



CASH WHEAT REPORT

CASH WHEAT MARKET

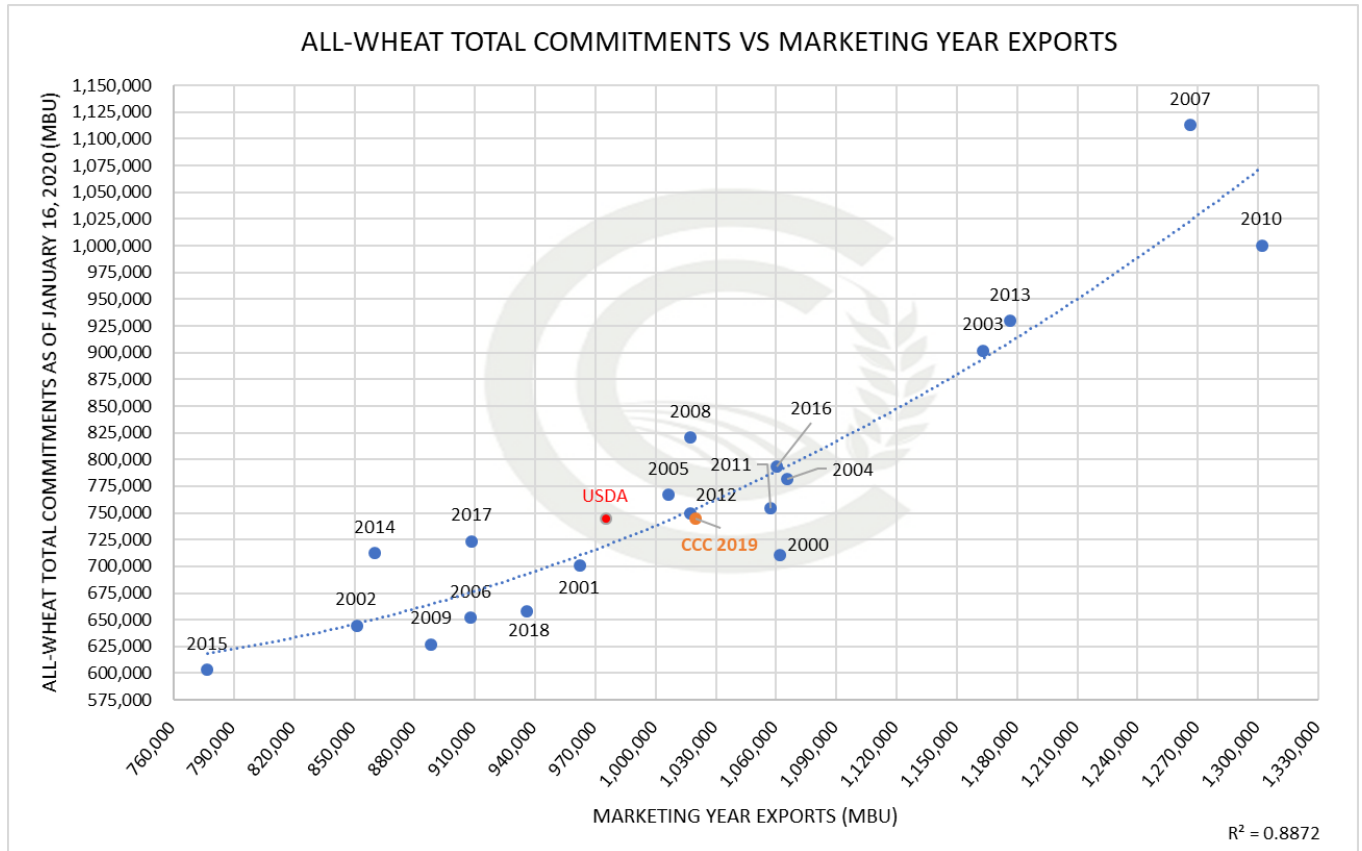
Cash HRW market was firmer this week & especially the past 2 days with an exporter taking out the offer for old & new crop. The HRW domestic market closed up 5 ct/bu today. Domestic spring wheat closed unchanged but everyone says it is weak with mills plugged & PNW exporters not there for anything in nearby positions. PNW market struggles to find bids for nearby positions as the market is losing faith in any China purchases anytime soon. SRW market is silent but we suggest traders need to keep an eye on Ontario winter wheat conditions for next year b/s. As mentioned yesterday imports next year could go from 5.0 mmt to 30+ mmt, depending upon the quality of the crop harvested.

Reports of China buying Australian wheat (up to 11-12 cargos) & Canadian CWRS (8-10 cargoes) has traders asking why buy the most expensive wheat in the world & ignore PNW SWW & NS/DNS. There is one scenario that China will buy the entire TRQ (9.4 mmt) per year & they are buying everything in the world before they buy US wheat. I don't know anyone who is willing to believe & trade this, but why are they buying Australian wheat?

USDA reported wheat net sales of 696,000 metric tons for 2019/20 were up 7% from the previous week and 58% from the prior 4-week average. Total commitments as a percent of final marketing year exports is 76% compared to the 5-year average of 77%. Increases were primarily for Bangladesh (111,900 MT, including 56,900 MT switched from unknown destinations), Japan (96,200 MT), Guatemala (88,600 MT), Taiwan (76,800 MT), and South Korea (71,200 MT), were offset by reductions for unknown destinations (16,200 MT).

Weekly Export Sales for Week Ending January 16, 2020										
Commodity (MT)	Net Sales		Outstanding Sales		Accumulated Exports		Marketing Year	Previous Marketing	Weekly Sales	YoY Total Sales
	This Year	Next Year	This Year	Last Year	This Year	Last Year	Total Sales	Year Total	Δ	Δ
Wheat	696.0	-	4,795.6	5,462.7	15,485.3	12,446.1	20,280.9	17,908.8	45.4	2,372.1
HRW	284.3	20.9	1,608.9	1,808.2	5,825.2	3,770.6	7,434.1	5,578.8	78.8	1,855.3
SRW	5.3	-	437.2	886.1	1,692.6	1,391.0	2,129.8	2,277.1	(18.6)	(147.3)
HRS	220.1	14.2	1,430.6	1,511.3	4,373.7	3,992.9	5,804.3	5,504.2	(66.8)	300.1
White	182.9	10.9	1,128.5	1,167.2	2,970.0	2,961.6	4,098.5	4,128.8	49.0	(30.3)
Durum	3.3	-	190.4	89.9	623.8	330.0	814.2	419.9	2.8	394.3
Corn	1,006.9	2.0	10,481.8	13,020.8	9,826.3	19,266.6	20,308.1	32,287.4	222.1	(11,979.3)
Soybeans	790.0	120.7	6,977.5	12,517.2	24,225.9	17,851.9	31,203.4	30,369.1	78.5	834.3

CCC is forecasting MY exports at 1.02 bbu which includes China and Brazil as wild card destinations.



HARD RED WINTER

There has been a surge of interest in the track market this week with exporters buying the offers in old & new crop positions. I suggest the market has been watching Argentine values jump \$10+/mt & realizing Brazil will buy the 750 kmt of “duty free” wheat, with some SRW included & the balance HRW. World wheat values were higher this week as well & analyst/traders have been increasing their estimates for HRW exports. Rail freight rates were down \$100-\$200 / car this week & are now offered \$100 under tariff.

Trains 11% protein traded February at +140 ct/bu & Jun/Jul at +140 ct/bu. Values are up 3-5 ct/bu on the bids & offers 5-8 ct/bu higher after recent trades. HRW ords are back in demand with bid up 5-10 ct/bu at +130 ct/bu KWHO

HRW GULF BID/OFFERS: 12% PROTEIN: FEB +168/177 KWH, MAR 168/177; APR/MAY +165/180 KWK, JUN/JUL +160/170 KWN. 11% PROTEIN: FEB 137/142, MAR 140/145, APR/MAY +137/145 KWK, JUN/JUL +136/142 KWN, AUG/SEP 130/138 ORDS: J/F/M +130/NO KWH, APR/MAY +120/NO KWK, JUN/JUL +115/NO KWN.

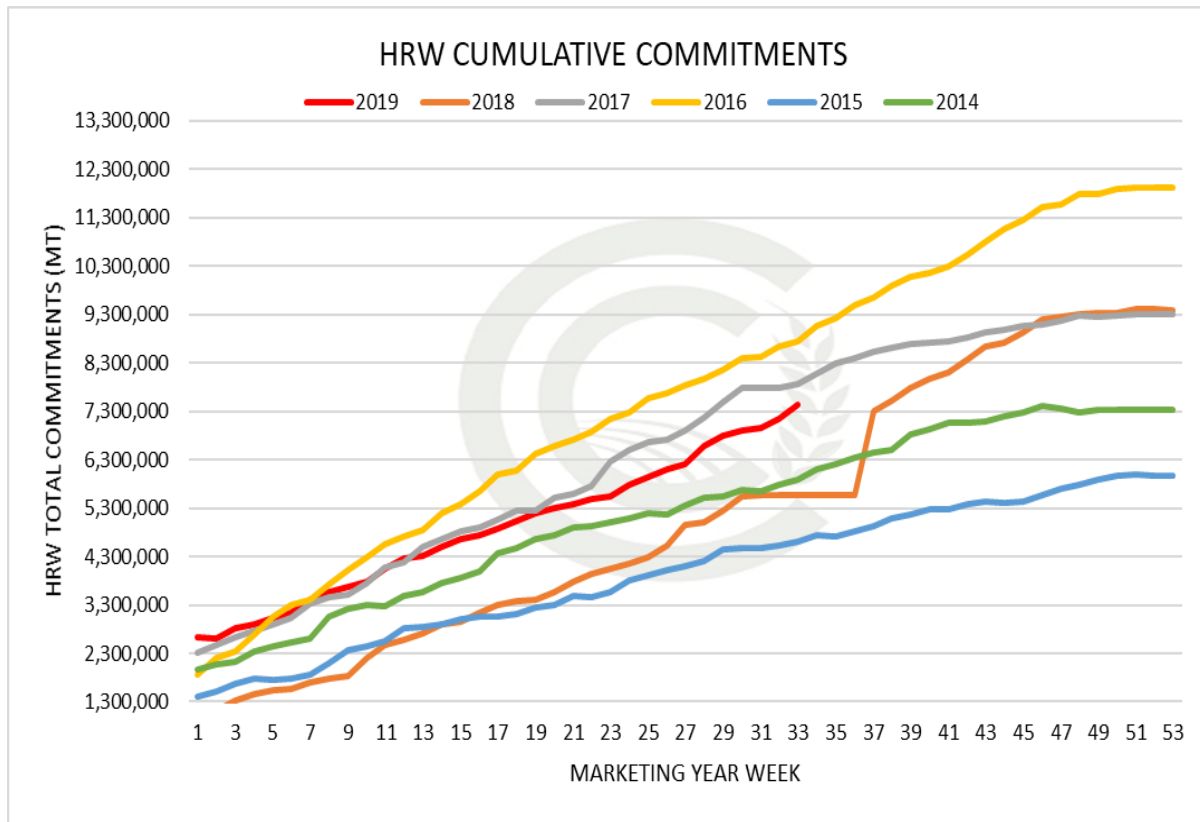
The domestic market closed up 5 ct/bu today on 12% protein, but traders suggest the tone remains weak & mills are plugged. They keep the pipeline full since the spot market is a discount to deferred replacement.

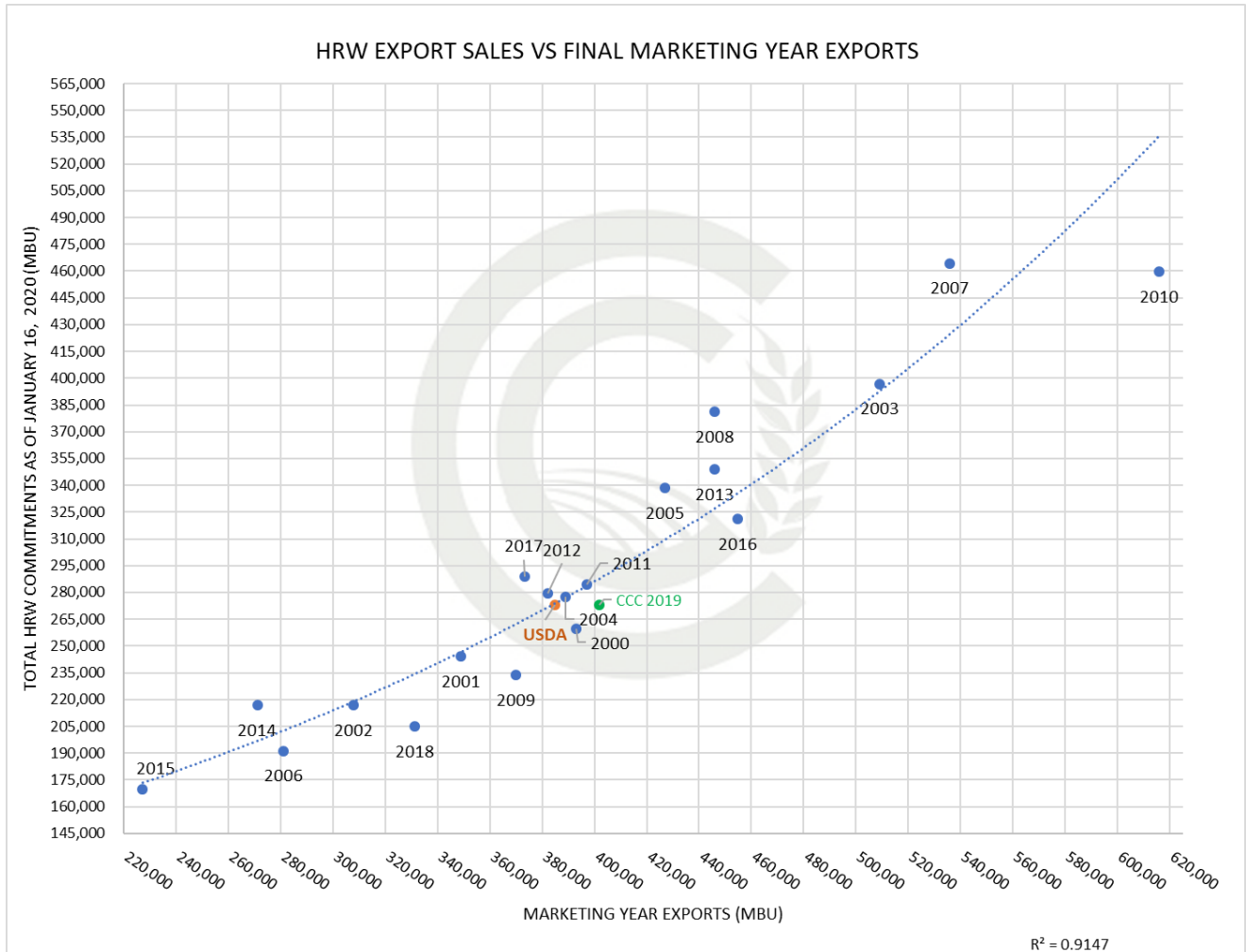


The KC spot market closed up 5 ct/bu for 12-12.4% protein cars:

Protein	Basis	Range	Change	Protein	Basis	Range	Change
Ordinary		+75/85	0/0	12.60 PCT		+150/160	0/0
11.00 PCT		+80/90	0/0	12.80 PCT		+165/175	0/0
11.20 PCT		+85/95	0/0	13.00 PCT		+185/195	0/0
11.40 PCT		+95/105	0/0	13.20 PCT		+185/195	0/0
11.60 PCT		+105/115	0/0	13.40 PCT		+185/195	0/0
11.80 PCT		+110/120	0/0	13.60 PCT		+206/216	0/0
12.00 PCT		+135/145	+5/+5	13.80 PCT		+206/216	0/0
12.20 PCT		+135/145	+5/+5	14.00 PCT		+210/220	0/0
12.40 PCT		+135/145	+5/+5				

HRW export sales were 10.45 mbu this week and included a rare sale to Bangladesh, demand we previously did not have in our balance sheet beyond the CCC donation which shipped in December. This week's sales were a 5-week high and the largest weekly volume reported since December 12th. Total commitments as a percent of total export is 68% compared to the 5-year average of 73% for the same period.





Daily received/shipped (reported by CME, close of business 1/23): Hutchinson: 6.288/2.432, KC: 8.659/0 kbu, Salina: 22.992/4.545 kbu, Wichita: 1.025/45.468 kbu.

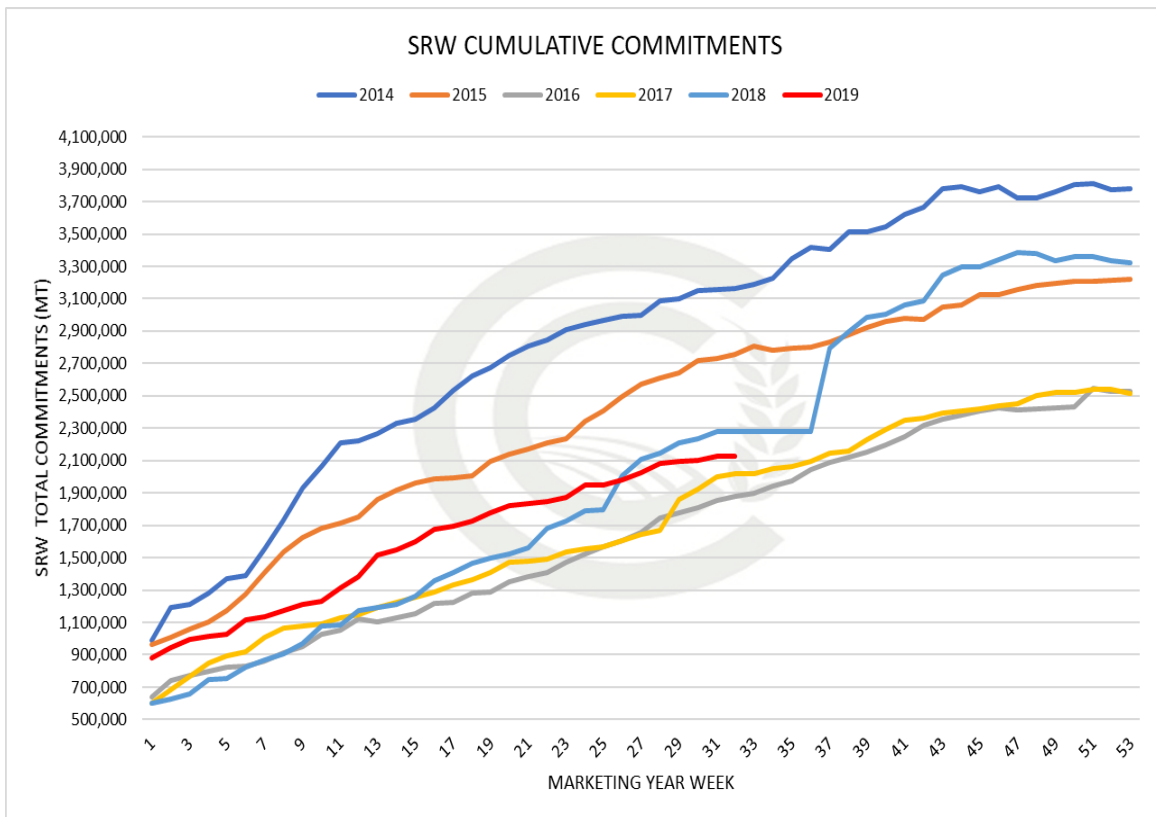
SOFT RED WINTER

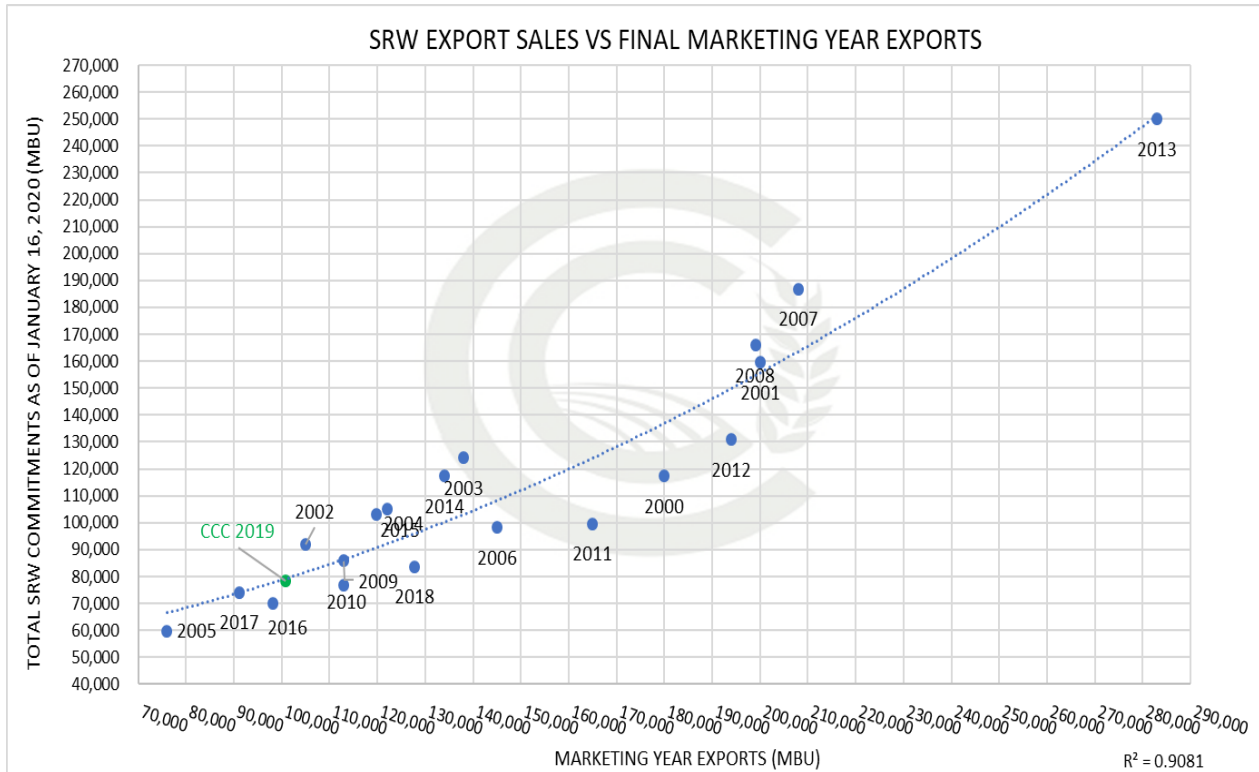
The SRW cash markets have been mostly steady this week, but the inverse in the March – May futures spread has brought out more offers on the river. Apr/May barges traded at +125 WK on Wednesday. J/F/M cash bids pushed back a nickel today, as barge freight continues to have a weaker tone, and we saw offers for June through September between +85 & +90 over the respective, which are still about 40-45 cents above average historical prices. Increases in Canadian soft winter wheat production, forecast for 2020/21, where crop conditions are looking better than the U.S., could make up for decreases in Michigan production this year, possibly relieving tightness in the SRW balance sheet. Could this pressure the new crop SRW cash basis off from historical highs?



The WH-WK spread is holding at a penny inverse, as the KWH-WH spread dances near the HRW delivery threshold. We are still five weeks away from first notice day.

SRW export sales were reported at 195.5 kbu with atypical buyers purchasing wheat last week. Our total demand forecast is unchanged at 100 mbu. Total commitments as a percent of marketing year exports is 77% compared to the 5-year average of 78% during the same period.





CIF barge bid/offer: Jan +115/NO WH, Feb +115/NO WH, Mar +115/130 WH, J/F/M +115/NO WH, Apr/May +115/130 WK, Jun/Jul +80/90 WN, Jul NB/+85 WN, Aug NB/+85 WU, Aug/Sep NB/+90 WU.

FOB NOLA indications: Feb +140 WH, Mar +140 WH, Apr +140 WK, May +140 WK.

FOB Bellevue bid/offer indications: J/F/M +55/65 WH, A/M +55/65 WK.

Elevator/Mill Bids: NW Ohio mills: Jan +40 WH, Feb/Mar +30 WH, Apr/May +30 WK, Jun +10 WN, Jul/Aug +15 WN, Aug/Sep +5 WU; Chicago warehouse: J/F/M +30 WH, NC -5 WN; Toledo warehouse: J/F/M +15 WH, A/M +12 WK, Jul/Aug +10 WN, Sep +5 WU; Toledo mill: J/F/M +30 WH, A/M +30 WK, Jun +10 WN, Jul/Aug +10 WU; Michigan mill: J/F/M +30 WH, Apr/May +30 WK, Jun/Jul +0 WN, Aug/Sep +0 WU; Eastern Indiana mill: Jan +35 WH, Feb/Mar +35 WH, Apr/May +35 WK, Jun/Jul +30 WN, Aug +30 WU, Sep +40 WU.

Daily received/shipped (reported by CME, close of business 1/23): Chicago: 48.898/267.204 kbu, MS River: 3.795/0 kbu, NW Ohio: 0.647/0 kbu, OH River: 58.364/188.033 kbu, St. Louis: 49.292/0 kbu, Toledo: 3.588/82.469 kbu.

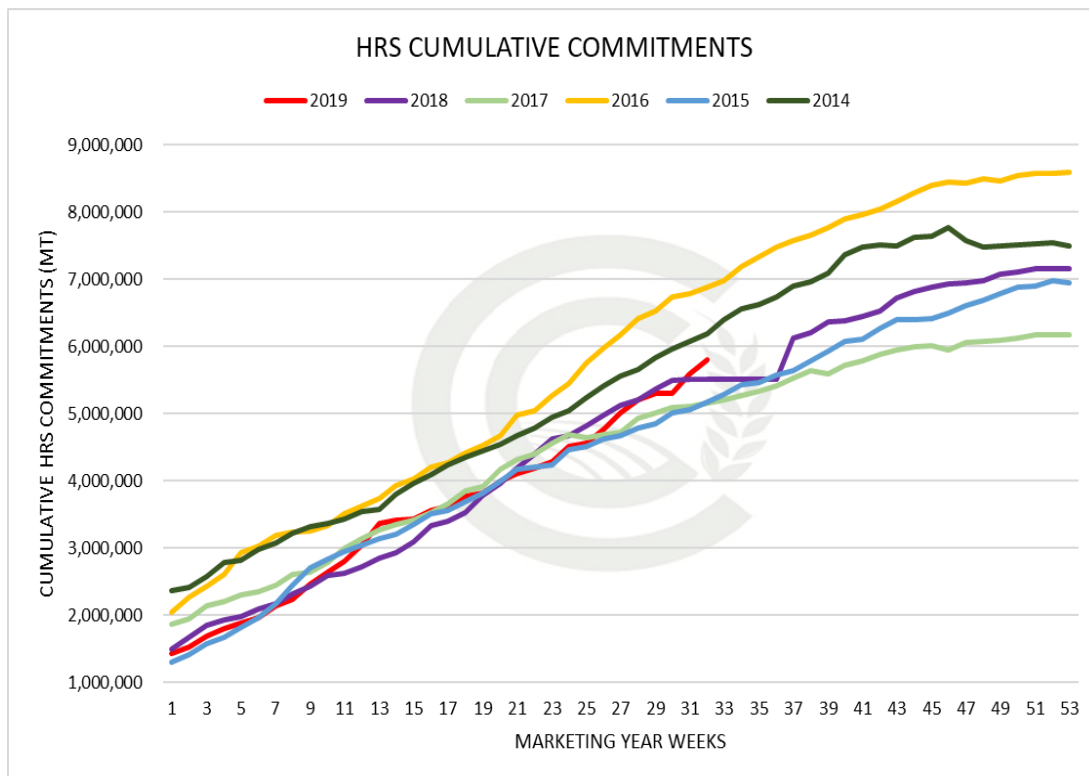
HARD RED SPRING

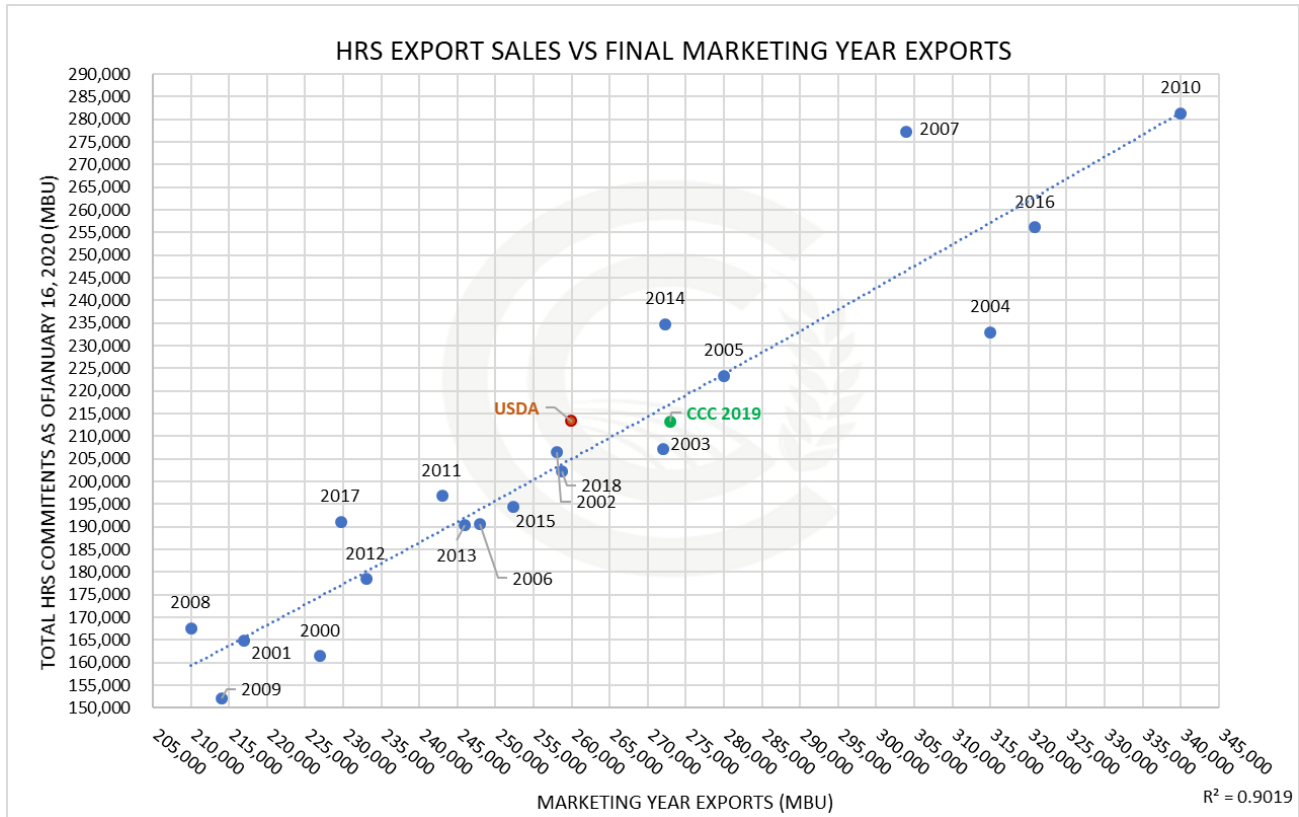
The spring wheat market has largely stabilized this week, with Apr/May to arrive offers holding steady at around +130 MWK for 14.0% protein DETs, and spot prices between +105 and +135 MWH for 14's. That being said, cash trade has been mostly quiet this week. Railroad performance been mostly spot on, but



has reportedly slowed a little bit this week, and mills are plugged with applications. We have seen a bit more non-milling cars on the spot floor today, which have traded a wide range depending upon specs. Today there was just one milling quality car with ten non-milling cars available on the spot floor. The lone milling car averaged 15.0% protein and traded the high side unchanged, at +160 MWH. The non-milling cars included a group of seven 15.0% protein cars out of South Dakota with high damage trading at +95 MWH. There was also a 14.5% pro car containing wheat of other classes that traded at +50 MWH. And a pair of curious 13.5's, also containing wheat of other classes, which had reportedly been previously billed delivered to a Superior delivery house that traded at -20 MWH. Yesterday there were three low falling number spring wheat cars that traded at the equivalent of -60 MWH delivered Duluth/Superior, but today two cars traded at -20 MWH!!! We had heard earlier this week that low falling number spring wheat could be had at around -30 to -25 MWH, but we are also told the volume available is very thin and anything that can be found should ultimately make its way into the Duluth/Superior delivery market.

HRS export sales totaled 8.8 mbu with Bangladesh, Guatemala, Japan, Mexico, Thailand, and Taiwan buying wheat. The cargo bought by Bangladesh moved out of unknown destinations and showed up in Monday's export inspections report. We have added additional Bangladesh spring wheat cargos into our balance sheet as we hear more buyers looking to buy spring wheat.





HRS vs HRW price comparisons (Apr/May):

Spring Wheat vs HRW Basis Chicago gateway						
Apr/May	DNS 14%	HRW 14%	DNS 13.5%	HRW 13%	DNS 13%	HRW 12%
Basis	130.00	220.00	125.00	195.00	125.00	140.00
Futures	557.00	493.50	557.00	493.50	557.00	493.50
Del Chicago	687.00	713.50	682.00	688.50	682.00	633.50

HRS & HRW blended prices (Apr/May):

13% HRS Protein Blend (Western Mills)						
	Spot Basis	Futures	Flat Price	Blend	Blended Price	Basis MW
14% HRS	130	557.00	687.00	1.5	655.60	98.60
11.5% HRW	115	493.50	608.50	1		
13% HRS Comparison	120	557.00	677.00			
Blended Discount (ct/bu)	21.40					

Daily received/shipped (reported by MGEX, close of business 1/23): Minneapolis/St. Paul: 8/3 kbu,
Duluth/Superior: 431/0 kbu.

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PNW

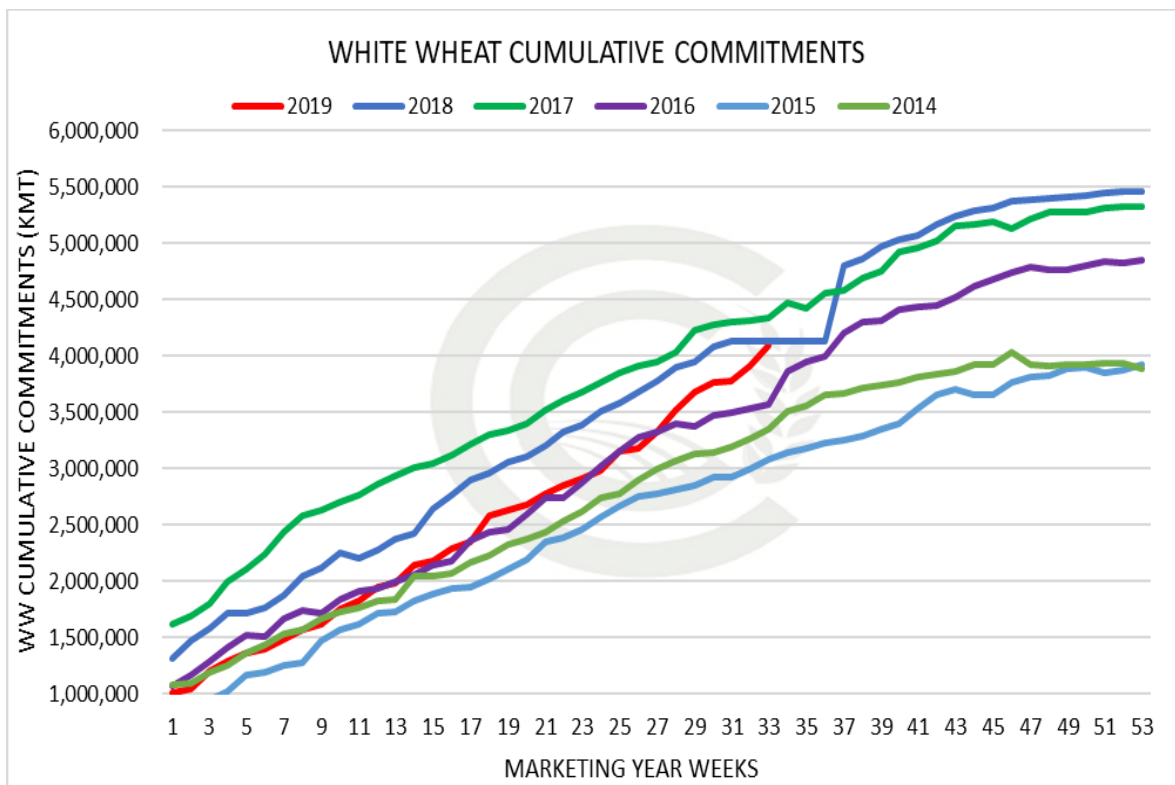
The PNW saw Japan buy 3 cargoes this week & Bangladesh was fishing behind the net to buy a cargo, but otherwise we didn't hear of much business. The cash markets feel very weak in the nearby with no one wanting to post a bid & the market long cash basis across all the wheat markets. Growers have sold 75%-80% of the SWW, but they're still long 50% +/- of spring wheat & Montana HRW. This is why MGEX has been relatively weak since growers are there to sell on rallies.

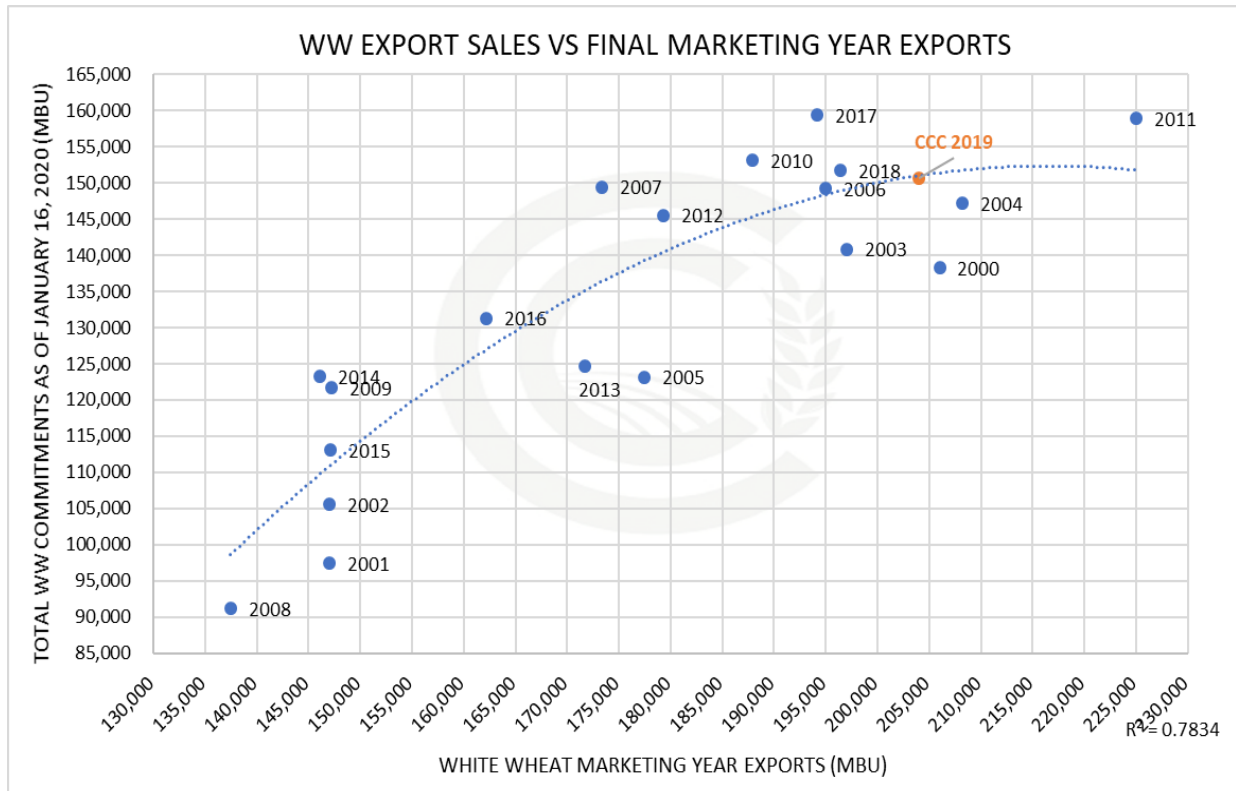
The market is getting weary of China rumors & question why they would buy Australian ASW when PNW SWW is \$15+/mt cheaper on C&F basis. Cash spring wheat basis is weaker & bids maybe 10+/- ct/bu difference between exporters.

PNW track bids:

Shipment	NS/DNS 14% 50 DHV	HRW 11.5%	SWW 9.0-9.5%
Feb/Mar	135/140 MWHO	145/150 KWHO	632/644
Apr/May	140/145 MWK0	145/150 KWK0	648/650 ct/bu

White wheat export sales were reported at 6.7 mbu and included S. Korea, Japan, Thailand, and Nigeria (HWW) buying wheat. White wheat commitments are lagging last year's pace by 1.1 mbu but above the 5-year average of 135.7 mbu. Our total demand forecast is 207 mbu and includes 4.4 mbu (120 kmt) of China demand in Q4. Total commitments as a percent of total marketing year exports is 74% compared to the 5-year average of 80%.





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%
Feb		\$230	\$225	\$224	-	\$228	\$226	\$225	\$224	\$232	\$262
Mar		\$232	\$227	\$226	-	\$228	\$226	\$225	\$225	\$234	\$262
Apr		\$234	\$229	\$227	\$245	\$231	\$229	\$228	\$226	\$236	\$262
May		\$236	\$231	\$229	\$250	\$231	\$229	\$228	\$227	\$238	\$262

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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%
Feb	\$277	\$282	\$277	\$236	\$239	\$237	\$249	\$253	-	-
Mar	\$277	\$282	\$277	\$236	\$239	\$238	\$249	\$253	-	-
Apr	\$278	\$283	\$278	\$238	\$242	\$239	\$252	\$256	\$258	\$273
May	\$278	\$283	\$278	\$238	\$242	\$240	\$252	\$256	\$259	\$274

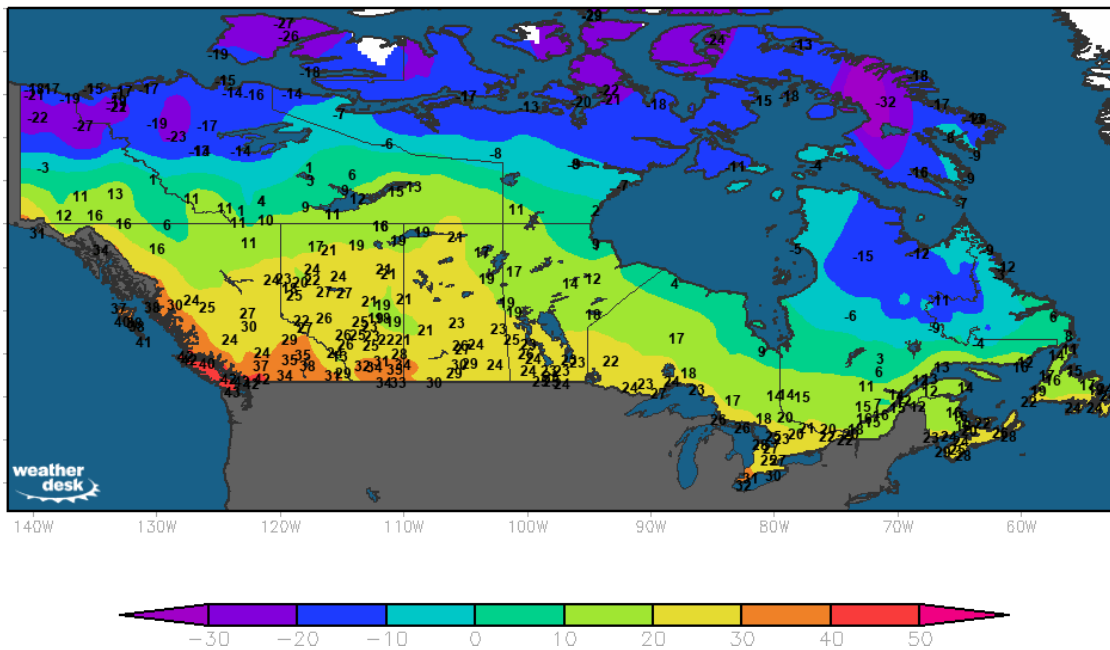
SOUTH AMERICA

Origin	Month	Quality	Offer (USD/MT)
Argentine Upriver	April/August	11.5% pro	Seller \$240/250
Argentine Upriver	Feb/March	12.5% pro	Seller \$235/240

CANADA

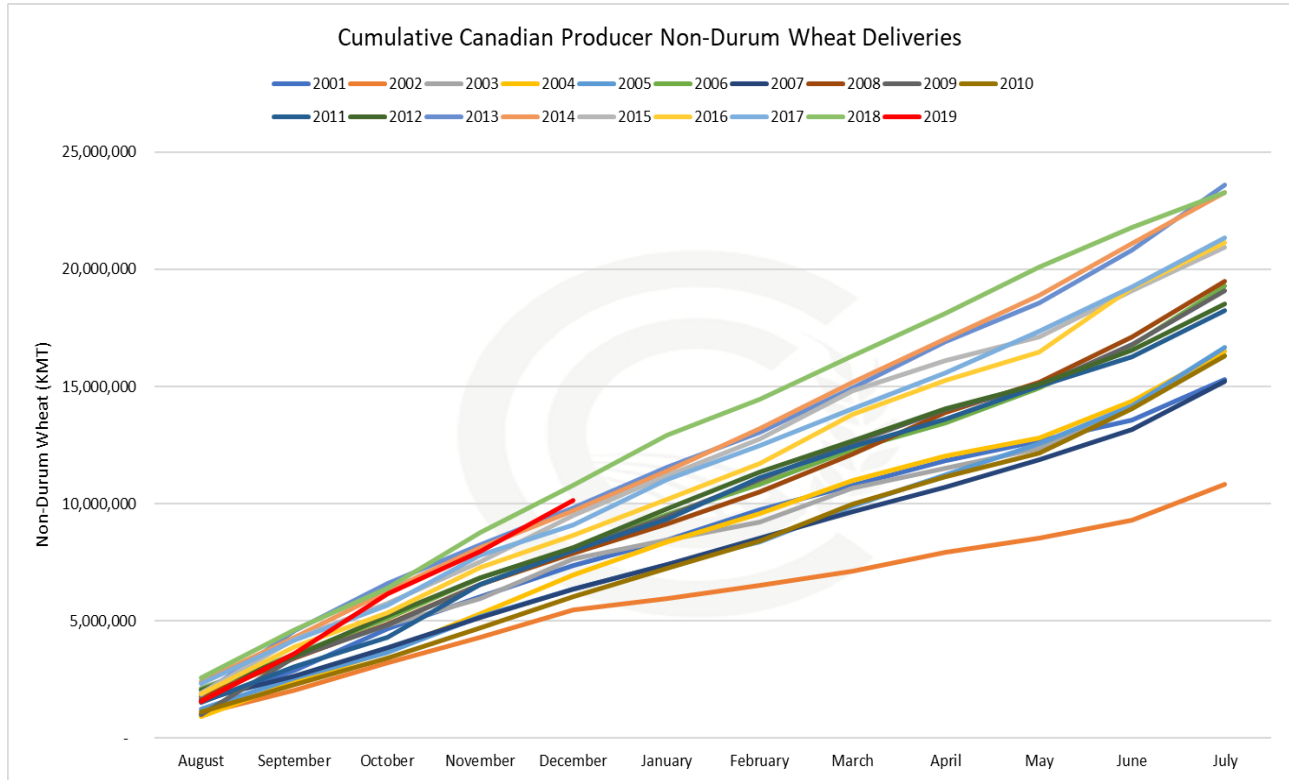
FOB Vancouver CWRS indications (#2 grade, max 14.5% moisture): The CWRS standard is 13% protein, 275 falling number, are +110-115 MWK. #2 CWRS 13.5% protein is quoted around +145 MWK. Others are focused on selling 12.5% protein, 275 falling number, with quotes around +90-95 MWK.

The CN reported extreme cold temperatures across the Prairies resulted in train length restrictions limiting the ability to service all traffic through week 24. Temperatures next week will be above normal averaging in the mid-20s to low-30s and should lift these restrictions next week. At the port of Vancouver heavy rains limited loading days and has resulted in terminal space issues and lost unload capacity at port.





StatsCan released its monthly Producer Deliveries of Major Grain data today. Producers delivered 2.145 million MT of non-durum wheat compared to 2.021 million during the same period last year. Cumulative deliveries have reached 10.13 million MT, down from 10.8 million last year but still the second highest on record.



AUSTRALIA

Track values are trading even money to fob quotes. Fob values remain strong with bids in the \$269-\$271 area & fob offers \$275-\$278/mt fob.

Indicative quotes for Feb/March/April: APW Feb. offered at \$281/mt and March/April \$277-282 ASW values \$1-1.50/mt discount, AH2 \$1-3/mt premium.

BLACK SEA & EU

Indicative prices for Feb/Mar/Apr. prices (\$/MT) for French what 11.0% pro \$224/225/223, German 12.5% pro \$228/230/231, Russian 12.5% pro \$231/233/235 Baltic 12.5% pro \$227/228/230.

January-1 on farm stocks were higher across Russia especially in the south due to lower December exports of 2.5 million MT.

PENDING TENDERS



January 28: Jordan tenders to buy 120 kmt of milling wheat.

FUTURES COMMENTS



U.S. wheat futures prices mirrored stock market losses today, following concerns about the effects on the global market of the Coronavirus. For the week, priced ended weaker in all wheat futures markets. HRW cash premiums are up at least a nickel this week, as weaker KC futures and firmer world wheat values have made HRW competitively priced. However, KC calendar spreads haven't found the motivation push passed their current trading range. The Mar-May spread in Chicago broke into an inverse this week and held onto the gain to cross the finish

line at +1.00, as cash continues to trade at huge premiums to delivery. However, widening of the KC – Chicago March spread this week gave folks pause, and once again called into question the possibility of HRW delivery in St. Louis. As we mentioned, the HRW is up 5 ct/bu this week and, using our freight calculation to the Gulf, HRW is about 11 ct/bu away from delivery in St. Louis. Furthermore, based upon the pulse of the HRW export market, we would guess someone would gladly take delivery of any HRW delivered and load it out promptly.

With respect to Minneapolis wheat futures, speculators have been hammering MWH at the close. There were confirmed reports of China buying eight cargoes of Canadian wheat this week. The Chinese New Year celebration is next week, so there will likely not be any talk of China buying U.S. wheat next week. And continued attention on the Coronavirus will also likely pressure wheat futures. We missed a huge technical signal this week in MW, which made a key reversal on Wednesday and has made a “double-top” formation in both daily and weekly charts. MWH daily chart shows the 38.2% Fibonacci retracement is at 544.00, and 50% retracement is at 536.75.





According to this week's CFTC report, the Managed Money funds bought about 12 thousand CME wheat contracts and three thousand HRW contracts between January 14th and the 21st. So, as of the close on Tuesday, the MM funds held a net long 42 thousand SRW contracts in Chicago and 11 thousand contracts in Kansas City. During the same period, they effectively left their net position unchanged in Minneapolis, and were net short about four thousand HRS contracts on the 21st.

COMMITMENTS of TRADERS, as of 1/21/2020						
Commercials, #'s = 1,000 contracts					% Open Interest	
	Long	Short	Net Position	WKLY CHANGE	Long	Short
SRW	56	144	-87	-7	9%	22%
HRW	56	128	-72	-2	17%	40%
HRS	35	39	-4	-1	52%	58%
Corn	472	713	-241	-7	26%	39%
Beans	276	409	-133	12	30%	45%
Index Funds, #'s = 1,000 contracts					% Open Interest	
	Long	Short	Net Position	WKLY CHANGE	Long	Short
SRW	76	14	62	-1	12%	2%
HRW	57	4	52	0	18%	1%
HRS	2	0	2	0	3%	0%
Corn	186	27	159	2	10%	2%
Beans	150	14	137	14	17%	2%
Managed Money, #'s = 1,000 contracts					% Open Interest	
	Long	Short	Net Position	WKLY CHANGE	Long	Short
SRW	130	88	42	12	20%	14%
HRW	54	43	11	3	17%	14%
HRS	4	8	-4	0	7%	12%
Corn	183	251	-68	10	10%	14%
Beans	71	85	-14	-20	8%	9%

* 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