

Corn futures traded lower during the last half of August as crop condition ratings appear to have stabilized and market participants try to gauge final yield potential. Crop condition ratings for the week ending August 29 remained relatively constant, with 60 percent of the corn crop rated good/excellent, only 2 percent below a year ago. Nationally, the U.S. corn crop is 9 percent mature. According to the U.S. Energy Information Administration, ethanol output last week dropped to its lowest level in 5 months while stocks also declined. Production of the biofuel fell to an average of 933,000 barrels a day for the week ending August 20 from 973,000 barrels a week earlier. This marked the lowest average daily output since the seven days that ended on March 19. Inventories also declined, falling to the lowest level in more than five weeks. The fall in ethanol production is likely a function of limited supply availability and the basis premium being paid for old crop corn rather than a meaningful change in weekly U.S. gasoline use, although that could change in time. Also on the ethanol front, the EPA says they will increase biofuel mandates again in 2022. Internationally, U.S. Gulf corn is becoming economically attractive on the world stage amid rapidly-rising world feedstuff prices. Damage from Hurricane Ida in the Gulf and its impact on export facilities is currently unknown, however. Outstanding new crop corn export sales are 44 percent higher than a year ago, although the sales have slowed from the pace witnessed this past spring. Global grain production continues to fall. Extreme heat and dryness in Canada and Russia have had devastating impacts on their crops and Brazil's safrinha corn suffered from both drought and major freeze events. La Niña has returned to the equatorial Pacific, creating concern due to its strong correlation with drought in Argentina and southern Brazil. Market participants will be closely watching yield estimates and evidence of additional new crop demand. Our clients have benefited from having flexible coverage in place. They will be evaluating adjustments to strengthen delta and extend coverage should the market strengthen into harvest.



The estimated yield for the Dec 2021 crop is 208 bushels per acre and the non-land operating cost is \$587 per acre. Land cost for Dec 2021 is estimated at \$275 per acre¹. Basis for the Dec 2021 crop is estimated at \$-0.1 per bushel.



The estimated yield for the Dec 2022 crop is 211 bushels per acre and the estimated operating cost is \$665 per acre. Land cost for Dec 2022 is estimated at \$275 per acre¹. Basis for the Dec 2022 crop is estimated at \$-0.3 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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