

# Wheat Margin Watch: August



Wheat prices and margins worked lower over the past two weeks and continue to breach ten-year lows. Pressures on prices are coming from higher production projections across the globe, in spite of lower projections in Europe. Recent larger crop estimates for current production in Russia and Canada, as well as the anticipation of larger 2016/17 crops in Argentina and Australia, have added to the mix. The U.S. wheat export picture this marketing year appears to be brightening, with announcements of new sales of HRW to unknown sources. U.S. wheat export potential should advance due to the quality issues stemming from the unfortunate growing weather in Europe, as well as the price competitiveness of U.S. wheat. Weekly wheat sales and shipments currently stand at 45.8% and 24.1%, respectively, of the USDA estimate of 950 million bushels exported. The export market is also adjusting to a sudden announcement that Egypt would adopt an import policy of zero-tolerance of the ergot fungus, as compared to the international standard allowance of 0.5%. The new policy is still in flux, so time will tell how much impact it will have. On the domestic front, the spring wheat harvest is advancing rapidly at 81% complete, compared to the five-year average of 62%. Our wheat producer clients are considering adjustments to current protection strategies that would capitalize existing hedges, while introducing opportunities for price improvement.



*The estimated yield for the 2016 crop is 67 bushels per acre and the non-land operating cost is \$358 per acre. Land cost for 2016 is estimated at \$158 per acre<sup>1</sup>. Basis for the 2016 crop is estimated at \$-0.3 per bushel.*



*The estimated yield for the 2017 crop is 68 bushels per acre and the estimated operating cost is \$345 per acre. Land cost for 2017 is estimated at \$150 per acre<sup>1</sup>. Basis for the 2017 crop is estimated at \$-0.3 per bushel.*

<sup>1</sup> 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.

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