

# Corn Margin Watch: September



Corn prices and margins were steady the past two weeks, but got a large shot in the arm on the final day of the month. The U.S. and Canada came to terms on a new NAFTA 2.0 agreement at the deadline. The impasse on the agricultural side was broken when Canada agreed to open up their dairy market to additional U.S. imports and eliminate the Class 6 & 7 milk categories. While the U.S. dropped demands for a new trade dispute regime, a major Trump administration sticking point. There are other new facets too, chief among them an exchange rate curb to discourage artificial currency manipulation to gain trade advantages. Many believe this mechanism will be included as a benchmark in all future trade negotiations. Still the new agreement must be ratified by all three parties, which will likely happen in 2019. The treaty also has a new moniker, U.S.-Mexico-Canada Agreement (USMCA), whether that sticks or NAFTA 2.0 is up for debate. The Quarterly Grain Stocks report revealed 2.14 billion bushels of corn as of September 1, above expectations by 138 million bushels, but did represent a drawdown of 7% from last year's levels on greater disappearance. The corn harvest is 26% complete, and compares to a 17% average the past five years. Over 7 inches of rain fell in Iowa this September, but they are still ahead of the average pace of 6%, as 11% has so far been collected there. Next week's WASDE report will update the corn balance sheet with the new stocks data, as well as hone in national yield estimates.



*The estimated yield for the 2018 crop is 186 bushels per acre and the non-land operating cost is \$544 per acre. Land cost for 2018 is estimated at \$222 per acre<sup>1</sup>. Basis for the 2018 crop is estimated at \$-0.4 per bushel.*



*The estimated yield for the 2019 crop is 186 bushels per acre and the estimated operating cost is \$544 per acre. Land cost for 2019 is estimated at \$222 per acre<sup>1</sup>. Basis for the 2019 crop is estimated at \$-0.3 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.

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