Grainwise

At Market Master

By Shelley Wetmore

July 31, 2009………………………..

It's been rather slow … grain producers are hanging on to most grain in the bin until they see what might be harvested (if anything, in some areas) while buyers continue to watch prices drop based on good crops elsewhere. Not many producers seem concerned about bin space this year so there will be a lot of patience to go around with pricing anything left in the bin.

Barley remains flat to down (due to corn/DDGs coming in), wheat remains flat to down (same reason), oats are still in the doldrums, and canola is barely at $9.00/bu, delivered, off the combine. I'm going to guess we'll be lucky to average out 20 to 25 bu/ac on canola across Alberta this year—we'll see.

The one ray of light continues to be pea prices. If you look at the Bid Board, you'll see. Remember, over the past 10 years or so, the average price for #2 greens has been in the $7.00/bu range and for #2 yellows the $5.00/bu range. Current prices are a good place to start, especially with the yellows as they're easier to obtain a #2 with.

Take the John Stewart's soybean test. Enjoy the long weekend. And, no, I won't be at Big Valley. I'll be working all weekend on year-end. Have fun for me!

Watching ICE

Weekly closing prices for Canadian grain futures

	This Week	Last Week	Diff +/-
Nov 09	$417.00	$408.50	↑ $8.50
Jan 10	$421.20	$413.20	↑ $8.00
Mar 10	$423.80	$417.20	↑ $6.60
May 10	$425.00	$419.50	↑ $5.50
Jul 10	$422.90	$424.80	↓ ($1.90)
Nov 10	$412.00	$407.80	↑ $4.20
Barley	**This Week**	**Last Week**	**Diff +/-**
Oct 09	$154.00	$148.40	↑ $5.60
Nov 09	$173.00	$170.20	↑ $2.80
Dec 09	$155.90	$150.30	↑ $5.60
Jan 10	$175.00	$171.20	↑ $3.80
Mar 10	$180.60	$176.20	↑ $4.40
May 10	$182.60	$178.20	↑ $4.40
Jul 10	$182.60	$178.20	↑ $4.40
Oct 10	$182.60	$178.20	↑ $4.40
Dec 10	$182.60	$178.20	↑ $4.40

Be Grainwise!

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

US Grain

Soy Complex

Soybean crop conditions remain very good (but a little late) with no real weather concerns on the horizon.

However, traders' attention was fixed on the demand side of the equation this week. For weeks/months, we've heard how China would be slowing their purchases of US beans. Recently, we even heard how they'd soon be putting some of those reserves back on the market. At that time, I mentioned it was more important to watch what China actually does rather than what they say they will do. This week, the USDA announced China would be purchasing an additional 1.92 mmt of beans. Most of this purchase is for new crop beans, which is probably just as well since old crop beans are becoming scarce.

This week's report indicated sales of another 245,600 mt of old crop beans and 708,900 mt of new crop production. That puts total old crop sales at 1.287 bln bu which surpasses the recently revised USDA estimate of 2.6 bln bu.

NOV beans closed the week 67 cents higher at $9.82/bu while OCT meal climbed $23.90 to $307.20/t. Oil shot 1.2 cents higher to 35.42/bu.

Corn

SEP corn fired 23¼ cents higher to $3.39½/bu on spillover support from beans in conjunction with stronger equity markets and a lower US dollar.

Much like beans, the corn crop remains in excellent condition with 70% of the crop in the good-to-excellent category but market bears were trumped by outside factors.

Weekly exports came in at a strong 1.257 mmt of combined old and new crop sales. With crude oil prices stabilizing in the $60 to $70 /bbl range, the volume of corn crushed for ethanol is beginning to rise. The EIA indicated that roughly 300 mln bu/month is being used for ethanol production.

Wheat

The wheat market has had just about every bit of negative news possible thrown at it this spring but this week it received another shot.

The US spring wheat crop is now being touted as a possible all time record breaker. The US wheat tour estimated an average yield of 46.2 bu/ac compared to last year's 37.7 bu/ac. The only concern was the lateness of the crop.

While estimates for the US crop are on the increase, the CWB lowered its estimate of Canadian wheat production by 600,000 mt to 20.2 mmt. Last year's production was 25.5 mmt.

Despite the negative news, SEP CBOT wheat futures rallied 12 cents to $5.28¼/bu while KCBT wheat climbed 10¼ cents to $5.59¼/bu. SEP MGE wheat rose 13½ cents to $6.05/bu.

The fact that the winter wheat harvest is almost 80% complete, combined with better than expected weekly sales, supported the market.

Canadian Grain

Oilseeds

NOV canola pushed $8.50/MT higher this week on spillover strength from the US soy complex.

Rumours that China may be poised to purchase large amounts of new crop production (nothing confirmed) buoyed the market as did concerns that an early frost could severely damage a very late prairie crop. Thoughts that canola had become oversold also supported the market while the strong Canadian dollar curtailed further gains. Increasing open interest is leading to speculation that a major player is building a large position in the market.

Feedgrains

OCT barley climbed $5.60 higher to $154.00/MT this week largely on the strength of US corn. Slow farmer selling is being met by complacent buyers.

With the threat of US corn imports hanging over the market, endusers see little need to chase the market higher independent of corn.

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8543—75 Avenue
Edmonton, Alberta T6C 0G9
www.grainwatchdog.com (800) 440-8390

Strategies

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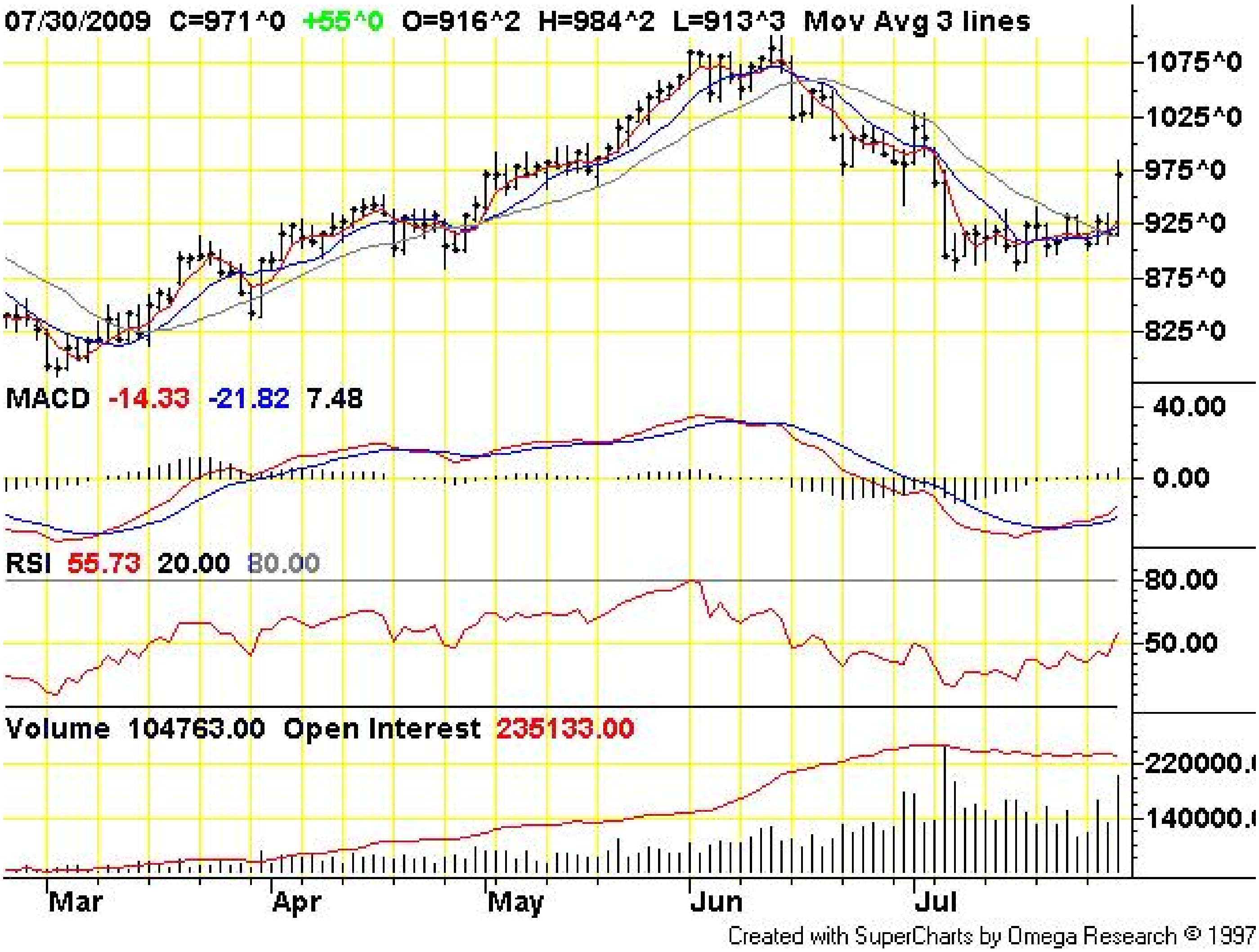
Soybean Test

For the past few weeks, we've looked at various basic technical analysis tools. I should have mentioned there was going to be a test … and today's the day. I have enclosed two NOV soybean charts. The first is just as you'd see it as displayed on the tfccharts website. On the second identical chart (last page), I've written in the answers to the quiz. Now, no cheating. Don't look at the last chart for answers until you try to obtain the answers for yourself first!

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

1. Illustrate on the top chart a double top.
2. When futures fell from that double top, show the first line of support that was violated.
3. Draw on the chart where the RSI indicated a short-term market correction was in the offing.
4. Show where increasing volume and open interest suggested the market was in agreement with a new market direction.
5. Draw on the chart the bottom range of the current market trend.
6. Draw on the chart the top range of the current market trend.
7. The current market trend as illustrated by the last two lines (channel) has recently been violated. Show where.
8. Outside of the current market channel, show the next lines of support and resistance.
9. Indicate where open interest leveled-off, indicating that the steam may have gone out of a recent rally.
10. And an easy one to finish up with … show lines of strong support and resistance at the market high and low.



At The Bin

Prices booked this week (net to the producer)

Grain	Price	When	Producer
Barley, 48 lb	$3.68 del Falun	August	Tofield
Barley, 48 lb	$3.21 FOB	Jul-Aug	Bentley
Barley, 48 lb	$3.14 FOB	August	Pickardville
Canola	$10 over MAR del Fort Sask	August	Millet
Canola	$10 over MAR del Fort Sask	August	Thorsby
Canola	$10 over MAR FOB	August	Clive
Canola, heated	$5.50 del Olds	August	Falun
Oats, #2 CW	$2.04 FOB	September	High Prairie
Oats, #2 CW	$2.10 FOB	Aug-Sep	Plamondon
Peas, feed	$5.70 FOB	August	Wainwright

Old Crop Canola

If you have old crop canola in the bin that could move in August, consider this: Deliver the canola, then lock-in your futures later. Basis is **10 over March 2010** which gives up to 7 months for the futures to recover. Moving canola in August also relieves any spoilage concerns. Call the office for more details. There is limited quantity for this option—only about 300 MT.

Off-The-Combine Peas

We saw increases this week with $7.15 delivered to Innisfail and $8.00 for #2 greens. This may be a good point to set out and start pricing those peas. Call for at-the-bin pricing.

Tax Deferrals for Drought-Affected Livestock Producers

On July 22, Agriculture Canada announced Alberta livestock producers in drought-affected areas will be eligible for tax deferrals on breeding livestock sold due to drought in 2009. Eligible producers in designated areas can defer income tax on the sale of breeding livestock for one year to replenish breeding stock in the following year. In the case of consecutive drought years, producers may defer sales income to the first year in which the area is no longer designated.

Producers who reduced their breeding herds by at least 15% are eligible. 30% of income from net sales can be deferred if the herd has been reduced by at least 15%, but less than 30%. Where the herd has been reduced by 30% or more, 90% of income from net sales can be deferred. Eligible producers will be able to request this deferral when filing their 2009 income tax returns.

Alberta Tax Deferral Designated Areas:

Beaver County, Camrose County No. 22, County of Minburn No. 27
County of Paintearth No. 18, County of Stettler No. 6
County of Two Hills No. 21, County of Vermilion River No. 24
County of Wetaskiwin No. 10, Flagstaff County,
Improvement District No. 13, Kneehill County, Lacombe County
Leduc County, Lamont County, Municipal District of Acadia No. 34
Municipal District of Provost No. 52
Municipal District of Wainwright No. 61, Parkland County
Ponoka County, Red Deer County, Special Area No. 2
Special Area No. 3, Special Area No. 4, Starland County
Strathcona County, Sturgeon County

Contact: Agriculture Canada, (866) -345-7972 or your tax accountant.

Bid Board

Buyers looking for grain (after brokerage)

Grain	When	Location
Barley	August	$3.31 del Ponoka
Barley	August	$3.68 del Lethbridge
Barley	August	$3.21 del Chauvin
Barley	August	$3.31 FOB Edmonton
Barley	August	$3.53 del Olds
Barley	August	$3.75 del Lethbridge
Barley	August	$3.42 del Red Deer
Barley	August	$3.38 del Lacombe
Canola	August	$9.62 del Fort Saskatchewan
Canola	November	$9.10 del Lloydminster
Canola	November	$9.78 del Edmonton
Canola	November	$9.74 del Crossfield
Canola	November	$9.68 del Lacombe
Oats #2 CW	August	$2.28 del Linden
Oats, feed	August	$2.48 del Pincher Creek
Oats, #2 CW	Aug-Sep	$2.09 del Edmonton
Oats, milling	September	$2.33 del Barrhead
Oats, milling	October	$1.71 del Barrhead
Oats, milling	March	$1.83 del Barrhead
Peas, feed	August	$6.20 del Olds
Peas, yellow	Aug-Sep	$7.15 del Innisfail
Peas, green	Aug-Sep	$8.00 del Innisfail
Wheat, 12.5% prt	August	$5.38 del Edmonton
Wheat, 12.5% prt	August	$5.66 del Red Deer
Wheat, feed	August	$5.11 del Olds
Wheat, feed	August	$5.08 del Edmonton

What will actually be combined this fall?

By The Number

Prices to keep an eye on!

Commodity	This Week	Last Week		Diff +/-
CME Live Cattle (OCT)	$90.20	$84.50	↑	$5.70
CME Live Hogs (OCT)	$53.90	$59.05	↓	($5.15)
CDN Dollar (SEP)	$0.93	$0.92	↑	$0.01
MGE Wheat (SEP) - CWRS	$5.28	$5.16	↑	$0.12
CWB July PRO - CWRS	$7.43	$7.43	→	$0.00
CWB Fixed Price - CWRS	$6.29	$6.13	↑	$0.16
KCBOT Wheat (SEP) CPSR	$5.59	$5.51	↑	$0.08
CWB July PRO - CPSR	$6.26	$6.26	→	$0.00
CWB Fixed Price - CPSR	$5.15	$5.04	↑	$0.11
CBOT Oats (SEP)	$1.98	$1.95	↑	$0.03
Diesel (spot, Edmonton)	$0.73	$0.72	↑	$0.01
Crude/Oil (SEP)	$69.30	$68.08	↑	$1.22

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Soybean Test—The Answers

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

Ok, let's see how you did.

1. is "A" on the bottom chart.
2. is "B" which was the low before the second top was formed.
3. is "C". The RSI reached 80 at that point indicating a short term correction which quickly ensued.
4. is "D". That whole period showed increased volume and open interest in conjunction with a rising market.
5. is "E".
6. is "F".
7. is "G".
8. is "H" and ""I". When looking for support first look for previous lows. In this case, we had two at the same point. Short-term highs form resistance points.
9. is "J".
10. is "K" and "L" respectively.

Hope you had fun with the quiz. If you have any questions, please give me a call.