

“How Big is it?”

Given the good weather across most of the corn belt, the question is, how big? Crop condition ratings are very high comparatively, and scouts, especially from Illinois west are talking about a “monster”. Recent rains in the previously dry east have received some generous rains the past two weeks helping stressed crops recover and certainly have more potential than a few weeks ago. August 12th is the day of the next USDA Reports, and will feature the first in field surveys, and follow that the Pro Farmer tour will also weigh in. There have been reports of some pollination issues, but overall they appear to be minor, focusing on variety and planting dates. Our thoughts lean to the bigger side, as there just doesn't appear to be enough problems to offset the generous moisture levels received over most all of the corn belt. I remember the wise words of my grandfather who told me “it's never as bad as you think, nor is it ever as good as you think”. He was generally right about everything I can remember, so we will see how we finish this year. Looking ahead of the report, here are some of the things we are watching:

1. Corn basis levels have been very strong in the east, but are starting to slip. As soon as end users have enough to make it to harvest, the basis could get very weak unless crop conditions change
2. Bean basis continues to weaken overall, same idea as corn
3. Weather forecasts are very good nearby; there is some heat in the extended but nothing severe yet
4. The US \$ has strengthened a bit lately but still below “100”
5. Spreads are offering good carry to capitalize on storage revenue, but at 17 cents + Dec to March it may be a good time to roll HTA contracts
6. Crop conditions are very high, seasonally we should see some decline, but it doesn't appear to have a lot of downside potential given the moisture levels across the belt

We also look at fund positions closely and remember last year we put in the low in August, as funds were short, over 350,000 contracts of corn. Friday they were “only” 180,000 short. Will they continue to push the short side? They are also short about 36,000 contracts in soybeans. Will favorable August weather inspire more sales? They certainly have the ammunition to push prices much lower, but things can change very quickly. That is why we like to take time now to plan and think about “what ifs”. Consider the following list:

1. What are your crop prospects? Will you be able to store everything? If not, how much do you have sold or protected?
2. What are your cash flow needs this fall?
3. If sales are needed for cash flow, what is the best choice now, and what are the possibilities for later?
4. How do you feel about the current crop? Can demand keep cash bids steady or do we have a train wreck coming?
5. Do you have orders in, or at least told us what to look for if we do get a decent rally?

We posted a zoom meeting on our website entitled Fall 2025 grain marketing discussion. If you haven't watched it we cover a lot of issues for this year and offer some ideas. Obviously we are concerned about basis and cash bids in areas that have two big crops in a row, and with South America also harvesting big crops, the competition may be tough to get much out of the market other than selling carry. Every area will be different, so check bids carefully for both nearby and deferred. End users will only pay what they have to, and with potential fund selling pressure, we feel having a floor in is important no matter what tool you use

Here is what we are doing here on our farm:

All 2024 crop is gone both corn and beans

2025 Soybeans

Given all the factors facing beans, we felt like we needed to "start" by doing an HTA for next November at \$11.00. We bought some short, dated May expiration 10.20 puts ahead of the report, and these have now expired. We still hold short November \$11 calls and will continue to hold them until we get a close over 10.60. We also bought short, dated July expiration 10.40 puts on May 2nd and sold full November 11.00 calls to pay for them at even money. These exercised into short November beans at 10.40. We also added an HTA contract for November at 10.50. This has all our expected production sold or protected, and will only consider going long in some form on a close over 10.60. We are also considering lifting the short 11.00 calls at less than 5 cents just in case of unexpected change of conditions. (trade deals?)

2025 Corn

Our long standing orders for HTA contracts got completed at \$4.48, \$4.49 and \$4.50 during the Jan crop report, when the market rallied sharply. We added sales at \$4.63 this past week (late January) and another at \$4.73 this past week. We also added 4.60 short, dated December puts and sold full December \$5.00 calls to cover all production. These puts were exercised into short December futures at \$4.60, and we will own short dated calls or September futures if we take out new resistance at 4.50. Call for specific plans and ideas that suit your needs. The 5.00 calls we sold to pay for the puts are down to a penny or two and probably worth picking up as well.

2026 Corn

We are looking at \$4.75 as a place to start, higher than our 2025 starting price but with increased input costs we will "hope" we can start there with some HTA contracts

2026 Beans

Given the lower planted acres this year and the possibility of some positive renewable fuel ideas, we will target \$11 as a place to start and try to be a little patient as August weather can change the carryout projections in a big way.

In conclusion, some of the best weather I and remember over most of the corn belt combined with a lot more acres of corn this year have combined to make what I thought was highly unlikely. It seemed like wishful thinking to project a corn yield of 181 when we only did 178 last year on less acres and pretty

good weather, but today folks are talking about yields in the mid 180's or higher, and beans in the mid 50's. We have a month or so to go, so things can change, but we are now more inclined to go with higher rather than lower. Last year we received little rain in August, and our beans were very disappointing, but with recent rains being very well timed, we are much more optimistic about this year's potential. We encourage all to prepare for the August 12th Reports and are leaning towards more downside protection and hope we are wrong. As outlined in our zoom meeting, we like owning March puts to put a floor in, paying more premium but also selling some carry and giving us the flexibility to move cash on good basis and re-own with futures using our puts to limit margin risk. Call for specific ideas that fit your conditions and tolerance and have a great month as we prepare to harvest.

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Dates to remember:

Every Monday – Export Inspections at 10:00 am CST Crop conditions at 3:00 pm

Every Thursday – Export Sales at 7:30 am CST

Every Friday – Commitment of Traders Report at 3:00 pm CST

August 12th – Supply/Demand and Crop Production Reports

August 22nd- Cattle on Feed at 2:00 CST

August 22nd- September options expire.

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