

# Corn Margin Watch: July



Corn prices and margins continue to be quite volatile amidst a full-blown weather market. Hot and dry conditions, particularly in the High Plains, drove corn higher throughout most of the past two weeks. The USDA tempered the move higher with an overall bearish report, which brought corn prices back to where they began the month. As expected, planted acres were raised by almost one million to 90.9 million acres, while yields were left unchanged at 170.7 bpa, contrary to most expectations. The USDA did address the static corn yields, stating the below normal precipitation levels were not extreme enough to warrant a reduction. Therefore they stuck with the trend model projection, and will incorporate NASS producer and field surveys into the August estimate. Many expect that estimate to be lower due to the current corn conditions, which were down one point to 64% in the Good-to-Excellent categories, and below the 76% level at this point last year. Also, the latest estimate from the USDA's Drought Monitor indicates around 9% of the corn crop is planted in areas experiencing drought. Higher production projections, given the static yields, as well as lower feed use estimates in both old and new crop positions, lead to greater ending stocks of 215 million bushels, countering the weather worries. With the WASDE Report digested, the market shifts back to weather and its impact on the corn pollinating process. Many corn producers who were proactively strengthening positions into the rally, have lightened those hedges on the pullback and now wait to see if weather premiums will again be inserted into price.



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 \$-0.2 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.

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](http://www.cihmarginwatch.com) to subscribe to the CIH Margin Watch report.