

Hello Colorado Wheat.

The fact that we don't have much "news" is not news anymore... but it's still a fact. The markets decided the best way to handle it is moderate exploring but come back home. In other words, stay range-bound until a very good reason comes along.

Look at the weekly 11-week closing table. When the 11/02 week rolls off the table shortly after you read this, KC wheat's 11-week 42-cent closing range becomes a 32-cent closing range, similar to Chgo and MGEX wheats. Beans are in a 36c closing range, and corn is bound by an extremely tight 15-cent closing range. How long can this last? I'm leaning towards "another month".

CLOSE	KWH19	KWN19	KWZ19	CH19	CN19	CZ19	WH19	MWH19	MWZ19	SH19
01/11	\$5.05	\$5.26	\$5.54	\$3.78	\$3.94	\$4.02	\$5.20	\$5.70	\$6.01	\$8.99
01/04	\$5.06	\$5.28	\$5.57	\$3.83	\$3.98	\$4.04	\$5.17	\$5.70	\$6.03	\$9.10
12/28	\$4.96	\$5.20	\$5.50	\$3.76	\$3.91	\$3.98	\$5.12	\$5.51	\$5.86	\$8.96
12/21	\$5.03	\$5.26	\$5.55	\$3.79	\$3.94	\$3.99	\$5.14	\$5.61	\$5.95	\$8.98
12/14	\$5.18	\$5.39	\$5.67	\$3.85	\$3.99	\$4.04	\$5.30	\$5.84	\$6.12	\$9.14
12/07	\$5.12	\$5.32	\$5.62	\$3.86	\$3.99	\$4.03	\$5.31	\$5.82	\$6.09	\$9.29
11/30	\$5.00	\$5.22	\$5.50	\$3.78	\$3.92	\$4.00	\$5.16	\$5.76	\$6.10	\$9.08
11/23	\$4.86	\$5.11	\$5.44	\$3.71	\$3.86	\$3.95	\$5.00	\$5.71	\$6.08	\$8.95
11/16	\$5.07	\$5.29	\$5.64	\$3.76	\$3.90	\$3.98	\$5.07	\$5.74	\$6.11	\$9.06
11/09	\$5.09	\$5.34	\$5.67	\$3.81	\$3.96	\$4.03	\$5.02	\$5.77	\$6.12	\$9.00
11/02	\$5.28	\$5.49	\$5.84	\$3.83	\$3.97	\$4.04	\$5.09	\$5.88	\$6.22	\$9.00

Why? Because after 4 weeks, the 11/23 lows will roll off this table in corn, wheat and beans. If nothing happens by then, the closing range for KC wheat would be 22c, and corn would narrow to a 12-cent closing range. Beans would only narrow by a penny, which might be the flaw in my theory, and 4 weeks might not be soon enough to cause a move.

Anyway...without information flow, it's hard to "feed the bull", which means one thing: as the ranges become impossibly tight, the easiest path of a breakout is lower.

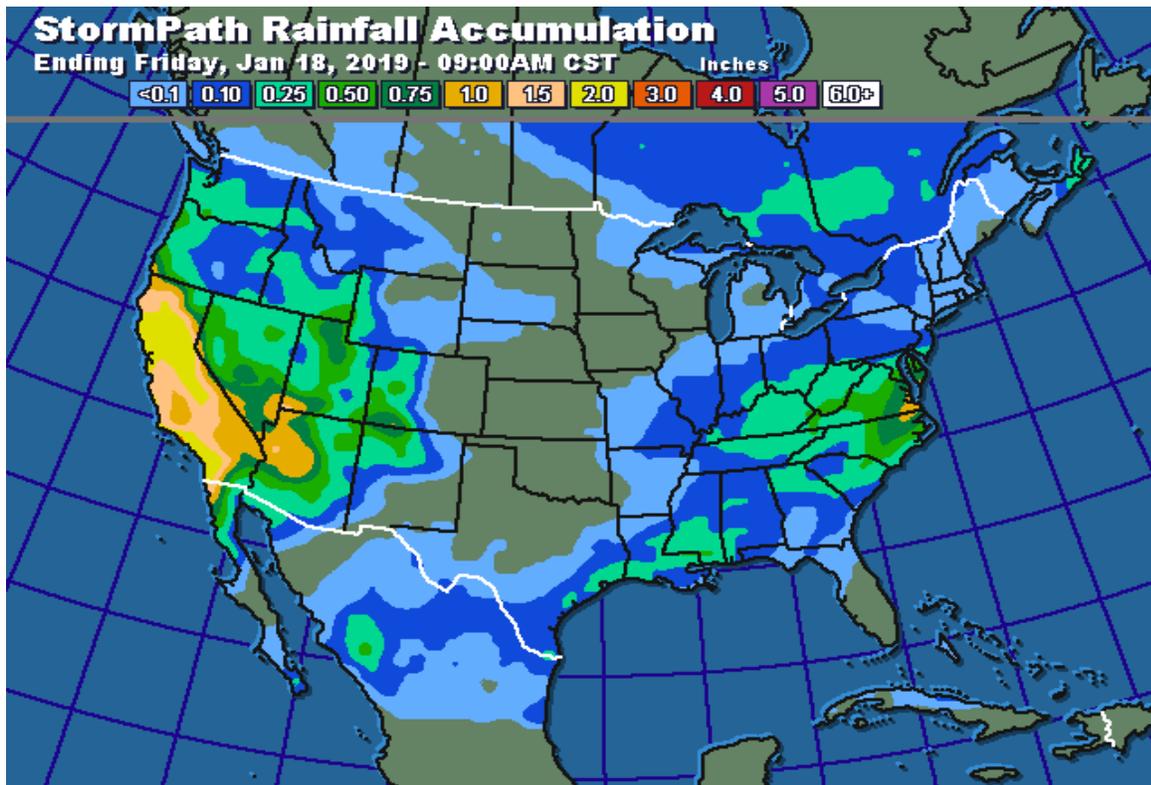
More than likely, gravity will win again.

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 your wheat unless you have discussed protein premiums

This KC March chart shows a dotted blue line at \$5.18, a dime lower than the solid blue line at \$5.28, which disappears shortly after you read this (self-destructs, like Mission Impossible of old...), and thus buy-stops are at least theoretically easier to hit, but it's going to take something more concrete than a Russian Ag Minister asking Russian wheat exporters to consider being less aggressive on their offers...



USA weather is not a market-mover yet. Two months from now, maybe this forecast would get some airtime, but not in mid-January.



March corn...in hibernation. We don't see planting progress until April 1, (assuming...)



And I interpret the dotted upward-trending line in March beans as the market assumes we are making progress with China consuming mass quantities of our soybeans (like the Coneheads) once again:



There will be a lot to decipher and probe for deeper meaning one day...not now. Here's my updated Export Pace Scorecard. Lots of incite here...

THIS WEEK'S (ended 01/03)	Weekly loadings (mil bu)	Accumulated in season	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	?	?	320.0	?	21	?
HRS	?	?	300.0	?	21	?
LAST WEEK'S (12/27)	Weekly loadings	Accumulated in season	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	?	?	320.0	?	22	?
HRS	?	?	300.0	?	22	?
2 WEEKS AGO (12/20)	Weekly loadings	Accumulated in season	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	?	?	320.0	?	23	?
HRS	?	?	300.0	?	23	?

There is meaning here in the posted Gulf bids, and the incite is even though the Jan 12's are showing a 2c decrease, Feb/March bids are posted at +147.

GULF

date	12 pro	ords	diff
1/11/2019	139	122	17
1/4/2019	141	122	19
12/28/2018	140	116	24
12/21/2018	140	116	24
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

USA exporters are seeing legitimate buying interest.

The bids in the country are at least steady, although we see better bids at Salina and Hutchinson, KS.

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
01/11	\$4.25-\$4.65	\$4.80	\$4.49-\$4.60	\$4.42-\$4.65	\$4.85-\$4.85
01/04	\$4.26-\$4.66	\$4.81	\$4.51-\$4.61	\$4.43-\$4.66	\$4.85-\$4.86
12/28	\$4.16-\$4.51	\$4.71	\$4.41-\$4.51	\$4.32-\$4.56	\$4.76-\$4.76
12/21	\$4.23-\$4.58	\$4.78	\$4.48-\$4.58	\$4.40-\$4.63	\$4.83-\$4.83
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

BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
01/11(H)	-80, -40	-25	-55, -45	-63, -40	-20, -20
01/04(H)	-80, -40	-25	-55, -45	-63, -40	-20, -20
12/28 (H)	-80, -45	-25	-55, -45	-63, -40	-20, -20
12/21 (H)	-80, -45	-25	-55, -45	-63, -40	-20, -20
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

Date	Concordia	Salina	Hutchinson	Wichita	Ark City
01/11	-25	-20, -15	-34, -10	-18, -10	-22
01/04(H)	-25	-20, -15	-34, -15	-18, -15	-22
12/28(H)	-25	-20, -15	-34, -25	-20, -18	-22
12/21(H)	-25	-20, -15	-34, -25	-20, -18	-22
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

I have to conclude we don't know enough to buy it with both feet, but we sure as heck don't know enough to sell it with abandon.

Maybe a month from now, it will look different.

We still have some time here, so let's revisit our acreage discussion. If the goal is to estimate planted acreage in 2019 (crop year 2019/20, for acres planted this spring, and harvested this fall, although technically winter wheat acres were planted in the fall of 2018...) we have to start somewhere, so let's start with this table. These are all USA , 1000's of acres.

USA acres	2012	2013	2014	2015	2016	2017	2018
all wheat	55,294	56,236	56,841	54,999	50,119	46,022	47,800
corn	97,291	95,365	90,597	88,019	94,004	90,167	88,128
soybeans	77,198	76,840	83,276	82,650	83,433	90,142	89,557
milo	6,529	8,076	7,138	8,459	6,690	5,626	6,040
sum	236,312	236,517	237,852	234,127	234,246	231,957	231,525

Observations include all wheat acres took a very big drop in 2017 and did not rebound much in 2018. Soybean acreage has definitely trended higher, mainly at the expense of wheat, and corn too. Acreage of these four crops is down in total; this missing acreage probably went to pulses (field peas or garbanzo beans) although I think cotton has increased too.

Do we have reason to expect changes this spring? Does expected yield impact decisions? How about expected price?

If so, these are average yields and National Average Farm Prices received...

yield (bu/ac)	2012	2013	2014	2015	2016	2017	2018
wheat	46.2	47.1	43.7	43.6	52.7	46.3	47.6
corn	123.1	158.1	171.0	168.4	174.6	176.6	178.9
soybeans	40.0	44.0	47.5	48.0	52.0	49.3	52.1
milo	49.6	59.6	67.6	76.0	77.9	72.1	71.4
NAFP	2012	2013	2014	2015	2016	2017	2018
wheat	\$ 7.77	\$ 6.87	\$ 5.99	\$ 4.89	\$ 3.89	\$ 4.72	\$ 5.15
corn	\$ 6.89	\$ 4.46	\$ 3.70	\$ 3.61	\$ 3.36	\$ 3.36	\$ 3.60
soybeans	\$ 14.40	\$ 13.00	\$ 10.10	\$ 8.95	\$ 9.47	\$ 9.33	\$ 8.60
milo	\$ 6.33	\$ 4.28	\$ 4.03	\$ 3.31	\$ 2.79	\$ 3.22	\$ 3.40

How much does it cost to produce these crops? I've looked at several websites...

I liked this K-State website because it wasn't too complicated, but I also looked at Iowa, Illinois and Minnesota websites.

<https://www.sedgwick.k-state.edu/agriculture/crops/crop-budget-sheets.html>

I decided to include \$45/ac for rent. Based on some averages and a couple of emails, I estimate variable, out-of-pocket costs at \$245 for an acre of wheat, \$260 for an acre of soybeans or milo, and \$355 per acre of corn.

SO when we plug those into a matrix of (average yield * NAFP)- production costs, the resulting table looks like:

gross net/acre	2012	2013	2014	2015	2016	2017	2018
wheat	\$ 113.97	\$ 78.58	\$ 16.76	\$ (31.80)	\$ (40.00)	\$ (26.46)	\$ 0.14
corn	\$ 493.16	\$ 350.13	\$ 277.70	\$ 252.92	\$ 231.66	\$ 238.38	\$ 289.04
soybeans	\$ 316.00	\$ 312.00	\$ 219.75	\$ 169.60	\$ 232.44	\$ 199.97	\$ 188.06
milo	\$ 53.97	\$ (4.91)	\$ 12.43	\$ (8.44)	\$ (42.66)	\$ (27.84)	\$ (17.24)

The obvious question is “if we can make over \$230 an acre in corn on a bad year, why wouldn’t we only grow corn?!” The answer is KS and CO corn yields are less than the national average. And the soybean yields are too high as well...SO, I’m going to use these yields for corn and beans:

yield (bu/ac)	2012	2013	2014	2015	2016	2017	2018
wheat	46.2	47.1	43.7	43.6	52.7	46.3	47.6
corn **	95.0	129.0	143.0	145.0	140.0	132.0	129.0
soybeans **	23.0	37.0	35.5	38.5	48.0	37.5	42.0
milo	49.6	59.6	67.6	76.0	77.9	72.1	71.4

And then the price/yield/cost matrix table now looks like this:

gross net/acre	2012	2013	2014	2015	2016	2017	2018
wheat	\$ 113.97	\$ 78.58	\$ 16.76	\$ (31.80)	\$ (40.00)	\$ (26.46)	\$ 0.14
corn	\$ 299.55	\$ 220.34	\$ 174.10	\$ 168.45	\$ 115.40	\$ 88.52	\$ 109.40
soybeans	\$ 71.20	\$ 221.00	\$ 98.55	\$ 84.58	\$ 194.56	\$ 89.88	\$ 101.20
milo	\$ 53.97	\$ (4.91)	\$ 12.43	\$ (8.44)	\$ (42.66)	\$ (27.84)	\$ (17.24)
based on wheat = \$245/ac; milo = \$260/ac; corn = \$355/ac; beans = \$260/ac							

I think this table is more representative. It still shows why beans have gained acres, and why everyone wants to put in corn.

Then we ask, “what about this year, 2019?”

Well...soybean price depends on China, and there is the risk. Beans are currently \$9.00, with a dollar upside, or downside. With that uncertainty, I don’t see bean acres increasing.

Wheat nationally is at break even, and spring wheat acres will increase in MN and ND, at the expense of beans. Which means more wheat production, and probably increased carryout, and ultimately weighing on prices. I’m going with unchanged winter wheat acres, but spring wheat up 2 million acres

Dec’19 corn is trading at \$4.00, and corn futures only spent a month in 2018 above \$4.00, so it looks like the 2019 NAFP of corn should be about the same as 2018, maybe a little better, so why would corn acres decrease? I see them going back up to 90 million acres. So with corn up 2 million and spring wheat up 2 million, that takes beans down 4 million. I’m leaving milo unchanged.

Here’s my national acreage guesses for this coming crop year:

USA acres	2012	2013	2014	2015	2016	2017	2018	maltby 2019
all wheat	55,294	56,236	56,841	54,999	50,119	46,022	47,800	50,000
corn	97,291	95,365	90,597	88,019	94,004	90,167	88,128	90,100
soybeans	77,198	76,840	83,276	82,650	83,433	90,142	89,557	84,500
milo	6,529	8,076	7,138	8,459	6,690	5,626	6,040	6,000
sum	236,312	236,517	237,852	234,127	234,246	231,957	231,525	230,600

And you can see I expect the USA to plant more pulses or cotton this spring as well.

Based on these numbers, it's hard for me to be bullish prices. If you agree with that, hedging some Dec'19 corn at \$4.00 might be a good start.

We probably should re-visit this with more specific yields for specifically KS and CO.

If you want to comment about price of production, or how you're making your planting decisions this spring, please do. Send me a note. I always enjoy hearing from you.

Have a good week.