

Hello Colorado Wheat.

Yeeee-Hawww! KC Z wheat closed up 26c for the week, and the average Colorado posted wheat bid was \$4.99. Cash wheat has been this high since November of 2018, when it averaged \$5.15 for 3 weeks.

"...let them brush your rock and roll hair, let the good times roll...let the good times roll..."

After that, it steadily declined to \$3.35 the following August.



What? Not Debbie Downer now Maltby! What the heck?? We got \$5 wheat finally, and don't you know it's dry in Volgograd?

Well, since you brought it up...my phone says Volgograd has a day of rain coming a week from tomorrow. Admittedly, one day of rain is not a drought buster, but if I didn't say something, I wouldn't be doing my job.

And I know the crop report came out Friday and KC closed 7c higher, so I guess it was a bullish report, but...I admit increasing Russia's wheat old-crop production by 5 million tonnes doesn't seem bullish to me.

So obviously this is all about next year. It's barely the middle of October, and already, the wheat market is SOLELY focused on next year. Seems early for that to me, but that's the way I read it.

"...let the good times roll."

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

Here's how the week ended. New blue numbers again in KC wheat and corn, and Chgo wheat printed a blue number this week too. Not Mpls spring wheat...talk about Debbie Downer.

CLOSE	KWZ20	KWN21	CZ20	CN21	WZ20	MWZ20	MWN21	SX20	CRD20	ES20
10/09	\$5.36	\$5.55	\$3.95	\$4.10	\$5.94	\$5.44	\$5.76	\$10.66	\$40.91	\$3473
10/02	\$5.10	\$5.31	\$3.80	\$3.99	\$5.73	\$5.32	\$5.63	\$10.21	\$37.34	\$3339
09/25	\$4.75	\$5.00	\$3.65	\$3.83	\$5.44	\$5.30	\$5.60	\$10.03	\$41.51	\$3287
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

Mpls spring wheat closed at only 8c over KC's hard red winter, which...is getting kinda cheap, as shown in this daily MGEX Z-KC Z spread chart:



When spring wheat gets cheap to winters, the market will start substituting springs for winters where it can. It won't be a wholesale, all-at-once overnight deal, but it's beginning to happen right now.

Consider the posted high side of 12 protein HRW, basis track Chgo is +140 KC Z, and posted high side of 14 protein spring wheat is +120 MW Z. With Minny at +8 to KC, that means 14 protein springs are 12c bu cheaper than 12 winters in the domestic USA milling wheat market.

Then...consider posted bids to the PNW show spot shipment 12 winters at +160 KC Z, and spot 14 springs are bid at +120 MW Z, which means going to the export market, 14 pro springs are currently bid at a 32c discount to 12 pro winters.

Possibly...this wheat-by-class export pace scorecard is reflecting that:

WEEK ENDED (10/01/20)	Weekly loadings	FUDGED in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	8.0	157.4	410.0	252.6	34	7.4
HRS	9.4	105.6	270.0	164.4	34	4.8
SRW	1.6	41.2	80.0	38.8	34	1.1
LAST WEEK						
HRW	10.5	149.4	410.0	260.6	35	7.4
HRS	4.8	96.2	270.0	173.8	35	5.0
SRW	3.7	39.6	85.0	45.4	35	1.3

I say “possibly reflecting that” as one week does not make a trend, although I note Spring wheat export sales this week were more than 2x that of HRW.

The export inspections report showed Brazil loaded a boat of HRW, but we didn’t see new sales to Brazil. China did load a big boat of spring wheat but did not buy and springs or winters. That a spring wheat boat was actually loaded was interesting, especially in light of the ergot discussion we had last week, which by the way, an exporter pointed out that officially China buys a .01% ergot, not a .03...although he did say that possibly they might change their specs, agreeing with me that the USA milling market specs allow .05%...

Fundamentally, the USDA did drop their Canadian all-wheat estimate by a million tonnes, but also dropped USA’s HRW production by 1.4 million tonnes, and decreased Argentina’s production by .5 million tonnes. I mentioned they increased their Russian all-wheat production forecast by 5 million tonnes, so I think the world supply/demand lost a million tonnes of spring wheat, but net gained about 3 million tonnes of hard red winter.

Anyway...I think we are seeing some substitution of springs instead of winters here and world-wide.

Gulf winter wheat bids weakened a bit this week:

GULF date	12 pro	ords	diff
10/9/2020	160	140	20
10/2/2020	172	147	25
9/25/2020	155	140	15
9/18/2020	154	140	14
9/11/2020	160	137	23
9/4/2020	141	128	13 Z

Posted basis bids in the country aren't showing all the Gulf weakness, although they never showed the full strength either...but we do see a little easing:

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
10/09	\$4.86-\$5.06	\$5.11	\$4.87-\$4.97	\$4.72-\$4.96	\$5.06-\$5.36
10/02	\$4.60-\$4.80	\$4.85	\$4.60-\$4.70	\$4.46-\$4.70	\$4.60-\$5.20
09/25	\$4.25-\$4.45	\$4.50	\$4.25-\$4.35	\$4.11-\$4.35	\$4.45-\$4.85
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
BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
10/09(Z)	-50, -30	-25	-50, -40	-65, -40	-30, +00
10/02(Z)	-50, -30	-25	-50, -40	-55, -40	-30, +10
09/25(Z)	-50, -30	-25	-50, -40	-65, -40	-30, +10
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
Date	Concordia	Salina	Hutch/Wichita	Ark City	
10/09(Z)	-30	-20, -16	-40, -20	-34	
10/02(Z)	-30	-20, -16	-40, -20	-34	
09/25(Z)	-30	-20, -16	-40, -20	-34	
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	

Ok, so what do we do?

In the 06/19 weekly market update, I wrote *“Should I stay, or should I go? A guy is going to have to take some more heat, but I vote STAY”*

The average Kansas bid that week was \$4.02. This week it is \$5.04/bu, and the Gulf is a little weaker, and the fundamentals gained world winters and lost world springs, and spring wheat cash prices are cheaper than winter wheat cash prices, so what do we do? SELL SOME.

That’s right. I’ve changed my “stay” call to “go”. Go ahead and sell some old-crop wheat NOW.

How much is up to you. I’m NOT convinced the Russian drought is over, even though they will get a little rain (maybe), but looking at this updated table, it seems to me they have a little more wiggle room now.

Russian wheat

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	83000

Is your new crop winter wheat planted? Has it emerged? Have you sold any of this year’s crop? Have you sold any of next year’s crop?

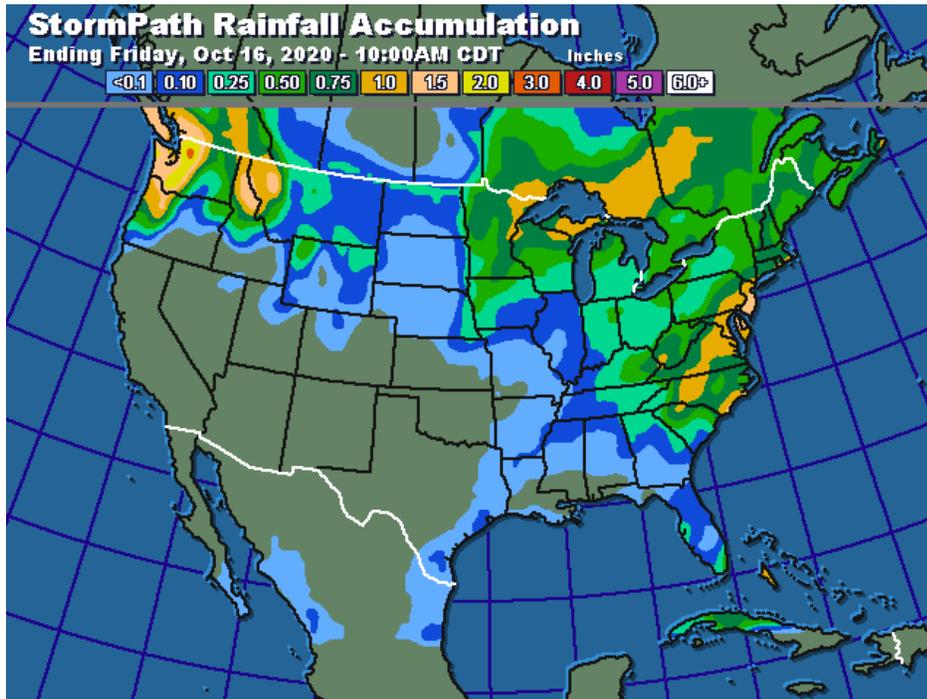
Those questions will help determine how much you need to sell now.

Admittedly this KC Z chart is **not** showing any sell signals:



Maybe you're uncomfortable selling when the chart isn't showing sell signals, and I can't blame you. When we study the table on page 2, we see the current 4-week low is \$4.75, and I don't think (hope) we won't see that again this week, but when we read **next week's issue**, the new 4-week low will be \$5.10. Maybe use that as a sell stop, and hopefully you'll get to keep raising the sell stop if the trend continues.

The forecast says your new crop won't get wet this week, so maybe some of you will wait until that changes:



OR frankly, some of you might just prefer to wait until Volgograd actually gets a rain, not just a measly one day forecast that's a week out.

I'd sell some, but your circumstances might be different than mine.

The October WASDE was friendly soybeans. Beans have rallied Two Dollars since early August.



Beans has a MONSTER week of exports, and the USDA doubled down and increased their USA soybean export forecast. Truly a monster week.

WEEK ENDED (10/01/20)	Weekly loadings	Accumulated in season	Estimated fudge factor	Total loaded est*	USDA projection	Amount needed	Weeks to go	Bu per week needed
Corn	36.8	144.8	60	204.8	2,325	2120.2	47	45.1
Soybeans	76.0	248.0	30	278.0	2,200	1922.0	47	40.9
All wheat	25.8	348.7	35	383.7	975	591.3	34	17.4

Corn, still lagging the pace needed. The USDA didn't decrease their corn export ideas, yet.

Wheat remains on a good pace.

The USA corn feeding estimate decreased, and the ethanol usage demand decreased, as expected and talked about last week, but the quarter billion bushel decrease to this year's carry-in (from last week's stocks in all positions report) and almost a 200 million drop in production allowed this crop year's (2020/21) ending stocks/usage ratio to drop way down to 14.86%, which allowed them to raise the National Average Farm Price to \$3.60, and all that seems pretty doable to me.

The problem is...Dec corn pushing \$4.00 is too high under that scenario.

If you don't want to sell your wheat because you're not seeing the sell signals yet, and you can't sell beans because they're still in a "moon shot" formation, then sell some corn.

Here's Dec corn:



What's that you say? It looks like the KC wheat chart? Can't I see that? Or am I just being obtuse...

Fine. Hang on forever to everything if you want. I tried. I think corn is 40c overpriced.

But for everyone else, here's an article about a new 2.2-million-bushel bin. A single bin... For you wanting to hang on to it all forever, this is just what you need. And an agreeable banker...

<https://www.world-grain.com/articles/14320-sukup-manufactures-record-breaking-grain-bin>

Maybe next week we'll talk about the new GMO wheat Argentina wants to release, pending Brazil's approval. Or maybe not. That's fine if they want to grow feed wheat. But since feed wheat is even money with milo, why not? What??

Like I said, I'd sell some wheat.

Have a good week; Stay Safe. "Just Keep matriculating the ball down the field Boys!"