

Wheat Margin Watch: September



Wheat prices and margins stayed in a tight range over the past two weeks. However wheat did move slightly lower following the Quarterly Stocks and Small Grains reports. The stocks of wheat on September 1, 2016, were estimated to be 2,527 million bushels, 129 million bushels more than the pre-report average expectation. They were also a stout 430 million bushels greater than last year's stocks. All wheat production in 2016 was estimated to be 2,310 million bushels, slightly less than expectations but 258 million bushels more than last year. Yields this year reached a record of 52.6 bpa despite a harvest of 7% fewer acres. All U.S. wheat export sales, at 54% of the total USDA current estimate, are running just behind the pace needed to meet expectations. On the global market, Egypt cancelled their zero-tolerance policy for ergot fungus and re-established the international standard, while production deficits forced India to lower their wheat import tariff from 25% to 10%. U.S. winter wheat seeding is 43% complete, just 1% behind the five-year average. Our wheat producer clients are considering adjusting existing hedges by adding more flexibility to offer opportunity to participate in upside surprises.



The estimated yield for the 2016 crop is 67 bushels per acre and the non-land operating cost is \$358 per acre. Land cost for 2016 is estimated at \$158 per acre¹. Basis for the 2016 crop is estimated at \$-0.35 per bushel.



The estimated yield for the 2017 crop is 68 bushels per acre and the estimated operating cost is \$240 per acre. Land cost for 2017 is estimated at \$150 per acre¹. Basis for the 2017 crop is estimated at \$-0.4 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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