

Chicago Wheat Margin Watch: August



Chicago wheat futures ended the month of August mostly lower as markets await a better picture of Northern Hemisphere feedstuff production. Domestically, spring wheat harvest continues to move forward. For the week ending August 29, the spring wheat crop is 88 percent harvested, 17 points ahead of the 5-year average. Outstanding wheat export sales have slowed in recent weeks and are 22 percent behind a year ago. The global balance sheet continues to tighten as production levels are trimmed in the U.S. and Canada. Yield data coming out of the fields in Russia suggests USDA's production estimate of 72.5 million tons is close to accurate. Coupled with the rising exporter tax burden, Russian export sales are expected to be minimal in the coming months. The export tax is designed to solve domestic food inflation in Russia but appears to be having little impact in its current form. Russian flour prices are expected to test all-time record price levels set in late-2020. Given supply concerns in Western Europe and dryness across Argentina, importers are expected to be focused on U.S.-sourced wheat by late autumn. Rumors abound of potential Indian participation in global trade, particularly in Central Asia. Indian wheat quality is always a concern, however. Newly-harvested corn crops in the Northern Hemisphere will be used for feed consumption beginning in October. Market attention will focus on the pace of weekly export sales and shipments. Our clients continue to evaluate adjustments on existing, flexible hedges and are patiently looking to extend 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 \$-0.55 per bushel.



The estimated yield for the Jul 2022 crop is 78 bushels per acre and the estimated operating cost is \$326 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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