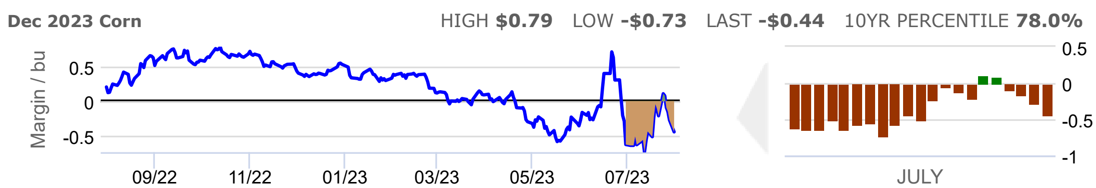
Corn Margin Watch: July

Corn futures initially climbed before giving back those gains in the last half of July as volatility took hold of the grain complex. News of the termination of the Black Sea export corridor deal drove the initial rally as the market contemplated the loss of Ukrainian supplies. Russia struck Danube River terminals, part of a new effort to isolate their counterpart. Ukraine and Croatia on July 31 announced they agreed on the possibility of using Croatian ports on the Danube and Adriatic Sea to export Ukrainian grain, underpinning some of the subsequent market pullback. Additionally, Argentina on July 23 announced a corn-dollar program. The initiative is aimed at boosting sales of the commodity for cash-strapped farmers, increase boost exports, and raise funds for the Argentine government ahead of an IMF loan review. Domestically, NASS indicated through July 30 the corn crop was rated 55 percent good/excellent. This was 2 points behind the previous week and 10 points behind the 5-year average. It also marked the lowest rating for this category for this point in the year since 2012. Fifteen percent of the crop was rated poor or very poor. Through July 25, 59 percent of the corn production area was affected by drought. Ethanol production has responded positively to profitable margins. U.S. ethanol production was up 7 percent from a year ago and the largest weekly corn grind for any week since October 2021. Exports, on the other hand, continue to lag. Old crop corn export shipments have been very weak over the past 6 weeks. Cumulatively, exports are 53 million bushels behind the historical pace needed to meet USDA's annual forecast as the marketing year quickly approaches its end. Outstanding new crop export sales are behind average and at the lowest level for this point in the year since 2019 despite commitments to Mexico and Canada standing at the highest levels over the past decade. Weather and export demand will continue to drive the market over the coming weeks. Our clients have been active making adjustments over the past two weeks to increase delta on the initial rally and are now patiently evaluating adjustments to maintain a floor and reopen upside opportunity as flexibility is highly desired.



The estimated yield for the Dec 2023 crop is 213 bushels per acre and the non-land operating cost is $852 per acre. Land cost for Dec 2023 is estimated at $292 per acre [1]. Basis for the Dec 2023 crop is estimated at $-0.2 per bushel.

The estimated yield for the Dec 2024 crop is 213 bushels per acre and the estimated operating cost is $852 per acre. Land cost for Dec 2024 is estimated at $292 per acre [1]. Basis for the Dec 2024 crop is estimated at $-0.4 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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