

Chicago wheat futures traded on either side of unchanged during the last half of July to finish the month slightly higher. Market strength occurred despite the signing of the Black Sea Export Corridor Agreement. The pact has yet to attract importer interest as vessels remain stuck at Ukrainian ports and logistical difficulties remain. Heat and drought have lashed European crop production and wheat has been no exception. Quality issues are widespread in Russia due to excessive rains, adding to global balance sheet tightness as Northern Hemisphere harvest wraps up in the next few weeks. Domestically, 77 percent of the winter wheat crop was harvested through the week ending July 24. This was 3 percent below the 5-year average with harvest progress in the Pacific Northwest weighing down the national average. Spring-wheat conditions declined, falling to 68 percent good/excellent. This was 3 points lower than the previous week but 16 points higher than the 5-year average. Eighty-six percent of the crop was headed, up from 68 percent a week earlier but behind the normal pace of 96 percent. All wheat export shipments have started the crop year (June 1, 2022 to May 31, 2023) slowly. They are currently 38 million bushels behind the historical pace needed to meet USDA's annual forecast. Outstanding wheat export sales, on the other hand, have improved in recent weeks and are at their highest level for this point the year since 2016. Market attention will remain focused on Black Sea geopolitical developments, vessel lineup data, and the legitimacy of the export corridor agreement over the coming weeks. Our clients have benefited from having coverage in place since early spring. This provides protection to the downside and allows for opportunity to participate in higher prices. They are looking to strengthen delta on existing hedges should the market continue to move higher.



The estimated yield for the Sep 2022 crop is 88 bushels per acre and the non-land operating cost is \$420 per acre. Land cost for Sep 2022 is estimated at \$201 per acre¹. Basis for the Sep 2022 crop is estimated at \$-0.35 per bushel.



The estimated yield for the Jul 2023 crop is 75 bushels per acre and the estimated operating cost is \$455 per acre. Land cost for Jul 2023 is estimated at \$226 per acre¹. Basis for the Jul 2023 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.

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