

At Market Master

By Shelley Wetmore

November 13, 2009

A producer from the Manville area was cleaning out his desk and came across an old Grainwise from November 2001. I've reprinted John Stewart's "Strategies" so you can see what happened back then as it relates to China and canola. Quite the coincidence considering what's happening today.

Remember to send in samples and beat the rush. You may not wish to book any grain now but, if you have sample results in advance, when a price appears that DOES trigger movement, you'll be ready to go. Don't forget, the market can take a quick rally up then move downwards just as fast. Be prepared for grain marketing opportunities as they arise.

Mark the end of January on your calendars for FarmTech 2010. Our booth will be in a different location this year.

Watching ICE

Weekly closing prices for Canadian grain futures

Canola	This Week	Last Week	Diff +/-
Jan 10	\$390.70	\$386.70	↑ \$4.00
Mar 10	\$396.30	\$392.40	↑ \$3.90
May 10	\$401.70	\$395.60	↑ \$6.10
Jul 10	\$405.20	\$399.10	↑ \$6.10
Nov 10	\$407.80	\$400.60	↑ \$7.20
Jan 11	\$407.90	\$402.60	↑ \$5.30
Barley	This Week	Last Week	Diff +/-
Jan 10	\$156.50	\$155.90	↑ \$0.60
Mar 10	\$157.90	\$157.90	→ \$0.00
May 10	\$162.00	\$164.90	↓ (\$2.90)
Jul 10	\$162.00	\$164.90	↓ (\$2.90)
Oct 10	\$162.00	\$164.90	↓ (\$2.90)
Dec 10	\$162.00	\$164.90	↓ (\$2.90)



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Be Grainwise!

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

US Grain

Soy Complex

Despite a bearish USDA report which boosted average soybean yield estimates by .9 bu/ac to 43.3 bu/ac, JAN beans posted a solid 32 cent gain to \$9.87/bu. DEC oil pushed 2.33 cents higher to 39 cents/lb while meal slipped a dollar lower to \$287.80/t.

Tuesday's report also raised total production to 3.32 bln bu while ending stocks rose 40 mln bu to 270 mln bu. On the global front, South American production is also expected to rise.

Adding to the downward pressure was a week of generally good weather which allowed combines to make considerable progress. (As of November 8th approximately 75% of the crop has now been harvested compared to last week's 51%.)

Counteracting this bearish news was another week of stellar exports at 1,273 mmt, over 4 times what's needed to meet current export estimates. Total shipments of 1.636 mmt were also supportive. Strength in outside markets and a dip in the US dollar encouraged speculative buying the last half of the week.

Corn

DEC corn also had a strong week, climbing 23½ cents to \$3.90½/bu.

The story was almost the reverse of the bean market. Weekly corn sales fell short of expectations at just 488,500 mt, just over half what's needed to meet annual sales projections. Total shipments of just 758,000 mt were also disappointing.

However, Tuesday's USDA report lowered average yield expectations by 1.3 bu/ac to 162.9 bu/ac which would result in a total crop of 12.921 bln bu. Carryout was lowered from 1.65 bln to 1.625 bln bu. Like beans, the lower dollar and strength in the gold and crude markets encouraged buying on the parts of the commodity funds.

Wheat

Wheat enjoyed the strongest gains of all with DEC CBOT firing 41¾ cents higher to \$5.39/bu while KCBT wheat

rose 39½ cents higher to \$5.40½/bu. MGE wheat shot 37½ cents higher to \$5.55¾/bu.

The lower dollar and spillover support from the row crops accounted for much of wheat's strong showing this week. However, overall wheat fundamentals remain negative. US wheat is still overpriced compared to black sea product. US winter wheat plantings are picking up steam after delays in the bean harvest put producer behind schedule.

Weekly sales were much as expected at 412,200 mt and did surpass the 351,800 mt needed to meet the newly lowered annual sales estimate of just 875 mln bu. More than adequate global supplies continue to hang over this market and are likely to be the dominant factor for some time to come.

Canadian Grain

Oilseeds

Despite a resolution to the China/blackleg problem and a stronger Canadian dollar, JAN canola managed to post a \$4.00 gain to \$390.70/MT.

However, a lack of farmer selling and spillover strength from the world vegoil markets pushed prices to the upside. Unseasonably warm and dry November weather is giving many farmers an unexpected chance to harvest the remainder of their canola crop. In some cases, producers are actually able to take the crop off dry, eliminating the storage problems that would inevitably ensue.

Feedgrain

Cash barley bids remain flat with many endusers having covered their needs into 2010. Lack of farmer selling and spillover strength from corn is supporting prices.

JAN barley futures inched 60 cents higher to \$156.50/MT.

Strategies

A Farmer's Perspective ... by John Stewart, Galahad, Alberta

It's a hodgepodge for the Strategies section this week.

Canola and China

Canadian negotiators have made little headway in resolving the blackleg issue. Rumours are that China may accept canola not certified blackleg free to a few designated ports. However, China remains adamant that any additional shipments would have to be certified as blackleg free.

Analysts predict this could reduce total shipments to China by 70%. With that amount of exports hanging in the balance, you'd think canola would be struggling more than it is. The simple explanation is most feel this issue will be resolved and normal (or near normal) shipments will resume. As mentioned last week, many feel the issue will come to a head during PM Harper's visit to China early in December.

US Corn and Vomi

There are rising concerns over US corn quality. Vomotoxin has been discovered in distillers dried grain (DDGs) which comes from corn. While this story is still in its infancy, if the problem becomes wide-spread, endusers could look for feed replacements such as soymeal and feed wheat. With the soybean harvest making significant strides this week, producers will soon tackle the corn crop which stands at just 37% harvested. The five year average is 82%.

Around the World

Egypt is reported to have purchased 295,000 mt of wheat—with not one bushel from the US. The entire sale is said to have gone to Russia, illustrating once again how difficult it is for North American wheat to compete on the world stage.

Dryness in parts of Argentina and Brazil are surfacing as much of their crop is just now being planted. Much too early to be a significant problem, but it's on the traders' radar.

Speculators

Flow of money into markets around the world remains very competitive. Investors continue to be gun shy and there's a herd mentality with both equities and commodities. When the stock market turns down, commodity fund managers pull in their horns for fear that another financial setback could reduce demand for most commodities. The one commodity seemingly immune to this is gold which is looked on as a hedge against inflation.

By The Number

Prices to keep an eye on!

Commodity	This Week	Last Week	Diff +/-
CME Live Cattle (DEC)	\$83.33	\$85.00	↓ (\$1.67)
CME Live Hogs (DEC)	\$55.05	\$55.65	↓ (\$0.60)
CDN Dollar (DEC)	\$0.95	\$0.94	↑ \$0.01
MGE Wheat (DEC) - CWRS	\$5.39	\$4.97	↑ \$0.42
KCBOT Wheat (DEC) CPSR	\$5.40	\$5.01	↑ \$0.39
CBOT Oats (DEC)	\$2.62	\$2.54	↑ \$0.08
Diesel (spot, Edmonton)	\$0.84	\$0.83	↑ \$0.01
Crude/Oil (DEC)	\$76.35	\$77.40	↓ (\$1.05)

Strategies

A Farmer's Perspective ... by John Stewart, Galahad, Alberta

Grainwise—November 2, 2001 Issue

China + Lower Loonie = Higher Canola?

There's nothing like trying to predict commodity markets to keep you humble. Last week, I mentioned China had been conspicuous by its absence in the buying department and suggested we may not see China at all this year. There were a couple of reasons for that comment:

1. With China's new **GMO standards**, they established earlier this year, it could be difficult for Canadian canola to find a home.
2. With the value of the **Australian dollar**, canola purchases from that country could be made at a substantially lower price.
3. With canola holding the **premium** that it does over alternative vegoils, it was questionable as to just how much canola China would be importing overall.

Having said all that, what happened this week? China steps up to the plate and buys 100,000 t of Canadian canola. Obviously, this caught the market off guard and sent futures soaring upward.

The Rub

However, there may be a fly in the ointment. It seems a certain exporter had ordered a ship into Vancouver in anticipation of a sale to China. Unfortunately, that sale didn't materialize and the exporter was left paying demurrage charges. In order to finally cement the deal with the Chinese, the canola had to be offered at what can only be described as **fire sale prices**. Although anything that will give futures a boost is welcome, this would seem to be a one-shot wonder and further Chinese buying will not likely be forthcoming.

Nevertheless, a \$22.00/MT rise in the futures is not to be sneezed at. And, if a cash flow problem is taring you in the face, this may be an excellent opportunity to move a portion of that canola crop, particularly if you can find a decent basis.

I'm not just sure how the GMO issue was resolved. All I can say is China has a bit of a reputation for applying or relaxing its trade regulations whenever the situation suits them. Hopefully. Once that nation becomes a member of the WTO, regulations concerning trade will become more standardized and predictable.

The Rise

So, how far this **current rally** can run is a guess at best but one would have to expect that the availability of relatively cheaper vegoil alternatives will tend to cap any major rally. However, even here, things look a little brighter longer-term.

Soyoil stocks appear to be still on the rise, due to a record crop in the US and a large South American acreage. Palm oil, too, will see higher production. However, other vegoils, such as sunflower oil and, of course, canola will see a draw-down in stocks.

Although total vegoil supplies are still expected to rise, usage is expected to rise even faster, resulting in a draw-down in stocks so that overall ending stocks are expected to decline by .71 mmt to 6.88 mmt, resulting in a stocks-to-use ration of just 5.4% - the lowest figure in some time.

All of this bodes well for higher canola prices down the road. So, although we got an unexpected boost in futures this week, I still think that the major strength lies further down the road.

Alberta Canola Producers Commission

Regional Meetings

Monday, Nov 16—Three Hills
 Tuesday, Nov 17—Vegreville
 Wednesday, Nov 18—Onoway
 Thursday, Nov 19—Westlock
 Friday, Nov 20—Camrose
 Monday, Nov 23—Lacombe
 Tuesday, Nov 24—Delia
 Wednesday, Nov 25—Lethbridge
 Thursday, Nov 26—Kitscoty
 Wednesday, Dec 2, Manning
 Thursday, Dec 3, Falher
 Friday, Dec 4, Sexsmith

The Canola Council posted this update on the Chinese export situation on November 10:



- China's AQSIQ has issued a directive respecting quarantine measures for Canadian canola effective November 15, 2009. The measures address China's concern with the possible importation of *Leptosphaeria maculans* (blackleg) – a plant disease common in canola/rapeseed production.
- The measures are highly restrictive. The Canola Council estimates they will restrict 70% of our canola seed (for processing) export sales to China.
- Canada's canola sector is disappointed with China's decision. Our canola industry and Government of Canada officials have worked together to propose alternative steps which would mitigate against blackleg introduction while maintaining trade. We are frustrated and disappointed that China has been unwilling to consider these steps.
- China has an obligation to be as least trade restrictive as possible with its measures. The Canola Council of Canada is concerned that China has not taken appropriate steps to limit impact on trade.
- China is an important market for Canadian canola. In 2008-09 China was Canada's top canola seed market, importing 2.87 million tonnes valued at \$1.3 billion.
- The Canola Council urges the Government of Canada to take this issue up with Chinese government officials at the highest level.
- The Canola Council of Canada is thankful for the immediate and comprehensive response to this issue from the Government of Canada. Agriculture and Agri-Food Minister Ritz took steps immediately to address the issue. A team of senior Canadian negotiators have been in Beijing for the past two weeks negotiating with Chinese officials.
- Since China's regulators are unwilling to consider reasonable risk mitigation strategies while maintaining trade with Canada, the Canola Council of Canada calls on the government to make this issue the top priority in our bi-lateral relations with China.

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Bid Board

Buyers looking for grain (after brokerage)

Grain	When	Location
Barley	Nov-Dec	\$3.16 del Coronation
Barley	November	\$3.36 del Lethbridge
Barley	December	\$3.38 del Lethbridge
Barley	Dec-Jan 10	\$2.95 FOB Camrose
Canola	December	\$8.43 del Lacombe
Canola	December	\$8.73 del Fort Sask
Canola	March 10	\$8.94 del Fort Sask
Canola	March 10	\$8.60 del Lacombe
Canola	November 10	\$8.86 del Edmonton
Flax, milling	Nov-Dec	\$8.44 del Medicine Hat
Flax, milling	Nov-Dec	\$8.44 del Stony Plain
Oats, #2 CW	November	\$2.54 del Barrhead
Oats, #1 CW	November	\$2.54 del Camrose
Oats, #2 CW	November	\$2.25 del Linden
Oats, #2 CW	June 10	\$2.52 del Barrhead
Oats, #2 CW	Sep-Nov 10	\$2.54 del Barrhead
Oats, #1 CW	Sep-Nov 10	\$2.54 del Camrose
Peas, feed	November	\$5.25 del Lacombe
Peas, feed	Nov-Dec	\$5.25 del Irma
Peas, green	Dec-Jan 10	\$7.50 del Innisfail
Peas, green	Dec-Jan 10	\$7.40 CLR High Prairie
Peas, yellow	January 10	\$6.25 del Innisfail
Rye, feed	November	\$3.75 del Calgary
Rye, milling	Jan-Feb 10	\$4.07 del Calgary
Wheat, 12.5% prt	Jan-Mar 10	\$4.57 del Red Deer
Wheat, CWRS 12.5% prt	Jan-Mar 10	\$4.70 del Red Deer
Wheat, feed	Mar-Apr 10	\$4.29 del Red Deer

At The Bin

Prices booked this week (net to the producer)

Grain	Price	When	Producer
Barley, 46 lb	\$2.50 FOB	November	High Prairie
Barley, 48 lb	\$3.00 FOB	December	Heisler
Barley, 48 lb	\$2.62 FOB	November	Enilda
Barley, 48 lb	\$3.40 del Nobleford	November	Barons
Barley, 48 lb	\$3.00 FOB	November	Wetaskiwin
Barley, 48 lb	\$2.66 FOB	November	Eaglesham
Barley, 48 lb	\$3.01 FOB	November	Mundare
Barley, 50 lb	\$3.00 FOB	November	Ohaton
Barley, 50 lb	\$3.21 del Ferintosh	Nov-Dec	Millet
Barley, 50 lb	\$3.00 FOB	November	Clive
Barley, 58 lb	\$3.40 FOB	November	Wainwright
Oats, milling	\$2.35 FOB	November	Mannville
Oats, #1	\$2.54 del Camrose	November	Mundare
Wheat, feed	\$4.20 FOB	January 10	Sylvan Lake
Wheat, 12.5% prt	\$4.09 FOB	Jan-Feb 10	Radway