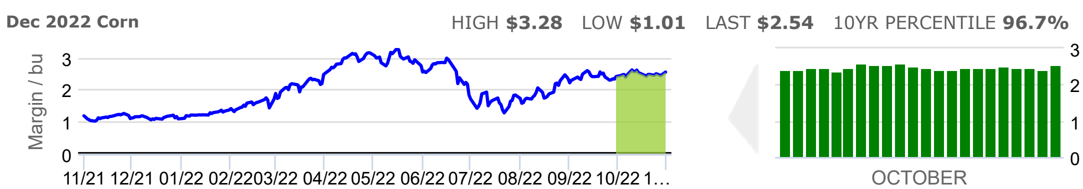
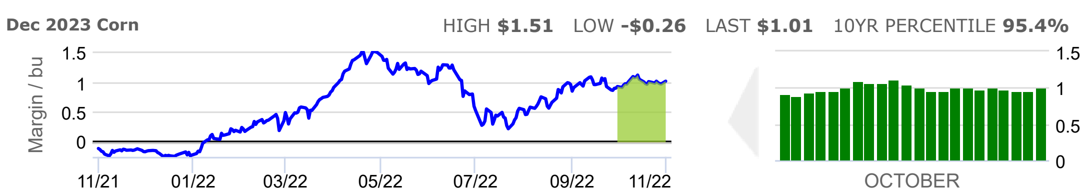
Corn Margin Watch: October

Corn futures traded the last half of October mostly lower before rallying on the last trading day of the month as Black Sea risk premium was added to the commodity space. Russia suspended its participation in the Black Sea grain deal but thus far has stopped short of reimposing a blockade on shipments out of the region. The agreement was brokered by the UN and Turkey at the end of July and was set to run through November. Unknowns remain for vessel owners, insurance companies, and end users going forward on the viability of moving grains out of the region. Recent rains in Argentina provided some relief to historical drought conditions but much more is needed. It is too early to lower yield forecasts for the country, however, as Argentine farmers have continued to opt for later-planted varieties. Some 83 percent of the crop is expected to be planted later in the season. Domestically, USDA reported 76 percent of the corn crop was harvested as of October 30. This was up 15 percent from the previous week and 12 percent higher than the historical average for this time of the year. Ethanol margins remain strong and have incentivized plants to ramp up production. Production climbed for the fourth straight week and marked the highest weekly production level since the end of July. Despite the increase, corn used for ethanol production is running 27 million bushels behind the historical pace needed to meet USDA's annual forecast. Ethanol stocks climbed slightly from the previous week and are 11.9 percent higher than a year ago. This marked their second-highest level for this point in the year over the past decade (trailing only 2018). Export demand remains lackluster. Corn export shipments are running 117 million bushels behind the historical pace needed to meet USDA's annual forecast. Outstanding export sales are also behind the historical pace for this point in the year. Shallow Mississippi River depths continue to add a headwind to movement of grain throughout the central U.S. Market attention will remain focused on South American weather, U.S. export demand, and grain flows out of Ukraine and Russia. Our clients are remaining patient with existing positions and are looking to scale into additional, flexible coverage 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 $-0.18 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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