Grainwise

At Market Master

by Shelley Wetmore

February 1, 2008……………….……

FarmTech 2008 was a success and both Ivy and I were happy to see so many come by the booth for a visit!

Quick update on prices:

- December 2008 milling oats are now at $3.00/bu at the bin in many locations throughout Alberta.
- Looking for feed rye in most Alberta locations at $7.00/bu at the bin—price won't last long.
- Feb through Mar canola is at $12.80/bu delivered into Edmonton and $13.00 is available for March 2009.
- Many buyers looking for barley at very attractive prices, review the Bid Board and see which location is closest to you.
- Great feed wheat prices are available into central Alberta—IF you have higher protein levels.

It will be a busy and exciting next week and for weeks to come. The CWB barley issue have many people waiting for results,

Watching Winnipeg

Your weekly closing WCE futures $/MT.

Canola	This Week	Last Week	Diff +/-
Mar 08	$586.70	$567.30	$19.40
May 08	$599.80	$580.80	$19.00
Jul 08	$608.60	$589.70	$18.90
Nov 08	$584.50	$569.70	$14.80
Jan 09	$594.70	$577.00	$17.70
Mar 09	$599.40	$580.80	$18.60
May 09	$603.50	$583.40	$20.10
Jul 09	$607.80	$584.70	$23.10
Nov 09	$554.90	$536.80	$18.10
Jan 10	$556.50	$540.60	$15.90
Mar 10	$556.50	$540.60	$15.90
Wheat	**This Week**	**Last Week**	**Diff +/-**
Mar 08	$230.00	$221.00	$9.00
May 08	$234.00	$225.00	$9.00
Jul 08	$234.00	$225.00	$9.00
Oct 08	$227.00	$218.00	$9.00
Dec 08	$227.00	$218.00	$9.00
Barley	**This Week**	**Last Week**	**Diff +/-**
Mar 08	$207.20	$207.80	($0.60)
May 08	$219.00	$216.50	$2.50
Jul 08	$226.00	$224.00	$2.00
Oct 08	$225.00	$219.00	$6.00
Dec 08	$229.20	$222.10	$7.10

Be Grainwise!

A Farmer's Perspective … by John Stewart, Galahad, Alberta, (780) 583-2453

US Grain

Soy Complex

Harvest delays in Brazil, due to rain and the ability of the palm oil futures market to rally independently of crude oil, pushed up MAR beans 44¼ cents to $12.87¼/bu. Strong export sales of 604,500 mt were on the high side of expectations. Rumours that speculative money had entered the market was also positive and may have accounted for some of Friday's gains.

Beans remains locked in a battle with corn for new crop acres—a battle corn is currently winning. MAR meal bounced up $8.20 to $343.20/t while oil gained 2.11 cents, settling at 54.12 cents/lb.

Corn

MAR corn closed modestly higher, posting a 2¼ cent gain to $5.00½bu. Weekly exports remain robust (despite higher prices) at 1.89 mmt.

Technically, corn is trading in a sideways pattern with many trader's believing that adequate spring acres will be "purchased" if the current relationship between corn and bean prices remains.

Rumblings that US legislators feel the ethanol industry can now stand on its own without government incentives may have prevented further gains. Remember, increased ethanol production has been mandated in the US for years to come. It would take something extraordinary to change that dynamic.

Wheat

MAR MGE wheat rose another $1.36/bu to an astounding $14.03—this market knows nothing but limit moves (see Strategies). KCBT and CBOT also posted gains, up 20¼ cents and 10 cents to $9.90¼/bu and $9.43/bu respectively.

Weekly exports were solid at 508,800 mt. So far, demand seems unfazed by higher prices.

There's another dynamic at play. In past years, importers bought supplies in a hand-to-mouth fashion—no one wanted excess inventory. That has changed. Many countries are now locking in their supplies to insure domestic food price increases are kept to a minimum.

Canadian Grain

Canola

Canola put in another strong week due to the strength in soyoil. The MAR bounded $19.40 to $586.70/MT. Routine exporter buying along with a slowdown in farmer deliveries (extremely cold temperatures) supported futures.

New crop futures remain at very attractive levels despite wide basis levels. Check around—new crop basis levels can vary from enduser to enduser. At the moment, if you're looking at locking-in some new crop canola, consider locking-in the futures portion only and look for a pull-back in futures which usually results in a better basis.

Feedgrain

We're heading for a showdown in the barley market between the CWB and the federal government. Following a meeting this week between the government, the CWB, and other interested parties, the government basically rejected the CWB's new malting barley Cash Plus program. The CWB was instructed to meet with their directors to formulate a plan to allow prairie producers the option of having an open market for barley. For its part, Minister Ritz indicated the government proceed with legislation to institute an open market as early as March.

MAR barley dipped 60 cents to $207.20/MT while MAR wheat rose $7.00 to $231.00/MT.

Edible pea bids remain strong for both old and new crop production. Check with Shelley for the latest bids.

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Strategies

A Farmer's Perspective … by John Stewart, Galahad, Alberta

Despite concerns that some EU countries (along with the Ukraine and Argentina) may soon have some wheat stocks available for export, old crop MGE wheat futures continued to blast higher. Additional sales to Egypt sparked this latest round of buying but speculative buying remains a strong force in this market as fund managers are looking at grains in the same way they've looked at gold—as a hedge against inflation.

From a producer's standpoint, the market looks to be more focused on conserving old stocks than attracting new acres as witnessed by the relative strength of old crop wheat versus new crop futures.

Ever since the last USDA report (which indicated a reduction of HRW wheat compared to last year versus expectations for sharply higher production in response to higher futures prices at the time of planting) wheat has joined beans and corn in a fight for spring acres. However, the market was reacting last fall much like it is now. New crop prices were rising but no where near the level of old crop futures. I remember commenting that you don't buy new crop acres with old crop prices and, for the moment, that scenario is playing itself out again. Old crop futures are trading at a premium over new crop futures—close to $4.00/bu. That's not to say new crop prices are not attractive but, when you consider the overall returns available from corn and soybeans, wheat is lagging. That's particularly true of the higher producing areas where corn is presently the clear winner, despite much higher production costs. Wheat will gain favour in areas where corn and soybeans traditionally don't yield as well. If nothing changes, look for spring wheat acres in the US to be actually down from last year's levels.

However, the US is not the only wheat producing area in the world. I took in Neil Blue's presentation at this year's FarmTech 2008 where he outlined just how prevalent wheat plantings are around the world and there's seldom a time when wheat is not being harvested somewhere on the planet. With that in mind, the IGC expects global production to rise some 40 mmt to a record 642 mmt, assuming normal weather. Therein lies the key. If weather is generally favourable, wheat stocks are set to rise but should a drought hit one of the major producing areas, there's no telling where futures could end up.

So, what's a producer to do as far as wheat is concerned? In his presentation, Neil Blue suggested getting at least some new crop production on the book via the CWB's 2008 FPC program. I agree. It's frustrating, however, to be unable to lock in or even monitor a basis from the CWB right now. That opportunity won't be available until February 25th when the CWB releases their first new crop PROs.

For the time being, all one can do is review historical basis levels for guidance. In my view, this is an aspect of this particular CWB program that needs serious review. The program is ill-equipped to deal with the volatile nature of today's wheat markets—a volatility that is increasingly becoming the norm.

Bid Board

Buyers looking for grain (net prices).

Grain	When	Location
barley	February	$4.52 del Lacombe
barley	February	$4.41 del Breton
barley	February	$4.50 del Irma
barley	February	$4.50 del Edmonton
barley	Mar-May	$4.52 del Breton
barley	Apr-May	$4.63 del Olds
barley	Apr-May	$4.63 del Edmonton
barley	Nov-Dec	$4.81 del Lethbridge
barley	Nov-Dec	$4.15 del Vegreville
wheat, feed	Feb-Mar	$6.75 del Lethbridge
wheat, 13.0% prt	Feb-Mar	$7.00 del Red Deer
peas, feed	February	$6.07 de Paradise Valley
peas, feed	February	$6.62 del Botha
peas, green edible	February	$10.00 del Innisfail
peas , yellow edible	February	$9.27 del Innisfail
peas, yellow edible	Sep-Oct	$8.20 del Innisfail
rye, feed	Feb-Mar	$6.71 del Stony Plain
rye, feed	Feb-Mar	$6.71 del Three Hills
oats, milling	Apr-May	$2.88 del Martensville
oats, milling	June	$2.96 del Martensville
oats, milling	July	$2.93 del Martensville
oats, milling	August	$3.03 del Martensville
oats, milling	Sept-Oct	$3.17 del Martensville
oats, milling	November	$3.22 del Martensville
oats, milling	December	$3.27 del Martensville
canola	Feb-Mar	$12.80 del Edmonton
canola	July	$12.84 del Fort Sask
canola	October	$12.55 del Lloydminster
canola	November	$12.24 del Fort Sask
canola	Jan 2009	$12.87 del Lloydminster
canola	Jan-Feb 2009	$12.91 del Fort Sask
canola	Sep-Oct 2009	$12.32 del Lloydminster
flax	Feb-Mar	$14.45 del Edmonton

At The Bin

Prices booked this week (net to the producer).

Grain	Price	When	Producer
barley, 49 lb	$4.50 del Edmonton	February	Morinville
barley, 52 lb	$4.02 FOB	February	High Prairie
barley, 53 lb	$4.50 del Edmonton	February	Westlock
barley, 53 lb	$4.50 del Edmonton	February	Grassland
canola	$12.11 FOB	Feb-Mar	Camrose
canola	$12.45 del Edmonton	Feb-Mar	Westlock
rye, feed	$6.70 del Stony Plain	Feb-Mar	Newbrook
peas, yellow	$7.87 FOB	October	Three Hills

By the Number	This Week	Last Week	Diff
CME Live Cattle (FEB)	92.225	91.400	(1.175)
CME Live Hogs (FEB)	59.875	56.200	3.675
CDN Dollar (MAR)	1.006	0.994	0.012
Minneapolis Wheat (MAR)	9.44	9.33	0.110
Kansas City Wheat (MAR)	9.90	9.70	0.200
Chicago Oats (MAR)	3.23	3.20	0.030