

Hello Colorado Wheat.

“...you waltz right in the door, just like you’ve done before and wrap my heart around your little finger...”

I don’t think Dolly Parton was singing about \$5.00 wheat, but she might have been.

This is a continuous weekly KC wheat futures chart:



You can see this is the 4th time we’ve been to the \$5.00 mountain top in the past couple years, which is where the rally has always fizzled out. The past 3 times, selling \$5.00 wheat has been the right thing to do. Will this time be any different?

A smart man would probably just point out this is an area we run into selling many times previously, but that “smart man” clause takes me and Forest Gump out of the picture, so...will this time be any different?

Actually, yes, I believe it things are indeed different, and we’ll look at why I’m saying that in a minute, but first, I updated my boilerplate to this:

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 if you are growing wheat to be sold to the milling market, or export wheat market, I believe you should buy certified, fungicide treated seed, and 1. Be willing to store your wheat, if it’s the right thing to do 2. Apply 60 # of Nitrogen and 15# of Sulfur at planting, and in the spring, apply another 30# of N; and if it’s a wet spring, re-apply another 30# of N about 3 weeks later, and 3. Don’t sell your wheat without discussing protein premiums

There have been some serious fungus issues at the Gulf recently, which could jeopardize the market for everyone, but they are easily preventable with seed treatments. It’s the right thing to do.

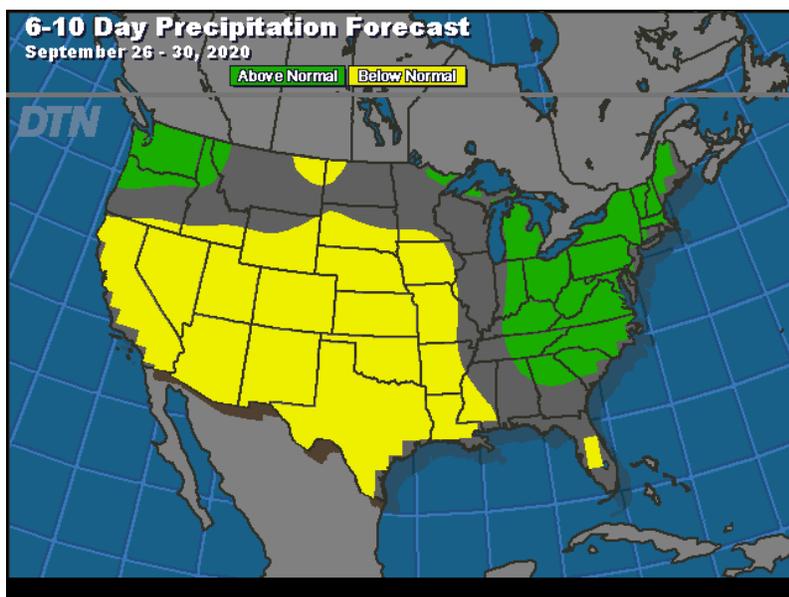
Ok, why is this time different?

Technically, look at the purple line, which is a 40-week moving average (if we were looking at a daily chart, I'd use a 200-day moving average). On Peak 1, the moving average was declining, and importantly, on both Peak 2 and 3, the moving average was far below the peaks, whereas now, on Peak 4, we saw a recent test of the moving average support which held, and then bounced.

Here's the same chart, even more condensed, so we can see a longer time frame. I think it illustrates my moving average comments



Fundamentally, it's dry here in The Great Plains, and the hurricanes aren't expected to change that. We will finish September and head into October very dry. Here's the 6 to 10-day precipitation outlook:



Also...it's still very dry in...Volgograd, Russia and Argentina. (This week someone told me they added Volgograd weather to their iPhone weather cities. Yeah!! If you haven't yet, I'd say "Do it!")

I know Volgograd is NOT all of the Russian Wheat Belt, and I know some parts of northern Russia are actually wet, but it seems to me Volgograd wheat is flows directly and easily to The Black Sea, which is where Russia exports almost all of her wheat.

The main point about Volgograd is we are not talking about this year's crop, but NEXT year's Russian new-crop wheat, so it's important to acknowledge THINGS CAN CHANGE!, but it allows me to go ahead and put it on the table...2010 and 2012 were years we saw a big drop in Russian wheat production. As seen in this table (metric tonnes):

year	production
1998	27012
1999	30995
2000	34455
2001	46982
2002	50609
2003	34070
2004	45434
2005	47615
2006	44927
2007	49368
2008	63765
2009	61770
2010	41508
2011	56240
2012	37720
2013	52091
2014	59080
2015	61044
2016	72529
2017	85167
2018	71685
2019	73610
2020	77000

Do I know that's going to happen again? No. You and I both know betting on a drought is usually not a good bet.

BUT... I don't see how the end-user market can afford to totally ignore the possibility...of a world disaster. And if you work for a commission house, and get paid a commission only when someone makes a trade... can you afford to not talk up a potentially huge bull market? I don't think so.

As an example, look at the corn market Chinese hysteria...

Even farmdocdaily can't resist...alluding to a Reuters story...seems to me "facts" are hard to find, but...it appears a typhoon may have reduced Chinese corn production by 4%...high winds and rain...4%?! gimme a break. (although our windstorm, the derecho, did wipe out a lot of corn)

https://farmpolicynews.illinois.edu/2020/09/china-impacting-corn-wheat-and-soybean-variables/?utm_source=farmdoc+daily+and+Farm+Policy+News+Updates&utm_campaign=bd2d00df6f-WEEKENDER_RSS_EMAIL_CAMPAIGN&utm_medium=email&utm_term=0_2caf2f9764-bd2d00df6f-173650021

I'm tempted to say "Pay no attention to that man behind the curtain" ...as corn export loadings are still very, very slow, although corn export SALES are about 2.5X this time last year, so I'll save it for later:

WEEK ENDED (09/10/20)	Weekly loadings	Accumulated in season	Estimated fudge factor	Total loaded est*	USDA projection	Amount needed	Weeks to go	Bu per week needed
Corn	35.5	45.2	60	105.2	2,325	2219.8	50	44.4
Soybeans	63.7	83.0	30	113.0	2,125	2012.0	50	40.2
All wheat	20.7	281.9	35	316.9	975	658.1	37	17.8

How about those soybean loadings? Now we're talking! Wheat loadings are at least staying on the pace to reach the USDA USA all wheat export forecast.

The markets ended the week with blue numbers (new 11-week closing highs) in the Ags:

CLOSE	KWZ20	KWN21	CZ20	CN21	WZ20	MWZ20	MWN21	SX20	CRD20	ES20
09/18	\$5.04	\$5.27	\$3.79	\$3.96	\$5.75	\$5.51	\$5.78	\$10.44	\$41.61	\$3316
09/11	\$4.71	\$4.96	\$3.69	\$3.88	\$5.42	\$5.32	\$5.61	\$9.96	\$38.08	\$3334
09/04	\$4.73	\$4.97	\$3.58	\$3.79	\$5.50	\$5.43	\$5.66	\$9.68	\$40.59	\$3418
08/28	\$4.72	\$4.98	\$3.59	\$3.80	\$5.49	\$5.39	\$5.66	\$9.51	\$43.29	\$3505
08/21	\$4.57	\$4.83	\$3.41	\$3.66	\$5.35	\$5.29	\$5.57	\$9.05	\$42.34	\$3392
08/14	\$4.36	\$4.60	\$3.38	\$3.63	\$5.10	\$5.12	\$5.44	\$8.99	\$42.31	\$3362
08/07	\$4.27	\$4.55	\$3.21	\$3.48	\$5.04	\$5.11	\$5.45	\$8.68	\$41.49	\$3345
07/31	\$4.53	\$4.78	\$3.27	\$3.52	\$5.39	\$5.28	\$5.59	\$8.93	\$40.57	\$3264
07/24	\$4.61	\$4.85	\$3.35	\$3.59	\$5.45	\$5.28	\$5.60	\$8.99	\$41.30	\$3204
07/17	\$4.60	\$4.83	\$3.40	\$3.61	\$5.41	\$5.27	\$5.60	\$8.95	\$40.75	\$3214
07/10	\$4.64	\$4.87	\$3.45	\$3.66	\$5.39	\$5.38	\$5.68	\$8.91	\$40.73	\$3179
07/03	\$4.47	\$4.72	\$3.54	\$3.75	\$5.00	\$5.24	\$5.57	\$8.97	\$40.36	\$3116

The table interestingly shows wheat, corn and beans all had red numbers (11-week closing lows) the first week of August. This Friday will be the last Friday in September... (already? Wow.)

KC Z chart, actually not showing resistance at \$5.00, BUT...from \$5.20 to \$5.30 will be tough sledding; it's going to take someone other than me hyping Russian dryness...



Dec corn looks like KC wheat, although a major difference is USA corn harvest is gaining momentum. I think we need corn export loadings to step it up, although besides the Chinese corn situation, some guys are starting to talk about Brazilian dryness. Brazil only produces about a third of what the USA produces, but Brazil's corn exports are 2/3's of what the USA exports.



Nov beans...getting closer to expected stiff resistance around \$10.70...



You can see the \$10.70 resistance better on the continuous bean chart:



I mentioned Brazilian dryness as a possible maybe corn supply issue. I hope we don't have to talk about Brazilian soybean dryness!

Frankly, I don't even know if that's possible.

All 3 charts look straight up, BUT with expected resistance 25c away, with fall grain harvest gaining momentum. Hanging on for that last 25c might be too risky. I like KC wheat, but unlike massive Chinese demand fueling beans, and supposedly corn, the factor there is Russian dryness. It's good until it rains.

Gulf wheat bids backed a bit off for 12's, but ords are bid better.

GULF date	12 pro	ords	diff
9/18/2020	154	140	14
9/11/2020	160	137	23
9/4/2020	141	128	13 Z
8/28/2020	145	130	15 U
8/21/2020	135	118	17
8/14/2020	135	120	15

Basis bids in the country are mainly unchanged, although the area around Holyoke is up 5c. on the low side. These are the highest flat prices we've seen since late Jan, early Feb of 2019. If a guy wants to lay something off, I don't blame him. Yes, I think there is still more upside, but...we haven't seen these prices in more than a year and a half.

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
09/18	\$4.54-\$4.74	\$4.79	\$4.54-\$4.64	\$4.40-\$4.64	\$4.74-\$5.04
09/11	\$4.21-\$4.41	\$4.46	\$4.21-\$4.31	\$4.02-\$4.31	\$4.41-\$4.71
09/04	\$4.23-\$4.43	\$4.48	\$4.23-\$4.33	\$4.04-\$4.33	\$4.43-\$4.73
08/28	\$4.17-\$4.47	\$4.42	\$4.17-\$4.27	\$4.02-\$4.22	\$4.42-\$4.72
08/21	\$4.01-\$4.21	\$4.26	\$4.01-\$4.11	\$3.84-\$4.06	\$4.26-\$4.56
BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
09/18(Z)	-50, -30	-25	-50, -40	-65, -40	-30, -00
09/11(Z)	-50, -30	-25	-50, -40	-70, -40	-30, -00
09/04(Z)	-50, -30	-25	-50, -40	-70, -40	-30, -00
08/28(U)	-45, -15	-20	-50, -35	-60, -40	-20, -10
08/21(U)	-45, -25	-20	-50, -35	-67, -40	-20, -10
Date	Concordia	Salina	Hutch/Wichita	Ark City	
09/18(Z)	-30	-20, -16	-40, -20	-34	
09/11(Z)	-30	-20, -16	-40, -20	-34	
09/04(Z)	-30	-20, -16	-40, -20	-34	
08/28(U)	-20	-10, -07	-35, -10	-29	
08/21(U)	-20	-10, -07	-35, -10	-29	

Wheat loadings by class were about as expected; Chinese activity was limited to a big HRW boat (66 mmt), with no new purchases; Brazil did load a small boat (29 mmt)

WEEK ENDED (09/10/20)	Weekly loadings	FUDGED in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	7.7	133.0	410.0	277	37	7.5
HRS	2.9	85.4	270.0	184.6	37	5.0
SRW	2.6	33.5	85.0	51.5	37	1.4
LAST WEEK						
HRW	5.6	125.2	410.0	284.8	38	7.5
HRS	9.4	82.5	270.0	187.5	38	4.9
SRW	3.9	30.9	85.0	54.1	38	1.4

Shifting gears... I know we generally like prices to go up, but sometimes I consider the other side. This article is from Pakistan, which will have to import 2.2 million tonnes of wheat this year (probably from the Black Sea, although it should come from India, except those 2 countries hate each other...) and uses the phrase "looming wheat crisis".

<https://www.thenews.com.pk/print/717605-for-averting-looming-wheat-crisis-govt-moving-towards-importing-2-2m-ton-wheat>

If that Russian drought doesn't break, this will be just the tip of the iceberg. Scary stuff.

Have a good week. Corn and milo harvest is ongoing, and wheat planting (use a seed treatment!) too. Busy, busy (and stressful) time of year.

Please, Stay Safe.