

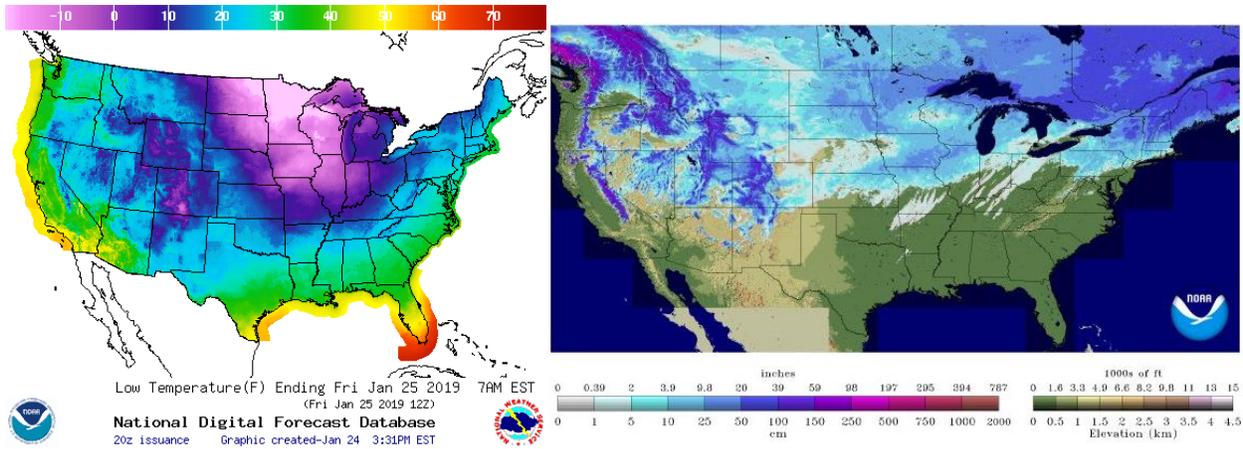


# CASH WHEAT REPORT

## CASH WHEAT MARKET

The U.S. cash wheat markets were softer today. The rally in futures and cash HRW basis earlier in the week took U.S. wheat out of contention in the world marketplace and the wind out of the sails of U.S. exporters. The HRW track basis is down around a nickel today in the nearby, as folks are hesitant to buy this week's higher prices and export sales have not been confirmed. The lack of transparency on the export side, due to a lack of USDA reports, is creating volatility and thereby opportunity in the market for perceptive cash traders. The domestic HRW market is seeing mill pricing ideas some 15-20 cents below the market for Apr/May and we have not heard of any new trades this week. The SRW domestic market is ill defined, with no trade to speak of, while the CIF market is holding steady at +85/90 WH. The spring wheat market is thin, but the right cars in the right places can fetch the high prices, and volume can break it. The PNW sold Japan last night and prices were reportedly aggressive. PNW exporters are competing with themselves to sell out their capacity.

Temperatures this evening will be below zero across the Plains and Mississippi River Valley. Most of these areas have protective snow cover; however SRW cropping regions in southern Illinois, Indiana, parts of Ohio, western Kentucky, and the Missouri bootheel are at risk. Arctic air is moving in tonight and Friday morning with strong winds and air temperatures of 10 to 15 below zero.



## HARD RED WINTER

The HRW cash markets felt weaker today, as exporters complain that the last week's 10-15 cent rally in cash basis, coupled with the 10-15 cent rally in futures, has priced U.S. wheat out from doing extraordinary business. The track market is down about a nickel and February 11% protein traded at +145 KWH. FOB inquiries continue, but we are too far out of the money to seal the deal. The domestic market is waiting for Apr/May demand and the bid/offer indications are about 15 to 20 cents apart, with the bid/offer for 12.0% protein at around +125/140-145 KWK and for 11.0% protein +120/135 KWK.



The KC spot market closed unchanged:

	Premium		Change		Premium		Change	
ord	110	to 125	0	0	12.60	120 to 135	0	0
11.00	115	to 130	0	0	12.80	120 to 135	0	0
11.20	115	to 130	0	0	13.00	125 to 140	0	0
11.40	115	to 130	0	0	13.20	125 to 140	0	0
11.60	115	to 130	0	0	13.40	125 to 140	0	0
11.80	115	to 130	0	0	13.60	125 to 140	0	0
12.00	120	to 135	0	0	13.80	125 to 140	0	0
12.20	120	to 135	0	0	14.00	125 to 140	0	0
12.40	120	to 135	0	0				

Indicative quotes for HRW track/gulf:

12% protein: Feb +152/160 KWH, Mar +155/160 KWH, A/M +145/160 KWK, J/J +140/155 KWN, A/S +130/145 KWU. 11% protein: Feb/Mar +142/148 KWH, A/M +135/145 KWK, J/J +130/145 KWN.

Daily received/load-out from Kansas City (reported by CME, close of business 1/23): Hutchinson: 11.786/184.236 kbu, KC: 2.994/0 kbu, Salina: 1.897/8.055 kbu, Wichita: 129.34/193.592 kbu.

## SOFT RED WINTER

The SRW cash markets were quiet today. Domestically speaking, the large mills are covered into new crop for existing flour sales, while others are chewing through local truck wheat. The rail market is therefore difficult to define without any trade. The CIF market is seeing consistent bids indicated at +85 WH against offers of +90 WH, but buyers don't have a reason to push their bids. Demand for SRW on the river appears to be more for blending up low quality stocks than any tangible export demand. So, FOB values are nominal and unchanged.

FOB Bellevue bid/offer indications: J/F/M +15/25 WH, Apr/May +15/25 WK, Jun/Jul +15/35 WN.

CIF barge bid/offer: Jan +86/NO WH, Feb +85/NO WH, Feb/Mar +85/90 WH, Mar +85/NO WH, J/F/M +85/NO WH, A/M +75/NO WK, J/J +50/70 WN.

FOB NOLA indications: Feb/Mar +105 WH, Apr/May +100 WK, Jun +95 WN, Jul +85 WN.

Elevator/Mill Bids: NW Ohio mills: J/F/M +15 WH, Apr/May +10 WK, New Crop +0 WN; Chicago warehouse: Jan +5 WH, Feb +0 WH, Mar -5 WH, Apr/May -20 WH, New Crop -25 WU; Toledo warehouse: Jan -5 WH, Mar -5 WH, May -5 WK, New Crop -15 WN; Toledo mill: J/F/M +15 WH, Apr/May +15 WK, Jun/Jul +10 WN, Aug/Sep +0 WU; Michigan mill: J/F/M +20 WH, A/M +20 WK, New Crop +5 WN; Eastern Indiana mill: Jan/Feb +20 WH, New Crop +15 WN.

Daily received/load-outs from Chicago (reported by CME, close of business 1/23): Chicago: 0/53.522 kbu, MS River: 52.263/76.435 kbu, NW Ohio: 0/12.52 kbu, OH River: 0.752/126.968 kbu, St. Louis: 48.6/0 kbu, Toledo: 10.449/26.549 kbu.



## HARD RED SPRING

There were 20 cars offered on the spot floor today. 14.5% protein cars traded at +100 MWH, down a dime from previous trade, and 15.0% protein cars traded at +150 MWH, closing the high side unchanged and the low side up 65 cents. However, don't be too impressed with the low side close, since the previous traded at +85 MWH was for a train of 15.0% protein, and we know volume can easily break this market.

### HRS vs HRW price comparisons (Feb/Mar):

Spring Wheat vs HRW Basis Chicago gateway						
Feb/Mar	DNS 14%	HRW 14%	DNS 13.5%	HRW 13%	DNS 13%	HRW 12%
<b>Basis</b>	<b>105.00</b>	150.00	<b>100.00</b>	145.00	<b>95.00</b>	135.00
<b>Futures</b>	<b>576.25</b>	511.50	<b>576.25</b>	511.50	<b>576.25</b>	511.50
<b>Del Chicago</b>	<b>681.25</b>	661.50	<b>676.25</b>	656.50	<b>671.25</b>	646.50

### HRS & HRW blended prices (Feb/Mar):

14% HRS Protein Blend						
	Spot Basis	Futures	Flat Price	Blend	Blended Price	Basis MW
15% HRS	110	576.25	686.25	3	676.31	100.06
11.0% HRW	135	511.50	646.50	1		
14% HRS Comparison	105	576.25	681.25			
<b>Blended Discount (ct/bu)</b>	<b>4.94</b>					

Daily received/load-out from Minneapolis & Duluth (reported by MGEX, close of business 1/23):  
Minneapolis: 17/3 kbu, Duluth: 25/0 kbu.

## PNW

We have heard prices sold to Japan, although not public, were aggressive, as exporters fight to fill capacity. HRW fob indications are therefore down about a nickel and HRS fob values are down about a dime, while SWW values are holding firm.

The PNW has seen a number of inquiries this week, from Indonesian and Southeast Asian buyers, as well as Latin American buyers. White wheat continues to be the big winner, as demand and higher prices persist. However, shippers are selling at negative elevations to fill slots.

Taiwan issued a tender seeking 55k of US wheat for March 29-April 12 shipment. The deadline for the tender is January 29<sup>th</sup>. Platts reported Indonesia was in the market for 30k of white wheat for April shipment as ASW prices remain are a \$15/MT premium.



PNW track/barge bids:

Shipment	NS/DNS 14%	HRW 11.5%	SWW 9.0-9.5%
Jan	NB	NB	645
LH Feb-Mar	105/110	160/165	653/653
Apr-May	105/105	160/160	653/656
Jun/July	100/100	150/150	656/659

**WORLD WHEAT NEWS**

- IGC released its monthly Grain Mark Report raising global grain production 10 million MT to 2,089 billion. Wheat production increased 8 million to 737 million MT while global wheat trade was reduced 1.0 million MT to 170 million. Global wheat consumption increased 6 million MT to 754 million, 4.0 million MT higher than 2017/18. IGC 2019/20 wheat production is projected to increase 2% to 751 million MT. Domestic milling/food demand is expected to increase 1% yoy while wheat feeding unchanged yoy. World stocks are projected to be steady, as a small reduction in the major exporters (-2 million MT) is offset by another accumulation in China.
- The Philippines purchased 50k of feed wheat at \$280-282/MT for LH March-FH April shipment.
- Japan bought 102,057 tonnes of milling wheat for Feb.-March shipment. The consignment included 13.4k US WW, 11.77k US HRW, 28.02k US DNS, 24.3k CWRS, and 24.56k ASW.

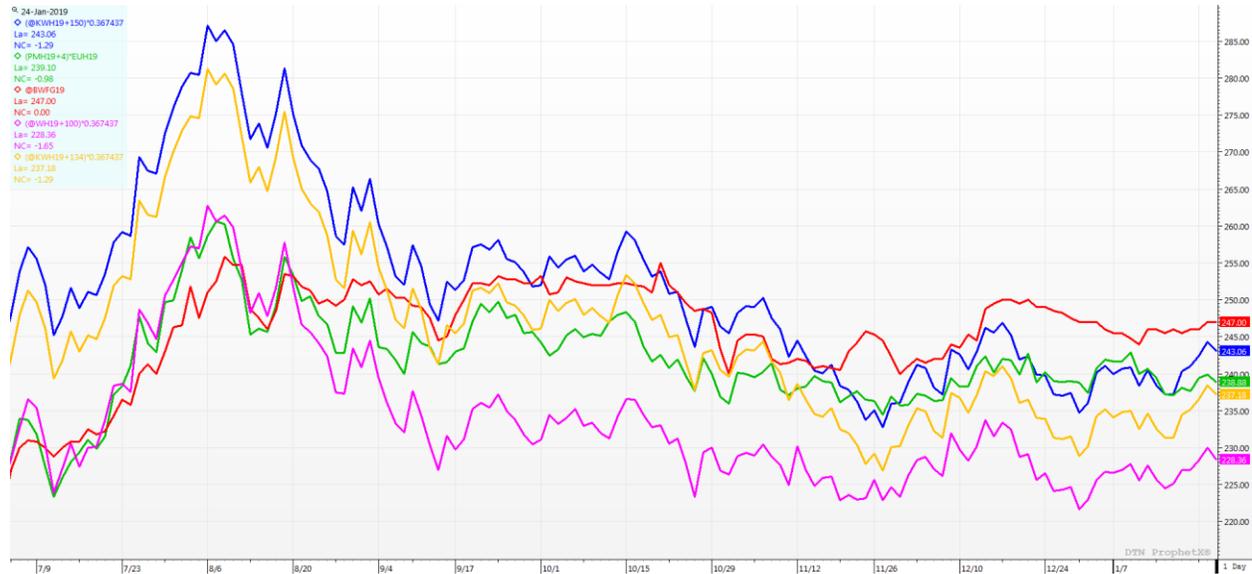
**WORLD WHEAT FOB COMPARISONS:**

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%
Feb	\$247	\$240	\$239	\$237	\$243	\$241	\$240	\$239	\$247	\$230
Mar	\$251	\$242	\$241	\$240	\$243	\$241	\$240	\$240	\$249	\$230
Apr	\$255	\$244	\$242	\$243	\$245	\$243	\$242	\$240	\$251	\$231
May	\$259	\$246	\$244	-	\$245	\$243	\$242	\$242	\$253	\$231

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%
Feb	\$287	\$317	\$267	\$247	\$249	\$239	\$247	\$248	-	-
Mar	\$288	\$318	\$268	\$249	\$250	\$240	\$248	\$250	\$256	\$272
Apr	\$289	\$319	\$269	\$250	\$252	\$241	\$252	\$253	\$257	\$274
May	\$290	\$320	\$270	\$252	\$254	\$242	\$253	\$255	\$258	\$275



**February** fob prices for U.S. Gulf HRW shown in blue, U.S. SRW in pink, EU soft wheat in green, Russian wheat in red, and Argentine wheat in orange:



## SOUTH AMERICA

Argentine wheat prices were up sharply today with the market 11.5% protein offered \$4/MT higher at \$237/MT and 12% protein up \$5/MT at \$239/MT. The 11.5-12% protein spread also widened a \$1/MT to \$2/MT undoubtedly pressured by the growing concerns for new crop soybeans. BAGE reported it lowered its projected area 200 t/ha to 17.7 million as heavy rains worsened planting conditions.

Argentine vessel lineups indicated December-January shipments will be 4.6 million MT, up nearly 300 kmt from a year ago. The export sector has already purchased 10.9 million MT of wheat, which is over half the countries supply until next year.

Brazil's state of Parana cut its 2018/19 soybean crop to 16.8 million MT from 19.1 million projected in December after drought cut yield prospects.

*Current export tax: 12.0% of the official FOB price (but max 4 Argentine Pesos per US Dollar of the official FOB price)*

Origin	Month	Quality	Bid/Offer (\$USD/MT)
Argentine Upriver	Feb/Mar	11.5% pro	Seller \$237/240
Argentine Upriver	Feb/Mar	12.0% pro	Seller \$239/242
Argentine Upriver	Mar/Apr	12.5% pro	No Mention



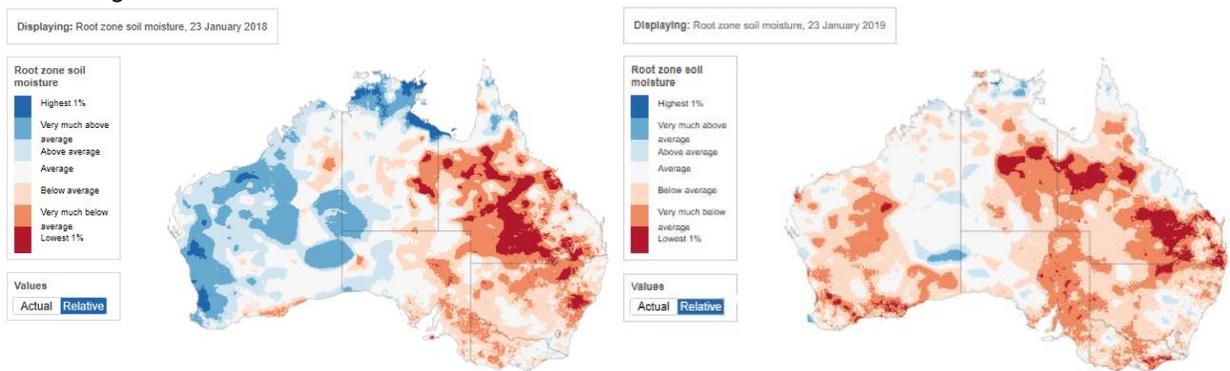
## CANADA

Cash basis has a weaker tone CWRS 13.5% protein is quoted at \$256-257 for March-April with a \$1-2/MT carry to May. Chinese buying has slowed and folk expect after the Chinese New Year February 5<sup>th</sup> they will return to the market with new quotas.

## AUSTRALIA

Drier, warmer conditions in Australia are stressing late planted sorghum. The market is anticipating a lower yield output potential shrivels up under poor conditions. Northern NSW and Queensland are in need of rain however the 4-day forecast is offering minimal relief. BOM is forecasting February-April weather conditions to be drier and warmer throughout Australia. The soil moisture maps below are for January 23, 2018 (left) and 2019 (right) which illustrates much drier conditions YoY. Winter wheat planting in Australia is still a long way off however long-term weather outlooks from the International Research Institute suggest drier, warmer conditions to continue through June 2019. This would suggest producers will have another tough year ahead of them. In the year following Australia's previous drought planted acres increased only 6% and conditions were much better than they are today. Assuming a similar increase YoY Australia's 19/20 production may not exceed 22.0 million MT.

### Something to think about...



## BLACK SEA & EU

Russian markets had a firm tone supported by strengthening domestic prices however offers were unchanged at \$247/MT.

Feb/Mar/Apr/May Price quotes French 11% protein \$240/241/244/244, German 12.5% protein \$243/246/250/252, Baltic 12.5% protein \$243/247/251/253, Russian 12.5% protein \$247/251/252/257.

Black Sea block trades: July contracts traded \$212/MT and August traded \$213.25/MT.

EU vessel lineup shows 909 kmt of wheat of which 823k is destined outside the EU.

## PENDING TENDERS

Jan. 24: Japan tenders for 102 kmt of milling wheat from the US, Canada, and Australia.



- Jan. 25: Algeria tenders to buy 50 kmt of optional origin durum wheat for LH Feb.-FH March.
- Jan. 29: Jordan tenders to buy 120k of optional origin milling wheat for April-May shipment.
- Jan. 29: South Korea tenders to buy 20k of Australian wheat.
- Jan. 29: Taiwan tenders to buy 55k of US wheat for March 29-April 12<sup>th</sup> shipment.
- Jan. 30: Turkey tenders to buy 300k of red milling wheat
- Jan. 31: Ethiopia tenders to buy 400 kmt of wheat.
- Feb. 3: Bangladesh issued a tender to buy 50 kmt of 12.5% milling wheat sought for shipment 40 days after contract signing.
- Feb. 10: Bangladesh issued a tender to buy 50 kmt of 12.5% milling wheat sought for shipment 40 days after contract signing.
- Feb. 11: Jordan tenders to buy 25 kmt of milling wheat for March shipment.
- Feb. 18: Syria tenders to buy 200 kmt of Russian milling wheat.
- Mar. 4: Syria tenders to buy 200 kmt of Russian milling wheat.

## FUTURES COMMENTS



U.S. wheat futures prices eased on a lack of fresh input (you've got to feed a bull market everyday after all ;-). Chicago finished the day down 4.50 cents and Kansas City was off 3.50, while Minneapolis settled 0.75 cents higher. The U.S. cash wheat markets had a weaker tone today and nearby spreads in both KC & Chicago settled lower. However, the bulls point to the U.S. & world balance sheets as justification for being long futures and cash. It's true, we need the business, if nothing more than to meet USDA's demand projection. So, being long KC calendar spreads still seems like the right thing to do, especially when you look at the Jul-Sep and Sep-Dec spreads, which are currently trading at full storage (assuming we will see reverse triggers of the

VSR in KC on both the March and May futures contracts).

Minneapolis futures and calendar spreads have found support from uncertainty surrounding China imports. Those in the trade are figuring Chinese buyers will more likely take U.S. spring wheat than any other class of wheat, assuming the POTUS can practice the art of the deal. So, despite spring wheat area forecasted to be higher in both the U.S. and Canada this year, China demand would ignite the market. As James W. Conway would say, "all in all", a lack of transparency in the cash markets, due to the government shutdown, has created volatility and opportunity for savvy traders.

Best regards,

Al, Emily & Jason Conway

Comments and questions are welcomed

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