

## At Market Master

By Shelley Wetmore

April 23, 2010 .....

The last two weeks have brought moisture to most parts of the province with southern Alberta, east to Saskatchewan, and up to the middle of the province being most rewarded. Overall, some areas are still on the drier side but at least seeding can begin with a bit of peace of mind.

Canola, hard red spring, and peas appear to be the top runners for producers' seeding intentions. Canola because it's the one crop that can be easily forward-priced and still pencil out a profit. Red spring because producers tell me it's more drought tolerant than CPS and peas (in some areas) as an alternative to canola due to club root threat.

The crop most being taken out of rotations this go-around (so far) is barley. I think barley acres will be down considerably in Alberta this year. Once everyone is in the field and we've had a chance to talk to more producers, I'll publish the numbers in a future Grainwise issue. Of the farmers we deal with, I'll let you know how the different crops are stacking up compared to last year.

Prices remain very flat but, once in a while, a few GPOs are being picked up. I highly recommend that you review what crops you have left in the bin that you DO need to move over the next few months and call in with a target number. Not all buyers are covered and you may need to interrupt your day to take advantage of an opportunity.



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## Be Grainwise!

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

### Soy Complex

In last week's column, I made the point that, technically, soybeans had poked their nose over long-time resistance and (if the trend held) some of the weaker shorts may be forced to liquidate their positions. That theory came to fruition this week as MAY beans shot another 14¾ cents higher to \$10.00/bu. Obviously, the \$10 mark is a psychological barrier in itself and it will be interesting to see if the rally can hold into next week.

MAY meal had another strong week, closing \$11.40/t higher at \$292.30 while oil slipped .45 cents/lb lower due to weaker Malaysian palm oil prices.

From a fundamental perspective, beans received additional strength because of the rapid pace of spring planting in the US. This seems counterintuitive but when producers start planting corn (which is the first crop to go in), they tend to keep seeding corn as long as the weather holds. This could potentially mean fewer bean acres than previously thought.

Another solid weekly sales figure of 308,600 mt, which is more than double what is needed on a weekly basis to meet current overall sales projections, also lent support.

### Corn

The rapid pace of planting is working against the corn market. Traders fear farmers will just keep planting until they run out of seed.

Conditions over much of the Midwest continue to be almost ideal, getting this year's crop off to an excellent start.

Good weekly sales of 1.481 mmt came in well over expectations and helped support the market. Ironically, strength in soybeans, which is at least in part due to the rapid pace of corn planting, spilled over to corn and gave limited additional support.

MAY corn slipped 9 cents lower closing out the week at \$3.53/bu.

### Wheat

Burdensome global stocks, good weather for spring wheat planting, and a winter wheat crop in excellent condition all point to lower wheat prices. However, wheat has shown surprising strength over the past few weeks climbing almost 50 cents despite all the negative fundamentals. Weekly sales figures came in at a disappointing 166,400 mt.

While this week's gains were minimal, prices were at least pointed in the right direction. MAY CBOT futures pushed 2¾ cents higher to \$4.93¼/bu while MGE wheat gained 6¾ cents to settle at \$5.26¾/bu. MAY KCBT slipped ¾ cent to \$5.05¾/bu.

About the only plausible reason for wheat's recent strength is that recent strength in the bean market is forcing funds, which are heavily short, to re-balance their positions. Sometimes, when a market starts to turn around, there's really no logical explanation for it. Hopefully, that is the case for wheat.

### Canola

Canola has NOT enjoyed the same gains seen in US beans pits.

The relative weakness in the vegoil market and strength in the Canadian dollar sent MAY canola tumbling another \$2.10 to \$379.40/MT.

Widespread rains over much of Saskatchewan and Eastern Alberta have improved prospects for spring planting and, with prairie producers expected to seed record canola acres, traders are hesitant to jump in and buy canola—particularly ahead of Monday's StatsCan projected acreage report.

Rumours of renewed Chinese interest in canola (and all vegoils) are giving bulls some reason for optimism. However, for the time being, the trend remains—sideways.

### Feed Barley

Cash barley bids remain largely unchanged. Endusers are unenthusiastic and producers are turning their focus to planting this year's crop.

MAY barley futures slipped 90 cents to \$151.10/MT in a market that is becoming increasingly irrelevant.

## Strategies

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

Monday, StatsCan will release its Projected Acreage Report. Although the survey for this report was taken near the end of March, it's unlikely there have been any dramatic changes to seeding plans since then.

### Canola

Everyone expects a huge canola acreage figure and I can't argue with that—it's going to be BIG. The question is, how big? Pre-report estimates are half a million acres either side of 17.2 mln acres. In my opinion, however, the bigger question as to how canola prices shake out for the year will be demand not only of our canola but of vegoils in general.

We like to think of canola as the Cadillac of vegoils, which it is. And, in some markets, that quality is of prime importance but for much of the world, vegoil is vegoil. Price, not quality, is the determining factor. That being said, China's return to the table for our canola would be huge.

### Wheat

Wheat acres are expected to be down this spring and, again, I can't argue that point. However, the drop may not be as much as many expect. The simple fact is you have to have some cereals in your rotation and, on the prairies, wheat is king. Current estimates are for total wheat acreage to be as low as 22 mln acres. I don't look for a number that low. I'm thinking more in the high 23 mln acre bracket.

### Barley

Barley acres will also be down but not by as much as many think. (IMHO) Rotational concerns will keep acreage from falling off the map. Prices are definitely not great but Alberta producers have the option of locking in the SPE which gives you some price protection. If prices dip below \$2.70/bu by this fall, producers with the SPE would be in line for a "make up" payment to \$3.05/bu on their individual coverage. If you're going to be planting barley, I'd certainly consider that option.

### Oats

Oats are another possible cereal to squeeze into your rotation but, with fall prices nothing to write home about, I would expect oat acreage to remain relatively unchanged. However, like barley, if you're planning to seed oats, I'd consider the SPE.

### Peas

Pea acreage is likely to drop largely due to this winter's disappointing price and difficulty in moving product. In areas where lentils are an option, I can see dramatic shifts from pea to lentil acres. Last year, producers planted 3.76 mln acres. I expect that number to drop down to the mid to lower 3 mln range. The SPE at \$4.49/bu is worth considering, especially since the SPE price is a blend of feed pea and #2 yellows prices.

When Monday's report is released, international traders will have a quick look at the primary crops, process it, then return to their normal trading in a matter of minutes. Where the numbers may have a more lasting impact will be in the smaller crops such as peas and lentils where Canada plays a bigger role in international markets.

## Support Your Local Seed Grower

### Anderson Seed Growers

Ken Anderson, (780) 674-5670, Barrhead

### McNelly Seed Farm

Bevin McNelly, (780) 348-5749, Clyde

### Dalton Seed Farm

Dennis Dalton, (780) 842-2361, Wainwright

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Darwin Sim, (780) 372-2111, Ponoka

### Tribend Ranch

Todd Clark, (780) 472-6308, Edmonton

### Don Gibson Seeds

Don Gibson, (780) 785-2588, Sangudo

### Galloway Seeds

Peter Galloway, (780) 998-3036, Fort Saskatchewan

## Crop Insurance Deadline and Changes!

As the April 30 crop insurance deadline approaches, producers may want to consider tools such as forward delivery contracts with grain companies, which guarantee prices for grain delivered this fall; or the Spring Price Endorsement (SPE) rider on crop insurance, which protects farmers if prices decline 10% to 50% between spring and fall.

"SPE paid out \$80.5 million following the price drop in 2009 - the highest payout in 10 years," says Lorelei Hulston, provincial insurance manager for AFSC.

"A major change to crop insurance this year is the option to elect Straight Hail coverage at the same time you purchase regular crop insurance," says Hulston. "Until now, producers had to wait until their crops emerged to purchase Straight Hail insurance. If they waited too long and their fields were damaged more than 25% by early hail, they were no longer eligible for Straight Hail coverage on those fields for the rest of the year.

"The new Auto Elect option eliminates that risk because hail coverage can now be in place before April 30, 2010. When crops emerge, you won't be caught off guard by early hail."

Producers who choose Auto Elect receive a 2% discount on their Straight Hail premium. Hail damage, low grain prices, and cool, dry conditions were to blame for most of the \$444 million paid out in crop insurance claims last year across the province.

"Other changes to crop insurance include coverage of stored silage that is consumed by wildlife," says Hulston. "The Bee Overwintering insurance program is available again after being unveiled last year. It insures producers against higher than normal death losses over winter. Death losses have been increasing and, until last year, producers had no protection."

Contact the AFSC Call Centre at (877) 899-AFSC before the April 30, 2010 deadline.

**CWB April 2010-11 Average PRO**

	Alberta		Sask		BC		
	April	Average		Average		Average	
	PRO	Deduc	Return	Deduc	Return	Deduc	Return
<b>Wheat</b>							
1 CWRS 14.5	\$6.10	\$1.38	\$4.72	\$1.59	\$4.51	\$1.32	\$4.78
1 CWRS 13.5	\$5.85	\$1.38	\$4.47	\$1.59	\$4.26	\$1.32	\$4.53
1 CWRS 12.5	\$5.52	\$1.38	\$4.14	\$1.59	\$3.93	\$1.32	\$4.20
1 CWRS 11.5	\$5.23	\$1.38	\$3.85	\$1.59	\$3.64	\$1.32	\$3.91
2 CWRS 13.5	\$5.74	\$1.38	\$4.36	\$1.59	\$4.15	\$1.32	\$4.42
2 CWRS 11.5	\$5.12	\$1.38	\$3.74	\$1.59	\$3.53	\$1.32	\$3.80
3 CWRS 13.0	\$5.17	\$1.38	\$3.79	\$1.59	\$3.58	\$1.32	\$3.85
3 CWRS	\$4.95	\$1.38	\$3.57	\$1.59	\$3.36	\$1.32	\$3.63
4 CWRS	\$4.46	\$1.38	\$3.08	\$1.59	\$2.87	\$1.32	\$3.14
1 CWHW 13.5	\$5.85	\$1.38	\$4.47	\$1.59	\$4.26	\$1.32	\$4.53
1 CPSR	\$5.03	\$1.38	\$3.65	\$1.59	\$3.44	\$1.32	\$3.71
1 CPSW	\$4.98	\$1.38	\$3.60	\$1.59	\$3.39	\$1.32	\$3.66
1 CWRW	\$4.93	\$1.37	\$3.56	\$1.67	\$3.26	\$1.32	\$3.61
1 CWES	\$5.17	\$1.39	\$3.78	\$1.56	\$3.61	\$1.32	\$3.85
1 CWSWS	\$4.68	\$1.38	\$3.30	\$1.59	\$3.09	\$1.32	\$3.36
CW Feed	\$3.76	\$1.38	\$2.38	\$1.59	\$2.17	\$1.32	\$2.44
<b>Durum</b>							
1 CWAD 14.5	\$5.17	\$1.37	\$3.80	\$1.48	\$3.69	\$1.32	\$3.85
1 CWAD 13.0	\$5.03	\$1.37	\$3.66	\$1.48	\$3.55	\$1.32	\$3.71
1 CWAD 12.5	\$4.95	\$1.37	\$3.58	\$1.48	\$3.47	\$1.32	\$3.63
1 CWAD 11.5	\$4.84	\$1.37	\$3.47	\$1.48	\$3.36	\$1.32	\$3.52
2 CWAD 13.0	\$4.93	\$1.37	\$3.56	\$1.48	\$3.45	\$1.32	\$3.61
2 CWAD 11.5	\$4.74	\$1.37	\$3.37	\$1.48	\$3.26	\$1.32	\$3.42
3 CWAD 13.0	\$4.71	\$1.37	\$3.34	\$1.48	\$3.23	\$1.32	\$3.39
3 CWAD	\$4.46	\$1.37	\$3.09	\$1.48	\$2.98	\$1.32	\$3.14
4 CWAD	\$4.19	\$1.37	\$2.82	\$1.48	\$2.71	\$1.32	\$2.87
5 CWAD	\$3.76	\$1.37	\$2.39	\$1.48	\$2.28	\$1.32	\$2.44
<b>Feed Barley</b>							
1 CW Pool A	\$3.11	\$1.25	\$1.86	\$1.44	\$1.67	\$1.20	\$1.91
<b>Designated Barley</b>							
SS CW 2-row	\$4.35	\$1.25	\$3.10	\$1.45	\$2.90	\$1.26	\$3.09
SS CW 6-row	\$3.96	\$1.25	\$2.71	\$1.45	\$2.51	\$1.26	\$2.70

**CWB April PRO Commentary****Wheat**

Global wheat supplies remain burdensome. Prices are expected to remain constrained by the existence of large global stocks in the 2010-11 marketing year, with world production expected to exceed demand. The net effect is that ending stocks are forecast to increase from 196 million tonnes to roughly 207 million tonnes.

Growing conditions remain favourable throughout the Northern Hemisphere. Two-thirds of the US winter wheat crop currently rates good-to-excellent with a positive correlation between current crop conditions and yield results. In other words, an average weather pattern from now until harvest will produce at least average yields. However, overall, the US seeded its smallest winter-wheat area since 1913 and production will be constrained accordingly.

Despite the smaller crop, the US wheat supply is growing. Demand growth will only partially offset this increase, resulting in greater US wheat ending stocks in 2010-11, unfavourable to wheat prices. Likewise, global wheat supply will increase and demand is not anticipated to keep pace, stocks will rise in 2010-11.

Wheat will receive direction from other commodities, especially

corn and soybeans. US corn is off to a tremendous start, with 19% of expected acres seeded by mid-April, ahead of the 5-year average. This opens the door for increased corn acres and could further increase the corn supply-and-demand balance, causing downward pressure on agricultural commodity prices.

Outside factors, including oil prices and the general macro-economic climate, will continue to play a role. Both have tended to be positive as the recovery continues and crude oil prices have defied increasing inventories to remain north of \$80 per barrel. Index funds and speculative commodity funds continue to keep active in the wheat pits, which has softened the impact of bearish fundamentals on futures prices. Foreign exchange rates continue to have a negative impact on the PRO. The Canadian dollar has remained close to parity throughout the month.

**Durum**

Large global durum stocks continue to pressure durum prices. Beginning stocks worldwide are forecast to reach 7.4 million tonnes. Significantly, 5 of those tonnes are in the major exporting nations. These stocks will offset an anticipated 2.7 million tonne reduction in world production. Global demand is expected to fall by 700 000 tonnes, as there will be less durum feed use in 2010-11.

Canadian area seeded to durum is expected to drop by 25%. However, US durum area is not expected to decline due to government support programs that insulate US durum farmers from the market price. The USDA released the loan rates for all agricultural commodities April 20. The durum rate for North Dakota exceeded \$6.00/bu even though the current elevator price is just over \$3.00. This means a farmer in North Dakota, when deciding between durum and spring wheat (with a loan rate below \$4 per bushel), will continue to plant durum.

**Feed Barley**

Northern Hemisphere barley planting is under way with minimal production concerns in Europe but dry conditions in Western Canada. Global carry-in stocks are forecast to decline as consumption is estimated to exceed production by 3.7 million tonnes. Improved pasture conditions in several key importing regions lowered feed demand in 2009-10. In North America, there has been a noticeable jump in the cattle-on-feed numbers for April as some optimism has returned for feeding cattle. Feed barley still faces competition from feed wheat and distillers dried grains in the Canadian domestic feed market, which provides a more favourable return than the international market. Canadian barley area and production is forecast to be lower in 2010-11.

**Designated Barley**

Over the past 2 years, barley production has been at historically high levels. The quality of most of the crop was good, causing a significant narrowing of the malt premium to feed barley. Reduced barley area in Europe and North America should help reduce supplies by the end of the 2010-11 marketing year. The carry-out situation should keep demand fairly well supplied during the first half of 2010-11. Planting is underway and nearing completion in south and central Europe, with minimal production concerns at present.

The Canadian Prairies have received some moisture but need more rains to ensure a good supply of quality barley. Moisture conditions in Australia look better as some of the eastern Australian farmers begin to plant their barley crop. The supplies in the European market will make this origin a significant competitive force. The weakness of the euro has reduced the Canadian-dollar price level achievable in world markets.

## At The Bin

Prices booked this week (net to the producer)

Grain	Price	When	Producer
Barley, 48 lb	\$2.45 FOB	June	La Glace
Barley, 48 lb	\$2.71 FOB	May	Vermilion
Barley, 48 lb	\$3.18 del Lethbridge	Apr-May	Cardston
Barley, 48 lb	\$2.86 del Vegreville	May	Mundare
Barley, 48 lb	\$2.96 del Edmonton	May	Mannville
Barley, 48 lb	\$2.96 del Edmonton	May	St. Albert
Barley, 48 lb	\$2.96 del Edmonton	May	Legal
Barley, 48 lb	\$2.96 del Edmonton	May	Bon Accord
Barley, 48 lb	\$2.96 del Edmonton	May	Fort Sask
Barley, 48 lb	\$2.93 FOB	May	Olds
Barley, 50 lb	\$2.90 FOB	Apr-May	Millet
Barley, 50 lb	\$2.90 FOB	Apr-May	Stony Plain
Barley, 50 lb	\$2.90 FOB	Apr-May	Edmonton
Barley, 50 lb	\$2.71 FOB	May	Vermilion
Barley, 50 lb	\$3.05 del Ferintosh	May	Heisler
Mill run pellets	\$118.00 MT FOB	April	Carrot Creek
Peas, yellow	\$4.57 del Red Deer	May	Clive
Peas, yellow	\$4.84 del Gibbons	May-Jun	Bonnyville
Rye, feed	\$3.52 FOB	May-Jun	Ponoka
Wheat, feed	\$3.75 FOB	May	Taber
Wheat, feed	\$4.00 del Edmonton	April	Beaverlodge
Wheat, feed	\$4.05 del Edmonton	May	Edmonton

## Bid Board

Buyers looking for grain (after brokerage)

Grain	When	Location
Barley	April	\$3.10 del Scandia
Barley	April	\$2.81 del Morinville
Barley	April	\$3.14 del Bassano
Barley	April	\$3.14 del Strathmore
Barley	April	\$3.21 del Lethbridge
Barley	Apr-May	\$3.18 del Iron Springs
Barley	Apr-May	\$3.08 del Red Deer
Barley	May	\$2.86 del Vegreville
Barley	May	\$3.10 del Olds
Barley	May	\$3.16 del Iron Springs
Barley	May-Jun	\$2.84 del Carrot Creek
Barley	June	\$2.88 del Kinsella
Canola	May	\$8.62 del Edmonton
Canola	May	\$8.57 del Lacombe
Canola	July	\$8.73 del Edmonton
Canola	July	\$8.70 del Sexsmith
Canola	November	\$8.57 del Edmonton
Canola	November	\$8.57 del Lacombe
Canola	November	\$8.54 del Sexsmith
Canola	Mar 11	\$8.83 del Lacombe
Canola	May 11	\$8.85 del Lacombe
Flax, milling	May	\$7.94 del Medicine Hat
Oats, feed	April	\$2.10 del Edmonton
Oats feed	April	\$2.15 del Lethbridge
Oats, feed	Apr-May	\$1.94 del Edmonton
Oats, #2 CW	May-Jul	\$2.19 del Camrose
Oats, #2 CW	Jun-Jul	\$2.19 del Barrhead
Oats, #2 CW	Oct-Nov	\$1.87 del Barrhead
Oats, #2 CW	Oct-Nov	\$1.87 del Camrose
Peas, feed	April	\$4.59 del Taber
Peas, yellow	Apr-May	\$4.60 del Lloydminster
Peas, yellow	May-Jun	\$4.64 del Edmonton
Peas, green 5% bleach	May-Jun	\$5.44 del Edmonton
Peas, green	June	\$5.50 del Innisfail
Peas, yellow	June	\$4.63 del Innisfail
Rye, #2 CW	May-Jun	\$3.90 del Calgary
Rye, #2 CW	September	\$4.00 del Lethbridge
Rye, #2 CW	Sep-Oct	\$3.90 del Calgary
Wheat, feed durum	April	\$3.75 del Lethbridge
Wheat, feed 12.5% prt	April	\$4.00 del Red Deer
Wheat, feed 12.5% prt	May	\$4.05 del Edmonton
Wheat, feed durum	May	\$3.70 del Lethbridge
Wheat, feed 12.5% prt	Jul-Sep	\$4.57 del Red Deer

## By The Number

	This Week	Last Week		Diff +/-
Canola (MAY 10)	\$379.40	\$381.50	↓	(\$2.10)
Canola (JUL 10)	\$385.90	\$388.10	↓	(\$2.20)
Canola (NOV 10)	\$389.50	\$393.00	↓	(\$3.50)
Canola (JAN 11)	\$393.00	\$396.40	↓	(\$3.40)
Canola (MAR 11)	\$394.90	\$398.20	↓	(\$3.30)
Canola (MAY 11)	\$395.70	\$398.10	↓	(\$2.40)
MGE Wheat (MAY) - CWRS	\$5.26	\$5.20	↑	\$0.06
CWB APR PRO - CWRS	\$5.85	\$6.04	↓	(\$0.19)
CWB Fixed Price - CWRS	\$5.94	\$6.01	↓	(\$0.07)
KCBOT Wheat (MAY) CPSR	\$5.05	\$5.06	↓	(\$0.01)
CWB APR PRO - CPSR	\$5.03	\$5.23	↓	(\$0.20)
CWB Fixed Price - CPSR	\$4.99	\$5.12	↓	(\$0.13)
CBOT Oats (MAY)	\$2.05	\$2.15	↓	(\$0.10)
CME Live Cattle (JUN)	\$94.90	\$94.65	↑	\$0.25
CME Live Hogs (MAY)	\$87.40	\$86.15	↑	\$1.25
Diesel (spot, Edmonton)	\$0.82	\$0.81	↑	\$0.01
Crude/Oil (JUN)	\$84.60	\$82.95	↑	\$1.65
Canadian Dollar (JUN)	\$1.00	\$1.00	→	\$0.00

## Classifieds

**For Sale:** 1997 Premier swather, turbo 2-speed, 25' 960 header, 2200 hours, \$32,400.

**Looking for 5th wheel.** Used, 2000 or newer, 25-27 feet long. Must sleep six, preferably with a full slide and rear living. Contact Dave at Market Master.