

Wheat Margin Watch: May



Chicago wheat futures ended the last half of May higher as world economies focus on reopening their economies while avoiding a second wave of COVID-19. Major state-run agricultural companies have been instructed by Chinese government officials to pause purchases of some American farm goods amid escalating tensions with the U.S. over Hong Kong. The USTR is set to review China's purchase of U.S. agricultural products in early July to determine if they meet specific targets. Despite rainfall across some portions of wheat producing regions, dryness persists throughout Western Europe. These weather patterns are important factors moving forward as much yield determination occurs in June. Australian soil moisture remains plentiful after a drought-ravaged last year. Prospects of a large Russian wheat crop continue to grow. All wheat outstanding export sales for the 2021 crop year have picked up in recent weeks but remain behind the average pace needed to meet USDA annual projections. USDA NASS reported U.S. winter wheat ratings were 54 percent good/excellent. This was 3 points higher than the 5-year average. Wheat margins are near the 70th percentile of profitability over the past five years. Our clients have benefited from existing coverage and are evaluating adjustments while layering into flexible coverage in deferred periods.



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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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