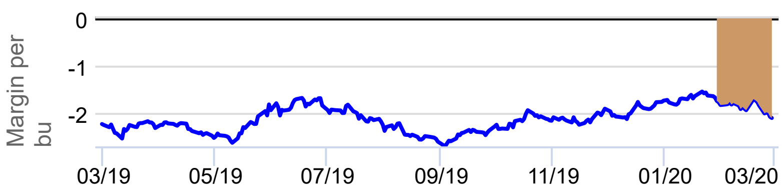
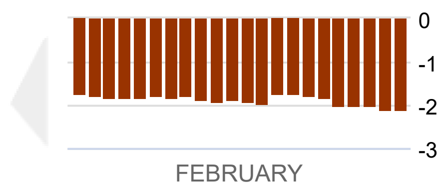
Wheat Margin Watch: February

The wheat market ended the month of February sharply lower as the spread of coronavirus and its impact took center stage. The OECD slashed their 2020 world economic growth forecast from 2.9 percent to 2.4 percent amid the outbreak. This would represent the slowest GDP growth in a decade and poses a headwind for commodity markets. Seasonally, nearby Chicago futures tend to struggle from mid-February through April and concerns around the coronavirus seem to have accelerated this decline. China will allocate on March 2 duty free import licenses for tariff exempt U.S. agricultural commodity imports. It is unclear what impact the virus will have on China's ability to meet its Phase One agricultural purchase targets. Favorable soil moisture conditions persist in major wheat producing regions including India, China, Russia, and the U.S. A falling Russian ruble has increased producer sales in recent weeks while the strength of the dollar has provided a headwind to U.S. exports. Wheat options implied volatility continues to outpace levels witnessed last year but remain below the 10-year average. July wheat margins are near the 58th percentile of profitability over the past five years. Our clients benefited from protecting historically strong margin levels earlier in the year and are evaluating adjustments to reopen opportunity to the upside.

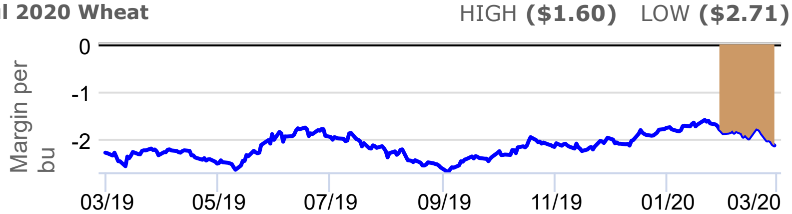
May 2020 Wheat HIGH **($1.55)** LOW **($2.71)** LAST **($2.11)** 5YR PERCENTILE **68.9%**

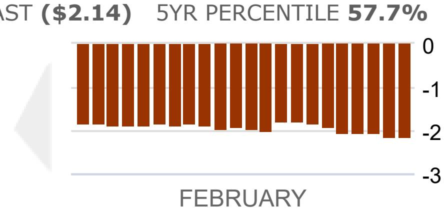




The estimated yield for the 2020 crop is 75 bushels per acre and the non-land operating cost is $376 per acre. Land cost for 2020 is estimated at $157 per acre [1]. Basis for the 2020 crop is estimated at $-0.25 per bushel.

Jul 2020 Wheat HIGH **($1.60)** LOW **($2.71)** LAST **($2.14)** 5YR PERCENTILE **57.7%**





The estimated yield for the 2021 crop is 75 bushels per acre and the estimated operating cost is $376 per acre. Land cost for 2021 is estimated at $157 per acre [1]. Basis for the 2021 crop is estimated at $-0.3 per bushel.

[1] *The 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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