

Hello Colorado Wheat.

Now what?

Coronavirus scares continue, along with upended financial markets. Many states are in lock-down, or near lock-down mode; people can't go to work, and supply-chain (logistics) problems are world-wide.

No one knows how this will end, or when. Uncertainty is never bullish

BUT as far as KC wheat specifically is concerned, we saw some really good news. US exporters reported sales to China Friday morning, which included 340,000 mt of US Hard Red Winter wheat. Details of the trade, such as prices and protein content, and other quality specs, and who actually sold what, are hard to find, but we did see this was for NEW-CROP delivery. That fact was kinda glossed over in the hoopla, BUT many reporters think some old-crop boats were sold too, along with a boat or two of old-crop springs. We'll eventually find out, but the reported sales and the strong mill run-times to supply bakers racing to keep bread on the shelves and buns in the fast-food joints created a big short-covering rally in wheat futures. Here is a KC May (K) old-crop wheat chart, showing KC wheat futures closed 37c higher this week:



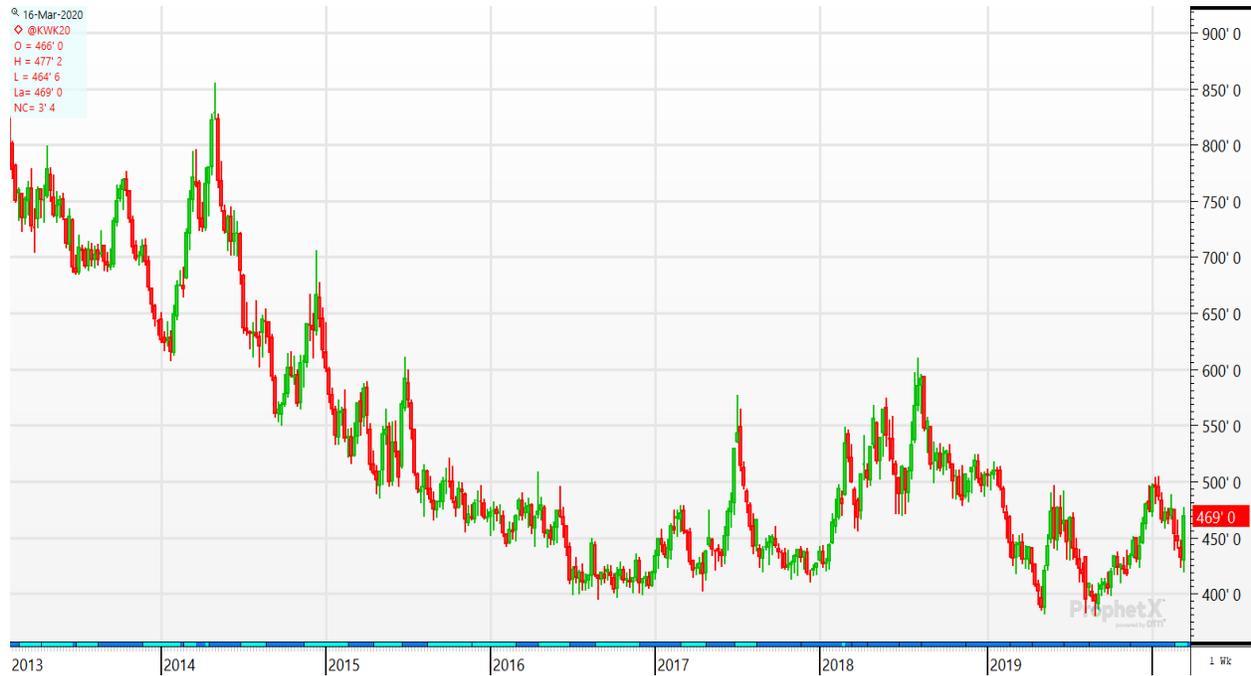
Will we see another 40c jump this week? Can we break through that blue line of resistance?

I think that will be tough to do, mainly because that blue line is basically \$5 bucks.

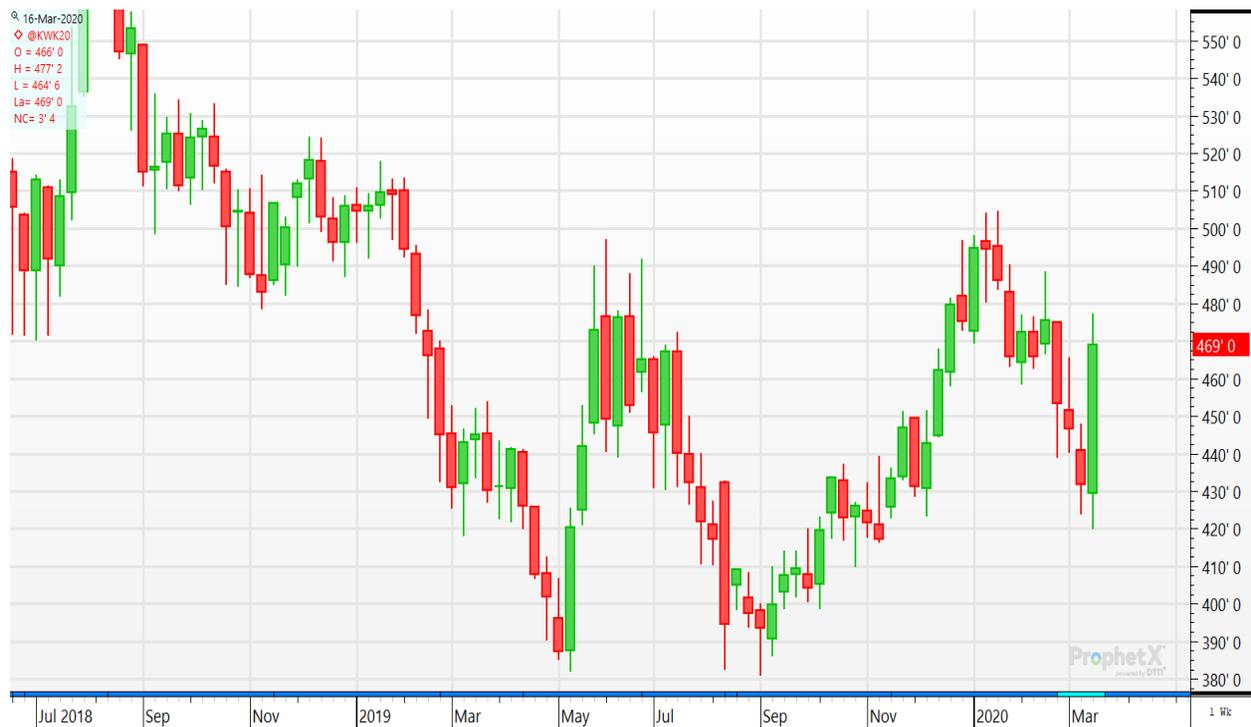
Another round of Chinese purchases sure would help.

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, if it's the right thing to do 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 and considered why you're not seeing any.

This longer-term weekly KC continuous chart, with the benefit of hindsight, possibly points out \$4.20 is close enough to \$4.00, (especially when the basis is high, and the calendar spreads are tight), that downside risk gets limited...although we probably knew that already...



Here's a zoomed in view of the same chart:



Unfortunately, what the weekly chart does NOT do is give us quick insight, which is a problem of the technical trend-following system I've unsuccessfully fooled around with.

This week pointed out the flaw.

The conclusion is: Action taken solely based on Friday closes does not "work", unless some criteria is changed, but for me personally, with a small, purely speculative trading account, I'm ok saying "it does not work".

Why? Because the True Range (N) of the weekly chart is different than the True Range (N) of the daily chart.

The True Range of the weekly continuous chart is 24.7; a 2N loss would be 49.5c.

On a \$100,000 spec account, if 2N = a 49.5c/bu loss, with a "rule" of limiting a loss on any one trade to 2% of the account, the maximum position would be 1 contract.

The daily chart's N has crept up to 12.88; a 2N loss would be 25.75c, and that means the same \$100,000 account maximum size would be 2 contracts. When we started, N was about 8c. 2N = 16c, or \$800 per contract, implying a 2% loss would be pretty close to allowing a 3-contract maximum position size.

It's important to note that as volatility increased (as indicated by the average true range increasing), money management dictates that the position size limits DECREASE. And that's ultimately what caused the Big Boys to fail. They did not decrease their size limits when volatility increased.

Anyways...back to the drawing board on that "system trading". As written, it does not work.

Here's how the week closed. Corn set another 11-week closing low, but wheat and beans bounced.

| CLOSE | KWK20 | KWN20 | KWZ20 | CK20 | CN20 | CZ20 | WK20 | MWK20 | MWN20 | SK20 |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 03/20 | \$4.69 | \$4.73 | \$4.91 | \$3.44 | \$3.50 | \$3.63 | \$5.39 | \$5.21 | \$5.30 | \$8.63 |
| 03/13 | \$4.32 | \$4.39 | \$4.61 | \$3.66 | \$3.69 | \$3.73 | \$5.06 | \$5.08 | \$5.18 | \$8.49 |
| 03/06 | \$4.46 | \$4.54 | \$4.76 | \$3.76 | \$3.79 | \$3.82 | \$5.16 | \$5.25 | \$5.35 | \$8.91 |
| 02/28 | \$4.53 | \$4.60 | \$4.83 | \$3.68 | \$3.73 | \$3.77 | \$5.25 | \$5.28 | \$5.37 | \$8.93 |
| 02/21 | \$4.76 | \$4.82 | \$5.02 | \$3.81 | \$3.84 | \$3.86 | \$5.52 | \$5.38 | \$5.48 | \$8.99 |
| 02/14 | \$4.72 | \$4.79 | \$4.98 | \$3.82 | \$3.86 | \$3.89 | \$5.42 | \$5.36 | \$5.44 | \$9.03 |
| 02/07 | \$4.79 | \$4.85 | \$5.05 | \$3.89 | \$3.92 | \$3.94 | \$5.57 | \$5.46 | \$5.54 | \$8.95 |
| 01/31 | \$4.73 | \$4.80 | \$5.00 | \$3.87 | \$3.91 | \$3.91 | \$5.53 | \$5.43 | \$5.52 | \$8.87 |
| 01/24 | \$4.94 | \$5.01 | \$5.19 | \$3.93 | \$3.98 | \$3.98 | \$5.73 | \$5.57 | \$5.65 | \$9.16 |
| 01/17 | \$5.02 | \$5.09 | \$5.29 | \$3.95 | \$4.01 | \$4.03 | \$5.71 | \$5.69 | \$5.75 | \$9.43 |
| 01/10 | \$5.02 | \$5.10 | \$5.28 | \$3.93 | \$4.00 | \$4.03 | \$5.67 | \$5.67 | \$5.74 | \$9.59 |
| 01/03 | \$4.83 | \$4.90 | \$5.09 | \$3.93 | \$3.99 | \$4.01 | \$5.58 | \$5.57 | \$5.65 | \$9.55 |

I'll still point out 4-week and 11-week closing high or lows, because I think they are important, but I do not think they tell the whole story, especially when we're talking about trading (speculation...)

As an example, let me zoom in on the daily wheat chart from page 1. Was there a clue that KC wheat had quit going down? And was there a clue that wheat was going higher?

Looking back, sure. There were 2 signs. One was the double bottom formed Tuesday and Monday, and the second was when Tuesday closed above the trend line.



Those happened early in the week. If a short position would have covered then, he would have saved 40c. And if he could have reversed and went long...well, we're straying far from how a guy determines when to market his wheat crop. Talk about Rabbit Holes.

I mentioned the strong basis, and we see the Gulf is up 7 to 10c this week.

| GULF date | 12 pro | ords | diff | |
|-----------|--------|------|------|----------|
| 3/20/2020 | 160 | 125 | 35 | |
| 3/13/2020 | 150 | 118 | 32 | |
| 3/6/2020 | 150 | 118 | 32 | |
| 2/28/2020 | 150 | 118 | 32 | K |
| 2/21/2020 | 155 | 122 | 33 | |
| 2/14/2020 | 155 | 122 | 33 | |
| 2/7/2020 | 162 | 120 | 42 | |
| 1/31/2020 | 166 | 125 | 41 | |
| 1/24/2020 | 166 | 122 | 44 | |
| 1/17/2020 | 164 | 122 | 42 | |
| 1/10/2020 | 164 | 122 | 42 | H |
| 1/3/2020 | 165 | 122 | 43 | Z |

And we mentioned the tight calendar spreads; here's KC K- settling at only a 3.5c carry!



Tight carry, stronger basis, all implying old-crop cash wheat is hard to buy. Maybe that's why the Chinese business was new crop...it's hard to be a Wheat Bear, although storm clouds are on the horizon.

SovEcon is a widely followed Russian wheat analyst, and they are projecting Russia's new crop will be big, at 84.4 million tonnes. Last year's wheat production was 73.5 mmt; their record crop was 2017's 85.2 mmt.

I'm sure Russia could use a rain or two, but that would be a big increase, and surely everyone expects Australia to rebound from last year's drought-ravaged 15.6 mmt, which was half of 2016's record breaking gigantic 31.8 mmt.

So the take-aways are...

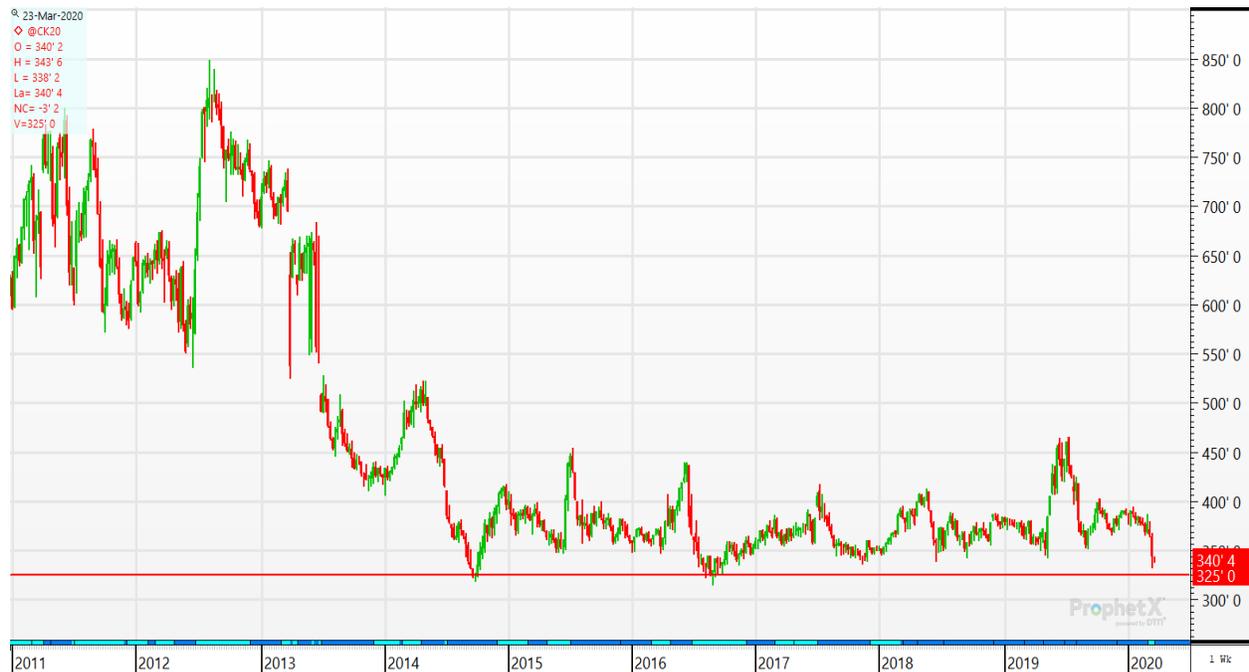
1. My technical system needs a major re-work; prices during the week do indeed dictate if action is needed.
2. And the money management key says maximum position sizes should decrease on a significant increase in volatility.
3. There's a very good chance this supply-chain (?) induced rally will run out of gas, especially as we near the \$5.00 area. Old weekly closing resistance is a double top at \$5.02, and intra-week daily highs show a double top at \$5.10.
4. Fundamentally, new-crop world wheat supplies are expected to noticeably increase.
5. IF China buys another chunk, #3 and #4 may not be as important...

Everything is not all about China. Look at corn. Chinese USA corn purchases were more than twice the Chinese wheat purchases from the USA, and the Closing Table says corn was down 22c this week.

May corn shown here:



Just like we learned from the longer-term weekly wheat chart, we can see that the longer-term weekly corn chart, shown below, says \$3.25 has extremely short-lived duration. That's about 15c from here.



Omega. Who woulda ever thought...that crude oil would trade at \$25 again? World politics (Saudis), or virus, or something...

Crude oil at \$24/bbl has got to be below the cost of production, and why would the Saudis think selling it here is a good move is way beyond me: weekly continuous crude suggests it's cheap below \$30...



but maybe it's related to the stock market, which maybe reflects concern that the USA (and world economies) will take a very long time to shake off the effects of the virus. S&P e mini weekly continuous...shows the S&P down another 100 points Sunday night, now well under the 2018 lows, and suggesting the 2016 lows of about 1800 are a "target".



Anyway, with corn cratering because of oil, and oil cratering because of why (I'm really not sure), it puts all thoughts of wheat feeding down a Rabbit Hole from which we won't soon emerge, as posted wheat bids are well above corn bids.

This is KC July – July corn:



Posted bids show some basis strength in the Roggen area (mill bid?), but certainly not mirroring the Gulf bids' increase.

| Date | SE Colorado | Chey. Wells | Burlington | Holyoke area | Roggen area |
|--------------|----------------------|---------------|----------------------|----------------------|----------------------|
| 03/20 | \$4.04-\$4.16 | \$4.34 | \$4.04-\$4.11 | \$4.04-\$4.19 | \$4.39-\$4.44 |
| 03/13 | \$3.57-\$3.92 | \$3.97 | \$3.67-\$3.73 | \$3.67-\$3.82 | \$4.02-\$4.04 |
| 03/06 | \$3.71-\$4.06 | \$4.11 | \$3.81-\$3.88 | \$3.79-\$3.96 | \$4.16-\$4.18 |
| 02/28 | \$3.78-\$4.13 | \$4.16 | \$3.86-\$3.91 | \$3.80-\$3.96 | \$4.21-\$4.21 |

| BASIS | SE Colorado | Chey. Wells | Burlington | Holyoke | Roggen area |
|-----------------|-----------------|-------------|-----------------|-----------------|-----------------|
| 03/20(K) | -65, -53 | -35 | -65, -58 | -65, -50 | -30, -25 |
| 03/13(K) | -75, -40 | -35 | -65, -58 | -65, -50 | -30, -28 |
| 03/06(K) | -75, -40 | -35 | -65, -58 | -67, -50 | -30, -28 |
| 02/28(K) | -75, -40 | -37 | -67, -62 | -73, -57 | -32, -32 |

| Date | Concordia | Salina | Hutchinson | Wichita | Ark City |
|-----------------|------------|-----------------|-----------------|-----------------|------------|
| 03/20(K) | -20 | -10, -07 | -28, -00 | -12, -07 | -21 |
| 03/13(K) | -20 | -10, -07 | -28, -00 | -12, -07 | -21 |
| 03/06(K) | -20 | -10, -07 | -28, -00 | -12, -07 | -21 |
| 02/28(K) | -22 | -10, -07 | -35, -07 | -19, -07 | -27 |

One area I have been tracking for my wheat feeding study is Protection, KS, and with wheat bids at \$4.26 / bu, which is \$7.10/cwt, and corn bids at \$3.24/bu (\$5.79/cwt) and milo at \$5.25/cwt, there is NO WAY any wheat is being fed (well, other than the usual millfeed, which is always fed.)

That will lead one of these days to a discussion about why the USDA's projected wheat feeding shown in The Ag Forum in late Feb of 150 million bu is possibly 100 million bu overestimated. The Ag Forum number merely matched their wheat feed/residual estimate for this year, which was dramatically different during the key wheat feeding time period than the current situation. Protection, KS wheat bids from late May thru most of December were BELOW corn bids (converted to \$/cwt) compared to the current wheat at \$2.30/cwt OVER the posted corn bid.

The other fundamental input we look at weekly is the pace of exports. It was not a good week for wheat, corn, or beans. None made the needed pace to hit the USDA export forecasts:

| WEEK ENDED (03/12/20) | Weekly loadings | Accumulated in season (estimate) | USDA projection | Amount needed | # of weeks remaining | Bu per week needed |
|------------------------------|-----------------|----------------------------------|-----------------|---------------|----------------------|--------------------|
| Corn | 38.2 | 637.8 | 1,725 | 1087.2 | 24 | 45.3 |
| Soybeans | 17.8 | 1127.4 | 1825 | 697.6 | 24 | 29.1 |
| All wheat | 13.7 | 701.3 | 1000 | 298.7 | 11 | 27.2 |

The wheat-by-class export pace shows HRW slipping again.

| WEEK ENDED (03/05/20) | Weekly loadings | FUDGED in season (estimate) | USDA projection | Amount needed | # of weeks remaining | Bu per week needed |
|------------------------------|-----------------|------------------------------------|-----------------|---------------|----------------------|--------------------|
| HRW | 5.1 | 277.1 | 390.0 | 112.9 | 11 | 10.2 |
| HRS | 4.4 | 211.7 | 275.0 | 63.3 | 11 | 5.8 |
| SRW | 2.5 | 84.6 | 100.0 | 15.4 | 11 | 1.4 |
| LAST WEEK | | | | | | |
| HRW | 6.1 | 272.0 | 390.0 | 118.0 | 12 | 9.8 |
| HRS | 5.1 | 207.3 | 275.0 | 67.7 | 12 | 5.6 |
| SRW | 1.0 | 82.2 | 100.0 | 17.8 | 12 | 1.5 |

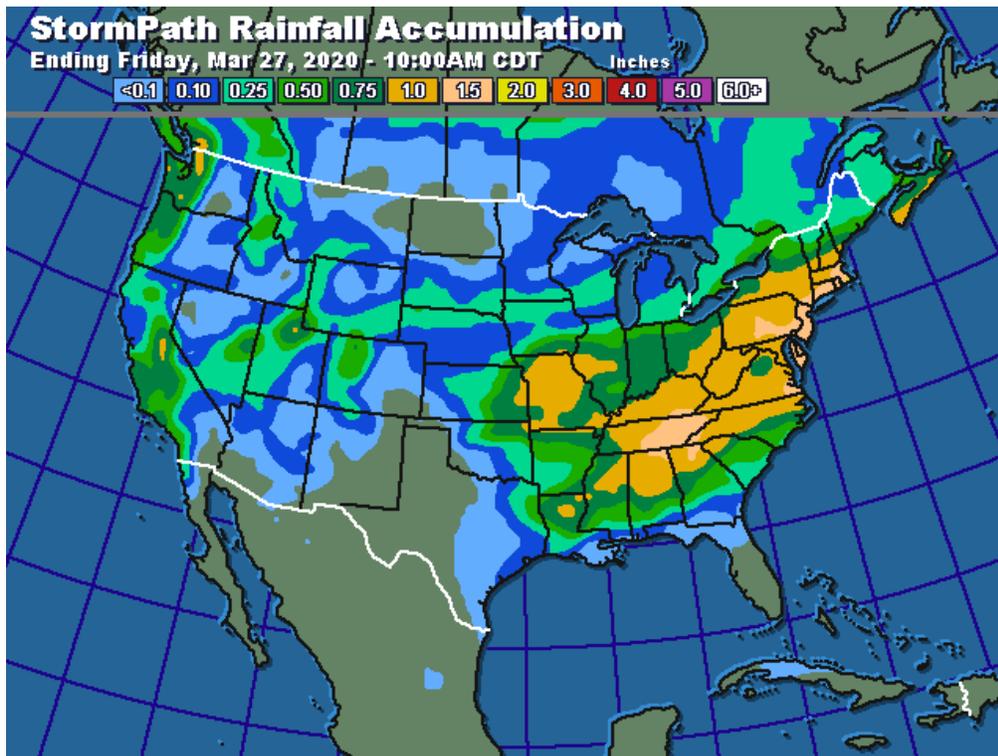
The pop in the Gulf basis last week suggests the exporters think things will get better, or else... they're protecting against a "what if" ...what if China comes back? what if this ramped up milling demand doesn't slow down? I doubt any remaining old-crop USA HRW is easily picked "low hanging fruit".

A quick look at beans suggests a technical bounce, ½ way back from the early March swoon. I highlighted a period of 3 days without new lows, which the market used to bounce from,

and that would not have been picked up looking only at weekly closes.



This week's weather looks like the past 3...corn planting should be a concern, but it's not says the futures chart. Wheat weather looks dry for extreme western KS and eastern CO, like about always...



Have a good week; Stay Safe. Try not to dwell on all the scary headlines. AND...if KC extends the bounce into expected \$5.02-\$5.10 resistance, maybe go ahead and start getting a few new-crop sales on the books. If those Russians do pop out an 84.4 wheat crop, you'll be glad you did something.