

So, what's up with wheat? Why the big rally? Will it last? What should I do?

I think everyone connected to Kansas agriculture knows about the wheat rally by now, but what has caused wheat to rally and what can we do about it? Let's talk specifically about next year's wheat crop. July 2019 Kansas City wheat has rallied from a low of 5.33 ½ on July 12th up to a recent high of 6.40 on August 7th. There are no disasters anywhere in the world, but it seems like everywhere in the world has problems with their wheat crop. This will be the first year in a long time that no country will have "record" production of wheat.

The reality is that nobody can predict how long this rally will last, or how high this market can go, so don't get caught guessing on the market. Let's take a look at what we do know. According to K-State's Farm Management guide for 2018 it cost an average of \$275 an acre to put in a wheat crop. I am hearing gossip that nitrogen could be a little cheaper this fall, but let's use \$275 an acre and an average yield of 50 bushels per acre. Each producer can adjust up or down based on their actual costs. Most producers need to sell the 2019 wheat crop for \$5.50 a bushel to break even using a yield of 50bpa. Depending on how the market trades today, at most AgMark locations you can lock in \$5.70 to \$5.85 cash for 2019 wheat. So, what's wrong with making a profit on your wheat crop? I don't know how many times I have been told over the last few years that there's no money in wheat. Now that there is, what are YOU going to do? Will you lock in a profit on at least some of your production, or will you wait and see? Remember, doing nothing is a marketing decision and it leaves 100% of your production costs to the mercy of the market. Why not reduce your risk exposure at profitable levels?

AgMark recommends locking in a small percentage of your wheat crop in today's range ahead of tomorrow's USDA report, and at the same time create a firm offer to sell 10-20% of your 2019 wheat crop if the market rallies up to \$6.00 cash at your local elevator. If you just absolutely don't want to lock in today's price, call us at AgMark and let's talk about locking in a 6.00 to 7.00 futures pricing window on a portion of your production.



This July futures weekly chart goes back to January of 2012 to show you just how many opportunities we have had to price wheat at these levels. Keep in mind, the US isn't the only country that is seeing this kind of price rally. We are hearing a lot of talk about increased wheat acres locally and across Kansas. Farmers all over the world are thinking the same thing and we could see a significant increase in world wheat acres. And let's not forget that USDA will be releasing another Supply & Demand report tomorrow morning at 11:00am. Please call your AgMark Grain Originator to place your 2019 Wheat offers today!