



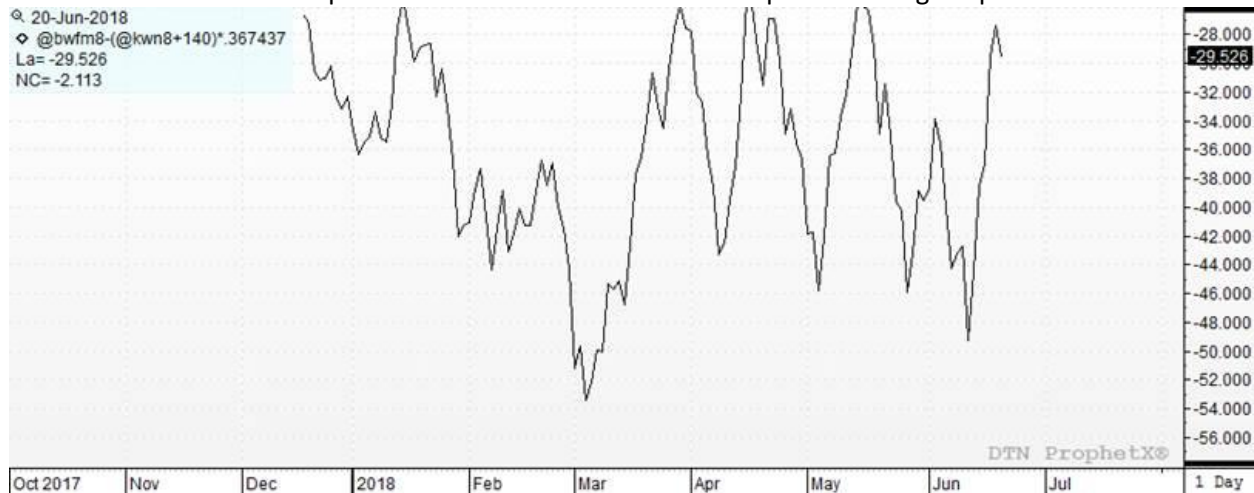
CASH WHEAT REPORT

Cash Wheat Market

HRW harvest was delayed with 2-4+ inches of rain across Kansas. No one is worried about quality at this time, but if it continues into next week there could be drop of test weight. Cash basis continues its firm tone, but traders are questioning the need to make space this fall after this rain event improves the row crop conditions. Domestic HRW basis closed up 5 ct/bu today in HRW. The domestic spring wheat basis closed mixed today with more demand for the lower protein cars, but buyers expect some selling pressure going into the summer months as growers realize they have a huge crop coming. The PNW got a surge of export demand today, with Korea announcing a tender for 2 cargos & CCC announced a tender next week for 111 kmt SWW for July 26-Aug 9 shipment to Yemen. Cash basis on PNW remains firm as exporters see more demand than grower sales at this time.

US wheat rally today stopped the narrowing of the world wheat price spread, just what the market doesn't need. Russian wheat values broke the \$200/mt mark today & were offered at \$198/mt. EU traders were suggesting the cash basis for HRW needs to break, but this just cannot happen. The introduction of the VSR storage rate continues to support the cash basis since as the demand for storage revenue is the best source of revenue for warehousemen. This leaves the futures market to do all the work of making US wheat competitive at some point. The smaller crop, the huge inventory of delivery wheat stocks, & dysfunctional freight structure within the delivery markets make it very difficult for a cash short to make delivery wheat work against their sale. The only option is much higher basis than the fundamentals of the b/s would suggest. As I told an EU trader today, an asset manager cannot make money with empty space & VSR carry forces them to fill all their space with wheat.

CME Russian NOVO 12.5% protein wheat contract vs HRW 11% protein FOB gulf spread:



HRW wheat just cannot compete & it continues to lose Nigeria & other African business. It cannot even compete against Canadian wheat into LAM ☹️



August	12.5% DMB	12%	12.50%	13.00%
Nigeria	HRW	German	Russian	CWRS
basis	135	-2		70
futures	505.75	178		563.25
Currency		1.1736		
fob \$/mt	\$ 235.44	\$ 206.55	\$ 198.00	\$ 232.68
Frt Sprd	\$ 27.00	\$ 27.00	\$ 25.00	\$ 25.00

HRW is not any better into Mexico, where it is losing business to Canada & Russia. Also, SRW had been losing to French.

Mexico	HRW	HRW	CWRS	Russian	Russian	French	SRW
Veracruz	11.0%	11.50%	12.50%	11.50%	12.50%	Soft	
Basis	140	155	75			0	85
Futures	488.75	488.75	563.25			173.75	488.25
Currency	====	====				1.16525	
fob \$/mt	\$231.03	\$ 236.54	\$ 234.52	\$ 195.00	\$ 200.00	\$ 202.46	\$ 210.63
Frt	\$ 12.00	\$ 12.00	\$ 20.00	\$ 21.00	\$ 21.00	\$ 19.00	\$ 12.00
Tax							
c&f	\$243.03	\$ 248.54	\$ 254.52	\$ 216.00	\$ 221.00	\$ 221.46	\$ 222.63

As result of the above Emily has made changes to the world wheat b/s, which has cut US exports forecast this month. We are cutting first quarter demand reflecting poor sales and inspections pace. Chinese HRS demand was removed in the first two quarters reflecting the uncertainty of the China trade war. Reductions were made to Brazil HRW demand based on lower foreseen import demand. Asia demand was trimmed and reallocated to Russia based on vessel lineups/price competitiveness. Our US export forecast is now 918 mbu, down nearly 40 mbu from our previous estimate.

US by-class wheat balance sheet

Wheat (mbu)	HRW	SRW	HRS	WHITE	DURUM	TOTAL	June USDA
Carryin	546	220	202	87	37	1,093	1,080
Production	649	320	529	265	82	1,846	1,827
Imports	6	25	60	8	36	135	135
Total Supply	1,202	565	791	361	156	3,074	3,042
Food Use	390	155	255	85	80	965	965
Seed Use	25	11	19	4	4	63	62
Feed Residual	30	68	3	4	5	110	120
Domestic Use	445	234	277	93	89	1,138	1,147
Exports	357	95	258	189	19	918	950
Carryout	400	236	256	78	48	1,018	945
Stocks/use %	50%	72%	48%	28%	44%	50%	45%

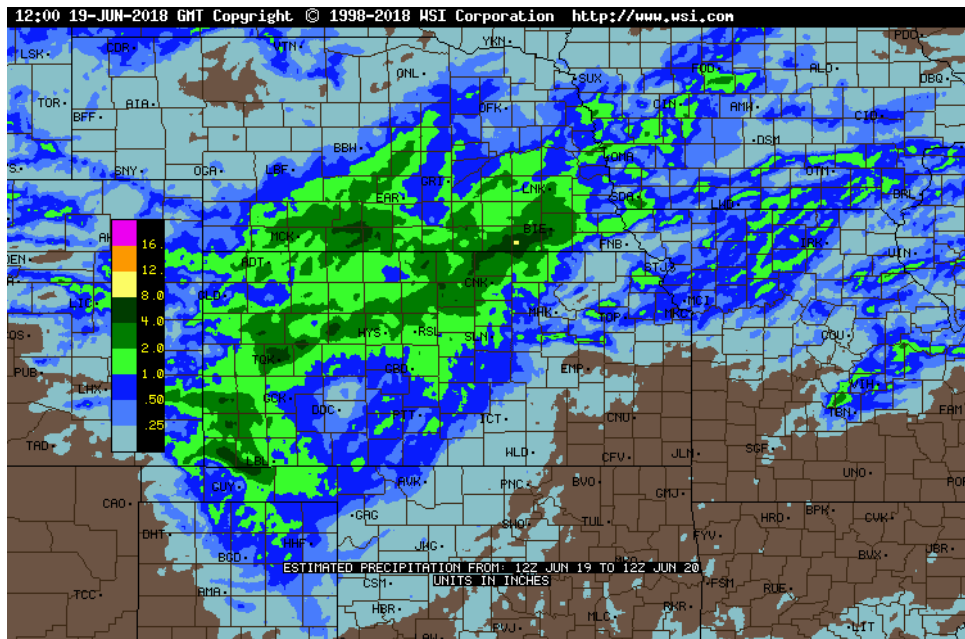


Major Exporter Balance Sheets

CCC 2018-2019 Balance Sheet	Argentina	Australia	Canada All Wheat	EU All Wheat	Russia	Ukraine	US All Wheat
Carryin	0.6	5.6	5.8	17.0	12.8	1.3	29.7
Production	20.0	21.2	31.9	148.7	72.4	25.6	50.3
Imports	0.0	0.1	0.1	5.0	0.2	-	3.7
Total Supply	20.6	27.0	37.8	170.7	85.5	26.9	83.67
Domestic Use	5.7	7.4	9.1	130.9	42.0	9.4	31.0
Exports	14.4	15.3	22.6	25.6	32.8	16.0	25.0
Carryout	0.5	4.3	6.1	14.1	10.6	1.5	27.7

Hard Red Winter

Heavy rain has stopped harvest in Kansas for a couple of days, see 24 hour precipitation map below, but traders are not concerned about quality at this time. The 2-4+ inches of rain will go a long way to make for a larger row crop harvests & shippers are considering whether they'll need to ship some wheat to make space this fall.



This could take some of the steam out of the gulf market but traders were still looking for offers, especially in the July positions. The deferred bids & offers were 5 ct/bu higher, but still no one willing to trade. The 12% protein vs 11% protein spread was bid/offer 20 ct/bu vs 25 ct/bu today in the J/F/M. Shippers are saying they're not able to blend the new crop high protein with old crop low protein stocks today. Those low protein stocks are in bunkers or other flat storage that takes time & money to move. We're seeing low protein offers in the market from warehousemen who have better flexibility &/or they



are looking to move some of the low protein bunkers. Could this be a test of values against DVE? Ordinary protein wheat traded at +105 KWU8 for Aug/Sep shipment, but this may be in anticipation of lower protein Nebraska harvest. Shippers suggest they'll have time for blending of protein this fall, but others say they won't consider before J/F/M. The market hopes the concerns about EU/FSU/Australian production is correct & the US sees an increase in export demand for 3rd & 4th quarter when they need to make sales & start to move some of the hedged stocks before the 19/20 harvest.

Some traders believe the market still has a firm tone, but shippers say they're still buying wheat from growers & there were not as many elevators pushing their bids higher today as we've seen in the past week. This may be due to the delay in harvest but perhaps they're just realizing they're paying too much for grower wheat. **An interesting question today which some of you may be able to answer: "If you need to make space do you ship your low protein old crop stocks or your new crop 12%-13% protein stocks? Hit, which has the best upside potential or most downside risk?"**

Gulf Track HRW 12% protein: Jul +165/175 KWN, Aug/Sep +155/165 KWU, O/N/D +145/160 KWZ, J/F/M +140/150 KWH, and A/M +135/140 KWK. 11% protein: J/J +150/160 KWN, A/S +140/150 KWU, O/N/D +125/145 KWZ, J/F/M +120/130 KWH, A/M +112/120 KWK. 10% protein: J/J +105/NO KWN and A/S +100/110 KWU, O/N/D 95/NO, J/F/M 95/NO.

Kansas City domestic spot close: Mills still are not pushing to buy J/A/S. They are waiting for harvest quality of NW KS/CO/NE which is most tributary to the domestic market.

	Premium		Change			Premium		Change	
ord	101	to 116	0	0	12.60	155	to 170	0	0
11.00	123	to 138	0	0	12.80	155	to 170	0	0
11.20	123	to 138	0	0	13.00	169	to 184	0	0
11.40	130	to 145	0	0	13.20	169	to 184	0	0
11.60	145	to 160	5	5	13.40	169	to 184	0	0
11.80	145	to 160	5	5	13.60	169	to 184	0	0
12.00	150	to 165	0	0	13.80	169	to 184	0	0
12.20	150	to 165	0	0	14.00	169	to 184	0	0
12.40	150	to 165	0	0					

Daily received/load-out from Kansas City (reported by CME, close of business 6/19): Hutchinson: 203.172/23.349 kbu, KC: 33.982/7.388 kbu, Salina: 417.294/1.109 kbu, Wichita: 208.259/0 kbu.

Soft Red Winter

The SRW cash markets were quiet today and are called nominally unchanged. Many buyers are waiting to see final harvest quality, but some are seeing the widespread test weight issues and booking what they can. Cash basis is firm and not likely to devalue any time soon. Areas north of the Ohio River saw trace amounts of rain last night and more is on the way this week, which could begin to cause some sprout damage (lower falling number) to unharvested wheat north of I-70, through Illinois, Indiana, and Ohio.

FOB Bellevue bid/offer indications: Jul/Aug +25/35 WU, O/N/D +25/45 WZ.



CIF barge bid/offer: Jun +60/70 WN, Jul +65/73 WN, Aug +50/NO WU, Sep +60/NO WU, O/N/D +60/NO WZ, J/F/M +55/70 WH, A/M +52/NO WK, J/J 2019 +40/NO WN9.

FOB NOLA indications: Jul +85 WN, Aug +75 WU, Sep +80 WU, O/N/D +95 WZ.

Elevator/Mill Bids: NW Ohio mills: Jun/Jul +15 WN, Aug/Sep +5 WU, O/N/D +10/+15/+15, Chicago warehouse: Jun -10 WN, Jul -5 WN, Aug/Sep -15 WU; Toledo warehouse: Jun/Jul +10 WN, Aug +0 WU; Toledo mill: Jun/Jul +15 WN, Aug/Sep +5 WU; Eastern Indiana mill: Jun +15 WN, New Crop +20 WN, Aug/Sep +15/25 WU.

Daily received/load-outs from Chicago (reported by CME, close of business 6/19): Chicago: 5.309/0 kbu, MS River: 732.87/438.978 kbu, NW Ohio: 0/24.204 kbu, OH River: 837.79/479.423 kbu, St. Louis: 348.872/134.657 kbu, Toledo: 2.817/2.658 kbu.

Hard Red Spring

There were 17 single cars and two trains for sale on the spot floor today. One train on the CP averaged 14.19% protein and traded at +155 MWN. The other train on the BNSF averaged 15.01% protein was bid +160 MWN, but did not trade as of the close. A single car averaging 13.6% protein traded at +115 MWN, closing 13.5's up 5 ct/bu. 14.0% protein cars traded at +135 MWN on the low side for a short line single, +155 MWN for South Dakota cars, and at +160 MWN on the high side for CP cars.

Daily received/load-out from Minneapolis & Duluth (reported by MGEX, close of business 6/19): Minneapolis: 14/7 kbu, Duluth: 93/77 kbu.

PNW

Exporters saw a surge in export demand today, they expected Japan to tender (65 kmt) for August & Sri Lanka will retender tonight & then Korea announced 2 cargos (80 kmt) for Oct/Nov shipment. Then CCC announced 111 kmt SWW to Yemen for July 26-August 9 shipment on June 26th plus Taiwan next week for 90+ kmt. So we are seeing some increase in demand at the lower prices or maybe it was just timing. This business will continue to support flat price SWW at the \$5.90-\$6.00/bu price regardless of futures price. Exporters say HRW growers/shippers are selling nothing but they have some hope the spring wheat grower will let go of some old & new crop before harvest. Exporters are starting to fear is low protein Montana HRW harvest given the amount of rain they've received & there were reports it was too wet to apply top dress fertilizer for both HRW & HRS.

Cash basis remains firm & exporters would push their bids if they thought it would buy wheat. Exporters are concerned about lack of soybean business this fall & they're cutting elevation margins to get fob sales on the books.

PNW Track/barge bids:

Shipment	DNS 14%	HRW 11.5%	SWW 10.5%
Jun/Jul	135/130 MWN	135/130 KWN	595/590/bu



Aug/Sep	115/120 MWU	115/120 KWU	585/585 ct/bu
O/N/D	125/130/135 MWZ	115/120/125 KWZ	590/594/598 ct/bu

World Wheat News

- Bangladesh announced a tender to buy 50 kmt of optional origin wheat. Tender deadline is July 3rd.

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%
Jul	\$196	\$211	\$211	-	\$231	\$227	\$226	\$200	\$226	\$211
Aug	\$198	\$213	\$211	\$245	\$234	\$230	\$229	\$204	\$227	\$211
Sep	\$200	\$212	\$210	\$245	\$237	\$234	\$233	\$205	\$221	\$213
Oct	\$203	\$214	\$211	\$250	\$242	\$238	\$237	\$208	\$223	\$223

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%
Jul	\$254	\$269	\$249	-	-	-	-	-	\$242	\$251
Aug	\$254	\$269	\$249	\$230	\$234	\$226	\$251	\$253	\$242	\$251
Sep	\$254	\$269	\$249	\$232	\$235	\$228	\$253	\$255	\$242	\$251
Oct	\$255	\$270	\$250	\$236	\$240	\$229	\$260	\$262	\$247	\$256

South America

Origin	Month	Quality	Bid/Offer (\$USD/MT)
Argentine Upriver	Dec	10.5% pro	Seller \$194
Argentine Upriver	July/Aug/Dec/Jan	11.5% pro	Seller \$255/255/196/200
Argentine Upriver	Dec/Jan	12.0% pro	Seller \$202/204

\$1 USD= AR \$27.57 Pesos \$1 USD= R \$3.74 Reales

Canada

#2 CWRS fob Vancouver quotes Aug/Sep/Oct: 12.5% protein +60/70/65, 13.0% protein +65/72/75, 13.5% protein /95/95/95, and around a +25 cent premium for 13.8% protein.

Australia

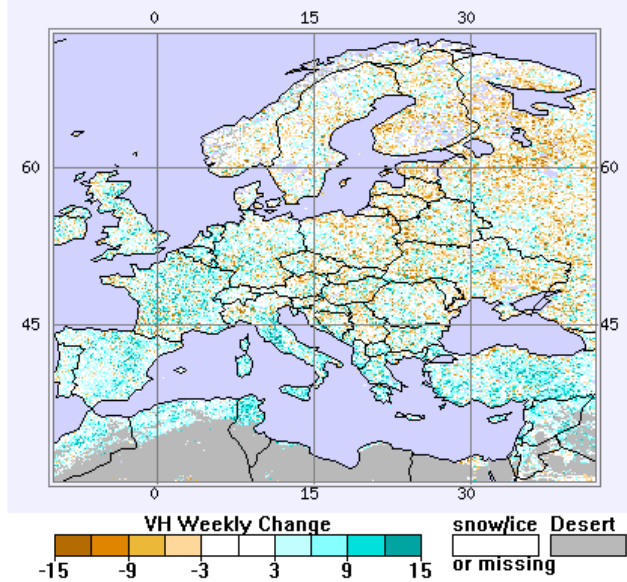
Australian values have been reluctant to follow the futures market lower, but they reportedly traded down \$3/mt today at \$251/mt for August 18-September 17 loading fob Kwinana. This is much cheaper than the indicative offers of \$257/mt quoted for July-August shipment.



Black Sea & EU

Strategie Grains lowered Germany soft wheat yields reflecting above normal temperatures and varying precipitation. Germany was lowered 450 kmt to 23.49 million MT compared to 24.331 million last year. Yield potential was trimmed from 7.83 to 7.67 t/ha. EU soft wheat production is now pegged at 139.45 million MT.

Europe - Vegetation Health Change from Last Week, 2018 week 24
June 17, 2018 (week 24)



Pending Tenders

- Jun 21: Japan seeks 91 kmt of optional origin milling wheat for August shipment.
- Jun 26: CCC tender for 111 kmt of SWW to Yemen for Jul 26 – Aug 9 shipment.
- Jun 26: Taiwan flour millers tender to buy 95.35 kmt of wheat from the US.
- Jul 2: Syria tenders to purchase 200 kmt of wheat from Russia, Romania, or Bulgaria for August 1-September 30 shipment.
- Jul 3: Bangladesh tenders for 50 kmt of optional-origin wheat.
- Jul 27: Thailand tenders for 55 kmt of feed wheat for FH August shipment.



Futures Comments



U.S. wheat futures took a breather today, following five days of losses. September contracts finished the day 9.75 cents higher in Chicago, 6.75 cents higher in Kansas City, and 2.75 cents higher in Minneapolis. KC – Chicago spreads took another beating today, with KC trading a penny discount to Chicago in the nearby, as the long market structure in KC liquidates, Russian yields improve, and HRW remains uncompetitive in the world. KC calendar spreads have been under pressure from the fear of deliveries on the July, with 294 receipts remaining in Gavilon's elevator in

Wichita that were delivered on the May contract. No one wants or needs the 10.5% protein HRW that these contracts represent. Chicago calendar spreads on the other hand, having been bolstered lately by a firm cash basis, are rallying in anticipation of no deliveries on the July. Mills will likely be eager stoppers of delivery SRW, given the high basis, lack of offers, and widespread test weight issues of new crop. Minneapolis – KC spreads took a step back and the stochastics are venturing into the overbought side.

Best regards,

Al, Emily & Jason Conway

Comments and questions are welcomed

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