

Hello Colorado Wheat.

If the Easter Bunny came by your place, I hope he didn't leave the virus, and you had a great Easter.

KC wheat futures markets closed strongly last week, especially interesting after shrugging off the bearish April WASDE update. And bearish it was, make no mistake about that. I'm not sure we've seen the end of Demand Destruction hinted at in the April WASDE.

But maybe the time to be bearish KC Hard Red Winter Wheat futures is for a future time? Friday morning, when the markets were closed for Good Friday, we saw additional HRW sales announced to China, helping demand, and a cold snap possibly reduced supply. Better demand, reduced supply...? Sounds bullish, and it coulda/woulda/shoulda be, if wheat was traded in a vacuum, but it's not, and that's why it's tricky. But we'll worry about that later, because looking at this chart, surely we can only see one thing; New Blue Numbers are probably on the way, and that means more buy-stops! Giddy Up!



I'm showing a double blue line, because the old blue line of \$4.94 will roll off the chart table this week, making Thursday's \$4.92 close the new blue line. Which leads to the reminder...most of the time, Blue lines should be treated as resistance. I think we'll move higher through it early this week, although where we'll close next Friday ...remains to be seen.

So be on alert. Don't get complacent. I think HRW wheat producers need to be lining up new-crop bids and ready to take some action if these buy signals fail.

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.

Here's how the week closed. KC, up 20c, was the leader, with Chgo and Minny lagging, only up 8c. Corn avoided printing new red numbers (barely), and beans bounced a dime.

CLOSE	KWK20	KWN20	KWZ20	CK20	CN20	CZ20	WK20	MWK20	MWN20	SK20
04/10	\$4.92	\$4.99	\$5.16	\$3.32	\$3.37	\$3.51	\$5.57	\$5.33	\$5.44	\$8.64
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

This rally is truly only a wheat rally. It will not be helped, or hurt... by corn, at least not yet. This weekly spread chart of KC – corn shows 2017 and 2018 peaks in late June.



Late June will be close to wheat harvest in The Plains, and that might be the best time to just let 'em have it. All of it.

This is KC N – KC Z (July-December), showing a run to almost only a 15c carry. On a 5-month spread, that’s only paying 3c per month storage.

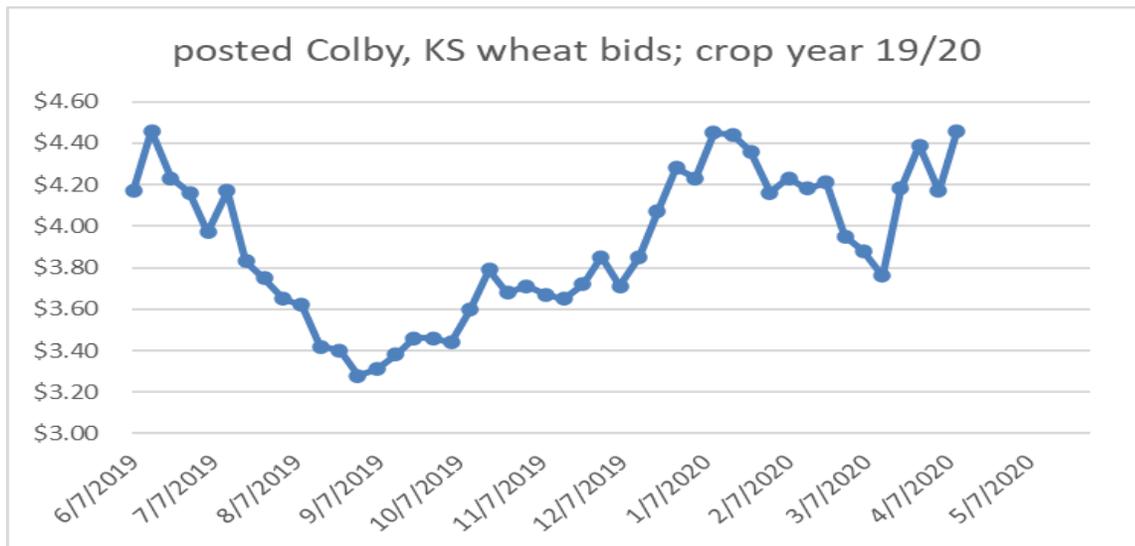


You CANNOT store wheat profitably if you’re only getting paid 3c/month to sit on it, even if you do the right thing and sell deferred futures.

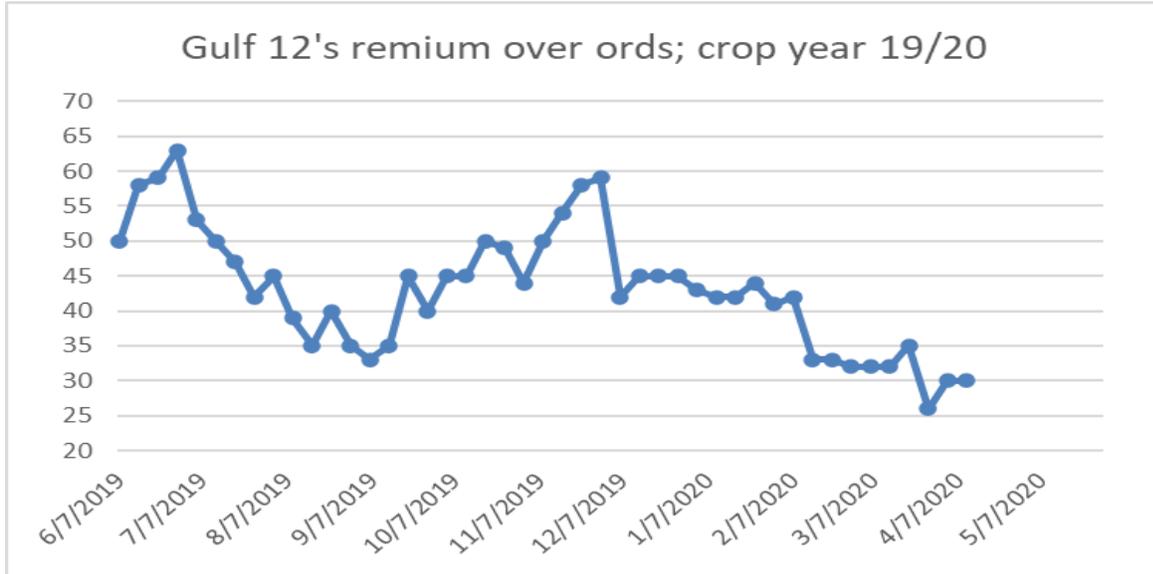
When the time comes, let ‘em have it. **All of it.** I don’t care if your bins or bags set go unused this year. At 3c/month, the market is not paying you enough to store it.

Is NOW the time to sell it all? Probably not yet. I know I have asked a couple of times if you’re laying off wheat with KC July above \$5.00. I received this reply *“We didn’t sell any futures over \$5. That was \$4.42 cash for us, and we think we need to be at least \$4.50 or higher cash. We actually passed on \$4.50 cash a few weeks ago when there was a little bump in the markets. Last year we sold it all over \$5, and that’s the REAL target. But we may have to settle for less, we’ll see. We may be willing to hold out for whatever crisis gets it to \$5 cash for us.”*

Well, he has a plan, and I like that. He farms in NW KS; here’s a chart of last year’s posted bids in Colby:



\$5.00 cash is quite a bit over these bids, so he must have had some protein. Here's a chart of Gulf 12's over Gulf ords, for same time period, crop year 19/20:



Looks to me like if a feller sold all his wheat early in the season, and he had good protein, he had a shot at clearing \$5.00. BUT he didn't have many shots. (Shoot 'em when they're flyin'.)

Have a plan; work the plan. And when things change, don't look back, just get on with it.

I mentioned the bearish April WASDE. You know I had been expecting a cut in USA HRW exports. The USDA dropped their forecast 10 million bushels. Based on this export pace, which is FACTS, plus the expected fudge factor of 15 million bu (includes donation wheat, and wheat products, and some "unexplained" ...I still think another cut is coming, although it's pretty close. It probably depends on whether China starts taking the wheat they "bought", or not. After Friday's export announcement, China has 8.3 million bu of old-crop HRW on the books.

WEEK ENDED (04/02/20)	Weekly loadings	FUDGED in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	8.2	298.5	380.0	81.5	08	10.2
HRS	2.7	222.6	275.0	52.4	08	6.6
SRW	0.4	86.1	95.0	8.9	08	1.1
LAST WEEK						
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

The USDA also reduced their 19/20 feeding estimate for USA wheat (which points out how low wheat feeding will be this coming crop year...). Net carryout for USA wheat was raised 30 million bushels.

Some world wheat numbers were changed a little. Russian exports were reduced 1.5 mmt, but Europe gained 1.5 mmt. Overall world wheat usage was reduced 5 million tonnes, and all of that went to the carryout. It was a bearish wheat report, period.

Shifting gears...

Corn has been shelled, BUT we see a little double bottom here (it's not very wide, only 2 weeks apart on the 11-week closing table), and The Saudis appear to be willing to back off on their crusade to completely disrupt local oil production everywhere else other than Saudi Arabia, which allowed corn to quit going lower, at least until we get it planted and growing and pollinated.



The USDA did not drop their USA corn export forecast, and we see another good week, AGAIN, of corn export loadings. At this pace we won't see the USDA drop corn exports for the rest of the year. USA bean exports were reduced, and still appear to be struggling, and we covered wheat, which still looks high, although this table does not include the 35 million (fudge) account, which would get it closer.

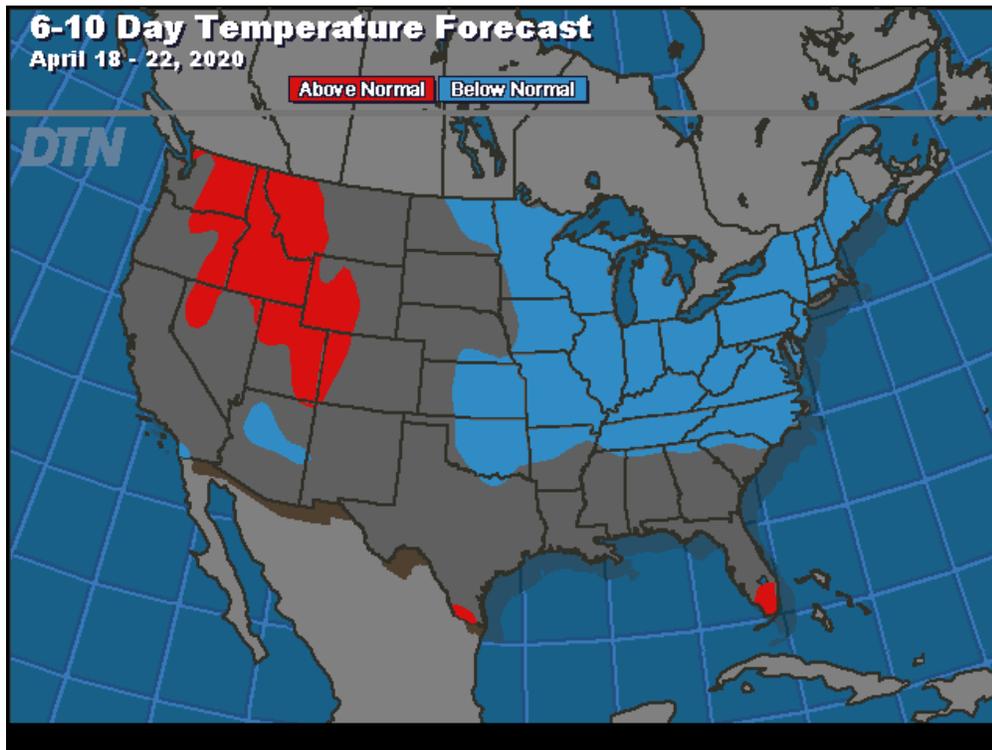
WEEK ENDED (04/02/20)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	50.8	771.5	1,725	953.5	21	45.4
Soybeans	13.3	1180.2	1775	594.8	21	28.3
All wheat	14.0	740.6	985	244.4	08	30.5

The USA corn balance sheet didn't see a drop to the export forecast, and corn feeding was increased 150 million bushels, BUT ethanol usage was cut by a whopping 375 million bushels, taking this year's ethanol usage estimate way down to 5.05 billion bushels. Overall, the 19/20 corn carryout was increased by 200 million bushels, to about 2.1 billion bushels.

We mentioned soybeans were not immune to the demand destruction either, as exports were reduced 50 million bu. May beans shown here appear to be going sideways until we get into planting season.



Cool weather is not rushing the onset of planting season.



We'll finish with a look at the unchanged Gulf bids (which don't offer much of a clue on the Chinese intentions, in my opinion)

GULF date	12 pro	ords	diff
4/10/2020	145	115	30
4/3/2020	145	115	30
3/27/2020	150	124	26
3/20/2020	160	125	35 K
3/13/2020	150	118	32
3/6/2020	150	118	32
2/28/2020	150	118	32

And these posted bids in the country, which mainly just followed the board 20c higher.

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
04/10	\$4.17-\$4.57	\$4.59	\$4.27-\$4.34	\$4.27-\$4.42	\$4.64-\$4.64
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
04/10(K)	-75, -35	-33	-65, -58	-65, -50	-28, -28
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
04/10(K)	-20	-10, -07	-28, -07	-12, -07	-21
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

Be thinking about your new-crop wheat, and whether you really need to store it. There is no law which says you must store it... you do not have to do that.

Stay Safe; have a good week. I think the worst of this virus is behind us.