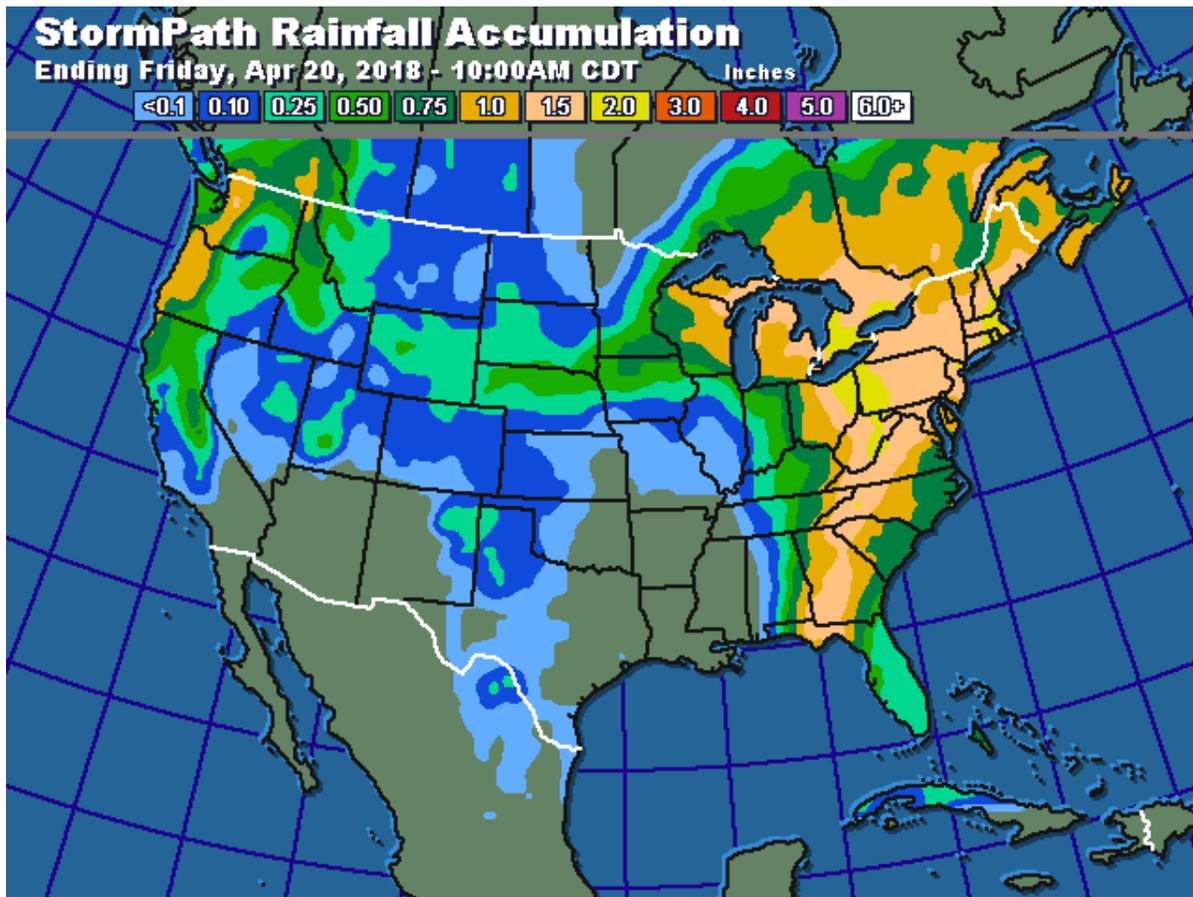


Hello Colorado Wheat.

KC wheat was down about a dime last week, and it's down about another dime early Sunday night.

The WASDE was bearish, adding another 35 million bushels of HRW to this year's carryover, much of which came from the "feed/residual" category. Any wheat that wasn't being fed is apparently really not being fed now. Obviously, the USDA uses this category for "unexplained". I didn't think the stocks-in-all-positions report showed an extra 25 million bushels, but maybe I should have paid more attention. No matter...what the market truly thinks is...it's going to rain. Forecasts seem to all agree 2 inches is coming.

I'm pretty sure the 300,000 acres burning in Oklahoma hope the 2-inch rain comes, and unfortunately, DTN's weather map does NOT show the expected 2 inches.



But as I said earlier, the market thinks it's coming, and right now, that's what matters.

*Charts and discussions follow, with the goal of giving you useful information to help you with your business. My disclaimer remains the same: these are my sometimes rapidly changing opinions, but I believe you should: **1.** be willing to store your wheat, **2.** apply 30# of N at planting, and if it's a wet spring, re-apply 30# **3.** don't sell wheat to elevators who do not post protein scales, up and down.*

Looking out on my back yard, I see almost 2 feet of fresh snow. Maybe winter never will end up here...although surely some global warming will kick in eventually. I think some traders are betting the big spring wheat acres shown in the Perspective Planting report won't get planted, but other guys think North Dakota corn acres will be what doesn't get planted first, and if that's the case, one might be able to build a case for even more spring wheat acres are coming. I guess we'll see.

Finishing up on the recent WASDE...HRW exports were cut another 10 million bu, so the balance sheet looks like this, and the last 2 columns are "what-ifs". If we raise another 750 mil bu HRW this year, the balance sheet will NOT tighten up much with a similar demand picture.

| US HARD RED WINTER WHEAT | | | | | | | | | | |
|--------------------------|---------|---------|---------|---------|---------|---------|---------|----------------------|------------------|------------------|
| year | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 4/10/2017 2017-18 | 44/bu 2018-19 | 36/bu 2018-19 |
| carry in | 385 | 387 | 317 | 343 | 237 | 294 | 445 | 589 | 545 | 545 |
| production | 1006 | 783 | 998 | 747 | 739 | 830 | 1082 | 750 | 750 | 615 |
| imports | 1 | 0 | 18 | 19 | 10 | 6 | 5 | 8 | 6 | 6 |
| total supply | 1392 | 1170 | 1333 | 1109 | 986 | 1130 | 1532 | 1347 | 1301 | 1166 |
| food | 359 | 404 | 404 | 370 | 370 | 391 | 394 | 385 | 385 | 385 |
| seed | 32 | 33 | 33 | 34 | 32 | 30 | 27 | 30 | 30 | 30 |
| feed/residual | -3 | 19 | 171 | 22 | 20 | 37 | 67 | 17 | 17 | 17 |
| domestic use | 388 | 456 | 608 | 426 | 422 | 458 | 488 | 432 | 432 | 432 |
| exports | 617 | 397 | 382 | 446 | 269 | 227 | 455 | 370 | 370 | 370 |
| total demand | 1005 | 853 | 990 | 872 | 691 | 685 | 943 | 802 | 802 | 802 |
| carryout | 387 | 317 | 343 | 237 | 295 | 445 | 589 | 545 | 499 | 364 |
| stox/use | 38.5% | 37.2% | 34.6% | 27.2% | 42.7% | 65.0% | 62.5% | 68.0% | 62.2% | 45.4% |

Let's look at the 11-week closing futures table.

| CLOSE | KWK18 | KWN18 | KWZ18 | CK18 | CN18 | CZ18 | WK18 | MWK18 | MWU18 | SK18 |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| 04/13 | \$4.96 | \$5.15 | \$5.60 | \$3.86 | \$3.95 | \$4.11 | \$4.72 | \$6.17 | \$6.30 | \$10.54 |
| 04/06 | \$5.07 | \$5.26 | \$5.67 | \$3.89 | \$3.97 | \$4.13 | \$4.72 | \$6.07 | \$6.24 | \$10.34 |
| 03/30 | \$4.67 | \$4.86 | \$5.30 | \$3.88 | \$3.96 | \$4.12 | \$4.51 | \$5.79 | \$5.94 | \$10.45 |
| 03/23 | \$4.79 | \$4.98 | \$5.40 | \$3.77 | \$3.86 | \$3.99 | \$4.60 | \$6.03 | \$6.15 | \$10.28 |
| 03/16 | \$5.00 | \$5.17 | \$5.54 | \$3.83 | \$3.91 | \$4.04 | \$4.68 | \$6.12 | \$6.25 | \$10.49 |
| 03/09 | \$5.21 | \$5.37 | \$5.73 | \$3.91 | \$3.98 | \$4.07 | \$4.89 | \$6.18 | \$6.32 | \$10.39 |
| 03/02 | \$5.34 | \$5.50 | \$5.85 | \$3.85 | \$3.93 | \$4.04 | \$5.00 | \$6.20 | \$6.34 | \$10.71 |
| 02/23 | \$4.85 | \$5.03 | \$5.42 | \$3.75 | \$3.82 | \$3.97 | \$4.64 | \$6.13 | \$6.30 | \$10.48 |
| 02/16 | \$4.94 | \$5.11 | \$5.48 | \$3.75 | \$3.83 | \$3.97 | \$4.72 | \$6.16 | \$6.31 | \$10.33 |
| 02/09 | \$4.81 | \$4.97 | \$5.33 | \$3.70 | \$3.78 | \$3.92 | \$4.61 | \$6.16 | \$6.29 | \$9.94 |
| 02/02 | \$4.78 | \$4.94 | \$5.29 | \$3.70 | \$3.77 | \$3.93 | \$4.60 | \$6.15 | \$6.25 | \$9.90 |

With KC down 11c, and MGEX up 10c, the spread between spring wheat and winter wheat widened more than 20c. I tend to think selling MGEX is the proper strategy, but having said that, the table shows it's close to a new blue number, which would bring in Fund buying.

Another spread I'd point out is KC Dec at 45c over KC July. That's 9c/month. Wheat Club members know the value of on-farm storage and must be willing to store their wheat if the market is signaling them to do so. At 9c/month storage, the market is CLEARLY saying "store your wheat". Store your wheat, however, does not mean "stay naked flat price long". The ONLY way you get paid to store your wheat is to use the futures market LIKE A COMMERCIAL FIRM does, and that's by hedging, which means selling the deferred futures. If you haven't done so, and plan on storing your wheat, the carry must be locked in, by selling KC Dec at the 45c premium over KC July. When you sell those futures, you will be "long the basis". But instead of being long the basis at -70N, you will be long at -115Z, which is a big difference.

Here are current posted cash bids (looks like a mill bid jumped up...!):

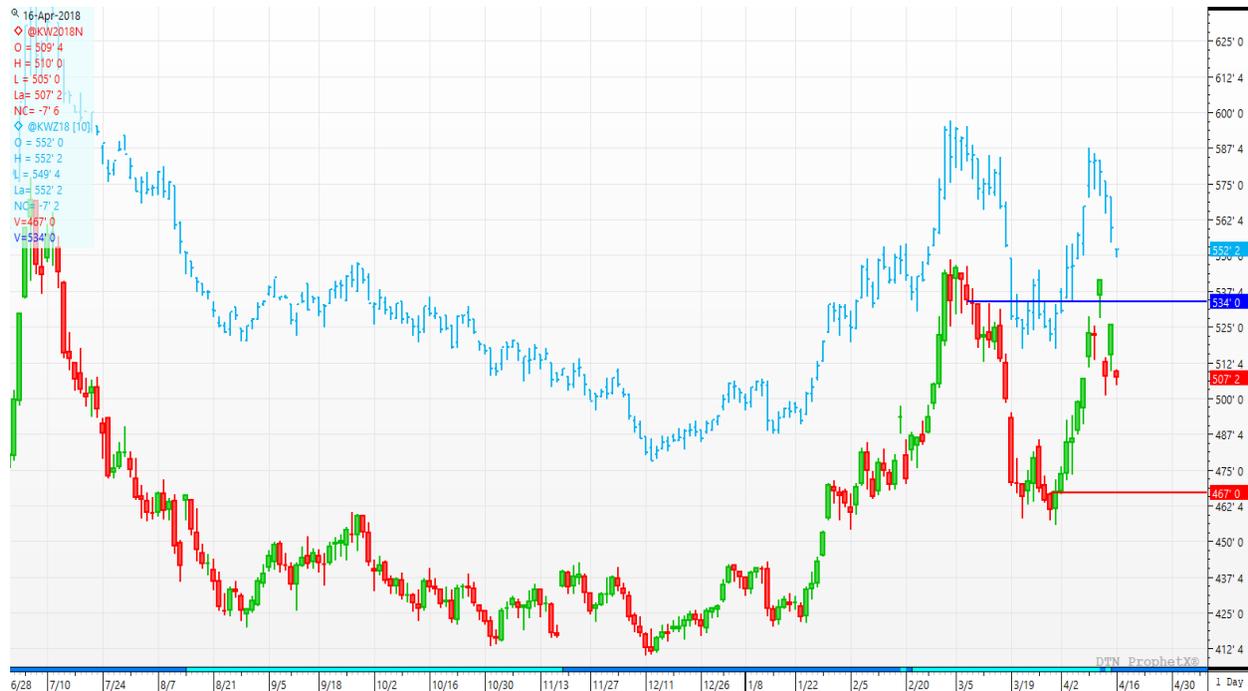
| Date | SE Colorado | Chey. Wells | Burlington | Holyoke | Roggen area |
|--------------|----------------------|---------------|----------------------|----------------------|----------------------|
| 04/13 | \$4.16-\$4.56 | \$4.21 | \$4.06-\$4.11 | \$4.16-\$4.39 | \$4.11-\$4.46 |
| 04/06 | \$4.27-\$4.67 | \$4.32 | \$4.17-\$4.22 | \$4.27-\$4.50 | \$4.22-\$4.27 |
| 03/30 | \$3.87-\$4.27 | \$3.92 | \$3.77-\$3.82 | \$3.87-\$4.11 | \$3.82-\$3.87 |
| 03/23 | \$3.99-\$4.34 | \$4.04 | \$3.89-\$3.94 | \$3.98-\$4.22 | \$3.94-\$3.99 |
| 03/16 | \$4.20-\$4.55 | \$4.25 | \$4.09-\$4.15 | \$4.19-\$4.43 | \$4.25-\$4.25 |
| 03/09 | \$4.41-\$4.76 | \$4.56 | \$4.30-\$4.36 | \$4.32-\$4.63 | \$4.46-\$4.46 |
| 03/02 | \$4.59-\$4.89 | \$4.69 | \$4.44-\$4.49 | \$4.45-\$4.77 | \$4.59-\$4.59 |
| 02/23 | \$3.79-\$4.34 | \$4.14 | \$3.79-\$3.89 | \$3.94-\$4.26 | \$3.99-\$4.04 |
| 02/16 | \$3.89-\$4.44 | \$4.24 | \$3.89-\$3.99 | \$4.04-\$4.36 | \$4.09-\$4.14 |
| 02/09 | \$3.76-\$4.31 | \$4.11 | \$3.75-\$3.86 | \$3.91-\$4.23 | \$3.96-\$4.01 |
| 02/02 | \$3.73-\$4.28 | \$4.06 | \$3.73-\$3.78 | \$3.82-\$4.20 | \$3.93-\$3.96 |
| BASIS(K) | SE Colorado | Chey. Wells | Burlington | Holyoke | Roggen area |
| 04/13 | -80, -45 | -75 | -90, -85 | -80, -56 | -85, -50 |
| 04/06 | -80, -45 | -75 | -90, -85 | -80, -56 | -85, -80 |
| 03/30 | -80, -45 | -75 | -90, -85 | -80, -56 | -85, -80 |
| 03/23 | -80, -45 | -75 | -90, -85 | -81, -57 | -85, -80 |
| 03/16 | -80, -45 | -75 | -90, -85 | -81, -57 | -75, -75 |
| 03/09 | -80, -45 | -65 | -90, -85 | -89, -57 | -75, -75 |

| | | | | | |
|----------|----------|-----|----------|----------|----------|
| 03/02(K) | -75, -45 | -65 | -90, -85 | -89, -57 | -75, -75 |
| 02/23(H) | -90, -35 | -55 | -90, -80 | -75, -43 | -70, -65 |
| 02/16 | -90, -35 | -55 | -90, -80 | -75, -43 | -70, -65 |
| 02/09 | -90, -35 | -55 | -90, -80 | -75, -43 | -70, -65 |
| 02/02 | -90, -35 | -57 | -90, -85 | -81, -43 | -70, -67 |

Currently, the KC May-July spread is almost 20c. That means as we cruise into harvest, the flat price could stay about the same, but as the market rolls to basis the July, the posted basis would be 20c weaker. The bid in Denver would be -70 N, instead of -50 K. The bid in Burlington would be -105N, instead of -85 K. Then put that against the KC Z, by subtracting the 45c carry. Denver becomes -115KC Z. Burlington becomes -150 KC Z. If you sell the KC Z now you would be long the basis at those prices. You would still have basis risk, but the futures component would be locked in, and the reason you would want to do that is because the basis should appreciate, as "market memory" kicks in, and Denver should rise to -50 the Z, instead of -115Z, and you earned 65c for storing your wheat.

Plus protein premiums MAY possibly be better than harvest time too. If you have any questions about that, you could send me an email.

This is the continuous KC futures chart. The current front month is the May. You can see this week tried to set off buy-stops but failed by the end of the week. The light blue futures are KC Dec (Z), and the point is IF we are going to have a similar balance sheet, the Z could easily sink to current levels. If you are storing your wheat, you must lock in the carry.



You probably will move some wheat at harvest to pay bills, so hedge only what you will store.

Corn continues to mark time, waiting for the weather to get better (or worse). Dec corn is willing to stay above \$4.00 until it has a better reason.



May soybeans are not ready to sink. This week the USDA announced USA soybean export sales to Argentina! If it weren't for the possibility of trade wars with China, beans would have been limit bid, although maybe the reason Argentina bot USA beans is because China is buying all their beans, due to trade wars. It's a confusing situation. I did see the USDA dropped Argentina's soybean production estimate to 40 million tonnes, down 7 mmt, which is a sizable drop. In 2014, Argentina raised more than 61 million tonnes of beans. Argentina's drought is real (but apparently not affecting Brazil).



Have a good week. I hope you get the rain. Oklahoma is praying for it.

