



CASH WHEAT REPORT

Cash Wheat Market

The “Ghost Harvest” continues & we’re not finding 12% protein & most areas don’t have 11% protein. The market hopes to find some 12% in the TX & OK panhandles, but today some of the exporters will not offer 12% protein at any price. Domestic HRW basis jumped 5-15 ct/bu today for 11.8% protein & higher. We have not even established a market for 11% protein in the track market, but offers of wheat in general are lacking. SRW barge market is seeing more offers as harvest expands with good quality reports. Domestic spring wheat market basis was up 5-50 ct/bu off of cars that spread to the PNW. PNW exporters are raising their fob offers that would suggest 20+ ct/bu elevations when in fact they are short cash & not buying from growers, so they’re sharply raising their fob offers to reduce position risk.

Total wheat stocks at the KCBT were down 200 kbu last week and MGEX stocks were 996 kbu lower, while CBOT total wheat stocks were up 5.619 mbu.

Deliverable Stocks as of June 9, 2017				
Date	9-Jun	Wk Ago	Change	YR Ago
KCBT	96,249	96,449	(200)	71,910
CBOT	69,403	63,784	5,619	47,788
MGEX	18,970	19,966	(996)	22,593

Hard Red Winter

There has been no cash trades with bid/offer spread 20 ct/bu & some folks not willing to offer 12% protein at any price. The few offers that are in the market are from resell longs, but I’ve heard some reports of 12% protein pockets in the panhandles of TX & OK, as well pockets in other areas. Some interior terminals are starting to pay protein premiums to growers & shippers who will deliver wheat to terminals.

HRW harvest in south central and southeast Kansas is showing good yields and 60+ test weights, but is still averaging around 10.5% protein. Looking north into the southern portion of the Nebraska panhandle, wheat is stricken with WSMV and a lot of acres have either been sprayed out or hayed, and some has not even tillered. Reports out of South Dakota indicate approximately 60% of the winter wheat crop has been hayed.

There are so many reports of acreage being destroyed in one fashion or another across the HRW belt one has to assume USDA will adjust their harvested area in the July NASS report or sometime in the future. I’m using a HRW crop of 700 mbu & know others who are closer to 650



mbu, but there are several in the market who still believe the crop is getting bigger vs. USDA's May estimate.

Total KCBT wheat stocks were down just 200 kbu last week, with gains in Hutchinson (105 kbu) and Salina (195 kbu) offset by a 502 kbu reduction in Wichita.

KCBT Deliverable Wheat Stocks				
Date	9-Jun	Wk Ago	Change	YR Ago
Hutchinson	26,336	26,231	105	22,892
KC	10,071	10,069	2	7,297
Salina	24,767	24,572	195	15,624
Wichita	35,075	35,577	(502)	26,097
Total	96,249	96,449	(200)	71,910

There is no definition to the cash market & the biggest demand for harvest bushels is storage income. At some point as harvest progresses shippers / terminals should want to sell deferred cash to lock in these carrying charges. I see more demand for wheat feeding & more upside to US exports that can take the HRW c/o to 350 mbu or less compared to USDA's 16/17 c/o of 560 mbu.

Gulf Track HRW 12% protein: Jun +155/NO KWN, Jul +160/175, A/S +140/155 KWU, O/N/D +135/160 KWZ, J/F/M +130/140 KWH8. 11% protein Jul +90/100 KWN, A/S +80/90 KWU, J/F/M +75/85 KWH.

The KC spot market closed up 5 to 15 cents depending upon protein.

	Premium		Change		Premium		Change	
ord	-5	to 5	0	0	12.60	175 to 185	10	10
11.00	40	to 50	0	0	12.80	175 to 185	10	10
11.20	50	to 60	0	0	13.00	200 to 210	10	10
11.40	80	to 90	0	0	13.20	200 to 210	10	10
11.60	80	to 90	0	0	13.40	200 110 210	10	10
11.80	115	125 110	15	0	13.60	200 to 210	10	10
12.00	135	to 145	5	5	13.80	200 to 210	10	10
12.20	140	to 150	0	0	14.00	210 to 220	10	10
12.40	145	to 155	5	5				

Daily received/load-out from Kansas City (reported by CME, close of business 6/12):
Hutchinson: 609.007/343.726 kbu, KC: 28.879/84.193 kbu, Salina: 298.081/407.556 kbu,
Wichita: 1,200.023/0 kbu.

Soft Red Winter

The SRW harvest is slowing working north with better than expected quality reports. I have not heard many reports of disappointing yields but there have been reports of some areas



destroyed & replanted with row crops. The SRW crop may be a few million bushel less than USDA's 297 mbu, but we're not talking more than 10 mbu +/- . The best demand will be storage, but there are a few more offers in the cif market & bids are unchanged at 43-45 ct/bu WN7 & offers for July are +50 WN7 with spot barges trading 45-46 ct/bu+ WN7.

CIF barge bid/offer: Jun +43/NO WN, J/J +44/NO WN, Jul +45/50 WN, Aug +35/NO WU, A/S +40/NO WU, Sep +45/NO WU, O/N/D +50/NO WZ, J/F/M +45/NO WH.

Elevator/Mill Bids: NW Ohio mill bids: Jun -10 WN, New Crop +0 WN; Chicago elevator: Jun/Jul -10 WN, Aug/Sep -20/-15 WU; Toledo elevator: Jul/Aug -10 WN; Eastern Indiana mill: Jun/Jul +25 WN, Aug/Sep +10/15 WU.

CBOT total wheat stocks were up 5.619 mbu, led by a 4.645 mbu increase on the Mississippi River.

CBOT Deliverable & Non-Deliverable Wheat Stocks				
Date	9-Jun	Wk Ago	Change	YR Ago
Chicago	8,883	8,879	4	7,613
Miss. River	12,566	7,921	4,645	5,267
NW Ohio	8,638	8,714	(76)	7,117
Ohio River	11,715	10,791	924	7,722
St. Louis	3,656	3,362	294	2,083
Toledo	23,945	24,117	(172)	17,986
Total	69,403	63,784	5,619	47,788
Non-Deliver	5,715	4,829	886	8,666
Net-Deliver	63,688	58,955	4,733	39,122

Daily received/load-outs from Chicago (reported by CME, close of business 6/12): Chicago: 15.201/53.959 kbu, MS River: 3,723.04/556.624 kbu, NW Ohio: 0/11.766 kbu, OH River: 2,026.568/4.045 kbu, St. Louis: 374.03/0 kbu, Toledo: 5.523/22.045 kbu.

Hard Red Spring

The spring wheat crop could be a disaster & our estimate today is 400 mbu with far more downside than upside potential. Many areas it is too late for rain to help as we see pictures & hear reports of wheat heading at 6-8 inch height. We hear acres being zeroed out by crop insurance companies, wheat being cut for hay to get something before it wither away. MN is still good & has potential for a record yields, but the other states are 80% of trend yields or less in our opinion. It is too late for the wheat that is heading at 6-8 inch height & the question today is what the harvested area will be & what yield will rains preserve if/when they occur. It is raining across a large area this PM, but eastern MT & western ND is missing this rain. HRS will



have to ration demand & some of the export market can go to Canada, but LAM will need to find a way to buy more HRW &/or use more HRW with some spring wheat blend.

There were 26 singles and one train for sale on the spot market today, with premiums closing down 10 to up 50 cents for WND spreaders. 13% protein cars traded down 10 ct/bu at +60 MWN on the low side. 13.5% pro cars traded up 10 ct/bu on the low side at +80 MWN and up 5 ct/bu on the high side at +95 MWN. 14% pro cars traded unchanged on the low side at +100 MWN and up 50 ct/bu at +150 MWN on the high side for some great WND spreaders. 14.5% protein also traded at +150 MWN, closing the low side up 30 ct/bu and the high side up 25 ct/bu, for more WND spreaders. Singles of 15% pro traded up 15 ct/bu on the high side at +195 MWN.

The inverse in the futures market, higher freight in October, and the imminent shortage of high protein wheat has supported differed fob basis offers, which are now showing a 20 cent carry per month Sep-Nov.

69 receipts were cancelled in Minneapolis today, leaving 208 outstanding.

MGEX total wheat stocks were down 996 kbu last week, with reductions in both Minneapolis (405 kbu) and Duluth/Superior (591 kbu).

MGEX Deliverable Wheat Stocks				
Date	9-Jun	Wk Ago	Change	YR Ago
Mpls	4,543	4,948	(405)	8,554
Duluth	14,427	15,018	(591)	14,039
Total	18,970	19,966	(996)	22,593

Daily received/load-out from Minneapolis & Duluth (reported by MGEX, close of business 6/12):
Minneapolis: 11/161 kbu, Duluth: 83/377 kbu.

PNW

Farmer selling has been limited to only what needs to move ahead of harvest, which has been very little. Some spring wheat farmers in Montana are holding on with a hope and a prayer for rain, but for some fields it may be too late. There are reports of 6" tall spring wheat already heading in thin stands and late planted wheat that has not yet emerged. Eastern Montana spring wheat is losing yield potential daily. Interior spring wheat basis is holding steady, despite a near 30 cent rally on the board. It is difficult to define a cash market where nothing is trading, with everyone hoping the farmer will sell come harvest.

HRW in western Montana has been inundated with rain and could be looking at a low protein crop. Montana State University has issued an alert of frost, wind, and hail damage in HRW.



Taiwan purchased 92.4 kmt of wheat for July 30 – August 30 shipment. See details of purchase below.

Taiwan	Protein	Quantity (kmt)	FOB Price	Freight	C&F
July 30-August 13					
DNS	14.5%	26.75	\$291.04	\$ 27.81	\$318.85
HRW	12.5%	13.80	\$242.98	\$ 27.81	\$270.79
SWW	9.0%	5.75	\$192.34	\$ 27.81	\$220.15
August 16-30					
DNS	14.5%	27.90	\$291.04	\$ 27.88	\$318.92
HRW	12.5%	12.60	\$242.98	\$ 27.88	\$270.86
SWW	9.0%	5.60	\$192.34	\$ 27.88	\$220.22

Japan bought 162.286 kmt of wheat, including 98.536 kmt of U.S. wheat for July 21 – Aug 20 loading.

Japan Tender		
Origin	Class	Quantity (kmt)
US	WW	20.501
US	HRW	43.125
US	DNS	34.910
Canada	WRS	28.620
Australia	ASW	35.130

Track values have a weaker tone, with bids down around five cents today.

PNW Track/barge bids:

Shipment Period	NS 14%	HRW 11.5%	WW 10.5%
July	+90 MWN	+80 KWN	\$4.95/bu
Aug/Sep	+90/105 MWU	+80/90 KWU	\$4.95/bu
O/N/D	+115 MWZ	+100 KWZ	\$5.05/bu

World Wheat News

India Wheat stocks are 3.34 mmt, up from 2.96 mmt in May according to India's food corporation. Government procurement is 3.04 mmt as of June 13th.

Tunisia tenders for 92 kmt soft milling wheat and 25 kmt feed barley in three 25 kmt consignments and one 17 kmt consignment for August 20-October 10 shipment. Deadline for all offers is June 14th.



GASC purchased 300 kmt of wheat in today's tender at an average fob price of \$193.30/mt, which included 180 kmt Russian, 60 kmt Ukrainian, and 60 kmt Romanian. GASC has purchased 840 kmt of wheat for July 2017 shipment. Below are the details for today's tender.

GASC purchased 300 kmt of wheat for July 15-25, 2017 Shipment						
Company	El Wehda	ADM	LDC	Daewoo	Aston	Average
Origin	Russian	Romanian	Ukrainian	Russian	Russian	
Price	\$ 192.92	\$193.97	\$192.60	\$ 193.50	\$ 193.50	\$193.30
Quantity	60	60	60	60	60	
Freight	\$ 12.55	\$ 11.60	\$ 13.99	\$ 13.38	\$ 13.38	\$ 12.98
C&F	\$ 205.47	\$205.57	\$206.59	\$ 206.88	\$ 206.88	\$206.28

GASC Line Up of Best FOB Offers for July 15-25, 2017 Shipment											
	Russia		Romania		Ukrainian		French				
	Amount (kmt)	Price	Amount (kmt)	Price	Amount (kmt)	Price	Amount (kmt)	Price	Amount (kmt)	Price	
LDC	60	\$192.92	ADM	60	\$193.97	LDC	60	\$192.74	Casillo	60	\$197.69
Wehdah	60	\$192.92	Cereal Cc	60	\$197.49						
Wehdah	60	\$195.92									
ADM	60	\$196.85									
GTCS	60	\$198.90									
Aston	60	\$194.40									
Dawoo	60	\$193.70									
Allegrow	60	\$195.95									
Average		\$195.20	Average		\$195.73	Average		\$192.74	Average		\$197.69
Spread		\$ 5.98	Spread		\$ 3.52	Spread		\$ -	Spread		\$ -

World Wheat FOB Comparisons:

World Wheat FOB Comparisons										
Origin	Russian	German	Baltic	Argentina	HRW	HRW	HRW	French	UK	SRW
Protein (dmb)	12.50%	12.50%	12.50%	12.00%	12.50%	12.00%	11.50%	11.00%	11.00%	11.40%
Protein (12% mb)	11.00%	11.00%	11.00%	10.50%	11.00%	10.50%	10.00%	9.68%	9.68%	10.00%
Jun	NA	NA	NA	NA	NA	NA	NA	NA	\$200	NA
Jul	\$184	\$199	\$197	\$188	\$203	\$195	\$195	\$185	\$201	\$186
Aug	\$183	\$200	\$198	\$190	\$205	\$198	\$198	\$187	\$191	\$187
Sep	\$185	\$195	\$192	\$190	\$209	\$202	\$202	\$190	\$191	\$191
Oct	\$188	\$197	\$194	NO	\$218	\$211	\$211	\$193	N/A	\$199
Nov	\$191	\$199	\$197	NO	\$218	\$211	\$211	\$194	N/A	\$208

World Wheat FOB Comparisons										
Origin	APW	AH2	ASW	HRW PNW	HRW PNW	SWW	NS	NS	CWRS	CWRS
Protein (dmb)	11.80%	12.90%	10.10%	12.00%	13.10%	12.00%	15.30%	15.90%	15.50%	15.90%
Protein (local)	10.50%	11.50%	9.00%	10.50%	11.50%	10.50%	13.50%	14.00%	13.50%	13.80%
Jun	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Jul	NA	NA	NA	NA	NA	NA	NA	NA	\$260	\$264
Aug	\$220	\$232	\$217	\$209	\$218	\$191	\$274	\$279	\$263	\$266
Sep	\$220	\$232	\$217	\$209	\$218	\$193	\$277	\$283	\$264	\$268
Oct	\$220	\$232	\$217	\$220	\$229	\$195	\$281	\$286	\$264	\$268
Nov	\$220	\$232	\$217	\$220	\$229	\$198	\$281	\$286	\$264	\$268



South America

Origin	Month	Quality	Bid/Offer (\$USD/MT)
Argentine Upriver	July	11.0% pro	Seller \$182
Argentine Upriver	July	11.5% pro	Seller \$185
Argentine Upriver	Jul/Aug/Sep	12.0% pro	Seller \$190/191/192
Argentine Upriver	New Crop Dec/Jan	12.0% pro	Seller \$182
Argentine Upriver	New Crop Dec/Jan	11.5% pro	Seller \$175/176
Necochea	Jul/Aug/Sep	12.0% pro	Seller \$190/191/192

\$1 USD= AR \$15.86 Pesos

\$1 USD= R \$3.31 Reales

Canada

Indications for #2 CWRS are around +85 MWN for July and +85 MWU for Aug/Sep, with a 15-20 ct/bu discount for 13.0% protein, and +5-10 ct/bu premium for 13.8% protein.

We still need to determine final wheat area planted in Canada, but sources suggest area is unchanged to down 2% from last year's area. Our crop estimate would be 23.0-23.5 mmt non-durum production & if they can draw c/o down to 15/16's 4.0 mmt, we could see Canadian exports at 16.5 mmt compared to 14.5-14.8 mm this year.

Australia

Indicative offers for APW have gone up and are now around \$220/mt for Sep shipment FOB WA, with a \$2-3/mt discount for ASW and a \$12-13/mt premium for AH2. SA quotes are around \$2-3/mt discount to WA.

Australia's ABARES increased 2017-18 wheat harvest to 24.19 mmt from 23.98 million. ABARES credits the production increase to favorable weather in the eastern regions despite the dryness in WA.

Black Sea & Europe

The Matif was closed up 1.50€ at 169.75€ for the September contract. FOB quotes Jul/Aug/Sep for Russian 12.5% pro: \$184/183/185/mt, French 11% pro: \$185/187/190/mt, German 12.5% pro: \$199/199/194/mt, Baltic 12.5% pro: \$197/197/192/mt.

Russian shipped 225 kmt of wheat to Syria in part of its 1.2 mmt deal made back in February. The deal had many barriers to overcome and is said to be on hold as Syria is now in the middle of its wheat harvest. Syria's government is expecting that its local harvest will procure 2.17 mmt, up nearly 1.0 mmt from last year's devastating harvest.



Strategie Grains increased Romania soft wheat production 20 kmt to 7.59 mmt and cut Bulgaria 190 kmt to 5.31 mmt. Soft wheat is currently in the flowering stage with the most advanced wheat in south Romania and throughout Bulgaria. EU 2017 soft wheat production is pegged at 141.62 mmt, up 4% from 2016.

Pending Tenders

Jun 14: Tunisia tenders for 92 kmt of wheat for Aug 20 – Oct 10 shipment.

Futures Comments

Wheat futures rallied sharply after USDA showed crop conditions down hard in spring wheat and HRW harvest has yet to find any protein; Kansas City settled up 14.25, Chicago up 11.00, and Minneapolis up 27.50 cents.

World prices are going up in face of N. Hemisphere harvest. Egypt's GASC procurements are supporting Russia values & thus world wheat prices. Those who sold the discounted new crop FSU values are still hoping for some harvest pressure, which will not come when there is so many shorts to Egypt at much higher values. Everyone should turn their eye to Australia where drought could be underway. There is enough uncertainty in the wheat market s&d, & some suggest the corn market as well, to continue to support short covering & push values higher. KWN is breaking into new high territory this evening & prices will trade higher with a close above KWN6 460 tomorrow.

You cannot be bear spread in a bull market, the low protein HRW may actually support the KCBT 11% protein contract. Those 911 old KCBT receipts are 11% protein & I'd suggest the warehousemen should want those back, if no other reason than to deliver 10.5% protein at a 10 ct/bu discount. There is more risk in CME spreads vs. full storage, but cash is above DVE & I would not expect deliveries on WN7. The majority of SRW production will be traded over WU7 & who wants to sell cash wheat at 14 under WU7. There were receipts cancelled in MGEX tonight.

Best regards,

Al, Emily & Jason Conway

Comments, questions & criticism welcomed!