

Hello Colorado Wheat.

The Algoes ate my baby... or maybe it was the Wheat Dingoes.

My "11-weeks of Friday closes" table shows the wheat whacking went wild...

The K columns replaced H prices, but main takeaway is Funds continue building short positions in KC wheat, with Chgo wheat following. Spring wheat, barely hanging on until planting season gets going. Corn, watching beans, remains in an impossibly tight range, while beans march time.

CLOSE	KWK19	KWN19	KWZ19	CK19	CN19	CZ19	WK19	MWK19	MWZ19	SK19
02/22	\$4.66	\$4.74	\$4.87	\$3.85	\$3.93	\$4.02	\$4.92	\$5.65	\$5.87	\$9.24
02/15	\$4.85	\$4.93	\$5.23	\$3.83	\$3.91	\$3.99	\$5.07	\$5.67	\$5.87	\$9.22
02/08	\$5.01	\$5.09	\$5.37	\$3.82	\$3.90	\$3.99	\$5.20	\$5.69	\$5.93	\$9.29
02/01	\$5.17	\$5.26	\$5.50	\$3.87	\$3.95	\$4.02	\$5.28	\$5.79	\$6.03	\$9.32
01/25	\$5.20	\$5.29	\$5.55	\$3.89	\$3.97	\$4.03	\$5.27	\$5.78	\$6.01	\$9.39
01/18	\$5.15	\$5.25	\$5.53	\$3.90	\$3.97	\$4.04	\$5.24	\$5.79	\$6.05	\$9.30
01/11	\$5.16	\$5.26	\$5.54	\$3.87	\$3.94	\$4.02	\$5.25	\$5.74	\$6.01	\$9.24
01/04	\$5.18	\$5.28	\$5.57	\$3.91	\$3.98	\$4.04	\$5.23	\$5.76	\$6.03	\$9.35
12/28	\$5.08	\$5.20	\$5.50	\$3.83	\$3.91	\$3.98	\$5.19	\$5.56	\$5.86	\$9.08
12/21	\$5.14	\$5.26	\$5.55	\$3.86	\$3.94	\$3.99	\$5.21	\$5.68	\$5.95	\$9.11
12/14	\$5.29	\$5.39	\$5.67	\$3.92	\$3.99	\$4.04	\$5.37	\$5.89	\$6.12	\$9.27

I don't think much old-crop unsold winter wheat remains, although I'm sure some exists, unhappily, as prices are down about \$1.20/bu since early-mid August; and pretty sure most new-crop wheat hasn't been sold. That's the bad news.

The good news is moisture should help yields.

(Protein content could be an issue, unless steps are taken.)

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

KC May wheat shown here, with the 3rd red line in a row. Cascading red lines... Down 50c in 3 weeks. Very powerful move. Certainly, some capitulation was involved, but also new shorts being created...



Where does it stop?

The longer-term weekly continuous suggests \$4.60 is cheap enough, although recently ('16, '17, and '18) KC futures went to \$4.20. Main point is I don't see true buy signals yet, although \$4.60 wheat is not "expensive".



If we wanted to get really morbid (we don't), we'd look at this even longer-term MONTHLY continuous KC wheat chart and say "omega. If \$4.20 crumbles, Hello \$3.20". Yuk.



Ok, back to reality. This is KC nearby weekly continuous vs nearby corn futures, hovering over dotted trendline support at 90c.



That chart tells me, again, no need to rush, but KC wheat is getting cheap compared to corn. It can always get cheaper, and if the yields are big, big, big...a lot of new-crop wheat will get fed this summer. The first red line of support is +55c, KC over corn.

I spent quite a bit of time with Quality conscious wheat men this week in KC, and one of the things that no one is truly comfortable discussing is...the math. \$3.89/bu wheat (NAFP), at 57 bu/ac (2016/17) generates not quite \$222 per acre, compared to this year's 38 bu/ac wheat @ \$5.10/bu (NAFP), which generates \$194/acre. Those are average Kansas yields from those 2 years. Colorado math is not quite as dramatic. CO '16/17 yield was 48 bu. Vs 18/19's yield of 36 bu/ac, so \$3.89 bu wheat at 48 bu/ac = \$187/ac gross revenue, vs 36 bu wheat @ \$5.10 = \$184/ac gross revenue.

For generic winter wheat, at generic prices, there is only one parameter, and that is yield.

One way to help overcome that is protein premiums. Unfortunately, for the most part, in The Great Plains, they don't exist.

Compare these posted AMS bids from Montana:

	US 1 Hard Red Winter Wheat			
	Ordinary	11 pct	12 pct	13 pct
Billings Area	4.47-4.63	4.67-4.83	4.82-4.98	4.92-5.08
Golden Triangle	4.65-4.84	4.73-5.00	4.79-5.13	4.83-5.23
Great Falls Area	4.91-5.01	4.99-5.04	5.03-5.09	5.07-5.15
Northcentral Mt	4.57-4.75	4.77-4.91	4.92-5.04	5.02-5.14
Northeast Mt	4.23-4.61	4.33-4.71	4.38-4.77	4.38-4.79
Southeast Mt	4.27-4.43	4.41-4.53	4.47-4.58	4.47-4.58

To this posted Kansas AMS bids:

Central Kansas Terminal and Processor Daily Grain Report

	Bids	TERMINAL HRW WHEAT ORD US NO 1 Change (¢/bu)	Basis
Change			
Atchison	4.1850	UP 3.25	-40H
UNCH			
Topeka	4.3850	UP 3.25	-20H
UNCH			
Concordia	4.3850	UP 3.25	-20H
UNCH			
Salina	4.3850-4.4850	UP 3.25-UP 8.25	-20H to -10H
UNCH-UP 5			
Great Bend	4.3850	UP 3.25	-20H
UNCH			
Newton	4.2950	UP 3.25	-29H
UNCH			
Hutchinson	4.2950-4.5350	UP 3.25-UP 8.25	-29H to -5H
UNCH-UP 5			
Wichita	4.4550-4.5050	UP 3.25	-13H to -8H
UNCH			
Wellington	4.4350-4.4850	UP 3.25	-15H to -10H
UNCH			
Arkansas City	4.4350	UP 3.25	-15H
UNCH			

No elevator likes to pay a premium for something he can get by accident, but Montana at least gives the signal, openly, that protein content has some value.

Admittedly, HRW in Montana must compete with spring wheat. Here's the Montana posted spring wheat bids:

US 1 Dark Northern Spring Wheat			
	13 pct	14 pct	15 pct
Billings Area	5.12-5.34	5.32-5.50	5.40-5.58
Golden Triangle	5.08-5.35	5.24-5.51	5.32-5.59
Great Falls Area	5.17-5.26	5.33-5.42	5.41-5.50
Northcentral Mt	5.16-5.27	5.32-5.43	5.40-5.59
Northeast Mt	4.73-5.03	4.89-5.19	4.90-5.27
Southeast Mt	4.82-4.93	4.85-5.09	4.85-5.17

Protein, in general, this year was cheap, represented at a glance by this nearby weekly continuous chart of MGEX – KC, and you can see that spread dipped briefly under the long-term average of 60c bu, currently about a \$1.00 premium, where the spread tends to run low on steam waiting on additional inputs to determine if more blood is extractable.



Protein discounts could be even more effective than protein premiums, although they really put producers in a bad mood, and they lose their effect entirely when The Cow is The Market.

The USA domestic milling market is becoming more aggressive in their communication of their desires, but I tend to believe...money talks, and we know what walks.

The Gulf export market is similar, in that while importers will pay for protein content, I believe they'll generally only pay as little as possible.

These posted Gulf bids show 12's up again this week, but still showing ords at less than a 20c/bu discount. That's not much of a "signal" that protein is valuable.

GULF date	12 pro	ords	diff	
2/22/2019	170	152	18	
2/15/2019	161	146	15	
2/8/2019	158	138	20	
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	H

And thus...why would a producer put additional, expensive inputs into his wheat crop, above what is required to maximize his expected yield? And how much rain is he going to get at head-filling stage?

Those are not easily answered questions. But the calendar says decisions must be made SOON.

Moving on...

We saw KC K futures were down about 18c this week. These export loadings were NOT good...

THIS WEEK'S (02/14)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	6.184	178.8	320.0	141.2	15	9.41
HRS	3.380	176.9	300.0	123.1	15	8.21
2 WEEKS AGO (02/07)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	8.991	172.6	320.0	147.4	16	9.21
HRS	6.543	173.5	300.0	126.5	16	7.89

That table is my running total based on what I expected to see, using AMS data, instead of FAS data, and I concluded a couple weeks ago the USDA will be lowering their USA wheat export projections.

The USDA's FAS branch released a mini-data dump Thursday, and brought things up to speed, and this table shows what that data said:

THIS WEEK'S (02/14)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	6.184	173.6	320.0	146.4	15	9.76
HRS	3.380	171.2	300.0	128.8	15	8.58

You can see my guesses were very close to actual ...although I was a bit optimistic. I assume it's clear to all that the USDA's USA export projections for 2018/19 will indeed be lowered, and that includes spring wheat, not just hard winter wheat. The timing on this is debatable; the USDA might wait until they get March 1 stocks-in-all-positions, released in late March, which suggests we'll see the export change in the April WASDE.

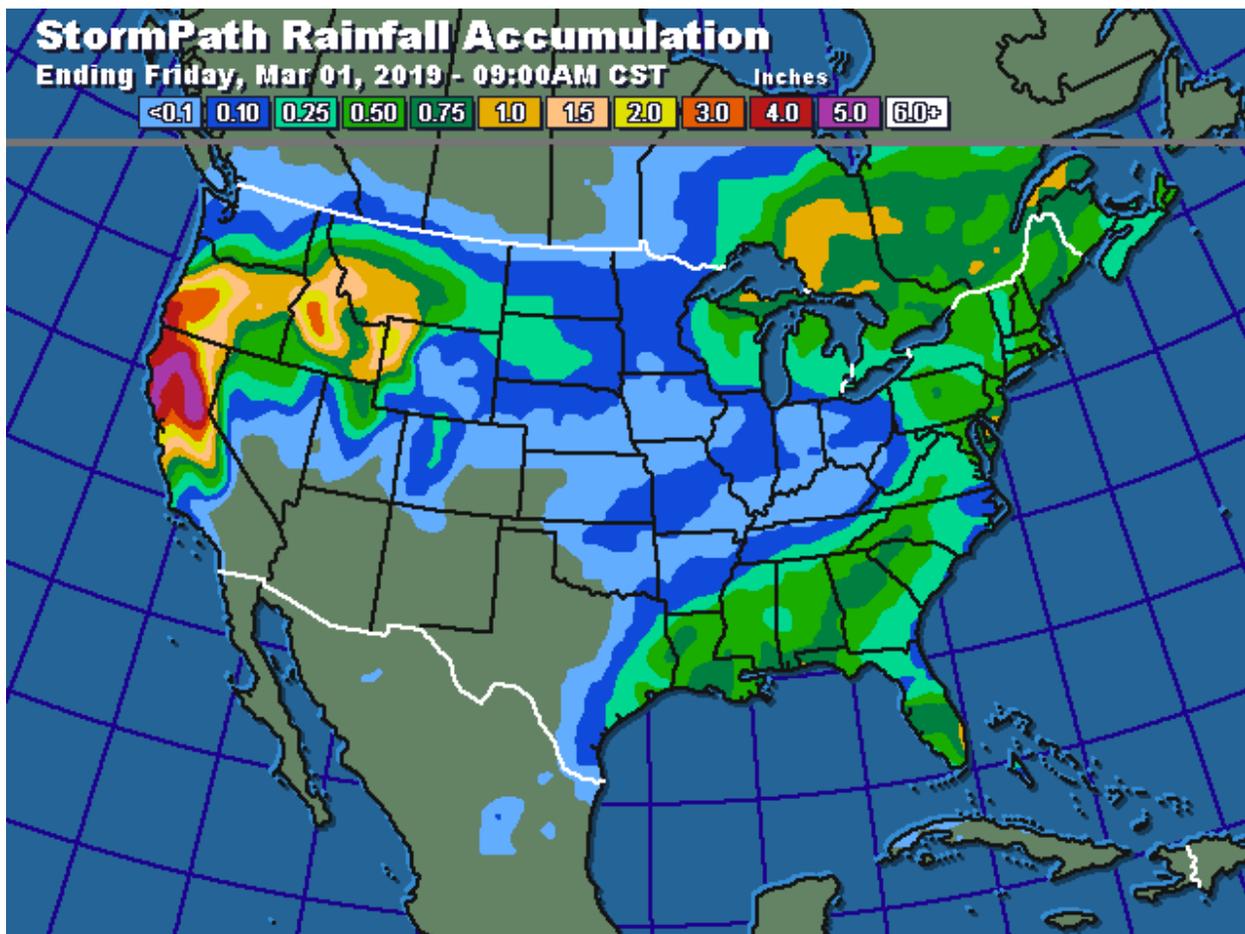
As expected, and alluded to earlier, posted cash bids were weaker this week. These bids are still posted basis the March (H), although will be on the K next week. Basis bids are mainly unchanged, and for the record, the Colorado bids might be different than expected, as AMS was out on training last week.

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
02/22	\$3.79-\$4.29	\$4.34	\$4.14-\$4.24	\$3.98-\$4.29	\$4.49-\$4.54
02/15	\$3.97-\$4.47	\$4.52	\$4.32-\$4.42	\$4.16-\$4.47	\$4.67-\$4.72
02/08	\$4.14-\$4.64	\$4.74	\$4.49-\$4.54	\$4.33-\$4.65	\$4.84-\$4.84
02/01	\$4.29-\$4.79	\$4.89	\$4.51-\$4.69	\$4.48-\$4.75	\$4.99-\$4.99
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
BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
02/22(H)	-80, -30	-25	-45, -35	-61, -29	-10, -05
02/15(H)	-80, -30	-25	-45, -35	-61, -29	-10, -05
02/08(H)	-80, -30	-20	-45, -40	-61, -29	-10, -10
02/01(H)	-80, -30	-20	-58, -40	-61, -34	-10, -10
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

Date	Concordia	Salina	Hutchinson	Wichita	Ark City
2/22(H)	-20	-20, -10	-29, -05	-13, -08	-15
2/15(H)	-20	-20, -10	-29, -10	-13, -08	-15
2/08(H)	-20	-10, -10	-29, -10	-13, -08	-15
2/01(H)	-25	-15, -10	-34, -10	-18, -10	-15
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

OK, that's it for wheat. Drift lower is likely, although as pointed out earlier, wheat's getting cheap on corn, so unless corn can break lower, KC wheat's rate of decline will slow. And I expect KC to rebound against the MGEX. A buck is probably enough for now. And the quality issue...a change is coming, but it's on a slow train, and how meaningful it is...well, I doubt we know for a few more years.

Drier weather is expected in The Plains, although will be interesting to see if the expected storm in ID/MT can push further into spring wheat country.



Soybeans continue to be encouraged by Chinese purchases but are not really sure everything's "normal".



And Corn, can't move out of a dime range!!, until it knows what bean acreage will do this spring, or has a better handle on late spring, early summer weather.



Have a good week. I think it be slow, which after the 50c KC wheat drop in 3 weeks will be welcomed.