

# Wheat Margin Watch: January



Wheat prices and margins moved lower over the past two weeks, finishing at depressed levels. Wheat sold off when the drumbeat of potential trade wars began just as needed moisture hit the U.S. winter wheat areas. The new Trump administration did not waste any time fulfilling campaign promises of changing the way America trades. Renegotiating NAFTA, potential tariffs to finance border fences and an official withdrawal from the TPP were among the first salvos. Further rattling the markets was the cancellation of a meeting between President Trump and Mexican President Peña Nieto. Mexico, the second largest importer of U.S. wheat, takes in approximately 7% of total U.S. wheat exports, 11% of total U.S. soybeans exports and 25% of total U.S. corn exports. A trade war between the two would certainly not be in the best interests of either country's agricultural communities. In spite of the rhetoric, the latest weekly wheat export sales figure was the highest recorded this marketing year, at 31 million bushels. Total sales of wheat now stand at almost 85% of the USDA expectation, which is 3% above the average pace of the past ten years. Given the multitudes of uncertainty on the horizon, many wheat producers are considering layering in some flexibility to hedges.



*The estimated yield for the 2017 crop is 67 bushels per acre and the non-land operating cost is \$358 per acre. Land cost for 2017 is estimated at \$158 per acre <sup>1</sup>. Basis for the 2017 crop is estimated at \$-0.6 per bushel.*



*The estimated yield for the 2018 crop is 68 bushels per acre and the estimated operating cost is \$358 per acre. Land cost for 2018 is estimated at \$150 per acre <sup>1</sup>. Basis for the 2018 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.

The information contained in this publication is taken from sources believed to be reliable, but is not guaranteed by Commodity & Ingredient Hedging, LLC, nor any affiliates, as to accuracy or completeness, and is intended for purposes of information and education only. Nothing therein should be considered as a solicitation to trade commodities or a trade recommendation by Commodity & Ingredient Hedging, LLC. All references to market conditions are current as of the date of the presentation. Futures and options trading involves the risk of loss. Past performance is not indicative of future results. Please visit [www.cihmarginwatch.com](http://www.cihmarginwatch.com) to subscribe to the CIH Margin Watch report.