

At Market Master

By Shelley Wetmore

November 27, 2009

This Dubai issue is the big news item this week (read John's thoughts), next only to CN engineers walking the picket line.

Along with the Chinese having issues about blackleg in our canola which has slowed shipments over there, now we're faced with more delays due to CN engineers not working. You've probably already noticed that November shipments of canola might be delayed a bit and this strike action may further stretch out contract scheduling.

In the meantime, the warm weather we're experiencing along with decreased livestock in the market has supported a very flat feedgrain market. Plus, to me, the pricing reflects the structure during the 2002/2003 drought when prices Calgary north were stronger than Lethbridge. We'll see if it continues.

Watching ICE

Weekly closing prices for Canadian grain futures

Canola	This Week	Last Week	Diff +/-
Jan 10	\$407.90	\$406.80	↑ \$1.10
Mar 10	\$414.50	\$413.40	↑ \$1.10
May 10	\$419.60	\$418.90	↑ \$0.70
Jul 10	\$423.00	\$422.30	↑ \$0.70
Nov 10	\$419.00	\$422.70	↓ (\$3.70)
Jan 11	\$419.90	\$420.70	↓ (\$0.80)
Barley	This Week	Last Week	Diff +/-
Jan 10	\$158.00	\$160.00	↓ (\$2.00)
Mar 10	\$159.50	\$160.50	↓ (\$1.00)
May 10	\$159.50	\$164.60	↓ (\$5.10)
Jul 10	\$159.50	\$164.60	↓ (\$5.10)
Oct 10	\$159.50	\$164.60	↓ (\$5.10)
Dec 10	\$159.50	\$164.60	↓ (\$5.10)



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Be Grainwise!

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

US Grain

Problems from the UAE (see Strategies) along with a shortened trade week due to the US Thanksgiving holiday made it difficult to get an accurate read on grain and oilseed trade.

It's not just that the markets were closed Thanksgiving Thursday but many traders also booked-off Wednesday, not to return until Monday. In today's financial environment, the prudent thing course of action was to head to the sidelines and re-evaluate next week.

Soy Complex

Weak outside markets (crude, gold, the Dow) and the almost completed bean harvest pressured the market. On the positive side, demand remains strong with Friday's sales report indicating another 1.135 mmt on the books. That's more than 4½ times what's needed on a weekly basis to meet current USDA projections of 1.325 bln bu. (36 mmt). Just as important was this week's shipment total of 2.435 mmt.

JAN beans pushed 7 cents higher to \$10.53 cents/bu while DEC meal settled \$9.40 higher at \$326.50/t. DEC oil rose .39 cents to 40.10 cents/lb.

In last week's Strategies, I showed a JAN beans chart, bumping up against long-term resistance. While we finished higher on the week, that resistance has yet to be breached.

Corn

We finally received good news on the corn sales front. Exports of 1.224 mmt exceeded pre-report expectations and were well over recent weekly totals. It was a bit of a mixed bag, however, as shipments of 627,900 mt fell well short of the 1.077 mmt needed on a weekly basis to meet present USDA annual projections.

Harvest progressed along, now at 68% completed. There remain concerns about mould and possible vomotoxin contamination in some corn samples but the trade expects these problems to be local in nature and not an issue over the larger scheme of things.

DEC corn closed 6¼ cents higher on the week at \$3.97¼/bu.

Wheat

Wheat continues to be the weakest commodity, with the worst global fundamentals. We had a nice rally the past couple of weeks but that was speculative money flooding into the market versus any fundamental reason. When uncertainty of any kind (as we saw this week) seeps into the market, wheat will be the first to sell-off and that was the case this week.

DEC CBOT wheat slipped 11 cents lower to \$5.48¾/bu while KCBT dipped 14 cents to \$5.42¾/bu. MGE wheat fell 10¼ cents to \$5.53¾/bu.

Although weekly exports were in line with pre-report expectations at 351,200 mt, it wasn't a total that injected optimism into the market. The rapid pace of the bean harvest is allowing producers to get their winter wheat planted which also pressured the market.

Technically speaking, the CBOT chart looks defensive as futures head toward support in the \$5.25/bu area. Should that fail, we could be heading for a retest of support in the \$4.90 area.

Canadian Grain

Oilseeds

Despite meal shipment problems to the US (salmonella) and the unresolved black leg matter which is causing uncertainty as to future shipments into China, JAN canola held up well, closing \$1.10 higher at \$407.90/MT.

That strength was all the more impressive considering the strength in the Loonie this week. Spillover support from beans, particularly bean oil, provided support as did slow farmer selling. However, news that CN engineers are prepared to strike as early as Saturday weighed on the market and prevented further gains. Great ... that's all we need ... a prolonged engineer's strike to further erode our reputation as a reliable exporter of grains!

Feedgrain

JAN barley slipped \$2.00 lower to \$158.00/MT in slow trade. Cash bids remain steady to lower. Warm weather and comfortable endusers are putting a lid on any meaningful advances.

Strategies

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

The financial world was rocked this week when it was announced the state-backed investment company Dubai World had asked for a 6 month extension to make an upcoming payment on what's estimated to be a 60 billion dollar debt.

Dubai is one Emirate (state) of the UAE or United Arab Emirates. Contrary to popular belief, Dubai is NOT oil rich—particularly, if you compare it to some of its Middle Eastern neighbours. However, under the leadership of Sheik Mohammed Bin Rahts Al-Maktoum, Dubai charted a course to become the cultural, economic, and tourism capital of the Middle East. Extensive building projects have been undertaken, incorporating some of the most breathtaking architecture anywhere. One of the most famous features of Dubai is the man-made palm shaped island which juts out into the Persian Gulf. Money was no object in the rush to accomplish the Sheik's goals.

In recent years, Dubai has been considered the richest city in the world. However, all of that was drawn into question when Dubai World had to default its next regular payment. Much of this debt is believed to be in the hands of European banks. With the world still getting over the recent financial shock, it took very little for risk-averse investors to head for the sidelines into whatever "safe" investment vehicle they could find.

It's not that 60 billion is a lot of money in the larger scheme of things. In fact, compared to the estimated 2.8 TRILLION dollars in write-downs America and European investment companies received during the height of the economic meltdown—it's absolute peanuts. It's not even that many investors believed Dubai wouldn't eventually be able to make good on their loan commitments. It's that the many investments held by Dubai all over the world may have to be liquidated at wholesale prices to finance its debt.

Enter into the picture Abu Dhabi which is another Emirate of the UAE. Abu Dhabi does have money—lots of it. In fact, it was Abu Dhabi that Western politicians and financial institutions looked to for help when banks like AIG were staring into the abyss. There's some friction between the two emirates (Abu Dhabi and Dubai) with the former feeling the latter has been "overstepping its bounds" in its quest to become the next great city of the world. However, Abu Dhabi also knows that should Dubai completely default on their loans, the ramifications would be widespread with many investors avoiding the area altogether, essentially tarring the whole area with the same brush. Because of this, Abu Dhabi will likely hold its nose and bailout Dubai.

Think of it as Alberta bailing out Ontario. We'd probably do it for the sake of the country but we wouldn't be happy about it. I'd be surprised if there weren't some conditions involved that would essentially give Abu Dhabi added say in how Dubai's affairs are conducted.

In short, this turmoil will likely be short-lived and the world return to business as usual. Having said that, in this world of skittish investors, nothing is for sure.

At The Bin

Prices booked this week (net to the producer)

Grain	Price	When	Producer
Barley, 48 lb	\$2.71 FOB	Nov-Dec	High Prairie
Barley, 48 lb	\$3.01 FOB	Nov-Dec	Sunnybrook
Barley, 48 lb	\$3.01 FOB	November	Hanna
Barley, 48 lb	\$2.79 FOB	November	Grande Prairie
Barley, 48 lb	\$3.18 del Ponoka	Nov-Dec	Heisler
Barley, 48 lb	\$2.55 FOB	Nov-Dec	Taylor
Barley, 48 lb	\$2.55 FOB	Nov-Dec	High Prairie
Barley, 48 lb	\$2.92 FOB	December	Galahad
Barley, 50 lb	\$3.01 FOB	Jan-Feb 10	Ferintosh
Barley, 52 lb	\$3.19 del Camrose	Nov-Dec	St. Paul
Barley, 54 lb	\$2.88 FOB	Nov-Dec	Lloydminster
Canola	\$10 under JAN del Fort Sask	December	Ponoka
Oats, feed htd.	\$1.29 FOB	Nov-Dec	High Prairie
Peas, feed	\$5.10 FOB	Nov-Dec	Millet
Rye, feed	\$3.24 FOB	Nov-Dec	Millet
Wheat, feed	\$4.05 FOB	December	Millet
Wheat, feed	\$3.94 FOB	December	Holden

Bid Board

Buyers looking for grain (after brokerage)

Grain	When	Location
Barley	Nov-Dec	\$3.18 del Bowden
Barley	Nov-Dec	\$2.74 del Falher
Barley	Dec-Jan 10	\$2.55 FOB High Prairie
Barley	Dec-Jan 10	\$2.90 del Vermillion
Barley	January 10	\$3.25 del Lethbridge
Barley	Feb-Mar 10	\$3.21 del Carrot Creek
Canola	December	\$8.82 del Lacombe
Canola	December	\$8.92 del Fort Sask
Canola	March 10	\$9.30 del Fort Sask
Canola	March 10	\$9.17 del Lacombe
Canola	October 10	\$9.05 del Edmonton
Flax, milling	Dec-Jan 10	\$8.44 del Medicine Hat
Flax, milling	Dec-Jan 10	\$8.44 del Stony Plain
Oats, #2 CW	Nov-Dec	\$2.44 del Barrhead
Oats, #1 CW	Nov-Dec	\$2.44 del Camrose
Oats, #2 CW	December	\$2.41 del Linden
Oats, #2 CW	June 10	\$2.47 del Barrhead
Oats, #2 CW	Sep-Nov 10	\$2.50 del Barrhead
Oats, #1 CW	Sep-Nov 10	\$2.50 del Camrose
Peas, feed	Nov-Dec	\$5.38 del Lacombe
Peas, green	Dec-Jan 10	\$7.40 CLR High Prairie
Peas, green	January 10	\$7.60 del Innisfail
Peas, yellow	January 10	\$6.00 del Innisfail
Rye, feed	January 10	\$3.80 del Calgary
Wheat, 12.5% prt	December	\$4.35 del Red Deer
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

CWB November 2009-10 Average PRO

	Alberta		Sask		BC		
	Nov	Average		Average		Average	
	PRO	Deduc	Return	Deduc	Return	Deduc	Return
Wheat							
1 CWRS 14.5	\$7.38	\$1.38	\$6.00	\$1.59	\$5.79	\$1.32	\$6.06
1 CWRS 13.5	\$6.78	\$1.38	\$5.40	\$1.59	\$5.19	\$1.32	\$5.46
1 CWRS 12.5	\$6.37	\$1.38	\$4.99	\$1.59	\$4.78	\$1.32	\$5.05
1 CWRS 11.5	\$6.01	\$1.38	\$4.63	\$1.59	\$4.42	\$1.32	\$4.69
2 CWRS 13.5	\$6.56	\$1.38	\$5.18	\$1.59	\$4.97	\$1.32	\$5.24
2 CWRS 11.5	\$5.80	\$1.38	\$4.42	\$1.59	\$4.21	\$1.32	\$4.48
3 CWRS 13.0	\$5.99	\$1.38	\$4.61	\$1.59	\$4.40	\$1.32	\$4.67
3 CWRS	\$5.42	\$1.38	\$4.04	\$1.59	\$3.83	\$1.32	\$4.10
4 CWRS	\$5.03	\$1.38	\$3.65	\$1.59	\$3.44	\$1.32	\$3.71
1 CWHW 13.5	\$6.78	\$1.38	\$5.40	\$1.59	\$5.19	\$1.32	\$5.46
1 CPSR	\$5.39	\$1.38	\$4.01	\$1.59	\$3.80	\$1.32	\$4.07
1 CPSW	\$5.33	\$1.38	\$3.95	\$1.59	\$3.74	\$1.32	\$4.01
1 CWRW Select 11.5	\$5.61	\$1.37	\$4.24	\$1.67	\$3.94	\$1.32	\$4.29
1 CWRW	\$5.25	\$1.37	\$3.88	\$1.67	\$3.58	\$1.32	\$3.93
1 CWES	\$5.96	\$1.39	\$4.57	\$1.56	\$4.40	\$1.32	\$4.64
1 CWSWS	\$4.68	\$1.38	\$3.30	\$1.59	\$3.09	\$1.32	\$3.36
CW Feed	\$4.11	\$1.38	\$2.73	\$1.59	\$2.52	\$1.32	\$2.79
Durum							
1 CWAD 14.5	\$6.18	\$1.37	\$4.81	\$1.48	\$4.70	\$1.32	\$4.86
1 CWAD 13.0	\$5.88	\$1.37	\$4.51	\$1.48	\$4.40	\$1.32	\$4.56
1 CWAD 12.5	\$5.80	\$1.37	\$4.43	\$1.48	\$4.32	\$1.32	\$4.48
1 CWAD 11.5	\$5.61	\$1.37	\$4.24	\$1.48	\$4.13	\$1.32	\$4.29
2 CWAD 13.0	\$5.61	\$1.37	\$4.24	\$1.48	\$4.13	\$1.32	\$4.29
2 CWAD 11.5	\$5.42	\$1.37	\$4.05	\$1.48	\$3.94	\$1.32	\$4.10
3 CWAD 13.0	\$5.14	\$1.37	\$3.77	\$1.48	\$3.66	\$1.32	\$3.82
3 CWAD	\$4.95	\$1.37	\$3.58	\$1.48	\$3.47	\$1.32	\$3.63
4 CWAD	\$4.49	\$1.37	\$3.12	\$1.48	\$3.01	\$1.32	\$3.17
5 CWAD	\$4.06	\$1.37	\$2.69	\$1.48	\$2.58	\$1.32	\$2.74
Feed Barley							
1 CW Pool A	\$3.31	\$1.25	\$2.06	\$1.44	\$1.87	\$1.20	\$2.11
1 CW Pool B	\$3.31	\$1.25	\$2.06	\$1.44	\$1.87	\$1.20	\$2.11
Designated Barley							
SS CW 2-row	\$4.53	\$1.25	\$3.28	\$1.45	\$3.08	\$1.26	\$3.27
SS CW 6-row	\$4.14	\$1.25	\$2.89	\$1.45	\$2.69	\$1.26	\$2.88

By The Number*Prices to keep an eye on!*

Commodity	This Week	Last Week	Diff +/-
CME Live Cattle (DEC)	\$83.20	\$83.88	↓ (\$0.68)
CME Live Hogs (DEC)	\$58.95	\$57.53	↑ \$1.42
CDN Dollar (DEC)	\$0.94	\$0.94	↔ \$0.00
MGE Wheat (DEC) - CWRS	\$5.48	\$5.58	↓ (\$0.10)
KCBOT Wheat (DEC) CPSR	\$5.42	\$5.56	↓ (\$0.14)
CBOT Oats (DEC)	\$2.55	\$2.58	↓ (\$0.03)
Diesel (spot, Edmonton)	\$0.81	\$0.82	↓ (\$0.01)
Crude/Oil (JAN)	\$74.90	\$76.90	↓ (\$2.00)

CWB November PRO Commentary**Wheat**

The USDA released updated WASDE estimates November 10. They increased the 2009 world wheat production estimate to 672 million tonnes and forecasts world wheat stocks will build by 24 million tonnes this year. The USDA increased production and export projections for Russia, Ukraine, and Kazakhstan. The large supply of low-priced wheat in these regions is expected to limit exports from traditional wheat exporting countries. Heavy rains have caused significant damage to the wheat crop in Brazil, which has negatively affected the milling characteristics of their crop. The crop is currently estimated by the USDA at 4.5 million tonnes, compared to 6 million tonnes last year. Brazil is forecast to import 6.5 million tonnes, compared to 6 million tonnes last year, which should support the international market. High temperatures forced early maturity and harvest in Eastern Australia, while light rains in Western Australia caused some harvest delays. Quality uncertainty and harvest delays continue to support Australian wheat prices.

Durum

Durum prices remain at historically wide discounts to spring wheat, making US and European farmers reluctant to sell. This has limited the nearby available supply of durum and provided some support to durum prices. However, the fundamentals of the durum market remain weak. The IGC revised its global durum production forecast up from 37.8 million tonnes to 39.0 million tonnes. Western Canada durum production of 5.1 million tonnes is the fifth-largest durum crop on record. Global trade is now forecast at 7.0 million tonnes, 200 000 tonnes less than 2008-09. The recent removal of the import tariff in the EU has improved access of Canadian exports into the EU, a major durum market. Dry conditions and adequate soil moisture favoured durum planting in southern Europe, Tunisia, and Eastern Algeria.

Feed barley

Global feed barley prices were higher. Black Sea feed barley prices remain the most competitive source of feed grain in the world and while the international price structure has moved higher, it is still well below levels that will pull significant volumes of Canadian feed barley from our domestic market. The delayed corn harvest in the US has provided support for feed grain prices. The corn harvest is now 68% complete, compared to 94% normally finished at this time. Significant delays to the corn harvest may result in many acres left unharvested until the spring. Global barley production is up 1 million tonnes to 148 million tonnes and Canadian barley production is forecast at 9.2 million tonnes.

Designated barley

Malting barley prices moved slightly higher. Strong demand from China and the weak US dollar have been supportive for global malting barley prices. However, moisture in the key producing regions in South Australia, Victoria, and Western Australia has been supportive for the Australian barley crop. Australia is forecast to harvest a 7.8 million tonne crop, 1.8 million tonnes larger than last year, which should add some pressure to malting barley prices. Large stocks of malt and large malting barley supplies in the EU, Canada and Australia are more than sufficient to cover global malt demand, limiting price increases.