

Hello Colorado Wheat.

Well...leaning towards a big Yuk. KC wheat futures dropped 21c this week. Chgo wheat broke below \$5.00, and the market felt KC had to go with it 1:1. We'll blame it on advancing harvest. Some have tried to pin it on low protein in the new crop. No signs of a Russian wheat disaster have as much to do with it as anything.

Here's a fairly pathetic looking KC July wheat chart, with new 11-week lows. I faintly remember having a "discussion" back in April 10 about laying off \$5.00 wheat futures...I wrote *"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"*.



Which of course happened. The following week I had to write this: *"KC futures failed miserably at their one job for the week. They ran away from the \$5.00 ceiling, unable to convert the ceiling into a floor."*

Looking back, it's always so clear. But none of that really matters.

What matters is: "What do we do now? Do we sell it when we cut it, or do we hang on to it, waiting for better prices?" We have to acknowledge storing wheat costs money. So add 5c per month. The meter is running. That's 15c every 3 months additional, just to break stiff on the storage decision.

That answer may not be the same for everyone. Some guys might need the money to pay bills. Some guys always haul their wheat to town and sell it as that's the cleanest way to deal with their landlord.

Should I stay, or should I go? A guy is going to have to take some more heat, but I vote STAY.

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 current posted bids are shown below these jumping Gulf bids, up 13 to 15c this week (!):

GULF date	12 pro	ords	diff	
6/19/2020	145	100	45	
6/12/2020	130	87	43	N
6/5/2020	135	105	30	
5/29/2020	130	104	26	K
5/22/2020	130	99	31	

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
06/19	\$3.83-\$4.03	\$3.98	\$3.68-\$3.73	\$3.60-\$3.75	\$3.93-\$3.98
06/12	\$3.89-\$4.14	\$4.19	\$3.89-\$3.93	\$3.79-\$3.96	\$4.14-\$4.19
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

BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
06/19(N)	-45, -25	-30	-60, -55	-68, -52	-35, -30
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, -12	-24
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 average posted Colorado bid is \$3.83, which means the average posted basis is -45N. That's not a cheap basis, unfortunately, which makes my "stay" call risky.

Why am I making this "Stay" call?

Mainly because I think downside risk is limited.

This is a continuous KC weekly chart; the computer has already rolled to the September ...



I doubt the futures have bottomed yet, still probably want to go test the \$4.20 area, and maybe even the \$4.00 area, which as this is now basis the Sept, would be 16c, or 36c...lower.

But last year KC nearby went to \$4.00, and then later went to \$5.00.

A \$5.00 futures market with the same basis of -45 would yield a flat price of \$4.55, which is 72c above the Stay call, but storage will eat into that 72c, so I'd personally like to see it happen soon, as I hate paying storage charges.

For the record, you have to make your own decision. Besides admitting the basis is starting out high, and acknowledging storage costs 5c/month, we must sign on the dotted line that we know:

1. More than likely, the USA corn chart is going to be huge. Possibly even a record, and we don't know how much demand has recovered.
2. There's a very good chance the Australian crop will approach 26 million tonnes, and they most certainly will be trying to reclaim market share in areas where USA HRW ate into their normal customer base, which specifically would be Southeast Asia and Oceania.
3. North American Spring wheat has moved into the relatively expensive category, which makes me think it offers little, if any support to Hard Red Winter.

Hmm; reading that stuff makes me plenty nervous.

But I'm not going to get into the "selling it now and re-buying it" stuff. I'm a simple guy. Wheat is raised to be sold, and then wash hands, and repeat the process next year. And then next year after that...

SO for me, the only question is "when?"

Here's how the markets finished the week:

CLOSE	KWN20	KWZ20	CN20	CZ20	WN20	MWN20	MWZ20	SX20	CRD20	ES20
06/19	\$4.28	\$4.50	\$3.33	\$3.45	\$4.81	\$5.24	\$5.46	\$8.81	\$39.83	\$3060
06/12	\$4.49	\$4.70	\$3.30	\$3.43	\$5.02	\$5.16	\$5.39	\$8.80	\$36.51	\$3035
06/05	\$4.61	\$4.81	\$3.31	\$3.45	\$5.15	\$5.19	\$5.45	\$8.80	\$39.80	\$3187
05/29	\$4.71	\$4.88	\$3.26	\$3.39	\$5.21	\$5.25	\$5.49	\$8.52	\$35.49	\$3042
05/22	\$4.45	\$4.64	\$3.18	\$3.33	\$5.09	\$5.13	\$5.38	\$8.45	\$33.77	\$2989
05/15	\$4.52	\$4.71	\$3.19	\$3.32	\$5.00	\$5.06	\$5.31	\$8.46	\$29.43	\$2847
05/08	\$4.80	\$4.99	\$3.19	\$3.36	\$5.22	\$5.16	\$5.38	\$8.56	\$24.74	\$2929
05/01	\$4.83	\$5.00	\$3.19	\$3.37	\$5.17	\$5.07	\$5.31	\$8.55	\$22.29	\$2822
04/24	\$4.83	\$5.00	\$3.23	\$3.37	\$5.31	\$5.13	\$5.38	\$8.42	\$16.94	\$2830
04/17	\$4.85	\$5.02	\$3.29	\$3.44	\$5.34	\$5.20	\$5.42	\$8.51	\$25.03	\$2870
04/10	\$4.99	\$5.16	\$3.37	\$3.51	\$5.58	\$5.44	\$5.64	\$8.76	\$28.82	\$2780
04/03	\$4.79	\$5.00	\$3.37	\$3.51	\$5.45	\$5.36	\$5.55	\$8.62	\$30.90	\$2483

We see new red numbers (11-week closing low) in KC and Chgo wheats, although MGEX spring wheat bounced. My feeling is the spring wheat is in great shape, and will be big, and this move is more related to \$40 crude oil than spring wheat conditions, or supply/demand. We see corn still waiting on which way the summer will go, but flirting with 11-week highs? And soybeans actually did print a new blue number! Buy everything else and sell KC? Gimme a break.

Here's November beans, closing on an 11-week high, but only a penny above the \$8.80 double top:



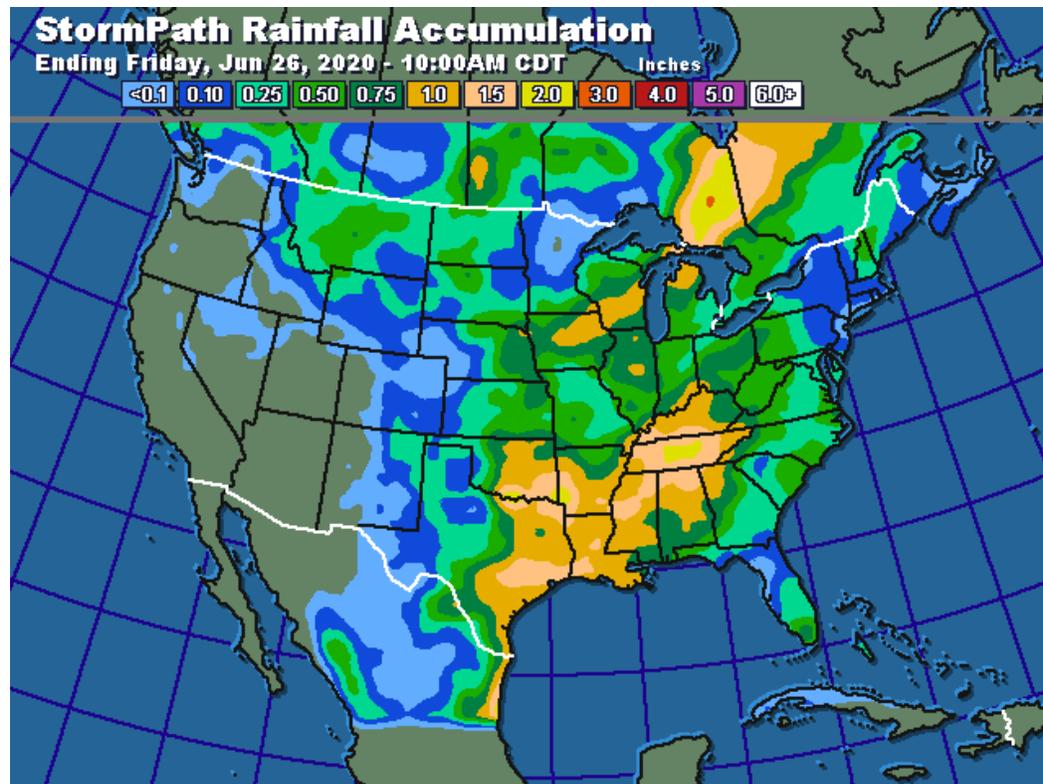
As long as China buys a few boats every week, the Phase One Trade Agreement is intact, lending hope to somehow China actually buying \$40 billion in USA ag products, with soybeans making up the lion's share.

The weekly export pace scorecard shows beans had a better week than last week but making the USDA forecast is still a struggle. Corn slipped again, and we're back to thinking we might need another decrease in the 2019/20 crop years USA export forecasts for both beans and corn. But wheat had a good week. Which proves that the futures market doesn't look much at actual export inspections.

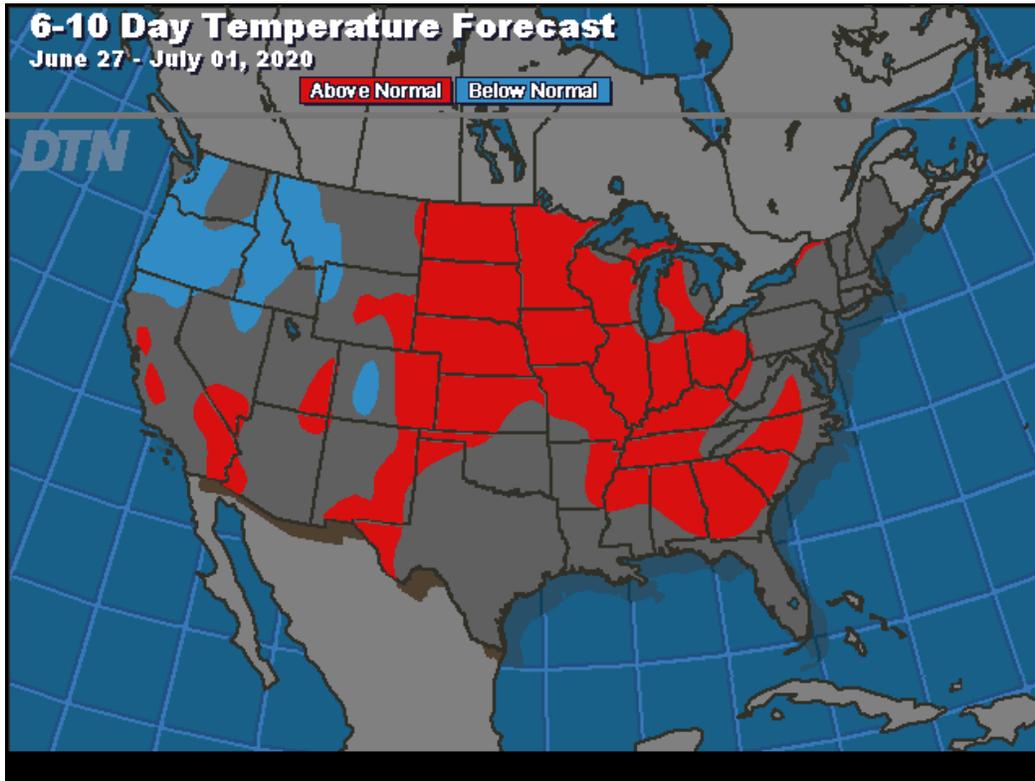
A boss a very long time go told me "the futures market is about the future, not the past".

WEEK ENDED (06/11/20)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	34.5	1225.5	1,775	549.5	11	50.0
Soybeans	14.2	1345.0	1,650	305	11	27.7
All wheat	17.9	24.2	950	925.8	50	18.5

The Dec corn chart shown below...I'm not sure if it's about the future, or the past. I tend to think it's only about one thing, which is this weather map:



Although even that is debatable, as that precipitation forecast looks great for corn to me. So it must be about the further out future...here's a hot forecast for the 6-10 day...



And then the Dec corn chart, finally, which shows corn refusing to believe a 16 billion bu crop is possible, let alone likely...



I have to come back to KC wheat vs MGEX spring wheat, as I made a bet that protein really doesn't have much to do with how much MGEX is over KC futures...BUT, this weekly continuous chart suggests there is probably indeed a correlation:



Crop year	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20
KS protein	12.4	12.2	13.4	12.7	11.7	11.6	12.3	11.5

I'm actually short some Minny vs KC and looking at this...I think I'll take my lumps and get on with life. Ouch. Probably is a reason I still drive a 2002 Toyota Tundra instead of the new Tesla Cybertruck...

Shifting gears...electronically no doubt... I read this story in The Washington Post about genetically modified poppies, grown in Tasmania, and shipped to the States, which fueled the opioid crisis. The article raises many questions, although now I can see why Afghanistan is not as important as it used to be... the article came out in late March, but I just recently came across it when I was researching "world trade" ...<https://www.washingtonpost.com/graphics/2020/business/opioid-crisis-johnson-and-johnson-tasmania-popy/>

One other article, which as Sosland (Milling and Baking News) is behind, I bet we'll be hearing a lot about. It says wheat is a much "greener" crop than any other. Unfortunately I'm not ready for a mandate limiting how much beef I can eat, but I am for increased wheat consumption.

<https://www.world-grain.com/articles/13844-wheat-saving-the-planet-one-diet-at-a-time>

Have a good week; good luck with your harvesting! Stay Safe.

We'll see how my Stay call plays out. I hope it's good for you.