

At Market Master

By Shelley Wetmore

December 12, 2008.....

Years ago, who would have thought that auto workers in the US refusing to take a pay cut would make our canola markets fall? Well, that's kind of a simplified explanation but it happened. Just when there's a little light at the end of the tunnel, canola drops again. Our global economy is in such turmoil, you just don't know what kind of news is going to come out and how it's going to affect prices. This volatility reinforces the need for every producer to sit down and ensure cost of production numbers are updated and complete.

I'll never forget the words of one grain producer from the Ferintosh area who said to me over ten years ago, "As long as I can make money, I'll book some grain and never look back. What's wrong with making a profit?"

Related to this, always remember to include YOUR SALARY in your cost of production calculations. I remember, while helping one farmer, I asked where his salary numbers were and he just looked at me with a blank face. The farm not only pays for next year's inputs but should also be responsible for life expenses like groceries, the college funds, and (hopefully) vacations. Of course, this is in an ideal world. Most farmers, sadly, have off-farm jobs to pay for much of the family's expenses.

Watching ICE

Your weekly closing ICE futures \$/MT

Canola	This Week	Last Week	Diff +/-
Jan 09	\$386.70	\$354.10	↑ \$32.60
Mar 09	\$393.20	\$360.00	↑ \$33.20
May 09	\$402.10	\$368.60	↑ \$33.50
Jul 09	\$410.70	\$376.60	↑ \$34.10
Nov 09	\$422.00	\$392.60	↑ \$29.40
Jan 10	\$428.80	\$399.40	↑ \$29.40
Barley	This Week	Last Week	Diff +/-
Mar 09	\$147.50	\$127.00	↑ \$20.50
May 09	\$154.90	\$140.00	↑ \$14.90
Jul 09	\$159.40	\$144.90	↑ \$14.50
Oct 09	\$159.40	\$149.40	↑ \$10.00
Oct 10	\$159.40	\$149.40	↑ \$10.00

Be Grainwise!

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

US Grain

Soy Complex

Soybeans enjoyed a much better week with the JAN climbing 70½ cents to \$8.54/bu. JAN meal was similarly strong closing \$19.40 higher at \$257.70/t. Oil climbed 2.37 cents to 30.92 cents/lb.

Lower than expected carryout projections (see Strategies) gave beans a fundamental boost but stronger crude oil prices and a weaker US dollar probably had more to do with this week's strong showing than anything else. Weekly exports were strong at 811,000 mt and exceeded pre-report expectations.

Limiting this week's advances was a report released Friday by Informa which pegged new crop acres in the US at 81.46 mln acres, a sizeable increase from the current USDA estimate of 75.88 mln acres.

Corn

MAR corn also enjoyed a strong week, firing 64¼ cents higher to \$3.73½/bu—despite a negative USDA carryout report.

Strong weekly exports of 1.058 mmt surprised everyone and gave corn a firm push to the upside. Also beneficial was Informa's new crop acreage estimate which came in well below expectations at 82.29 mln acres versus the current USDA figure of 85.89 mln acres.

Like beans, stronger crude oil market and a weaker dollar contributed to this week's stronger showing.

Wheat

Wheat had the least reason to rally with a negative domestic and global carryout figure plus a disappointing weekly export figure of just 239,300 mt.

However, spillover support from corn, along with outside influences of a weaker dollar and higher crude oil prices, lifted MAR CBOT wheat 38 cents to \$5.13/bu. KCBT wheat bounced 34½ cents higher to \$5.37¼/bu and MGE wheat climbed 37¼ cents higher to \$5.88¾/bu.

Canadian Grain

Oilseeds

JAN canola regained some of the huge losses it encountered last week, rebounding \$32.60 to \$386.70/MT.

The positive influence of outside markets, combined with a slowdown in farmer selling as cash bids have slipped below \$9.00/bu, contributed to this week's gains. Rumours of export interest to China for spring delivery were also beneficial.

However, the spectre of 12.6 mmt crop continues to hang over this market and will continue to do so for some time. It will be difficult, if not impossible, for canola to show any independent strength in the foreseeable future.

Feedgrain

Although MAR barley futures pushed \$7.50 higher to \$147.50/MT due to spillover support from corn, cash bids failed to follow suit. Slow enduser demand and plentiful supplies of feed barley are pressuring prices.

Yellow pea bids remain stagnant with slow export movement.

Grainwise

Remember, Grainwise is not published between Christmas and New Year's. Last issue for the year is December 19 and will resume January 9.

Christmas Office Hours

Closed—December 24th at noon
Open—January 5th



8543 - 75 Avenue
Edmonton, AB T6C 0G9
www.grainwatchdog.com
(800) 440-8390

This publication may not be reproduced without permission by Market Master Ltd.

Strategies

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

Corn

The USDA updated their US/World grain carryout forecast. Not surprisingly, US carryout was up across the board. The recent worldwide economic downturn has curtailed exports and cut back domestic consumption. That's particularly true with corn where ethanol production is declining with some plants in serious financial trouble. So, it wasn't particularly unexpected US corn carryout was raised .242 bln bu to 1.474 bln bu. The news was worse globally as worldwide corn carryout was projected to balloon from 110.1 mmt to 123.8 mmt.

Soybeans

Soybean carryout was also raised but by a more modest amount (from .205 bln bu from .200 bln bu). Worldwide carryout ran along the same lines, climbing just .13 mmt to 54.19 mmt.

Wheat

Overall US wheat carryout jumped from .596 bln bu to .623 bln, while global carryout bounced 2.1 mmt to 147.4 mmt. With this kind of negative news hitting the market moments before the markets opened on Thursday, you would have expected another sharp decline in prices—surprise! The market actually closed higher right across the board.

Crude Oil

Sharply higher crude oil prices, which shot almost \$4.50 higher along with a sharply lower US dollar, trumped the negative influence from the USDA report. It shows that while this report can (and probably will) have ramifications down the road, the **health of the overall economy** is still the overriding factor, influencing grains and oilseeds prices. That's not likely to change in the immediate future.

Fertilizer

If Canadian producers can take ANY solace in the financial downturn, it may be that fertilizer prices are FINALLY retreating from the highs we saw a few months ago. I've heard of urea prices below \$500/MT with phosphate now quoted in the mid \$800's. Just how low prices will go is as good a question as is when will grain prices move higher. Basically the fertilizer pipeline is full and, with little product moving, fertilizer plants are being forced to shut down production—at least temporarily.

By The Number

	This Week	Last Week	Diff +/-
CME Live Cattle (FEB)	\$82.90	\$81.45	↑ \$1.45
CME Live Hogs (FEB)	\$62.28	\$64.20	↓ (\$1.92)
CDN Dollar (MAR)	\$0.80	\$0.78	↑ \$0.02
Minneapolis Wheat (MAR)	\$5.13	\$4.75	↑ \$0.38
Kansas City Wheat (MAR)	\$5.38	\$5.03	↑ \$0.35
Chicago Oats (MAR)	\$2.13	\$1.99	↑ \$0.14
Diesel (spot, Edmonton)	\$0.79	\$0.82	↓ (\$0.03)
Crude/Oil (JAN)	\$46.28	\$40.81	↑ \$5.47

Bid Board

Buyers looking for grain (net prices)

Grain	When	Location
Barley	Dec-Jan	\$3.42 del Lethbridge
Barley	Jan-Feb	\$3.21 del Calgary
Wheat, 12.5% prt	December	\$4.57 FOB Edmonton
Wheat, feed	December	\$5.11 del Lethbridge
Wheat, feed	Dec-Jan	\$4.57 FOB Edmonton
Wheat, 12.5% prt	Feb-Mar	\$5.11 del Red Deer
Peas, yellow	Jan-Feb	\$6.01 del Innisfail
Peas, yellow	Jan-Feb	\$5.66 del Three Hills
Peas, yellow	Jan-Feb	\$5.66 del Wembley
Flax, milling	Dec-Feb	\$11.25 Del Edmonton
Rye, feed	Jan-Mar	\$3.95 del Lethbridge
Canola	December	\$8.48 del Lloydminster
Canola	January	\$8.21 del Lloydminster
Canola	March	\$8.47 del Fort Sask
Canola	March	\$8.40 del Lloydminster
Canola	July	\$8.85 del Fort Sask
Canola	November 2009	\$8.87 del Fort Sask
Oats, feed	December	\$2.25 del Lethbridge
Oats, milling	Jan-Mar	\$2.24 del Edmonton
Oats, milling	March	\$1.91 del Martensville
Oats, milling	April	\$1.79 del Barrhead
Oats, #2 CW	May-Jun	\$1.84 del Edmonton
Oats, milling	July	\$2.08 del Martensville
Oats, milling	July	\$1.89 del Barrhead
Oats, milling	November 2009	\$2.26 del Martensville
Oats, milling	November 2009	\$2.06 del Barrhead

At The Bin

Prices booked this week (net to the producer).

Grain	Price	When	Producer
Barley, 48 lb	\$3.01 FOB	Dec	Beaumont
Barley, 50 lb	\$3.01 FOB	Dec-Jan	Morinville
Barley, 50 lb	\$3.01 FOB	Dec-Jan	Camrose
Canola	\$8.68 del Lacombe	May	Clive
Peas, green	\$6.47 del Red Deer	Dec	Innisfail
Wheat, feed	\$4.65 FOB	Jan	Clive
Wheat, feed	\$4.40 FOB	Dec-Jan	Clive
Wheat, 14% prt	\$5.11 FOB	Feb	Edmonton

Visit Market Master at Booth # 72



FarmTech 2009

Global Perspectives... Local Knowledge

January 28 to 30, 2009

Mayfield Inn & Suites

Edmonton, Alberta