Grainwise

At Market Master

By Shelley Wetmore

November 21, 2008……………………

Let me say this week truly illustrated the effectiveness of GPOs (Grain Pricing Orders) as part of a grain grower's marketing toolbox.

The fast (very fast) decline of cash feed barley bids, especially, made my head swim. A seller indecisive about taking advantage of a price in the afternoon was shocked to see the offer reduced by 10 cents or more the very next morning. Then, because of rapid price changes, space available for booking grain also disappeared. A grain buyer, for example, would see cash prices drop and hope for as much of a drop as possible—the strategy to book grain on the way down—just the opposite as a seller of commodities.

Firm pricing targets (and I mean firm targets), like GPOs, should be part of any grain marketer's plan. A whimsical, "call me when barley hits $4.00" is NOT a thoughtful strategy and won't be taken seriously by most grain buyers.

How does one set a GPO? Again, it goes back to Cost of Production. At what level does the price allow you to break even or make a profit or do you face losing money? A business (a grain grower) MUST know the intimate details of what will make his hard work flourish into a profitable endeavour. If you don't know, spread the paper out on the kitchen table and get to work.

Watching ICE

Your weekly closing ICE futures $/MT.

Canola	This Week	Last Week	Diff +/-
Jan 09	$413.10	$413.00	↑ $0.10
Mar 09	$422.10	$422.50	↓ ($0.40)
May 09	$431.30	$431.70	↓ ($0.40)
Jul 09	$440.10	$440.30	↓ ($0.20)
Nov 09	$450.90	$454.80	↓ ($3.90)
10-Jan	$457.70	$461.60	↓ ($3.90)
Barley	**This Week**	**Last Week**	**Diff +/-**
Dec 08	$140.80	$163.50	↓ ($22.70)
Mar 09	$149.80	$171.70	↓ ($21.90)
May 09	$155.50	$177.30	↓ ($21.80)
Jul 09	$156.50	$178.30	↓ ($21.80)
Oct 10	$156.50	$178.30	↓ ($21.80)

Be Grainwise!

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

US Grain

Soy Complex

It was another rough week in the bean pit with the JAN slamming 56 cents lower to $8.40/bu. Similarly, DEC meal slumped $15.60 lower to $249.90/t while oil fell 1.90 cents to 30.70/lb.

Fundamentally, beans are in better shape than other grains but, at the moment, fundamentals have little to do with price discovery.

Globally, the projected soybean carryout is relatively tight and we're seeing some demand despite the world wide economic problems (see Strategies). On a weekly basis, sales of 790,900 mt were well beyond what's needed to meet the current USDA annual projection.

There are scattered pockets in the US where harvest is yet to finish but it only amounts to 5% of the crop so no one is too concerned. And, with crude oil trading below $50/barrel, it's difficult to get too excited about oilseeds.

Corn

Corn futures took it on the chin, slipping through technical support on the DEC chart around $3.60/bu and finally settled at $3.38½/bu, a weekly drop of 41¾ cents.

However, unlike beans, corn exports were just mediocre at 433,000 mt and continue to lag behind the pace required to meet the current USDA annual projection of 3.7 mln bu.

On the positive side, only 78% of the corn crop has been harvested so far compared to the 5 year average of 94%.

When crude oil drops like it did this week, the viability of ethanol plants all through the US comes into question—never a good thing for corn prices. But, like all grains and oilseed markets, the overall world economy is driving the bus.

Wheat

Steep losses were seen in all three exchanges with DEC CBOT futures down 55¼ cents to $4.99/bu while KCBT wheat dropped 59¾ cents to $5.33½/bu. MGE futures plummeted 71 cents to $5.86½/bu.

On the export front, a weekly total of 511,000 mt was well over pre-report estimates but offered limited support in the overall sell-off witnessed this week.

Generally speaking, the US winter wheat crop is off to a very good start and global supplies look plentiful. However, there's concern in both Argentina and Australia where drought has been taking its toll. Both crops have been downgraded from previous estimates with the Argentinean crop down as much as 40% from last year's total.

Canadian Grain

Oilseeds

The only thing propping up canola has been the rapid decline in our dollar. With oil markets around the world showing steep declines, the fact that JAN canola could actually close a dime higher on the week at $413.10/MT is impressive.

Slow farmer selling was also supportive but didn't play a big role in this week's trade. Normal export and crusher buying was met by elevator selling. Trade was light.

Feedgrains

It has been reported that a month ago Saudi Arabia cut their barley import subsidies from $320.00/MT to $200.00/MT. Since then, barley futures have traded in a sideways to lower trend. This week, with the help of corn's dismal showing, the bottom fell out. DEC futures slammed $22.70 lower to $14.80.

Cash bids have slipped slightly but nowhere near to the same extent as futures.

market master ltd.
"Your grain watchdog."
8543 - 75 Avenue
Edmonton, AB T6C 0G9
www.grainwatchdog.com
(800) 440-8390

Strategies

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

It's starting to sound like a broken record. Grains and oilseed futures stumbled again this week—not so much because of their own fundamentals, but in response to outside markets.

The spectre of the "Big Three" US auto giants on the verge of collapse and having to go cap in hand to Congress in hope of a government bailout did little to calm the frazzled nerves of investors.

Adding to the uncertainty was the cool response the "three amigos" got when they presented their case in Washington.

Unfortunately the credit crisis, which sparked a great deal of the market uncertainty and in some cases downright panic, has yet to be resolved.

With banks unable or unwilling to lend money, the economy grinds to a halt. People tighten their belts and shell out hard-earned cash for essentials only.

This pessimism has now gone worldwide and, with a global recession either looming or already here, market analysts are wondering to what extent demand will decrease in this environment. Still, people need to eat.

The question is, "Will this turn out to be a case of pent-up demand that will explode once there's some semblance of normalcy back in the markets OR has this demand been lost for good?"

If it's the latter, we could easily be looking at higher carryout numbers than originally anticipated with the resulting pressure on prices as we move forward.

One other factor affecting demand for North American commodities is they're priced in US dollars which has been on a tear. It seems counter intuitive that an economy in such bad shape as the US would have a currency that continues to soar in value. For years, the US dollar has been a haven for security conscious investors and it seems that old habits die hard.

There's also the feeling that despite its economic woes, the US economy will rebound at some point. But, for the time being, markets just continue to fall and where the bottom is—no one, and I mean no one, knows. As one analyst stated, it will be over when it's over and not moment sooner.

However, if you're looking for any straw to hold on to, here's one thing worth noting. Ocean freight has dropped dramatically from this spring—as much as 90% to 95%. Quite simply, nothing has been moving. Recently, however, ocean rates have started to inch higher. I'm not sure how much you can read into that but many consider ocean freight a barometer for the economy in general.

Technology, Direct Seeding, Crop Rotations

From Alberta Agriculture

Using new technologies, practicing sensible crop rotations and direct seeding are three big steps towards a more profitable bottom line.

"The common canola-wheat-canola-wheat 'rotation' requires a lot of cash inputs and is risky now that clubroot has been found in many parts of the province," says Nick Underwood, Reduced Tillage LINKAGES, Grande Prairie. "Good crop rotations are the foundation of good agronomy, and there are cost savings to be had when legumes are added to them. Legumes fit in well in a direct seeding or zero till system. Field peas, and sometimes faba beans, are common legumes in a straight cropping business. Clovers for seed, or alfalfa, also can be included."

The fertilizer cost for the wheat-canola rotation is approaching $150 per acre or $450,000 on a 3000-acre farm. If 25% of those acres are put in a legume, $100,000 or more can be saved in the first year. Nitrogen additions can be reduced by 20% or 30% following the legume, meaning that $450,000 bill could soon become $250,000.

"The above example probably oversimplifies my point, but there are large benefits to having a good rotation," says Underwood. "There is no substitute for good agronomy that looks after and improves the soil."

"Another big help towards improving your profit margins can be to take advantage of new technologies," says Underwood. "For instance, with aid of GPS, satellite photography and GPS yield records, it is possible to identify the regions of your fields that have different productive capacities. If you have been yield mapping during harvest you may already know the areas. When soil tests are taken in the different areas a fertilizer 'prescription' can be applied at variable rates. With the multi-tank air carts available today it is possible to apply different rates of major nutrients in different parts of the field. This can lead to considerable savings that will soon pay for the extra equipment needed and help produce more economical crops with a better margin."

Some other suggestions to help the bottom line: include fall-seeded and perennial crops to reduce weed control costs as well as to spread the workload using pre-seed burn-off herbicide can cut the cost of in-crop spraying in some situations a pre-seed weed burn-off is essential and inexpensive in-crop spraying is more effective early in the window rather than late, and may allow rate reduction and increase yields

"New technology combined with sensible crop rotations and direct seeding can be real helps towards more successful crop production," says Underwood.

At The Bin

Prices booked this week (net to the producer).

Grain	Price	When	Producer
Barley, 43 lb	$2.31 FOB	Dec-Jan	Pickardville
Barley, 48 lb	$3.21 FOB	Nov	Beauvallon
Barley, 50 lb	$3.36 FOB	Nov	Two Hills
Barley, 50 lb	$3.49 FOB	Nov	Donalda
Barley, 50 lb	$3.10 FOB	Dec	Thorsby
Barley, 52 lb	$3.25 FOB	Dec	Vegreville
Barley, 54 lb	$3.53 del Edmonton	Dec-Jan	Wetaskiwin
Canola, heated	$5.25 FOB	Nov	Charlie Lake
Flax	$10.84 FOB	Nov	Rochester
Oats, milling	$2.55 FOB	May 09	Waskatenau
Oats, feed	$2.15 FOB	Nov-Dec	Hanna
Wheat, feed	$4.29 FOB	Nov-Dec	Vermilion
Wheat, feed	$4.84 del Lacombe	Nov	Wetaskiwin
Wheat, feed	$4.81 FOB	Dec	High River
Wheat, 13% prt	$5.25 FOB	Feb-Mar	Airdrie
Wheat, 15% prt	$5.25 FOB	Dec	Holden

By The Number

	This Week	Last Week	Diff +/-
CME Live Cattle (DEC)	$84.90	$90.05	($5.15)
CME Live Hogs (DEC)	$56.88	$55.58	$1.30
CDN Dollar (DEC)	$0.78	$0.82	($0.04)
Minneapolis Wheat (DEC)	$4.99	$5.54	($0.55)
Kansas City Wheat (DEC)	$5.33	$5.93	($0.60)
Chicago Oats (DEC)	$2.00	$2.15	($0.15)
Diesel (spot, Edmonton)	$0.99	$1.03	($0.04)
Crude/Oil (NOV)	$49.93	$57.04	($7.11)

Regional Meeting Region 6

ALBERTA Canola PRODUCERS COMMISSION

FREE LUNCH

How are levy dollars spent?

December 3, Onoway Legion
9:00 am to 4:00 pm

9:00 am	registration, coffee, announcements
9:35 am	agronomic update
10:20 am	fertilizer update, alternatives
10:45 am	coffee break
11:00 am	ACPS update
12:00 pm	lunch sponsored by Bunge Canada
1:00 pm	clubroot presentation
2:00 pm	consumer perspective
2:30 pm	coffee break
2:45 pm	marketing update, contracts and basis
3:30 pm	wrap-up, door prizes, potential resolutions

Bid Board

Buyers looking for grain (net prices)

Grain	When	Location
Barley	December	$3.75 del Lethbridge
Barley	Dec-Jan	$3.36 del Olds
Wheat, 12.5% prt	December	$4.70 FOB Edmonton
Wheat, 12.5% prt	December	$4.70 FOB Edmonton
Wheat, feed	Dec-Jan	$4.57 FOB Edmonton
Wheat, 12.5% prt	Feb-Mar	$5.11 del Red Deer
Peas, feed	December	$6.34 del Red Deer
Peas, green	Dec-Jan	$8.50 del Innisfail
Peas, green	Dec-Jan	$8.15 del Three Hills
Peas, green	Dec-Jan	$8.15 del Wembley
Peas, yellow	January	$7.00 del Innisfail
Peas, yellow	January	$6.65 del Three Hills
Peas, yellow	January	$6.65 del Wembley
Flax, milling	Dec-Jan	$11.42 del Lethbridge
Canola	December	$9.08 del Lloydminster
Canola, 20% htd	Dec-Jan	$6.74 del Innisfail
Canola, 30% htd	Dec-Jan	$6.18 del Innisfail
Canola	January	$8.81 del Lloydminster
Canola	March	$9.09 del Fort Sask
Canola	March	$9.06 del Lloydminster
Canola	November 2009	$9.53 del Fort Sask
Oats, feed	December	$2.45 del Lethbridge
Oats, milling	January	$1.75 del Martensville
Oats, milling	March	$1.91 del Martensville
Oats, milling	April	$1.89 del Barrhead
Oats, #2 CW	Apr-Jun	$1.94 del Edmonton
Oats, milling	July	$2.16 del Martensville
Oats, milling	July	$2.03 del Barrhead
Oats, milling	November 2009	$2.38 del Martensville
Oats, milling	November 2009	$2.25 del Barrhead

Yes, we'll have a couch again this year!

Visit our booth # 72.

Bring samples with you.