

There are no solutions with respect to the future. There are only choices between courses of action, each imperfect, each risky, each uncertain, and each requiring different efforts and involving different costs. But nothing can help the manager more than to realize what alternatives are available and what they imply. Peter F. Drucker



Kim Anderson

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**It's Russia's Fault
We Should Take China Out**

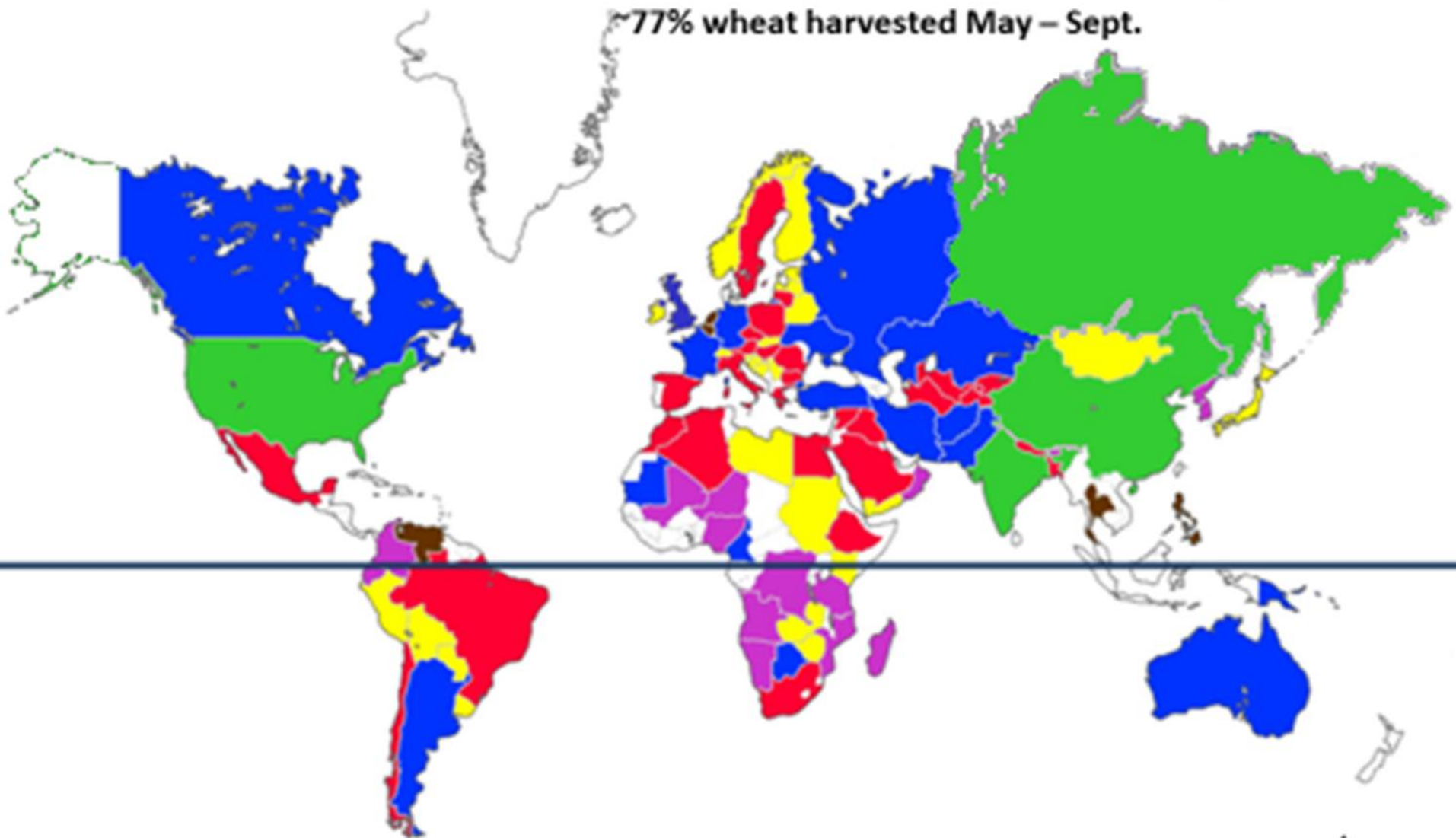


Wheat News

- **World short of feed wheat?—(\$210 to \$257 mt: \$5.70 → \$7.00 c&f)**
- **June 2019**
 - **World may need U.S. wheat.**
 - **Price will depend on Milling Quality!**
- **World production lowest since 2014-(26.9 bb vs 27.1; 5-yr. avg.)**
- **World wheat ending stocks-(9.515 bb vs 8.73 bb; 5-yr. avg.)**
- **Major Exporters: hard wheat production-(7.929 bb vs 7.807 bb)**
- **Major Exporters: hard wheat ending stocks-(1.304 bb vs 1.643 bb)**
- **China's impact on world wheat situation**

~85% wheat production northern hemisphere.

~77% wheat harvested May – Sept.



 < 5 million bushels (mb)

 5 mb - 50 mb

 50 - 500 mb

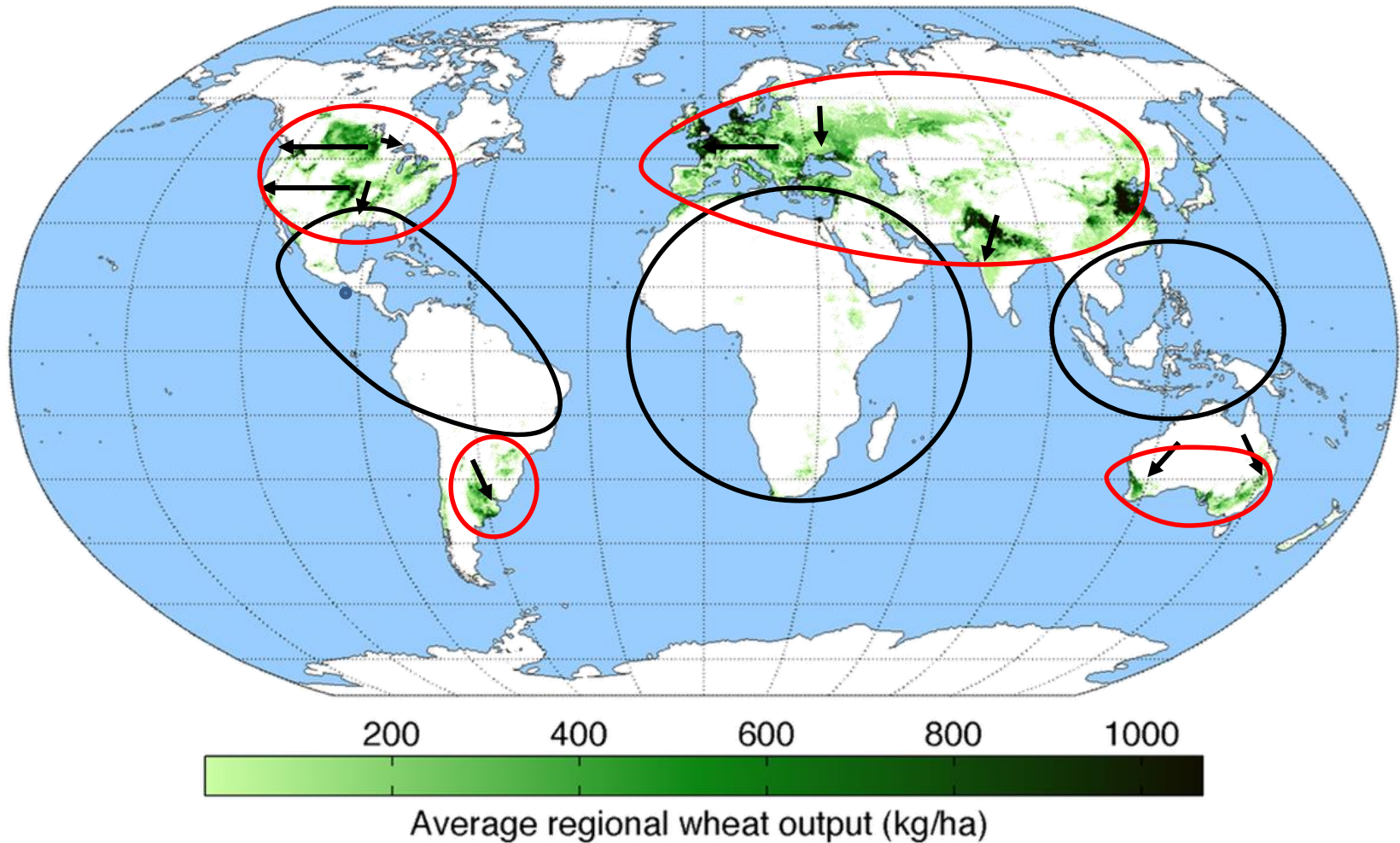
 500 mb - 2.0 billion bushels (bb)

 > 2.0 bb

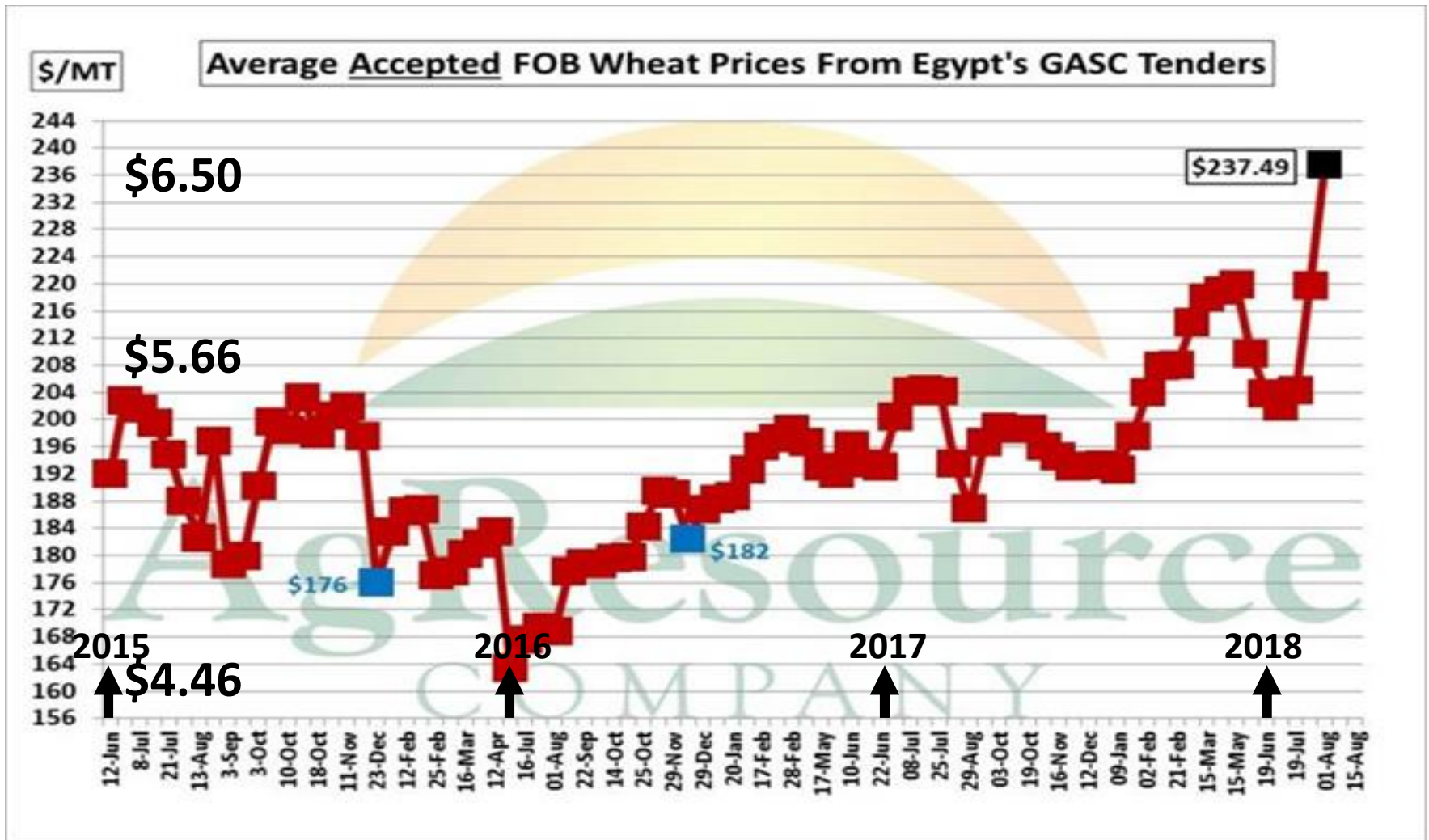
8/7/2018



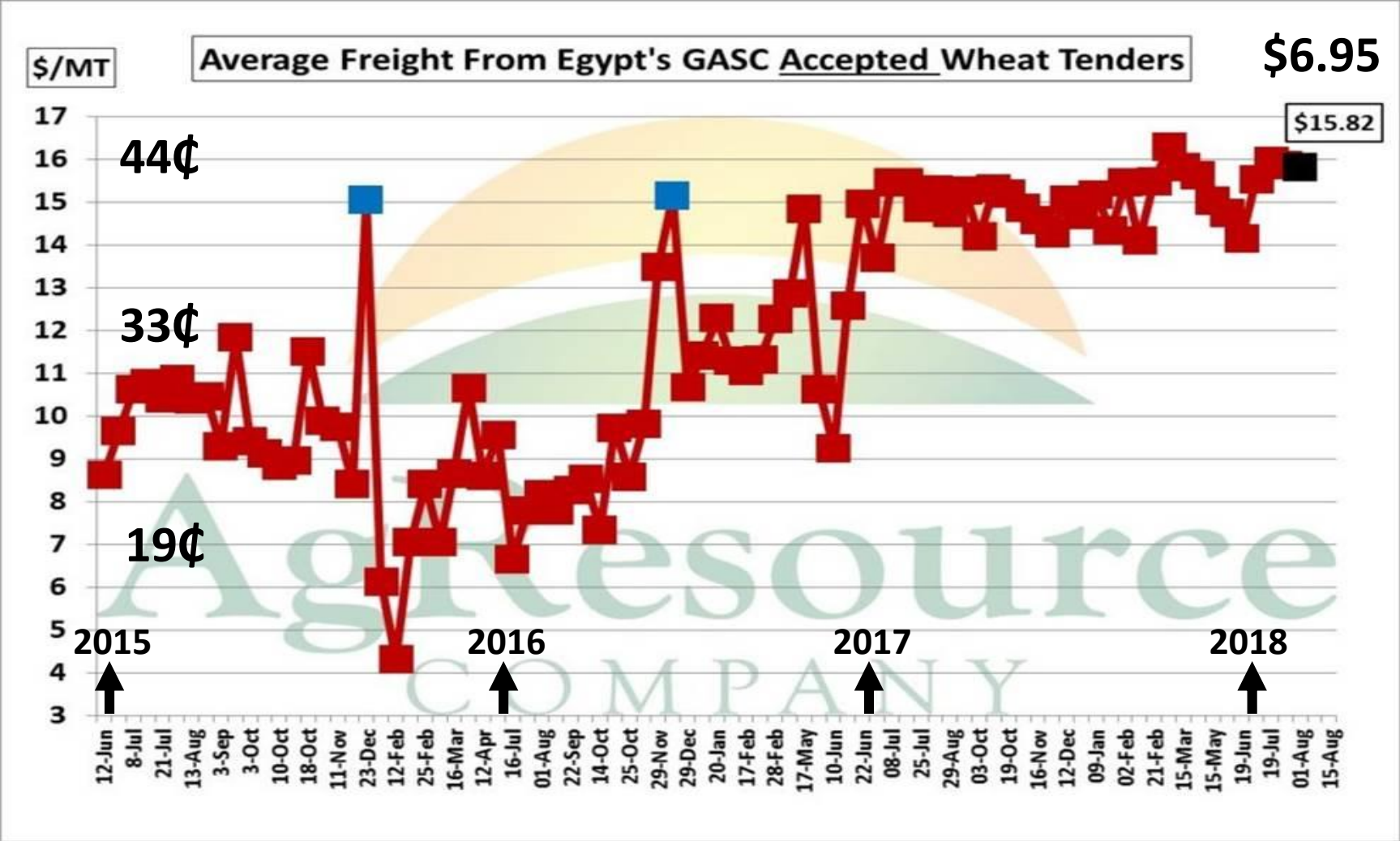
World Wheat Production, Consumption?



Wheat Price FOB Black Sea Port



Average Freight Costs: Black Sea Port to Egyptian Port

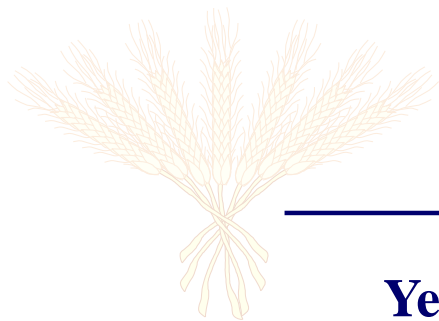




U.S. Wheat Situation

Year	Production	Consumption	Ending Stocks	U. S. Price	Okla. Price
(Billion Bushels)					
2011	2.00	2.23	.743	\$7.24	\$7.05
2012	2.25	2.41	.718	\$7.77	\$7.45
2013	2.14	2.43	.590	\$6.87	\$6.99
2014	2.03	2.02	.752	\$5.99	\$6.34
2015	2.06	1.95	.976	\$4.89	\$4.77
2016	2.31	2.22	1.18	\$3.89	\$3.45
2017	1.74	1.98	1.10	\$4.73	\$3.90
2018	1.88	2.18	.935	\$5.10	\$5.00
7-YR Avg.	2.08	2.18	.87	\$5.91	

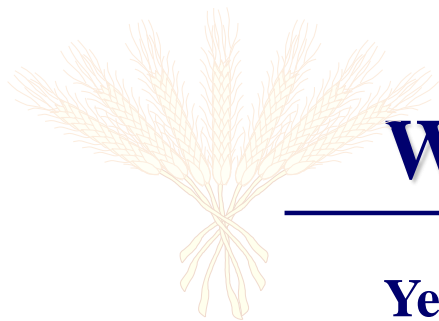




World Wheat Situation

Year	Production	Consumption	Ending Stocks
(Billion Bushels)			
2011	25.6	25.6	7.2
2012	24.2	25.0	6.5
2013	26.3	25.9	7.2
2014	26.8	25.9	8.0
2015	27.0	26.2	8.9
2016	27.6	27.2	9.5
2017	27.9	27.3	10.0
2018	26.8	27.3	9.5
7-YR Avg.	26.5	26.2	8.2





World-China Wheat Situation

Year	Production	Consumption	Ending Stocks
(Billion Bushels)			
2011	21.3	20.9	5.3
2012	19.8	20.7	4.6
2013	21.8	21.1	4.8
2014	22.1	21.4	5.3
2015	22.3	21.9	5.4
2016	22.9	22.8	5.4
2017	23.1	23.0	5.4
2018	22.1	22.8	4.5
7-YR Avg.	21.8	21.7	5.2



5-year Average Wheat Production:

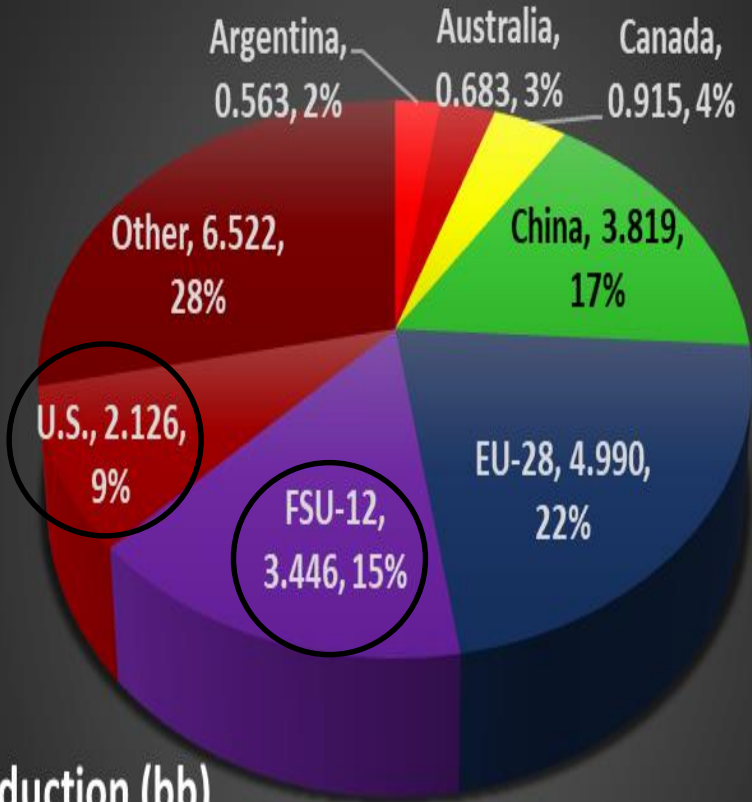
Major Exporters

2004-08

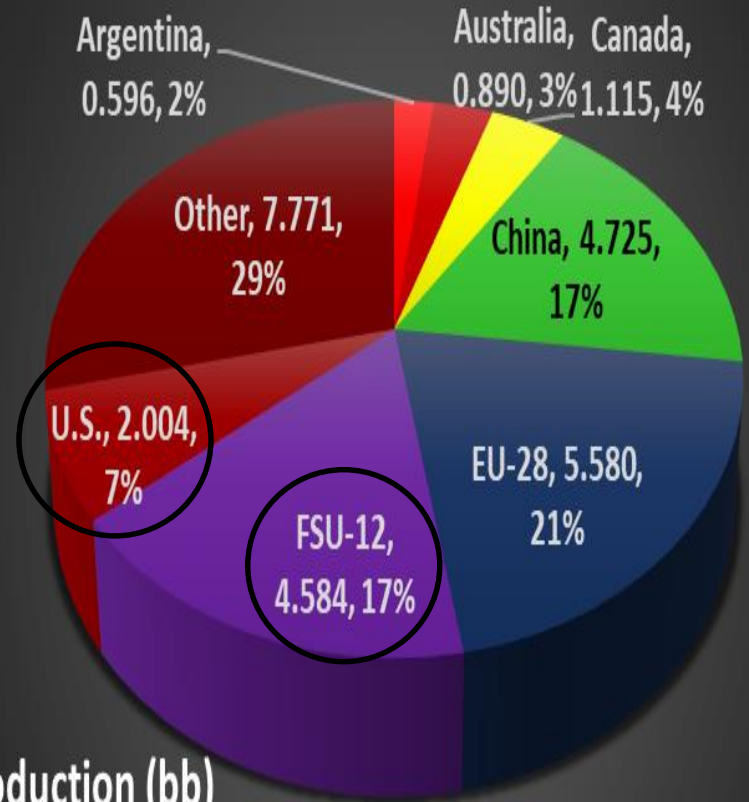
23.1 bb

2014-18

27.3 bb 18%



Production (bb)
2004 - 2008 avg

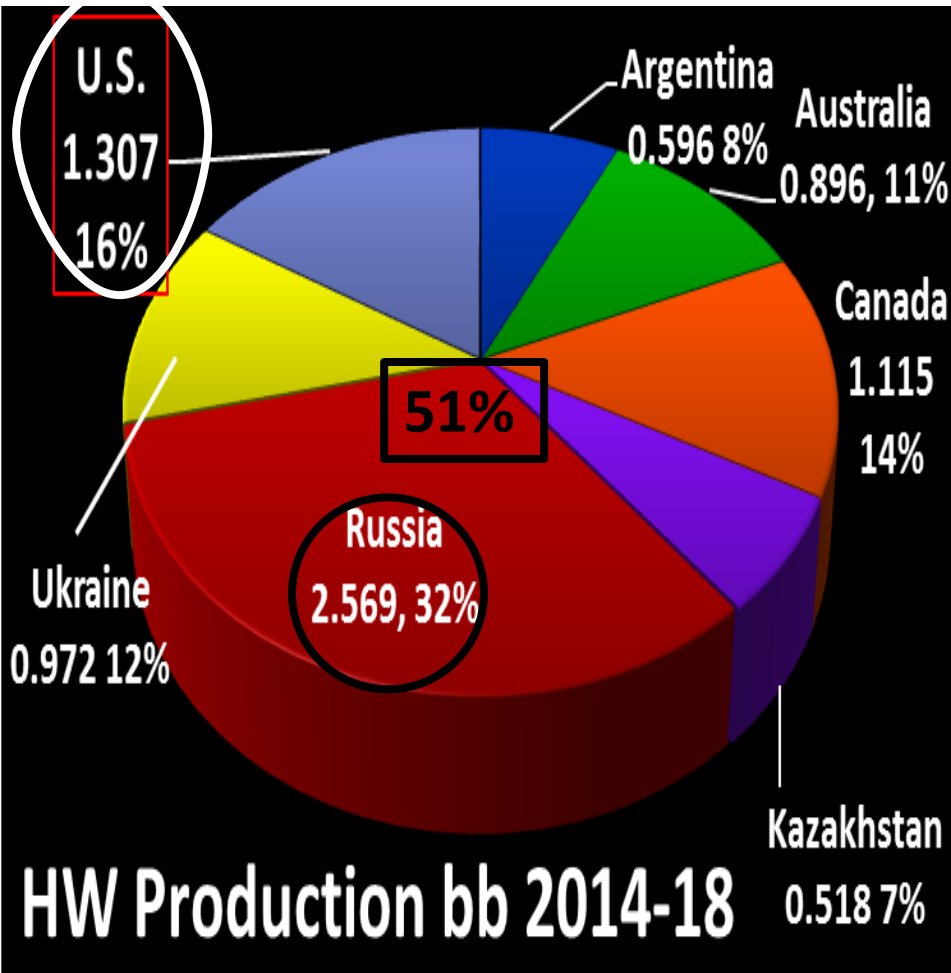
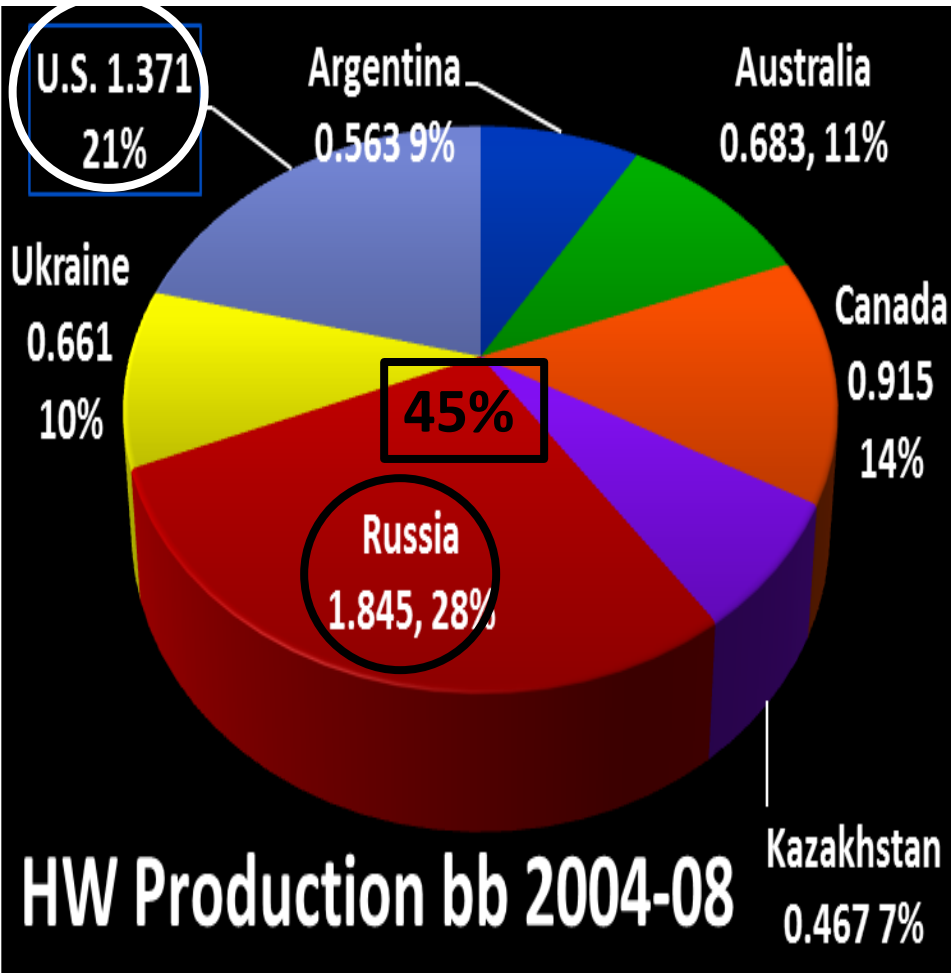


Production (bb)
2014 - 2018 avg

5-year Average Hard Wheat Production: Major Exporters

2004-08
6.505 bb
 23.1 – 28%

2014-18
7.943 bb
 27.3 – 29% (22%)



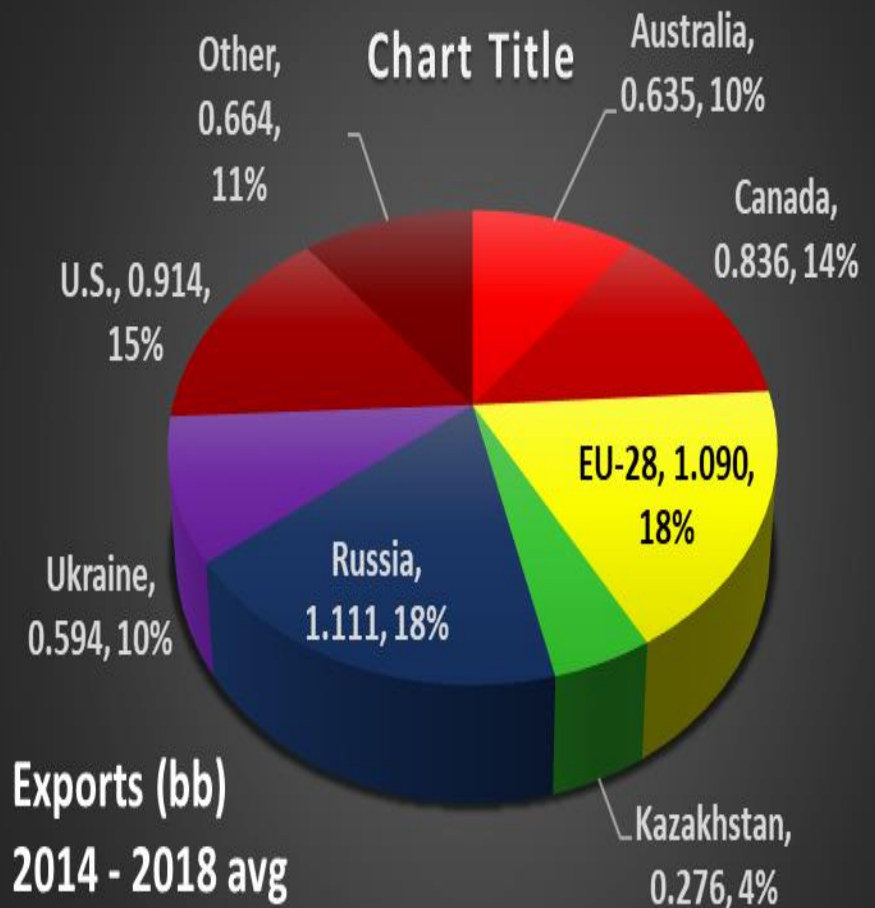
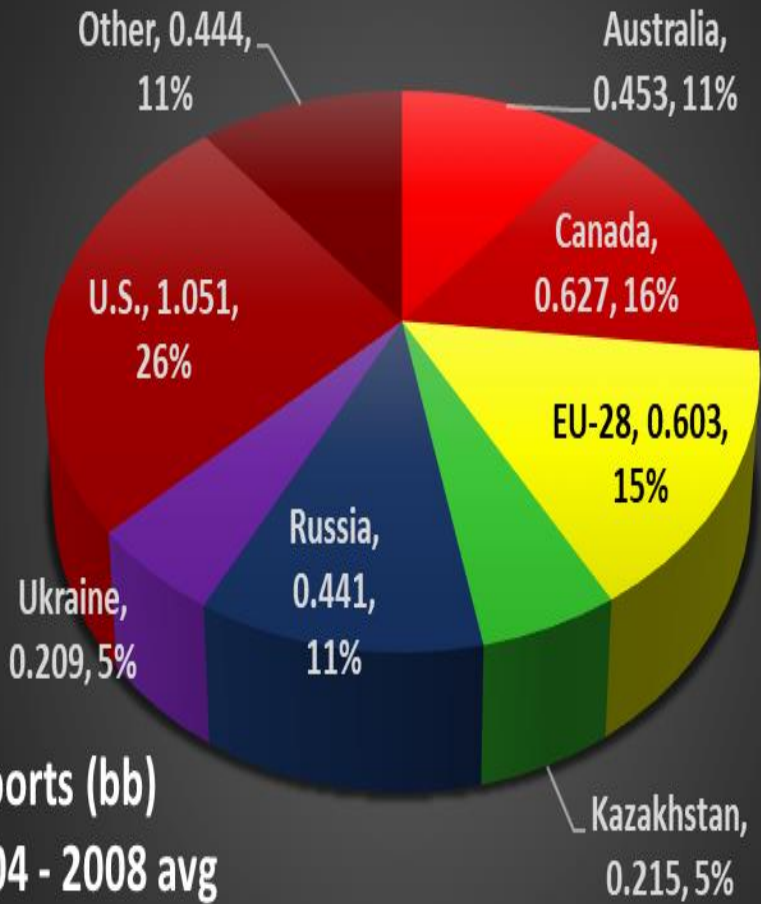
Major Hard Wheat Countries: 5-Year Average Exports

2004-08

2014-18

4.413 bb

6.522 bb



Major Hard Wheat Countries: 5-Year Average Exports

2004-08

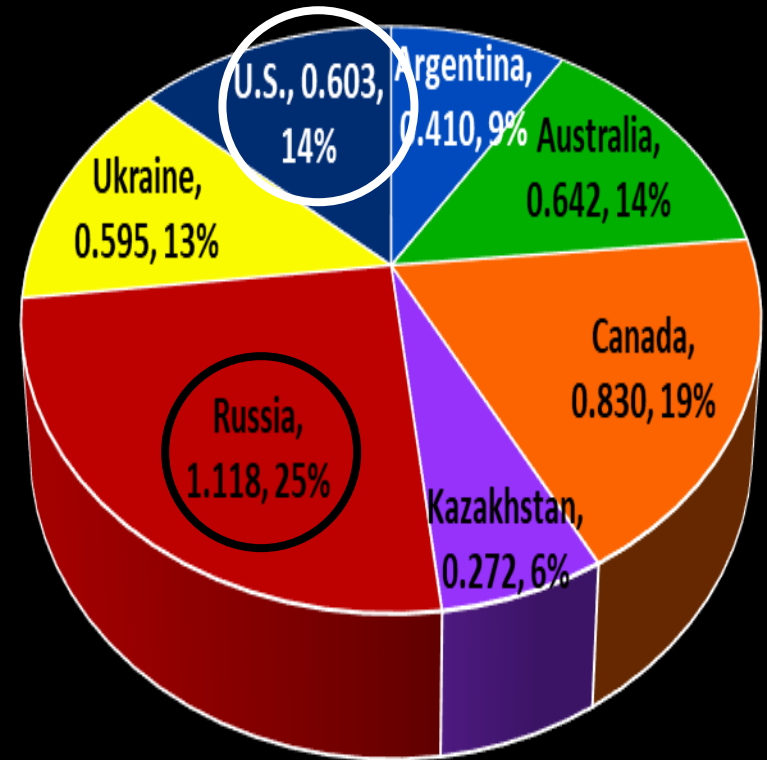
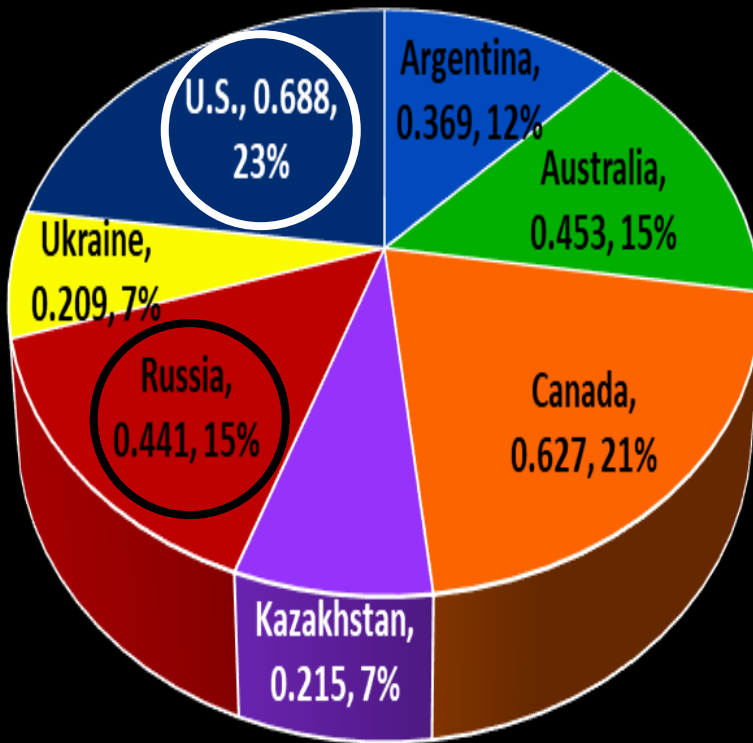
3.003 bb

4.413 – 68%

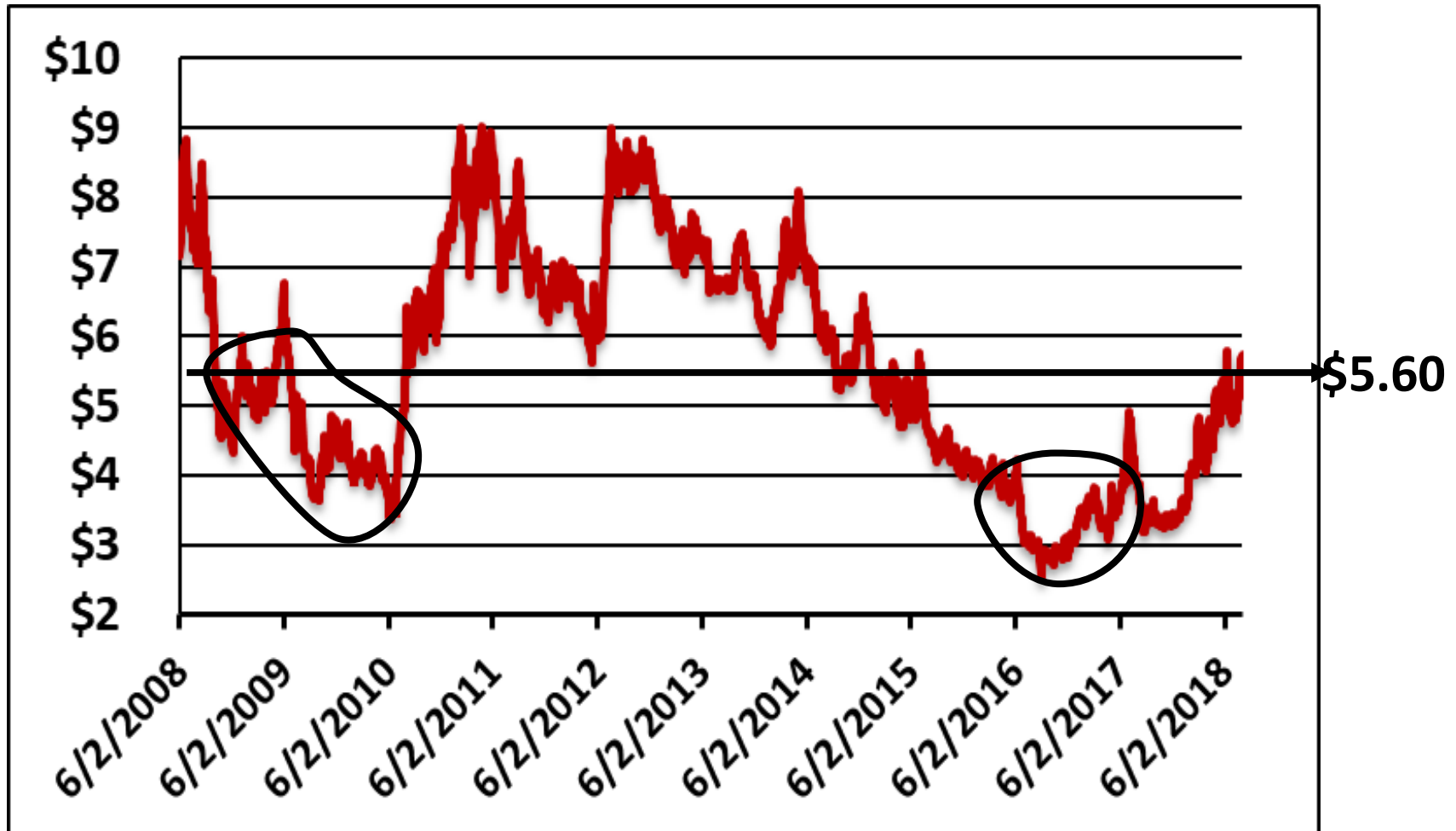
2014-18

4.470 bb

6.522 – 68%



Daily Cash Prices: Burlington, Ok



Daily Basis: Burlington, Ok



Kim's Observations

- The world has an adequate supply of wheat BUT supply is shrinking.
- U.S. at a shipping disadvantage.
- Wheat prices average near the cost of production.
- 2019 forward contract price - \$5.58 (-45¢)
- U.S. supplier of last resort.



Questions - Comments

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One last Observation

- Producers who have below average costs, above average yields, and above average quality will make a profit raising wheat.

