



# CASH WHEAT REPORT

## CASH WHEAT MARKET

In typical style for US wheat, we run from the business ☹. Today's 12+ ct/bu rally in futures takes HRW that much further from competitiveness, since Russian & Argentine wheat didn't move & Baltic was up 4.5 ct/bu equivalent. HRW was equal to Russian wheat C&F to Nigeria before this rally.

Nigeria	12.5% DM	12.0%	12.5%	13.0%		
Feb	HRW	German	Russian	CWRS	French	Argy 12.5%
basis	135	8.0		NA	7	
futures N	442.75	183.25			183.25	
Currency		1.123712			1.123712	
fob \$/mt	\$ 212.29	\$ 214.91	\$ 216.00	\$ -	\$ 213.79	\$ 205.00
Frt Sprd	\$ 30.00	\$ 21.00	\$ 23.00	\$ -	\$ 20.00	\$ 30.00
c&f	242.2867	\$ 235.91	\$ 239.00	\$ -	\$ 233.79	\$ 235.00

Algeria	Baltic 11.0	French	German	HRW Feb	Argy 11.5%
Futures	183.25	183.25	183.25	442.75	
Basis	7.0	7.0	8	130	
Currency	1.123571	1.123571	1.123571	0.36745	
Mar shpt					
FOB	\$ 213.76	\$ 213.76	\$ 214.88	\$ 210.46	\$ 205.00
Frt	\$ 25.00	\$ 22.00	\$ 25.00	\$ 32.00	\$ 33.00
BNSF					
C&F	\$ 238.76	\$ 235.76	\$ 239.88	\$ 242.46	\$ 238.00

President Trump has signed off on the Phase 1 of China Trade Agreement which supposedly suggested China will buy \$50 billion of US Agriculture products in 2020. If this were true, we would suggest this will include wheat and HRS should be the beneficiary, plus SWW & HRW. SRW cannot meet their specifications & HRS may be questionable because of zero tolerance on ergot. Traders suggest China will need to remove this restriction & take to .01% which is standard.

USDA reported wheat net sales of 502,700 metric tons for 2019/2020 were up considerably from the previous week's Thanksgiving Holiday report and up 33% from the prior 4-week average. Increases primarily for Japan (100,000 MT), the Philippines (85,900 MT, including 13,000 MT switched from unknown destinations and decreases of 1,200 MT), Thailand (74,000 MT, including 10,000 MT switched from unknown destinations), unknown destinations (64,100 MT), and Indonesia (57,000 MT), were partially offset by reductions primarily for El Salvador (7,000 MT) and Italy (1,900 MT).



Weekly Export Sales for Week Ending December 5, 2019										
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
<b>Wheat</b>	502.7	-	4,187.1	5,789.0	12,771.0	10,568.1	<b>16,958.1</b>	16,357.1	274.6	601.0
<b>HRW</b>	108.8	-	1,284.3	1,801.4	4,921.7	3,146.3	<b>6,206.0</b>	4,947.7	(50.6)	1,258.3
<b>SRW</b>	33.7	-	525.4	888.2	1,455.0	1,220.5	<b>1,980.4</b>	2,108.7	33.2	(128.3)
<b>HRS</b>	219.3	-	1,302.8	1,845.4	3,468.7	3,268.9	<b>4,771.5</b>	5,114.3	183.7	(342.8)
<b>White</b>	137.3	-	935.6	1,114.3	2,384.9	2,666.8	<b>3,320.5</b>	3,781.1	107.8	(460.6)
<b>Durum</b>	3.6	-	139.0	139.8	540.7	265.6	<b>679.7</b>	405.4	0.5	274.3
<b>Corn</b>	873.5	2.4	8,613.3	11,930.2	6,875.8	15,720.5	<b>15,489.1</b>	27,650.7	327.4	(12,161.6)
<b>Soybeans</b>	1,050.1	125.0	9,563.3	10,626.3	17,431.2	14,076.4	<b>26,994.5</b>	24,702.7	366.3	2,291.8

Wheat by Class Export Sales Performance Indicator: Total all-wheat sales are 64% of the total demand forecast compared to 68% last year and the 5-year average of 75%. All-wheat accumulated exports as a percent of total exports is 48% compared to 43% last year and the 5-year average of 51%.

Weekly Export Sales for Week Ending December 5, 2019							
Sales Summary	Weekly Sales	YTD Shipments	Outstanding Sales	YTD Commitments	Demand Forecast	% Sold	% Shipped
<b>Wheat</b>	502.7	12,771.0	4,187.1	16,958.1	26,535.2	64%	48%
<b>HRW</b>	108.8	4,921.7	1,284.3	6,206.0	10,614.1	58%	46%
<b>SRW</b>	33.7	1,455.0	525.4	1,980.4	2,721.6	73%	53%
<b>HRS</b>	219.3	3,468.7	1,302.8	4,771.5	7,076.0	67%	49%
<b>White</b>	137.3	2,384.9	935.6	3,320.5	5,171.0	64%	46%
<b>Durum</b>	3.6	540.7	139.0	679.7	952.5	71%	57%

The CPC issued its latest ENSO report indicating conditions favor an ENSO-neutral weather pattern during the winter (70% chance N/D/J) and continuing through spring of 2020 (65% chance M/A/M) for each 3-month period.

## HARD RED WINTER

HRW cash market remains firm today with an 11% protein train trading +137 ct/bu KWH0 early this AM, before the last 7+ ct/bu of the rally. I would have to suggest HRW is once again priced out of the market, but longer term if China is going to buy \$50bln of agriculture products they'll have to buy HRW, since NS/DNS & SRW won't meet their specifications unless they change them. We don't have China in our b/s for any additional US wheat & we have to see China sign the agreement & the details.

The 77 new receipts registered in St. Louis for delivery against WZ9 must be HRW, & the delivery warehouse is trying to make a point. However, the HRW domestic cash market is well above CME delivery at +16 ct/bu WZ9 = +112 KWH0 at St. Louis. Someone be happy to take those HRW receipts in our opinion.

HRW GULF BID/OFFERS: 12% PROTEIN: J/F/M +172/180 KWH, APR/MAY +165/175 KWK, JUN/JUL +155/175 KWN. 11% PROTEIN: J/F/M +135/140 KWH, APR/MAY +135/139 KWK, JUN/JUL +125/135 KWN. ORDS: J/F/M +120/NO KWH, APR/MAY +115/NO KWK, JUN/JUL +115/NO KWN.

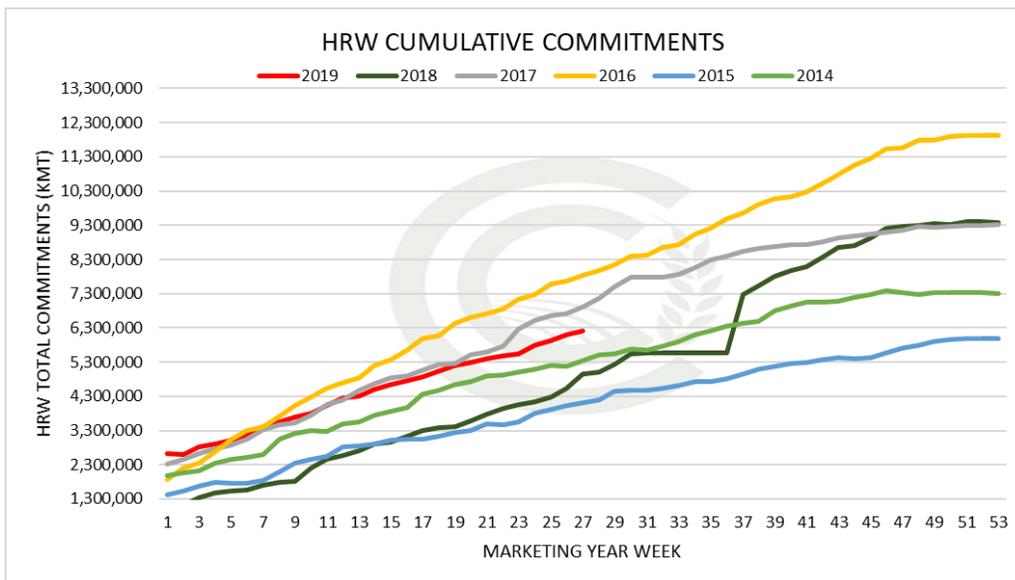
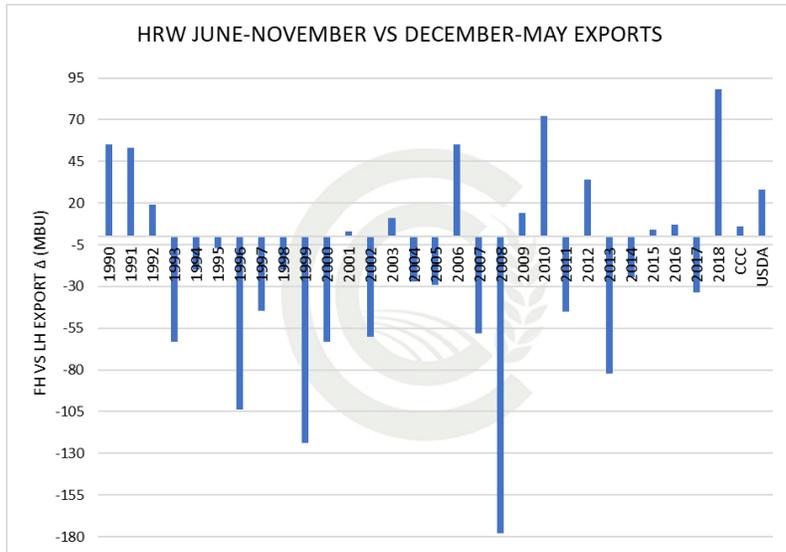
The KC spot market closed down 9 ct/bu for 11.4% protein cars.

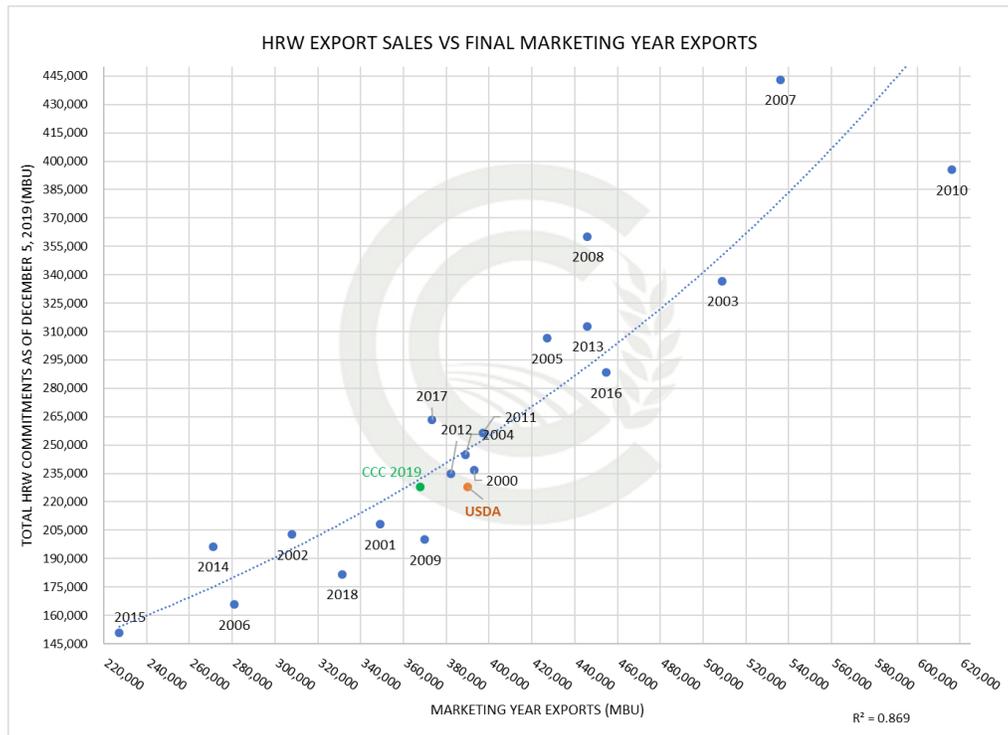


Protein	Basis	Range	Change	Protein	Basis	Range	Change
Ordinary	+96	106	0/0	12.60 PCT	+151	161	0/0
11.00 PCT	+112	122	0/0	12.80 PCT	+171	181	0/0
11.20 PCT	+113	123	0/0	13.00 PCT	+192	202	0/0
11.40 PCT	+114	124	-9/-9	13.20 PCT	+192	202	0/0
11.60 PCT	+123	133	0/0	13.40 PCT	+192	202	0/0
11.80 PCT	+131	141	0/0	13.60 PCT	+192	202	0/0
12.00 PCT	+145	155	0/0	13.80 PCT	+192	202	0/0
12.20 PCT	+145	155	0/0	14.00 PCT	+192	202	0/0
12.40 PCT	+145	155	0/0				

HRW export sales down from 1.86 mbu from the previous week. Major buyers were Japan, Korea, Thailand, and Indonesia. Total HRW commitments have reached 228.0 mbu, up from 182 mbu a year ago and the 5-year average of 216 million. USDA increased HRW exports to 390 mbu suggesting HRW exports the LH of the marketing year will need to increase 28 MBU.

In the past 10-years, we have seen a +20 MBU increase in LH of marketing years 2010, 2012, and 2018. Currently, sales and shipment pace, global wheat supply, and price are not justifying a push in demand to HRW. Our current export forecast is 368 mbu has LH exports increasing 6 MBU compared to USDA's 28 MBU LH demand increase.





Daily received/shipped (reported by CME, close of business 12/11): Hutchinson: 4.688/4.064, KC: 5.21/0 kbu, Salina: 10.418/0.221 kbu, Wichita: 6.265/62.987 kbu.

## SOFT RED WINTER

The SRW cash markets have a firmer tone this week, both nearby and Jan/Feb/March, as cash shorts are finding it very difficult to find & buy wheat. Spot rail cars are trading +55-60 WH and J/F/M is trading in the upper 50's FOB Bellevue equivalent delivered to the eastern mill market. CIF NOLA SRW barges are offered +120-125 WH for March alone and the J/F/M package. FOB indications are likewise firmer this week. Mills have been playing possum, trying to talk the market down, but when push comes to shove, they must pay the offer, which is not going to weaken for old crop. Traders question where the supposed 100 mbu SRW carryout is hiding.

Ontario wheat is looking in much better shape than a year ago. The province had better weather than Michigan and an estimated 50 thousand acres more were planted YoY. Folks estimate 2020 production could be 80-85 mbu, compared to 55 mbu this year, thanks to a potential 300 thousand increase in harvested acres and above trend yields. Wheat stands and crop development today support such an outlook. This year's production was hurt by below trend yields (thin stands) and below average percent harvested (higher than normal winter kill).

**There were 77 receipts registered for delivery in St. Louis tonight.** We will see tomorrow if these receipts are HRW, but at +120 WH for SRW barges, which is about 73 ct/bu above delivery value in St. Louis, it is unlikely to be SRW. Using the KWH-WZ spread, since there is virtually no open interest in KC Dec and still 161 in Chicago Dec, the Gulf bid for 11.0% protein HRW is about 3.00 ct/bu below delivery.



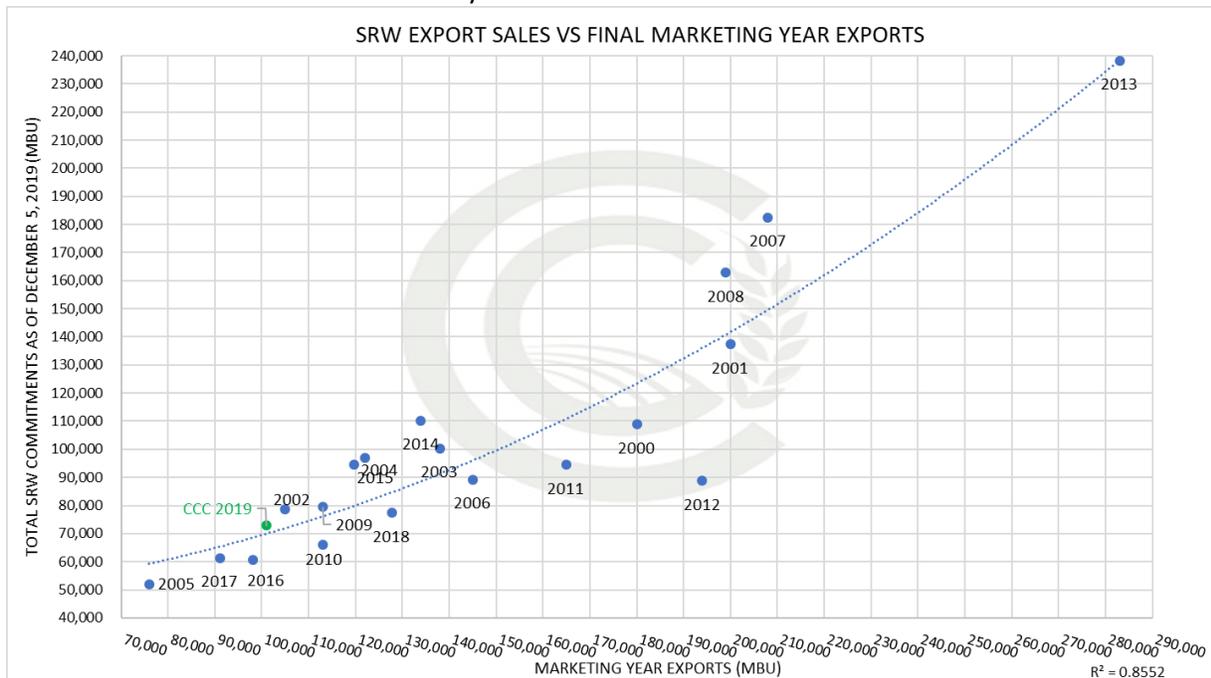
So, it works to delivery HRW in St. Louis today. However, in the KC domestic market, cash is above delivery value for the stopper. So, everybody wins☺. The open interest in Chicago December wheat futures has remained uncharacteristically high through a 10.00 cent plus inverse, so someone must want this wheat. We expect these receipts to be cancelled and loaded out in short order.

Hastings, NE	Gulf	Gulf	*KC DOM	Gulf
Basis KWH	\$ 1.35	\$ 1.35	\$ 1.22	\$ 1.35
Shuttle /DET Freight	\$ 1.32	\$ 1.32	\$ 0.12	\$ 1.32
FOB elev	\$ 0.03	\$ 0.03	\$ 1.34	\$ 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
KWH-WZ spread	\$ (0.97)	\$ (0.97)	\$ (0.97)	\$ (0.97)
Basis WHO	\$ 0.22	\$ 0.13	\$ 0.38	\$ 0.18
Delivery	\$ 0.06	\$ 0.16	\$ 0.16	\$ 0.26
difference	\$ 0.16	\$ (0.03)	\$ 0.22	\$ (0.08)

\*KC domestic is HRW delivered to ST. LOUIS vs stopping WHO

The KC ord bid is an estimate, there is no bid.

SRW exports sales were 1.1 mbu from last week reflecting an increase in LAM sales. Our export forecast of 100 mbu is in line with USDA's demand forecast suggesting LH of the marketing year export sales and inspections will decline. SRW is currently the most expensive wheat in the world and will not be buying non-traditional demand December-May.





CIF barge bid/offer: Dec +110/NO WZ, Jan +105/NO WH, Feb +105/NO WH, Mar +105/120 WH, J/F/M +105/125 WH, Apr/May NB/NO WK, Jun/Jul +70/90 WN.

FOB NOLA indications: Jan +125 WH, Feb +130 WH, Mar +135 WH.

FOB Bellevue bid/offer indications: Dec +50/60 WH, J/F/M +50/60 WH, A/M +45/65 WK.

Elevator/Mill Bids: NW Ohio mills: Dec +35 WH, J/F/M +35 WH, Apr/May +40 WK, Jun/Jul +10 WN, Aug/Sep +5 WU; Chicago warehouse: Dec +25 WH, J/F/M +25 WH, NC -10 WN; Toledo warehouse: Dec +18 WH, J/F/M +15 WH, Jul/Aug +10 WN; Toledo mill: Dec +30 WH, J/F/M +30 WH, A/M +30 WK, Jun +0 WN, Jul/Aug +0 WU; Michigan mill: Dec +30 WH, J/F/M +30 WH, Apr/May +30 WK, Jun/Jul +0 WN, Aug/Sep +0 WU; Eastern Indiana mill: Dec +35 WH, Jan +35 WH, Jun/Jul +30 WN, Aug +30 WU, Sep +40 WU.

Daily received/shipped (reported by CME, close of business 12/11): Chicago: 10.472/0 kbu, MS River: 32.868/134.091 kbu, NW Ohio: 4.537/24.91 kbu, OH River: 95.425/68.433 kbu, St. Louis: 82.42/0 kbu, Toledo: 3.842/52.886 kbu.

## HARD RED SPRING

Cash spring wheat bids are down 10-15 cents in the nearby, from +120-125 MWH last week to around +110 MWH today for 14% protein DETs, since there have been good placements and plenty of spot cars to satisfy demand. Mills are coming into their holiday slowdown. However, J/F/M offers are not chasing bids lower, as traders expect mills to come back after the holiday, with indications of around +160-165 MWH. J/F/M bids are showing a 10 ct/bu carry from Jan to Feb.

There were just two trains offered on the spot today, and both were on the CPRS out of Minnesota, closing premiums down 25 to up 10 ct/bu. The first trains averaged 14.0% protein and traded at +140 MWH. The second train averaged 14.5% protein and traded at +140 MWH. The futures rally today brought out some grower selling at \$5.00/bu cash.

### HRS vs HRW price comparisons (J/F/M):

Spring Wheat vs HRW Basis Chicago gateway						
J/F/M	DNS 14%	HRW 14%	DNS 13.5%	HRW 13%	DNS 13%	HRW 12%
<b>Basis</b>	<b>160.00</b>	200.00	<b>155.00</b>	200.00	<b>150.00</b>	150.00
<b>Futures</b>	<b>523.00</b>	442.75	<b>523.00</b>	442.75	<b>523.00</b>	442.75
<b>Del Chicago</b>	<b>683.00</b>	642.75	<b>678.00</b>	642.75	<b>673.00</b>	592.75

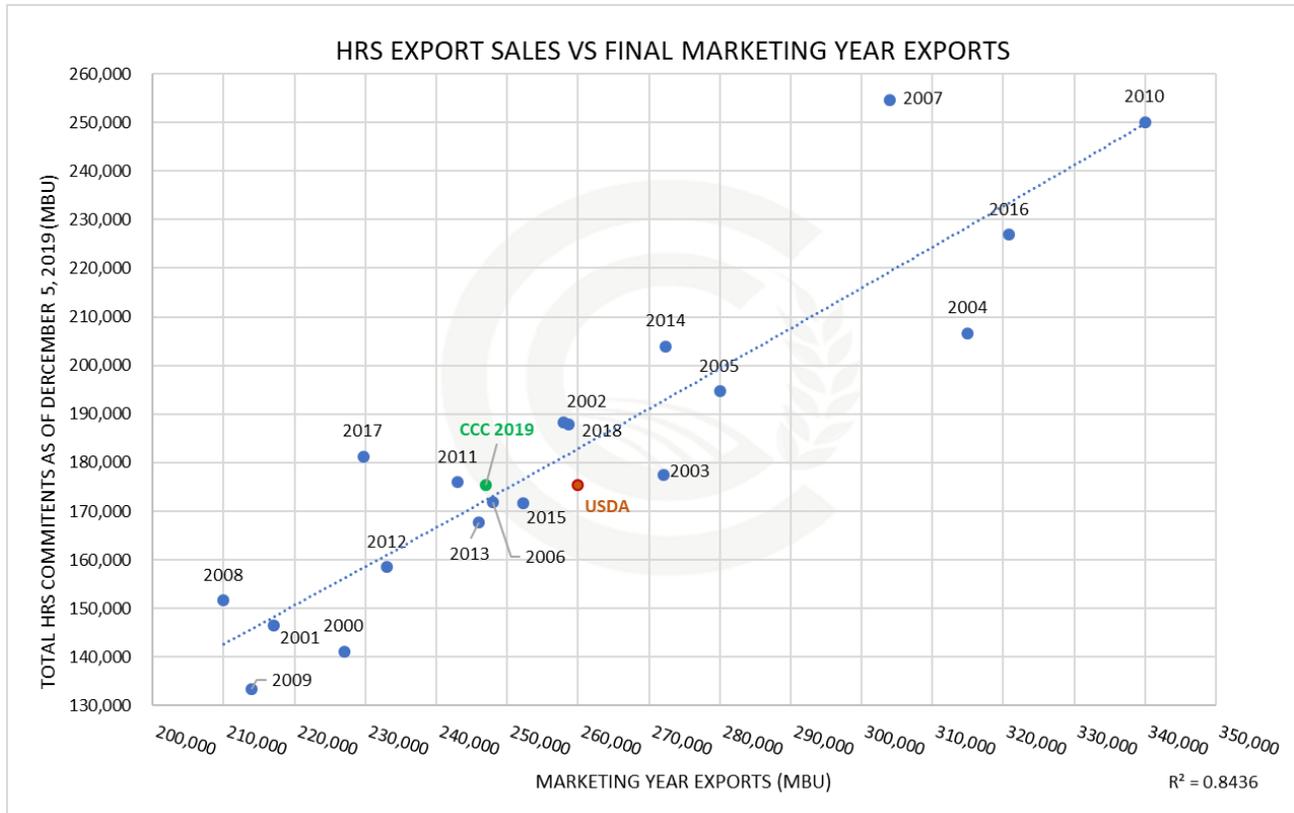
### HRS & HRW blended prices (J/F/M):

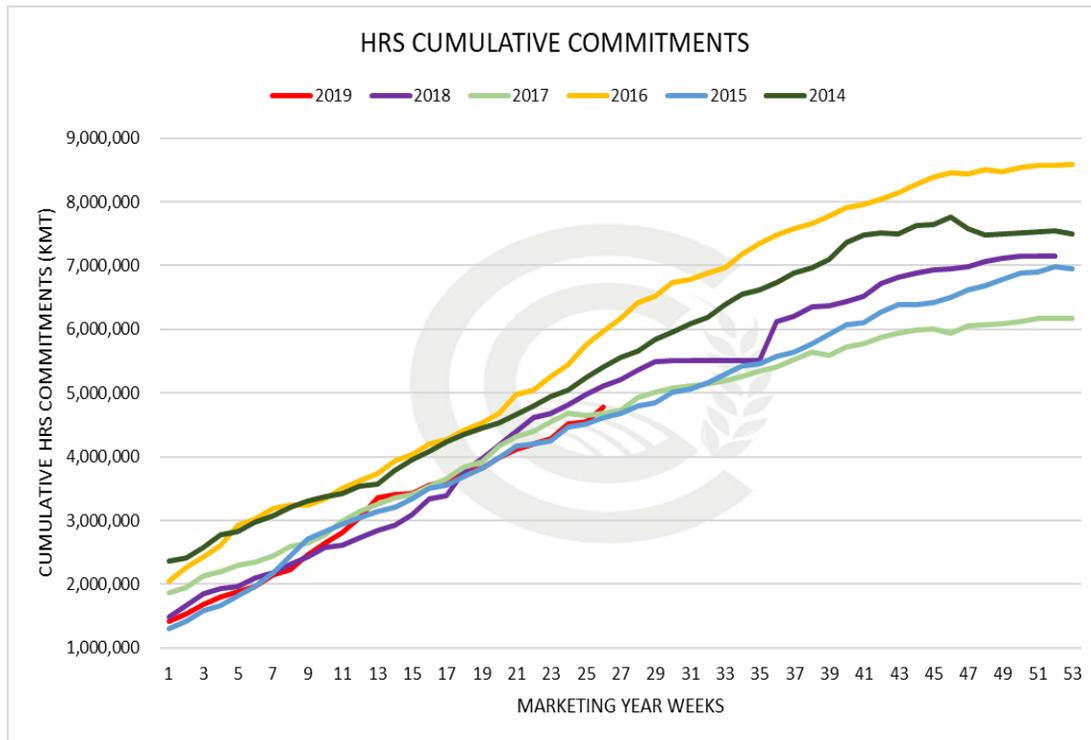
13% HRS Protein Blend (Western Mills)						
	Spot Basis	Futures	Flat Price	Blend	Blended Price	Basis MW
14% HRS	160	523.00	683.00	1.5	642.90	119.90
11.5% HRW	140	442.75	582.75	1		
13% HRS Comparison	150	523.00	673.00			
<b>Blended Discount (ct/bu)</b>	<b>30.10</b>					



Daily received/shipped (reported by MGEX, close of business 12/11): Minneapolis/St. Paul: 3/7 kbu,  
Duluth/Superior: 57/863 kbu.

Spring wheat export sales were up 6.7 mbu at 9.02 million, the fourth highest weekly sales volume this marketing year. Major buyers of wheat this week were Japan, Korea, the Philippines, and Thailand. Our current export forecast is 247 mbu compared to USDA's 260 million.





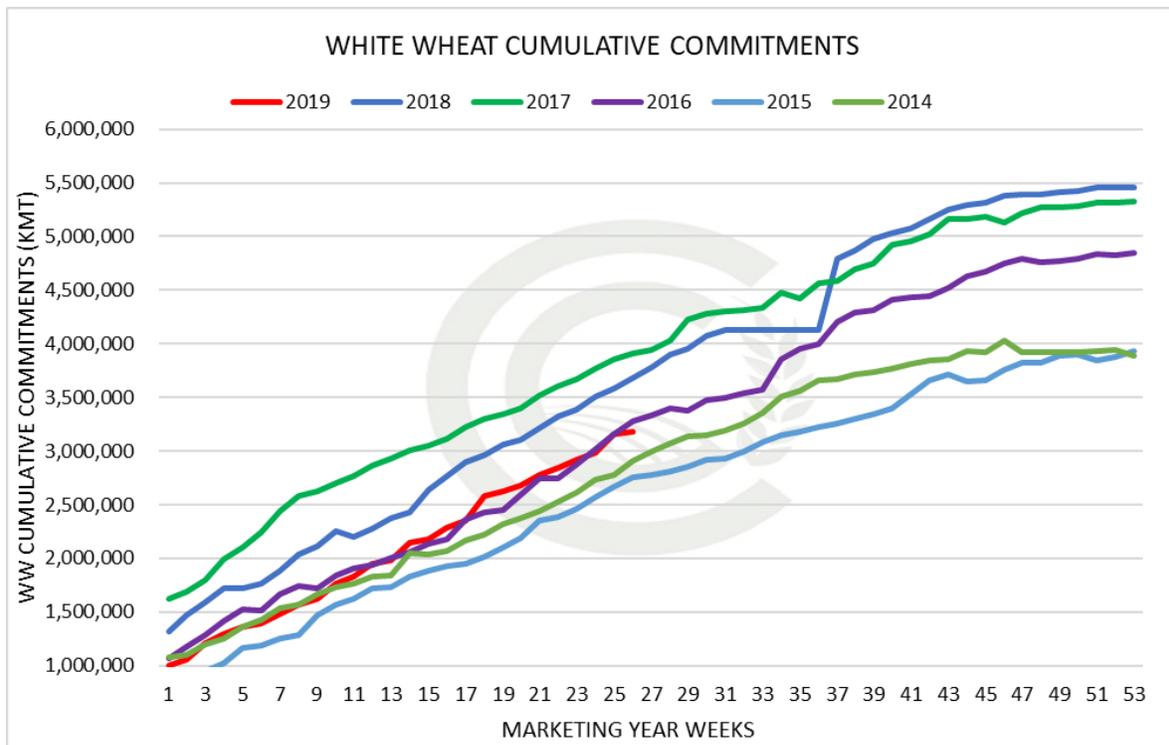
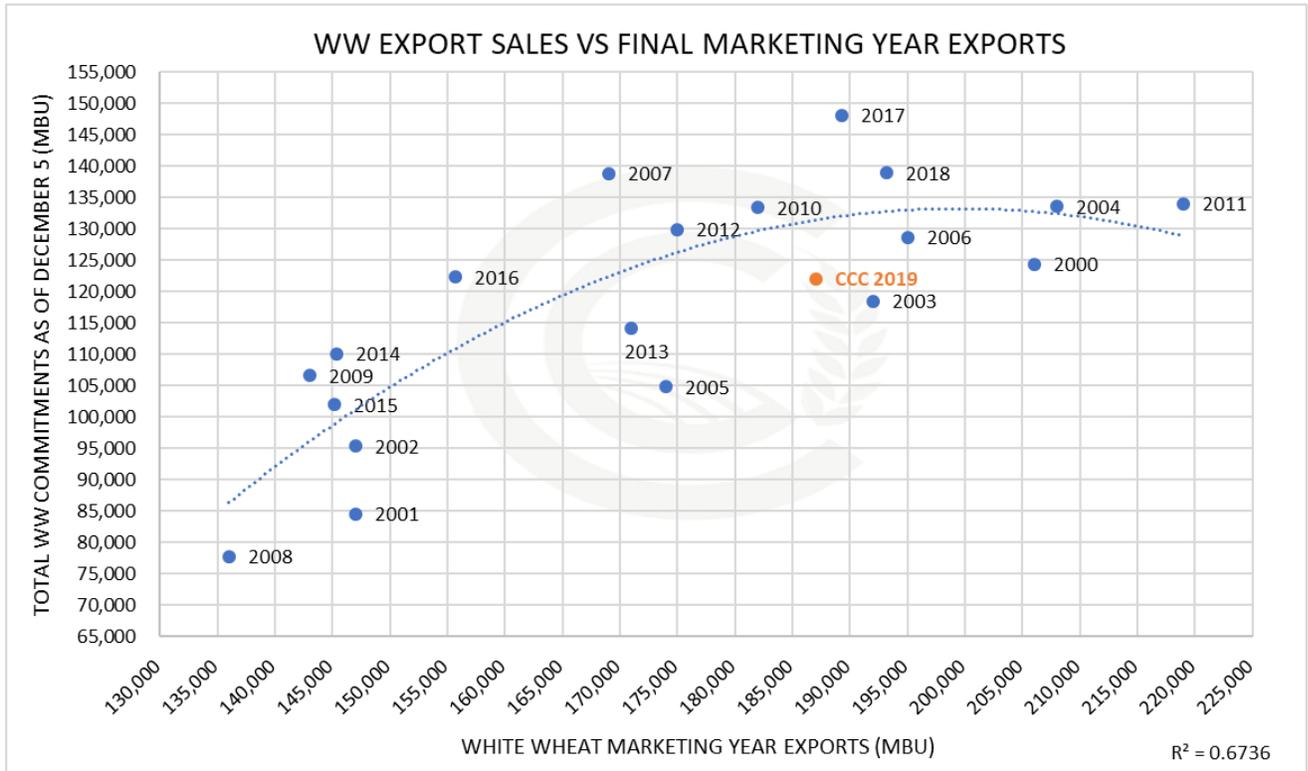
## PNW

Japan, Philippines & CCC purchased last night from the PNW & earlier this week Korea purchased 2 cargoes. So, another good week for PNW exporters & they were buying wheat from growers today on the rally. Cash basis is unchanged as exporters hold their bids to cover SHORTS & recent business. They are happy growers are selling cash wheat with rally, HRW/NS/SWW were all moving today.

### PNW track bids:

Shipment	NS/DNS 14% 50 DHV	HRW 11.5%	SWW 9.0-9.5%
Dec	170 MWH	170 KWH	595 ct/bu
Jan/Feb/Mar	170/175/175 MWH	170/175/175 KWH	600/603/606 ct/bu

White wheat sales of 5.04 were up 4.0 mbu from the previous week taking total sales to 122 mbu (not including CCC business). Major buyers of wheat this week were Indonesia, the Philippines, and Thailand.





## 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%
Jan	\$212	\$211	\$211	\$197	\$212	\$210	\$209	\$208	\$215	\$241
Feb	\$214	\$212	\$212	\$200	\$212	\$210	\$209	\$209	\$217	\$243
Mar	\$216	\$213	\$213	\$205	\$212	\$210	\$209	\$211	\$218	\$244
Apr	\$218	\$215	\$214	-	\$213	\$211	\$210	\$212	\$220	\$245

		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%
Jan	\$255	\$258	\$253	\$221	\$227	\$222	\$249	\$253	-	-
Feb	\$255	\$258	\$253	\$223	\$229	\$224	\$249	\$253	-	-
Mar	\$255	\$258	\$253	\$223	\$229	\$226	\$251	\$255	\$245	\$260
Apr	\$256	\$259	\$254	\$226	\$232	\$228	\$252	\$256	\$247	\$261

### SOUTH AMERICA

Argentine wheat harvest progressed 15% from the previous week to 61%, up 11% from the 5-year average and 4% from last year. Current yields are averaging 2.8 t/ha, down 1% from a year ago. Poor to very poor conditions rose 4% from the previous week and now stands at 69% of the crop is in bad condition.

Origin	Month	Quality	Offer (USD/MT)
Argentine Upriver	New crop Jan/Feb/March	11.5% pro	Seller \$197/200/205
Argentine Upriver	New crop Jan/Feb/March	12.0% pro	Seller \$203/206/212

### CANADA

FOB Vancouver CWRS indications (#2 grade, max 14.5% moisture): The CWRS standard is 13% protein, 275 falling number at are 110-115 ct/bu over the MGEX option. Others are focused on selling 12.5% protein, 275 number with quotes +90-95 ct/bu MGEX. Some exporters are only offering 250 falling number.

### AUSTRALIA

S. Korean flour mill buys 35 kmt of ASW for April and May shipment at \$260/MT FOB. Thailand booked 55 kmt of APW at \$268/MT C&F for LH April-FH May shipment. Indicative quotes for Jan-March APW \$250-255/mt, ASW values \$0-3/mt discount, AH2 \$2-3/mt premium.



GIWA released its monthly crop report lowering wheat production 8% from the previous report to 5.38 million MT with an average yield of 1.17 t/ha. GIWA indicates wheat quality is surprising okay through most zones given the tough finish.

### 2019 GIWA December WA Crop Production Estimates (tonnes)

Port zone	Wheat	Barley	Canola	Oats	Lupins	Pulses	State total
Kwinana	3,000,000	1,400,000	390,000	180,000	140,000	8,000	5,118,000
Albany	700,000	1,600,000	380,000	190,000	65,000	5,000	2,940,000
Esperance	700,000	900,000	210,000	10,000	15,000	16,000	1,851,000
Geraldton	980,000	80,000	110,000	15,000	110,000	4,000	1,299,000
<b>Totals</b>	<b>5,380,000</b>	<b>3,980,000</b>	<b>1,090,000</b>	<b>395,000</b>	<b>330,000</b>	<b>33,000</b>	<b>11,208,000</b>
change to Nov19	-8.03%	5.3%	13.5%	-13.2%	-2.9%	-8.05%	-1.86%

*Note: the grain totals reported are for whole farm production. This includes on-farm seed and feed requirements as well as trade outside of the CBH network.*

### BLACK SEA & EU

Indicative prices for Jan/Feb/Mar/Apr. prices (\$/MT) for French wheat 11.5% pro \$212/213/214/215, German 12.5% pro \$211/213/215/217, Russian 12.5% pro \$215/218/220/223, Baltic 12.5% pro \$212/214/216/218.

### PENDING TENDERS

- December 12: Japan tenders to buy 171 kmt of milling wheat for March arrival.
- December 13: Tunisia tenders to buy 100 kmt durum wheat for Jan. 15 and Mar. 25 shipment.
- December 13: Tunisia tenders to buy 92 kmt soft wheat for Jan. 10 and Feb. 25 shipment.
- December 18: Syria tenders for 150 kmt of Russian wheat.
- December 18: Ethiopia tenders to buy 75 kmt of milling wheat.
- December 19: Taiwan tenders to buy 104.6 kmt of U.S. wheat for Feb.-Mar. shipment.
- January 20: Syria tenders to buy 200 kmt of Russian wheat.

### FUTURES COMMENTS



U.S. wheat futures prices rallied today on the back of good export sales and promising Trump/China trade tweets, and after the close there was an article published by Reuters/Bloomberg titled “Trump Approves U.S.-China Trade Deal to Halt Dec. 15 Tariffs”. The U.S. cash wheat markets are mixed, with SRW firmer, HRW steady, and HRS weaker nearby. Calendar spreads in all markets benefitted from today’s flat price rally. There were 77 receipts registered for delivery in St. Louis tonight, but even if these receipts are HRW (very likely), it pays for someone to stop them for use in the domestic market.



So, while these deliveries may be viewed as negative by speculators, any break in the spreads will be short-lived. We would expect these receipts will be cancelled and loaded out quickly. A China trade deal, if actualized, and if it includes an agreement to buy U.S. wheat, would more likely benefit spring wheat, but Minneapolis always has difficulty keeping pace with the other wheat markets in an up market.

Best regards,

Al, Emily & Jason Conway

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