

Hello Colorado Wheat.

Markets are crummy and could get crummier. Why would I say that? Mainly based on corn price action, due to increased corn yield expectations, leading to increased corn supply, and ultimately adding to next year's corn carryout.

The USDA is tracking 2020/21 national corn yield at 178.5 bu ac, yielding a production of 15 billion bu. A friend subscribes to a weather service, which also makes corn and soybean yield predictions. Last Wednesday, the subscription model upped their national corn yield estimate to 180.5 bu/ac. That 2 bu/ac adds another 167 million bu to production, and if demand stays the same, the 167 million would go to the carryout, which would be above 2.8 billion, raising next year's ending stox/usage ratio a full point, to 19.3%.

The only reason to say the markets "could get crummier" instead of "most definitely will get crummier"... is the 11-week closing table shows Dec corn settled the week at \$3.27 (down 8c for the week) which is 18c lower than the July WASDE's 7/10 close of \$3.45. This means the market is not ignoring the greenhouse conditions, and one could build a good case for the market is actually trading a 180.5 bu yield already.

CLOSE	KWU20	KWZ20	CU20	CZ20	WU20	MWU20	MWZ20	SX20	CRD20	ES20
07/31	\$4.43	\$4.53	\$3.16	\$3.27	\$5.31	\$5.14	\$5.28	\$8.93	\$40.57	\$3264
07/24	\$4.50	\$4.61	\$3.26	\$3.35	\$5.40	\$5.15	\$5.28	\$8.99	\$41.30	\$3204
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

We might even be trading a 181 bu yield...so what will be the key to future price direction? Demand.

**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.**

Regarding corn demand...on ethanol usage, the 11-week closing table shows crude oil is unchanged from July 10, slightly above \$40/bbl, so if crude oil futures are unchanged, I think it's fair to assume industrial corn usage is unchanged.

I doubt the USDA makes any change to feed/residual category until after the September Grain Stocks report...

so that leaves Corn Exports.

This updated export pace table shows corn limping to the finish line, which is troubling as it implies the USDA may be forced to decrease the current year's export forecast, which would go to next year's carryout, although admittedly what REALLY matters is hitting next year's 2.150 billion bu corn export forecast, which is 41 million bu weekly. We'll get the August WASDE update on Aug. 12.

WEEK ENDED (07/23/20)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	38.2	1,496.1	1,775	278.9	05	55.8
Soybeans	24.8	1,445.1	1,650	204.9	05	41.0
All wheat	18.6	144.4	950	805.6	44	18.3

Here's a September corn chart, showing Friday printed a new red line (11-week closing low). I also drew in a nasty very steep downtrend channel. I think it's too steep, and suspect the downtrend needs to decelerate, but reversing it...will take a change to the way the fundamentals seem to be lining up.



That same weather forecaster posted a 51.1 soybean yield, compared to the USDA's July estimate of 49.8, which combined with the sluggish export pace makes the November bean chart look like this:



“Nine dollar” resistance has been tough sledding, but the Bull Flag formation still points higher. Obviously, this soybean chart is all about China and how fast they import mountains of USA beans.

KC wheat futures...leaning towards “meh”. Last week I wrote: *“...it’s hard for wheat futures to get up and go. The problem with a sideways market is eventually “gravity” kicks in, and the path of least resistance almost naturally is lower.”* Which is what we see happening. This KC U chart includes early Sunday action, which was about 5c lower...:



That's not a good-looking wheat chart. The red line of \$4.28 from 6/26 is going to be tested.

Even with a stronger Gulf basis (up 3c on ords this week, and up 17c for the month), posted bids...

GULF				
date	12 pro	ords	diff	
7/31/2020	145	122	23	
7/24/2020	145	119	26	
7/17/2020	145	121	24	
7/10/2020	150	117	33	
7/3/2020	140	105	35	<b>U</b>
6/26/2020	145	106	39	<b>N</b>

in the country are generally 7c weaker, mainly following the futures. Why isn't the country basis up 17c this month? One thing we don't track very well is the price of empty rail cars. Current shuttle costs to get an empty 110-car train are \$700 per car, which is about 20c/bushel!

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
<b>07/31</b>	<b>\$3.96-\$4.18</b>	<b>\$4.23</b>	<b>\$3.93-\$4.07</b>	<b>\$3.79-\$3.95</b>	<b>\$4.23-\$4.33</b>
07/24	\$4.04-\$4.25	\$4.29	\$4.00-\$4.14	\$3.87-\$4.02	\$4.29-\$4.40
07/17	\$4.04-\$4.24	\$4.29	\$3.99-\$4.14	\$3.86-\$4.01	\$4.29-\$4.30
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

BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
<b>07/31(U)</b>	-45, -25	<b>-20</b>	<b>-50, -35</b>	<b>-63, -48</b>	<b>-20, -10</b>
07/24(U)	-45, -25	-20	-50, -35	-63, -48	-20, -10
07/17(U)	-45, -25	<b>-20</b>	<b>-50, -35</b>	<b>-63, -48</b>	<b>-20, -10</b>
07/10(U)	-45, -25	<b>-25</b>	-55, -45	-63, <b>-53</b>	<b>-27, -25</b>
07/03(U)	<b>-45, -25</b>	<b>-30</b>	<b>-55, -45</b>	<b>-63, -48</b>	<b>-30, -30</b>

Date	Concordia	Salina	Hutchinson	Wichita	Ark City
<b>07/31(U)</b>	<b>-20</b>	<b>-10, -10</b>	<b>-31, -17</b>	<b>-24, -15</b>	<b>-29</b>
<b>07/24(U)</b>	<b>-20</b>	<b>-10, -10</b>	<b>-31, -17</b>	<b>-24, -15</b>	<b>-29</b>
07/17(U)	-20	-10, -10	-31, -17	-24, -15	-29
07/10(U)	-20	-10, -10	-31, -17	-24, <b>-15</b>	-29
07/03(U)	<b>-20</b>	<b>-10, -10</b>	<b>-31, -17</b>	<b>-24, -17</b>	<b>-29</b>

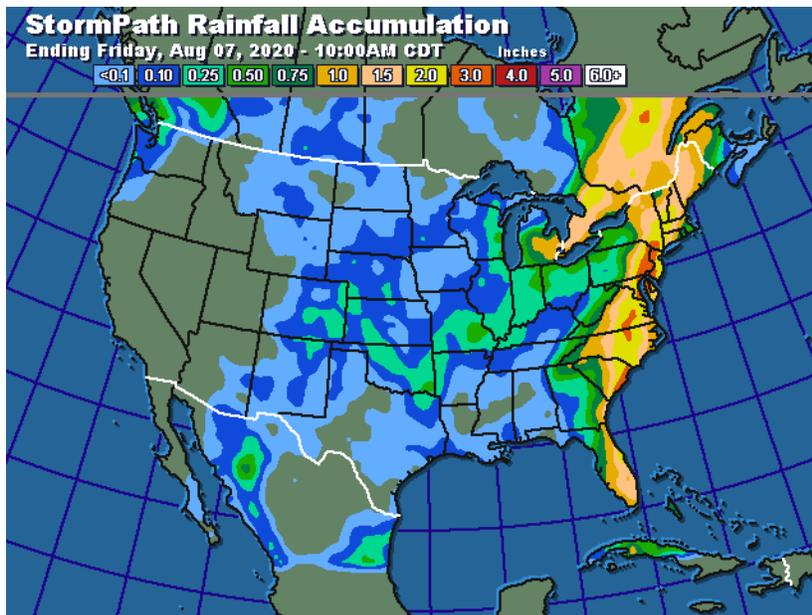
The export sales and inspections report showed a big boat loaded to Brazil. Justin Gilpin's weekly letter to his members included a slide showing August, September, October and November are usually the best months for USA wheat moving to Brazil, and this August is off to a great start.

The weekly pace for HRW slipped a bit the previous week, but this table next week will include the Brazilian biz. Spring wheat had a good week, which was needed...

WEEK ENDED (07/23/20)	Weekly loadings	FUDGED in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	6.4	80.9	385.0	304.1	44	6.9
HRS	7.7	48.5	270.0	221.5	44	5.0
SRW	2.0	19.8	90.0	70.2	44	1.6
LAST WEEK						
HRW	11.2	74.5	385.0	310.5	45	6.9
HRS	2.4	40.8	270.0	229.2	45	5.1
SRW	.2	17.8	90.0	72.2	45	1.6

Before we leave the market outlook, which is currently not great...I'd mention last week's rains might have taken some pressure off the planting season, which will be here in a flash...

This week looks to be quite a bit drier:



Switching gears...

On Sunday, the Mpls StarTribune ran this very cool Reuters article Julie Ingwersen posted on July 16. (I re-checked US Wheat's Catherine Miller's excellent daily Articles of Interest to make sure she didn't include it, but if she did, and you already saw it, I apologize.)

The article talks about the relatively recent sulfur deficiency in the soils of the Great Plains, due to less acid rain (where is Rachel Carson's Silent Spring when we need her...):

<https://www.reuters.com/article/us-usa-wheat-sulfur/why-cleaner-air-may-be-bad-for-your-sourdough-bread-idUSKCN24H1O6>

and links sulfur deficiency to reduced baking quality in wheat, as the wheat gluteins (gliadins and glutenins) perform their magic via sulfur-to-sulfur bonds.

Adding sulfur, up to a point, helps the wheat plant, but this Canadian study from May 2013 says (unfortunately...) increased sulfur does NOT greatly improve yield (bu/ac) NOR does it directly increase protein concentration.

<https://www.nrcresearchpress.com/doi/full/10.4141/cjss2012-068#.XydyRShKiM9> In other words, if you add sulfur, your yield may not noticeably improve, and your protein content won't be measurably higher, BUT the QUALITY of that protein content will indeed be better.

And therein lies the problem.

Amending the soil with sulfur may not be outrageously expensive, but it certainly is not free.

It is absolutely the right thing to do but getting paid for it...yikes.

And along those lines, while I'm at it...re-reading this article that Catherine included in her 7/30 Articles of Interest about a feller out in Western Nebraska who planted some spring wheat this year, he also talks about making protein. <https://www.farmprogress.com/wheat/wheat-farmer-earns-profit>. It appears to me he uses about 120 pounds of Nitrogen. A few months ago I included an article written by Bill Spiegel which got me talking about the "100 bushel dryland wheat club"...

<https://www.agriculture.com/crops/wheat/a-game-plan-for-high-wheat-yields>

and I'm sure that feller from Oklahoma is using about 120 pounds of N or so...All of this is making my current "boilerplate" meaningless. It probably should read: **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 60# of N at planting, and 15# of sulfur, then another 30# of Nitrogen when wheat breaks dormancy, and if it's a wet spring, re-apply 30# at first flag leaf 3. don't sell your wheat unless you have discussed protein premiums and considered why you're not seeing any.**

I don't have an easy, cheap solution, and worse, there's a good chance some (many?) of you are thinking "he knows nothing" ...

Possibly wheat sold directly to domestic flour millers offers a chance to get paid for adding sulfur, and the 120 pounds of Nitrogen, assuming they can differentiate based on protein content, let alone quality factors such as farinograph stability and absorption, but in this "price is everything" environment, it's hard for me to see an exporter going that route.

A rapid "protein quality detector" machine hasn't been invented yet, and more than likely it would just lead to increased discounts, rather than new premiums, but...that may be the route we're headed.

How does a guy get paid for "quality"? It's a tough question. There may not be a great answer.

Domestically we will only use about 1/2 of what we grow, and we all know the world wheat situation is super competitive and price is key. Feeding wheat is a great discussion when the wheat-corn spread is even money, but as this weekly KC wheat – corn chart shows, that's not "normal".



As mentioned earlier, planting season will be here before we know it.

Have a good week, and please Stay Safe.