Corn Margin Watch: September

Corn futures finished the first half of September mostly higher as a bullish crop report and falling conditions outweighed lackluster export demand. A potential U.S. railroad strike dominated headlines but was avoided at the midnight hour when railroad unions and companies reached a tentative agreement. USDA indicated 53 percent of the corn crop was in good or excellent condition as of September 11, down one point from the previous week. USDA on September 12 released its latest WASDE report, the first with objective yield survey data included. For corn, the domestic 2022/23 outlook called for lower supplies and tighter ending stocks. Corn production was lowered 415 million bushels from last month due to reductions in both harvested area and yield. The national average yield was forecast at 172.5 bushels per acre, 2.9 bushels lower than August. Harvested acres were lowered by 1 million to 80.8 million acres. The feed and residual use, exports, and corn used for ethanol categories were lowered, as well. U.S. ethanol production through the week ending September 9 fell to an average of 963,000 barrels per day. This was 2.8 percent higher than a year ago but the lowest average daily output since mid-April. Production typically falls this time of year as plants perform maintenance ahead of harvest. The reduction in supply outweighed the fall in use, resulting in a reduction of ending stocks of 169 million bushels. At 1.219 billion bushels, ending stocks were above the average pre-report forecast of 1.180 billion but within the range of estimates (980 million to 1.3 billion). Global corn production was increased due primarily to increases in China, Ukraine, and Canada. WASDE pegged total global trade to fall for the first time since 2016/17. Russian President Putin is calling for a review of the Black Sea Corridor deal, putting into doubt the viability of an extension of the deal past its November expiration. FAS released its weekly export sales data after a technical glitch caused the data to be suspended over the past several weeks. Corn export sales are behind the historical pace needed to meet USDA's annual forecast and lack of buying interest from China is potentially troublesome. The Biden Administration is reportedly considering new economic sanctions on China as a preventative measure as a means to deter a future invasion of Taiwan. Any new sanctions could further sour U.S.-Chinese relations. Market attention will be focused on U.S. yield data coming out of the fields and international buying interest. Our clients are looking to scale into additional coverage with flexible positions as the market moves higher.

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 $-0.1 per bushel.

The estimated yield for the Dec 2023 crop is 213 bushels per acre and the estimated operating cost is $823 per acre. Land cost for Dec 2023 is estimated at $282 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.

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