

Corn futures traded lower throughout the last half of July as ideal weather remains in the Central U.S. forecast and a bullish demand driver remains elusive outside of recent Chinese purchases. As of Sunday, July 26, NASS reported the corn crop at 72 percent in good-to-excellent condition, an increase of 3 percent from the prior week. This compares to a crop rating of 58 percent in good-to-excellent condition last year. Despite the reduction in planted acres at the end of June, all indications point to a large new crop. While the supply side of the equation continues to come into focus, demand remains a big question mark. Ethanol production for the week ending July 24 was 5.5 percent higher than the previous week while ethanol stocks increased by about 2.4 percent. Ethanol consumption growth is expected to be weak as states continue to deal with COVID-19 outbreaks and the economic stagnation that has accompanied. USDA on July 24 released its biannual cattle inventory report, which indicated the nation's cattle herd fell largely in line with analysts' expectations. Pegged at 103 million head, all cattle and calves in the U.S. on July 1 were slightly above the inventory a year ago. Export sales for the next marketing year are slightly ahead of the historical pace at this point of the year, primarily due to Chinese interest. Record high Dalian corn futures have led to a flurry of large Chinese export sales for new crop U.S. corn. Our clients scaled into coverage during the rally at the beginning of July and are evaluating adjustments to maintain coverage but reopen upside potential to leverage historically low implied volatility.



The estimated yield for the Dec 2020 crop is 206 bushels per acre and the non-land operating cost is \$578 per acre. Land cost for Dec 2020 is estimated at \$233 per acre¹. Basis for the Dec 2020 crop is estimated at \$-0.25 per bushel.



The estimated yield for the Dec 2021 crop is 206 bushels per acre and the estimated operating cost is \$578 per acre. Land cost for Dec 2021 is estimated at \$233 per acre¹. Basis for the Dec 2021 crop is estimated at \$-0.28 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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