

Hello Colorado Wheat.

China did indeed sign Phase 1 of the Trade Agreement, which was (possibly?) generally mildly supportive to the grain markets last week, although solid details of what they signed are hard to find, and even harder to find are actual purchase contracts.

One of these days...that is going to matter. In fact, this March corn contract shows it almost mattered Thursday, as sell-stops were in danger of being triggered Friday with a close below the old 11-week closing low of \$3.77 from 12/06. But the chart shows Friday's big rally delayed the expected Managed Money selling.



What happened? Did China buy a chunk of USA corn?

I'm not too sure they did. I spent too many years in Missouri, and "Show Me" is ingrained very deeply.

So what happened? The USDA pulled out an old and faithful rabbit from their hat...They released this newsflash, asking for input (an RFI, Request For Information) on their new program "Higher Blends Infrastructure Incentive Program" (HBIIP). <https://www.usda.gov/media/press-releases/2020/01/16/usda-seeks-input-new-ethanol-sales-infrastructure-incentive-program>

The Ethanol Card has been played, again. No doubt "Details to follow", one of these days.

**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, if it's the right thing to do 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 and considered why you're not seeing any**

Friday's ethanol induced corn rally couldn't have come at a better time for Grain Bulls, as the market was seriously threatening to roll over. The 11-week Closing Table shows KC wheat, corn and beans were unable to print a new 11-week Closing High Blue Number, although Chgo and MGEX wheats did.

CLOSE	KWH20	KWK20	KWN20	CH20	CK20	CN20	WH20	MWH20	MWN20	SH20
01/17	\$4.94	\$5.02	\$5.09	\$3.89	\$3.95	\$4.01	\$5.71	\$5.60	\$5.75	\$9.30
01/10	\$4.95	\$5.02	\$5.10	\$3.86	\$3.93	\$4.00	\$5.65	\$5.58	\$5.74	\$9.35
01/03	\$4.75	\$4.83	\$4.90	\$3.87	\$3.93	\$3.99	\$5.55	\$5.48	\$5.65	\$9.31
12/27	\$4.80	\$4.88	\$4.96	\$3.90	\$3.97	\$4.03	\$5.56	\$5.54	\$5.69	\$9.30
12/20	\$4.62	\$4.70	\$4.78	\$3.88	\$3.94	\$4.00	\$5.42	\$5.37	\$5.53	\$9.38
12/13	\$4.43	\$4.51	\$4.57	\$3.81	\$3.88	\$3.94	\$5.33	\$5.26	\$5.43	\$9.22
12/06	\$4.31	\$4.40	\$4.48	\$3.77	\$3.83	\$3.86	\$5.25	\$5.12	\$5.30	\$9.04
11/29	\$4.47	\$4.55	\$4.61	\$3.81	\$3.86	\$3.90	\$5.42	\$5.15	\$5.33	\$8.91
11/22	\$4.33	\$4.41	\$4.48	\$3.79	\$3.84	\$3.89	\$5.19	\$5.07	\$5.27	\$9.11
11/15	\$4.26	\$4.33	\$4.41	\$3.81	\$3.87	\$3.93	\$5.06	\$5.19	\$5.41	\$9.31
11/08	\$4.31	\$4.38	\$4.46	\$3.87	\$3.94	\$4.00	\$5.14	\$5.35	\$5.55	\$9.44
11/01	\$4.39	\$4.48	\$4.56	\$3.99	\$4.05	\$4.10	\$5.22	\$5.48	\$5.67	\$9.49

A closer look at the table for March corn shows the 4-week closing low is \$3.86. Some Sell action on a Friday close below \$3.86 would be expected, and big sell action of course would appear below the 11-week closing low, BUT notice the old blue number, \$3.99, from 11/01, will be rolling off the table, and the new 11-week closing high, the new blue number, will become \$3.90, from 11/27, much easier to climb through. SO the March corn chart will in effect really look like this:



I think this means KEY futures price trends develop from this short week (markets closed Monday, Dr. Martin Luther King Day) depending on which side of the extremely tight 4c range this coming Friday.

Will we close above \$3.90, or below \$3.86?

Corn needs a boost from increased ethanol usage, or ethanol exports, or something, because bulk corn exports are still lagging the pace needed to meet the recently reduced corn export forecast, although for the record, this week's corn loadings were about a million bu more than last week.

<b>WEEK ENDED (01/09/20)</b>	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	21.4	371.4	<b>1,775</b>	1403.6	<b>33</b>	42.5
Soybeans	47.0	854.0	<b>1,775</b>	921.0	<b>33</b>	27.9
All wheat	16.9	549.7	<b>975</b>	425.3	<b>20</b>	21.3

Soybeans were up about 6 million bu, and wheat was 4 million bu better.

Export sales were better, but again, that Missouri streak in me says shipments mean more than sales.

If I was going to make a big deal about export "sales", rather than export "shipments", I might note that spring wheat export sales this week showed 100,000 mt to "unknown destinations", and while I am reasonably confident that China did INDEED buy some USA spring wheat this week, it has NOT been shipped. The updated wheat-by-class Export Pace looks like this this, which is still not too great:

<b>WEEK ENDED (01/02/20)</b>	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	4.0	206.2	<b>385.0</b>	178.8	<b>20</b>	8.94
HRS	4.0	154.4	260.0	105.6	<b>20</b>	5.28
SRW	3.3	61.1	100.0	38.9	<b>20</b>	1.95
LAST WEEK						
HRW	3.1	202.3	<b>385.0</b>	182.7	21	8.70
HRS	6.0	150.4	260.0	109.6	21	5.22
SRW	1.6	57.9	100.0	42.1	21	2.00

Even though the export pace isn't great, and even though Brazil hasn't bought or shipped any US HRW in months, Gulf bids haven't budged in a while:

GULF date	12 pro	ords	diff
1/17/2020	164	122	42
1/10/2020	164	122	42
1/3/2020	165	122	43
12/27/2019	165	120	45
12/20/2019	165	120	45
12/13/2019	165	120	45 H

And posted bids in the country are mainly unchanged, with a few scattered better bids:

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
<b>01/17</b>	<b>\$4.24-\$4.49</b>	<b>\$4.57</b>	<b>\$4.34-\$4.39</b>	<b>\$4.19-\$4.36</b>	<b>\$4.61-\$4.69</b>
01/10	\$4.25-\$4.50	\$4.58	\$4.35-\$4.40	\$4.19-\$4.34	\$4.62-\$4.70
01/03	\$4.05-\$4.30	\$4.38	\$4.15-\$4.20	\$4.00-\$4.14	\$4.42-\$4.50
12/27	\$4.10-\$4.35	\$4.40	\$4.20-\$4.25	\$4.05-\$4.19	\$4.45-\$4.55
12/20	\$3.92-\$4.17	\$4.22	\$3.92-\$4.07	\$3.84-\$4.00	\$4.27-\$4.37
BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
<b>01/17(H)</b>	<b>-70, -45</b>	<b>-37</b>	<b>-60, -55</b>	<b>-75, -58</b>	<b>-33, -25</b>
01/10(H)	-70, -45	-37	-60, -55	-75, -62	-33, -25
01/03(H)	-70, -45	<b>-37</b>	-60, -55	-75, -62	<b>-33, -25</b>
12/27(H)	-70, -45	-40	<b>-60, -55</b>	<b>-75, -62</b>	-35, -25
12/20(H)	-70, -45	-40	-70, -55	-78, -62	-35, -25
Date	Concordia	Salina	Hutchinson	Wichita	Ark City
<b>01/17(H)</b>	<b>-20</b>	<b>-15, -10</b>	<b>-32, -10</b>	<b>-16, -10</b>	<b>-25</b>
01/10(H)	-25	<b>-15, -10</b>	-32, -10	-16, -10	-25
01/03(H)	<b>-25</b>	-20, -15	<b>-32, -10</b>	<b>-16, -10</b>	-25
12/27(H)	-30	-20, -15	-37, -10	-21, -10	-25
12/20(H)	-30	-20, -15	-37, -10	-21, -10	-25

Friday's dramatic corn turnaround left KC March wheat's trendline still intact, but wobbling:



Russia also went to the well again and raised the possibility of shutting off wheat exports to protect their domestic prices, even though their current export pace appears the threat is unnecessary. The market shrugged off the “news”, and Bangladesh said they would switch to Ukrainian wheat if needed.

<https://in.reuters.com/article/russia-wheat-bangladesh/rpt-update-2-bangladesh-would-buy-ukrainian-wheat-if-russian-grain-unavailable-id|NL8N29001A>

The market remains on edge, and rightfully so, with reduced USA acres, rising world prices, Australian bushfires, and the Chinese Trade Deal Phase 1 signed agreement, although...all of those things are becoming old news and losing impact.

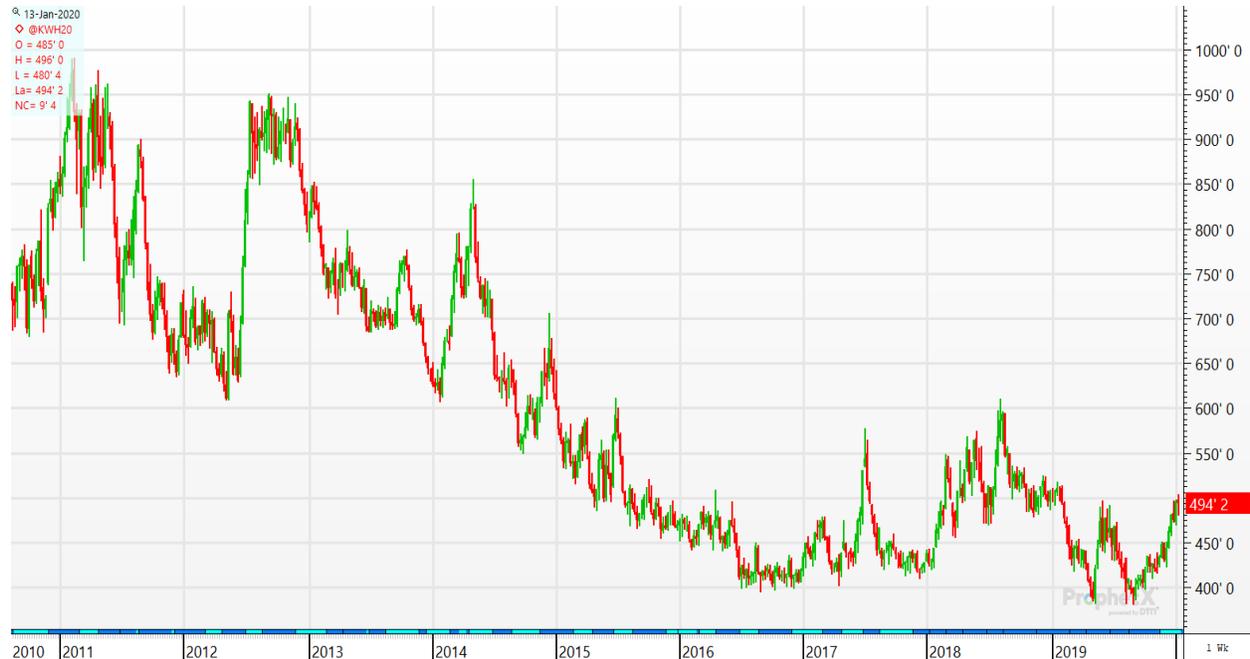
The way I keep score, from the table on page 2, shows Managed Money is long 3 units of KC wheat. They will add to their position on a Friday close above \$4.95, but will sell out their longs on a close below \$4.72, which would be a new 4-week closing low, and meet the criteria of -2N. N, the average true range, a volatility measurement, has increased to not quite 11.5c. 2N = 23c. This is my Managed Money scorecard, based on criteria I've discussed previously.

week	date	close	action	action	position
1	1/17/2020	\$ 4.94			3
2	1/10/2020	\$ 4.95	new 11 week high	bot 1	3
3	1/3/2020	\$ 4.75			0
4	12/27/2019	\$ 4.80	new 11 week high	bot 1	2
5	12/20/2019	\$ 4.62	new 11 week high	bot 1	1

A friend of mine is convinced wheat futures are overpriced. I told him they stayed underpriced a long time...but the MAIN POINT is Managed Money is NOT seeing a sell signal yet. And in fact, new buy signals are closer to the market, and therefore might be easier to trigger.

Current fundamentals are not really bullish, but not extremely bearish either. I think the market has built in a weather-related risk premium for The Great Plains, and also The Black Sea. Until we have a better idea the risk premium is not needed, hitting minor sell-stops 22c below the market and major sell-stops about 70c below the market isn't easy.

I don't think the longer-term weekly continuous chart convincingly says the market is grossly overpriced:



Old-crop wheat sales to pay some bills, sure, but new-crop hedges? I think I'd wait.

The weather forecast for this week, like almost every weather forecast for The Plains this time of year...favors the eastern part of The Wheat Belt.

Maybe a couple months from now the pattern will have shifted, and The West is soaked, but that's not the case currently.

Looking at soybeans, similarly to corn, the table on page 2 indicates the old 11-week closing highs (blue numbers) will be rolling off the table, and new blue numbers will be lower, and maybe easier to hit. The solid blue line is the current 11-week high (resistance), but I added a couple new expected blue lines, and the one in a couple weeks is down to \$9.38, which is only a dime away. This points out quite a bit of overhead resistance exists, BUT IF...China actually gets serious about Phase 1... blah, blah, blah.



I still think USA soybeans exports for this year are understated, based on the current pace, and China needs the beans. South America has plenty though, and ultimately, that's what troubles me about the whole Phase 1 Deal. What few details we've seen have come from the Chinese side, and they indicate market conditions do matter, which to me means USA prices have to be competitive, or else China is not going to buy massive quantities.

Whatever.

It should be an interesting week. I think that 4c range for March corn is the real deal, and we'll learn something from this Friday's close.

Have a good week, Stay Safe.