

Hello Colorado Wheat.

May Day, May Day...came and went Friday without significant new stress on commodity markets in general; in fact, the whole week seemed fairly benign. That's probably a good thing. We're not ever going back to "normal", but it feels like we're moving forward and getting on with...life.

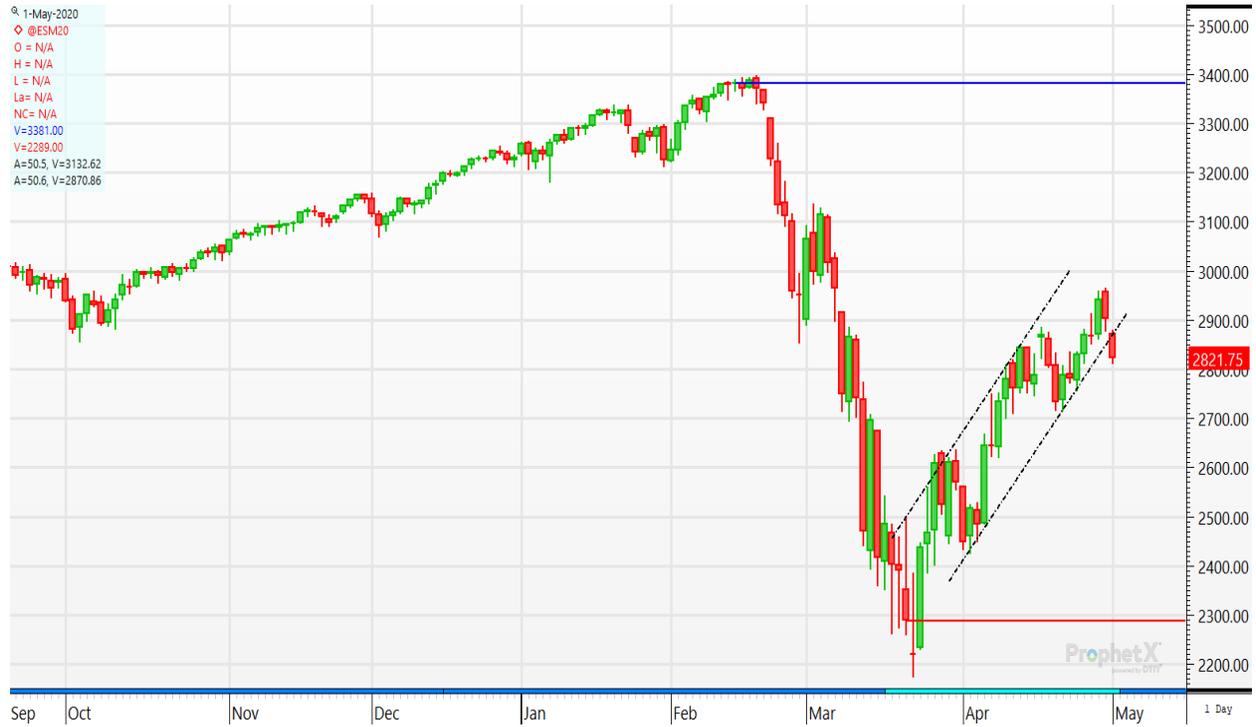
Here's how the week ended. Last week I wrote KC's \$4.83 was important, and now KC July has a double bottom there, making it really important. Similarly, Dec corn has a double bottom at \$3.37, although old-crop corn did set a new 11-week closing low; carrying charges widened in corn, as surely demand has to get better, later (doesn't it?). Chgo wheat, representing everything yet nothing, had a bad week as rains are expected in Europe, while Spring wheat set new 11-week closing lows again, still struggling to shake off the effects of the virus (no one is eating at restaurants...). I added 2 new columns.

Continuous West Texas Intermediate, and the continuous E-mini S&P 500 stock market index. These are the "continuous" quotes, determined by what the computer calls "top step" (the @A, rather than the @C), so there are no expiration gaps, which don't show all the carnage of last day's trading, with expiring spot May crude going to -\$34...and the weekly closes don't show intra-week spike lows/highs, which is how we've seen things on this table since its inception. Crude bounced \$5.00 or so, and the stock market...maybe reality grudgingly is setting in. Maybe.

CLOSE	KWN20	KWZ20	CN20	CZ20	WN20	MWN20	MWZ20	SN20	CRD20	ES20
05/01	\$4.83	\$5.00	\$3.19	\$3.37	\$5.17	\$5.07	\$5.31	\$8.50	\$22.29	\$2822
04/24	\$4.83	\$5.00	\$3.23	\$3.37	\$5.31	\$5.13	\$5.38	\$8.40	\$16.94	\$2830
04/17	\$4.85	\$5.02	\$3.29	\$3.44	\$5.34	\$5.20	\$5.42	\$8.42	\$25.03	\$2870
04/10	\$4.99	\$5.16	\$3.37	\$3.51	\$5.58	\$5.44	\$5.64	\$8.71	\$28.82	\$2780
04/03	\$4.79	\$5.00	\$3.37	\$3.51	\$5.45	\$5.36	\$5.55	\$8.60	\$30.90	\$2483
03/27	\$4.92	\$5.10	\$3.52	\$3.64	\$5.57	\$5.46	\$5.64	\$8.85	\$25.15	\$2524
03/20	\$4.73	\$4.91	\$3.50	\$3.63	\$5.36	\$5.30	\$5.51	\$8.65	\$22.63	\$2289
03/13	\$4.39	\$4.61	\$3.69	\$3.73	\$5.07	\$5.18	\$5.54	\$8.56	\$32.59	\$2696
03/06	\$4.54	\$4.76	\$3.79	\$3.82	\$5.17	\$5.35	\$5.58	\$9.00	\$41.51	\$2964
02/28	\$4.60	\$4.83	\$3.73	\$3.77	\$5.26	\$5.37	\$5.61	\$9.02	\$44.94	\$2951
02/21	\$4.82	\$5.02	\$3.84	\$3.86	\$5.52	\$5.48	\$5.69	\$9.10	\$53.50	\$3339
02/14	\$4.79	\$4.98	\$3.86	\$3.89	\$5.41	\$5.44	\$5.65	\$9.16	\$52.32	\$3381

*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.*

The E mini S&P chart looks like this:



These past 11 weeks have been historic. We're 6 weeks off the low close, maybe losing some upside momentum.

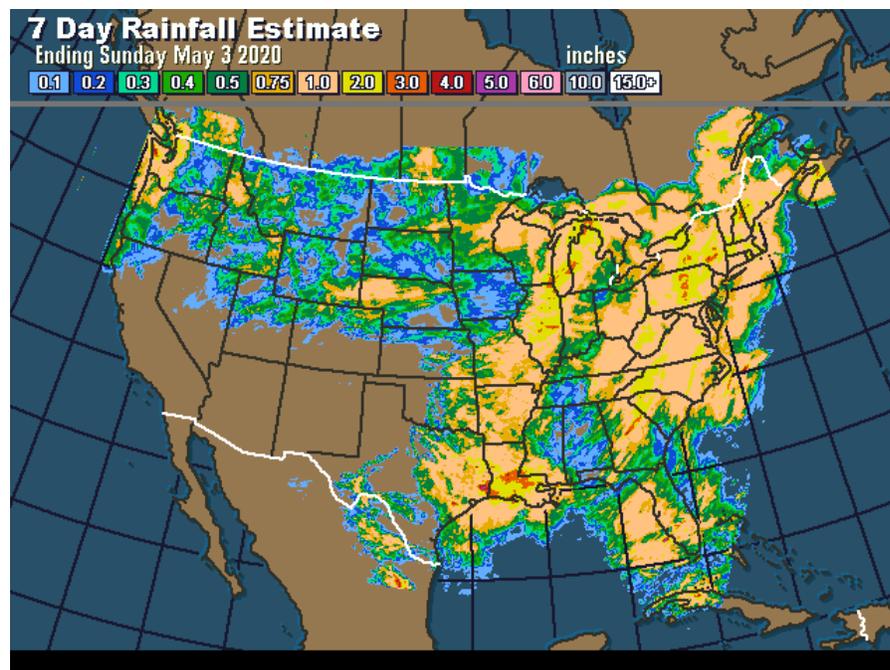
Crude oil's past 11 weeks have been just as historic. Besides the virus killing all sorts of demand, The Saudi's decided to regain some market share. How this plays out...is interesting to say the least.



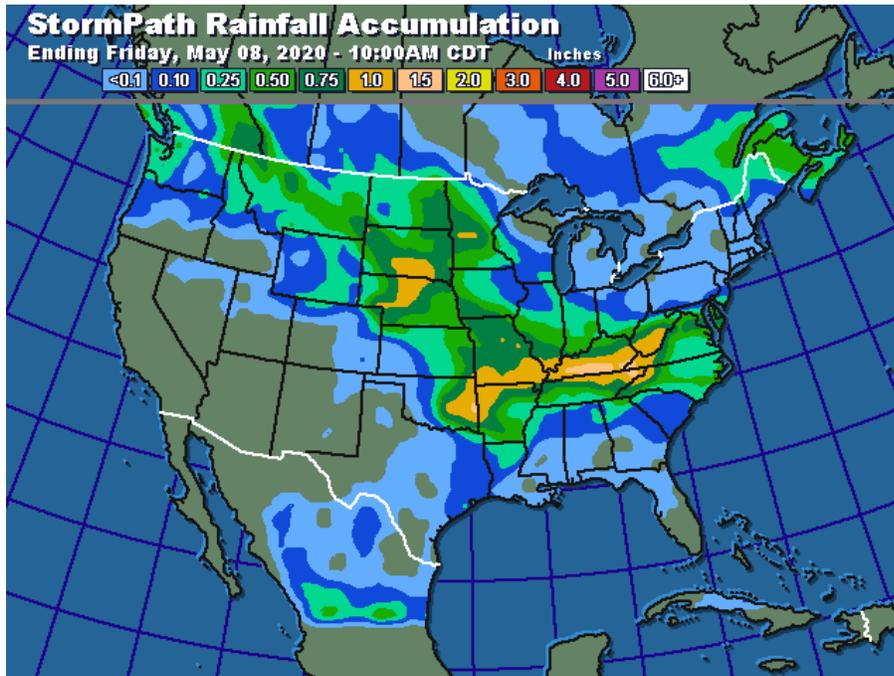
July corn has reeled; feeding demand has been hurt by packing houses shutting down from virus outbreaks, and ethanol plants shut down as gasoline demand cratered. “Shelter-at-home” has probably changed the long-term gasoline demand, but we won’t know for quite a while. I’m sure the commercial real estate market is more than nervous. How much office space is needed if we really can be productive while working from home? Anyway...here’s a Dec new-crop corn chart, showing the new double bottom, as we head ever deeper into planting season. A Dec corn close this week above \$3.37 would appear significant to me. We’ll see if that’s possible.



Corn planting progress jumped ahead 20% the week ended 4/26, although last week’s rainfall, shown here, probably slowed Illinois and Indiana. (HRW wheat country was not wet.)



Nor does this week look wet for SW KS, eastern CO, and the TX and OK Panhandles.



I've revised my HRW production estimates lower, as the wheat needed rain soon after the freezes, and it didn't get it, negatively impacting the secondary tillers. I dropped yields and reduced the per cent harvested in KS and CO, although MT and OK are maybe a little better than I was thinking...

PRODUCTION	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	maltby expected
KS	246.4	321.9	467.4	333.6	277.4	338	232.6
CO	89.3	79.2	105.1	86.9	70.2	98	63.3
NE	71.1	46.0	70.7	46.9	49.49	55.29	39.2
OK	47.6	98.8	136.5	98.6	70	110	98.5
TX	67.5	106.5	89.6	68.2	56	69.7	70.0
SD	59.4	42.7	63.8	20.8	31.68	40.04	27.9
ND	27.2	8.4	5.8	1.3	3.01	3.71	2.2
MT	91.8	91.0	105.4	66.8	78.5	95	69.9
CA	15.2	10.5	13.3	9.9	8.47	5	7.3
total	715.5	804.9	1,057.5	732.9	644.8	814.74	611
USA HRW (& HWW)	738.7	846.5	1,107.5	774.0	681.6	833.2	643

The 643 is my USA HRW (and HWW) estimate; if I left my demand unchanged, this tightens up the balance sheet a freckle, to a 47.6% stock/use; I was at a 49.2% stox/use previously.

That KS crop of 232 is down 100 million from last year. That's a 38 bu yield, which is what I'm using for Colorado too. Things can still go south, or improve if we start getting rain, but that doesn't seem to be in the cards.

Anyway, saying Kansas and Colorado are both only 2/3's of last year seems like a lot, so let's check the math again, which looks like this:

	KS		CO	
	2019/20	2020/21	2019/20	2020/21
<b>planted</b>	<b>6,900</b>	<b>6,800</b>	<b>2,150</b>	<b>1,850</b>
<b>% harvested</b>	<b>94.2%</b>	<b>90.0%</b>	<b>93.0%</b>	<b>90.0%</b>
<b>harvested acres</b>	<b>6,500</b>	<b>6,120</b>	<b>2,000</b>	<b>1,665</b>
<b>yield</b>	<b>52</b>	<b>38</b>	<b>49</b>	<b>38</b>
<b>production</b>	<b>337,990</b>	<b>232,560</b>	<b>97,976</b>	<b>63,270</b>
<b>difference</b>		<b>(105,430)</b>		<b>(34,706)</b>
<b>yield % comparison</b>		<b>73.1%</b>		<b>77.6%</b>
<b>production % comparison</b>		<b>68.8%</b>		<b>64.6%</b>

That's a big yield drop; this is last week's crop conditions; we'll get new data conditions Monday afternoon, but I expect them down another 2 or 3%.

Winter Wheat conditions good +excellent total % week ended	4/5/2020	4/12/2020	4/19/2020	4/26/2020	5/3/2020	5/10/2020	5/17/2020	5/24/2020	5/31/2020	6/7/2020	6/14/2020	6/21/2020
KS	49	50	46	40								
CO	48	40	42	37								
NE	77	75	69	64								
OK	73	75	65	62								
TX	62	66	58	57								
SD	83	81	69	72								
ND	-	-	-	-	-	-	-	-	-	-	-	-
MT	52	54	64	63								
CA	61	60	55	65								
national	62	62	57	54								

Crop conditions as such aren't very useful unless you have some comparable data. This is last year's crop conditions, when Kansas' good or better was 58%, compared to this season's 40%, and Colorado was 76% good or better, vs. 37% this year.

week ended	3/31/2019	4/7/2019	4/14/2019	4/21/2019	4/28/2019	5/5/2019	5/12/2019	5/19/2019	5/26/2019	6/2/2019	6/9/2019	6/16/2019	6/23/2019
KS	55	58	59	57	58	58	56	60	55	57	58	58	58
CO	66	70	62	73	76	73	77	74	75	80	80	79	80
NE	69	74	68	69	68	71	67	69	70	67	69	71	70
OK	69	76	74	70	79	74	75	78	73	64	63	71	61
TX	41	47	51	52	61	63	64	61	62	64	68	63	59
SD	38	46	53	53	57	57	68	61	48	57	60	64	67
ND	-	-	-	-	-	-	-	-	-	-	-	-	-
MT	62	70	82	82	78	81	74	69	74	87	86	79	71
CA	100	95	100	100	100	99	90	90	90	90	90	95	90
national	60	60	60	60	62	64	69	64	66	61	64	64	64

So...based on conditions, we should expect a yield drop. Whether or not current conditions signify a 25% yield reduction, I'm not sure. Last year we didn't have a freeze, and it seemed like the moisture came regularly. We see last year's conditions never declined throughout the entire growing season.

We will wait what the USDA thinks with their USDA's Crop Production next week, Tuesday May 12.

After that, we'll get a Virtual Wheat Tour, which is a novel idea, and quite interesting, although I'm not sure if year-to-year comparisons will actually be "comparable."

Here's the KC July chart showing what I think is an important double bottom at \$4.83:



We do get intra-week spike lows down to \$4.70, and intra-week spike highs to \$5.10, although we haven't seen a spike high for two weeks now...and staring at the chart... it looks to me like the \$4.83 double bottom from the last 2 Friday closes is vulnerable, and the \$4.70 spike low area is where we're headed.

The export loading pace is not exactly charging home to end the marketing year. The May WASDE update could very well show a 25 million bu reduction in the USA HRW export forecast, although I doubt it will. I think they will show a 10 million bu drop, as they tend to ease into things...

WEEK ENDED (04/23/20)	Weekly loadings	FUDGED in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	4.8	318.7	380.0	61.3	05	12.3
HRS	4.7	240.8	275.0	34.2	05	6.8
SRW	2.5	91.1	95.0	3.9	05	.8
LAST WEEK						
HRW	7.4	313.9	380.0	66.1	06	11.1
HRS	5.3	236.1	275.0	38.9	06	6.5
SRW	1.2	88.6	95.0	6.4	06	1.1

The old-crop Chinese boats haven't lifted yet, although Brazil shipped their boat, and bought 2 more.

A couple months ago we talked about Brazil granting an exemption to their Mercosur agreement for 750,000 tonnes of USA wheat (waiving the 10% import tax), even though Argentina was not in favor of the move. Late last week, Argentina announced they will NOT be involved in future Mercosur negotiations, and some political analysts believe the Mercosur agreement is in shambles.

<https://www.batimes.com.ar/news/latin-america/argentina-pulls-out-of-all-future-mercotur-trade-talks-amid-virus-crisis.phtml>

USA HRW exports to Brazil will benefit if they are not subject to a 10% import tariff.

Here's the overall export pace showing corn, beans and wheat struggling to make the reduced pace shown on the April WASDE.

WEEK ENDED (04/02/20)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	41.4	893.7	1,725	831.3	18	46.2
Soybeans	21.0	1,239.9	1,775	535.1	18	29.7
All wheat	16.1	803.1	985	181.9	05	36.4

Even though the export pace is subdued, Gulf bids are steady, now posted basis the July, at a -5c carry:

GULF date	12 pro	ords	diff	
5/1/2020	142	111	31	<b>N</b>
4/24/2020	149	116	33	
4/17/2020	145	116	29	
4/10/2020	145	115	30	<b>K</b>
4/3/2020	145	115	30	
3/27/2020	150	124	26	
3/20/2020	160	125	35	

Contrast that with the posted country bids, which are in a state of flux...possibly related to rolling to the July futures. Assuming the bids were rolled to the N at a 5c carry, if the basis bids are not down 5c, then they changed. One of these basis bids is up 30c; some spots are up 5c, others are down 5c.

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
05/01	\$4.38-\$4.48	\$4.43	\$4.17-\$4.20	\$4.13-\$4.33	\$4.45-\$4.48
04/24	\$4.00-\$4.40	\$4.45	\$4.10-\$4.17	\$4.10-\$4.25	\$4.45-\$4.50
04/17	\$4.04-\$4.44	\$4.49	\$4.14-\$4.21	\$4.14-\$4.35	\$4.54-\$4.54

04/10	\$4.17-\$4.57	\$4.59	\$4.27-\$4.34	\$4.27-\$4.42	\$4.64-\$4.64
<b>BASIS</b>	<b>SE Colorado</b>	<b>Chey. Wells</b>	<b>Burlington</b>	<b>Holyoke</b>	<b>Roggen area</b>
<b>05/01(N)</b>	<b>-45, -35</b>	<b>-40</b>	<b>-66, -63</b>	<b>-70, -50</b>	<b>-38, -35</b>
04/24(K)	-75, -35	-30	-65, -58	-65, -50	-30, -25
04/17(K)	-75, -35	-30	-65, -58	-65, -44	-25, -25
04/10(K)	-75, -35	-33	-65, -58	-65, -50	-28, -28
<b>Date</b>	<b>Concordia</b>	<b>Salina</b>	<b>Hutchinson</b>	<b>Wichita</b>	<b>Ark City</b>
<b>05/01(N)</b>	<b>-29</b>	<b>-15, -10</b>	<b>-29, -06</b>	<b>-13, -13</b>	<b>-30</b>
04/24(K)	-20	-05, -05	-28, -05	-12, -05	-21
04/17(K)	-20	-05, -05	-28, -05	-12, -05	-21
04/10(K)	-20	-10, -05	-28, -07	-12, -07	-21

I suspect these bids were caught in the roll on a late Friday afternoon, with attendance kinda sparse...and will work themselves out this week. I'm sure if someone has to actually buy enough old-crop wheat to load a train, or boat, it might not be easy, but conversely, old-crop demand seems routine at best, with the possible exception of Brazil coming back regularly, and of course the hard-to-explain Chinese business. I admit I personally do not expect the Chinese purchases of old-crop HRW on the books to load during this crop year, and deep down, I suspect it will be switched to new-crop spring wheat.

This is MGEX July – KC N, and while spring wheat futures at +25c premium to KC futures are probably cheap, the chart doesn't say springers can't get relatively cheaper:



We'll finish with a quick glance at old-crop beans, heading into planting season, with an uninspiring export pace. Trump's recent tirades about suing China for damages from the virus cast the whole Trade Agreement in a questionable light.



Keep planting. Fundamentals suggest we're struggling with over-supply, yet government aid is tied to production, so until that changes, you have no choice but to plant.

Have a good week; Stay Safe.