

At Market Master

By Shelley Wetmore

August 21, 2009.....

The markets are changing very, very fast. By the time a producer calls in with some price discovery question then hangs up to go for lunch to “think about it”, the price has dropped.

#2 greens, for example, have dropped around 40 cents since the beginning of August and spot feed barley is down over 60 cents/bu since the beginning of July. It looks like canola may be the popular cash crop during harvest as it still remains over \$9.00/bu. Be aware, though, if canola does become the popular choice, you’ll really have to watch those basis levels. Remember, eager selling promotes widening of basis.

I don’t know what to make of some of the StatsCan numbers. Talking with producers throughout the province, it seems most are more pessimistic about canola yields than optimistic. Only a very few areas seem to be counting on yields close to 40 bu/ac. Most are estimating 20 to 25 bu/ac for this year’s canola—if it hasn’t been ploughed down yet.

We still have frost threats to worry about. Some producers in High Prairie experienced that prediction last week, turning some gradable CWRs wheat to feed. The nights are cooling off.

Watching ICE

Weekly closing prices for Canadian grain futures

	This Week	Last Week	Diff +/-
Nov 09	\$423.70	\$431.20	↓ (\$7.50)
Jan 10	\$427.80	\$435.90	↓ (\$8.10)
Mar 10	\$430.90	\$438.40	↓ (\$7.50)
May 10	\$434.30	\$441.80	↓ (\$7.50)
Jul 10	\$439.20	\$447.20	↓ (\$8.00)
Nov 10	\$428.20	\$432.90	↓ (\$4.70)
Barley	This Week	Last Week	Diff +/-
Oct 09	\$135.00	\$137.50	↓ (\$2.50)
Nov 09	\$162.00	\$160.50	↑ \$1.50
Dec 09	\$137.00	\$139.40	↓ (\$2.40)
Jan 10	\$169.00	\$165.50	↑ \$3.50
Mar 10	\$174.60	\$171.10	↑ \$3.50
May 10	\$176.60	\$173.00	↑ \$3.60
Jul 10	\$176.60	\$173.00	↑ \$3.60
Oct 10	\$176.60	\$173.00	↑ \$3.60
Dec 10	\$176.60	\$173.00	↑ \$3.60

Be Grainwise!

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

US Grain

Soy Complex

Soybean futures traded in a sideways pattern as traders tried to get a handle on this year’s crop. Midwest weather has been almost perfect and there’s little doubt a very big crop is on the horizon. The only fly in the ointment is that the crop is late and an early frost could cause serious problems. But, for the time being, traders seem content to focus on yield potential and push frost concerns onto the back burner.

Counteracting the prospect of a larger crop is strong demand which was demonstrated again this week with total sales of 858,000 mt. Shipments, however, fell slightly below expectations at just 155,600 mt. China remains a strong buyer of US beans with large sales (6.5 mmt) announced for the 09/10 crop year. Although the bean S/D picture remains tight, it’s thought soybeans may be the crop of choice in South America this fall as prices for alternative crops remain weak.

NOV beans dipped 8½ cents lower to \$9.73/bu while OCT oil fell .85 cents to 36.53 cents/lb. Meal bucked the trend and closed \$5 higher at \$298/t.

Corn

Most analysts feel the US corn crop has been made. Weather conditions have been greenhouse-like for most of the year and, while the crop is slightly behind normal development, there are no threatening frosts on the horizon.

Like beans, the export pace for corn remains robust with this week’s sales coming in at 1.435 mmt. The only concern is shipments are not keeping up with previous sales, calling some of those sales into question.

DEC corn closed 1½ cents lower at \$3.26¼/bu.

Important technical support levels were tested this week—and held—possibly giving non-commercial buyers confidence going into next week.

Wheat

What’s left to go wrong in the wheat market? World supplies are already more than adequate and it seems every report from anywhere in the world adds to that surplus. The US spring wheat crop continues to grow and this week we

received word that the EU may harvest their 2nd largest wheat crop in history! Even Canada’s drought ravaged crop may come in better than expected according to Friday’s StatsCan report which estimated this year’s crop at 23.6 mmt, slightly higher than expected. The only problem may be a lack of protein. Both US spring and winter wheat crops appear to be low on protein, holding open the door for possible protein premiums down the road.

DEC CBOT wheat closed 22¼ cents lower at \$4.87¼/bu while KCBT wheat slipped 14¾ cents to \$5.09¾/bu. MGE wheat fell 19½ cents to \$5.44/bu.

Canadian Grain

Oilseeds

Although Friday’s StatsCan report puts this year’s canola crop at just 9.541 mmt (at the very low end of pre-report estimates), many analysts simply don’t believe that number and feel the crop will turn out to be much bigger. Figures from Alberta which put 80% of the provincial crop in the fair-to-poor category would seem to back up the StatsCan numbers. One thing is for sure—an early frost will put a further sizeable dent in prairie production. Nevertheless, a forecast for warm weather over the prairies along with weakness in soyoil sent NOV futures \$7.40 lower to \$423.80/MT. A stronger Canadian dollar also pressured the market. On the cash front, basis levels have improved and should be closely watched.

Feedgrain

OCT barley limped \$2.50 lower to \$135.00/MT on spillover pressure from a weak corn market.

On the cash front, the threat of US corn imports and DDGS (distillers dried grains and solubles, by-products of the distilling process) weighed on prices.



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Strategies

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At this point in the crop year, analysts are desperately trying to get a handle on yield potential and, ultimately, overall production. This information is garnered in the form of reports like Friday morning's StatsCan report or by field inspections.

One of the more eagerly awaited field inspection reports is the annual US ProFarmer Midwest Crop Tour survey. This survey consists of teams of analysts who travel a specific route and basically count the cobs and kernel density to estimate potential corn yield as well as doing pod counts to determine soybean potential. The tour started its trek in Ohio and South Dakota and ultimately moved on to Indiana, Illinois, Nebraska, Iowa, and Minnesota.

As usual, the tour found better than expected yields in some parts of the country and worse than expected yields in others. However, when the final results were tabulated, the tour projected an overall average corn yield of 160.1 bu/ac which would translate in to a total crop of 12.807 bln bu. These results were contingent on normal growing conditions going forward but were even larger than last week's USDA estimate of 159.5 bu/ac and a total crop of 12.761 bln bu.

The ProFarmer bean number results were an average yield of 41 bu/ac, producing a total crop of 3.150 bln bu. This estimate comes in slightly below last week's USDA estimate of 41.7 bu/ac and a total crop of 3.199 bln bu.

Although all of these estimates have to be taken with a grain of salt, they're the best information we have at the present time and the market will weigh the results carefully. If these estimates come to fruition, it would seem the market has it about right.

Corn stocks should be comfortable but with less wiggle-room than beans—particularly if demand continues at its current pace.

By The Number				
<i>Prices to keep an eye on!</i>				
Commodity	This Week	Last Week	Diff +/-	
CME Live Cattle (OCT)	\$88.60	\$80.55	↑	\$8.05
CME Live Hogs (OCT)	\$47.85	\$44.65	↑	\$3.20
CDN Dollar (SEP)	\$0.92	\$0.92	→	\$0.00
MGE Wheat (SEP) - CWRS	\$4.60	\$5.49	↓	(\$0.89)
CWB August PRO - CWRS	\$7.43	\$7.43	→	\$0.00
CWB Fixed Price - CWRS	\$5.99	\$6.05	↓	(\$0.06)
KCBOT Wheat (SEP) CPSR	\$4.93	\$5.08	↓	(\$0.15)
CWB August PRO - CPSR	\$6.26	\$6.26	→	\$0.00
CWB Fixed Price - CPSR	\$4.87	\$4.94	↓	(\$0.07)
CBOT Oats (SEP)	\$2.05	\$2.01	↑	\$0.04
Diesel (spot, Edmonton)	\$0.78	\$0.77	↑	\$0.01
Crude/Oil (OCT)	\$73.73	\$70.05	↑	\$3.68

Bid Board

Buyers looking for grain (after brokerage)

Grain	When	Location
Barley	August	\$3.25 del Bowden
Barley	August	\$3.42 del Lethbridge
Barley	Aug-Sep	\$3.05 FOB Chauvin
Barley	September	\$3.01 FOB Edmonton
Barley	Oct-Nov	\$3.34 del Calgary
Barley	Nov-Dec	\$2.94 del Carrot Creek
Barley	Jan-Mar	\$3.42 del Calgary
Canola	August	\$9.78 del Fort Saskatchewan
Canola	November	\$9.25 del Lloydminster
Canola	November	\$9.80 del Edmonton
Canola	November	\$9.75 del Crossfield
Canola	November	\$9.70 del Lacombe
Flax, milling	August	\$10.10 del Medicine Hat
Oats #2 CW	August	\$2.14 del Linden
Oats, #2 CW	August	\$1.94 del Edmonton
Oats, milling	September	\$2.15 del Barrhead
Oats, milling	October	\$1.74 del Barrhead
Oats, milling	March	\$1.86 del Barrhead
Peas, feed	August	\$6.34 del Rimbey
Peas, feed	August	\$6.47 del Cardston
Peas, yellow	Sep-Oct	\$6.40 del Innisfail
Peas, green	Sept-Oct	\$7.50 del Innisfail
Wheat, 12.5% prt	September	\$5.11 del Red Deer
Wheat, feed	September	\$5.38 del Vancouver
Wheat, feed	Oct-Nov	\$4.43 del Red Deer

At The Bin

Prices booked this week (net to the producer)

Grain	Price	When	Producer
Barley, 48 lb	\$3.30 FOB	August	Wetaskiwin
Barley, 48 lb	\$3.16 FOB	August	Alliance
Barley, 48 lb	\$3.15 FOB	August	Donalda
Barley, 48 lb	\$3.09 FOB	August	Ranfurly
Barley, 48 lb	\$3.30 FOB	August	Meeting Creek
Barley, 50 lb	\$3.10 FOB	August	Ranfurly
Barley, 52 lb	\$3.30 FOB	August	Donalda
Barley, 52 lb	\$3.10 FOB	Aug-Sep	Alliance
Flax	\$9.70 FOB	August	Rochester
Oats, milling	\$2.15 FOB	August	Mundare
Oats, milling	\$2.10 FOB	August	Innisfree
Peas, yellow	\$6.34 del Olds	August	Donalda
Peas, yellow	\$6.75 del Innisfail	Sep-Oct	Ryley
Peas, yellow	\$6.50 FOB	August	Viking
Rye, feed	\$3.91 FOB	September	Mossleigh
Wheat, feed	\$4.84 del Edmonton	August	Innisfree
Wheat, feed	\$4.78 del Edmonton	Aug-Sep	Innisfree
Wheat	CWB Contract	September	Innisfree
Wheat, 12.5% prt	\$5.35 FOB	Aug-Sep	Wetaskiwin
Wheat, 12.5% prt	\$5.03 FOB	September	Westlock