

Hello Colorado Wheat.

NASS released their Winter Wheat production Thursday. In a bit of a surprise to some... NASS raised their Kansas yield estimate 2 bu/ac and raised their Colorado yield estimate 1 bu/ac.

Nebraska up 3 bu from their May estimate, but Montana down 1 and Texas down 2 bu; Oklahoma unchanged. California yield was way way way down; down 34 bu/ac from their May estimate of 88 bu/ac! What the heck??

Net, winter wheat production estimate increased 11 million bu. This puts the total winter wheat production at 1.266 billion bushels, compared to last year's 1.304 billion, a drop of 38 million bu and somewhat more interestingly, Hard Red Winter and Hard White winter combine for a 93 million bu production reduction year-on-year, whereas Soft Red is expected to increase 58 million bu year-on-year!

Assuming demand stays about the same...that implies the balance sheet for Hard Red will be relatively MUCH TIGHTER this year compared to Soft Red, and therefore puts this KC – Chgo Spread into play. Last year at this time, KC futures were about 78c under Chgo futures, and went all the way to 95 under or so, before bottoming out. Currently, KC is only about 52c under Chgo futures, and the chart looks to me like KC will continue to gain on Chgo.



Are the days of Unders over? Has logic and sanity been restored to the Wheat universe finally? Finally?

Well, maybe. The problem is...the European winter wheat crop is struggling, and it appears a very large position is already short Chgo wheat futures already, against a long MATIF (French wheat) futures, and we don't know who blinks first.

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.

At least the NASS reports provided some insight. The WASDE reports, on the other hand, were badly punted, both in wheat and corn, as neither showed any demand changes at all. No demand changes at all... I guess you can't blame them, as the virus created massive uncertainty, but still... I would have liked to see something. I expected massive volatility; we received a wet blanket.

The market ended the week defensively, with crude oil and the stock market taking a breather; wheat setting back with the increased production estimate, here and abroad; corn and beans doing nothing.

CLOSE	KWN20	KWZ20	CN20	CZ20	WN20	MWN20	MWZ20	SN20	CRD20	ES20
06/12	\$4.49	\$4.70	\$3.30	\$3.43	\$5.02	\$5.16	\$5.39	\$8.71	\$36.51	\$3035
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

World wheat numbers were updated. USA wheat production was up a freckle, Russia, Argentina and Canada were left unchanged. Ukraine was down 1.5 mmt but offset by a 2.0 million increase in the Australian estimate. Europe was reduced 2 mmt to 141.0 million metric tonnes, although twitter is full of 135.0 or less estimates, and thus why I conclude the spec trade is long MATIF and short Chgo.

China's estimate was upped a million tonnes, which all went to their carryout, now expected to be almost 162 million tonnes, which is 3x the United States entire wheat production. China's carryout will now exceed their production by 25 million tonnes. And the USDA pegged Chinese wheat imports at 6 million tonnes on top of that. You can see why I am skeptical about Phase One of The Trade Agreement.

No one seems to ever consider China becoming a big wheat exporter, although why they continue to stockpile massive quantities of wheat is beyond me.

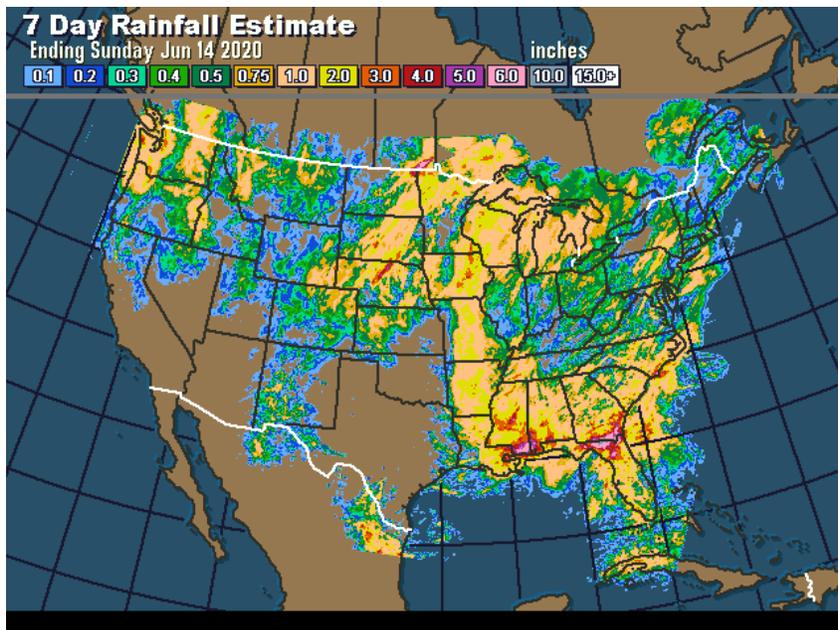
ALSO...the USDA raised the Indian wheat production estimate 4 million tonnes, which went to their expected carryout, now expected to be near 31 million tonnes, **a record for them.**

My opinion is...India will be a wheat EXPORTER this year, and that may be a bearish fundamental input that needs watching. My concern is IF they have success exporting wheat, why wouldn't they try it again? And again...and before you know it, we have another "Black Sea" (Indian Ocean actually) on our hands.

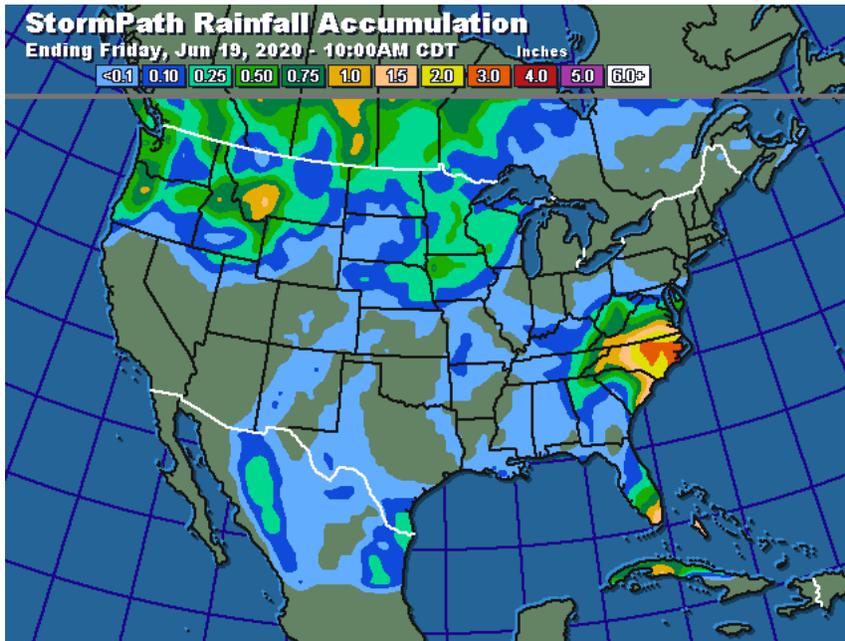
Anyway...NASS winter wheat production was slightly bearish, and the WASDE was slightly bearish. The table showed KC was down 12c, and this rather ugly KC July chart shows KC is flirting with taking out the 11-week support at \$4.45.



Crop progress as of June 7 showed HRW harvest 7% complete, with Texas more than 1/2 finished and Oklahoma was at 19%., and last week's rainfall suggests winter wheat harvest moved right long...



And this week is expected to be drier; surely some wheat will be cut in Colorado.



SO...now that harvest is almost here, what do we do about selling this wheat?

This is a weekly KC continuous chart. The short horizontal lines are the average farm price of that crop year from the table below. Some years had a higher or lower basis than others.



year	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Avg farm prx	\$6.87	\$5.99	\$4.89	\$3.89	\$4.72	\$5.16	\$4.60	\$4.60

The graph shows that most years (not always...) you get a second chance at selling wheat above the yearly average price.

The actual average farm price based on a simple 52-week average of posted Colorado bids last year was \$3.96 bu; the average futures price for the same time was \$4.47, and the USDA says the average farm price was \$4.60 bu.

Same time last year KC futures were about the same price, and continued dropping to below \$4.00, and then rallied to \$5.00 in early January. Then the virus and Trade Wars led to increased volatility.

Currently, these posted bids show the average farm price in Colorado is \$4.01, with futures at \$4.49:

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
06/05	\$3.89-\$4.14	\$4.19	\$3.89-\$3.93	\$3.79-\$3.96	\$4.14-\$4.19
06/12	\$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
BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
06/12(N)	-60, -35	-30	-60, -55	-70, -52	-35, -30
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
Date	Concordia	Salina	Hutchinson	Wichita	Ark City
06/12(N)	-20	-05, -05	-26, -10	-16, -08	-18
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

The Gulf bids late last week took a big drop; why not? Harvest is here...I'd say the posted country basis bids have some downside action coming that is not reflected in the bids shown above.

GULF date	12 pro	ords	diff
6/12/2020	130	87	43
6/5/2020	135	105	30 N
5/29/2020	130	104	26
5/22/2020	130	99	31 K

More than likely, based on the chart from page 3, and so far, no confirmation of serious trouble in Russia, or frankly the USA Corn Belt...I think the path of least resistance is lower. I think the national average farm price for 20/21 will be revised lower as the crop year progresses.

IF you sold your new-crop wheat right now, you would receive about same price as last year averaged, without any worry, and without messing with storage. As the USDA expects this year to be like last year, that shouldn't be too terrible. And if I'm correct about the USDA being optimistic on their price outlook, then selling it now would actually beat the market.

If you don't want to do that, and prefer to wait on news from Russia, or Canada, then we should know a whole lot more by the about the 4th of July.

WE showed the precipitation forecast for this week on page 4; it doesn't look like a Burning Dome of Death in Corn Country to me.

It's all coming to a head rather quickly; this is a Dec corn chart. You can see from the table on page 2 the 11-week high of \$3.64 from 03/27 is rolling off the table, making \$3.51 the 11-week high. \$3.32 is the 11-week low. It's a narrow range. The USDA refused to give us new demand inputs, so it's all about supply, and we'll probably know all about that by the 4th of July too. So far, we know the corn is planted and emerged, and 75% of it was in good or better condition.



There will come a time to be a Corn Bull. It might be this year, although pretty good chance it won't.

The entire year will be settled in the next 3 weeks.

Soybeans...on the other hand, are making a move now. It appears to me an upside breakout is upon us, or else an important failure. This is July beans:



You might notice the old 11-week closing high of \$8.85 rolls off the table this week, making Friday's and 04/10 's close of \$8.71 a key double-top. The USDA is predicting China will import 96 million tonnes of beans this year. That would be a record. The USA wants a big share of it. Exports sales have been fair to ok; what we need to see is export shipments pick up.

The USDA did make a demand change in old-crop beans; they reduced exports by 25 million. Even with that reduction, the old-crop bean export forecast looks difficult to achieve. When we consider next year's forecast is 2,050, then even though a futures chart looks like resistance will be overcome, the reality is if the forecast isn't met, it will be a bearish fundamental input.

WEEK ENDED (06/04/20)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	48.9	1191.0	1,775	584.0	12	48.7
Soybeans	10.8	1330.8	1,650	319.2	12	26.6
All wheat	6.3	6.3	950	943.7	51	18.5

Beans pretty much boil down to one thing: how much do we ship to China?

Have a good week; Stay Safe out there. Take a deep breath...slow the game down.

If you sell your wheat now, I don't think it will hurt you, but I can understand the reluctance to lock in a so-so price. Like the chart on page 4 showed, most years, you get a second chance...