Grainwise

At Market Master

By Shelley Wetmore

November 20, 2009 ………………

Just a reminder to send your samples in if you haven't done so already. Prices for good quality oats are at attractive levels and we have interest for milling quality rye and triticale so falling numbers need to be checked.

Speculation in the industry is the board may only take up to 60% of the durum this year … if that comes true, what does that mean for off-board feed wheat prices if additional wheat comes into the market? It can't be good but on the other hand, many producers (I think) may be prepared to keep this grain in the bin and wait for the following crop year to market it then. Feed wheat prices are all over the map.

What I do see, though, is a similar pricing scenario that happened during 2002/2003. Prices Calgary north were higher than Lethbridge ...

Watching ICE

Weekly closing prices for Canadian grain futures

Canola	This Week	Last Week	Diff +/-
Jan 10	$406.80	$390.70	↑ $16.10
Mar 10	$413.40	$396.30	↑ $17.10
May 10	$418.90	$401.70	↑ $17.20
Jul 10	$422.30	$405.20	↑ $17.10
Nov 10	$422.70	$407.80	↑ $14.90
Jan 11	$420.70	$407.90	↑ $12.80
Barley	**This Week**	**Last Week**	**Diff +/-**
Jan 10	$160.00	$156.50	↑ $3.50
Mar 10	$160.50	$157.90	↑ $2.60
May 10	$164.60	$162.00	↑ $2.60
Jul 10	$164.60	$162.00	↑ $2.60
Oct 10	$164.60	$162.00	↑ $2.60
Dec 10	$164.60	$162.00	↑ $2.60

market master ltd.

"Your grain watchdog."

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Be Grainwise!

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

US Grain

Soy Complex

JAN beans soared 59 cents higher to settle at $10.46/bu while DEC meal fired $16 higher to $317.10/t. DEC oil closed 1.10 cents higher at $317.10/lb.

While some of this strength could be attributed to outside influences (see Strategies), demand for beans remains strong. China's appetite seems insatiable, accounting for more than half of this week's 1.35 mmt total. That figure blew most pre-report projections out of the water. What's also impressive is that inspections (actual shipments) are keeping pace with reported sales.

Concern that wet weather (forecast to move into the Midwest next week) will delay efforts to harvest the remaining crop was supportive. But, right now, it's all about the demand. Fears that this year's crop may be larger than expected and that South American producers are ramping up to plant record acres to beans were bearish influences but had little impact on the market.

Corn

Corn surged early in the week on speculative buying but let those gains slip away by week's end.

Another disappointing export figure of 353,000 mt versus expectations in the 450-550 thousand tonne range lead DEC corn to close a half penny higher at $3.91/t. Because futures could not hold early gains that had prices above the $4.00/bu mark, it was seen as a technical failure for bulls.

Although the corn harvest is just 54% completed, the market consensus is the crop will be harvested, eventually, and it will be a big one. There are concerns about the quality of the crop, as mold and low bushel weights seem to be a problem but traders are taking a wait and see approach.

Producers received good news when Mexico announced it would be importing 590,750 mt of corn due to low yields (drought) in that country. It's speculated Mexico could be in the market for as much as 2 mmt in the coming year.

Wheat

Despite poor fundamentals, wheat closed higher (see Strategies). DEC CBOT wheat climbed 20¾ cents/bu while KCBT wheat pushed 16¼ cents higher to $5.56¾/bu. MGE wheat closed 8¼ cents higher to $5.64/bu.

This week's strength was even more surprising considering the lack of demand for US wheat. This week's sales total came in at just 362,400 mt which isn't terrible by recent standards but the problem is the bar is now set so low.

Adding insult to injury, Egypt opted to purchase 60,000 mt of wheat this week—all coming from Europe. It was also reported India may have purchased as much as 300,000 mt of wheat from Australia—at a deep discount. Harvest delays due to excessive rains in Australia lent little support.

Canadian Grain

Oilseeds

Although China has agreed to accept shipments of non-certified black leg free canola to a few select ports, there remains no real resolution to the black leg issue. The problem with these designated ports is they tend to be in areas where canola is not grown and where crushing facilities do not exist so it remains to be seen just how much business will actually be done.

We received further bad news this week when shipments of canola meal to the US were stopped due to possible salmonella contamination. Again, it's hard to determine just how much of these problems are genuine concerns and how much is simply a way to limit or halt imports to these countries.

Despite all these problems, JAN canola rose $16.10 to $406.80/MT due primarily to spillover support from beans and a weaker Canadian dollar.

Feedgrain

JAN barley climbed $3.50 to $160.00/MT but cash bids softened slightly due to warm weather in feedlot alley and endusers covered for feed use.

Both yellow and green edible pea bids continue to show strength. Shop around.

Strategies

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

Speculative money flooded into the market this week in search of tangible assets. Fear of inflation, due to excessive amounts of money being printed by the US governments, has many investors looking for something other than paper to invest in.

The traditional commodity of choice during times of inflation is gold which has soared to almost $1,150/oz, however, commodity and index funds are expanding their portfolios to include soft commodities such as grains and oilseeds.

That was particularly evident in the case of wheat which simply doesn't have the fundamentals to justify any sort of a significant rally at the present time. However, outside money pushed CBOT wheat futures over 20 cents higher on the week.

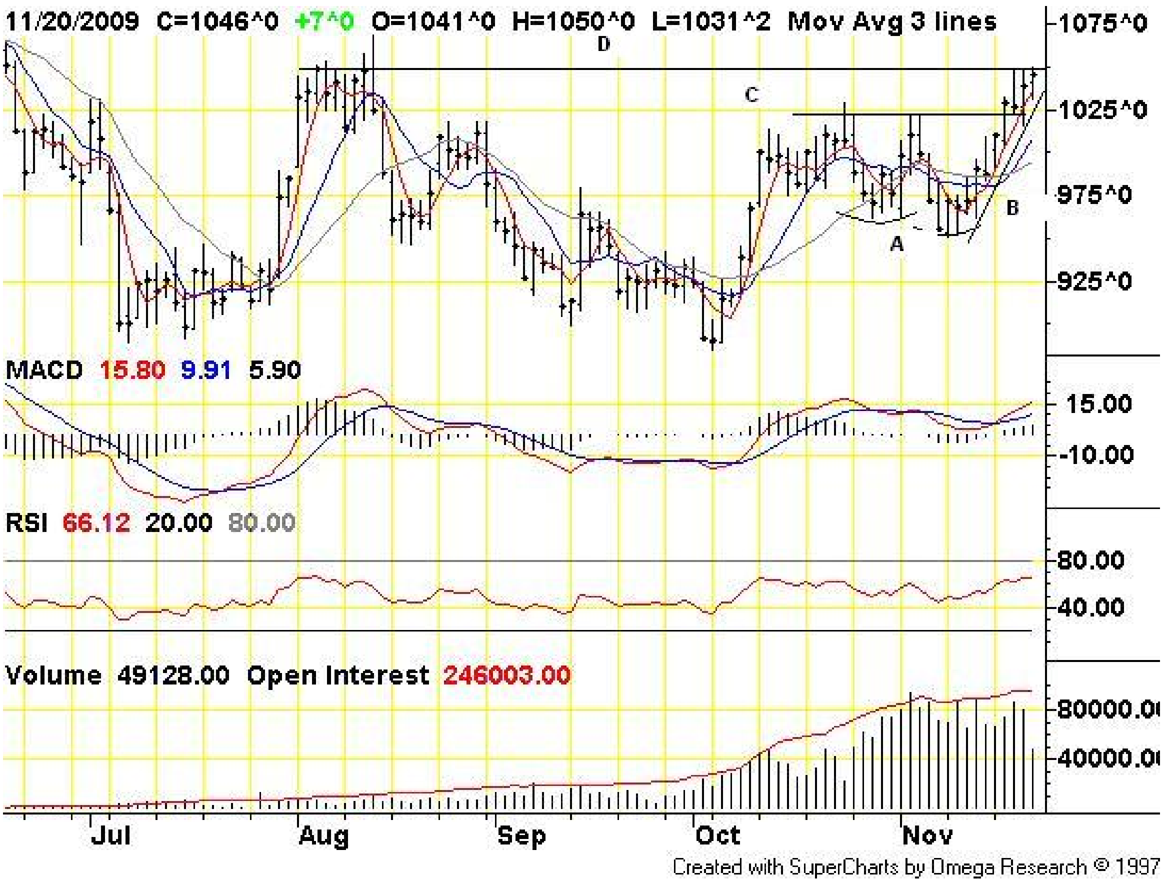
Weakness in the US dollar had a two-fold effect on futures. A lower US dollar makes grain exports more attractive on the world stage, as well as acting as a barometer for the overall health of the US economy. When the financial collapse first began, investors flocked to the US dollar, traditionally the safe haven currency (though it could be argued much of the collapse originated in the US). Now that a recovery seems to be underway, traders feel more comfortable dumping the security of the US green back in favour of other currencies and/or assets.

This brings us back to this week's strength in grains and oilseeds. While not all of this week's gain (particularly soybeans) can be attributed to this new-found money, it was a significant factor. With fundamentals taking a backseat for the moment, it's important to pay more attention to technical considerations as they'll play a larger role in determining market direction as long as this influx of new money continues.

Technical Analysis

Since soybeans are definitely the market leader at the moment, let's have a quick look at the JAN chart. Note the double bottom "A" and how the current sharp uptrend "B" remains intact. A double bottom would suggest prices could rebound to the point established before the downtrend started "C". However, futures blew right through that line of resistance and are bumping up against more substantial resistance at the highs established back in the middle of August "D". Should prices also push through THAT resistance level, additional buying may come into the market.

Charts courtesy of TFC Trading Charts.



At The Bin

Prices booked this week (net to the producer)

Grain	Price	When	Producer
Barley, 48 lb	$3.19 del Camrose	November	St. Paul
Barley, 48 lb	$2.60 FOB	November	Eaglesham
Barley, 48 lb	$3.00 FOB	November	Alliance
Barley, 48 lb	$3.00 FOB	November	Warburg
Barley, 48 lb	$2.55 FOB	November	Taylor
Barley, 48 lb	$2.66 FOB	Dec-Jan 10	Eaglesham
Barley, 48 lb	$3.01 FOB	November	Camrose
Barley, 50 lb	$3.00 FOB	November	Millet
Barley, 54 lb	$2.71 FOB	Nov-Dec	Grand Prairie
Canola, heated	$6.09 FOB	December	St. Paul
Canola, heated	$6.74 del Lethbridge	Dec-Jan	Innisfail
Canola	$8.56 FOB	Dec-Jan	Sylvan Lake
Oats, milling	$2.31 FOB	November	St. Paul
Oats, milling	$2.55 del Barrhead	June 10	Ashmont
Oats, milling	$2.54 del Barrhead	November	Atmore
Oats, #1	$2.54 del Camrose	Nov-Dec	Warburg
Oats, milling	$2.54 del Barrhead	Nov-Dec	Bonnyville
Oats, milling	$2.34 FOB	December	Two Hills
Oats, #1	$2.54 del Camrose	December	Beauvallon
Oats, #1	$2.54 del Camrose	December	Elk Point
Oats, feed	$2.42 FOB	November	Warburg
Peas, yellow	$6.25 del Innisfail	Dec-Jan 10	Gwynne
Peas, green	$7.46 FOB	January 10	Ferintosh
Peas, green	$7.75 del Innisfail	January 10	Calmar
Rye, feed	$3.23 FOB	Nov-Dec	Bruderheim
Wheat, feed	$4.24 del Edmonton	Nov-Jan 10	Bon Accord
Wheat, feed	$4.40 FOB	November	Killam
Wheat, feed	$4.24 del Edmonton	Dec-Jan 10	Falher

Bid Board

Buyers looking for grain (after brokerage)

Grain	When	Location
Barley	November	$3.21 del Veteran
Barley	Nov-Dec	$2.74 del Falher
Barley	Nov-Dec	$3.01 FOB Edmonton
Barley	December	$3.27 del Lethbridge
Barley	December	$3.00 del Vermilion
Barley	December	$3.10 del Brooks
Barley	Dec-Jan 10	$3.21 del Lacombe
Canola	December	$8.79 del Lacombe
Canola	December	$8.94 del Fort Sask
Canola	March 10	$9.28 del Fort Sask
Canola	March 10	$9.08 del Lacombe
Canola	October 10	$9.13 del Edmonton
Flax, milling	Nov-Dec	$8.44 del Medicine Hat
Flax, milling	Nov-Dec	$8.44 del Stony Plain
Oats, #2 CW	Nov-Dec	$2.54 del Barrhead
Oats, #1 CW	Nov-Dec	$2.54 del Camrose
Oats, #2 CW	December	$2.41 del Linden
Oats, #2 CW	June 10	$2.53 del Barrhead
Oats, #2 CW	Sep-Nov 10	$2.55 del Barrhead
Oats, #1 CW	Sep-Nov 10	$2.55 del Camrose
Peas, feed	November	$5.38 del Lacombe
Peas, green	Dec-Jan 10	$7.40 CLR High Prairie
Peas, green	January 10	$7.75 del Innisfail
Peas, yellow	January 10	$6.25 del Innisfail
Rye, feed	December	$3.62 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

Leasing Cropland in Alberta

Whether you're a landlord with cropland to lease or a farmer looking to expand your operation without the large capital investment associated with purchasing land, the 5th edition of *Leasing Cropland in Alberta* (from AAFRD) is worth reading. This book looks at many aspects of leasing and serves as a guide for setting up a lease that is suitable to both the landlord and the tenant. Included in this 50-page book is a sample lease agreement. (**Agdex 812-5 … $12.00)**

This book also helps you:

- identify the advantages and disadvantages of leasing
- understand the different types of leases
- become familiar with the terms used in lease agreements
- negotiate a lease
- step through the legal issues of leasing
- consider the tax implications
- determine how government programs affect leases
- establish rental rates

Call (800) 292-5697.

Grain Marketing To Do List

- Send samples to Market Master for testing—including CPS wheat, oats, and peas.
- Make a grain inventory list.
- Complete Cost of Production and set GPOs.

Need help calculating a Grain Pricing Order? Call the office. GPO forms can be faxed or are available on the website.

By The Number

Prices to keep an eye on!

Commodity	This Week	Last Week		Diff +/-
CME Live Cattle (DEC)	$83.88	$83.33	↑	$0.55
CME Live Hogs (DEC)	$57.53	$55.05	↑	$2.48
CDN Dollar (DEC)	$0.94	$0.95	↓	($0.01)
MGE Wheat (DEC) - CWRS	$5.58	$5.39	↑	$0.19
KCBOT Wheat (DEC) CPSR	$5.56	$5.40	↑	$0.16
CBOT Oats (DEC)	$2.58	$2.62	↓	($0.04)
Diesel (spot, Edmonton)	$0.82	$0.84	↓	($0.02)
Crude/Oil (DEC)	$76.90	$76.35	↑	$0.55