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Dear Ag industry associate:

There has been a lot of talk recently about the participation of managed money or flow of fund positions in the agricultural markets. Futures and options trading by professional commodity funds has been a focus of market analysts for decades, and their behavior is closely followed for potential clues on market direction. While there is no crystal ball that can predict price movements with consistent accuracy, the topic calls attention to an important market resource which should be understood by traders including hedgers trying to manage commercial price risk with exchange-traded futures and options. Our feature article this month, "Understanding the CFTC COT Report" looks at the information included in this weekly report, and how traders use it to analyze price and form opinions on the market.

The agricultural markets have been volatile over the past month, with several developments moving prices. The Trump Administration's decision to impose tariffs on both steel and aluminum imports have triggered retaliatory measures from China. The USDA released several key reports including Quarterly Hog and Pig inventory data, Grain Stocks, and the Prospective Plantings reports. Our regular Margin Watch features detail the impact from each of these reports on the grain, livestock and dairy markets.

As always, if you have questions, please feel free to contact me.

Chip Whalen

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UPCOMING EDUCATION EVENTS

Margin Management for Lenders
Chicago | Apr 25-26

Beef Margin Management
Amarillo | May 14-15

Crop Margin Management
Chicago | July 11-12

IN THIS ISSUE

FEATURE

Understanding the CFTC COT Report

The Commodity Futures Trading Commission (CFTC) publishes a weekly report which breaks down the total open interest as of each Tuesday's settlement for markets in which 20 or more traders hold positions equal to or above reporting thresholds established by the Commission.

The reports are released every Friday and provide market participants insight on how open interest is distributed among different groups of traders. In a very general sense, it breaks open interest down into two categories – reportable versus non-reportable positions – but other classifications have been distinguished by the CFTC to provide further insight on the participation of different type of traders in the market.

History and Breakdown of the Reports

Antecedents of the Commitments of Traders (COT) reports can be traced all the way back to 1924 when the USDA's Grain Futures Administration, the predecessor to the USDA's Commodity Exchange Authority and later the CFTC, published its first comprehensive annual report of hedging and speculation in regulated futures markets. Beginning in 1962, the reports were published monthly followed by a mid-month and month-end version in 1990, then every two weeks in 1992, and finally a weekly format in 2000. The data is also now compiled and released on a more timely basis, and has since moved from a fee-based subscription to becoming freely available on the CFTC's website at the following link: https://www.cftc.gov/MarketReports/CommitmentsofTraders/index.htm

The CFTC collects position data from reporting firms including clearing members, futures commission merchants (FCM'S), foreign brokers and exchanges. While the position data is collected by these various reporting firms, the actual category or classification of traders' predominant business purpose is self-reported by the individual traders on the CFTC's Form 40 which is reviewed by commission staff for reasonableness and accuracy. Traders are able to report business purpose by commodity, and therefore may be classified differently for one market versus another.

There are four reports, including legacy, supplemental, disaggregated, and traders in financial futures. The legacy reports are broken down by exchange and include a futures only and a combined futures and options report. Legacy reports break down the open interest into two categories – non-commercial and commercial traders. Supplemental reports break down the reportable open interest into three trader classifications: non-commercial, commercial and index traders. The index trader classification was added in 2007 to provide the marketplace with more transparency on positions in exchange-traded markets, with further classifications subsequently added with the disaggregated report in 2009.

The disaggregated report increased transparency by separating traders into the following four reportable categories: Producer/Merchant/Processor/User, Swap Dealers, Managed Money, and Other Reportable. This development evolved from confusion over what types of traders were holding various positions in the markets. Generally speaking, the legacy form of the report which only defines two categories of traders as commercial or non-commercial were historically seen as hedgers and speculators, respectively. Traditionally, these participants were viewed as those whose positions were tied directly to the physical commodity versus those who had a purely financial interest in the market.

It became clear over time however that there was a need for further distinction. Commodity index fund trading which grew substantially in the early part of the century brought about the initial need for added transparency as these entities held long-only positions in the futures market to replicate holding commodities as an asset class. With large reportable positions, they defined themselves as commercial traders given that their trading was considered a hedge against the underperformance of the various portfolio benchmarks as defined in their fund prospectuses.

The rise of swaps in the commodities market likewise provided another catalyst to further clarify the breakdown of open interest in the commodity markets. Financial entities including FCM's and other market participants have increasingly been offering structured products to clients that mimic or are backed by exchange-traded futures and options. Here too, the purpose of trading for these entities was to hedge the financial commitments they had with their counterparties in a swap agreement, and it became necessary to define this category separately from commercial traders.

Report Data

The CFTC provides the Commitments of Traders data in both a long and short format. The short format displays open interest separately by reportable and non-reportable positions. For reportable positions, additional data is provided for commercial and non-commercial holdings. This shows total long positions, total short positions, spreading positions, changes from the previous report, percent of open interest by category, and numbers of traders by category.

“Spreading” is a computed amount equal to offsetting futures in different calendar months or offsetting futures and options in the same or different calendar months. Any residual long or short position is reported in the long or short column. Inter-market spreads are not considered. The following table shows an example of the short format for the legacy version of the report for CBOT Corn futures and options combined:

```
CORN - CHICAGO BOARD OF TRADE                                          Code-002602
FUTURES ONLY POSITIONS AS OF 03/27/18                               |
--------------------------------------------------------------------| NONREPORTABLE
     NON-COMMERCIAL       |   COMMERCIAL    |      TOTAL      |   POSITIONS
--------------------------|-----------------|-----------------|-----------------
  LONG   | SHORT  |SPREADS |  LONG   | SHORT  |  LONG   | SHORT  |  LONG   | SHORT
--------------------------------------------------------------------------------
(CONTRACTS OF 5,000 BUSHELS)                        OPEN INTEREST:    1,850,903
COMMITMENTS
 582,846  281,111  307,089  806,553  1035868  1696488  1624068  154,415  226,835

CHANGES FROM 03/20/18 (CHANGE IN OPEN INTEREST:    -11,323)
 -41,896   34,970   -8,734   31,618  -32,600  -19,012   -6,364    7,689   -4,959

PERCENT OF OPEN INTEREST FOR EACH CATEGORY OF TRADERS
    31.5     15.2     16.6     43.6     56.0     91.7     87.7      8.3     12.3

NUMBER OF TRADERS IN EACH CATEGORY (TOTAL TRADERS:      846)
     208      150      208      285      376      608      653
```

The long version of the report also groups the data by crop year, where appropriate as in the case of corn, and shows the concentration of positions held by the largest four and eight traders. The supplemental report is published for futures and options combined in selected agricultural markets and in addition to all of the information in the short format, also shows the positions of index traders. The non-commercial and commercial positions are typically viewed without the impact of the index trader category to analyze changes in positions over time. The reason for this will be explained in the examples to follow under the analyzing the data section.

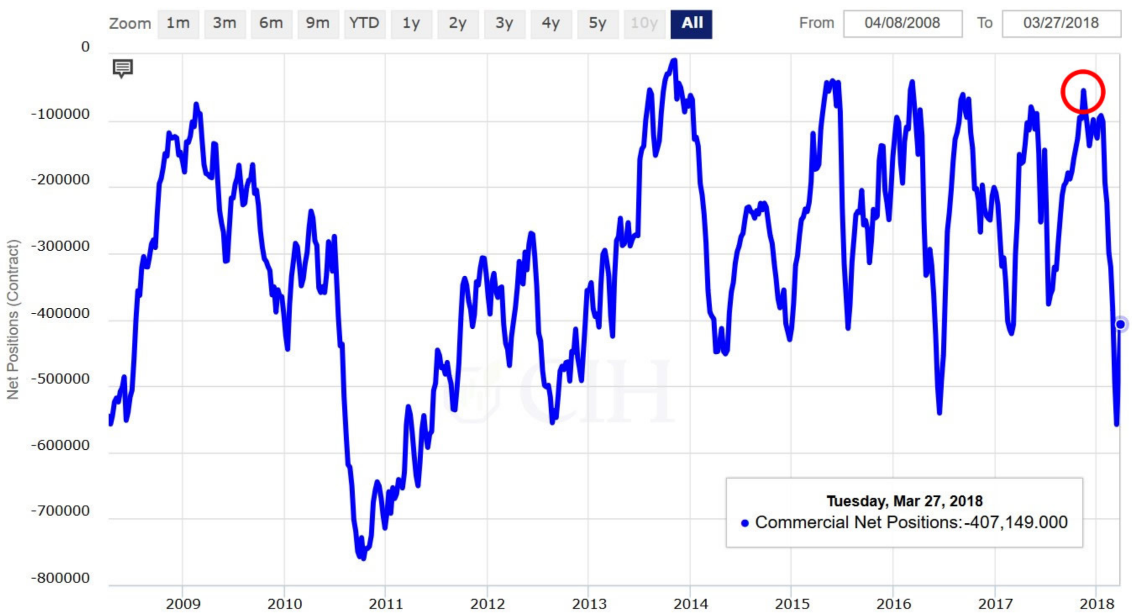
The disaggregated report evolved from a recommendation to the Commission in September, 2008 to remove or disaggregate swap dealers from the commercial category and create a new swap dealer classification for reporting purposes. In addition, a “money manager” category was also created which for the purpose of this report is a registered commodity trading advisor (CTA); a registered commodity pool operator (CPO); or an unregistered fund identified by the CFTC. These traders are engaged in managing and conducting organized futures trading on behalf of clients. Every other reportable trader that is not identified as a producer/merchant/processor/user, a swap dealer, or a money manager is thus classified in the “other reportables” category. The following table shows an example of the short format for the disaggregated version of the report for CBOT Corn futures and options combined:

```
------------------------------------------------------------------------------------------------------
Disaggregated Commitments of Traders-All Futures Combined Positions as of March 27, 2018
:                                            Reportable Positions
:-----------------------------------------------------------------------------------------------------
: Producer/Merchant :                           :                             :
:  Processor/User   :        Swap Dealers       :        Managed Money        :      Other Reportables
:   Long  :  Short  :   Long  :  Short  :Spreading:   Long  :  Short  :Spreading:   Long  :  Short  :Spre
------------------------------------------------------------------------------------------------------
CORN - CHICAGO BOARD OF TRADE   (CONTRACTS OF 5,000 BUSHELS)
CFTC Code #002602                                                  Open Interest is 1,850,903
: Positions
:  447,504   927,130   276,755    26,444    82,294   307,875   199,036   143,169   274,971    82,075   16
:
: Changes from:     March 20, 2018
:   18,473   -46,434    -4,345    -3,656    17,490   -60,418    38,119   -10,869    18,522    -3,149
:
: Percent of Open Interest Represented by Each Category of Trader
:     24.2      50.1      15.0       1.4       4.4      16.6      10.8       7.7      14.9       4.4
:
: Number of Traders in Each Category                                Total Traders:   846
:      259       352        21         7        22        84        63        79       124        87
------------------------------------------------------------------------------------------------------
```

Analyzing the Data

Traders often look at data in the COT reports for clues on market direction and use it as an indicator of potential changes in price trends. Just as with any indicator, there are limitations to using the data as a technical trading tool; however, careful scrutiny of the reports can provide valuable insight when used in conjunction with other market resources. As an example, let's analyze the recent activity in the corn market. Going back to the basics of the data in the legacy reports, there are two main classification of traders – commercial and non-commercial. The commercial trader touches the physical commodity and their positions are hedging against the risk of an adverse change in value on the physical ownership. This group is therefore always net short the market as they are holding positions against long physical in the cash market. The following chart shows 10 years of history for the net commercial corn position:

CFTC COT – CBOT CORN: COMMERCIAL NET POSITION

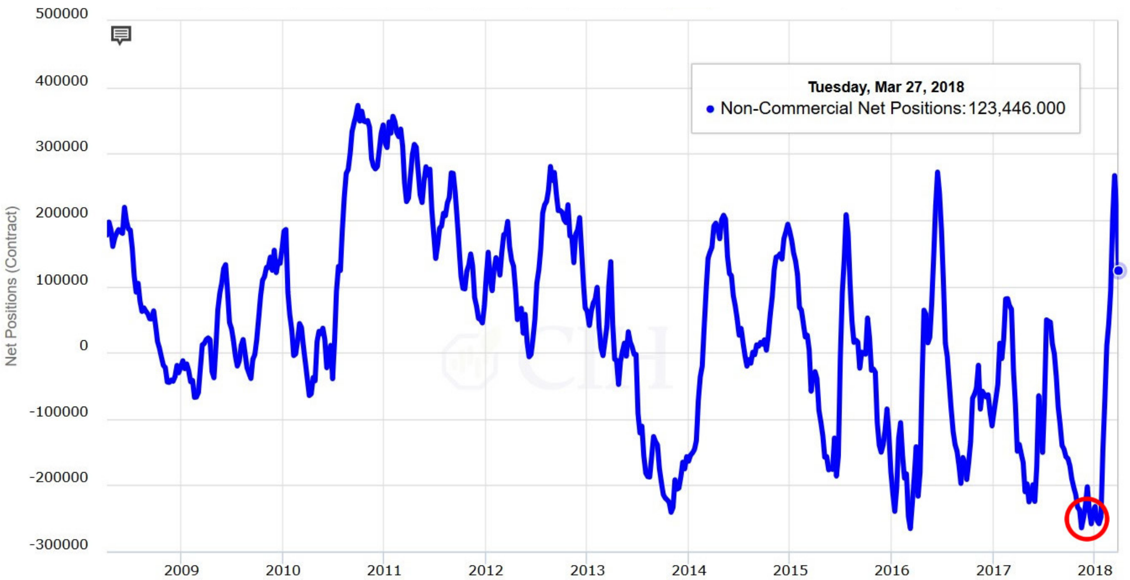


Conversely, the non-commercial trader does not touch the physical commodity and is not hedging risk of adverse price movement in the cash market, although this collective group of traders may be either net long or net short the market depending on their price bias and market outlook. While the legacy report historically has not considered the impact of index traders on this category of open interest, it is possible to separate out the Commodity Index Trader position when analyzing the data based on the supplemental report that has been in use for over 10 years now. Because the CIT position is always net long (see chart below), this provides us with a more accurate view of the non-commercial net position.

CFTC COT – CBOT CORN: COMMODITY INDEX TRADER NET POSITION

Since the CIT is mostly a passive, long-only market participant, if we look at the non-commercial net position without this component, we get a better picture of the speculative participation in the market:

CFTC COT – CBOT CORN: NON COMMERCIAL NET POSITION (NO CIT)

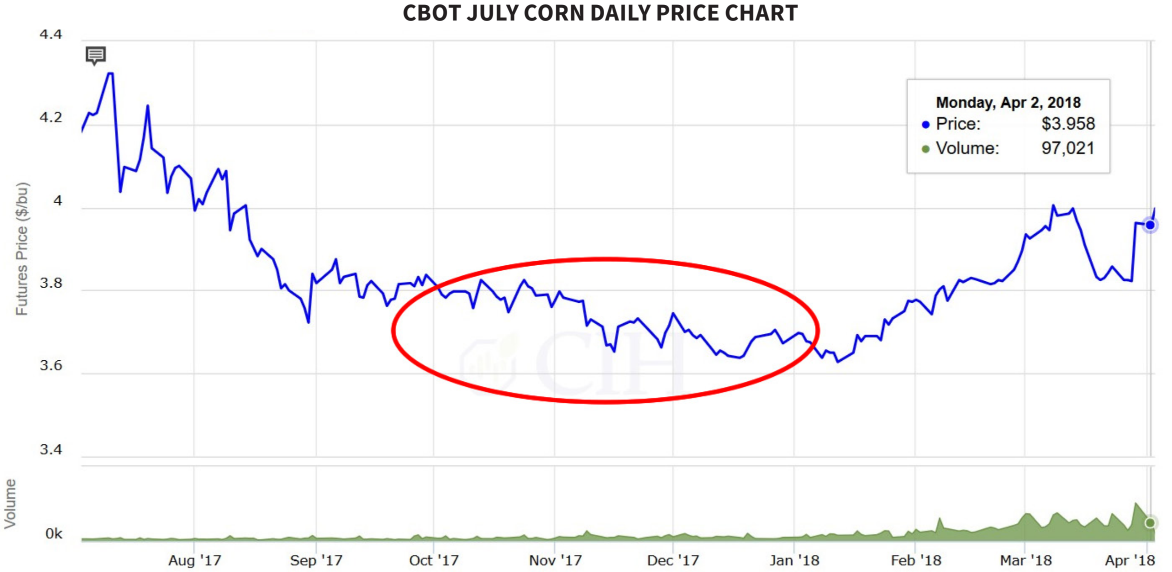


Notice in the commercial and non-commercial charts above, there are two highlighted areas of interest represented by the red circles. Each of them corresponds to a roughly two-month period between mid-November and mid-January when there was a historical divergence between the two data series. The net commercial short position was nearly the smallest of the previous 10 years at the same time that the net non-commercial short position was the largest. This divergence between the positions of the two main categories of open interest also was occurring in conjunction with corn futures that were trading at the bottom decile of the previous 10 years of price. Another interesting point to note about the corn market during this period was that the divergence in the COT data was also developing at a time when there historically is a tendency for prices to be at a seasonal low:

CBOT JULY CORN: 10-YEAR SEASONAL CHART

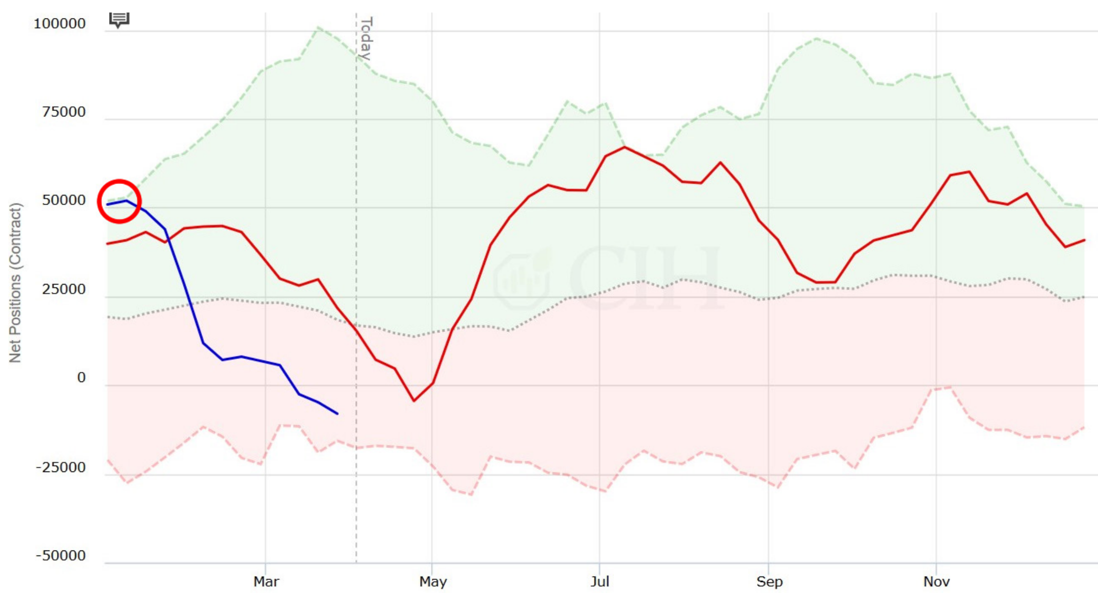
While not necessarily a bullish signal in and of itself, the divergence in the COT data late last year did provide a warning sign for a corn market that had been trending down for months and was mired in deep bearish sentiment. With speculative short interest already at a historical extreme, it suggested that there were very few if any incremental sellers left to continue pressuring the market lower. This can also be seen looking at a price chart of corn from that time as the momentum of the downtrend had slowed substantially during Q4:

CBOT JULY CORN DAILY PRICE CHART

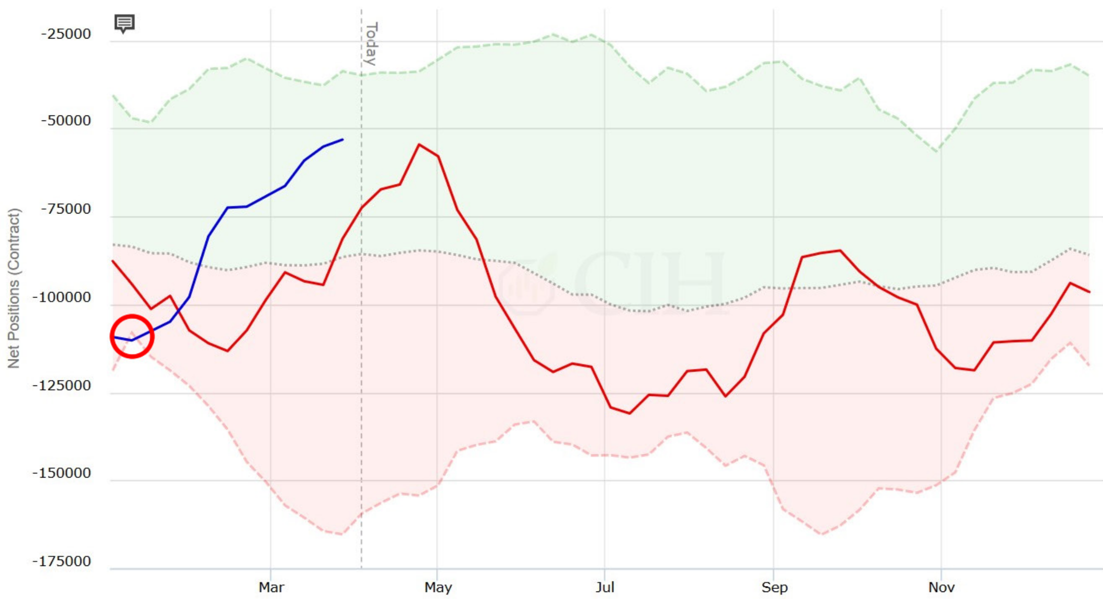


Moreover, if there were some catalyst to begin moving prices higher, as the drought in Argentina subsequently provided, speculative short-covering can quickly fuel an unexpected price advance. While the corn market represents an obvious example with the divergence between commercial and non-commercial net positions at historical extremes, sometimes hints in the CFTC COT data are more subtle. The recent hog market is a good case in point as an example of a bearish divergence. Although the absolute value of the net commercial short position and the net non-commercial long position were not at historical extremes, they were showing a pretty stark divergence seasonally for that time of year based on 10 years of data for early January:

CFTC COT – CME LEAN HOGS: NON COMMERCIAL NET POSITION (NO CIT)



CFTC COT – CME LEAN HOGS: COMMERCIAL NET POSITION



Unlike the corn market example, where prices historically were trading at extreme levels with a seasonal tendency to move in the other direction, the hog market was beginning to flash other warning signs such as weekly slaughter running well ahead of what was implied by the December Hogs and Pigs report. Spot April Lean Hog futures prices have since dropped around $20/cwt. from the highs back in early January:

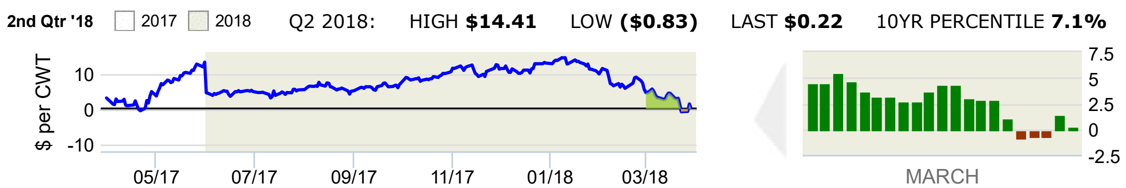
CME APRIL LEAN HOGS DAILY PRICE CHART

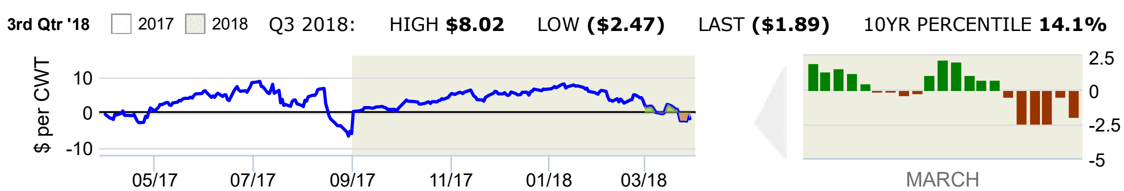
Although the CFTC Commitments of Traders data by itself does not provide a definitive signal for price direction in any particular market, it nonetheless has value in shedding light on the breakdown of open interest and how positions are distributed across the various participants in the market. It is definitely a resource that should be understood, evaluated, and considered as part of a trader's decision to initiate and manage positions in the market.

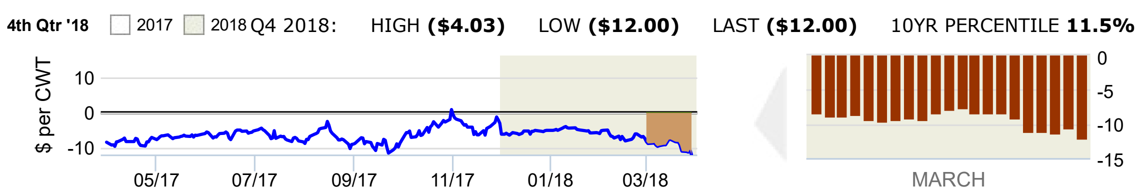
If you have questions or would like to discuss the CFTC Commitments of Traders report, please call 1.866.299.9333.

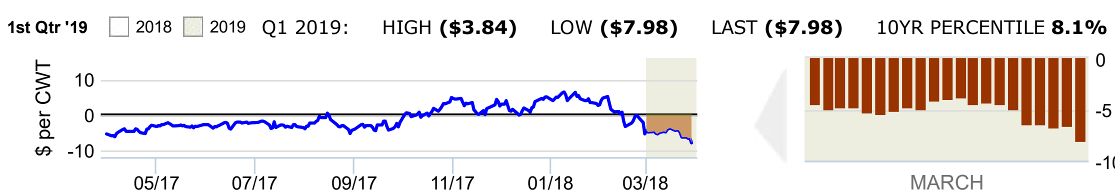
Hog Margin Watch: March

Margins dropped sharply over the second half of March on a combination of lower hog prices and higher feed costs. With the exception of spot Q2 which is barely above breakeven, forward margins are now projected negative into early next year and well below average from a historical standpoint. The hog market received bad news when China confirmed that it will retaliate against the new U.S. import tariffs on steel and aluminum by imposing its own tariffs on U.S. exports, including pork. China will now levy an additional 25% punitive tariff on top of the current 12% import duty and 13% VAT for U.S. pork and offal imports which effectively doubles the existing tariff. USDA's quarterly Hog and Pig report showed the total number of hogs and pigs on March 1 at 72.908 million head, up 3.12% from last year and exactly in line with the average of pre-report estimates. The kept for breeding figure was 6.2 million head, up 1.67% from last year and slightly above the average trade forecast of a 1.5% increase from 2017. The kept for marketing figure 66.708 million head was also very close to pre-report estimates at 103.26% of last year. None of the individual weight class figures, breakdown of the Dec-Feb pig crop or forward farrowing intentions showed more than a 0.5% deviation from average trade expectations, making the overall report neutral. The Prospective Plantings report proved bullish for the corn and soybean meal markets, with planting intentions well below trade expectations. Corn acreage was estimated at 88.026 million, down 2.141 million from last year and outside of the range of estimates between 88.4 and 91 million. Soybean acreage was projected at 88.982 million, also down from last year by 1.16 million acres and likewise below the range of estimates between 89.9 and 92.1 million. Our clients have benefited from recent adjustments to strengthen feed hedges prior to the USDA report.





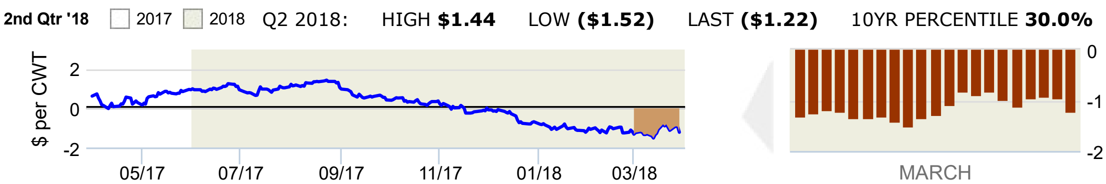


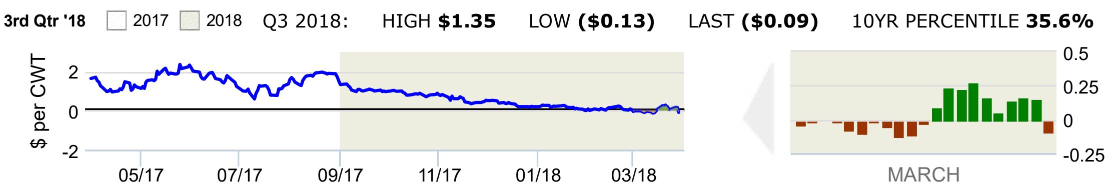


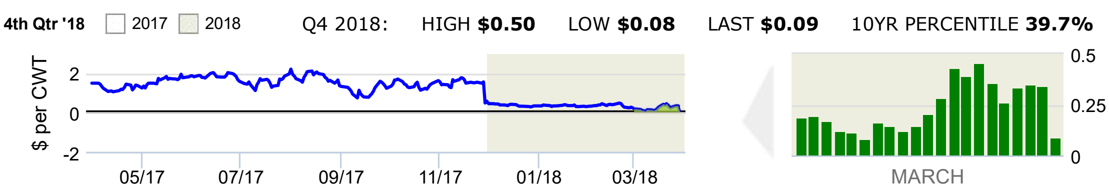
The Hog Margin calculation assumes that 73 lbs of soybean meal and 4.87 bushels of corn are required to produce 100 lean hog lbs. Additional assumed costs include $40 per cwt for other feed and non-feed expenses.

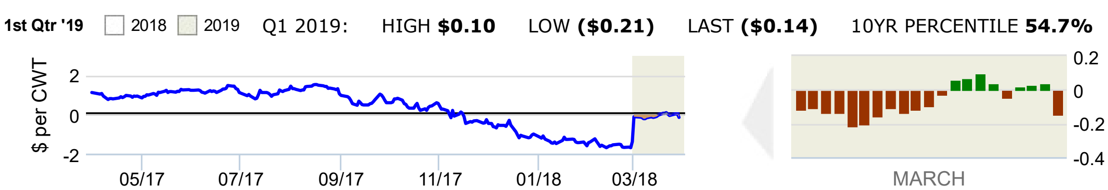
Dairy Margin Watch: March

Dairy margins deteriorated over the second half of March as a result of higher projected feed costs, with milk prices holding mostly steady. Margins remain negative and well below average in spot Q2 and only exist near breakeven beyond that through early 2019. USDA reported February milk production at 17.0 billion pounds, up 1.8% from 2017 and in line with trade expectations. The milking cow herd was pegged at 9.41 million head, up 45,000 from last year and 1,000 from January, 2018. Milk per cow was estimated at 1,807 pounds during February, up 23 pounds from 2017. The monthly Cold Storage report meanwhile was deemed a bit bearish, with builds for cheese and butter stocks exceeding long-term trend averages for this time of year. Butter in cold storage at the end of February totaled 277.0 million pounds, up 50.3 million or 22.2% higher than January compared to the average build between January and February of 19.1% over the past 10 years. Butter inventories were also up 7.1 million or 2.6% from February, 2017. Cheese stocks in cold storage totaled 1.314 billion pounds, up 35.5 million or 2.8% from January compared to the average build from January to February of 1.3% over the past 10 years. Cheese stocks were also up 87.7 million or 7.2% from February, 2017. Both corn and soybean meal spiked sharply in response to the Prospective Plantings report, with acreage estimated well below trade expectations. USDA reported preliminary corn acreage at 88.026 million, down 2.141 million from last year and outside of the range of estimates between 88.4 and 91 million. Soybean acreage was projected at 88.982 million, also down from last year by 1.16 million acres and likewise below the range of estimates between 89.9 and 92.1 million. Our clients have benefited from recent adjustments to existing positions, particularly strengthening feed hedges ahead of the USDA report.









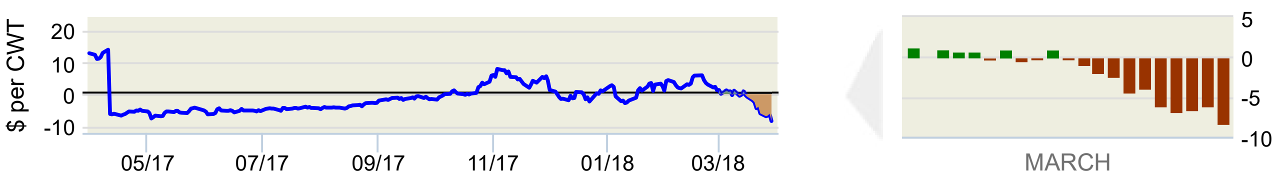
The Dairy Margin calculation assumes, using a feed price correlation model, that for a typical dairy 62.4 lbs of corn (or equivalent) and 7.34 lbs of meal (or equivalent) are required to produce 100 lbs of milk (includes dry cows, excludes heifers not yet fresh). Additional assumed costs include $0.90/cwt for other, non-correlating feeds, $2.65/cwt for corn and meal basis, and $8.00/cwt for non-feed expenses. Milk basis is $0.75/cwt and non-milk revenue is $1.00/cwt.

Beef Margin Watch: March

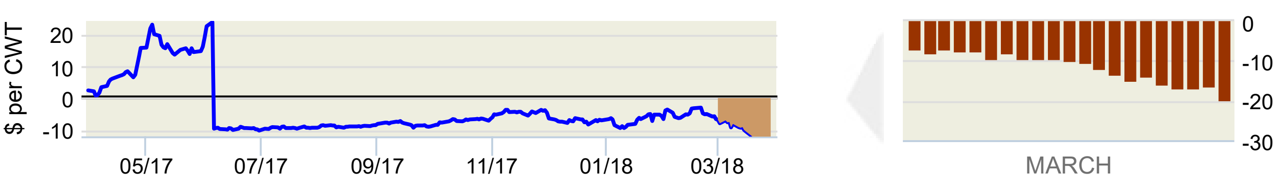
Beef margins deteriorated sharply from mid-month following a steep fall in the cattle market that was coupled with a spike in corn prices. Spot margins against existing inventory are back below breakeven while forward crushes are also projected at steep losses on future placements. Cattle remains under pressure due to ongoing heavy placements and large inventories of cattle on feed amidst concern over spring demand as beef supply looks to increase over the next few months. USDA reported total on feed supplies as of March 1 at 11.715 million head, up 8.8% from last year compared to the average estimate of an 8.1% increase and the largest March inventory since 2006. February placements totaled 1.817 million head, up 7.3% from last year and 12.9% higher than the five-year average. Here also the placement figure came in well above the 4.5% average increase based on pre-report estimates. Much of this increase in placements is coming from heavy weight cattle in the Southern Plains which has been plagued by drought, and the marketing ratio of cattle relative to total inventory has been declining relative to past years which is raising concerns that a significant increase in market-ready cattle could be hitting the market later this spring and early summer. USDA shocked the market with their Prospective Plantings report, reflecting preliminary corn acreage well below expectations. Corn acreage was estimated at 88.026 million, down 2.141 million from last year and outside of the range of estimates between 88.4 and 91 million. Meanwhile, the first half of April looks like it is off to a cold start for much of the Midwestern Corn Belt, raising concerns over potential planting delays. Our clients have been focused mainly on strategic adjustments to existing positions. Recent moves to strengthen feed hedges have proven timely ahead of the USDA's Prospective Plantings report.

Live Cattle Marketing Periods:

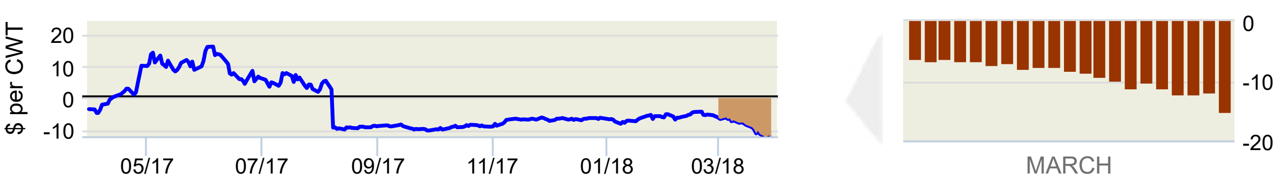
Apr '18 2017 2018 Apr 2018: HIGH **$13.90** LOW **($8.30)** LAST **($8.30)** 10YR PERCENTILE **6.6%**



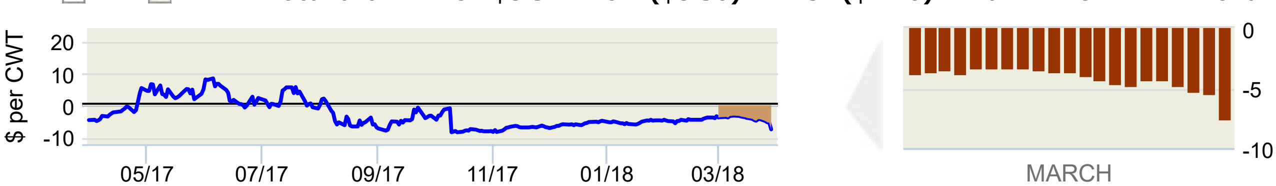
Jun '18 2017 2018 Jun 2018: HIGH **$23.69** LOW **($19.77)** LAST **($19.77)** 10YR PERCENTILE **0.8%**



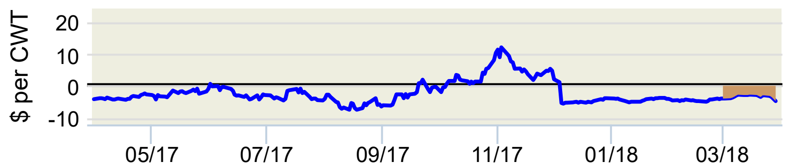
Aug '18 2017 2018 Aug 2018: HIGH **$16.06** LOW **($15.14)** LAST **($15.14)** 10YR PERCENTILE **3.7%**

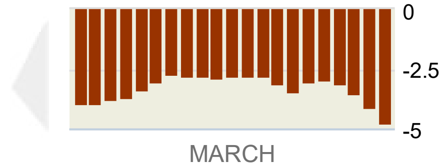


Oct '18 2017 2018 Oct 2018: HIGH **$8.37** LOW **($8.36)** LAST **($7.46)** 10YR PERCENTILE **17.0%**

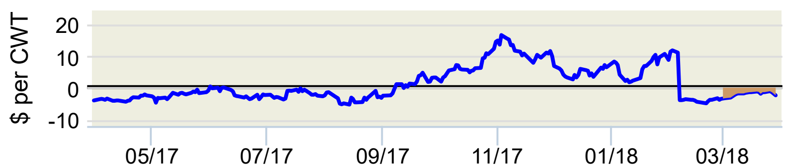


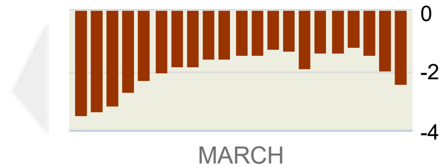
Dec '18 2017 2018 Dec 2018: HIGH **$11.96** LOW **($7.49)** LAST **($4.74)** 10YR PERCENTILE **29.9%**





Feb '19 2018 2019 Feb 2019: HIGH **$16.41** LOW **($5.29)** LAST **($2.42)** 10YR PERCENTILE **47.0%**



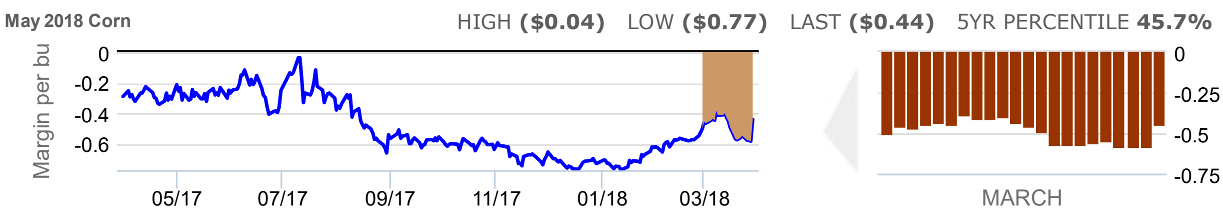


The Beef Margin calculation uses Feeder Cattle futures to price inbound animals and assumes each will consume 55 bushels of corn and cost approximately $250 per head (for other feed and non-feed expenses) to gain 550 pounds and reach a market weight of 1,250 pounds.

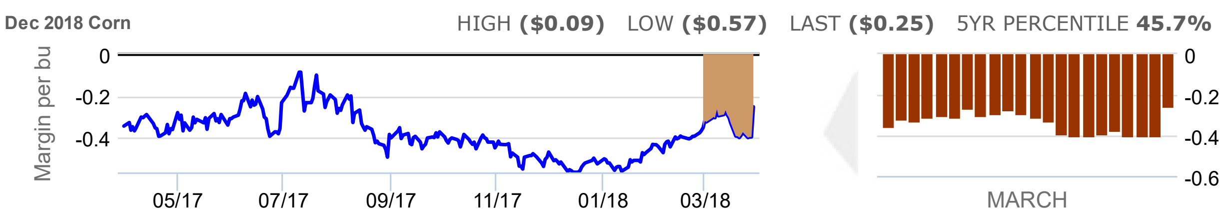
Commodity & Ingredient Hedging, LLC
120 South La Salle St, Suite 2200 ▪ Chicago, IL 60603 ▪ 1.866.299.9333

Corn Margin Watch: March

Corn prices and margins propelled higher on the final day of March as NASS revealed the Prospective Plantings and Quarterly Grain Stocks Reports. Higher than expected supplies were trumped by lower producer corn seeding intentions of roughly 88.0 million acres. That compares to the USDA February Outlook expectation of 90.0 million and average pre-report analysts' prognostications of 89.4 million. That is also 2.2 million acres less than what was planted in 2017. Given the well-documented production deficits this growing season in Argentina, as well as uncertain prospects thus far for the larger Brazilian second crop of corn, there is less wiggle room for unfavorable U.S. planting and growing weather scares. Even with the higher than expected March 1 stocks of 8,888 million corn bushels, the lower planted acreage along with trend line yields versus normal expected new crop consumption and use, would all point to a draw on the ample stocks. Weekly corn exports sales figures continue to be strong, as does the weekly ethanol production report. However, the current trade situation between the U.S. and China, as well as the uncertain outlook for NAFTA renegotiations, risks halting or at the very least changing the present global trade flow dynamics. In fact, U.S. tariffs on aluminum and steel were met with Chinese retaliatory strikes on many U.S. imports; included among the 128-targeted items are pork, fruit and ethanol. The corn market will key off spring planting progress and will be aware of the uneasy trade winds currently blowing about the global agricultural landscape.



The estimated yield for the 2018 crop is 186 bushels per acre and the non-land operating cost is $544 per acre. Land cost for 2018 is estimated at $222 per acre [1]. Basis for the 2018 crop is estimated at $-0.2 per bushel.



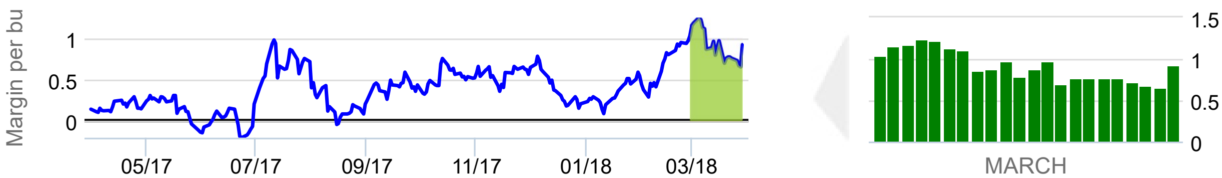
The estimated yield for the 2019 crop is 186 bushels per acre and the estimated operating cost is $544 per acre. Land cost for 2019 is estimated at $222 per acre [1]. Basis for the 2019 crop is estimated at $-0.25 per bushel.

[1] *The Corn 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.*

Soybeans Margin Watch: March

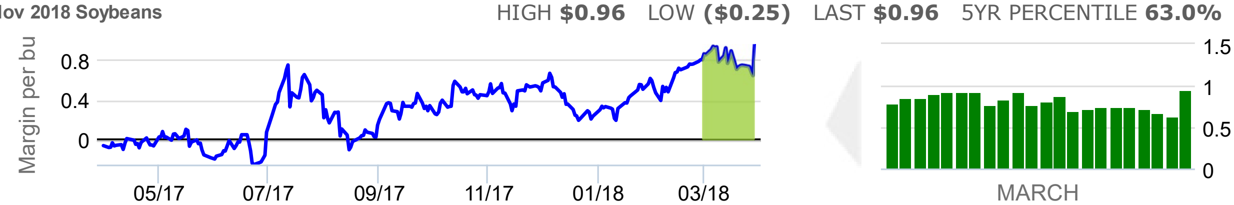
Soybean prices and margins shot higher upon the release of the NASS Prospective Plantings and Quarterly Grain Stocks Reports. The final trading day of March brought unexpected fireworks in the form of less bean seedings this spring. Farmers intend to plant 88.98 million acres of soybeans, almost 2 million less than pre-report indications, and roughly 1 million fewer than both last year, as well as USDA's February Outlook target. The surprise of lower seeding intentions overtook revelations of higher than expected March 1 quarterly stocks of 2,107 million bushels. The Argentinian drought also has the market on alert, as production expectations are now roughly 500 million bushels less than where they started 2018. Bean harvest in Brazil is progressing and the crop may challenge last year's record production, but not enough to offset the severe Argy deficits. Another major concern for the soybean market is the state of trade relations between the U.S. and China. Tit-for-tat retaliatory measures have not yet led to any strike against U.S. soybean imports to China, but the threat of that possibility certainly looms should the relationship further deteriorate. The soybean market will weigh the trade issues along with the U.S. planting progress as it measures price going forward this spring.

May 2018 Soybeans HIGH **$1.26** LOW **($0.20)** LAST **$0.93** 5YR PERCENTILE **63.0%**



The estimated yield for the 2018 crop is 59 bushels per acre and the non-land operating cost is $319 per acre. Land cost for 2018 is estimated at $222 per acre [1]. Basis for the 2018 crop is estimated at $-0.35 per bushel.

Nov 2018 Soybeans HIGH **$0.96** LOW **($0.25)** LAST **$0.96** 5YR PERCENTILE **63.0%**

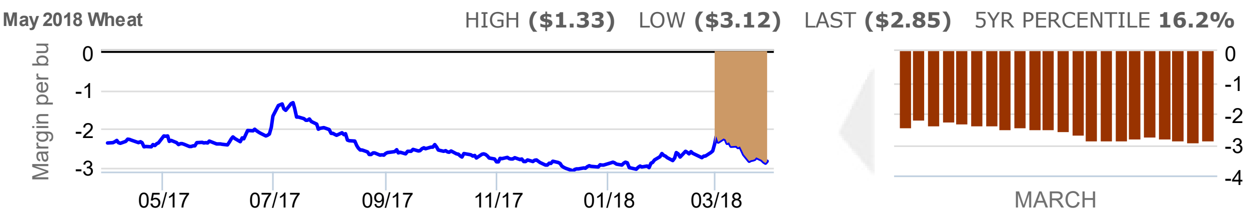


The estimated yield for the 2019 crop is 59 bushels per acre and the estimated operating cost is $319 per acre. Land cost for 2019 is estimated at $222 per acre [1]. Basis for the 2019 crop is estimated at $-0.35 per bushel.

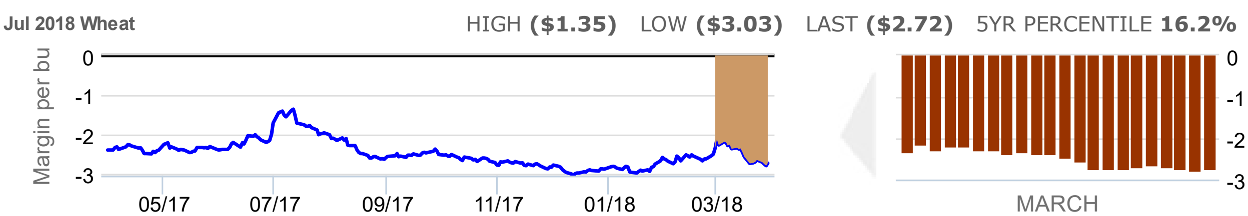
[1] *The Soybeans Margin Watch yield, land and non-land operating cost values are based upon central Illinois low productivity farmland crop estimates in the "Historic Corn, Soybean, Wheat, and Double-crop Soybeans" report published by the Department of Agricultural and Consumer Economics at the University of Illinois.*

Wheat Margin Watch: March

Wheat prices and margins were lower the past two weeks, as dry weather eased slightly throughout parts of the plains. NASS also revealed higher than expected stocks and seeded wheat acres in the Prospective Plantings and Quarterly Stocks Reports. While March 1 stocks of wheat trailed last year's estimate by 165 million bushels, the 1,494 million bushel figure was just ahead of expectations by 8 million. Perhaps even more persuasive to the market was the surprise increase to the all wheat intended seedings estimate of 47.34 million acres. This compares to 46.0 million planted last year and 46.5 million the USDA estimated at the Outlook Forum in February. The spring wheat intentions were 1.6 million greater than 2017, accounting for the rise. In spite of the acreage bump, NASS reports it would be the second lowest all wheat planted acreage since 1919. The initial crop progress report of 2018 revealed the winter wheat crop to be 32% in the good/excellent categories, while 30% are in the poor or very poor categories. Those ratings compare to last year's 51% good to excellent and just 14% poor or very poor. The wheat market will continue to pay close attention to the U.S. Plains weather, and will adjust quickly to potential extended spring dryness.



The estimated yield for the 2018 crop is 71 bushels per acre and the non-land operating cost is $344 per acre. Land cost for 2018 is estimated at $157 per acre [1]. Basis for the 2018 crop is estimated at $-0.3 per bushel.



The estimated yield for the 2019 crop is 71 bushels per acre and the estimated operating cost is $344 per acre. Land cost for 2019 is estimated at $157 per acre [1]. Basis for the 2019 crop is estimated at $-0.35 per bushel.

[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.