

# Wheat Margin Watch: July



Wheat prices and margins were lower over the past two weeks and are now back to levels last seen in September 2006. Expectations for record-level global production and stocks, as well as ballooning domestic supplies, are weighing on prices despite reports of production shortfalls in Europe. Weather issues have damaged wheat across the E.U., particularly in Germany, Poland and France. There is some doubt that the quality of much of the E.U crop will be up to the standards set by the Paris bourse. Despite the lower available supply in Europe for the export market, it appears as though the U.S. will not earn much of that business. In the U.S., the winter wheat crop is 83% harvested and should finish within the next few weeks. The spring wheat crop is rated 68% in the Good-to-Excellent categories, slightly behind last year's rating but still historically good. On the demand side, all wheat exports sales are running slightly ahead of the pace needed to meet the USDA forecast, at 38.8% sold versus 37.4% on average over the last ten years. Current prices continue to favor feeding wheat over corn in certain regions of the country and could help to support prices over the medium term. With prices near decade lows, some of our wheat producer clients are considering adjustments to current protection to capitalize on the lower price while also retaining protection over a range of lower prices.



The estimated yield for the 2016 crop is 68 bushels per acre and the non-land operating cost is \$347 per acre. Land cost for 2016 is estimated at \$151 per acre<sup>1</sup>. Basis for the 2016 crop is estimated at \$-0.2 per bushel.



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<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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