

Chicago Wheat Margin Watch: October



Chicago wheat futures traded on either side of unchanged in the first half of October but ended mostly higher. The 2021/22 domestic wheat balance sheet called for reduced supplies, lower use, and lower ending stocks. Feed and residual use was lowered by 25 million bushels to 135 million despite a strong start to the crop year for domestic feed demand. If realized, this would be the largest feed and residual use since 2016/17. Total wheat exports were unchanged at 875 million bushels, despite a slowdown in recent weeks. Outstanding wheat export sales are at their lowest level for this time of the year over the past decade. Export shipments have been strong the last two weeks but remain 45 million bushels behind the historical pace needed to meet USDA's annual estimate. Projected ending stocks were reduced by 35 million bushels to 580 million. This was nearly identical to the average analyst estimate. If realized, this would mark the lowest ending stocks since 2007/08. Global wheat production was lowered primarily due to reduced production in Canada, Iran, and the U.S. World wheat consumption was also lowered due to reduced use in India and Canada. Projected world ending stocks were reduced by 6 million tons to 277.2 million. If realized, this would mark the lowest level since 2016/17. Market attention will focus on the pace of weekly export sales and shipments and production potential in the Southern Hemisphere. Our clients continue to evaluate adjustments on existing, flexible hedges and are patiently looking to extend coverage further out in time and strengthen delta should the rally continue.



The estimated yield for the Dec 2021 crop is 80 bushels per acre and the non-land operating cost is \$317 per acre. Land cost for Dec 2021 is estimated at \$225 per acre¹. Basis for the Dec 2021 crop is estimated at \$-0.12 per bushel.



The estimated yield for the Jul 2022 crop is 78 bushels per acre and the estimated operating cost is \$326 per acre. Land cost for Jul 2022 is estimated at \$225 per acre¹. Basis for the Jul 2022 crop is estimated at \$-0.4 per bushel.

¹ 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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