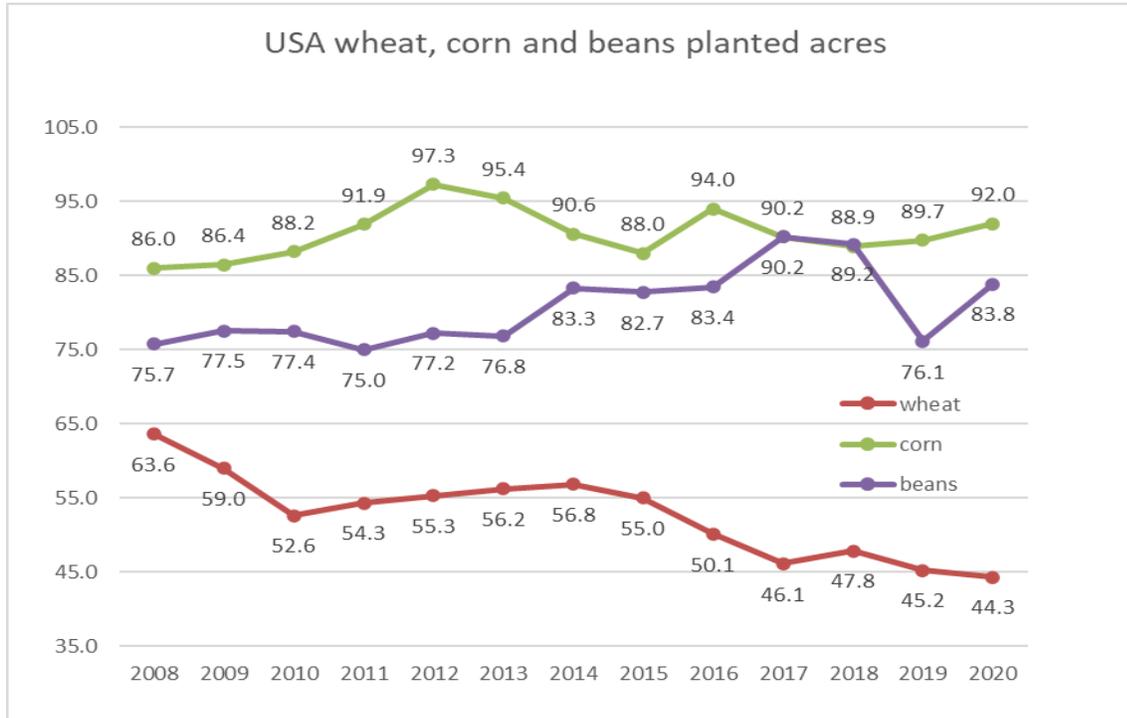


Hello Colorado Wheat.

Last week I asked the question “Did the USA plant 97 million corn acres and 83.5 million acres of soybeans?” The answer was a very loud NO.

The June 30 NASS Acreage report showed only 92 million corn acres were planted.



Bean acres were a little higher than the March Prospective Plantings report, while “all wheat” acreage was a little lower than expected, mainly due to North Dakota spring wheat acres.

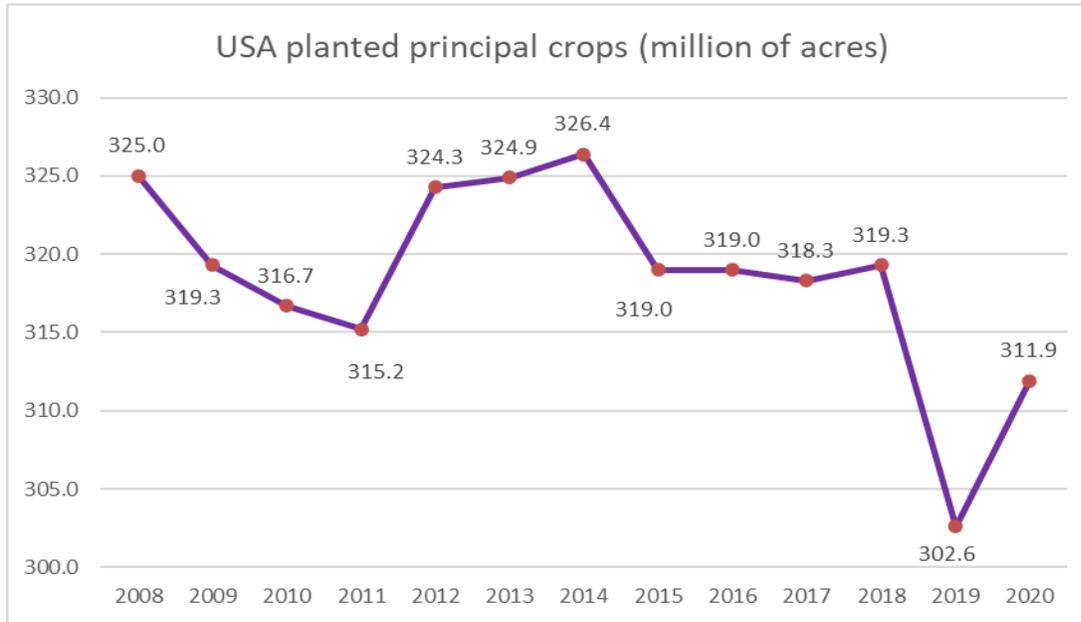
Markets reacted to the corn planted acreage with a vicious rally, although the “other” report issued on the same day, Grain Stocks, was a bit of a cooler, as grain stocks were generally more than expected, indicating usage and a demand rebound was not as robust as hoped for.

However, crunching all the numbers leads me to the conclude that \$2.85 Dec corn futures are NOT possible this year. And as I think corn influences wheat prices probably even more than we want to believe...that makes me personally feel better about my “Stay” call (hanging on to new-crop wheat, instead of selling it all then) from 2 weeks ago...

Don't get me wrong. Storage can still eat up any price gains, and instead of a gigantic 16 billion bu corn crop we're looking at a very large 15 billion bu corn crop..., but for now, at this incredibly tiny snapshot in time..., I'm a genius.

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.

Total USA Principal Crops planted showed a good rebound from last spring's too wet conditions, but certainly suggests total USA planted acreage is in a decline.



Look at this table of national average farm prices with the acreage by crop on page one.

NAFP	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
wheat	\$6.78	\$4.85	\$5.70	\$7.24	\$7.77	\$6.87	\$5.99	\$4.89	\$3.89	\$4.72	\$5.16	\$4.60	\$4.60
corn	\$4.06	\$3.55	\$5.18	\$6.22	\$6.89	\$4.46	\$3.70	\$3.61	\$3.36	\$3.36	\$3.61	\$3.60	\$3.60
beans	\$9.97	\$9.59	\$11.30	\$12.50	\$14.40	\$13.00	\$10.10	\$8.95	\$9.47	\$9.33	\$8.48	\$8.50	\$8.20

I think it clearly shows wheat acreage responds to price but finding a price correlation to bean or corn acreage is more difficult.

Why is that? Yield (bu/acre) probably is a factor.

yield	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
wheat	44.9	44.5	46.3	43.7	46.2	47.1	43.7	43.6	52.7	46.4	47.6	51.7	49.8
corn	153.9	164.7	152.8	147.2	123.1	158.1	171.0	168.4	174.6	175.4	176.4	167.4	178.5
beans	39.7	44.0	43.5	41.9	40.0	44.0	47.5	48.0	51.9	49.3	50.6	47.4	49.8

This table simply multiplies price X yield to derive a gross income per acre.

gross \$/ac	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
wheat	\$304.42	\$215.83	\$263.91	\$316.39	\$358.59	\$323.71	\$261.52	\$213.20	\$205.00	\$219.01	\$245.62	\$237.82	\$229.08
corn	\$624.83	\$584.69	\$791.50	\$915.58	\$847.88	\$704.90	\$632.74	\$607.92	\$586.66	\$589.34	\$636.80	\$602.64	\$642.60
beans	\$395.81	\$421.96	\$491.55	\$523.75	\$576.00	\$572.00	\$479.75	\$429.60	\$491.49	\$459.97	\$429.09	\$402.90	\$408.36

I think wheat costs less to produce than corn, but I'm not too sure about comparing wheat production costs with beans, and coming up with a true net/acre is difficult, because anytime I ever ask anyone what their cost of production is, I always hear "it depends on yield".

Anyway...enough of this rabbit hole. USA planted acreage is not steadily increasing, probably for many reasons.

We will get the July WASDE at the end of this week, July 10.

Here's my rough guess on what the corn balance sheet will look like:

CORN USA	June 20 WASDE		maltby July 20 WASDE	
	2019/20	2020/21	2019/20	2020/21
year				
planted	89.7	97.0	89.7	92.0
harvested	81.4	89.6	81.3	84.0
yield	167.8	178.5	167.4	175.5
production	13,663	15,995	13,617	14,745
supply	15,928	18,118	15,883	17,173
domestic	12,055	12,650	11,705	12,650
exports	1,775	2,150	1,775	2,150
use	13,830	14,800	13,480	14,800
carryout	2,098	3,318	2,403	2,373
stox/use	15.2%	22.4%	17.8%	16.0%
USA \$ farm price	\$3.60	\$3.20	\$3.55	\$3.45

I increased this year's corn carryout by 300,000 bu, based on the Grain Stocks report, by reducing domestic usage (feed, residual AND industrial usage). I dropped this year's NAFFP a nickel to \$3.55, as the stox/usage ratio increased more than 2%.

That increased carryout goes to this year's carry-in, but we should see reduced production as the acres were 92 million, not 97 million. I also dropped yield 3 bu/ac due to the hot temps coming during silking. I left June's demand estimates unchanged. The bottom line is the expected stox/usage ratio drops to 16%, instead of 22.4%, and that allows a 25c/bu jump in the National Average Farm Price, up to \$3.45, which matches up pretty well with Dec corn's last week's close of \$3.53, and "everything would be fine".

Call me Mr. Pollyanna.

The real issue is what the USDA expects demand to be, as they were already calling for a 375 million increase in exports and a 600 million bu increase in domestic usage, which of course looks very difficult to achieve based on the expected downward revisions coming to the 2019/20 domestic usage, based on the higher than expected Grain Stocks report.

Like I said, that corn S&D would support how the market closed last week, shown next. Dec Corn rallied almost 30c, creating a new blue number (a new 11-week closing high), which was a signal for trading funds to exit some (a lot of) short positions. Beans set a second blue number; shorts are probably covered, and some quicker funds are now long. Crude oil trading funds are long \$40 crude, and I hope they have good luck with that...and the stock market did hold the 3000 area, which I talked about last

week. KC wheat...didn't do much, up 6c, although Chgo gained 16c, finally responded to the IGC's EEU wheat estimated production cut, also covered last week.

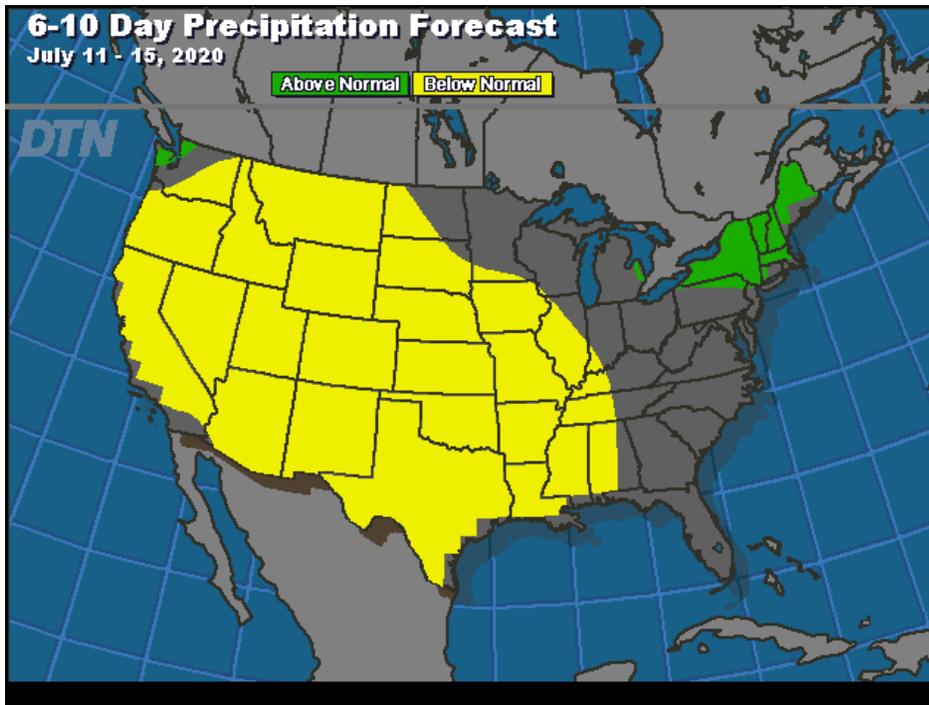
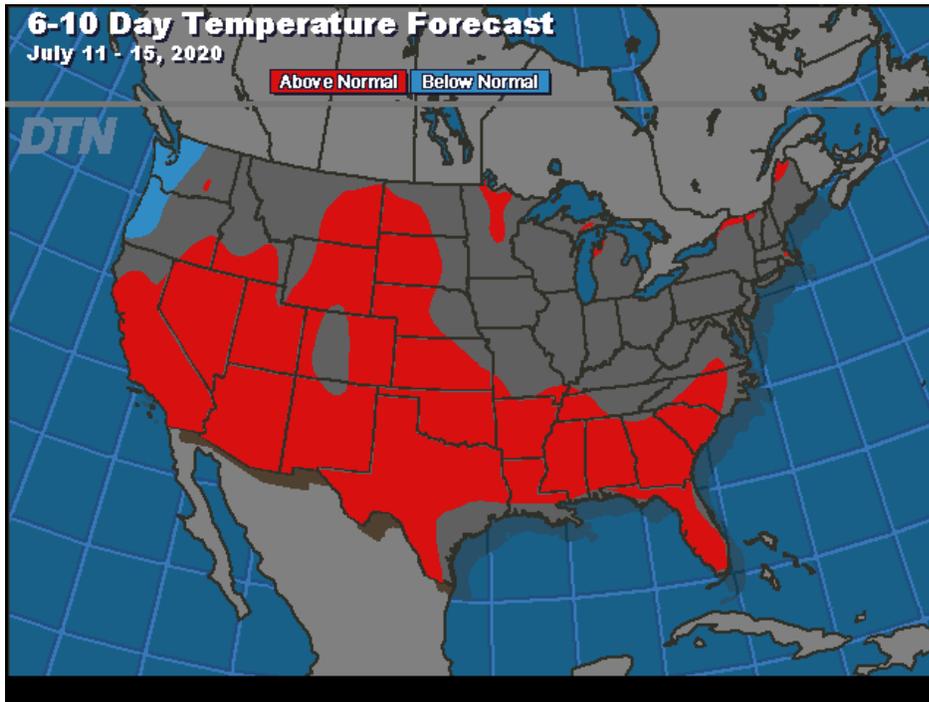
CLOSE	KWU20	KWZ20	CU20	CZ20	WU20	MWU20	MWZ20	SX20	CRD20	ES20
07/02	\$4.34	\$4.47	\$3.44	\$3.54	\$4.92	\$5.10	\$5.24	\$8.97	\$40.36	\$3116
06/26	\$4.28	\$4.41	\$3.19	\$3.25	\$4.76	\$5.09	\$5.24	\$8.61	\$38.65	\$3007
06/19	\$4.36	\$4.50	\$3.37	\$3.45	\$4.85	\$5.35	\$5.46	\$8.81	\$39.83	\$3060
06/12	\$4.57	\$4.70	\$3.35	\$3.43	\$5.08	\$5.25	\$5.39	\$8.80	\$36.51	\$3035
06/05	\$4.69	\$4.81	\$3.36	\$3.45	\$5.20	\$5.31	\$5.45	\$8.80	\$39.80	\$3187
05/29	\$4.77	\$4.88	\$3.30	\$3.39	\$5.24	\$5.36	\$5.49	\$8.52	\$35.49	\$3042
05/22	\$4.52	\$4.64	\$3.23	\$3.33	\$5.13	\$5.24	\$5.38	\$8.45	\$33.77	\$2989
05/15	\$4.59	\$4.71	\$3.23	\$3.32	\$5.03	\$5.18	\$5.31	\$8.46	\$29.43	\$2847
05/08	\$4.87	\$4.99	\$3.25	\$3.36	\$5.25	\$5.26	\$5.38	\$8.56	\$24.74	\$2929
05/01	\$4.90	\$5.00	\$3.26	\$3.37	\$5.20	\$5.18	\$5.31	\$8.55	\$22.29	\$2822
04/24	\$4.90	\$5.00	\$3.28	\$3.37	\$5.33	\$5.25	\$5.38	\$8.42	\$16.94	\$2830
04/17	\$4.92	\$5.02	\$3.34	\$3.44	\$5.39	\$5.30	\$5.42	\$8.51	\$25.03	\$2870

Spring wheat...laid there, trying to rally on the less than expected NoDak acres, but unable to ignore the more than expected spring wheat stocks in all positions which are mainly held on farm in ND and MT. It appears the USA spring wheat farmer is hanging on to quite a bit of last year's crop, which had some quality issues...I assume he's hoping for a good crop this year, so he can do some blending.

stocks (million bu)	6/1/2017	6/1/2018	6/1/2019	6/1/2020
MT wheat on farm	38,000	28,000	42,500	46,000
ND wheat on farm	67,000	57,000	91,000	102,000
2 state total	105,000	85,000	133,500	148,000
planted wheat (million ac)	6/1/2017	6/1/2018	6/1/2019	6/1/2020
MT all-wheat	5,140	5,290	5,450	5,160
ND all-wheat	6,680	7,690	7,505	6,830
2 state total	11,820	12,980	12,955	11,990

Those big stocks somewhat offset the reduced planted acres, but North American spring wheat is in a weather market with USA corn and beans.

The 6-10 days look relatively “hot and dry”.



and that helped the Sunday night markets open higher.

Here's Dec corn, with Sunday night's higher open included. This chart shows the 11-week closing low at \$3.25 from the 6/26 close, followed immediately one week later with the new 11-week closing high at \$3.54. This seems to be a rare occurrence...



I can only assume remaining short positions are not having fun, but I'm not too sure longs are digging it either. Friday's report will probably be bearish on demand, but bullish on supply. I think every 3 bu/yield +/- is worth 5c/bu, and same thing with every 300,000 bu of demand.

Nov beans opened Sunday night up a nickel and moved up a dime pretty quick.



I'm pretty sure the Chinese haven't bought anywhere close to their Phase One agreement, but that doesn't matter this nano-second if we're going to stay "hot and dry".

The export pace shows the USDA will more than likely reduce their 19/20 old-crop soybean export forecast, but until it cools down and rains, who cares?

WEEK ENDED (06/25/20)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	56.7	1333.9	1,775	441.1	09	49.0
Soybeans	14.1	1370.4	1,650	279.6	09	31.1
All wheat	18.7	69.0	950	881.0	48	18.4

Corn is on pace, so the expected old-crop lower revisions to demand won't come from the export category. And wheat is on pace too this early in the new year.

The July WASDE this Friday will give us the first official look at a "wheat-by-class" export forecast, so this is subject to change, but I think it offers a pretty good guess how we're doing.

WEEK ENDED (06/25/20)	Weekly loadings	estimated in season (estimate *)	USDA projection *	Amount needed	# of weeks remaining	Bu per week needed
HRW	8.7	45.8	365.0	319.2	48	6.7
HRS	5.3	27.1	265.0	237.9	48	5.0
SRW	2.1	13.7	90.0	76.3	48	1.6

So far, USA wheat exports are having a good year, but it's early. Australia and Argentina will be looking to re-take market share...

KC September wheat futures are going sideways now, which is better than going lower.



HRW wheat harvest is probably 2/3's finished. Harvest pressure is abating, and wheat should bounce along with corn and beans for a bit, but don't make any assumptions about skyrocketing wheat prices. The world wheat supply is plentiful. In that regard, consider my "stay" call to be temporary.

Gulf bids moved to basis the Sept, at about a 7 or 8c carry, which means these 12 pro bids are slightly better, and ords are up 6c or so. Reports about the protein content of the newly harvested wheat continue to get a little better, thus we're back to the "why pay for it if you're going to get it anyway" mentality, which is a shame, because it sends the wrong signal to the producer:

GULF date	12 pro	ords	diff	
7/3/2020	140	105	35	U
6/26/2020	145	106	39	N
6/19/2020	145	100	45	
6/12/2020	130	87	43	
6/5/2020	135	105	30	
5/29/2020	130	104	26	
5/22/2020	130	99	31	
5/15/2020	128	99	29	
5/8/2020	132	105	27	
5/1/2020	142	111	31	K

Posted basis bids in Colorado increased this week almost everywhere. Remember, these basis bids are now basis the U, and if not down 7c, it means the basis is higher.

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
07/03	\$3.89-\$4.09	\$4.04	\$3.79-\$3.89	\$3.71-\$3.86	\$4.04-\$4.04
06/26	\$3.76-\$3.96	\$3.91	\$3.71-\$3.73	\$3.50-\$3.68	\$3.91-\$3.98
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
BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
07/03(U)	-45, -25	-30	-55, -45	-63, -48	-30, -30
06/26(N)	-45, -25	-30	-50, -48	-71, -52	-30, -23
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

Date	Concordia	Salina	Hutchinson	Wichita	Ark City
07/03(U)	-20	-05, -05	-26, -10	-16, -12	-24
06/26(N)	-20	-05, -05	-26, -10	-16, -12	-24
06/19(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

OK, that about does it. We'll get a July WASDE this week, which probably will be bearish corn, although the weather could easily override it. Or not. I'm not too sure the corn rally can survive a thunder clap, let alone a 1/2 inch of rain.

We'll also see an updated winter wheat production, which will show less harvested acres in Colorado and some other finetuning, plus it will show an updated yield outlook.

The world wheat situation might be a little less onerous as I expect the USDA to decrease their EEU wheat production forecast, but I doubt we see big changes to Russia. This doesn't see to be 2010 all over again.

Stay safe out there. Have a good week.