Hello Colorado Wheat.

Markets are closed today 02/17/20 for President's Day. So far, I'm NOT seeing any confirmation on increased Chinese purchases, even though it's been 30 days since Phase 1 was signed. You know I personally DO NOT expect to see big Chinese purchases soon, for many reasons, including they have their hands full with containing the Coronavirus. BUT many commission house analysts still expect to see Chinese purchases, and thus if they don't happen, I expect it to be viewed as a negative fundamental input. The USDA issued their Feb WASDE update last Tuesday, and THEY expect to see Chinese purchases certainly in soybeans and maybe wheat.

My beef is with increased wheat exports. HRW exports were increased 5 million bu, and spring wheat exports went up 15 million bu. This is the updated wheat-by-class loading pace, showing HRW needs to load 10 million bushels per week

| **WEEK ENDED (02/06/20)** | Weekly loadings | Accumulated in season (estimate) | USDA projection | Amount needed | # of weeks remaining | Bu per week needed |
|---|---|---|---|---|---|---|
| HRW | 7.4 | 230.0 | 390.0 | 160.0 | 16 | 10.0 |
| | | | | | | |
| HRS | 6.6 | 173.9 | 275.0 | 101.1 | 16 | 6.3 |
| | | | | | | |
| SRW | 2.7 | 66.5 | 100.0 | 33.5 | 16 | 2.1 |
| | | | | | | |
| LAST WEEK | | | | | | |
| 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 |

I went back and looked at my wire from last 06/06/19, and compared the pace with the final, as I remember feeling like I missed something. Last year's (2019/20) HRW exports final number ended up as 331 million, compared to the final pace scorecard at 316 million, and spring wheat's ultimate final export total was 259, compared to the "pace" of 249; even SRW's final gained 10 million over the "pace".

SO, "what if"…we INCREASED the apparent current pace by 15 million bu for HRW and 10 million bu each for HRS and SRW. Does that change my opinion that the USDA is missing the boat on their US export projection, and in effect, MISLEADING the Ag Community, AGAIN, like they did in the fall of 2018?

Here it is, you tell me what you think:

***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***

| WEEK ENDED (02/06/20) | Weekly loadings | FUDGED in season (estimate) | USDA projection | Amount needed | # of weeks remaining | Bu per week needed |
|---|---|---|---|---|---|---|
| HRW | 7.4 | 245.0 | 390.0 | 145.0 | 16 | 9.1 |
| | | | | | | |
| HRS | 6.6 | 183.9 | 275.0 | 91.1 | 16 | 5.7 |
| | | | | | | |
| SRW | 2.7 | 76.5 | 100.0 | 23.5 | 16 | 1.5 |
| | | | | | | |
| LAST WEEK | | | | | | |
| 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 |

You can see that IF the additional "fudged" amount from last year happens again, assuming exports don't slack off, then yes, both spring wheat AND soft red would indeed hit the newly revised higher USDA forecast, BUT HRW needs to pick up the pace NOW, OR HRW WILL NOT make the new target (although with the "fudge", it would make the target from January.

The Gulf bids are showing mixed signals, as the bid for 12 pro is down ANOTHER nickel, but ords climbed 2c:

| GULF | | | | |
|---|---|---|---|---|
| date | 12 pro | ords | diff | |
| 2/14/2020 | **155** | 122 | 33 | |
| 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 |

The +155 bid for 12's is the lowest Friday bid since last mid-September, and the 33c spread between 12's and ords is the narrowest since the first week of September.

12's have dropped a dime or so in the past month, but ords are unchanged. Theoretically if protein premiums were being paid in the country, they would have weakened recently, which unfortunately might give mixed signals during a key fertilization time for the new-crop HRW.

KC March wheat futures were down 7c this week, and if the posted bids in the country did otherwise, it would be a basis change, and here, we REALLY see some mixed signals:

| Date | SE Colorado | Chey. Wells | Burlington | Holyoke area | Roggen area |
|---|---|---|---|---|---|
| **02/14** | **$3.96-$4.26** | **$4.36** | **$4.06-$4.10** | **$4.01-$4.11** | **$4.41-$4.41** |
| 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** |
| **02/14(H)** | **-70, -40** | **-30** | **-60, -55** | **-65, -55** | **-25, -25** |
| 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 |
|---|---|---|---|---|---|
| **02/14(H)** | **-15** | **-05, -00** | **-00, +29** | **-12, -00** | **-23** |
| 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 |

Not much change in Colorado, BUT TAKE a LOOK At HUTCHINSON,KS up 30c or so!

What the heck?!?

AND, as most, maybe all…Trading Funds are now OUT of the March (or almost out), and as there are about 49,000 contracts (estimated) of KC March open, I'm leaning towards liquidating these last 49,000 contracts could get quite volatile and interesting…(!) one way or the other, because, in fairness, looking back I can see the Hutch jumped their bids on Monday, 2/10/20, so the market theoretically knows this and has seen it all week, and more than just a little interestingly, Salina and Wichita DID NOT MATCH the bump…so who knows? Is this one big grain company vs another big grain company!?

Here's a KC March-May calendar spread chart, showing resistance at -6c carry (3c/month):


Before we leave the Hutchinson, KS bid make sure we all know that in the 8 ½ years or so I've been writing this wire, the Hutch basis bids have NEVER been this high (+28). Never. Nor has the Hutch high side ever been this much of a premium over the Salina and Wichita posted high sides.

(An aside… if all the futures are paying is 3c/month storage, no one can make money storing wheat for 3c/month, even if it's in a bag or pile.)

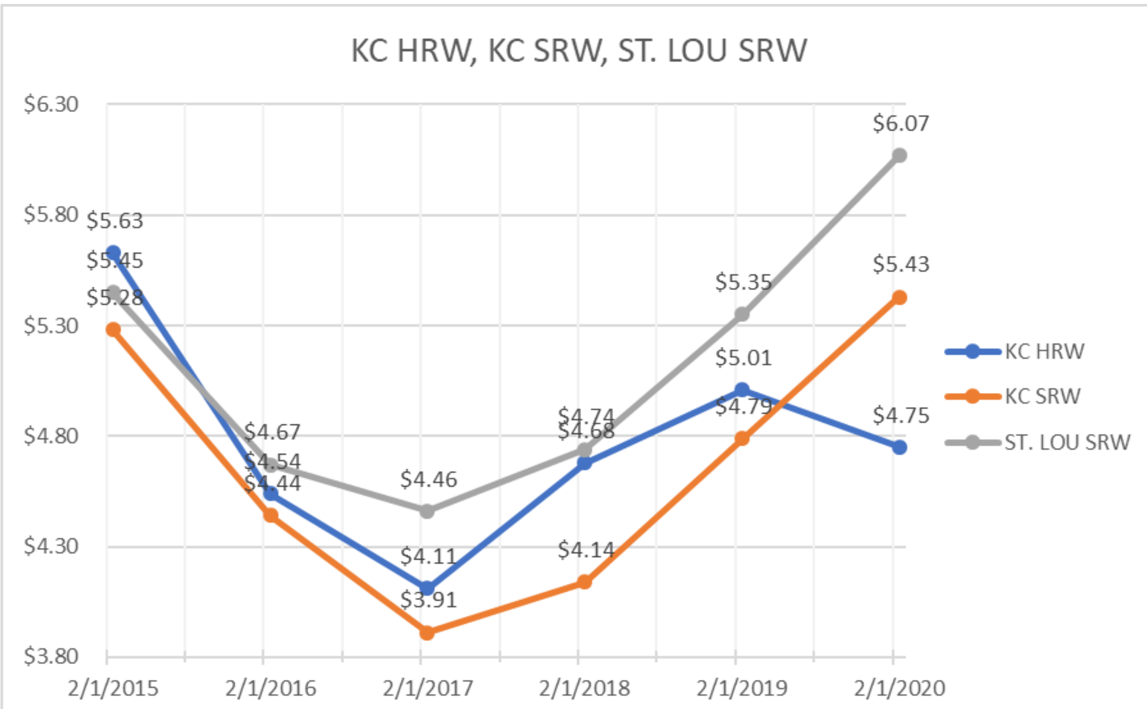
A rabbit hole…a friend asked me to comment about soft wheat, because rumors indicate Kansas soft red acreage increased, and for some reason, a newspaper reporter inquired if we were running out of soft wheat, which would impact cookie availability! (It is Girl Scout Cookie time…)

This article from the FarmTalk newspaper in Parsons, KS (Southeast corner of Kansas) quotes Dr. Lollato extensively about growing soft red winter, contrasted to hard red winter. It's important to know 3 things: 1. SRW needs more moisture 2. Soft red protein is desired to be much lower than HRW, and 3. If you do grow SRW, don't grow it in secret. Make sure your elevator knows you have SRW coming and will handle it.

https://www.farmtalknewspaper.com/news/southeast-kansas-a-sweet-spot-for-both-hard-soft-wheat/article_e1213198-4cdc-11ea-8d41-8f9832f3813d.html

My personal experience with soft wheat stretches over 30 years, including Western Soft White, besides soft red from Missouri, Kentucky and Tennessee, and some Georgia wheat. Along those lines, even though soft red needs the water, too much is dangerous. Soft red is susceptible to fusarium head blight, known as "scab" in soft wheat country, and the nasty fungus can produce vomitoxin, and of course, too much moisture when wheat is ripe can lead to sprouting in the head and low falling numbers. If either of those happen, wheat bids for that wheat will approach $0/bu very quickly.

I assume part of the interest in growing soft wheat is this price chart:




Here's the data table:

| | KC HRW | KC SRW | ST. LOU SRW |
|---|---|---|---|
| 2/14/2020 | $ 4.75 | $ 5.43 | $ 6.07 |
| 2/15/2019 | $ 5.01 | $ 4.79 | $ 5.35 |
| 2/16/2018 | $ 4.68 | $ 4.14 | $ 4.74 |
| 2/17/2017 | $ 4.11 | $ 3.91 | $ 4.46 |
| 2/12/2016 | $ 4.54 | $ 4.44 | $ 4.67 |
| 2/13/2015 | $ 5.63 | $ 5.28 | $ 5.45 |

The key take-away from the data is this question: is the big premium for soft red over hard red a fluke, or is it a new era? Has the paradigm truly shifted?

I'm not sure; although clearly soft red winter wheat is grown in corn and bean country, and this year seems to suggest 168-bushel corn is easy to produce…so soft wheat has to compete for acreage.

Food usage of SRW in the USA is 150 million bushels annually, with very little variation, so in a year like this when only 239 million bushels were grown, and 150 is milled, there is not a lot of room for error. In that regard, it's similar to durum production, or take it a step further, and then you're looking at the oat model, where basically almost all oats grown in North America go to human consumption, and a virtual contract growing program. Yes, I could see soft red winter wheat production easily going down that path.

Ultimately, I suspect that will encourage Mexico to seek other soft red supplies from non-USA, which would reduce USA SRW exports further, and the vicious circle gets ever tighter.

Switching gears…WASDE dropped corn exports, as I had been expecting, but offset that with same amount of increased ethanol usage. (Are we talking about soft red again? no.)

The USDA also increased their soybean export forecast, which makes sense to me, as the bean export pace has been very strong (except for this week, which dropped in half…)

| **WEEK ENDED (02/06/20)** | Weekly loadings | Accumulated in season (estimate) | USDA projection | Amount needed | # of weeks remaining | Bu per week needed |
|---|---|---|---|---|---|---|
| Corn | 30.8 | 468.1 | **1,725** | 1256.9 | 29 | 43.3 |
| | | | | | | |
| Soybeans | 22.5 | 1008.5 | **1825** | 816.5 | 29 | 28.2 |
| | | | | | | |
| All wheat | 18.6 | 610.5 | **1000** | 389.5 | 16 | 24.3 |
| | | | | | | |

Much of the USA's corn and beans exports make their way to the USA Center Gulf (NOLA) and this story about dredging to a deeper draft is interesting.

http://www.startribune.com/dredging-down-the-mississippi-may-lift-crop-prices-up-north/567881852/

The story offers quite differing opinions about the benefits farmers will see from a deeper mouth of the river. The Soy Transportation Council says it's worth 40c/bu in better bids to farmers, but a Gavilon grain trader says he's not sure it's worth 10 to 15c…

Based on the chart I showed last week of ocean freight prices (Baltic Dry Index) being at multi-year lows, I think any increase in bids due to a deeper draft will be difficult to see but should help USA's world competitiveness.

What would be the price of soybeans if we couldn't export them?

This is how the futures market ended the week. KC March was unable to set a new 4-week closing low, possibly related to the basis comments earlier, AND as The Funds have pretty much officially rolled out, the May contract month will be what the systems will now track. (Some will track July, or even the Decembers. But the March's are over. We will still track March here, because country bids will still be basis the March for another couple of weeks, but the reality is…KC March was unable to set a new 4-week low, and thus avoided sell-stops on Friday.)

| *CLOSE* | KWH20 | KWK20 | KWN20 | CH20 | CK20 | CN20 | W**H**20 | MWH20 | MWN20 | S**H**20 |
|---|---|---|---|---|---|---|---|---|---|---|
| ***02/14*** | **$4.66** | **$4.72** | **$4.79** | **$3.78** | **$3.82** | **$3.86** | **$5.43** | **$5.26** | **$5.44** | **$8.94** |
| *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 |

Having said that…we see KC MAY did set a new 4-week low, as did KC July, and thus any fund long positions should be in the process of liquidation, and some quicker funds will begin to build small short positions.

I believe Trading Funds will be out of March corn, Chgo and MGEX wheats, and soybeans too.

March options expire next Friday, and I mentioned sizeable open interest remains in the various March contracts, BUT make no mistake, the systems we are using to estimate Managed Money's moves will NOT be trading the March contracts anymore. For all intents and purposes, March contracts are over. I suspect there will still be a lot of blood/money lost in the final expirations, but not from the system I watch, and therefore, this is the 11-week closing table we will use for the coming week, which shows the 11/29 week rolled off,  and no more H contracts.

This is the table we will use, and the first thing that jumps out at you is…corn set new 11-week lows, and all wheats set new 4-week closing lows. Beans did not set a new 4-week high or low. In my opinion, trend-following systems are short corn, and will get shorter. Wheat positions are flat, or very small shorts, and beans are small shorts from the recent 11-week lows, but are nervous, as a 2N loss would be 21c, or $9.08.

| *CLOSE* | KWK20 | KWN20 | KWZ20 | CK20 | CN20 | CZ20 | WK20 | MWK20 | MWN20 | SK20 |
|---|---|---|---|---|---|---|---|---|---|---|
| ***02/21*** | | | | | | | | | | |
| ***02/14*** | **$4.72** | **$4.79** | **$4.98** | **$3.82** | **$3.86** | **$3.89** | **$5.42** | **$5.36** | **$5.44** | **$9.03** |
| *02/07* | $4.79 | $4.85 | $5.05 | $3.89 | $3.92 | $3.94 | $5.57 | $5.46 | $5.54 | $8.95 |
| *01/31* | $4.73 | $4.80 | $5.00 | $3.87 | $3.91 | $3.91 | $5.53 | $5.43 | $5.52 | **$8.87** |
| *01/24* | $4.94 | $5.01 | $5.19 | $3.93 | $3.98 | $3.98 | **$5.73** | $5.57 | $5.65 | $9.16 |
| *01/17* | $5.02 | $5.09 | **$5.29** | $3.95 | $4.01 | $4.03 | $5.71 | **$5.69** | **$5.75** | $9.43 |
| *01/10* | **$5.02** | **$5.10** | $5.28 | $3.93 | $4.00 | $4.03 | $5.67 | $5.67 | $5.74 | **$9.59** |
| *01/03* | $4.83 | $4.90 | $5.09 | $3.93 | $3.99 | $4.01 | $5.58 | $5.57 | $5.65 | $9.55 |
| *12/27* | $4.88 | $4.96 | $5.13 | **$3.97** | **$4.03** | **$4.04** | $5.59 | $5.62 | $5.69 | $9.55 |
| *12/20* | $4.70 | $4.78 | $4.94 | $3.94 | $4.00 | $4.02 | $5.46 | $5.45 | $5.53 | $9.51 |
| *12/13* | $4.51 | $4.57 | $4.78 | $3.88 | $3.94 | $3.95 | $5.35 | $5.34 | $5.43 | $9.35 |
| *12/06* | **$4.40** | **$4.48** | **$4.70** | $3.83 | **$3.86** | $3.90 | **$5.28** | **$5.21** | **$5.30** | $9.18 |

The May corn chart looks bad, sitting on a new 11-week low, threatening to crash through the red-line support.

Scott Irwin (U of Illinois) got into a twitter rant the other day, shown below in an email form…his conclusion is farmers are "hoarding" corn, mainly because the MFP money hasn't forced them to sell their corn yet.

*Scott Irwin*

*1.  Want to talk some more about corn basis.  Staying extremely strong in many areas.  Once again is it due to MFP2 $ or something more fundamental with flow rate of supply and demand?*

*2.  Let's start by noting that MFP2 payments are fixed $ payments per acre not tied to producing or marketing crops in any particular manner.  Economics clearly says this type of fixed payment should have no first order impact on marginal decisions like storage.*

*3.  In other words, since MFP2 has no direct tie to storage it should not have any (first order) impacts on farmer decisions to store corn or not.  This decision should be purely determined by market factors at the time the farmer makes the storage decision.*

*4.  So, that's the theory.  The counter-argument is that farmers are using the MFP $ to help with cash flow and this allows them to hold on to corn stocks.  A form of cross-subsidization.  Economists admit this can happen but only at the level of a small second order effect.*

*5.  I am more willing to entertain the MFP effect on corn basis after last June.  Let's be honest, millions of acres of corn went in after June 10 last year that had no business being planted.  I was honestly dumbfounded by those decisions on such a large scale.*

*6.  If farmers are indeed financing corn storage with MFP $ then they at least need to know how this is going to play out.  Its like farmers engaging in this behavior are running an informal Farmer Owned Reserve (ask an oldtimer).*

*7.  Basically, under this informal FOR farmers are holding corn off the market for the time being.  It can also be considered a form of hoarding.  The key is that the corn has been there all along and it will have to come to the market at some point before Fall.*

*8.  Under this FOR analogy, the impact is to flatten the seasonal price pattern for corn.  More importantly, if this what is happening, a day of reckoning is coming for corn basis if we have normal 2020 production prospects this spring and summer.*

*9.  On second thought lets call this the MFP Reserve Program.  Corn bushels in this "program" will likely to be dumped on the market at some point between now and next fall, with a very negative impact on basis and cash bids.*

*10.  I do not entirely endorse the "MFP Reserve Program" explanation for very tight corn basis but it is something everyone holding corn right now should at least thing about.*

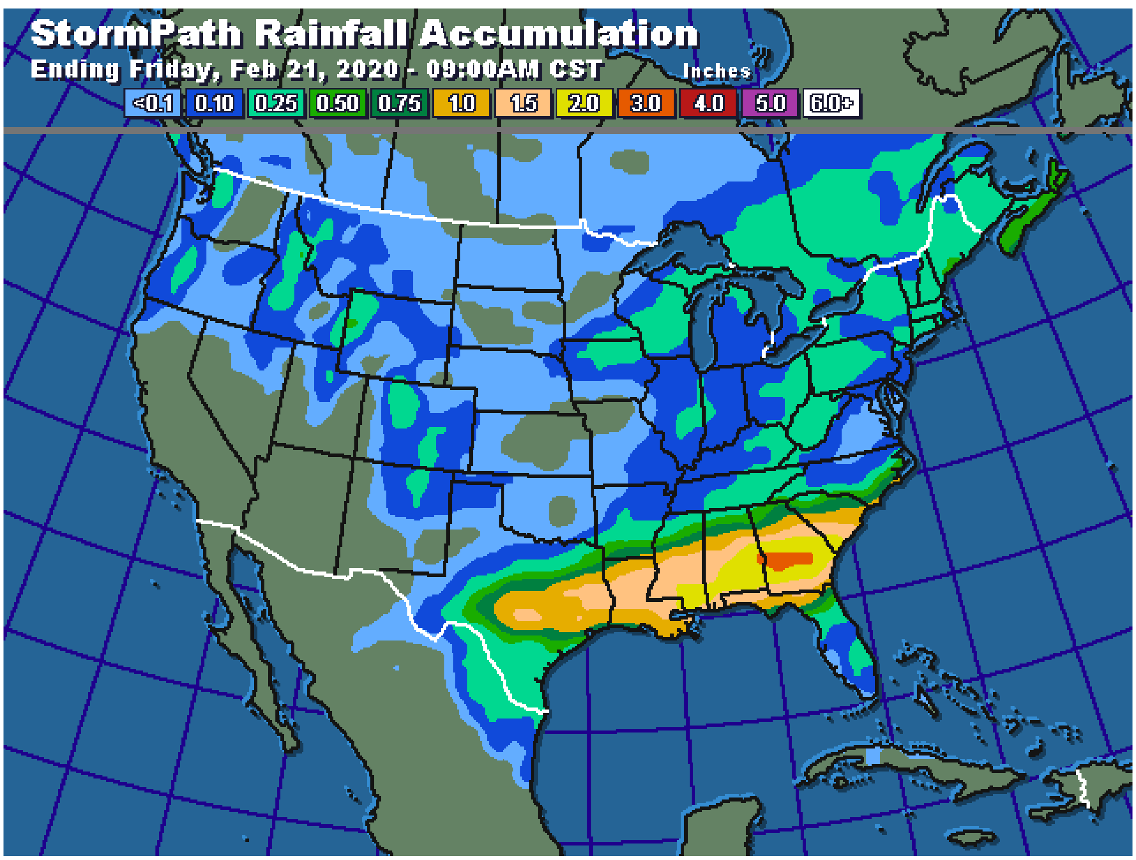
WHAT he doesn't say is he himself might have caused some of the "hoarding" by his incessant tweets last summer about how many corn acres were not planted. The USDA believes the corn was indeed planted, maybe all of it in one week, and it ended up making a crop. Some of it is still out in the fields.

KC May wheat's chart doesn't yet look as bad as the corn chart, but the new 4-week closing low is shaky ground. HRW exports are key, and the basis fight is fascinating. I lean towards wheat is headed lower, and I believe KC July will make a run at $4.00 with decent weather.


May soybeans have the most constructive chart, although it needs to see some more Chinese business:

I probably could have just shown this KC-Chgo weekly continuous chart for the Soft Red discussion…it's going to take more than one season to make this disappear from trader's memory…


and we'll close with a look at this week's very dry forecast, and me admitting KC July will NOT make a run to $4.00 if we don't get timely rains staring about a month from now.




Stay Safe. Have a good week.