



CASH WHEAT REPORT

CASH WHEAT MARKET

The U.S. cash wheat markets have been mostly quiet this week, but the basis is holding firm. Growers have sold a little wheat (HRW & HRS) on the futures rally and resellers have been eager to hedge it to capture the carry before spreads narrow further. Domestic mills are mostly covered through December and J/F/M inquiries have been light. We have not heard of any new cash trades this week. The HRW track market has not seen as many players this week and it has been easier to find a bid than an offer. SRW cash basis, which was already firm, has firmed even more this week, with bids for Nov/Dec working higher following last week's +100 WZ trade. Spring wheat basis, both spot & deferred, has been firmer this week, as trade volume has thinned on the spot and resellers worry about guaranteeing quality in the deferreds. The only "official" trade on the PNW was one cargo sold to Japan (HRW/SWW). SWW cash values have worked higher this week, as exporters cover shorts.

Since the KWZ-WZ spread made news today, trading as wide as -99.50 before closing at -98.00, we thought we'd revisit the HRW – St. Louis delivery calc. Using the 11.0% protein bid at the Gulf, +135 KWZ, shuttle train freight, and KWZ-WZ at -98.00, HRW in St. Louis is worth +12 WZ. St. Louis delivery value is 16.00 cents, so cash HRW is roughly four cents below delivery value there. Therefore, one could argue the best sale for the delivery warehousemen would be to deliver HRW rather than sell it in the cash market.

| Hastings, NE | Gulf | Gulf | *KC DOM | Gulf |
|----------------------|-----------|-----------|-----------|-----------|
| Basis KWZ | \$ 1.35 | \$ 1.35 | \$ 1.00 | \$ 1.35 |
| Shuttle /DET Freight | \$ 1.32 | \$ 1.32 | \$ 0.12 | \$ 1.32 |
| FOB elev | \$ 0.03 | \$ 0.03 | \$ 1.12 | \$ 0.03 |
| Rate | Chicago | St. Louis | St. Louis | Memphis |
| DET | \$ 1.16 | \$ 1.16 | | \$ 1.23 |
| Single car | \$ 1.28 | \$ 1.32 | | \$ 1.38 |
| Shuttle Rate | \$ 1.07 | \$ 1.07 | | \$ 1.12 |
| Del DET train | \$ 1.18 | \$ 1.19 | | \$ 1.25 |
| Del Single car | \$ 1.31 | \$ 1.35 | | \$ 1.41 |
| Del Shuttle train | \$ 1.10 | \$ 1.10 | | \$ 1.14 |
| KWZ-WZ spread | \$ (0.98) | \$ (0.98) | \$ (0.98) | \$ (0.98) |
| Basis WZ9 | \$ 0.12 | \$ 0.12 | \$ 0.14 | \$ 0.16 |
| Delivery | \$ 0.06 | \$ 0.16 | \$ 0.16 | \$ 0.26 |
| difference | \$ 0.06 | \$ (0.04) | \$ (0.02) | \$ (0.10) |

*KC domestic is HRW The KC ord bid is an estimate, there is no bid.

If you recall, it was a similar situation in August, with HRW working into St. Louis because of how wide the KWU-WU spread had gotten at that time. And, at that time, folks were waiting to see HRW move



into the CME wheat delivery system before buying KW-W spreads, since the thought was that the spreads had “done enough work”. However, there is a catch☺. If the KWZ-WZ spread has gotten wide enough to bring additional HRW into St. Louis, for delivery on the December contract, then this is bearish Chicago wheat spreads. So, this in turn would weigh on the KW-W spreads as well☺.

USDA reported wheat net sales of 395,100 metric tons for 2019/2020 were down 24% from the previous week, but up 11% from the prior 4-week average. Increases primarily for Mexico (78,900 MT, including 30,000 MT switched from unknown destinations and decreases of 100 MT), Nigeria (77,000 MT), unknown destinations (56,500 MT), Bangladesh (55,000 MT), and Japan (42,200 MT, including decreases of 1,500 MT), were partially offset by reductions for Indonesia (1,200 MT) and the Leeward and Windward Island (400 MT).

| Weekly Export Sales for Week Ending October 10, 2019 | | | | | | | | |
|--|-----------|-----------|-------------------|-----------|---------------------|-----------|-------------------|-----------------|
| Commodity (MT) | Net Sales | | Outstanding Sales | | Accumulated Exports | | Marketing Year | Weekly Sales |
| | This Year | Next Year | This Year | Last Year | This Year | Last Year | Total Sales | Δ |
| Wheat | 395.1 | - | 43,845.0 | 4,621.4 | 9,437.1 | 7,437.8 | 53,282.1 | (126.8) |
| HRW | 162.6 | - | 1,269.9 | 1,309.5 | 3,896.0 | 2,099.6 | 5,165.9 | 12.3 |
| SRW | 34.8 | - | 590.1 | 612.0 | 1,138.4 | 885.0 | 1,728.5 | 13.9 |
| HRS | 145.8 | - | 1,302.0 | 1,506.1 | 2,472.2 | 2,272.0 | 3,774.2 | 70.4 |
| White | 50.8 | - | 1,011.1 | 1,071.3 | 1,618.3 | 1,990.4 | 2,629.4 | (173.4) |
| Durum | 1.2 | - | 184.5 | 122.5 | 312.4 | 190.8 | 496.9 | (49.9) |
| Corn | 368.6 | - | 7,726.7 | 13,810.8 | 2,637.8 | 7,277.4 | 10,364.5 | 84.1 |
| Soybeans | 1,601.0 | - | 13,004.1 | 15,779.2 | 4,984.3 | 4,961.5 | 17,988.4 | (491.5) |

CCC's current wheat by class balance sheet:

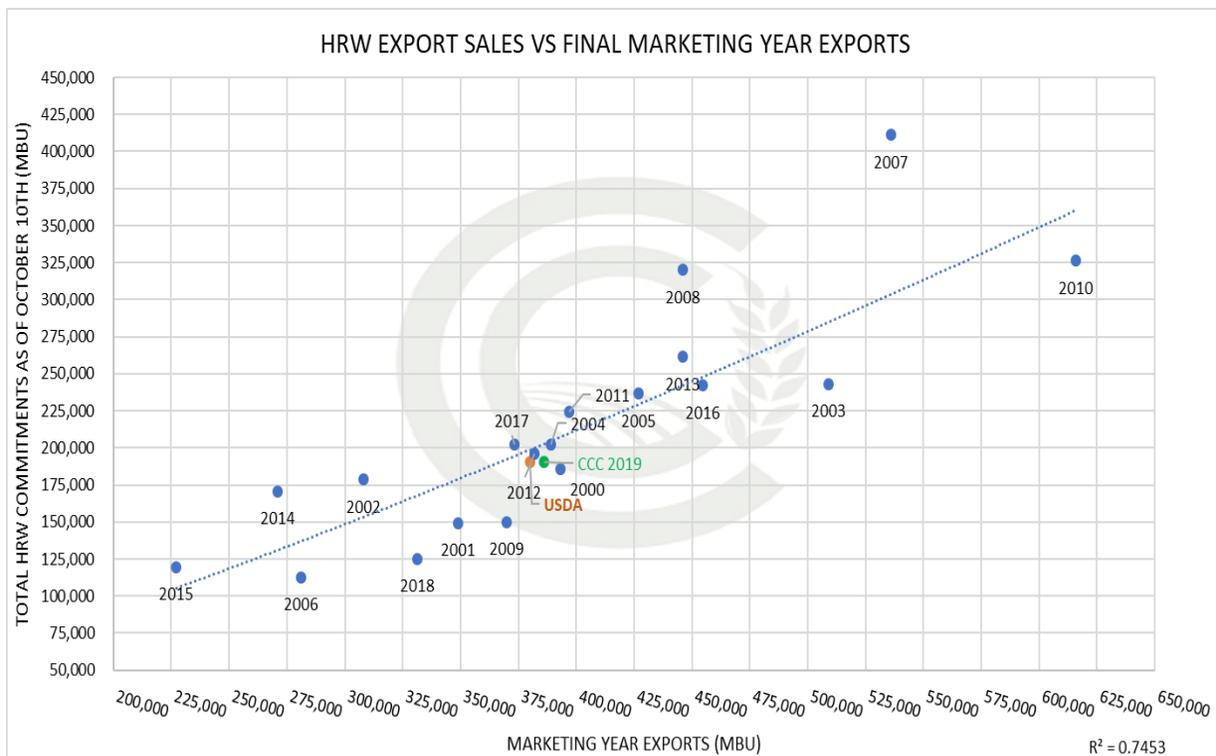
| CCC US 2019-20 By Class Wheat Balance Sheet | | | | | | | |
|---|-------|-----|-----|-------|-------|-------|-------|
| Wheat (mbu) | HRW | SRW | HRS | WHITE | DURUM | TOTAL | USDA |
| Carryin | 514 | 158 | 265 | 88 | 55 | 1,080 | 1,080 |
| Production | 833 | 239 | 559 | 273 | 58 | 1,962 | 1,962 |
| Imports | 5 | 5 | 65 | 6 | 56 | 137 | 120 |
| Total Supply | 1,352 | 402 | 889 | 367 | 169 | 3,178 | 3,162 |
| Food Use | 389 | 150 | 255 | 85 | 80 | 959 | 960 |
| Seed Use | 28 | 12 | 19 | 5 | 3 | 67 | 69 |
| Feed Residual | 69 | 28 | 52 | 1 | 9 | 159 | 139 |
| Domestic Use | 486 | 190 | 326 | 91 | 92 | 1,185 | 1,168 |
| Exports | 386 | 112 | 259 | 192 | 24 | 973 | 950 |
| Carryout | 480 | 100 | 303 | 83 | 53 | 1,020 | 1,043 |



HARD RED WINTER

The HRW cash markets have been painfully quiet this week. While there have been pricing inquiries, firm offers have been difficult to find. There have not been any new trades heard this week. Cash basis, however, is strong. Domestic HRW mills are mostly covered through December. Farmers have sold a little wheat on the rally, and it was quickly hedged by resellers. KW spreads have been firming and, with a VSR reversal in Kansas City looking more probable every day, folks want to get carries locked in before the maximum allowable storage rate slips back to around five ct/bu/month.

HRW export sales were 162.6 kmt, up 12.3k from the previous week. Our current export forecast is 387 mbu compared to USDA's 380 kmt demand forecast. The graph below illustrates total commitments vs. marketing year final exports.



HRW GULF BID/OFFERS: 12% protein: Oct +170/185 KWZ, Nov/Dec +170/NO KWZ, J/F/M +168/180 KWH, Apr/May +165/175 KWK, Jun/Jul +150/165 KWN. 11% protein: Nov/Dec +135/143 KWZ, J/F/M +133/143 KWH, Apr/May +130/140 KWK, Jun/Jul +120/135 KWN. **ORDS:** Oct 25-31 +115/NO WZ, Nov/Dec +120/NO KWZ, J/F/M +110/NO KWH, Apr/May +105/NO KWK, Jun/Jul +100/NO KWN.

The KC spot market closed down -5 ct/bu for ORDS and -8 ct/bu for 11.0% protein cars.

| Protein | Basis | Range | Change | Protein | Basis | Range | Change |
|-----------|-------|---------|--------|-----------|-------|----------|--------|
| Ordinary | | +65/75 | -5/-5 | 12.60 PCT | | +165/175 | 0/0 |
| 11.00 PCT | | +77/87 | -8/-8 | 12.80 PCT | | +180/190 | 0/0 |
| 11.20 PCT | | +85/95 | 0/0 | 13.00 PCT | | +200/210 | 0/0 |
| 11.40 PCT | | +95/105 | 0/0 | 13.20 PCT | | +205/215 | 0/0 |



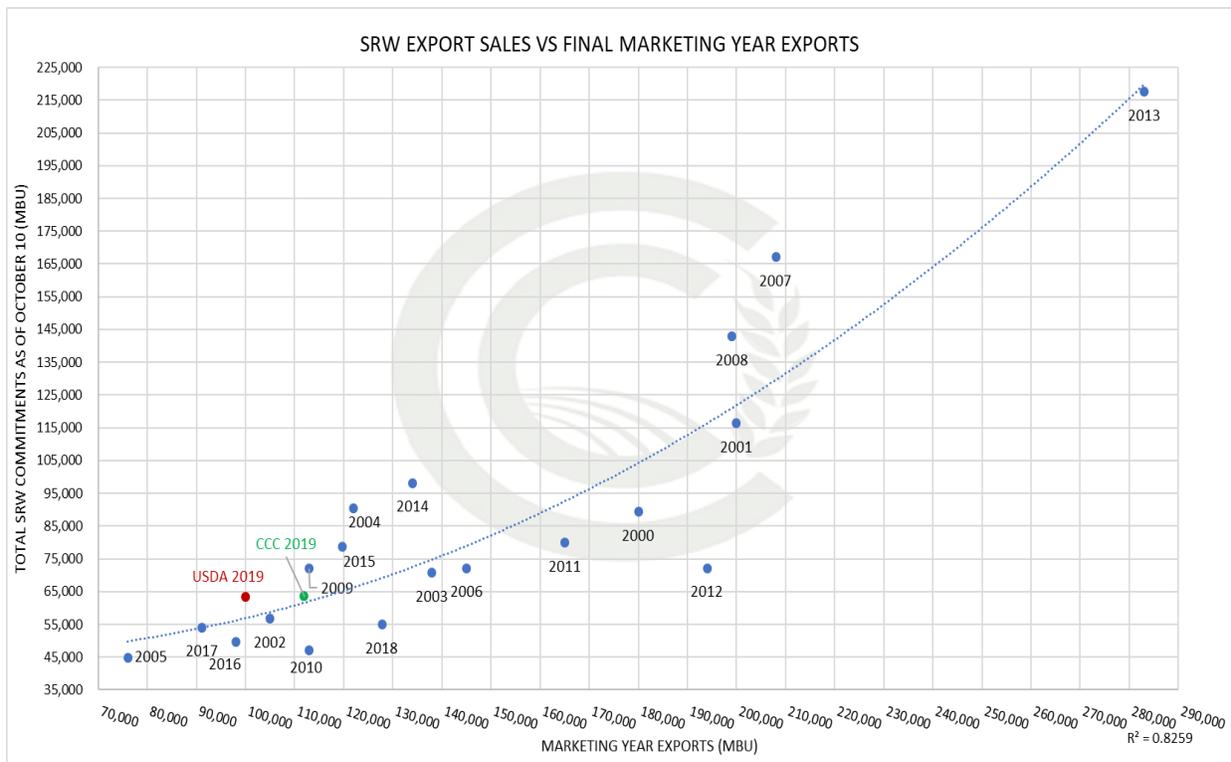
| | | | | | |
|-----------|----------|-----|-----------|----------|-----|
| 11.60 PCT | +115/125 | 0/0 | 13.40 PCT | +205/215 | 0/0 |
| 11.80 PCT | +120/130 | 0/0 | 13.60 PCT | +205/215 | 0/0 |
| 12.00 PCT | +123/133 | 0/0 | 13.80 PCT | +205/215 | 0/0 |
| 12.20 PCT | +123/133 | 0/0 | 14.00 PCT | +205/215 | 0/0 |
| 12.40 PCT | +146/156 | 0/0 | | | |

Daily received/shipped (reported by CME, close of business 10/17): Hutchinson: 4.839/92.451, KC: 9.742/0 kbu, Salina: 29.635/0.833 kbu, Wichita: 123.589/23.348 kbu.

SOFT RED WINTER

The SRW cash markets are wicked firm. Really, they been firm all year, but cash/paper shorts in the market have been pushing their bids higher for SRW barges. December barges were bid as high as +100 WZ today, but there have been no reported trades this week. There was an offer floating around earlier in the week at +115 WZ for December. LH Nov/Dec barges traded last week at +100 WZ. FOB NOLA indications have firmed in response to CIF market strength, with indications around +110-115 for Dec. The domestic market is mostly covered through December and J/F/M offers are around +60 WH.

SRW exports sales totaled 34.8 kmt, up slightly from the previous week. Our current export forecast is 112 mbu compared to USDA's 100 mbu. The graph below illustrates total commitments vs. marketing year final exports.



CIF barge bid/offer: Oct +70/NO WZ, Nov +95/NO WZ, Dec +100/115 WZ, Jan +85/NO WH, Feb +85/NO WH, Mar +85/NO WH, Jun/Jul +65/NO WN, Jul NB/+80 WN.

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FOB NOLA indications: Nov +110 WZ, Dec +115 WZ, Jan +110 WH, Feb +115 WH, Mar +115 WH.

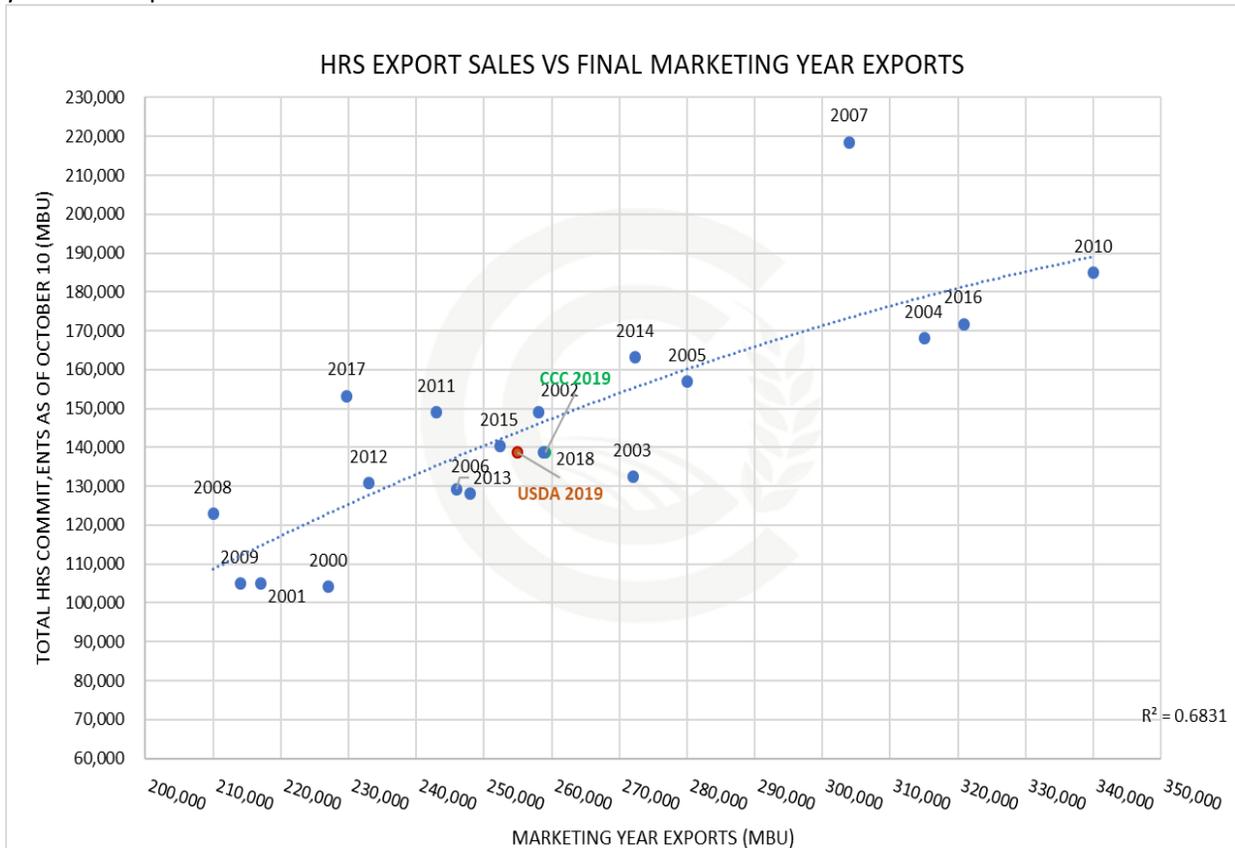
FOB Bellevue bid/offer indications: O/N/D +40/55 WZ, J/F/M +48/60 WH, A/M +50/65 WK.

Elevator/Mill Bids: NW Ohio mills: Oct +40 WZ, Nov/Dec +45 WZ, J/F/M +45 WH, Apr/May +45 WK, Jun/Jul +15 WN; Chicago warehouse: Oct +5 WZ, Nov/Dec +0 WZ, Jan +5 WH, Feb/Mar +0 WH; Toledo warehouse: Oct +21 WZ, J/F/M +10 WH; Toledo mill: O/N/D +45 WZ, J/F/M +45 WH, A/M +45 WK; Michigan mill: Oct +20 WZ, Nov/Dec +30 WZ, J/F/M +30 WH, Apr/May +30 WK, Jul +15 WN; Eastern Indiana mill: Oct +40 WZ, Nov +40 WZ, Dec +40 WZ, Jan +30 WH, Jun/Jul +30 WN, Aug +30 WU, Sep +40 WU.

Daily received/shipped (reported by CME, close of business 10/17): Chicago: 3.004/205.829 kbu, MS River: 0.411/0 kbu, NW Ohio: 0/12.524 kbu, OH River: 1.075/38.402 kbu, St. Louis: 86.51/148.943 kbu, Toledo: 10.857/374.435 kbu.

HARD RED SPRING

HRS export sales totaled 145.8 kmt, up 70k from the previous week. Additional demand was seen from Bangladesh which purchased 55 kmt. Last year, HRS bought additional Bangladesh business from Canada due to a low protein crop. Could we see this demand continue with quality issues across the Prairies and the US having substantial old-crop carry-in stocks? Our current HRS export forecast is 259 mbu compared to USDA's 255 million. The graph below illustrates total commitments vs. marketing year final exports.



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The spring wheat market has been firm this week, as spot volume slows down and the country turns its attention to row crops. Mills have adjusted to 275 falling number and elevators have been successful blending old & new crop to make milling specs & making good margins in the process. Resellers have been reluctant to guarantee quality in the deferreds, since they don't know the quality of the stocks that are left on farm. J/F/M indications are wide, with about a 25 cent spread between the bid and the offer, and they can vary significantly depending upon who you talk to. We have heard offers between +135 and +150 MWH for 14.0% protein, 300 falling number, DETs.

There was one train and 27 single cars offered on the spot floor today. Seventeen of those singles were no milling quality, since they had 1.9% damage. They averaged 14.5% protein and traded at a healthy +110 MWZ. The train averaged 14.0% protein and made milling quality specs. It traded at +120 MWZ. Milling quality singles traded at +100 MWZ for 13.0% protein and +130 MWZ for 15.0% protein.

HRS vs HRW price comparisons (Nov/Dec):

| Spring Wheat vs HRW Basis Chicago gateway | | | | | | |
|---|---------------|---------|---------------|---------|---------------|---------|
| Nov/Dec | DNS 14% | HRW 14% | DNS 13.5% | HRW 13% | DNS 13% | HRW 12% |
| Basis | 135.00 | 210.00 | 130.00 | 205.00 | 125.00 | 160.00 |
| Futures | 544.50 | 433.75 | 544.50 | 433.75 | 544.50 | 433.75 |
| Del Chicago | 679.50 | 643.75 | 674.50 | 638.75 | 669.50 | 593.75 |

HRS & HRW blended prices (Nov/Dec):

| 13% HRS Protein Blend (Eastern Mills) | | | | | | |
|---------------------------------------|--------------|---------|------------|-------|---------------|----------|
| | Spot Basis | Futures | Flat Price | Blend | Blended Price | Basis MW |
| 14% HRS | 135 | 544.50 | 679.50 | 2 | 634.25 | 89.75 |
| 11.0% HRW | 110 | 433.75 | 543.75 | 1 | | |
| 13% HRS Comparison | 125 | 544.50 | 669.50 | | | |
| Blended Discount (ct/bu) | 35.25 | | | | | |

Daily received/shipped (reported by MGEX, close of business 10/17): Minneapolis/St. Paul: 30/61 kbu, Duluth/Superior: 0/0 kbu.

PNW

The PNW's only tender this week was from MAFF (Japan). They bought just one cargo for LP Nov – Dec shipment and it was a mix of HRW & SWW. Prices paid were mostly in line with trade indications, at around +175-185 KWZ for 11.5% protein HRW and \$6.20-6.25/bu for SWW, max 10.5% protein. SWW values have been working higher this week, with the track market trading around \$6.25-6.30/bu to domestic mills, and exports fighting to cover shorts. PNW growers have been selling spring wheat on the futures rally this week, but HRW has been quiet.



PNW track bids:

| | | | |
|-------------|-----------------|-----------------|--------------|
| Shipment | NS/DNS 14% | HRW 11.5% | SWW 9.0-9.5% |
| Oct/Nov/Dec | 180/180/180 MWZ | 165/170/170 KWZ | 610/614/618 |
| Jan/Feb/Mar | 170/175/175 MWH | 165/170/170 KWH | 622/626/630 |

WORLD WHEAT NEWS

Our current world trade estimates by country can be found in the table below.

| CASCADE COMMODITY CONSULTING 2019-2020 MAJOR EXPORTER BALANCE SHEETS | | | | | | | | | | |
|--|-----------|-----------|--------|-------|--------|---------|------------|------|--------|--------|
| Non-Durum MMT | Argentina | Australia | Canada | EU | Russia | Ukraine | Kazakhstan | US | TOTAL | P8 YoY |
| Carryin | 2.0 | 5.3 | 4.6 | 13.3 | 8.1 | 3.4 | 1.5 | 27.9 | 66.0 | (6.64) |
| Production | 18.7 | 15.9 | 27.1 | 144.5 | 74.5 | 27.9 | 11.5 | 51.8 | 371.9 | 22.21 |
| Imports | 0.0 | 0.3 | 0.1 | 3.1 | 0.5 | - | 0.1 | 2.2 | 6.3 | (3.34) |
| Total Supply | 20.7 | 21.5 | 31.7 | 160.9 | 83.1 | 31.3 | 13.0 | 81.9 | 444.2 | 12.22 |
| Domestic Use | 6.0 | 9.2 | 8.3 | 120.2 | 41.0 | 9.2 | 6.6 | 29.8 | 230.2 | 8.47 |
| Exports | 13.4 | 8.4 | 18.9 | 25.9 | 32.9 | 19.4 | 5.4 | 25.8 | 150.11 | 4.29 |
| Carryout | 1.4 | 3.9 | 4.5 | 14.9 | 9.2 | 2.7 | 1.0 | 26.3 | 63.9 | (2.06) |

Major importer balance sheets by region are in the tables below.

| AFRICA IMPORTER BALANCE SHEETS | | | | | | | | | | |
|--------------------------------|---------|-------|----------|--------|---------|---------|-----------|-------|---------|-------|
| Balance Sheet | Algeria | Egypt | Ethiopia | Libya | Morocco | Nigeria | S. Africa | Sudan | Tunisia | Kenya |
| Carryin | 5.2 | 4.0 | 0.4 | 0.1 | 5.7 | 0.2 | 0.8 | 0.2 | 0.7 | 0.1 |
| Production | 4.0 | 8.8 | 4.6 | 0.2 | 4.0 | 0.1 | 1.9 | 0.6 | 1.5 | 0.3 |
| Imports | 7.0 | 12.4 | 1.6 | 1.4 | 5.3 | 5.2 | 1.7 | 2.5 | 1.6 | 2.0 |
| Total Supply | 16.2 | 25.1 | 6.6 | 1.8 | 15.1 | 5.4 | 4.4 | 3.3 | 3.8 | 2.4 |
| Domestic Use | 10.9 | 20.4 | 6.2 | 1.7 | 10.8 | 4.8 | 3.4 | 3.0 | 3.0 | 2.3 |
| Exports | 0.0 | 0.8 | - | - | 0.1 | 0.4 | 0.1 | - | 0.0 | 0.0 |
| Carryout | 5.3 | 3.9 | 0.4 | 0.1 | 4.2 | 0.3 | 0.9 | 0.3 | 0.8 | 0.1 |
| YoY C/O Δ | 0.11 | 0.06 | 0.06 | (0.05) | (1.52) | 0.07 | 0.05 | 0.11 | 0.10 | 0.02 |

| ASIA IMPORTER BALANCE SHEETS | | | | | | | | | | | |
|------------------------------|------------|-------|-----------|-------|----------|-------------|-----------|-------|--------|----------|---------|
| Balance Sheet | Bangladesh | China | Indonesia | Japan | Malaysia | Philippines | Sri Lanka | Korea | Taiwan | Thailand | Vietnam |
| Carryin | 0.7 | 140.0 | 1.4 | 1.0 | 0.3 | 2.3 | 0.1 | 1.3 | 0.4 | 0.5 | 0.4 |
| Production | 1.1 | 132.1 | - | 0.9 | - | - | - | 0.0 | 0.0 | - | - |
| Imports | 6.0 | 3.3 | 11.0 | 5.8 | 1.9 | 7.5 | 0.9 | 4.0 | 1.5 | 3.3 | 3.4 |
| Total Supply | 7.7 | 275.4 | 12.4 | 7.7 | 2.1 | 9.8 | 1.0 | 5.3 | 1.8 | 3.8 | 3.9 |
| Domestic Use | 7.2 | 128.0 | 10.7 | 6.5 | 1.7 | 7.0 | 0.8 | 3.9 | 1.4 | 2.9 | 3.3 |
| Exports | - | 1.3 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 | 0.3 | 0.1 | 0.3 | 0.3 |
| Carryout | 0.5 | 146.1 | 1.4 | 1.0 | 0.3 | 2.7 | 0.1 | 1.2 | 0.3 | 0.7 | 0.3 |
| YoY C/O Δ | (0.1) | 6.1 | 0.0 | (0.0) | 0.0 | 0.5 | 0.0 | (0.1) | (0.0) | 0.2 | (0.2) |



| MIDDLE EAST IMPORTER BALANCE SHEETS | | | | | | | | |
|-------------------------------------|--------------|------------|------------|------------|--------------|------------|-------------|------------|
| CCC 2019-20 Balance Sheet | Iran | Iraq | Isreal | Jordan | Saudi Arabia | Syria | Turkey | Yemen |
| Carryin | 6.1 | 0.8 | 0.3 | 0.4 | 2.4 | 0.4 | 5.1 | 0.4 |
| Production | 16.8 | 4.8 | 0.1 | 0.0 | 0.5 | 4.8 | 19.0 | 0.1 |
| Imports | 0.0 | 2.9 | 1.9 | 0.9 | 3.2 | 0.6 | 7.4 | 3.6 |
| Total Supply | 23.0 | 8.6 | 2.2 | 1.3 | 6.1 | 5.8 | 31.5 | 4.1 |
| Domestic Use | 16.4 | 7.7 | 1.9 | 0.9 | 3.7 | 4.1 | 18.1 | 3.6 |
| Exports | 0.6 | - | - | 0.0 | - | - | 6.5 | - |
| Carryout | 6.0 | 0.9 | 0.3 | 0.4 | 2.4 | 1.7 | 6.9 | 0.5 |
| YoY C/O Δ | (0.2) | 0.0 | 0.1 | 0.0 | 0.0 | 1.3 | 1.8 | 0.1 |

| LAM IMPORTER BALANCE SHEETS | | | | | | | |
|------------------------------|------------|------------|------------|------------|------------|--------------|------------|
| CCC 2019-20 Balance Sheet | Chile | Colombia | Cuba | Ecuador | Mexico | Peru | Venezuela |
| Carryin | 0.8 | 0.4 | 0.0 | 0.1 | 0.5 | 0.3 | 0.1 |
| Production | 1.4 | 0.0 | - | 0.0 | 3.3 | 0.2 | - |
| Imports | 1.5 | 2.1 | 0.8 | 1.3 | 5.2 | 2.3 | 1.2 |
| Total Supply | 3.7 | 2.6 | 0.8 | 1.4 | 9.1 | 2.8 | 1.3 |
| Domestic Use | 2.8 | 2.0 | 0.8 | 1.2 | 7.5 | 2.2 | 1.2 |
| Exports | 0.0 | 0.0 | - | - | 0.9 | 0.1 | - |
| Carryout | 0.9 | 0.6 | 0.0 | 0.2 | 0.7 | 0.5 | 0.1 |
| YoY C/O Δ | 0.1 | 0.2 | 0.0 | 0.1 | 0.1 | (0.1) | 0.0 |

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% |
| Nov | \$206 | \$205 | \$202 | - | \$209 | \$207 | \$206 | \$203 | \$201 | \$236 |
| Dec | \$209 | \$208 | \$204 | \$188 | \$209 | \$207 | \$206 | \$204 | \$202 | \$238 |
| Jan | \$212 | \$210 | \$207 | \$191 | \$213 | \$212 | \$211 | \$205 | \$204 | \$238 |
| Feb | \$215 | \$212 | \$209 | \$193 | \$213 | \$212 | \$211 | \$207 | \$206 | \$240 |

| 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% |
| Nov | - | - | - | \$222 | \$227 | \$226 | \$261 | \$264 | - | - |
| Dec | \$243 | \$257 | \$238 | \$222 | \$227 | \$228 | \$261 | \$264 | \$250 | \$261 |
| Jan | \$245 | \$259 | \$240 | \$226 | \$232 | \$230 | \$266 | \$269 | \$249 | \$260 |
| Feb | \$245 | \$259 | \$240 | \$226 | \$232 | \$231 | \$266 | \$269 | \$251 | \$262 |



SOUTH AMERICA

| Origin | Month | Quality | Offer (USD/MT) |
|-------------------|----------------------|-----------|------------------|
| Argentine Upriver | New crop Dec/Jan/Feb | 11.5% pro | Seller \$190/193 |
| Argentine Upriver | Old crop LH Nov. | 12.0% pro | Seller \$194 |
| Argentine Upriver | New crop Dec/Jan/Feb | 12.0% pro | Not mentioned |

CANADA

Indicative FOB CWRS offers (#2 grade, 13.5% protein): +135 MWH for Dec/Jan, with around a 30-40 ct/bu premium for #2 13.8% protein (though this has not been tested in trade), a 15-20 ct/bu discount for #2 13.0% protein, and another a 15-20 ct/bu discount for 275 falling number.

AAFC released an updated wheat balance sheet adjusting estimates from its September report. Non-durum supply decreased 325 kmt from the September estimate. Exports were trimmed 200 kmt to 19.0 million MT due to lower than expected exports for the first two months of the crop year. Carry-out stocks are forecast to increase by 18% to 5 Mt, but only 2% higher than the past five-year average of 4.92 Mt. Durum wheat balance sheet was mostly unchanged, with the exception of higher foreseen feed demand, up 150 kmt from last month.

| Grain and Crop Year (a) | Area Seeded ----- thousand ha ----- | Area Harvested | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food & Industrial Use (d) | Feed, Waste & Dockage | Total Domestic Use (e) | Carry-out Stocks |
|---------------------------|--|----------------|---------------|------------|-------------|--------------|-----------------------------|---------------------------|-----------------------|------------------------|------------------|
| | | | | | | | ----- thousand tonnes ----- | | | | |
| Durum | | | | | | | | | | | |
| 2017-2018 | 2,106 | 2,088 | 2.38 | 4,962 | 8 | 6,798 | 4,342 | 201 | 587 | 1,030 | 1,426 |
| 2018-2019 | 2,503 | 2,456 | 2.34 | 5,745 | 24 | 7,194 | 4,526 | 206 | 596 | 993 | 1,676 |
| 2019-2020f | 1,980 | 1,929 | 2.59 | 4,998 | 25 | 6,699 | 4,700 | 210 | 579 | 999 | 1,000 |
| Wheat Except Durum | | | | | | | | | | | |
| 2017-2018 | 7,020 | 6,895 | 3.69 | 25,415 | 75 | 30,593 | 17,570 | 3,212 | 3,977 | 7,969 | 5,053 |
| 2018-2019 | 7,570 | 7,425 | 3.56 | 26,456 | 95 | 31,605 | 19,764 | 3,309 | 3,457 | 7,601 | 4,240 |
| 2019-2020f | 8,141 | 7,847 | 3.50 | 27,494 | 95 | 31,829 | 19,000 | 3,310 | 3,674 | 7,829 | 5,000 |
| All Wheat | | | | | | | | | | | |
| 2017-2018 | 9,126 | 8,983 | 3.38 | 30,377 | 82 | 37,391 | 21,913 | 3,413 | 4,564 | 8,999 | 6,479 |
| 2018-2019 | 10,073 | 9,881 | 3.26 | 32,201 | 119 | 38,799 | 24,289 | 3,515 | 4,053 | 8,593 | 5,916 |
| 2019-2020f | 10,121 | 9,776 | 3.32 | 32,492 | 120 | 38,528 | 23,700 | 3,520 | 4,253 | 8,828 | 6,000 |

AUSTRALIA

Indicative prices for new crop Dec/Jan indications are around \$242-245/mt for APW FOB WA, with a \$5-\$5/mt discount for ASW, \$12-\$15/MT premium for AH2.

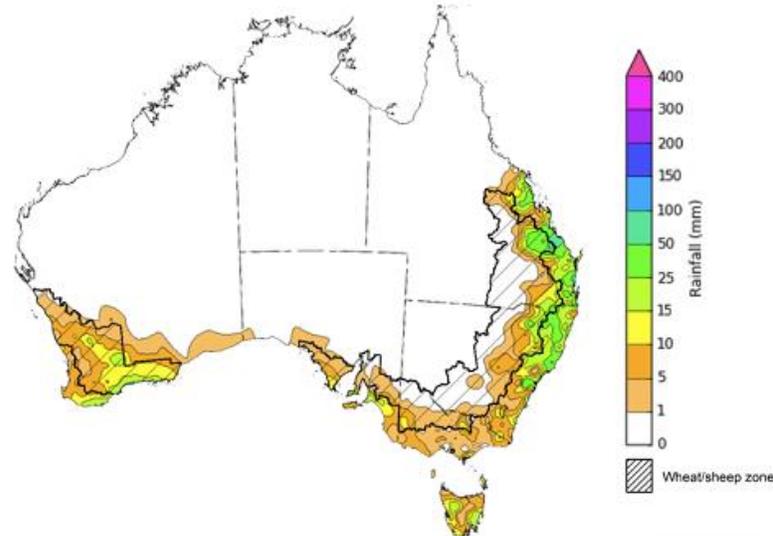
NAB Rural Commodities pegged Aussie crop at 15.5 million MT, 2.5 million MT below USDA and 400 kmt below our current estimate.

BOM reported weekly rainfall totals of 5-25 mm across parts of NE NSW, south Victoria, eastern Queensland, south SA, and WA. Harvesting nearly complete in northern Queensland with headers heading south into NNSW and CNSW with mixed reports on yields. Viterra took in its first load earlier this week however most of this was thought to be barley. Reports that large northern SA areas reporting more areas of wheat fields showing signs of frost damage. Those farmers will cut these fields



for on-farm hay feeding. South SA producers are reporting good fields however are holding onto their stocks

Rainfall for the week ending 16 October 2019



BLACK SEA & EU

Indicative prices for November/December/January/February prices (\$/MT) for French wheat 11.0% pro \$203/204/205/207, German 12.5% pro \$205/208/210/212, Russian 12.5% pro \$206/209/212/215, Baltic 12.5% pro \$202/204/207/209.

PENDING TENDERS

- October 22: TMO tenders to buy 190 kmt of EU wheat.
- October 22: Jordan tenders for 120 kmt of hard wheat.
- October 23: TMO tenders to buy 127.5 kmt of EU durum wheat.
- October 23: Ethiopia tenders to buy 400 kmt of optional origin milling wheat for LH December shipment.
- October 28: Syria tenders to exchange 100 kmt of durum wheat for the same quantity soft wheat.
- October 29: Ethiopia tenders to buy 200 kmt of milling wheat.
- November 4: Syria tenders to buy 150 kmt of Russian wheat.

FUTURES COMMENTS



U.S. wheat futures prices have been supported this week by a short market structure and higher Russian cash wheat prices. For the week, Chicago is up 21.00 cents and Kansas City is up 11.50 cents, while Minneapolis is down 3.25 cents. Though KC & Chicago have benefitted from high world prices, MW has felt pressure from improved harvest weather in the Canadian Prairies. MWZ tested September highs this week



& failed, forming a “double top” on the chart, and the rally in Chicago has collapsed MW-W spreads, with MWZ-WZ making a new low of 11.75 cents.

Calendar spreads have been generally stronger this week, supported by the flat price rally and firm cash basis. We are nearly halfway through the VSR calculation period for the December contract and the KWZ/H spread is averaging 46.93% of full carry. The spread must now average less than or equal to 52.7% of full carry (about 14.99 cents) for the remaining 25 trading days to reverse trigger the VSR in KC. As every day passes that the spread trades less than 50% FC, folks are more convinced that the VSR will reverse trigger, which is supporting the deferred KW spreads. Both cash traders and speculators alike are eager to lock in carries, with these deferred KC spreads trading very near to full storage (assuming the storage rate drops to 0.165 ct/bu/day).

KC – Chicago spreads have made new lows this week, with the Dec trading out to -99.50 today, which has folks wondering if we’ll see any more HRW working into St. Louis. On paper at least, it looks like a play could be made, as it appears that the cash value would be below delivery value for HRW. One could argue this possibility should support KC – Chicago spreads moving forward, and one could also argue this is bearish Chicago spreads. In truth, Chicago spreads could be trading an inverse, based upon where the cash markets are, but the wheat of other classes in the delivery system is keeping a cap on them.

As Black Sea wheat shorts struggle to get coverage, and world wheat prices rise, and Australian wheat production estimates continue to shrink, there is little reason for Chicago wheat futures to weaken, other than profit taking. WZ chart showing rally has pushed beyond 50% retracement and is looking to test July 15th high of 543:



According to this week’s CFTC report, the Managed Money funds bought about eight thousand CME wheat contracts, 12 thousand HRW contracts, and about two thousand HRS contracts between October



8th and the 15th. So, as of the close on Tuesday, the MM funds held a net short 11k contracts in Chicago, 23k contracts in KC, and 10k contracts in Minneapolis.

| COMMITMENTS of TRADERS, as of 10/15/19 | | | | | | |
|--|------|-------|--------------|-------------|-----------------|-------|
| Commercials, #'s = 1,000 contracts | | | | | % Open Interest | |
| | Long | Short | Net Position | WKLY CHANGE | Long | Short |
| SRW | 51 | 93 | -43 | -5 | 10% | 18% |
| HRW | 82 | 112 | -31 | -14 | 24% | 33% |
| HRS | 40 | 35 | 5 | -1 | 59% | 52% |
| Corn | 576 | 792 | -216 | 16 | 28% | 39% |
| Beans | 219 | 400 | -181 | -47 | 24% | 44% |
| Index Funds, #'s = 1,000 contracts | | | | | % Open Interest | |
| | Long | Short | Net Position | WKLY CHANGE | Long | Short |
| SRW | 64 | 7 | 56 | -5 | 12% | 1% |
| HRW | 34 | 11 | 23 | 2 | 10% | 3% |
| HRS | 1 | 0 | 0 | -1 | 1% | 1% |
| Corn | 172 | 33 | 140 | -4 | 8% | 2% |
| Beans | 123 | 23 | 100 | 0 | 14% | 3% |
| Managed Money, #'s = 1,000 contracts | | | | | % Open Interest | |
| | Long | Short | Net Position | WKLY CHANGE | Long | Short |
| SRW | 73 | 83 | -11 | 8 | 14% | 16% |
| HRW | 59 | 82 | -23 | 12 | 17% | 24% |
| HRS | 2 | 11 | -10 | 2 | 2% | 16% |
| Corn | 151 | 217 | -66 | 25 | 7% | 11% |
| Beans | 118 | 69 | 49 | 42 | 13% | 8% |

* Values may not add due to rounding.

Best regards,

Al, Emily & Jason Conway

Comments and questions are welcomed, Contact our office at +1 (503) 631-7578, Email aconway@cashwheatreport.com