

Spring Wheat WASDE

The USDA is due to release the August WASDE (World Agricultural Supply and Demand Estimates) and Crop Production reports this Friday. While the September 28th Small Grain Summary is the final say in wheat yields, this month's WASDE may carry more weight than normal, not only because it will be key for corn and soybean yields, but also may show what the spring wheat tour found as well.

Finding a below average spring wheat yield during the tour; slightly above last year's drought-stricken crop but well below average with yield reports from the fields not coming in any better. Quality reports are good – the bushels are not there this year. Hot weather in June and rapid plant development may have dragged yields lower while the plants – as crop conditions indicated – look excellent.

Leading into Friday's WASDE/Crop Production, managed money, very bearish prior to the Wheat Tour, cut their record net short position nearly in half as they bought 6,572 contracts as of July-31 (most recent commitment of trader's report) and were still net short 6,293 contracts as of that date. Since then, September has rallied an additional 19'0 cents and is flirting with full retracement since the market sell-off began in late May and appears ready to test a key trendline on monthly, weekly, and daily charts has given a reason for the market to slow its roll higher.

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Will the USDA dramatically change yields this month? That is anybody's guess, however a yield reduction either in August or September is justified as the USDA has North Dakota – the largest spring wheat producing state – at 48.0 bushels per acre and the national average at 47.6 for all spring wheat; 47.0 for hard red spring wheat (source: wheat data by class). What would a yield reduction look like for hard red spring wheat? The USDA currently has ending stocks estimated at a massive 283 million bushels; up from 2017/18's 191 million bushels also surpassing the 15+ year high set in market year 2015/16 at 272 million bushels. A yield reduction plus growing bullish foreign fundamentals could really do good things for this market, however I am currently estimating the USDA to lower the national average yield marginally to 45.9 bushels per acre and ultimately reducing supply (bullish, right?) but the greater threat to any bull story here will be the export demand.

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Currently standing at 918,200 MT (1 MT = 36.74 bushels) of delivered exports; below 1,213,700 MT the same time last year. Outstanding sales (yet to be delivered) are also lagging at 1,390,300 MT. While there is plenty of time to catch up on exports as foreign markets run into production issues and supply shortages, the US wheat market is always second, third or even fourth fiddle to the rest of the global players – the risk of pricing ourselves out runs high for wheat.

There is a story brewing in the wheat complex, however strong headwinds remain. Producers that missed the spring marketing opportunity should strongly consider sales again in this price region. A lack of change in yield from the USDA could bolster bearish hopes for managed money at the same time harvest pressure is building. Furthering on that comment, producers planning to grow spring wheat or any wheat should also look at where

September and December 2019 contracts are trading. The risk of higher spring wheat/wheat in general acreage in the Dakota's and Minnesota are concerning as the soybean market continues to struggle with trade friction.

I encourage all readers/producers to call in and give me a yield update – I would love to hear how things are going in the fields. To those interested in learning more about my market outlook, give me a call directly at 312-277-0119. In the meantime, check out my Twitter @AgHedgeGrossman or Facebook: Ag Hedge Brian

Daily Continuous Chart – Minneapolis Spring Wheat (April 2017-Present)



Monthly Continuous Chart – Minneapolis Spring Wheat (2011-Present)



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Check Out the WASDE Report!

<https://www.usda.gov/oce/commodity/wasde/>

Need Help Finding Crop Production?

<http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1046>

Small Grain Summary here:

<http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1268>

Wheat Data by Class:

<https://www.ers.usda.gov/data-products/wheat-data/>

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