

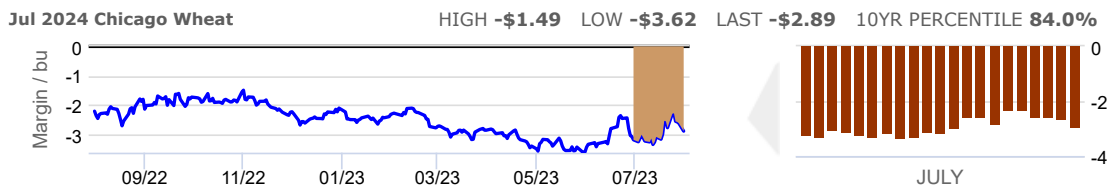
# Chicago Wheat Margin Watch: July



Chicago wheat futures tumbled in the final trading days of the month to give back its previous gains in the last half of July as nearly all war premium has been removed from the marketplace. Headlines were dominated by the termination of the Black Sea export corridor deal as the market contemplated the loss of Ukrainian supplies. Russia also announced it will consider all Ukraine-bound ships as potential carriers of military cargoes. According to U.S. officials, Russian forces continue to bomb port facilities in Ukraine and lay mines in a bid to stop all sea traffic in and out of several ports. Furthermore, Russia struck Danube River terminals in a new effort to close Ukraine's agricultural export capabilities. Infrastructure and export risks from Ukraine and Russia continue to support geopolitical volatility. The market quickly pulled back, however. Ukraine and Croatia on July 31 announced they agreed on the possibility of using Croatian ports on the Danube and Adriatic Sea to export Ukrainian grain, underpinning some of the market pullback. Domestically, USDA announced winter wheat harvest through July 30 was 83 percent completed. This was 3 points behind the 5-year average. Spring wheat was 97 percent headed and rated 42 percent good/excellent, the lowest rating for this point in the year since 2017 as harvest begins to kick off. Some 47 percent of winter wheat acres and 43 percent of spring wheat acres are affected by drought. Export demand for U.S. wheat remains lackluster at best. All wheat export shipments are off to a slow start through the first 8 weeks of the marketing year as the current rate of shipments is about 30 million bushels behind the historical pace needed to meet USDA's annual forecast. Outstanding wheat export sales are at their lowest level for this point in the year over at least the past decade. Our clients are leaning on flexible strategies to provide protection against lower prices while maintaining the opportunity to participate in higher prices should they develop.



The estimated yield for the Sep 2023 crop is 80 bushels per acre and the non-land operating cost is \$485 per acre. Land cost for Sep 2023 is estimated at \$292 per acre<sup>1</sup>. Basis for the Sep 2023 crop is estimated at \$-0.45 per bushel.



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<sup>1</sup> 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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