

At Market Master

by Shelley Wetmore

February 8, 2008.....

If you're contemplating moving grain BEFORE seeding, think about booking it now. March deliveries tend to get filled-up before March actually arrives. Don't get caught on the 15th of March wanting to move grain before you start seeding, only to find limited/no space. Plan ahead.

One task grain producers should be executing now (if not already completed) is Cost of Production. Decisions of CPRS versus CWRS versus peas versus barley versus oats versus canola will be different this year. For example, some farmers, depending upon location, may choose, to seed CPRS over CWRS due to yield differentials and expected prices. Put pencil to paper and do some math.

All prices are up substantially from last week. Set targets (GPOs available in the office) for any old crop and new crop. It looks like this fall will be profitable for all grain growers but who knows what this volatile market will hold by the time we get there. Price into a rally.

Watching Winnipeg

Your weekly closing WCE futures \$/MT.

Canola	This Week	Last Week	Diff +/-
Mar 08	\$612.10	\$586.70	\$25.40
May 08	\$624.10	\$599.80	\$24.30
Jul 08	\$634.20	\$608.60	\$25.60
Nov 08	\$608.10	\$584.50	\$23.60
Jan 09	\$617.80	\$594.70	\$23.10
Mar 09	\$622.40	\$599.40	\$23.00
May 09	\$625.20	\$603.50	\$21.70
Jul 09	\$628.20	\$607.80	\$20.40
Nov 09	\$584.60	\$554.90	\$29.70
Jan 10	\$579.60	\$556.50	\$23.10
Mar 10	\$579.60	\$556.50	\$23.10
Wheat	This Week	Last Week	Diff +/-
Mar 08	\$260.00	\$230.00	\$30.00
May 08	\$250.00	\$234.00	\$16.00
Jul 08	\$250.00	\$234.00	\$16.00
Oct 08	\$243.00	\$227.00	\$16.00
Dec 08	\$243.00	\$227.00	\$16.00
Barley	This Week	Last Week	Diff +/-
Mar 08	\$218.00	\$207.20	\$10.80
May 08	\$225.00	\$219.00	\$6.00
Jul 08	\$232.10	\$226.00	\$6.10
Oct 08	232.00	\$225.00	\$7.00
Dec 08	236.20	\$229.20	\$7.00

Be Grainwise!

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

US Grain

Soy Complex

Volatility remains the watchword. An unsubstantiated rumour that the Bush administration was revisiting bio-fuel mandates to lower or delay mandated production figures caused markets to plummet. When no affirmation of that rumour was found, beans resumed upwards. It shows just how skittish these markets are at these elevated levels.

This week's bean export figure was a strong 1.068 mmt. Friday's USDA report was mildly bullish for beans with carryout coming in at .16 bln bu. This report is typically a sleeper but, in the current environment, any bit of news is eagerly digested by traders.

MAR beans pushed 51¾ cents higher to \$13.39/bu, while meal settled \$18.30 higher at \$361.50/t. MAR oil bounded 1.30 cents higher to 55.42 cents/lb.

Corn

With most of the activity centered in wheat and beans, corn has been able fly under the radar. It's still being influenced by these outside markets but has been responding in muted tones. Weekly exports were solid at 1.104 mmt. This keeps the yearly corn sales ahead of what is needed to meet current USDA projections. MAR corn closed 7½ cents higher at \$5.08/bu.

Wheat

The wheat market has gone ballistic (see Strategies). There's very little high quality wheat left in the US. Endusers are substituting lower quality wheat to stretch supplies they do have. All three exchanges had the MAR up the 30 cent limit every day this week. CBOT wheat up \$1.50 to \$10.93 cents/bu. KCBT wheat was up \$1.50 to \$11.40¼/bu while MGE climbed \$1.50 to \$15.53/bu. The MGE wheat market in particular locked limit-up everyday allowing no trading to take place in the futures market.

However, activity can still occur in the options market. By studying options trade, market watchers can estimate what the futures values for the MAR would be if there were no daily limits. This is called the **synthetic value** of the

contract. A private US consulting firm indicated the synthetic value of the MAR MGE contract is between \$20.00 and \$22.00/bu. They also repeated a rumour that a major player is caught short in that contract and is unable to get out.

Canadian Grain

Canola

MAR canola followed beans higher, posting gains of \$25.40, closing at \$612.10/MT. Although crush margins are narrowing, futures are being swept higher by spillover support from outside markets (US grains, crude oil). There were rumours of fresh export interest from Mexico and Japan which added to the bullish enthusiasm.

On the cash front, basis levels continue to widen, indicating endusers are adequately stocked. I don't really know what to tell you here. Historically, these are great prices but, in today's environment, who knows? Stay alert!

Feedgrains

MAR barley pushed \$10.80 higher to \$218.00/MT. Spillover support from wheat, combined with steady feeder demand, kept prices firm. The ongoing saga over how this year's barley crop will be marketed is adding uncertainty to this market as producers finalize this year's seeding intentions.

MAR wheat fired \$39 higher to \$270.00/MT, reflecting a strong feed wheat market. (As mentioned before, this market rarely trades—take these numbers with a grain of salt.)

Yellow edible pea prices remain strong with old crop bids over \$10.00/bu and new crop around \$9.00/bu—not bad!



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Strategies

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

Crazy Wheat Markets

Old crop MGE wheat (Spring Wheat) futures continue to be the story in commodity markets. Some of this week's strength came courtesy of our own StatsCan report which pegged all Canadian wheat stocks at 15.147 mmt as of December 31st. This compares to 21.546 mmt this time last year.

It's a similar story around the world and futures are responding. Prices since January 10 have risen over \$5.00 and sit in excess of \$15.00/bu.

What's more amazing is basis levels in the US are actually strengthening despite parabolic futures action. This is producing cash prices in Montana over \$17.00. New crop bids are not quite as strong but are still closing in on \$11.00. Endusers are desperate to lay their hands on what little stocks are still available, even at these astronomical prices.

Prices for Canadian Producers

It's difficult to gauge new crop prices for Canadian producers as the CWB will not release initial basis levels until new

crop PROs are released later this month. However, anyone still holding unfilled CWB basis (old crop) contracts is in an enviable position.

Supply and Demand

Simply put, stocks of high grade wheat are dwindling worldwide. In fact, stocks of any type of wheat are historically tight. The function of any market is to ration demand when stocks are low by raising the price. When the price goes high enough, people either do without or they substitute a cheaper alternative. In the case of HRS wheat, the first choice for substitution is lower quality wheat. It may not be quite as good but, in this price environment, may become a necessity. That's why you see CBOT and KCBT wheat futures dragged higher as well.

Spring wheat has entered the battle for acres along with beans and corn. There's rising concern over the condition of the HRW wheat crop in the US. A private consulting firm issued their assessment of this year's crop as it lies dormant and it fell below what many were expecting.

The problem with wheat markets is they can turn around very quickly. Wheat is grown in almost every corner of the world and there are new supplies coming on the market all the time. However, the question remains—what happens if one of the world's major producing areas experiences a significant yield loss for whatever reason? That's the dilemma. We could be at the top of the market or we could have lots of upside yet to go—exciting times.

Technical Analysis

Effective February 11, MGE daily trading limits will be expanded to 60 cents/day! The MGE has also applied to the CFTC to have the limits lifted entirely on the MAR contract on February 25, several days ahead of when it would become the delivery month when limits would be lifted automatically.

I've included the chart for MAR MGE wheat simply because you may never see another one like it! Note the rise since January 10 "A". All of those single dots on the chart represent limit-up moves.



At The Bin

Prices booked this week (net to the producer).

Grain	Price	When	Producer
barley, 48 lb	\$4.25 FOB	November	Warburg
barley, 48 lb	\$4.35 FOB	Feb-Mar	Wetaskiwin
barley, 48 lb	\$4.00 FOB	Sep-Oct	Rochester
barley, 48 lb	\$4.52 del Breton	March	Warburg
barley, 48 lb	\$4.40 FOB	Sep-Oct	Altario
barley, 48 lb	\$4.20 FOB	February	Castor
barley, 48 lb	\$5.00 del Brooks	November	Oyen
barley, 48 lb	\$5.00 del Brooks	November	Acadia Valley
barley, 48 lb	\$4.40 del Czar	Feb-Mar	Acadia Valley
barley, 48 lb	\$4.50 FOB	November	Warburg
barley, 48 lb	\$4.20 FOB	February	Castor
barley, 48 lb	\$4.50 FOB	February	Mossleigh
barley, 48 lb	\$4.35 FOB	February	Millet
barley, 50 lb	\$4.46 FOB	May	Gwynne
barley, 50 lb	\$4.20 FOB	February	Castor
canola	\$12.55 FOB	November	Warburg
canola	\$12.87 FOB	Jan 09	Warburg
canola	\$13.00 del Fort Sask	December	Edmonton
canola	\$13.00 FOB	Feb-Mar	Warburg
canola	\$12.08 FOB	Oct 09	Boyle
canola	\$12.77 FOB	November	Boyle
canola, heated	\$7.21 del Edmonton	Feb-Mar	Derwent
canola, heated	\$6.30 del Edmonton	February	Lethbridge
canola, heated	\$7.21 del Edmonton	February	Mundare
canola, heated	\$7.21 del Edmonton	February	Donalda
canola, heated	\$9.48 del Edmonton	February	Mundare
rye, feed	\$7.09 FOB	Feb-Mar	Dawson Creek
wheat, feed	\$6.97 del Edmonton	February	Paradise Hill
wheat, feed	\$7.03 FOB	February	Redwater
oats, milling	\$2.91 FOB	July	Rivercourse
oats, milling	\$2.95 FOB	August	Castor
oats, feed	\$2.23 FOB	February	Carvel
oats, milling	\$3.02 FOB	October	Warburg
oats, milling	\$2.88 FOB	April	Atmore
oats, milling	\$2.99 FOB	July	Lavoy
oats, milling	\$2.91 del Martensville	June	Warburg
oats, organic	\$5.31 FOB	February	Paradise Hill
peas, feed	\$9.00 del Innisfail	February	Red Deer
peas, yellow	\$10.35 del Innisfail	February	Clive

Grain pricing orders (GPOs)

are available in the office. Just set your target, set your terms, get the grain moved at the price you want. Especially convenient during seeding when you're too busy to watch markets!

By the Number	This Week	Last Week	Diff
CME Live Cattle (FEB)	92.200	92.225	1.975
CME Live Hogs (FEB)	58.150	59.875	(1.725)
CDN Dollar (MAR)	0.999	1.006	(0.007)
Minneapolis Wheat (MAR)	10.93	9.44	1.490
Kansas City Wheat (MAR)	11.40	9.90	1.500
Chicago Oats (MAR)	3.50	3.23	0.270

Bid Board

Buyers looking for grain (net prices).

Grain	When	Location
barley	February	\$4.52 del Tiger Lily
barley	Feb-Apr	\$4.52 del Lacombe
barley	February	\$4.41 del Breton
barley	Feb-Mar	\$4.50 del Irma
barley	Mar-May	\$4.52 del Breton
barley	Apr-May	\$4.65 del Olds
barley	Sep-Oct	\$4.40 del Vegreville
barley	Sep-Oct	\$4.87 del Brooks
barley	Nov-Dec	\$4.50 del Vegreville
barley	Nov-Dec	\$4.98 del Brooks
wheat, 13.0% prt	Feb-Mar	\$7.57 del Red Deer
wheat, feed	March	\$7.16 del Red Deer
peas, green edible	March	\$10.00 del Innisfail
peas ,yellow edible	March	\$10.35 del Innisfail
peas, yellow edible	Sep-Oct	\$9.00 del Innisfail
rye, feed	Feb-Mar	\$7.70 del Stony Plain
rye, feed	Feb-Mar	\$7.70 del Three Hills
oats, milling	Apr-May	\$3.17 del Martensville
oats, milling	June	\$3.26 del Martensville
oats, milling	July	\$3.30 del Martensville
oats, milling	August	\$3.33 del Martensville
oats, milling	Sept-Oct	\$3.45 del Martensville
oats, milling	November	\$3.50 del Martensville
oats, milling	December	\$3.55 del Martensville
canola	March	\$13.40 del Edmonton
canola	July	\$13.63 del Fort Sask
canola	October	\$13.06 del Lloydminster
canola	November	\$13.10 del Fort Sask
canola	Jan 2009	\$13.39 del Lloydminster
canola	Jan-Feb 2009	\$13.43 del Fort Sask
canola	Mar-Apr 2009	\$13.49 del Lloydminster
flax	Mar-Apr	\$16.15 del Edmonton

CLASSIFIEDS

Bales: 800 first-cut alfalfa bales, dairy quality, good twine, easy to haul, 1,350 lbs, Thorsby area. Cal Warren at (780) 789-3747.

Puppies: Beautiful, purebred Golden Retriever puppies. Ready mid-February. All shots given but no papers. Call Norm Olsen, Killam, at (780) 385-0536.

Grain Dryer: Vertec dryer, 12 foot—12 tier, natural gas—12 million BTU, 3 phase power, minimal fire damage to body only, \$15,000 OBO. Call Lorne Semler at (780) 349-0712.

Milling Oats

\$3.00/bu range, at the bin, off the combine, in most Alberta locations.