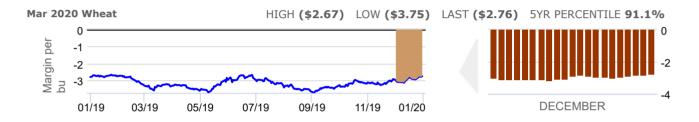
Wheat Margin Watch: December



The Chicago wheat market rallied in December following positive trade news. USMCA was passed by the House of Representatives on December 19 and is expected to be passed by the Senate in early 2020. News broke on December 13 that China had committed to a "phase one" trade deal, which suspends U.S. plans for new tariffs and reduces some existing levies in return for Chinese purchases of American agricultural products. President Trump announced he will sign the trade deal on January 15 at the White House. The exact terms of the agreement have not been revealed but are expected to include ethanol, DDGs, sorghum, wheat, corn, and soy products. The two nations will begin working on a "phase two" agreement immediately, but a resolution is unlikely to occur before the 2020 U.S. election. Optimism abounds that Chinese purchases of U.S. wheat could be significant. Australia continues to feel the impacts of a devastating drought, shifting some Southeast Asian demand to the U.S. Looking ahead to 2020, major exporter seedings are expected to be flat, as slight reduction in Europe, Ukraine, and the U.S. will be offset by increases in Australia (if weather patterns return to normal). Wheat margins remain above the 90th percentile of the past five years. Our clients have been scaling into coverage on the strong rally in the form of flexible strategies that would still benefit should the market continue higher.



The estimated yield for the 2019 crop is 63 bushels per acre and the non-land operating cost is \$372 per acre. Land cost for 2019 is estimated at \$160 per acre ¹. Basis for the 2019 crop is estimated at \$0.1 per bushel.



The estimated yield for the 2020 crop is 75 bushels per acre and the estimated operating cost is \$376 per acre. Land cost for 2020 is estimated at \$157 per acre ¹. Basis for the 2020 crop is estimated at \$-0.2 per bushel.

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¹ The 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.