

# Wheat Margin Watch: November



Wheat prices and margins were down over the past two weeks. Record large global supplies were confirmed in the November WASDE report. The domestic balance sheet was largely left unchanged, save for a slight decrease to food use. The reduction reflected the latest data from the NASS Flour Milling report. While the export expectation was steady on the WASDE report, both sales and shipments are running behind the pace required to meet the USDA estimate of 975 million bushels. The U.S. dollar has gained on most major currencies since the election of Donald Trump as President, putting a headwind on dollar-denominated commodities across the board. Only time will tell the extent to which of President elect Trump's pre-election anti-trade rhetoric will actually affect U.S. trade agreements. Winter wheat conditions are reported to be 59% in the Good/Excellent categories, one point better than last week's reading and seven ahead of last year. Favorable rains throughout the winter wheat producing plains are predicted in extended outlooks. Given the current uncertainties, as well as fluid seasonal factors, our clients are considering tailoring hedges to capitalize on potential volatility in the wheat market.



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 acre<sup>1</sup>. Basis for the 2016 crop is estimated at \$-0.3 per bushel.



The estimated yield for the 2017 crop is 68 bushels per acre and the estimated operating cost is \$358 per acre. Land cost for 2017 is estimated at \$150 per acre<sup>1</sup>. Basis for the 2017 crop is estimated at \$-0.3 per bushel.

<sup>1</sup> 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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