

Raylen Market Comments – September 13, 2017

Soybeans futures are up today from yesterday's USDA report induced setbacks. The USDA surprised trade expectations by forecasting the US 2017-18 soybean production to be a record large crop; a 50 million bushel bump from the August forecast. Yield was bumped up 0.5 bushels to 49.9 bu/acre, which is still down 2.2 bushels from 2016-17. A significant bright spot for soybean futures is the anticipated implemented changes to the U.S. biodiesel tax credit. It is expected that the Trump administration will renew the expired credit and switch it to a producer's credit, which should create 600 to 800 million pounds of additional domestic derived soybean oil demand. Local soybean bids are in the \$10.25-\$10.50/bu FOB farm range. Faba bean supplies continue to be scarce and prices across the Prairies remained largely unchanged in the \$6.50/bu delivered range.

The chickpea market remains a bright spot in the local commodities trade as prices remain at mid 60's for the large Kabulis on across the board pricing and #2 quality. Most of these bids have a maximum of 10% 7mm sizing and any 7mm sizing over the allotment is paid at a discount price, generally an 8-cent discount. That being said, buyers are pretty flexible with these programs and can cater the bid to the specific needs of your farm and your product. Desi chickpeas are currently around 30 cents a lb picked up and have not saw anything like the kabuli premium at this time. If you have unpriced chickpeas not ear tagged for next years' seed purposes, consider selling at these values as chickpea movement can be a precocious thing and can go long stretches at "no bid".

Harvest on canary seed is well underway and reports suggest that 16% of the crop is in the bin, which is over pace from last year when only 9% was harvested at the same time. If Stats Canada production estimates are correct, that represents about 20,000 metric tonnes. Carryover from last year is estimated at about 10,000 metric tonnes, which that gives the market about 30,000MT of product. This should be enough for 10 weeks of export demand. Prices on canary seed have been staying around the same level, with no indication of a major up or down swing. Today trades are taking place at 22 to 23c/lb for sound quality.

Peas this week have seen little variability in pricing. Yellow peas are seeing bids around \$7.90/bu delivered and green peas should be tradable at \$8.00/bu FOB. Little change in pricing can be partially attributed to the expected seasonal lull that we are going through, but a major factor seems to be overseas markets providing ample amounts of supplies to the market. Russia and Ukraine have reported larger crop estimates and eastern Europe is offering aggressively into India, as per a Stat report. India's prices have remained steady but the rise of the Canadian dollar isn't helping export business. Offering our yellow peas into India is going to be a struggle unless we see the dollar drop or India has a market rally.

Flax prices are slightly lower this week with milling quality closer to \$12.00/bu picked up and \$12.50/bu FOB for a later movement. Yellow flax prices are also softer with indications of \$15.00/bu delivered plant. For those with #1 quality \$12.00/bu delivered is still available. Export demand is expected to be stronger from multiple destinations. Although there are reports of large inventory in China, purchases are expected to remain firm. US demand will also be stronger, but Canadian exports will be constricted by a smaller 2017 crop. European exports will be lower due to the availability in the Black Sea region. Russian supply is already hitting the market, which is why we are seeing some softer milling prices. It is still uncertain how much upside there could be on prices, but bids will likely be moving higher due to the restricted supplies that will be available.

Feed barley has firmed up from last week with bids starting to strengthening. In some cases, buyers are showing an even more attractive bid for the winter months, which may be a downside if you are needing the bin space or cash flow, but the dollar value is attractive. Quite a few reports of malt getting accepted are rolling in, but the market, or lack thereof, has prompted some producers to dump their product into the feed market. At this point, it does not seem to be weighing on pricing, but it may in the future. We are seeing bids around \$3.50/bu FOB farm for now till December timeline, but around \$3.65/bu FOB farm for January-March movement. On the malt side of things, buyers are wanting to see samples. Offers have also been a great way to move grain, so make sure you are talking to your merchant on that.

Compared to a couple weeks ago, the feed wheat market has shifted back a bit. We are seeing corn pressure the market as it is cheaper and a great substitute in the rations. Another downfall is that there is a mass amount of this cheap corn coming up from the states to be used, therefore our prices have been slipping. We are seeing max 1 ppm vomitoxin product around \$4.60-4.85/bu FOB farm and max 10ppm vomitoxin indications at \$4.00/bu FOB farm. Make sure you are getting your product tested so you can jump on small rallies when they appear and you never miss a high in the market.

Lentils are having another flat week as buyers wait for more action on the trade side to start purchasing. Reds are stable at \$0.21/lb FOB farm on a No. 2, LGL lentils are trading at \$0.46/lb for a No. 1 and \$0.41 for a No.2 and small greens are trading at \$0.36 for a No.1. A couple of reports that came out this week are showing that ending stocks will range as high as 430,000 MT and as low as 121,000 MT, these numbers will likely not change the trade yet, as buyers will wait and see what kind yield reports are released once harvest is complete. The major difference in those ending stock numbers is the yield projection. Some report yields of 1321 lbs/acre, while others project 1164 lbs/acre. At this point in time, nailing down an actual provincial average yield may be hard, as there seems to be a wide range of farmer reports. If you talk to four guys in the same area you will mostly have 4 different yields. Until we get a better handle on this the markets likely will not respond much.

Oats continue their steady sideways price as harvest progresses nicely all over the province. Still finding very little demand in any feed oats. Price indications are around \$2.00/bu picked up in the yard for dry and heavy oats but movement is pushed out into likely November/December. Bids for milling oats continue to be more and more difficult to find as price indications slip below \$2.50/bu picked up in the yard. They are better priced the further southeast you get in Saskatchewan due to freight. Be sure to call in and put a target offer in with your merchants to get some of your oats moving.

Mustard harvest is underway in most areas now, and some have already wrapped up in the southern parts of Saskatchewan and Alberta. Yield reports vary widely. Mustard prices continue to be strong as yields and acres have been reported down significantly as we all know. Brown mustard continues to lead the pack at 38 cents/lb picked up in the yard. Oriental is up to \$0.32-\$0.34/lb depending on variety. Yellow spot bids have moved up to 35 cents/lb for movement in September and possibly higher further out. Call the office with any mustard offers on 2018 crop with Act of God. It might be best also to secure seed supplies soon as it could be a little tougher to procure this year. Call the office for details on that as well.

Canola markets edged higher today along side soybean futures. The week has been choppy for canola, losing just over \$5.00/MT Monday/ Tuesday, with today's advancements providing some relief. Gains of \$2.70/MT pushed November to \$487.10/MT or \$10.70/bu delivered plant with a -\$15/MT basis.

Weakness in the Canadian dollar also helped to push canola higher, making the commodity and its bi-products cheaper for the export market. As it stands, we haven't seen too much canola being traded as of late, so if you have a specific value in mind, try our target system!