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## Wheat prices continue to show strength

By MARK CONLON, Lee Agri-Media Oct 19, 2019 Updated Oct 21, 2019



There is still some strength in spring wheat prices, according to Erica Olson, marketing specialist for the North Dakota Wheat Commission.

“Today (Oct. 15), the Minneapolis December futures were around \$5.50, so that has pushed up cash prices a bit from two weeks ago,” said Olson, adding that most of those prices range from \$4.50–\$4.90, which is up about 20 cents.

“Obviously we’d like to see them higher,” she said.

“One thing so far is we haven’t been seeing improvement in basis and we’re expecting that we might eventually see that for some of the higher quality wheat out there,” she continued. “When you compare our local cash prices to prices at the port, they’re \$2-\$3 higher (at the port), so we’re not seeing all that strength come back to the cash market.”

It’s unfortunate that spring wheat harvest is still a major topic of conversation at this time of year, according to Olson, adding that for the most part at this point it’s considered done.

“For what is still out there, we know the quality has been downgraded. If it’s harvested, it will be feed,” she said.

“Also, we’re getting to the point where some of that is just going to be abandoned. The big question is how much is still out there. The last crop progress report showed about 10-15 percent might still be out there.”

The big thing affecting prices has been these quality issues, both here in the U.S. and in Canada. Some people, in fact, are surprised that there hasn’t been more of a price impact. One thing kind of holding it down is the large stocks of spring wheat in the U.S. For example, U.S. beginning stocks this year were at 263 million bushels, which would be the second highest in the last 30 years and they are projected to increase again this year.

North of the border, the Canadian harvest is estimated to be only half complete in Saskatchewan and Alberta. Canada is experiencing the same weather and quality issues as the U.S., including lower color, lower falling numbers and higher DON levels. The remainder of their crop is most likely to be of feed-type quality.

“The market basically is still sorting through some of these issues,” Olson said. “The U.S. spring wheat crop is actually grading okay with most at No. 1, and that’s because the test weight is over 60 pounds, and damage falls below the maximum levels. But the bigger marketing factors are the falling numbers, vitreous kernel content and DON.”

The latest World Agricultural Supply and Demand Estimate (WASDE) report earlier this month did include some changes to the all wheat numbers, Olson pointed out. USDA lowered production slightly in the report.

“(USDA) lowered expected feed use by 30 million bushels. That is a bit surprising given that we will have some higher volumes of feed quality wheat this year,” she said. “The estimate for feed is now at 140 million bushels, which is still higher than last year when it was at 90 million. But I would expect that number to possibly come back up.”

USDA also lowered all U.S. wheat exports by 25 million bushels, putting the total now at 950 million. Also, U.S. ending stocks went up about 30 million bushels.

“Unfortunately the report wasn’t overly supportive for prices,” she said.

USDA also made some slight adjustments to spring wheat specific numbers, adjusting production to go with what the small grains report had estimated at 559 million bushels.

There was no change in domestic demand, but USDA did lower exports by 10 million bushels to 255 million. USDA also lowered potential imports by 10 million bushels based off of current import data from Canada.

Ending stocks were lowered a bit, but are still expected to be over 300 million bushels which, historically speaking, is quite high.

“The one change that could still impact production is the harvested acres for spring wheat,” Olson said. “There could be 10–15 percent of the spring wheat that doesn’t get harvested. USDA is going to be doing a resurvey of producers to figure out the harvested acres and so that likely will affect the production number.”

On the world side of things, there were no big changes. The market is still watching Argentina and Australia. In Argentina, the current production estimate from USDA is 750 million bushels. There are some estimates that it could be all the way down to 650 million bushels, Olson noted, adding the lower production there is due to dry conditions.

In Australia, production is being affected by historical drought. As a result, lower exports are expected from both of those areas.

Regarding U.S. wheat exports, sales have slowed a little. Total wheat sales are still about 16 percent higher than a year ago at just under 500 million bushels. Hard red winter wheat is still leading with sales up about 50 percent on the year. Hard red spring wheat sales total 133 million bushels, up 3 percent on the year.

“We did hear (recently) about a possible trade deal with China, but really, there’s not a lot of details,” Olson said. “We’ve heard that they would potentially buy \$40–\$50 billion of U.S. ag products, but until we see actual details, that’s tough to factor in right now.

“Going forward, if the weather ever cooperates, the focus will likely turn to harvest of the row crops. It will be a little bit of wait and see until we get through that harvest and see where the movement of wheat happens to go,” she concluded.

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