

Chicago wheat futures finished the last half of January slightly higher as support levels were tested and the marketplace searches for any sign of new information coming out of the Black Sea region. Funds continue to hold large net short position with the 2023 growing season imminent. Fundamental data is largely absent, although most major production regions have experienced improved weather prospects over the last two weeks. Black Sea risk premium has largely been extracted as Russia continues to dominate the global marketplace. Domestically, all wheat export shipments are 65 million bushels behind the historical pace needed to meet USDA's annual forecast. Outstanding wheat export sales have rebounded in recent weeks as sales to Mexico have picked up. The U.S. Southern Plains continue to experience a historically severe drought, although moisture levels have improved slightly in some parts. The Australian market has been weak and Asian importers will have no issue sourcing supplies from Oceania in Q2, as the crop is expected to be record-large and cut into Asian corn demand for feedstuffs. According to a recent USDA FAS report, Brazil is expected to reach record wheat production this marketing year. While traditionally a net importer of the crop, Brazil could soon become a net exporter of wheat on the global stage, according to the report. Needed rains have arrived in Algeria and Tunisia, improving prospects for wheat production across North Africa and the Middle East. Much of the market's attention will continue to focus on Black Sea grain flows and Northern Hemisphere weather heading into the spring. Our clients lightened delta on existing hedges as the market fell from highs scored last spring. They are remaining patient looking to add coverage on continued market rallies to extend coverage and increase delta throughout the end of the year.



The estimated yield for the Mar 2023 crop is 88 bushels per acre and the non-land operating cost is \$420 per acre. Land cost for Mar 2023 is estimated at \$201 per acre¹. Basis for the Mar 2023 crop is estimated at \$-0.3 per bushel.



The estimated yield for the Jul 2023 crop is 80 bushels per acre and the estimated operating cost is \$453 per acre. Land cost for Jul 2023 is estimated at \$222 per acre¹. Basis for the Jul 2023 crop is estimated at \$-0.3 per bushel.

¹ The Chicago Wheat 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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