

Hello Colorado Wheat.

Even though KC wheat finished the week unchanged to a penny higher, it seemed like just another brutal week for KC wheat futures as Chgo wheat rallied a dime and corn hung on to a nickel gain. Beans popped 15c on hope The China Trade Wars are over. Spring wheat's turn as the punching bag came, possibly reflecting Canada's own China Trade War (canola mainly) is far from over. (Simply put, if they can't plant canola, won't they have to plant spring wheat?)

The 11-week closing futures table points out that KC K did not make a new red number, which at least raises a small flag of hope that the worst is over.

CLOSE	KWK19	KWN19	KWZ19	CK19	CN19	CZ19	WK19	MWK19	MWZ19	SK19
04/05	\$4.31	\$4.38	\$4.70	\$3.63	\$3.71	\$3.90	\$4.68	\$5.23	\$5.57	\$8.99
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

Let's take a look at the idea of "the worst being over" ... as deep down, most wheat guys think... "cheap wheat can always get cheaper".

Is that true? Can cheap wheat always get cheaper?

Well, "always" is a big word and thus would usually make that an easy answer NO, but unfortunately in the case of KC wheat, if we modified it slightly, then it becomes... yes. It can **about** always get cheaper.

**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**

Eventually a bottom is always touched. This monthly continuous KC wheat chart from the past 40 years shows wheat eventually always quits going down:



If we zoomed in on recent history, crop year 2016/17 spent 7 months hovering mainly between \$4.25 and \$4.00 (the spike closing low in KC Sept futures came the week of Aug.26, with KC Sept settling at \$3.90, and local posted cash wheat bids around \$2.85 a bushel. Omega.)

This weekly continuous doesn't quite show it that low, as the computer was tracking the Z futures that week, not the U futures, which were still being used to set cash bids...)



This is the weekly closing table from that week back in 2016...

CLOSE	KWU16	KWZ16	KWN17	CU16	CZ16	CN17	WU16	MWU16	MWZ16	SX16
08/26	\$3.90	\$4.17	\$4.43	\$3.16	\$3.25	\$3.49	\$3.84	\$4.93	\$4.93	\$9.67
08/19	\$4.19	\$4.45	\$4.80	\$3.34	\$3.44	\$3.67	\$4.27	\$5.31	\$5.27	\$10.04
08/12	\$4.16	\$4.42	\$4.78	\$3.22	\$3.33	\$3.57	\$4.23	\$5.14	\$5.16	\$9.82
08/05	\$4.12	\$4.37	\$4.74	\$3.24	\$3.34	\$3.58	\$4.16	\$4.95	\$5.05	\$9.75
07/29	\$4.10	\$4.36	\$4.73	\$3.35	\$3.43	\$3.63	\$4.08	\$4.88	\$5.04	\$10.03
07/22	\$4.19	\$4.45	\$4.83	\$3.35	\$3.42	\$3.63	\$4.25	\$4.95	\$5.11	\$9.88
07/15	\$4.14	\$4.40	\$4.78	\$3.52	\$3.58	\$3.74	\$4.25	\$4.97	\$5.12	\$10.57
07/08	\$4.21	\$4.46	\$4.82	\$3.55	\$3.63	\$3.76	\$4.35	\$5.01	\$5.16	\$10.58
07/01	\$4.12	\$4.36	\$4.73	\$3.60	\$3.67	\$3.86	\$4.30	\$5.00	\$5.16	\$11.38
06/24	\$4.41	\$4.57	\$5.03	\$3.89	\$3.94	\$4.09	\$4.65	\$5.27	\$5.42	\$10.79
06/17	\$4.79	\$5.03	\$5.37	\$4.43	\$4.49	\$4.55	\$4.95	\$5.49	\$5.62	\$11.48
06/11	\$4.86	\$5.10	\$5.44	\$4.28	\$4.31	\$4.41	\$5.07	\$5.47	\$5.62	\$11.63

It's eerily similar, except those prices of late August 2016 for both wheat and corn are about 40c lower than the current table. And of course, KC was NOT almost a 40c/bu discount to Chicago wheat.

I admit I thought the KC-Chgo spread this much of a discount is unprecedented, but a monthly continuous chart shows that is not true.



In Feb of 1996, it looks like KC touched 53c under Chicago, and in August of 2007, it reached almost 58c under Chicago.

I guess that means this KC K at about 37c under Chicago doesn't have to get better just yet.



As a small speculator the other way, words can't really express how disappointing this is. Unfortunately, my trading account statement makes it very clear exactly how disappointing it is. OUCH.

Not that it matters...but is this "fundamental" or is it "technical"? (True answer is "who cares? It is what it is.")

The Export Pace shows Soft Red had a pretty good week, loading twice as much as the week before, whereas HRW slowed down a little. And Egypt bot another round of USA SRW. Iraq bot USA HRW, which is great, too, but looking at this scorecard, all classes are lagging the pace needed.

<b>THIS WEEK'S (03/28)</b>	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	6.107	223.1	320.0	96.9	9	10.8
HRS	4.236	195.3	<b>275.0</b>	79.7	9	8.9
SRW	3.215	85.2	130.0	44.8	9	4.9
<b>LAST WEEK</b>						
HRW	8.502	217.0	320.0	103.0	10	10.3
HRS	3.516	191.0	<b>275.0</b>	84.0	10	8.4
SRW	1.657	82.0	130.0	48.0	10	4.8

The USDA will be issuing the April WASDE update Tuesday April 9. Besides the lagging wheat exports, corn and bean exports are behind the pace too, and the USDA will also have to increase projected carryouts based on the more-than-expected grain stocks released at the end of March.

<b>THIS WEEK'S (03/21)</b>	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	49.7	1,182.6	2,375	1192.4	22	54.2
Soybeans	28.1	1,102.5	1,875	772.5	22	35.1
All wheat	15.3	669.3	965	295.7	9	32.8

This export pace scorecard shows the lagging corn and beans, but the slow wheat total really jumps out at ya. Donation wheat isn't included in this table, but wheat exports will need to be chopped, by possibly another 90 million bushels, which would drop USA all wheat exports to 875 million bushels, well below last year's 901 million. The USDA's July 2018 WASDE had crop year 2018/19 USA all wheat exports of 975 million. WORSE, the August WASDE increased USA all wheat exports another 50 million, up to 1025 million bu!

What I'm suggesting is this was a 150-million-bushel-miss, and USA wheat producers would have been better off if the USDA aggressively addressed it sooner, rather than later.

This is a continuous KC wheat chart, with the crop year high scored on the day of the August WASDE.



KC wheat futures are down \$1.30/bu since that "epic fail", the USDA's absolute complete miss on their USA all wheat export projection. It seems to me The Russian Meddling was very effective with the USDA.

I went back and checked; I wasn't keeping an Export Pace scorecard then; I started it in October. Maybe it would have pointed out the obvious quicker...

KC K wheat hasn't moved much against corn; it certainly so far refuses to break out to the upside:



And MGEX spring wheat fell more than KC, so that spread finally "corrected" as expected:



So my 3 KC spec spreads...1 winner (vs Minny), 1 push (vs corn) and 1 loser (vs Chgo)...not too great.

What's coming down the pike?

The KC and Chgo calendar wheat spreads are very tight. Even though export volume is crummy in the really big picture, which allowed the futures market to decline substantially, it was enough volume that the USA exporters were forced to compete with the USA domestic milling market, and the cheap futures helped allow the various basises (basii?) to remain extremely high, even now, and thus kept calendar spreads tight.

Chicago calendar spreads are already less than the minimum storage charges, so the VSR cannot help determining "worth", as the minimum storage rates charged for delivery wheat never get less than 5c/month.

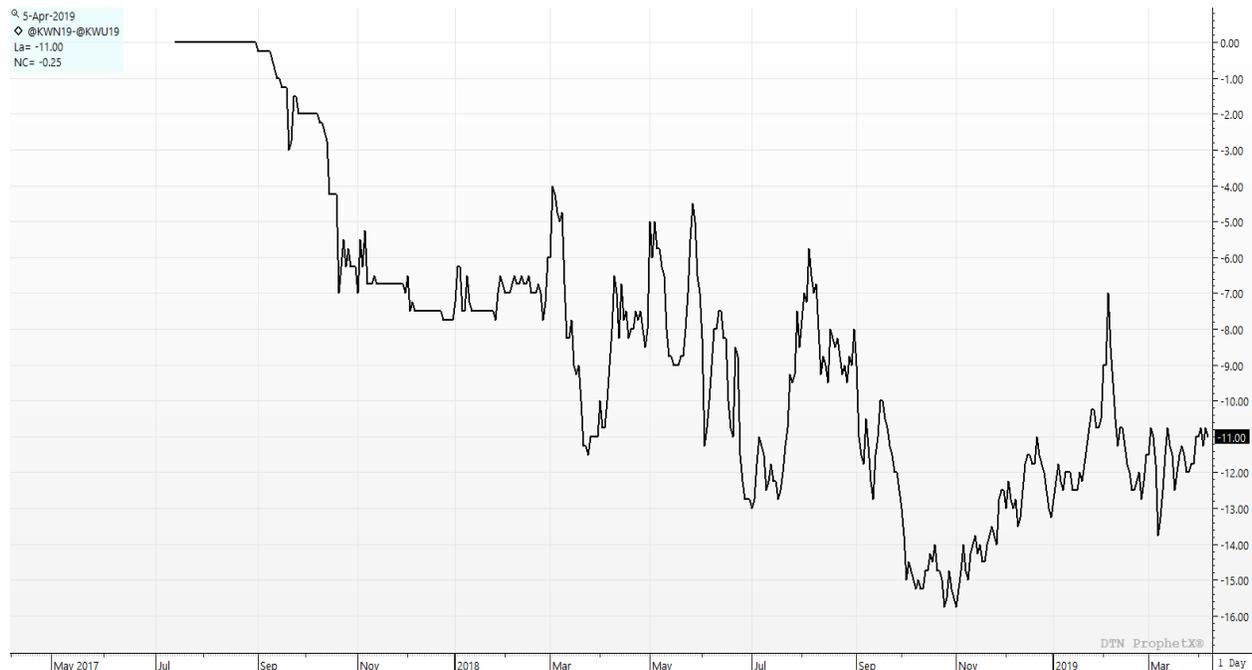
KC calendar spreads are tight enough that more than likely the final VSR reduction will kick in on the May storage. The May-July is now in observation period and it seems a done deal that the storage allowed will drop from 8c/bu to 5c/bu. (For it not to happen, I calculate it would take an immediate 5.5c/bu widening of K-N to -12.25, and it would have to stay there every day until the observation period is over, which is not going to happen.)

which means the current allowed storage charges of 8c/month will shrink to the minimum of 5c/month.

The more interesting questions is what does this mean for KC new-crop calendar spreads? In the not-too-distant past, KC had moved to seasonal storage rates, which did narrow seasonally, but also automatically widened seasonally as well.

This automatic widening feature no longer exists.

This is KC N-U (July-Sep), settling at -11c:



With the new-expected-storage rate of 5c/month, the KC K-N at -11c is 81.4% of financial full carry.

For the VSR to increase the storage allowed, the spread must average more than 80% of financial full carry. 81.4%, which is the spread at -11, for the whole observation period...and WOULD INDEED BE ENOUGH to increase the storage to 8c/month.

By my calculations...an average closing spread of -10.75 WOULD NOT BE ENOUGH!

“My kingdom for a ¼ cent!” This 1/4c Trade War should be interesting.

And of course, where this plays out is the U-Z (Sep-Dec), currently at a -21c carry, nominally at 7c/month showing expectations of the N-U staying at -11c, allowing increased storage charges.

Posted bids at the Gulf remain quite high, but the 12% protein is weaker, showing the bids will try to lose steam as new-crop advances.

GULF				
date	12 pro	ords	diff	
4/5/2019	162	144	18	
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
2/22/2019	170	152	18	
2/15/2019	161	146	15	
2/8/2019	158	138	20	
2/1/2019	160	145	15	
1/25/2019	152	132	20	
1/18/2019	141	125	16	
1/11/2019	139	122	17	
1/4/2019	141	122	19	
12/28/2018	140	116	24	H
12/21/2018	140	116	24	
12/14/2018	155	118	37	
12/7/2018	160	130	30	
11/30/2018	152	120	32	
11/23/2018	160	130	30	
11/16/2018	160	130	30	
11/9/2018	160	130	30	
11/2/2018	160	130	30	
10/26/2018	120	110	10	
10/19/2018	120	110	10	
10/12/2018	120	107	13	
10/5/2018	120	107	13	Z
9/28/2018	117	106	11	
9/21/2018	117	105	12	
9/14/2018	120	105	15	
9/7/2018	124	84	40	
8/31/2018	95	60	35	

Posted bids in the country show very little movement, not ticking lower with the Gulf yet, and a couple spots actually moved higher.

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
<b>04/05</b>	<b>\$3.71-\$4.01</b>	<b>\$4.14</b>	<b>\$3.89-\$3.96</b>	<b>\$3.93-\$3.97</b>	<b>\$4.26-\$4.28</b>
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
<b>04/05(K)</b>	<b>-60, -30</b>	<b>-17</b>	<b>-42, -35</b>	<b>-38, -35</b>	<b>-05, -03</b>
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)	<b>-60, -30</b>	<b>-20</b>	-42, -35	<b>-48, -35</b>	<b>-08, +05</b>
03/08(K)	-52, -30	-25	<b>-42, -35</b>	<b>-53, -35</b>	-14, -00
03/01(K)	<b>-52, -30</b>	<b>-25</b>	<b>-67, -35</b>	<b>-58, -35</b>	-14, -13
02/22(H)	-80, -30	-25	-45, -35	-61, -29	-10, -05
Date	Concordia	Salina	Hutchinson	Wichita	Ark City
<b>04/05(K)</b>	<b>-10</b>	<b>-00, +10</b>	<b>-26, -00</b>	<b>-10, -00</b>	<b>-12</b>
03/29(K)	-10	-00, +10	-26, -00	-10, -00	-12
03/22(K)	<b>-10</b>	<b>-00, +10</b>	<b>-26, -14</b>	<b>-10, -05</b>	-12
3/15(K)	<b>-15</b>	<b>-10, +10</b>	-29, -14	-13, -10	<b>-12</b>
3/08(K)	<b>-25</b>	<b>-15, -13</b>	<b>-29, -14</b>	<b>-13, -10</b>	<b>-15</b>
3/01(K)	<b>-30</b>	<b>-20, -13</b>	-33, -09	-17, -12	<b>-20</b>
2/22(H)	-20	-20, -10	-29, -05	-13, -08	-15

The weaker Gulf bids didn't drop the country; the Gulf ords bids still show about 20c reduction is coming going into new-crop.

May corn trying to stabilize off the Planting Intentions huge acreage number...



and May beans desperately seeking Susan, who is a gal in the White House who leaked a Trump tweet.



I mentioned the China-Canada canola War. China used to buy about 40% of Canada's canola exports, but for political reasons, has banned all Canadian canola imports.

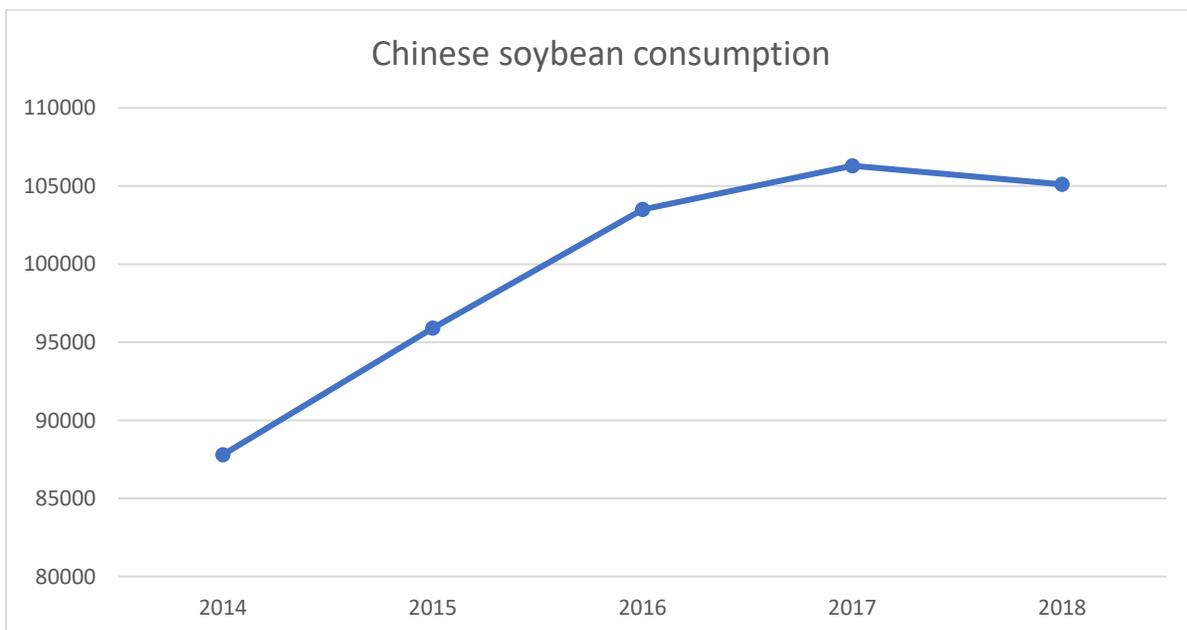
If there's ever a good time for China to begin buying USA soybeans again, it might be now.

Otherwise, don't they start to run low on oilseeds one of these days?

These tables suggest to me that China needs oilseeds, and uses as much as she can import:

CHINA	soybeans					posted	
year	beginning stocks	production	imports	supply	consumption	ending stocks	stox/use
2014	14465	12690	78350	105505	87800	17562	20.0%
2015	17562	12360	83230	113152	95900	17138	17.9%
2016	17138	13644	93495	124277	103500	20663	20.0%
2017	20663	15200	94095	129958	106300	23524	22.1%
2018	23524	15900	88000	127424	105100	22224	21.1%
	canola					posted	
year	beginning stocks	production	imports	supply	consumption	ending stocks	stox/use
2014	1252	13914	4591	19757	18550	1207	6.5%
2015	1207	13859	4011	19077	18050	1026	5.7%
2016	1026	13128	4260	18414	17350	1064	6.1%
2017	1064	13274	4715	19053	17850	1203	6.7%
2018	1203	12850	5300	19353	18450	903	4.9%

This chart of Chinese soybean consumption is mind boggling; I think it took guts, or something... on their part to slap the tariff on USA beans:

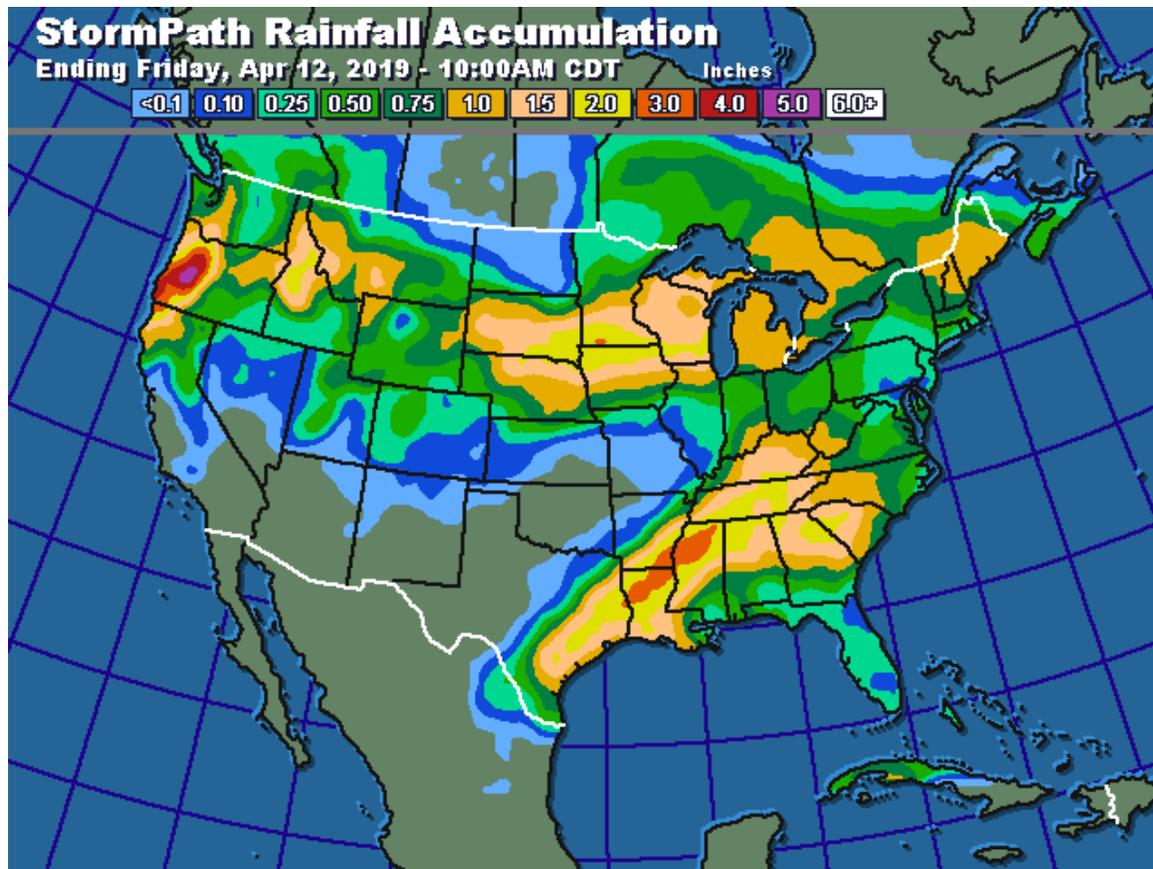


To top that off by banning Canadian canola imports...that is one crazy game of Big Time Chicken, <https://www.sherwoodparknews.com/news/local-news/chinas-canola-ban-extends-to-third-company>

I guess first guy to blink loses, but...wow.

Speaking of politics...we didn't hear more talk about closing the USA-Mexico border this past week, which is good, as shutting down USA corn and wheat exports to Mexico would be a nightmare for everyone.

We'll finish up with a look at the weather. It's too wet to plant corn in Iowa, MN, NE and SD, but it's still too cold there anyway. But the Deep South doesn't seem to be drying out yet.



NASS didn't track national corn planting last week, but historically they would start this week. Nothing to see here yet, but this could be an issue soon.

One thing not an issue is the condition of the USA winter wheat:

good +excellent total

%

week

ended 3/31/2019

KS 55

CO 66

NE 69

OK 69

TX 41

SD 38

ND -

MT 62

CA 100

Those numbers make it hard for wheat to rally. KC May is still probing for a bottom...and with an expected bearish WASDE update Tuesday, I doubt the bottom has been found yet.



Have a good week. Watch the KC N-U spread at -11c. That should be interesting.