

# Wheat Margin Watch: May



Wheat prices and margins were lower over the past two weeks, coming off highs set when a wintery mix early in the month put the wheat market on the run. The May WASDE offered the all U.S. wheat production projection at 1,820 million bushels, a reduction of 490 million bushels from last year. Lower area planted of 4.1 million acres and reduced yield assumptions of 5.4 bpa off last year's record high of 52.6 bpa both contributed to the large drop in the production projection. The wheat carryout is estimated lower at 914 million bushels, reflecting about half of the production decrease from a year-over-year comparison. The old crop export expectation was increased by 10 million bushels as U.S. wheat sales stand at almost 100% of the new estimate of 1,035 million bushels and as the marketing year nears completion. The winter wheat conditions have suffered as a result of the cool wet spring and currently are estimated to be 51% in the GD/EX categories, 11% behind this time last year. Wheat producers are considering flexibility in hedge positions as talk of disease uncertainties persist throughout the plains while moisture continues to be in the forecast.



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.

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