



CASH WHEAT REPORT

CASH WHEAT MARKET

The HRW export & domestic markets closed unchanged today & the tone continues firm despite discounts in rail freight & narrowing cash carrying charges. Growers are focusing on planting of winter wheat & we're still trying to determine the acreage compared to last year. Some analyst & traders suggest TX & OK will be up 2%-3%, while the other states will be down 2%-3%.

The SRW domestic market has an easier tone this week for nearby Sep & O/N/D positions, as mills are about 75% covered and willing to wait to get more, while J/F/M & A/M are only about 30% covered and the cash basis remains firm for these positions. The SRW CIF market was all bids and no offers today. The spring wheat spot market was hot-to-trot for four 15.0% protein cars, which traded 35 cents higher than previous, at +130 MWZ. Spring wheat harvest was significantly delayed last week by rain, advancing just 5% overall, at 76% complete versus 93% on average. What is left to be harvested in Montana (31%) and North Dakota (27%) is of highly questionable quality: low falling number, low DHV, and high sprout damage. Much of the poor-quality wheat will either need to be fed or kept on farm, as warehousemen don't know what to do with it & don't want it taking up valuable storage space. Cash basis for milling quality spring wheat has firmed in the last week in response to these quality concerns, and PNW exporters may not offer DNS at any price. As the production of #1 milling quality HRS shrinks, growers become more bullish & raise their selling ideas. Spring wheat cash prices will go higher, and the question is whether those higher prices come from a futures rally or higher cash basis? We think the latter.

USDA reported net wheat inspections of 16.9 mbu which were in line with average trade estimates of 15-22 mbu. HRS inspections hit a marketing year low at 1.3 mbu reflecting record low PNW shipments of 734 kbu. HRW inspections of 8.55 mbu were a 4-week high with shipments to Brazil (993 kbu), Colombia (1.36 mbu), Ecuador (1.83 mbu), Mexico (818 kbu), Nigeria (1.03 mbu), and Peru (1.33 mbu). SRW inspections of 3.39 mbu included shipments to Ecuador (1.6 mbu) and Nigeria (866 kbu). SWW inspections of 3.62 mbu were up 1.5 mbu which was a result of 2.07 mbu shipped to Sri Lanka and 1.06 mbu to S. Korea.

USDA Grain Inspections for the week ending September 12, 2019					
Grain	Week Ending (1,000 bu)			Current	Previous
	5-Sep	29-Aug	YR AGO	YTD	YTD
Wheat	16,875	15,161	15,108	274,484	224,741
Corn	16,605	24,095	41,174	35,187	67,886
Soybeans	24,489	35,932	28,926	45,561	59,583
Sorghum	1,778	1,360	52	3,098	112



Wheat Inspected for Export by Class (1,000 bu)								
USDA Grain Inspections for the week ending September 12, 2019								
Grain	HRS	HRW	SRW	HWW	SWW	Durum	Mixed	Total
Lakes	-	-	-	-	-	-	-	-
Atlantic	-	-	16	-	-	-	-	16
Gulf	147	4,306	2,919	-	-	-	-	7,372
Pacific	734	3,435	-	-	3,622	-	-	7,791
Interior	429	810	455	-	-	-	-	1,694
Total	1,310	8,551	3,390	-	3,622	-	-	16,873
Last Week	4,150	4,856	1,721	536	2,091	1,806	-	15,161
Net Change	(2,841)	3,695	1,669	(536)	1,531	(1,806)	-	1,712

Summary of trade estimates and results of USDA's crop conditions and progress reports:

Category	This Week	Average	Range	Last week	WoW Δ
Corn condition*	55	54	53-55	55	-
Corn harvested	4	4	2-6	NA	-
Soybeans condition*	54	54	53-55	55	-1
Spring wheat harvested (pct)	76	82	79-85	71	+5
Winter wheat planted (pct)	8	8	4-15	NA	-

*Percent good/excellent

HARD RED WINTER

The market was dead today, but traders say the tone remains firm. Shippers / warehousemen continue to hold their wheat despite rail freight at discounts to tariff & narrowing of cash carry. Exporters continue to push for the lower protein to fulfill recent sales to CCC & they're competing against PNW exporters who have been paying 10-15 ct/bu premium to shippers in NE/CO who have similar freight rates to the PNW vs GULF. The continued strength in cash basis increases the risk of a VSR reversal in KCBT storage rates on the KWZ9. The calculation period for the VSR will begin September 19th & runs thru November 22nd, if it averages 50% or less of full carry the storage rate will reverse from 8 ct/bu per month to 5 ct/bu per month.

There has been just enough demand at the gulf to absorb any wheat that wanted to move before the delayed fall harvests. We continue to be surprised how strong the cash basis has been since export demand & vessel line-ups have slowed down this fall.

HRW GULF BID/OFFERS: 12% PROTEIN: OCT 160/170 KWZ, NOV/DEC 160/175 KWZ, J/F/M 165/170 KWH, APR/MAY 155/165 KWK, J/J 145/165 KWN. 11% PROTEIN: SEP 135/145 KWZ, OCT 130/140 KWU, N/D +133/140 KWZ, J/F/M +130/145 KWH, APR/MAY +125/140 KWK, J/J 120/135 KWN. ORDS: SEP 128/138 KWZ, O/N/D 115/NO KWZ, J/F/M 105/NO KWH, A/M 100/NO KWK.



The KC spot market closed unchanged.

Protein	Basis	Range	Change	Protein	Basis	Range	Change
Ordinary		+75/85	0/0	12.60 PCT		+148/158	0/0
11.00 PCT		+81/91	0/0	12.80 PCT		+148/158	0/0
11.20 PCT		+88/98	0/0	13.00 PCT		+172/182	0/0
11.40 PCT		+109/119	0/0	13.20 PCT		+172/182	0/0
11.60 PCT		+109/119	0/0	13.40 PCT		+173/183	0/0
11.80 PCT		+109/119	0/0	13.60 PCT		+173/183	0/0
12.00 PCT		+119/129	0/0	13.80 PCT		+173/183	0/0
12.20 PCT		+119/129	0/0	14.00 PCT		+173/183	0/0
12.40 PCT		+119/129	0/0				

HRW planting progress by state compared to the previous year and the 5-year average:

HRW Planting Progress (%)							
STATE	This Week	Last Week	WOW Change	Last Year	YOY Change	5-Yr Avg.	5-Yr. Change
CO	21%	4%	17%	22%	-1%	25%	-4%
KS	6%	1%	5%	6%	0%	6%	0%
MT	5%	1%	4%	0%	5%	16%	-11%
NE	19%	4%	15%	19%	0%	26%	-7%
ND	8%	NA		35%	-27%	31%	-23%
OK	7%	NA		11%	-4%	10%	-3%
SD	5%	NA		26%	-21%	22%	-17%
TX	4%	NA		12%	-8%	10%	-6%

We keep asking questions about HRW planting intentions & 2-3 weeks ago some traders thought the area would be up 2%-3%, now believe the area is unchanged to down 3%+. Today's prices would suggest area should be down sharply. CRI will be \$4.35/bu compared to last year \$5.74/bu, July 2020 bids to growers are within 30-40 ct/bu of December 2020 corn bids, with prices in the west equal or 30 ct/bu below corn & 30-40 ct/bu above corn in the N. Central areas. July 2020 basis posted at the grower level range from -35 to -65 ct/bu under KWN9.

Daily received/shipped (reported by CME, close of business 9/13): Hutchinson: 14.474/2.585, KC: 426.67/0 kbu, Salina: 131.822/0.881 kbu, Wichita: 258.548/29.782 kbu.

SOFT RED WINTER

The SRW domestic cash market has an easier tone this week in the nearby & O/N/D positions, with mills having about 75% of their needs covered. Jan through May remains firm, as mills are only about 30% covered for these positions. The FOB Bellevue market is called +40/55 WZ for O/N/D, which is about a nickel off on the bid side, but the offers aren't chasing the bids lower. J/F/M is indicated at around +45/55 WH and A/M is +50/60 WK. The CIF market was all bids and no offers today.

SRW planting is just getting underway, and it looks like Arkansas, Ohio, Pennsylvania & Virginia are already off to a better start than last year. The question of whether or not we will see an increase in SRW area this year is a difficult one. On the one hand, we should have access to more acres, due to



excess prevent plant corn/bean acres, but on the other hand new crop SRW cash prices are significantly cheaper than a year ago. Either way, much will depend upon the pace of soybean harvest.

SRW planting progress by state compared to the previous year and the 5-year average (for data that is available):

SRW Planting Progress (%)							
STATE	This Wk	Last Wk	WoW Change	Last Year	YoY Change	5-Yr Avg.	5-Yr Change
AR	1%		1%		1%		-
MI	3%		3%	3%	0%	3%	0%
NY	4%		4%	9%	-5%		4%
OH	1%		1%		1%		1%
PA	4%		4%		4%		
TN	1%		1%	3%	-2%		
VA	2%		2%		2%		2%
WI	10%	8%	2%	22%	-12%	13%	-3%

CIF barge bid/offer: Sep +70/NO WZ, Oct +80/NO WZ, Nov +80/NO WZ, Dec +80/NO WZ, Jan +77/NO WH, Feb +77/NO WH, Mar +77/NO WH.

FOB NOLA indications: Oct +100 WZ, Nov +105 WZ, Dec +105 WZ, Jan +100 WH, Feb +105 WH, Mar +110 WH.

FOB Bellevue bid/offer indications: O/N/D +45/55 WZ, J/F/M +45/55 WH, A/M +45/60 WK.

Elevator/Mill Bids: NW Ohio mills: Sep +40 WZ, O/N/D +45 WZ, J/F/M +45 WH; Chicago warehouse: Sep +10 WZ; Toledo warehouse: Sep +22 WZ, J/F/M +10 WH; Toledo mill: Sep +25 WZ, O/N/D +45 WZ, J/F/M +45 WH, A/M +45 WK; Michigan mill: Sep +20 WZ, O/N/D +30 WZ, J/F/M +30 WH; Eastern Indiana mill: Sep +25 WZ, Oct/Nov +30 WZ, Dec +35 WZ, Jan +25 WH.

Daily received/shipped (reported by CME, close of business 9/13): Chicago: 7.497/0.575 kbu, MS River: 51.715/96.297 kbu, NW Ohio: 6.738/0.871 kbu, OH River: 10.626/71.099 kbu, St. Louis: 48.582/138.224 kbu, Toledo: 65.019/9.107 kbu.

HARD RED SPRING

There were just four milling quality spring wheat cars for sale in the spot market today. The cars averaged 15.0% protein and opened with a bid of +75 MWZ. They ended up trading at +130 MWZ, which is 35 ct/bu higher than 15's traded previously.

Very minimal harvest progress was made last week, due to heavy rains, and 31% of Montana's crop & 27% of North Dakota's crop remains in the field. This week looks clear and warm, so great harvest progress should be made, but the crop yet to be harvested is believed to be of highly questionable quality. Low falling number, low DHV, and high sprout damage are among the issues plaguing this crop. Quality so low that it may neither meet delivery, nor feed wheat specs. So, much of this wheat may

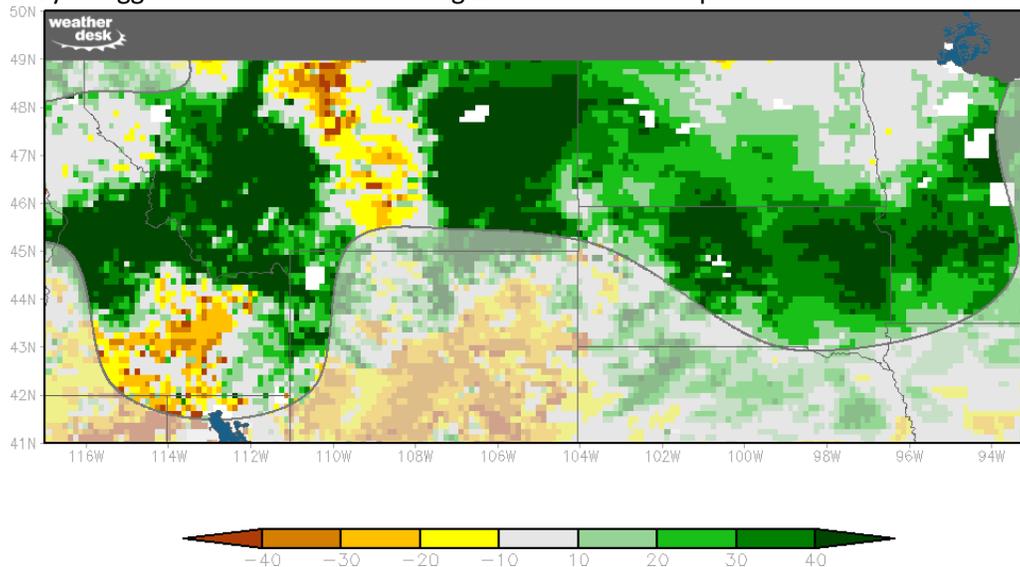


have to stay on farm, as warehousemen don't want junk wheat filling space. If this is true, then the cash basis for milling quality spring wheat will continue to work higher.

HRS harvest progress by state compared to the previous year and the 5-year average: Montana crop report indicated wet, cool weather have delayed harvest and caused a decline in crop conditions with SW and EC districts seeing sprout damage. Minnesota and North Dakota spring wheat harvesting is running at least 2 weeks behind normal with +20% of the crop at risk for further crop deterioration.

Spring Wheat Percent Harvested							
STATE	This Week	WK AGO	WoW Change	YR AGO	YoY Change	AVG	5-Yr. Avg. Change
ID	89%	85%	4%	96%	-7%	97%	-8%
MN	83%	78%	5%	100%	-17%	95%	-12%
MT	69%	62%	7%	93%	-24%	91%	-22%
ND	73%	68%	5%	97%	-24%	91%	-18%
SD	96%	91%	5%	100%	-4%	98%	-2%
WA	87%	74%	13%	95%	-8%	98%	-11%

Current topsoil moisture for spring wheat cropping regions helps illustrate the conditions producers are facing as they struggle to harvest the remaining 20-30% of their crop.



HRS vs HRW price comparisons (O/N/D):

Spring Wheat vs HRW Basis Chicago gateway						
O/N/D	DNS 14%	HRW 14%	DNS 13.5%	HRW 13%	DNS 13%	HRW 12%
Basis	130.00	185.00	125.00	185.00	120.00	165.00
Futures	509.00	409.00	509.00	409.00	509.00	409.00
Del Chicago	639.00	594.00	634.00	594.00	629.00	574.00

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HRS & HRW blended prices (O/N/D):

13% HRS Protein Blend (Eastern Mills)						
	Spot Basis	Futures	Flat Price	Blend	Blended Price	Basis MW
14% HRS	130	509.00	639.00	2	604.00	95.00
11.0% HRW	125	409.00	534.00	1		
13% HRS Comparison	120	509.00	629.00			
Blended Discount (ct/bu)	25.00					

Daily received/shipped (reported by MGEX, close of business 9/13): Minneapolis/St. Paul: 183/29 kbu, Duluth/Superior: 104/87 kbu.

PNW

This week exporters will have Japan, Taiwan & CCC tenders equal 275 kmt of business & the question is whether Guatemala & Philippines return to buy the wheat they passed on last week. They will find that was a big mistake because the spring wheat harvest over the weekend is much worse quality than expected. We're hearing 40%-60% sprout damage in some areas with DHV less than 25 & falling numbers closer to 100 than 300. Elevators are telling growers they will not take this wheat & growers should take to the farm or not harvest it. Not all of the wheat is this bad, but we have not heard any good quality reports from the weekend harvest. Taiwan buys DNS 75 DHV with 330+ falling number, they may not get offers this week that meet their tender specifications.

Growers, shippers, exporters are trying to determine what they'll do with this wheat. In our opinion they need to get the discounts & premiums wide enough that growers will not try to blend this on farm & damage the good/excellent quality wheat they have from last year's harvest &/or the 70% of the crop that was harvested with good quality.

The low falling number & low DHV wheat that will grade #2, but won't meet milling specifications should find its way to the delivery market & be delivered against MGEX. The wheat which won't meet milling wheat or delivery wheat specifications will need to stay on the farm until exporters can find a feed wheat market. If we assume \$180/mt fob PNW will compete in the world market as "feed wheat", this price backs off to elevators in MT & ND at \$3.40/bu bids (before margin) to growers. (\$180/mt = \$4.90/bu fob PNW - 150 ct/bu rail freight; this isn't a bad bid). It would be a premium to corn which are \$280-\$3.25/bu across ND. The question is will the grower sell these prices & are they encouraged to sell their wheat to get Crop Revenue Insurance. We believe they a larger payment if the sell & determine the final price after discounts.

Exporters try to hold their bids in face of no offers for HRS or HRW. If they push their bids into a vacuum they just lock in losses against existing sales.

Shipment	NS/DNS 14%	HRW 11.5%	SWW 9.0-9.5%
Sept	95 MWZ	140 KWZ	585 ct/bu
Oct/Nov/Dec	100/100/100 MWZ	145/145/145 KWZ	587/590/590



Jan/Feb/Mar	85/85/85 MWH	140/143/145 KWH	590/590/590
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WORLD WHEAT NEWS

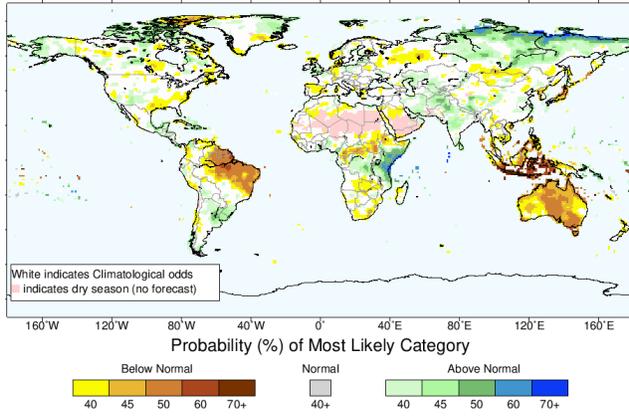
- The UAE and Saudi Arabia confirmed it had dispatched its third consignment of 200 kmt of wheat to Sudan. In April, both countries agreed to commit to providing 540 kmt of wheat to Sudan and last month two, 140 kmt consignments were shipped to Sudan.
- Syria purchased 900 kmt of local wheat of the 2.2 million MT produced. Syria reportedly is attempting to barter for 100 kmt of durum wheat from Russia in exchange for 100 kmt of soft wheat.
- Algeria has named Abderrahmane Bouchahda as the new chief of its grain’s agency OAIC, the presidency said on Monday, two months after the suspension of his predecessor over corruption allegations. Bouchahda, previously a senior official at OAIC, takes over the role with immediate effect.
- Algeria’s state grains agency OAIC announced a milling wheat tender seeking shipment in two periods, November 1-15 and November 16-30. We have looked back at Algeria’s tender purchase history since 2016 that Algeria has skipped purchasing wheat for October shipment, see graph below.



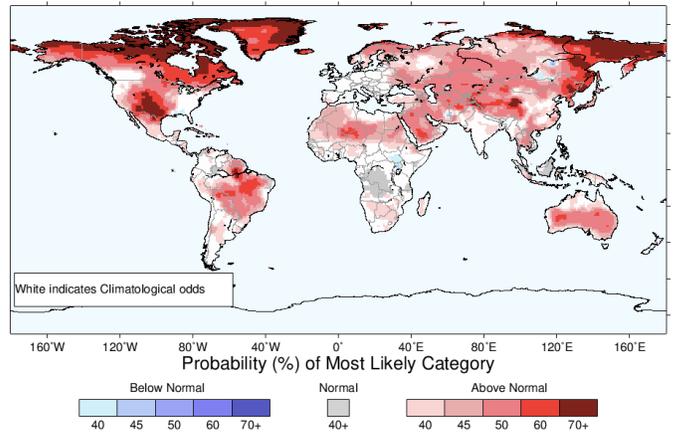
- IRI released its latest 3-month global weather outlook forecasting dry conditions in Australia, portion of the US (southern and Atlantic states), the Iberian Peninsula, portions of FSU, and the southern border of the Canadian Prairies. Wetter than normal conditions are expected in Brazil, Paraguay, Uruguay, northern Argentina, India, and portions of the Middle East. Global temperatures will be near to above normal during October-December.



IRI Multi-Model Probability Forecast for Precipitation for October–November–December 2019, Issued September 2019



IRI Multi-Model Probability Forecast for Temperature for October–November–December 2019, Issued September 2019



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%
Oct	\$186	\$187	\$185	-	\$202	\$198	\$197	\$187	\$189	\$216
Nov	\$188	\$189	\$187	\$184	\$204	\$200	\$199	\$188	\$190	\$218
Dec	\$190	\$191	\$188	\$178	\$205	\$202	\$201	\$189	\$192	\$218
Jan	\$192	\$193	\$190	\$180	\$207	\$203	\$202	\$191	\$194	\$219

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%
Oct	-	-	-	\$209	\$215	\$219	\$226	\$227	\$227	\$237
Nov	-	-	-	\$209	\$215	\$219	\$227	\$229	\$227	\$237
Dec	\$241	\$258	\$236	\$211	\$216	\$220	\$227	\$229	\$227	\$237
Jan	\$243	\$260	\$238	\$212	\$218	\$221	\$229	\$231	\$229	\$238

SOUTH AMERICA

Origin	Month	Quality	Offer (USD/MT)
Argentine Upriver	Old crop Nov.	11.5% pro	Seller \$184
Argentine Upriver	New crop Dec/Jan/Feb/March	11.5% pro	Seller \$180/182/185/188
Argentine Upriver	New crop Dec/Jan/Feb/March	12.0% pro	Seller \$185/188/191

CANADA

Indicative prices FOB Vancouver CWRS 13.5% protein November/December shipment at +110 MWZ / +100 MWH, with a 25-cent premium for 13.8% protein and a 15-cent discount for 13.0% protein.

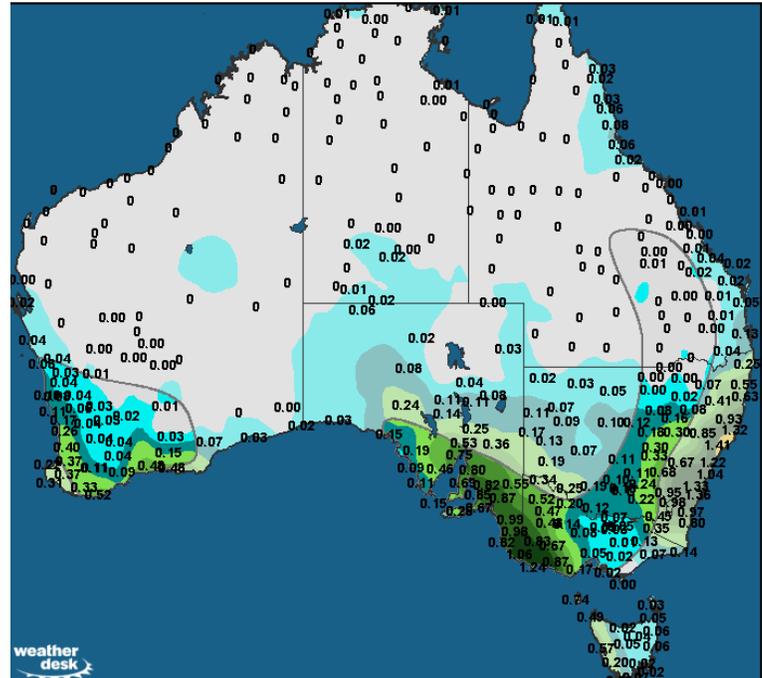
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We're trying to get more information about quality of the CWRS, where growers have a much larger share of the crop in the field. We would expect CWRS to have similar problems to HRS, but their wheat wasn't as mature, so it should fare better. More info tomorrow.

AUSTRALIA

Indicative prices for new crop (December/January) indications are around \$245-\$247/mt for APW FOB WA, with a \$7/mt discount for ASW, \$8-10/MT premium to AH. 1-5-day precipitation forecast map on the right.



BLACK SEA & EU

Indicative prices for October/November/December/January prices (\$/MT) for French wheat 11.5% pro \$186/188/189/191, German 12.5% pro \$187/189/191/192, Russian 12.5% pro \$186/188/190/192, Baltic 12.5% pro \$185/186/188/190.

- Strategie Grains adjusted soft wheat yields in numerous countries resulting in roughly 250 kmt added to 2019 production which is now estimated at 144.492 million MT.
- The EU Commission reported cumulative soft wheat exports through the week ending September 15th totaled 5.1 million MT, up 34% from a year ago.
- Russia has harvested 21.9 million hectares compared to 19.7 million last year. Average wheat yields are estimated at 3.08 t/ha compared to 3.13 t/ha last year. Of the total harvested, 67.6 million MT has been collected compared to 61.6 million a year ago.
- Ukraine's grain exports have reached 11.1 million MT, up 7.3 million MT from last year. Of the total, 6.75 million MT is wheat, 2.45 million MT barley, and 1.88 million MT corn, according to the AgMin.



PENDING TENDERS

- September 17: Jordan issued a new tender seeking to buy 120 kmt of milling wheat.
- September 17: Algeria tenders to buy milling wheat for Nov
- September 18: Turkey tenders to buy 250 kmt of wheat sought for October 15-November 6 shipment.
- September 18: CCC / Yemen 110 kmt SWW for Oct-Nov shipment
- September 21: Taiwan 2 cargoes Nov 3-17 & Nov 19-Dec 3 shipment.

FUTURES COMMENTS



December U.S. wheat futures prices closed stronger on the day, as world crude oil rallied on the attack on Saudi oil fields & wheat prices firmed, with Chicago wheat settling up 5.75 cents, Kansas City up 8.50, and Minneapolis closing up 2.75 cents. WZ met technical resistance at the 50-day moving average and the stochastics show the contract is in overbought territory, though the structure of the market is still short, with the Managed Money funds shown net short 14 thousand CME wheat contracts in Friday's CFTC report. Chicago wheat calendar spreads appear to have stabilized for now, as SRW cash basis has flattened out, we're nearly past the September delivery period. No one wants to be short the spreads, but no one wants to jump in & add to their long position at these values.

KC spreads firmed on the flat price rally and KWZ-KWH settled inside of 50% of full carry. The VSR calculation period begins on Thursday, and discussions of lower winter wheat production next year seem to support a VSR reduction. KC – Chicago spreads bounced off of contract lows today. If we can reverse trigger the VSR in KC, then that should support KC-Chi spreads, but the calculation period runs through November 22nd.

Serious quality concerns for new crop spring wheat are keeping pressure on Minneapolis calendar spreads. We are told low FN, low DHV, high damage spring wheat will be widespread in the 27% of North Dakota left to be harvested. This wheat, if it can't meet delivery specs & work into Duluth/Superior, will have to stay on farm or be sold for feed. These quality issues will keep Minnie spreads wide and cash basis firm for milling wheat.

Best regards,

Al, Emily & Jason Conway

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