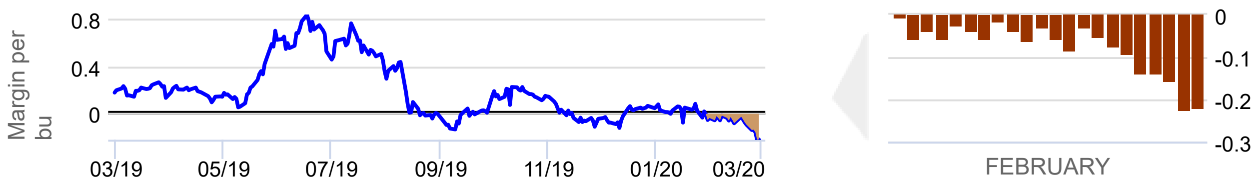
Corn Margin Watch: February

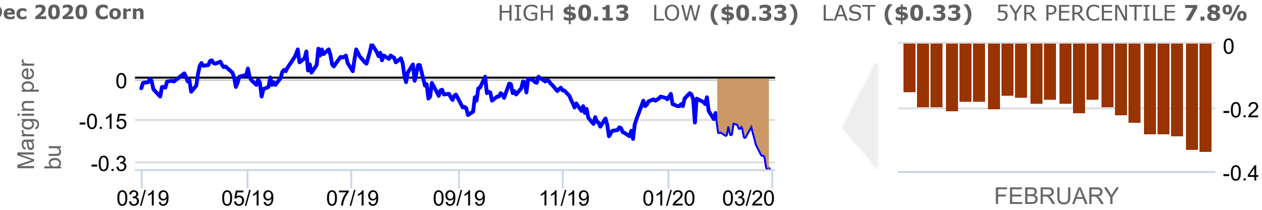
Corn futures tumbled in the last half of February as traders fear surrounding a global economic slowdown took over. Commodity markets plunged during the last week of the month as the number of infected countries grew and risk assets were liquidated. The OECD slashed their 2020 world economic growth forecast from 2.9 percent to 2.4 percent amid the outbreak. China will allocate on March 2 duty free import licenses for tariff exempt U.S. agricultural commodity imports. It is unclear what impact the virus will have on China's ability to meet its Phase One agricultural purchase targets. Weak energy markets are providing a headwind for ethanol production and blending incentives while ethanol stocks are well above year ago levels. The pace of U.S. corn export sales is behind the average pace to meet USDA's annual projection of 1.725 billion bushels and the strength of the U.S. dollar provided another headwind to foreign demand throughout most of the month. The window of opportunity for U.S. corn exports begins to close at this point in the year with South American corn supplies growing. Despite recent dryness, the Argentine corn crop remains highly rated. The Trump administration has been sending mixed messages about the possibility of another round of Market Facilitation Program payments this year, which could further increase U.S. planted corn acreage. Volatility in corn futures has increased recently but remains near 10-year lows, while December corn margins are below the 8th percentile of profitability over the past five years. Our clients have maintained low delta positions to create upside opportunity in the event market prices rebound due to unforeseen issues.

May 2020 Corn HIGH **$0.84** LOW **($0.22)** LAST **($0.22)** 5YR PERCENTILE **23.3%**



The estimated yield for the 2020 crop is 211 bushels per acre and the non-land operating cost is $590 per acre. Land cost for 2020 is estimated at $233 per acre [1]. Basis for the 2020 crop is estimated at $0 per bushel.

Dec 2020 Corn HIGH **$0.13** LOW **($0.33)** LAST **($0.33)** 5YR PERCENTILE **7.8%**



The estimated yield for the 2021 crop is 211 bushels per acre and the estimated operating cost is $590 per acre. Land cost for 2021 is estimated at $233 per acre [1]. Basis for the 2021 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.

Commodity & Ingredient Hedging, LLC
120 South La Salle St, Suite 2200 ▪ Chicago, IL 60603 ▪ 1.866.299.9333