

Hello Colorado Wheat.

The wheat rally continued, up more than 20c, although ... frankly, it's going to bounce into expected stiff overhead resistance soon.

Someone asked me if I would comment about soft red winter wheat, as he grows some, and I don't mention it a lot, mainly because I consider it a specialty food crop, much like the wheat variety durum. (In that regard, it's almost like oats. Omega.) Public posted bids in specialty crops are often scarce, which means price data is hard to find. Specialty crops generally have specific uses, may have specific quality specifications, and are purchased mainly for specific end-users, unless the quality is bad, and then they have to find a feed market. Specialty crops may or may not relate very well to a futures market. Organic wheat, for instance, which is most definitely a specialty food crop, is usually quoted as a flat price bid/offer, rather than a "basis bid/offer".

I know most of the wheat industry assumes soft red winter wheat relates well to the Chgo wheat futures contract, although as not only is soft red winter wheat deliverable against that futures contract, so is hard red winter, and/or even hard red spring wheat, which means to me...the correlation is diminished greatly. Whatever, the Chgo wheat futures contract is still the most traded, most liquid, and has the most open interest, so world wheat traders everywhere "use" it. Some might even use it for wheat hedging about any type of wheat, maybe even European wheat, or soft white wheat grown in the PNW; some might use it to hedge Aussie wheat, choosing to convert the wheat they trade or use into a basis against the Chgo futures contract.

A quick look at a Chgo Z wheat chart shows trendline and lateral resistance, but IF...



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

“But if” ...probably should be ignored. Most of the time...mentally considering technical resistance as a “selling opportunity” rather than thinking of it as “what if”...like “what if it goes through the resistance? this thing will go to the moon!”...is more useful.

Anyway...fundamentally, the USA soft red picture is relatively tight.

Recent history shows the USA uses not quite 150 milli bushels for food, primarily cookies, and exports don't seem to drop below 90 million, going to Mexico and Central America, again mainly for cookies. Add in 10 million bu for seeding, and you get 240 million bushels of demand that doesn't really ever disappear. Soft red feeding can be huge, when wheat is cheap compared to corn, or minimal, when wheat is expensive relative to corn.

Last year's 239 million bu production barely met the minimum needed, and thus ending carryout stocks approached only 100 million bu, and this year, carryout stocks are not expected to increase.

US SOFT RED WINTER WHEAT									
year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
carry in	185	124	113	154	157	215	205	158	105
production	420	565	455	359	345	292	286	239	277
imports	18	21	14	18	33	4	4	4	10
total supply	623	710	582	531	535	511	495	401	392
food	152	152	150	149	148	148	148	148	148
seed	12	13	12	12	11	11	11	11	11
feed/residual	142	148	133	94	69	57	50	45	40
domestic use	306	313	295	255	228	216	209	204	199
exports	193	283	133	120	92	90	128	92	90
total demand	499	596	428	375	320	306	337	296	289
carryout	124	114	154	156	215	205	158	105	103
stox/use	24.8%	19.1%	36.0%	41.6%	67.2%	67.0%	46.9%	35.5%	35.6%

I consider this year's USA soft red winter wheat balance sheet to be minimums on most categories.

Soft red winter, like hard red winter...is planted in the fall, in about another month.

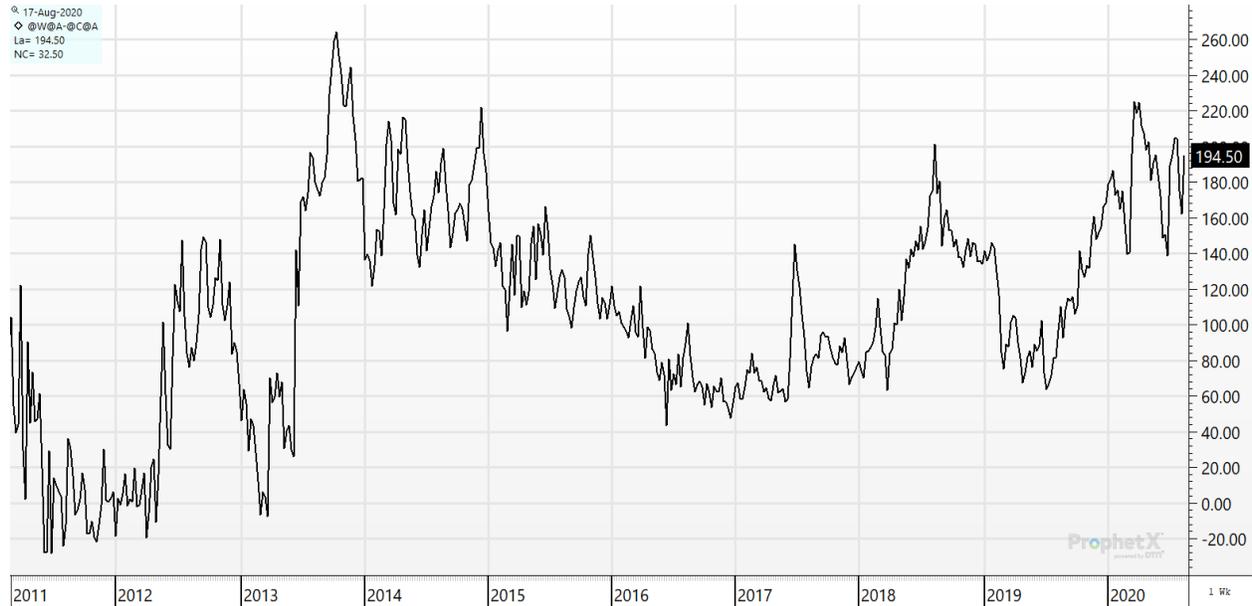
IF, FOR SOME GOOFY REASON, soft red acreage declines this fall, “things” could get very interesting next year, but the market has taken some steps to insure that doesn't happen, and by that I mean...the wheat-corn spread is so wide that soft red producers, mainly in Illinois, Ohio, Indiana and the Deep South...will NOT be tempted to switch out of wheat acres and instead plant more corn.

More than likely, soft red acres increase, and corn acres decrease, and next year's potential fireworks are avoided.

In other words, besides just adjusting the flat price...

the market deals with relative tightness by spreading, which is how we see substitution take place (until things hit the minimums, and substitution can no longer occur, which in soft red seems to be about 240 million bu).

Chgo wheat vs corn, long-term weekly continuous...with Chgo approaching \$2.00 over corn makes me think some more wheat gets planted instead of corn, and ...



Chgo wheat vs KC wheat, long-term weekly continuous...with Chgo at 80c or so over KC...isn't cheap either.



Both of these charts could of course get more expensive, but the main point is soft red is already relatively expensive.

I don't have a good database on soft red basis, but this is a link to the new AMS' format showing Missouri cash prices, https://www.ams.usda.gov/mnreports/ams_2932.pdf , where I see the current basis bids are as low as -70 Chgo U, to as high as +37 Chgo Z. Yikes! Vaya con Dios, mi amigo.

Ok, enough about soft red, a specialty crop. Most guys reading this weekly wheat market update probably can't grow the stuff, as it requires a lot of moisture.

How'd the markets do this past week?

KC wheat was 21c higher, and the 11-week closing table shows the blue number in KC U is \$4.69 from week 06/05, but that week rolls off the table, and the new blue number (11-week closing high) becomes \$4.57, only 11c from Friday's close. Actually...the market's main focus is not on the Septembers (U) anymore, but on the Z's (December) where we will expect tough resistance around \$4.70.

CLOSE	KWU20	KWZ20	CU20	CZ20	WZ20	MWU20	MWZ20	SX20	CRD20	ES20
08/21	\$4.46	\$4.57	\$3.27	\$3.41	\$5.35	\$5.15	\$5.29	\$9.05	\$42.34	\$3392
08/14	\$4.25	\$4.36	\$3.25	\$3.38	\$5.10	\$4.98	\$5.12	\$8.99	\$42.31	\$3362
08/07	\$4.16	\$4.27	\$3.08	\$3.21	\$5.04	\$4.95	\$5.11	\$8.68	\$41.49	\$3345
07/31	\$4.43	\$4.53	\$3.16	\$3.27	\$5.39	\$5.14	\$5.28	\$8.93	\$40.57	\$3264
07/24	\$4.50	\$4.61	\$3.26	\$3.35	\$5.45	\$5.15	\$5.28	\$8.99	\$41.30	\$3204
07/17	\$4.49	\$4.60	\$3.33	\$3.40	\$5.41	\$5.13	\$5.27	\$8.95	\$40.75	\$3214
07/10	\$4.52	\$4.64	\$3.37	\$3.45	\$5.39	\$5.26	\$5.38	\$8.91	\$40.73	\$3179
07/03	\$4.34	\$4.47	\$3.44	\$3.54	\$5.00	\$5.10	\$5.24	\$8.97	\$40.36	\$3116
06/26	\$4.28	\$4.41	\$3.19	\$3.25	\$4.84	\$5.09	\$5.24	\$8.61	\$38.65	\$3007
06/19	\$4.36	\$4.50	\$3.37	\$3.45	\$4.94	\$5.35	\$5.46	\$8.81	\$39.83	\$3060
06/12	\$4.57	\$4.70	\$3.35	\$3.43	\$5.17	\$5.25	\$5.39	\$8.80	\$36.51	\$3035
06/05	\$4.69	\$4.81	\$3.36	\$3.45	\$5.31	\$5.31	\$5.45	\$8.80	\$39.80	\$3187

(I'm still showing a September column as your bids are still basis the U, but next week should begin transitioning to the KC Z.)

Here's a KC Dec wheat chart, with some current trendline resistance shown, and the expected \$4.70 blue line resistance.



Wheat loadings were not very good last week... although export sales showed Brazil bot 90m tonnes. Philippines bot a chunk of spring wheat. China did not show any USA wheat activity.

WEEK ENDED (08/13/20)	Weekly loadings	FUDGED in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	3.8	102.0	405.0	303.0	41	7.4
HRS	3.9	62.5	270.0	207.5	41	5.0
SRW	1.2	24.1	90.0	65.9	41	1.6
LAST WEEK						
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

And we see a little more weakness Gulf bids, although these are still very firm bids, and it should be noted that September bids are a dime more:

GULF				
date	12 pro	ords	diff	
8/21/2020	135	118	17	
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

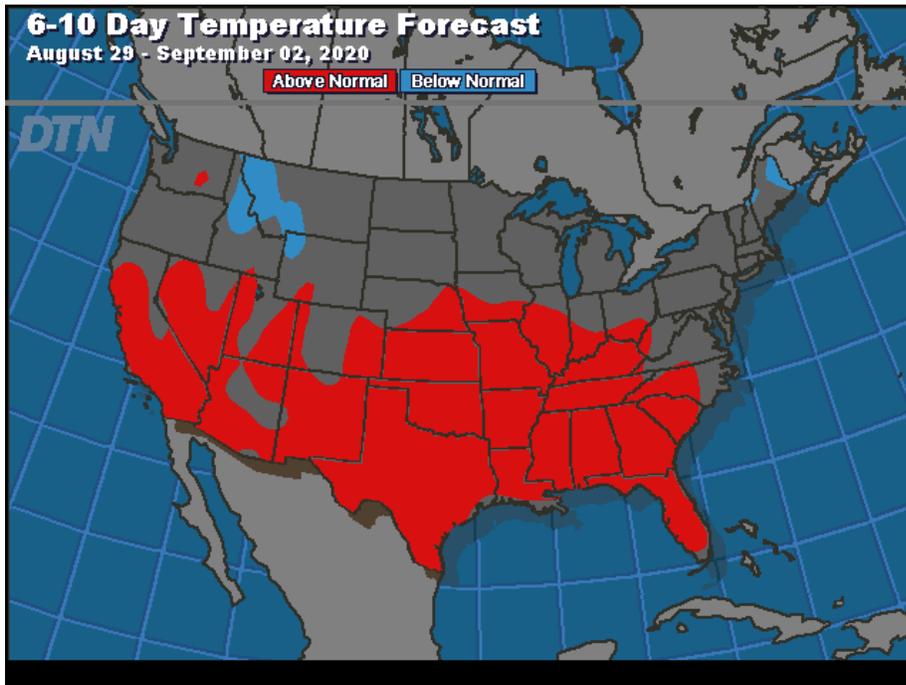
Mainly unchanged basis bids, but I rather expect these basis bids to start showing strength if the Gulf Sept bids hold the dime premium this week.

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
08/21	\$4.01-\$4.21	\$4.26	\$4.01-\$4.11	\$3.84-\$4.06	\$4.26-\$4.56
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
BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
08/21(U)	-45, -25	-20	-50, -35	-63, -48	-20, -10
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
Date	Concordia	Salina	Hutch/Wichita	Ark City	
08/21(U)	-20	-10, -07	-35, -10	-29	
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	

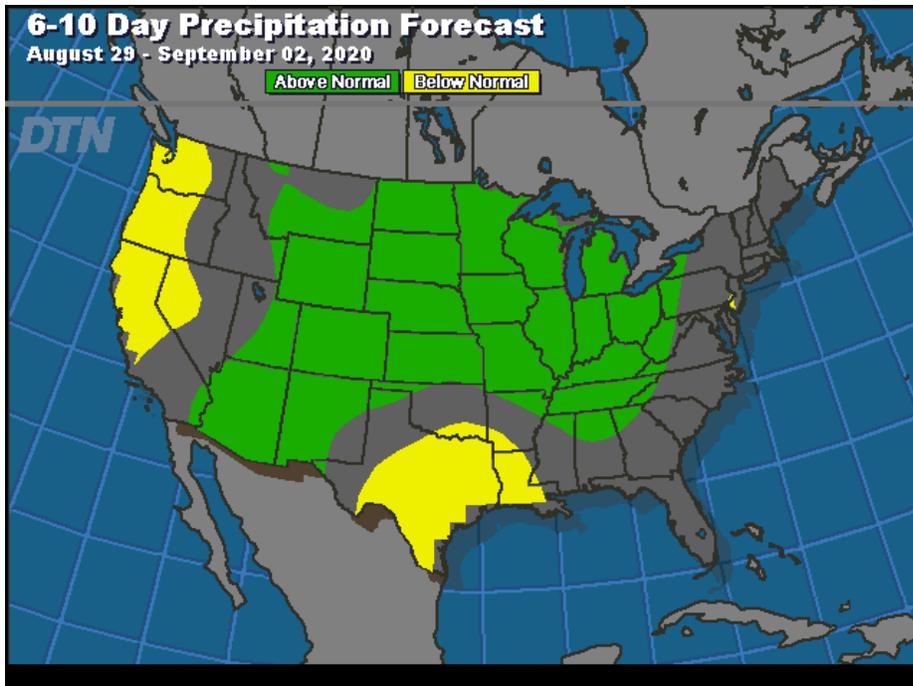
In an improvement, AMS is now showing a link to a pdf, which at least makes their sheet easier to find (although the lack of clarity issue remains, and I doubt it gets resolved.)

Here's a link to the new pdf file: https://www.ams.usda.gov/mnreports/ams_2912.pdf

Cruising towards wheat planting season...it stays hot into very early September:



But maybe we'll get some moisture:



I don't see anything here (yet) to change the "bouncing into resistance" wheat futures picture.

Here's a link to a recap of the ProFarmer Crop Tour, which pegged the national corn yield at 177.5 bu/ac compared to the August WASDE's 181.8, and soybeans at 52.2 vs the USDA's 53.3 bu/ac.

<https://www.prnewswire.com/news-releases/pro-farmer-estimates-national-corn-and-soybeans-yields-below-usda-forecasts-301116559.html>

I tend to think the August WASDE (NASS Crop Production) was the high-water mark for USA corn production but am not sure about beans. Rains can still make a big difference to soybeans.

Here's a Dec (Z) corn chart, doing a good job of trading water...



and soybeans closing above \$9.00 with a new 11-week closing high:



IF those beans don't get a drink...say hello to my little Ten Dollar friend.

Export pace set back a bit this week in corn, beans and wheat, but China was a steady buyer all week, so I wouldn't say it's all over, and more than likely, it's just getting started.

WEEK ENDED (08/13/20)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	47.1	1,622.7	1,795	172.3	02	86.2
Soybeans	33.0	1,541.9	1,650	108.1	02	54.0
All wheat	15.0	198.5	975	776.5	41	18.9

What is almost over, finally, is the current crop year for beans and corn, which is kindova good news/bad news deal, as to meet the USDA's export forecasts, all three grains will require consistent big loadings, all year long.

We certainly have the capacity, and supply, and it appears China has the demand, notwithstanding their mountains of grain stocks . This article suggests they have made gains in "urban rooftop farming" ...

<https://dunyanews.tv/en/Technology/560439-Chinese-researchers-design-device-for-urban-rooftop-farming>

It seems to me the only reason anyone would try to make gains in "urban rooftop farming" is because they need it, but ...but we all know politics is and will be a major factor.

Looks like another week of 100* F. temperatures, yikes!

Summer just said "Hi Fellers. Remember me?"

Stay Safe out there. Have a good week.