

Corn Margin Watch: May



Corn futures traded on either side of unchanged through the last half of May and ended the month marginally higher. Domestic corn use continues to slowly recover while weather patterns remain favorable for a large new crop. States around the country continue to ease restrictions on economic activity amid the COVID-19 pandemic. This increase in economic activity is driving gasoline consumption and, as a result, encouraging a rebound in ethanol production. Weekly ethanol production has increased by 35 percent over the past 4 weeks but remains at a 10-year low. Ethanol stocks remain heavy but have decreased from their absolute all-time highs down closer to year ago levels. Major state-run agricultural companies have been instructed by Chinese government officials to pause purchases of some American farm goods amid escalating tensions with the U.S. over Hong Kong. The USTR is set to review China's purchase of U.S. agricultural products in early July to determine if they meet specific targets. Despite a couple of strong recent weeks of shipments, U.S. export sales remain behind the pace expected to be needed to meet USDA annual projections. USDA NASS indicated the U.S. corn crop is 88 percent planted and 64 percent emerged. Both measures are 6 percent ahead of their respective 5-year average. Corn margins are near the 2nd percentile of profitability over the past five years. Our clients have employed low delta positions to maintain upside opportunity in the event of unforeseen issues creating a market price rebound.



The estimated yield for the 2020 crop is 206 bushels per acre and the non-land operating cost is \$578 per acre. Land cost for 2020 is estimated at \$233 per acre¹. Basis for the 2020 crop is estimated at \$-0.2 per bushel.



The estimated yield for the 2021 crop is 206 bushels per acre and the estimated operating cost is \$578 per acre. Land cost for 2021 is estimated at \$233 per acre¹. Basis for the 2021 crop is estimated at \$-0.25 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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