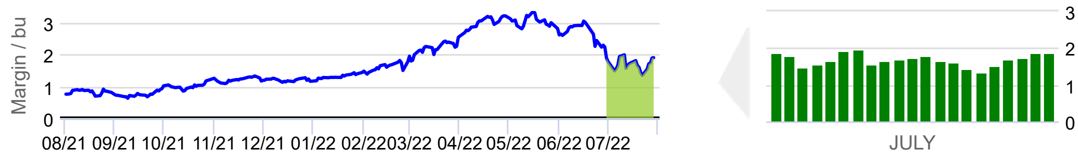
Corn Margin Watch: July

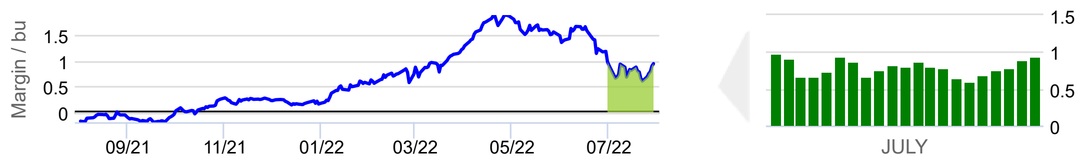
Corn futures added weather premium over the last week to finish the second half of July higher. Domestically, weather and crop conditions have taken center stage ahead of USDA's next WASDE report, set to be released August 12. As of July 24, USDA indicated 61 percent of the U.S. corn crop was rated good/excellent. This was 3 points lower than the previous week and 5 points below the 5-year average. Sixty-two percent of the crop is silking, which is 8 percent below the 5-year average. Ethanol output fell through the week that ended July 22 according to data from the EIA. Production fell to an average of 1.021 million barrel per day, 1.3 percent below the previous week but slightly higher than a year ago. This marked the first week since mid-June that ethanol production was higher year-over-year. Inventories, on the other hand, dropped to the lowest level in a month but remained 2.6 percent higher than a year ago. Export shipments have slowed considerably in recent weeks and are 16.5 million bushels behind the historical pace needed to meet USDA's annual forecast for the crop year that ends August 31. Outstanding sales of new crop (2022/23) corn are at their lowest level for this point in the year since 2019. Internationally, Ukraine and Russia agreed to an export corridor deal that was brokered by Turkey and the United Nations to allow for Ukrainian agricultural supplies to be shipped to foreign buyers. In the following days, port cities were attacked by Russian forces, casting doubt on the viability of the agreement. The EU drought continues to worsen and the region is expected a need to import a tremendous amount of corn over the upcoming crop year. The French corn crop is rated 68 percent good/excellent, down from the initial July rating of 84 percent. Coupled with La Niña concerns in South America leading to a deepening drought, the global corn balance sheet remains tight. Market attention is focused on central U.S. weather and the impact near-term heat and dryness will have on yield potential. Our clients are looking to scale into additional coverage with flexible positions as the market moves higher to maintain opportunity to the upside.

Dec 2022 Corn HIGH **$3.35** LOW **$0.62** LAST **$1.90** 10YR PERCENTILE **92.7%**



The estimated yield for the Dec 2022 crop is 205 bushels per acre and the non-land operating cost is $607 per acre. Land cost for Dec 2022 is estimated at $252 per acre [1]. Basis for the Dec 2022 crop is estimated at $-0.11 per bushel.

Dec 2023 Corn HIGH **$1.90** LOW **-$0.20** LAST **$0.95** 10YR PERCENTILE **90.4%**



The estimated yield for the Dec 2023 crop is 215 bushels per acre and the estimated operating cost is $754 per acre. Land cost for Dec 2023 is estimated at $277 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.

Commodity & Ingredient Hedging, LLC

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