

Wheat Margin Watch: October



Wheat prices and margins were lower over the past two weeks, and have closed out the month near contract lows in the Chicago and Kansas City contracts. Minneapolis wheat finished the second half of the month near unchanged. Record global surpluses are weighing on prices; with the spring contract holding up better given this year's diminished production. Production records in Russia are more than making up for the smaller deficits that Brazil and Australia, among others, are currently experiencing. The U.S. all wheat export numbers are holding up amongst the global competition, with sales so far of 57% and shipments of 38% of the 975 million bushel expectation. However, both need improvement to catch up to the average pace needed to meet the estimate. Some help may come from Brazil as they are rumored to be considering relaxing the import tariff on a limited amount of wheat flowing into the country. With the move lower, some wheat producers who proactively added coverage this summer are now considering adding some flexibility back into hedge positions.



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 acre¹. Basis for the 2017 crop is estimated at \$-0.4 per bushel.



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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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