

Hello Colorado Wheat.

Last week’s Grain Stocks report and the annual Small Grain Summary had mixed market impact, and one could argue the wheat production data from the Small Grain report was actually quite bearish, but...since they are out of the way, can we put in price bottoms and get a rally started?

Seasonal patterns offer some hope that we can indeed bottom out, but the truest answer is a question: “who wants to be the first to pick the bottom?”.

“The Funds” are widely believed to be long crude oil, and short ag commodities. The weekly Closing table suggests they had a good (profitable) week, especially if they were short wheat and/or short soybeans against a long crude position. Short corn, long crude was a push, and in that regard, this table shows Dec corn has been unchanged for two weeks, and so has crude oil. Has corn bottomed and has crude peaked, at least for now? I’m leaning towards... “yes, that’s a real possibility.”

What about wheat or beans against crude oil? I’m leaning towards... “let’s not get carried away.”

	Dec '23 HRW	July '24 HRW	Dec'23 corn	July '24 corn	Chgo Z wheat	Springs Dec (Z)	Nov'23 soybean	July '24 Soybean	Crude oil	S&P
CLOSE	KWZ23	KWN24	CZ23	CN24	WZ23	MWZ23	SX23	SN24	CRD22	ES22
09/29	\$6.64	\$6.81	\$4.77	\$5.06	\$5.42	\$7.09	\$12.75	\$13.27	\$90.79	\$4326
09/22	\$7.11	\$7.11	\$4.77	\$5.06	\$5.80	\$7.71	\$12.96	\$13.33	\$90.03	\$4361
09/15	\$7.47	\$7.36	\$4.76	\$5.04	\$6.04	\$7.89	\$13.40	\$13.70	\$90.77	\$4498
09/08	\$7.32	\$7.23	\$4.84	\$5.10	\$5.96	\$7.71	\$13.63	\$13.85	\$87.51	\$4462
09/01	\$7.23	\$7.18	\$4.82	\$5.09	\$5.96	\$7.60	\$13.69	\$13.88	\$85.55	\$4522
08/25	\$7.65	\$7.54	\$4.88	\$5.15	\$6.22	\$7.76	\$13.88	\$14.00	\$80.25	\$4422
08/18	\$7.61	\$7.50	\$4.93	\$5.19	\$6.39	\$8.18	\$13.53	\$13.70	\$81.25	\$4382
08/11	\$7.66	\$7.66	\$4.87	\$5.15	\$6.54	\$8.30	\$13.08	\$13.25	\$83.19	\$4481
08/04	\$7.69	\$7.67	\$4.97	\$5.23	\$6.60	\$8.38	\$13.33	\$13.42	\$82.82	\$4498
07/28	\$8.69	\$8.33	\$5.30	\$5.51	\$7.28	\$9.07	\$13.83	\$13.74	\$80.58	\$4607
07/21	\$8.67	\$8.19	\$5.36	\$5.56	\$7.18	\$8.97	\$14.02	\$13.86	\$77.07	\$4565
07/14	\$8.34	\$7.92	\$5.14	\$5.36	\$6.81	\$8.90	\$13.71	\$13.54	\$75.42	\$4537
Year ago	\$8.01	\$8.01	\$5.93	\$5.93	\$7.70	\$9.79	\$13.40	\$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

This is a daily November Crude Oil chart; the double top resistance is just above \$90.75, and we see there were intra-week spike highs this week up to \$93, and a Price Count shows expected resistance just above \$95...



The Closing Table says this will be the fourth week with oil above \$90. I think that's important, and some quick funds probably would view a close below \$90 as a sell signal.

This is a weekly crude oil chart, and frankly, I don't see good sell signals yet, although if oil breaks down through that trendline, which would coincide with a close below the old breakout support in the \$83 area, those would of course be sell signals. But this chart also suggests a close above the old \$94ish resistance would point back up to the spike highs above \$120.



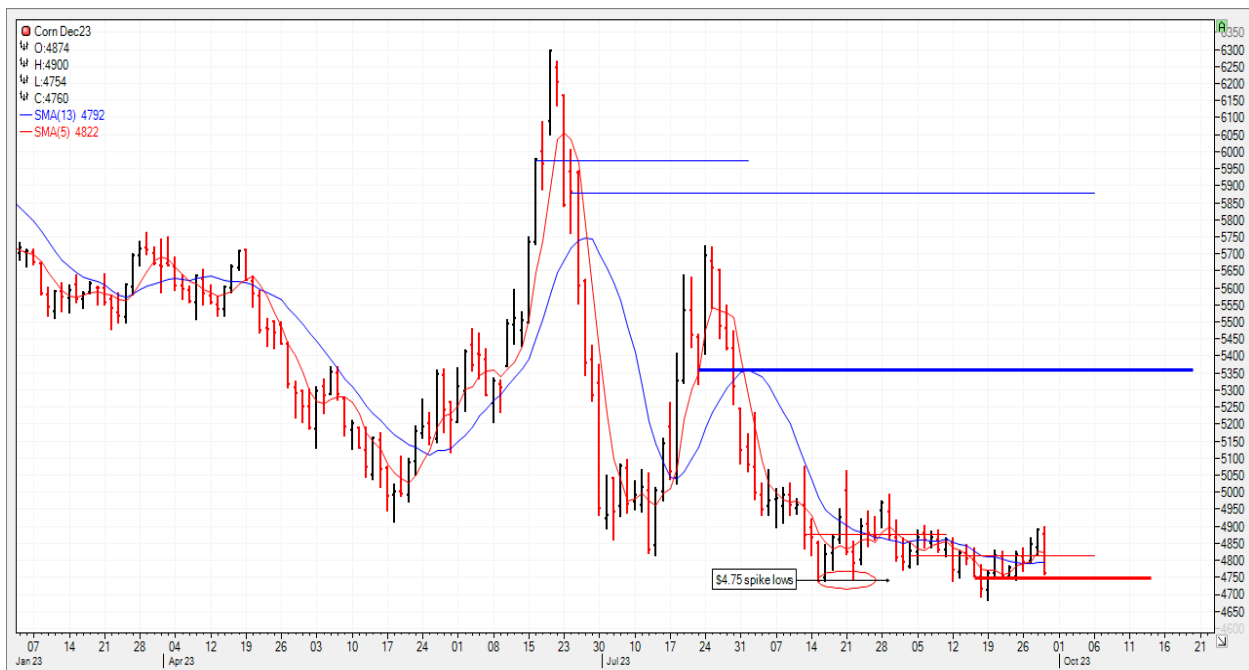
I view crude oil as feeling a bit heavy up here, but I doubt The Funds are very nervous about it yet, and it probably wouldn't take much effort to keep pushing oil higher.

In that regard, this article quotes a Goldman Sachs bossman (which is certainly “The Funds”) as saying triple digit oil is coming in early 2024. He says demand is outstripping supply, and demand destruction doesn’t happen until about \$125/bbl. <https://markets.businessinsider.com/news/commodities/oil-prices-outlook-brent-wti-rally-supply-shortage-goldman-sachs-2023-9>

Anyway...all that means...there’s no guarantee Funds are in a hurry to get out of “short ags, long crude”.

Looking at “ags”...the Table on page 1 showed corn has stabilized around the \$4.75 area, while wheat and beans dropped into new weekly closing lows.

Dec corn here, so far unable to post a weekly close below \$4.75:



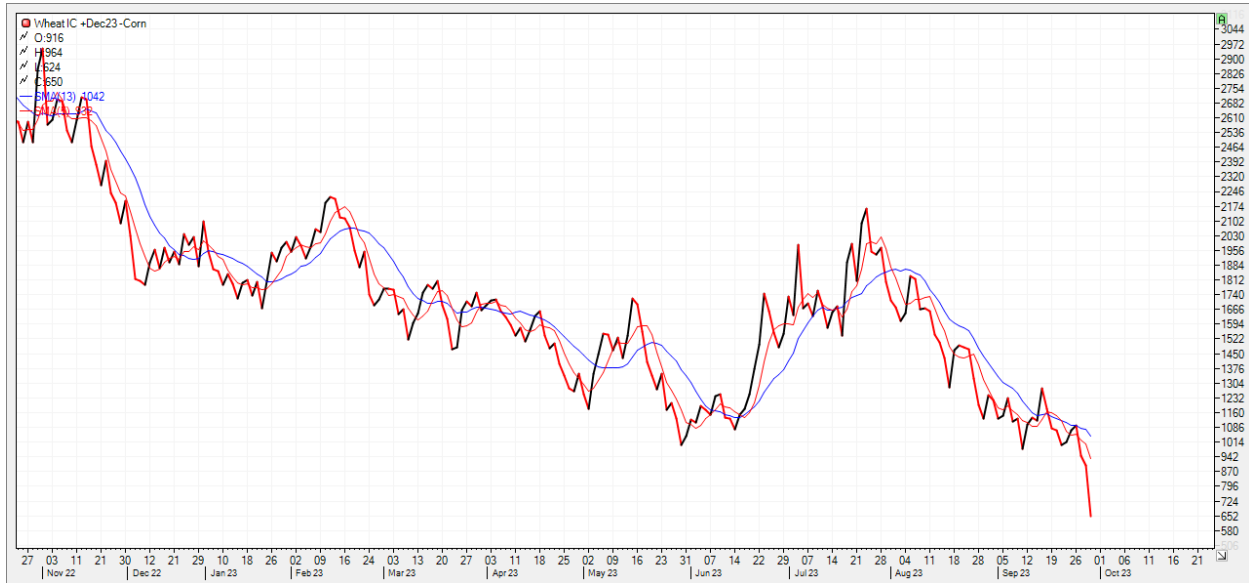
So far, the 10% of production I last sold (at \$4.75) hasn’t been smart, but the other 75% sold earlier was a good sale.

We did see some new fundamental inputs this week. The corn grain stocks showed ending stocks for 2022/23 will be revised lower by 90 million bu. A drop of 15 million came from a slightly lower production, and I assume the feed/residual category will be revised 75 mil bu higher.

The new final ending stocks/usage ratio for 22/23 will be down more than half of a per cent, dropping from 10.6% to 9.9%, and assuming we see no change in demand numbers (which is a big assumption), **this year’s (23/24) ending stocks will drop those 90 mil bu to 2.130 bil bu**, and the ending stoxx use ratio drops 7/10’s of a point to 14.8%. These numbers aren’t enough to cause a rally, but could be enough to stop the slide.

Thus, when that October WASDE is issued (and it will be, now that the government shutdown was postponed...) the key numbers will be from the demand side of the equation.

As far as feed/residual goes...this is Chgo Z wheat – Z corn, breaking down to Chgo wheat only being a 64c premium to corn, and based on this, I **do not** expect to see the October WASDE increase corn feed/residual. If anything, it's possible they might decrease it.



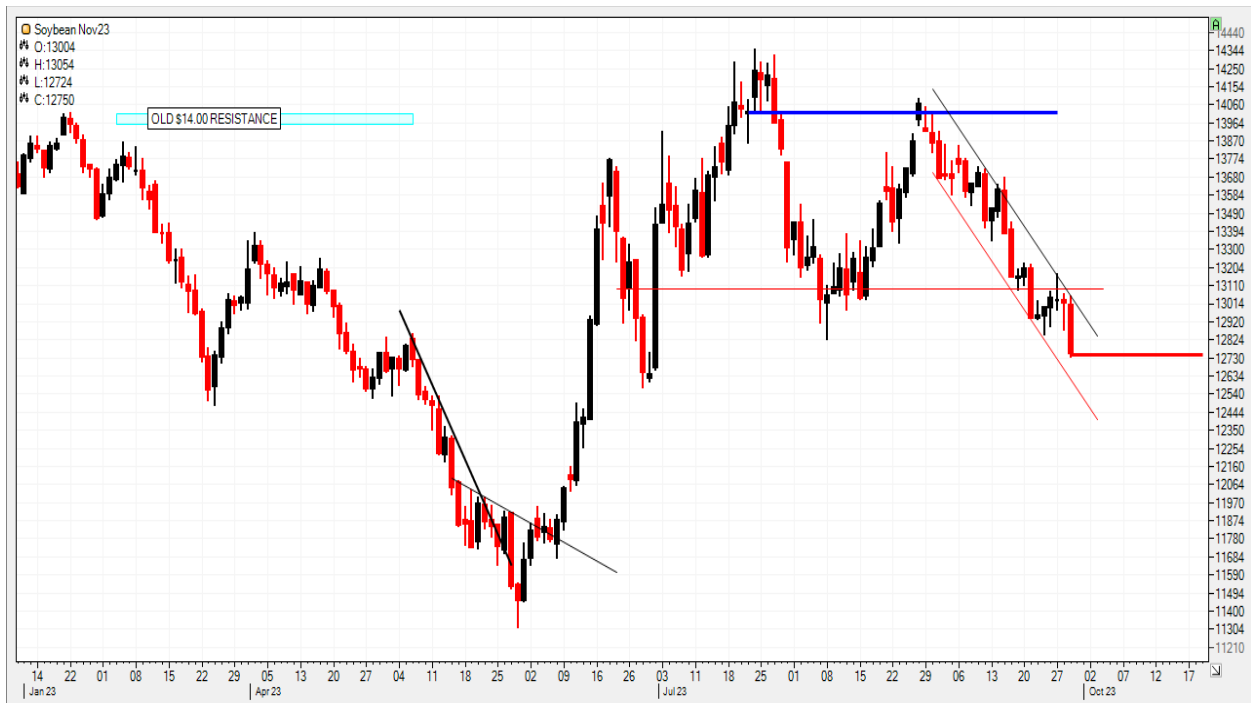
It's very early in the season, but what do we know about USA corn exports? Well, corn and beans are lagging expectations just a little bit, while wheat is actually doing a little better than expected. Based on these numbers, the October export demand does NOT have to decrease.

WEEK ENDED (09/14/23)	Weekly loadings	Accumulated in season (FGIS)	Estimated fudge factor	Total loaded est*	USDA projection	Amount needed	Weeks to go	Bu per week needed
Corn	26.0	<b>77.3</b>	<b>175</b>	252	<b>2,050</b>	1798	<b>49</b>	<b>36.7</b>
Soybeans	17.7	<b>47.2</b>	<b>60</b>	107	<b>1,790</b>	1683	<b>49</b>	<b>34.3</b>
All wheat	16.6	<b>206.8</b>	<b>100</b>	307	<b>700</b>	393	<b>36</b>	<b>10.9</b>
Milo	.1	<b>7.3</b>	5	12	<b>255</b>	243	<b>49</b>	<b>5.0</b>
LAST WEEK								
Corn	25.3	<b>49.9</b>	<b>175</b>	225	<b>2,050</b>	1,825	50	<b>36.5</b>
Soybeans	14.4	<b>28.2</b>	<b>60</b>	88	<b>1,790</b>	1702	50	<b>34.0</b>
All wheat	13.5	<b>188.2</b>	<b>100</b>	288	<b>700</b>	412	37	<b>11.1</b>
Milo	1.8	<b>7.2</b>	5	12	<b>255</b>	243	50	<b>4.9</b>

Corn had a decent week of export sales, at 33.1 mil bu, although beans 24.7 was not very good, and wheat's 20 mil bu...almost builds a case we could see a small INCREASE in wheat exports, although let's just go with demand numbers on the October WASDE will probably be unchanged.

Which means...fundamentally, this week the corn balance sheet tightened up a little.

Soybeans...saw the stocks report move the other way than corn did, so we will see an 18 mil bu increase in 23/24 beginning stocks, and that contributed to the poor weekly close, fundamentally, besides the psychologically bearish “funds are long crude, short ags” mentality, and we get a Nov bean chart with a new Red line lower:



Beans are still in that nasty channel heading lower. There is some old spike low support around \$12.60. As I've only sold 60% of this year's bean crop, I hope the \$12.60 area proves to be low enough, but...unfortunately the reality is that true support on this chart probably is closer to where it broke out to the upside, and that was...about \$12.05.

Because we set that new low, I probably should sell more, but I'm going to see if we close below \$12.60 this Friday. IF this Friday will close below \$12.60, I'll sell another 15% with a sell-stop, which would leave me with 25% unsold.

Here's an updated story on almost record-low water levels on the Mississippi River, which is bearish...  
[...https://whctc.com/2023/09/29/mississippi-river-near-historic-lows-grain-exports-at-risk/](https://whctc.com/2023/09/29/mississippi-river-near-historic-lows-grain-exports-at-risk/)

But that's been known for a while.

Here's a contrarian from Forbes saying commodities are due for a rally...  
<https://www.forbes.com/sites/simonconstable/2023/09/30/commodities-are-now-so-out-of-fashion-that-a-bounce-must-be-near/?sh=322847b570e7> but by definition, that article is a Puff Piece, lacking teeth.

If you want to be a bull, I think this piece on dry weather in Brazil has a better shot...

<https://foreignpolicy.com/2023/09/29/south-america-heat-wave-climate-united-nations-agriculture-health/>

And in that regard, Brazil reportedly has started planting new-crop beans, maybe 2% finished, and South American weather will soon gain more media buzz.

Wheat...another washout week. The Small Grains Annual Summary raised all winter wheat yields an average of 2.5 bu/ac, which resulted in a 25 mil bu gain total in HRW + HWW (even though they dropped Kansas harvested acres to only 71% of what was planted), but the shocker was Other spring wheat yields on average were raised 4.5 bu/ac, which was a 50 mil bu gain. Unless we hear different on the October WASDE, the market assumes those extra 75 mil bu of wheat production will go to the carryout, which might be a bad assumption, as we saw Chgo wheat has greatly eroded vs corn price, and we mentioned there's a small chance USA wheat exports are a little better.

Anyway...this KC Z chart shows wheat had a rough week:



Last week I said the chart looks like a test of \$7.00 is coming, and showed a monthly chart and said “This long-term monthly continuous chart suggests the \$6.60 to \$6.70 area might offer some support”, and this week I’m saying...“uh, we’ll see if that \$6.60 area can hold. Yikes!”

I saw Ukraine loaded a couple boats and 3 more are supposedly in route to Odessa, so this might be a pretty good test of how things will proceed, even without some official “Grain Deal”.

These posted prices mainly followed the board lower:

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
<b>09/29</b>	<b>\$5.69-\$5.79</b>	<b>\$5.84</b>	<b>\$5.69-\$5.79</b>	<b>\$5.49-\$5.68</b>	<b>\$5.78-\$6.44</b>
09/22	\$6.16-\$6.26	\$6.31	\$6.16-\$6.26	\$5.96-\$6.15	\$6.25-\$6.91
09/15	\$6.52-\$6.62	\$6.67	\$6.52-\$6.62	\$6.32-\$6.51	\$6.61-\$7.27
09/08	\$6.37-\$6.47	\$6.52	\$6.37-\$6.47	\$6.10-\$6.36	\$6.46-\$7.12
09/01	\$6.28-\$6.38	\$6.43	\$6.28-\$6.38	\$6.06-\$6.27	\$6.41-\$7.03

BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
<b>09/29(Z)</b>	<b>-95, -85</b>	<b>-80</b>	<b>-95, -85</b>	<b>-115, -96</b>	<b>-86, -20</b>
09/22(Z)	-95, -85	-80	-95, -85	-115, -96	-86, -20
09/15(Z)	-95, -85	-80	-95, -85	<b>-115, -96</b>	<b>-86, -20</b>
09/08(Z)	-95, -85	-80	-95, -85	<b>-122, -96</b>	<b>-86, -20</b>
09/01(Z)	-95, <b>-85</b>	-80	-95, -85	<b>-117, -96</b>	<b>-82, -20</b>

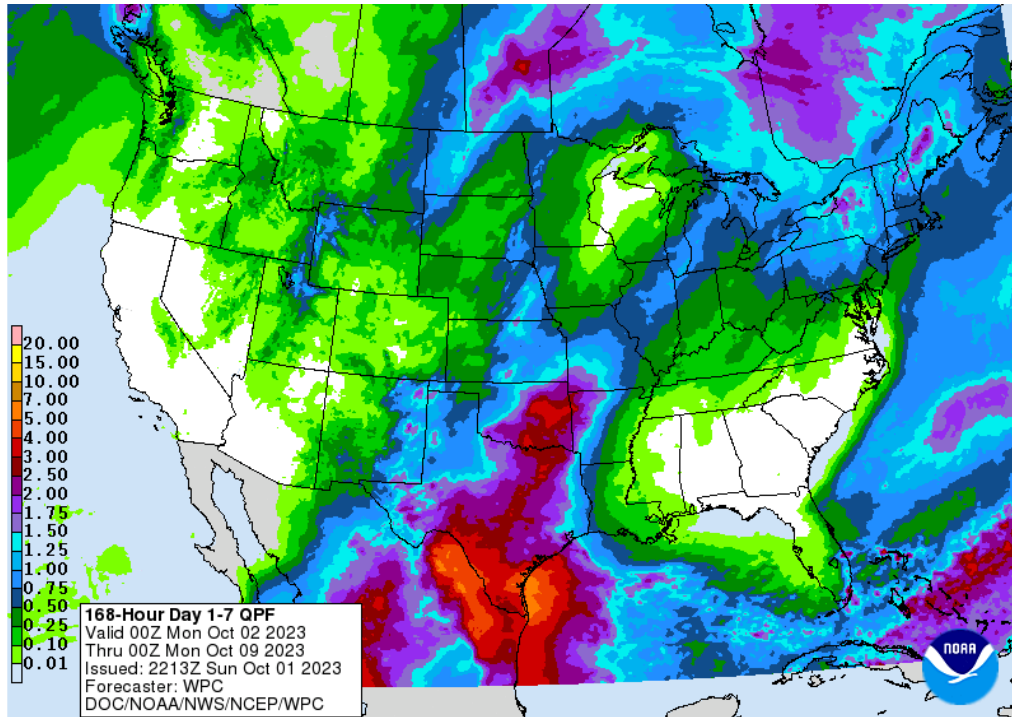
Date	Concordia	Salina	Hutch/Wichita	Ark City
<b>09/29(Z)</b>	<b>-50</b>	<b>-35, -20</b>	<b>-45, -17</b>	<b>-53</b>
09/22(Z)	-50	-35, -20	-49, -17	-53
09/15(Z)	<b>-50</b>	-35, -20	-49, -17	-53
09/08(Z)	-55	-35, -20	-49, -17	-53
09/01(Z)	<b>-55</b>	<b>-35, -20</b>	<b>-49, -17</b>	<b>-53</b>

Last week's discussion about incorrect reported bids in Scott City, KS led to the USDA lowering the posted bid 15c. Good news, bad news...

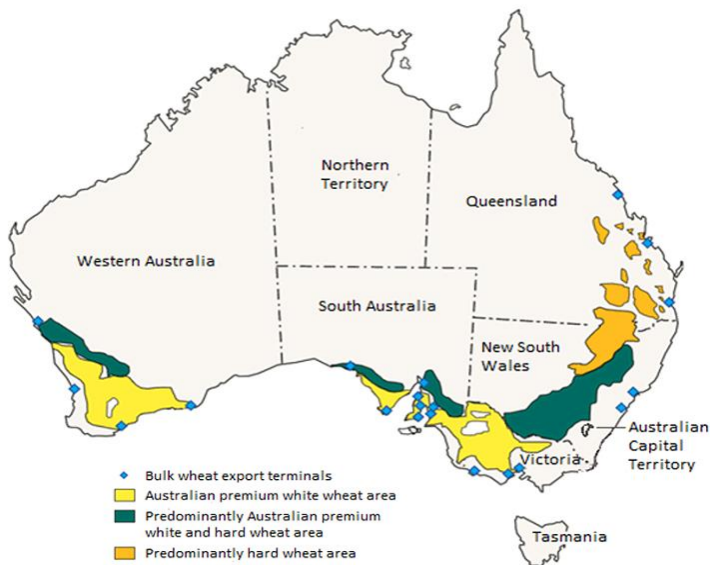
Posted Gulf bids didn't move:

GULF date	12 pro	ords	diff
9/29/2023	80	80	0
9/22/2023	80	80	0
9/15/2023	80	80	0
9/8/2023	80	80	0
9/1/2023	80	80	0 <b>Z</b>

I'm only 25% sold of the wheat I haven't finished planting yet... This forecast is basically hot and dry for HRW country, so we'll wait a bit longer...



...but I'm not harboring much hope for greatly improving prices. We mentioned Ukraine...Australia could still be a wild card, but this article says SE Australia is going get drenched <https://www.skynews.com.au/australia-news/weather/spring-swing-australias-southeast-set-to-get-drenched-this-week-with-significant-wet-weather-event-on-the-way/news-story/697984e79b4dd9f19279d149543b5708> and I think they grow quite a bit of wheat in the Southeast.



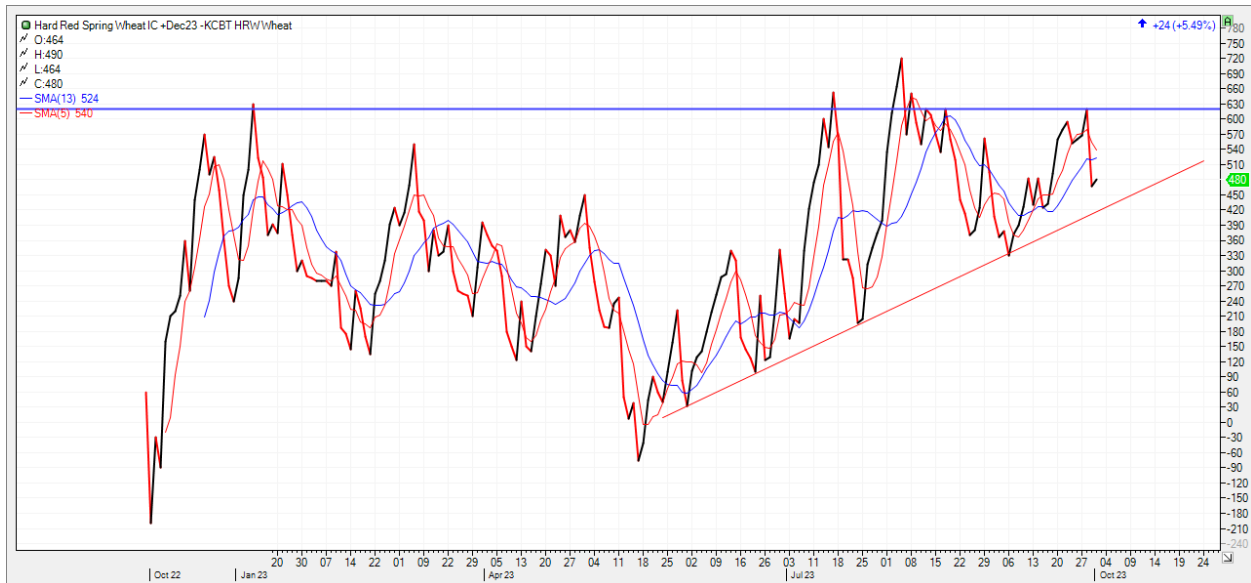
Source: ABARES



India officially had a poor monsoon <https://www.reuters.com/world/india/indias-monsoon-rains-hit-five-year-low-due-el-nino-2023-09-30/...which> could affect wheat production, but we won't know for a few months.

Early Sunday action shows wheat up 7c, and corn's up a penny. Beans are down a nickel, waiting on the Chinese, which apparently have another week of holiday...[https://finance.yahoo.com/news/holidays-home-record-number-chinese-010310407.html?fr=sycsrp\\_catchall](https://finance.yahoo.com/news/holidays-home-record-number-chinese-010310407.html?fr=sycsrp_catchall)

One last wheat spread chart...MinnY Z – KC Z...dropped hard from the resistance after the report, although the uptrend line remains intact...at least for now, and this spread is truly impacted by Chinese purchases, which will depend quite a bit on how Australia finishes.



Have a good week.

Stay Safe.

Slow Down.