

Hello Colorado Wheat.

The riots are pretty much over, the virus is waiting for Round 2, the stock market says things are as great (same as it ever was ...) and here comes the June WASDE. We'll also get updated winter wheat production estimates, but fundamentally, I think corn supply and demand will be most interesting.

The corn market might be getting ahead of itself, unless...the demand outlook has improved, at least in the eyes of the USDA, OR IF...corn potential supply has dropped. I don't want to gloss over the NASS winter wheat production, but right now probably the only guys truly wondering if Kansas' production is maybe, possibly up a little from May's 305 million bu estimate, or how much Colorado's June estimate is definitely down from the May estimate of 61 million bu are the guys budgeting how to use the checkoff dollars...

This table shows domestic corn demand which includes feeding, ethanol, and industrial usage, plus the residual (fudge factor), and USA corn exports of crop years 2016/17, 2017/18, and 2018/19, plus a 3-year average of those years. Then this year we are finishing, and finally the USDA's expected demand for this coming new crop year, which we saw on the May WASDE. This current year's demand was hurt by the virus, and maybe some trade issues, and you can see how much the USDA expects demand to improve. The domestic usage of 12,650 billion, if achieved, would be a record amount.

Corn demand	16/17	17/18	18/19	3-year avg	19/20	20/21
Domestic usage	12,355	12,361	12,223	12,313	12,055	12,650
exports	2,294	2,438	2,065	2,266	1,775	2,150

The big demand numbers are necessary to help chew through the expected massive 16-billion-bushel production and keep the ending stoX/usage ratio around 22%.

The USDA's May estimate for National Average Farm Price was \$3.22, which seemed optimistic to me, based on that 22% ending stoX/use ratio, and a month ago, the Friday after the May WASDE, Dec '20 corn settled at \$3.32. Since then, based on last Friday's Z corn close of \$3.45, corn has risen 13c, which isn't a lot, but to justify it, I think we need to see the ending stoX/use ratio decrease.

Possibly (probably?) ... the market is expecting a production decrease on the June WASDE, like we saw last year. Last year's June 2019 WASDE dropped USA harvested corn acres 2 million acres, AND they dropped yield 3 bu/ac from their May WASDE, and thus June 2019 showed a USA corn production decrease of 1.35 billion bushels from May 2019.

The difference of course is this year corn is 93% planted, and 78% emerged, whereas last year corn was only 64% planted and 42% emerged.

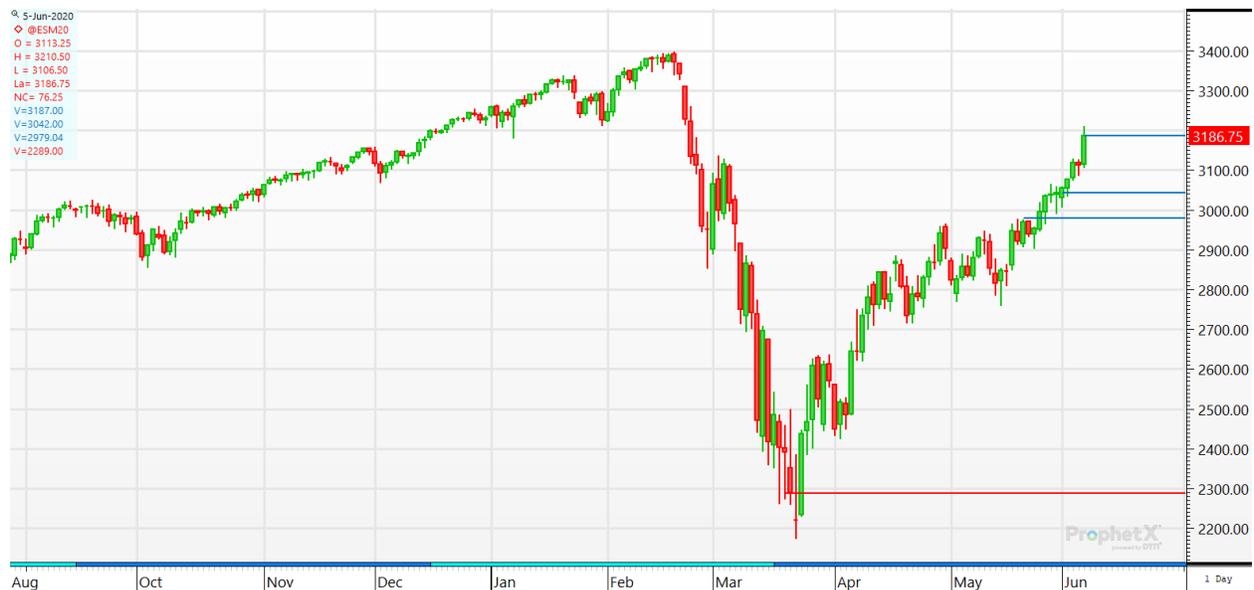
But everyone is short corn already; I think this Report Day, Thursday June 11, will be crazy volatile.

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 ended. Wheat is maybe seeing some harvest pressure, and we talked about corn rallying a little. Beans saw decent Chinese buying interest, and crude oil is now back to \$40. If anyone can explain to me how/why/what the Saudi's were up to I'd love to hear it. I think they wanted to kill the shale/tar sands/fracking oil biz, which \$17 oil would do, but doesn't \$40 oil keep shale wells pumping? I mean, what the heck was that all about? And omega, how about that stock market?

CLOSE	KWN20	KWZ20	CN20	CZ20	WN20	MWN20	MWZ20	SN20	CRD20	ES20
06/05	\$4.61	\$4.81	\$3.31	\$3.45	\$5.15	\$5.19	\$5.45	\$8.68	\$39.80	\$3187
05/29	\$4.71	\$4.88	\$3.26	\$3.39	\$5.21	\$5.25	\$5.49	\$8.41	\$35.49	\$3042
05/22	\$4.45	\$4.64	\$3.18	\$3.33	\$5.09	\$5.13	\$5.38	\$8.33	\$33.77	\$2989
05/15	\$4.52	\$4.71	\$3.19	\$3.32	\$5.00	\$5.06	\$5.31	\$8.39	\$29.43	\$2847
05/08	\$4.80	\$4.99	\$3.19	\$3.36	\$5.22	\$5.16	\$5.38	\$8.51	\$24.74	\$2929
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

Here's the E mini S&P 500 futures chart; with a third week of new 11-week closing highs. Talk about buy signals. Wowzers. And don't even ask me why I was such a chicken. It's embarrassing! What virus??



I asked a friend what he thought and he said something which made sense. He said the companies don't offer pension funds any more, but every company offers a 401 K retirement fund, which they match on the first 5%, or something, and what that means is...IF YOU HAVE A JOB, you, and everyone, are buying the stock market every 2 weeks. I thought about that for a very long time, and I do NOT have a better explanation. It seems to me he came up with a reason.

Whatever. Last week I said everyone wants to buy a pullback and I doubt that's changed.

Last thoughts on corn demand... the weekly export pace shows IF corn demand stays steady, one could build a case for increasing this year's USA corn export forecast, but it also points out that next year's corn export forecast of 2150 will not be easy. Beans improved a little from last week's really bad number, and wheat says even if I throw in my estimated 35 million bu fudge factor, we probably will see about a 35 million decrease to the 2019/20 USA all wheat export number.

WEEK ENDED (05/28/20)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	53.0	1142.2	1,775	632.8	13	48.7
Soybeans	17.7	1320.0	1,675	355.0	13	27.3
All wheat	27.7	899.4	970	70.6	00	70.6

The wheat-by-class shows HRW had a great week. Not only did China end up lifting all the old-crop HRW they had on the books, another boat was switched out of unknown destinations and loaded X the PNW last week. And Ecuador outta nowhere took 3 big PNW boats too! Is that repeatable? This table includes 15 million HRW, and 10 million each of SRW and HRS in a fudge factor, based on historical data, which show up when the USDA sets the final numbers for the crop year.

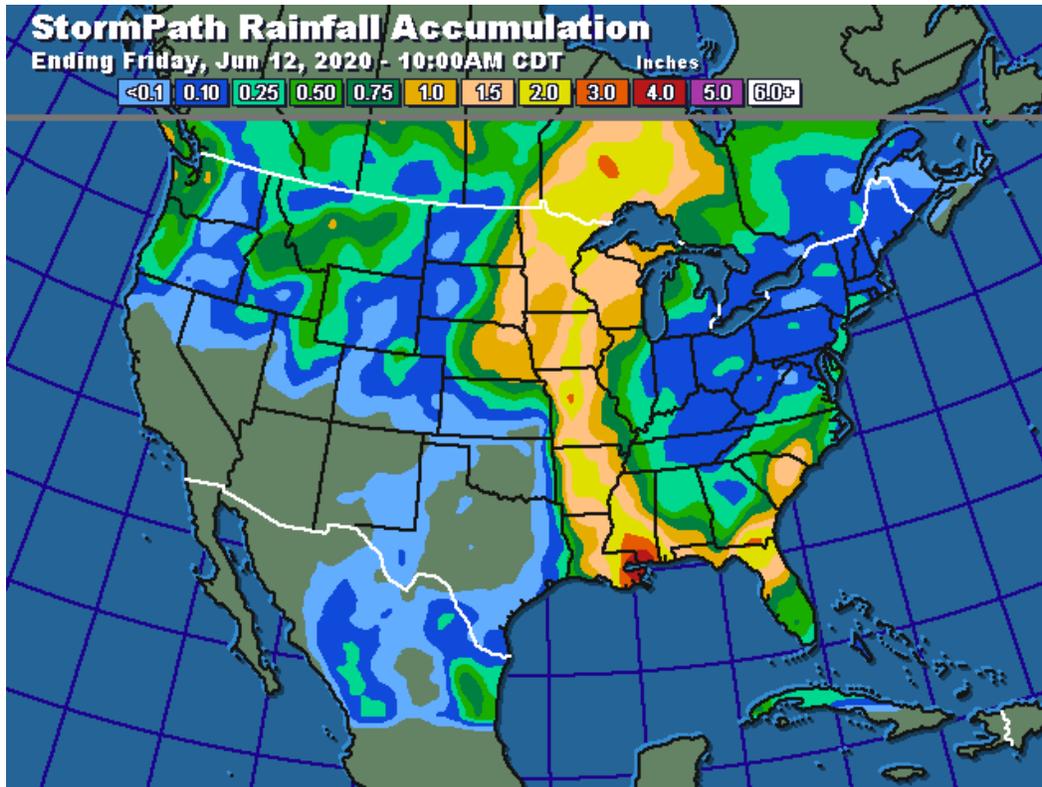
WEEK ENDED (05/28/20)	Weekly loadings	FUDGED in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	17.9	365.0	370.0	5.0	00	22.9
HRS	4.4	265.7	275.0	4.3	00	13.6
SRW	1.8	95.2	95.0	0	00	1.7
LAST WEEK						
HRW	9.9	347.1	370.0	22.9	01	22.9
HRS	5.6	261.4	275.0	13.6	01	13.6
SRW	.5	93.3	95.0	1.7	01	1.7

Not shown here is soft white, which will see a year-end final decrease of 15 million, and durum probably has a 5 million bu cut coming on the final.

Here's Dec corn. Fundamentally I tried to explain why I'm bearish, but this corn chart has quit going down, and has bounced up into trendline resistance, awaiting the new fundamental WASDE numbers.



And while corn is planted and emerged, and in good shape, it admittedly hasn't pollinated, but this week's weather forecast is certainly NOT a Burning Dome of Death. Last I knew, hot and wet makes young corn grow a couple inches taller EVERY day...maybe a month from now it's different, but Greenhouse City right now...



Soybeans... seeing Chinese export purchases announced, have bounced a bit. Like corn, we saw a new 4-week closing high, which to some is a buy signal. And if the stock market says everything is ok, beans benefit from that type of thinking. Regular, clockwork, measured... Chinese purchases don't have to be overwhelmingly huge, and they haven't been, but a semi-consistent purchase program at least supports the belief (hope is a better word) that the Trade Agreement Phase One is still intact.



Ok, how about wheat? Well...it's hard to ignore a new input we saw on last week's Crop Conditions and Progress Report; wheat was 3% harvested. That's not much, but it's enough to state that it's happening, and more is coming. It was enough to help KC July reject a shot at \$5.00:



55c range between the blue line and the red line is fairly broad, lot's of noise between.

We still don't know true facts about the size of this USA HRW wheat crop, let alone facts about the Russian crop. Last week I mentioned Argentina's crop "looks good", but they are still planting it, and the Aussie's are expected to have a big crop, but again, it's just now being planted, barely.

We've written recently a lot about the KC N-U, and how the storage charges for delivery wheat will not increase for July delivery wheat. But...if the corn crop is going to be as gigantic as feared, surely storage for about anything will be in demand, and here we see the KC U-Z widening not quite a penny this week.



For delivery wheat storage charges to increase, this KC U-Z will need to trade past -14.4c in late July through most of August. If it doesn't, you won't want to even think about storing your wheat, but I kinda think this spread is movin' on up (out) like The Jefferson's did back in the late 1970's...

That would be easier to accomplish if these Gulf bids break lower; this week we saw the opposite, as 12's firmed up a nickle:

GULF date	12 pro	ords	diff
6/5/2020	135	105	30
5/29/2020	130	104	26 N
5/22/2020	130	99	31
5/15/2020	128	99	29 K
5/8/2020	132	105	27

Harvest is coming...slowly.

Posted basis bids in the country don't seem to be in a hurry to set back either. Most bids are at least steady, and a couple spots are up a nickel, possibly seeing some PNW influence:

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
06/05	\$4.01-\$4.26	\$4.31	\$4.01-\$4.06	\$3.92-\$4.03	\$4.26-\$4.31
05/29	\$4.10-\$4.36	\$4.36	\$4.06-\$4.15	\$4.00-\$4.13	\$4.36-\$4.36
05/22	\$3.85-\$4.10	\$4.10	\$3.80-\$3.89	\$3.75-\$3.87	\$4.10-\$4.10
05/15	\$3.92-\$4.17	\$4.17	\$3.87-\$3.97	\$3.82-\$3.94	\$4.17-\$4.18
05/08	\$4.20-\$4.45	\$4.40	\$4.15-\$4.17	\$4.10-\$4.22	\$4.42-\$4.45
BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
06/05(N)	-60, -35	-30	-60, -55	-69, -58	-35, -30
05/29(N)	-60, -35	-35	-65, -55	-70, -58	-35, -35
05/22(N)	-60, -35	-35	-65, -55	-70, -58	-35, -35
05/15(N)	-60, -35	-35	-65, -55	-70, -58	-35, -34
05/08(N)	-60, -35	-40	-65, -63	-70, -58	-38, -35
Date	Concordia	Salina	Hutchinson	Wichita	Ark City
06/05(N)	-20	-05, -05	-26, -10	-16, -08	-13
05/29(N)	-20	-10, -05	-26, -10	-16, -08	-15
05/22(N)	-25	-10, -05	-26, -10	-16, -08	-18
05/15(N)	-25	-10, -10	-26, -10	-16, -10	-21
05/08(N)	-25	-10, -10	-26, -10	-16, -10	-21

If Ecuador comes back, or Brazil, or if China keeps buying...these bids might not sit back at all this year, and that alone might be enough reason to not store any wheat this season. In other words, I like sitting on basis wheat when the basis is cheap, and calendar spreads are in big fat carries.

Neither is happening currently, although we did talk about the KC U-Z maybe trying to widen.

I have written a couple of times about spring wheat in recent years giving HRW a flat-priced pop, but that's not happening yet either.

Seeing China lift that old-crop HRW, and take some extra to fill those big boats, along with good growing conditions in North American spring wheat country, has this bull-flag threatening to break down, and Minny spring wheat futures lose serious ground to KC HRW futures.

This is MGEX N – KC N.



The facts are...China has bought and shipped a chunk of USA HRW, and you cannot say that about USA spring wheat.

WASDE comes out Thursday, and corn will move for sure, one way or the other, and I doubt wheat will be able to do nothing.

Stay safe; keep planting that milo; are any Colorado guys planting any soybeans? Why not?

This planting season is about over.

Have a good week.