

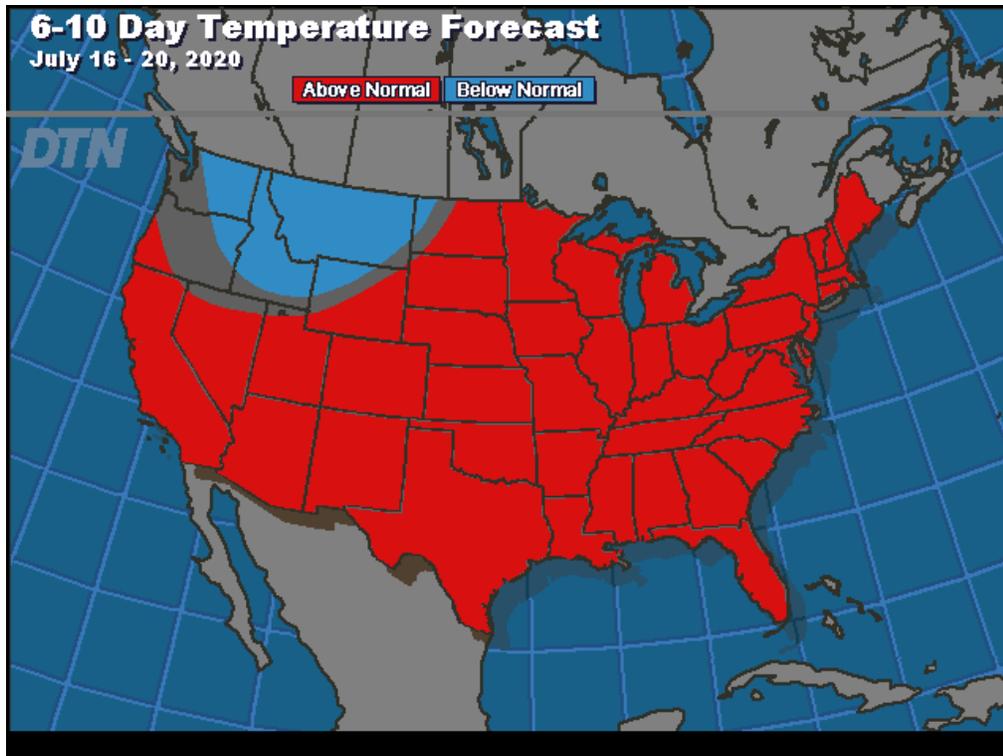
Hello Colorado Wheat.

The USDA's July WASDE and NASS's crop production reports had something for both the bulls and the bears, which means...we've only the weather to trade.

Which is probably what we always had, but at least now we won't be hypocritical...

In that regard...might as well put it on the front page:

Is this bad enough to restart the corn rally?



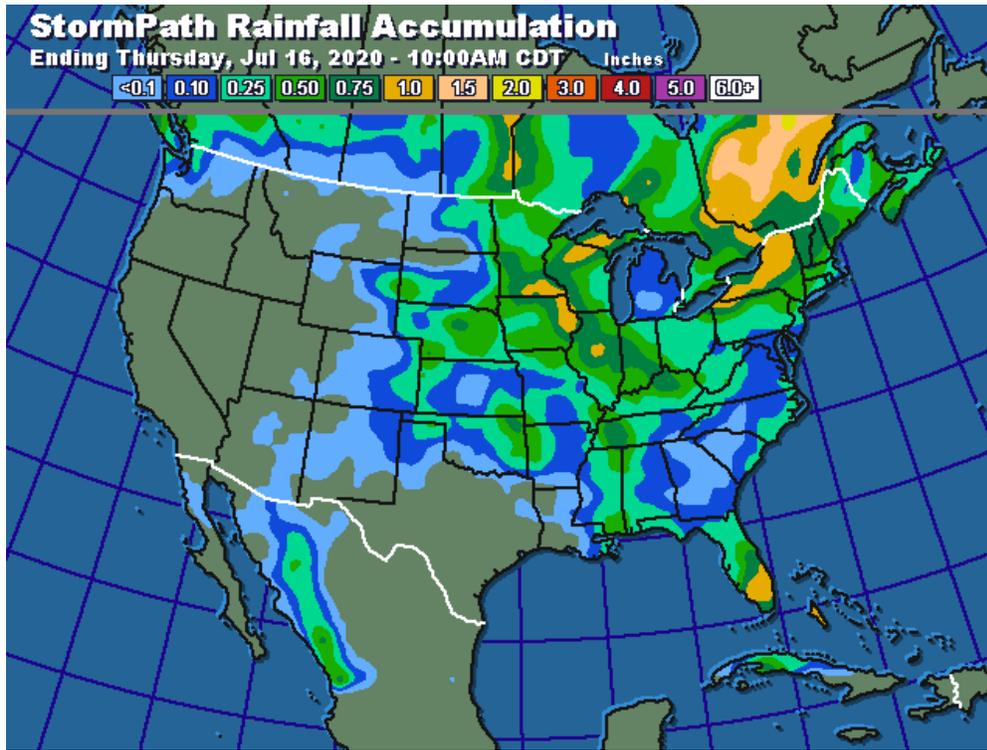
Unfortunately, I'm leaning towards probably not...and

besides this came out toward the future's close, from twitter...[#Trump](#) said Friday he is not thinking about negotiating a Phase 2 trade deal with [#China](#). "The relationship with China has been severely damaged. They could have stopped the plague, they could have stopped it. They didn't stop it."

I thought Phase 1 was kind of a joke, but with Trump, one thing we know is...it's all a negotiation tactic. I don't think this means any more than all the other nonsense he tweets, but who knows?

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 main reason I don't think the hot temps are a killer is ...so far, it won't quit raining on Iowa, etc.:



Here's how the markets settled after the July WASDE and NASS Crop Production reports:

CLOSE	KWU20	KWZ20	CU20	CZ20	WU20	MWU20	MWZ20	SX20	CRD20	ES20
07/10	\$4.52	\$4.64	\$3.37	\$3.45	\$5.34	\$5.26	\$5.38	\$8.91	\$40.73	\$3179
07/03	\$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

Chgo wheat up 42c last week. KC lagged, but up 18. Corn and beans eased back. Firm crude and stocks.

The table suggests Dec corn resistance exists just above \$3.50, and Nov beans struggle to get through \$9.00. Here's the Z corn chart, showing 5 unsuccessful attempts at \$3.60. Friday's 12c drop shows the disappointment of the USDA leaving national average corn yield unchanged at 178.5 bu/ac.



Main thing I see on this corn chart is a 30c lateral trading range. New highs would change my mind, but...

I like the looks of this Nov beans chart. I think the uptrend is MAYBE still intact, whereas the corn chart doesn't show the same pattern.



The July WASDE old-crop bean fundamentals were more bearish than expected. They showed a NEGATIVE residual number, -46 million bu, which implies last year's production was UNDERSTATED.

YET... based on reality, they increased the old-crop national average farm price 5c, up to \$8.55/bu. This report showed the old-crop soybean ending stocks/usage ratio increasing 1%, yet...the average price increased. That's a rare occurrence. They increased domestic crushing demand for old-crop, AND new crop. Also the new-crop production grew slightly, as expected harvested acres increased slightly, so the bottom line is we saw a 30 million increase in the ending stocks of the 20/21 crop year. YET the expected national average farm price for beans this coming year was raised 30c to \$8.50.

I assume the USDA looked at the bean chart like I did, and thought "hmm, this thing looks like it wants to go higher."

I admit I am surprised they did not drop their old-crop bean export forecast. The export pace is WAY BEHIND what's needed to reach their old-crop target of 1650 mil bu. And that makes us a little nervous about their leaving next year's bean export forecast unchanged at 2,050 million bu. Obviously it's all about China, including all the politics from both sides.

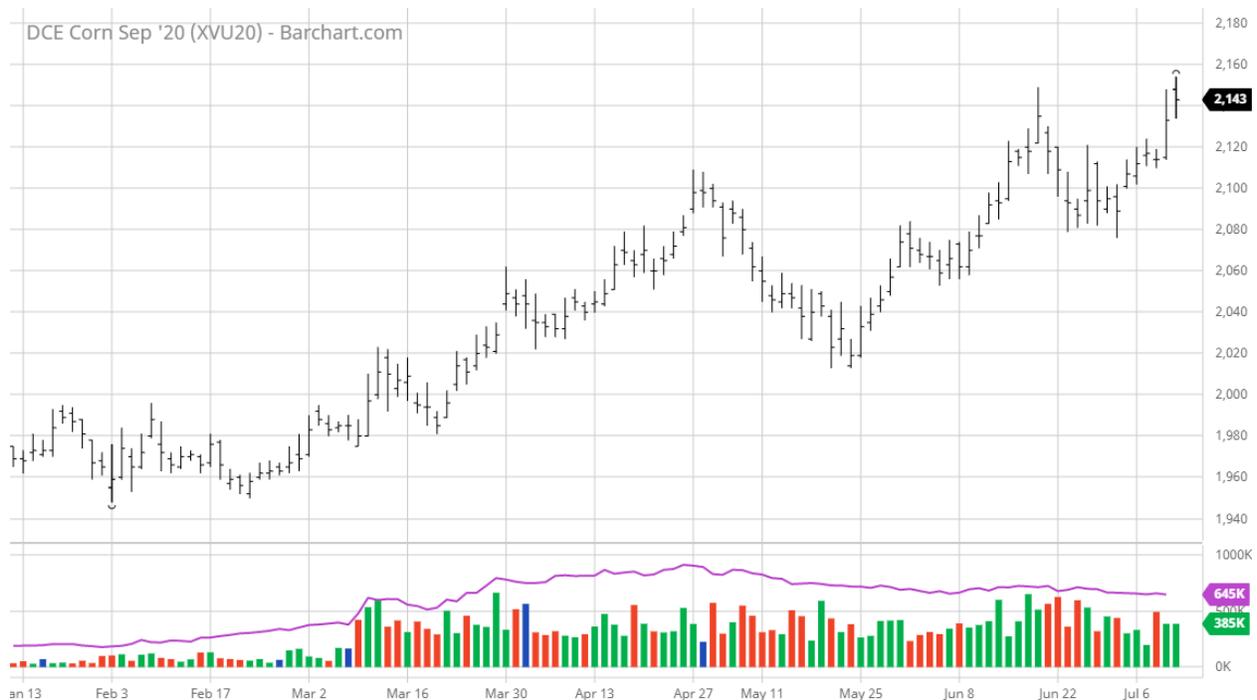
WEEK ENDED (07/02/20)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	42.7	1,376.6	1,775	398.4	08	49.8
Soybeans	17.2	1,387.6	1,650	262.4	08	32.8
All wheat	15.1	82.9	950	867.1	47	18.5

They left old-crop corn exports unchanged, as I expected, although I'd like to see a good week or two, starting this week, mainly because soon, in 8 weeks, this table will roll to the new-crop for corn and beans, and the new-crop corn export forecast shows a 400 million bu jump, up to 2,150 million bu. In a 52 week year, that's only 41.3 million bu, which is the pace we're on, but it has to happen every week.

And possibly that depends on China too. On Friday, we saw a "flash sale" announced of 1.365 million tonnes of corn sold to China. (53.7 million bu.) A friend at a commission house has been sending me charts of the Dalian corn (Chinese) futures market for a couple weeks, showing steadily rising domestic Chinese corn prices, so he wasn't surprised by the big "flash sale". He's been expecting it.

This is a chart of the Dalian corn futures contract. The source is barchart.com. It looks to me to be trending higher. I'm no expert on local Chinese corn prices...but I think USA corn landed in China is cheaper than these prices shown and offers a profit potential for some importers.

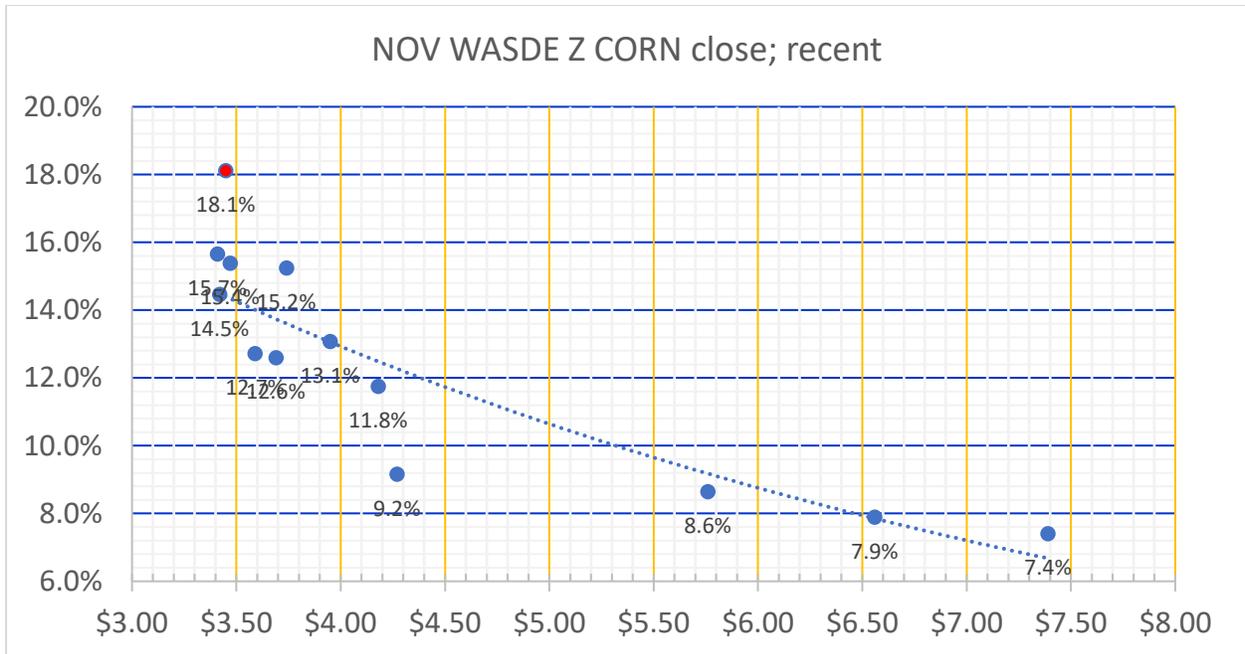
Anyway...if China keeps buying USA corn, the USA fundamental balance sheet has a chance at not being overwhelmingly bearish forever.



This is from the updated July WASDE:

CORN USA	June WASDE		July 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	178.5
production	13,663	15,995	13,617	15,000
supply	15,928	18,118	15,883	17,273
domestic	12,055	12,650	11,860	12,475
exports	1,775	2,150	1,775	2,150
use	13,830	14,800	13,635	14,625
carryout	2,098	3,318	2,248	2,648
stox/use	15.2%	22.4%	16.5%	18.1%
USA \$ farm price	\$3.60	\$3.20	\$3.60	\$3.35

This chart of corn futures on the November WASDE update compared to the expected ending stox/use ratio suggests Dec corn futures of \$3.45 aren't as greatly overpriced as they were when the expected ending stox/use ratio was 22%... that's the most bullish thing I can say about corn. It's not as overpriced as it was.



Ok, how about wheat?

Here's a KC Sept wheat chart, showing a red line at \$4.28 from 06/26 and a blue line from the 04/24 and 05/01 double-top at \$4.90:



I'm not sure we've taken out the trendline resistance yet, although it's a solid maybe.

Regarding my "stay" call from the 06/19 issue, I received this email:

So \$4 wheat isnt enough, but a guy would like to lock in those protein premiums of \$0.15-.30 on these harvest bushels. What's a good play? Sell the crop, grab what u can, and buy the board? What month? Dec, mar, or may?

We have no farm storage, so it goes to the elevator. Most protein premiums are paid at the scale they have at the time of sale, not delivery.

All I could say was... "I'll get back to you". And that's what we'll do here. It's apparent he thought some protein premiums existed, and may disappear, so he wanted to get his wheat sold to lock those down, which I hope he was able to do. Protein premiums are fleeting in my opinion. Harvest reports indicate the protein content of this year's crop has increased a little as the harvest moved north.

These are posted bids. The average Colorado bid is now \$4.12, up 29c from my "stay" call of 06/19.

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
07/10	\$4.07-\$4.27	\$4.27	\$3.97-\$4.07	\$3.89-\$3.99	\$4.25-\$4.27
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
07/10(U)	-45, -25	-25	-55, -45	-63, -53	-27, -25
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
Date	Concordia	Salina	Hutchinson	Wichita	Ark City
07/10(U)	-20	-10, -10	-31, -17	-24, -15	-29
07/03(U)	-20	-10, -10	-31, -17	-24, -17	-29
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

The MAIN reason the flat price bids are better on average is the basis out West has really improved, whereas the Central KS Terminals have not budged. So that may be a reason to sell wheat out in the

West, although...even though the basis is firm, I'm not sure it's getting ready to crash. Look at these posted Gulf bids, up ANOTHER dime or so this week!

GULF date	12 pro	ords	diff	
7/10/2020	150	117	33	
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	

That makes me think some upside in the basis exists.

This week, on the same day we saw the gigantic corn sales announced to China, we ALSO saw China buy 2 or 3 boats of USA HRW AND 2 or 3 boats of USA spring wheat.

Since we now have a "wheat-by-class" S&D, this is the updated export pace scorecard, keeping in mind my "fudged" accumulated column has an extra 15 million bu of HRW and an extra 10 million bu in both HRS and SRW. The USDA's July WASDE showed a 385 mil bu export target for HRW, a 4-year high.

WEEK ENDED (05/28/20)	Weekly loadings	FUDGED in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	6.2	52.0	385.0	319.2	47	6.7
HRS	4.5	31.6	270.0	237.9	47	5.0
SRW	1.8	14.3	90.0	76.3	47	1.6
LAST WEEK						
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

Combined with the July Crop Production report, which decreased HRW production by 12 million bu, this year's HRW ending stox/usage ratio is down to 52%, which is a 6-year low. And the USA's all-wheat ending stox/usage ratio is down to 46%.

A picture is worth a thousand words; here's the updated "all-wheat" balance sheet, which will change many times as the calendar moves on. Notice the USDA dropped the 19/20 feed/residual component by 61 million bushels! That's a major complaint I have with the USDA. Everyone knew their feed number was too high, but they don't do a final adjustment until the June 30 Grain Stocks report. That is NOT doing anyone any favors. Look at this year's feed/residual estimate of 90 million bu. It should be more

like 50 million, as with wheat at more than a dollar premium to corn, it will not get fed. EVERYONE KNOWS THAT. Why doesn't the USDA?

USA all wheat	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
year										
carry in	862	743	718	590	752	976	1181	1099	1080	1044
production	1999	2266	2135	2026	2062	2310	1741	1885	1920	1824
imports	113	122	169	149	113	117	157	135	105	140
total supply	2974	3131	3022	2765	2927	3403	3079	3119	3105	3008
food	941	945	951	958	957	949	965	955	962	964
seed	76	73	77	81	67	61	63	59	60	61
feed/residual	163	388	228	120	152	154	51	90	74	90
domestic use	1180	1406	1256	1159	1176	1164	1079	1104	1096	1115
exports	1051	1007	1176	854	775	1055	901	936	965	950
total demand	2231	2413	2432	2013	1951	2219	1980	2040	2061	2065
carryout	743	718	590	752	976	1184	1099	1079	1044	943
stox/use	33.3%	29.8%	24.3%	37.4%	50.0%	53.4%	55.5%	52.9%	50.7%	45.7%

The other side is they are showing a 35 million jump in imports this year. That could happen, but why? This is a weekly continuous line chart of the Canadian dollar (known as the Loonie). It DOES NOT LOOK materially different than it's in been a while, especially if crude oil is going to stay at \$40/bbl or so...



Anyway, I think USA all-wheat feed/residual is overstated, but I think USA wheat imports are overstated as well.

So if a guy sold his wheat, to save storage charges, or to lock in a protein premium, or he needed the money, or whatever reason...should he "buy back" some wheat futures?

If he does, he's going to have to put up a chunk of margin money. I know if a guy bought calls, he wouldn't have to put up as much, but I personally hate owning calls, as the time decay is very difficult to overcome. I personally would rather see a producer sell his wheat to the elevator, and just "fix the basis" (lock it in), with any protein premiums, and have the wheat remain "unpriced" on the futures component, and let the elevator margin it...but maybe not all elevators do that. If a guy did buy back his futures, he'd buy Z, and if he was still sitting on them this Thanksgiving, he'd sell Z and buy H.

I do think there is more basis upside coming, based on the Gulf spiking, and the posted bids not really following. "Delivery" could be a limiting factor though at the Central Kansas Terminals. And I doubt protein premiums are going to increase, and may actually disappear, so that may be a factor for you individually.

World wheat fundamentals aren't super bullish, or super bearish. We're already expecting a big rebound in the Aussie crop, and it's too late in the game to expect a big Russian production reduction.

The bull side of exports is China bought more USA wheat, for whatever goofy reason...and probably will buy more, assuming The White House doesn't derail the whole thing.

I don't think corn prices are supportive to wheat, whether corn is \$3.50, or more likely \$3.25.

Should I stay, or should I go? I'm gonna stay, although a smarter man probably would just know he grew it to sell it and get on with it.

Why stay? This weekly continuous Chgo wheat chart is intriguing...whether Chgo wheat means anything to your local wheat prices is fun to talk about, but that's about it...



Have a good week!! Stay Safe. I hope my continued Stay call doesn't cost you a bunch of dough.