

Hello Colorado Wheat.

This week seemed more like dissemination of disinformation rather than “spreading the news”...

A perfect example was Russia’s African summit in St. Petersburg. African leaders wanted Putin to talk about restoring the Grain Corridor Initiative, as they know competition leads to lower prices, but he tried to buy them off with a few boats of free wheat. This Newsweek article sums it up pretty well;

<https://www.msn.com/en-us/news/other/is-putin-s-stranglehold-on-wheat-ruining-russia-s-ambitions-in-africa/ar-AA1ewoPq>

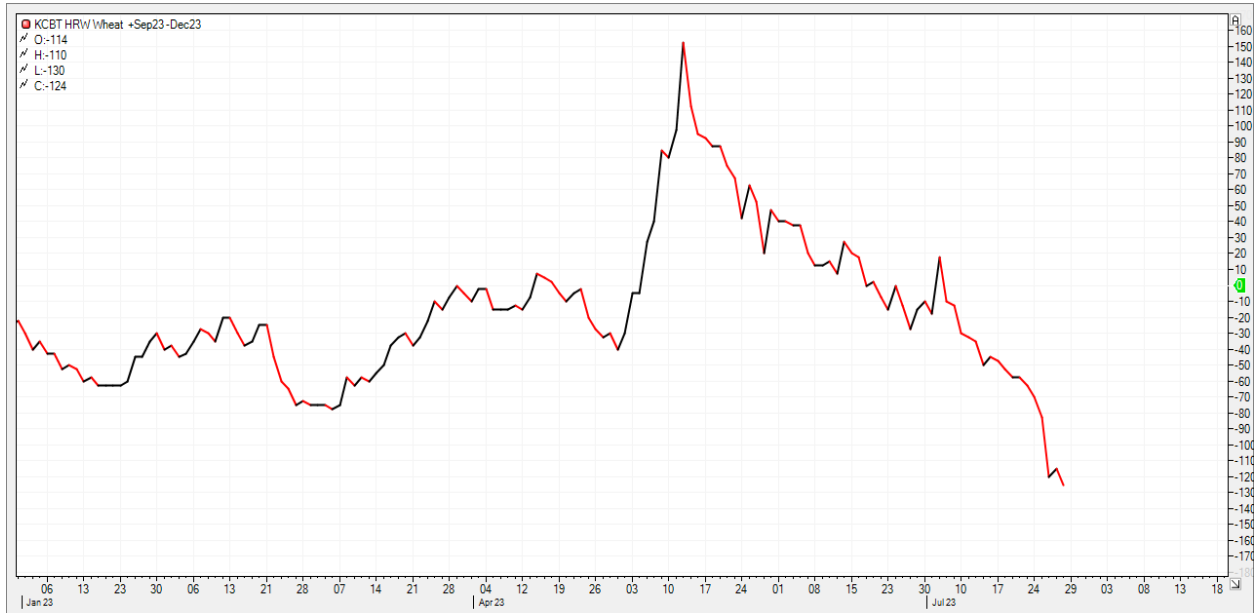
- And for the record, this quote from US Wheat puts in perspective Putin’s “free wheat”....  
**It is important to note that the U.S. government has donated 1 million metric tons of wheat to African and Middle Eastern countries every year since 2020/21.**

Markets were on fire early in the week, but the 11-Week Closing Table shows things cooled off a bit. Tensions are still high; Moscow was attacked by a couple of drones again last night, so I expect wheat prices to open firm Sunday night, but it’s going to take “more” to keep the rally going...

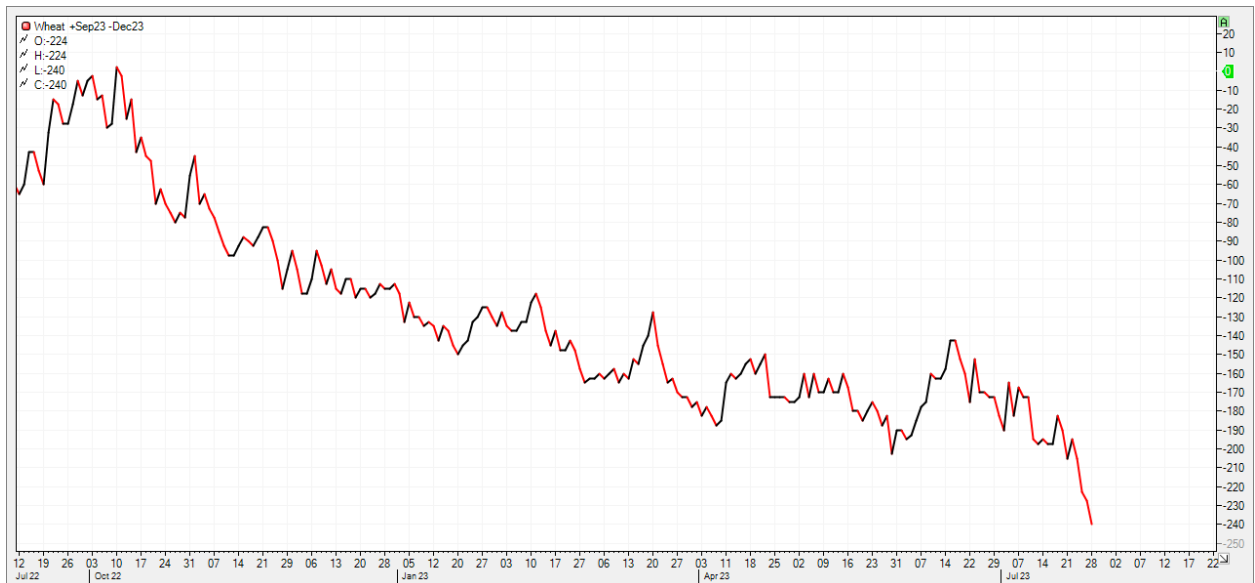
	Sept '23 HRW	Dec '23 HRW	Sept'23 corn	Dec '23 corn	Chgo Z wheat	Springs Dec (Z)	Aug'23 soybean	Nov '23 Soybean	Crude oil	S&P
CLOSE	KWU23	KWZ23	CU23	CZ23	WZ23	MWZ23	SQ23	SX23	CRD22	ES22
07/28	\$8.56	\$8.69	\$5.21	\$5.30	\$7.28	\$9.07	\$14.87	\$13.83	\$80.58	\$4607
07/21	\$8.60	\$8.67	\$5.27	\$5.36	\$7.18	\$8.97	\$15.01	\$14.02	\$77.07	\$4565
07/14	\$8.29	\$8.34	\$5.07	\$5.14	\$6.81	\$8.90	\$14.80	\$13.71	\$75.42	\$4537
07/07	\$8.18	\$8.20	\$4.87	\$4.94	\$6.67	\$8.55	\$14.28	\$13.18	\$73.86	\$4434
06/30	\$8.00	\$8.00	\$4.89	\$4.95	\$6.69	\$8.27	\$14.42	\$13.43	\$70.64	\$4488
06/23	\$8.62	\$8.63	\$5.85	\$5.88	\$7.62	\$8.80	\$14.04	\$13.10	\$69.16	\$4389
06/16	\$8.39	\$8.37	\$5.94	\$5.98	\$7.16	\$8.69	\$14.08	\$13.42	\$71.78	\$4454
06/09	\$7.94	\$7.93	\$5.25	\$5.31	\$6.58	\$8.18	\$12.96	\$12.04	\$70.17	\$4305
06/02	\$8.07	\$8.04	\$5.36	\$5.41	\$6.52	\$8.12	\$12.63	\$11.84	\$71.74	\$4288
05/26	\$8.14	\$8.10	\$5.29	\$5.35	\$6.48	\$8.25	\$12.61	\$11.90	\$72.67	\$4213
05/19	\$8.16	\$8.07	\$4.95	\$5.00	\$6.36	\$8.11	\$12.48	\$11.76	\$71.55	\$4205
05/12	\$8.61	\$8.47	\$5.11	\$5.09	\$6.64	\$8.51	\$13.18	\$12.24	\$70.04	\$4138
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

KC Sept wheat was down 4c but the Dec was up 2c. What happened? The calendar spread widened out to a 13c carry (more than 4c/month carry). This is a spread chart of KC Sept – KC Dec, showing no bottoming action yet, which in the face of this year’s USA HRW tight balance sheet, is somewhat surprising. BUT...I BELIEVE THE MAIN FACTOR that affects how wide a KC calendar spread is...HOW WIDE THE CHGO wheat calendar spread is. In that regard...we note Chgo U-Z is 24c.



Of course, a 13c carry is hardly anything compared to Chgo wheat’s 24c carry on the Chgo U-Z calendar spread shown here; 8c/month is 84% of full financial carry. The VSR observation period is ongoing, from July 19 to Aug 25...IF this spread stays at 24c, the allowed storage charges would INCREASE effective Sept. 19. I would assume...Commercial Interests (Big Concrete) would like to see a storage charge increase, and thus...assume Commercials have a desire in keeping this spread at 24c or wider.



Therefore even though KC is wide, I don't know that I would be in a hurry to roll my shorts (bull spread) if I was a HRW commercial. But I know it's tempting. A 12c carry seemed impossible on the 4<sup>th</sup> of July when it was even momey.

What caused this?

Let's look at a 2-week update on the Euro calculation...where we see MATIF futures are trying to push through old resistance, BUT SO IS KC.

What has changed the most? The "implied basis, delivered KC" for the European wheat, now at +123 over...is halfway between the +146 high and +97 low...so that's not a big mover.

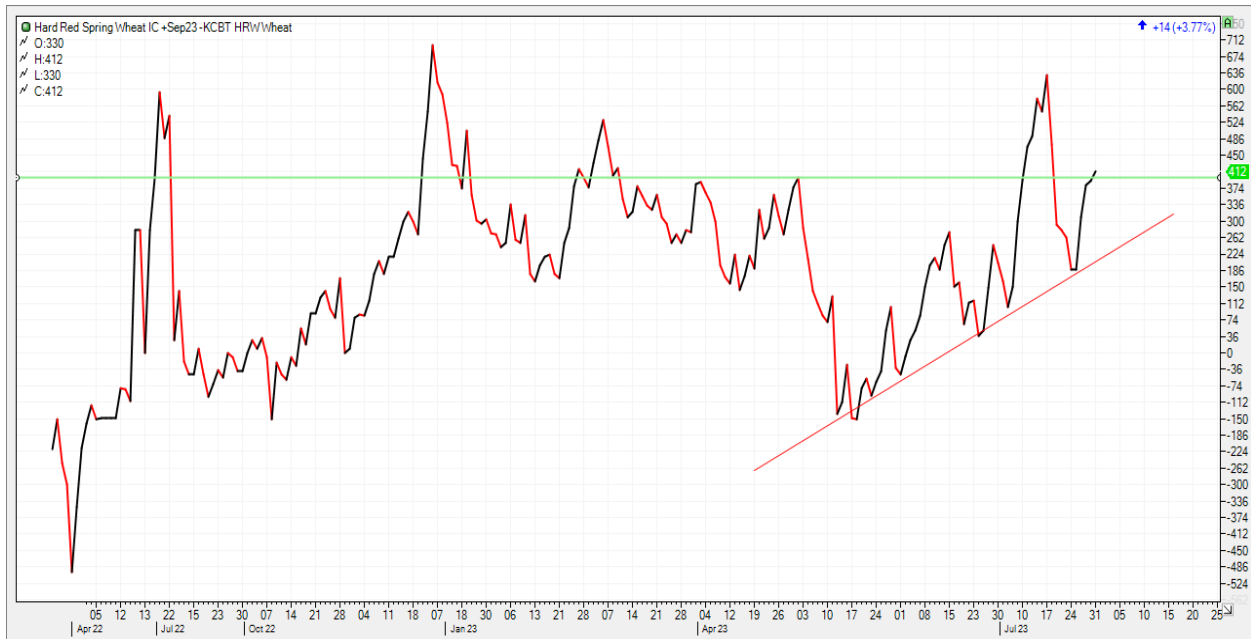
BUT LOOK at the posted high side of KC 12 protein...which Friday was posted at +80. THAT BASIS is DOWN MORE THAN A DOLLAR from the 6/23 peak.

	5/26/2023	6/9/2023	6/23/2023	7/14/2023	7/28/2023
<b>MATIF Sept futures</b>	\$ 225	\$ 235	\$ 247	\$ 232	248
<b>upgrade</b>	\$ 25	\$ 25	\$ 25	\$ 25	25
<b>freight</b>	\$ 40	\$ 40	\$ 40	\$ 40	40
<b>handle</b>	\$ 10	\$ 10	\$ 10	\$ 10	10
<b>sum \$/mt</b>	\$ 300	\$ 310	\$ 322	\$ 307	\$ 323
<b>bu conversion</b>	\$ 8.16	\$ 8.44	\$ 8.76	\$ 8.36	\$ 8.79
<b>KC futures</b>	\$ 8.19	\$ 7.98	\$ 8.62	\$ 8.29	\$ 8.56
<b>impied basis at USA port</b>	\$ (0.03)	\$ 0.46	\$ 0.14	\$ 0.07	\$ 0.23
<b>possible freight to "KC" (bu)</b>	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
<b>implied basis, delv KC</b>	\$ 0.97	\$ 1.46	\$ 1.14	\$ 1.07	\$ 1.23
<b>posted KC high side, 12 pro</b>	\$ 1.60	\$ 1.40	1.86	1.25	0.80
<b>posted Gulf "to-arrive"</b>	\$ 1.40	\$ 1.00	0.65	0.73	0.73

The Gulf bids are "assumed" to be there, but that is a question mark...

The main point is...the USA HRW basis has dropped significantly both at the domestic milling market, and the Gulf to-arrive market; and the result is...wider carrying charges through wider intra-commodity calendar spreads.

Other wheat spreads we're watching...of course include the spring wheat – hard winter wheat spreads. Here's Minny U – KC U, back to the 40c area, which feels kinda toppy, but I'm well aware of the spike highs to +50 or even +60...



The Wheat Quality Council's Spring Wheat Tour found a decent crop with good-to-big potential, with widely variable yields, depending on the widely variable rain amounts and timing, including planting timing. The average yield was pegged at 49.1 bu, which compares quite favorably with the July NASS Crop Production estimate North Dakota yield estimate of 47 bu/ac.

Thus...this was a slightly bearish input, totally ignored by the market witnessed by MGEX Dec wheat up a dime, while KC Z was only up 2c. Why?

MAINLY BECAUSE...the chatter (I'm not sure its disinformation, but...?) is...the Canadian crop has lost ground. LeftField Commodities, Chuck Penner, tweeted, talking about the size of the Canadian wheat crop "our guess is 32 mln at the most, including 5 mln of durum".

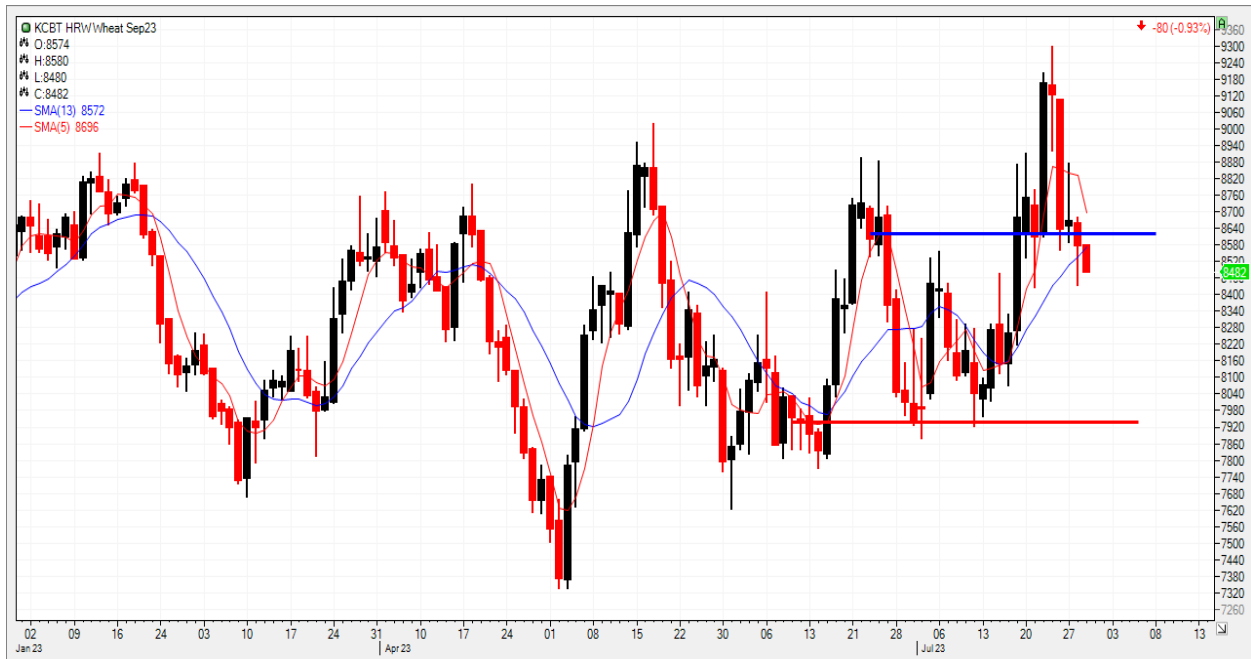
Keep in mind the USDA was at 35 mmt for Canada.

SO...if maybe North Dakota has improved a little, but yet Canada has lost 10% or more...?

Quite an interesting dynamic.

What else do we know about wheat?

Well...for one thing, my expected firmer opening on the drone attack on Moscow, DID NOT provide a bullish impetus on Sunday night's opening. Here's KC Sept, down 8c as I type...with unchanged blue lie at \$8.62, even though last Sunday night it looked like we would be spending a LOT of time talking about how the \$9.00 ceiling has maybe become a \$9.00 floor, and the reality is...that \$9.00 ceiling looks more formidable than ever!



Last week I mentioned I sold half of my unsold wheat (half of a half of a half...) at \$8.85 futures and felt I might have made a mistake, as a resting paper order wasn't the best play, but right now I'm thinking that \$8.85 resting sell-order maybe wasn't so dumb.

I mentioned the KC domestic milling basis dropping a lot. These posted Gulf bids are NOMINAL, and have been for 2 weeks. Either I need to find another source, or QUITE LIKELY, USA Gulf bids remain totally withdrawn.

GULF date	12 pro	ords	diff	
7/28/2023	73	73	0	NQ
7/21/2023	73	73	0	NQ
7/14/2023	73	73	0	
7/7/2023	73	73	0	

Is it possible there are no posted Gulf bids?

I'll dig into it this week.

IN THE MEANTIME,...these posted country **basis** bids were generally lower:

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
<b>07/28</b>	<b>\$7.71-\$8.01</b>	<b>\$8.01</b>	<b>\$7.81-\$7.91</b>	<b>\$7.61-\$7.78</b>	<b>\$7.96-\$8.36</b>
07/21	\$7.85-\$8.00	\$8.15	\$7.95-\$8.05	\$7.78-\$7.95	\$8.10-\$8.40
07/14	\$7.64-\$7.69	\$7.89	\$7.69-\$7.79	\$7.54-\$7.64	\$7.84-\$8.09
07/07	\$7.53-\$7.68	\$7.78	\$7.48-\$7.58	\$7.43-\$7.53	\$7.73-\$7.98

BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
<b>07/28(U)</b>	<b>-85, -55</b>	<b>-55</b>	<b>-75, -65</b>	<b>-95, -78</b>	<b>-60, -20</b>
07/21(U)	-75, -60	-45	-65, -55	-82, -65	-50, -20
07/14(U)	-65, -60	-40	-60, -50	-75, -65	-45, -20
07/07(U)	-65, -50	-40	-70, -60	-75, -65	-45, -20

Date	Concordia	Salina	Hutch/Wichita	Ark City
<b>07/28(U)</b>	<b>-45</b>	<b>-25, -10</b>	<b>-41, -10</b>	<b>-50</b>
07/21(U)	-35	-20, +05	-41, -10	-45
07/14(U)	-30	-15, +05	-41, -05	-45
07/07(U)	-31	-10, +05	-41, -05	-45

The updated export Pace scorecard is not particularly worse for wheat that it has been...export Sales weren't great, but that's not new, so this pace update doesn't explain the basis weakness. It feels more and more like Commercials saying...upside basis on wheat is limited.

WEEK ENDED (07/20/23)	Weekly loadings	Accumulated in season (FGIS)	Estimated fudge factor	Total loaded est*	USDA projection	Amount needed	Weeks to go	Bu per week needed
Corn	12.2	<b>1347.6</b>	<b>60</b>	1400	<b>1,650</b>	250	<b>06</b>	<b>41.7</b>
Soybeans	10.4	<b>1843.7</b>	30	1870	<b>1,980</b>	110	<b>06</b>	<b>18.3</b>
All wheat	13.2	<b>79.1</b>	45	85	725	640	<b>45</b>	<b>14.2</b>
Milo	6.6	<b>87.8</b>	5	92	90	<b>-2</b>	<b>06</b>	<b>0.0</b>
LAST WEEK								
Corn	14.3	1333.6	<b>60</b>	1386	<b>1,650</b>	264	07	<b>37.7</b>
Soybeans	5.7	1833.1	30	1859	<b>1,980</b>	121	07	<b>17.3</b>
All wheat	9.3	65.2	45	70	725	655	46	<b>14.2</b>
Milo	5.5	81.2	5	86	90	4	07	<b>0.6</b>

The Pace update shows old-crop corn and beans still limping to the finish line. However, export Sales, particularly in Soybeans, are showing some upticks, **but as current new-crop beans on the books are only a third of where they were at this time last year, beans have a lot of catching up to do.**

And thus with new-crop export bean sales lagging dramatically, a potential change in the weather moves the market 20c lower Sunday night. November beans here, GAPPING LOWER:



I do have a resting sell-order, as a stop, at \$13.42. The table on page 1 shows some old blue lines in November beans, at \$13.42 and then \$13.43, from 6/16 and 6/30. So this is an example of when the old ceiling became a floor, and now...IF it goes back through that floor, I will take that as a sell signal, and sell 15% of my expected soybean production, which would get me to 50% sold.

Dec corn...down more than a dime Sunday night; we're still 50% sold on new-crop corn.

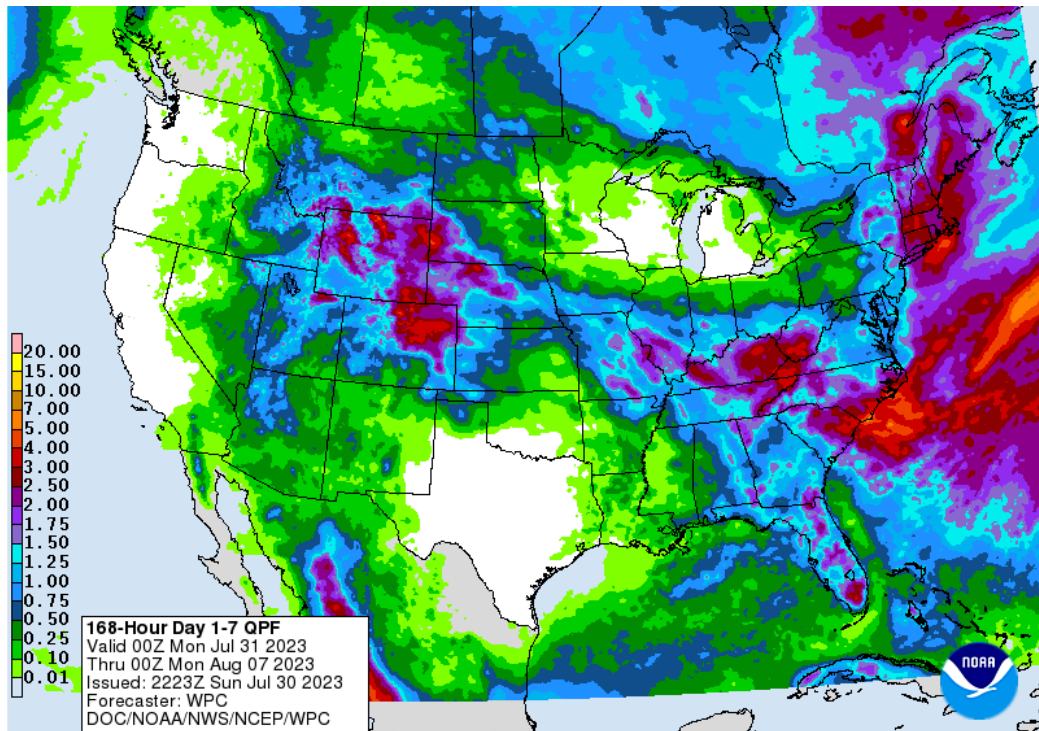


After studying that Dec corn chart, it became apparent it needed a trend line:



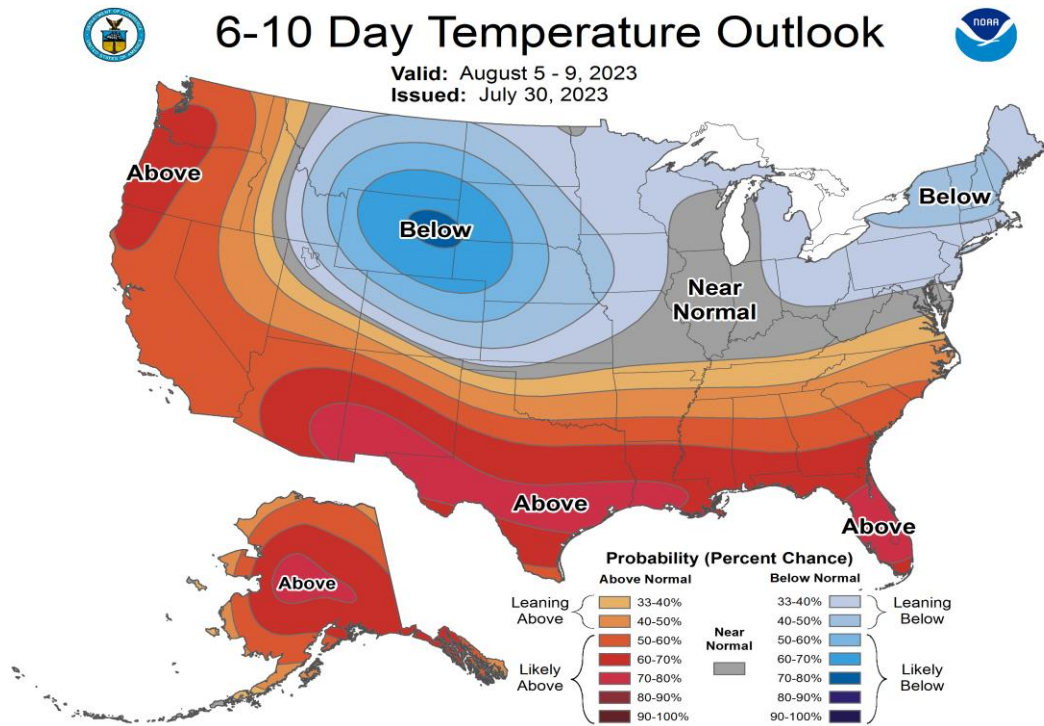
This chart will NOT look good until it goes through that down trend line.

The weather forecast is not overly wet; Nebraska and dryland Colorado corn get helped, but...





But the return to much cooler temps is indeed...a bit of a cooler on beans and corn price outlooks:



The reality is buyers see the cooler temps as a chance to put their hands back in their pockets and wait.

Speaking of disinformation...last week India banned rice exports,

<https://www.reuters.com/markets/commodities/global-rice-market-set-government-deals-indias-ban-curbs-supplies-2023-07-26/>

which is significant, as India exports about 40% of world rice exports. This story says there were rice shortages in some stores in the USA...<https://www.wpri.com/business-news/ap-business/ap-india-cuts-rice-exports-triggering-panic-buying-of-food-staple-by-some-indian-expats-in-the-us/> and there is probably a correlation between Chgo wheat and rice, although it's fuzzy at best. BUT...the disinformation is...on twitter...I saw an Indian trader said the rice export ban was an indication India would have to IMPORT 5 million tonnes of WHEAT! Believe me, no one else has said that, so I best believe it is treated as pure disinformation, and assume the dude is long wheat futures, but I felt the need to at least say...it's a possibility.

Would I hold on to unsold wheat because of that? No...but I do still have a half of a half of a half...

Have a good week. I hope you can finally finish this wheat harvest.

Stay Safe. Slow Down.