

Hello Colorado Wheat.

A friend said to me this week "Gee, Dan, you sure wrote a really bearish wire last weekend. How'd Monday treat you?" I replied, "not good." (Monday wheat was up 20c/bu; that's a \$1000 dollar dinger on every short contract.)

Anyway. It was instructive to me, as looking back, I probably was too bearish, based on MY fundamental outlook, but the technical signals were mixed, not giving good sell signals, so another cliché was proved to be true...Timing Is Everything. Even if I'm ultimately justified in remaining bearish long-term, sometimes the short-term action and money management defines what is a good trade, or a bad trade, AND if a guy truly is TOO BIG, it could cause serious harm and jeopardize his operation.

(That's why when we were looking at a mechanical technical trading system, we saw how much the concept of losing a maximum of 2N was emphasized, which is defined as 2% of the trading capital, as a rule that had to be followed.)

The markets were inundated with numbers from The Ag Forum, (initially viewed as bearish corn, but friendly wheat). WE see things closed mixed for the week, and those are new 11-week closing lows (new red numbers) in corn. Chgo wheat did settle a dime higher, and KC held on to 4c, but wheat is going to need a real reason to keep ignoring corn.

CLOSE	KWK20	KWN20	KWZ20	CK20	CN20	CZ20	WK20	MWK20	MWN20	SK20
02/21	\$4.76	\$4.82	\$5.02	\$3.81	\$3.84	\$3.86	\$5.52	\$5.38	\$5.48	\$8.99
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

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.

Early Sunday night trading opened lower in wheat, corn and beans. Not crazy down, but certainly lower. The USDA's Chief Economist, Robert Johansson, was quoted saying China would increase their USA Ag purchase this year by \$4 billion, getting the total to \$14 billion. That's a long way from the \$40 billion target the USDA negotiators "promised". The Washington Post ran the initial story, but it requires a paid subscription. Here's a Politico link, referencing the story:

<https://www.politico.com/newsletters/morning-agriculture/2020/02/21/usda-sees-ag-exports-up-in-2020-785578>

You know I've been very skeptical of the whole Phase 1 deal; reaching that \$40 billion target is basically impossible without massive trade pattern disruptions, which the Chinese said they were not going to do, and the Coronavirus outbreak compounded the situation, creating demand uncertainty.

Besides China...

The Ag Forum numbers weren't friendly to corn. Planted acres up more than 4 million acres, a projected increase in yield to 178.5 bu/ac, production up to 15.5 billion, exports probably overstated, and a national average farm price dropping 25c/bu to \$3.60

All that seems reasonable to me, BUT...it's not planted, and it's not pollinated.

Here's a May corn chart, possibly showing a start of the dreaded Cascading Lows. Definitely 2 red-lines back-to-back, although the new one is only a penny lower. The chart shows early Sunday night trade below those red lines of support, but where we close Friday is more important than where we open Sunday night...but this is NOT a friendly looking chart.



Soybeans numbers...planted acres up about 9 million, yield up 2.4 bu to 49.8 bu/ac, production up to 4.2 billion...but they increased export demand enough to get a draw down in ending stocks, so at least a nominally friendly outlook, YET they dropped the national average price outlook a nickel. Why? South American bean crop looks massive.

Here's a May bean chart:



This week's technical outcome depends on whether beans could set a new 4-week high, closing above \$9.03, or a complete collapse, with a new 11-week low. I don't have a bean position.

Before we get into wheat specifically, a quick look at the current export loading pace:

WEEK ENDED (02/13/20)	Weekly loadings	Accumulated in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
Corn	30.0	498.1	1,725	1226.9	28	43.8
Soybeans	35.2	1043.7	1825	781.3	28	27.9
All wheat	21.9	632.4	1000	367.6	15	24.5

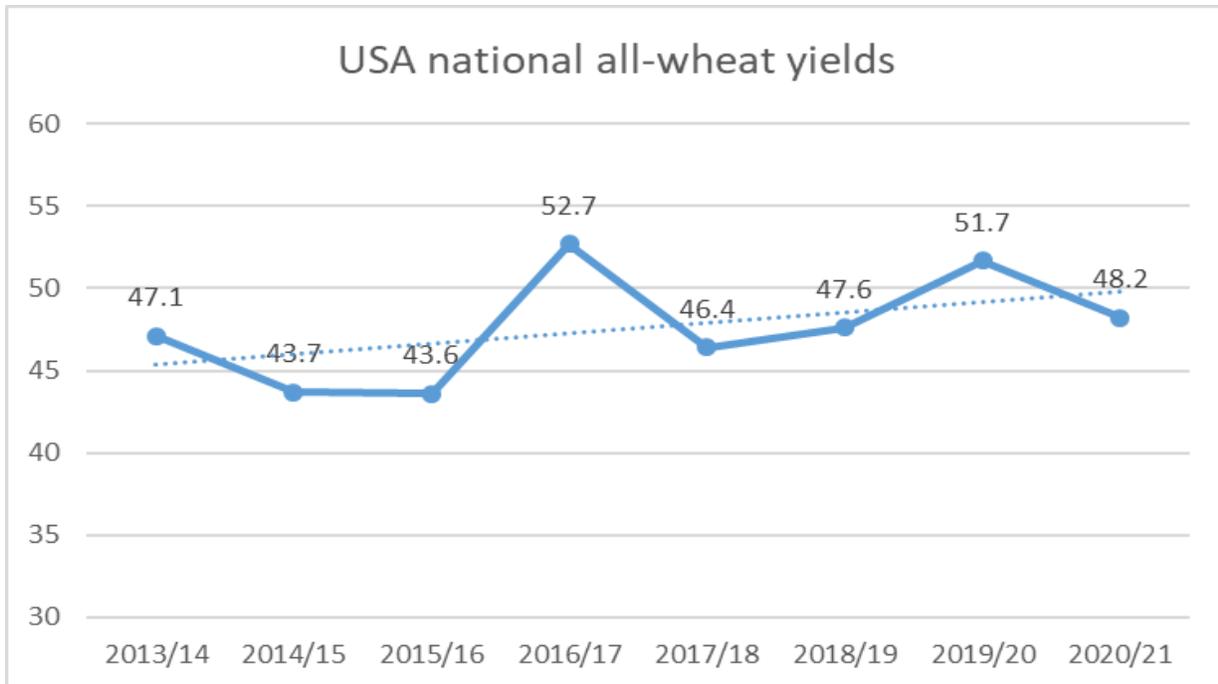
Corn's target looks impossible to hit, although 7 months remain. My opinion is it should make one think about next year's increase to 2,100.

Beans...I still don't know why the USDA dragged their feet on increasing exports for this year, and the jump next year to 2,050 won't be easy but doesn't look too scary.

Wheat...well let's get into it.

Last week I showed there is a "fudge factor", which is really wheat donations, and flour products, and some fudge...which the USDA adds to the apparent exports. Last year it was about 35 million bushels; if we add 35 million to the accumulated total, it will reduce the amount needed weekly to 22.2 million bu, which is about what we did this week. IF wheat loads 22 million for the next 15 weeks, the billion-bushel export target would be reached. I'm ok with next year's target of a billion bushels too.

But the Ag Forum reduced expected all-wheat yield is conservatively below trend-line, so I think supply will be a little larger than expected:



Where I really think the USDA is off is projected feed and residual demand category. This year's 150 million was dropped to 120 million, but the projected national farm price of wheat compared to the national farm price of corn balloons to \$1.30 spread from this year's 70c spread. Here's a table of previous year's data:

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
wheat - corn	\$ 2.41	\$ 2.29	\$ 1.29	\$ 0.53	\$ 1.36	\$ 1.55	\$ 0.70	\$ 1.30
wheat feed residual	228	120	152	160.3	47	89.5	150	120

The first 3 years shown indicate it's possible to have a big wheat feed residual number even with a very wide wheat-corn spread, but the most recent 4 years, from 16/17 thru 19/20 portray a much different picture. **IF we repeat 2017/18, at a \$1.30 spread between national wheat farm price vs national corn farm price, wheat feeding of 120 million bu would be overstated by 70 million.**

So...if I think yield is slightly conservative, exports are reachable, but shaky, and feeding is grossly overstated, I am going to have a bearish fundamental bias.

But as we saw on page 1, timing is everything, which probably means...KC July won't drop to \$4.00, as it would be delayed, needing "proof", and the KC Sept might be the month that sustains the big drop.

Am I still a Big Bear? I'm still a bear, yes, but the timing issue is a bigger factor than I was willing to admit.

Here's a KC May wheat chart. The solid red line is \$4.51, which will be the new 11-week low, as we see the \$4.40 11-week low from 12/06 is rolling off the table this week. and IMPOTANTLY, that \$4.51 low rolls off the table the following week, and \$4.70 becomes the key 11-week closing low, And in the near, very short term, \$4.71 would be a new 4-week closing low...



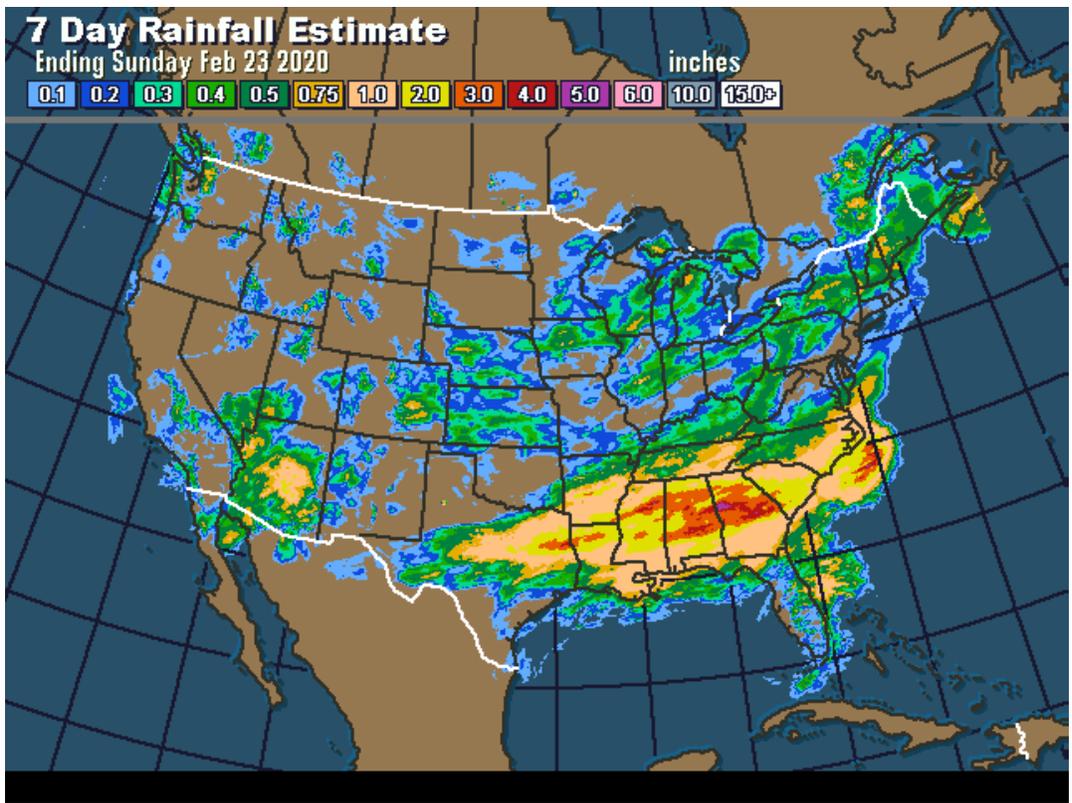
The KEY takeaway is \$4.70 needs to hold these next 2 weeks, or we're headed to \$4.50, or lower. \$4.40 is old trend-line support.

Fundamentally, I'm bearish, and willing to admit I don't think \$4.70 will hold.

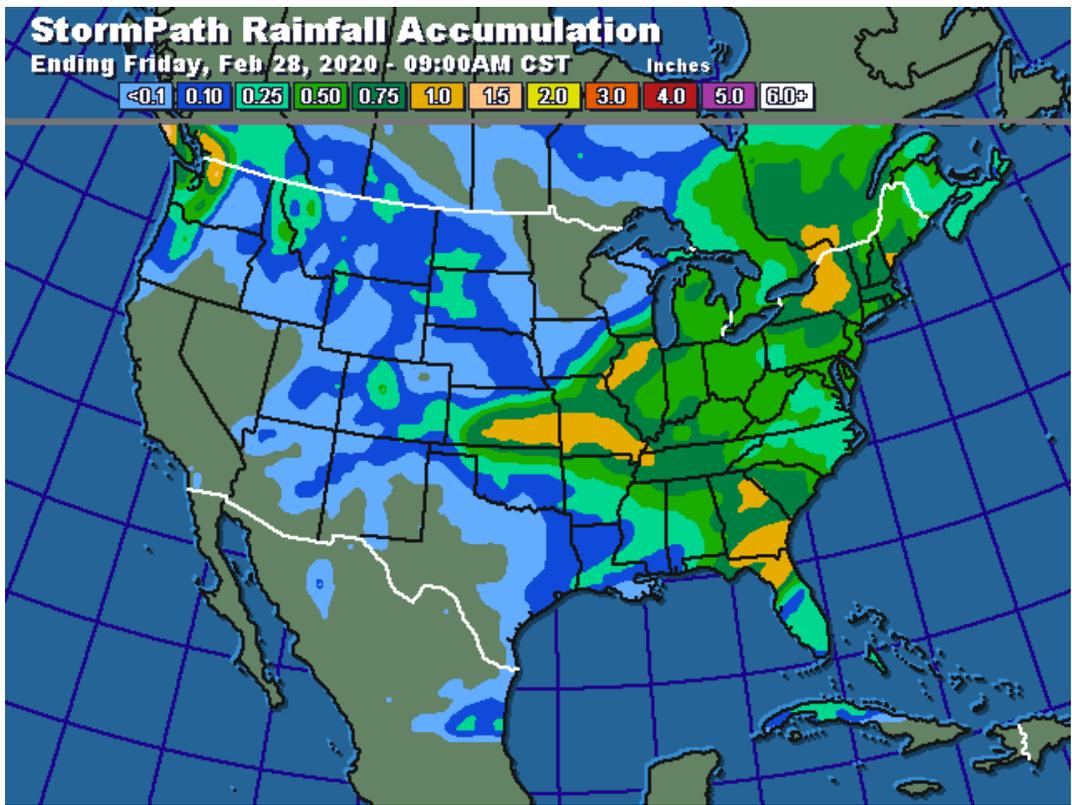
Here's a link to all the Ag Forum S&D's I referenced:

https://www.usda.gov/oce/forum/2020/outlooks/Grains_and_Oilseeds.pdf

Weather maps say last week all of KS and most of Eastern CO received sustainable to good moisture:



And this week's forecast looks good for much of KS, although drier out West:



St. Patty's Day will be here soon, and from then on in, these maps really matter.

We looked at the overall export pace; the wheat-by-class looks ok, as long as we keep in mind, we fudged by adding 15 million to HRW and 10 million each to HRS and SRW.

WEEK ENDED (02/13/20)	Weekly loadings	FUDGED in season (estimate)	USDA projection	Amount needed	# of weeks remaining	Bu per week needed
HRW	8.2	253.2	390.0	136.8	15	9.1
HRS	6.1	190.0	275.0	85.0	15	5.7
SRW	1.7	78.1	100.0	21.9	15	1.46
LAST WEEK						
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

Gulf bids are unchanged, and still posted basis the March.

GULF date	12 pro	ords	diff	
2/21/2020	155	122	33	
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	H

Based on that export pace, with the fudged amount included, it appears the Gulf can't break too quickly either.

And these posted bids are still basis the March, and mainly unchanged (Ark City basis is up 3c). Still no good explanation what Hutch is doing, and most interestingly, Salina and Wichita have not followed Hutch higher. Colorado basis was unchanged.

Date	SE Colorado	Chey. Wells	Burlington	Holyoke area	Roggen area
02/21	\$3.99-\$4.29	\$4.39	\$4.09-\$4.13	\$4.03-\$4.14	\$4.44-\$4.44
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
02/21(H)	-70, -40	-30	-60, -55	-65, -55	-25, -25
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
02/21(H)	-15	-05, -00	-00, +29	-12, -00	-20
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

And the KC H-K calendar spread stayed unchanged as well.

The Hutch, KS bids are a mystery to me but looking more and more like ...something is not quite right with them.

Ok, leaving the markets and my moderately, not super...bearish viewpoints, I'd like to take a minute and go down the Snowmass Rabbit Hole.

Snowmass is a Hard White Winter Wheat, bred by Dr. Scott Haley of CSU, with rights held exclusively by Ardent Milling Company. Dr. Haley spoke about Snowmass at last week's Wheat Quality Council meeting in Kansas City, where he also announced he is retiring.

Snowmass has great baking characteristics; old-time HRW farinograph stability (like everyone got easily...those were the days) AND importantly, spring-wheat like absorption. It was a perfect wheat.

The white bran coat allowed higher milling extraction, the great strength and absorption allowed it to actually replace some spring wheat in various mill grists. One speaker at the conference, when asked how USA wheats compare to foreign competition, said "the USA needs to up its game".

Snowmass could have been the answer to how to "up the game". Imagine exporting massive quantities of Hard Red Winter that performed like spring wheat, at winter wheat prices. There is no way the Russians could ever compete with that.

But the rights were held exclusively, and no one can blame Ardent for that. They paid good money for the rights, and paid premiums to producers.

Unfortunately, like any variety, it gets "old", and new, younger varieties now days get better yields in the fields, and it's hard for millers/bakers/exporters to pay enough of a premium to compensate for yield drag, and...frankly, opportunity moves on.

I asked "why can't we come up with a new Hard Red Winter that has the old-time stability with spring wheat-like absorption, and tell farmers they have to fertilize like the guys in the 100-bushel wheat club to make 12 protein along with those 100 bu yields, and let's kick some Rooskie butt! and the real answer is... it's just not that easy.

It happened once. I'd love to see it happen again.

Stay Safe. Have a good week.