



CASH WHEAT REPORT

Cash Wheat Market

The winter wheat harvest is finished & the grower sold the majority of the crop on the June-July rally. Now that the crop is put away & room is made for the fall harvest, it will be the function of the cash basis to pull wheat from the commercial trade. The HRW stocks in CME & the low protein HRW basis trading 40-50 ct/bu below DVE, will make it very difficult to narrow the calendar spreads; therefore, the basis will have to do the work.

The HRW export & domestic markets were stronger today low protein trading at the offer side at the gulf & domestic basis up 5-10 ct/bu on the low protein & up 30 ct/bu for 13% & higher protein. The SRW cash market has no life to it & no business opportunities. The cash carry should support the basis but there will be wheat which needs to move on the river prior to fall harvests, basis is unchanged today. The domestic spring wheat market is seeing near record yields in those areas tributary to the domestic market & delivery market. Basis was mixed today as mills have a full pipeline, but traders have to be worried about basis values going much higher over time. The PNW market has a lot of business tomorrow, Japan/Taiwan/CCC with Chile also asking for quotes; cash basis is unchanged except we failed to change SWW values yesterday, which were 15-20 ct/bu too high & the bids are down another 10 ct/bu today at 525-530 ct/bu.

There has been discussion about the KC/CHI spread & KCBT calendar spreads this week, & I suggest the two are tied together & need clarification.

KCBT calendar spreads & VSR:

- 10.5% protein cash basis suggests KCBT calendar spreads will trade full carry
- VSR can start with KWH8 contract which is currently trading beyond 100% of full carry with .00197 ct/bu/day (6 ct/bu/month) which will trigger VSR
- VSR rules however will take the KCBT back to .00165 (5 ct/bu/month) plus trigger goes to .00265 ct/bu/month (8 ct/bu/month) some incorrectly believe it is 9 ct/bu/month)
- Full carry H-K after trigger is: 18 days *.00197 +43 days *.00265 = 14.95 ct/bu storage + 2 ct/bu interest total 16.95 ct/bu full financial storage, close 14.75 ct/bu
- K-N is already trading the KWH trigger, 2nd trigger would be 18 days *.00265 + 43 days*.00365 = 20.47 storage + 2 ct/bu interest total 22.5 ct/bu full carry, close 17.75 ct/bu



Bottom-line there isn't much left in the KWH8-KWK8, or KWK8-KWN8 spreads, which are already trading as if there will be 2 VSR triggers, 1 on the KWH8 & 1 on the KWK8.

CME calendar spreads:

- Spreads are far from full carry, since their storage rate is already .00365 ct/bu/day (11 ct/bu/month).
- Low protein HRW in the CME delivery market will keep CME spreads near full carry since the cost of execution is 55-60+ ct/bu in barge freight.
- WH8-WK8 full carry is 22 ct/bu storage + 2 ct/bu interest = 24 ct/bu, close 13.75 ct/bu
- WK8-WN8 full carry is 22 ct/bu storage + 2 ct/bu interest = 24 ct/bu, close 10.75 ct/bu

KCBT/CME spread:

- There is very little room for KCBT calendar spreads to widen, but there is 10 ct/bu in CME WH8-WK8 & 13 ct/bu in WK8-WN8. Pushing CME front down.
- If CME trades 10-20 ct/bu premium to KCBT, HRW any protein can be delivered against CME contract, CME has no minimum protein requirement, KCBT is 10.5% protein.
- HRW is price competitive in the world wheat market & is/will buy demand against HRS/German/Baltic/FSU/Australia/Canadian wheat.
- SRW is more expensive than low protein HRW fob gulf.
- SRW quality doesn't meet most of the cheapest wheat buyers' specifications for protein or test weight.
- HRW b/s can buy demand & decrease stocks, & we believe it will meet or exceed USDA export forecasts.
- SRW b/s is not buying demand & stocks will increase, & may not meet USDA export forecasts.

Delivery stocks are out today, traders want to talk about record KCBT delivery stocks but CME stocks are huge as well.

Total wheat stock were 362 lower at the KCBT, 175 kbu higher at the CBOT, and 559 kbu higher at the MGEX last week.

Deliverable Stocks as of August 11, 2017				
Date	11-Aug	Wk Ago	Change	YR Ago
KCBT	125,219	125,581	(362)	111,936
CBOT	96,209	96,034	175	89,763
MGEX	21,118	20,559	559	26,659



Hard Red Winter

The HRW cash markets are firmer today. The spot closed up ten cents for 11's, up five cent for 12's, and up thirty cents for 13's & 14's. Harvest is over and folks have the wheat locked away, so if you want to buy it, you're going to have to pay up for it.

The Gulf traded ordinary protein HRW trains at +55 KWU for September twice and 11% protein trains traded at +80 KWZ for Nov/Dec. The break in the board has firmed the basis and helped HRW get in the conversation for optional-origin sales. There was a CCC tender announced for next Wednesday to Ethiopia; 76 kmt of HRW ords (30 kmt Sep 15-25 shipment, 46 kmt Oct 6-16 shipment).

Price= USD Destination Protein/Class FOB	C&F Comparisons				
	Origin				
	Germany	Baltic	Australia	US Gulf	US PNW
	12.50%	12.50%	APW/AH2	HRW	HRW
	\$199	\$197	\$253	\$186	\$197
Saudi Arabia (Jeddah) (60 kmt)	\$222	\$220	\$265	\$213	\$220
Saudi Arabia (Dammam) (60 kmt)	\$227	\$225	\$268	\$218	\$220

Price= USD Destination Protein/Class FOB	C&F Comparisons				
	Origin				
	German	Baltic	Argentina	French	US Gulf
	12.5%	12.5%	12.0%	11.0%	HRW
	\$199	\$197	\$190	\$191	\$174
Algeria (Algiers) (30 kmt)	\$218	\$216	\$224	\$210	\$203

KCBT total wheat stocks were lowered 362 kbu last week, led by a 402 kbu decline in Salina. Total KCBT wheat stocks are up about 12% from a year ago, at 125.219 mbu.

KCBT Deliverable Wheat Stocks				
Date	11-Aug	Wk Ago	Change	YR Ago
Hutchinson	29,783	29,703	80	30,589
KC	12,496	12,363	133	11,398
Salina	37,424	37,826	(402)	31,852
Wichita	45,516	45,689	(173)	38,097
Total	125,219	125,581	(362)	111,936

Gulf Track HRW 12% protein: Aug +145/155 KWU, Sep +150/160 KWU, O/N/D +150/170 KWZ, J/F/M +140/155 KWH8, A/M +130/145 KWK8. 11% protein Aug/Sep +70/NO KWU, O/N/D +80/NO KWZ, J/F/M +65/80 KWH8. Ordinaries bid +55 the option with no offers.



The KC spot market closed up 5-30 ct/bu depending upon protein.

ord	Premium		Change			Premium		Change	
	7 to	17	0	0		90 to	100	0	0
11.00	60 to	70	10	10	12.60	130 to	140	0	0
11.20	60 to	70	10	10	13.00	210 to	220	30	30
11.40	70 to	80	7	7	13.20	210 to	220	30	30
11.60	75 to	85	8	8	13.40	210 110	220	30	30
11.80	85 to	95	5	5	13.60	210 to	220	30	30
12.00	90 to	100	5	5	13.80	210 to	220	30	30
12.20	90 to	100	5	5	14.00	220 to	230	30	30
12.40	90 to	100	5	5					

Daily received/load-out from Kansas City (reported by CME, close of business 8/14):
Hutchinson: 4.547/0 kbu, KC: 47.013/151.392 kbu, Salina: 42.375/425.715 kbu, Wichita:
319.823/9.136 kbu.

Soft Red Winter

The CIF market is mostly steady, but has a weaker tone today. September bid/offer is +50/57 WU, while O/N/D is all bids with no offers. There is really no story with SRW, folks have the wheat tucked away where they need it ahead of row crop harvest and mills are comfortable with their pipeline.

CBOT total wheat stocks were up just 175 kbu last week, with gains on the Ohio River (313 kbu), in Toledo (261 kbu), Chicago (219 kbu), and St. Louis (91 kbu) offset by reductions on the Mississippi River (578 kbu) and in Northwest Ohio (131 kbu). Total CBOT wheat stocks are up 7% from a year ago, at 96.209 mbu.

CBOT Deliverable & Non-Deliverable Wheat Stocks				
Date	11-Aug	Wk Ago	Change	YR Ago
Chicago	9,057	8,838	219	10,294
Miss. River	18,584	19,162	(578)	14,821
NW Ohio	13,146	13,277	(131)	11,894
Ohio River	22,239	21,926	313	20,874
St. Louis	5,420	5,329	91	6,157
Toledo	27,763	27,502	261	25,723
Total	96,209	96,034	175	89,763
Non-Deliver	7,791	7,987	(196)	7,623
Net-Deliver	88,418	88,047	371	82,140

CIF barge bid/offer: Aug +35/50 WU, Sep +50/57 WU, Oct +45/NO WZ, Nov +50/NO WZ, Dec +55/NO, J/F/M +45/55 WH, A/M +35/NO, J/J +30/NO WN.



Elevator/Mill Bids: NW Ohio mill bids: Aug/Sep +0 WU, O/N/D +5 WZ; Chicago elevator: Aug/Sep -10 WU, Oct -20 WZ; Toledo elevator: Aug/Sep -10 WU, Jan -20 WH; Eastern Indiana mill: Aug +30 WU, Sep +35 WU, Dec +15 WZ, Jan +20 WH.

Daily received/load-outs from Chicago (reported by CME, close of business 8/14): Chicago: 141.186/0 kbu, MS River: 6.02/263.857 kbu, NW Ohio: 23.349/263.857 kbu, OH River: 57.468/8.309 kbu, St. Louis: 79.743/71.09 kbu, Toledo: 111.677/0 kbu.

Hard Red Spring

There are mixed reports on yields for HRS harvest, but I'd suggest the overall them is better than expected with 70-80+ bpa yields in the Red River Valley & western 1/3 of the ND seeing some 25-30+ bpa, where they expected 20+/- bpa.

There were 23 singles and one train for sale on the spot market today, with premiums closing 10 cents lower to 20 cents higher. 13.5% protein cars were bid unchanged on the high side at +60 MWU. 14% pro cars were offered up 5 ct/bu at +75 MWU on the low side and traded up 20 ct/bu on the high side at +100 MWU. 15% pro was offered down 10 ct/bu on the low side at +110 MWU and traded unchanged on the high side at +120 MWU.

Cash basis is below DVE, but lack of low protein & continued concerns about crop size may limit deliveries against MWU7.

MGEX total wheat stocks grew 559 kbu last week, led by a 436 kbu increase in Duluth/Superior. Total MGEX wheat stocks are down about 21% from a year ago, at 21.118 mbu.

MGEX Deliverable Wheat Stocks				
Date	11-Aug	Wk Ago	Change	YR Ago
Mpls	3,410	3,287	123	8,643
Duluth	17,708	17,272	436	18,016
Total	21,118	20,559	559	26,659

Daily received/load-out from Minneapolis & Duluth (reported by MGEX, close of business 8/14): Minneapolis: 66/3 kbu, Duluth: 55/0 kbu.

PNW

SWW barge bids were revised lower to reflect this week's market. PNW exporters are pricing regular tenders for Taiwan and Japan this week, as well as a CCC tender for SWW to Yemen for Sep-Oct shipments. LAM & SE Asia buyers are also asking for quotes. Exporters are not buying wheat, although we're in the midst of harvests. They wait with only a hope & prayer they'll buy at the end of harvest as landlords sell their share & farmers sell enough to cover bills.



PNW Track/barge bids:

Shipment Period	DNS 14%	HRW 11.5%	WW 10.5%
Aug/Sep	+110/110 MWU	+100/105 KWU	\$5.25/\$5.25/bu
Oct/Nov/Dec	+115/120/125 MWZ	+100/100/100 KWZ	\$5.35/\$5.30/\$5.35/bu

World Wheat News

GASC tenders for September 20-30 shipment. The U.S. could have a shot at it, if anyone is willing to sell it.

Price= USD Destination	C&F Comparisons								
	Origin								
	W. Aust.	PNW	Gulf	Gulf	Russia	Germany	Baltic	France	Argentina
Protein/Class	APW	SWW	SRW	HRW	12.5%	12.5%	12.5%	11%	12.0%
FOB	\$244	\$202	\$180	\$186	\$191	\$199	\$197	\$191	\$190
Egypt (Damietta) (60 kmt)	\$261	\$225	\$203	\$208	\$202	\$212	\$210	\$204	\$212

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%	12.00%	12.50%	11.00%	10.20%	11.00%	11.00%	10.20%
Protein (12% mb)	11.00%	11.00%	11.00%	10.50%	11.00%	9.68%	9.00%	9.68%	9.68%	9.00%
Sep	\$191	\$199	\$197	-	\$186	\$179	\$174	\$191	\$195	\$180
Oct	\$193	\$200	\$198	-	\$194	\$187	\$182	\$192	\$196	\$188
Nov	\$194	\$202	\$200	-	\$198	\$191	\$186	\$195	\$197	\$195
Dec	\$195	\$205	\$202	\$190	\$198	\$191	\$186	\$196	\$198	\$195
Jan	-	-	-	\$192	\$201	\$194	\$189	-	-	\$197

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%
Sep	\$243	\$258	\$241	\$192	\$201	\$198	\$284	\$288	-	-
Oct	\$244	\$259	\$242	\$200	\$209	\$202	\$290	\$294	\$278	\$279
Nov	\$245	\$260	\$243	\$200	\$209	\$201	\$292	\$296	\$278	\$279
Dec	\$245	\$260	\$240	\$200	\$209	\$202	\$294	\$298	\$279	\$281
Jan	\$246	\$261	\$241	\$203	\$212	\$205	\$295	\$298	\$280	\$282

South America

Argentine 11.5% protein & lower is becoming most competitive wheat into Africa, competing against French wheat for cheapest wheat buyers.



Origin	Month	Quality	Bid/Offer (\$USD/MT)
Bahia Blanca	Sep	11.5% pro	no mention
Argentine Upriver	Sep	11.5% pro	Seller 186
Argentine Upriver	New Crop Dec/Jan/Feb	12.0% pro	Seller 190/192/194
Argentine Upriver	New Crop Dec/Jan/Feb	11.5% pro	Seller 180/182/184

\$1 USD= AR \$17.11 Pesos

\$1 USD= R \$3.19 Reales

Canada

Cash basis is trying to work higher since growers sales have come to a halt after the break in flat price. Exporters have purchased 40%-45% of the new crop & had been working off of these procurements as they compete against each other for elevations. Harvest protein is running 14%+ & protein premium/discounts are disappearing. They continue to sell big discounts to NS/DNS.

Indications for CWRS 13.5% pro fob Vancouver are around +85 MWZ for O/N/D and +95 MWH for J/F/M, with a 5 cent premium for 13.8% protein and 10 cent discount for 13.0%.

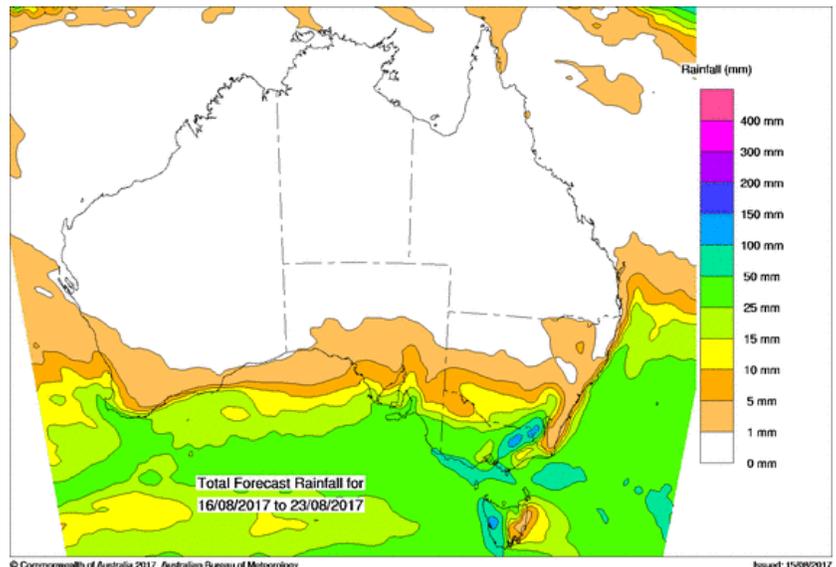
Production estimates are still 20-22 mmt maximum for non-durum production. Durum production estimates are 4.0-4.5 mmt maximum. The sources we trust the most are at the low end of these production estimates.

Indonesia flour millers purchased 25 kmt CWRS at \$320-325/mt c&f for November arrival.

Australia

Indicative offers for APW are around \$242-245/mt FOB WA for October and November, with around a \$3/mt discount for ASW and around a \$15/mt premium for AH2. SA quotes are around \$3/mt discount to WA.

Australia has received some much-needed rain over the past 2 weeks, but the driest areas of NSW still have missed most of it. Crop estimates have improved from 20-22 mmt to 21-23 mmt, but the drought in NSW & QSLD will result in increased domestic wheat feeding & very little exportable surpluses. Logistics are another problem with moving east





coast wheat stocks & the carryout is in growers' hands. Australian exports may be limited to 16-18 mmt this year verse 23.0 mmt this past year.

Rain remains in the forecast for parts of SA, VIC, and NSW, while WA & QLD remain dry.

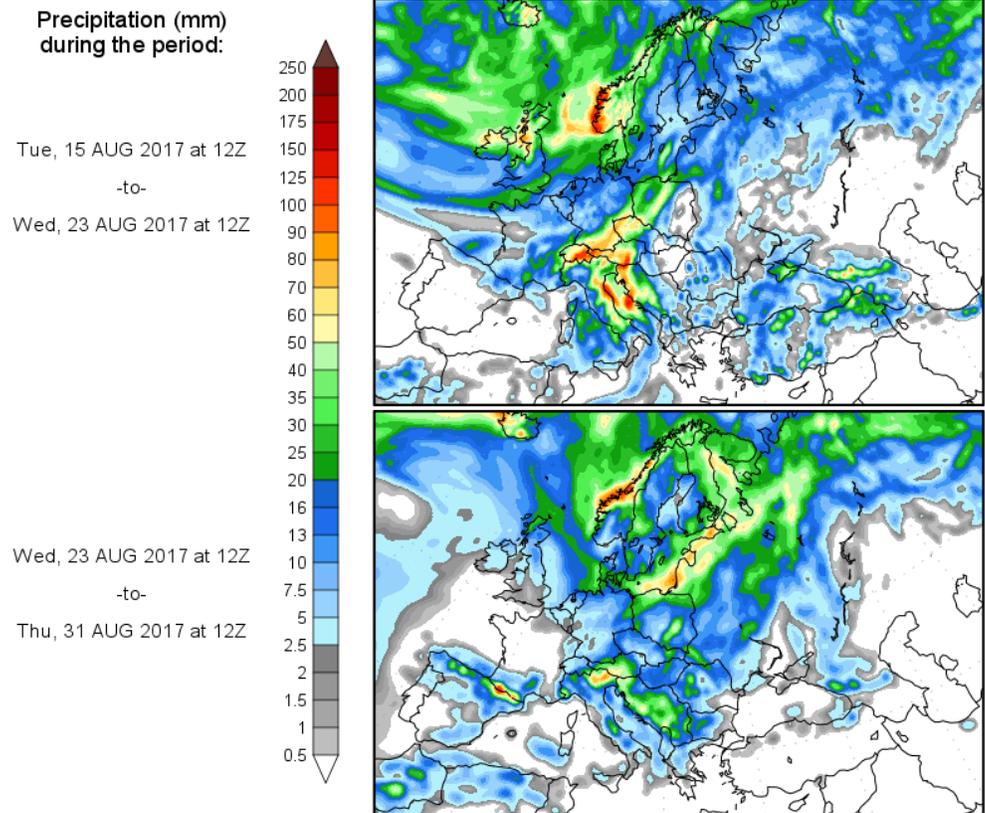
Black Sea & Europe

The Matif was closed up 0.50€ at 159.50€ for the September contract. FOB quotes Sep/Oct/Nov for Russian 12.5% pro: \$191/193/194/mt, French 11% pro: \$191/192/195/mt, German 12.5% pro: \$198/200/202/mt, Baltic 12.5% pro: \$196/198/200/mt.

IKAR has increased its wheat production forecast to 80.18 mmt, up from its previous range of 78-80 million and USDA's 77.5 million forecast. August exports are estimated at 3.6 mmt and weather permitting September will be as high or surpassing this volume. Russian FOB Novo and CPT export terminal values are weakening and protein premiums are widening between 11.5-12% proteins to \$16-17/mt with a \$1-2/mt carry August-October. Russia has harvested 43% of the planted area the percent of W4, W5, or less for this year compared to previous year for Krasnodar is 84% vs 90.7%, Stavropol 74% vs 81%, Rostov 87% vs 82%, Voronezh 92% vs 78%, and Volgograd 69% vs 60%.

Rain remains in the forecast for Germany over the next two weeks.

Precipitation Forecasts





Pending Tenders

- Aug 16: Taiwan tenders for 100 kmt of US wheat for Oct-Nov shipment.
- Aug 17: Bangladesh tenders for 50 kmt of milling wheat.
- Aug 17: CCC tender for 80.58 kmt ord. SWW to Yemen for Sept.-Oct. shipment.
- Aug 20: Iraq tenders for at least 50 kmt of AUS/US wheat.
- Aug 21: Bangladesh tenders for 50 kmt of milling wheat.
- Aug 23: CCC tender for 76 kmt of ordinary HRW to Ethiopia for Sep-Oct shipment.

Futures Comments

Wheat futures prices made new contract lows in Chicago and Kansas City today, closing 11.50 and 10.25 cents lower respectively. The KWH-KWK spread closed at 101% of full carry today. See comments in opening statement with reference to VSR triggers.

The market has been gut shot by USDA's WASDE report & Russian analyst discussing an 80 mmt Russian crop. However, can they export more than 30 mmt is the question. Sources suggest maximum capacity is 44-45 mmt WPAG & after a slow start & normal winter delays 40.5-41.0 mmt is the best estimate. Of this 10-11 mmt will be corn & barley, leaving 30-30.5 mmt for wheat exports. I don't know about you but we had that in the grid when the crop was 72.0 mmt.

The lower flat price of wheat & the import levy now in place on EU corn imports will increase the feed wheat demand in the EU, reducing exportable supplies. The drought in Australia will increase their feed wheat demand as well, reducing exportable supplies. Low protein supplies of EU/FSU/Australia/Canada/HRS will continue to push demand to HRW protein as the only replacement for 11%-12.5% protein on dry matter basis.

The market is making contract lows & out b/s would suggest the world c/o are at their minimum & there is no place to go with cuts in quality wheat supplies & increased demand for feed wheat keeps pushing demand back to the USA at some point. EU pace of exports suggests they're at risk of over exporting their supply which could be as low as 22 mmt +/- 1 mmt.

Isn't it time for a "dead cat bounce"? The major exporter c/o will be in Russia & USA, with USA the only origin with capacity to do more exports.

Best regards,

Al, Emily & Jason Conway

Comments, questions & criticism welcomed!