

Corn futures fell in the final trading days of the month as macroeconomic fears of a new Covid strain spilled into the commodity space. Additionally, the U.S. Federal Reserve appears to have accepted inflation as a structural component of the economy at this time, abandoning their previous notion that it was transitory in nature. The immediate concern in the corn complex is what impact, if any, the new Covid omicron variant has on driving and consumer spending patterns. Crude oil and ethanol prices fell hard, but spot ethanol margins remain very profitable. U.S. fuel ethanol production was down nearly 4 percent for the week ending November 26 but nearly identical to a year ago. Ethanol stocks increased by nearly 1 percent from the previous week but remain 4 percent below a year ago. The U.S. dollar continues to strengthen and export sales have slowed in recent weeks. Export shipments appear to have rebounded from the hurricane-induced slowdowns in the Gulf region but remain 118 million bushels behind the historical pace needed to meet USDA's annual projection. Corn export sales to China have been lackluster since the spring. The possibility of a partial boycott of the Beijing 2022 Winter Olympics over human rights violations are causing concern about the future of U.S.-China relations. South American weather will be the primary driver of corn price movement moving forward as there is little tolerance for yield loss. La Niña is causing dryness in southern Brazil and Argentina, although temperature have remained mild thus far. South American weather, Chinese demand, and the pace of domestic ethanol production continue to be the focus of the trade. Our clients benefited from having flexible coverage in place prior to the pullback. They will be evaluating adjustments to lighten delta if the market break continues.



The estimated yield for the Dec 2021 crop is 220 bushels per acre and the non-land operating cost is \$595 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 209 bushels per acre and the estimated operating cost is \$666 per acre. Land cost for Dec 2022 is estimated at \$275 per acre¹. Basis for the Dec 2022 crop is estimated at \$-0.23 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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