

Hello Colorado Wheat.

Last week I wrote if the report showed expected corn planted acres were 93, 94 or even 95 million acres it wouldn't matter much. How about 97 million? Omega.

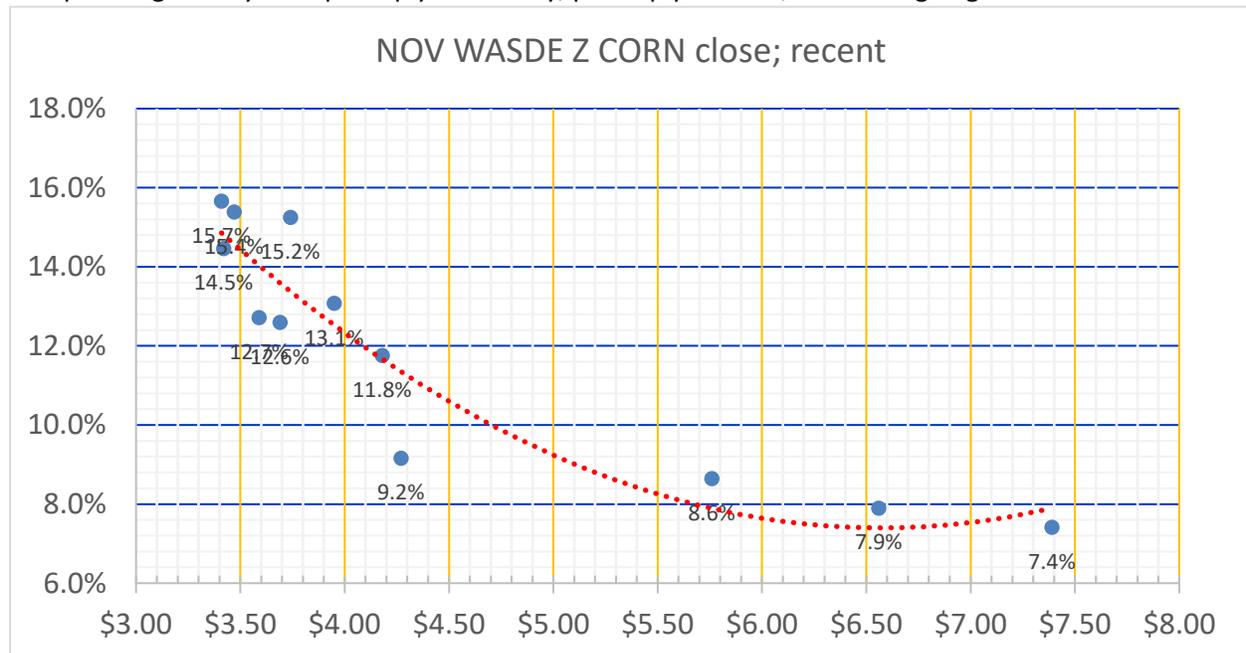
The USA hasn't planted 97 million acres of corn since the spring of 2012, when corn prices were over \$7.25/bu! Now that corn prices are closer to \$3.25...doesn't that have to be a mistake?

While that could very well be the "high print" in corn acres this year, I assume most farmers expect some type of government payment from the oil debacle, corona virus demand destruction, or something. Just like last year, if you don't plant it, you don't get the check.

I haven't seen anything announced, but I don't blame anyone for expecting some help. And what else are guys going to plant? Soybeans, yes. Looks like expected soybean acreage could be a record. Wheat? Hah; that's a joke. Winter wheat acreage is a known all-time low, and spring wheat won't make a big jump. Pulses? Sunseeds? Flax? Oats? Hay? Hemp? Cotton? All of those will get planted to some degree, but the simple answer is we're going to plant corn and beans fencerow to fencerow. It is what it is.

Well, won't all those corn acres lead to massive production and make corn rallies rare?

Yes, but I suspect it's too late to worry about details like that. But you know what? It doesn't really matter. Consider this chart, which suggests if corn ending stocks/usage is over 15%, \$3.40 corn is a likely National Average Farm Price. I see Dec corn closed at \$3.51. Looks to me like we're all in agreement. Paraphrasing Bob Dylan..."pick up your money, pack up your tent, corn ain't going nowhere".



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.

I showed this chart last week and pointed how corn rallies every year in late spring or early summer, which is really the ONLY true chance to sell it and the it fades the entire rest of the season:



This might be the year to prove that wrong.

I also said the rally might be only to \$4.20; I meant to say...the rally might only be to \$3.60. Yuk. Little joke there but getting to \$4.00 seems like a hard hill to climb, especially with old-crop May corn continuing to crater...new 11-week closing lows, again. Cascading Lows is the pattern.



And for the record, my chart of ending stocks ratio vs price on page 1 is in what I call the “modern era”, which basically is Post Ethanol. This is my initial guess on crop year 20/21’s USA corn balance sheet, and it includes about 5.2 billion bushels of corn go into ethanol usage. Unfortunately, if that ethanol demand doesn’t exist, \$3.50 corn won’t either.

CORN USA										
year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
planted	91.9	97.3	95.4	90.6	88.0	94.0	90.2	89.1	89.7	97.0
harvested	84.0	87.4	87.5	83.1	80.8	86.7	82.7	81.7	81.5	88.3
yield	147.2	123.06	158.1	171.0	168.4	174.6	176.6	176.4	168.0	171.0
production	12,360	10,755	13,829	14,216	13,602	15,148	14,609	14,340	13,692	15,094
supply	13,516	11,904	14,686	15,479	15,401	16,942	16,939	16,509	15,962	17,016
domestic	10,984	10,353	11,534	11,884	11,766	12,356	12,361	12,223	12,345	12,400
exports	1,543	730	1,920	1,864	1,898	2,293	2,438	2,065	1,725	2,225
use	12,527	11,083	13,454	13,748	13,664	14,649	14,799	14,288	14,070	14,625
carryout	989	821	1,232	1,731	1,737	2,293	2,140	2,221	1,892	2,391
stox/use	7.9%	7.4%	9.2%	12.6%	12.7%	15.7%	14.5%	15.5%	13.4%	16.3%
USA \$ farm price	\$ 6.22	\$6.89	\$4.46	\$3.70	\$3.61	\$3.36	\$3.36	\$3.61	\$3.85	\$3.45

In 2012, crude oil spent most of the year above \$85/bbl; those days are not returning soon, and might seem discouraging, BUT this long term crude oil chart suggests crude spent 2016 around \$45, after touching sub \$30...and corn demand for ethanol was 5.2 Billion bu back then



SO... it’s possible we can still use 5.2 Billion bushels of “corn squeezins”, also known as “moonshine”.

You might notice I ALSO bumped up corn exports by 500 million bushels. That’s a lot, BUT we’ve seen Chinese purchases 3 weeks in a row, and importantly, corn exports have increased their lackluster (or worse) loading pace.

This is the first week in a long time when corn exports met the target needed to make the current USDA forecast, and gives me hope that this April's WASDE update, due this Thursday morning, won't need to see another decrease in the USDA's corn export forecast.

WEEK ENDED (03/26/20)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	49.5	720.7	1,725	1004.3	22	45.6
Soybeans	17.2	1166.9	1825	658.1	22	29.9
All wheat	10.0	726.6	1000	273.4	09	30.3

Beans are struggling, and the export forecast might see some fine-tuning.

And wheat had a really bad week. Even with my 35 million bushels from my fudged account, there is NO WAY USA WHEAT EXPORTS WILL HIT their forecast target. NO WAY. There is only 9 weeks remaining in this crop year.

Which means this year's wheat carryout will be increased, and I expect we'll see a decrease Thursday.

Here's the by-class pace, and I've included an extra 15 million in HRW, and an extra 10 million each in HRS and SRW in the loaded total.

WEEK ENDED (03/26/20)	Weekly loadings	FUDGED in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	6.3	290.3	390.0	99.7	09	11.1
HRS	2.9	219.8	275.0	55.2	09	6.1
SRW	0.6	85.7	100.0	14.3	09	1.6
LAST WEEK						
HRW	6.9	284.0	390.0	106.0	10	10.6
HRS	5.2	216.9	275.0	58.1	10	5.8
SRW	0.5	85.1	100.0	14.9	10	1.5

I think the USDA will ultimately have to admit their wheat forecast was overstated by 50 million bushels.

I doubt they admit that Thursday, but they need to at least address it, and drop their forecast by 25 million bushels now.

Gulf bids eased back this week; weekly export sales showed some “unknown” cancellations, and importantly, even though Brazil is looking for wheat, and probably dropping their Mercoser tax, Brazil did not buy any USA wheat, let alone ship any. <https://www.reuters.com/article/health-coronavirus-brazil-wheatimports/update-1-brazilian-mills-push-to-scrap-wheat-import-tariffs-amid-pandemic-idUSL1N2BQ23Q>

China did “buy” some USA new-crop HRW but haven’t shipped their old-crop purchases.

Posted gulf bids are weaker.

GULF date	12 pro	ords	diff
4/3/2020	145	115	30
3/27/2020	150	124	26
3/20/2020	160	125	35
3/13/2020	150	118	32 K
3/6/2020	150	118	32
2/28/2020	150	118	32
2/21/2020	155	122	33
2/14/2020	155	122	33

And old-crop/new-crop (KC K-N) weakened a couple cents with it:



All this signifies the focus on wheat is shifting solely into the new crop prospects.

These posted bids for old crop followed the board down 15c, although we see one spot up a couple cents on the basis. The domestic milling market basis was at least a dime weaker. Since I can buy toilet paper in the grocery stores fairly easily, we’ll take that as a sign the food hoarding story is about over as well.

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
04/03	\$3.97-\$4.37	\$4.39	\$4.07-\$4.14	\$4.07-\$4.22	\$4.44-\$4.44
03/27	\$4.12-\$4.52	\$4.52	\$4.22-\$4.29	\$4.22-\$4.37	\$4.57-\$4.59
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

BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
04/03(K)	-75, -35	-33	-65, -58	-65, -50	-28, -28
03/27(K)	-75, -35	-35	-65, -58	-65, -50	-30, -28
03/20(K)	-65, -53	-35	-65, -58	-65, -50	-30, -25
03/13(K)	-75, -40	-35	-65, -58	-65, -50	-30, -28

Date	Concordia	Salina	Hutchinson	Wichita	Ark City
04/03(K)	-20	-10, -07	-28, -07	-12, -07	-21
03/27(K)	-20	-10, -07	-28, -07	-12, -07	-21
03/20(K)	-20	-10, -07	-28, -00	-12, -07	-21

Here's how the futures ended the week; we covered the new red numbers in corn.

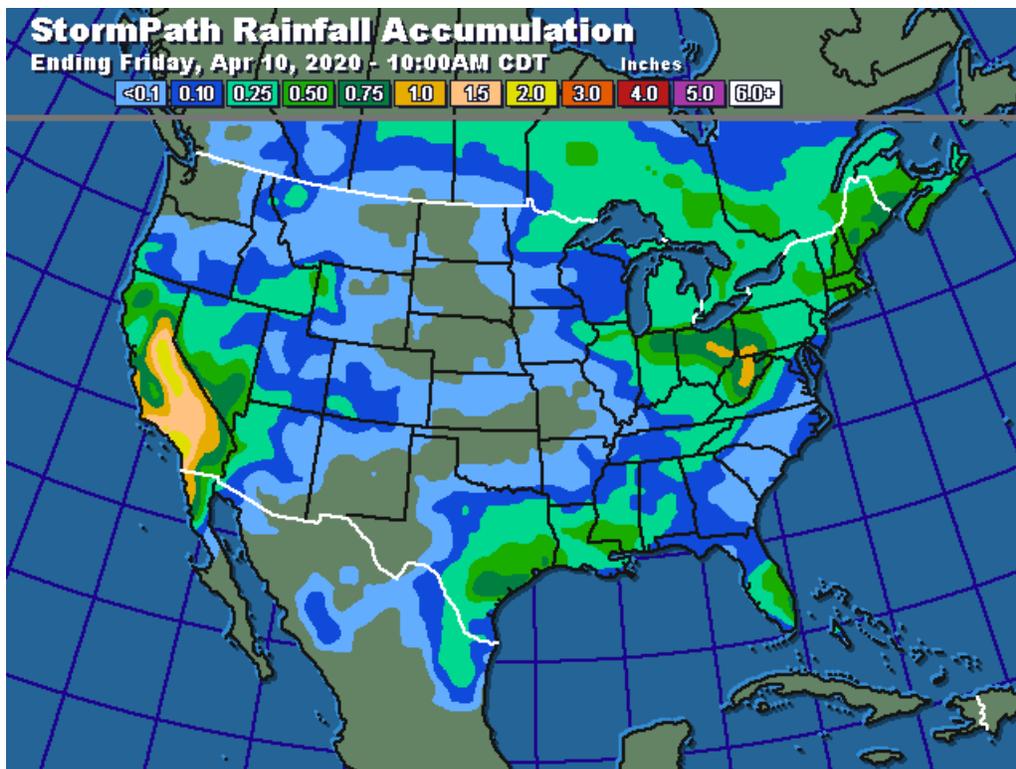
CLOSE	KWK20	KWN20	KWZ20	CK20	CN20	CZ20	WK20	MWK20	MWN20	SK20
04/03	\$4.72	\$4.79	\$5.00	\$3.31	\$3.37	\$3.51	\$5.49	\$5.25	\$5.36	\$8.54
03/27	\$4.87	\$4.92	\$5.10	\$3.46	\$3.52	\$3.64	\$5.71	\$5.37	\$5.46	\$8.82
03/20	\$4.69	\$4.73	\$4.91	\$3.44	\$3.50	\$3.63	\$5.39	\$5.21	\$5.30	\$8.63
03/13	\$4.32	\$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

For KC July to rally again, it needs a Friday close above \$4.92 to set a new 4-week closing high. A close below \$4.73 would be a new 4-week closing low. Here's a KC July chart, showing Sunday night is up 7c:



Russia said they were going to cap old crop exports, which is meaningless, as they weren't on pace to hit their target anyway, but continuing dryness over there has some analysts dropping their expected crop size. SovEcon's Russian wheat crop estimate of 84 million tonnes from 3 weeks ago looks to be the high print; I saw some guys closer to 82 mmt now.

The weather over here has been too dry, and this week doesn't look any better.



SO... what does this year's USA HRW production look like?

There won't be a "Wheat Tour", so the USDA will be flying blind for their May production guess, but if we used the Planted acre from last week's update, last year's harvested percentage, and a 7 year average yield, we'd come up with this:

PLANTED HRW acres	3/31/2020			%	7 year			
	2018/19	2019/20	2020/21		harvested	avg yield	production	2018/19
KS	7,700	6,900	6,800	0.942	42.6	272.7	277.4	338.0
CO	2,250	2,150	1,850	0.930	39.4	67.9	70.2	98.0
NE	1,100	1,070	920	0.907	46.9	39.1	49.5	55.3
OK	4,400	4,200	4,300	0.655	30.7	86.5	70.0	110.0
TX	4,500	4,500	4,800	0.456	30.9	67.5	56.0	69.7
SD	830	860	650	0.895	48.0	27.9	31.7	40.0
ND	85	85	60	0.824	45.3	2.2	3.0	3.7
MT	1,650	2,000	1,600	0.950	45.1	68.6	78.5	95.0
CA	380	390	400	0.256	71.3	7.3	8.5	5.0
total	22,895	22,155	21,380	0.772	44.5	639.7	644.8	814.7
USA winter wheat	32,542	31,159	30,775	0.781	48.5	656.1	681.6	833.2

That's a KS wheat crop of 273 vs last year's 338, a CO crop of 68 vs last year's 98 million, and a USA HRW crop of 656 vs last year's 833, which really points out last year's yields were very good.

Here's my updated balance sheet for USA HRW; exports are about unchanged after the expected revision, but there will be a huge drop in wheat being fed. I get a 50% stox/use ending ratio.

US HARD RED WINTER WHEAT year	maltby 4/3/2020							
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
carry in	343	237	294	445	589	581	516	499
production	747	739	830	1082	750	662	833	656
imports	19	10	6	5	8	5	5	5
total supply	1109	986	1130	1532	1347	1248	1354	1160
food	370	370	391	394	362	366	367	365
seed	34	32	30	27	25	25	27	25
feed/residual	22	20	37	67	7	10	86	10
domestic use	426	422	458	488	394	401	480	400
exports	446	269	227	455	371	331	390	375
total demand	872	691	685	943	765	732	870	775
carryout	237	295	445	589	582	516	484	385
stox/use	27.2%	42.7%	65.0%	62.5%	76.1%	70.5%	55.6%	49.7%

Certainly tighter than we've seen in a while, but not tight enough to cause wheat to rally independently, especially with \$3.50 corn. Historically, a 50% HRW stox/use equals about a \$5.00 KC Z on Nov. 10, but without a rain, KC wheat futures won't break.

Stay Safe; Have a good week. I hope next week we'll be able to say the worst of this virus is past us.