

At Market Master

by Shelley Wetmore

October 3, 2008.....

“Should have, could have, didn’t.” This week has been a shock to the system with cash grain prices plummeting from earlier, higher levels. Since the beginning of the crop year, August 1st, here’s what we’ve seen:

- ◆ Barley, down \$1.00/bu
- ◆ Yellow peas, down \$2.50/bu
- ◆ Milling oats, down \$0.75/bu
- ◆ Feed wheat, down \$1.50/bu
- ◆ Canola, down \$3.50/bu

What does the future hold? Buyers are purchasing grain hand-to-mouth in anticipation of still declining markets. Producers are selling grain for two reasons: lack of bin space and/or to pay bills, usual for this time of year.

Thus, from the buyer’s perspective, there’s not a whole of forward bids available, except perhaps with canola where futures contracts can be more easily hedged.

What’s a grain producer to think or do? Execution of a detailed cost of production is NECESSARY, especially when inputs have not yet experienced a corresponding decrease. Grain producers are now dealing with lower and lower commodity prices and high inputs—a grave situation. You MUST know, especially during these uncertain times, when an opportunity to sell grain in the future arises, if it will be at a profit or loss ...

Watching ICE

Your weekly closing ICE futures \$/MT.

Canola	This Week	Last Week	Diff +/-
Nov 08	\$430.00	\$474.10	↓ (\$44.10)
Jan 09	\$439.70	\$484.70	↓ (\$45.00)
Mar 09	\$449.60	\$494.90	↓ (\$45.30)
May 09	\$459.10	\$504.90	↓ (\$45.80)
Jul 09	\$467.90	\$513.70	↓ (\$45.80)
Nov 09	\$482.00	\$525.80	↓ (\$43.80)
Barley	This Week	Last Week	Diff +/-
Dec 08	\$185.30	\$197.00	↓ (\$11.70)
Mar 09	\$195.20	\$203.00	↓ (\$7.80)
May 09	\$200.70	\$207.50	↓ (\$6.80)
Jul 09	\$200.70	\$207.50	↓ (\$6.80)
Oct 10	\$200.70	\$207.50	↓ (\$6.80)

Be Grainwise!

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

Because of the tremendous influence to grain and oilseed futures from outside markets, I’ve decided to alter our usual format again this week in favour of a more in depth view of the financial uncertainty gripping commodity markets around the world.

US Grain

CBOT prices were under pressure once again as illustrated by this quick rundown. DEC corn slammed 89 cents lower to \$4.54/bu. NOV beans dropped \$1.72 to \$9.92/bu (slipping below the psychological \$10 mark). DEC meal gave up \$50.90 to \$269.80 while oil tumbled 5.43 cents to 42.50 cents/lb. DEC CBOT

wheat closed 75¾ cents lower to \$6.40¼/bu while KCBT wheat dropped 75¼ cents to \$6.70½/bu. MGE wheat fell 87 cents to \$7.02¾/bu.

Canadian Grain

NOV canola dropped \$44.10/MT or \$1.00/bu to \$430.00. Our lower Canadian dollar supported futures—hate to see what would have happened without all that “support”.

DEC barley slammed \$11.70 lower to \$185.30/MT. The feed wheat futures contract is not functional so any quote would be totally meaningless. Edible pea bids continue to decline in sympathy with other markets.

Strategies

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

It doesn’t seem that long ago when grain prices were trading at all time highs and the expectation was that prices could only go higher. In early July, canola was trading close to \$700.00/MT but that euphoria has since been replaced by one of doom and gloom amid unheard of price declines that now sees canola trading at \$430. That’s a drop of \$270 or \$6.12/bu—quite a hit!

What happened and where do we go from here?

The US Financial Melt Down

Since those heady days of early summer, we’ve experienced a financial meltdown in the largest economy in the world due (at least in part) to the subprime crisis.

Credit literally dried up as the scope of the problem became apparent. Even the bluest of the blue chip financial institutions began to crack and in some cases literally folded. Confidence is at an all time low. The flow of money between these investment banks dried up. No one was sure just what the “other guys” balance sheet looked like as far as bad debt was concerned and because of that uncertainty were unwilling to lend money. And the problem wasn’t confined to the US.

In today’s global economy, banks all over the world had taken on bad debt

through the purchase of various forms of investment vehicles. The British government, along with some of their EU counterparts, had to step in with billions of dollars to prop up these institutions to shore up investor confidence. This of course, brings us to the much publicized US \$700 billion dollar rescue plan, designed to purchase some of the worst debt from these American institutions and allow them to return to some semblance of normal operation.

As you well know, the initial version of this bill went down to a rather ignominious defeat at the hands of congress. Market reaction was swift with both the DOW and the TSE suffering huge losses. A second attempt was made and that package was passed and signed into law Friday afternoon. The market



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reaction? Ho-hum. It's anyone's guess where the markets will go from here but it's almost a certainty that volatility will become the catch word in the weeks and months ahead.

US Grain Fundamentals

However, market instability is not the only problem plaguing world grain prices. A record world wheat crop has quickly replenished depleted supplies and we've now gone from a world where entire news casts were devoted to the food-versus-fuel debate amid the spectre of millions of people starving (if immediate action was not taken) to one of surplus. Exceptional weather in the US has many analysts predicting huge corn and bean crops as well. Although early bean results have been disappointing, the overall bearish sentiment of the market remains.

Canadian Grain Fundamentals

In Canada, StatsCan released its initial crop yield estimates. Total canola production came in slightly below expectations at 10.87 mmt. However, most traders feel the final number will come in somewhere between 11 mmt and 12 mmt. The "all wheat" figure came in at a very strong 27.266 mmt. While we're a relatively small player on the world scene as far as production goes, it simply reinforces the idea that wheat stocks are more than ample.

Related Fundamentals

The slide in grain prices has been noticed in the stock market as well. Agricultural chemical and fertilizer firms have been under pressure lately as traders reassess the demand for their products as grains and oilseed prices decline. Potash Corp of Saskatchewan saw its largest one day decline this week, losing 26% of its share value in one day. Large international chemical firms like Syngenta also saw large losses this week.

What Now?

The million dollar question is: Where do we go from here? In the short term, probably sideways to lower. Bull markets usually end with a sharp blow-off to the upside followed by a steep decline. However, bear markets usually take months (or longer) to turn around. Investors have to regain confidence and, after the bruising many of them have taken of late, that might take a while.

However, harvest pressure in the US will start to subside later this fall and in a few months the markets will be looking to production prospects in South America. Should problems arise, it could be the spark needed to inject life back into these markets. If there's any consolation to grain producers during these times of steep price declines it's this. When everyone simply "knows" the market has to go higher, it's time to start selling (we witnessed that again this summer). But, when everyone "knows" the market has to go lower ...

Got High Protein Wheat?

We're looking for feed wheat with protein of 15% or higher. Call the office for details.

Bid Board

Buyers looking for grain (net prices).

Grain	When	Location
Barley	October	\$3.75 del Brooks
Barley	October	\$3.86 del Lethbridge
Barley	October	\$3.60 del Coronation
Barley	October	\$3.86 del Lethbridge
Barley	Oct-Nov	\$3.19 del Vegreville
Barley	Jan-Mar	\$3.68 del Czar
Barley	Jan-Mar	\$3.86 del Calgary
Barley	Jan-Mar	\$3.86 del Brooks
Barley	Jan-Mar	\$3.97 del Lethbridge
Wheat, feed	October	\$5.25 del Edberg
Wheat, feed	October	\$5.25 del Lacombe
Wheat, 12.5% prt	Dec-Jan	\$5.66 del Red Deer
Wheat, feed	Dec-Jan	\$4.84 del Red Deer
Peas, green	Oct-Nov	\$9.30 del Innisfail
Peas, green	Oct-Nov	\$9.00 del Three Hills
Peas, green	Oct-Nov	\$9.00 del Wembley
Peas, yellow	November	\$6.50 del Innisfail
Rye, feed	October	\$5.83 del Calgary
Rye, milling	November	\$6.04 del Calgary
Canola	October	\$8.90 del Lloydminster
Canola	December	\$9.12 del Lloydminster
Canola	Jan 09	\$9.07 del Fort Sask
Canola	Jan 09	\$9.23 del Lloydminster
Canola	Mar 09	\$9.51 del Fort Sask
Canola	Mar 09	\$9.46 del Lloydminster
Canola	Nov 09	\$9.69 del Fort Sask
Oats, feed	October	\$2.48 de Lethbridge
Oats, #2 CW	Oct-Nov	\$2.75 del Lethbridge
Oats, milling	November	\$2.43 del Martensville
Oats, milling	Jan 09	\$2.79 del Martensville
Oats, milling	Mar 09	\$2.88 del Martensville
Oats, milling	Apr 09	\$2.75 del Barrhead
Oats, #2CW	May 09	\$2.94 del Edmonton
Oats, milling	Jul 09	\$3.05 del Martensville
Oats, milling	Jul 09	\$2.87 del Barrhead

By The Number

	This Week	Last Week	Diff +/-
CME Live Cattle (DEC)	\$97.85	\$100.90	↓ (\$3.05)
CME Live Hogs (DEC)	\$60.88	\$69.60	↓ (\$8.72)
CDN Dollar (DEC)	\$0.93	\$0.97	↓ (\$0.04)
Minneapolis Wheat (DEC)	\$6.39	\$7.16	↓ (\$0.77)
Kansas City Wheat (DEC)	\$6.70	\$7.45	↓ (\$0.75)
Chicago Oats (DEC)	\$3.14	\$3.31	↓ (\$0.17)
Diesel (spot, Edmonton)	\$1.15	\$1.13	↑ \$0.02
Crude/Oil (NOV)	\$95.50	\$106.10	↓ (\$10.60)

At The Bin

Prices booked this week (net to the producer).

Grain	Price	When	Producer
Barley, 48 lb	\$3.71 del Lethbridge	Nov-Dec	Bon Accord
Barley, 48 lb	\$3.30 FOB	Oct	Wainwright
Barley, 48 lb	\$3.20 FOB	Oct	Edmonton
Barley, 50 lb	\$3.51 FOB	Oct	Stony Plain
Barley, 52 lb	\$3.76 FOB	Nov-Dec	Lavoy
Barley, 52 lb	\$4.10 FOB	Nov-Dec	Mossleigh
Barley, 53 lb	\$3.36 FOB	Oct	Clive
Barley, 53 lb	\$3.60 del Coronation	Oct	Meeting Creek
Barley, 56 lb	\$3.75 del Coronation	Oct	Stettler
Oats, feed	\$2.30 FOB	Oct	Athabasca
Peas, feed	\$6.74 del Blackfalds	Oct	Innisfail
Peas, feed	\$6.23 FOB	Oct	Strathmore
Peas, green	\$8.90 FOB	Oct	Leduc
Rye, feed	\$5.83 del Calgary	Oct	Mayerthorpe
Wheat, feed	\$5.55 FOB	Dec-Jan	Pickardville
Wheat, feed	\$4.92 FOB	Oct	Calmar
Wheat, feed	\$5.25 del Lacombe	Oct	Westlock
Wheat, 12.5% prt	\$6.40 FOB	Dec-Jan	New Norway
Wheat, 12.5% prt	\$5.41 FOB	Dec-Jan	Athabasca
Wheat, 12.5% prt	\$5.63 FOB	Dec-Jan	Bon Accord
Wheat, 13% prt	\$5.87 FOB	Dec	Torrington
Wheat, 15% prt	\$5.98 FOB	Dec-Jan	Airdrie
Wheat, 16% prt	\$6.47 FOB	Dec	Bawlf
Wheat, 14% prt	\$5.89 FOB	Dec-Jan	Carstairs

Phosphate

Prices are in Canadian funds and available for pick-up in the Lethbridge area. Terms are 15 days, upon approval.

11-52-0.....\$1,320/MT
 11-52-0 with Avail.....\$1,405/MT

Are YOU an Outstanding Young Famer?

Nominations are now open for the 2009 Canada's Outstanding Young Farmers Program in the Alberta/North West Territories region. The OYF program highlights farmers who exemplify excellence and demonstrate leadership in the agricultural industry. Nominees must derive at least two-thirds of their gross income from farming and be under the age of 40 as of January 1, 2009. Individuals, couples, and managing partners or shareholders of a farm group are all eligible for nomination. For further information or to nominate an outstanding young farmer, visit the website at:

www.oyfalberta.com

Crop Storage Alternatives

From Alberta Agriculture

Some Alberta producers are having a good harvest with better than average yields and that brings up the challenge of storage for this year's bounty. One solution is more grain bins but cost and availability can make this option painful on the pocketbook. Other alternatives can provide temporary grain storage at reasonable prices but note the term temporary.

"The cheapest and easiest grain storage is to simply pile it on the ground," says Harry Brook, crop specialist, AAFRD, Stettler. "It is very important to situate the pile on an elevated, relatively smooth piece of dry land otherwise grain could end up sitting in a hollow, collecting water. Be sure to prepare the area by mowing it to reduce the foreign material that could get into the grain. Uncovered grain piles are open to the weather and it doesn't take much rain or snow to ruin the grain. However, it is cheap and works in the short term for dry grain."

Using plywood and posts or round bales for sides increases the volume of grain that can be stored in an area while reducing the grain exposed to the soil surface. Covering the pile with a tarp protects it from rain or snow but should only be used for a short time. Even newly harvested grain will go through a sweat. Sweating can result in localized pockets of damp grain which can attract grain insects. The hotter the grain at harvest, the more important it be cooled prior to being covered. Keeping grain in a pile until spring can result in grain losses from leaks or contact with the soil. It's a bad idea to spread a tarp on the ground, under the grain, as it will trap moisture and lead to moldy grain.

"Another storage alternative is using large, plastic grain tubes," says Brook. "They are a popular method of temporary grain storage in South America and Australia. This method can store grain in good condition for longer periods than ground storage but it is important to make sure that the tube is on level, drained land that is free of sharp objects that could pierce the plastic. Tube costs have to be factored in, as well as the rental costs for the specialized machine used for filling.

"Tubes can hold up to 300 tonnes of wheat and 250 tonnes of barley, both about 11,000 bushels. It is important the tubes be inspected regularly to tape over any holes made by birds or other wildlife. When putting the grain in the tubes it must be dry and the grain should be monitored regularly to make sure it stays in condition."

Another storage alternative is to use grain rings. Rings can be anywhere from 16 inches to 4 feet or higher, can be covered, and will protect the grain for the short to medium term. They cost more than ground storage using bales or plywood for the walls and are reusable. A longer term solution is to rent unused bin space from neighbours. Get the rental agreement in writing with conditions detailed so both parties are clear on the duration of the agreement and what's being stored.

"There are lots of choices for temporary storage," says Brook. "You have to decide which system best suits your needs. Piling it and forgetting it for three months is a recipe for disaster. Regardless of the storage type, it is crucial that all stored grain be monitored to prevent losses in quality and value."

You can contact Harry Brook at 310-FARM.