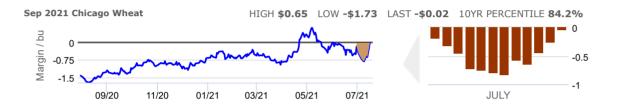
Chicago Wheat Margin Watch: July



Chicago wheat futures began July sharply lower but recovered most of those losses by mid-month. USDA on July 12 released its monthly WASDE report. The 2021/22 domestic wheat balance sheet called for a reduction in supply, use, and ending stocks. All wheat production was lowered 152 million bushels to 1.746 billion. This was below the average analyst estimate of 1.835 billion bushels but within the range of expectations. The all wheat yield was lowered 4.9 bushels to 45.8 bushels per acre due to "severe drought conditions affecting the Northern Plains". Projected exports were lowered 875 million bushels due to a reduction in durum and other spring wheat supplies. Ending stocks were reduced by 105 million bushels to 665 million. If realized, this would be the lowest level since 2013/14. The average analyst estimate pegged ending stocks at 711 million. Global wheat production was reduced by 2.0 million tons to 792.4 million as Australia's increase was outweighed by reduction in Russia and Kazakhstan. There remains no relief in sight to drought conditions throughout the Northern Plains and Canadian Prairies. Quality concerns in Europe and disappointing yields coming out of the fields in Russia have provided support to the wheat complex. U.S. winter wheat harvest is 59 percent complete. The U.S. spring wheat crop is rated at only 16 percent good/excellent. Ratings this low have only been witnessed once in history-1988, when U.S. spring wheat yield was 43 percent below trend. Our clients continue to evaluate adjustments on existing, flexible hedges and are remaining patient on extending coverage further out in time.



The estimated yield for the Sep 2021 crop is 80 bushels per acre and the non-land operating cost is \$317 per acre. Land cost for Sep 2021 is estimated at \$225 per acre¹. Basis for the Sep 2021 crop is estimated at \$-0.2 per bushel.



The estimated yield for the Jul 2022 crop is 80 bushels per acre and the estimated operating cost is \$317 per acre. Land cost for Jul 2022 is estimated at \$225 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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