

At Market Master

By Shelley Wetmore

March 6, 2009.....

As I related to many producers this week, I haven't seen canola basis levels this narrow in over ten years. Why is this happening? The prominent reason is China wants canola now. As a rule, they don't deal with basis levels and don't tend to forward price, thus, the only way to encourage producers to deliver canola now (when the futures themselves are depressed) is to narrow the basis. Typically, we get excited when the basis is even close to zero. This week, we saw basis levels as narrow as 17 OVER the futures. As you can tell by reviewing the Bid Board, this did encourage producer selling in the spot market. Take note, when the requirements are filled, expect basis levels to widen again.

Plus, look at your fall opportunities. There are good basis levels available for that time frame as well. If you look at the November delivery period, for example, and compare basis levels between various buyers close to your farm, you can discover differences up to almost 50 cents per bushel. That equates to almost \$900 per SuperB. Don't forget, typically, the closer we arrive to harvest, the wider basis levels tend to get. If you're not pleased with the cash price that translates to right now, you can always just lock-in the basis portion and pray the futures increase later.

Watching ICE

Your weekly closing ICE futures \$/MT

| Canola | This Week | Last Week | Diff +/- |
|--------|-----------|-----------|-------------|
| Mar 09 | \$412.60 | \$407.10 | ↑ \$5.50 |
| May 09 | \$409.70 | \$404.10 | ↑ \$5.60 |
| Jul 09 | \$406.90 | \$409.10 | ↓ (\$2.20) |
| Nov 09 | \$405.00 | \$418.80 | ↓ (\$13.80) |
| Jan 10 | \$409.50 | \$427.00 | ↓ (\$17.50) |
| Mar 10 | \$412.50 | \$430.30 | ↓ (\$17.80) |
| Barley | This Week | Last Week | Diff +/- |
| Mar 09 | \$137.60 | \$128.80 | ↑ \$8.80 |
| May 09 | \$139.60 | \$138.70 | ↑ \$0.90 |
| Jul 09 | \$146.60 | \$143.30 | ↑ \$3.30 |
| Oct 09 | \$146.60 | \$143.30 | ↑ \$3.30 |
| Oct 10 | \$146.60 | \$143.30 | ↑ \$3.30 |

Be Grainwise!

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

US Grain

Soy Complex

Beans bounced higher late in the week due to firmer crude oil prices and a sudden drop in the US dollar.

Strength of the dollar has been a major thorn in the side of all grains/oilseeds—the higher the dollar, the more difficult to be competitive on the export front (see Strategies). That may have been one of the reasons why this week's bean export total came in at a disappointing 155,800 mt.

China, which has been a big buyer of US beans, suddenly shifted its focus to South America. However, there IS an ongoing battle between Argentine farmers and their government headed by Christine Fernandez. Reports that her government had nationalized grain trade sent waves of uncertainty through the market early this week. A subsequent report had China once again purchasing US beans to the tune of 116,000 mt (not to be reflected until next week's report). Nevertheless, at some point, those beans will come to market.

On the week, MAY beans dropped a nickel and settled at \$8.67/bu. MAY meal slipped \$4.50 lower to \$265.30/t while oil dribbled .08 cents lower to 31.03 cents/lb.

Corn

MAY corn closed out the week 2½ cents higher at \$3.61½/bu.

A firm weekly export figure of 791,900 mt came in on the high side of expectations and had some traders speculating that the South American corn crop, which was in its critical pollination period during some of the worst of the drought, may not be producing as well as earlier expected. A little early for that kind of thinking in my mind but, at this point, market bulls are latching on to anything that looks even remotely credible.

The uncertainty surrounding the Argentine political situation bears watching—particular by corn traders as Argentina is the number 2 corn exporter in the world.

Wheat

How long has it been since wheat performed the best of all the grains? While the gains were modest, all three exchanges closed out in the black. MAY CBOT wheat pushed up 5½ cents to \$5.27/bu while KCBT settled 14 cents higher at \$5.74/bu. MGE wheat closed the week at \$6.13/bu, a rise of 6¾ cents.

While there's no imminent shortage of wheat on the world stage, the drought conditions and very poor crop condition ratings in the US southern plains is being noticed. Even more important, long range forecasts show little chance of meaningful precipitation. Reports that drought may be affecting the Indian wheat crop also gave wheat futures limited support.

Canadian Grain

Oilseeds

MAY canola bucked the soy trend and closed \$4.90 higher at \$409.70/MT.

Steady demand from China, along with the pricing of old business from Mexico/Japan, lent underlying support. Steady crusher demand was also supportive. Of course, the catalyst for much of this activity has been the relative weakness of the Canadian dollar which now sits below 78 cents US. However, prairie producers have been reluctant to move unpriced product and many buyers are feeling the pinch. The result has been some of the best basis levels seen in years. Shop around.

Flax bids look very attractive and it may be a good opportunity to move unpriced production.

Feedgrain

MAY barley futures rose just 90 cents to \$139.60/MT. Cash bids held steady to slightly lower. Some small premiums were seen for spring delivery.



"Your grain watchdog."

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Strategies

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

It's beginning to sound like a broken record but outside markets one again played a big role in this week's grain and oilseed trade:

- The Dow continues its descent and seems intent on testing the 6500 point level—something we haven't seen since 1997.
- And, there was more bad news on the automotive front with GM's own auditors now admitting that bankruptcy may not be avoidable even with the billions of government aid. Chrysler's situation is also up in the air.
- Citibank, which at one time was the largest bank in the world, had its shares trading below a dollar this week.
- The jobless rate in the US has now reached 8.1% in part due to last month's loss of 651,000 jobs, a level that exceeded almost everyone's

expectation.

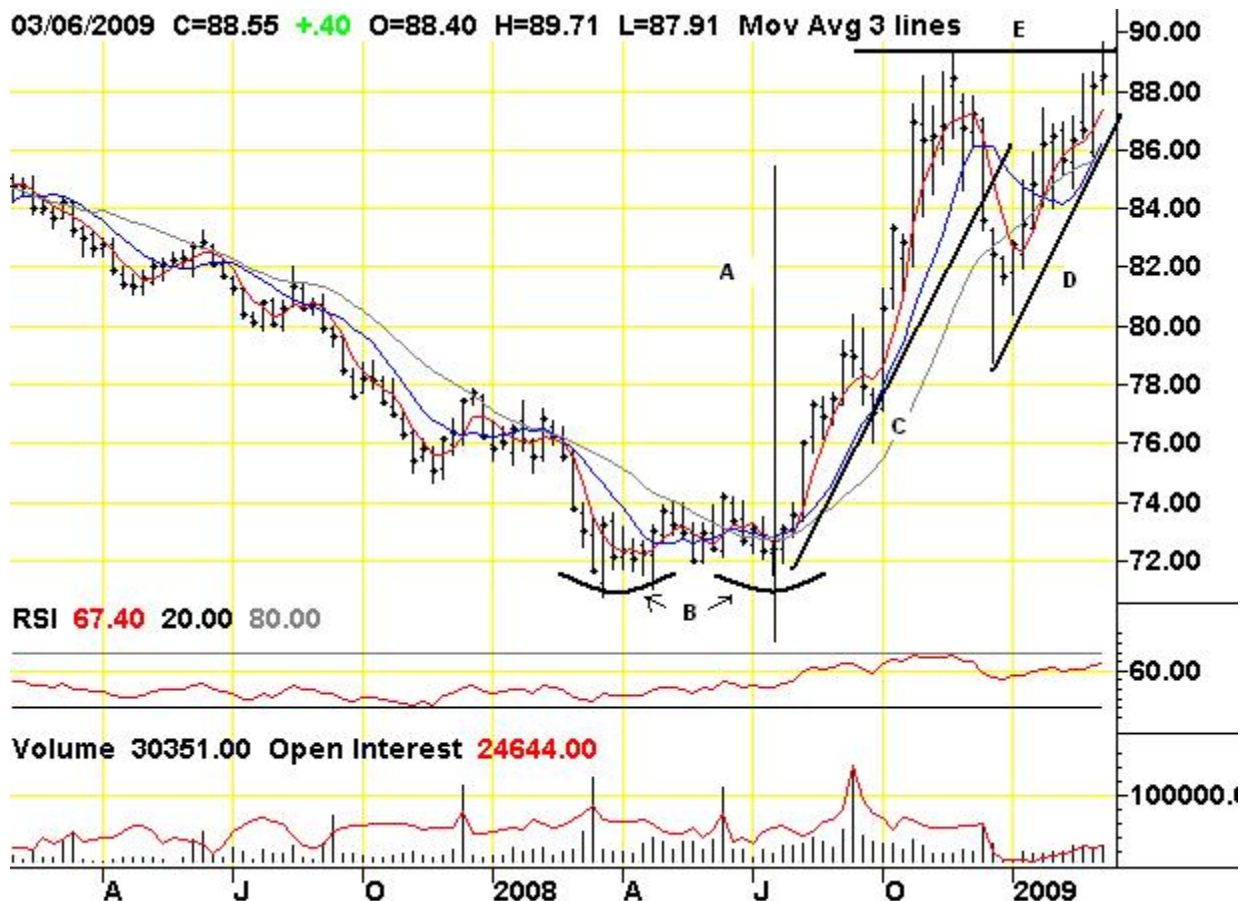
- And, all the while, US debt is spiraling out of control. It's projected that this year's budget deficit will top 1.75 TRILLION dollars—4 times higher than the previous deficit record.
- In his defense, President Obama has vowed to cut Federal spending in subsequent budgets. Nevertheless, talk of deficits of this magnitude is not the sort of news that instills confidence in investors.
- Ironically, global investors continue to look to the US dollar as safe haven. The flight to American currency is pushing the US dollar index ever higher which is making US goods and services even more expensive to foreign buyers.

Technical Analysis

I've included a weekly chart of the US dollar index. Ever since the middle of July, (Line "A") the dollar has exploded to the upside. (Line C). After a short pullback, we were off to the races again (Line "D") and are now flirting with resistance at the former high. (Line "E"). In fact, that line of resistance was breached briefly but futures failed to close above that level. Next week's action may give us some indication as to whether that line of resistance will hold.

It's also interesting to note that one of my favorite technical indicators—the Double Bottom ("B"), foretold the rally that was about to ensue—although I doubt any technical trader would have predicted the magnitude of that move.

Charts provided courtesy of TradingCharts.com
www.futures.tradingcharts.com



At The Bin

Prices booked this week (net to the producer).

| Grain | Price | When | Producer |
|---------------|----------------------------------|----------|--------------|
| Barley, 48 lb | \$2.81 FOB | March | Vermilion |
| Barley, 50 lb | \$3.10 del Cherhill | March | Morinville |
| Barley, 50 lb | \$2.88 FOB | Mar-Apr | Thorsby |
| Barley, 50 lb | \$3.10 del Kirriemuir | Mar-Apr | Oyen |
| Canola | \$9.36 FOB | March | Camrose |
| Canola | \$9.12 FOB | Marh | Consort |
| Canola | \$9.41 FOB | March | Leduc |
| Canola | \$9.41 FOB | March | Millet |
| Canola | \$9.62 del Stony Plain | March | Leduc |
| Canola | \$9.62 del Stony Plain | March | Ohaton |
| Canola | \$9.62 del Stony Plain | March | Boyle |
| Canola | \$9.62 del Stony Plain | March | Westlock |
| Canola | \$9.62 del Stony Plain | March | Pickardville |
| Canola | \$9.62 del Stony Plain | March | St. Albert |
| Canola | \$9.50 under NOV del Edmonton | November | Camrose |
| Canola | \$9.50 under NOV del Edmonton | November | Rochester |
| Canola | \$9.50 under NOV del Edmonton | November | Legal |
| Canola | \$17.00 over MAY del Stony Plain | March | Rochester |
| Canola | \$17.00 over MAY del Stony Plain | March | Millet |
| Canola | \$17.00 over MAY del Stony Plain | March | Leduc |
| Oats, feed | \$1.80 FOB | March | Castor |
| Oats, feed | \$1.94 FOB | March | Cereal |
| Flax | \$12.20 del Edmonton | March | Trochu |
| Peas, green | \$9.00 FOB | April | Galahad |
| Peas, yellow | \$6.00 FOB | April | Boyle |
| Wheat, feed | \$4.70 del Ponoka | March | Clive |
| Wheat, feed | \$4.43 FOB | Apr-May | Innisfree |
| Wheat, feed | \$4.40 FOB | March | Millet |

Bid Board

Buyers looking for grain (net prices)

| Grain | When | Location |
|------------------------|-----------|--------------------------|
| Barley | March | \$3.10 del Cherhill |
| Barley | Mar-Apr | \$2.70 del Lloydminster |
| Barley | Mar-Apr | \$3.34 del Lethbridge |
| Barley | April | \$3.10 del Kirriemuir |
| Barley | Apr-May | \$2.90 del Carrot Creek |
| Barley | Apr-May | \$2.88 del Irma |
| Wheat, feed | March | \$4.51 del Llyodminster |
| Wheat, feed | Apr-May | \$4.76 del Llyodminster |
| Wheat, 12.5 % prt | Apr-Jun | \$4.84 del Red Deer |
| Wheat, feed | Apr-Jun | \$4.29 del Red Deer |
| Peas, yellow | April | \$6.31 del Innisfail |
| Peas, green | April | \$8.80 del Innisfail |
| Peas, green 10% bleach | April | \$8.30 del Innisfail |
| Peas, green 15% bleach | April | \$8.05 del Innisfail |
| Peas, green 20% bleach | April | \$7.80 del Innisfail |
| Flax, milling | Mar-Apr | \$12.20 del Edmonton |
| Canola | March | \$9.16 del Fort Sask |
| Canola | March | \$9.39 del Lloydminster |
| Canola | March | \$9.62 del Stony Plain |
| Canola | July | \$8.67 del Fort Sask |
| Canola | July | \$8.90 del Joffre |
| Canola | September | \$8.71 del Edmonton |
| Canola | October | \$8.80 del Edmonton |
| Canola | November | \$8.91 del Edmonton |
| Canola | November | \$8.69 del Joffre |
| Canola | December | \$8.59 del Fort Sask |
| Oats, feed | March | \$2.18 del Pincher Creek |
| Oats, milling | July | \$1.81 del Martensville |
| Oats, milling | November | \$1.99 del Martensville |
| Oats, milling | November | \$1.90 del Barrhead |

New Federal Rules Governing "Organic"

Canadian organic associations have teamed-up with the CFIA to get Canada's organic industry up-to-speed on new federal rules governing organic. On June 30, standards that control how organic food is grown and processed in Canada will gain legal force through the Organic Products Regulations.

One-day farmer training seminars will focus on the standards as they relate to organic crop and livestock production. For details on training locations, visit:

www.cog.ca/CanadianOrganicStandardsTraining.htm

By The Number

| | This Week | Last Week | Diff +/- |
|-------------------------|-----------|-----------|------------|
| CME Live Cattle (APR) | \$82.50 | \$85.96 | ↓ (\$3.46) |
| CME Live Hogs (APR) | \$62.50 | \$60.90 | ↑ \$1.60 |
| CDN Dollar (JUN) | \$0.78 | \$0.79 | ↓ (\$0.01) |
| Minneapolis Wheat (MAY) | \$5.27 | \$5.20 | ↑ \$0.07 |
| Kansas City Wheat (MAY) | \$5.74 | \$5.60 | ↑ \$0.14 |
| Chicago Oats (MAY) | \$1.85 | \$1.94 | ↓ (\$0.09) |
| Diesel (spot, Edmonton) | \$0.62 | \$0.68 | ↓ (\$0.06) |
| Crude/Oil (APR) | \$44.60 | \$44.80 | ↓ (\$0.20) |

Classifieds

Certified seed. Dave, Bright's Seeds, New Norway, (780) 855-2240.
 Certified CDC Copeland barley: \$8.50/bu
 Certified CDC Cowboy barley: \$8.25/bu
 Certified CDC Coalition barley: \$8.50/bu
 Certified AC Crystal wheat: \$10.00/bu
 Certified Harvest wheat: \$10.75/bu

Wanted. SuperB trailers. Phone Rix Farms at (780) 352-1674 or (780) 352-1209.

Got ergot? Call Laverne Buchert, (780) 387-1257. He'll put your wheat through a gravity table at 450 bu/hour.

Common seed oats. 96% germination, contact Dennis in Lac La Biche at (780) 623-7709.

Common seed oats. Call Kevin in Two Hills at (780) 657-2477.

Common green pea seed. 97% germination, contact Brian in Tofield at (780) 662-2798.

Common yellow pea seed. 99% germination, \$9.00/bu rough, picked-up in Morinville, contact Mike @ (780) 719-0334.