Grainwise

At Market Master
by Shelley Wetmore

May 30, 2008……………………………
Again, the markets are up and down and rumours abound.

You'll notice the fall barley bids have dropped considerably based upon the futures having dropped significantly. However, producers are not forward-pricing in droves at these levels and probably won't due to the fact of speculated higher inputs this coming fall, along with the reduction in barley acres signifying a possible shortage, along with problems with the US corn planting. We'll see.

Some regular oat growers have taken oats out of their rotation this year but perhaps this won't have any significant affect anyways as many mills have forward-priced their requirements until the end of October already with November and December close behind. Producers with good quality milling oats left in the bins are now having to consider a feed price or pony oats price (if available). The difference in price is averaging about 50 cents per bushel.

Feed wheat prices are on the decline somewhat but I have to wonder how much good quality wheat (higher proteins) is actually left out there to carry us over the summer months. There's plenty of ordinary feed wheat but not a whole lot of the "good" type.

Seeding is almost over!

Watching ICE
Your weekly closing ICE futures $/MT.

Canola	This Week	Last Week	Diff +/-
Jul 08	$620.50	$623.30	($2.80)
Nov 08	$644.90	$648.00	($3.10)
Jan 09	$655.70	$658.60	($2.90)
Mar 09	$665.00	$668.10	($3.10)
May 09	$673.90	$677.00	($3.10)
Jul 09	$681.80	$683.80	($2.00)
Nov 09	$658.70	$655.00	$3.70
Jan 10	$663.40	$659.70	$3.70
Barley	**This Week**	**Last Week**	**Diff +/-**
Jul 08	$224.70	$242.10	($17.60)
Oct 08	$237.90	$254.00	($16.10)
Dec 08	$247.20	$258.30	($11.00)
Mar 09	$250.00	$261.00	($11.00)
May 09	$250.00	$261.00	($11.00)
Jul 09	$250.00	$261.00	($11.00)

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

US Grain

Soy Complex

Extreme volatility had bean values all over the map. Although the pace of seeding has picked up in the US (52%), it's still lagging behind the 5 year average of 67% and far behind last year's 74%. Just as important is emergence, reported at just 12% versus the average of 34%. Cool, wet weather continues to hinder planting in many Midwest areas. Weekly exports fell within expectations and did little to influence the market.

A larger factor was fund activity as the speculative funds looked to even up positions at month's end. Performance of crude oil was also instrumental in setting the tone in beans (see Strategies).

JUL beans closed just 4½ cents lower at $123.63½/bu following a strong showing Friday. Meal pushed $4.90 higher to $341.50/t while oil slipped .12 cents to 61.31 cents/lb.

Corn

A late surge allowed JUL futures to close the week largely unchanged at $5.99¼/bu after posting large losses earlier in the week.

Energy prices and speculative activity set the tone in corn as well but concern that heavy rains in portions of the Midwest may lead to replanting was supportive.

Weekly exports were average and largely ignored, however, actions by the USDA to release CRP acres (see strategies) weighed on the market.

Wheat

Wheat has been in free-fall for some time so it was nice to see a strong finish to the week which allowed JUL CBOT to post a nine cent gain to $7.61½/bu. KCBT wheat also finished in the black, closing 4¼/bu higher at $8.02/bu. JUL MGE wheat bounced a full 25 cents to $10.55/bu on concerns about dryness in the Northern US plains.

There have also been rumblings about another possible drought in Eastern Australia but forecasts call for substantial rains over the weekend. However, the perception that the world is poised to harvest a bumper wheat crop continues to weigh on the market.

Canadian Grain

Canola

Canola demand continues to lag both on the domestic and export front. Typically, we do see a slowdown during this time frame as crushers back-off their operations to perform maintenance.

Also, with canola seeding wrapping-up on the prairies and recent, beneficial rains over much of Alberta and parts of Saskatchewan, traders were reluctant to chase the market higher.

Slow farmer selling underpinned the market but—let's be honest—for the most part traders took their cue from US beans which, in turn, looked to the crude oil market.

JUL slipped $2.80 to $620.50/MT.

Feedgrain

Feed barley futures took a huge hit on Thursday and closed $17.40 lower on the week at $224.70/MT.

Although trade was heavy, it was mostly comprised of speculative funds rolling their positions into the OCT contract.

Cash prices didn't suffer the same fate and remain strong although off the highs we witnessed earlier this spring. It's widely thought that barley acres will be significantly lower this year on the prairies.

Feed wheat futures remained unchanged and untraded at $300.00/MT.

Edible pea prices remain strong and may even be strengthening slightly for both old and new crop bids.

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Strategies

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

*On a personal note, I'd first like to extend my heartfelt appreciation to **Neil Blue** who once again stepped in for me during the busy planting season. Neil is a first rate analyst and his insights are always worth noting. Thanks Neil!*

Since my last column, futures have been on the defensive. Some of this due to fundamental considerations such as the pace of planting in the US finally picking up steam—at least somewhat. However, once the crop is in, we tend to go into a period of limbo as markets await the summer weather and its impact on overall yields and quality.

US Wheat Markets and Crude

The winter wheat harvest is beginning in the Southern US plains and that always tends to pressure the wheat market, while soybeans have been left to the mercies of the crude oil market. Although crude prices are still in the high $120s, it's a far cry from the $135 mark we saw not long ago. There's obviously a speculative component to the relationship between crude oil and soybeans but there's also a fundamental link. **The higher crude oil goes, the more economic it becomes to crush soybeans for biodiesel.** Obviously, this creates additional demand for beans and raises the price. Recent declines in bean prices can be largely laid at the door of falling crude prices.

Food versus Fuel

There's another factor that may play a larger role as we go forward and that's the political role. If the US is not officially in a recession, it's close to it and a lot of people are tightening their belts. Higher food and energy prices are really hitting home and becoming a hot political issue. The whole fuel versus food debate carries a lot more weight south of the border than it does in this country. Governments are being pressured to "do something" to curb inflation and this IS an election year.

This week, the USDA released 24 mln acres of CRP (Conservation Reserve Program) land to be grazed/hayed later this summer without the usual penalty to the producer who has taken this land out of production. Now, it can be argued that this is marginal land for the most part and the fact that they have to wait until after nesting season to cut, it won't make as big an impact as many think. Maybe so, but it's definitely an effort on the part of the government to reduce feed costs. It also leads to speculation that more CRP acres may be released in subsequent years to help boost row crop production.

The government is also getting heat on the ethanol issue and is being pressured to reduce mandated ethanol production and eliminate import tariffs for offshore ethanol. Regardless of how you feel about ethanol, the fact is the industry is under attack from many quarters in the US and Europe.

Speculators Under Attack

There was also a move this week to investigate the role of speculators in commodity markets by the CFTC. Generally speaking, speculators are important to the smooth operation of commodity markets but the sheer size of the funds that participate in the markets these days are beginning to raise eyebrows.

The point of all this is, in the past, the government always said there was nothing they could do about higher food and energy prices. It was simply the market at work. Now, recent actions have shown they CAN push the market in politically desirable directions. Should prices warrant, they'll undoubtedly be pressured to do more.

Advantages of Pea-Wheat Rotation

A short 2-year pea-wheat rotation offers a number of advantages in the drier regions of southern Alberta.

A pea crop will fix 80% of its nitrogen requirements. Generally, no additional N fertilizer is required with pea, however, pea seed must be inoculated with the proper rhizobium bacteria (*Rhizobia leguminosarum*) to ensure optimum N fixation (McKenzie et al. 2001).

Residual N remains in the surface residue, roots and nodules of pea after harvest. As the pea residue degrades, N is released for subsequent crops. It's estimated that field pea contributes about 1.0 to 1.5 lb/ac of N for every bu/ac of pea grain produced. At the long-term crop rotation site at Bow Island, wheat has been grown successfully without any additional commercial N fertilizer in the pea-wheat rotation, since inception in 1992.

Pea is not very responsive to phosphate fertilizer and could be reduced or even eliminated when soil test levels are greater than 30 kg P/ha (McKenzie et al 2002).

The need for phosphate and other fertilizers in the crop rotation can be eliminated if composted manure is applied at a sufficient rate once every four years.

Some insect problems such as the wheat stem sawfly and foliar disease problems can be controlled using a pea-wheat rotation as opposed to growing continuous wheat crops.

Using the pea-wheat rotation allows for rotation of herbicide groups with different modes of action for weed control, reducing the potential for development of herbicide tolerant weeds.

Pea is well adapted to no-till direct seeding. Elimination of tillage leads to conserved soil water which results in increased grain yield and higher water use efficiency. Other benefits of no-till include the lower fluctuations in surface soil temperature, which favours increased nitrogen fixation.

Generally, pea is shallower rooted and draws most its moisture from the top 60 cm of soil (McKenzie et al. 2004). When pea is seeded early spring in southern Alberta, it's often harvested in early August. This leaves an extended period from August to November to store precipitation for crop use the next year. As a result, following a pea crop, there's often more stored soil moisture available for the next crop season.

In summary, wheat yields following a pea crop are often higher because of the increased soil nitrogen availability, higher amounts of stored soil water, and reduced disease potential. With the pea-wheat rotation, the need for nitrogen fertilizer inputs is greatly reduced and often eliminated resulting in a very productive and economical cropping system.

(From Alberta Agriculture.)

At The Bin

Prices booked this week (net to the producer).

Grain	Price	When	Producer
barley, 46 lb	$4.65 FOB	May-Jun	Onoway
barley, 48 lb	$4.87 FOB	May	Macklin
barley, 48 lb	$4.85 FOB	May-Jun	Rowley
barley, 48 lb	$4.50 FOB	Jan 09	Westlock
barley, 48 lb	$5.00 del Lacombe	June	Donalda
barley, 48 lb	$4.60 FOB	June	Boyle
barley, 50 lb	$5.07 FOB	May-Jun	Consort
barley, 50 lb	$4.85 FOB	June	Lousana
barley, 50 lb	$4.76 FOB	June	Millet
barley, 50 lb	$5.07 del Eckville	June	Falun
barley, 50 lb	$5.00 del Nobleford	June	Lomond
barley, 51 lb	$4.50 FOB	June	Westlock
barley, 54 lb	$5.07 del Eckville	June	Sangudo
canola	$10.00 FOB	May-Jul	Sexsmith
canola, heated	$7.59 FOB	May-Jun	Fairview
canola, heated	$8.50 FOB	May-Jul	Sexsmith
oats, milling	$3.10 FOB	November	Manning
oats, milling	$3.45 del Edmonton	October	Boyle
oats, feed	$2.70 FOB	May-Jun	Rowley
oats, feed	$2.95 FOB	June	Fort Kent
oats, feed	$2.95 FOB	June	Pierceland
oats, feed	$3.02 FOB	June	Castor
oats, feed	$2.86 FOB	May	Bittern Lake
wheat, feed	$7.22 FOB	November	Mannville
wheat, feed	$8.16 FOB	July	Rowley
wheat, feed	$7.00 FOB	November	Innisfree
wheat, feed	$7.30 del Taber	June	Vauxhall
peas, yellow	$9.85 del Innisfail	Aug-Oct	Bashaw

Classifieds

Common Oat Seed: $6.00/bu, bulk, in Fort Saskatchewan, call Galloway Seeds at (780) 998-3036.

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

Certified Seed: AC Foremost available, 1,500 bu. Contact Lorne Semler, Barrhead area @ (780) 349-0712.

Registered AC Morgan: oat seed available (cleaned) plus common varieties. Call Doug Livingstone, Vermilion at (780) 763-2385.

1998 Chev Suburban LT: 4x4, loaded with leather, one owner, well-maintained, excellent condition, 400,000 km. Phone Fred in Innisfail (403) 357-4408.

For Sale April 26: JD 3970 forage harvester, XP 2 Silopress 8' silage bagger, Jiffy high dump wagon, Jiffy feed wagon. Phone Jamie in St. Albert at (780) 914-6027.

Bid Board

Buyers looking for grain (net prices).

Grain	When	Location
barley	Jun-Jul	$5.00 del Olds
barley	June	$5.00 del Lacombe
barley	Sep-Oct	$4.85 del Calgary
barley	Sep-Oct	$4.85 del Lethbridge
barley	Nov-Dec	$5.00 del Brooks
barley	Nov-Dec	$4.94 del Calgary
barley	Nov-Dec	$4.96 del Lethbridge
barley	Jan-Mar 09	$5.04 del Lethbridge
barley	Jan-Mar 09	$5.02 del Calgary
wheat, feed 13% prt	June	$8.25 del Olds
wheat, feed 13% prt	Jun-July	$8.11 del Red Deer
wheat, feed	Sep-Nov	$6.75 del Red Deer
wheat, feed 12.5% prt	Sep-Oct	$7.43 del Red Deer
wheat, feed 12.5% prt	Nov-Dec	$7.57 del Red Deer
wheat, feed 12.5% prt	Jan-Mar 09	$7.84 del Red Deer
peas, yellow edible	June	$10.25 del Innisfail
peas, yellow edible	Aug-Oct	$9.85 del Innisfail
peas, green edible	Sep-Oct	$9.00 del Innisfail
peas, yellow edible	Nov-Jan 09	$10.00 del Innisfail
canola	July	$13.25 del Fort Sask
canola	July	$13.52 del Lloyd
canola	October	$13.52 del Lloyd
canola	January 09	$13.78 del Fort Sask
canola	January 09	$14.25 del Lloyd
canola	February 09	$14.12 del Fort Sask
rye,feed	June	$6.95 del Lethbridge
oats, feed	June	$2.76 del Sedgewick
oats, feed	June	$3.03 del Granum
oats feed	June	$3.34 del Coaldale
oats, feed	June	$2.76 del Thorhild
oats, #2 CW	October	$3.45 del Edmonton
oats, milling	November	$3.55 del Edmonton
oats, milling	November	$3.61 del Martensville
oats, milling	December	$3.64 del Martensville
oats, milling	January 09	$3.68 del Martensville
oats, milling	February 09	$3.70 del Martensville
oats, milling	March 09	$3.72 del Martensville

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!

By the Number

	This Week	Last Week	Diff
CME Live Cattle (JUN)	96.525	96.175	0.350
CME Live Hogs (JUN)	77.750	77.850	(0.100)
CDN Dollar (JUN)	1.005	1.011	(0.006)
Minneapolis Wheat (JUL)	7.61	7.51	0.100
Kansas City Wheat (JUL)	8.02	7.97	0.050
Chicago Oats (JUL)	3.82	3.85	(0.030)