

Hello Colorado Wheat.

USDA dropped their USA HRW export projection for crop year 2018/19 by 40 million bu. We knew it was coming, although we doubted whether the USDA had the guts to state the obvious. Last week I wrote a 50 million bu drop wouldn't solve the math...This 40 million drop doesn't either, but kudos to the USDA in not just dipping their toe in the swamp. They went in at least up to their knees.

After the Dec WASDE revisions, the Export Pace scorecard looks like this:

THIS WEEK'S	Weekly loadings (mil bu)	Accumulated in season	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	5.710	115.6	320.0	204.4	25	8.18
HRS	4.924	120.1	300.0	179.9	25	7.20
LAST WEEK'S	Weekly loadings	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

The USA needs to load (NOT just sell) 8.18 million bushels of HRW every week for the next 25 weeks to hit the greatly reduced target of 320 million bushels, and load 7.2 million bushels of spring wheat every week for the next 25 weeks. Will we do it?

That's an easy question to answer. NO, we will not do it. The USDA will need to lower their export forecast again, and why they raised their HRS export forecast by 5 million bu is beyond me... but USA HRW exports are still overstated.

What does it matter?

That's a much more difficult and interesting question.

China's government announced they would lower their automobile import tariff, and their purchasing company COFCO, etc. did buy some soybeans, about 1.1 million tons. Is the Trade War over? (No.)

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

Beans...buy rumor, sell fact? Off 16c this week, after the Chinese bean purchases were announced, although interior soybean basis bids improved 20c. Seems red-line support is solid for the 90-DayTruce.



There were rumors of Chinese corn purchases too, and after the WASDE, here's how the week ended:

CLOSE	KWH19	KWN19	KWZ19	CH19	CN19	CZ19	WH19	MWH19	MWZ19	SF18
12/14	\$5.18	\$5.39	\$5.67	\$3.85	\$3.99	\$4.04	\$5.30	\$5.84	\$6.12	\$9.01
12/07	\$5.12	\$5.32	\$5.62	\$3.86	\$3.99	\$4.03	\$5.31	\$5.82	\$6.09	\$9.17
11/30	\$5.00	\$5.22	\$5.50	\$3.78	\$3.92	\$4.00	\$5.16	\$5.76	\$6.10	\$8.95
11/23	\$4.86	\$5.11	\$5.44	\$3.71	\$3.86	\$3.95	\$5.00	\$5.71	\$6.08	\$8.81
11/16	\$5.07	\$5.29	\$5.64	\$3.76	\$3.90	\$3.98	\$5.07	\$5.74	\$6.11	\$8.92
11/09	\$5.09	\$5.34	\$5.67	\$3.81	\$3.96	\$4.03	\$5.02	\$5.77	\$6.12	\$8.87
11/02	\$5.28	\$5.49	\$5.84	\$3.83	\$3.97	\$4.04	\$5.09	\$5.88	\$6.22	\$8.88
10/26	\$5.27	\$5.49	\$5.85	\$3.80	\$3.94	\$4.03	\$5.05	\$5.86	\$6.20	\$8.58
10/19	\$5.41	\$5.60	\$5.94	\$3.80	\$3.93	\$4.00	\$5.15	\$5.99	\$6.26	\$8.71
10/12	\$5.48	\$5.67	\$6.04	\$3.86	\$3.98	\$4.05	\$5.17	\$6.02	\$6.27	\$8.82
10/05	\$5.47	\$5.64	\$5.99	\$3.80	\$3.92	\$4.01	\$5.21	\$6.04	\$6.30	\$8.83

I expect to see tough wheat resistance in KC H about a dime higher (shown as the ellipse around \$5.28; from a double-top from the 10/26 and 11/02 weeks). KC March wheat trending higher towards blue line at \$5.48, 20c above the ellipse. Red line resistance below \$5.00, down at \$4.86 will hold through the spring. After that... well, we'll worry about it later. KC H wheat shown here:



And this is a longer-term weekly KC wheat continuous chart. It looks like wheat bottomed last Christmas.



Old-crop H corn...chugging along. Demand is steady. There's only a 15c range between the blue and red lines, \$3.86 to \$3.71.



Here's Dec 19 corn; only a dime range in the past 11-weeks...that's very narrow. \$4.00 corn...



A friend told me..."guys can make it on \$3.75 corn". I immediately thought "hmm, corn should go to \$3.50..." that was in the context of a wheat acreage discussion, on why he expected fewer winter wheat acres were planted last fall.

Spring wheat vs winter wheat...weekly continuous of MGEX - KC:



Is this really a spread? Spring wheat futures in 2014 were 40c under KC, but rallied \$3.00 to +260 in July of 2017; then broke to +20c and bounced to +80 or so.

Is it just protein content that controls this spread?

Protein content is important, but protein quality is more important, AND absorption is key also. Will spring wheat grown in Kansas have the same milling and baking properties as spring wheat grown in North Dakota? Maybe. I heard some are trying it.

Would it cost the same? No. If Kansas grown spring wheat trucked to a local flour mill performed like North Dakota spring wheat, the mill could save quite a bit of money (unless of course the spring wheat-winter wheat spread goes back to 20c...)

Posted bids, for generic USA HRW at the Gulf, are a bit weaker, although still historically quite firm:

GULF date	12 pro	ords	diff	
12/14/2018	155	118	37	
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	

And posted cash bids at the Central Terminals are showing basis strength

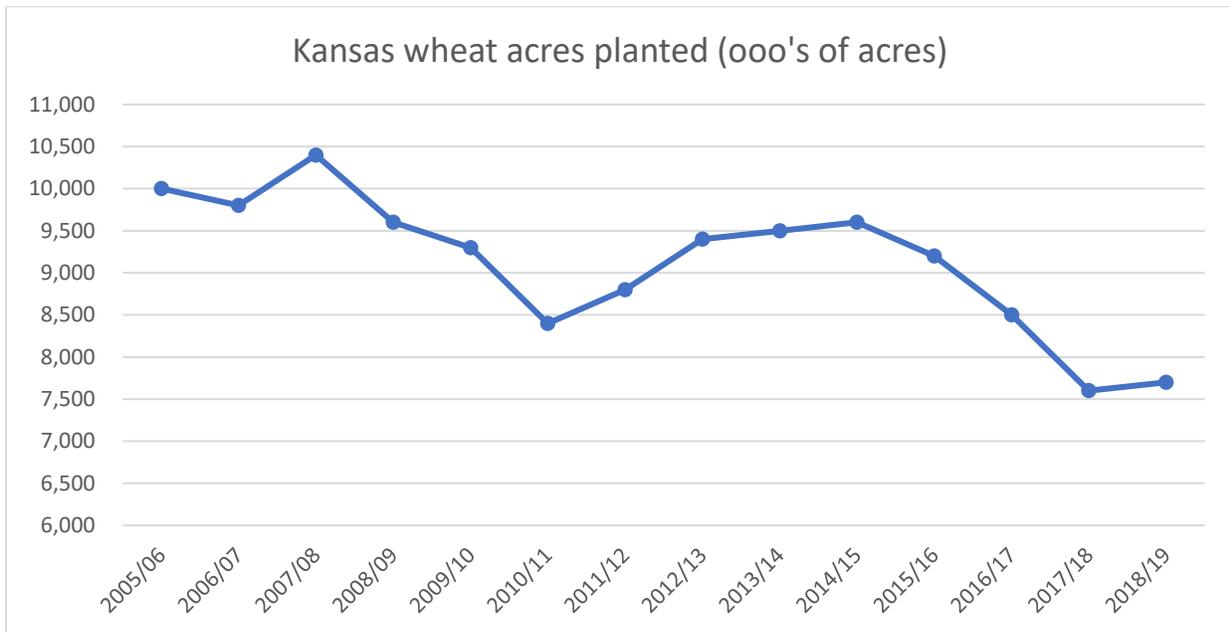
Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
12/14	\$4.38-\$4.73	\$4.93	\$4.37-\$4.73	\$4.55-\$4.78	\$4.98-\$4.98
12/07	\$4.32-\$4.62	\$4.82	\$4.29-\$4.52	\$4.49-\$4.67	\$4.82-\$4.87
11/30	\$4.17-\$4.50	\$4.62	\$4.31-\$4.40	\$4.29-\$4.50	\$4.70-\$4.70
11/23	\$3.91-\$4.21	\$4.21	\$4.01-\$4.16	\$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
12/14 (H)	-80, -45	-25	-81, -45	-63, -40	-20, -20
12/07 (H)	-80, -50	-30	-83, -60	-63, -45	-30, -25
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
12/14(H)	-25	-20, -15	-35, -34	-20, -18	-25
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

For the big elevators, storage income is much greater than the margin on loading out the wheat. That may be a factor in why USA HRW exports continue to slowly phase out.

(Before I forget, hopefully without jinxing it, some of you guys might have seen millet bids now posted at \$12.00...are we going to \$40.00 again !! Omega.)

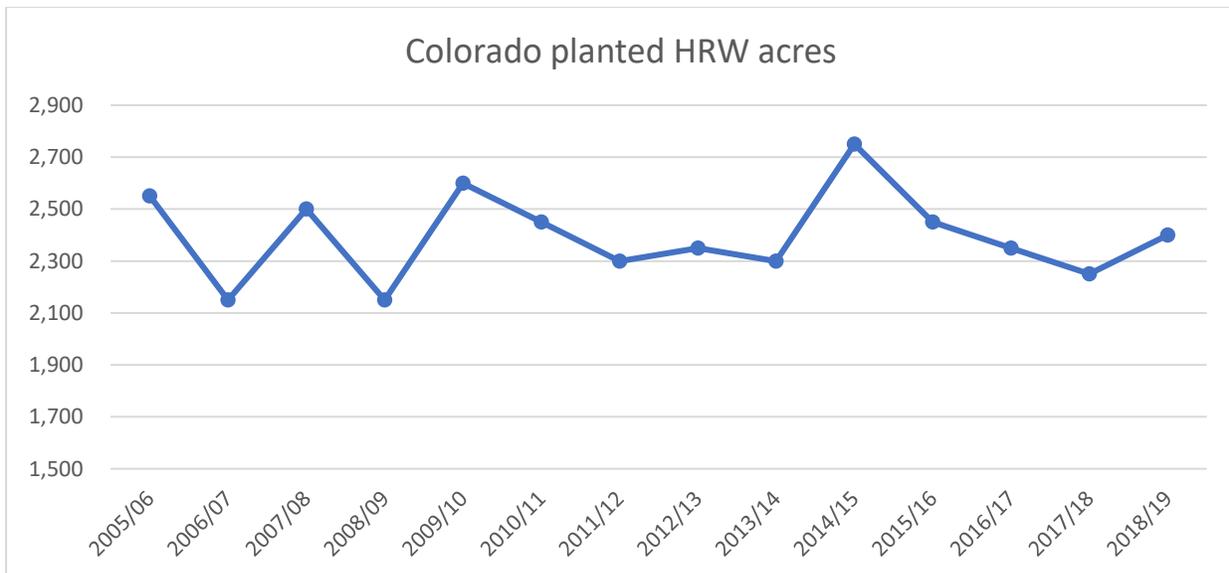
What does it matter...

Are Kansas winter wheat acres planted in a declining trend?



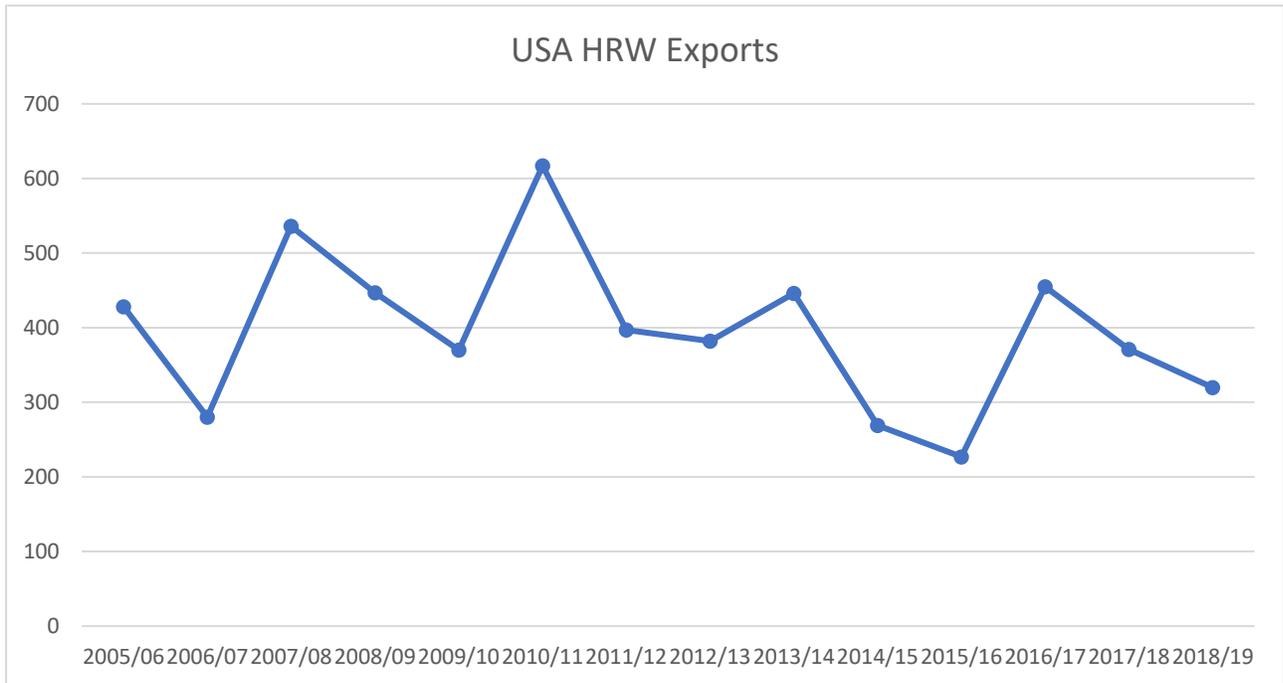
Yes, although acres could increase a bit and still be in the down trend.

How about Colorado?



Looks flat to me; I can't really say Colorado acres winter wheat acres are declining.

Are USA HRW exports in a declining trend? I think so, but it's not clear-cut yet.



So what does it matter?

If acres decrease, yields stay about the same, and production drops, and export demand drops, then prices do not have to crater.

Where it gets tricky is when exports drop faster than declines in production. OR...when world wheat production drops, and the USA increases exports.

I don't think we're finished with this discussion yet.

Have a good week. You have a week to go buy a few presents!