



CASH WHEAT REPORT

Cash Wheat Market

The cash market is still in shock from USDA's report on Friday & we must admit we were wrong about the stocks & acreage report as well. There is a large range in how analyst have broken out the stocks by class on this report, & we're still making adjustments ourselves by class. USDA released their details in their by-class usage this PM, only making change to the feed/residual & didn't touch the food usage. USDA will get more flour information & make possible changes in their February report. The acreage number was perhaps the biggest surprise & is still being debated, but someone mentioned when you have wheat area at 100 year low, how much lower can it go. USDA will come out with estimates on production with their February Outlook report for new crop.

The larger stocks & winter wheat area now has cash traders & shippers guessing how much old crop wheat needs to move prior to harvest, but the drop in futures is not encouraging growers to sell & poor crop condition ratings has shippers willing to wait to see how the crop looks coming out of dormancy.

Our 18/19 balance sheet looks like this after USDA's report. We are not factoring anything more than average conditions.

2018-19 Wheat b/s	HRW	SRW	HRS	SWW	Dur
Carryin, JUNE 1	472	230	166	68	40
Acres Harvested(Mln)	17.84	5.01	10.77	3.41	2.29
Yield	40.4	63.6	45.3	73.9	45.1
Production	721	318	488	252	91
Imports	6	20	60	8	36
Supply	1,199	568	714	327	167
Seed	26	11	15	4	4
Food Use	375	150	245	83	80
Grain Exports	374	110	281	176	11
Non-Grain Exports	2			2	6
Feed-Residual	31	70	3	4	5
Disappearance	808	341	544	269	105
Carryout, May 31	392	227	170	59	62

The cash basis is called unchanged in the export market & exporters & domestic traders were seeing some queries today with the low flat price. The world market didn't follow US futures lower with Russian & Australian wheat unchanged to higher. USDA's report would say there is very little upside to US flat price until we start to price business into the world feed wheat market & /or into N. Africa over the next 30—60 days & until we get into the spring & see how winter wheat comes out of dormancy. Meantime, cash carry continues to be the biggest demand for US wheat & will continue to support the cash basis.



USDA released it by class wheat balance sheets today showing domestic use details that the WASDE did not show. The table below shows USDA's current estimate with feed residual reduced in HRW by 10 mbu, SRW by 5 mbu, and durum 5 mbu.

USDA January 2017-18 US Wheat Balance Sheet						
Wheat (mbu)	HRW	SRW	HRS	WHITE	DURUM	TOTAL
Carryin	589	215	235	105	36	1,180
Production	750	292	385	258	55	1,740
Imports	6	20	75	7	47	155
Total Supply	1,345	527	695	370	138	3,075
Food Use	385	150	250	85	80	950
Seed Use	27	11	17	4	3	62
Feed Residual	45	45	5	5	-	100
Domestic Use	457	206	272	94	83	1,112
Exports	405	90	245	215	20	975
Carryout	484	231	178	61	35	989

Wheat inspections were inline with average trade estimates totalling 13.5 mbu for the week ending January 11th.

USDA Grain Inspections for the week ending January 11, 2017					
Grain	Week Ending (1,000 bu)			Current	Previous
	11-Jan	4-Jan	YR AGO	YTD	YTD
Wheat	13,546	8,643	14,165	556,139	594,757
Corn	23,006	33,473	35,857	472,970	741,677
Soybeans	45,233	44,560	52,269	1,133,099	1,318,905
Sorghum	4,688	64	6,865	69,422	84,821

Wheat Inspected for Export by Class (1,000 bu)								
USDA Grain Inspections for the week ending January 11, 2017								
Grain	HRS	HRW	SRW	HWW	SWW	Durum	Mixed	Total
St Lawr Swy	-	-	-	-	-	-	-	-
Lakes	-	-	275	-	-	-	-	275
Atlantic	-	-	-	-	-	-	-	-
Gulf	862	-	2,857	-	-	-	-	3,720
Pacific	3,923	450	-	-	3,036	-	930	8,340
Interior	-	957	19	-	59	-	-	1,035
Total	4,785	1,408	3,151	-	3,095	-	930	13,369
Previous Week	239	4,917	1,160	-	2,297	-	-	8,613
Net Change	4,546	(3,510)	1,991	-	798	-	930	4,756

Hard Red Winter

The cash market was quiet but the tone remains firm as exporters find themselves logistically short & the same goes for the domestic users. There may be more reasons to expect some shipments going

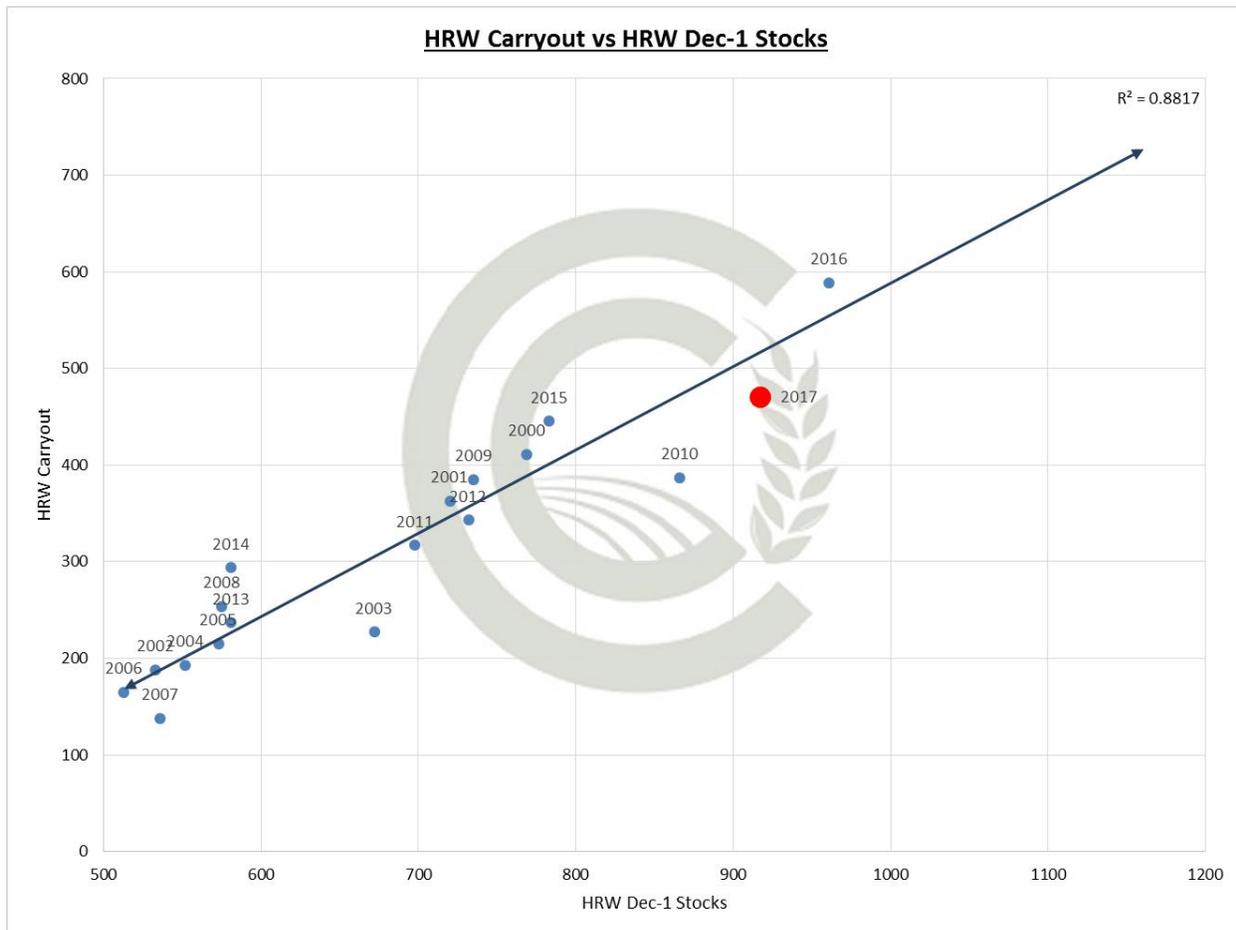


into the winter / spring season to make space for new crop. However, today there remains concerns about yields & harvested area with sub-zero temperatures over the weekend & lack of moisture.

Argentina is still cheapest wheat, but HRW has narrowed the gap in the past 2 days:

Algeria	Baltic 11.5%	French	German	HRW Jan	Argy
Futures	154.5	154.5	154.5	422	
Basis	7	5	9	85	
Currency	1.233	1.233	1.233	0.36745	
FOB \$	199.13	\$ 196.66	\$ 201.60	\$ 186.30	\$ 177.00
Frt \$	26.50	\$ 20.00	\$ 22.00	\$ 30.00	\$ 37.00
C&F	\$ 225.63	\$ 216.66	\$ 223.60	\$ 216.30	\$ 214.00

Our HRW Dec-1 stocks estimate is 917 mbu, with a carryout of 471 mbu. You can see where that stacks up compared to history in the chart below.





Gulf basis is unchanged with a very wide bid/offer spread:

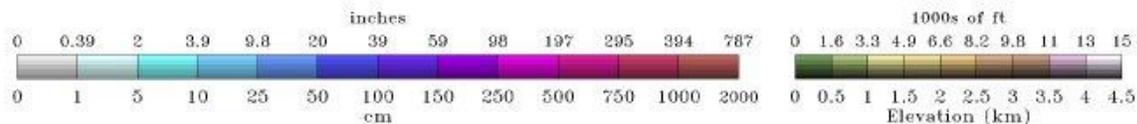
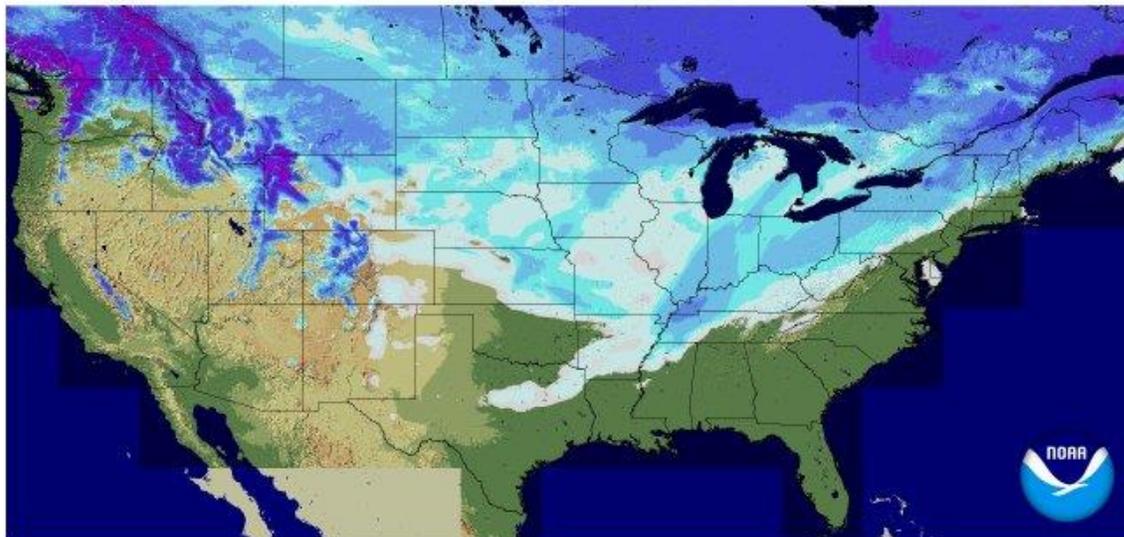
Gulf Track HRW 12% protein: Jan +220/240 KWH, Feb/Mar 218/225, A/M +200/210 KWK, and J/J +170/190 KWN, A/S 170/190, O/N/D 165/185 KWZ8; 11% protein: Jan +135/NO KWH, Feb 125/140, Mar 115/130, A/M +110/120 KWK, J/J +100/110 KWN, and A/S +100/110 KWU. 10.5% protein J/F/M +85/100 KWH. Ordinary protein J/F/M +85/100 KWH8.

Kansas City domestic market was up 2- 5 ct/bu on the low & mid- proteins:

ord	Premium		Change			Premium		Change	
	to					to			
11.00	90	105	5	5	12.60	225	240	0	0
11.20	120	135	0	0	12.80	225	240	0	0
11.40	147	162	2	2	13.00	255	270	0	0
11.60	157	172	2	2	13.20	255	270	0	0
11.80	177	192	2	2	13.40	255	270	0	0
12.00	182	197	2	2	13.60	255	270	0	0
12.20	205	220	5	5	13.80	255	270	0	0
12.40	205	220	5	5	14.00	270	285	0	0
12.40	211	226	0	0					

Frigid temperatures across the High Plains continues with sallow snow cover offering protection to winter wheat as temperatures dipped below zero degrees this morning. Sub-zero temperatures were reported in snow free areas in southwestern Kansas and northwestern Oklahoma. This week is forecasting snow to develop across the central Plains and upper Midwest.

Snow Depth
2018-01-16 06 UTC





Daily received/load-out from Kansas City (reported by CME, close of business 1/12): Hutchinson: 7.242/19.932 kbu, KC: 6.72/88.286 kbu, Salina: 1.976/3.402 kbu, Wichita: 127.914/36.908 kbu.

Soft Red Winter

The SRW cash markets were quiet, but not without inquiries. There is more interest gaining for Apr/May. The cif market is unchanged and the domestic market bids are some 15 to 20 ct/bu away from doing any business, with NW Ohio mills raising their bid a nickel to +15 WH. Nearby barge freight has eased, as boats were able to make it into the Illinois over the weekend. Folks are still reeling from USDA's SRW acres estimate, with virtually no one thinking acres would be up this year. The WH-WK spread came in a bit, up a quarter of cent, settling at a 13.50 cent carry (54.2% of full carry).

CIF barge bid/offer: Jan +55/NO WH, Feb +50/NO WH, Mar +50/NO WH, A/M +45/57 WK, J/J +38/47 WN, A/S +35/47 WU, O/N/D +45/NO WZ.

Elevator/Mill Bids: NW Ohio mills: J/F/M +15 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 1/12): Chicago: 0/0 kbu, MS River: 0.868/0 kbu, NW Ohio: 0/3.364 kbu, OH River: 0/0 kbu, St. Louis: 54.118/0 kbu, Toledo: 0/117.692 kbu.

Hard Red Spring

There were 28 singles and two trains offered on the spot market today. A 13% protein train was offered down 5 ct/bu, at +75 MWH, but did not trade. The other train was 14% protein and traded up 5 ct/bu at +120 MWH. Low side 15% pro singles traded down 15 ct/bu, at +185 MWH.

According to the Dec-1 stocks report, North Dakota farmers sold none of their on-farm stocks in the second quarter, leaving on-farm stocks unchanged at 138 mbu. Total sales, as of Dec-1, accounts for about 55% of the supply in North Dakota.

In Montana, second quarter farmer sales accounted for 11% of the total supply, bringing the total through Dec-1 to 54% of the supply. Minnesota Q2 sales were also 11% of the state's supply, making the total farmer sales through Dec-1 also 54%.

South Dakota farmers sold 2% of the total supply in Q2, making their total sales through Dec-1 59% of supply. So, for these spring wheat states combined, farmer sales accounted for 5% of the total supply in the second quarter, bringing the sales total to 55% of the supply through Dec-1.

Daily received/load-out from Minneapolis & Duluth (reported by MGEX, close of business 1/12): Minneapolis: 10/11 kbu, Duluth: 55/127 kbu.



PNW

Japan will tender this week for only 1 small cargo, combo NS/SWW for less than 25 kmt. Other SE Asia buyers are asking for quotes, but no business. The drop in futures should be making US a bit more competitive compared to Australian wheat, but the Canadian's continue to offer a very cheap basis to undercut US wheat & each other.

Cash basis at the ports are a strong since exporters are finding it more & more difficult to buy wheat from growers/shippers. Most of them will push their bid are the country level rather than show a better bid in town.

PNW Track/barge bids:

Shipment Period	DNS 14%	HRW 11.5%	WW 10.5%
Feb/Mar	+135/140 MWH	+165/170 KWH	525/530 ct/bu
Apr/May	+140/140 MWK	+160/160 KWK	530/530 ct/bu

World Wheat News

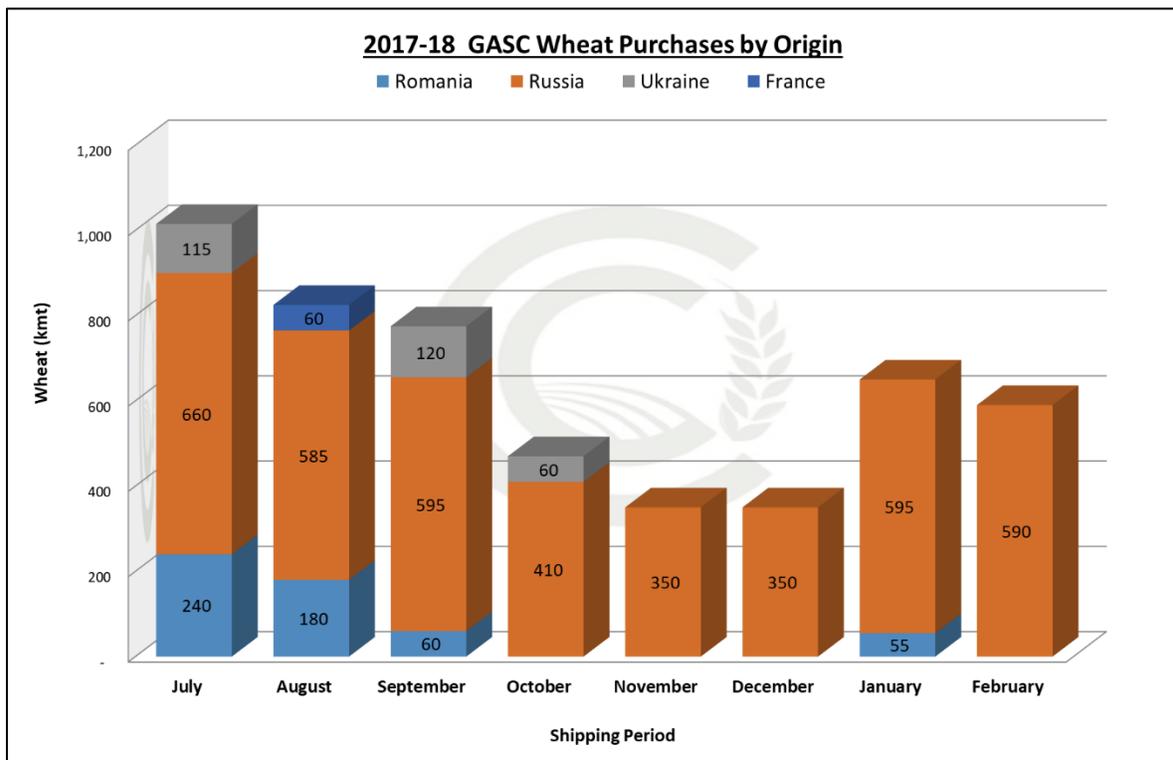
GASC tendered for February 18-28 shipment receiving its lowest offer at \$197/mt. Average Russian FOB offers were about \$2/mt higher than the previous tender. Final purchase was 295 kmt comprised of 5 Russian wheat cargos at an average purchase price of \$211.93/mt c&f.

GASC FOB Offers for Shipment February 18-28, 2018					
	Amount			Amount	
Russian	(kmt)	Price	Romanian	(kmt)	Price
GTCS	55	\$ 197.00	ADM	60	\$ 204.85
Union	60	\$ 197.70			
Union	60	\$ 205.00			
G. Logistics	60	\$ 197.95			
Daewoo	60	\$ 198.50			
Aston	60	\$ 199.45			
ADM	60	\$ 204.15			
Average		\$ 199.96	Average		\$ 204.85
Spread		\$ 8.00	Spread		\$ -
Previous Tender FOB Prices by Origin					
Average		\$ 198.08	Average		\$ 204.75
Spread		\$ 9.95	Spread		\$ -



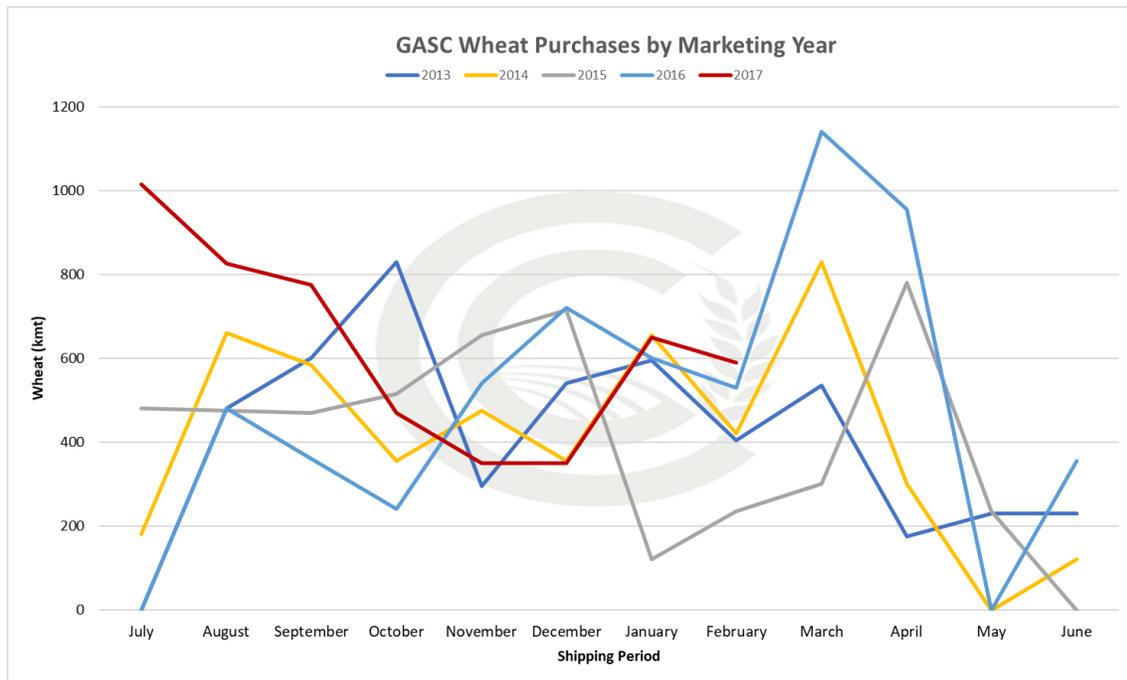
GASC purchased 295 kmt of wheat for February 18-28, 2018 Shipment						
Company	GTCS	AOS/Union	G. Logistics	Daewoo	Aston	Average
Origin	Russian	Russian	Russian	Russian	Russian	
Price	\$ 197.00	\$ 197.45	\$ 197.45	\$ 198.00	\$ 198.00	\$ 197.58
Quantity	55	60	60	60	60	
Freight	\$ 15.15	\$ 14.54	\$ 14.54	\$ 13.75	\$ 13.75	\$ 14.35
C&F	\$ 212.15	\$ 211.99	\$ 211.99	\$ 211.75	\$ 211.75	\$ 211.93

GASC wheat purchased by month and origin:





GASC wheat purchases by month and marketing year:



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	\$195	\$199	\$198	\$176	\$201	\$186	\$184	\$193	\$205	\$179
Mar	\$196	\$201	\$200	\$180	\$203	\$188	\$186	\$194	\$206	\$179
Apr	\$196	\$202	\$200	\$184	\$204	\$189	\$187	\$197	\$207	\$180
May	\$197	\$204	\$203	-	\$204	\$189	\$187	\$196	\$208	\$180

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	\$234	\$249	\$224	\$197	\$219	\$197	\$267	\$274	\$260	\$267
Mar	\$234	\$249	\$224	\$199	\$221	\$199	\$269	\$276	\$258	\$265
Apr	\$235	\$250	\$225	\$200	\$222	\$198	\$270	\$278	\$261	\$269
May	\$235	\$250	\$225	\$202	\$224	\$198	\$270	\$278	\$263	\$270

South America

Argentine wheat harvest is nearing completion with 98.5% harvested as of January 11th and averaging 3.21 t/ha. Buenos Aires average yields are overall better than the previous year where most of the crop suffered from water excess most of the year. BAGE reports 16.7 million MT of the crop has been



collected as of the report released on January 11th. We should expect the final crop report in the last half of the week.

Origin	Month	Quality	Bid/Offer (\$USD/MT)
Argentine Upriver	Jan	10.5% pro	No Mention
Argentine Upriver	Feb/Mar	11.0% pro	Seller \$174/176
Argentine Upriver	Jan/Feb/Mar	11.5% pro	Seller \$175/176/180
Argentine Upriver	Jan/Feb/Mar	12.0% pro	Seller \$177/180/183

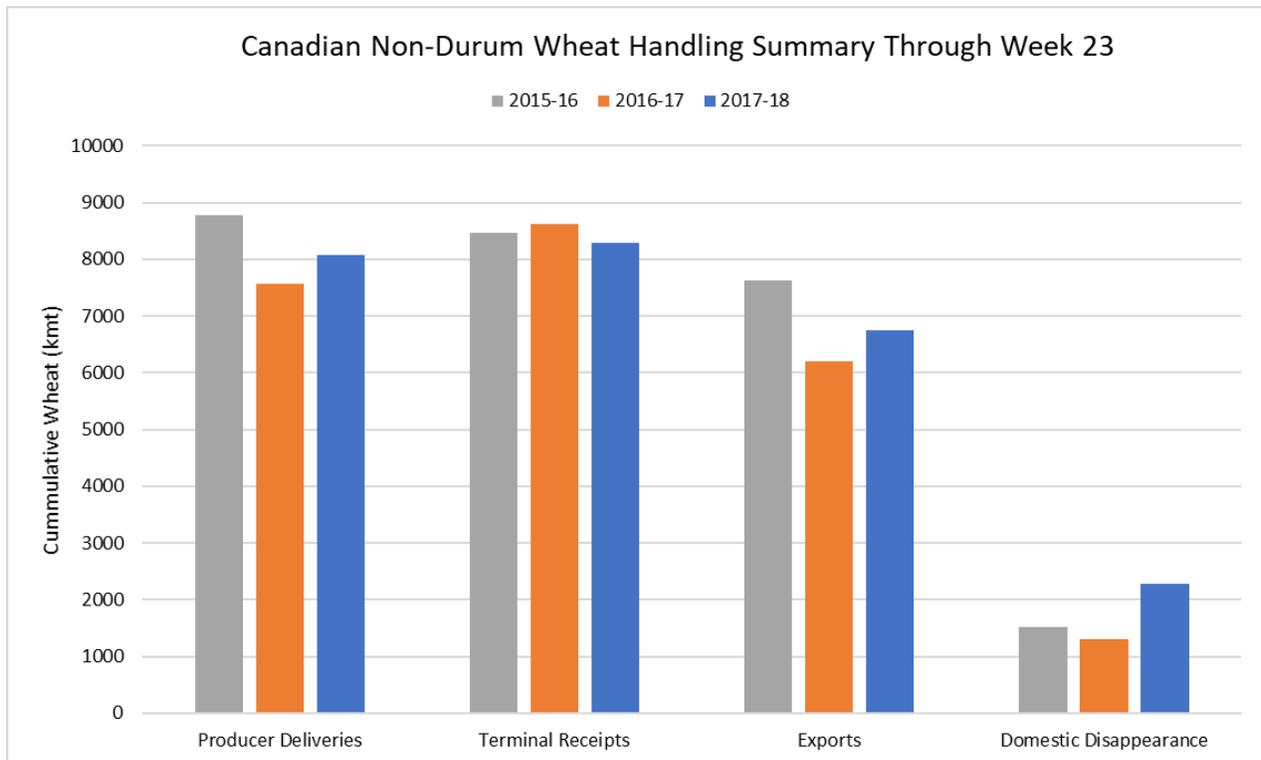
\$1 USD= AR \$18.93 Pesos

\$1 USD= R \$3.24 Reales

Canada

#2 CWRS fob Vancouver quotes Feb/Mar/Apr over the respective: 12.5% protein +35/40/40, 13.0% protein +55/60/60, 13.5% protein +90/95/95, and around a +20 cent premium for 13.8% protein.

The CGC reported producer deliveries for week 23 totalled 331 kmt, down from 445 kmt the previous week. Wheat exports were a MY low at 128 kmt taking YTD total to 6.74 million MT, up from the total in 2016/17 during the same time. Commercial stocks are at 3.07 million MT, increasing 200 kmt from last week as producer deliveries continue to outpace exports.

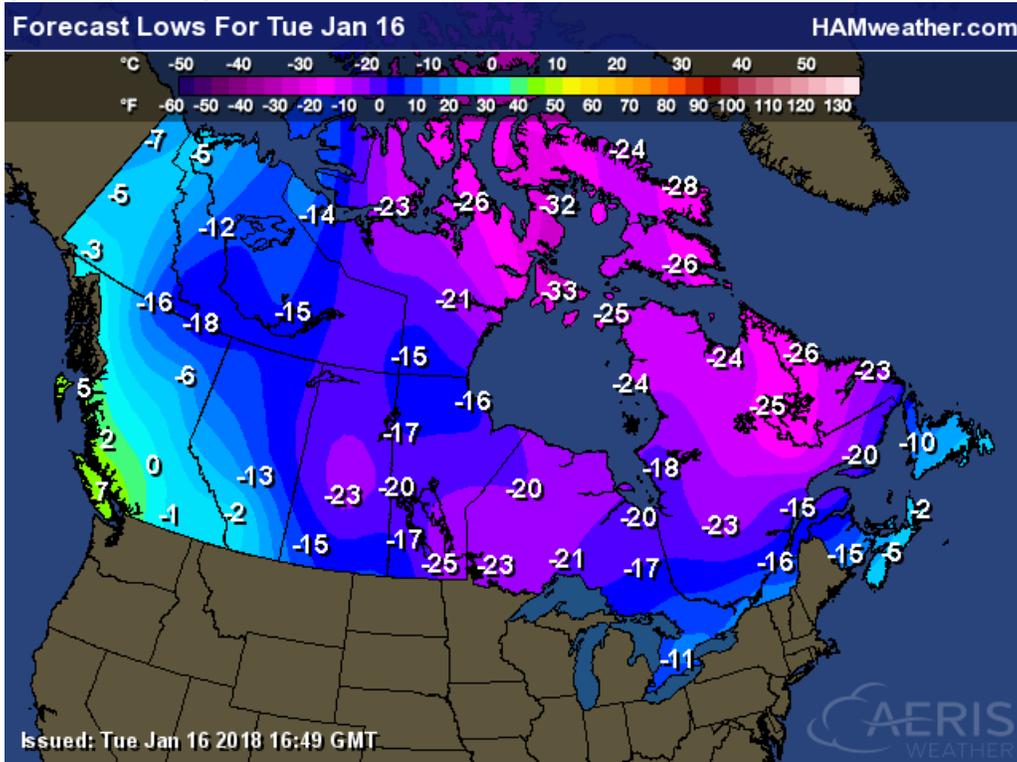




Canadian Primary Elevator Wheat Stocks Week 23					
Wheat (kmt)	Manitoba	Saskatchewan	Alberta	British Columbia	Total
Current Week	282.6	609.4	526.7	15.3	1,434.0
Last Week	274.0	570.8	572.2	13.9	1,430.9
WoW Change	8.6	38.6	(45.5)	1.4	3.1
2016-17	235.5	393.4	341.9	13.0	983.8
YoY Change	47.1	216.0	184.8	2.3	450.2

Canadian Terminal Elevator Wheat Stocks Week 23						
Wheat (kmt)	Pacific	Churchill	Thunder Bay	Bay & Lakes	St. Lawrence	Total
Current Week	384.8	29.5	256.2	156.0	719.8	1,546.3
Last Week	207.2	29.5	212.4	145.7	745.1	1,339.9
WoW Change	177.6	-	43.8	10.3	(25.3)	206.4
2016-17	196.1	29.5	141.8	191.7	486.9	1,046.0
YoY Change	188.7	-	114.4	(35.7)	232.9	500.3

Frigid temperatures continue to prevail across the Prairies causing grain movement to slow and hampering country loading.





Australia

Indicative offers for APW are around \$234-235/mt for Jan/Feb/Mar FOB WA, with around a \$5/mt discount for ASW and around a \$10-13/mt premium for AH2.

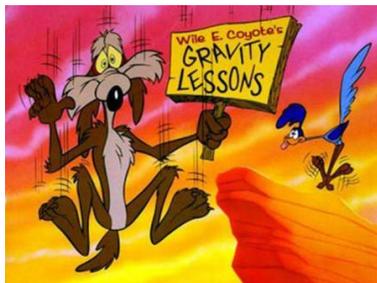
Black Sea & Europe

The Matif was closed down 1.75 € at 157.25€ for the March contract. FOB quotes Feb/Mar/Apr for Russian 12.5% pro: \$196/196/197/mt (11.5% pro \$10/mt discount), French 11.5% pro: \$195/196/196/mt, German 12.5% pro: \$200/202/204/mt, Baltic 12.5% pro: \$200/201/203/mt, Ukraine 11.5% pro: \$183/183/184/mt.

Pending Tenders

- Jan 16: Tunisia tenders for 92 kmt soft milling wheat and 75 kmt durum wheat for LH March-April shipment.
- Jan 17: Japan MAFF tender for 91.733 kmt of wheat from US, Canada, and Australia.
- Jan 17: Algeria seeks durum wheat for shipment in February-March.

Futures Comments



U.S. wheat futures settled lower today, with the market seeing follow-through selling after Friday's apparently bearish USDA report. Chicago closed down 4.00 cents, Kansas City down 3.75 cents, and Minneapolis closed down 1.25 cents. Traders are still in disbelief of USDA's 2018 winter wheat area estimates, with most in the trade expecting area to be down around 5% from last year. In turn, calendar spreads have been unwinding since the shock. Many traders, including us, had thought the reports would be supportive of the futures market. So, it will take some time for things to calm down. In the mean time, lower board prices are bringing in export inquiries and if we can get down to \$4.00/bu or less, then we should be able to get more business on the books.

Best regards,

Al, Emily & Jason Conway

Comments, questions & criticism welcomed!