

## At Market Master

by Shelley Wetmore

**March 7, 2008.....**

Wow ... what a change in the canola price. Not only did the futures drop like a rock but have you noticed some of the basis levels, lately? A whopping minus one hundred or even more is quite common right now for spot and forward pricing. Put the two together and that drop equates to over \$3.50/bu for fall contracts. Some are speculating that Monday may bring another \$60.00/MT crop in canola futures. We'll have to wait and see. However, fundamentally, there's no huge change in oilseeds so many in the industry DO see an eventual rebound to these prices. How MUCH it will rebound is anyone's guess. I don't think we'll revert to \$6.00/bu canola but I don't know if we'll hit \$20.00/bu either.

Space is limited right for feedgrains. If you're trying to book larger amounts of barley, for example, prior to seeding, you may be out of luck. Barley remains flat.

Milling oats took a dive this week, following the other commodities down.

## Watching Winnipeg

Your weekly closing WCE futures \$/MT.

Canola	This Week	Last Week	Diff +/-
Mar 08	\$629.00	\$726.90	(\$97.90)
May 08	\$639.00	\$740.00	(\$101.00)
Jul 08	\$646.90	\$750.00	(\$103.10)
Nov 08	\$641.00	\$738.80	(\$97.80)
Jan 09	\$649.90	\$747.00	(\$97.10)
Mar 09	\$655.80	\$754.00	(\$98.20)
May 09	\$644.70	\$760.10	(\$115.40)
Jul 09	\$672.80	\$761.40	(88.60)
Nov 09	\$635.50	\$695.00	(\$59.50)
Jan 10	\$640.20	\$699.70	(\$59.50)
Mar 10	\$640.20	\$699.70	(\$59.50)
Wheat	This Week	Last Week	Diff +/-
Mar 08	\$287.80	\$287.80	\$0.00
May 08	\$295.00	\$295.00	\$0.00
Jul 08	\$288.00	\$288.00	\$0.00
Oct 08	\$288.00	\$288.00	\$0.00
Dec 08	\$288.00	\$288.00	\$0.00
Barley	This Week	Last Week	Diff +/-
Mar 08	\$223.60	\$225.90	(\$2.30)
May 08	\$233.30	\$234.10	(\$0.80)
Jul 08	\$242.30	\$244.00	(\$1.70)
Oct 08	\$240.00	\$244.50	(\$4.50)
Dec 08	\$247.50	\$248.70	(\$1.20)

## Be Grainwise!

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

### US Grain

#### Soy Complex

Soybeans got slammed hard, lead by soyoil which gave up 5.49 cents to close at 63.33 cents/lb. Meal plummeted \$31.90 to \$350.30/t while MAY beans slipped \$1.27¾ /bu to \$14.08¾/bu.

Weekly exports fell below expectations at 204,600 mt but still well above the 57,300 mt pace needed to meet current USDA projections. Nevertheless, perceptions of "weaker sales" in light of new crop South American beans, now coming onto the market, weighed on the market. However, this week's declines were NOT lead by fundamental concerns.

Forced fund liquidation played a huge role in this week's slide. There's no doubt the bean market got ahead of itself the past few weeks and rose higher than it should have. We're witnessing the fallout from that over exuberance. Will we now overdo the downside? Quite likely. These are volatile times.

#### Corn

Corn held up well in the wake of the great bean slide. However, spillover pressure Friday finally sent the market limit lower on the day.

On the week, though, MAY corn closed just 9¼ cents lower at \$5.47¼/bu.

Weekly old crop/new crop sales came in at 710,000 mt, right in the middle of pre-report estimates. This week's action, though, was more about fund activity than any fundamental consideration.

#### Wheat

MGE old crop futures bore the brunt of this week's wheat sell-off with the MAY down \$3.00 to \$13.19¾/bu ... hardly a surprise. An unprecedented run-up in old crop futures left it highly vulnerable to this week's action, whereas DEC 08 futures actually closed higher, despite a sharp sell-off Friday.

MAY CBOT wheat closed 19 cents lower at \$11.05/bu while KCBT wheat drifted 9 cents lower to \$11.69/bu.

I believe the focus will return to KCBT wheat as winter wheat in the Southern Plains comes out of dormancy. Current crop condition estimates place

this year's HRW wheat crop in poorer condition than last year's crop at this juncture.

Weekly exports were solid but fell below expectations which may have lent a slightly bearish tone to this week's action.

### Canadian Grain

#### Canola

This is where it gets real messy!

MAY canola plunged an incredible \$104.10 lower to now sit at \$635.90/MT.

I've gone into this week's canola action in detail in the "Strategies" section so no need to repeat myself. Suffice it to say, it wasn't pretty.

#### Feedgrain

Oblivious to all that was happening around it, barley moved very little in either the cash or futures market. The relative strength in corn supported values but it seems barley is trading as a purely domestic market at the moment.

MAY futures slipped 60 cents lower to \$233.50/MT.

MAY wheat remained unchanged (and untraded) at \$295.00/MT.

## Malt Program

Contracts are available in the office. Price is in the \$6.70/bu range, for 2-row varieties, delivered to the maltster. Act of God is included in the contract. Call for details!



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## Strategies

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

### What Happened to Canola?

Panic selling by index funds and producers alike sent canola futures reeling with four consecutive \$30.00/MT limit down closes. Despite sharply higher crude oil prices, which are currently hovering around \$106/bbl, traders bailed out of the vegoil markets en masse.

It wasn't as if this was totally unexpected. From a technical point of view, this market has been overbought for some time. Note the RSI (a classic). We've been saying this for weeks now and the market just kept climbing higher, leading some to assume that prices just had to keep going up. Now that we've dispelled that myth, let's try and piece together what happened.

#### Reasons for the slide

It's important to note that nothing much has fundamentally changed.

- Brazil is taking off a very good, if not bumper crop, but that in itself shouldn't have had the effect on the market witnessed this week.
- Early in the week, it was rumoured that Chinese officials were contemplating releasing soyoil from their reserves to curb prices to keep "food inflation" at bay. Confirmation of this rumour has been hard to come by, but just the suggestion was enough to send speculators into a selling frenzy.
- It also didn't help that the stock market has been getting hit hard this week and some fund managers were looking for additional cash to cover their margins. Soybeans, which held large speculative long positions was the

obvious choice as a quick source of cash.

- However it hasn't just been speculative money that has been on edge in this market. Commercials (elevators) have been getting squeezed as well. With expanded limits and increased margin requirements, it's become increasingly difficult for some of these companies to meet their margin calls. So much so that some companies in the US and Canada have stopped booking canola altogether (particularly in the deferred months). They'll lock-in basis contracts (which have ballooned in recent days) but not the futures.

#### What happens next?

How far will this sell-off go? Traditionally, selling comes in waves lasting three days but who knows for sure.

We blew through minor support at \$650 in the MAY contract this morning. More substantial support seems to lie around the \$600 mark. There are rumours that two cargoes of additional Chinese sales could take place should prices reach that level. Interestingly enough, Chinese officials intend to keep reduced import tariffs (1%, down from the usual 3%) in play for soybeans and soy oil. Unfortunately, canola still remains at 9%. A frustrating situation for Canadian canola producers.

Perhaps more important to canola's fortunes than chart considerations will be the action in the bean oil and Malaysian palm oil markets. It will be difficult for canola to chart an independent course from these other two vegoil giants. Next week should be interesting indeed.

### Attention—If You Have Yellow Peas!

Please take note of the OLD CROP yellow pea price in the Bid Board. This price is expected to DROP \$2.00/bu by the end of Monday.

If you need to book yellow edibles, please call the office Saturday and leave a message or call the office on Monday during business hours!



#### Conversion Table

40 MT of	Equals	# of bu
barley	x 45.930	1,837 bushels
wheat, peas	x 36.744	1,470 bushels
canola	x 44.092	1,764 bushels
flax, rye, corn	x 39.368	1,575 bushels
oats	x 64.842	2,594 bushels

### Malt Program

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### Classifieds

**Certified Seed:** Superb wheat @ \$11.00/bu, AC Metcalfe and CDC Copeland @ \$9.00/bu. Phone Todd Clark, Edmonton area at (780) 499-5060.

**Bales:** 800 first-cut alfalfa bales, dairy quality, good twine, easy to haul, 1,350 lbs, Thorsby. Cal Warren at (780) 789-3747.

**Grain Dryer:** Vertec dryer, 12 foot—12 tier, natural gas—12 million BTU, 3 phase power, minimal fire damage to body only, \$15,000 OBO. Call Lorne Semler at (780) 349-0712.

**Bid Board**

*Buyers looking for grain (net prices).*

Grain	When	Location
barley	Apr-May	\$4.61 del Red Deer
barley	May	\$4.63 del Olds
barley	May	\$4.52 del Lacombe
barley	Sep-Oct	\$4.40 del Vegreville
barley	Nov-Dec	\$4.50 del Vegreville
barley	Jan-Mar	\$4.57 del Vegreville
wheat, 13.0% prt	Mar-Apr	\$8.79 del Red Deer
wheat, feed	May-Jul	\$7.30 del Edmonton
peas, green max 15% bleach	April	\$10.20 del Innisfail
peas, green edible	Mar-Apr	\$10.50 del Innisfail
peas, yellow edible	Mar-Apr	\$10.50 del Innisfail
peas, yellow edible	Sep-Oct	\$9.40 del Innisfail
rye, feed	Apr-May	\$8.95 del Stony Plain
rye, feed	Apr-May	\$8.95 del Three Hills
oats, milling	Apr-May	\$3.47 del Martensville
oats, milling	June	\$3.56 del Martensville
oats, milling	July	\$3.59 del Martensville
oats, milling	August	\$3.62 del Martensville
oats, milling	Sept-Oct	\$3.76 del Martensville
oats, milling	November	\$3.81 del Martensville
oats, milling	December	\$3.87 del Martensville

**Livestock Care Conference**

Alberta Farm Animal Care (AFAC) is hosting a Livestock Care Conference in Red Deer on April 4. Conference speakers will address:

- new trends in animal welfare: science, values and education
- farm animal welfare in Europe and the US: implications for Canadian agriculture
- livestock care laws – what works
- new animal welfare audits at Alberta provincial meat plants
- are we there yet?
- livestock industry messaging – how are we heard?

Registration is \$105 per person (online at [www.afac.ab.ca/conference.htm](http://www.afac.ab.ca/conference.htm)) or \$126 per person at the conference. For further information, contact AFAC at (403) 932-8050.

**Shelterbelt Seedlings**

To encourage landowners to plant trees on their properties, the PFRA has for years made seedlings available for farms. A number of tree and shrub species are available. Applications will be accepted under the shelterbelt program until March 15 for seedling delivery in May. Further information and printable applications are available on the [PFRA](http://www.pfra.ca) website, click on Programs and Services and scroll down to Prairie Shelterbelt Program. Information is also available by contacting Heather Dickau, horticulturist, Leduc at (780) 955-3555, ext. 3287.

<http://www.agr.gc.ca/pfra/>

**At The Bin**

*Prices booked this week (net to the producer).*

Grain	Price	When	Producer
barley, 48 lb	\$4.39 FOB	April	Rollyview
barley, 48 lb	\$4.35 FOB	Mar-Apr	Calmar
barley, 48 lb	\$4.50 FOB	June	Genesee
barley, 48lb	\$4.60 del Vegreville	November	Tofield
barley, 50 lb	\$4.50 FOB	March	Bon Accord
barley, 51 lb	\$4.76 del Red Deer	Apr-May	Bashaw
barley, 51 lb	\$4.50 FOB	March	Rollyview
barley, 51 lb	\$4.50 FOB	March	Calmar
barley, 52 lb	\$4.50 FOB	March	Bruderheim
canola	\$14.15 FOB	December	New Sarepta
canola	\$20.00 under May	Apr-May	Millet
canola, heated	\$9.59 del Edmonton	March	Ponoka
canola, heated	\$10.16 del Edmonton	Mar-Apr	Ponoka
canola, heated	\$10.16 del Edmonton	Apr-May	Nisku
canola, heated	\$10.16 del Edmonton	Mar-Apr	Willingdon
canola, heated	\$7.53 FOB	Mar-Apr	Alliance
canola, heated	\$10.16 del Edmonton	Apr-May	Guy
canola, heated	\$9.00 FOB	Apr-May	Olds
canola, heated	\$8.55 FOB	Mar-Apr	Falher
wheat, feed	\$8.36 FOB	March	Lamont
wheat, feed	\$8.40 FOB	Mar-May	Nisku
wheat, feed	\$8.40 FOB	June	Calmar
wheat, feed	\$8.36 FOB	March	Lamont
wheat, feed	\$8.20 FOB	March	Vermilion
oats, milling	\$3.74 FOB	April	Andrew
oats, milling	\$3.76 FOB	June	Fort Kent
oats, milling	\$3.95 FOB	December	Killam
oats, milling	\$4.01 FOB	December	Hayter
oats, milling	\$3.38 FOB	April	Plamondon
oats, milling	\$3.88 FOB	December	St. Paul
oats, milling	\$3.58 FOB	June	Vermilion
oats, milling	\$3.72 FOB	October	Rochester
oats, milling	\$3.10 FOB	June	High Prairie
oats, milling	\$3.27 FOB	June	Olds
peas, green	\$6.70 FOB	March	Grande Prairie
peas, yellow	\$9.93 FOB	March	Wainwright

<b>By the Number</b>	<b>This Week</b>	<b>Last Week</b>	<b>Diff</b>
CME Live Cattle (FEB)	89.775	92.975	(3.200)
CME Live Hogs (APR)	57.850	59.950	(2.100)
CDN Dollar (MAR)	1.009	1.017	(0.008)
Minneapolis Wheat (MAR)	10.92	10.07	0.850
Kansas City Wheat (MAR)	11.45	11.70	(0.250)
Chicago Oats (MAR)	3.91	4.22	(0.310)

**Grain Pricing Orders (GPOs)**

Easily set price targets! Call the office to set your price, set your terms. Especially convenient during seeding when you're too busy to watch markets!