

At Market Master

By Shelley Wetmore

August 14, 2009.....

Prices are certainly bullish and if we get widespread frost over much of the province like some are predicting, I wonder what Monday will look like.

Here's a quick comparison on feed barley. Today, a farmer in Stettler can book spot barley for \$3.30 at the bin. A bid for October pick-up is at \$3.10. If frost happens, what will the prices do?

Here are fundamentals to ponder:

- Corn is being bought.
- DDGs are being bought.
- Less cattle.
- Less hogs.
- Our dollar is over 90 cents.
- Less barley acres seeded this year.
- Less yield this year.
- Many crops wiped out by hail.
- "Good" barley for malt.

Until the crop is in the bin, (here, the US, and other parts of the world), anything can happen. We're still at the mercy of weather.

Canola is skirting below the \$10.00/bu mark. In some cases this week, we lost \$7.00 on basis alone!

Watching ICE

Weekly closing prices for Canadian grain futures

	This Week	Last Week	Diff +/-
Nov 09	\$431.20	\$428.70	↑ \$2.50
Jan 10	\$435.90	\$432.80	↑ \$3.10
Mar 10	\$438.40	\$436.30	↑ \$2.10
May 10	\$441.80	\$440.80	↑ \$1.00
Jul 10	\$447.20	\$446.10	↑ \$1.10
Nov 10	\$432.90	\$435.20	↓ (\$2.30)
Barley	This Week	Last Week	Diff +/-
Oct 09	\$137.50	\$138.10	↓ (\$0.60)
Nov 09	\$160.50	\$159.90	↑ \$0.60
Dec 09	\$139.40	\$140.00	↓ (\$0.60)
Jan 10	\$165.50	\$162.40	↑ \$3.10
Mar 10	\$171.10	\$168.00	↑ \$3.10
May 10	\$173.00	\$170.00	↑ \$3.00
Jul 10	\$173.00	\$170.00	↑ \$3.00
Oct 10	\$173.00	\$170.00	↑ \$3.00
Dec 10	\$173.00	\$170.00	↑ \$3.00

Be Grainwise!

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

US Grain

Soy Complex

After posting solid gains prior to Wednesday's USDA S/D report, beans suffered sharp losses to close the week lower. Actually, the report was deemed friendly to beans as the expected acreage increase failed to materialize. A slight increase in acres was more than offset by a decrease in projected yield leaving actual production at 3.199 bln bu—71 mln bu less than the last report. Ending stocks for 09/10 came in just under 210 mln bu, 40 mln bu less than the July report.

However, beans plummeted on the news. It could have been a case of the market not believing the new figures or more likely that the news had already been factored into prices and it was a "buy the rumour, sell the fact" response. Although exports have been solid, shipments are lagging which could have spurred selling.

A favourable weather forecast and NOPA crush figures which indicated less meal is being used than at any time since 1999 weighed on the market.

Whatever the reason, NOV futures slipped 57 cents to \$9.81½/bu while OCT meal fell \$30.50 to \$293/t. Oil bucked the trend inching .28 cents higher to 37.38 cents/lb.

Corn

After a week of sideways trade, DEC corn clung to a 1¼ cent gain at \$3.27¾/bu.

Traditionally, August is a time of harvest lows in the corn market so the recent weakness shouldn't really be a surprise.

Although planted acreage estimates in this week's report showed a small decrease in acres over the July report, a projected yield of 159.5 bu/ac would produce a crop of 12.761 bln bu—the second largest ever!

Fortunately, for market bulls, most of that increase was eaten up in the form of larger than expected demand leaving carryout stocks just slightly larger than last month's figure at 1.621 bln bu. However, many analysts dispute the larger demand figures and feel that the final carryout number will have to be revised higher.

Wheat

This week's report confirmed what everyone already knew about the wheat market. Supplies are plentiful and ending stocks continue to rise.

US spring wheat production came in about 25 mln bu higher than expected at 548 mln bu. Total US ending stocks rose 6 mln bu to 743 mln bu while global stocks rose 2.3 mmt to 183 mmt.

Not surprisingly, DEC CBOT wheat closed the week 7¼ cents lower at \$5.09½/bu while KCBT wheat slipped 17 cents lower to \$5.25/bu. DEC MGE wheat dropped 21½/bu to \$5.63½/bu.

Canadian Grain

Oilseeds

A weaker Canadian dollar and a strong soyoil market helped NOV canola close \$2.50 higher at \$431.20/MT.

Expectations of a strong Chinese buying program this fall also supported the market as did concern over forecasts for an early frost over parts of the prairies. A pick up in farmer selling and spillover weakness from US beans kept further gains in check. Perceptions that the canola crop is in better shape (if not late) than previously thought also weighed on the market.

Feedgrain

Lower corn prices and the possibility of an early frost could produce an abundance of feed quality grain have kept the barley market on the defensive for some time. Little changed this week.

OCT futures slipped 60 cents lower to \$137.50/MT. Cash bids remained largely unchanged.

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Strategies

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Gaps and Resistance

Soybeans

This week's price slide was largely lead by weakness in the bean market. Fundamentally, little has changed this week. In fact, you could argue that after this week's USDA report, bean fundamentals actually improved. Nevertheless bean prices tanked. Why?

Several factors were at play. The first is the expiration of the AUG contract. Many feel market longs in that contract were being made to pay "big time" to get out of their contracts and large losses in the AUG contract spilled over into the rest of the market.

Other possible reasons for this week's losses were likely of a technical nature.

I'm sure you remember last week's column which focused on "market gaps". Take a look at a NOV soybean chart.

Note the gap created on August 3rd. That gap was filled with today's move lower. Violation of the 20 day moving average may have also contributed to this week's sell off.

Canola

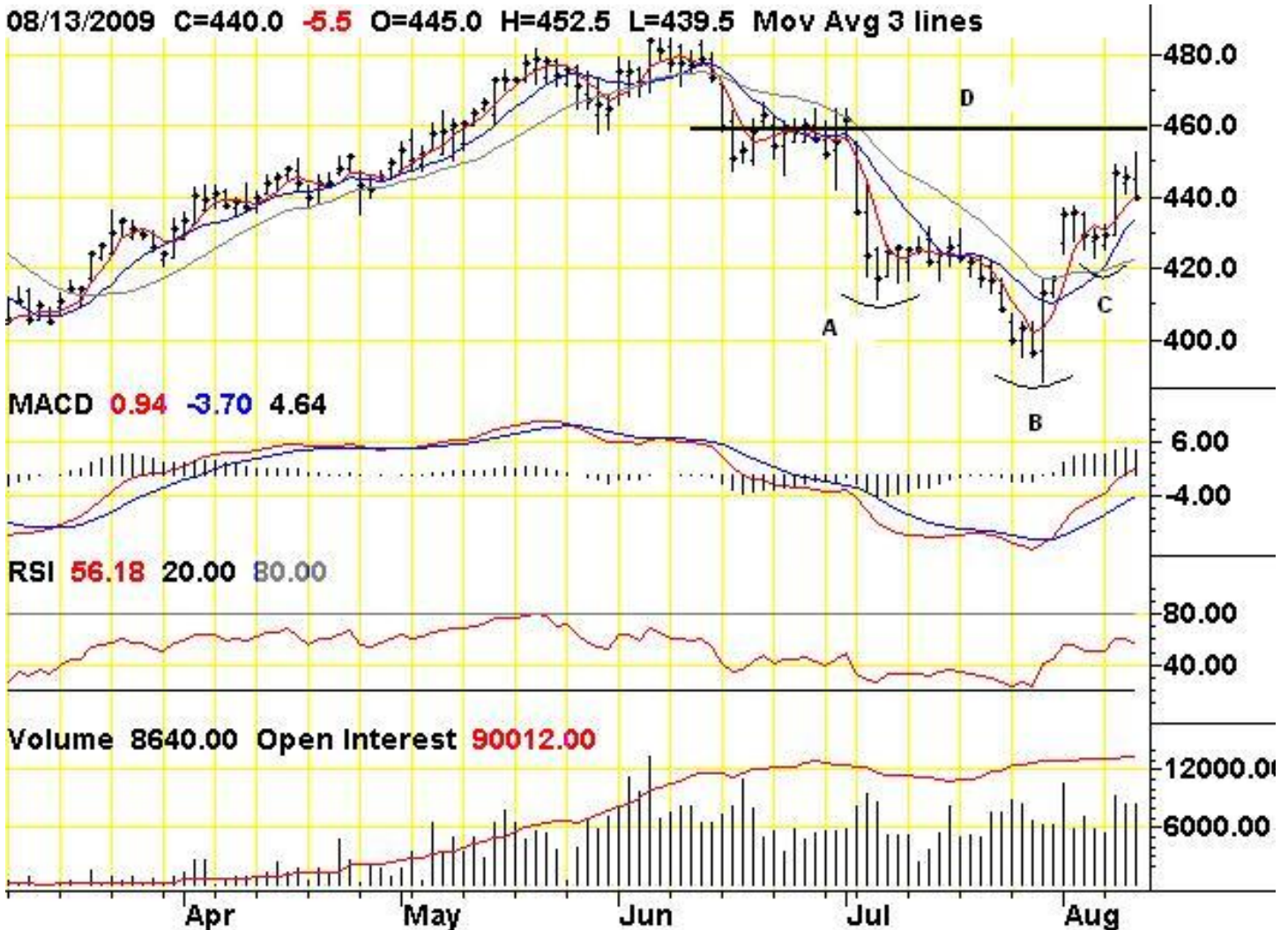
There's also an interesting technical situation occurring on the NOV canola chart. Remember the "head and shoulders" formation we talked about a couple of weeks ago? Well, here's that chart. Note the shoulders "A" and "C" and the head "B". This formation can either be standing upright or standing on its head. This one is

standing on its head.

However, as the market works its way back towards levels encountered before the formation began, we're starting to run into resistance. The ultimate resistance point would be in the \$460 area "D".

While some analyst rely entirely on technical analysis, I must admit I've always believed fundamentals will win the day in the end. However, technical analysis can be very useful for explaining short-term market movements and for picking entry and exit points.

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



Maintaining Green Pea Quality at Harvest

From Alberta Agriculture

There are 28 grading factors for field peas according to the Canadian Grain Commission (www.grainscanada.gc.ca). To meet the highest grade, there must good natural colour, no more than 0.5% of other classes and no more than 2.0% bleached seed for a total of less than 2.0%. Total foreign material (ergot, excreta, and insect parts) must be no greater than 0.1%. Plus, no more than 5.0% cracked seed coats and no more than 3.0% total damage (nil=heated, 0.3%=insect damage, other damage=2.0%, shrivelled=2.0 %, 0.5%=splits). **Buyers may have more or less stringent determinants when purchasing green field peas and assigning a grade or price for that crop.**

"To ensure the best grade and maintain quality during the harvest is most often the question on producers' minds at this time of the year," says Mark Olson, Alberta Agriculture. At the start of a season, select uniform fields, use clean seed that does not contain admixtures, roll the pea field just after seeding to minimize earth tag, and have good control of weeds in the fields to prevent sticky sap from weeds getting onto the pea seed which will cause dirt to adhere to. It is important to control difficult weeds, especially perennials such as Canada thistle, dandelion, sow thistle, quackgrass and toadflax in the crop prior to the year you will be growing field peas. An application of glyphosate pre-harvest is highly recommended as well."

Colour: green material (green weeds or green pea material) will increase the susceptibility of the seed to earth tag. Using a desiccant that contains diquat (Reglone) to dry down green material will help get the green pea crop off the field faster. Timing of the application of diquat is important since too early could affect quality and yield. The bottom third of the plant should have pods that are dry and ripe (seeds are detached from pods and will rattle). The middle third of the plant will have shrunken and leathery pods (full size, soft seeds but not juicy, seed will split in two halves when squeezed between fingers). The top third of the plant will have pods that are fleshy and green or starting to turn yellow (immature seeds). Combining the field pea crop when the moisture content reaches 18% to 20% moisture for the first time and aerating down to dry is essential. Natural dry down of the green pea crop in most instances will lead to lower grade.

Admixtures: if growing both yellows and greens, remember to thoroughly clean equipment when switching between types.

Bleaching: peas are bleached if 1/8th or more of the surface area is bleached to a distinct yellow colour which is in marked contrast to its natural colour. If 3 out of 100 have a bleached area, the sample will grade #3 Canada or lower. Bleaching is due to the maturing seed being exposed to wet and drying conditions as well as sunlight.

By The Number			
Prices to keep an eye on!			
Commodity	This Week	Last Week	Diff +/-
CME Live Cattle (OCT)	\$80.55	\$89.12	↓ (\$8.57)
CME Live Hogs (OCT)	\$44.65	\$44.90	↓ (\$0.25)
CDN Dollar (SEP)	\$0.92	\$0.92	↓ (\$0.01)
MGE Wheat (SEP) - CWRS	\$5.49	n/a	
CWB August PRO - CWRS	\$7.43	n/a	
CWB Fixed Price - CWRS	\$6.05	n/a	
KCBOT Wheat (SEP) CPSR	\$5.08	n/a	
CWB August PRO - CPSR	\$6.26	n/a	
CWB Fixed Price - CPSR	\$4.94	n/a	
CBOT Oats (SEP)	\$2.01	\$1.99	↑ \$0.02
Diesel (spot, Edmonton)	\$0.77	\$0.73	↑ \$0.04
Crude/Oil (SEP)	\$70.05	\$71.42	↓ (\$1.37)

At The Bin

Prices booked this week (net to the producer)

Grain	Price	When	Producer
Barley, 48 lb	\$3.30 FOB	August	Donalda
Barley, 48 lb	\$3.21 FOB	August	Viking
Barley, 48 lb	\$3.21 FOB	August	High Prairie
Barley, 48 lb	\$3.18 FOB	August	Viking
Barley, 48 lb	\$3.58 del Ponoka	August	Heisler
Barley, 48 lb	\$3.25 FOB	August	Heisler
Barley, 48 lb	\$3.25 FOB	August	Daysland
Barley, 50 lb	\$3.10 FOB	August	Boyle
Barley, 50 lb	\$3.25 FOB	August	Stony Plain
Canola	\$10 over March	August	Legal
Oats, feed	\$1.90 FOB	August	Castor
Wheat, feed	\$5.66 del Two Hills	August	Viking
Wheat, feed	\$4.83 FOB	August	Sylvan Lake
Wheat feed	\$5.11 eel Olds	August	Vulcan
Wheat feed	\$4.26 FOB	August	Macklin
Wheat feed	\$4.06 FOB	August	Macklin
Wheat feed	\$4.95 eel Edmonton	August	Westlock
Wheat feed	\$4.60 FOB	August	Bonnyville
Wheat, 12.4% prt	\$5.37 FOB	August	Wetaskiwin
Wheat, 13% prt	\$5.36 FOB	August	Stettler
Wheat, 14% prt	\$5.30 FOB	August	Ferintosh

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Bid Board

Buyers looking for grain (after brokerage)

Grain	When	Location
Barley	Aug-Sept	\$3.58 del Bowden
Barley	August	\$3.68 del Lethbridge
Barley	Aug-Sept	\$3.21 del Chauvin
Barley	August	\$3.27 del Edmonton
Barley	Nov-Dec	\$2.94 del Carrot Creek
Canola	August	\$9.94 del Fort Saskatchewan
Canola	November	\$9.42 del Lloydminster
Canola	November	\$9.97 del Edmonton
Canola	November	\$9.92 del Crossfield
Canola	November	\$9.87 del Lacombe
Oats #2 CW	August	\$2.14 del Linden
Oats, #2 CW	Aug-Sep	\$1.94 del Edmonton
Oats, feed	August	\$2.41 del Pincher Creek
Oats, milling	September	\$2.15 del Barrhead
Oats, milling	October	\$1.74 del Barrhead
Oats, milling	March	\$1.86 del Barrhead
Peas, feed	August	\$6.20 del Olds
Peas, feed	August	\$6.20 del Rimbey
Peas, yellow	Sep-Oct	\$7.00 del Innisfail
Peas, green	Sept-Oct	\$8.00 del Innisfail
Wheat, 12.5% prt	Aug-Sep	\$5.66 del Red Deer
Wheat, feed	August	\$4.84 del Edmonton