



# CASH WHEAT REPORT

## Cash Wheat Market

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This has been a week of no extra ordinary business and very little LAM business, yet analyst have probably pushed 75-150 mbu (2.0-4.0 mmt) of demand back to the USA. This would include EU, Saudi Arabia, Iraq, Jordan, Algeria, Morocco, S. Africa, Kenya, Nigeria, Yemen, Indonesia, Philippines, Mexico and Brazil. The range of estimates for US wheat exports is 1.0-1.3 bbu & the higher estimate is probably impossible since we're having a very low 1st quarter export program. We estimate 1st quarter exports will be 210 mbu, this would require 360 mbu exports per quarter for the last 3 quarters of the year. The largest quarterly exports were in 2010, when US exports for the 2nd quarter were 314 mbu, 3rd quarter 302 mbu & 4th quarter 390 mbu. Total exports in 2010 were 1.252 bbu, but 1st quarter were 245 mbu. Assuming our 1st quarter exports are only 205 mbu, we need 1.1 bln bushels exported in the last 3 quarters, to reach 1.2 bbu. for the crop year. Export sales as of July 26 totaled 250 mbu YTD, leaving 950 mbu for the remaining 44 weeks of the crop year. This is equal to 588 k/week of export sales. Assuming 1st quarter exports are 210 mbu thru August, 1.0 bbu will need to ship in the last 39 weeks, equal to 700 kmt / week.

Bottom-line, the extra ordinary business should start in the 2nd quarter. If it doesn't begin until the last ½ of the year (December forward), it becomes difficult to reach the 1.2 bbu estimates. Based upon conversations with EU/FSU traders who are very concerned about the crops getting smaller & a much larger share of those crops are low protein & feed wheat. They're already seeing defaults from Russian shippers which will drive their prices even higher as traders find themselves short a spot cargo. Their farmers are concerned about the condition of their row crops & are not aggressive sellers of wheat today. Barley is a premium to wheat & despite the wide wheat/corn spread they don't believe the domestic usage can be cut as much as USDA suggests & as some of the bears suggest. The supply of 12.5% protein wheat is getting very tight, & those buyers will be the 1st to come to the US market. Saudi, Nigeria, S. Africa, Kenya are among the buyers of 12.5% protein (dry matter basis).

There is a lot of bullish news in the market but there are no vessels in the gulf market to lift wheat today. HRW export market has not bid for August trains. The domestic HRW market closed unchanged, but without a lot of cars to test the market. Shippers /mills want to maintain their bids to protect the high priced ownership they have today. The SRW market is starting to feel the effects of low test weight & vomitoxin & there are no offers on the river less than DVE from Chicago. The domestic market has Michigan mills pushing to buy all forward positions since they have vomitoxin issues with their local wheat. The spring wheat market is so uncertain about the size of their spring wheat crop ( after the surprisingly low ND yield estimate) that no one knows what to do today. Commercials do not accept the Wheat Quality Council estimate & are still trying to make space with 3 trains on the spot market today forcing it to close down 5-10 ct/bu, & unchanged for the week on DNS 14% protein. The PNW market is called unchanged as exporters see the SWW harvest kick into high gear, Montana HRW harvest is rapidly expanding & HRS harvest will begin in the next 7-10 days. Will growers be aggressive sellers is the key for PNW cash basis & the SWW grower is selling very little since harvest began ☺.



## Hard Red Winter

The market is dead, there are no bids for August shipment at the gulf & there is no business today. The Canadians were selling LAM this week for shipments Oct/Nov/Dec/Jan at values equal or discount to gulf HRW. We have all the major exporters at maximum export capacity & minimum carry out, including Canada. That is the only way the US exporters can increase, yet those pesky Canadians continue to aggressively compete until one day they run out of wheat. Most of the increased exports forecast by analyst/traders for US wheat is HRW. If you go down those list of buyers mentioned in the opening statement, the majority will take HRW 11% protein (12.5% on dry matter basis). We expect to see some of this business September forward, unless the Canadians try to take it at any price.

HRW is close to competitive again, but we didn't hear any of the shorts bidding today.

**Damman**

Saudi	Baltic	German	HRW	CWRS/CPS
Futures	199.75	199.75	532.5	606.25
Basis	9	10	110	82
Currency	1.17725	1.17725	0.36745	0.36745
FOB	\$ 245.75	\$ 246.93	\$ 236.09	\$ 252.90
Frt	\$ 30.00	\$ 29.50	\$ 39.50	\$ 40.00
C&F	\$ 275.75	\$ 276.43	\$ 275.59	\$ 292.90

Algeria	Baltic 11.5%	French	German	HRW June
Futures	199.75	198.25	199.75	532.5
Basis	9	7	10	95
Currency	1.17725	1.1699	1.17725	0.36745
FOB	\$ 245.75	\$ 240.12	\$ 246.93	\$ 230.57
Frt	\$ 24.00	\$ 19.00	\$ 23.00	\$ 28.50
BNSF				
C&F	\$ 269.75	\$ 259.12	\$ 269.93	\$ 259.07

The narrowing of KCB T calendar spreads are bring out a few more offers in the January – May time slots the wheat will be needed, but maybe not all of it. I did see one analyst forecasting HRW exports of 550+ mbu with a carryout under 200 mbu, but others are 350-400 mbu carryout. This is why the HRS production is so critical to the HRW b/s, since HRS may need to compete with HRW in the domestic & export market to buy demand. If we accept the WQC spring wheat yields HRS will be rationing demand to HRW, but USDA's July estimate would suggest HRS will need to buy demand from HRW.

Gulf Track HRW 12% protein: Aug/Sep +125/145 KWU, O/N/D +140/160 KWZ, J/F/M +135/150 KWH, and A/M +130/145 KWK. 11% protein: Sept 115/135 KWU O/N/D +130/145 KWZ, J/F/M +125/135 KWH, A/M +122/125 KWK. 10% protein Sep +85/105 KWU, O/N/D 95/NO, J/F/M 95/NO A/M 105/NO

The KC spot market closed unchanged again today.



ord	Premium	Change	Premium	Change
11.00	85 to 100	0 0	12.60 130 to 145	0 0
11.20	113 to 128	0 0	12.80 130 to 145	0 0
11.40	113 to 128	0 0	13.00 140 to 155	0 0
11.60	120 to 135	0 0	13.20 140 to 155	0 0
11.80	125 to 140	0 0	13.40 140 to 155	0 0
12.00	125 to 140	0 0	13.60 140 to 155	0 0
12.20	125 to 140	0 0	13.80 140 to 155	0 0
12.40	125 to 140	0 0	14.00 140 to 155	0 0

Daily received/load-out from Kansas City (reported by CME, close of business 7/26): Hutchinson: 8.967/0.72 kbu, KC: 76.977/133.507 kbu, Salina: 39.959/0 kbu, Wichita: 43.276/61.093 kbu.

## Soft Red Winter

The SRW cash markets have maintained their firm tone this week. Harvest has been going well in Ontario and they have been seeing average #2 grade SRW, with no vomitoxin. This wheat has been working into Toledo at around +25-30 WU. Pockets of vomitoxin have created issues for mills in Michigan, who have had to pull wheat from outside of their usual draw area, and supported the interior basis. Michigan mills are posting +20-35 WU for nearby wheat, compared to option price to +10 WU at the start of harvest, but have had to pay as high as +40 to +45 WU for spot trucks to fill holes in their pipelines. They have been very proactive at making procurements through March and are bidding 20 to 30 over the option, unlike some Ohio and Pennsylvania mills who seem to be operating hand to mouth.

The CIF market saw a few offers today, but the bids are too far away. However, if buyers want to get serious, then they will have to come up. Sellers are reluctant to offer the guaranteed #2 grade, given the lower test weights they've seen this year along the river. So, bids will have to come up to at least delivery value, which, given the high barge freight, is around 70-75 cents for September.

FOB Bellevue bid/offer indications: Jul/Aug +40/45 WU, S/O/N +35/50 WZ, and D/J/F/M +25/NO WH.

CIF barge bid/offer: Jul +53/NO WU, Aug +58/75 WU, Sep +66/85 WU, O/N/D +62/NO WZ, J/F/M +56/75 WH, A/M +50/NO WK, J/J 2019 +45/NO WN.

FOB NOLA indications: Sep +80 WU, Oct +85 WZ, Nov +95 WZ, Dec +105 WZ, J/F/M +80 WH.

Elevator/Mill Bids: NW Ohio mills: Jul/Aug +15 WU, Sep +5 WU, O/N/D +10/+15/+15 WZ, J/F/M +15 WH, Chicago warehouse: Jul -5 WU, Aug/Sep -15 WU, Oct -20 WZ; Toledo warehouse: Jul/Aug +7 WU, Sep +7 WU, Dec -10 WZ, Jan -15 WH; Toledo mill: Jul +20 WU, Aug/Sep +20 WU; Eastern Indiana mill: Jul +15 WN, Aug/Sep +20/25 WU, Jan +15 WH.

Daily received/load-outs from Chicago (reported by CME, close of business 7/26): Chicago: 21.52/13.675 kbu, MS River: 98.685/23.31 kbu, NW Ohio: 49.877/18.195 kbu, OH River: 114.471/222.27 kbu, St. Louis: 123.435/12.247 kbu, Toledo: 503.272/0 kbu.



## Hard Red Spring

There were seven singles and three trains for sale on the spot market today. The first train averaged 14.12% protein and was carried over from yesterday. It traded the high side of 14's up a nickel, at +125 MWU, while a 14.3% protein CPRS train traded the low side of 14's down a nickel, at +110 MWU. The third train was also on the CPRS, averaged 15.02% protein, and traded the low side of 15's down a dime, at +140 MWU, while a single 15.2% protein car on the BN was offered at +150 MWU, but did not trade before the close. Of particular interest today were six cars averaging 12.5% protein, which traded at +70 MWU on the BNSF.

The rally on the board this week brought out some old crop spring wheat in the country and we saw plenty of trucks moving on our spring wheat tour. Unfortunately for farmers, the interior basis has softened as a result of the rally. We have heard that producers are active sellers when farm prices reach at least \$5.50.

Daily received/load-out from Minneapolis & Duluth (reported by MGEX, close of business 7/26):  
Minneapolis: 33/1 kbu, Duluth: 0/881 kbu.

## PNW

The winter wheat harvest is expanding & exporters hope to see "harvest selling" next week, note I didn't say "harvest pressure", since the grower is selling very little so far. Exporters are short cash basis, as they should be going into harvest, so they are all standing there to buy & we may never feel any pressure.

Record yields & low protein is the theme for SWW harvest & exporters are bidding for minimum 9.5% protein which may be difficult at the moment. Everyone is waiting for harvest to move into the Palouse & to the northern 1/2 of Washington, hoping to find protein closer to 10%+. Growers are selling very little SWW but exporters expect to see harvest pressure since some growers are getting a double crop this year.

Montana HRW harvest is rapidly expanding & protein is better than expected so far, 11.5%-12.0%, but we have not seen the Great Plains Lab preliminary tests. HRS harvest will begin in the next 7-10 days.

### PNW Track/barge bids:

Shipment	DNS 14%	HRW 11.5%	SWW 10.5%
Jul	95 MWU	120 MWU	600 ct/bu
Aug/Sep	95/105 MWU	120/125 KWU	600/605 ct/bu
O/N/D	95/100/105 MWZ	115/120/125 KWZ	610/613/615ct/bu



## World Wheat News

### 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%	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%
Aug	\$221	\$244	\$241	\$235	\$234	\$231	\$230	\$239	\$255	\$222
Sep	\$228	\$246	\$244	\$235	\$240	\$236	\$235	\$240	\$257	\$224
Oct	\$231	\$247	\$245	\$235	\$246	\$242	\$241	\$242	\$259	\$235
Nov	\$234	\$250	\$247	\$235	\$252	\$248	\$247	\$244	\$260	\$237

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%
Aug	\$257	\$267	\$252	\$245	\$249	\$217	\$258	\$260	-	-
Sep	\$258	\$268	\$253	\$247	\$251	\$219	\$260	\$262	\$260	\$267
Oct	\$258	\$268	\$253	\$252	\$255	\$220	\$263	\$265	\$261	\$268
Nov	\$259	\$269	\$254	\$253	\$256	\$222	\$265	\$267	\$261	\$269

### South America

Origin	Month	Quality	Bid/Offer (\$USD/MT)
Argentine Upriver	Aug/Sep/Dec	11.5% pro	Seller \$235/235/215
Argentine Upriver	Jan	12.0% pro	Seller \$220

\$1 USD= AR \$27.29 Pesos \$1 USD= R \$3.71 Reales

### Canada

Alberta Crop report says conditions dropped 7 points from last week. Good + Excellent ratings are South 43.8%, Central 52.0%, NW 84%, NW 72.1% Peace 88.5%, Alberta 66%. Traders are concerned about yields in Canada after seeing the US crop tour results. One of their local respected companies did a similar report for Western Canada this week & had a yield of 3.66 mt/ha, yielding a crop of 26.5 mmt non-durum. This would be equal or in excess of the average estimates today.

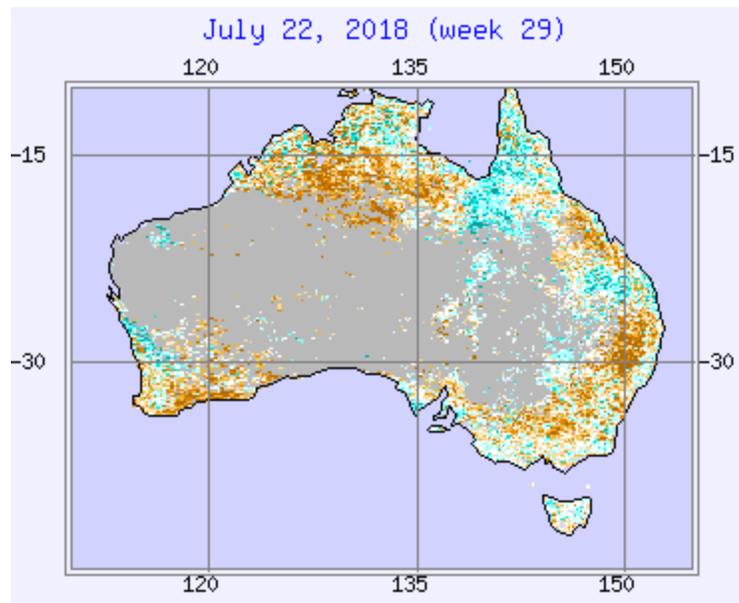
Canadians had the pleasure of selling CWRS 13% protein combined with CPS 11%+ protein this week for Oct/Nov & Nov/Jan shipment at CWRS 13% protein values 80-85 over the MWZ8 & CPS 11.0%+ at +100 +/- KWZ8. US exporters cannot compete at these values.



## Australia

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Little to no measurable precipitation is in the forecast for Australia over the next week and conditions are much worse than a year ago in many areas of the country. The map below shows the change in the Vegetation Health from last year. 2018/19 wheat production forecasts range from 18 to 20 mmt, with more and more leaning towards the low side.



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## Black Sea & EU

We have learned of at least 1 default by a Russian export firm this week & they suggest others are having problems as well. I'm sure the buyers will try to force the seller to perform & arbitrate etc., but the vessel sets & has not been accepted by the seller. FOB prices have rallied USD 30/mt since before harvest & this has been a problem with Russian shippers in the past. Low protein & other quality concerns has traders suggesting premiums for 12.5% protein can explode.

<https://twitter.com/plattsag/status/1022890662864334848?s=12>

CME Black Sea contract only traded 400 contracts today with September at \$227.50/mt, October \$230/mt & November \$233.50/mt.

Russian deep sea port, 12.5% protein #wheat pushed up through a 40-month high to be assessed by S&P Global Platts July 26 at \$221.50/mt FOB as a shortage of high-protein wheat has market participants eying \$300/mt.

There is a huge range of production & export forecasts for EU/FSU, Russian production estimates range from 66 mmt to 71.0 mmt with export forecast 26-31 mmt. The EU production estimate are 126-130 mmt with export forecasts 16.0-22.0 mmt. Part of this calculation is how low can they draw down the carryout & how much can they cut domestic feed/residual. We continue to ask questions about these fundamentals each day & there is no consensus amongst our sources. This is another big reason there is such a wide range of export forecast for US wheat.



The bottom-line, production is down & quality is a problem in this region. These countries need to ration feed demand & export demand post-harvest & this will require a big rally in flat price. If everyone agrees demand will eventually shift to the USA, as the residual supplier, they must also agree their fob prices will need to trade a premium to US fob values. We've seen this FOB to FOB spread narrowing & today HRW is close to business for those optional origin sellers who may be short to Saudi or Brazil.

## Pending Tenders

July 29: Iraq tenders to buy 50 kmt of wheat from the US, Canada, or Australia.

## Futures Comment:

U.S. wheat futures prices struggled to regain composure today, with Chicago closing down 6.00 cents and Kansas City down 1.50 cents. For the week, Chicago finished up 14.50 cents, but 23.25 cents off the high. KC closed out the week up 24.00 cents, but 21.00 cents off Thursday's high. Minneapolis fought to regain some of yesterday's losses, closing the day up 4.75 cents and the week up 37.50 cents. Nearby calendar spreads, pressured mainly by frontend buying, settled the week down 2.50 cents in Chicago and down 1.75 cents in KC; these Sep-Dec spreads are averaging 47.94% and 67.19% of full carry for their respective VSR calculation periods. The nearby Minneapolis spread, however, has been supported by a lower than expected spring wheat yield, and has traded big volume (comparatively speaking) to close out the week up 2.50 cents. KC-Chicago spreads also found good buying interest this week, trading record volume (36,464 contracts traded in the September), settling up 9.50 cents and showing a 2.00 cent premium for KC wheat. Minneapolis inter-market spreads look to have turned a corner this week, with Minneapolis gaining 23.00 cents on Chicago and 13.50 cents on KC. Worries over lower than expected U.S. and Canadian spring wheat crops should continue to support these spreads next week as well.

According to this week's CFTC report, the Managed Money funds bought about 20 thousand CME wheat contracts between July 17th and the 24th, extending their net long in Chicago to around 24 thousand contracts, as of the close on Tuesday. During that same period they also bought about four thousand HRW contracts, extending their net long position in KC to around 22 thousand contracts. The Managed Money funds position in Minneapolis was unchanged, as of the close on Tuesday, at a net short of 13 thousand HRS contracts. We can only imagine how many of those shorts have been covered since Tuesday ;-)

Best regards,

Al, Emily & Jason Conway

Comments and questions are welcomed

Contact our office at (503) 631-7578 or email [aconway@cashwheatreport.com](mailto:aconway@cashwheatreport.com)