

Chicago wheat futures finished a volatile second half of December marginally higher as the market tries to balance a historically tight global balance sheet with growing Southern Hemisphere supplies. Damaging winds and drought expansion across the Plains presents a headwind to U.S. production. Corn, soybean, and sorghum margins are historically strong and have impacted wheat seedings. U.S. winter wheat acres enrolled in USDA insurance programs totaled 10.7 million, 8 percent lower than a year ago. While not all acres are enrolled in insurance programs, the correlation tends to be high. Demand for U.S. wheat from international users remains lackluster. Weekly export shipments of U.S. wheat are 75 million bushels behind the historical pace needed to meet USDA's annual projection. All wheat outstanding export sales remain behind the 10-year average for this point in the year. Questions about Aussie wheat quality and logistical capabilities continue to simmer. Aussie wheat prices have fallen as storage capacity is exceeded. Record-large production due to record-high yields is stressing the system. China secured Aussie wheat in early December but it remains to be seen if China is buying for feed or milling purposes—likely the former due to quality concerns. Ukraine is reportedly considering placing a more restrictive export duty on milling wheat, with a final decision expected in mid-January. Arctic cold threatened the eastern portion of Russia's wheat production region. The Russian government solidified its final 2021/22 wheat exports will be no larger than 30-31 MMTs. This leaves a gap to be filled by Southern Hemisphere suppliers. Our clients continue to evaluate adjustments on existing hedges and are patiently looking to extend coverage into deferred periods if the market continues to move higher.



The estimated yield for the Mar 2022 crop is 75 bushels per acre and the non-land operating cost is \$386 per acre. Land cost for Mar 2022 is estimated at \$163 per acre¹. Basis for the Mar 2022 crop is estimated at \$-0.09 per bushel.



The estimated yield for the Jul 2022 crop is 75 bushels per acre and the estimated operating cost is \$419 per acre. Land cost for Jul 2022 is estimated at \$167 per acre¹. Basis for the Jul 2022 crop is estimated at \$-0.42 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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