

A View From Behind the Desk of Bobby Leavins; December News Letter

It seems we have come into the sleepy time of year where buyers and sellers are content to sit and wait till after Christmas to decide on what their next mode of action will be in the New Year.

Many buyers feel this market still has room to soften and is at best flat on most commodities while producers are waiting for that spark that sometimes happens in a new year. In some years this passive mode by growers late in the calendar year has paid off. We all remember watching bids crawl up on various commodities at Crop Production Show a couple times in the last 5 or 6 years. However, as a grower you cannot think that the Crop Show or even the New Year is some form of silver bullet.

As you know there is a credit issue surrounding the globe; money is just not liquid, that's a **HUGE** issue. Linked to the credit issue many major importing nations' currencies have been and continue to get beat up versus the US dollar. So when purchasing goods in US\$, everything is more expensive to the importing nation and their dollar does not buy as much as it did. Accompany these two issues with the fact many major international companies and consumers are scared of their own shadow thus creating a huge demand retraction for many commodities. From what the market is saying there is going to be more pent up selling in the New Year than buying and it could take a toll on some if not most of the markets. Yes, the specs are net short in Chicago today but that does not mean they can't get shorter if credit issues or benign world weather continues.

The biggest difference between this year and the past few years is that we have recently seen large Jan/Feb rallies based on an "Acreage Battle". No one expects one this year. Users are comfortable with stocks and feel that their acres will get planted in a normal fashion because nothing is going to pull those acres away other than a few to corn in the US/China and a few other countries and in Canada not much will change that statistically will mean anything (lentils down, peas up, etc, etc).

World record wheat production and possible record soybean production (if no major weather scares happen in South America), will leave the globe with huge stocks of grain, large carryovers and distress selling that will continue to weigh on the market

Corn is the only crop that may show some real statistical tightness and looks to be the clear cut winner going into next years' cropping rotation plans. With it attracting the largest acres and the issue of whether or not the US ethanol industry can be sustained if the subsidies are removed may also shift this crop into supply heavy situation. As far as Supply and Demand numbers are concerned here in Western Canada, the only things showing relative tightness are peas and canary seed. The cat is out of the bag on the peas and we expect an increase in acres of at least a million from last year. And the canary tightness, well no one believes it – unless you have 40,000 bushels sitting on your farm.

For the most part the world's major growing regions are in good shape. Yes, there are weather scares going on in the world, there always is, it's a big planet - Heck how many years in the last 10 do you remember there not being a weather scare even somewhere in Saskatchewan?

As a manager of a commodity company that is continually asked where these markets are heading my answer is often, "will let you know in 6 months", and at the end of the day no one honestly knows, if someone tells you differently that they do in fact know, run as fast and as far as you can. Rayglen has heard from many growers upset with their high priced so called "marketing experts", that have told their growers to sit, and wait and it will come back. For example, many growers were told to sit on #2

green lentils until they hit 33 cents. That was great to hear and helped you sleep at night in September and October but where does that leave you today?

This letter is not meant to be a downer but an attempt at a more realistic quick snapshot of the situation we as growers are in. Of course, if weather does become an issue in more than one or two select locations everything we have discussed about supply and demand is washed out and away we go.

Here is an original thought for you; I often am told by growers, "Well, last time I checked people still need to eat, prices will go up again". This is true people do need to eat however; I know of about a billion people in Africa that need to eat, someone should tell them that. The fact remains if people don't have money they can't buy food. We are in a time when farmers need to take something off the table, yeah you missed the highs, but at least make a smart play on some of the many relatively high priced opportunities that exist out there. Reduce your risk. For most of you today's prices are still profitable.

Remember, the true market usually revolves more around the demand story not the supply one and world demand is not relatively increasing right now, at least not near as fast as supply has come on line. Like I said above, I am still excited about agriculture commodities and believe that next year's crop year is going to be a profitable one as well. Maybe, not at levels we have grown accustomed to in the last 2 or 3 years, but still good. So pick your battles - a war fought on too many fronts is often not victorious.

From all of us at Rayglen, we want to wish you a Merry Christmas and best wishes for the New Year.

Bobby Leavins
Operations Manager