

Hello Colorado Wheat.

Back to work...I took a trip to Greece with the family. Greece's wheat crop looked pretty good... Most wheat traders expect Europe's wheat crop production to increase 11 million tonnes over last year's drought reduced crop, but we'll see how it finishes.

Australia's wheat production could easily increase by 4 million tonnes, too. Those additional 15 million tonnes of world wheat production are already becoming a weight on world wheat prices, including our USA futures markets.

I see the USDA released 2 key fundamental reports while I was traveling...Grain Stocks, which was a little bearish for wheat, and will probably be reflected in the next WASDE update by another reduction in the USA wheat feed and residual category, and Prospective Plantings, which was really bearish for corn. Corn acres are expected to increase by 3.66 million acres. Soybeans showed a big drop, down 4.6 million acres, and all wheat acres are now expected to be down 2.0 million acres (which would be the lowest USA wheat acres planted since the USDA began record keeping in 2019).

A quick look at the math (corn +3.7, beans -4.6, wheat -2.0), plus another overall drop of other crops by about a million acres, shows the USA planting 4.2 million acres than last year. That's quite a bit.

Are low prices actually reducing crop acreage in the United States?

That's an important question; one data point will not answer it, and we need to keep in mind last year's final planted acreage was 2 million more acres than the spring Prospective Plantings report but... let's ask it again: is more USA crop land truly going idle this year? If so, is it a trend, or just a quirk?

WE all know USA wheat acres have shrunk dramatically over time, as wheat acres shifted to corn, or soybeans. But this would be different, as the shift would not just be out of wheat. The ramifications would be huge. If it's happening, we haven't seen the effects yet.

This article from the Mpls StarTrib focuses on Minnesota farm land prices staying higher than expected by an Iowa State ag economist, but for how long...especially if it's not going to be planted??

<http://www.startribune.com/farmland-prices-reach-historic-highs-in-upper-midwest/507852972/>

The chart of Minnesota median net farm income jumps out at me. In 2012, it was \$207,000; in 2018, it was down to \$26,000. The national average corn farm price was \$6.89/bu in 2012, and forced the wheat farm price up to \$7.77 bu. This year saw the corn average down to \$3.55/bu and wheat down to \$5.15, with wheat currently much lower than that.

I suspect we're in much deeper trouble than we know.

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 your wheat unless you have discussed protein premiums

Anyway, the final planted acres will be different from these Prospective Plantings, and the floods in NE and elsewhere will have impacts we can't foretell yet, too. I note Prospective Plantings doesn't show big increases in field peas, chick peas and lentils either (decreases actually). BUT the potential drop in USA acres is more than a little troubling.

OK, here's where futures prices ended post reports, with new red numbers in KC wheat, corn and beans:

CLOSE	KWK19	KWN19	KWZ19	CK19	CN19	CZ19	WK19	MWK19	MWZ19	SK19
03/29	\$4.30	\$4.38	\$4.70	\$3.57	\$3.66	\$3.85	\$4.58	\$5.55	\$5.74	\$8.84
03/22	\$4.45	\$4.54	\$4.85	\$3.78	\$3.88	\$4.00	\$4.66	\$5.72	\$5.86	\$9.04
03/15	\$4.43	\$4.52	\$4.83	\$3.73	\$3.82	\$3.96	\$4.62	\$5.55	\$5.77	\$9.09
03/08	\$4.31	\$4.40	\$4.73	\$3.64	\$3.74	\$3.89	\$4.40	\$5.49	\$5.70	\$8.96
03/01	\$4.45	\$4.53	\$4.83	\$3.73	\$3.82	\$3.94	\$4.57	\$5.58	\$5.77	\$9.12
02/22	\$4.66	\$4.74	\$4.87	\$3.85	\$3.93	\$4.02	\$4.92	\$5.65	\$5.87	\$9.24
02/15	\$4.85	\$4.93	\$5.23	\$3.83	\$3.91	\$3.99	\$5.07	\$5.67	\$5.87	\$9.22
02/08	\$5.01	\$5.09	\$5.37	\$3.82	\$3.90	\$3.99	\$5.20	\$5.69	\$5.93	\$9.29
02/01	\$5.17	\$5.26	\$5.50	\$3.87	\$3.95	\$4.02	\$5.28	\$5.79	\$6.03	\$9.32
01/25	\$5.20	\$5.29	\$5.55	\$3.89	\$3.97	\$4.03	\$5.27	\$5.78	\$6.01	\$9.39
01/18	\$5.15	\$5.25	\$5.53	\$3.90	\$3.97	\$4.04	\$5.24	\$5.79	\$6.05	\$9.30

KC has been pounded vs. Chicago. Here's a weekly, continuous spread chart, suggesting KC is cheap enough, over the long run...(in the short run, probably have to take some heat)



The updated Export Pace score card shows both HRW and HRS exports are behind the pace needed, and probably will require a slight downward adjustment on a WASDE update. I added a SRW row to the table, which shows Soft Red isn't doing great either, and the USDA's SRW export projection will also have to be reduced, so the KC at -29c to Chicago May is NOT because of exports.

THIS WEEK'S (03/21)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	8.502	217.0	320.0	103.0	10	10.3
HRS	3.516	191.0	275.0	84.0	10	8.4
SRW	1.657	82.0	130.0	48.0	10	4.8

There were some big export sales announced Friday, with USA HRW sold to Iraq and USA SRW sold to Egypt, but it looks to me like Chicago is expensive compared to KC.

And KC May wheat vs May corn...relatively stable, although it took corn getting creamed Friday to help...



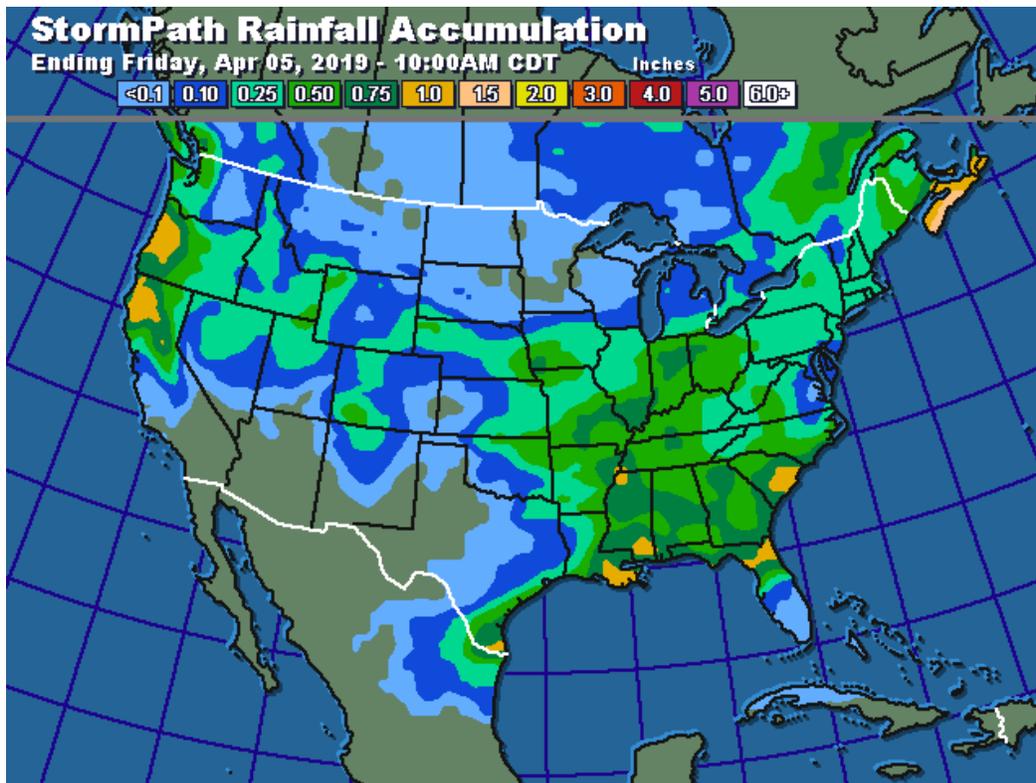
I still think KC is cheap to corn, and now I think it's cheap to Chicago.

It's cheap vs MGEX spring wheat as well, but how many goofy spreads does a guy need? This is KC at 125 under Minny:



That's more than 60c/bu on a full point of protein. I tend to think this means new-crop 12% protein HRW will have value, whereas 10% protein new-crop HRW will struggle. The KEY for you as a producer is to know what you have, and then you can determine if storing your new-crop HRW has any merit.

Here's the forecast for the week:



Corn is a little better Sunday night; planting delay concerns in The Deep South are mounting.

I believe we start getting weekly progress and crop conditions reports today (Monday, April 1).

Daily charts in KC May wheat, May corn, and May beans all show new red lines, which means more selling will appear this Friday if it's apparent new weekly closing lows are coming.

KC K:



May corn looks similar:



As does May beans:



The big acreage shift shown in the Prospective Plantings report indicates producers are concerned the Trade Wars will not end quickly, and my opinion is the Trade Wars are far from over. I saw an article saying the border with Mexico could be shut down if Mexico doesn't stop the immigrant caravan from Guatemala, and a border war with Mexico would really hurt KC wheat and corn.

Assuming...all that corn gets planted, with yield and demand unchanged...an initial USA corn balance sheet looks like:

CORN USA									maltby guess
year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
planted	91.9	97.3	95.4	90.6	88.0	94.0	90.2	89.1	92.8
harvested	84.0	87.4	87.5	83.1	80.8	86.7	82.7	81.7	85.2
yield	147.2	123.06	158.1	171.0	168.4	174.6	176.6	176.4	176.4
production	12,360	10,755	13,829	14,216	13,602	15,148	14,609	14,420	15,029
supply	13,516	11,904	14,686	15,479	15,401	16,942	16,939	16,600	16,904
exports	1,543	730	1,920	1,864	1,898	2,293	2,438	2,375	2,375
use	12,527	11,083	13,454	13,748	13,664	14,649	14,799	14,765	14,765
carryout	989	821	1,232	1,731	1,737	2,293	2,140	1,835	2,139
stox/use	7.9%	7.4%	9.2%	12.6%	12.7%	15.7%	14.5%	12.4%	14.5%
USA \$ farm price	\$ 6.22	\$6.89	\$4.46	\$3.70	\$3.61	\$3.36	\$3.36	\$3.55	\$3.35

If I'm correct about those assumptions, Dec corn at \$3.85 has 50c of downside coming.

That means KC Dec wheat at \$4.70 has at least 40c of downside coming too.

That's not a cheery ending, but that's the most likely scenario based on current expectations.

We'll finish with a look at posted wheat bids.

The Gulf is still quite firm; in fact, it's the highest it's been this crop year. New-crop bids are posted 20 to 25c cheaper than spot bids.

GULF date	12 pro	ords	diff	
3/29/2019	175	146	29	
3/22/2019	175	146	29	
3/15/2019	162	145	17	
3/8/2019	173	152	21	
3/1/2019	172	150	22	K

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
03/29	\$3.70-\$4.00	\$4.10	\$3.88-\$3.95	\$3.87-\$3.96	\$4.22-\$4.27
03/22	\$3.83-\$4.13	\$4.23	\$4.01-\$4.08	\$3.95-\$4.08	\$4.35-\$4.48
03/15	\$3.83-\$4.13	\$4.23	\$4.01-\$4.08	\$3.95-\$4.08	\$4.35-\$4.48
03/08	\$3.80-\$4.01	\$4.07	\$3.89-\$3.96	\$3.78-\$3.96	\$4.18-\$4.31
03/01	\$3.93-\$4.15	\$4.21	\$3.78-\$4.10	\$3.87-\$4.10	\$4.31-\$4.32
02/22	\$3.79-\$4.29	\$4.34	\$4.14-\$4.24	\$3.98-\$4.29	\$4.49-\$4.54
BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
03/29(K)	-60, -30	-20	-42, -35	-43, -35	-08, -03
03/22(K)	-60, -30	-20	-42, -35	-48, -35	-08, +05
03/15(K)	-60, -30	-20	-42, -35	-48, -35	-08, +05
03/08(K)	-52, -30	-25	-42, -35	-53, -35	-14, -00
03/01(K)	-52, -30	-25	-67, -35	-58, -35	-14, -13
02/22(H)	-80, -30	-25	-45, -35	-61, -29	-10, -05
Date	Concordia	Salina	Hutchinson	Wichita	Ark City
03/29(K)	-10	-00, +10	-26, -00	-10, -00	-12
03/22(K)	-10	-00, +10	-26, -14	-10, -05	-12
3/15(K)	-15	-10, +10	-29, -14	-13, -10	-12
3/08(K)	-25	-15, -13	-29, -14	-13, -10	-15
3/01(K)	-30	-20, -13	-33, -09	-17, -12	-20
2/22(H)	-20	-20, -10	-29, -05	-13, -08	-15

Before we go, look at this fascinating article from a Sosland publication, I hope you can all read it (I know sometimes the links don't work as intended)

https://www.bakingbusiness.com/articles/48282-baker-focus-on-artisan-bread-intensifies?id=48282-baker-focus-on-artisan-bread-intensifies&e=danmaltby.riskmgmt@gmail.com&ajs_uid=7899B7477278D0Q&oly_enc_id=7899B7477278D0Q&ajs_trait_oebid=6678E9140356B0P

This focus on “artisan” bread, and “clean labels” is not going away. The article says ‘private label’ bread sales took a huge drop recently, which suggests the Brands’ focus is working, as their sales were flat or increased modestly. Ultimately, if you sell wheat that goes to a flour mill, expect “quality” requirements to continue to get more stringent.

And once again, I can't help but conclude that organic bread continues to be where the dough is, although that Izzio line of bread selling only 8 slices per loaf has got to be a money maker too.

The Wheat Quality Council Hard Wheat Tour is a month away; I hope to attend this year. Maybe I'll see ya in your own field.