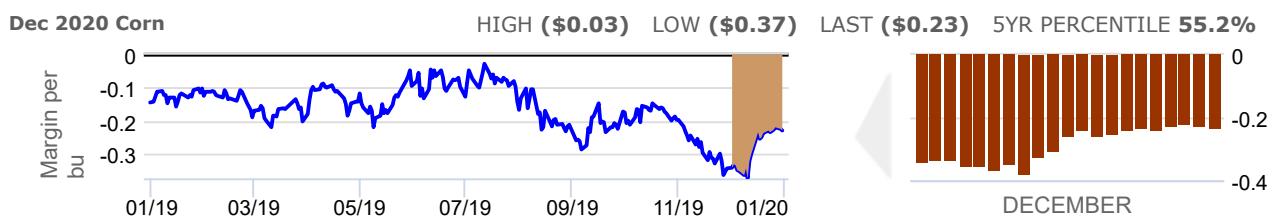


Corn futures ended the month with choppy trading after a rally mid-month on positive trade news. USMCA was passed by the House of Representatives on December 19 and is expected to be passed by the Senate in early 2020. While the agreement is essentially unchanged for U.S. corn exports, it does maintain certainty for duty-free access to both Canada and Mexico, the corn industry's largest export market. News broke on December 13 that China had committed to a "phase one" trade deal, which suspends U.S. plans for new tariffs and reduces some existing levies in return for Chinese purchases of American agricultural products. President Trump announced he will sign the trade deal on January 15 at the White House. The exact terms of the agreement have not been revealed but are expected to include ethanol, DDGs, sorghum, wheat, corn, and soy products. The two nations will begin working on a "phase two" agreement immediately, but a resolution is unlikely to occur before the 2020 U.S. election. While the trade deal is welcomed news and could signal additional export demand, it is important to point out that U.S. corn export shipments are well behind what would be expected to meet the USDA's annual projections. With domestic harvest completed, attention shifts to January 10 USDA inventory and crop reports as well as South American weather. Cooler-than-normal temperatures are expected in Argentina, which are ideal for their silking first corn crop. Corn margins improved throughout the month of December and ended 2019 near the 55th percentile of the past five years. Our clients have been maintaining flexible hedging strategies and have also been scaling into coverage as the market has rebounded and presents favorable margins.



*The estimated yield for the 2019 crop is 175 bushels per acre and the non-land operating cost is \$588 per acre. Land cost for 2019 is estimated at \$230 per acre<sup>1</sup>. Basis for the 2019 crop is estimated at \$-0.05 per bushel.*



*The estimated yield for the 2020 crop is 201 bushels per acre and the estimated operating cost is \$588 per acre. Land cost for 2020 is estimated at \$227 per acre<sup>1</sup>. Basis for the 2020 crop is estimated at \$-0.2 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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