

Wheat Margin Watch: February



Wheat prices and margins were down over the past two weeks, as global production expectations are on the rise. India is expected to recover from the El Niño-affected production deficits of the past two years and 2017/18 production is projected at a record high of 96.6 million metric tons. There is chatter about reinstating the wheat import duty there as conditions and supply improve. Wheat production expectations were also raised in Australia and Argentina. At the annual Ag Outlook Forum, the USDA stated the record-large world wheat supplies will make U.S. export competition “tough,” and they reduced the export expectation by 50 million bushels. Wheat acreage projections from the forum were down to 46.0 million acres, a decrease of 4.2 and 9.0 million acres from the past two years. As such, production was lowered to 1,837 million bushels, or 20%, as yields were lowered to 47.1 bpa, or 10%. Ending stocks are also projected to be lower, at 905 million bushels. Given the recent drop, some wheat producers are considering making adjustments to add some flexibility to existing coverage.



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 acre¹. Basis for the 2017 crop is estimated at \$-0.55 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 acre¹. Basis for the 2018 crop is estimated at \$-0.3 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.

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