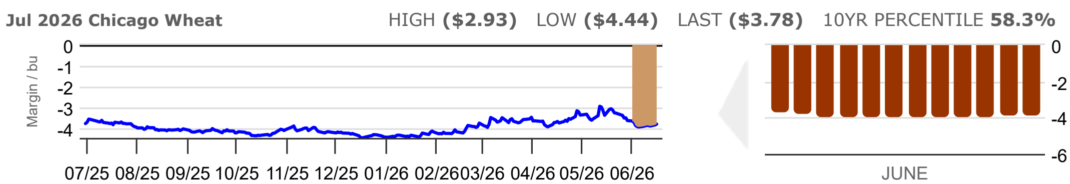
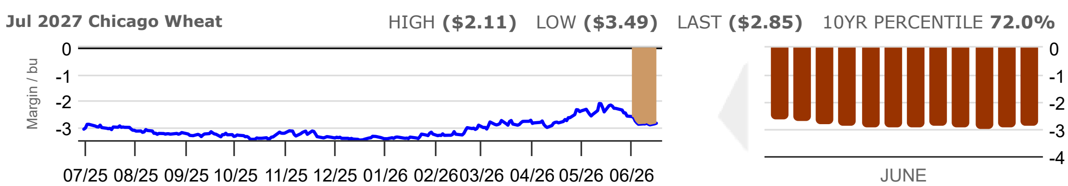
Chicago Wheat Margin Watch: June

Chicago wheat futures traded mostly lower through the first half of June as the global markets balance record supplies from the EU and Black Sea region. Hard red winter wheat is rated 27% good-to-excellent, 17 points below the five-year average. Drought through the growing season followed by untimely harvest rains has driven disease pressure and harvest delays, with 63% of production still in drought-affected territory. USDA released its WASDE report on June 11, leading to a moderately tighter supply picture with no changes to demand. On the domestic side, USDA trimmed the all-wheat yield by 0.5 bushels per acre to 47.0 due to a weaker hard red winter crop, shaving 18 million bushels off production and pulling ending stocks down to 744 million bushels. On the global balance sheet, production is raised for Russia, Turkey and Ukraine. Russia increased its production estimate by 2 MMT to 88 MMT due to better yields despite lower spring wheat area. This partially offset reductions in Australia and Pakistan. Australian production was lowered 2 MMT due to lower harvested area. World wheat ending stocks are projected at 275 MMT. The more significant story developing on the global stage is Australia. ABARES projected Australian production at just 26.7 MMT for 2026/27, well below USDA's 30.0 MMT estimate, as high fertilizer costs pushed farmers to sharply reduce planted area. The drop in production translated directly to tighter export availability, particularly for Asian buyers who rely on Australian supplies The added risk of El Niño developing this summer could cause production to fall even further. Market attention will remain on hard red winter wheat harvest progress, the evolving global supply picture and the possible opening of the Strait of Hormuz. A US/Iran peace framework is expected to be signed Friday in Switzerland, with Strait of Hormuz access anticipated to resume the following weekend. Our clients are evaluating strategic adjustments to existing hedges to reopen upside opportunity.



The estimated yield for the Jul 2026 crop is 86 bushels per acre and the non-land operating cost is $504 per acre. Land cost for Jul 2026 is estimated at $293 per acre [1]. Basis for the Jul 2026 crop is estimated at $-0.45 per bushel.



The estimated yield for the Jul 2027 crop is 87 bushels per acre and the estimated operating cost is $499 per acre. Land cost for Jul 2027 is estimated at $274 per acre [1]. Basis for the Jul 2027 crop is estimated at $-0.45 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.