Farm Bill Update and Wheat Market Outlook

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<table>
<thead>
<tr>
<th>Marketing Year</th>
<th>USDA 12/13</th>
<th>USDA 13/14</th>
<th>USDA 14/15</th>
<th>USDA 15/16</th>
<th>USDA 16/17</th>
<th>USDA 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg Stocks</td>
<td>743</td>
<td>718</td>
<td>590</td>
<td>752</td>
<td>976</td>
<td>1,181</td>
</tr>
<tr>
<td>Imports</td>
<td>123</td>
<td>169</td>
<td>151</td>
<td>113</td>
<td>118</td>
<td>157</td>
</tr>
<tr>
<td>Acres Planted</td>
<td>55.7</td>
<td>56.2</td>
<td>56.8</td>
<td>55</td>
<td>50.1</td>
<td>46.1</td>
</tr>
<tr>
<td>Acres Harvested</td>
<td>48.9</td>
<td>45.3</td>
<td>46.4</td>
<td>47.3</td>
<td>43.8</td>
<td>37.6</td>
</tr>
<tr>
<td>% Harvested</td>
<td>87.8%</td>
<td>80.6%</td>
<td>81.7%</td>
<td>86.0%</td>
<td>87.4%</td>
<td>81.6%</td>
</tr>
<tr>
<td>Yield</td>
<td>46.3</td>
<td>47.1</td>
<td>43.7</td>
<td>43.6</td>
<td>52.7</td>
<td>46.4</td>
</tr>
<tr>
<td>Production</td>
<td>2266</td>
<td>2,135</td>
<td>2,026</td>
<td>2,062</td>
<td>2,309</td>
<td>1,741</td>
</tr>
<tr>
<td>Total Supply</td>
<td>3,131</td>
<td>3,021</td>
<td>2,768</td>
<td>2,927</td>
<td>3,402</td>
<td>3,080</td>
</tr>
<tr>
<td>Food</td>
<td>945</td>
<td>951</td>
<td>958</td>
<td>957</td>
<td>949</td>
<td>964</td>
</tr>
<tr>
<td>Seed</td>
<td>73</td>
<td>77</td>
<td>79</td>
<td>67</td>
<td>61</td>
<td>63</td>
</tr>
<tr>
<td>Feed and Residual</td>
<td>384</td>
<td>228</td>
<td>114</td>
<td>149</td>
<td>160</td>
<td>47</td>
</tr>
<tr>
<td>Exports</td>
<td>1,012</td>
<td>1,176</td>
<td>864</td>
<td>778</td>
<td>1,051</td>
<td>906</td>
</tr>
<tr>
<td>Total Demand</td>
<td>2,414</td>
<td>2,432</td>
<td>2,015</td>
<td>1,951</td>
<td>2,222</td>
<td>1,981</td>
</tr>
</tbody>
</table>
Demand for U.S. Wheat

Source: World Outlook Board, USDA

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U.S. Wheat Exports as a Percent of Total Use
World Wheat

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Consumption</th>
<th>Ending Stocks</th>
<th>Ending Stocks net China</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>199,433</td>
<td>142,692</td>
<td>124,481</td>
<td>135,559</td>
</tr>
<tr>
<td>2012/13</td>
<td>179,553</td>
<td>147,725</td>
<td>130,559</td>
<td>143,667</td>
</tr>
<tr>
<td>2013/14</td>
<td>197,727</td>
<td>222,777</td>
<td>143,667</td>
<td>148,000</td>
</tr>
<tr>
<td>2014/15</td>
<td>244,996</td>
<td>148,000</td>
<td>147,376</td>
<td>148,000</td>
</tr>
<tr>
<td>2015/16</td>
<td>262,305</td>
<td>262,305</td>
<td>150,624</td>
<td>147,376</td>
</tr>
<tr>
<td>2016/17</td>
<td>281,887</td>
<td>150,624</td>
<td>150,624</td>
<td>147,376</td>
</tr>
<tr>
<td>2017/18</td>
<td>275,606</td>
<td>288,280</td>
<td>135,613</td>
<td></td>
</tr>
<tr>
<td>2018/19</td>
<td>142,610</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019/20</td>
<td>288,280</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Tradeable World Wheat Stocks to Use vs. U.S. Price

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World Wheat Projections

Source: USDA Economic Research Service

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Wheat Exports

- Russia
- United States
- European Union 3
- Canada
- Ukraine
- Australia
- Argentina

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Probability Final Price Equal or Less Than Futures Price on Horizontal Axis
National Average Wheat Cash Price vs. Nearby Wheat Futures

Implies a June 2020 Cash Price of about $5.44

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Conclusions

• Current export activity suggests USDA may have a better handle on marketing year exports this year compared to the last few.

• World wheat carryout will likely return to year-over year increases, and this puts pressure on domestic prices.

• Despite that, current market sentiment seems to suggest the USDA’s current marketing year price may be too pessimistic.

• None-the-less most wheat producers in Washington will probably elect PLC for the first two years of the 2019 Farm Bill program.
Thanks

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