Grainwise

At Market Master

by Shelley Wetmore

September 14, 2007……………………
Do the math for the CWB Fixed Prices for wheat to compare against off-board, feed wheat prices. The FPC is for the #1 reference grade. If wheat grades below that, deductions come off.

For example, for # 1 CPSR:

Friday's FPC is at $7.15/bu. Deduct the average Alberta deduction for wheat at $1.38 and that leaves you with $5.77/bu, delivered to the closest elevator. Review the Bid Board and you'll see prices for feed wheat ranging anywhere from $5.39/bu to $5.88/bu.

For CWRS, remember the reference grade is #1 CWRS with 13.5% protein. If your wheat is grading a #2 or #3, find out what your deductions might be against the reference grade, then compare the prices against what's available for off-board feed wheat.

Question: If more lower grade wheat comes off this weekend and ensuing days, will the feed wheat prices drop?

Watching Winnipeg

Your weekly closing WCE futures $/MT.

Canola	This Week	Last Week	Diff +/-
Nov 07	$437.00	$421.50	$15.50
Jan 08	$447.80	$432.10	$15.70
Mar 08	$455.80	$441.70	$14.10
May 08	$461.80	$446.10	$15.70
Jul 08	$466.00	$450.30	$15.70
Nov 08	$435.00	$431.40	$3.60
Wheat	**This Week**	**Last Week**	**Diff +/-**
Oct 07	$201.20	$195.00	$6.20
Dec 07	$212.00	$200.50	$11.50
Mar 08	$215.00	$205.50	$9.50
May 08	$218.00	$208.50	$9.50
Jul 08	$221.00	$211.50	$9.50
Barley	**This Week**	**Last Week**	**Diff +/-**
Oct 07	$180.00	$177.10	$2.90
Dec 07	$190.00	$187.00	$3.00
Mar 08	$197.00	$193.00	$4.00
May 08	$199.50	$195.50	$4.00
Jul 08	$202.00	$198.00	$4.00

Be Grainwise!

by Guest Columnist … Neil Blue, Marketing Specialist, Alberta Agriculture

US Grain

Although US wheat futures again rallied strongly, those prices fell back after setting record highs Wednesday. Was that the high or was it just a hesitation before resuming the rally? Another factor that continues to support US grain prices in general is the dropping value of the US dollar verses most other currencies.

Corn

Corn prices put in a week of choppy, sideways price action. Although the downside price gap on the charts from August 27 was filled, there was no follow-through to the upside. Much of the price activity in corn related to trade in wheat-corn spreads.

For several weeks, buying wheat and selling corn futures was very profitable. This week, some of those profits were cashed in, which supported corn futures and restricted wheat futures. When the smoke cleared Friday, DEC corn ended the week almost unchanged.

USDA increased their estimate of the 2007 US corn crop to a record-high 13.3 billion bushels. That's a lot of corn to harvest and the system could get congested.

Harvest pressures may lead to a challenge of the July price lows in corn futures but even more likely will result in weak US corn basis levels. **That may have implications for imports of US corn into Canada and, in turn, may curtail upside in Canadian feed barley prices—at least temporarily.**

Soy Complex

Soybean prices were the leader of the pack with NOV beans gaining almost 50 cents/bu from last Friday to close at a new contract high of $9.55/bu. Why?

On Monday and Tuesday, bean futures received spin-off support from the continued rally in wheat futures. The bullish surprise for beans came in Wednesday's monthly USDA report. **The USDA <u>reduced</u> their estimate of soybean yields from the August estimate.** Analysts had expected an increase to average soybean yields, based on rains received during the critical pod-filling time. To summarize the situation with soybeans (and this has implications for our canola prices), USDA currently forecasts US soybean carryover for the crop year just ended at 555 million bushels (stocks/use ratio of comfortable 17.9%). USDA estimates US soybean carryover for this 2007/08-crop year as falling to 215 million bushels (stocks/use ratio of only 7.3% - less than one month supply). Although far off in time, some private analysts are forecasting an even tighter soybean carryover in the 2008/2009 year.

OCT soymeal also set a new contract high to gain $11.30/t. Soyoil prices were supported by record high crude oil prices. OCT oil futures closed at 39.52 cents/lb, up 208 points.

Wheat

Nearby US wheat futures resumed their strong rally. Some rain fell in dry areas of Argentina but the Australian drought had only spotty relief. USDA report numbers did not disappoint the "wheat bulls" either. **Both US and world carryover estimates were tightened further for the current crop year.** US wheat exports ending September 6 were 2.13 million tonnes, the largest one-week total since June 1996.

Wheat prices initially rallied to new contract highs on the USDA report but, partially because of lifting of wheat-corn spreads, reversed to close lower Wednesday, in some cases limit down. **That kind of reversal price move often depicts the end of rally.** The determinant to that may be weather in Australia over the next couple of weeks. IF drought-breaking rains arrive, then

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wheat prices may have peaked. IF not, who knows where the top is?

A note of interest in reaction to declining European grain stocks—the European Commission is proposing a reduction in their mandatory set aside program (to be in the EU farm programs) from 10% to zero acres for this fall and next Spring. That's just one example of a reaction to high prices.

From last Friday, DEC CBOT wheat gained 2 cents to close at $8.46. DEC Kansas wheat gained 21 cents to close at $8.29. DEC Minneapolis hard red spring wheat was up 21 cents/bu to close at $7.95.

Canadian Grain

Canola

Canola futures prices again made new contract highs, keeping the sharp uptrend intact. NOV canola gained $15.50 to close at $437.00/MT.

StatsCan estimated old crop canola carryover at 1.82 million tonnes, higher than most analyst estimates. That level of carryover used to be considered burdensome but, today, with strong vegetable oil demand for both human and industrial use, it did not faze the canola market.

However, the canola market is due for a price correction and that could take canola prices down about $15 without damaging the uptrend on the charts. Also, with a $9.00/bu cash price for canola more common across the Prairies, farmers will become reluctant sellers at bids below that level.

Feedgrain

Cash barley bids remain strong, with Lethbridge cash bids around $195.00/MT. OCT barley gained $2.90 to close at $180, right on the contract high.

OCT Winnipeg wheat prices gained another $6.20 to close at $201.20/MT. Support came from strong US milling wheat prices and tightening supplies of feed wheat here. On that note, some deterioration in quality has been reported in many Alberta crops, particularly in the Peace country, where rains have repeatedly delayed harvest progress.

Friday's CWB fixed price bid for #1 13.5 CWRS wheat is $281.08/tonne. Using elevator delivered deductions of $52/MT, that works out to about $6.23/bushel. On the rapid rally in wheat futures, the CWB has increased risk protection factors used in their contract prices.

By the Number

	This Week	Last Week	Diff
CME Live Cattle (OCT)	92.250	96.100	(3.850)
CME Live Hogs (OCT)	65.550	66.300	(0.750)
CDN Dollar (SEP)	0.971	0.948	0.023
Minneapolis Wheat (SEP)	8.38	8.40	(0.020)
Kansas City Wheat (SEP)	8.07	8.10	(0.030)
Chicago Oats (SEP)	2.56	2.53	0.030

Bid Board

Buyers looking for grain (net prices).

Grain	When	Location
barley	Sep-Oct	$3.72 del Penhold
barley	October	$3.67 del Ponoka
barley	Nov-Dec	$4.17 del Lethbridge
barley	January 08	$4.33 del Lethbridge
barley	Feb-Mar 08	$4.35 del Lethbridge
wheat, feed	Sep-Oct	$5.39 del Red Deer
wheat, feed	Sep-Dec	$5.39 del Lloydminster
wheat, 12.5% prt	Sep-Dec	$5.67 del Red Deer
wheat, feed	Nov-Dec	$5.80 del Lethbridge
wheat, feed	Jan-Mar 08	$5.88 del Lethbridge
peas, feed	October	$5.39 del Edmonton
peas, yellow	October	$6.95 del Innisfail
peas, yellow	October	$6.50 del Wainwright
rye, feed	October	$3.95 del Three Hills
rye, milling	October	$4.07 FOB Vulcan
oats, milling (old)	September	$2.70 del Barrhead
oats, milling (new)	October	$2.50 del Barrhead
oats, milling	December	$2.54 del Martensville
oats, milling	January 08	$2.64 del Martensville
oats, milling	February 08	$2.68 del Martensville
oats, milling	March 08	$2.73 del Martensville
canola	Oct-Nov	$10.36 del Vancouver
canola	October	$9.63 del Edmonton
canola	November	$9.68 del Edmonton
canola	May-Jun 08	$10.07 del Fort Sask
canola	Oct-Nov 08	$9.25 del Fort Sask
flax	December	$10.11 del Edmonton

At The Bin

Prices booked this week (net to the producer).

Grain	Price	When	Producer
barley, 48 lb	$3.80 FOB	September	Mossleigh
barley, 48 lb	$3.50 FOB	October	Vimy
barley, 48 lb	$3.41 FOB	September	Wainwright
barley, 48 lb	$3.50 FOB	September	New Norway
barley, 48 lb	$3.50 FOB	September	Millet
barley, 50 lb	$3.50 FOB	September	New Norway
barley, 50 lb	$3.50 FOB	September	Ferintosh
barley, 52 lb	$3.50 FOB	September	Heisler
wheat, prt	$5.01 FOB	September	Killam
wheat, feed	$4.17 FOB	September	Wainwright
wheat, prt	$5.10 FOB	September	Vermilion
peas, yellow	$6.95 FOB	September	Innisfail
peas, yellow	$6.95 del Innisfail	September	Vermilion
peas, yellow	$6.60 FOB	Octover	Camrose
canola	$9.40 del Edmonton	October	Mayerthorpe