

Hello Colorado Wheat.

Last week's headlines about a "truce" in the Trade Wars and gap higher soybeans faded into an uneasy recognition that no easy fix exists on this.

This is a link to a current Dec. 9 Wall Street Journal article on the USA/China Trade Wars. I know for some of you these links don't always open the articles, so I've included a few quotes.

<https://www.wsj.com/articles/details-emerge-in-u-s-s-trade-truce-with-china-1544360520>

### ***U.S. Maintains Hard Line as Details Emerge in Trade Truce With China***

*The Trump administration's point man on U.S.-China trade negotiations said the U.S. would hold fast to its 90-day deadline for the conclusion of a lasting agreement, adding that the U.S. would impose punishing tariffs on Chinese imports if none is reached.*

January soybean futures held a 22c weekly gain, although it seems nervous to me:



Why do I think it's nervous? Maybe because this year's single largest destination for US soybeans is on track to be Argentina. The Trade Wars have created goofy, mind-bending abnormal trade flows that could stop any minute, or... persist much longer than anyone imagines.

Button, button; who's got the button?

***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 I believe you should: 1. be willing to store your wheat, 2. apply 30# of N at planting, and if it's a wet spring, re-apply 30# 3. don't sell wheat to elevators who do not post protein scales, up and down***

The USDA will issue their WASDE December update Tuesday, Dec. 11 I'm sure the USA soybean export forecast will be of interest. The November WASDE dropped their soybean export forecast to 1.900 billion bu, down from 2.060. About 147 million of those 1900 million USA bean bushels could go to Argentina, even though Argentina's bean production of 55.5 mmt is their third largest soybean crop ever. That is not a normal trade flow. The last time it happened was never.

The week saw gains in wheat and corn too. Beans posted another blue number; Momentum Funds are building long positions in beans and are covering short positions in corn.

| CLOSE | KWH19  | KWK19  | KWN19  | CH19   | CK19   | CN19   | WH19   | MWH19  | MWK19  | SF18   |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 12/07 | \$5.12 | \$5.23 | \$5.32 | \$3.86 | \$3.93 | \$3.99 | \$5.31 | \$5.82 | \$5.86 | \$9.17 |
| 11/30 | \$5.00 | \$5.11 | \$5.22 | \$3.78 | \$3.85 | \$3.92 | \$5.16 | \$5.76 | \$5.82 | \$8.95 |
| 11/23 | \$4.86 | \$4.99 | \$5.11 | \$3.71 | \$3.78 | \$3.86 | \$5.00 | \$5.71 | \$5.77 | \$8.81 |
| 11/16 | \$5.07 | \$5.18 | \$5.29 | \$3.76 | \$3.84 | \$3.90 | \$5.07 | \$5.74 | \$5.80 | \$8.92 |
| 11/09 | \$5.09 | \$5.23 | \$5.34 | \$3.81 | \$3.89 | \$3.96 | \$5.02 | \$5.77 | \$5.85 | \$8.87 |
| 11/02 | \$5.28 | \$5.41 | \$5.49 | \$3.83 | \$3.91 | \$3.97 | \$5.09 | \$5.88 | \$5.96 | \$8.88 |
| 10/26 | \$5.27 | \$5.40 | \$5.49 | \$3.80 | \$3.88 | \$3.94 | \$5.05 | \$5.86 | \$5.94 | \$8.58 |
| 10/19 | \$5.41 | \$5.54 | \$5.60 | \$3.80 | \$3.87 | \$3.93 | \$5.15 | \$5.99 | \$6.05 | \$8.71 |
| 10/12 | \$5.48 | \$5.61 | \$5.67 | \$3.86 | \$3.93 | \$3.98 | \$5.17 | \$6.02 | \$6.08 | \$8.82 |
| 10/05 | \$5.47 | \$5.58 | \$5.64 | \$3.80 | \$3.87 | \$3.92 | \$5.21 | \$6.04 | \$6.11 | \$8.83 |
| 09/28 | \$5.35 | \$5.48 | \$5.50 | \$3.68 | \$3.76 | \$3.81 | \$5.09 | \$5.87 | \$5.95 | \$8.60 |

Even Chgo wheat posted a new blue number, and moved to about a 20c premium to KC. KC H – Chgo H shown here:



A big export sale, 224,000 mt of HRW (8.2 million bu) reported Friday, helped KC gain on Chgo and narrowed the spread slightly from new lows.

That sale was reported after this weekly data was released, and hopefully will improve this Export Pace scorecard.

| <b>THIS WEEK'S</b> | Weekly loadings (mil bu) | Accumulated in season | USDA projection | Amount needed | # of weeks remaining | Bu per week needed |
|--------------------|--------------------------|-----------------------|-----------------|---------------|----------------------|--------------------|
| HRW                | 5.335                    | 109.3                 | 360.0           | 250.7         | 26                   | 9.64               |
| HRS                | 7.727                    | 115.2                 | 295.0           | 179.8         | 26                   | 6.92               |
| <b>LAST WEEK'S</b> | Weekly loadings          | Accumulated in season | USDA projection | Amount needed | # of weeks remaining | Bu per week needed |
| HRW                | 2.675                    | 104.6                 | 360.0           | 255.4         | 27                   | 9.46               |
| HRS                | 1.951                    | 107.4                 | 295.0           | 187.6         | 27                   | 6.94               |

I would not be surprised to see the USDA dropping their USA HRW export forecast another 10 million bushels, down to 350 million bu for the crop year. Unfortunately, with 26 weeks to go, about 241 million would have to be shipped, which is about 9.25 mil bu weekly, which...well, let's just say that won't be a layup. At the current pace, the USDA would have to drop their USA HRW export guess to 290 million bu! That's not going to happen Tuesday, but my point is a 10 million bu drop doesn't solve the math.

Thus... KC March sits up here about \$5.10, bouncing into resistance:



The resistance is shown better on the continuous KC chart, with KC wheat currently in the box, very similar to where it was late last July:



It's going to take more big, continued export sales to break wheat out of the box to the upside. It would be more convincing if we saw big export LOADINGS, not just sales. Anyway, that box is \$5.10 to \$4.80.

Posted bids are generally higher, although we do see some divergence.

| Date             | SE Colorado          | Chey. Wells   | Burlington           | Holyoke area         | Roggen area          |
|------------------|----------------------|---------------|----------------------|----------------------|----------------------|
| <b>12/07</b>     | <b>\$4.32-\$4.62</b> | <b>\$4.82</b> | <b>\$4.29-\$4.52</b> | <b>\$4.49-\$4.67</b> | <b>\$4.82-\$4.87</b> |
| 11/30            | \$4.17-\$4.50        | \$4.62        | \$4.31-\$4.40        | \$4.29-\$4.50        | \$4.70-\$4.70        |
| 11/23            | \$3.91-\$4.21        | \$4.21        | \$4.01-\$4.16        | \$4.02-\$4.26        | \$4.31-\$4.41        |
| 11/16            | \$4.13-\$4.43        | \$4.38        | \$4.23-\$4.28        | \$4.25-\$4.43        | \$4.53-\$4.63        |
| 11/09            | \$4.18-\$4.48        | \$4.38        | \$4.28-\$4.33        | \$4.25-\$4.33        | \$4.58-\$4.58        |
| 11/02            | \$4.34-\$4.64        | \$4.54        | \$4.49-\$4.49        | \$4.36-\$4.49        | \$4.64-\$4.74        |
| BASIS            | SE Colorado          | Chey. Wells   | Burlington           | Holyoke              | Roggen area          |
| <b>12/07 (H)</b> | <b>-80, -50</b>      | <b>-30</b>    | <b>-83, -60</b>      | <b>-63, -45</b>      | <b>-30, -25</b>      |
| 11/30 (H)        | -83, -50             | -38           | -69, -60             | -71, -50             | -30, -30             |
| 11/23 (Z)        | -70, -40             | -40           | -60, -45             | -58, -35             | -30, -20             |
| 11/16            | -70, -40             | -45           | -60, -55             | -58, -40             | -30, -20             |
| 11/09            | -70, -40             | -50           | -60, -55             | -63, -55             | -30, -30             |
| 11/02            | -70, -40             | -50           | -55, -55             | -68, -55             | -40, -30             |

| Date      | Concordia | Salina   | Hutchinson | Wichita  | Ark City |
|-----------|-----------|----------|------------|----------|----------|
| 12/07 (H) | -35       | -25, -22 | -39, -35   | -25, -23 | -27      |
| 11/30 (H) | -50       | -35, -19 | -33, -24   | -17, -17 | -31      |
| 11/23 (Z) | -25       | -15, -15 | -24, -15   | -10, -08 | -19      |
| 11/16     | -30       | -20, -20 | -29, -15   | -15, -13 | -19      |
| 11/09     | -40       | -25, -25 | -41, -25   | -25, -23 | -25      |
| 11/02     | -45       | -30, -30 | -41, -25   | -25, -25 | -27      |

The Central Kansas Terminals weakness is a warning sign, although the Gulf remains firm, or even a bit higher. Possibly some of the Central Kansas Terminal disagreement is related to the recent deliveries against the expiring KC Dec.

Gulf 12's are back up to +160 bid, which doesn't indicate why the Terminal bids weakened.

| GULF       | 12 pro | ords | diff |   |
|------------|--------|------|------|---|
| date       |        |      |      |   |
| 12/7/2018  | 160    | 130  | 30   |   |
| 11/30/2018 | 152    | 120  | 32   | H |
| 11/23/2018 | 160    | 130  | 30   |   |
| 11/16/2018 | 160    | 130  | 30   |   |
| 11/9/2018  | 160    | 130  | 30   |   |
| 11/2/2018  | 160    | 130  | 30   |   |
| 10/26/2018 | 120    | 110  | 10   |   |
| 10/19/2018 | 120    | 110  | 10   |   |
| 10/12/2018 | 120    | 107  | 13   |   |
| 10/5/2018  | 120    | 107  | 13   |   |
| 9/28/2018  | 117    | 106  | 11   |   |
| 9/21/2018  | 117    | 105  | 12   |   |

KC wheat futures bouncing into resistance, and weaker terminal bids would seem to be a sell signal, yet the calendar spreads firmed (this is KC H-K), and the Gulf was a few cents higher.

Very confusing...

This is the KC Mar (H) – KC May (K), narrowing, removing incentive to store wheat:



The only conclusion is the wheat market is at an important crossroads. How long can it wait?

Corn is clearly going sideways, tied at the hip to soybeans, for this coming planting season.



That's the problem. Wheat, corn and beans are all dressed up, waiting for the "new business" party, which may take 90 days to get here, if it gets here at all. That sounds like a really bad "Ugly Sweater" party to me.

I hope the markets will be patient, but I doubt that's likely. What that means is: IF you're sitting on grain that **needs** to be sold, do it now. Take advantage of this recent rally. If the market has to get "Ugly", it will get ugly to the downside much deeper than we expect. If it **NEEDS** to be sold, don't wait for that.

Have a good week.