



CASH WHEAT REPORT

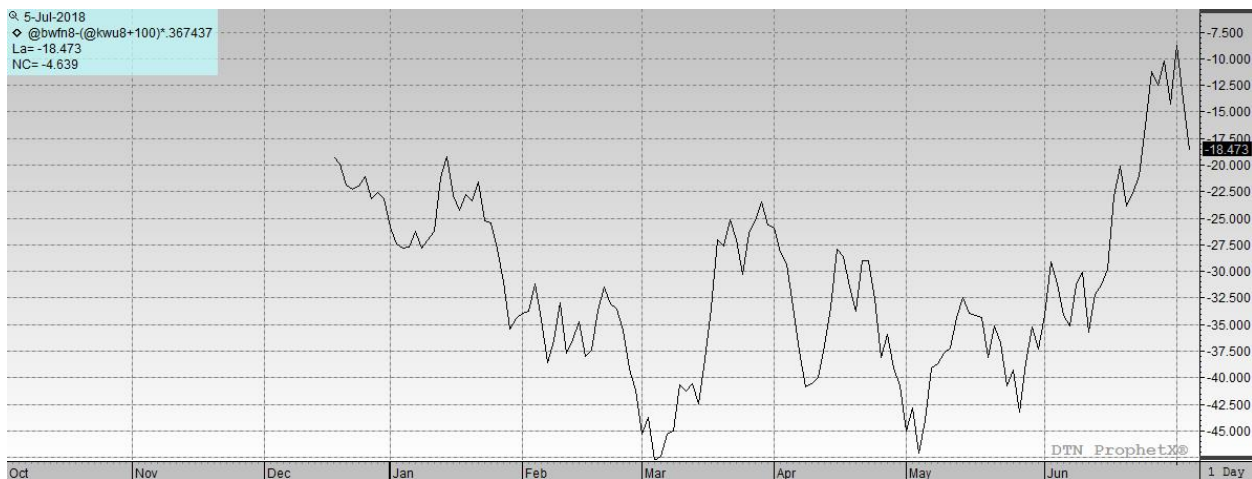
Cash Wheat Market

This feels like a Monday, with traders coming back after the holiday & doing nothing. The SRW harvest made good progress yesterday but the HRW harvest was rained out. We will see good advance in winter wheat harvest progress on Monday's report.

The focus is not on US harvest but rather EU & FSU, where traders are still lowering their crop forecasts. SG has been lowering their EU production country by country, but their 133.4 mmt crop estimate is 1.5-2.5 mmt less than estimates today. However, EU traders say it is too early to call, but their estimates are 135-136 mmt. Russian crop estimates have not changed with a range 65-72 mmt & I'd suggest the market is trading 70 mmt. The Ukraine estimates are working lower as well, with a range 23-25 mmt. Traders will closely watch the WASDE next week where USDA should cut Australia at least 2.0 mmt, to 22 mmt; plus what they do for EU/FSU.

The question for USA vs. World Wheat price is will EU/FSU growers get bullish & hold their wheat or will exporters be able to sale/ship to the maximum capacity? If EU/FSU growers don't like the price & decide to hold their wheat verse aggressively selling, this could limit the monthly exports & bring world values within the \$5/mt on c&f values more quickly. This is more apt to happen with those countries that will not take Black Sea wheat, i.e., Algeria/Saudi & Morocco. Longer term, FSU wheat will need to ration demand but this may not occur until the 3rd quarter, whereas EU could happen this fall.

This is CME Black Sea July contract vs HRW fob market. This spread is going the wrong way, suggesting US doesn't need to rally, but Black Sea & EU does.





Hard Red Winter

Cash markets were dead today as traders come back from the holiday. Many traders were still missing today, but with harvest delayed yesterday, there wasn't much to do or talk about. Harvest reports should show Kansas about finished on Monday, while CO/NE are just getting started. They're finding some lower protein as harvest moves west, 11%-12%+ protein with better yields.

Domestic mills are starting to ask about August shipment, but they continue to go hand to mouth as they wait to determine CO/NE quality. They'll also need to know the value & protein of NS/DNS wheat. The increased spring wheat acreage will yield a crop 200 mln bu larger than last year, 585 mbu vs 385 mbu. NS/DNS will need to compete to buy demand from HRW & Canada, unless the grower decides he doesn't like the price & won't sell. The MGEX/KCBT spread will play a big part of this relationship, but it should trade 25-45 ct/bu premium to KCBT, but others suggest it could trade a discount given the size of the crop. NS/DNS values could/should pressure HRW cash basis at some point, if NS/DNS is cheaper wheat.

Gulf Track HRW 12% protein: Jul +150/165 KWU, Aug/Sep +150/160 KWU, O/N/D +145/160 KWZ, J/F/M +140/150 KWH, and A/M +137/142 KWK. 11% protein: July +125/140 KWU, A/S +125/140 KWU, O/N/D +125/140 KWZ, J/F/M +115/125 KWH, A/M +110/120 KWK. 10% protein July +100/105 KWU and A/S +100/110 KWU, O/N/D 100/110, J/F/M 100/110, A/M 95/105.

The KC spot market closed unchanged.

	Premium		Change			Premium		Change	
ord	77	to 92	0	0	12.60	147	to 162	0	0
11.00	109	to 124	0	0	12.80	147	to 162	0	0
11.20	125	to 140	0	0	13.00	162	to 177	0	0
11.40	125	to 140	0	0	13.20	162	to 177	0	0
11.60	127	to 142	0	0	13.40	167	to 182	0	0
11.80	137	to 152	0	0	13.60	167	to 182	0	0
12.00	142	to 157	0	0	13.80	167	to 182	0	0
12.20	142	to 157	0	0	14.00	167	to 182	0	0
12.40	142	to 157	0	0					

Daily received/load-out from Kansas City (reported by CME, close of business 7/3): Hutchinson: 19.406/6.948 kbu, KC: 39.643/0.9 kbu, Salina: 88.89/2.667 kbu, Wichita: 52.406/23.025 kbu.

Soft Red Winter

SRW harvest has made good progress this week and is seeing better quality. Northwest Ohio is averaging 58 to 59 lb/bu test weight, with some loads as high as 63 lb/bu in and around Clyde & Crestline. There have been isolated cases of sprout damage south of Lima. Northeast Indiana is similarly seeing better quality, with test weights averaging 59 to 60 lb/bu. Central Indiana has had instances of low falling number and cases of vomitoxin in late planted wheat. Mills in these areas claim they are able to buy wheat at their posted bids.



Southern Pennsylvania harvest is just beginning. Preliminary reports out of Lancaster County indicate high levels of vomitoxin. The cash basis in the eastern U.S. has rallied some 30 ct/bu in the last week, as mills and warehousemen adjust to issues of low test weight, low falling number, and vomitoxin. Folks are accepting wheat they normally would not, but at a discount. The question now is, "what does this mean for the rail markets in Indiana and Ohio?"

We want to qualify our harvest reports by saying that this information is provided by sources believed to be reliable. Numbers change as new loads are brought in. We do not have enough data to provide either regional, state, or total crop averages. U.S. Wheat Associates supplies weekly harvest reports, along with sample data, on their website at www.uswheat.org

FOB Bellevue bid/offer indications: Jul/Aug +25/35 WU, S/O/N +25/45 WZ, and D/J/F +10/30 WH.

CIF barge bid/offer: Jul +55/65 WU, Aug +55/70 WU, Sep +60/NO WU, O/N/D +60/NO WZ, J/F/M +55/NO WH, A/M +50/NO WK, J/J 2019 +45/65 WN9.

FOB NOLA indications: Jul +80 WN, Aug +65 WU, Sep +70 WU, O/N/D +95 WZ.

Elevator/Mill Bids: NW Ohio mills: Jul +10 WU, Aug/Sep +10 WU, O/N/D +10/+15/+15 WZ, J/F/M +15 WH, Chicago warehouse: Jul -5 WN, Aug/Sep -5 WU; Toledo warehouse: Jul/Aug +0 WU; Toledo mill: Jun/Jul +5 WU, Aug/Sep +5 WU; Eastern Indiana mill: Jul +20 WN, Aug/Sep +25/30 WU.

Daily received/load-outs from Chicago (reported by CME, close of business 7/3): Chicago: 19.098/18.276 kbu, MS River: 240.923/113.362 kbu, NW Ohio: 531.624/33.716 kbu, OH River: 282.45/132.265 kbu, St. Louis: 226.108/0 kbu, Toledo: 230.799/10.491 kbu.

Hard Red Spring

There were 23 cars for sale on the spot market today, with a variety of proteins represented. 13% protein cars trade up 20 ct/bu at +130 MWU. 13.5% protein traded at +150 MWU. 14% protein traded at +140 MWU on the low side and +150 MWU on the high side. 15% protein cars were bid +155 on the low side and traded at +175 MWU on the high side.

62 receipts were cancelled in Duluth/Superior today, leaving 764 receipts outstanding.

Daily received/load-out from Minneapolis & Duluth (reported by MGEX, close of business 7/3): Minneapolis: 4/8 kbu, Duluth: 0/73 kbu.

PNW

Japan announced a tender tonight for 2 cargoes of August shipment. A WW/DNS cargo combo & a HRW cargo. Exporters thought they'd wait till next week, so this was a pleasant surprise. The rally in futures today sent other potential buyers to the sidelines.



Cash values remain strong for HRW/HRS with no grower sales. Exporters will wait with hope/prayer there will be some harvest pressure in August. SWW harvest is slowly moving in Oregon, but cool weather is slowing maturity in Washington. SWW values are unchanged to up 5 ct/bu, despite the rally in futures.

PNW Track/barge bids:

Shipment	DNS 14%	HRW 11.5%	SWW 10.5%
Jul	125 MWU	135 MWU	605 bu
Aug/Sep	125/130 MWU	135/135 KWU	600/600 ct/bu
O/N/D	130/130/135 MWZ	120/123/125 KWZ	600/603/605 ct/bu

World Wheat News

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%
Aug	\$199	\$229	\$226	\$245	\$229	\$225	\$224	\$223	\$231	\$210
Sep	\$205	\$231	\$229	\$245	\$231	\$227	\$226	\$225	\$232	\$211
Oct	\$209	\$233	\$230	\$250	\$240	\$237	\$236	\$226	\$235	\$222
Nov	\$213	\$235	\$233	\$195	\$242	\$239	\$238	\$227	\$237	\$224

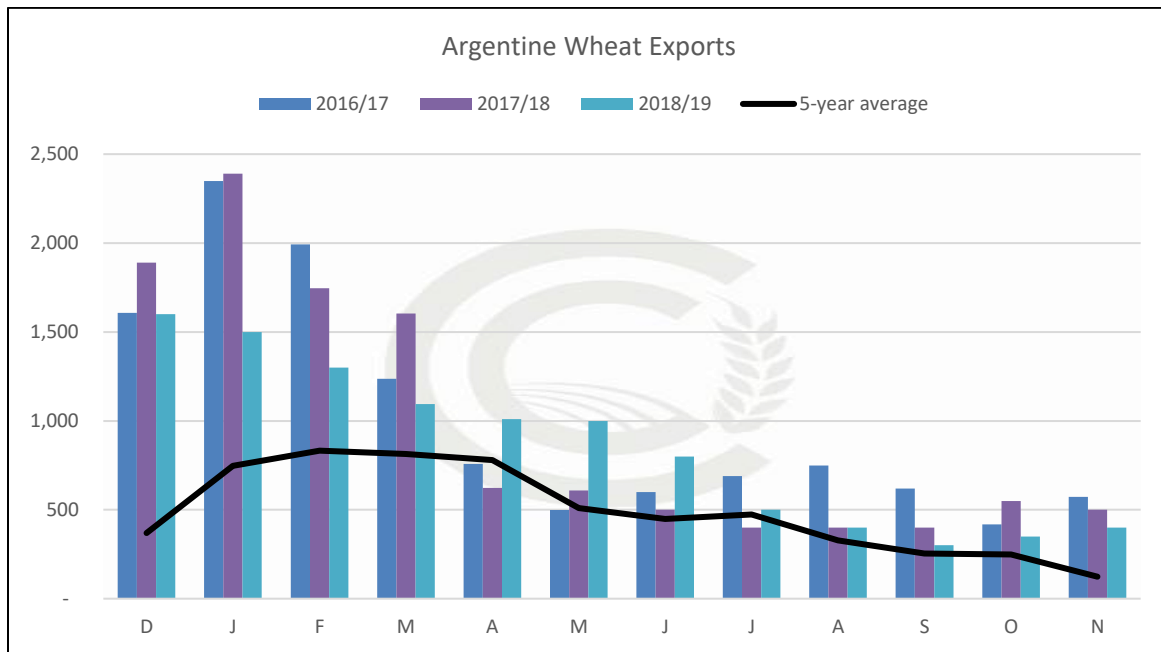
World Wheat FOB Comparisons										
Origin	APW	AH2	ASW	HRW PNW	HRW PNW	SWW	NS	NS	CWRS	CWRS
Protein (dmb)	11.80%	12.90%	10.10%	12.00%	13.10%	12.00%	15.30%	15.90%	15.50%	15.90%
Protein (local)	10.50%	11.50%	9.00%	10.50%	11.50%	10.50%	13.50%	14.00%	13.50%	13.80%
Aug	\$245	\$260	\$240	\$229	\$233	\$228	\$245	\$247	\$245	\$253
Sep	\$246	\$261	\$241	\$231	\$235	\$230	\$247	\$249	\$243	\$251
Oct	\$246	\$261	\$241	\$235	\$239	\$231	\$255	\$257	\$240	\$248
Nov	\$245	\$260	\$240	\$237	\$240	\$232	\$257	\$259	\$242	\$250

- Algeria bought 660 kmt of optional origin milling wheat at \$234-237/mt C&F for September 1-30 shipment.
- Japan purchased 27 kmt of feed wheat for arrival by December 28th.
- Japan tendered to purchase 51 kmt of US wheat and 28 kmt of Australian ASW.
- Vietnam and Indonesia may halt Russian wheat imports due to weed seeds and bugs in recent wheat cargos.
- Reuters poll pegged 2018/19 wheat exports for Russia at 35 million MT, Ukraine 16.0 million, and Kazakhstan at 7.8 million MT.



South America

Argentine monthly export data was released for May showing 608 kmt was shipped for the month. Of the total, 510 kmt was shipped to Brazil. Total wheat exports December-May are 8.56 million MT plus 600 kmt of flour.



Origin	Month	Quality	Bid/Offer (\$USD/MT)
Argentine Upriver	Dec	10.5% pro	Seller \$194
Argentine Upriver	July/Aug/Sep/Dec/Jan	11.5% pro	Seller \$250/250/250/195/198
Argentine Upriver	Dec/Jan	12.0% pro	Seller \$200/202

\$1 USD= AR \$27.46 Pesos \$1 USD= R \$3.76 Reales

Canada

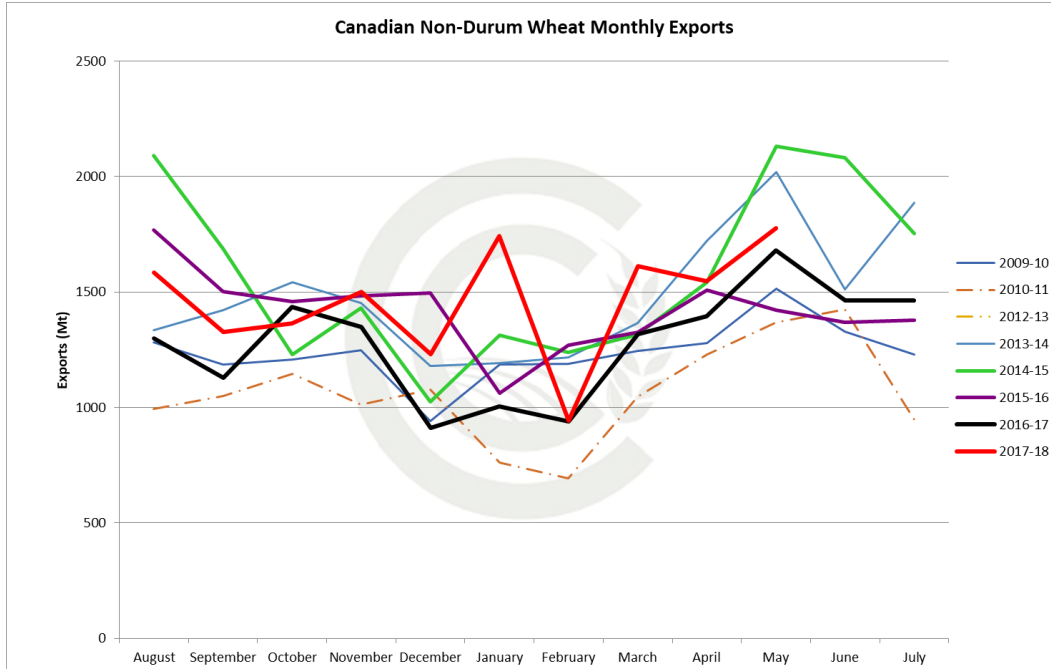
CWRS fob Vancouver indications: 13.5% protein: Aug +120 MWU, New Crop +100 MWZ, Oct +90 MWZ. 13.0% protein: Aug +90 MWU, New Crop +75 MWZ, Oct +65 MWZ. 12.5% protein: Aug +85 MWU, New Crop +70 MWZ, Oct +60 MWZ.

Traders are getting concerned about dryness along the Alberta/ Saskatchewan border. The SE Alberta/SW Saskatchewan and central areas need rain but traders believe the other areas are offsetting this stressed area for now. Non-Durum Canadian crop estimates are 26.5-27.0 mmt.

Canadian monthly wheat exports for May were released from Stats Can pegging volume at 1.777 million MT, up from 1.545 million last month and 1.68 million last year. Increased shipments to LAM totaling 804 kmt from 392 kmt the previous month with increases to Brazil, Cuba, Mexico, and Peru. Based on

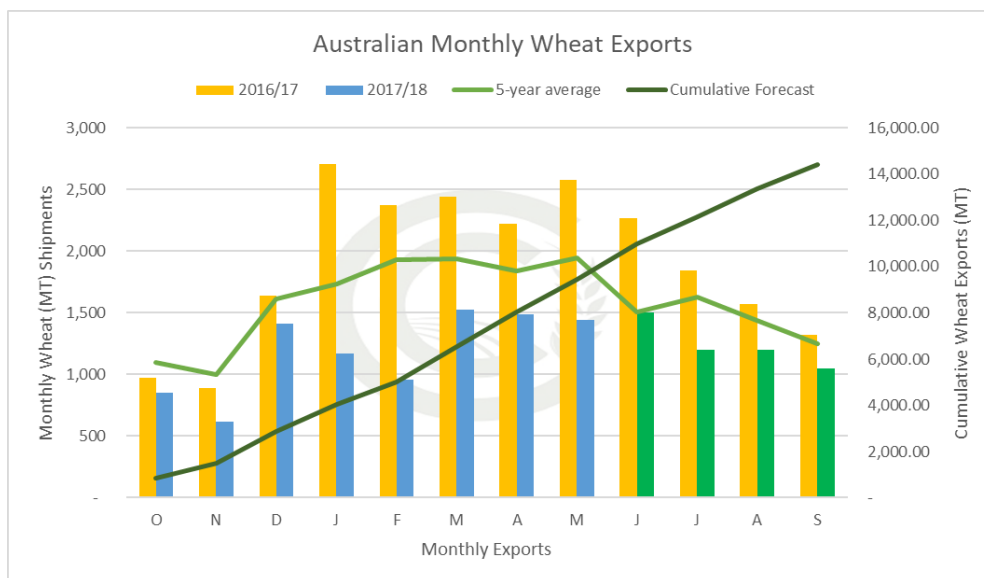


monthly pace and reports of good sales on the books from traders we have increased old crop Canadian wheat exports to 17.96 million MT. YTD exports have totaled 14.6 million MT, we are anticipating monthly shipments of 1.6-1.7 million MT per month.



Australia

Australia’s weather forecast remains dry through the next 7-days and there are some reports indicating last weeks rains improved crop forecasts. Australia wheat exports for the month of May totalled 1.446 million MT. October-May exports have totalled 9.47 million MT, down from the 5-year average of 13.1 million as Russian wheat buys demand into Asian markets.





Black Sea & EU

CME Black Sea 12.5% protein contract traded 1,110 contracts = 55,500 mt. Prices range from July \$197.25/mt, August \$203.00/mt, September \$208-\$210/mt, October \$213.00-\$213.50/mt fob NOVO.

Strategie Grains lowered its soft wheat crop production estimate to 133.36 million MT after adjusting average yield forecasts for the following countries:

- Denmark yield was lowered to 6.61 t/ha from 7.38 t/ha reducing production 328 kmt to 2.815 million MT.
 - Italy harvest is underway with disappointing yields observed. As a result, SG lowered the average yield to 5.37 t/ha (5.49 t/ha in 2017/18) from 5.65 t/ha trimming production 161 kmt to 3.056 million MT. SG reported soft wheat has high protein contents however 5% of the soft wheat and 20-30% of the durum crop will have mycotoxin.
 - The Baltic States wheat production was lowered to 5.472 million MT from 5.725 million reflecting dry, hot conditions lower average yield potential to 4.17 t/ha (4.66 t/ha in 2017/18).
 - Poland yield is estimated at 4.46 t/ha from 4.66 t/ha taking production down 450 kmt to 10.307 million.
 - UK average yields were lowered to 8.00 t/ha from 8.07 t/ha reflecting dry, hot conditions. Production was lowered 130 kmt to 14.4 million MT, compared to 14.62 million last year.
- **Using SG production estimate we have cut 2.5 million MT of export demand from the EU. Our soft wheat export forecast is now 22.4 million MT with risk of considerable downside as harvest progresses.**

EU Commission reported soft wheat exports through the end of June totaled 20.297 million MT, down 16% from last year. Soft wheat imports totaled 3.945 million MT, up 22% from last year. Durum wheat exports totaled 863.04 kmt, down 27% from last year. Durum wheat imports totaled 1.412 million MT, down 17% from a year ago. Based on this information EU soft wheat carryout would be 14.5 million MT and durum carryout would be 1.8 million MT. Total EU carryout would be 16.3 million MT compared to USDA at 13.07 million MT.

Pending Tenders

- Jul 11: CCC tender for 33.780 kmt HRW for Ethiopia for August 15-28 shipment.
Jul 27: Thailand tenders for 55 kmt of feed wheat for FH August shipment.
Jul 27: Tunisia tenders for 142 kmt of soft wheat for Aug 5 – Nov 5 shipment.

Futures Comments



U.S. wheat futures prices gapped higher in both KC & Chicago today, which closed up 19.25 and 14.50 cents respectively. Minneapolis tagged along with other wheats, settling 12.25 cents higher. Barring any Trump tweets to the contrary, U.S. tariffs on Chinese goods are scheduled to go into effect tomorrow. These tariff threats have been weighing primarily on soybean futures, but will wheat be able to escape its gravitational pull? Lower wheat



production in the EU & FSU should support world wheat prices moving forward and some believe that wheat futures prices set the lows for the season this week.

A firm cash wheat basis is supporting calendar spreads in KC & Chicago, with the Sep-Dec spread settling at 54% of full carry in Kansas City and 36% of full carry in Chicago. KC-Chicago spreads have rallied a dime off the lows this week, as folks look to HRW as a backstop. Minneapolis inter-market spreads have narrowed in the last two weeks, as spring wheat conditions continue to be excellent and Minneapolis is unable to keep pace with KC.

Best regards,

Al, Emily & Jason Conway

Comments and questions are welcomed

Contact our office at (503) 631-7578 or email aconway@cashwheatreport.com