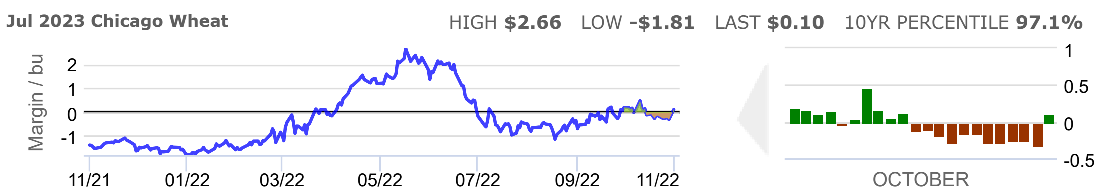
Chicago Wheat Margin Watch: October

Chicago wheat futures traded the last half of October mostly lower before rallying on the last trading day of the month to finish slightly higher as Black Sea risk premium was added to the market. Russia suspended its participation in the Black Sea grain deal but thus far has stopped short of reimposing a blockade on shipments out of the region. The agreement was brokered by the UN and Turkey at the end of July and was set to run through November. Unknowns remain for vessel owners, insurance companies, and end users going forward on the viability of moving grains out of the region. Elsewhere, the global wheat supply continues to come under pressure. Rainfall in southern and eastern Australia is expected to remain excessive for the foreseeable future. Fields are already saturated and flooding lies ahead, potentially putting wheat yield and quality at risk. Rainfall in Brazil threatens wheat quality in the southern portion of the country while historically low surface and subsurface soil moisture levels continue to negatively impact wheat yields in Argentina. Domestically, USDA provided its first estimate winter wheat crop conditions rating of the season. The wheat crop was rated 28 percent good/excellent through the week ending October 30. This was below last year's rating of 46 percent and the lowest rating on record for mid-autumn. Twenty-four percent of wheat in Kansas, the nation's largest producer, earned top ratings. Export demand remains lackluster despite historically tight balance sheets among major exporters. All wheat export shipments have dried up in recent weeks but are only 14 million bushels behind the historical pace needed to meet USDA's annual forecast. If realized, the annual forecast would mark the lowest export level since the 1971/72 crop year. Outstanding wheat export sales have ticked higher but remain at their lowest level for this point in the year over at least the past decade. Geopolitics will continue to dominate the market for the foreseeable future. Our clients have established flexible coverage into 2023 and will remain patient on making adjustments until a clearer picture of international trade flows comes into focus.

The estimated yield for the Dec 2022 crop is 88 bushels per acre and the non-land operating cost is $420 per acre. Land cost for Dec 2022 is estimated at $201 per acre [1]. Basis for the Dec 2022 crop is estimated at $-0.35 per bushel.



The estimated yield for the Jul 2023 crop is 80 bushels per acre and the estimated operating cost is $453 per acre. Land cost for Jul 2023 is estimated at $222 per acre [1]. Basis for the Jul 2023 crop is estimated at $-0.5 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.*