LLC. All references to market conditions are current as of the date of the presentation. Futures and options trading involves the risk of loss. Past performance is not indicative of future results. *Please visit www.cihmarginwatch.com to subscribe to the CIH Margin Watch report.*