

Wheat Margin Watch: July



The market succumbed to weakness over the second half of July, as wheat followed the general trend lower for the grains and oilseeds. The Wheat Quality Council concluded their annual spring wheat crop tour, forecasting a yield of 43.1 bushels per acre for this year's hard red spring wheat crop, up from 41.1 last year but below the five-year average of 44.7 bushels per acre. The three-day tour surveyed 356 fields of spring wheat across the top-producing state of North Dakota and parts of Minnesota, noting that seeding got off to a slow start this season while fields that were seeded on time struggled with cool weather and muddy soils throughout early stages of development. Crop scouts also pointed out that later planted wheat has the most potential, but also at the greatest risk of being damaged by an early frost. On the export front, June wheat shipments totaled 2.155 million tons which was down from the May total of 2.758 million but above last year's historically poor 1.559 million tons. Commodity funds have increased their short position slightly throughout the month of July as the market has eased, following a massive short-covering campaign from mid-May to early July as the market increased over \$1.00/bushel. As of July 30, funds were net short a total of 23,456 contracts compared to 13,693 net short on July 2. At their low point, funds were net short 117,833 contract as of April 30. Our clients continue to evaluate adjustments on existing price hedges to capture equity and add upside flexibility should the wheat market recover over time.

Sep 2019 Wheat

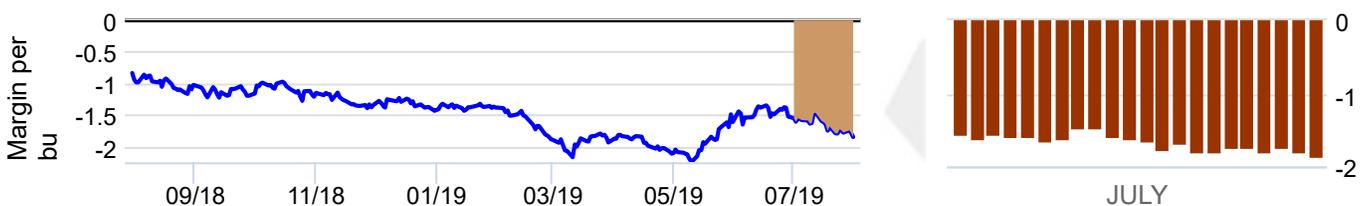
HIGH (\$0.82) LOW (\$2.65) LAST (\$2.12) 5YR PERCENTILE 38.8%



The estimated yield for the 2019 crop is 78 bushels per acre and the non-land operating cost is \$367 per acre. Land cost for 2019 is estimated at \$151 per acre¹. Basis for the 2019 crop is estimated at \$-0.35 per bushel.

Jul 2020 Wheat

HIGH (\$0.84) LOW (\$2.24) LAST (\$1.85) 5YR PERCENTILE 38.8%



The estimated yield for the 2020 crop is 78 bushels per acre and the estimated operating cost is \$367 per acre. Land cost for 2020 is estimated at \$151 per acre¹. Basis for the 2020 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.

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 to subscribe to the CIH Margin Watch report.