

## At Market Master

By Shelley Wetmore

August 28, 2009.....

If you have old crop feed barley left, you may wish to review the Bid Board. There are good levels still available for pick-up the next couple of weeks.

What I see happening now, though, reminds me of the 02/03 drought. Back then, southern Alberta brought in a lot of corn. There was also a lot more cattle on feed and a larger hog industry. Today, that same area does have a better crop than most of the province, plus, our dollar is high, corn is cheap, and feed barley plentiful down there.

North of Calgary, crops are less plentiful. Like the drought year, we have areas north of Calgary paying more for feed barley relative to the benchmark Lethbridge area.

One big issue to keep at the forefront is the demand for grain. Besides bullish fundamentals globally, look around and compare today's domestic state of livestock to a number of years ago. There are less hog producers demanding feed and cattle numbers are down quite a bit.

Most producers are trying to keep feed barley average above the \$3.00/bu mark. We're just getting into harvest season now and a further drop in barley prices can be expected.

## Watching ICE

Weekly closing prices for Canadian grain futures

	This Week	Last Week	Diff +/-
Nov 09	\$429.60	\$423.70	↑ \$5.90
Jan 10	\$433.60	\$427.80	↑ \$5.80
Mar 10	\$437.10	\$430.90	↑ \$6.20
May 10	\$441.10	\$434.30	↑ \$6.80
Jul 10	\$445.10	\$439.20	↑ \$5.90
Nov 10	\$430.90	\$428.20	↑ \$2.70
<b>Barley</b>	<b>This Week</b>	<b>Last Week</b>	<b>Diff +/-</b>
Oct 09	\$109.40	\$135.00	↓ (\$25.60)
Nov 09	\$145.60	\$162.00	↓ (\$16.40)
Dec 09	\$111.40	\$137.00	↓ (\$25.60)
Jan 10	\$152.60	\$169.00	↓ (\$16.40)
Mar 10	\$158.20	\$174.60	↓ (\$16.40)
May 10	\$160.20	\$176.60	↓ (\$16.40)
Jul 10	\$160.20	\$176.60	↓ (\$16.40)
Oct 10	\$160.20	\$176.60	↓ (\$16.40)
Dec 10	\$160.20	\$176.60	↓ (\$16.40)

## Be Grainwise!

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

### US Grain

#### Soy Complex

Concern over the lateness of the US soybean crop plus continued demand pushed the NOV contract 38 cents higher to \$10.11/bu. OCT meal soared \$22 higher to \$320/t while oil bucked the trend and closed .26 cents lower at 36.27 cents/lb.

Although old crop sales came in at just 87,900 mt, boosting annual sales to 1.328 bln bu, new crop sales came in at a staggering 1.996 mmt. It wasn't many weeks ago we heard China would be slowing their buying or even turning around and selling some of their reserves but the talk didn't match their actions. The lion's share of this week's 1.996 mmt of new crop sales went to ... you guessed it ... China.

While the US crop is generally in very good shape, it remains vulnerable to an early frost. Supply/demand fundamentals remain tight and the market can ill afford the production losses that would accompany a frost. Look for the market to remain volatile as long as frost continues to be a concern.

#### Corn

The corn crop is also in very good shape. In fact, many feel it could turn out to be the highest average yield in history. While the crop is later than usual, frost isn't as big a concern as it is for beans.

Perhaps that's why DEC corn struggled to post a 2¾ cent gain on the week to \$3.29/bu. Weekly new crop sales came in well within pre-report expectations at 707,600 mt and, as such, failed to move the market.

With most of the news in the corn pit considered market neutral, traders have looked to outside markets such as beans and crude oil for direction.

#### Wheat

About the only thing positive one can say about the wheat market is that it's beginning to look "oversold". The US spring wheat harvest is running well behind normal but, at this point, no one is too concerned.

The futures did receive a shot in the arm this week when it was announced Egypt would be purchasing 2.2 mln bu of US grain for the 09/10 crop year. Weekly sales were also favourable, coming in at 652,700 mt.

However, putting a cap on further gains is the bearish global S/D picture (see Strategies). On the week, DEC CBOT wheat pushed 8 cents higher to \$4.95¼/bu while KCBT wheat sprinted 17 cents higher to \$5.16¾/bu. DEC MGE failed to join the rally and closed 4 cents lower at \$5.40/bu.

### Canadian Grain

#### Oilseeds

A strong US bean market along with frost concerns on the prairies (particularly in light of the lateness of this year's crop) pushed NOV canola \$5.90 higher to \$429.60/MT. A late rally in the crude oil market combined with a slight easing in the Canadian dollar also lent strength to the market. Steady export buying and reluctant farmer selling was also supportive.

However, the market is beginning to view canola as overpriced in comparison to other vegetable oils.

#### Feedgrain

It was a tough week for barley producers as the OCT contract slammed \$25.60 lower to \$109.40/MT.

Expectations for plentiful feed, particularly if a frost occurs in the next couple of weeks, pushed the market lower. A looming bumper corn crop south of the border also hangs over this market.

Although cash prices haven't dropped as dramatically as the futures, bids have slipped considerably over the past couple of weeks.

# Happy Harvest!



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## Strategies

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

### Wheat Prospects

This week, the CWB announced its August PRO and, to no one's surprise, prices were sharply lower.

The benchmark #1 CWRS 13.5% protein fell \$27 to \$246.00. Other grades saw similar declines. Wheat's woes have been well documented for some time now and today's announcement simply put the exclamation mark behind it.

It's hard to believe that as recently as February 2008 MGE futures traded as high as \$18.25/bu. Well ... producer's the world over responded to those astronomical prices and quickly restocked the world's wheat larder.

According to the IGC (International Grains Council), world wheat production in 07/08 was 609 mmt but consumption outstripped demand at 614 mmt causing a drawdown in world stocks from 122 mmt to 118 mmt. For the 08/09 year, global production is expected to increase to 687 mmt and, although consumption is also expected to rise to 641 mmt, we'll still be left with global ending stocks of 163 mmt—a rise of 45 mmt.

Unfortunately, the news gets even worse from there. While these are still just projections, the 09/10 crop production is expected to rise to 662 mmt. Better than expected yields in the Ukraine, US, and EU are largely responsible for this latest upward revision. Unfortunately, consumption is expected to remain stagnant at 642 mmt, causing ending stocks to rise a further 20 mmt to 183 mmt.

While all this sounds bleak for the wheat market in the near and medium term, there are some production concerns on the horizon.

Newly planted crops in Argentina and Australia are in need of moisture and the quantity/quality of our own crop is still in question. There are further concerns coming out of Argentina. In past articles, we've documented the problems between producers and the government of Cristine Kirchner. While things have been quiet on that front for some time, many issues remain unresolved and there are murmurings these issues may again heat up over the coming year, possibly causing shipping problems—again.

### US Farmers

If you follow any of the US farm forums, you'll find current wheat prices simply don't pencil out for many producers, particularly when you include the rather large deductions many elevators are charging for various reasons. This leaves producers in areas where soybeans and corn are viable alternatives contemplating their options with possibly fewer wheat acres going in this fall.

There's that old market adage again ... the fastest cure for low prices is low prices.

## Classifieds

**For Sale.** 400 round hay bales, no rain. Price is \$0.06/lb. For more information, call Cody Kurek, St. Paul, at (780) 645-9458.

## At The Bin

*Prices booked this week (net to the producer)*

Grain	Price	When	Producer
Barley, 48 lb	\$3.01 FOB	September	Innisfree
Barley, 48 lb	\$3.10 FOB	September	Stony Plain
Barley, 48 lb	\$3.00 FOB	September	Stony Plain
Barley, 48 lb	\$3.06 FOB	Aug-Sep	Halkirk
Barley, 48 lb	\$3.00 FOB	Aug-Sep	Wainwright
Barley, 48 lb	\$3.01 FOB	Aug-Sep	Bonanza
Barley, 48 lb	\$2.88 FOB	September	Clandonald
Barley, 52 lb	\$3.29 FOB	Aug-Sep	Didsbury
Flax, milling	\$10.00 del Medicine Hat	September	Enchant
Oats, feed	\$2.50 del Killam	September	Killam
Peas, green	\$8.00 del High Prairie	September	High Prairie
Peas, yellow	\$6.35 del Innisfail	September	Stettler
Peas, yellow	\$6.35 del Innisfail	September	Wetaskiwin
Peas, yellow	\$6.35 del Innisfail	September	Killam
Wheat, feed	\$5.36 del Two Hills	Aug-Sep	Mannville
Wheat, 12.5% prt	\$4.80 FOB	Aug-Sep	Wetaskiwin

## Bid Board

*Buyers looking for grain (after brokerage)*

Grain	When	Location
Barley	September	\$3.31 del Lacombe
Barley	Sep-Oct	\$3.34 del Lethbridge
Barley	October	\$3.27 del Calgary
Barley	Nov-Dec	\$2.94 del Carrot Creek
Canola	November	\$9.89 del Fort Saskatchewan
Canola	November	\$9.39 del Lloydminster
Canola	November	\$9.93 del Edmonton
Canola	November	\$9.89 del Crossfield
Canola	November	\$9.97 del Lacombe
Oats, milling	September	\$2.15 del Barrhead
Oats, milling	October	\$1.74 del Barrhead
Oats, milling	March 10	\$1.86 del Barrhead
Peas, yellow	Sep-Oct	\$6.10 del Innisfail
Peas, green	Sept-Oct	\$7.85 del Innisfail
Wheat, 12.5% prt	September	\$5.11 del Red Deer
Wheat, feed	Oct-Nov	\$4.43 del Red Deer

## Province Offers Temporary Grazing

Livestock producers who have been struggling with lack of forage to feed animals during the current dry conditions may be able to access Alberta's public grazing lands. The province will provide haying and grazing opportunities by temporarily relaxing the Alberta government's grazing subletting policy on public land. This will allow producers to work with other producers who hold agriculture leases on public land. The government will review requests on a case-by-case basis.

Producers who want to sublet their grazing lease or inquire about a particular parcel of vacant public land can contact their local Rangeland Management office or the Rangeland Management Branch at 780-427-3595.

**CWB August 2009-10 Average PRO**

	August PRO	Alberta		Sask		BC	
		Average		Average		Average	
		Deduct	Return	Deduct	Return	Deduct	Return
<b>Wheat</b>							
1 CWRS 14.5	\$7.08	\$1.38	\$5.70	\$1.59	\$5.49	\$1.31	\$5.77
1 CWRS 13.5	\$6.70	\$1.38	\$5.32	\$1.59	\$5.11	\$1.31	\$5.39
1 CWRS 12.5	\$6.42	\$1.38	\$5.04	\$1.59	\$4.83	\$1.31	\$5.11
1 CWRS 11.5	\$6.15	\$1.38	\$4.77	\$1.59	\$4.56	\$1.31	\$4.84
2 CWRS 13.5	\$6.53	\$1.38	\$5.15	\$1.59	\$4.94	\$1.31	\$5.22
2 CWRS 11.5	\$5.96	\$1.38	\$4.58	\$1.59	\$4.37	\$1.31	\$4.65
3 CWRS 13.0	\$6.04	\$1.38	\$4.66	\$1.59	\$4.45	\$1.31	\$4.73
3 CWRS	\$5.66	\$1.38	\$4.28	\$1.59	\$4.07	\$1.31	\$4.35
4 CWRS	\$5.09	\$1.38	\$3.71	\$1.59	\$3.50	\$1.31	\$3.78
1 CWHW 13.5	\$6.70	\$1.38	\$5.32	\$1.59	\$5.11	\$1.31	\$5.39
1 CPSR	\$5.52	\$1.38	\$4.14	\$1.59	\$3.93	\$1.31	\$4.21
1 CPSW	\$5.52	\$1.38	\$4.14	\$1.59	\$3.93	\$1.31	\$4.21
1 CWRW Select 11.5	\$5.85	\$1.36	\$4.49	\$1.65	\$4.20	\$1.31	\$4.54
1 CWRW	\$5.39	\$1.36	\$4.03	\$1.65	\$3.74	\$1.31	\$4.08
1 CWES	\$5.88	\$1.38	\$4.50	\$1.56	\$4.32	\$1.31	\$4.57
1 CWSWS	\$4.98	\$1.38	\$3.60	\$1.59	\$3.39	\$1.31	\$3.67
CW Feed	\$4.19	\$1.38	\$2.81	\$1.59	\$2.60	\$1.31	\$2.88
<b>Durum</b>							
1 CWAD 14.5	\$7.08	\$1.37	\$5.71	\$1.48	\$5.60	\$1.31	\$5.77
1 CWAD 13.0	\$6.78	\$1.37	\$5.41	\$1.48	\$5.30	\$1.31	\$5.47
1 CWAD 12.5	\$6.70	\$1.37	\$5.33	\$1.48	\$5.22	\$1.31	\$5.39
1 CWAD 11.5	\$6.50	\$1.37	\$5.13	\$1.48	\$5.02	\$1.31	\$5.19
2 CWAD 13.0	\$6.50	\$1.37	\$5.13	\$1.48	\$5.02	\$1.31	\$5.19
2 CWAD 11.5	\$6.31	\$1.37	\$4.94	\$1.48	\$4.83	\$1.31	\$5.00
3 CWAD 13.0	\$6.04	\$1.37	\$4.67	\$1.48	\$4.56	\$1.31	\$4.73
3 CWAD	\$5.85	\$1.37	\$4.48	\$1.48	\$4.37	\$1.31	\$4.54
4 CWAD	\$5.39	\$1.37	\$4.02	\$1.48	\$3.91	\$1.31	\$4.08
5 CWAD	\$4.19	\$1.37	\$2.82	\$1.48	\$2.71	\$1.31	\$2.88
<b>Feed Barley</b>							
1 CW Pool A	\$3.35	\$1.24	\$2.11	\$1.44	\$1.91	\$1.18	\$2.17
<b>Designated Barley</b>							
SS CW 2-row	\$4.88	\$1.24	\$3.64	\$1.44	\$3.44	\$1.25	\$3.63
SS CW 6-row	\$4.49	\$1.24	\$3.25	\$1.44	\$3.05	\$1.25	\$3.24

**By The Number***Prices to keep an eye on!*

Commodity	This Week	Last Week	Diff +/-
CME Live Cattle (OCT)	\$86.70	\$88.60	↓ (\$1.90)
CME Live Hogs (OCT)	\$48.10	\$47.85	↑ \$0.25
CDN Dollar (SEP)	\$0.92	\$0.92	→ \$0.00
MGE Wheat (SEP) - CWRS	\$4.67	\$4.60	↑ \$0.07
CWB August PRO - CWRS	\$6.70	\$7.43	↓ (\$0.73)
CWB Fixed Price - CWRS	\$6.04	\$5.99	↑ \$0.05
KCBOT Wheat (SEP) CPSR	\$5.00	\$4.93	↑ \$0.07
CWB August PRO - CPSR	\$5.52	\$6.26	↓ (\$0.74)
CWB Fixed Price - CPSR	\$4.99	\$4.87	↑ \$0.12
CBOT Oats (SEP)	\$2.10	\$2.05	↑ \$0.05
Diesel (spot, Edmonton)	\$0.78	\$0.78	→ \$0.00
Crude/Oil (OCT)	\$72.75	\$73.73	↓ (\$0.98)

**CWB August PRO Commentary****Wheat**

Wheat market has been pressured by the ongoing harvest in the Northern Hemisphere and favourable growing conditions. US wheat futures have dropped by more than 50 cents/bu over the past month as harvest pressure and improvement in spring wheat conditions added to overall supplies. Corn values were also pressured by improvement in the US corn crop which pressured wheat. The ongoing volatility of international currency relationships continues to add uncertainty to Canadian-dollar price outlooks.

August projections for world wheat production were increased by the USDA, due mostly to larger crops in the US and the EU. The bulk of the European and Black Sea winter crop is harvested with only a small drop in yields from last year's records expected. Lateness of the US spring wheat crop continues to present increased quality risks but yield potential is expected to be above average. In Canada, some harvesting of winter wheat has occurred but a significant portion of the crop is still vulnerable to yield and quality damage due to the lateness of the crop. Although conditions in the Northern Hemisphere have been largely positive this year, conditions are different in the Southern Hemisphere. Production potential in Argentina and Australia has been hurt by recent dry conditions. Hot, dry conditions in north-eastern Australia are causing a drop in yield potential but the rest of the main growing regions are still reporting reasonable production prospects. Argentina has remained mostly dry which continues to decrease production potential for this year's wheat production.

**Durum**

International durum values were pressured lower as North American production is expected to be up from earlier projections. Prices were also pressured by the completion of the Mediterranean region harvest. European crop quality has been mixed, with rains causing problems with Italian quality. However, France, Spain and Greece are reporting good quality. Despite increased production potential in the US and Canada, the total crop is expected to be slightly lower than 08/09. Quality of the US and Canadian crops is to be determined, as less than 5% of the harvest is complete. Quality will play a large role in determining price movement during the next year.

**Feed Barley**

After a brief corn-price rally in early August, reports of a large corn crop have pressured Chicago futures over the past 3 weeks. In the August WASDE report, the USDA increased its 09/10 US corn production forecast by 4% to 324.1 million tonnes. Good harvest weather allowed Russia and Ukraine to finish their winter barley harvest earlier than normal and they're now well into the spring barley harvest. Despite the tighter global barley carryout forecast for 09/10, lower feed demand and adequate coarse grain availability have lowered feed barley price expectations. Canadian production is a supportive factor, with Statiscan's first production estimate indicating the 09/10 crop will be the smallest since 02/03.

**Designated Barley**

Excellent quality and above-average yields in Europe have pressured international malting barley prices. Increased supplies of European malting quality barley, combined with higher global carry-in, have increased overall world supply. This has resulted in a significant narrowing of the spread between malting quality barley and feed barley, especially for 6-row. After a drier June and early July, Australia has received timely rains in its key barley growing areas, maintaining expectations for a large barley crop this year. Canadian supplies of malting barley are expected to be lower due to the smaller crop. Harvest weather during the next month will be critical in determining supplies of Canadian malting barley.