



# CASH WHEAT REPORT

## Cash Wheat Market

USDA shuffled the deck chairs in the “by class” US b/s, taking HRW & HRS exports each down 10 mbu & increasing SWW 20 mbu. We think they should have left them unchanged to up 10 mbu & SWW up 20 mbu+ as well. Winter wheat basis continues firm despite USDA’s shifting between classes. The action in futures market today suggests the trade sees thru some of the errors in USDA’s World & USA wheat balance sheets. Australian export forecast is 1.0-2.0 mmt too high, EU exports are 3.0-4.0 mmt too high, since the c/o cannot be drawn down to 10.0 mmt for all wheat. SG has c/o 16/17 at 11.1 mmt soft wheat plus 1.6 mmt Durum ttl 12.7 mmt. Exports in 16/17 were 24.12 mmt non-durum +1.15 mmt durum ttl 25.27 mmt vs USDA 27.3 mmt. There maybe some products, but their c/o doesn’t look right & therefore the exports are too high, in our opinion. Bottom-line, exportable supply is too high & some of this may be offset with an additional 2.0 mmt in Canada, but Australia may be 2.0 mmt to high on production.

<https://www.usda.gov/oce/commodity/wasde/>  
<https://apps.fas.usda.gov/psdonline/circulars/grain.pdf>

Trade Estimates for US 2016-17 Ending Stocks						
Grain (mbu)	September	Avg. Trade			August	Change
		Estimate	High Est.	Low Est.		
Corn	2,350	2,386	2,730	2,340	2,370	(20.00)
Soybeans	345	401	420	340	370	(25.00)

Trade Estimates for US 2017-18 Ending Stocks						
Grain (mbu)	September	Avg. Trade			August	Change
		Estimate	High Est.	Low Est.		
Wheat	933	920	943	875	933	-
Corn	2,350	2,180	2,420	1,898	2,273	77.00
Soybeans	475	442	524	375	475	-

Trade Estimates for USDA 2017-18 Corn and Soybean Production						
Grain (mbu)	Corn			Soybeans		
	Production	Avg Yield	Harvest Acres	Production	Avg Yield	Harvest Acres
USDA September	14.18	169.90	83.50	4.43	49.90	88.73
Avg. Trade Est	14.035	168.2	83.428	4.328	48.8	88.752
High Trade Est.	14.249	170.9	83.500	4.417	49.8	89.483
Low Trade Est.	13.878	166.7	83.100	4.179	47.1	88.200
USDA August	14.153	169.5	83.496	4.381	49.4	88.731



Today's USDA reports were all about corn and beans with very little changes made to the US wheat balance sheets. USDA adjusted US imports by increasing HRS by 5 mbu to 73 million and durum imports by 2 mbu to 45 million. The net change was subtracted from SRW imports which are now pegged at 15 mbu. All-wheat exports were left at 933 mbu however 10 mbu was subtracted from both HRW and HRS exports which was switched to white wheat demand which is now pegged at 205 million.

2017/18 US Wheat Balance Sheets (mbu)	USDA September	Cascade Commodity Consulting LLC.					
	All Wheat	All Wheat	HRW	HRS	SRW	WW	DUR
Carryin, JUNE 1	1,184	1,184	593	234	215	106	36
Production	1,739	1,740	759	365	306	259	51
Imports	150	140	6	68	15	9	42
<b>USDA By Class Imports</b>		<b>150</b>	<b>7</b>	<b>73</b>	<b>15</b>	<b>10</b>	<b>45</b>
<b>Total Supply</b>	<b>3,084</b>	<b>3,065</b>	<b>1,358</b>	<b>668</b>	<b>536</b>	<b>374</b>	<b>129</b>
Food Use	950	951	390	250	150	81	80
Seed	66	66	31	15	11	5	4
Feed-Residual	150	138	65	3	63	4	3
<b>Domestic Use</b>	<b>1,166</b>	<b>1,155</b>	<b>486</b>	<b>268</b>	<b>224</b>	<b>90</b>	<b>87</b>
<b>USDA By Class Domestic Use</b>		<b>1,166</b>	<b>495</b>	<b>266</b>	<b>217</b>	<b>100</b>	<b>88</b>
<b>Total Grain Exports</b>	<b>975</b>	<b>1,030</b>	<b>431</b>	<b>278</b>	<b>87</b>	<b>215</b>	<b>19</b>
<b>USDA By Class Exports</b>		<b>975</b>	<b>400</b>	<b>260</b>	<b>90</b>	<b>205</b>	<b>20</b>
Disappearance	2,141	2,185	917	546	311	305	106
Carryout, May 31	933	881	442	121	225	69	24
<b>USDA Carryout</b>		<b>933</b>	<b>453</b>	<b>131</b>	<b>236</b>	<b>90</b>	<b>22</b>

We wanted to point out that despite the huge crop in Russia 2017/18 major exporters carryout stocks are down 6 million MT YoY. Most of the market agrees that it doesn't matter how big Russia's production is their export capacity is 32-33 million MT. If we exclude Russia from the equation major exporter carryout stocks would be down 12 million MT. This may not influence this year's market but it will definitely impact world wheat prices and balance sheets for 2018/19. Looking ahead to 2018/19 our US ending stocks continue to be drawn down YoY, forecasted near 800 mbu, and compared to the 5-year average of 870-880 mbu.

CCC 2018-19 Balance Sheet	HRW	SRW	HRS	WHITE	DURUM	TOTAL	YoY Change
Carryin	442	225	121	69	24	881	(303)
Production	759	306	502	266	79	1,912	172
Imports	6	20	60	8	36	130	(10)
<b>Total Supply</b>	<b>1,207</b>	<b>551</b>	<b>684</b>	<b>343</b>	<b>139</b>	<b>2,923</b>	<b>(141)</b>
Domestic Use	491	216	268	92	89	1,156	1
Exports	393	85	281	197	15	971	(59)
Carryout	323	250	135	53	35	796	(84)



## Hard Red Winter

The cash basis worked higher today despite USDA cutting their export forecast 10 mbu. As mentioned in the opening statement with reference to Australia & EU export forecasts, the trade realizes the demand for HRW & SWW will increase going forward, but most of this Demand will come in the 3rd & 4th quarter. Today shippers / exporters don't care about competing & they realize the market will come to them, they don't need to go down & compete. USDA's September 29th final production & September 1 stocks report will be the more important report, & today the best demand for HRW is against storage income.

HRW is not competitive today against any extra ordinary demand at the gulf, but it does continue to buy demand against Australia on the PNW. HRW 12.0% protein traded at the offer today for O/N/D, +180 KWZ7 = \$228.50/mt fob Texas gulf. However, there is a shortage of 12% protein in the export & domestic market this year, plus 12% protein is needed to blend up lower protein to make 11.5% for the domestic & export market.

The domestic market closed unchanged today. The rally in the spot market over the past couple of weeks has taken the carry out of the spot market. We may need to see the same thing occur at the gulf.

O/N/D 12% protein trains traded at the Gulf for +180 KWZ.

Gulf Track HRW 12% protein: Sep +145/160 KWZ, Oct +170/185 KWZ, N/D +160/175 KWZ, J/F/M +160/170 KWH, A/M +155/165 KWK, and J/J +130/150 KWN. 11% protein: O/N/D +85/100 KWZ, J/F/M +75/85 KWH, A/M +65/80 KWK. Ordinaries bid +60 the option with no offers.

The KC spot market closed unchanged.

	Premium		Change		Premium		Change	
ord	-10	to 5	0	0	12.60	165 to 180	0	0
11.00	50	to 65	0	0	12.80	165 to 180	0	0
11.20	66	to 81	0	0	13.00	205 to 220	0	0
11.40	102	to 117	0	0	13.20	205 to 220	0	0
11.60	115	to 130	0	0	13.40	205 110 220	0	0
11.80	130	to 145	0	0	13.60	205 to 220	0	0
12.00	140	to 155	0	0	13.80	205 to 220	0	0
12.20	140	146 155	0	0	14.00	261 to 276	0	0
12.40	145	to 160	0	0				

Daily received/load-out from Kansas City (reported by CME, close of business 9/11):  
Hutchinson: 28.006/0 kbu, KC: 29.459/25.787 kbu, Salina: 62.554/408.81 kbu, Wichita:  
117.516/47.084 kbu.



## Soft Red Winter

There is not a lot of SRW moving in the country and it is becoming more difficult to buy. The domestic market is bidding 5-15 WZ for Oct/Nov with offers of +20 WZ. Northwest Ohio mills are bidding +15-20 the option for J/F/M/A/May. SRW planting intentions are expected to be unchanged to up slightly this year.

There were 72 receipts cancelled in Chicago yesterday and another 41 cancelled today, leaving 30 of the original 143 delivered on the September remaining, as Cargill took their receipts back.

CIF barge bid/offer: Sep +35/NO WZ, Oct +50/60 WZ, Nov/Dec +55/NO WZ, J/F/M +45/55 WH, A/M +40/NO WK, J/J +36/42 WN.

Elevator/Mill Bids: NW Ohio mill bids: Sep +0 WZ, Oct -5 WZ, Nov/Dec +5 WZ; Chicago elevator: Sep -20 WZ, Oct -15 WZ, Nov -10 WZ, Dec -5 WZ; Toledo elevator: Sep -20 WZ, Jan -17 WH; Eastern Indiana mill: Sep +15 WZ, Oct +20 WZ, Nov +25 WZ, Dec +30 WZ, Jan +25 WH.

Daily received/load-outs from Chicago (reported by CME, close of business 9/11): Chicago: 95.117/0 kbu, MS River: 0/73.954 kbu, NW Ohio: 11.371/63.126 kbu, OH River: 5.74/1.937 kbu, St. Louis: 54.12/0 kbu, Toledo: 25.01/0 kbu.

## Hard Red Spring

56 singles and two train were offered on the spot market today. 13.5% protein cars traded the high side down a dime at +50 MWZ. 14's traded down a nickel, at +75 MWZ of singles and +80 MWZ for a 14% protein train. The other train was 15% pro and traded the low side unchanged at +100 MWZ, while singles traded the high side unchanged at +115 MWZ. Mills report sufficient supply of wheat in their pipeline and the spot market has provided plenty of options to fill any gaps, so there is no need to push bids higher.

The latest test results from Great Plains Laboratories shows us where the protein is.

North Dakota HRS Protein Test Results						
Area	Average 2017	High 2017	Low 2017	Average 2016	High 2016	Low 2016
SW	16.01%	17.50%	14.66%	14.81%	16.14%	13.29%
SE	14.93%	17.22%	13.34%	13.83%	15.94%	12.37%
NW	14.74%	16.06%	13.50%	14.05%	15.62%	12.83%
NE	14.11%	15.96%	12.61%	14.17%	15.05%	12.65%
South Dakota HRS Protein Test Results						
Area	Average 2017	High 2017	Low 2017	Average 2016	High 2016	Low 2016
SE	13.69%	15.35%	12.04%	14.25%	16.15%	13.13%
NW & NE	15.06%	17.24%	12.19%	13.96%	14.89%	13.27%
Minnesota HRS Protein Test Results						
Area	Average 2017	High 2017	Low 2017	Average 2016	High 2016	Low 2016
All State	13.96%	16.45%	10.07%	14.05%	15.99%	12.62%
Montana HRS Protein Test Results						
Area	Average 2017	High 2017	Low 2017	Average 2016	High 2016	Low 2016
Eastern	14.93%	17.12%	13.15%	14.37%	18.20%	12.56%
Western	15.20%	16.77%	13.06%	14.39%	16.50%	12.69%



There was one new delivery and four re-deliveries of HRS receipts in Duluth/Superior.

Daily received/load-out from Minneapolis & Duluth (reported by MGEX, close of business 9/11):  
Minneapolis: 95/6 kbu, Duluth: 203/1 kbu.

## PNW

Japan did announce a tender this week for 17.560 kmt WW, 14.125 kmt HRW 11.7% protein & 23.960 kmt NS 14% protein, plus 50 kmt CWRS & 33.6 kmt ASW. Grower sales continue at a slow pace, but exporters hope growers & shippers will need to make sales at the tail end of this harvests. The fob values continue to work higher as the flat price breaks & it has not been a result of higher elevation margins, but their way of adding risk premium since replacement values are unknown. SWW growers have been offering SWW equivalent to \$5.50/bu delivered Portland, but HRW growers & shippers have no offer & HRS shipper offers are 20+ ct/bu above the bids.

USDA increased SWW export forecast 20 mbu today in the WASDE report, which is now equal to our estimate. They lower NS/DNS exports 10 mbu, which we believe is a mistake, but time will tell.

FOB vessel quotes are up 10-15 ct/bu today across all classes of wheat &/or we're just catching up to the offers. Exporters are trying to cover costs of st/sf on the PNW which is 12-15 ct/bu depending upon the individual elevator tariff. Replacement from growers/shippers is the big unknown today.

We believe the PNW will be the beneficiary of the smaller Australian export program & we've been seeing this for several months as SWW export sales continue to outperform & Indonesia continues to buy 75 kmt cargos of HRW on a regular basis.

### PNW Track/barge bids:

Shipment Period	DNS 14%	HRW 11.5%	WW 10.5%
Sep	+130 MWZ	+130 KWZ	\$5.30/bu
Oct/Nov/Dec	+130/130/130 MWZ	+130/130/130 KWZ	\$5.30/\$5.30/\$5.30/bu



## World Wheat News

Trade Estimates for USDA World 2016-17 Ending Stocks					
Grain (mmt)	September	Range	Average Trade	August	Change
Wheat	255.83	257.50-259.00	257.57	258.56	(2.73)
Corn	226.96	225.10-229.10	227.99	228.61	(1.65)
Soybeans	95.96	95.50-98.00	96.80	96.98	(1.02)

Trade Estimates for USDA World 2017-18 Ending Stocks					
Grain (mmt)	September	Range	Trade	August	Change
Wheat	263.14	258.00-268.00	264.30	264.69	(1.55)
Corn	202.47	189.40-223.00	200.74	200.87	1.60
Soybeans	97.53	95.21-99.50	97.39	97.78	(0.25)

Changes USDA made to major exporter balance sheets from August to September.

USDA September WASDE 2017-18 Major Exporter Balance Sheets											YonY Excluding Russia
USDA (mmt)	Argentina	Australia	Canada	EU	Russia	Ukraine	Kaza	US	Total	YonY Changes	YonY Excluding Russia
Carryin	0.32	6.6	6.9	10.5	10.8	1.8	4.0	32.2	73.0	9.7	4.5
Production	17.5	22.5	26.5	148.9	81.0	26.5	14.0	47.3	384.2	(21.1)	(29.6)
Imports	0.0	0.2	0.5	6.5	0.5	0.0	0.1	4.1	11.8	2.0	2.0
Total Supply	17.8	29.2	33.8	165.8	92.3	28.3	18.0	83.6	469.0	(9.4)	(23.1)
Domestic Use	5.9	7.0	8.2	127.3	43.0	10.0	6.9	31.7	240.0	(1.2)	(4.2)
Exports	11.5	18.5	20.5	28.5	32.5	16.5	7.5	26.5	162.0	(2.1)	(6.8)
Carryout	0.43	3.70	5.12	10.07	16.84	1.81	3.61	25.37	66.95	(6.04)	(12.04)

USDA WASDE Major Exporters Balance Sheet Changes from August to September										
USDA (mmt)	Argentina	Australia	Canada	EU	Russia	Ukraine	Kaza	US	Total	
Carryin		(2.4)		(0.6)					(3.3)	
Production		(1.0)		(0.7)	3.5				1.8	
Imports										
Total Supply		(3.4)		(1.3)	3.5				(1.5)	
Domestic Use		(1.0)	(0.2)		1.0				(0.5)	
Exports		(0.5)		(1.0)	1.0	0.5				
Carryout		(1.9)		(0.3)	1.5	(0.4)			(1.0)	

### Global demand changes:

- Indonesia imports were increased 500 kmt to 10.5 million due to larger consumption.
- Sudan imports increased 100 kmt to 2.6 million.
- Turkey imports were decreased 400 kmt to 5.0 million as production increased to 20.0 million.
- Iran imports were cut 700 kmt to 500 kmt due to ban on wheat imports.
- Iraq imports were increased 200 kmt to 2.7 million based on recent government purchases.
- Syria imports down 200 kmt to 700 kmt.



## 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%	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%
Oct	\$185	\$198	\$194	-	\$197	\$184	\$177	\$190	\$203	\$190
Nov	\$187	\$200	\$197	\$178	\$197	\$184	\$177	\$192	\$204	\$188
Dec	\$189	\$203	\$199	\$179	\$197	\$184	\$177	\$194	\$205	\$188
Jan	\$191	\$206	\$202	\$179	\$202	\$189	\$182	\$197	\$205	\$192
Feb	-	-	-	\$181	\$202	\$189	\$182	-	-	\$192

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%
Oct	-	-	-	\$214	\$221	\$201	\$285	\$289	\$262	\$265
Nov	-	-	-	\$214	\$221	\$201	\$284	\$287	\$263	\$267
Dec	\$247	\$262	\$242	\$214	\$221	\$203	\$284	\$287	\$265	\$271
Jan	\$247	\$262	\$242	\$215	\$222	\$203	\$286	\$290	\$269	\$275
Feb	\$248	\$263	\$243	\$215	\$222	\$205	\$286	\$290	\$269	\$275

## South America

Origin	Month	Quality	Bid/Offer (\$USD/MT)
S. Ports	Oct/Nov	10.5% pro	Seller \$170 (+\$13/mt for 12%)
Argentine Upriver	Old Crop October	11.5% pro	Seller \$173
Argentine Upriver	Dec/Jan/Feb/Mar	12.0% pro	Seller \$179/179/181/185
Argentine Upriver	Dec/Jan/Feb/March	11.5% pro	Seller \$173/173/176/179

\$1 USD= AR \$17.13 Pesos

\$1 USD= R \$3.10 Reales

## Canada

FOB VC basis quotes for 13.5% protein. Nov +80Z, Dec +80Z, Jan +75H & Feb/Mar +80H.

## Australia

Indicative offers for APW are around \$242/mt FOB WA for Dec/Jan, with around a \$2-3/mt discount for ASW and around a \$15-20/mt premium for AH2. SA quotes are around \$3/mt discount to WA.

USDA updated its 2016-17 Australian balance sheets after adopting ABS 2015-16 wheat production number. 2016-17 adjustments included a 3.4 mmt reduction to supply, 200 kmt cut in domestic use and 800 kmt reduction to exports. We do not agree with USDA's new crop



Australian wheat b/s as we still believe they are too high on exports and are drawing down carryout stocks to a record low. USDA also reduced wheat feeding instead of exports to compensate for the lower carry-in and reduced production. We have heard that wheat feeding is expected to be unchanged YoY as the tight barley b/s has it trading a premium to wheat.

Australia 2016-17 MY Changes			
USDA (mmt)	September	August	Change
Carryin	3.8	5.6	(1.8)
Production	33.5	35.1	(1.6)
Imports	0.2	0.2	-
Total Supply	37.5	40.9	(3.4)
Domestic Use	7.8	8.0	(0.2)
Exports	23.2	24.0	(0.8)
Carryout	6.5	8.9	(2.4)

## Black Sea & Europe

The Matif was closed up 0.50€ at 159.50€ for the December contract. FOB quotes Oct/Nov/Dec for Russian 12.5% pro: \$185/187/189/mt (11.5% pro \$10/mt discount), French 11% pro: \$189/191/193/mt, German 12.5% pro: \$197/199/202/mt, Baltic 12.5% pro: \$193/195/197/mt.

## Pending Tenders

September 13: Jordan tenders for 100 kmt of optional-origin milling wheat.

## Futures Comments

U.S. wheat futures collapsed immediately after the WASDE report was released, led lower by an apparent bearish corn & soybean balance sheet, only to rebound soon after and close up 7.25 cents in Chicago and up 7.00 in Kansas City. As we examined yesterday, corn appeared to be priced right and given today's USDA changes (increasing the carryout to use ratio from 15.9% to 16.4%) it is still in the ballpark and showing limited downside. So, we still see wheat as the underpriced commodity here, provided we see strong export demand for winter wheat (USDA lowered HRW exports 10 mbu and increased SWW exports 20 mbu). Minneapolis finished 0.50 cents lower on the day and appears to be range-bound trading between 626 and 658. There is still the lingering fear of a high protein wheat shortage, which is supporting the Minneapolis inter-market spreads. If we believe wheat is underpriced and corn supply is growing, then wheat-corn spreads are something to consider.

Best regards,

Al, Emily & Jason Conway

Comments, questions & criticism welcomed!