

Hello Colorado Wheat.

I have a sister-in-law who loves trying to get me cranked up by talking about stuff I don't want to talk about, whether it's religion, politics, human sexuality, divorce, police brutality, etc. She always starts out nice enough, but she just will not quit. Most of the time I leave needing a beer...but, looking back on the conversations, I'm glad we had them, as usually they do get me thinking, maybe about stuff I've been ignoring.

For just a bit, consider me her.

I think corn prices are not going higher until next "summer".

I've used this weekly continuous corn chart to show that every year, corn gets a "summertime" rally, and then that's it. The rally is over, and prices don't pop again until the next summer rally (which actually could occur in very late spring). Most of the time, the rally doesn't last very long, although sometimes corn prices might stay elevated for a month, but a couple weeks usually is it.



Why would I say that, with China finally apparently ramping up their USA corn purchases?

In a word...yield.

I think the USA national average corn yield picture is improving, leading to an increased corn supply and an increase in the ending stocks/usage ratio. I doubt the July WASDE's \$3.35/bu corn national average farm price has any upside potential.

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 11-week closing futures price table shows Z corn at \$3.40, and Sept corn at \$3.33. A farm price of \$3.35 suggests the Dec futures are heading lower, and if I'm right about the yield picture, I'd expect the national average farm price will be adjusted a few cents lower as the new corn year progresses.

CLOSE	KWU20	KWZ20	CU20	CZ20	WU20	MWU20	MWZ20	SX20	CRD20	ES20
07/17	\$4.49	\$4.60	\$3.33	\$3.40	\$5.35	\$5.13	\$5.27	\$8.95	\$40.75	\$3214
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

This week is probably corn's last chance to change the improving corn yield scenario. Monday afternoon's Crop Progress probably will show corn is 50% silked. I'd expect another 25% or so to happen this week. This is a September corn chart, showing last week's gap lower from Sunday night. IF corn could gap higher Sunday night, and hold it all week, we'd be looking at a bullish Island Reversal pattern, but...I admit I don't think that's going to happen.



China's recent USA corn purchases are encouraging, but frankly the pace of actual loadings is worrisome. Unless corn export shipments were really big last week, it is looking more and more likely a 50 million bushel 2019/20 corn export forecast reduction is on the way, which would of course be added to the 20/21 corn carry in, increasing the starting supply. Possibly I'm being too much of a worry-wart on the corn export situation, as 41 million bushels every week would meet next year's hefty forecast of 2.15 billion bu, but there is little room for error.

WEEK ENDED (07/09/20)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	39.9	1,416.5	1,775	358.5	07	51.2
Soybeans	21.1	1,408.7	1,650	241.3	07	34.5
All wheat	23.6	106.4	950	843.6	46	18.3

Soybeans almost certainly face a 50-million-bushel export forecast reduction for the expiring year, and 39.4 million weekly exports on average will be needed to meet next year's 2.05 billion bu forecast.

Wheat, on the other hand, had a great week of export loadings. Here's the updated wheat-by-class export pace scorecard:

WEEK ENDED (07/09/20)	Weekly loadings	FUDGED in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	11.2	63.2	385.0	321.8	46	7.0
HRS	6.8	38.4	270.0	231.6	46	5.0
SRW	3.3	17.6	90.0	72.4	46	1.6
LAST WEEK						
HRW	6.2	52.0	385.0	333.0	47	7.1
HRS	4.5	31.6	270.0	238.4	47	5.1
SRW	1.8	14.3	90.0	75.7	47	1.6

China bought 3 more big boats of HRW and loaded 2 this past week, and Brazil bought and loaded a HRW boat. China also bought about 4 big boats of USA spring wheat, although they haven't loaded any in a while; I assume they and the exporters are waiting for new-crop spring wheat to hit the elevators.

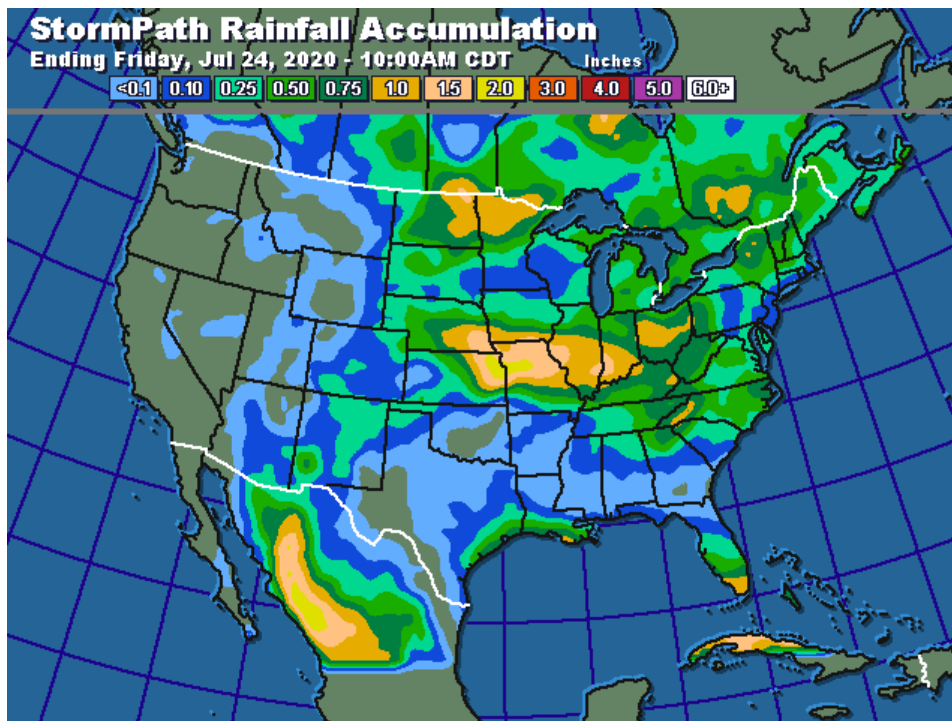
Finishing the corn discussion, mainly about yield, is this FarmDocDaily article from 7/16.

https://farmdocdaily.illinois.edu/2020/07/the-accuracy-of-early-season-crop-weather-model-forecasts-of-the-us-average-corn-yield.html?utm_source=farmdoc+daily+and+Farm+Policy+News+Updates&utm_campaign=3a71cfdc3d-WEEKENDER_RSS_EMAIL_CAMPAIGN&utm_medium=email&utm_term=0_2caf2f9764-3a71cfdc3d-173650021

The article talks about how the World Agriculture Outlook Board (WAOB) estimates corn yield based on trend, planting progress, June precipitation shortfall, and July precipitation and temperatures., and analyzes how the U of Illinois' model compares with the WAOB model, and the NASS model, and the NASS final published yield. Their conclusion is the USDA models are hard to beat...and...historically, the NASS final published yield is USUALLY more than the July WAOB estimate. This table illustrates that point, and why I think the final USA corn yield will be higher than the July WAOB's 178.5 bu/ac estimate.

	WAOB May	WAOB June	WAOB July	WAOB Aug	NASS Aug	NASS final
2013	158.0	156.5	156.5	154.0	154.4	158.1
2014	165.3	165.3	165.3	171.0	167.4	171.0
2015	166.8	166.8	166.8	172.9	168.8	168.4
2016	168.0	168.0	168.0	168.0	175.1	174.6
2017	170.7	170.7	170.7	169.4	169.5	176.6
2018	174.0	174.0	174.0	173.3	178.4	176.4
2019	176.0	166.0	166.0	162.3	169.5	167.4
2010	178.5	178.5	178.5			

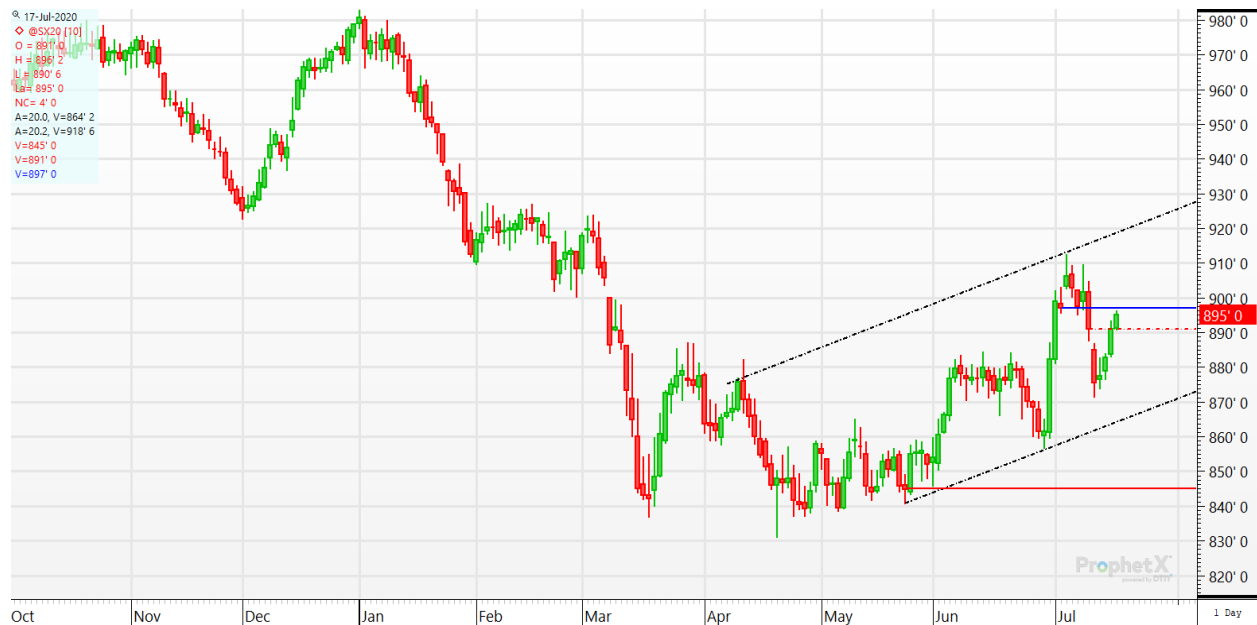
It might be hot this week, but it's expected to be wet...I think the final USA corn yield will be above 178.5 bu/ac.



Soybeans are fighting the same increased USA yield potential, and the same slow USA export pace, and Brazil's seemingly ever-increasing soybean acreage. It may (or may not) be "Rain Forest", but in their defense (?), the main buyer is willing to buy them. Brazil's main buyer is our main buyer...obviously China. I read Brazilian soybean acreage is expected to increase another 2% even though this CNN article suggests much of Brazil's bean acreage and bean exports to Europe are "illegal" ...<https://www.cnn.com/2020/07/16/americas/brazil-deforestation-soy-beef-eu-intl-hnk/index.html> .

The article does not say anything about China unwilling to buy those "illegal" Brazilian beans.

Here's the November bean futures chart, where I've drawn in a dotted red line at \$8.91, which we can see from the table on page 2 will be the new 4-week closing low. For this bean rally to extend, or at least not fall apart...I think the \$8.90 area is key support:



Ok, what's new in wheat?

We mentioned the new Chinese purchases of USA spring wheat and USA HRW. Some rumor mongers were touting Chicago wheat futures big jump mid-week as a sign China was also buying USA SRW, but those rumors are unconfirmed, and by the weekend, Chgo gave back most of her gains, to finish only slightly higher for the week. US Wheat Associates' weekly price report says USA Gulf SRW is \$239/mt, whereas USA Gulf HRW is \$231/mt. I suspect that has something to do with why we haven't seen SRW sales announced to China. For about the same price, they could apparently buy USA HRS fob the PNW, and they have cheaper vessel freight X the PNW besides.

Do we have any real "explanation" for why KC Sept wheat is 90 to 85c under Chgo Sept wheat, as shown in this weekly continuous spread chart? No. When Chgo wheat futures are involved, getting "logical" is always debatable... We note Strategie Grains reduced their EEU soft wheat (non-durum) crop production estimate another 600,000 tonnes, and the USDA probably will reduce their own EEU estimate too.



I think the chart suggests KC is cheap compared to Chgo, but this spread eats margin money like crazy.

Speaking of Gulf wheat prices, posted bids set a new recent high for ords, while 12's slipped. Last week I mentioned protein premiums are fleeting... Most recent harvest reports suggest this year's HRW crop is quite a bit higher than initially feared.

GULF date	12 pro	ords	diff	
7/17/2020	145	121	24	
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	

So...with the Gulf basis jumping another 4c for ords, now up 16c in 2 weeks, will we see the posted basis bids in the country also jump 4c?

Or will we see them stay unchanged until free storage runs out?

Hah! Guess what? UNLIKE KANSAS, where the posted basis stayed unchanged, we see a lot of 5 to 10c basis jumps.

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
07/17	\$4.07-\$4.27	\$4.27	\$3.97-\$4.07	\$3.89-\$3.99	\$4.25-\$4.27
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

BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
07/17(U)	-45, -25	-20	-50, -35	-63, -48	-20, -10
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

Date	Concordia	Salina	Hutchinson	Wichita	Ark City
07/17(U)	-20	-10, -10	-31, -17	-24, -15	-29
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

We'll close with a KC U chart; where I drew in a blue dotted line at \$4.52, representing the 4-week closing high. IF we could close next week above that, this rally would be resuming, and since I'm "still sitting on some wheat", that's what I'm rooting for. Go Baby go.



Have good week! Stay Safe.