

At Market Master

By Shelley Wetmore

October 22, 2010

It's been a busy week for everyone, especially for producers trying to finish harvest in advance of the snow and rain warnings. Many areas have completed combining but some further south may still be two weeks away or so from putting equipment into storage.

This may be one reason why local feed grain prices remain flat. Yields this year have been well above average overall and many producers are completely out of bin space, looking for any home for grain to take the pressure off. Once heels are cooled and the panic is over, I expect some locks to go those bins.

Here in the office, we've been busy predominately with canola. There are some attractive basis available, plus, prices for next fall are above average—seriously consider next fall's opportunities.

Again, I must stress how important it is to get your samples in as soon as possible. The timeline to get results for some crops (I'm thinking oats in particular), can be up to two weeks.

On a completely different topic, I can tell you that "911" is working just fine in our area of Edmonton. To dial out on our phones, one has to first press "9" then the remainder of the phone number. Needless to say, when most of our outgoing calls are long distance, a mistake can be made. Sure enough, on Friday, two police cars showed up at our office, ready to quash any dangerous situation. Instead, I showed them samples of where their beer came from, that their cooking oil came from little black seeds, and what horses ate and we ate for breakfast was the same grain!



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Be Grainwise!

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

Soy Complex

JAN beans rallied, climbing 15¾ cents to close at \$12.11½/bu. DEC meal rose \$2.70/t while oil pushed .53 cents higher to 48.30 cents/lb. Despite a setback early in the week (see Strategies), soybeans fought back to post solid gains and may be poised to take the leadership role from corn.

Giving futures a boost were forecasts for rain over parts of the Midwest which could slow the remainder of the harvest. However, the biggest ally for market bulls remains demand and this week's export tally wasn't disappointing, coming in at a stellar 2.017 mmt, almost double the average pre-report estimate.

Perhaps equally important was this week's inspections figure which topped 1.6 mmt, double what's needed weekly to meet current annual projections. That inspections figure is often overlooked but can be a solid indicator as to how many of those sales announcements are actually being fulfilled.

Corn

Corn fell into a consolidation mode as non-commercials pocketed some of their gains following the recent run up in that commodity. It's said that a market bull has to be fed constantly to keep on running. It seems that this week the feed rations were tightened somewhat.

The biggest concern is the recent spike in prices may have already done its job in rationing demand. That theory gained a more credence when this week's exports numbers were announced. Coming in at just 212,500 mt, this figure was about half of even the most pessimistic pre-report estimate. Total shipments were decent at 833,500 mt but fell just short of what's needed meet current projections.

Traders, however, are reluctant to push futures too much lower in the short term as there's concern the USDA may offer yet another surprise in its upcoming November report that may tighten supplies even further.

DEC corn dipped 3 cents lower to \$5.60/bu.

Wheat

Wheat has been living off spillover support from corn for weeks and when that support dried up futures tumbled. Rain over the US Southern plains was just what the winter wheat crop needed and helped depress prices.

Futures received some support when Russia announced it would keep their export ban in place until July 1st 2011. The problem with these announcements is they've been so frequent and contradictory that the market has a tough time taking them too seriously anymore.

On the week, DEC CBOT wheat slumped 33¾ cents lower to \$6.70¾ bu while KCBT wheat fell 26 cents to \$7.19/bu. DEC MGE wheat settled 25¾ cents lower at \$7.28¼/bu.

Canola

JAN canola enjoyed a strong week, closing \$15.90 higher to \$522.80/MT. It wasn't long ago we were lamenting that futures were unable to break the \$480 barrier.

Strong crush margins have local processors actively seeking canola. Also positive was the pricing of old export business, presumably to Japan. The absence of farmer selling as producers wind up the harvest also bolstered prices.

Technically, there are no real signs of topping but, if you look back at historical charts, the times that canola futures have traded north of \$500 have been few and far between. If you have no sales on the books to date, you might at least want to consider pricing in the futures portion on some of this year's production. There's also a strong case to be made for pricing a little 2011 canola production.

Feedgrain

Feed barley bids remain firm but have not experienced the same type of price explosion seen in US corn. Harvest pressure and the prevalence of downgraded wheat are keeping a lid on prices. DEC barley futures closed the week unchanged at \$180.00/MT.

Strategies

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

Once again, outside events played a large role in determining this week's action in grains and oilseeds.

How China's Economy Effects Our Grain Prices

Reports from China that government officials had raised their interest rates by 25 basis points put markets on the defensive early in the week. This move marked the first time since late 2007 that China had resorted to this tactic to slow the growth of their economy.

This move had a two pronged effect. First, the idea of a less robust Chinese economy immediately lead to speculation that China may begin to import less grain, thereby adversely affecting S/D assumptions. The second effect was the almost instantaneous rally in the US dollar which we all know has been on the defensive for some time. Both actions were negative to grains and oilseeds.

The Chinese interest hike is obviously an attempt to curb inflation which is running rampant in that country. Real estate prices have escalated sharply lately leading some analysts to wonder if China may be headed for a US style recession which of course began with the housing bubble. Although it's way too early to be making any such comparisons, Tuesday's surprise move obviously caught traders by surprise which may have been more responsible for the strong reaction than the policy itself. If this is a one-time thing, it will soon be forgotten—however, if there are subsequent follow up moves to tighten monetary policy in that country, grains and oilseeds can't help but be affected. It's these types of issues that come out of the blue that make grain marketers tear their hair out.

Supply and demand is relatively easy to track and even predict assuming there are now outside influences. This is one of those outside influences and they hit when you least expect them.

Producer Homework

Now that many producers have wound up their harvest or at least can see a light at the end of the tunnel, it's a good time to start taking inventory of just what you have on hand.

Make a "bin map" and write the quantity and variety of grain you have in each bin. This allows you to be in a better position to move quickly if marketing opportunities present themselves.

It's also imperative you take samples of each bin and have them graded. This year's grain quality is all over the map. Ergot in wheat and high green counts in canola are just two examples of quality concerns in this year's crop. If you don't know exactly what you have ... it's pretty hard to sell it!



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Growing Opportunities in Flax

Alberta Biomaterials Development Centre (ABDC) recently held a crop walk near Vegreville, Alberta to share flax and hemp feedstock development, evaluation and best management practices. Thirty people gathered at Alberta Innovates – Technology Futures (Tech Futures) to learn more about the Northern Adapted Flax Program, Viterra's Flax Nursery, and the Hemp Fibre Cultivars Program.

"The Northern Adapted Flax Variety Development is a 10-year breeding and agronomy project administered by SaskFlax," says Patti Breland, project coordinator with Alberta Agriculture. "The project aims to develop flax varieties better adapted to the northern half of the Canadian Prairies; including central and northern Alberta as well as the Peace River region of Alberta and British Columbia."

Canada represents approximately 80% of world flax export trade, and the Canadian climate favours the production of high quality oil from flax seed. Currently, flax is primarily adapted to the southern prairie regions.

Alberta grows only 3% of flax grown in Canada. "There is a critical need in Alberta for flax varieties to be developed for Alberta's unique cooler climate to lower production risks and enhance competitiveness," says Dribnenki.

In 2010, Viterra's breeding project will evaluate over 12,000 flax strains to begin developing cultivars suited for northern climates and cool season zones across Canada.

"Northern climate grown flax has a quality and yield advantage over that grown in southern prairies," says Dribnenki. "The quality advantage is characterized by high oil content and significantly lower levels of saturated fatty acids, which translates into an unusually high level of Omega-3. The Northern Flax project is focused on developing flax varieties that are tolerant to early seeding (extended growing season), resist reflowering during cool, wet autumns, and have better synchronicity between boll and stem maturity. These northern strains will be incorporated in a suite of flax varieties from very early to regular maturity requirements. The bottom line is to develop varieties that are more farmer-friendly and higher yielding.

The progress of this Northern Flax Project can be followed online by visiting the Saskatchewan Flax website at www.saskflax.com/

ABDC is the link to capitalize on feedstock expertise and help turn biomass into sustainable opportunities. Visit www.albertabiomaterials.ca for more information.

Equine Psychology and Behaviour

The Alberta Equestrian Federation (AEF) is hosting three presentations on Equine Psychology and Behaviour with Nettie Barr of Canadian Natural Horsemanship Inc.:

- University of Calgary, November 4
- Olds College, November 9
- NAIT, Edmonton, November 10

Cost is \$40 per person. Contact: Wendy Kemble, AEF, (877) 463-6233 or admin@albertaequestrian.com
www.albertaequestrian.com

At The Bin

Prices booked this week (net to the producer)

Grain	Price	When	Producer
Barley, 45 lb	\$2.44 FOB	October	Castor
Barley, 48 lb	\$3.64 del Czar	Jan 11	Vermilion
Barley, 48 lb	\$3.24 FOB	December	Thorsby
Barley, 48 lb	\$3.64 del Czar	Dec-Jan 11	Blackfoot
Barley, 48 lb	\$3.34 FOB	Dec-Jan 11	Gwynne
Barley, 48 lb	\$3.21 FOB	December	Thorhild
Barley, 48 lb	\$3.25 FOB	December	Vilna
Barley, 50 lb	\$3.64 del Czar	December	Oyen
Barley, 50 lb	\$3.34 FOB	Dec-Jan	Millet
Canola	\$11.45 del Lloydminster	December	Killam
Canola	\$11.00 FOB	December	Rochester
Canola	\$11.18 FOB	December	Innisfree
Canola	- \$5.00 del Lloydminster	December	Innisfree
Canola	\$11.16 FOB	December	Millet
Canola	\$11.37 FOB	December	Gwynne
Canola	\$11.43 FOB	December	Beaumont
Canola	\$10.33 FOB	October 11	Beaumont
Canola	\$11.02 FOB	December	Warburg
Canola	\$10.51 del Fort Saskatchewan	October 11	Warburg
Canola	\$10.69 del Fort Saskatchewan	November 11	Warburg
Canola	\$10.51 del Fort Saskatchewan	September 11	Vegreville
Canola	\$10.24 FOB	November 11	Alliance
Canola	\$10.41 del Fort Saskatchewan	September 11	Hilliard
Canola	- \$5.00 del Lloydminster	December	Wainwright
Canola	\$11.39 FOB	February 11	Vilna
Oats, milling	\$3.11 del Martensville	November	N. Battleford
Oats, milling	\$3.09 del Barrhead	January 11	Boyle
Peas, yellow	\$6.00 del Innisfail	Nov-Dec	Stettler
Faba beans	\$4.43 del Stettler	October	Gwynne
Wheat, feed	\$4.10 FOB	October	Holden
Wheat, feed	\$4.30 FOB	October	Leduc
Wheat, feed	\$4.46 del Edmonton	November	Boyle
Wheat, feed	\$4.46 del Edmonton	October	St. Albert

Bid Board

Buyers looking for grain (after brokerage)

Grain	When	Location
Barley	October	\$3.25 del Brant
Barley	October	\$3.57 del Lethbridge
Barley	Oct-Nov	\$3.05 del Falher
Barley	November	\$3.53 del Lethbridge
Barley	November	\$3.42 del Czar
Barley	November	\$3.51 del Brooks
Barley	November	\$3.53 del Rainier
Barley	Dec-Jan 11	\$3.44 del Vegreville
Barley	Dec-Jan 11	\$3.64 del Czar
Barley	Jan-Mar 11	\$3.64 del Calgary
Barley	Jan-Mar 11	\$3.68 del Brooks
Barley	Jan-Mar 11	\$3.75 del Lethbridge
Canola	December	\$11.68 del Lloydminster
Canola	February 11	\$11.77 del Lloydminster
Canola	February 11	\$11.64 del Fort Saskatchewan
Canola	May 11	\$11.76 del Fort Saskatchewan
Canola	October 11	\$10.49 del Fort Saskatchewan
Canola	November 11	\$10.79 del Edmonton
Flax, milling	Oct-Nov	\$13.00 del Medicine Hat
Oats, #2 CW	October	\$2.78 del Linden
Oats, #2 CW	November	\$3.04 Saskatoon
Oats, #2 CW	December	\$2.98 del Camrose
Oats, #2 CW	Jan-Mar 11	\$3.26 del Saskatoon
Oats, #2 CW	Jan-Mar 11	\$3.09 del Camrose
Oats, #2 CW	Jun-Jul 11	\$3.29 del Camrose
Oats, #2 CW	Jun-Jul 11	\$3.47 del Saskatoon
Oats, #2 CW	Sep-Dec 11	\$2.73 del Saskatoon
Oats, #2 CW	Sep-Dec 11	\$2.53 del Camrose
Peas, feed	October	\$4.32 del Edmonton
Peas, feed	October	\$4.51 del Aetna
Peas, feed	Oct-Mar 11	\$4.19 del Falher
Peas, feed	November	\$4.32 del Ponoka
Peas, green 5% bleach	Oct-Nov	\$6.20 del Gibbons
Peas, yellow	November	\$5.24 del Gibbons
Peas, feed	Nov-Dec	\$4.43 del Irma
Peas, yellow	Nov-Dec	\$5.75 del Innisfail
Peas, green 3% bleach	Dec-Jan 11	\$6.35 del Innisfail
Rye, milling	Oct-Nov	\$4.44 del Carmangay
Rye, #2 CW	Nov-Dec	\$4.31 del Calgary
Triticale, feed	Nov-Dec	\$3.88 del Calgary
Wheat, feed	November	\$4.46 del Edmonton
Wheat, feed	November	\$4.57 del Edberg
Wheat, feed	November	\$4.40 del Lloydminster
Wheat, feed	November	\$4.46 del Edmonton
Wheat, feed	Nov-Dec	\$4.40 del Lethbridge
Wheat, feed	Nov-Jan 11	\$4.43 del Red Deer
Wheat, feed 12.5 % prt	Nov-Jan 11	\$4.84 del Red Deer
Wheat, feed 13.5% prt	Nov-Jan 11	\$5.11 del Red Deer

By The Number

	This Week	Last Week	Diff +/-
Canola (NOV 10)	\$513.80	\$498.40	↑ \$15.40
Canola (JAN 11)	\$522.80	\$506.90	↑ \$15.90
Canola (MAR 11)	\$529.80	\$513.90	↑ \$15.90
Canola (MAY 11)	\$532.10	\$516.90	↑ \$15.20
Canola (JUL 11)	\$531.80	\$517.90	↑ \$13.90
Canola (NOV 11)	\$493.30	\$483.70	↑ \$9.60
MGE Wheat (DEC)	\$7.28	\$7.54	↓ (\$0.26)
CWB Sep PRO #1 CWRS, 13.5%	\$8.16	\$8.16	→ \$0.00
KCBOT Wheat (DEC)	\$7.19	\$7.45	↓ (\$0.26)
CWB Sep PRO #1 CPRS	\$6.72	\$6.72	→ \$0.00
CBOT Oats (DEC)	\$3.57	\$3.70	↓ (\$0.13)
CME Live Cattle (DEC)	\$101.70	\$100.00	↑ \$1.70
CME Lean Hogs (DEC)	\$70.65	\$69.00	↑ \$1.65
Diesel (spot, Edmonton)	\$0.88	\$0.88	→ \$0.00
Crude/Oil (DEC)	\$80.80	\$82.21	↓ (\$1.41)
Canadian Dollar (DEC)	\$0.97	\$0.99	↓ (\$0.02)