

# Chicago Wheat Margin Watch: July



Wheat futures traded slightly lower in the second half of the month after a strong start to July. As of July 26, winter wheat harvest is 81 percent complete, 8 percent ahead of a year ago and 1 percent behind the 5-year average. Wheat yields in Central Russia have beat expectations, increasing expected Black Sea wheat production. Australian weather forecasts continue to improve and could lead up to a 100 percent increase in the Aussie wheat crop compared to a year ago. Uncertainty abounds on the demand side of the equation. USDA on July 24 released its biannual cattle inventory report, which indicated the nation's cattle herd fell largely in line with analysts' expectations. Pegged at 103 million head, all cattle and calves in the U.S. on July 1 were slightly above the inventory a year ago. A large new corn crop and depressed corn prices will likely place a lid on wheat feed use in the near term. All wheat export shipments have been strong throughout the last three weeks. Geopolitical risks are again taking center stage as U.S.-China relations continue to deteriorate and the legitimacy and impact of a Phase One trade deal on the wheat complex is a major unknown. Our clients have scaled into coverage throughout the month of July for both nearby and deferred periods.



*The estimated yield for the Sep 2020 crop is 78 bushels per acre and the non-land operating cost is \$310 per acre. Land cost for Sep 2020 is estimated at \$166 per acre<sup>1</sup>. Basis for the Sep 2020 crop is estimated at \$-0.2 per bushel.*



*The estimated yield for the Jul 2021 crop is 78 bushels per acre and the estimated operating cost is \$310 per acre. Land cost for Jul 2021 is estimated at \$166 per acre<sup>1</sup>. Basis for the Jul 2021 crop is estimated at \$-0.4 per bushel.*

<sup>1</sup> The Chicago 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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