

Hello Colorado Wheat.

Grain markets set back hard this week under seasonal pressure and bearish outside influences. The annual Wheat Quality Council’s Hard Red Winter Wheat Tour verified the May NASS Crop Production’s findings that HRW yields this year are way below average, and “abandonment” will be higher than average, which will certainly lead to a short supply of USA HRW.

However...you know I believe Demand is just as important as Supply, and right now, Demand is on the sidelines.

The week finished ...poorly. New red numbers in corn are the driver here. Corn drives the Grain Train. It has derailed, leaving a really big mess that cannot be easily cleaned up. New red numbers in soybeans, and Chgo and Minny wheats. KC dropped 50c, and asks the question... “Why doesn’t KC go ahead and make a new red number too?”

	July '23 HRW	DEC '23 HRW	July'23 corn	DEC '23 corn	Chgo Z wheat	Springs Dec (Z)	July'23 soybean	NOV '23 Soybean	Crude oil	S&P
CLOSE	KWN23	KWZ23	CN23	CZ23	WZ23	MWZ23	SN23	SX23	CRD22	ES22
05/19	\$8.24	\$8.07	\$5.55	\$5.00	\$6.36	\$8.11	\$13.07	\$11.76	\$71.55	\$4205
05/12	\$8.77	\$8.47	\$5.86	\$5.09	\$6.64	\$8.51	\$13.90	\$12.24	\$70.04	\$4138
05/05	\$8.33	\$8.21	\$5.97	\$5.38	\$6.60	\$8.44	\$14.37	\$12.80	\$71.34	\$4150
04/28	\$7.76	\$7.77	\$5.85	\$5.28	\$6.63	\$8.15	\$14.19	\$12.64	\$76.78	\$4189
04/21	\$8.26	\$8.21	\$6.15	\$5.48	\$6.98	\$8.49	\$14.49	\$12.85	\$77.87	\$4157
04/14	\$8.63	\$8.57	\$6.36	\$5.60	\$7.18	\$8.72	\$14.67	\$13.02	\$82.52	\$4164
04/07	\$8.46	\$8.44	\$6.20	\$5.57	\$7.20	\$8.71	\$14.63	\$13.10	\$80.70	\$4142
03/31	\$8.62	\$8.59	\$6.36	\$5.67	\$7.35	\$8.98	\$14.76	\$13.20	\$75.67	\$4137
03/24	\$8.34	\$8.33	\$6.23	\$5.60	\$7.28	\$8.59	\$14.06	\$12.73	\$69.26	\$4001
03/17	\$8.23	\$8.26	\$6.18	\$5.61	\$7.43	\$8.58	\$14.61	\$13.14	\$66.74	\$3947
03/10	\$7.89	\$7.97	\$6.07	\$5.58	\$7.17	\$8.28	\$14.95	\$13.58	\$76.68	\$3863
03/03	\$8.09	\$8.19	\$6.28	\$5.71	\$7.44	\$8.67	\$15.06	\$13.73	\$79.68	\$4050
Year ago		\$8.01		\$5.93	\$7.70	\$9.79		\$13.40	\$75.57	\$4762

Charts and discussions follow, with the goal of giving you useful information to help you with the business of marketing your crops. My disclaimer remains the same: these are my sometimes rapidly changing opinions. ALSO, USE THE BEST MANAGEMENT PRACTICES YOU CAN. STUDIES SHOW GOOD MANAGEMENT ADDS AN AVERAGE OF 13 BU/ACRE; IT PAYS FOR ITSELF

The Market at work is ...the Ultimate Arbiter. The Market hates a vacuum...is a truism that can't be ignored. It seeks and finds ways to fill a vacuum.

We haven't seen an official "Wheat-by-class" S&D from the USDA, but we can create one, and since the market finished so poorly, with such a weak tone, let's do what the market is so good at. KICK 'EM WHEN THEY'RE DOWN. Let's intentionally see if we can create a bearish HRW S&D.

Start with this, and then fill out this year's numbers with a bearish slant.

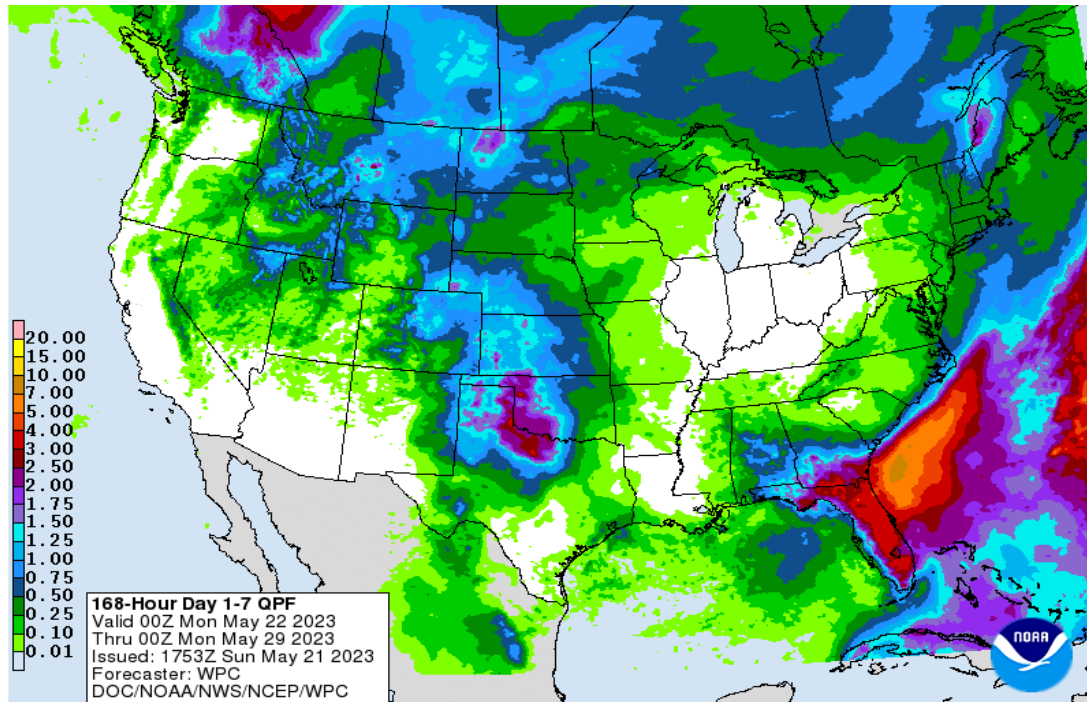
1	2	3	4	5	6	7	8	9	10	BEAR	
2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	
343	237	294	445	589	581	516	506	428	376		carry in
747	739	830	1082	750	662	845	659	750	531		production
19	10	6	5	7	5	2	4	4	5		imports
1109	986	1130	1532	1346	1248	1363	1169	1182	912		total supply
370	370	391	385	392	384	378	377	405	373		food
34	32	30	26	26	25	24	26	26	29		seed
22	20	37	79	-26	-9	77	-1	58	20		feed/residual
426	422	458	490	392	400	479	402	489	422		domestic use
446	269	227	453	373	332	378	339	317	220		exports
872	691	685	943	765	732	857	741	806	642		total demand
237	295	445	589	581	516	506	428	376	270		carryout
27.2%	42.7%	65.0%	62.5%	75.9%	70.5%	59.0%	57.8%	46.7%	42.1%		stox/use

Will the current carry-in increase? (Will this year's exports slip enough to cause a final revision lower?) Yes, I think so; probably about 20 million total, and we'll estimate that as 45% HRW, or 9 mil bu, so will be starting with 279 on our bearish HRW S&D. The Export Pace shows 44 mil bu HRW needed both remaining weeks, but we've been only averaging about 8 mil a week.

WEEK ENDED (05/11/23)	Weekly loadings	Accumulated in season (FGIS)	Estimated fudge factor	Total loaded est*	USDA projection	Amount needed	Weeks to go	Bu per week needed
Corn	46.2	1025.6	60	1067	1,775	708	16	44.3
Soybeans	5.4	1763.9	30	1784	2,015	231	16	14.4
All wheat	8.9	687.6	45	731	775	44	02	22.0
Milo	2.1	59.8	5	63	90	27	16	1.7
LAST WEEK								
Corn	37.9	979.0	60	1019	1,775	756	17	44.5
Soybeans	14.5	1758.4	30	1778	2,015	237	17	13.9
All wheat	7.7	678.2	45	720	775	55	03	18.3
Milo	1.9	57.8	5	61	90	29	17	1.7

What about production? The Wheat Tour used a little better yield than the NASS May report, but used less harvested acres. In my opinion, it's impossible for the Wheat Tour to gauge how many more fields will be abandoned than what NASS guessed. Crop Conditions have remained almost identical for the past 2 weeks since the NASS report. Monday's report will be interesting, as I think...we should start seeing a small, but noticeable improvement from the past 2 weeks of May.

This forecast suggests some rain is expected in OK and TX. Those states show wheat is headed of course, and thus rains may not help, but wheat in the boot stage can be helped fill out. Heavier test weight = better yields. NW KS and NE CO can be helped; NE and MT can be helped.



Anyway, even though I think the next NASS crop on June 9 will show an improvement, I am going to leave the production estimate unchanged at what NASS showed, which was 514 HRW plus 10 HWW, or 524 total.

Imports...not normally a big deal for HRW, BUT this year...who knows. Bloomberg published a story Wednesday night about European wheat being imported into the USA, specifically into Tampa, FL from a Polish seller (widely suspected to be Ukrainian origin). Bloomberg stories are usually behind a paywall, but a website called [millingjournal.com](https://www.millingjournal.com/article/298711/u-s-makes-rare-wheat-imports-from-europe-after-drought-ravages-crops) referenced the article, and their story has a link to the Bloomberg article. <https://www.millingjournal.com/article/298711/u-s-makes-rare-wheat-imports-from-europe-after-drought-ravages-crops> (I clicked the link mentioned, and it did indeed take me to the original Bloomberg story.)

ANYWAY...in the table we see that back in 2013/14, there were 19 mil bu of HRW imported into the States, so I'm going to use 20 mil bu for this year. So now our Supply of HRW will be 823 mil bu.

279 carry in +524 production + 20 imports = 823 mil bu supply vs last year's 912.

Demand...I doubt food demand can drop more than 3 mil bu (if that) and seeded acres this fall will be big. The feed/residual category is tricky, as it seems like that can't go below 0, but we see negative numbers in 2017/18 and the following year...so I'm going to use a negative 5 mil bu in feed/residual.

Last year's HRW exports of 220 were the lowest in modern times, and we already said we expect a lower revision coming of 9 million bu, which revises the 220 mil bu HRW exports for this current year to 211. THEN, considering the May WASDE showed a USA 50 mil bu wheat export decrease for 23/24 of 50 mil bu, and assuming 45% of that is HRW...I'm going to show HRW wheat exports next year of only 189 mil bu. That number is difficult to look at. Wow.

Which translates to a 239 projected carryout, and almost a 41% ending stox/use ratio.

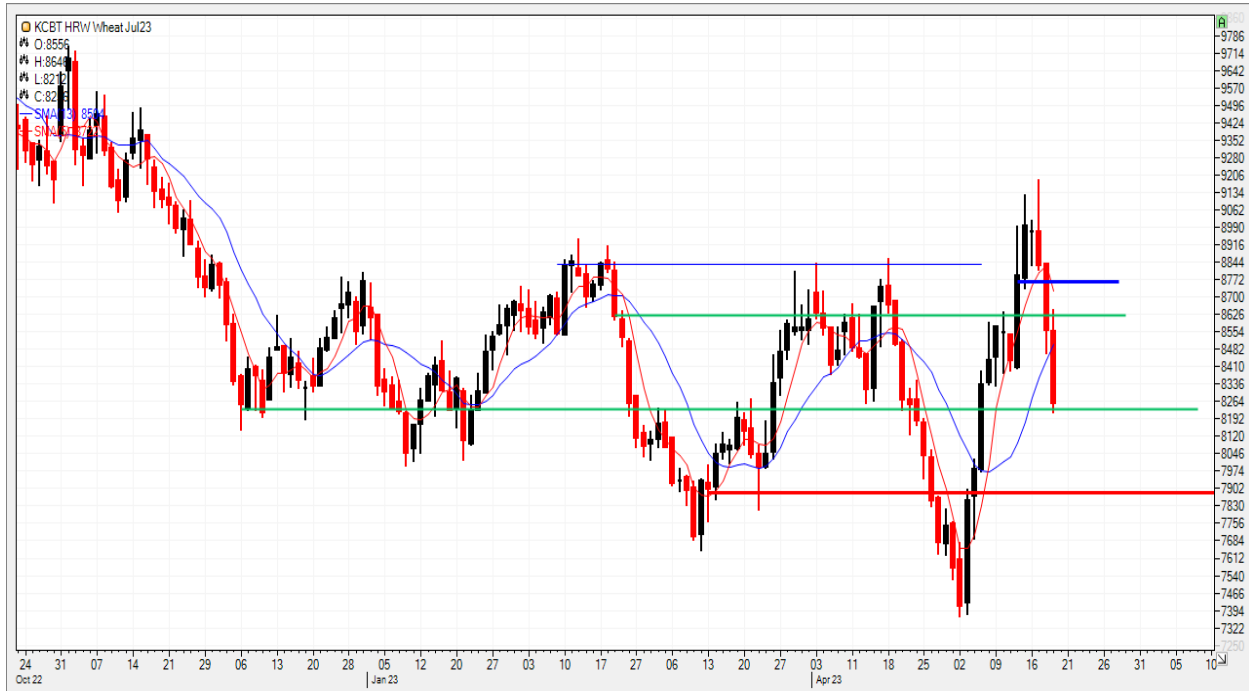
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27.2%	42.7%	65.0%	62.5%	75.9%	70.5%	59.0%	57.8%	46.7%	43.5%	40.9%	stox/use

A 41% ending stox/usage ratio is NOT bullish.

I doubt this is what we see on the July WASDE, which will be the first official look at a wheat-by-class Supply and Demand...but who knows? **It's at least a possibility.**

Besides The Wheat Tour showing NASS's 29 bu/ac yield was a decent Kansas estimate, and besides the weather forecast showing another week of rain coming, and besides an article publicly talking about European wheat being imported into the USA, there was a rather subdued announcement that the "Grain Corridor" has been extended another 60 days. That wasn't a surprise to anyone reading this wire, as I've said consistently Russia needs to export her wheat, and Turkey needs to buy it, so the easiest way for that to keep happening is...to extend the Grain Corridor agreement, which nominally helps Ukraine, but really helps Russia... <https://www.reuters.com/world/europe/last-ship-leave-ukraine-fate-black-sea-grain-deal-russias-hands-2023-05-17/>

Combine those 4 inputs with Corn Planting Progress racing to 65% complete, and Soybeans racing to 49% planted (!) seen as bearish inputs no doubt...and we get a KC July wheat chart that looks like this, and notice the close is BELOW that double-bottom Green Line I drew in last week, which I said speculators should treat as a sell-signal if closed below...speaking of green lines, I added a second green line from a couple of closes around \$8.24 or so, shown on the Weekly Closing table this week as well.



Where's this chart headed? If the \$8.24 green line can't hold, then it's going to re-visit the Red line at \$7.76, and if that can't hold, then then the spike lows of \$7.40 are likely.

After that...it careens wildly sharply higher. Who knows? Wheat export sales this week for new-crop were 12.2 mil bu. That pace at 52 weeks is 634 mil, and if HRW is 45% of that, HRW exports would be 285 million instead of the bearish S&D's 189 million.

Or if the weather pattern goes to hot, windy and dry...everything firms a bit.

And at the possible low prices on that chart, one has to ask if that shuts off imported European wheat; I lean towards "probably yes", and then the 20 million imports becomes unreachable.

And we don't know how the feed/residual will play out. My guess of a negative 5 mil bu could just as easily be a positive 20, and that a 25 mil bu swing.

**But right now...the KC July wheat chart has been hurt and more than likely is going to re-visit the Red Line.**

What about corn? We saw old-crop had decent loadings, but we didn't talk about old-crop Corn export sales, which were **negative**. And new-crop corn sales were a puny 3 mil bu.

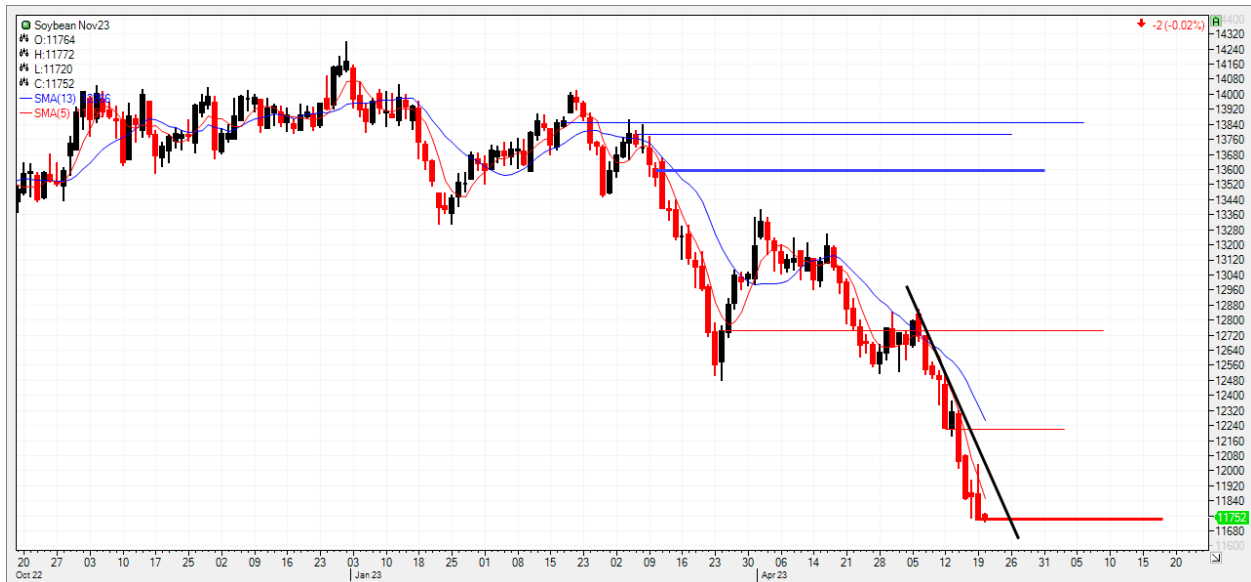
Last week I said a new-crop corn ending stox/use ratio above 15% is bearish, and points to about a \$4.20 Dec corn. This chart says...we don't know about \$4.20, but we're going to see if the \$5.00 floor can become a \$5.00 ceiling. I'm 35% sold, and that's feeling more and more like that's not enough.

The Blue line is a few c lower this week. \$5 Bucks is an important area. The downtrend is steep, but...hasn't been penetrated sideways yet, so we can't say it's losing momentum.



And soybeans...last week I almost recommended selling more new-crop beans, but didn't and I regret it, although we are seeing new-crop bean export sales finally pick up a little, with 24 mil bu last week.

Nov beans were crushed last week; the steep downtrend is brutal. New lower blue line, and a new lower red line. Wowzers. I'm only 25% sold on new-crop beans, and wish I had been more aggressive.



The corn and beans need to hear some bad news about bad weather somewhere, other than North Dakota is behind schedule.

Sinking corn and bean prices can weigh heavy on wheat too.

Posted wheat **basis** bids show some strength, and those bids above delivery values in the Hutch or Wichita area, which by the way, is where the best looking new-crop is currently, tell me that **when** the bear slide runs out of downside momentum, be alert with short hedges in KC. Finding a chair when the music finally stops may not be easy.

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
<b>05/19</b>	<b>\$7.44-\$7.99</b>	<b>\$8.04</b>	<b>\$7.89-\$7.99</b>	<b>\$7.71-\$7.86</b>	<b>\$7.56-\$8.04</b>
05/12	\$7.98-\$8.52	\$8.57	\$8.27-\$8.37	\$8.16-\$8.47	\$8.21-\$8.57
05/05	\$7.53-\$8.08	\$8.13	\$7.83-\$7.93	\$7.78-\$8.25	\$7.73-\$8.28
04/28	\$7.21-\$7.51	\$7.87	\$7.26-\$7.36	\$7.21-\$7.52	\$7.16-\$7.87

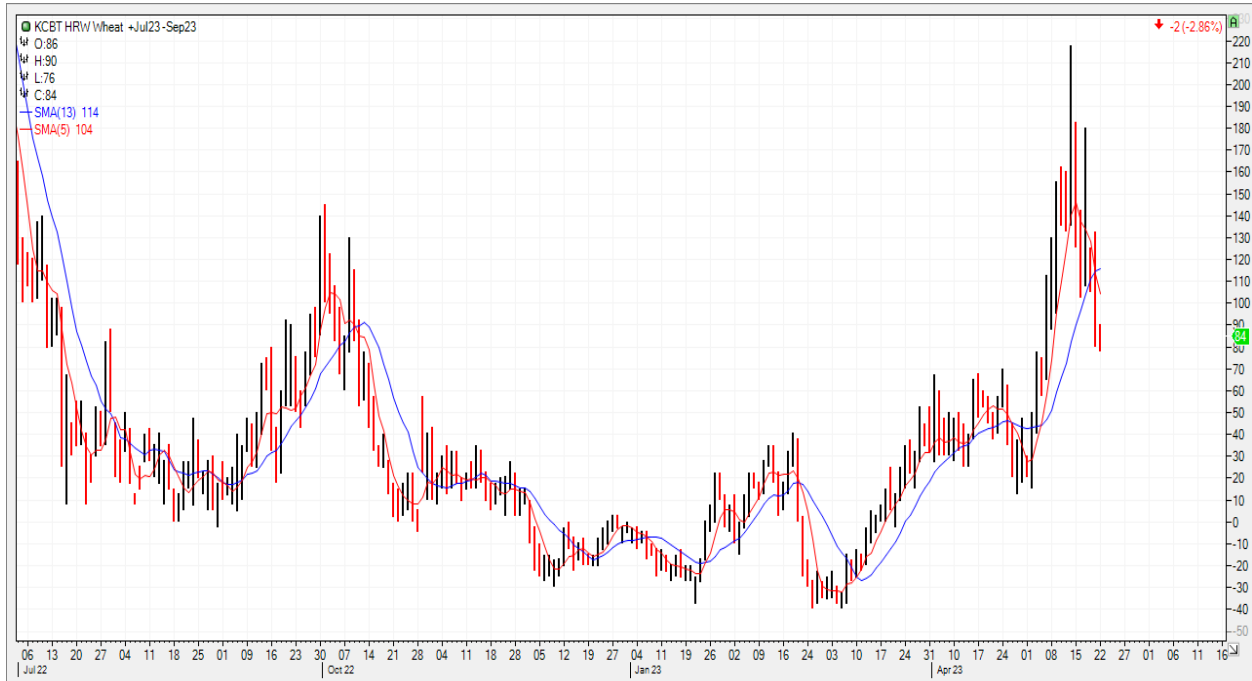
BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
<b>05/19(N)</b>	<b>-80, -25</b>	<b>-20</b>	<b>-35, -25</b>	<b>-54, -38</b>	<b>-69, -20</b>
05/12(N)	-80, -25	-20	-50, -40	-61, -30	-56, -20
05/05(N)	<b>-80, -25</b>	<b>-20</b>	-50, -40	-55, -08	-60, -05
04/28(N)	<b>-55, -25</b>	<b>+11</b>	<b>-50, -40</b>	-55, -24	-60, +11

Date	Concordia	Salina	Hutch/Wichita	Ark City
<b>05/19(N)</b>	<b>-10</b>	<b>-05, -00</b>	<b>-25, +05</b>	<b>-34</b>
05/12(N)	-10	-05, -00	-32, +00	-34
05/05(N)	-15	<b>-05, -00</b>	<b>-32, +00</b>	<b>-34</b>
04/28(N)	-20	-10, <b>-05</b>	<b>-36, +26</b>	<b>-08</b>

Gulf HRW to-arrive bids are doing nothing:

GULF				
date	12 pro	ords	diff	
5/19/2023	145	140	5	
5/12/2023	145	140	5	
5/5/2023	151	149	2	<b>N</b>
4/28/2023	152	150	2	K

Here's a KC July23-Sept 23 calendar spread...looks a bit heavy with moving averages crossing, but old support starts at about +6.5c, and I admit **I don't think it gets cheaper than a nickel inverse**...mainly because the high side of those posted bids at delivery markets show delivery equivalent or higher.



Wrapping it up...

I saw this about the CRISPR technology changing a plant, and finally making it to a food shelf. This story is about making a healthy type of lettuce (actually a mustard green) taste less bitter.

<https://geneticliteracyproject.org/2023/05/18/mustard-greens-genetically-tweaked-to-be-less-bitter-will-be-the-first-crispr-edited-food-available-in-the-us-when-they-reach-supermarkets-this-summer/>

And one day, an **olive oil shortage** could start supporting other oilseeds. This is from Barron's...I think you can read it , although they do try to sell you a subscription...<https://www.barrons.com/articles/olive-oil-prices-record-high-shortage-ec6402c>

Have a good week; I hope the moisture keeps coming.

Stay safe; Slow Down.