

At Market Master

By Shelley Wetmore

October 29, 2010

After the CWB October PRO was released Thursday, it's been a mad scramble by many producers to investigate feed wheat options prior to Monday's "Series A" sign-up deadline. The wheat futures markets have been hot but off-board, cash prices haven't moved much in any direction—yet. With the Board prices looking more attractive for feed, off-board offers may need to change to encourage movement. For example, just based on the feed wheat PRO, the price indicates an average price of \$4.80/bu, after deductions. If ergot is successfully removed (as you know, there seems to be ergot almost everywhere), will that result in an even better grade? Also, as John Stewart mentions in Strategies, have a look at CWB options for NEXT crop.

We've seen many, many producers come by the office with samples this week. Thank you, very much. Sample results are now taking an average of two weeks due to the increase in volume at almost every buyer's desk. I encourage everyone to continue to drop by or send their commodities in. Get the tests done, then you know what you have, then you can decide when and where you want to sell your grain.

Canola futures continue to improve but basis levels continue to widen for many months. Prices for next fall, a year from now, are very attractive. I don't think I'm alone in thinking canola acres will be on the forefront of most producers' minds. If canola fits into your rotation, that \$11.00/bu range, off-the-combine, is very enticing indeed. A selling-up strategy AND making a profit never hurt anyone. It would be especially nice if yields were similar as today!



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Be Grainwise!

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

Soy Complex

Demand remains the key word in beans and this week's export totals were strong again, beating pre-report expectations at 2.025 mmt. The big story on the demand front continues to be China which accounted for 1.37 mmt of this week's total. Also bullish was the announcement of an additional 305,000 mt sale to our old friend, "unknown destination". Equally important was this week's inspection figure which came in at 1.934 mmt, easily surpassing the 800,000 mt needed on a weekly basis to meet current USDA yearly sales projections. This week's sales pushed bean sales over the 1 bln bu mark for this crop year. It's widely expected the USDA will have to boost their export projections in their November 9 S/D report.

Technically, soybeans have blasted through all support levels on the JAN chart so technicians are looking at the weekly chart and the likelihood that futures will take a run at the longstanding resistance point of \$12.91/bu. If demand continues at the current pace, that may well happen.

JAN beans climbed 24½ cents to \$12.36/bu, DEC meal pushed \$6.80 higher to \$337.70/t, and DEC oil gained a penny to close at 49.30 cents/lb.

Corn

DEC corn also put in a strong performance, closing 22 cents higher to \$5.82/bu.

Corn's an interesting case at the moment. After its sharp rally following the last bullish USDA report, traders are concerned that if prices were to push much higher, demand could be hurt. However, too much of a decline in prices would spur additional demand further tightening the balance sheet. So, basically, we're in a wait and see mode until the next USDA report.

However, with the other grains showing strong gains this week, corn took advantage of the spillover support. Weekly sales were disappointing at just 550,800 mt, below the 687,400 mt needed to keep on pace with current projections.

Wheat

Growing concern over the lack of moisture in parts of the Southern US and Western Australia is giving wheat a new life. Ironically, there's also too much rain in Eastern Australia as the harvest gets underway. Drought conditions in the Black Sea region have fallen off the radar but have not been alleviated—that fact is now being noticed once again by traders.

Weekly demand was nothing to write home about but, at 604,400 mt, but well over the 473,900 mt needed on a weekly basis to meet current sales projections.

However, there were other factors spurring this week's gains. Short-covering and the unwinding of long corn/short wheat spreads were supportive.

DEC CBOT wheat climbed 46½ cents to \$7.17¼/bu while MGE shot 48½ cents higher to \$7.76¾/bu. DEC KCBT futures fared the best of all, firing 52 cents higher to \$7.71/bu.

Canola

JAN canola futures took advantage of the strength in the US bean complex to close \$16.60 higher at \$539.40/MT.

With the crop pretty much in the bin, farmers are becoming reluctant sellers, supporting prices. Also supportive is the underlying demand that canola is enjoying both on the export front and domestically. Crushers are currently enjoying profitable crush margins and are actively seeking canola. It's estimated that margins are now in the \$80.00/MT area.

Feedgrain

DEC barley futures are, well, they are what they are ... pretty much a non issue as far as grain trade is concerned. They closed unchanged on the week at \$180.00/MT. Cash bids remain firm but have yet to reflect the strong gains seen in corn.



Strategies

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

These are exciting times for grain producers!

With the crop pretty much in the bin, the time has come to find out exactly what a producer has to market from a volume/quality standpoint. The latter is the sticking point this year. Some years, it's cut and dried but this year has quality all over the map. As mentioned last week, it's important to get those samples into prospective buyers so you can best plan your marketing strategy.

Thoughts on Canola

Canola futures continue to push higher. Where's the top? It's anyone's guess. But, when you are looking at futures well in excess of \$500.00/MT, you're in rarified air as far as canola pricing is concerned from a historical perspective.

If you have nothing on the books at all this year, it might be prudent to start pricing in small increments. I know it's hard to pull the trigger when prices are still rising but don't get into the trap of trying to hit the absolute peak of the market with the whole crop. It might happen but more than likely you'll be looking back up at the highs when the market has retraced with still nothing on the books. Sell a bit. If the price goes higher, sell some more. Never a bad strategy but even better when you can start at these levels.

Thoughts on Wheat

The same goes for wheat. Today's CWB FPC offers very attractive pricing—even for feed wheat. I know there are a lot of producers with ergot in their CWRS wheat this year. Do the math. See if it's to your benefit to have it cleaned out. The advent of optical sorters has made this process relatively simple. The question is, does it pay to do it?

Also, remember the cut-off for CWB "A" delivery contracts is midnight on Monday, November 1st. The cut-off for CWRW wheat producers is October 31st which was extended from the usual date of September 30th due to the late harvest.

It may also be time to check out futures for the 2011/2012 FPC's. While the basis can't be locked in until February 28th, today's futures of \$309.30/t is an awfully attractive point to start pricing next year's crop.

Farming Today—Are You Ready?

The Southern Applied Research Association (SARA) is hosting a conference and tradeshow in Medicine Hat, November 30 to December 1.

The conference will update attendees on many agronomy topics such as market driven environmental standards, the future of food, market trends, producer investments in research, and many other subjects and issues of concern to Alberta producers.

For further information, an agenda and online registration, visit www.farmingsmarter.com or contact Chris Procyk, SACA manager at 403-381-5118 or e-mail chris@farmingsmarter.com

CWB October 2010-11 Average PRO

	October PRO	Alberta		Sask		BC	
		Average		Average		Average	
		Deduc	Return	Deduc	Return	Deduc	Return
Wheat							
1 CWRS 14.5	\$8.93	\$1.44	\$7.49	\$1.63	\$7.30	\$1.33	\$7.60
1 CWRS 13.5	\$8.38	\$1.44	\$6.94	\$1.63	\$6.75	\$1.33	\$7.05
1 CWRS 12.5	\$7.97	\$1.44	\$6.53	\$1.63	\$6.34	\$1.33	\$6.64
1 CWRS 11.5	\$7.57	\$1.44	\$6.13	\$1.63	\$5.94	\$1.33	\$6.24
2 CWRS 13.5	\$8.06	\$1.44	\$6.62	\$1.63	\$6.43	\$1.33	\$6.73
2 CWRS 11.5	\$7.24	\$1.44	\$5.80	\$1.63	\$5.61	\$1.33	\$5.91
3 CWRS 13.0	\$7.48	\$1.44	\$6.04	\$1.63	\$5.85	\$1.33	\$6.15
3 CWRS	\$6.80	\$1.44	\$5.36	\$1.63	\$5.17	\$1.33	\$5.47
4 CWRS	\$6.64	\$1.44	\$5.20	\$1.63	\$5.01	\$1.33	\$5.31
1 CWHW 13.5	\$8.38	\$1.44	\$6.94	\$1.63	\$6.75	\$1.33	\$7.05
1 CPSR	\$6.94	\$1.44	\$5.50	\$1.63	\$5.31	\$1.33	\$5.61
1 CPSW	\$6.86	\$1.44	\$5.42	\$1.63	\$5.23	\$1.33	\$5.53
1 CWRW 11.0	\$6.91	\$1.46	\$5.45	\$1.70	\$5.21	\$1.32	\$5.59
1 CWRW	\$6.78	\$1.46	\$5.32	\$1.70	\$5.08	\$1.32	\$5.46
1 CWES	\$7.57	\$1.44	\$6.13	\$1.63	\$5.94	\$1.33	\$6.24
1 CWES Select	\$7.27	\$1.44	\$5.83	\$1.63	\$5.64	\$1.33	\$5.94
1 CWSWS	\$6.80	\$1.44	\$5.36	\$1.63	\$5.17	\$1.33	\$5.47
CW Feed	\$6.26	\$1.44	\$4.82	\$1.63	\$4.63	\$1.33	\$4.93
Durum							
1 CWAD 14.5	\$7.54	\$1.48	\$6.06	\$1.55	\$5.99	\$1.32	\$6.22
1 CWAD 13.0	\$7.40	\$1.48	\$5.92	\$1.55	\$5.85	\$1.32	\$6.08
1 CWAD 12.5	\$7.35	\$1.48	\$5.87	\$1.55	\$5.80	\$1.32	\$6.03
1 CWAD 11.5	\$7.21	\$1.48	\$5.73	\$1.55	\$5.66	\$1.32	\$5.89
2 CWAD 13.0	\$7.10	\$1.48	\$5.62	\$1.55	\$5.55	\$1.32	\$5.78
2 CWAD 11.5	\$6.91	\$1.48	\$5.43	\$1.55	\$5.36	\$1.32	\$5.59
3 CWAD 13.0	\$6.72	\$1.48	\$5.24	\$1.55	\$5.17	\$1.32	\$5.40
3 CWAD	\$6.50	\$1.48	\$5.02	\$1.55	\$4.95	\$1.32	\$5.18
4 CWAD	\$6.26	\$1.48	\$4.78	\$1.55	\$4.71	\$1.32	\$4.94
5 CWAD	\$6.04	\$1.48	\$4.56	\$1.55	\$4.49	\$1.32	\$4.72
Feed Barley							
1 CW Pool A	\$5.05	\$1.33	\$3.72	\$1.53	\$3.52	\$1.23	\$3.82
Designated Barley							
SS CW 2-row	\$5.66	\$1.32	\$4.34	\$1.53	\$4.13	\$1.31	\$4.35
SS CW 6-row	\$5.29	\$1.32	\$3.97	\$1.53	\$3.76	\$1.31	\$3.98



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The Ergot Problem

Ergot is being found in feed grain at much higher levels than usual.

“Weather conditions this year when plants were heading and flowering was very cool with high humidity and it took more time than usual for the plants to pollinate,” says Barry Yaremcio, beef and forage specialist, AAFRD. “Airborne ergot spores from previous crops infected the developing heads. This year, there’s a problem with not only rye, but triticale, wheat, barley oats and even some of the grasses; producers are finding that ergots are presents at much higher levels than usually seen in all of these crop types.”

Ergot causes three serious problems when fed to an animal. For females in the breeding herd, any ergot in grain or hay will cause an abortion. This applies to not just cows, but horses, pigs and chickens as well; all of these animals will be affected if given feed that contains ergot. Tolerance for ergot in pregnant or breeding animal rations is zero.

Feeder and growing animals are not immune to the effects of ergot. Animal performance is impaired. It is often seen as poor daily gains and lower growth rates. It will take six to eight weeks for the slower growth rates to become apparent.

The greatest concern, after the threat to reproduction, is that ergot reduces the blood flow to the extremities, such as the tail, ears and hooves or claws. If ergot levels are high enough, the animals will start to slough off their hooves, ears and tails. The reduced blood flow also makes the animals more susceptible to frostbite in colder weather. It is unlikely that animals affected to this extent will ever recover.

“The Ag-Info Centre has been receiving a lot of calls about buying screenings as a feed source,” says Yaremcio. “While screenings reduce costs of feeding over the winter, the cautionary factor here is that if there is any ergot at all in the screenings, there will be problems in the herd.

“The ergot limit for pigs is zero. For all other species, the maximum limit is one kernel per 1000 or 0.1% by weight. In cattle, you can allow a maximum of 12 gm of ergot consumption per day; that’s a quarter of an ounce. It’s easy to see that it doesn’t take much ergot to start causing problems. It may take six to eight weeks, but problems will start showing up.”

Some feed mills are not accepting ergot levels above 0.04% to 0.06% in purchased grains. This is to reduce risk to those purchasing complete feeds and pelleted rations.

When it comes to swath grazing, there is no easy way to measure for ergot. On a case-by-case, field-by-field basis, producers will have to evaluate their swaths, pulling them apart, calculating how much ergot is present and making a judgement call.

“If a swath looks like it may contain borderline toxic levels of ergot, dilute out the ergot level by feeding forage that does not have ergot. When in doubt dilute, as it is better to be on the safe side,” says Yaremcio. “This means diluting the feed with other feeds that are ergot-free, and not giving the livestock full feed on the swath grazing material.”

Two factsheets provide additional information on how to prevent or manage ergot infections online:

Management of Problem Feeds – factsheet from Manitoba Agriculture – www.gov.mb.ca/agriculture/crops/forages/bjb00s18.html

Ergot – factsheet from North Dakota State Extension – www.ag.ndsu.edu/pubs/plantsci/crops/pp551.pdf

Northern Alberta Ranchers Included in Tax Deferral Program

Livestock producers in northern Alberta who are struggling as a result of well below normal temperature and low precipitation have been included in a federal tax deferral program. The preliminary designation was established based on spring moisture and summer rainfall, supplemented with estimates of forage yield.

The tax deferral allows eligible producers in designated areas to defer income tax on the sale of breeding livestock for one year to help replenish breeding stock in the following year. Proceeds from deferred sales are included as income in the next tax year, when they may be at least partially offset by the cost of reacquiring breeding animals. In the case of consecutive years of designation, producers may defer sales income to the first year in which the area is no longer designated.

To defer income, the breeding herd must have been reduced by at least 15%. 30% of income from net sales can be deferred if the breeding herd has been reduced by at least 15%. In cases where the herd has been reduced by more than 30%, 90% of income from net sales can be deferred.

Eligible producers will be able to request this deferral when filing their 2010 income tax returns. Livestock producers are advised to contact their local Canada Revenue Agency Tax Services Office for details on the income tax provisions. Assessment of the drought situation will continue throughout the fall and, as more data about forage yields are known, tax deferral areas could be expanded.

For more information on the extent of the drought or programs to assist farmers, visit the AAFC Drought Watch website at www.agr.gc.ca/drought

Preliminary designated Alberta tax deferral areas include:

- Birch Hills County
- Clear Hills County
- County of Northern Lights
- Grande Prairie County No. 1
- Improvement District No. 12
- M.D. of Big Lakes
- M.D. of Fairview No. 136
- M.D. of Greenview No. 16
- M.D. of Peace No. 135
- M.D. of Smoky River No. 130
- M.D. of Spirit River No. 133
- Northern Sunrise County
- Saddle Hills County
- Woodlands County
- Yellowhead County

At The Bin*Prices booked this week (net to the producer)*

Grain	Price	When	Producer
Barley, 45 lb	\$2.88 FOB	November	Camrose
Barley, 48 lb	\$3.18 FOB	November	Millet
Barley, 48 lb	\$3.31 FOB	Dec-Jan 11	St. Paul
Barley, 48 lb	\$3.40 FOB	Dec-Jan 11	Heisler
Barley, 48 lb	\$3.31 FOB	Dec-Jan 11	Tofield
Barley, 48 lb	\$3.23 FOB	December	Spruce Grove
Barley, 48 lb	\$3.64 del Czar	December	Edmonton
Barley, 48 lb	\$3.19 del Falher	November	High Prairie
Barley, malt	CWB Contract	November	Foremost
Canola	\$10.76 del Fort Saskatchewan	Sep 11	St. Albert
Canola	\$10.94 del Fort Saskatchewan	Oct 11	Athabasca
Canola	\$11.55 FOB	Jan 11	Boyle
Canola	\$10.94 del Fort Saskatchewan	Nov 11	Thorsby
Canola	\$10.94 del Fort Saskatchewan	Nov 11	St. Paul
Canola	\$10.85 del Fort Saskatchewan	Oct 11	Tofield
Canola	\$11.03 del Fort Saskatchewan	Nov 11	Leduc
Canola	\$11.03 del Fort Saskatchewan	Nov 11	Bonnyville
Canola	\$11.03 del Fort Saskatchewan	Nov 11	Killam
Canola	\$11.03 del Fort Saskatchewan	Nov 11	Millet
Canola	\$11.01 del Fort Saskatchewan	Nov 11	Warburg
Canola	\$11.12 del Fort Saskatchewan	Nov 11	Lac La Biche
Canola	-\$14.00 U JAN del Fort Sask	January 11	Bon Accord
Canola	-\$12.00 U MAR del Fort Sask	March 11	Bon Accord
Canola	\$12.04 del Fort Saskatchewan	March 11	Athabasca
Canola	\$6.44 FOB	November	Blackfoot
Oats, milling	\$3.18 FOB	Jan 11	Innisfree
Oats, milling	\$3.37 FOB	Jun 11	Innisfree
Peas, green	\$6.51 FOB	Dec-Jan 11	Mannville
Peas, green	\$7.00 del Innisfail	Dec-Jan 11	Strome
Peas, green	\$6.65 FOB	Dec-Jan 11	Calmar
Wheat, feed	\$4.35 FOB	November	Millet
Wheat, feed	\$4.20 FOB	November	Kingman
Wheat, feed	\$4.30 FOB	November	Edberg
Wheat, feed	\$4.07 FOB	November	Hanna
Wheat, feed	\$4.44 FOB	Nov-Dec	Edgerton

Bid Board*Buyers looking for grain (after brokerage)*

Grain	When	Location
Barley	November	\$3.53 del Lethbridge
Barley	November	\$3.64 del Brant
Barley	November	\$3.53 del Rainier
Barley	December	\$3.64 del Brant
Barley	December	\$3.64 del Czar
Barley	December	\$3.64 del Brooks
Barley	Dec-Jan 11	\$3.44 del Vegreville
Barley	January 11	\$3.64 del Czar
Barley	Jan-Mar 11	\$3.82 del Brant
Canola	December	\$12.06 del Lloydminster
Canola	December	\$11.53 del Altona
Canola	February 11	\$12.13 del Lloydminster
Canola	February 11	\$11.88 del Fort Saskatchewan
Canola	May 11	\$12.11 del Fort Saskatchewan
Canola	October 11	\$10.94 del Fort Saskatchewan
Canola	November 11	\$11.03 del Fort Saskatchewan
Flax, milling	November	\$13.44 del Medicine Hat
Oats, #2 CW	November	\$2.78 del Linden
Oats, #2 CW	November	\$3.04 Saskatoon
Oats, #2 CW	December	\$3.08 del Camrose
Oats, #2 CW	January 11	\$3.15 del Camrose
Oats, #2 CW	Jan-Mar 11	\$3.26 del Saskatoon
Oats, #2 CW	Jun-Jul 11	\$3.38 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	\$2.61 del Camrose
Peas, feed	November	\$4.32 del Edmonton
Peas, feed	November	\$4.51 del Aetna
Peas, feed	November	\$4.32 del Ponoka
Peas, green 10% bleach	November	\$5.94 del Gibbons
Peas, green 5% bleach	November	\$6.69 del Gibbons
Peas, feed	Nov-Dec	\$4.43 del Irma
Peas, feed	Nov-Mar 11	\$4.19 del Falher
Peas, green 3% bleach	Dec-Jan 11	\$7.00 del Innisfail
Peas, yellow	Dec-Jan 11	\$6.00 del Innisfail
Rye, milling	November	\$4.44 del Carmangay
Rye, #2 CW	Nov-Dec	\$4.31 del Calgary
Triticale, feed	Nov-Dec	\$3.88 del Calgary
Wheat, feed	November	\$4.57 del Edberg
Wheat, feed	November	\$4.40 del Lloydminster
Wheat, feed	November	\$4.57 del Lacombe
Wheat, feed	November	\$4.57 del Lethbridge
Wheat, feed	November	\$4.46 del Edmonton
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

Advanced Agronomy Conference

Up to seven Continuing Education Units (CEU) will be available at the Advanced Agronomy Conference. Crop advisers, farmers, industry partners and anyone interested in crop production will have the opportunity to listen to speakers from around the world present the latest information, ideas and techniques. The two half-day events allow sessions to be balanced out so that attendees can make the most of their time. The conference will also be a great opportunity to learn and network with fellow agronomists, farmers and industry peers.

The Advanced Agronomy Conference is being held in Leduc on November 24 and 25, 2010. For further information, conference agenda and registration, contact Ellen Anderson at 403-650-9196 or Ty Faechner 780-416-6046.

