

Hello Colorado Wheat.

Last week's 100-mph derecho maybe affected 10 million corn and bean acres, or maybe not...but it (and a FSA report with Prevent Plant acreage estimates) seemed to blow away the bearish WASDE corn production data. The 11-week closing futures table shows Dec corn rallied 17c/bu and set a new 4-week closing high, and beans gained 31c, now back knock, knock knocking on heaven's nine-dollar door. KC wheat gained about 9c:

CLOSE	KWU20	KWZ20	CU20	CZ20	WU20	MWU20	MWZ20	SX20	CRD20	ES20
08/14	\$4.25	\$4.36	\$3.25	\$3.38	\$5.00	\$4.98	\$5.12	\$8.99	\$42.31	\$3362
08/07	\$4.16	\$4.27	\$3.08	\$3.21	\$4.96	\$4.95	\$5.11	\$8.68	\$41.49	\$3345
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

Has Dec corn finally bottomed? And if so, then is wheat ready to start going up?

Before we get into all of that, here's a story about a research project in Minnesota that will let a farmer make his own nitrogen out of electricity and water. Almost free fertilizer!!

<https://www.startribune.com/on-minnesota-farm-experiment-could-change-how-farmers-get-costly-nitrogen/572110792/?refresh=true>

If they can make it work commercially, it should help wheat farmers feel better about applying 120# of N yearly...

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, and in the spring, apply 30 more # of N; and if it's a wet spring, re-apply another 30# about three weeks later 3. don't sell your wheat unless you have discussed protein premiums and considered why you're not seeing any

I'm sure many of you read DTN's Progressive Farmer, but this story about FSA's initial Prevent Plant acreage estimate of 9 million acres is very detailed and offers evidence that the June 30 acreage numbers are more credible than initially believed.

<https://www.dtnpf.com/agriculture/web/ag/columns/another-view/article/2020/08/13/acreage-mystery-mostly-solved>

Combined with the various derecho stories (might as well stay with DTN here too...)

<https://www.dtnpf.com/agriculture/web/ag/crops/article/2020/08/13/estimated-6-95-million-illinois-corn>

<https://www.dtnpf.com/agriculture/web/ag/crops/article/2020/08/12/crop-experts-find-wide-variety-corn>

many traders are thinking the NASS Crop Production estimate is the high-water mark of 2020 corn and bean production estimates. I'm not sure, but the price action was impressive.

Here's a Dec corn chart with a little trend-line breakout. Friday's close of \$3.38 was a 4-week closing high, so if this Friday can close above that, we'd see a little more buying, setting the stage to close an old gap from \$3.4375 to \$3.4475 from the aftermath of the July WASDE.



That Z corn chart looks to me like it's ready to at least go sideways. Before we can get a lasting rally, we need to quit going down, and I think that's what we are seeing.

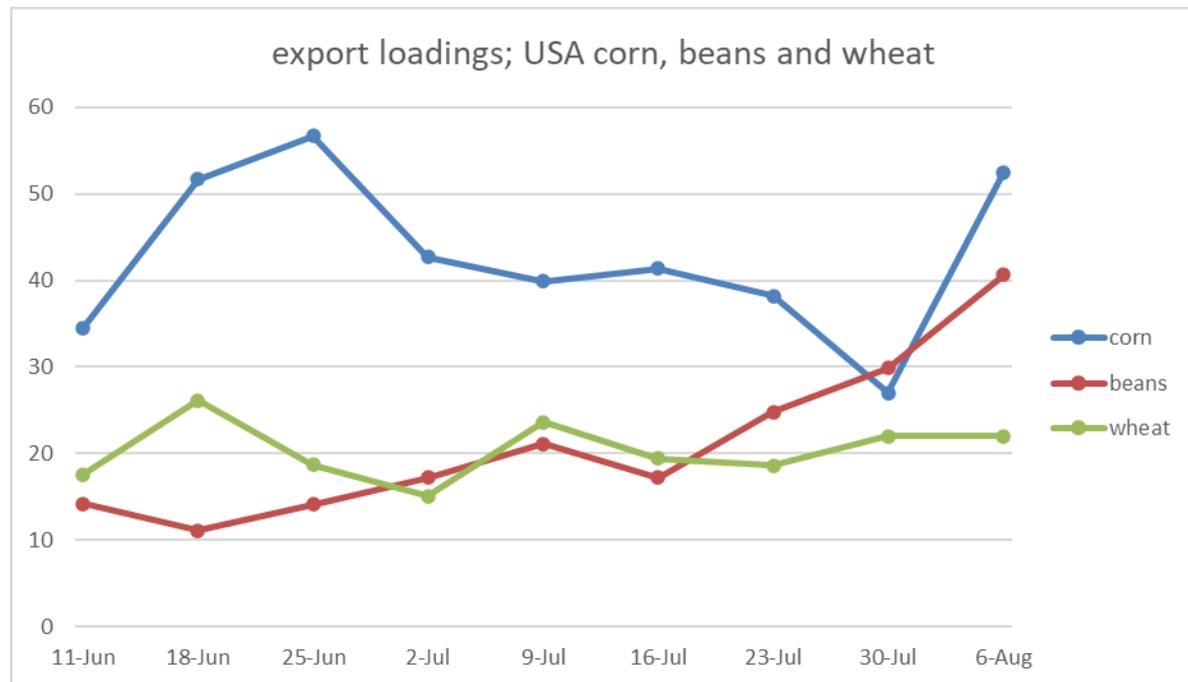
The August WASDE raised the USA corn production by 278 million bu on a new higher yield estimate of 181.8 bu/ac, but this new year's carryout was only increased by 108 million bu, as both the feed estimate AND export estimate were increased 75 mil bu each, and an extra 20 million disappeared ...

When the USDA raised their US corn OLD-CROP export estimate by 20 million bu! WHAT THE HECK??

My updated export pace scorecard shows the USA has 3 weeks to load 218 mil bu, which I don't see happening, although this week's loadings were relatively huge. What that points out is there is a "fudge factor" in corn exports (just like in wheat) where corn products and donations are added in addition to the weekly normal bulk exports. I admit the last thing I expected to see in the WASDE was an increase in the 19/20 corn export estimate.

WEEK ENDED (08/06/20)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	52.5	1576.6	1,795	218.4	03	72.8
Soybeans	40.6	1,508.8	1,650	141.2	03	47.1
All wheat	17.2	183.6	975	791.4	42	18.8

Here's an updated chart on the export loading pace; I'm leaning towards "Giddyup!"



Besides increasing the 19/20 old-crop corn estimate by 20 million bu, and increased the 20/21 corn export estimate 75 million bu, and they also increased the 20/21 wheat export estimate by 25 million bu, which is reflected in the export pace scorecard just above the chart.

Soybeans...not for sure what to say. The August WASDE was very bearish, as the production estimate increased 290 million bu, due to the 3.5 bu/ac yield bump. The 20/21 export estimate was raised 75 million bu, and the crush increased a little, so net was the expected 20/21 carryout increased 185 million bu...BUT futures were up 30c this week.

The windstorm maybe was supportive, and the FSA Prevent Plant acres relieved bulls' concern acres have been understated, but China steadily bot USA beans all week, and now...we're back to \$9.00

The chart formation is a big double top, which probably should offer tough resistance:



IF the double top can be breached and CLOSED ABOVE this Friday, \$9.25 area would be the next expected area of resistance, but I don't think getting thru \$9.00 will be a pushover.

Ok...what about wheat?

We saw some interesting stuff this week...including a flash sale announced by...The Minneapolis Grain Exchange (!). It seems Miami International Holdings is buying the MGEX, the last independent exchange and importantly Clearing House in the USA.

Here's a brief news squib about it: <https://www.hellenicshippingnews.com/options-market-operator-buys-last-independent-u-s-grain-exchange/>

Members were notified they will receive \$275,000 per seat, which is a pretty good uptick from the last reported sale price of \$184,000.

I believe spring wheat futures will trade normally; I do not expect noticeable change to the contract.

WASDE and NASS Crop Production wheat numbers were interesting too.

The USA all wheat export forecast was bumped up 25 million bu; 20 million increase in HRW and the other 5 went to durum. The update wheat by-class export pace looks like this, and here I do include 35 million extra in the fudged category (we saw corn needs a similar amount):

WEEK ENDED (08/06/20)	Weekly loadings	FUDGED in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	7.1	98.1	405.0	306.9	42	7.3
HRS	6.2	58.7	270.0	211.3	42	5.0
SRW	1.5	22.9	90.0	67.1	42	1.6
LAST WEEK						
HRW	10.2	91.1	385.0	293.9	43	6.8
HRS	4.0	52.4	270.0	217.6	43	5.1
SRW	1.6	21.4	90.0	68.6	43	1.6

Brazil loaded a 30 mt boat of HRW this week and bot 2 more; China loaded a big boat (60 mt) but did not buy more. Reported Spring wheat loadings and sales appeared routine.

Besides the 20 million increase to HRW exports, the HRW production estimate declined 16 million, but feed use dropped a bit. Spring wheat saw a 27 million bu increase to production, although imports were reduced 10 million. Net effect...was HRW ending stox/usage ratio is now UNDER 50% and HRS stox/usage is OVER 50%. Fundamentally, I THINK this Minny-KC Z chart will break DOWN. We'll see.



The HRW production declines came from yield reductions in KS (-2 bu/ac), CO (-3 bu/ac) and NE (-5 bu/ac!). The 16 million HRW drop would have been more except...MT was increased 3 bu/ac, and SD went up 9 bu/ac, to 60 bu.ac in South Dakota. Wowzers.

Spring wheat yields went up 4 bu in SD, 3 in ND, 2 in MT, and 1 in MN.

The USDA did NOT increase their Canadian all wheat production estimate, but almost certainly will (remember last week we talked about a FarmLink survey), which contributes to why I'm bearish that Minny Z-KC Z spread, but that spread would really benefit if...KC futures would move higher.

That is maybe starting to happen, maybe...

This is KC Sept (U) wheat futures. Probably most focus has already switched to the Dec (Z), but your bids are still basis the U.

I'd feel a lot better about being long KC wheat if we could get through this downtrend shown on the chart. Before we can go up, we need to quit going down. When we close above the downtrend a couple times, we'll say we quit going down. Some guys are quicker, and might say because we didn't set a new weekly closing low, we quit going down. That's too quick for me.



So...I think corn can start going sideways, beans have a hard time at \$9.00, and maybe wheat has found support.

Surely (?) this longer-term KC continuous weekly wheat chart suggests KC finds support around \$4.00...



That's far from a bullish chart, but how bearish can one be from here?

Maybe that fertilizer machine that makes nitrogen out of the air and electricity will ultimately be a really bearish input, but that's not happening anytime soon.

Gulf bids for wheat are mixed this week; 12's are weaker but ords are firmer, and I do note these are spot bids, and September bids are showing a 6 to 8c carry (premium):

GULF				
date	12 pro	ords	diff	
8/14/2020	135	120	15	
8/7/2020	140	116	24	
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	U
6/26/2020	145	106	39	N

Posted bids, as reported by the new AMS system...appear, in my opinion... to be as such:

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
08/14	\$3.80-\$4.00	\$4.05	\$3.80-\$3.90	\$3.65-\$3.85	\$4.05-\$4.35
08/07	\$3.71-\$3.91	\$3.96	\$3.71-\$3.81	\$3.56-\$3.75	\$4.29-\$4.40
07/31	\$3.96-\$4.18	\$4.23	\$3.93-\$4.07	\$3.79-\$3.95	\$4.23-\$4.33
07/24	\$4.04-\$4.25	\$4.29	\$4.00-\$4.14	\$3.87-\$4.02	\$4.29-\$4.40

BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
08/14(U)	-45, -25	-20	-50, -35	-63, -48	-20, -10
08/07(U)	-45, -25	-20	-50, -35	-63, -48	-20, -10
07/31(U)	-45, -25	-20	-50, -35	-63, -48	-20, -10
07/24(U)	-45, -25	-20	-50, -35	-63, -48	-20, -10

Date	Concordia	Salina	Hutch/Wichita	Ark City
08/14(U)	-20	-10, -07	-35, -10	-29
08/07(U)	-20	-10, -07	-35, -10	-29
07/31(U)	-20	-10, -10	-31, -17	-29
07/24(U)	-20	-10, -10	-31, -17	-29

I say “appear to be as such” because the new AMS reporting system is NOT an improvement for this, and I am making some interpretations. I do think the new system might have some benefits, but I’m not sure what they are...specifically in Colorado, it’s like the Burlington area disappeared.

My guess is the Hutchinson debacle which I called their attention to last spring was a result of being short-staffed by the Covid, and this method is “simpler” for them. It’s too bad, but I doubt, like so many things, it ever reverts back to the “good ol’ days”.

OK, let’s wrap it up. Let’s see if KC can find the support and get a couple weeks of not flirting with \$4.00 anymore, at least until we make fertilizer out of thin air.

Have a good week. Stay Safe.