

Chicago wheat futures traded on either side of unchanged before finishing the first half of February mostly higher. Geopolitical concerns in the Black Sea region continue to keep the market on edge. Chinese President Xi and Russian President Putin signed an agreement to allow Russian wheat to be imported into China. Putin's next move in Ukraine is awaited. Together, the two countries account for just under a third of global wheat exports. Stats Canada on February 8 surprised the market with their December 31 stocks estimate. All wheat stocks were reduced 10 MMTs to 15.5 MMTs. This was 2 MMTs smaller than trade estimates. USDA on February 9 released its monthly WASDE report. The 2021/22 domestic wheat balance sheet called for stable supplies, reduced use, and higher ending stocks. Exports were reduced by 15 million bushels on slowing export sales and shipments. Even with the reduction in exports, total wheat export shipments remain 62 million bushels behind the historical pace needed to meet the annual forecast. Ending stocks were increased by 20 million bushels to 648 million. This was near the high end of the range of pre-report estimates (603 to 653 million) but would be 23 percent lower than a year ago. The domestic stock-to-use ratio would be the lowest since 2013/14 while the domestic feed and residual use is expected to be the largest since 2016/17. Global wheat production was slightly reduced, primarily on decreases in the Middle East. Global ending stocks were lowered by 1.7 MMT to 278.2 MMT. This was lower than the average pre-report estimate of 280.4 MMT but within the range of estimates. If realized, this would represent a 5-year low. The market's focus is squarely on the odds of a Black Sea military conflict. Our clients continue to evaluate adjustments on existing hedges and are patiently looking to extend coverage into deferred periods if the market continues to move higher.



The estimated yield for the Mar 2022 crop is 75 bushels per acre and the non-land operating cost is \$386 per acre. Land cost for Mar 2022 is estimated at \$163 per acre¹. Basis for the Mar 2022 crop is estimated at \$-0.1 per bushel.



The estimated yield for the Jul 2022 crop is 75 bushels per acre and the estimated operating cost is \$419 per acre. Land cost for Jul 2022 is estimated at \$167 per acre¹. Basis for the Jul 2022 crop is estimated at \$-0.38 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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