



CASH WHEAT REPORT

Cash Wheat Market

Export sales were as expected in total, except for 30 kmt HRW to Morocco & 33 kmt NS/DNS to China were not expected, but were offset by 81.2 kmt cancelled by Korea. Iraq purchased a cargo of HRW, plus a cargo of Australian & Canadian wheat on their last tender. Why they paid the huge premium for HRW is anyone's guess & must be politically motivated. Otherwise the cash markets are quiet yet the basis continues firm as shippers realize they should sell nothing today, but rather carry wheat forward into new crop. This is the case for the winter wheat, while spring wheat shippers say they cannot buy wheat from growers, who still own 45%-50% of their crop. One trader said it best today, "you cannot buy it with a gun, but you cannot sell it either". Domestic traders are saying car loadings are going to drop, the mill pipeline will get drawn down, & basis will be forced higher over the next few weeks. Then we have the basis roll from trading over the March contract to the May contract, which almost always results in basis appreciation when we're in a carrying charge market.

Rail freight premiums over tariff for Feb/Mar are now driving cash basis higher & adding to the cash carry for shippers, with return freight trading at \$2000/car (54 ct/bu) today. HRW 12% protein rumored to have traded 25+ ct/bu above the recent bid, with no offers for Feb/Mar 11% protein, while the Kansas City domestic basis closed down 15 ct/bu on HRW 12% Protein after yesterday's big volume of cars were offered. Domestic spring wheat closed up 10 ct/bu for 1 train of 14% protein. The PNW saw 1 exporter sell both cargoes to Japan last night & cash values have a weaker tone today for the nearby positions.

Sales Summary (kmt)	Weekly Export Sales for Week Ending February 8, 2018						WoW Export Sales % Change
	Week's net chg in commitments		Total Commitments		Undelivered Sales		
	This Year	Next Year	This Year	Last Year	This Year	Next Year	
Wheat	311.1	110.8	21,115.2	23,935.0	4,898.8	400.9	-21%
HRW	131.2	35.4	8,533.7	9,657.8	1,796.6	87.8	8%
SRW	47.0	-	2,145.0	2,090.6	688.8	82.5	45%
HRS	109.6	45.0	5,521.2	7,574.0	1,423.3	110.6	42%
White	23.4	30.4	4,586.1	4,208.3	933.2	66.3	-83%
Durum	-	-	329.3	404.2	56.9	53.5	-100%
Corn	1,974.5	97.5	35,996.0	41,972.9	20,359.4	1,350.6	12%
Soybeans	640.4	197.1	44,822.6	51,738.3	8,773.1	1,231.8	-14%
Soymeal	210.0	-	7,671.1	7,097.9	3,766.4	160.8	31%
Soyoil	24.4	(0.8)	453.2	707.8	148.4	0.5	213%

Weekly wheat net sales of 311,100 metric tons for delivery in marketing year 2017/2018 were down 21% from the previous week and 2% from the prior 4-week average. Increases were for Japan (84,800 MT, including decreases of 4,300 MT), **Indonesia (83,300 MT, switched from unknown destinations)**, Taiwan (78,500 MT), Mexico (58,700 MT, including decreases of 25,700 MT), China (33,000 MT), and

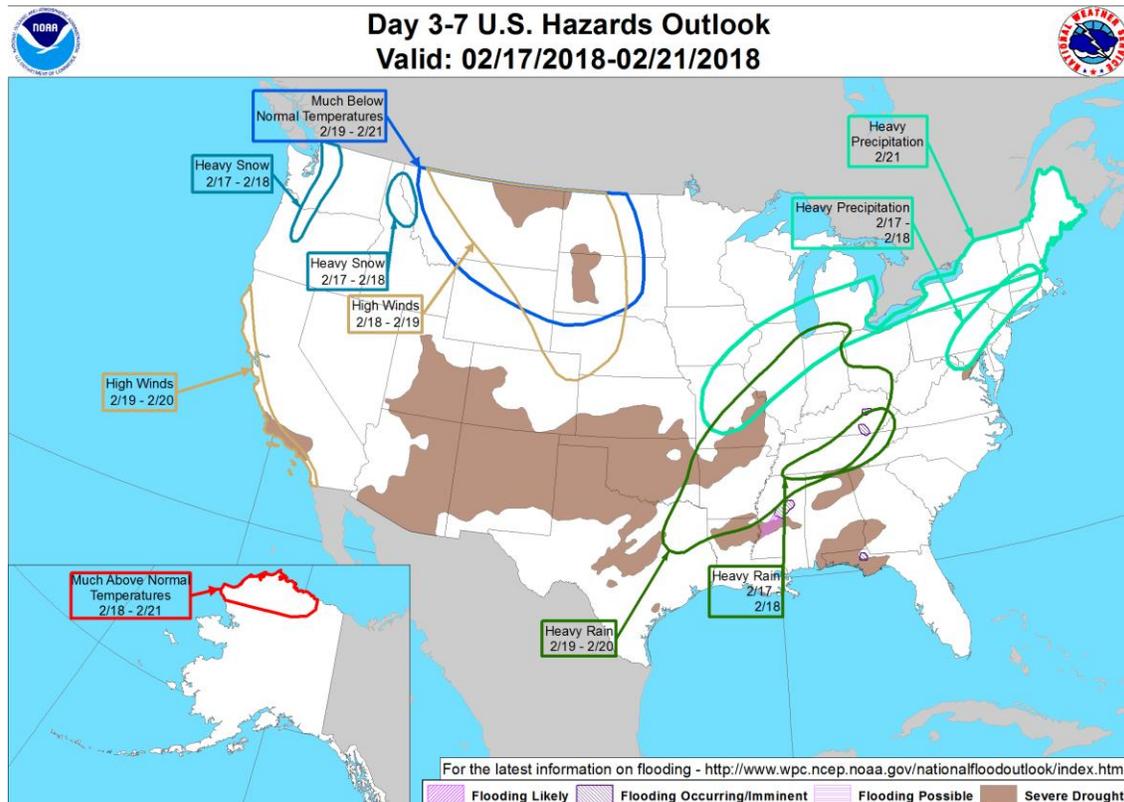


Guatemala (31,500 MT, switched from unknown destinations). Reductions were reported for unknown destinations (130,500 MT) and South Korea (81,200 MT). For 2018/2019, net sales of 110,800 MT were for South Korea (77,300 MT), Nigeria (20,000 MT), and unknown destinations (13,500 MT).

Weekly Export Sales for Week Ending February 8, 2018							% Sold		% Shipped	
Sales Summary	Weekly Sales	YTD Shipments	Outstanding Sales	YTD Commitments	USDA Demand Forecast	CCC Demand Forecast	USDA	CCC	USDA	CCC
Wheat	311.1	17,112.3	4,002.9	21,115.2	26,535.2	25,877.0	80%	82%	64%	66%
HRW	131.2	7,142.0	1,391.7	8,533.7	10,750.1	10,776.4	79%	79%	66%	66%
SRW	47.0	1,447.3	697.7	2,145.0	2,449.4	2,474.6	88%	87%	59%	58%
HRS	109.6	4,258.3	1,262.9	5,521.2	6,667.8	6,404.5	83%	86%	64%	66%
White	23.4	3,829.9	756.2	4,586.1	5,443.1	5,696.7	84%	81%	70%	67%
Durum	-	283.0	46.3	329.3	544.3	524.9	60%	63%	52%	54%

CCC YTD Shipments are based on weekly inspections data

Rains are falling across the Four Corner States while a cold blast has reached the Northern Plains. Warm, dry, windy conditions are spread across the southern Plains further reducing soil moisture reserves. In the Midwest warm temperatures and rainfall is rapidly melting snow cover increasing risks of flooding in southwestern Ohio, West Virginia, and southwest Pennsylvania. Temperatures in the South and eastern states are +4°F to +12°F above-average for this time of year exceeding 75-85°F.



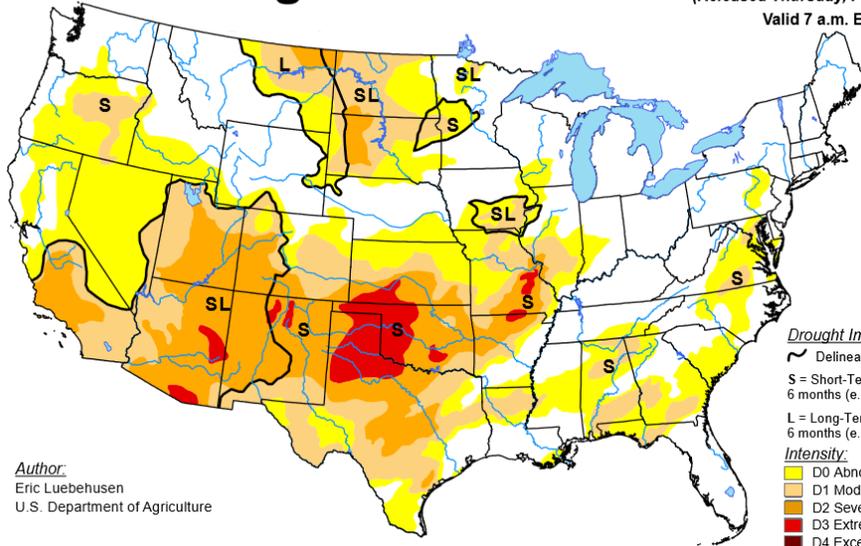
USDM revealed 42% of winter wheat production is within an area experiencing drought, down 3% from the previous week. Heavy rainfall eased or eliminated dryness and drought across much of the eastern,



southeastern, and southcentral US. Contrasting intensifying drought across the southern Plains and Southwest. Slight improvements was noted in Montana as snowfall relieved drought conditions.

U.S. Drought Monitor

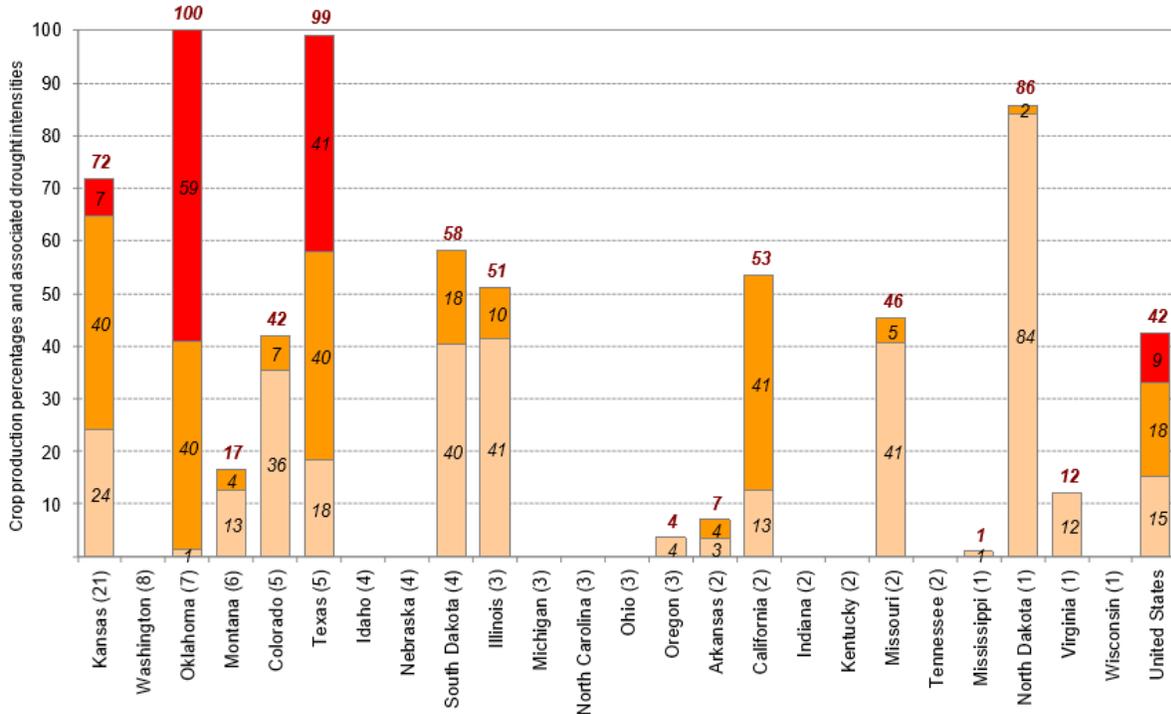
February 13, 2018
(Released Thursday, Feb. 15, 2018)
Valid 7 a.m. EST



Author:
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U.S. Department of Agriculture

Drought Impact Types:
~ Delineates dominant impacts
S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)
Intensity:
D0 Abnormally Dry
D1 Moderate Drought
D2 Severe Drought
D3 Extreme Drought
D4 Exceptional Drought

Approximate Percentage of Winter Wheat Located in Drought * February 13, 2018



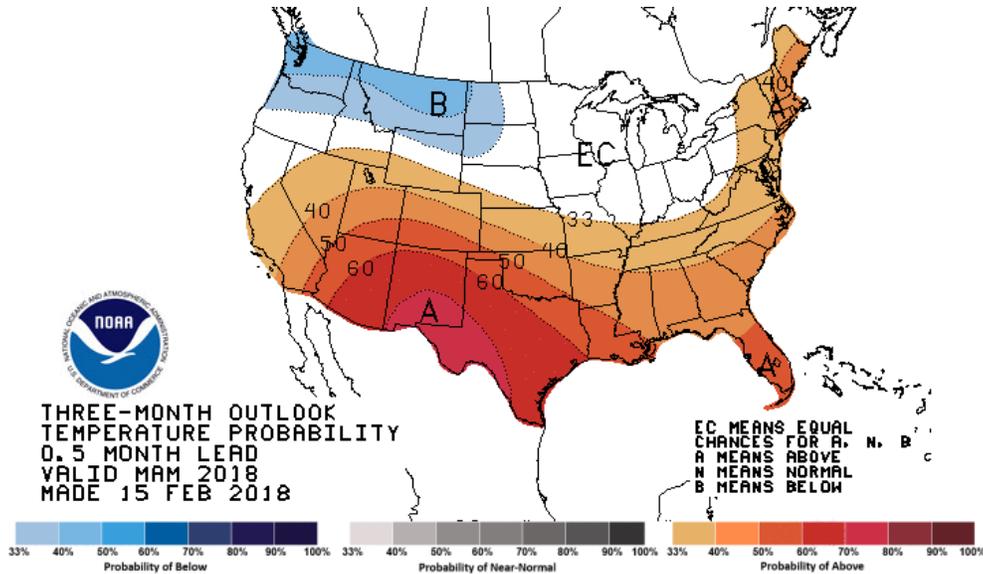
* Drought percentages were calculated from U.S. Drought Monitor (USDM) data for the above date. More information on the USDM is available at <http://droughtmonitor.unl.edu/>.

■ Percent in Moderate Drought (D1) ■ Percent in Severe Drought (D2)
■ Percent in Extreme Drought (D3) □ Percent in Exceptional Drought (D4)

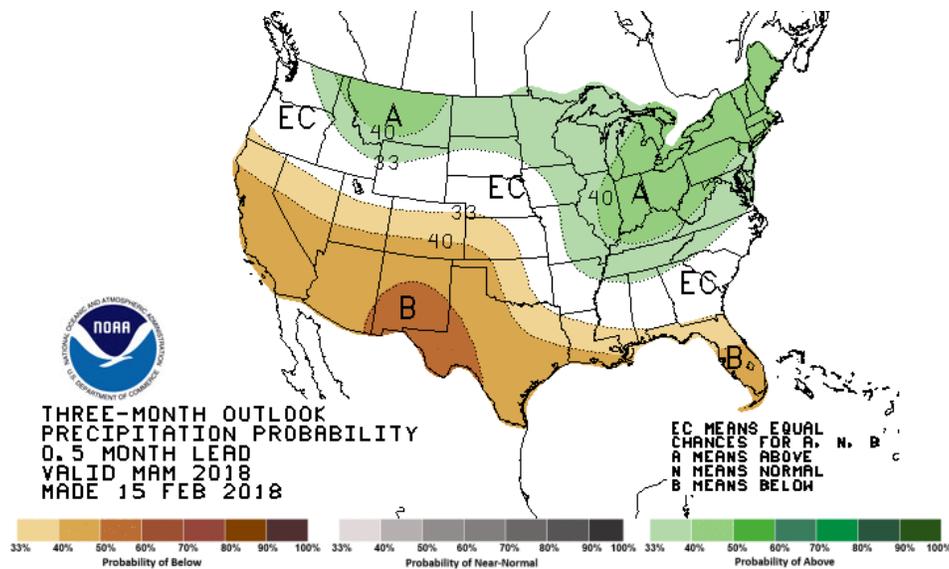
State contributions to national production (percentages in parentheses) are based upon National Agricultural Statistics Service (NASS) 5-year averages from 2006-2010. More information on NASS data can be found at <http://www.nass.usda.gov/>.



Three-month outlook (M/A/M) indicates 40-60% probability that the Southern High Plains, South, and Southeast will experience above normal temperatures while the Northwest and parts portions of the High Plains will have below normal temperatures.



Three-month outlook (M/A/M) indicates 30-40% probability that the parts of southwest High Plain and southwestern portion of the US will experience below-normal precipitation. This would suggest HRW in western Kansas to the Texas and Oklahoma Panhandle will not receive good spring rains. The Northern High Plains, upper Midwest, and Northeast will have above-normal precipitation alleviating drought conditions for SRW and spring wheat planting.





Hard Red Winter

A CCC tender for Ethiopia traded at \$205.94/mt fob or +76 KWK using yesterday's close, which is about 10 ct/bu below the rail bid!

The domestic market closed down sharply after a huge run of cars were on the spot market yesterday with 12% protein closing down 15 ct/bu. Domestic traders suggesting shippers will soon stop loading cars & the miller's pipeline will be drawn down, since more & more shippers realize they should be carrying wheat into new crop.

	Premium		Change		Premium		Change	
ord	75	to 90	0	0	12.60	195 to 210	0	0
11.00	105	to 120	0	0	12.80	195 to 210	0	0
11.20	125	to 140	0	0	13.00	205 to 220	0	0
11.40	125	to 140	-5	-5	13.20	205 to 220	0	0
11.60	125	to 140	-9	-9	13.40	205 to 220	0	0
11.80	135	to 150	-5	-5	13.60	205 to 220	0	0
12.00	145	to 160	-15	-15	13.80	205 to 220	0	0
12.20	145	to 160	-15	-15	14.00	205 to 220	0	0
12.40	160	to 175	0	0				

The HRW is priced too expensive today & is at risk of losing more export business. We cut our estimates last week after reviewing 3rd quarter exports & 4th quarter forecasts, but it looks like we need to drop them more. The impact should come in futures if the market needs to buy more demand, since the cash basis continues to be supported with the widening carry in KCBT calendar spreads, which are being driven by huge stocks of 10.5% & lower protein in the delivery market. The market is becoming more confident there will be a 2nd VRS trigger on the KWK8, taking the storage rate for KCBT to 11 ct/bu per month.

This doesn't mean we have to trade to full carry, obviously this isn't happening in CME where the storage rate is 11 ct/bu per month, but it increases the risk for spreaders in KCBT. Total crop size & cash basis for the 10.5% protein relative to DVE will determine the spread. I expect there will be deliveries on the KWH8 at current spread, maybe not new intentions, but the old receipts should be delivered.

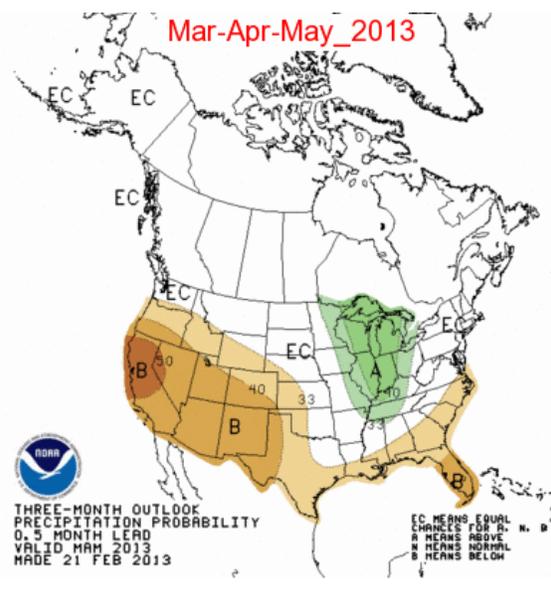
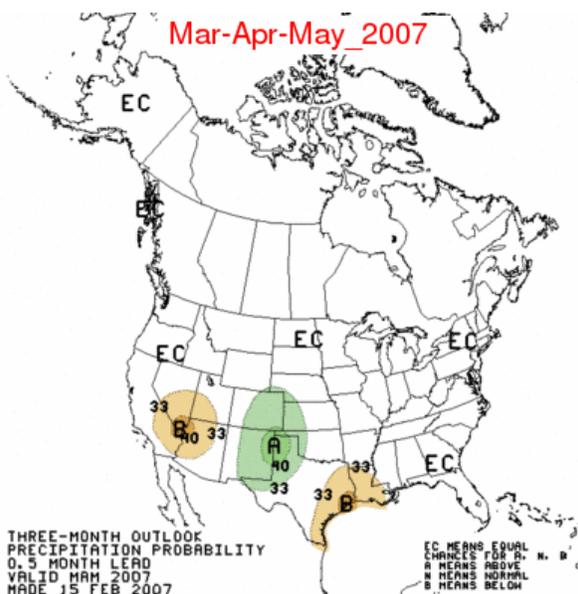
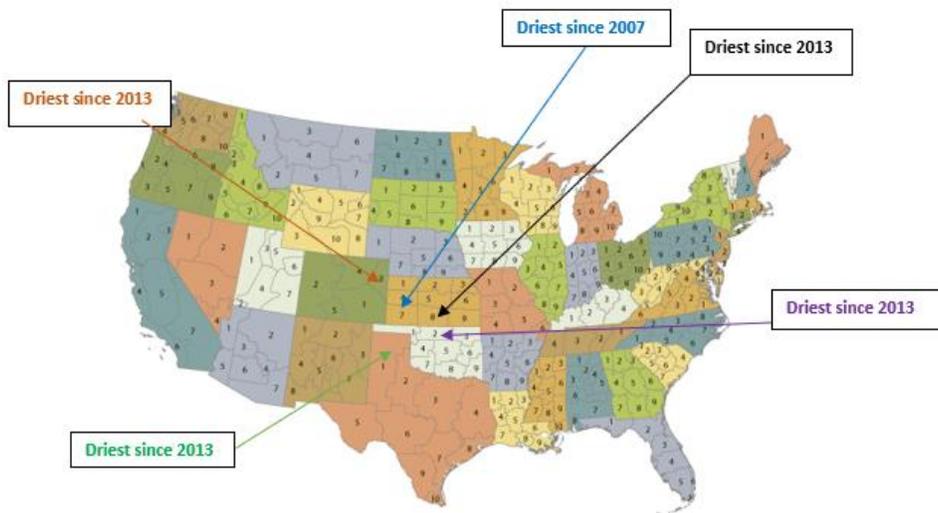
Shuttle freight rates are one of the many drivers for the cash basis in the export market, while the domestic traders more single cars or DET trains. An exporter needed a train of HRW 12% protein & the last bid/offer today was +230/+245 ct/bu KWH8 & rumored to have traded somewhere in the middle. The 11% protein offers have been pulled for Feb/Mar shipments & deferred bid/offer are unchanged after jumping 5 ct/bu yesterday.

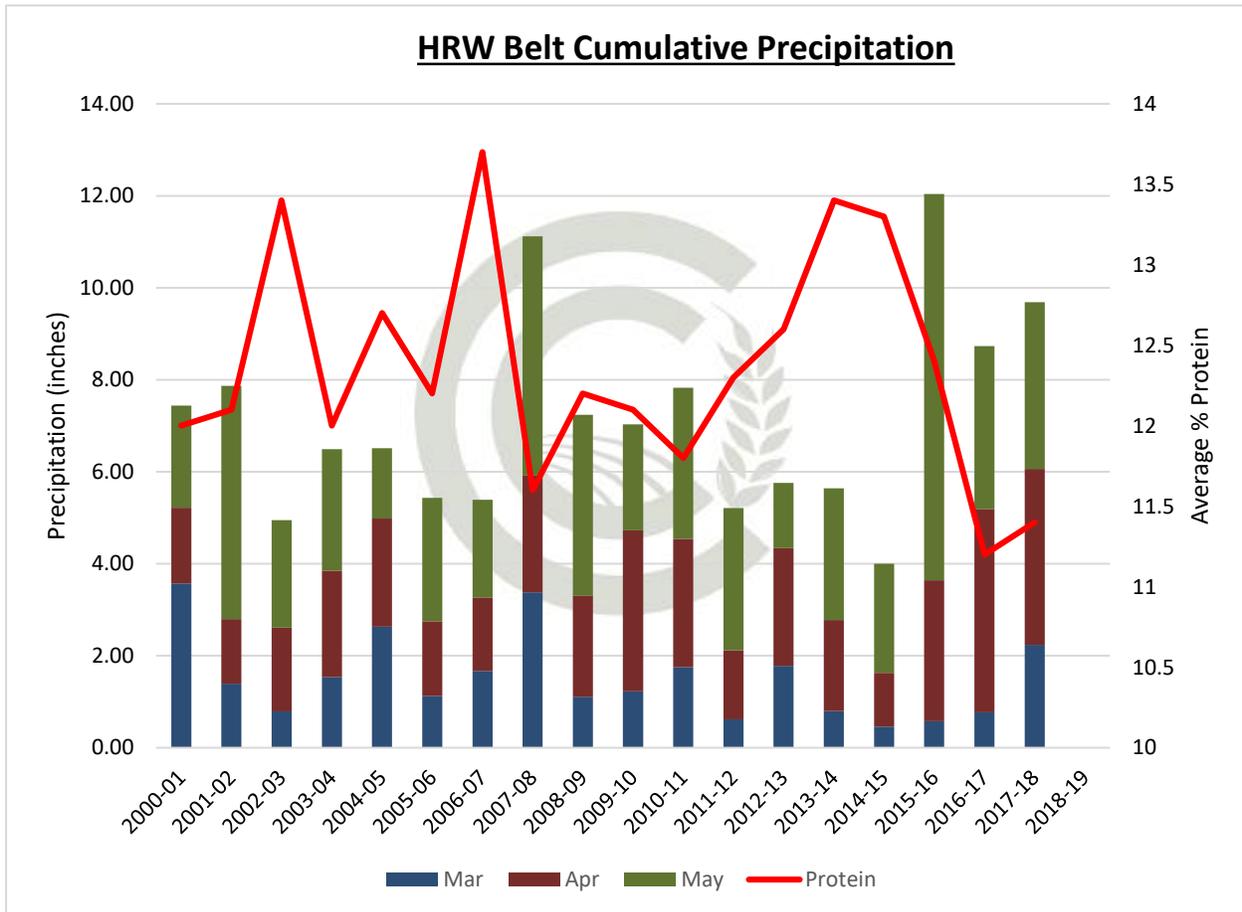
Gulf Track HRW 12% protein: Feb +230/245 KWH, Mar +200/220 KWH, A/M +180/200 KWK, J/J +150/170 KWN, A/S +145/165 KWU, O/N/D +150/180 KWZ, J/F/M +145/160 H19. 11% protein: Feb Feb/Mar 135/NO KWH, A/M +115/125 KWK, J/J +110/120 KWN, A/S +110/120 KWU, O/N/D +115/NO KWZ, J/F/M 110/115 KWH19, A/M +105/115 KWK19. Ordinary protein bids Feb +110/115, then are +90 the option forever.



Key HRW producing regions for October-January they have been since 2007 and 2013. I have attached those years' 3-month outlook for precipitation which showed in 2007 rainfall was forecasted in M/A/M to be normal across the HRW belt and above-normal in western Kansas, Oklahoma, and Texas. This recovered the HRW crop with percent harvested increasing 5% YoY and average yields jumped from 32.1 bpa to 37.2 bpa. In 2013, the HRW crop was not so lucky as the October-January drought continued into the spring months. The HRW crop percent harvested dropped 14% YoY to 69% and average yields were down 4.1 bpa to 36.6 bpa and the average protein was 13.4%.

Production	2006/07	2007/08	2012/13	2013/14
Kansas	285,376	275,286	370,440	314,678
Oklahoma	79,968	95,060	153,252	104,346
Texas	31,248	134,976	89,280	64,061
Colorado	37,107	85,235	72,304	38,713
Total	433,699	590,557	685,276	521,798
YoY Change		156,858	YoY Change	(163,479)





Daily received/load-out from Kansas City (reported by CME, close of business 2/14): Hutchinson: 11.244/437.359 kbu, KC: 19.326/0 kbu, Salina: 24.228/2.652 kbu, Wichita: 127.327/0 kbu.

Soft Red Winter

The SRW cash markets still have a firm tone. The CIF market has seen a fair amount of nearby business this week. About 0.50 mbu of HRW has traded basis NOLA at around +70-75 KWH for March and +70-75 KWK for Apr/May out of Chicago. In-port SRW barges traded today at an 8 ct/bu premium to February paper. Anyone who needs to move wheat on the river is paying a huge premium to buy barges away from corn & beans (not to mention the carry in the market ;-). Southeast mills are still showing demand for March SRW, with indications around +20-25 WH fob Chicago.

CIF barge bid/offer: Feb +62/NO WH, FH Mar +67/NO WH, Mar +62/75 WH, A/M +50/59 WK, J/J +41/47 WN, A/S +40/NO WU, O/N/D +50/NO WZ, J/F/M +45/NO WH9.

Elevator/Mill Bids: NW Ohio mills: F/M +15 WH, A/M +10 WK; Chicago elevator: F/M -5 WH; Toledo elevator: Feb/Mar -3/+0 WH, Apr/May -5/+0 WK, Jul/Aug -15 WN; Eastern Indiana mill: Feb/Mar +40/42 WH.



Daily received/load-outs from Chicago (reported by CME, close of business 2/14): Chicago: 2.191/16.424 kbu, MS River: 187.237/132.337 kbu, NW Ohio: 0.865/17.493 kbu, OH River: 71.456/77.843 kbu, St. Louis: 127.279/62.278 kbu, Toledo: 3.56/20.534 kbu.

Hard Red Spring

There was just one train offered on the spot floor today. The train averaged 14.35% protein and traded the high-side of 14's up 10 ct/bu at +135 MWH.

Daily received/load-out from Minneapolis & Duluth (reported by MGEX, close of business 2/14): Minneapolis: 6/6 kbu, Duluth: 17/0 kbu.

PNW

Japan purchased their 2 cargoes last night with 1 exporter selling both cargoes. A Philippines buyer purchased a cargo NS & WW this week for April shipment. Export sales showed China buying 33 kmt DNS, & Indonesia purchased 70 kmt HRW, switched from unknown destinations, but offset by 81 kmt cancellation by Korea. We will not have Japan tendering next week.

Exporters are trying to increase their elevations for wheat, since they can receive larger elevations for corn & soybeans. However, the blending of lower protein HRW with NS/DNS has been adding to the negative margins on NS/DNS & blending of low protein HRW with higher protein Montana wheat has added to margins for HRW 11.5% protein sales in the export market. However, exporters are realizing they don't need to give these margins away if they can get better margins selling corn/soybeans, which in turn will increase margins for wheat eventually. There is also some speculation about the amount of Canadian wheat which is coming down & blended with NS/DNS; we don't think this can be done without the consent of the importer.

PNW Track/barge bids:

Shipment Period	DNS 14%	HRW 11.5%	WW 10.5%
Mar	+130 MWH	+170/170 KWH	545 ct/bu
Apr/May	+135/135 MWK	+155/155 KWK	555/555 ct/bu

World Wheat News

- Iraq purchased 150 kmt of wheat in its tender issued on February 4th. The purchase three 50 kmt consignments from the US, Canada, and Australia.
- Jordan made no purchase in its 50 kmt tender to buy 50 kmt of milling wheat.



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%
Mar	\$200	\$212	\$210	\$187	\$227	\$212	\$210	\$207	\$208	\$199
Apr	\$201	\$213	\$210	\$190	\$229	\$214	\$212	\$205	\$209	\$199
May	\$202	\$215	\$213	-	\$229	\$214	\$212	\$206	\$210	\$199
Jun	\$193	\$217	\$214	-	\$234	\$215	\$213	\$208	\$212	\$200

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%
Mar	\$240	\$250	\$225	\$223	\$238	\$205	\$268	\$275	\$257	\$262
Apr	\$241	\$251	\$226	\$225	\$240	\$206	\$268	\$275	\$260	\$266
May	\$241	\$251	\$226	\$225	\$240	\$206	\$268	\$275	\$260	\$266
Jun	\$242	\$252	\$227	\$224	\$239	\$206	\$271	\$278	\$264	\$269

South America

Origin	Month	Quality	Bid/Offer (\$USD/MT)
Argentine Upriver	Feb/Mar	10.5% pro	No Mention
Argentine Upriver	Feb	11.0% pro	Seller \$181
Argentine Upriver	Feb/Mar/Apr	11.5% pro	Seller \$182/187/190
Argentine Upriver	Mar	12.0% pro	Seller \$190

\$1 USD= AR \$19.88 Pesos

\$1 USD= R \$3.22 Reales

Canada

#2 CWRS fob Vancouver quotes Mar/Apr/May over the respective: 12.5% protein +35/35/35, 13.0% protein +55/55/55, 13.5% protein +90/90/90, and around a +15 cent premium for 13.8% protein.

Australia

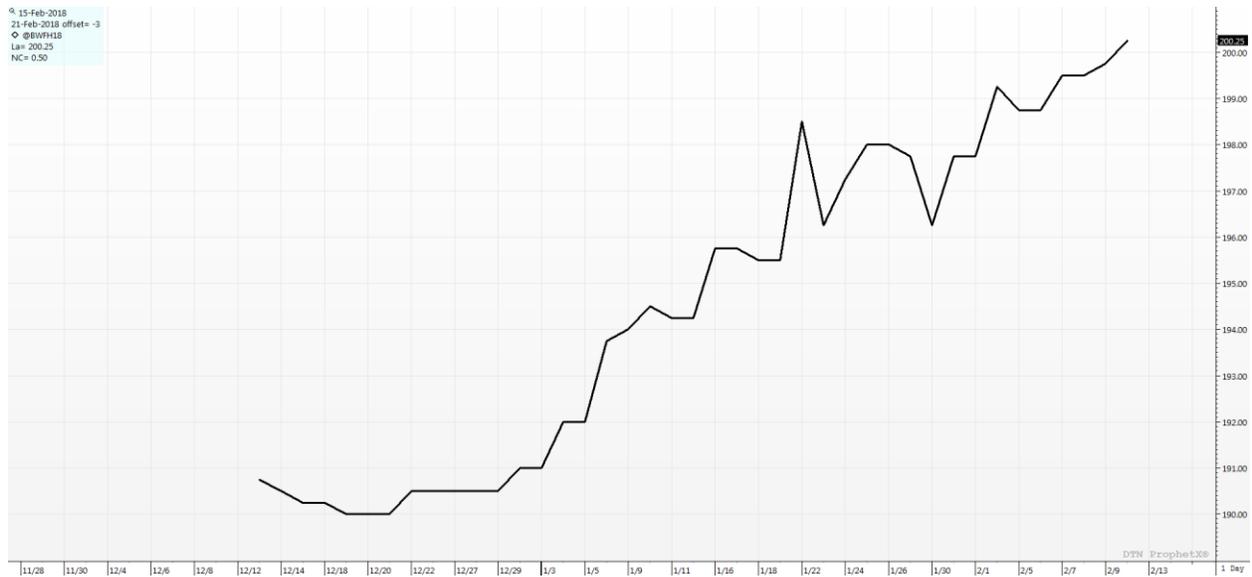
Indicative offers for APW are around \$238-\$240/mt for Apr/May FOB WA, with around a \$15/mt discount for ASW from WA, and around a \$30/mt premium for AH2. Australian fob prices have been trending higher since the start of the year (see graph on next page).



Black Sea & Europe

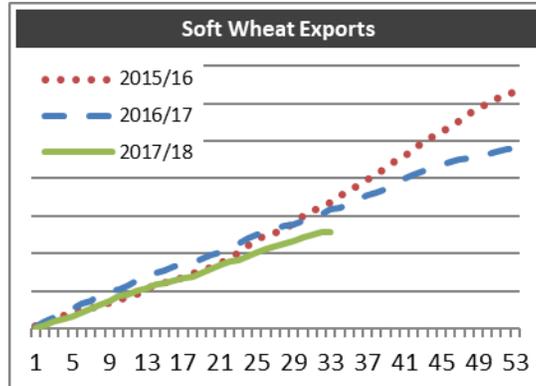
The Matif was closed up 0.75€ at 160.25€ for the March contract. FOB quotes Mar/Apr/May for Russian 12.5% pro: \$200/201/202/mt (11.5% pro \$7/mt discount), French 11.5% pro: \$207/206/206/mt, German 12.5% pro: \$211/213/215/mt, Baltic 12.5% pro: \$209/\$211/\$212/mt, Ukraine 11.5% pro: \$196/197/198/mt.

Russian fob prices have gone up about \$10/mt since the start of 2018. See graph below.





EU soft wheat exports were a mere 81.9 kmt for the week ending February 13th taking the total to 12.8 million, down 19% YoY. The chart below illustrates cumulative soft wheat exports.



Pending Tenders

- Feb 15: Japan's Ministry of Agriculture seeks 84.68 kmt of wheat from the US and Canada.
- Feb 21: Syria wheat tender for 300 kmt of wheat seeking April-June Shipment.
- Mar 13: Ethiopia tenders to buy 400 kmt of milling wheat.

Futures Comments



U.S. wheat futures prices found support from an expanding drought in the HRW belt and confirmations of Iraq purchasing a cargo of HRW, and so Kansas City led the way higher, closing up 8.25 cents. Chicago and Minneapolis followed suit, settling 6.00 & 5.50 cents higher respectively.

Nearby calendar spreads were unchanged in Chicago, at a 13.50 cent carry March-May (53% FC), down 0.25 cents in KC at 15.00 cent carry (99% FC), and up 2.00 cents in Minneapolis to a 10.25 cent carry (56% FC). There are five trading days remaining in the VSR calculation periods. Assuredly, full carry on the May-July spreads will be about 25 cents in Chicago and about 19 cents in KC. Working with this assumption those spreads are trading at 58% of full carry in Chicago and 92% of full carry in KC today. There are seven trading days left before first notice day, 124 receipts are currently registered for delivery in Toledo, 380 receipts in Wichita, 88 in Salina, 1,281 in Duluth/Superior, and eight in Minneapolis.

The trends continue: crop conditions & weather continue to support KC-Chicago spreads, an abundance of low protein HRW on a 10.5% protein contract keep KC spreads wide and suggest two VSR triggers, SRW cash markets support Chicago calendar spreads, but not enough to reverse the VSR, and deferred spreads trade 50 to 60% of full carry.

Best regards, Al, Emily & Jason Conway

Comments, questions & criticism welcomed!
Call 1-503-631-7578 or email aconway@cashwheatreport.com