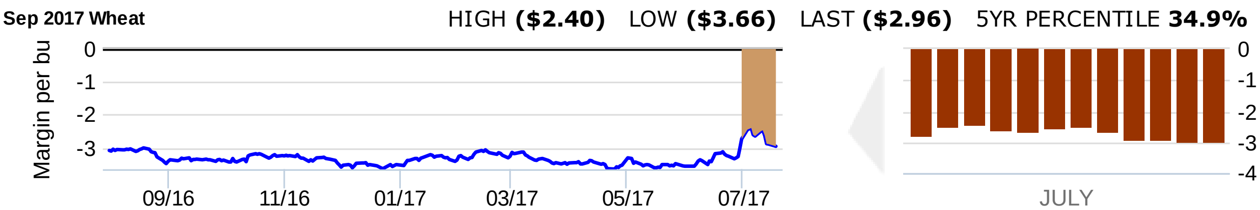
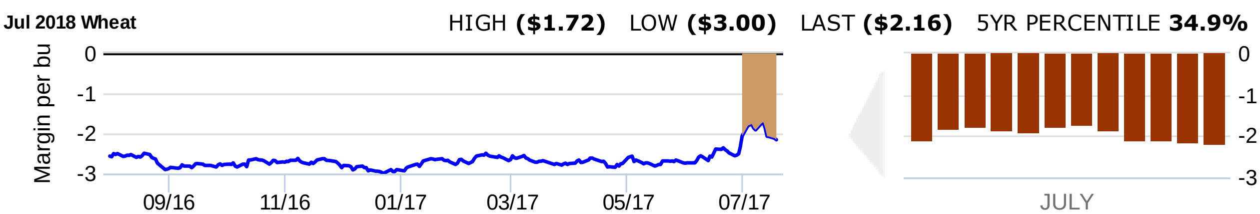
Wheat Margin Watch: July

Wheat prices and margins took a breather over the past two weeks to finish slightly lower, even as the spring crop continues to be stressed by heat and moisture deficits. The latest USDA Drought Monitor indicates that approximately 49% of the seeded spring crop lies in areas that are experiencing some level of drought. Currently 34% of the spring crop is estimated to be in the Good-to-Excellent categories, while 41% is in Poor-to-Very Poor categories. The July WASDE lowered spring crop production due to the current state of affairs, but the reductions were somewhat tempered by higher winter wheat production projections, leaving the all wheat projection at 1,760 million bushels. This was 64 million less than June and 550 million less than 2016/17, albeit on 4.5 million fewer planted acres. In spite of the production reduction, ending stock projections were higher as a result of decreases in feed use in both old and new crop positions. Carryout is now estimated to be 14 million bushels higher, at 938 million. Many producers continue to contemplate crop rotations to seed wheat next year, as wheat margins in some locations offer favorable forward opportunities.



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 [1]. Basis for the 2017 crop is estimated at $-0.3 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 [1]. 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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