

# WHAT'S DRIVING PRICE DISCOVERY IN THE WHEAT MARKETS

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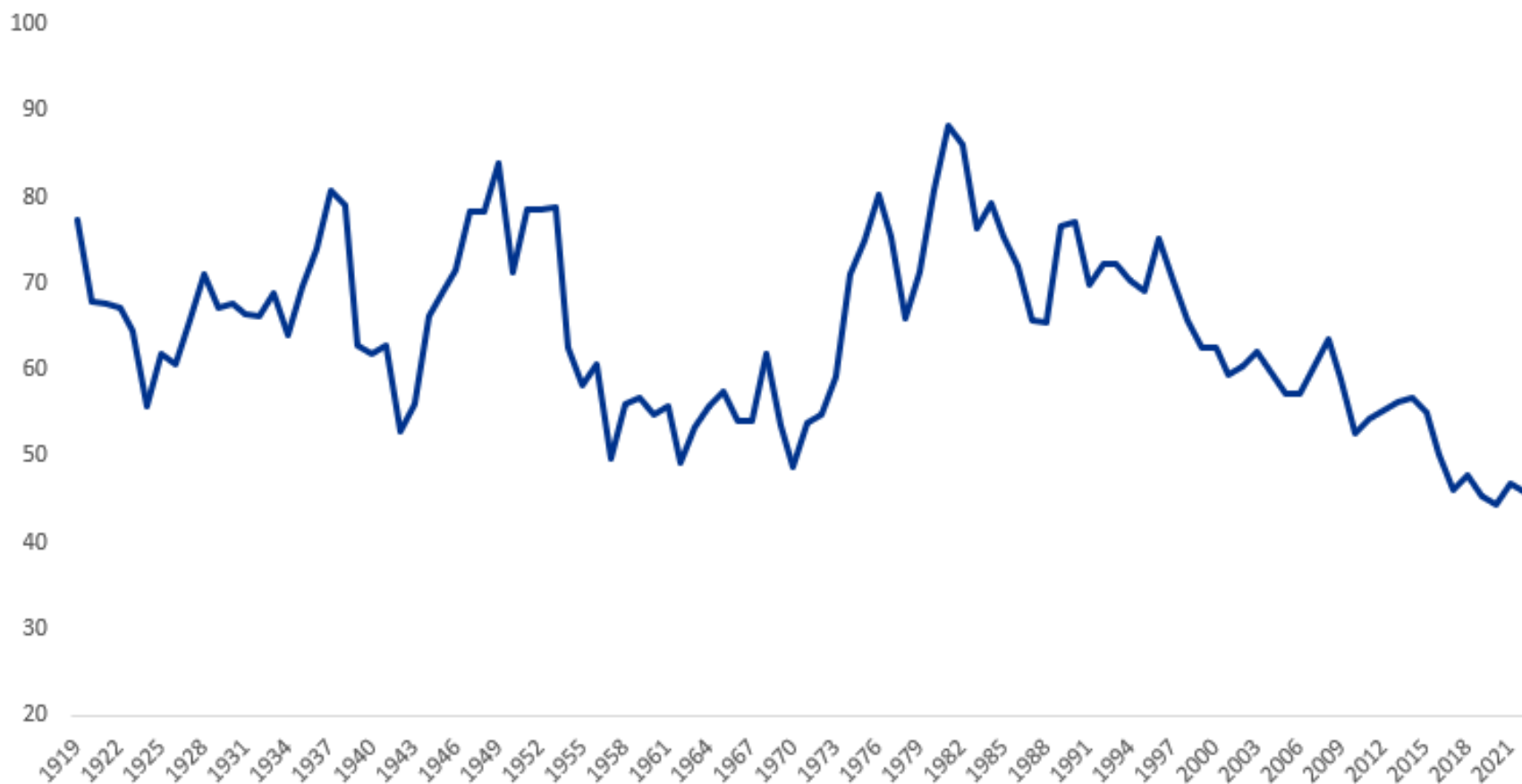
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# HTS's Top Wheat Outlook Points

1. **US protein stocks are low.** Following the MY 22/23 drought, US stocks of high protein wheat (HRW + HRS) are low which can support old crop cash prices.
2. **Planted US winter wheat acres are materially higher.** HRW planted acres are +10% YoY. SRW acres are +20% YoY. Large acreage increases and the possibility of a larger crop can pressure prices in MY 23/24.
3. **HRW production: “Beware the ides of March”.** Acute dryness impacted the MY 23/24 crop during planting. The lingering drought remains intact inside key producing states.
4. **US wheats are uncompetitive in the global market.** A strong US dollar combined with tight US stocks, and robust global supplies has made US wheat uncompetitive against Australian, Canadian, EU, German, Romanian Russian and Ukraine milling wheats.
5. **As corn supplies are forecast to expand which limits wheat feeding.** This will incrementally lower domestic use.
6. **It is unlikely that Russia will not repeat a record wheat harvest and export program.** This can help US the regain incremental market share in select export destinations.

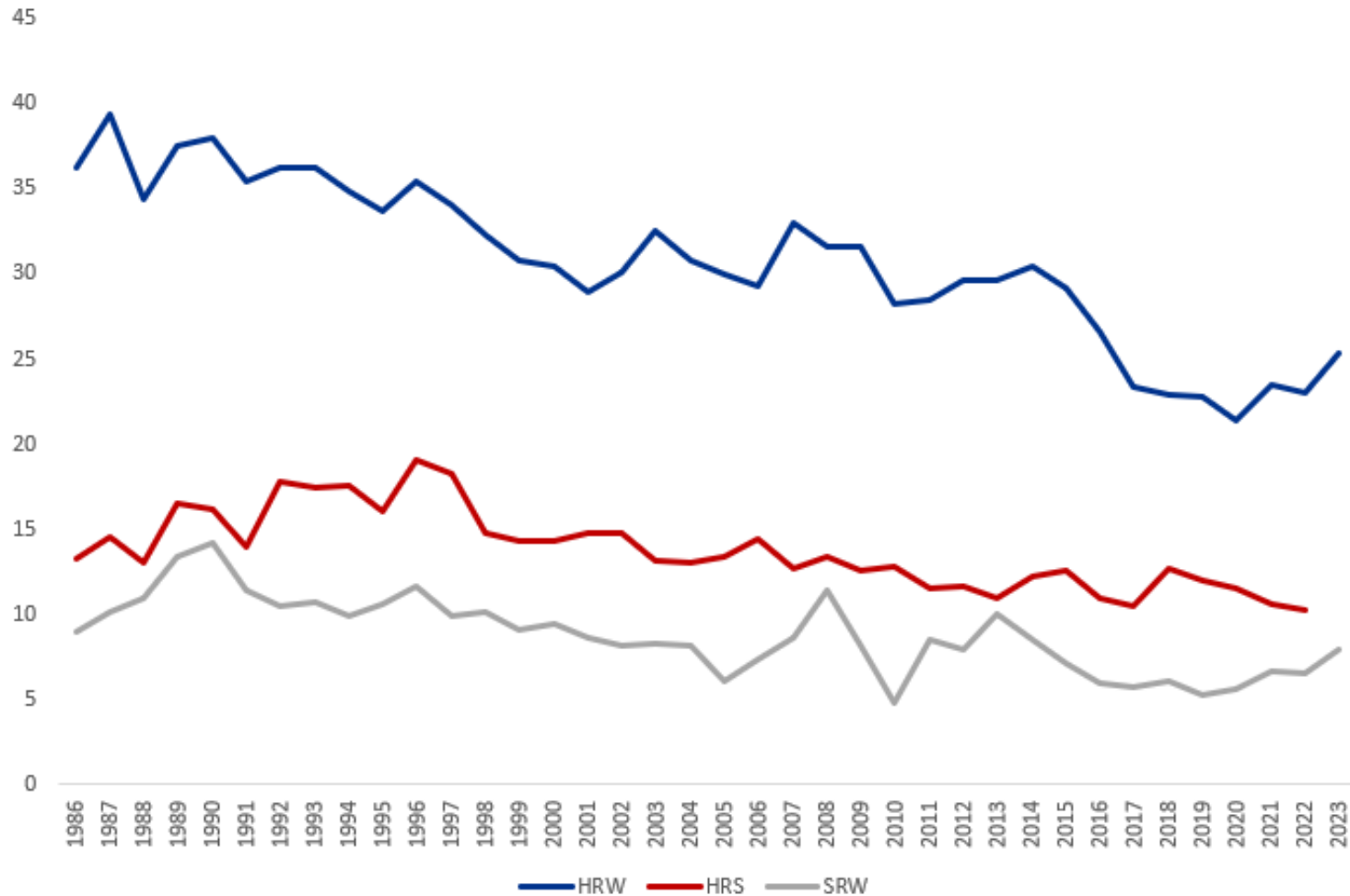
# US Planted Wheat Acres (million acres)

Domestic planted wheat acres are incrementally rebounding off historic lows.



Source: USDA, Hilltop Securities

# US By Class Planted Wheat Acres (million acres)

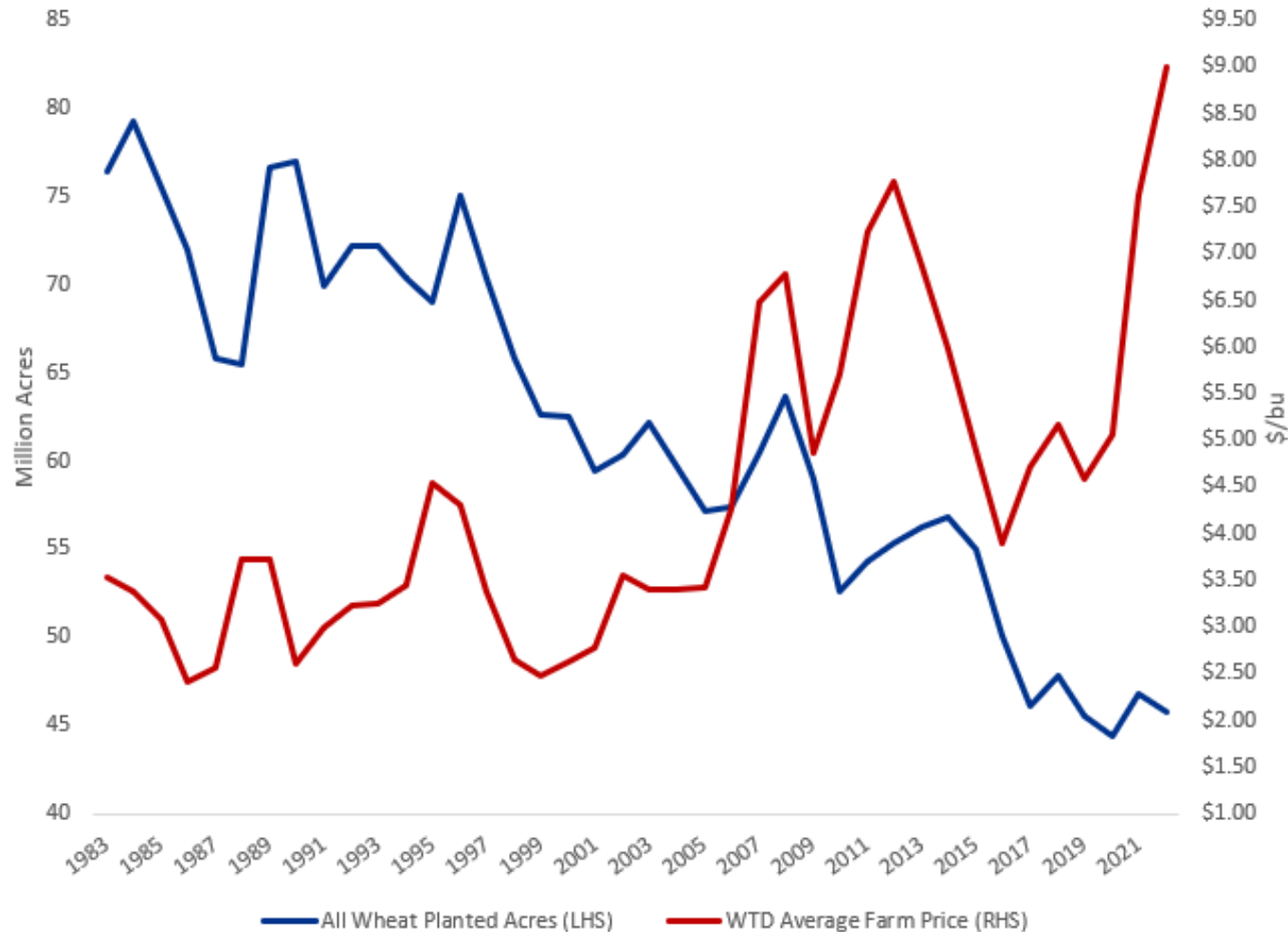


Source: USDA, Hilltop Securities



# US Planted All Wheat Acres & Farm Gate Price

Compared to other row crops, wheat has low farm gate prices.

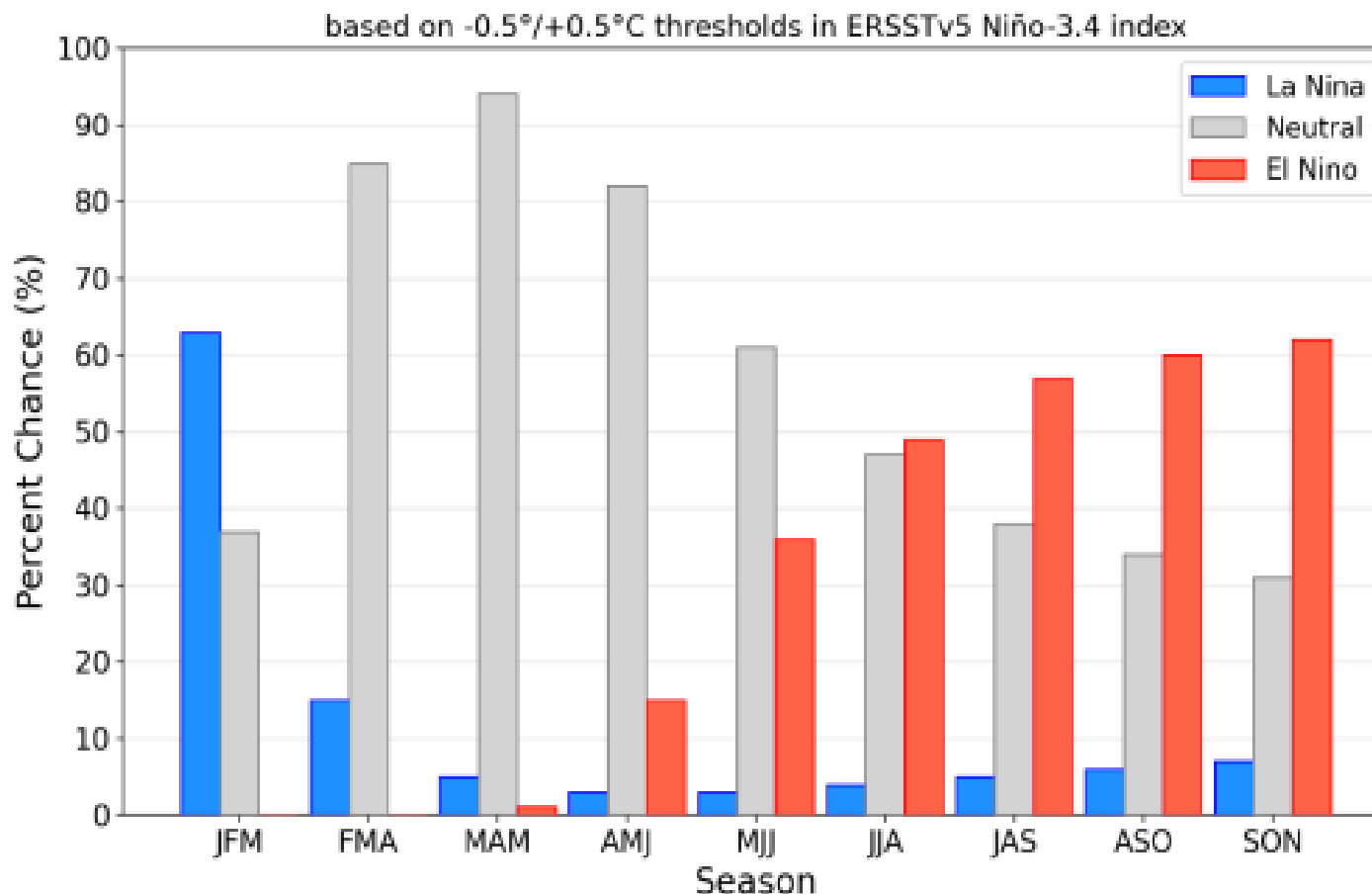


Source: USDA, Hilltop Securities

# US El Nino – Southern Oscillation (ENSO) Forecast

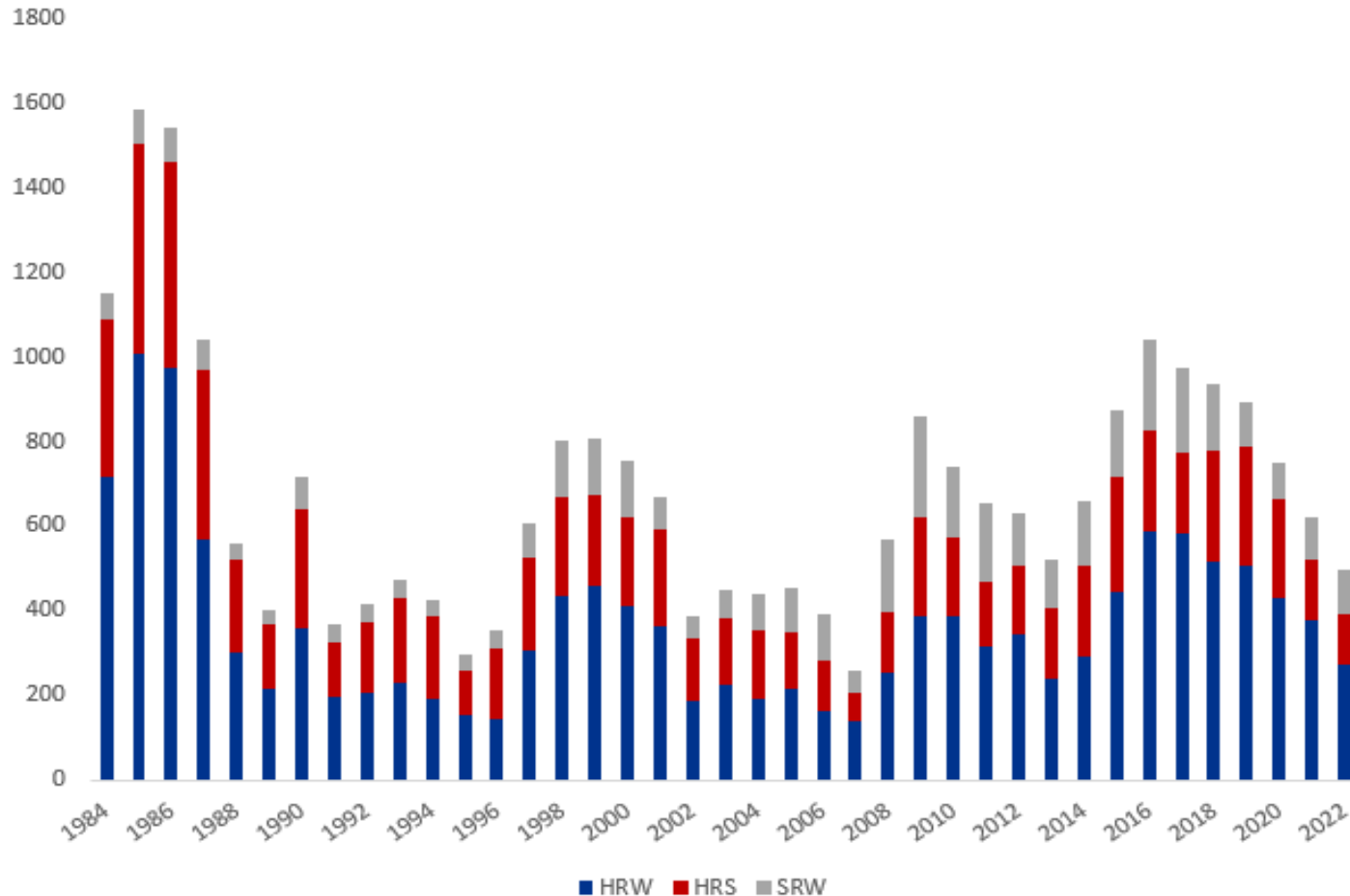
Neutral to mild El Nino ENSO cycle = above trend US wheat yields.

## Official NOAA CPC ENSO Probabilities (issued Feb. 2023)



# US Milling Wheat Ending Stocks (million bushels)

Low ending stocks helps support local cash and US futures prices.

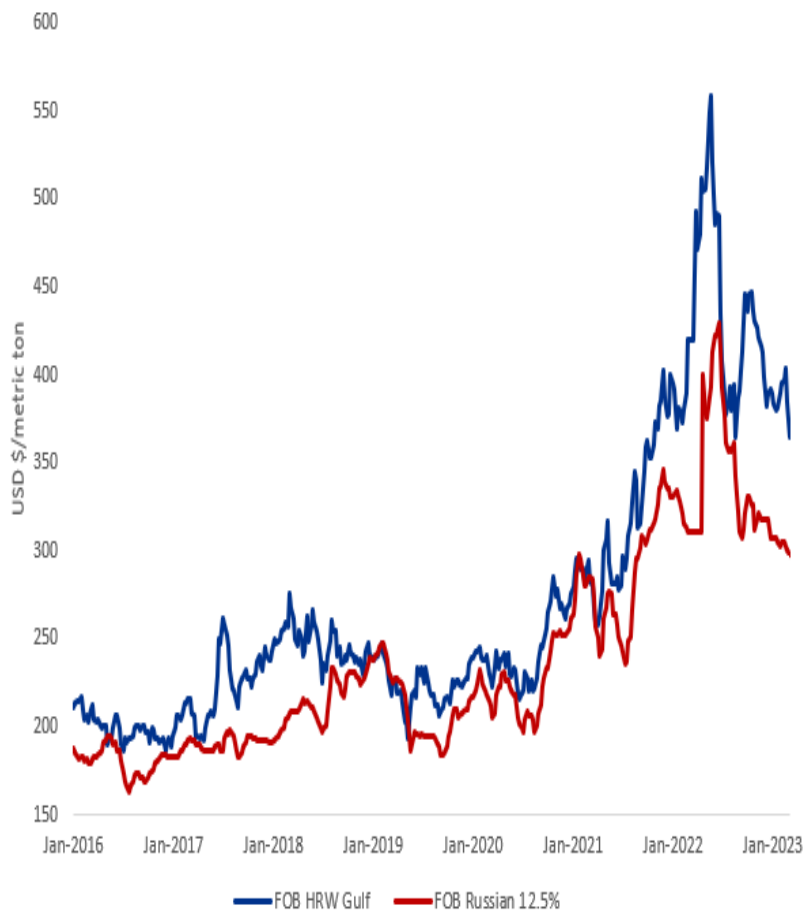


Source: USDA, Hilltop Securities

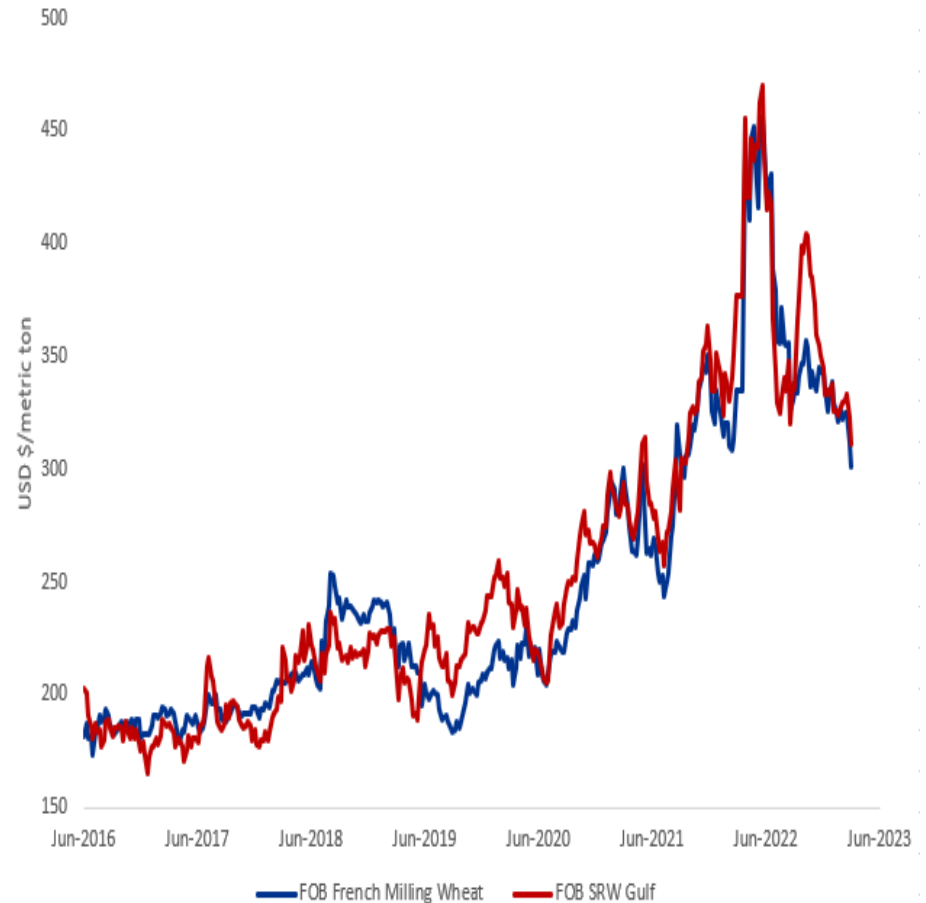


# FOB Milling Wheat Price Spreads

High cash and futures prices translates to uncompetitive export values.



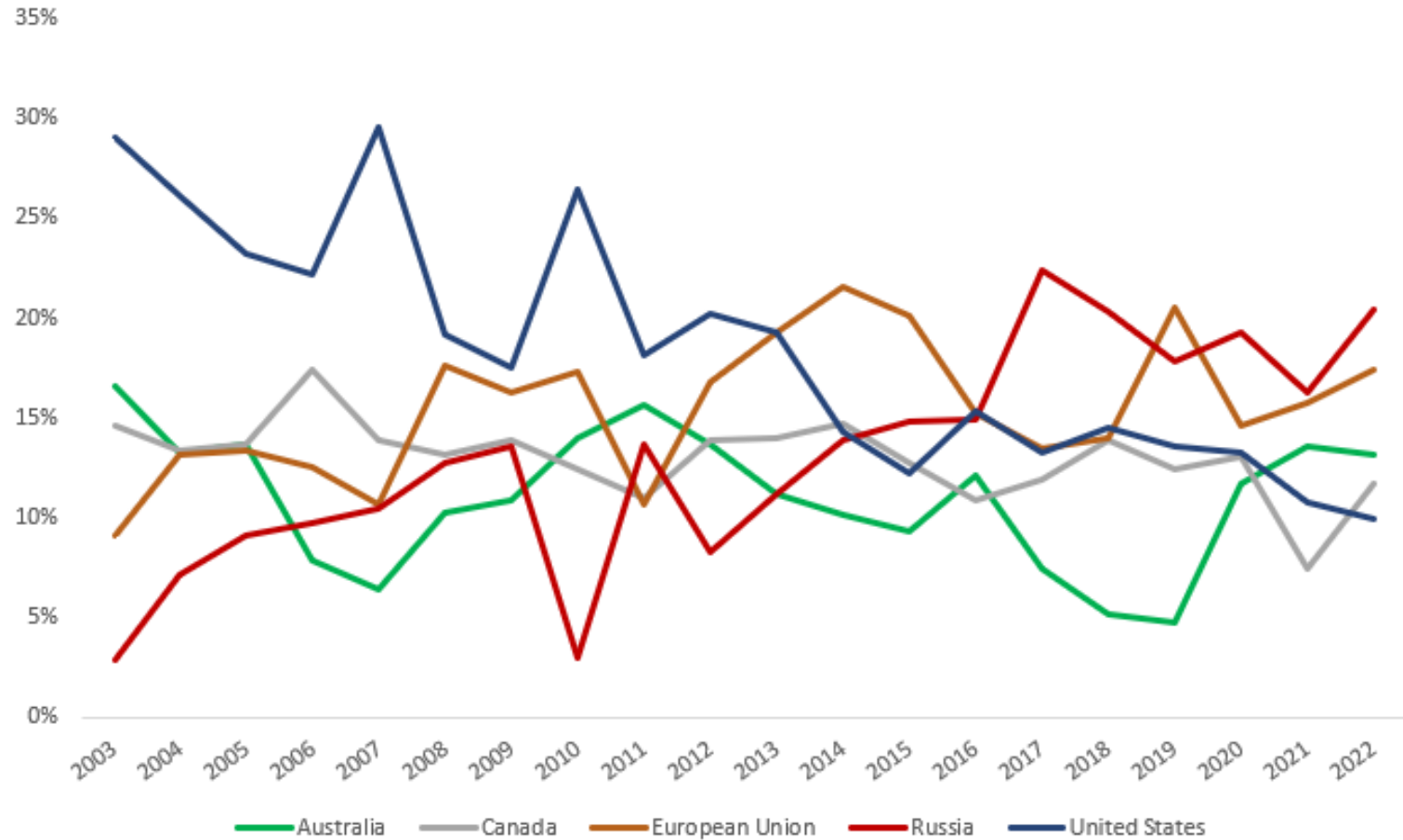
Source: Bloomberg, Hilltop Securities



Source: Bloomberg, Hilltop Securities

# Wheat Exports As Percent of World Total

US wheat has become the residual supplier to the world which can pressure US futures.



Source: USDA, Hilltop Securities

# Key Wheat Takeaways

- MY 23/24 will see large gains in SRW and HRW planted acres which can limit price appreciation of cash and futures.
- Low ending stocks of US milling wheat (SRW, HRS and HRW) can provide some support to futures prices.
- Lingering drought in Oklahoma, Kansas and Nebraska, can adversely impact hard wheat as it starts to break dormancy and generate questions about quality and production size.
- Despite the increasing probability that domestic milling wheat supplies will increase in MY 23/24, strength of the US dollar can limit the competitiveness of US exports.
- July'23 HRW fair value: \$7.65-8.15/bu. July'23 SRW fair value: \$5.85-6.35/bu

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We believe that the fundamental construct for MY 23/24 calls for an active and rigorous approach to hedging.

At HTS Commodities we use the prevailing fundamentals to help clients identify proper risk mitigation strategies for their business.

# Why Choose HTS Commodities? Our Data Driven Approach

## How We Can Help

**Familiarization  
and overview  
of hedging  
objectives**

Communicate goals, objectives and vision

**Collaborative  
assessment**

Identify the greatest risk exposure to price volatility

**Qualitative &  
quantitative  
assessment of  
key exposure  
points**

360-degree assessment of active markets

**Applied  
machine  
learning to  
help analyze  
and model  
prices**

Mathematical to create price projections

**Data  
Visualization**

Easy-to-understand graphics to complement the analytical process

**Strategy  
delivery and  
execution**

HTSCommodities brings together commodities specialists with decades-long experience, superior industry knowledge and strong local roots across 6 offices in Texas (Amarillo, Plano, Dallas), Minnesota (St. Paul), Tennessee (Memphis) and New York (NYC). The team is comprised of seasoned commodities brokers, traders and investment bankers and has a wealth of expertise in risk management, trading execution and advisory. The team specializes in agricultural and energy commodities along with rates and foreign exchange.

**HTS Commodities trades futures, options & OTC contracts across multiple sectors:**



## Agriculture

Corn, soft red and hard red wheats, rough rice, feeder and live cattle, lean hogs, soybeans, soybean oil, and soybean meal



## Energy

Oil and oil products, natural gas and electricity



## Metals

Gold, silver, platinum, palladium, copper, and aluminum



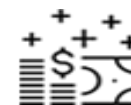
## Softs

Sugar, coffee, sugar, orange juice, cocoa, cotton, and lumber



## Interest Rates

Treasury bonds, treasury notes, and Eurodollar, fed funds, and SOFR



## Equities

S&P 500, Dow Jones, Russell 2000 and Nasdaq-100



# HTSCommodities – Execution & Advisory



Our team brings hands-on experience to developing hedging and trading strategies for investors, consumers and producers of all sizes across all commodities. We provide a full suite of services to help all clients minimize risk, maximize results, and gain a competitive advantage in their marketing. With equal understanding and access to listed and OTC markets, the team is uniquely positioned to provide clients with complete and unbiased advice.



## Full-Service Commodities Consulting

We follow a customized approach in delivering consulting services to producers and consumers seeking to improve their marketing strategies, minimize their price risk exposure, and position themselves to hedge as well as capture market opportunities.

Our consulting model provides full-service marketing management, with our team building and managing hedging strategies and actively working with producers and consumers to execute from start to finish.

## Hedging Advisory

HilltopSecurities has maintained a dedicated derivative advisory desk since 1990 and considers this practice to be an integral branch of the firm. As a Commodity Trading Advisor, HTSCommodities is licensed and regulated by the National Futures Association under the authority granted by the U.S. Commodity Futures Trading Commission (the “CFTC”). HTSCommodities can independently evaluate suitability and fair pricing and can certify that it has exercised independent judgment in evaluating our clients’ commodity transactions.





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