



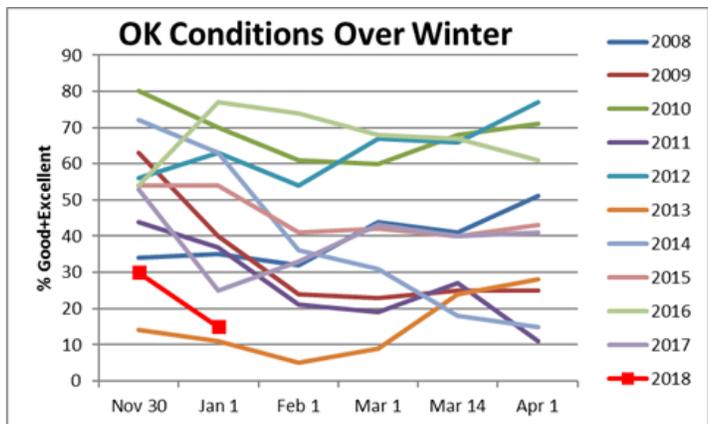
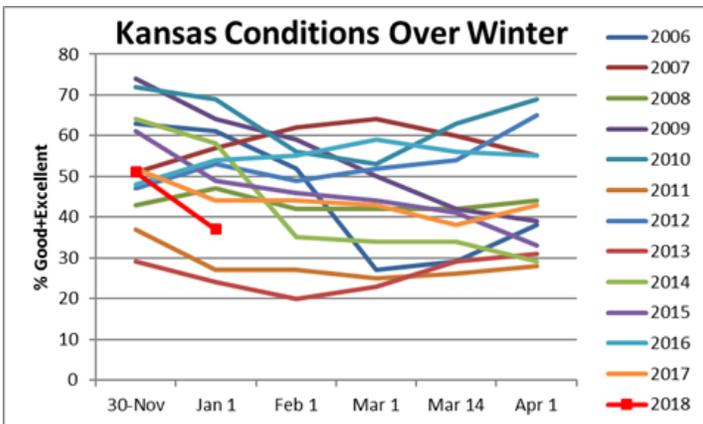
# CASH WHEAT REPORT

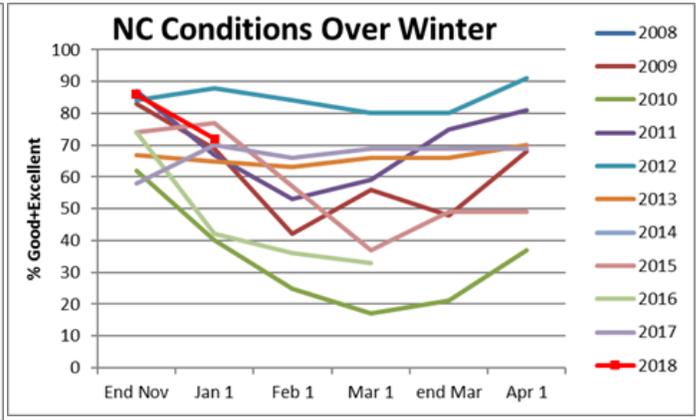
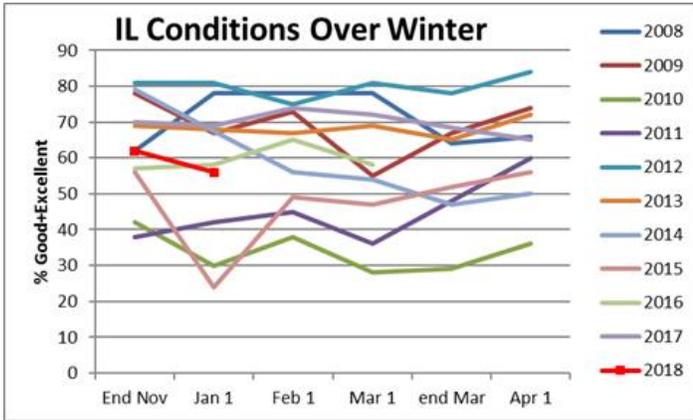
## Cash Wheat Market

There was some definition today in the cash market but no one is serious about making a trade. The bid/offers were about where they were before Christmas & 10-15 ct/bu between bid & offer.

The range of estimates on the amount of winter kill from weekend sub-zero freezing temperatures range from down 20 mbu to down 70 mbu. We've not had a year with these low of temperatures & no snow cover over such a large area. There were stations in Kansas that were below minus 10 & a couple minus 12-16 below zero. However, the country folks & warehousemen I've spoken with are more concerned about dryness & crop conditions than the possible winter kill. They realize they cannot define damage until this spring or at harvest, while other analyst & hedge fund types are trying to put a number of the possible loss & the impact on the b/. My guesstimate for loss by state, after cutting 10%-20% by crop reporting districts after looking at temperatures were: KS down 54 mbu, OK down 7.0 mbu, NE down 8.0 mbu, & SD down 3.0 mln (assuming snow cover protected most of NE & SD). This is before the drop in crop conditions, but I'd suggest the market is thinking down 20-30 mbu & could this not be offset with a good rain☺. My SRW estimated loss would be 10-20 mbu range in IL/IN/OH/KY/MO, if anyone cares.

A few states are releasing their December crop condition ratings & perhaps folks will pay more attention to the drop in ratings from last month, than they did the freeze damage. Good to excellent ratings took a big drop: KS down 14, OK down 15, CO down 18, IL down 6, NC down 14.

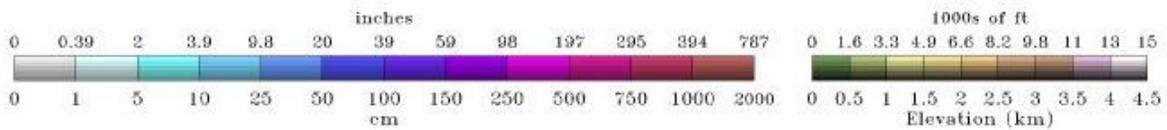
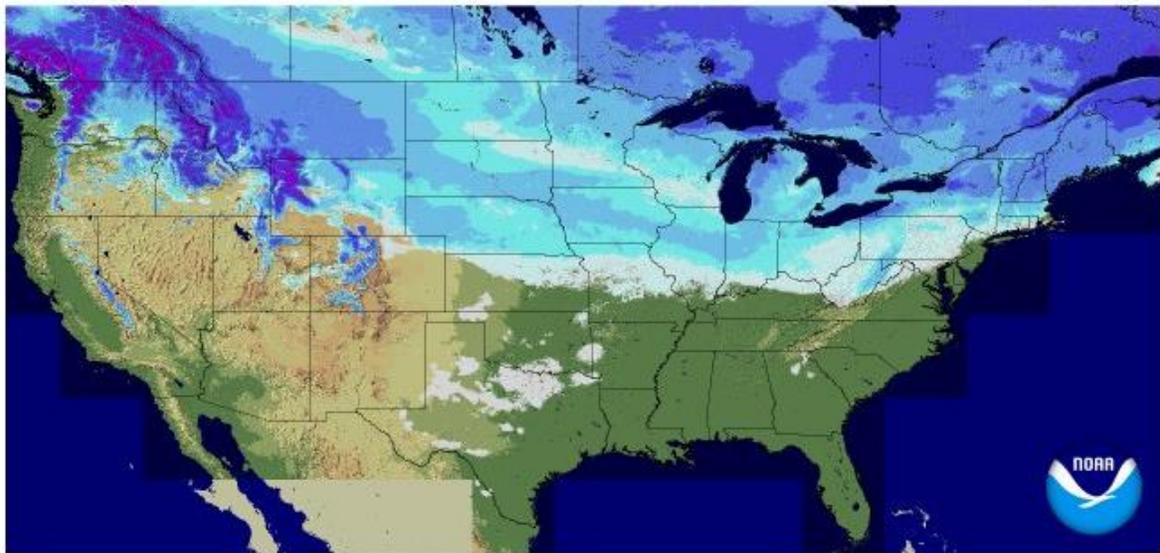




The snow cover map below shows many areas in the northern high plains with adequate coverage, while Kansas & Colorado are lacking.

### Snow Depth

2018-01-02 06 UTC



Wheat inspections were down 47% last week, likely due to the holidays, totaling 10.086 mbu, led by 5.76 mbu of HRW. Current year-to-date inspections total 533.894 mbu, down 6.5% from a year ago.



USDA Grain Inspections for the week ending December 28, 2017					
Grain	Week Ending (1,000 bu)			Current	Previous
	28-Dec	21-Dec	YR AGO	YTD	YTD
Wheat	10,086	19,090	14,956	533,894	570,918
Corn	26,923	24,403	25,139	414,792	671,178
Soybeans	47,150	65,882	63,221	998,436	1,212,629
Sorghum	4,839	3,368	2,571	64,586	70,389

Wheat Inspected for Export by Class (1,000 bu)							
USDA Grain Inspections for the week ending December 28, 2017							
Grain	HRS	HRW	SRW	HWW	SWW	Durum Mixed	Total
St Lawr Swy	-	-	-	-	-	-	-
Lakes	-	-	-	-	-	-	-
Atlantic	-	-	-	-	-	-	-
Gulf	-	2,412	449	-	-	-	2,861
Pacific	2,433	2,292	-	-	1,413	31	6,169
Interior	-	1,056	-	-	-	-	1,056
<b>Total</b>	<b>2,433</b>	<b>5,760</b>	<b>449</b>	<b>-</b>	<b>1,413</b>	<b>31</b>	<b>10,086</b>
Previous Week	2,672	10,169	1,585	-	3,705	-	18,131
<b>Net Change</b>	<b>(239)</b>	<b>(4,409)</b>	<b>(1,136)</b>	<b>-</b>	<b>(2,293)</b>	<b>31</b>	<b>(8,045)</b>

### Iran riots:

Does anyone remember the last “Arab Spring”? In 2011 world wheat import demand jumped 7.0+ mmt as governments in Africa & Middle East increased imports of wheat in their attempt to control food inflation. Could these riots in Iran be the start of another “Arab Spring”? Iran started this when they announced they would not subsidize wheat imports & would turn them over to the private sector. For those in the market who don’t care about possible winter kill in the US &/or deteriorating crop condition ratings in winter wheat, since it can all be offset with spring weather, just add a possible increase in demand caused by another “Arab Spring” type of event. FWIW, 7.0 mmt increased demand would be equal to 257 mbu of wheat. Your thoughts on this would be appreciated ☺

### Hard Red Winter

The bid/offers were back today & no one seemed to challenge either side. Anyone who may have been thinking about shipping wheat in J/F/M to make space for new crop production is thinking twice about it today & asking themselves why they would ship any wheat until they see the January 12th report for planted area & then not before their crop comes out of dormancy. No one knows the impact today of December crop conditions & the impact from the weekend temperatures, but they do know they’ll have fewer bushels than last year & there is a potential for the crop to be 600 mbu or less & c/o 300 mbu or less. You cannot rule this out today & if you believe this is even possible, you better be locking in today’s calendar spreads. Who keeps selling KWK8-KWN8 at -16 to -17 ct/bu? As someone said today this is the new definition of “widow maker”. If you think KCBT carry should be 11 ct/bu per month, you must be expecting another big crop with low protein, which isn’t likely. The crop condition charts above suggest anytime you start the winter with these low conditions, they don’t recover back to trend yields or average percentage of harvested area.



The HRW b/s could easily look like this & before increasing world wheat demand from an “Arab Spring” event.

HRW ANNUAL BALANCE TABLE								
HRW	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Carryin, JUNE 1	387	317	343	237	294	446	589	484
Acres Harvested(Mln)	21.4	24.6	20.4	22.0	23.2	21.9	17.6	17.1
Yield	36.4	40.7	36.6	33.5	35.8	49.5	42.5	36.7
Production	783	998	747	739	830	1,082	750	629
Imports	-	18	19	10	6	5	6	6
Supply	1,170	1,333	1,109	986	1,130	1,533	1,345	1,119
Seed	33	33	34	33	30	26	26	26
Food Use	404	400	368	370	391	385	387	390
Grain Exports	385	370	437	266	227	455	416	374
Non-Grain Exports	12	12	9	5	-	-	2	2
Feed-Residual	19	175	24	17	37	78	30	26
Disappearance	853	990	872	692	685	944	861	818
Carryout, May 31	317	343	237	294	446	589	484	301
Carry out / use ratio	37.2%	34.6%	27.2%	42%	65%	62%	56%	37%

Due to abnormally dry conditions for the month of December, crop condition rating declined in Colorado, Kansas, and Oklahoma. Year-on-year comparisons reveal Colorado is up 8% good or excellent, Kansas is down 7%, Montana is down 18%, Nebraska is up 18%, Oklahoma is down 10%, and South Dakota is down 36% g/e.

HRW Crop Condition Ratings (% g/e)				
STATE	December	November	YOY Change	Last Year
CO	48%	66%	8%	40%
KS	37%	51%	-7%	44%
MT	40%	33%	-18%	58%
NE	64%	59%	18%	46%
OK	15%	30%	-10%	25%
SD	20%	18%	-36%	56%

Gulf Track HRW 12% protein: J/F/M +225/235 KWH, A/M +210/225 KWK, and J/J +180/200 KWN, A/S 185/195; 11% protein: J/F/M +105/115 KWH, A/M +90/105 KWK, J/J +90/100 KWN, and A/S +90/100 KWU. 10.5% protein J/F/M +85/100 KWH. Ordinary protein J/F/M +85/100 KWH8.

Kansas City domestic market closed unchanged today: Traders suggest J/F/M offers are maybe 5 ct/bu less than the spot market.

	Premium	Change		Premium	Change
ord	35 to 50	0 0	12.60	225 to 240	0 0
11.00	115 to 130	0 0	12.80	225 to 240	0 0
11.20	140 to 155	0 0	13.00	235 to 250	0 0
11.40	150 to 165	0 0	13.20	235 to 250	0 0



11.60	165	to	180	0	0	13.40	235	to	250	0	0
11.80	179	to	194	0	0	13.60	235	to	250	0	0
12.00	190	to	205	0	0	13.80	235	to	250	0	0
12.20	193	to	208	0	0	14.00	252	to	267	0	0
12.40	193	to	208	0	0						

Daily received/load-out from Kansas City (reported by CME, close of business 12/29): Hutchinson: 5.411/846.602 kbu, KC: 6.049/0 kbu, Salina: 6.8/0 kbu, Wichita: 43.509/0 kbu.

## Soft Red Winter

The SRW cash markets are firm. The domestic market traded +30-35 WH fob Bellevue equivalent into southeastern SRW mills for Jan/Feb delivery, up 5-10 ct/bu from previous trade. The Toledo mill is showing a bid of +10 WH for J/F/M, equal to the mills in northwest Ohio, and the Chicago market is indicated at +25-30 WH. The CIF market is seeing offers go up for March and Apr/May positions.

There were 225 SRW receipts cancelled in Maumee on Friday, believed to be the mill rumored to have stopped 425 receipts on the December contract loading their wheat out. There were another 34 receipts cancelled tonight, which we believe were part of the 210 receipts stopped by ADM (customer), but we don't know who ADM is representing or if these receipts are being bought back by The Andersons or being loaded out.

Illinois crop condition ratings declined 6% good or excellent in December to 56%, down 13% from a year ago.

CIF barge bid/offer: Jan +50/NO WH, Feb +52/NO WH, Mar +54/68 WH, A/M +48/60 WK, J/J +35/NO WN, A/S +35/NO WU, O/N/D +40/NO WZ.

Elevator/Mill Bids: NW Ohio mills: J/F/M +10 WH, A/M +10 WK; Chicago elevator: J/F/M -5 WH; Toledo elevator: Jan/Feb/Mar -10/-5/+0 WH, Jul/Aug -15 WN; Eastern Indiana mill: Jan/Feb/Mar +35/40/42 WH.

Daily received/load-outs from Chicago (reported by CME, close of business 12/29): Chicago: 0/0 kbu, MS River: 7.671/113.174 kbu, NW Ohio: 0.08/11.031 kbu, OH River: 22.864/62.46 kbu, St. Louis: 36.824/55.6 kbu, Toledo: 1.329/169.361 kbu.

## Hard Red Spring

There was a strange collection of high protein and low protein cars offered on the spot today. 21 cars, averaging 12.29% protein, out of Hallock, Minnesota traded at a whopping +55 MWH, where 13's had traded previously. The remaining 11 cars, averaged 16.1% protein, and traded at +210 MWH.

Daily received/load-out from Minneapolis & Duluth (reported by MGEX, close of business 12/29): Minneapolis: 0/1 kbu, Duluth: 182/30 kbu.



## PNW

Exporters are checking logistics after the long weekend & waiting for quires from buyers in SE Asia or LAM, where many of those buyers won't be back until next week.

Extremely cold temperatures over the weekend is slowing rail movement & freight is starting to trade at a premium to tariff. If this continues & exporters don't get any additional grower or shipper sales starting this month, cash basis will have to trade higher. Elevators are starting to push their bids to growers even if they are not seeing increased bids delivered PNW.

### PNW Track/barge bids:

Shipment Period	DNS 14%	HRW 11.5%	WW 10.5%
Jan/Feb/Mar	+135/135/140 MWH	+165/165/170 KWH	+100/100/100 WH
Apr/May	+130/130 MWK	+160/160 KWK	+90/90 WK

## World Wheat News

### Iran riots:

Does anyone remember the last "Arab Spring"? In 2011 world wheat import demand jumped 7.0+ mmt as governments in Africa & Middle East increased imports of wheat in their attempt to control food inflation. Could these riots in Iran be the start of another "Arab Spring"? Iran started this when they announced they would not subsidize wheat imports & would turn them over to the private sector. For those in the market who don't care about possible winter kill in the US &/or deteriorating crop condition ratings in winter wheat, since it can all be offset with spring weather, just add a possible increase in demand caused by another "Arab Spring" type of event. FWIW, 7.0 mmt increased demand would be equal to 257 mbu of wheat. Your thoughts on this would be appreciated ☺

### World Wheat FOB Comparisons:

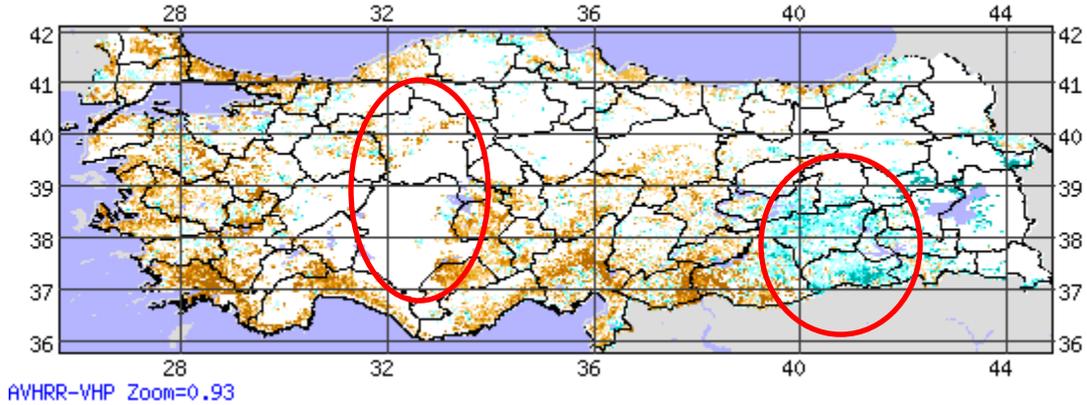
Origin	World Wheat FOB Comparisons									
	Russian	German	Baltic	Argentina	HRW	HRW	HRW	French	UK	SRW
Protein (dmb)	12.50%	12.50%	12.50%	11.50%	12.50%	11.00%	10.20%	11.00%	11.00%	10.20%
Protein (12% mb)	11.00%	11.00%	11.00%	10.12%	11.00%	9.68%	9.00%	9.68%	9.68%	9.00%
Feb	\$191	\$200	\$199	\$176	\$204	\$193	\$191	\$194	\$205	\$183
Mar	\$192	\$203	\$202	\$180	\$204	\$193	\$191	\$196	\$206	\$183
Apr	\$193	\$204	\$203	\$182	\$205	\$194	\$192	\$199	\$207	\$184
May	\$194	\$207	\$206	-	\$205	\$194	\$192	\$198	\$208	\$186

Origin	World Wheat FOB Comparisons									
	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%
Feb	\$231	\$246	\$221	\$196	\$219	\$199	\$271	\$279	\$258	\$267
Mar	\$232	\$247	\$222	\$196	\$219	\$199	\$271	\$279	\$260	\$269
Apr	\$233	\$248	\$223	\$198	\$220	\$201	\$272	\$279	\$261	\$270
May	\$234	\$249	\$224	\$200	\$222	\$201	\$272	\$279	\$263	\$272

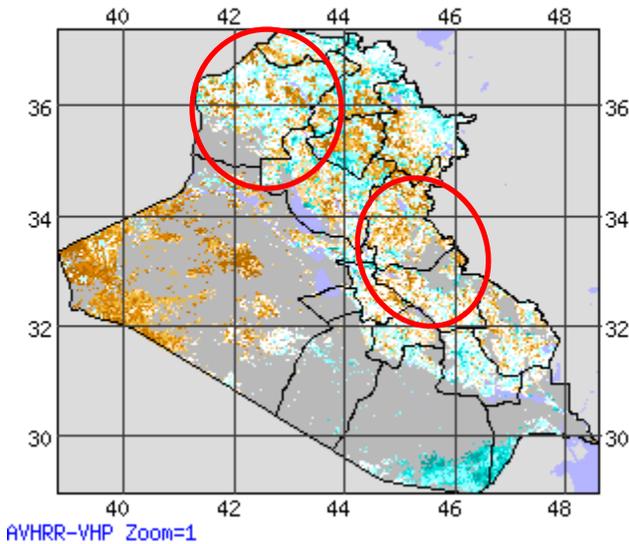


Conditions in Turkey have improved as cropping regions have received rain over the past week. Iraq's winter wheat conditions have struggled from warmer temperatures and minimal rainfall with conditions worse than a year ago in major winter wheat regions. Below is both Turkey and Iraq's vegetative health maps compared to a year ago with major winter wheat growing regions highlighted in red.

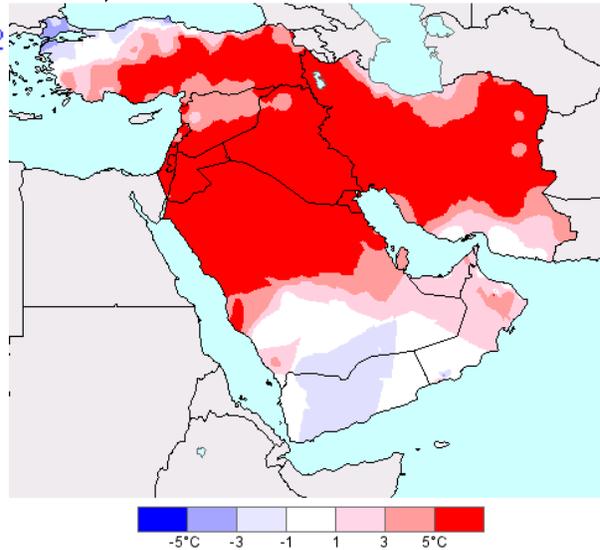
VH yearly change, Dec. 30, 2017 (week 52)



VH yearly change, Dec. 30, 2017 (week 52)



Maximum Temperature Departure From Normal (WMO)  
Dec. 18 - 24, 2017

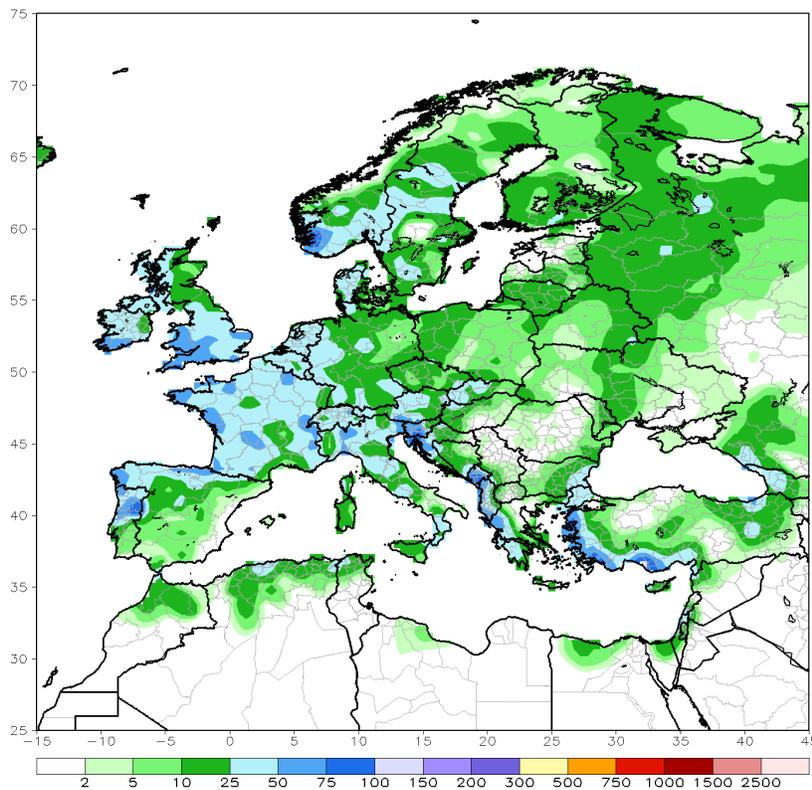


USDA Foreign Agricultural Service  
Office of Global Analysis  
International Production Assessment Division  
Source: World Meteorological Organization  
<http://www.nws.noaa.gov/fscs/fhwsgrts.html>



CPC Unified Gauge 7-Day Total Rainfall (mm)

Period: 26Dec2017 - 01Jan2018



## South America

Argentina's wheat harvest was estimated at 81.3% (85.2% last year) complete prior to the holiday with production estimated unchanged at 17.0 million MT. The north, southern belts, and east central Entre Rios and San Luis have finished harvesting operations. The average yield is pegged at 3.08 t/ha compared to 3.36 t/ha last year.

Origin	Month	Quality	Bid/Offer (\$USD/MT)
Argentine Upriver	Jan	10.5% pro	Seller \$170
Arg. South Upriver	Jan/Feb	10.5% pro	Seller \$172/174
Argentine Upriver	Jan/Feb/Mar	11.5% pro	Seller \$174/176/180
Argentine Upriver	Jan/Feb/Mar	12.0% pro	Seller \$177/180/184

\$1 USD= AR \$18.37 Pesos

\$1 USD= R \$3.25 Reales

## Canada

#2 CWRS fob Vancouver quotes Feb/Mar/Apr over the respective: 12.5% protein +30/35/30, 13.0% protein +50/55/50, 13.5% protein +85/90/85, and around a +25 cent premium for 13.8% protein.

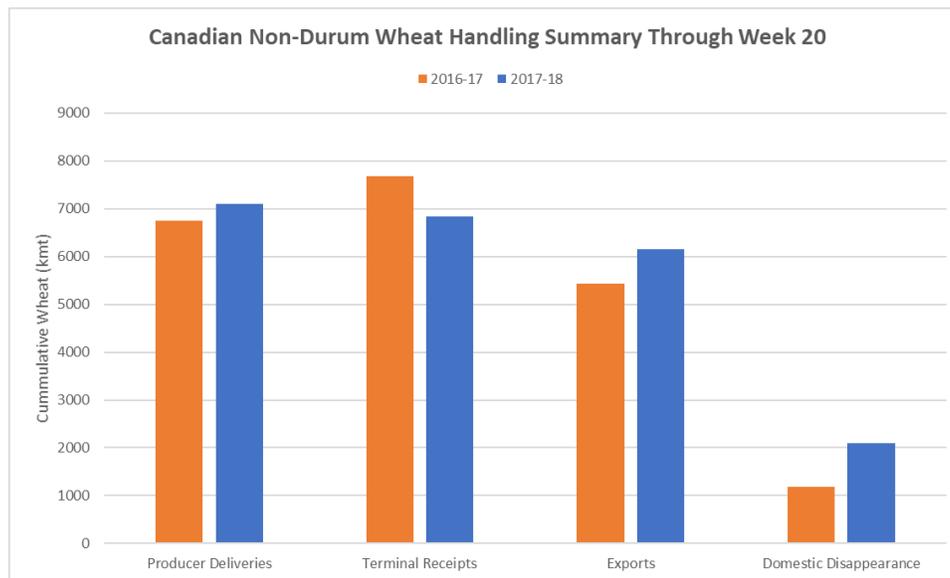


Canadian November wheat exports totalled 1.46 million MT, up from last years 1.29 million MT volume. Durum wheat exports for the month of November totalled 306.3 kmt, down slightly from last years monthly volume of 374.5 kmt.

Total Canadian wheat exports by port:

	2017-2018		2016-2017		2015-2016		2014-2015	
	November	Crop year to date						
Canadian Pacific Seaboard	1,013.0	<b>4,084.0</b>	1,101.0	<b>3,835.0</b>	1,047.0	<b>4,258.0</b>	1,051.0	<b>4,231.0</b>
Churchill	-	-	-	-	-	<b>156.0</b>	-	<b>446.0</b>
Thunder Bay Direct	57.0	<b>330.0</b>	80.0	<b>391.0</b>	307.0	<b>678.0</b>	192.0	<b>682.0</b>
Eastern Terminal Elevators	585.0	<b>1,691.0</b>	424.0	<b>1,765.0</b>	533.0	<b>1,906.0</b>	489.0	<b>2,139.0</b>
Prairie Elevators Direct	115.0	<b>538.0</b>	59.0	<b>142.0</b>	125.0	<b>328.0</b>	66.0	<b>345.0</b>
Total Wheat	1,771.0	<b>6,643.0</b>	1,664.0	<b>6,132.0</b>	2,012.0	<b>7,325.0</b>	1,799.0	<b>7,842.0</b>
Wheat Flour	-	<b>86.0</b>	-	<b>75.0</b>	-	<b>70.0</b>	-	<b>82.0</b>
TOTAL WHEAT AND WHEAT FLOUR	1,771.0	<b>6,729.0</b>	1,664.0	<b>6,207.0</b>	2,012.0	<b>7,395.0</b>	1,799.0	<b>7,924.0</b>

The CGC reported that wheat exports for week 20 totalled 367 kmt taking the YTD total to 6.154 million MT, up from 5.43 million at the same time a year ago. This compares to the 5-year average of 6.3 million MT for wheat exports through week 20.





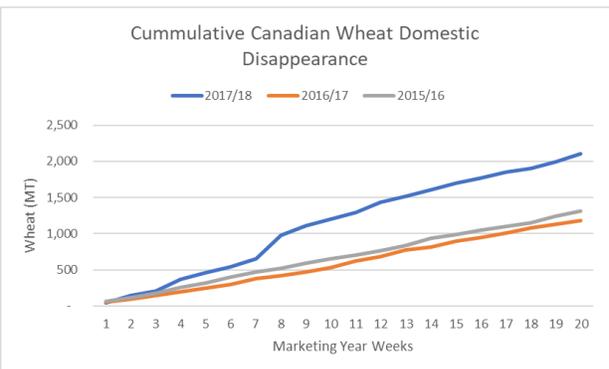
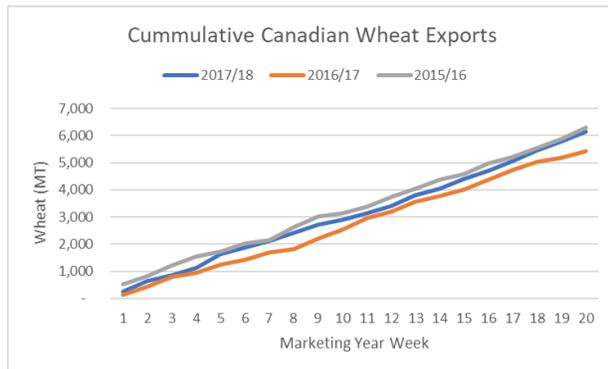
Sourced from CN

Wheat stocks totalled 2.99 million MT with 54% located in country elevators. The CN and CP railways both report the pipeline is running smoothly through week 20 however cold weather throughout the Prairies will impact railcar operations. The map above is a daily winter advisory indicating difficult conditions through the Prairies and into Duluth.

Canadian Primary Elevator Wheat Stocks Week 20					
Wheat (kmt)	Manitoba	Saskatchewan	Alberta	British Columbia	Total
Current Week	303.2	661.9	632.2	16.2	1,613.5
Lask Week	315.3	623.7	584.9	14.2	1,538.1
WoW Change	(12.1)	38.2	47.3	2.0	75.4
2016-17	223.2	360.6	324.0	10.1	917.9
YoY Change	80.0	301.3	308.2	6.1	695.6



Canadian Terminal Elevator Wheat Stocks Week 20						
Wheat (kmt)	Pacific	Churchill	Thunder Bay	Bay & Lakes	St. Lawrence	Total
<b>Current Week</b>	253.0	29.5	250.3	158.0	695.1	<b>1,385.9</b>
<b>Last Week</b>	205.9	29.5	252.1	156.7	658.6	<b>1,302.8</b>
<b>WoW Change</b>	<b>47.1</b>	-	<b>(1.8)</b>	<b>1.3</b>	<b>36.5</b>	<b>83.1</b>
<b>2016-17</b>	234.8	29.5	156.6	226.9	476.1	<b>1,123.9</b>
<b>YoY Change</b>	<b>18.2</b>	-	<b>93.7</b>	<b>(68.9)</b>	<b>219.0</b>	<b>262.0</b>



## Australia

Indicative offers for APW are around \$230/mt for Jan/Feb/Mar FOB WA, with around a \$5/mt discount for ASW and around a \$15/mt premium for AH2.

Australian wheat harvest is nearly complete and analysts are lowering wheat production estimates to below 20 million MT. One analyst reports total wheat stored by bulk handling companies has reached over 15.5 million MT with an additional 4.0 million MT stored on farm.

## Black Sea & Europe

The Matif was closed down 0.50€ at 158.50€ for the March contract. FOB quotes Feb/Mar/Apr for Russian 12.5% pro: \$191/192/193/mt (11.5% pro \$9/mt discount), French 11.5% pro: \$194/196/200/mt, German 12.5% pro: \$201/203/205/mt, Baltic 12.5% pro: \$199/201/203/mt, Ukraine 11.5% pro: \$182/183/184/mt.

The EU Commission lowered its soft wheat production 500 kmt to 142 million MT, this is in line with Strategie Grains' production estimate. Strategie Grains is forecasting new crop production at 141.992 million MT with area estimated at 23.2 m/ha down slightly from last year's 23.5 m/ha and average yield at 6.12 t/ha compared to 6.04 t/ha in 2017/18.

IKAR increased wheat production to 85.8 million MT and raised exports 36.5 million MT. Russian Ministry of Agriculture recently mentioned seasonal wheat export up to 40 MMT!



## Pending Tenders

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- Jan 8: Morocco seeks 363.6 kmt of soft wheat and 336.36 kmt of durum wheat from the US under its preferential-tariff quota.
- Jan 9: Morocco seeks 363.6 kmt of soft wheat and 45.46 kmt of durum wheat from the EU under its preferential-tariff quota.

## Futures Comments

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U.S. wheat futures found support from the weekend's sub-zero temperatures in the central & northern plains and Midwest, as the threat of winterkill was debated today, with nearby Chicago closing up 6.50 cents, Kansas City up 7.50 cents, and Minneapolis tagged along to close up 3.25 cents. The cash markets have been supporting the Mar/May spread in Chicago, which settled 0.50 cents higher, at -12.75 (51% of full carry), in spite of coming under selling pressure at the close. The new running average

percent of full carry for the WH-WK spread is 51.84%, requiring the spread to have an average settlement price of less than or equal to 49.54% of full carry (12.34 cents) in order to trigger a VSR decrease. The KC Mar/May spread was similarly supported by today's rally, closing up 0.50 cents, at -13.25 (90% of full carry). The new running average percent of full carry for the KWH-KWK spread is 90.75%, requiring the spread to have an average settlement price of at least 11.39 cents (77.31% of full carry) for the remaining 36 days of the calculation period in order to trigger a VSR increase.

Monthly crop condition ratings showed a marked decline in several key winter wheat states following a very dry December. Given the abnormally dry conditions and late planting, the crop is potentially more susceptible to winter kill. The effects of the latest freeze event will not be known for some time, but the threat of damage is real. The consensus is winter wheat area is down this year and we'll have a better idea of how much reduction there was next Friday, when USDA releases their seeding report.

There are more supportive arguments today than in recent weeks, as focus begins to shift to new crop, particularly for Kansas City HRW, where Managed Money is holding onto a record net short position (34 thousand contracts). The KWK-KWN spread finished the day at a 16.50 cent carry, which, if you assume one VSR trigger on the KWH-KWK, is 87% of full carry. Do we really need two VSR triggers, given the strength of the cash markets and how we believe new crop is shaping up?

HAPPY NEW YEAR!!!

Best regards,

Al, Emily & Jason Conway

Comments, questions & criticism welcomed!