

# Wheat Outlook

September 1, 2017  
Volume 26, Number 54

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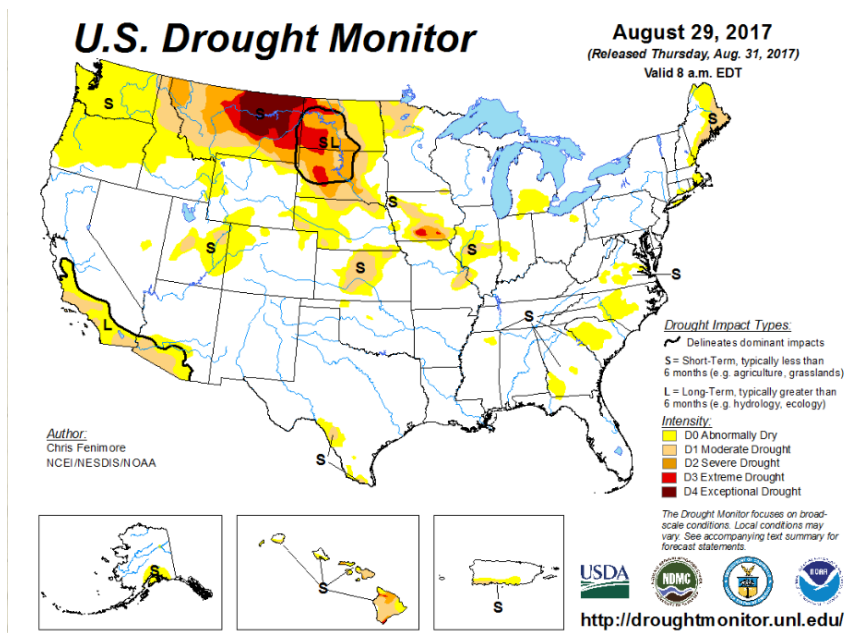


## Market Situation

**Crop Progress.** With the spring wheat harvest reaching 76%, USDA has suspended the weekly crop condition report. Harvest progress for the week of August 27 is ahead of the five-year average by 10 percentage points.

USDA is currently surveying small grains producers and will provide updated production estimates in the September WASDE on the 12<sup>th</sup> and Small Grains Annual Summary on September 29<sup>th</sup>.

**Weather.** Persistent drought conditions remain over much of the Northern High Plains. The portions of Iowa rated as extreme drought held about steady this week with some relief in the northwestern part of the state. Conditions improved somewhat in eastern South Dakota and held about steady in Nebraska.



The five-day precipitation outlook shows only light rain for wheat growing areas of the High Plains, heavier concentration of showers in the eastern Corn Belt.

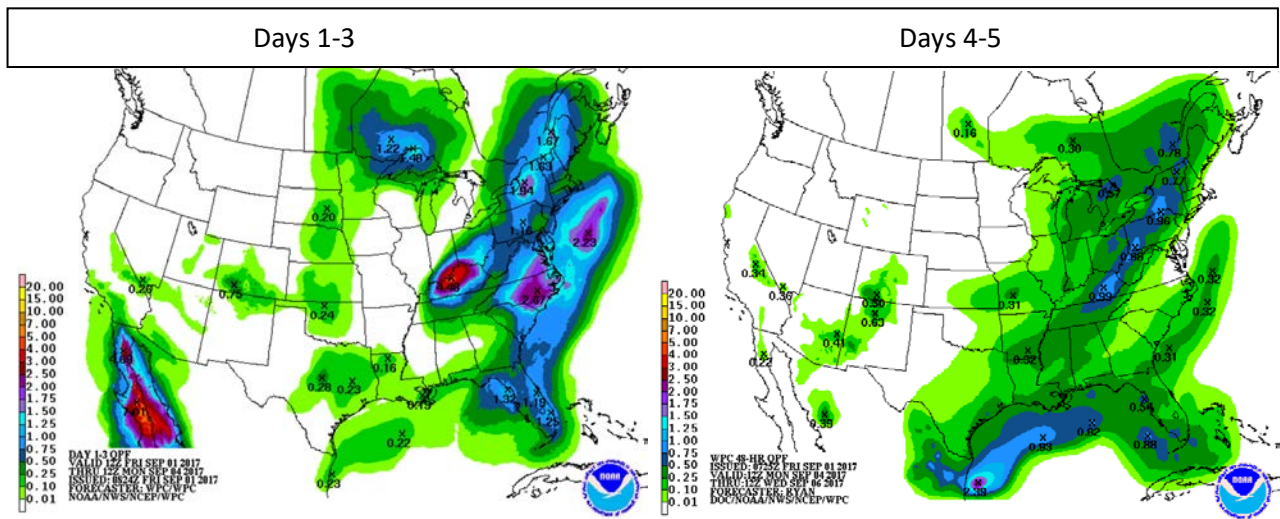
The temperature outlook for the next week calls for cooler than normal temperatures in the south and eastern Corn Belt, warmer than normal conditions in the western corn growing regions and Plains states.

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Precipitation Forecast (<http://www.wpc.ncep.noaa.gov/qpf/day4-7.shtml>):

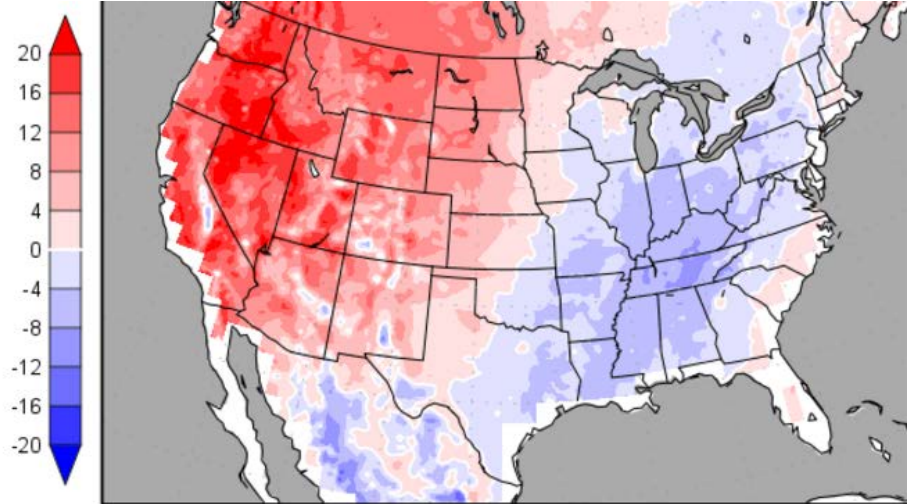


## Temperature Anomaly during the first period:

Fri, 01 SEP 2017 at 00Z

-to-

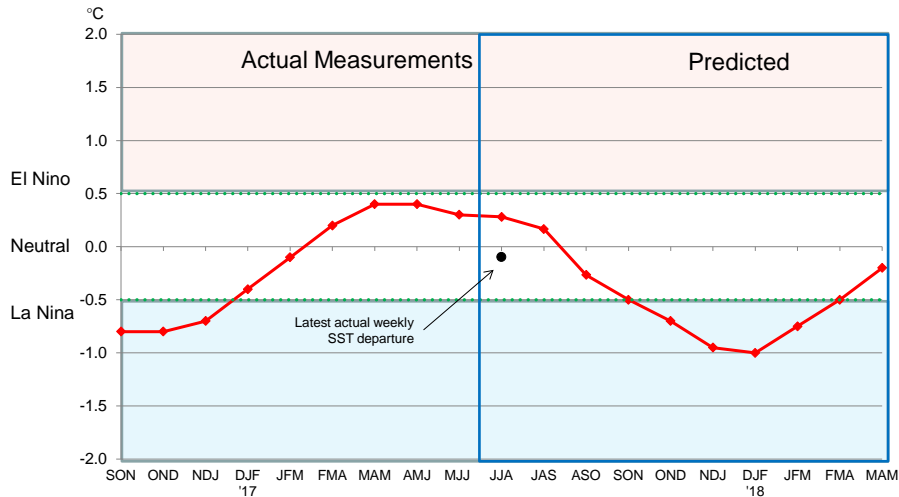
Sat, 09 SEP 2017 at 00Z



This week's Oceanic Nino Index from the Climate Prediction Center shows a moderate dip into La Nina territory late this fall and early winter before turning back to neutral conditions in early spring. This week's temperature deviation reading was  $-0.1^{\circ}\text{C}$  from normal.

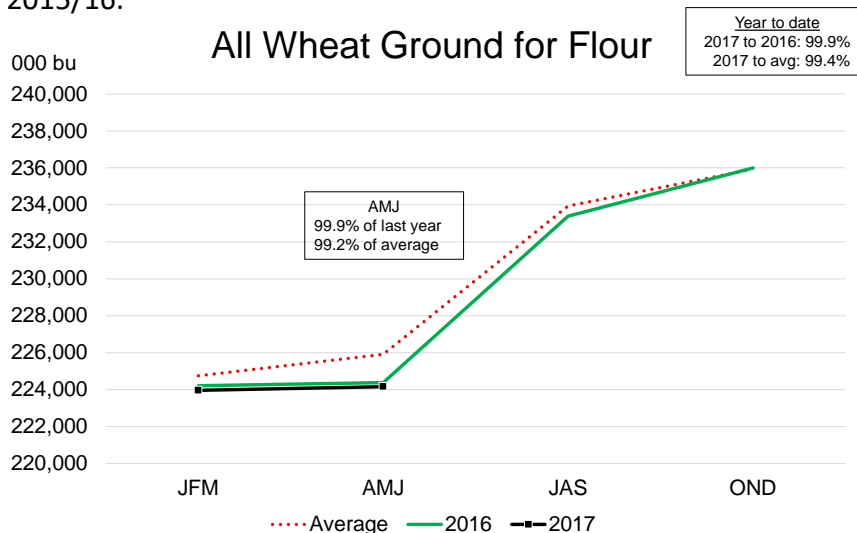
**Oceanic Nino Index (ONI)**

ENSO Alert System Status: **Not Active**  
 ENSO-neutral conditions are present.  
 Equatorial sea surface temperatures (SSTs) are near-to-below average across the central and eastern Pacific Ocean.  
 ENSO neutral is favored (~85% chance during Jul-Sep, decreasing to ~55% during Dec-Feb) through the Northern Hemisphere winter 2017-18.



El Niño/Southern Oscillation (ENSO) Diagnostic Discussion, August 28, 2017  
[http://www.cpc.ncep.noaa.gov/products/analysis\\_monitoring/enso\\_advisory/](http://www.cpc.ncep.noaa.gov/products/analysis_monitoring/enso_advisory/)

**Grain Use.** The most recent Flour Milling Products report shows wheat processing in 2017 running on par with 2016 but about 1 percent below the three-year average. Flour production in the second quarter of 2017 was higher than the same period a year ago, 104.403 million hundredweight versus 103.823 million, with the percent of whole wheat flour up from 5.0% to 5.1%. U.S. wheat for food use in the August WASDE for the 2017/18 marketing year was projected at 950 million bushels, about the same as 949 million in 2016/17 and down from 957 million bushels in 2015/16.



USDA, Flour Milling Products, August 1, 2017

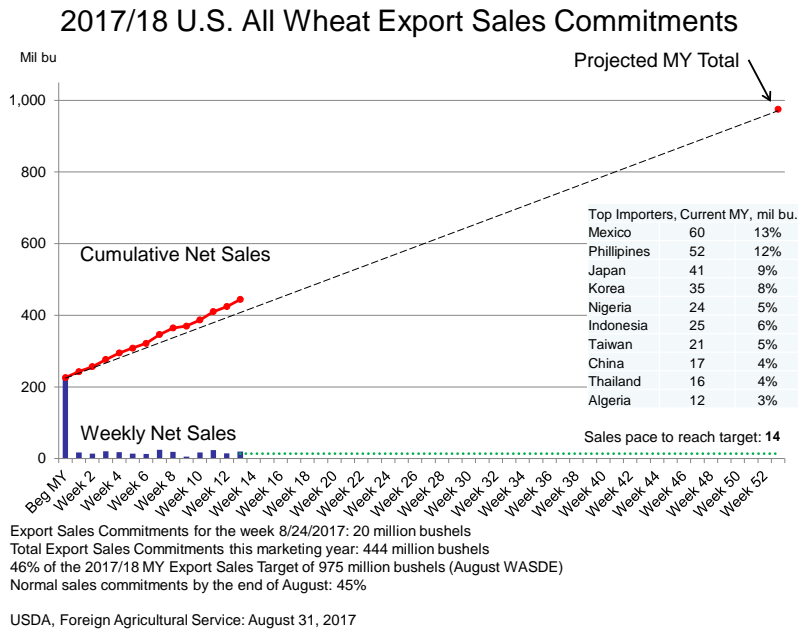
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All wheat export sales for the week of August 24 were 20 million bushels and the total so far this marketing year, 444 million bushels. This number is 46% of the projected marketing year total. Normally by the end of August, 45% of the yearly total is on the books.



**Commitment of Traders.** Money managers were generally more bearish in their holdings this week, most notably the corn market, the exception being soybeans. For contracts other than corn, this week’s changes to net long positions were relatively minor as were the price adjustments.

Managed Money, net long positions	8-Aug	15-Aug	22-Aug	29-Aug	weekly contract change	weekly price change
Corn	63,682	28,885	(26,023)	(63,532)	(37,509)	(12.50)
Soybeans	813	(22,651)	(35,295)	(32,677)	2,618	(3.00)
Chicago Wheat	(12,054)	(36,337)	(68,790)	(70,126)	(1,336)	0.50
KC Wheat	48,693	34,494	23,334	17,516	(5,818)	(1.75)
Minn Wheat	10471	7,978	8570	7964	(606)	(3.50)
Total	111,605	12,369	(98,204)	(140,855)	(42,651)	

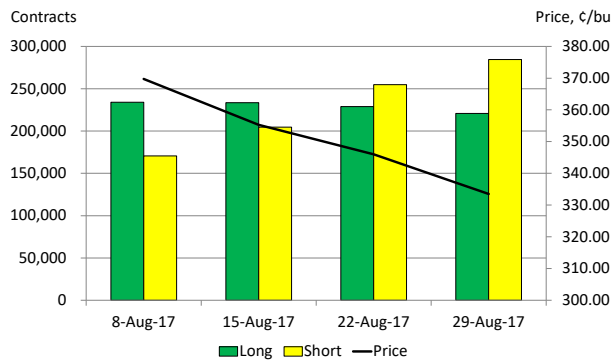
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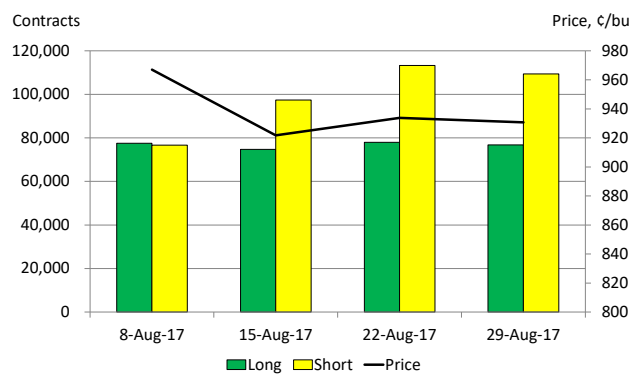
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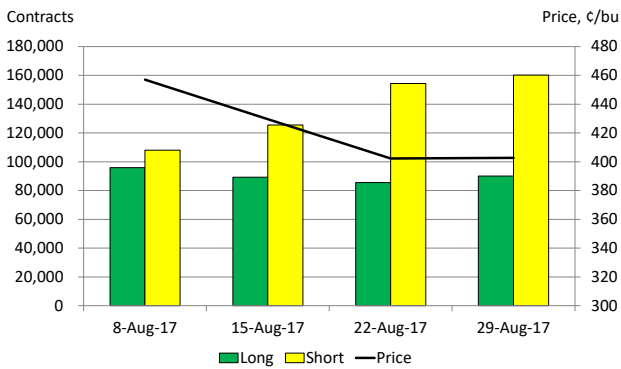
### Speculative Investment in Corn



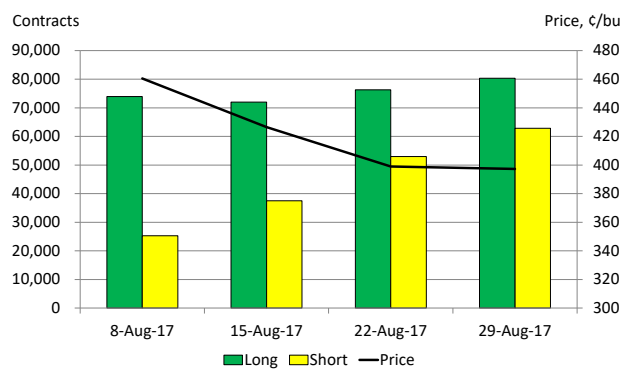
### Speculative Investment in Soybeans



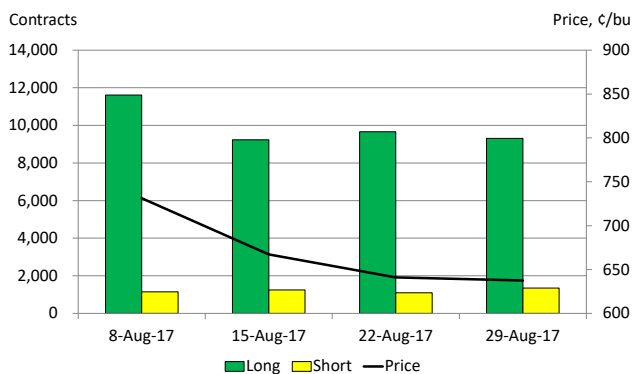
### Speculative Investment in Chicago Wheat



### Speculative Investment in Kansas City Wheat



### Speculative Investment in Minneapolis Wheat



The basis for Texas wheat continues to run weaker than normal, an indicator that supplies are more than adequate given the current level of demand. For the week of August 31, the average Texas cash wheat basis is -59 cents and the basis for wheat delivered to the Texas Gulf is +36 cents. The average basis for cash wheat at the elevator in August is -44 cents and the average basis at the gulf is +60 cents.

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	Avg TX cash wheat	basis	TX Gulf export bid	basis	cash-Gulf spread
3-Aug	4.03	(0.57)	4.97	0.38	0.95
10-Aug	3.89	(0.60)	4.86	0.38	0.97
17-Aug	3.56	(0.58)	4.52	0.38	0.95
24-Aug	3.48	(0.57)	4.33	0.28	0.85
31-Aug	3.50	(0.59)	4.45	0.36	0.95
5-yr August average		(0.44)		0.60	1.05

USDA, AMS, Market News: TX cash = average (area North of the Canadian River, Triangle Area from Plainview to Canyon to Farwell, area South of a Line from Plainview to Muleshoe)

## Marketing Strategies

**2018 Wheat Marketing Plan.** We are in the price discovery period when RMA sets the base price for most 2018 winter wheat products. At current futures prices in the July 2018 Kansas City wheat contract, the base price is above last year but still in the lower ranges of the last 10 years.

Your Price Criteria Select New Criteria

Commodity: Wheat      Type: Winter  
 State: Texas          Practice: Conventional  
 Sales Closing Date: September 30, 2017      Year: 2018

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Base Contract: KCBT July HRW Wheat 2018 (KEN18)

Projected Price	Price Volatility	Harvest Price
<b>\$4.86</b> per Bushel	<b>0.16</b>	Not Yet Available

<b>Status</b>	In Discovery	In Discovery	Yet To Start
<b>Start Date</b>	8/15/2017	8/15/2017	N/A
<b>End Date</b>	9/14/2017	9/14/2017	N/A

▶ Projected Daily Prices

Send us your thoughts.

- (1) Yield Protection plans do not use Price Volatility or Harvest Price.
- (2) Area Risk plans of insurance are not included for the 2013 CY.
- (3) Market data and Implied Volatilities are licensed through Barchart.com.
- (4) RMA calculated values are not final until the discovery period has ended and the price is approved.
- (5) Market Price for Wheat is calculated from a base contract price for HRW Wheat .

<https://prodwebnlb.rma.usda.gov/apps/PriceDiscovery/GetPrices/YourPrice>

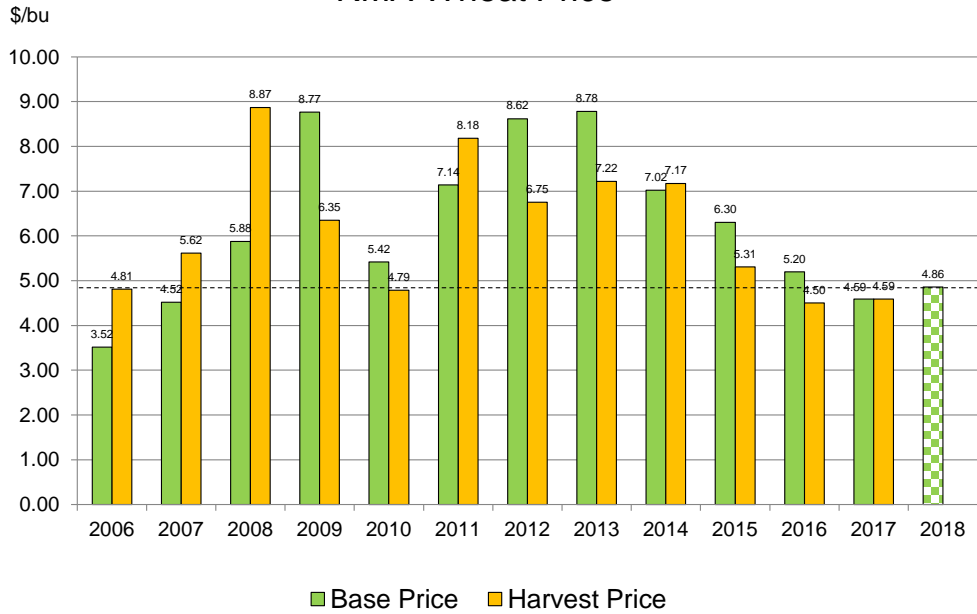
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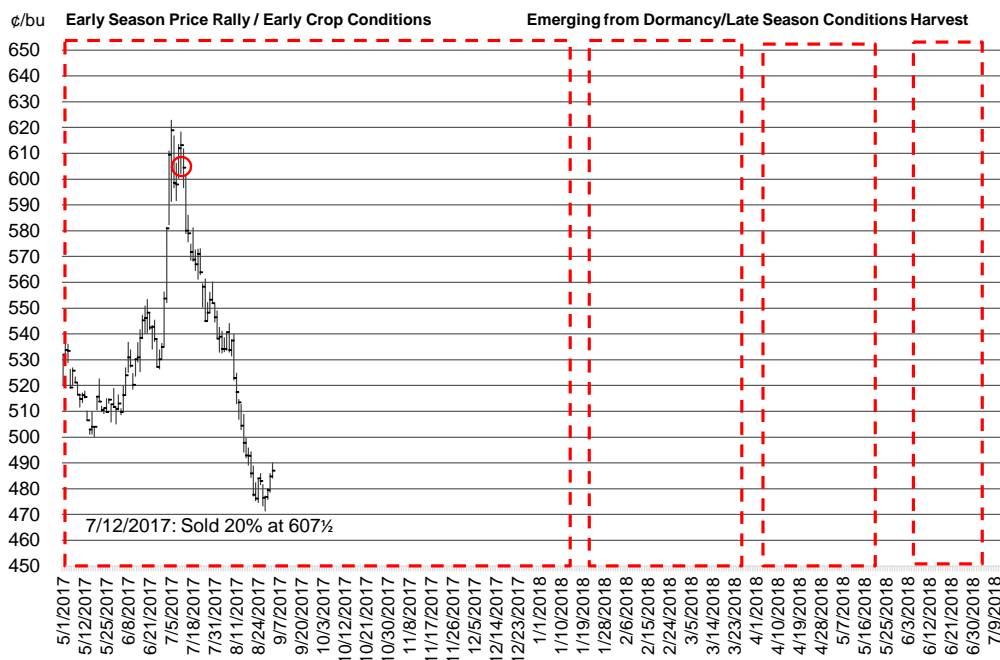
## RMA Wheat Price



Base price setting period: August 15 through September 14  
 Harvest price setting period: June 1 through June 30

I am 20% priced on the 2018 crop and expect to add to that total when we get a better handle on acres and yield prospects.

## July 2018 KC Wheat and Marketing Plan





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## Upcoming Reports/Events.

Registration now open for Master Marketer, brochure available at:

<http://agecoext.tamu.edu/files/2017/05/Castroville-2017-Brochure.pdf>.

Registration now open for TEPAP, brochure available at:

<http://tepap.tamu.edu/>

September 12           Crop Production and WASDE

September 29           Small Grains Summary

September 18-20       Master Marketer, Castroville, Texas

October 2-3

October 16-17

October 30-31

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