

## At Market Master

by Shelley Wetmore

November 23, 2007.....

Canola continues to bring excitement to producers everywhere—that is if you can seed it this spring. The emergence of clubroot in various points within our province puts a serious damper on the otherwise optimistic market. Prices are well into the \$10.00/bu range now, next fall, and even for October 2009, with additional weight on the bullish side of fundamental news. Did you ever think you could forward price canola at these types of levels with the prospect of even higher prices? On the other hand, don't forget the lesson, "a bird in the hand ..."

Concerning the other oilseed, flax, we have \$13.45/bu delivered Edmonton for December through January.

If you have #2 CW green peas in your bin, \$10.00/bu awaits you. However, I haven't had very many samples actually grade a #2 yet. Bring in your ice cream pails and show me the "good stuff".

## Watching Winnipeg

Your weekly closing WCE futures \$/MT.

Canola	This Week	Last Week	Diff +/-
Jan 08	\$466.90	\$451.20	\$15.70
Mar 08	\$478.00	\$461.20	\$16.80
May 08	\$486.10	\$470.20	\$15.90
Jul 08	\$493.00	\$478.40	\$14.60
Nov 08	\$473.20	\$463.10	\$10.10
Jan 09	\$481.90	\$471.00	\$10.90
Mar 09	\$485.90	\$473.00	\$12.90
May 09	\$489.30	\$476.10	\$13.20
Jul 09	\$491.50	\$479.40	\$12.10
Nov 09	\$467.20	\$449.90	\$17.30
Wheat	This Week	Last Week	Diff +/-
Dec 07	\$182.00	\$178.00	\$4.00
Mar 08	\$184.50	\$182.00	\$2.50
May 08	\$190.50	\$188.00	\$2.50
Jul 08	\$193.50	\$191.00	\$2.50
Oct 08	\$163.50	\$161.00	\$2.50
Dec 08	\$166.50	\$164.00	\$2.50
Barley	This Week	Last Week	Diff +/-
Dec 07	\$178.00	\$182.10	(\$4.10)
Mar 08	\$190.70	\$194.10	(\$3.40)
May 08	\$198.50	\$201.90	(\$3.40)
Jul 08	\$203.00	\$205.70	(\$2.70)
Oct 08	\$190.90	\$195.00	(\$4.10)
Dec 08	\$194.40	\$195.00	(\$0.60)

## Be Grainwise!

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

### US Grain

A shortened trade week lead to substantial moves in both grains and oilseeds. Increased volatility often occurs when trading volumes diminish and that was definitely at play this week.

#### Soy Complex

However, strong crude oil prices (approaching \$100/bbl) pushed soyoil higher, dragging beans along for the ride. Export demand also remains brisk (see Strategies) giving market bulls added impetus to buy the market.

DEC oil was the complex leader, up 1.85 cents to 46.67 cents/lb, establishing new contract highs, setting heights not seen for over 30 years, while DEC meal closed virtually unchanged at \$292/t. JAN beans split the difference, climbing 22½ cents to \$11.00¼/bu, eclipsing the psychological barrier of \$11/bu.

#### Corn

Corn continues to follow soybeans higher. The fight for acres has yet to really heat up but note how the deferred corn contracts are trading at a premium to the nearbys (DEC 08 at \$4.32/bu), while deferred bean contracts are trading at a discount. On the demand front, current prices are doing little to curb demand as illustrated by this week's export total of 1.847 mmt which exceeded pre-report guesstimates. DEC corn pushed 9½ cents higher to \$3.89/bu.

#### Wheat

Wheat prices exploded this week. Concerns that frost may have damaged the Argentinean crop more than originally thought was largely responsible for this week's strong showing. It's not that the Argentinean crop was decimated or anything, it's just that the world can ill afford production problems from another one of the world's foremost wheat exporters. Couple this with a strong export figure of 510,500 mt and futures soared higher. It'll be interesting to see how the markets react Monday when the full contingent of traders returns.

DEC CBOT wheat fired 77 cents higher to \$8.26½/bu, while KCBT wheat

jumped 79½ cents higher to \$8.54/bu. MGE wheat fared best of all rocketing 82 cents higher to \$9.08/bu.

Aiding this week's rally was a further decline in the winter wheat crop condition report where drought remains the overriding factor.

### Canadian Grain

#### Oilseeds

A slight dip in our dollar and strength in vegoil markets allowed new contract highs in most trading months and pushed JAN canola \$15.70/MT higher to \$466.90. There's also substantial carry in the market with JUL 08 futures closing at \$493. That carry ties into widening basis levels which tells producers the export pipeline is filling up and they should store their canola for now. Domestic crushers were steady buyers as crush margins remain solid. Routine export interest also firmed the market.

New crop cash bids are in excess of \$10.00/bu (depending upon the delivery month) and may warrant consideration. However, as long as the canola chart looks as bullish, as it currently does, I may look for a sell signal before committing to additional new crop sales.

#### Feedgrain

DEC feed barley futures slipped again, down \$4.10 to \$178.00/MT. Cheap corn and poor cattle prices have endusers reluctant to chase the market higher. As a result, cash bids have eroded.

DEC wheat settled \$4.00/MT higher to \$182 in almost non-existent trade.

Normally, we don't even see new crop edible pea bids until March but, this year, is the exception. Prices in excess of \$7.00/bu are already available.



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# Strategies

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

As mentioned earlier, it may be dangerous to read too much into a trading week where most of the traders are sitting at home dining on turkey but this week's trading did produce some surprises.

### Wheat Highlights

The limit up move on wheat Wednesday could have been attributed to a simple lack of sellers and odd things can happen in thinly traded markets.

However, Friday's resumption of trade showed wheat markets building on those earlier gains. Again, this is a thinly traded market and we'll have to wait until Monday, to see how well these prices hold up.

Charts provided courtesy of [TradingCharts.com](http://TradingCharts.com)  
[www.futures.tradingcharts.com](http://www.futures.tradingcharts.com)

### Bean Highlights

Soybeans put in a strong week of trade. The JAN contract has just popped its head up over the \$11.00/bu mark—a new contract high. Weekly exports of all grains were solid but bean numbers were especially strong at 1.807 mmt, well above even the most bullish pre-report estimates. What's even more impressive is that it was entirely for old crop supplies. Obviously, these higher prices have yet to curb enduser demand. The bulk of this demand is coming from China which has now lowered not only its import tariff on beans but on bean oil as well to boost internal inventories. How long this buying spree will last is anyone's guess but the relative weakness in the US dollar is offsetting some of these historically high futures prices.

### Technical Analysis

Let's look at the JAN bean chart. Note the solid rally as designated by lines "A" and "B". In this case support would come into play at "B" while "A" should provide overhead resistance. Also, note the gaps as illustrated by "C". While gaps indicate a very strong move, remember that markets eventually like to fill gaps—something to pay attention to if this market starts to break down.

A strong MACD, "D" further indicates a strong market. The only fly in the ointment at all is an RSI which is approaching the magic "80" mark. "E". In my experience, markets will seldom trade for any length of time with an RSI over 80. Something to watch.



### At The Bin

Prices booked this week (net to the producer).

Grain	Price	When	Producer
barley, 48 lb	\$3.82 FOB	Nov	Didsbury
barley, 48 lb	\$3.70 FOB	Nov	Millet
barley, 48 lb	\$3.70 FOB	Nov	Ferintosh
barley, 52 lb	\$3.89 del Willingdon	Nov	Mundare
barley, 50 lb	\$3.60 FOB	Nov-Dec	Millet
wheat, CWRS	CWB	Nov-Dec	Carseland
wheat, CWRS	\$5.58 FOB	Dec	Clive
wheat, feed	\$5.15 FOB	Dec	Warburg
wheat, feed	\$5.58 FOB	Dec	Olds
peas, feed	\$5.00 FOB	Nov-Dec	Peace River
canola	\$9.59 FOB	Nov 08	Atmore
canola, heated	\$5.85 FOB	Dec	Acme
canola	\$9.50 FOB	Dec	Bashaw
canola	\$9.55 FOB	Jan 08	Glendon
canola, heated	\$5.85 FOB	Dec	Sylvan Lake
canola	\$9.76 FOB	Dec	Thorsby
canola	\$9.80 FOB	Dec 08	Atmore
canola	\$10.02 del Fort Sask	Nov 08	St. Michael
canola	\$10.07 del Edmonton	Nov	St. Albert
canola	\$10.20 del Fort Sask	Dec 08	St. Michael
canola	\$10.04 del Fort Sask	Nov	Hillard
oats, milling	\$2.25 FOB	Nov-Dec	Atmore
rye, feed	\$5.60 FOB	Jan-Feb 08	Calgary
rye, feed	\$5.52 FOB	Dec	St. Michael
rye, feed	\$5.95 del Stony Plain	Feb 08	St. Michael
rye, feed	\$5.60 FOB	Feb 08	Castor

### Bid Board

Buyers looking for grain (net prices).

Grain	When	Location
barley	Nov-Dec	\$4.20 del Magrath
barley	Nov	\$3.91 del Lacombe
barley	Dec	\$3.91 del Ferintosh
barley	Dec	\$3.91 del Ponoka
barley	Feb-Mar 08	\$3.96 del Czar
wheat, feed	Nov-Dec	\$5.12 del Lacombe
wheat, feed	Dec-Mar 08	\$5.53 del Red Deer
wheat, 12.5% prt	Dec-Mar 08	\$5.80 del Red Deer
wheat, feed	Jan-Mar 08	\$5.41 del Lloydminster
wheat, feed	Apr-May 08	\$5.54 del Lloydminster
peas, feed	Jan 08	\$5.94 del Edmonton
peas, yellow edible	Nov-Dec	\$8.30 del Crossfield
peas, green edible	Jan 08	\$10.00 del Innisfail
peas, yellow edible	Jan 08	\$8.35 del Innisfail
peas, yellow edible	Sep-Oct 08	\$7.00 del Innisfail
rye, feed	Feb-Mar 08	\$5.95 del Stony Plain
rye, feed	Feb-Mar 08	\$5.95 del Three Hills
oats, milling	Nov	\$2.11 del Innisfree
oats, milling	Dec	\$2.49 del Barrhead
oats, milling	Feb 08	\$2.58 del Barrhead
oats, milling	Feb 08	\$2.63 del Martensville
oats, milling	Mar 08	\$2.60 del Barrhead
oats, milling	Mar 08	\$2.65 del Martensville
canola	Dec	\$10.27 del Edmonton
canola	Jan 08	\$10.20 del Edmonton
canola	Jun 08	\$10.61 del Fort Sask
canola	Nov 08	\$10.15 del Fort Sask
canola	Oct 09	\$9.96 del Fort Sask
flax	Dec-Jan 08	\$13.45 del Edmonton
oats, organic	Jan-May 08	\$5.20 del Barrhead

### Canadian Cattlemen's Association Recommendations to Ease Producers' Short-Term Financial Situation

Following approval from its board of directors, the CCA will present recommendations to the federal government on the suite of business risk management programs that should ease financial difficulties faced by producers.

They're recommending the federal Advance Payments Program be decoupled from a producers' reference margin. It also believes a special advance per head (for feeder cattle, cows, etc.) be offered based on each producers' ending 2006 cattle inventory as listed on their CAIS supplementary form. Although there are other options, such as the interim advance through CAIS or the targeting advance available to the hog industry, the CCA is recommending the special advance because it is bankable and more timely. The CCA is requesting the government:

- Address the issue of producers' declining reference margins. If this is not addressed, the new AgriStability program will not work for Canadian cattle producers.
- Eliminate the viability test which requires producers have positive reference margins in two of the three years used to calculate their reference margins. With the economic situation that has affected producers over the past few years, many producers who would be viable operations under normal market circumstances have now been removed from the program.
- Allow producers who might have opted out of CAIS to participate in the program at this time when they need it most, if they pay their fee and a nominal penalty.
- Allow producers across Canada the option of using the better of either the Olympic average or the average of the last three years to calculate their reference margins. Currently, Alberta is offering its producers this option.
- Allow custom feeding to be included as a production indicator on the online structural change calculator used to predict CAIS payments and/or reference margins.
- Change the AgrilInvest Allowable Net Sales (ANS) calculation to include 90% of the custom feeding income and custom feeding expense amounts reported on a producer's tax return instead of the 50% currently proposed.
- Allow producers the option of calculating their ANS on an accrual basis or cash basis, regardless of the method used to file their income tax.
- Remove the annual contribution limit of \$22,500 and maximum contribution limit of \$375,000.

The CCA does not agree with having a cap of any kind on a program and does not support safety net programs that provide preferential treatment to certain sized agricultural operations. Differential treatment of larger operations puts them at a distinct competitive disadvantage

**CWB November 2007-08 Average PRO**

	NOV PRO	Alberta		Sask		BC	
		Average Deduc	Return	Average Deduc	Return	Average Deduc	Return
<b>Wheat</b>							
1 CWRS 14.5	\$7.95	\$1.38	\$6.57	\$1.63	\$6.32	\$1.32	\$6.63
1 CWRS 13.5	\$7.87	\$1.38	\$6.49	\$1.63	\$6.24	\$1.32	\$6.55
1 CWRS 12.5	\$7.78	\$1.38	\$6.40	\$1.63	\$6.15	\$1.32	\$6.46
1 CWRS 11.5	\$7.73	\$1.38	\$6.35	\$1.63	\$6.10	\$1.32	\$6.41
2 CWRS 13.5	\$7.70	\$1.38	\$6.32	\$1.63	\$6.07	\$1.32	\$6.38
2 CWRS 11.5	\$7.57	\$1.38	\$6.19	\$1.63	\$5.94	\$1.32	\$6.25
3 CWRS 13.0	\$7.51	\$1.38	\$6.13	\$1.63	\$5.88	\$1.32	\$6.19
3 CWRS	\$7.40	\$1.38	\$6.02	\$1.63	\$5.77	\$1.32	\$6.08
4 CWRS	\$7.05	\$1.38	\$5.67	\$1.63	\$5.42	\$1.32	\$5.73
1 CWHW 13.5	\$7.87	\$1.38	\$6.49	\$1.63	\$6.24	\$1.32	\$6.55
1 CPSR	\$7.32	\$1.38	\$5.94	\$1.63	\$5.69	\$1.32	\$6.00
1 CPSW	\$7.32	\$1.38	\$5.94	\$1.63	\$5.69	\$1.32	\$6.00
1 CWES	\$7.48	\$1.36	\$6.12	\$1.64	\$5.84	\$1.32	\$6.16
1 CWSWS	\$7.35	\$1.38	\$5.97	\$1.63	\$5.72	\$1.32	\$6.03
CW Feed	\$6.26	\$1.38	\$4.88	\$1.63	\$4.63	\$1.32	\$4.94
<b>Durum</b>							
1 CWAD 14.5	\$12.71	\$1.37	\$11.34	\$1.47	\$11.24	\$1.32	\$11.39
1 CWAD 13.0	\$12.60	\$1.37	\$11.23	\$1.47	\$11.13	\$1.32	\$11.28
1 CWAD 12.5	\$12.55	\$1.37	\$11.18	\$1.47	\$11.08	\$1.32	\$11.23
1 CWAD 11.5	\$12.46	\$1.37	\$11.09	\$1.47	\$10.99	\$1.32	\$11.14
2 CWAD 13.0	\$12.33	\$1.37	\$10.96	\$1.47	\$10.86	\$1.32	\$11.01
2 CWAD 11.5	\$12.25	\$1.37	\$10.88	\$1.47	\$10.78	\$1.32	\$10.93
3 CWAD 13.0	\$12.17	\$1.37	\$10.80	\$1.47	\$10.70	\$1.32	\$10.85
3 CWAD	\$12.08	\$1.37	\$10.71	\$1.47	\$10.61	\$1.32	\$10.76
4 CWAD	\$11.78	\$1.37	\$10.41	\$1.47	\$10.31	\$1.32	\$10.46
5 CWAD	\$6.26	\$1.37	\$4.89	\$1.47	\$4.79	\$1.32	\$4.94
<b>Feed Barley</b>							
1 CW Pool A	\$5.53	\$1.23	\$4.30	\$1.39	\$4.14	\$1.15	\$4.38
<b>Designated Barley</b>							
SS CW 2-row	\$6.25	\$1.25	\$5.00	\$1.39	\$4.86	\$1.20	\$5.05
Std. Sel. 2-row	\$6.14	\$1.25	\$4.89	\$1.39	\$4.75	\$1.20	\$4.94
SS CW 6-row	\$5.68	\$1.25	\$4.43	\$1.39	\$4.29	\$1.20	\$4.48
Std. Sel. 6-row	\$5.57	\$1.25	\$4.32	\$1.39	\$4.18	\$1.20	\$4.37

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<b>Conversion Table</b>		
<b>40 MT of</b>	<b>Equals</b>	<b># of bu</b>
barley	x 45.930	1,837 bushels
wheat, peas	x 36.744	1,470 bushels
canola	x 44.092	1,764 bushels
flax, rye, corn	x 39.368	1,575 bushels
oats	x 64.842	2,594 bushels

**CWB November PRO Commentary**

**Wheat**

The high value our dollar is the primary reason for the decline in wheat. The dollar hit a new high of \$1.10 early Nov, surpassing records set in the 1970s. Major Canadian banks expect the dollar to remain at parity or slightly above the US dollar. This has a negative impact on Prairie farmers' returns because grains and oilseeds are sold in U.S. dollars.

Wheat futures have been volatile. International wheat values moved lower due to aggressive Russian exports in advance of a 10% export tax imposed Nov 12. Argentina's values have declined as it moves into its wheat harvest period. This decline in prices has been halted by news of a widespread frost throughout the southern growing areas of Argentina. Based upon USDA estimates, the US has sold 86% of its 2007-08 wheat export program, versus 56% at this time last year.

**Durum**

World durum prices moved down slightly due to lack of nearby demand—mills are covered for the next few months and demand rationing (due to prices) remain at high levels. The durum market remains tight and is expected to remain volatile until the new US and European crop is available in the summer of 2008. Tight supplies are attributable to rain during the European harvest and dryness in Canada's durum-growing regions, which reduced crop size and grade. Production problems were compounded by very low 2006-07 durum ending stocks.

**Feed barley**

Pool A - The small pool size of Pool A reflects limited delivery opportunities due to logistical capacity constraints in the Pool A delivery window. The feed-grain situation in Europe has stabilized as corn from Latin America and sorghum from the US have reached the market. Corn continues to provide a price floor for feed barley; however, the corn-wheat spread has narrowed over the past month.

Pool B - The feed barley market is expected to remain highly volatile. Saudi Arabia has uncovered demand but, given high ocean-freight rates, Canada has a significant freight disadvantage for shipping to Saudi Arabia relative to Europe. The tightness of the global feed grain supply situation should ease as a record-sized US corn crop will be available for export and new-crop corn will be available from Argentina and Brazil in spring 2008. Feed barley exports from the Black Sea region will be limited as Ukraine continues to limit exports and Russia has implemented a 30% export tax on barley.

**Designated Barley**

Malt barley prices have been volatile over the past month. Demand continues to be sluggish as buyers are well covered. However, quality concerns in Canada and the US, as well as recent frost in Argentina, are supportive of malt barley prices. The Australian malt barley crop also has quality concerns related to high protein levels and reduced test weights. Depending upon how extensive frost damage is in Argentina, malting barley prices could move higher.