

## At Market Master

By Shelley Wetmore

December 18, 2009 .....



Every year we announce our **Farmer of the Year**. For the 2008-2009 crop season, the recipient is **Randy Nutz** from Stony Plain. Like all of our winners, over the past year, Randy has successfully tried a variety of techniques from his grain marketing tool box and exemplifies a producer willing to learn and try new things. Watch your mailbox for your reward, Randy!

Don't forget, this is the last issue of Grainwise for 2009 and our Christmas hours are listed further on in the newsletter.

Merry Christmas to everyone and enjoy time with your family and friends. We'll talk to you in the New Year ... hopefully, a better one for all grain and livestock commodities.

*Shelley W, Shelley D  
Jenny, John*

## Watching ICE

Weekly closing prices for Canadian grain futures

Canola	This Week	Last Week	Diff +/-
Jan 10	\$404.70	\$412.20	↓ (\$7.50)
Mar 10	\$411.70	\$419.20	↓ (\$7.50)
May 10	\$418.70	\$425.70	↓ (\$7.00)
Jul 10	\$423.90	\$430.20	↓ (\$6.30)
Nov 10	\$424.70	\$430.80	↓ (\$6.10)
Jan 11	\$427.70	\$432.60	↓ (\$4.90)
Barley	This Week	Last Week	Diff +/-
Jan 10	\$160.00	\$159.00	↑ \$1.00
Mar 10	\$156.00	\$160.00	↓ (\$4.00)
May 10	\$157.20	\$161.20	↓ (\$4.00)
Jul 10	\$157.20	\$161.20	↓ (\$4.00)
Oct 10	\$157.20	\$161.20	↓ (\$4.00)
Dec 10	\$157.20	\$161.20	↓ (\$4.00)

## Be Grainwise!

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

### US Grain

#### Soy Complex

Despite another week of stellar exports, JAN beans slammed 23 cents lower to \$10.12/bu while meal fell \$1.10 to \$305.40/t. JAN oil slipped 1.24 cents to 38.33 cents/lb.

Although sales once again exceeded expectations at 934,700 mt (almost 5 times what's needed on a weekly basis to meet current projections), trader's took their cue from outside markets and, in particular, the surging US dollar. (See Strategies). Non-commercial money stamped out of most commodities, pressuring not only grains and oilseeds but oil and gold as well.

Rain over large portions of the South American bean crop reinforced the idea that a bumper crop is on the way. It also has many wondering how long China will continue to purchase US beans instead of simply waiting for the Brazilian and Argentinean crops to come online. However, remember that total Chinese purchases in the current crop year equal 18.2 mmt versus last year's total year sales of 18.6 mmt. The brisk pace of sales so far this year has some traders estimating US bean carryout could sink below 200 mln bu. But, this week at least, fundamentals took a back seat to the influence of the US dollar.

#### Corn

Corn fundamentals had a bullish tone this week. A streak of poor export figures was interrupted by the highest one week total of the year—1.227 mmt.

There's still the ongoing problem of harvesting the balance of the US crop which, in many cases, remains buried under snow. While harvest progressed in some areas, there's another significant snowfall forecast for next week. Traders passed on fundamentals and focused on outside markets.

MAR corn closed at \$3.97¾/bu, a loss of 6¾ cents.

#### Wheat

It's difficult for wheat to generate any serious demand. US wheat is still overpriced on the world market despite recent declines. That was re-emphasized

when Egypt passed on US wheat once again in favour of supplies from France and Russia.

This week's total of 345,000 mt failed to reach the modest goal of 351,700 mt needed to meet the current annual estimate.

There's some concern that the difference between soybeans and wheat is too high and the spread will have to narrow before spring to attract sufficient spring wheat acres. However, considering the abundance of wheat in the world, I don't see that as a burning issue—at least for now.

MAR CBOT wheat drifted 9½ cents lower to \$5.28/bu. KCBT wheat dipped 3¼ cents to \$5.24¼/bu. MGE wheat settled 7¼ cents lower at \$5.35¼/bu.

### Canadian Grain

#### Oilseeds

MAR canola was cushioned from a slumping soy complex by weakness in our own currency and closed the week \$7.50 lower at \$404.70/MT.

Despite the virtual absence of China from the export market, sales are holding up well. The slow pace of farmer selling (due to the recent cold snap and producers' natural aversion to making large sales before the end of the tax year) has also been supportive. Steady crusher buying also prevented further losses.

JAN barley closed the week a dollar higher at \$160.00/MT. Increasing demand and reluctance by producers to move product due to the reasons mentioned above lent support.

Edible pea bids remain well-supported. Shop around.



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## Strategies

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

A couple of weeks ago when investors were panicking because Dubai was on the verge of defaulting on a rather sizeable loan payment, I mentioned Abu Dhabi (another Emirate in the UAE) would likely hold their nose and bail them out when push came to shove. Well, they waited until the last minute but they did come to the rescue.

But, just when one financial crisis was averted, others have popped up to take its place. While financial concerns emanating out of Greece, Spain and even the UK aren't new, the market's attention became focused on these problems when credit ratings for Greece were slashed in response to out of control government spending.

Moody's Investor Services also dropped the credit ratings of some of the government controlled companies in Dubai, raising fears that Abu Dhabi's rescue package may only be a band aid on a much larger problem. There were also stern warnings for the UK Moody's said it too would be in danger of having its credit rating slashed if it could not get its deficit under control. This week's credit rating drop for Greece has immediate ramifications for the EU. Greece has the weakest economy in the entire EU and the stronger nations in the union such as Germany are now left with the dilemma of whether to bail out the Greek economy or not. Pumping money into the Greek economy may reduce the will of the Greek government to undertake the fundamental changes required to turn their economy around. However, to do nothing could see investor confidence erode in the Euro as a whole.

This simply reinforces the idea that while a worldwide recovery seems to be underway, it IS fragile and there are bound to be some hiccups.

The response from very nervous investors was to bail out of the more speculative commodity markets in favour of the US dollar. Result ... strength in the greenback and pressure on commodities. How long this latest blip will last is anyone's guess but, until investors fears are eased, they're likely to flock to the safe haven which has always been—the US dollar.

This will be the last column until the New Year. It's been a year where we have redefined the word "volatility". While volatility can be scary, it can offer up some excellent marketing opportunities. Hopefully, here at Market Master, we can help you take advantage of some of those opportunities and make your business as profitable as possible.

I'd like to wish you and your families a very Merry Christmas and all the best in the New Year.

## By The Number

*Prices to keep an eye on!*

Commodity	This Week	Last Week	Diff +/-
CME Live Cattle (FEB)	\$84.83	\$83.40	↑ \$1.43
CME Live Hogs (FEB)	\$65.13	\$65.43	↓ (\$0.30)
CDN Dollar (MAR)	\$0.94	\$0.95	↓ (\$0.01)
CBOT Wheat (MAR)	\$5.28	\$5.37	↓ (\$0.09)
KCBOT Wheat (MAR)	\$5.24	\$5.27	↓ (\$0.03)
CBOT Oats (MAR)	\$2.60	\$2.59	↑ \$0.01
Diesel (spot, Edmonton)	\$0.84	\$0.79	↑ \$0.05
Crude/Oil (JAN)	\$74.12	\$69.65	↑ \$4.47

## Bid Board

*Buyers looking for grain (after brokerage)*

Grain	When	Location
Barley	December	\$3.21 del Bowden
Barley	Dec-Jan 10	\$2.60 FOB High Prairie
Barley	January 10	\$2.74 del Falher
Canola	December	\$8.68 del Lacombe
Canola	December	\$8.51 del Fort Sask
Canola	March 10	\$9.10 del Fort Sask
Canola	March 10	\$9.11 del Lacombe
Canola	October 10	\$9.23 del Fort Sask
Canola	October 10	\$9.18 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	December	\$2.44 del Barrhead
Oats, #2 CW	January 10	\$2.44 del Linden
Oats, #2 CW	Jan-Feb 10	\$2.44 del Camrose
Oats, #2 CW	Sep-Nov 10	\$2.52 del Barrhead
Oats, #2 CW	Sep-Nov 10	\$2.52 del Camrose
Peas, feed	Dec-Jan 10	\$5.66 del Edmonton
Peas, feed	Dec-Jan 10	\$5.66 del Olds
Peas, green	February 10	\$7.75 del Innisfail
Peas, yellow	February 10	\$6.30 del Innisfail
Peas, green	February 10	\$7.75 CLR High Prairie
Rye, #2 CW	January 10	\$3.88 del Calgary
Rye, #2 CW	February 10	\$4.16 del Calgary
Rye, milling	March 10	\$4.13 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	Feb-Mar 10	\$4.29 del Lacombe
Wheat, feed	Feb-Mar 10	\$4.04 del Lloydminster
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, 48 lb	\$2.94 FOB	January 10	Galahad
Barley, 50 lb	\$2.76 FOB	February 10	Grande Prairie
Barley, 50 lb	\$3.00 FOB	January 10	Heisler
Barley, 50 lb	\$3.00 FOB	January 10	Galahad
Barley, 52 lb	\$3.25 del Didsbury	December	Didsbury
Canola	\$9.36 del Fort Sask	October 10	Millet
Oats, feed	\$2.48 del Edmonton	December	Mannville
Oats, feed	\$2.21 FOB	Dec-Jan 10	Mannville
Peas, green	\$7.75 del Innisfail	January 10	Mayerthorpe
Peas, yellow	\$6.30 del Innisfail	January 10	Thorsby
Wheat, milling	CWB Contract	January 10	Holden
Wheat, feed	\$4.02 FOB	January 10	Millet
Wheat, feed	\$4.24 del Edmonton	January 10	Edmonton
Wheat, feed	\$4.00 FOB	January 10	Innisfree
Wheat, feed	\$4.00 FOB	February 10	Camrose

**CWB December 2009-10 Average PRO**

	Dec PRO	Alberta		Sask		BC	
		Average		Average		Average	
		Deduc	Return	Deduc	Return	Deduc	Return
<b>Wheat</b>							
1 CWRS 14.5	\$7.24	\$1.38	\$5.86	\$1.59	\$5.65	\$1.32	\$5.92
1 CWRS 13.5	\$6.67	\$1.38	\$5.29	\$1.59	\$5.08	\$1.32	\$5.35
1 CWRS 12.5	\$6.23	\$1.38	\$4.85	\$1.59	\$4.64	\$1.32	\$4.91
1 CWRS 11.5	\$5.88	\$1.38	\$4.50	\$1.59	\$4.29	\$1.32	\$4.56
2 CWRS 13.5	\$6.45	\$1.38	\$5.07	\$1.59	\$4.86	\$1.32	\$5.13
2 CWRS 11.5	\$5.66	\$1.38	\$4.28	\$1.59	\$4.07	\$1.32	\$4.34
3 CWRS 13.0	\$5.85	\$1.38	\$4.47	\$1.59	\$4.26	\$1.32	\$4.53
3 CWRS	\$5.25	\$1.38	\$3.87	\$1.59	\$3.66	\$1.32	\$3.93
4 CWRS	\$4.90	\$1.38	\$3.52	\$1.59	\$3.31	\$1.32	\$3.58
1 CWHW 13.5	\$6.67	\$1.38	\$5.29	\$1.59	\$5.08	\$1.32	\$5.35
1 CPSR	\$5.28	\$1.38	\$3.90	\$1.59	\$3.69	\$1.32	\$3.96
1 CPSW	\$5.23	\$1.38	\$3.85	\$1.59	\$3.64	\$1.32	\$3.91
1 CWRW Select 11.5	\$5.47	\$1.37	\$4.10	\$1.67	\$3.80	\$1.32	\$4.15
1 CWRW	\$5.12	\$1.37	\$3.75	\$1.67	\$3.45	\$1.32	\$3.80
1 CWES	\$5.85	\$1.39	\$4.46	\$1.56	\$4.29	\$1.32	\$4.53
1 CWSWS	\$4.68	\$1.38	\$3.30	\$1.59	\$3.09	\$1.32	\$3.36
CW Feed	\$3.97	\$1.38	\$2.59	\$1.59	\$2.38	\$1.32	\$2.65
<b>Durum</b>							
1 CWAD 14.5	\$6.12	\$1.37	\$4.75	\$1.48	\$4.64	\$1.32	\$4.80
1 CWAD 13.0	\$5.82	\$1.37	\$4.45	\$1.48	\$4.34	\$1.32	\$4.50
1 CWAD 12.5	\$5.74	\$1.37	\$4.37	\$1.48	\$4.26	\$1.32	\$4.42
1 CWAD 11.5	\$5.55	\$1.37	\$4.18	\$1.48	\$4.07	\$1.32	\$4.23
2 CWAD 13.0	\$5.55	\$1.37	\$4.18	\$1.48	\$4.07	\$1.32	\$4.23
2 CWAD 11.5	\$5.36	\$1.37	\$3.99	\$1.48	\$3.88	\$1.32	\$4.04
3 CWAD 13.0	\$5.09	\$1.37	\$3.72	\$1.48	\$3.61	\$1.32	\$3.77
3 CWAD	\$4.90	\$1.37	\$3.53	\$1.48	\$3.42	\$1.32	\$3.58
4 CWAD	\$4.44	\$1.37	\$3.07	\$1.48	\$2.96	\$1.32	\$3.12
5 CWAD	\$3.97	\$1.37	\$2.60	\$1.48	\$2.49	\$1.32	\$2.65
<b>Feed Barley</b>							
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
<b>Designated Barley</b>							
SS CW 2-row	\$4.59	\$1.25	\$3.34	\$1.45	\$3.14	\$1.26	\$3.33
SS CW 6-row	\$4.20	\$1.25	\$2.95	\$1.45	\$2.75	\$1.26	\$2.94

**Welcome!**



We're very happy to welcome a new addition to the grain watchdog team. In January, **Dave Seifridt** joins Market Master. He brings 14 years of grain buying and selling experience and will be located in Lethbridge, Alberta, the heart of feed lot alley. This means more end

users for the Market Master family and southern producers will have a local contact. Dave also brings with him the experience of working in one of the latest high, through-put elevators in Western Canada and is very familiar with all the latest pricing and delivery options offered by the CWB to assist producers with all types of marketing decisions.

**CWB December PRO Commentary**

**Wheat**

The ICG pushed their global wheat production forecast higher by one million tonnes to 668 million tonnes. Production concerns in the southern hemisphere have been offset by increases in Europe, Russia, and Canada. StatsCan increased the western Canadian wheat production by two million tonnes to 26 million tonnes. Rain caused delays in Argentina and Brazil and affected their quality of grain. These events continue to provide market support and will increase import demand in the region. Rains in Australia will result in some further downgrading of that crop. Overall, world wheat import demand remains hand-to-mouth in the presence of increased global supplies.

US wheat futures have declined by approximately 6% since the November PRO. The US dollar has strengthened against the Canadian dollar in response to positive economic indicators surrounding the recovery and growth of the US economy. Speculative fund activity, largely responsible for the November rally, has declined and is providing diminished support for wheat futures. US export prices have declined significantly over the past three weeks but are still not competitive in many export markets.

**Durum**

Fundamentals remain weak. US prices have been flat to weaker on slow exports and limited buying by domestic millers. The Euro lost 3% of its value against the US dollar. The currency decline, along with lower European wheat values, has pressured world durum values lower. Timely rains were beneficial for durum crop planting in North Africa. Statistics Canada increased its production estimate in December for Canadian durum from 5.1 million tonnes to 5.4 million tonnes. The ICG revised its global durum production forecast from 39 million tonnes to 40 million tonnes. The IGC has also lowered its estimate on bulk durum global trade this past month by 500 000 tonnes to 6.25 million tonnes, which is 700 000 tonnes less than 2008-09.

**Feed barley**

The price spread between exporting origins has narrowed. The feed barley price is stronger out of the Black Sea and lower in Europe and Canada. In December, Statistics Canada increased their western Canadian barley production estimate from 8.5 million tonnes to 8.9 million tonnes. In the US, corn harvest has progressed 24% from last month to 92% complete. In response to the uncertainty around the crop size, the March Chicago corn futures contract traded in a wide range over the past month. The USDA estimates world corn production at 790 million tonnes, two million tonnes less than last year. Global barley production is also lower than last year at 149 million tonnes.

**Designated barley**

The Australian barley crop, although larger than last year, has experienced weather events which have caused downgrading. This will limit the availability of high quality malting barley from Australia. The USDA forecasts Australian barley production at 8.3 million tonnes, an increase of 700 000 tonnes. China has maintained steady purchasers of malt but remains a price-sensitive buyer with many end users willing to switch to lower-quality domestic and imported barley if prices for higher-quality imports rise. Chinese purchases have been price supportive and helped offset the slow demand recovery in Europe and North America caused by the recession. However, forward demand remains uncertain. Higher anticipated levels of malting barley carry out in Europe are also weighing on the international market. Global malting barley trade is forecast by the International Grains Council (IGC) at 3.9 million tonnes, 100 000 tonnes more than 2008-09.