

At Market Master

by Shelley Wetmore

August 29, 2008.....

A grain producer I like and respect from the St. Albert area received a HUGE compliment this week from a pea buyer, "These are the **cleanest peas** I've EVER bought, straight from the bin!" This fellow's beautiful #2 Nitouche peas were picked up with only 0.3% dockage and 0.5% splits and cracks. Congratulations!

Feed barley prices have dropped one dollar per bushel since one month ago. Sellers who haven't been paying attention to the marketing side of their business are getting quite a shock as they try to empty out bins. Bids into Lethbridge today are in the \$4.65/bu range. Bids in central Alberta are in the \$4.50 range.

#2 CW yellow peas have dropped quickly, almost \$1.50/bu since mid-July, and even further from the highs over \$10.00. Some current bids put the price under \$8.00/bu mark, throughout the province. Will they recover?

The grain to watch is **feed wheat**. PROs for quality wheat have increased but lesser grains are anticipated to be subject to yet even further drops—especially when prospective stocks of global feed wheat are thought to be huge this year. Shop, compare, lock-in!

Watching ICE

Your weekly closing ICE futures \$/MT.

Canola	This Week	Last Week	Diff +/-
Nov 08	\$546.10	\$554.70	↓ (\$8.60)
Jan 09	\$557.40	\$566.20	↓ (\$8.80)
Mar 09	\$568.40	\$576.50	↓ (\$8.10)
May 09	\$579.10	\$585.90	↓ (\$6.80)
Jul 09	\$589.60	\$594.40	↓ (\$4.80)
Nov 09	\$603.80	\$601.90	↑ \$1.90
Barley	This Week	Last Week	Diff +/-
Oct 08	\$223.90	\$231.00	↓ (\$7.10)
Dec 08	\$232.30	\$238.50	↓ (\$6.20)
Mar 09	\$238.90	\$244.00	↓ (\$5.10)
May 09	\$244.00	\$249.10	↓ (\$5.10)
Jul 09	\$244.00	\$249.10	↓ (\$5.10)
Oct 10	\$244.00	\$249.10	↓ (\$5.10)

Be Grainwise!

By Guest Columnist ... Neil Blue, Marketing Specialist, Alberta Agriculture, (780) 853-8239

US Grain

Corn

Futures opened strong, making a new high for the price rebound which began after the Aug 12 USDA S/D report but after trading briefly higher than the July 30 high, futures turned lower. Monday's high at \$6.29 DEC held for the week and becomes important technical resistance.

Fundamentally, corn was supported by dryness concerns in the US corn belt and potential for damaging frost next month. As the week progressed, moderate rains fell in much of the western corn belt. That rain and month-end position-evening by speculators, restrained futures into the weekend. Other negatives were the stability in the US dollar after recent gains and a downturn in US corn exports.

Going forward, the September 12 USDA crop production estimates will help determine the direction of corn and bean prices into harvest. DEC corn lost 21 cents to close at \$5.85/bu.

Soybeans

Following sharp gains of the previous week, soybean futures opened strongly. Wednesday, beans reached a recent high, filling a downside gap left on the charts left August 4.

Rains this week relieved dryness in the western states of Minnesota, Nebraska, Wisconsin, Iowa, and Missouri, but the eastern states of Illinois, Indiana, Ohio are still in need. The rain that did arrive in western areas will stabilize yield potential there but debate continues about which side of 40 bpa the average bean yield will be. The later than average US soybean crop leaves it vulnerable to dryness and frost for a few weeks yet. NOV beans closed at \$13.24/bu, down 3 cents.

Meal prices had the same pattern as beans, with the DEC closing at \$358/t, down just \$2.00. Soyoil traded sideways to lower and was supported by crude oil's rally on hurricane concerns but was restrained by weakness in world veg oil prices. DEC soyoil futures closed at 54.2 cents/lb, down 73/100ths of a cent.

Wheat

Wheat futures moved lower. Rains in the southern US, Argentina, and Australia, along with chart-based selling,

were all negative to prices. The rebound to record world wheat production remains on track. Good moisture in the southern US will ensure a good start for new crop winter wheat. US spring wheat is over half harvested and the Canadian wheat harvest underway.

DEC Chicago futures lost 89 cents to close at \$8.01, DEC Kansas City wheat lost 84 cents to \$8.39, and Minneapolis wheat lost 79 cents to \$8.73/bushel. Prices appear likely to test the early-August lows, about 30 cents below Friday's close. However, a drop below that level may require corn prices to drop further (ie, the wheat-corn price relation to stay within reason).

Canadian Crops

Canola

Despite a temporary move higher in overnight trade Sunday, futures traded sideways/lower. A factor in last Friday's StatsCan production report that received more "press" this week was the 777,000 MT upward adjustment in last year's Canadian canola crop. The record 2008 Canadian canola harvest is underway and that restrained price rallies. Supportive to canola were forecasts for frost this weekend and weakness in our dollar. NOV futures lost \$8.60/MT to close at \$546.10/MT.

Feedgrains

Barley futures prices moved lower. The approaching harvest of a larger barley crop than expected, along with a weak tone to US corn prices, were price negative. OCT futures lost \$7.10/MT to close at \$223.90.

US oat prices continued to be pushed lower on harvest progress in the US and an abundant Canadian oat crop coming.



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At The Bin

Prices booked this week (net to the producer).

Grain	Price	When	Producer
Barley, 48 lb	\$4.51 del Lacombe	Aug-Sep	Kingman
Barley, 48 lb	\$4.16 FOB	Aug-Sep	Clyde
Barley, 48 lb	\$4.51 del Brooks	Aug-Sep	Hanna
Barley, 48 lb	\$4.01 FOB	Aug-Sep	Stony Plain
Barley, 48 lb	\$4.38 FOB	Aug-Sep	Lacombe
Barley, 48 lb	\$4.38 FOB	Sep	Bentley
Barley, 48 lb	\$4.25 FOB	Jan 09	Vermilion
Barley, 48 lb	\$4.50 FOB	Sep	Mossleigh
Barley, 48 lb	\$4.21 FOB	Aug-Sep	Hanna
Barley, 48 lb	\$4.73 FOB	Oct	Ryley
Barley, 50 lb	\$4.51 del Lacombe	Aug	Barrhead
Barley, 50 lb	\$4.51 FOB	Sep	Millet
Barley, 50 lb	\$4.56 del Red Deer	Aug-Sep	Nisku
Barley, 52 lb	\$4.16 FOB	Aug-Sep	Clyde
Barley, 52 lb	\$3.75 FOB	Sep	Boyle
Canola	\$11.23 FOB	Sep	Wainwright
Canola, heated	\$7.99 del Edmonton	Sep	Viking
Wheat, feed	\$6.36 FOB	Sep	Camrose
Wheat, feed	\$6.34 FOB	Sep	Castor
Wheat, feed	\$6.15 FOB	Sep	Innisfree
Wheat, feed	\$6.40 FOB	Sep	Ferintosh
Wheat, 13% prt	\$7.56 FOB	Aug-Sep	Castor
Wheat, 14% prt	\$6.92 FOB	Aug-Sep	New Norway
Oats, milling	\$3.32 FOB	Feb 09	Spirit River
Oats, milling	\$3.64 Edmonton	Feb 09	Ryley
Peas, green	\$8.86 FOB	Sep	Lavoy
Peas, green	\$8.85 FOB	Aug-Sep	St. Albert
Peas, yellow	\$8.39 del Innisfail	Sep	Innisfail
Peas, yellow	\$8.39 del Innisfail	Sep	Ryley
Peas, yellow	\$7.57 FOB	Aug-Sep	Nampa
Peas, yellow	\$8.39 del Innisfail	Sep	Innisfail
Peas, yellow	\$7.82 del Innisfail	Sep	Innisfree
Peas, yellow	\$7.81 FOB	Aug-Sep	Galahad
Peas, yellow	\$8.40 FOB	Aug-Sep	Vermilion
Peas, yellow	\$8.24 del Innisfail	Sep-Oct	Innisfail
Peas, feed	\$6.74 del Olds	Sep	Monitor
Rye, feed	\$2.94 FOB	Aug-Sep	Grimshaw
Triticale, feed	\$4.00 FOB	Aug-Sep	Lacombe

Bid Board

Buyers looking for grain (net prices).

Grain	When	Location
Barley	September	\$4.69 del Diamond City
Barley	October	\$4.45 del Brooks
Barley	Oct-Dec	\$4.73 del Lethbridge
Barley	Nov-Dec	\$4.56 del Brooks
Barley	Jan-Mar	\$4.66 del Brooks
Barley	Jan-Mar	\$4.84 del Lethbridge
Barley	Jan-Mar	\$4.29 del Calgary
Wheat, 12.5% prt	Sep-Oct	\$7.29 del Red Deer
Wheat, feed	Sep-Dec	\$6.74 del Red Deer
Wheat, 12.5% prt	Nov-Dec	\$7.42 del Red Deer
Wheat, 12.5% prt	Jan-Mar	\$7.70 del Red Deer
Peas, green	Sep-Oct	\$9.36 del Innisfail
Peas, yellow	Sep-Oct	\$8.14 del Innisfail
Peas, yellow	Nov-Dec	\$8.29 del Innisfail
Rye, feed	September	\$4.51 del Red Deer
Rye, milling	September	\$6.29 del Lethbridge
Canola	September	\$11.65 del Lloydminster
Canola	Sep-Oct	\$12.33 del Vancouver
Canola	Sep-Oct	\$1.55 del Edmonton
Canola	October	\$11.30 del Lloydminster
Canola	November	\$11.74 del Joffre
Canola	December	\$11.45 del Fort Sask
Canola	December	\$11.67 del Lloydminster
Canola	January	\$11.79 del Lloydminster
Canola	March	\$12.23 del Fort Sask
Oats, feed	Sep-Oct	\$2.95 del Fort Macleod
Oats, milling	November	\$2.77 del Martensville
Oats, milling	January	\$3.12 del Martensville
Oats, #2 CW	January	\$3.41 del Edmonton
Oats, milling	Jan-Mar	\$2.82 del Dawson Creek
Oats, #2 CW	February	\$3.44 del Edmonton
Oats, milling	March	\$3.16 del Martensville
Oats, #2 CW	March	\$3.49 del Edmonton
Oats, #2CW	April	\$3.54 del Edmonton
Oats, milling	July	\$3.30 del Martensville

By The Number

	This Week	Last Week	Diff +/-
CME Live Cattle (OCT)	\$104.05	\$105.77	↓ (\$1.72)
CME Live Hogs (OCT)	\$68.43	\$73.75	↓ (\$5.33)
CDN Dollar (SEP)	\$0.94	\$0.96	↓ (\$0.02)
Minneapolis Wheat (SEP)	\$7.79	\$8.65	↓ (\$0.86)
Kansas City Wheat (SEP)	\$8.18	\$9.00	↓ (\$0.82)
Chicago Oats (SEP)	\$3.45	\$3.65	↓ (\$0.20)
Diesel (spot, Edmonton)	\$1.15	\$1.15	→ \$0.00
Crude/Oil (OCT)	\$116.05	\$114.60	↑ \$1.45

Alberta Agriculture
presents

FutureSim

December 8 through 11, 2008, Leduc
\$200 per person, limited to 20 people

You've all had the privilege of reading Neil Blue's marketing comments in Grainwise. Now, you can attend FutureSim this December, taught by Neil. I attended FutureSim myself about 10 years ago and found it an invaluable marketing course. FutureSim is an interactive marketing course to instruct you in the basics of futures, options, basis, and cash grain marketing. To register:

Neil Blue (780) 853-8239, neil.blue@gov.ab.ca

CWB August 2008-09 Average PRO

	AUG PRO	Alberta		Sask		BC	
		Average Deduc	Return	Average Deduc	Return	Average Deduc	Return
Wheat							
1 CWRS 14.5	\$10.07	\$1.43	\$8.64	\$1.65	\$8.42	\$1.34	\$8.73
1 CWRS 13.5	\$9.74	\$1.43	\$8.31	\$1.65	\$8.09	\$1.34	\$8.40
1 CWRS 12.5	\$9.53	\$1.43	\$8.10	\$1.65	\$7.88	\$1.34	\$8.19
1 CWRS 11.5	\$9.33	\$1.43	\$7.90	\$1.65	\$7.68	\$1.34	\$7.99
2 CWRS 13.5	\$9.58	\$1.43	\$8.15	\$1.65	\$7.93	\$1.34	\$8.24
2 CWRS 11.5	\$9.17	\$1.43	\$7.74	\$1.65	\$7.52	\$1.34	\$7.83
3 CWRS 13.0	\$9.12	\$1.43	\$7.69	\$1.65	\$7.47	\$1.34	\$7.78
3 CWRS	\$8.82	\$1.43	\$7.39	\$1.65	\$7.17	\$1.34	\$7.48
4 CWRS	\$8.52	\$1.43	\$7.09	\$1.65	\$6.87	\$1.34	\$7.18
1 CWHW 13.5	\$9.74	\$1.43	\$8.31	\$1.65	\$8.09	\$1.34	\$8.40
1 CPSR	\$8.79	\$1.43	\$7.36	\$1.65	\$7.14	\$1.34	\$7.45
1 CPSW	\$8.79	\$1.43	\$7.36	\$1.65	\$7.14	\$1.34	\$7.45
1 CWRW Select 11.5	\$8.98	\$1.43	\$7.55	\$1.65	\$7.33	\$1.34	\$7.64
1 CWRW	\$8.65	\$1.43	\$7.22	\$1.65	\$7.00	\$1.34	\$7.31
1 CWES	\$8.93	\$1.43	\$7.50	\$1.65	\$7.28	\$1.34	\$7.59
1 CWSWS	\$8.57	\$1.43	\$7.14	\$1.65	\$6.92	\$1.34	\$7.23
CW Feed	\$7.81	\$1.43	\$6.38	\$1.65	\$6.16	\$1.34	\$6.47
Durum							
1 CWAD 14.5	\$10.94	\$1.47	\$9.47	\$1.57	\$9.37	\$1.35	\$9.59
1 CWAD 13.0	\$1.78	\$1.47	\$0.31	\$1.57	\$0.21	\$1.35	\$0.43
1 CWAD 12.5	\$10.75	\$1.47	\$9.28	\$1.57	\$9.18	\$1.35	\$9.40
1 CWAD 11.5	\$10.67	\$1.47	\$9.20	\$1.57	\$9.10	\$1.35	\$9.32
2 CWAD 13.0	\$10.53	\$1.47	\$9.06	\$1.57	\$8.96	\$1.35	\$9.18
2 CWAD 11.5	\$10.40	\$1.47	\$8.93	\$1.57	\$8.83	\$1.35	\$9.05
3 CWAD 13.0	\$10.04	\$1.47	\$8.57	\$1.57	\$8.47	\$1.35	\$8.69
3 CWAD	\$9.85	\$1.47	\$8.38	\$1.57	\$8.28	\$1.35	\$8.50
4 CWAD	\$9.20	\$1.47	\$7.73	\$1.57	\$7.63	\$1.35	\$7.85
5 CWAD	\$6.42	\$1.47	\$4.95	\$1.57	\$4.85	\$1.35	\$5.07
Feed Barley							
1 CW Pool A	\$5.29	\$1.23	\$4.06	\$1.49	\$1.49	\$1.16	\$4.13
Designated Barley							
SS CW 2-row	\$7.58	\$1.26	\$6.32	\$1.45	\$6.13	\$1.22	\$6.36
SS CW 6-row	\$7.14	\$1.26	\$5.88	\$1.45	\$5.69	\$1.22	\$5.92

PRO Commentary 2008-09 Crop Year

Wheat

The wheat price outlook has improved. A weakening Canadian dollar has been positive but exchange-rate volatility will be a risk. Record world wheat production continues to be a negative factor but quality concerns in Europe/Black Sea has provided support and international wheat prices are stabilizing. US wheat exports, especially for HRW, remain strong. Winter wheat crops in the Southern Hemisphere are entering the critical growth stage and lingering drought conditions in Australia/Argentina have supported prices. Spring wheat values have been pressured by harvest in Canada/US, while winter wheat prices have stabilized as harvest nears completion. StatsCan reports western Canadian production will increase 18% over last year's levels.

Durum

World durum prices have been pressured by a large EU durum crop, outstripping earlier production projections. A weaker Canadian dollar has partially offset the impact of the reduced price outlook. The relative strength of our dollar will continue to be an important factor. Production is forecast by StatsCan at 4.9 million tonnes, up 33% from last year. The ongoing US harvest is pressuring durum values in North America even though US production prospects have declined.

Feed barley

Feed barley prices remain under pressure from harvest in the Northern Plains and winter barley harvest in Europe/Black Sea. Dryness in Australia is providing support as prospects decline. Prices are also supported by a weaker Canadian dollar. Canadian production is expected close to last year's levels.

Designated barley

International prices have stabilized in part to quality concerns in the northern EU crop. Declining conditions in Australia, the eastern half, supported malting prices as did our weaker dollar. Late season dryness in North Dakota has stressed barley crops and increased concerns about selection rates for US six-row malt.

Calculating the PRO Basis

Three components are used to calculate the PRO basis: the monthly CWB PRO, the CWB's forecasted futures, and a discount for the time value of money, risk and administration cost:

$$\text{PRO basis} = (\text{CWB PRO} - \text{CWB forecasted futures}) - \text{discount}$$

PRO

Forecast of cash returns from all markets over the crop year.

Forecasted futures

The anticipated average futures value for the entire 18-month sales period.

Discount

The discount is the cost to the producer to sign a BPC and is comprised of three parts:

1. Time value of money – Represents the cost in lost interest of financing earlier payments to producers. However, producers recover this discount on a pro-rated basis according to the actual month of delivery.

2. Risk – This discount is taken to offset the risk the CWB is assuming by offering a basis that may not reflect the actual average sales basis at the end of the crop year. Trading risk is

also included in the discount to

protect against futures market volatility. Where the market changes increase or reduce the basis value, or the risk associated with a specific basis level in the periods between PROs, basis levels will be adjusted to reflect the changes.

3. Administration – Covers the costs of administering the program, including margin needs.

The PRO basis is then weighted against the relevant futures contracts to establish the basis offered to producers. The basis is quoted based on in-store St. Lawrence or Vancouver values.

The CWB offers a flat price structure across all futures months, which means that the basis value offered against the March, May and July futures months reflects the difference in value between these months and the December futures. As a result, the futures price added to the related basis will be equal regardless of whether the futures contract is for nearby or deferred delivery.

The basis is calculated on the monthly PRO release date. Historically, these values have remained relatively stable between PROs. In recent years, the markets have become more volatile between PRO releases. Currently, as market factors change, basis values will be adjusted to reflect the additional risk to the CWB of executing a balanced hedge for the program.

Source: Canadian Wheat Board