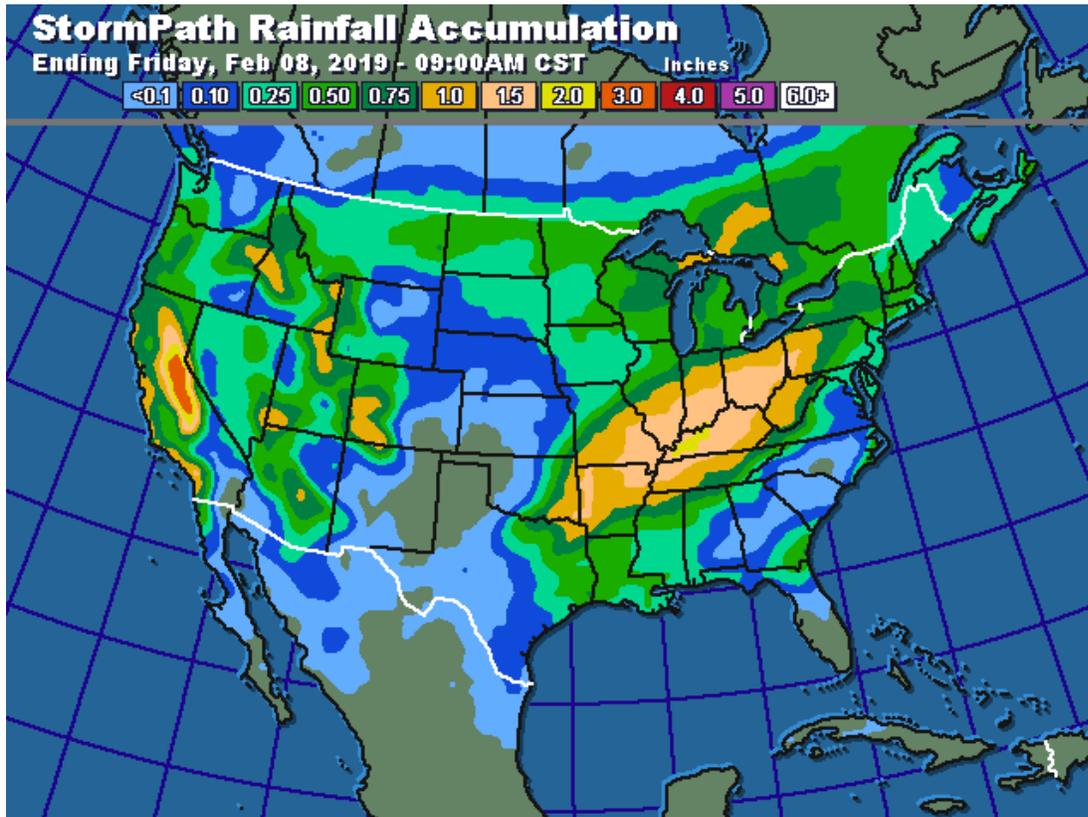


Hello Colorado Wheat.

I assume you survived the Polar Vortex of 2019. Not everyone did; more than two dozen deaths nationally were attributed to the severe cold snap. How about your wheat? Did it make it? I assume most of it did. Market chatter focused on potential damage to Soft Red Winter. I usually discount winterkill scares; I suspect this coming moisture will help the soft red crop, and doubt we'll hear much more about winterkill.



I'd note the HRW areas of the map will not get any moisture, but no one is concerned. Maybe in 6 weeks we'll be more interested, and 4 weeks after that maybe we'll be concerned about corn and soybean emergence, but that's a ways off. In the meantime, hibernation continues.

The USDA will be releasing a February WASDE update this Friday, along with the delayed January winter wheat Seedings report, the quarterly Stocks-in-all-Positions, and the annual final Crop Production report, setting the stage for one last week of market slumber before a big Data Dump hits the market at 11:00 am. Surely something in all that data will move the market, won't it?

Actually, there's a pretty good chance this data will NOT be market moving, but what fun would that be?

***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***

Informa released their January outlook on USA acreage last week. They didn't move the market, but maybe should have...

They didn't show planted acreage, but they showed harvested acreage. I used average abandonment to come up with this planted acreage estimate.

planted acres						informa
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20**
KS	9,600	9,200	8,500	7,600	7,700	6,984
CO	2,750	2,450	2,350	2,250	2,250	2,081
NE	1,550	1,490	1,370	1,120	1,100	1,059
OK	5,300	5,300	5,000	4,500	4,400	4,592
TX	6,000	6,100	5,000	4,700	4,500	4,364
SD	1,210	1,420	1,180	910	830	890
ND	870	200	130	70	85	91
MT	2,500	2,350	2,250	1,750	1,650	1,933
CA	490	450	425	385	380	418
total	30,270	28,960	26,205	23,285	22,895	22,413

That's about a 10% drop in acres in Kansas and Colorado, which seems fairly drastic to me.

But we know acres are not the whole story. Yields are key.

I added a column showing previous 5-year average.

YIELDS						informa	
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	5 year average
KS	28.0	37.0	57.0	48.0	38.0	45	41.6
CO	38.0	37.0	48.0	43.0	36.0	40	40.4
NE	49.0	38.0	54.0	46.0	49.0	50	47.2
OK	17.0	26.0	39.0	34.0	28.0	33	28.8
TX	30.0	30.0	32.0	29.0	32.0	32	30.6
SD	55.0	44.0	58.0	40.0	48.0	51	49.0
ND	49.0	44.0	48.0	37.0	43.0	45	44.2
MT	41.0	41.0	49.0	42.0	50.0	46	44.6
CA	80.0	70.0	78.0	64.0	77.0	77	73.8

It seems to me their yield estimates reflect the generally good stands seen late last fall.

And then the bottom line is (harvested acres) X (yields) = production, which looks like this, and they did show their results:

PRODUCTION						informa
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
KS	246.4	321.9	467.4	333.6	277.4	294.75
CO	89.3	79.2	105.1	86.9	70.2	74
NE	71.1	46.0	70.7	46.9	49.49	48
OK	47.6	98.8	136.5	98.6	70	95.7
TX	67.5	106.5	89.6	68.2	56	67.2
SD	59.4	42.7	63.8	20.8	31.68	35.19
ND	27.2	8.4	5.8	1.3	3.01	3.15
MT	91.8	91.0	105.4	66.8	78.5	82.8
CA	15.2	10.5	13.3	9.9	8.47	11.55
total	715.5	804.9	1,057.5	732.9	644.8	712.34
USA HRW (& HWW)	738.7	846.5	1,107.5	774.0	681.6	

There's usually about another 42 million bu of HRW from other states, so Informa is looking at about a 755 million bushel USA HRW crop (includes HWW), which would be about 75 million MORE than last year.

Informa's Spring wheat (implied, planted) acres looks like this:

	planted acres					informa
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20**
MN	1,220	1,480	1,310	1,160	1,610	1651.3
MT	3,050	2,650	2,100	2,500	2,900	3069.8
ND	6,250	6,700	6,000	5,350	6,550	6960.5
SD	1,300	1,330	1,080	970	1,080	1169.7
total	11,820	12,160	10,490	9,980	12,140	12,851
WASDE HRS	13,025	13,367	11,555	11,009	13,202	

This looks too low to me too; as I expect HRS acres to be up more than 6%.

Their yield guesses are such, and will of course be weather dependent:

						informa	
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	5 year average
MN	55	60	59	67	59	63	60.0
MT	35	31	36	21	34	34	31.4
ND	47.5	48	46	41	49	47	46.3
SD	56	48	45	31	42	48	44.4
total	51.4	50.4	52.1	38.5	46.2	46.1	47.7
WASDE HRS	46.7	46.2	47.3	41.0	48.3	47.7	

Which leads to their bottom-line results:

PRODUCTION	2014/15	2015/16	2016/17	2017/18	2018/19	informa 2019/20
MN	64.9	85.8	74.34	75.71	92.63	100.8
MT	104.3	75.64	74.16	48.09	95.88	100.3
ND	291.65	319.2	269.1	207.05	318.01	319.6
SD	71.68	60.48	47.25	20.77	40.53	50.4
total	532.53	541.12	464.85	351.62	547.05	571.1
WASDE HRS	556	564	491	384	587.01	

Total USA HRS crop will be about 40 million more than these 4 states, or expected to be about 611 million bushels, about 24 million more than last year.

SO...we saw some estimates from a respected source, showing a 100 million increase in USA hard wheat production this coming year. How did the market handle it?

It barely blinked. Nearby KC wheat finished down a penny, although Chgo wheat settled 4c higher.

CLOSE	KWH19	KWN19	KWZ19	CH19	CN19	CZ19	WH19	MWH19	MWZ19	SH19
<b>02/01</b>	<b>\$5.09</b>	<b>\$5.26</b>	<b>\$5.50</b>	<b>\$3.78</b>	<b>\$3.95</b>	<b>\$4.02</b>	<b>\$5.24</b>	<b>\$5.76</b>	<b>\$6.03</b>	<b>\$9.18</b>
01/25	\$5.10	\$5.29	\$5.55	\$3.80	\$3.97	\$4.03	\$5.20	\$5.75	\$6.01	\$9.25
01/18	\$5.06	\$5.25	\$5.53	\$3.82	\$3.97	\$4.04	\$5.18	\$5.74	\$6.05	\$9.17
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	<b>\$5.51</b>	<b>\$5.86</b>	\$8.96
12/21	\$5.03	\$5.26	\$5.55	\$3.79	\$3.94	\$3.99	\$5.14	<b>\$5.61</b>	<b>\$5.95</b>	\$8.98
12/14	<b>\$5.18</b>	<b>\$5.39</b>	<b>\$5.67</b>	\$3.85	<b>\$3.99</b>	<b>\$4.04</b>	\$5.30	<b>\$5.84</b>	<b>\$6.12</b>	\$9.14
12/07	\$5.12	\$5.32	\$5.62	<b>\$3.86</b>	<b>\$3.99</b>	\$4.03	<b>\$5.31</b>	\$5.82	\$6.09	<b>\$9.29</b>
11/30	\$5.00	\$5.22	\$5.50	\$3.78	\$3.92	\$4.00	\$5.16	\$5.76	\$6.10	<b>\$9.08</b>
11/23	<b>\$4.86</b>	<b>\$5.11</b>	<b>\$5.44</b>	<b>\$3.71</b>	<b>\$3.86</b>	<b>\$3.95</b>	<b>\$5.00</b>	<b>\$5.71</b>	<b>\$6.08</b>	<b>\$8.95</b>

Beans finished down 7, even though rumors and Twitter would have you believe the Chinese bought several million tonnes...and corn, down a couple, as corn is tied to the hip with beans until we get the stuff planted this spring.

We see the 11/23 week will be rolling off this table with a lot of the 11-week lows. More on that later. What supported wheat?

Higher world wheat prices, confirmed by the Egyptian GASC tender, which went to Romania and France. Neither the Russians or Ukraine sold wheat to Egypt. Their domestic prices have risen enough to make their Ag Ministers nervous...

USA wheat inspections were pretty good too. We don't see current, up-to-date export sales reports from FAS yet, but my Export Pace scorecard keeps humming along:

<b>THIS WEEK'S (01/17)</b>	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	7.966	160.6	320.0	159.4	18	8.86
HRS	3.197	162.9	300.0	137.1	18	7.62
<b>2 WEEKS AGO (01/10)</b>	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	6.739	152.6	320.0	167.4	19	8.81
HRS	4.879	159.7	300.0	140.3	19	7.38

I don't see any reasons from this table to make me expect the USDA to change their 2018/19 USA wheat export projection.

Another thing supporting wheat futures is the stronger Gulf basis. 12 protein is back to +160, and ords set a new high for the year, now bid +145.

GULF date	12 pro	ords	diff
2/1/2019	160	145	15
1/25/2019	152	132	20
1/18/2019	141	125	16
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 H
12/7/2018	160	130	30
11/30/2018	152	120	32
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

In that regard, these mainly unchanged "country" basis bids are disappointing. Thus if a guy had some unsold old-crop wheat, he might want to check around, noting that the Gulf basis is up 20c or so, and these bids are unchanged. In a situation like that, he might find someone willing to "push".

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
<b>02/01</b>	<b>\$4.29-\$4.79</b>	<b>\$4.89</b>	<b>\$4.51-\$4.69</b>	<b>\$4.48-\$4.75</b>	<b>\$4.99-\$4.99</b>
01/25	\$4.30-\$4.75	\$4.87	\$4.64-\$4.70	\$4.49-\$4.70	\$4.97-\$5.00
01/18	\$4.26-\$4.66	\$4.83	\$4.51-\$4.61	\$4.43-\$4.66	\$4.93-\$4.96
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

BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
<b>02/01H)</b>	<b>-80, -30</b>	<b>-20</b>	<b>-58, -40</b>	<b>-61, -34</b>	<b>-10, -10</b>
01/25(H)	-80, -35	-23	-46, -40	-61, -40	-13, -10
01/18(H)	-80, -40	-23	-55, -45	-63, -40	-13, -10
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

Date	Concordia	Salina	Hutchinson	Wichita	Ark City
<b>2/01(H)</b>	<b>-25</b>	<b>-15, -10</b>	<b>-34, -10</b>	<b>-18, -10</b>	<b>-15</b>
1/25(H)	-25	-15, -13	-34, -10	-18, -10	-20
01/18	-25	-15, -13	-34, -10	-18, -10	-20
01/11	-25	-20, -15	-34, -10	-18, -10	-20
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

A final word on the coming Feb. WASDE...the USDA was last showing USA spring wheat imports at 72 million. That's down 16 from 17/18's record 88 million, but 30 more than 16/17's 42 million. This year's 72 million are overstated. They should be reduced, which will tighten the spring wheat balance sheet, and that is moderately supportive to the futures too.

We mainly see the basis strength in wheat reflected in these tight calendar spreads...

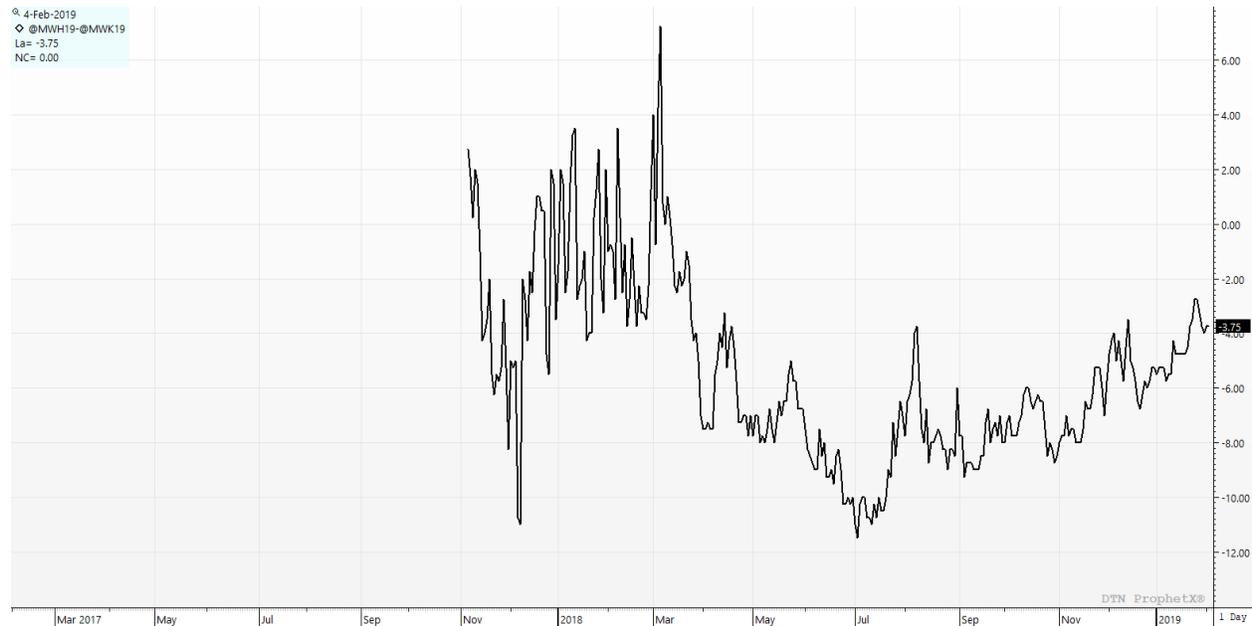
Chgo H/K showing less than 2c/month storage...



KC H/K making a run at 4c/month storage...



And MGEX spring wheat H/K at only about 2c/month storage.



These are all very tight spreads...but maybe not out of whack, with the high basis levels.

Also... we notice the table on page 4 shows KC H down a penny, but KC Z down a nickel, which seems to be how the market is handling the expected increase in USA wheat production.

Which seems like a good time to point out that hedging (selling) some bushels with KC Z at \$5.50, with a -50 basis, yielding \$5.00/bu flat price, might allow a guy to lock in something better than a negative return.

We'll finish with a look at the charts, but the spoiler is corn, beans and wheat all remain in tight ranges, which are actually about to get even tighter, and I don't see how that can last.

The 11-week closing table shows KC March resistance at \$5.18, and support at \$4.86 (from 11.23). This week the 11/23 week rolls off, and the support moves up to \$4.96, from the 12/28 week.

Similarly, H corn's support from 11/23 is \$3.71, but will become \$3.76, also from the 12/28 week.

The coiling phase is accelerating. Seems to me a move is coming.

KC March, shown with the new expected support line up to \$4.96:



March corn, with the new expected support line up to \$3.76...10c range for 11 weeks...impossible to sustain.



Beans don't change much; their support line only moves up a penny:



The week will start boringly, but it won't finish that way.

Have a good week.