

Corn Margin Watch: August



Corn prices and margins moved lower over the past two weeks. The corn market finally succumbed to the pressures of increased supplies given the expectations for record yields. The Pro Farmer Crop Tour confirmed large yields of 170.2 bpa, albeit shy of the August WASDE blowout of 175.1 bpa, but still close to the record of 171.0 bpa set in 2014/15. Exports sales and shipments remain robust to finish the marketing year. The latest readings of weekly sales and shipments show 102% of the USDA corn estimate sold, while 93% of the 1,925 million bushel total has shipped. That's in contrast to 2015/16 corn export expectations that stood at 1,650 million bushels as recently as the April WASDE report. Strong sales are expected to continue into the new crop year as well; the estimate grew by 275 million bushels since the initial expectation in May and currently is estimated to be 2,175 million bushels. Ethanol production also remains vigorous as the multi-year lows in corn are encouraging full-out crushing of corn into fuel additives. The weekly EIA production numbers have hovered around record levels since mid-July and have yet to exhibit any signs of a seasonal pullback. As corn lingers at lows not seen in years, demand remains robust. Since actual production certainty is still several weeks off, many of our clients are inspired to capitalize hedges and move into positions with added flexibility to open the opportunity to participate in a recovery.



The estimated yield for the 2016 crop is 182 bushels per acre and the non-land operating cost is \$595 per acre. Land cost for 2016 is estimated at \$238 per acre¹. Basis for the 2016 crop is estimated at \$-0.05 per bushel.



The estimated yield for the 2017 crop is 184 bushels per acre and the estimated operating cost is \$564 per acre. Land cost for 2017 is estimated at \$228 per acre¹. Basis for the 2017 crop is estimated at \$-0.2 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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