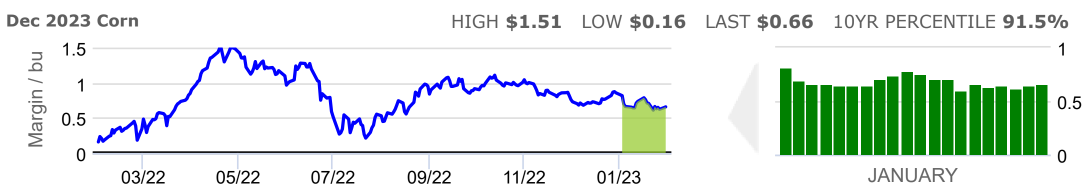
Corn Margin Watch: January

Nearby corn futures finished the last half of January mostly flat while the December 2023 contract fell slightly as the reopening of China following the Lunar New Year Holiday was met with potential headwinds for future U.S. export demand. Domestically, ethanol production rose to the highest level in more than a month last week while inventories fell slightly, according to data from the Energy Information Administration. Output increased to an average of 1.028 million barrels a day in the week that ended on January 27, 1.6 percent higher than the previous week but 1.2 percent below a year ago. This marked the highest weekly output since December 16. Corn used for ethanol production remains about 110 million bushels behind the historical pace needed to meet USDA's annual forecast. Ethanol stocks were pegged at 24.44 million barrels, lower than the previous week and 5.5 percent lower than a year ago. Corn exports are running 133 million bushels behind the historical pace needed to meet USDA's annual forecast. Outstanding corn export sales remain behind average for this point in the year. The U.S. continues to lose market share in China, where total commitments for this point in the year are 68 percent behind a year ago. The return to Chinese normality could spur new demand for Brazilian corn. China agreed to temporarily waive a key phytosanitary protocol sticking point and approve over 130 Brazilian facilities for export in an attempt to reduce dependence on the United States. Mexico's deputy ag minister stated Mexico will try to replace 30 to 40 percent of its yellow corn imports by 2024 by producing additional domestic corn and substituting U.S. corn imports with other non-GMO grain. Mexico is traditionally the largest U.S. corn buyer. Brazil is set for another record-breaking grain harvest with corn production pegged to increase 8 percent from a year ago according to a recent USDA FAS report. The bulk of Argentina's harvest will be delayed until June and July although La Nina conditions appear to be rapidly eroding, allowing for improved moisture in the region. Our clients are remaining patient but have evaluated adjustments to decrease the strength of coverage on existing hedges in new crop contracts should the market continue to break throughout the first quarter.

The estimated yield for the Mar 2023 crop is 205 bushels per acre and the non-land operating cost is $607 per acre. Land cost for Mar 2023 is estimated at $252 per acre [1]. Basis for the Mar 2023 crop is estimated at $-0.03 per bushel.



The estimated yield for the Dec 2023 crop is 213 bushels per acre and the estimated operating cost is $823 per acre. Land cost for Dec 2023 is estimated at $282 per acre [1]. Basis for the Dec 2023 crop is estimated at $-0.06 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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Commodity & Ingredient Hedging, LLC

120 South La Salle St, Suite 2200 ▪ Chicago, IL 60603 ▪ 1.866.299.9333