

Hello Colorado Wheat.

KC wheat futures bounced a bit Friday, and the way I keep score, Friday is what matters. But make no mistake, these markets are uneasy.

Bulls are pinning their hopes on China, noting recent reported Chinese wheat purchases from Australia, Canada and France as proof that when the Phase 1 takes effect, Feb 15, 30 days after the signing, China will buy massive quantities of USA wheat.

Yet...Bears are negative the entire world-wide economic picture, including commodities (and wheat) because mainly of China's coronavirus.

Somehow...both Bulls and Bears say it all depends on China.

Here's a KC wheat chart, hovering above last week's \$4.66, which is the 4-week closing low. Expect sell-stops on a Friday close below there, and Buy-stops come if wheat will close on a Friday above the double-top Blue line key resistance of \$4.95-\$4.94:



I don't know for sure, but my bias from last week still stands, and that is new-crop KC July futures' most likely move is to \$4.00. But a lot of my friends say I am wrong, and new highs are coming.

I guess it will be interesting...

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

A March corn chart looks like a tightly compressed KC wheat chart. The range is VERY narrow:



March soybeans, on the other hand, look like some stability could enter the picture, as the very steep downtrend line is being tested. We'll see if the red line 11-week closing low support at \$8.73 can hold:



Lending credence to the Feb 15 date is this story which says the recent tariffs reductions by China on crude oil, meat product and soybeans go into effect Feb.14. which is this coming Friday, and as the markets are closed the following Monday, Feb. 17 due to President's day, lots of broker types are touting "no one will want to go home short" this coming week's end.

<https://www.china-briefing.com/news/china-cut-50-off-tariffs-1717-us-imported-goods-february-14/>

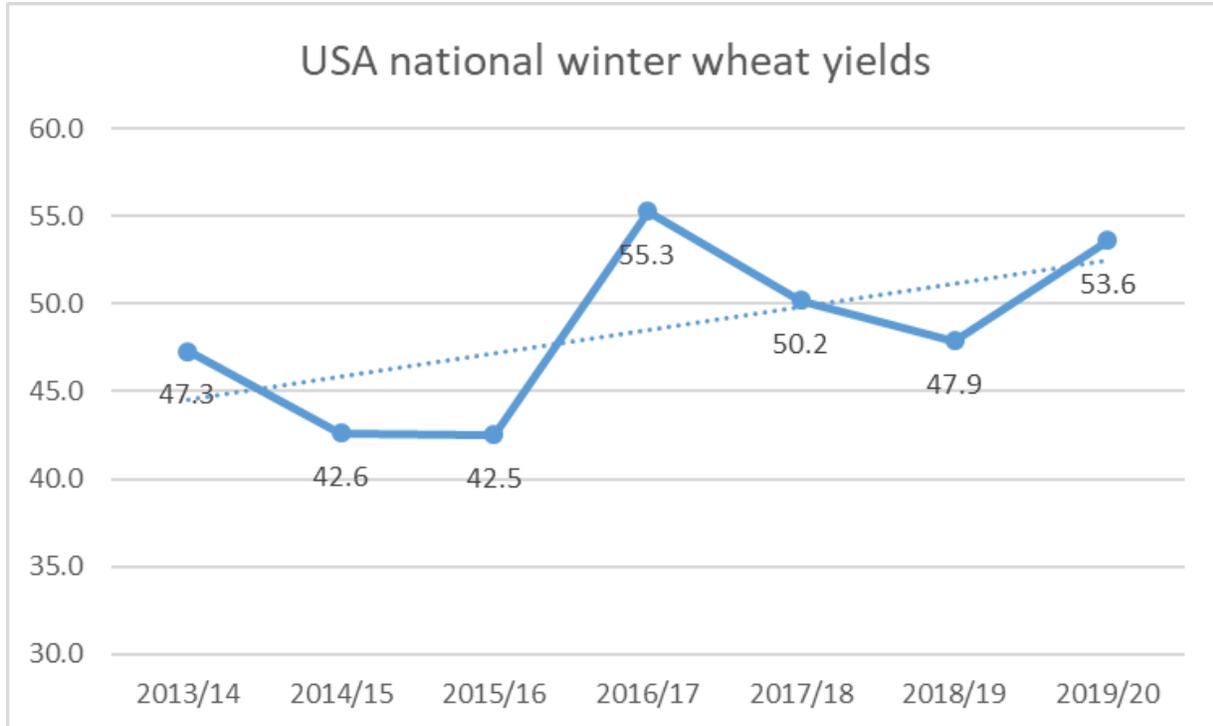
Before that, this Tuesday, Feb, 11, we'll see the USDA's February WASDE update, which theoretically could provide new fundamental inputs, although I believe this report will be a yawner although we should see some USA corn demand updates.

Bull side arguments do exist.

Wheat could see a reduction in the Aussie wheat crop, down from January's 15.6 mmt estimate to 15.0 mmt, mentioned in a recent FAS release, and we should see some fine-tuning to the Canadian outlook. A recent FAS GAIN report stated Canadian wheat exports are being hurt by quality concerns.

We know USA wheat winter wheat acreage was not big, and it's a long way until harvest, here (and in Russia). Maybe yields won't be good. Droughts do happen.

I know my initial look at this coming year's HRW balance sheet raised some eyebrows. A friend asked me if Kansas could really have another near record yield. This chart is the **national winter wheat** yield, which includes all winter wheat varieties from all states, but notice the computer drew in an uptrend...



Conversely...another friend pointed out that my HRW production guess of 756 million was less than he expected, as all winter wheat acres were down about 3%, so why would my production guess be down about 9% if yields stayed the same? Re-looking at my spreadsheet, I see he's correct, and I made a mistake. My USA HRW wheat production guess should have been 813. (Oops.) ((and yes, the chart on yield just shown is ALL USA WINTER Wheat... HRW, SRW, SWW and HWW, all states).

Going off on a tangent, I read Kansas will be raising about 10,000 acres of SPRING wheat, and southeast Kansas increased their SRW acreage, and I expect Colorado increased their spring wheat acreage, and the Hard White Winter debate is ongoing, BUT as far as this wire goes, those are rabbit holes for another day.

Where were we?

I mentioned on page 1 reports of China buying Canadian, Australian and French wheat.

Starting with Canadian sales to China...if they happened, NOBODY is admitting it. The most recent published data (Canadian Grain Commission) is thru the month of December, which showed the last Canadian wheat shipped to China was in October. So far this season, since Aug.1, only 268.9 mmt of Canadian wheat shipped to China compared to 991.7 mmt to China, Aug-Dec of 2018/19.

Which means, officially, China has not bought Canadian wheat since October, yet rumors say at least one or two boats traded. (Maybe this is the same boat or two of USA wheat that rumors say traded to China. Officially, the USDA is not showing any current unshipped USA wheat to China.)

There has been a boat a month going to Australia from Canada, for 9 months now:

<https://www.dtnpf.com/agriculture/web/ag/blogs/canada-markets/blog-post/2020/01/31/canadas-wheat-exports-australia>

which makes this article from 1/24/20 stating a half million tonnes of Aussie wheat was sold to China for Mar-May delivery seem questionable to me...says "traders said as many as 9 cargoes" of ASW, for March-May shipment; here's the article link.

<https://www.agricensus.com/Article/China-buys-Australian-wheat-catches-trade-off-guard-10279.html>

And, this Reuters article from Successful Farming... states France has sold more wheat to China recently, and their total for the year is now approaching a million tonnes:

<https://www.agriculture.com/markets/newswire/french-wheat-sees-more-export-sales-to-china-traders>

So, with all this smoke, is there any fire? Maybe.

IF you want MY opinion...Feb. 15 will be a let-down for anyone anticipating a big USA wheat sales announcement to China, because I expect the Chinese to cite the Coronavirus situation as a reason to invoke Article 7.6 of Phase 1, known as The Disaster and Unforeseeable Event Clause, which allows Beijing to delay commitments without any repercussions, and I don't see Washington, DC pushing back against it. That's rather gloomy, but this long-term chart of the Baltic Dry Index is even gloomier.



What this means is debatable, although I think it says if you need some ocean freight, it's cheap.

Anyways, this Barron's article says companies are temporarily closing factories in Asia due to the Coronavirus which has led to less demand for ocean freight...<https://www.barrons.com/articles/from-hyundai-to-foxconn-companies-are-halting-production-in-asia-as-coronavirus-spreads-51581126568>

I think by the time we're finished, the virus will be blamed for a lot of bad economic decisions...although no doubt the uncertainty is causing "risk off" type of thinking.

USA shipping of bulk grain commodities...is certainly not setting any records.

The weekly export pace for corn is worse, and surely demands another WASDE downward adjustment. And I could build a case for the soybeans export forecast to be increased, although if they don't, it's like saying these soybeans weekly exports will soon be cut in half...

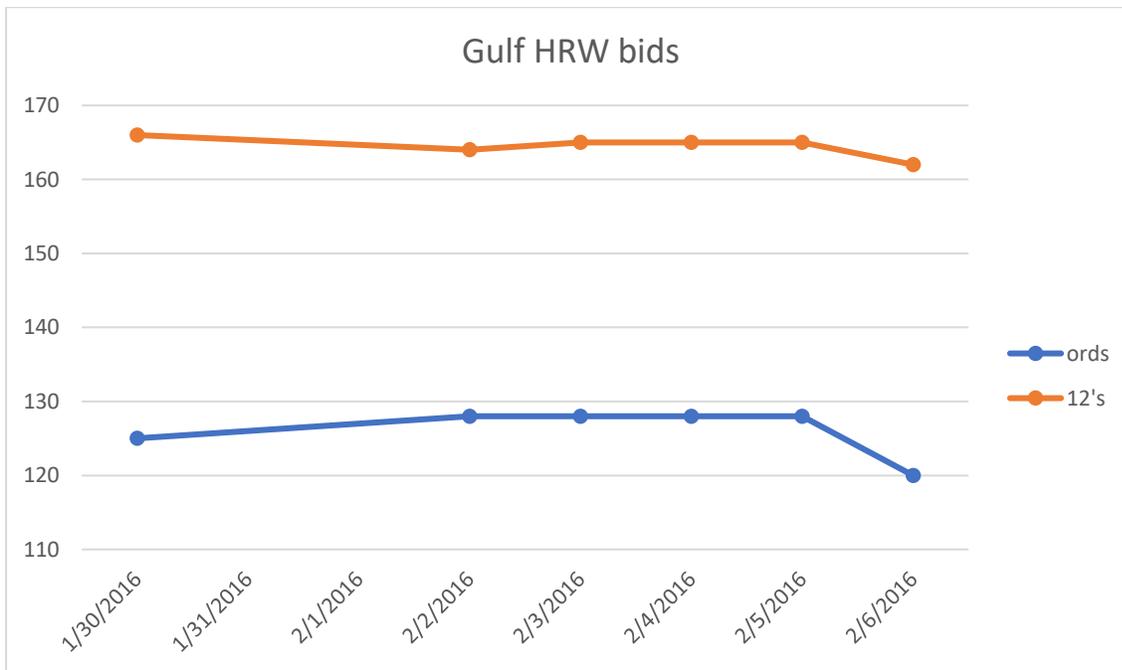
WEEK ENDED (01/30/20)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	23.6	437.3	1,775	1337.7	30	44.6
Soybeans	53.2	986.0	1,775	789.0	30	26.3
All wheat	14.9	591.9	975	383.1	17	22.5

Wheat had a good, but not great week, almost 2x last week, but still not close to what's needed to hit the USDA forecast.

Here's a wheat-by-class export pace:

WEEK ENDED (01/23/20)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	5.9	222.7	385.0	162.3	17	9.54
HRS	4.6	167.3	260.0	92.7	17	5.45
SRW	0.0	63.8	100.0	36.2	17	2.13
LAST WEEK						
HRW	2.8	216.8	385.0	168.2	18	9.34
HRS	2.0	162.7	260.0	97.3	18	5.41
SRW	1.6	63.8	100.0	36.2	18	2.01

Gulf bids moved this week...higher early, but a possibly ominous drop on Friday:



Friday's 8c ords drop only looks like a nickel drop for the week; probably takes a move below 120 to mean something.

GULF date	12 pro	ords	diff	
2/7/2020	162	120	42	
1/31/2020	166	125	41	
1/24/2020	166	122	44	
1/17/2020	164	122	42	
1/10/2020	164	122	42	
1/3/2020	165	122	43	H
12/27/2019	165	120	45	Z

The bid change came late Friday, and it may not be fully reflected in these posted bids, although one could argue these bids hadn't fully reflected the recent strength either...

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
02/07	\$4.03-\$4.33	\$4.43	\$4.13-\$4.17	\$4.03-\$4.13	\$4.48-\$4.48
01/31	\$3.96-\$4.26	\$4.29	\$4.06-\$4.10	\$3.96-\$4.10	\$4.33-\$4.41
01/24	\$4.16-\$4.41	\$4.49	\$4.26-\$4.31	\$4.16-\$4.26	\$4.53-\$4.61
01/17	\$4.24-\$4.49	\$4.57	\$4.34-\$4.39	\$4.19-\$4.36	\$4.61-\$4.69
01/10	\$4.25-\$4.50	\$4.58	\$4.35-\$4.40	\$4.19-\$4.34	\$4.62-\$4.70
BASIS	SE Colorado	Chey. Wells	Burlington	Holyoke	Roggen area
02/07(H)	-70, -40	-30	-60, -55	-70, -60	-25, -25
01/31(H)	-70, -40	-37	-60, -55	-70, -56	-33, -25
01/24(H)	-70, -45	-37	-60, -55	-70, -60	-33, -25
01/17(H)	-70, -45	-37	-60, -55	-75, -58	-33, -25
01/10(H)	-70, -45	-37	-60, -55	-75, -62	-33, -25
Date	Concordia	Salina	Hutchinson	Wichita	Ark City
02/07(H)	-15	-05, -00	-31, -04	-15, -04	-23
01/31(H)	-20	-10, -00	-31, -04	-15, -04	-23
01/24(H)	-20	-15, -10	-32, -10	-16, -10	-25
01/17(H)	-20	-15, -10	-32, -10	-16, -10	-25
01/10(H)	-25	-15, -10	-32, -10	-16, -10	-25

The actual 11-week closing table shows KC wheat up 7c in a relatively quiet week, with no new closing 11-week high or lows, and I don't see any new 4-week closing highs or lows either.

CLOSE	KWH20	KWK20	KWN20	CH20	CK20	CN20	WH20	MWH20	MWN20	SH20
02/07	\$4.73	\$4.79	\$4.85	\$3.84	\$3.89	\$3.92	\$5.59	\$5.36	\$5.54	\$8.82
01/31	\$4.66	\$4.73	\$4.80	\$3.81	\$3.87	\$3.91	\$5.54	\$5.34	\$5.52	\$8.73
01/24	\$4.86	\$4.94	\$5.01	\$3.87	\$3.93	\$3.98	\$5.74	\$5.48	\$5.65	\$9.02
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	\$9.46
01/03	\$4.75	\$4.83	\$4.90	\$3.87	\$3.93	\$3.99	\$5.55	\$5.48	\$5.65	\$9.42
12/27	\$4.80	\$4.88	\$4.96	\$3.90	\$3.97	\$4.03	\$5.56	\$5.54	\$5.69	\$9.42
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

More than likely, I will not be able to say that again next week with the WASDE update Tuesday, and the 2/15 Chinese massive purchase hope, and who knows which way the virus goes... Hopefully that will cease being newsworthy, which would be a welcome bullish input.

I saw a tweet from a dryland wheat farmer talking about putting down some fertilizer. I hope he becomes a member of the 100 Bushel Wheat Club. If he does, I think he'd be glad he laid off some KC July at \$4.80...

Have a good week; Stay Safe.