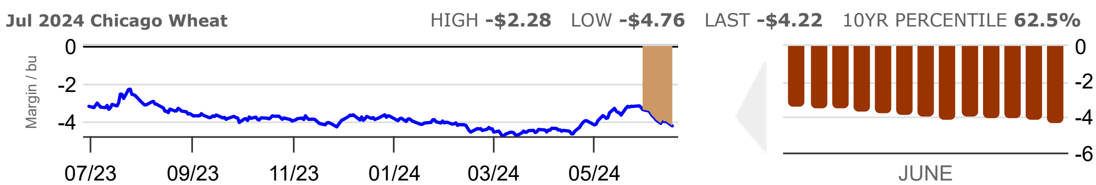
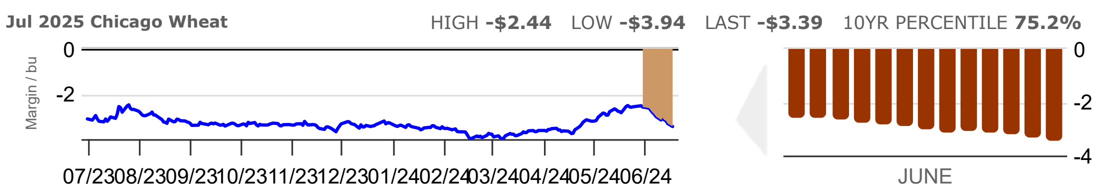
Chicago Wheat Margin Watch: June

Wheat futures continued to fall throughout the first half of June as new crop supply entered the U.S. and European pipeline and Turkey banned wheat imports from mid-June through mid-September. USDA on June 12 released its latest WASDE report. The global wheat outlook called for smaller supplies and ending stocks. Supplies were decreased on reductions in production in Russia, Ukraine, and the EU as hot and dry weather conditions continue to take their toll. These three regions accounted for an 8.0 million metric ton reduction in global production, partially offset by the increase in domestic production. Projected ending stocks were lowered 1.3 million tons to 252.3 million, nearly identical to the average pre-report estimate. Domestically, the 2024/25 balance sheet called for larger supplies, increased exports, and lower ending stocks. Supplies were increased by 17 million bushels from last month. At 1.875 million bushels, production was slightly lower than the average pre-report estimate of 1.887 billion bushels (1.858 to 1.973 billion range). USDA indicated 47 percent of the winter wheat crop was rated good/excellent through the week ending June 9. This was 1 point higher than the 5-year average. Twelve percent of the crop was harvested. Seventy-two percent of spring wheat was rated good/excellent, 9 points ahead of the 5-year average. Sixteen percent of the winter wheat area and 3 percent of the spring wheat area was affected by drought through June 11. Exports were increased by 25 million bushels to 800 million to make up for reduced Black Sea supplies. This comes despite the current sales pace of new crop wheat exports running behind the historical average pace needed to meet USDA's annual forecast. Wheat ending stocks were lowered from last month to 758 million bushels. This was below the average pre-report estimate of 782 million bushels but within the range of estimates (741 to 837 million range). If realized, this would remain significantly higher than a year ago. Market attention will remain focused on international yield potential, signs of renewed export demand, and this month's Grain Stocks report. Our clients are patiently evaluating adjustments on existing hedges to lighten delta and reopen upside opportunity.



The estimated yield for the Jul 2024 crop is 80 bushels per acre and the non-land operating cost is $493 per acre. Land cost for Jul 2024 is estimated at $292 per acre [1]. Basis for the Jul 2024 crop is estimated at $-0.35 per bushel.



The estimated yield for the Jul 2025 crop is 81 bushels per acre and the estimated operating cost is $487 per acre. Land cost for Jul 2025 is estimated at $292 per acre [1]. Basis for the Jul 2025 crop is estimated at $-0.35 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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