

Spotlight On Wheat

Spring 2016



Good Day Folks,

With spring fast approaching, everybody's mind turns from marketing to production. But before we turn that page, I thought it would be worthwhile to take a look at wheat production and marketing. Prices have been down on wheat for a while now and many producers are looking to other crops as a replacement. However, this crop

is still a key player in Western Canadian agriculture both agriculturally and economically, so it makes sense to talk about how to profitably grow this crop in 2016.

Wayne Spurrill, P.Ag

Agronomist

Battle River Implements

THE MARKET - *By Guest Ryan Denis*

2015 Recap

This month we are going to review the wheat markets and a few things to watch for as you gear up for a busy spring season. It's no secret that wheat marketing has been a challenge for the past 12 months. We've seen a fairly steady decline in futures that started back in July of 2015, with only a handful of rallies of \$0.20 to \$0.40/bu since then. I should also mention that wheat marketing for the past year has been an emotional roller coaster (with basis contracts) and I don't expect that to change in 2016. Wheat marketing to many has been very challenging. Hopefully today's article can help with your decisions this spring.



Chart 1

In 2015 we were given the opportunity to lock in \$6/bu CWRS and \$5.50/bu CPSR heading into seeding. The dry conditions in Western Canada supported a wheat futures rally that lasted from June 19th to June 30th, and climbed \$0.85/bu. In Alberta many of us experienced the dry conditions first hand. And as a result not a lot of wheat was sold at these higher future values. While we were concerned about our crops locally, everyone else in the world decided to grow a big wheat crop and raise global stocks to new records. (Chart 1.)

Domestically our crops were lower than first expected which has led to some tight carryover projections into fall 2016. We also saw a collapse in the Canadian dollar, which allowed basis levels to appreciate to \$79/mt or \$2.15/bu. This allowed many people to price CWRS at \$7/bu and CPSR at \$6.50/bu (which are great values in my opinion.) We also saw many producers sign up basis contracts throughout the fall and winter. With declining wheat futures, it was very difficult to break even on those contracts until very recently. Protein premiums were basically non-existent and a predictable grade pattern left discounts unchanged for most of the year.

For 2016

The trend heading into May is for lower wheat acres in general. We will see a slight increase in Durum acres and in some locations I expect higher Soft White and CPSR acres. The table on page 3 ranks three wheat classes and it's easy to see why CWRS acres will suffer. Some of us believe CWRS acres will drop anywhere from 5%-10% in Canada. We've also seen a decline in wheat acres from the U.S., Russia, and Ukraine. One could expect that the larger global surplus should start to decline at some point in 2016.

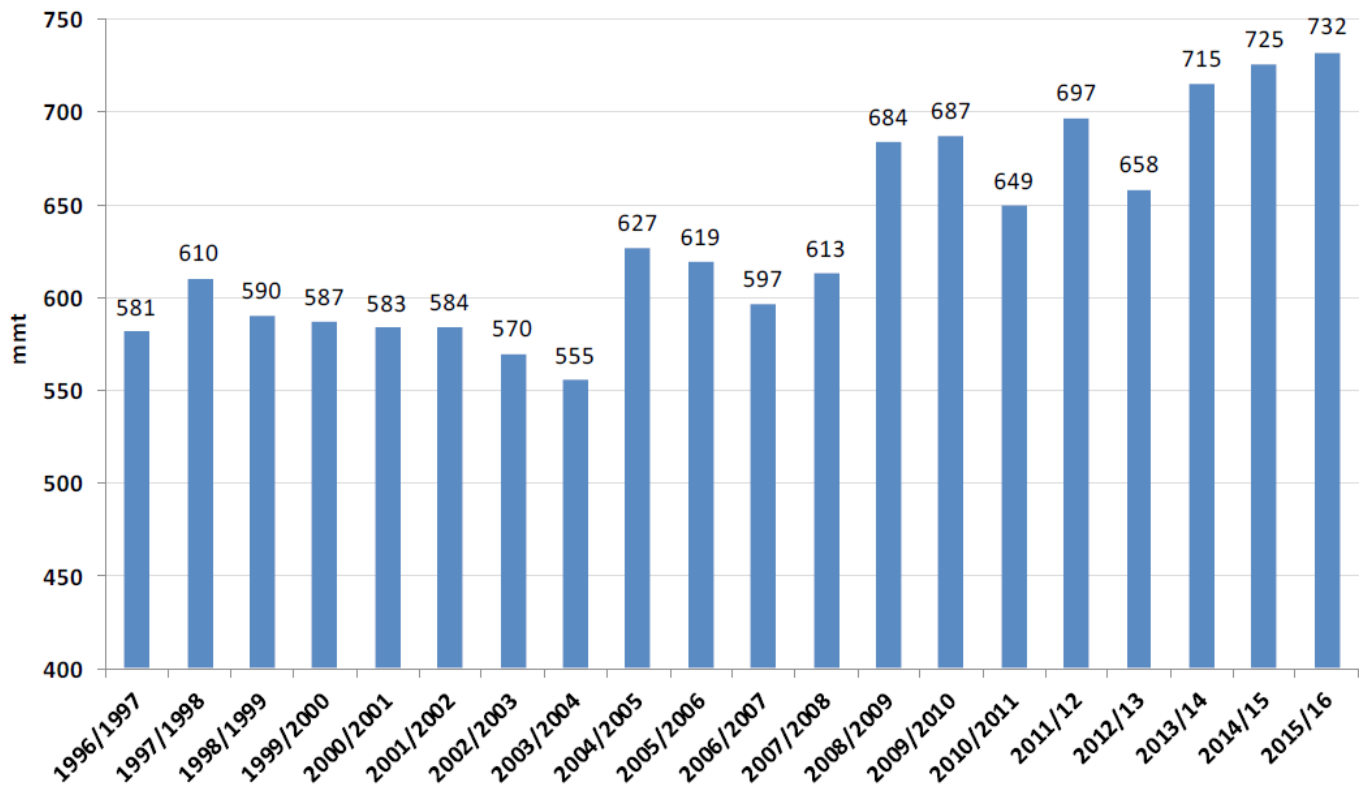
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In Canada we will enter the fall of 2016 with some of the lowest wheat stocks in 40 years. I've been keeping an eye on basis levels (without foreign

World Wheat Production



exchange) and they have increased lately (narrowed). What this means is line companies will work with smaller margins in order to attract wheat to the facility. I expect this trend to stay in place until summer of 2017, especially if wheat acres are down.

We also have to watch the U.S. and Canadian dollar very closely this summer, since our wheat basis levels are directly influenced by the movement of both those currencies. A decrease in the Canadian dollar will result in better basis levels, but some analysts feel we're headed towards \$0.80 after a short term blip lower this spring.

Overall I'm still a little bearish wheat in general. I do believe opportunities will be available over the next few months, and that growers need to be prepared to execute on new crop sales heading into fall. If the world harvests an average crop even with the lower acres projected, Wheat futures could drop another \$0.50/bu from the recent lows. I know many of you are hoping for a bullish run higher and of course it's always possible but stay disciplined this summer and reward the rallies with profitable sales.

So how do I market my wheat going forward? Here are a few tips to consider:

1) Know your break even (use a 5 year average yield)

- 2) Separate basis and futures (maximize both)
- 3) Sell in smaller increments than normal
- 4) Reward the small rallies with a sale, if profitable

I've highlighted a few technical resistance levels that should be considered when pricing wheat. At each of these three levels I would sell an increment of new crop CWRS. Page 3 shows the Dec 2016 Minneapolis chart.

If you want to focus on net price:

- CWRS – sell new crop at \$6.85/bu or better
- CPSR – sell new crop at \$6.35/bu or better
- Soft White – sell new crop at \$5.85/bu or better

One last remark, wheat futures tend to peak sometime between April and July, due to the many wheat crops that are growing during that time.

Have a safe planting season. If any marketing questions arise during the growing season don't hesitate to give me a call at the number below.

Thanks

Ryan Denis
Market Coach
Cell: 587-338-6550
Email: fullacreconsulting@gmail.com

2016	CPSW	CPSR	HARD RED
YIELD	\$ 70.00	\$ 65.00	\$ 50.00
PRICE	\$ 5.50	\$ 5.75	\$ 6.60
TOTAL REVENUE	\$385.00	\$373.75	\$330.00
SEED	\$ 27.00	\$ 27.00	\$ 25.00
FERTILIZER	\$ 68.00	\$ 70.00	\$ 68.00
CHEMICALS	\$ 44.00	\$ 44.00	\$ 44.00
INSURANCE	\$ 9.00	\$ 11.00	\$ 10.00
TOTAL FIXED	\$148.00	\$152.00	\$147.00
GROSS MARGIN	\$237.00	\$221.75	\$183.00

Minneapolis Chart December 2016

THE AGRONOMY - By Wayne Sprurrill

Variety Selection

Many producers clean their own seed for planting. For those of you who do not normally buy certified seed, you should be aware of changes that are coming. Our wheat classifications are being modernized and many varieties you currently think of as Hard Red Spring Wheat are likely going to transition to a new class called "Canadian Northern Hard Red". This class will include many familiar CWRS and some CPSR varieties. While many changes will not take place until 2018, it would be a good idea to monitor this situation and purchase new seed with an eye to what market you would prefer to sell into. For further information, check out the Canadian Grain Commission's website at www.grainscanada.gc.ca/consultations/2015/classes-en.htm

"...many varieties you currently think of as Hard Red Spring Wheat are likely going to transition to a new class called "Canadian Northern Hard Red". "

Field Selection

Hard Red Spring wheat is widely adapted to our prairie soils and environmental conditions. It grows well in most soil types and is very drought tolerant compared to many of our other crops. CPS and soft white wheats tend to do better under higher organic matter soils that receive 8" or more of growing season rainfall, which can make them inconsistent performers in much of east central Alberta, where large areas receive between 7" and 8" of in season precipitation on average. If we get timely rains, these varieties can push 100 bushels per acre. If we don't, they often will not outperform hard red varieties.

Seeding

The best target seeding rate for our area seems to be between 22 and 24 plants per ft². The actual target number for your operation will vary depending on the row spacing and opener you employ. Increasing seeding rates to above 24 plants/ft² has been shown to result in increased yields, especially with CPS and SWS wheat. Again, moisture received during the growing season, along with the water holding capacity of the soil, will dictate how successful increased seeding rates are in increasing yield.

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Fertility

As with all crops, balanced nutrition is the key to growing a healthy and high yielding crop. On Hard Red Spring Wheats, effort is often expended in trying to deliver the right amount of nitrogen at the right time to maximize on both yield and protein. Top dressing nitrogen or the use of various inhibitors (such as Agrotain), or physical barriers (such as ESN) are often used at seeding time to try to accomplish this. All of these methods can work in making nitrogen available during seed set, but all have the same limitation in my opinion. They need moisture at the right time to be effective and they cost money. In east central Alberta, you may want to compare the effectiveness of some of the methods mentioned above against simply adding another 5 or 10 lbs of N to your blend. This may be at odds with some of what you hear in the marketplace, but I'm not convinced you can't achieve the same goal this way. And remember to keep your nutrition balanced. There is no point increasing N alone and having a crop lodge. As my final point on nutrition, I would like to say a word on micro nutrients. These products are generally expensive and are not generally lacking in our soils. I would always soil test prior to committing funds to these products. Where they

are required, the benefit of an application is usually very apparent, but too often they are applied where they are not necessary in pursuit of that last couple of bushels of yield. Everything that happens in the field should add to your bottom line. Does spending \$5 on a micro nutrient to achieve an extra \$5 in yield help you down that road, or would that money be better spent elsewhere?

Weeds

The largest single thing you need to be aware of in wheat production is the growing threat of herbicide resistance and the impact it will have on your farming practices. We now have resistance in our fields to wild oats, green foxtail, cleavers, and annual sow thistle, to name a few. The greatest impact on our farms over the next 5 years will come from resistant wild oats. Producers need to understand that once resistance develops, that chemical group is gone from your toolbox forever. Unless there is selection pressure on the population that puts the resistant cultivar at a competitive disadvantage, future generations will continue to carry the resistance. In 3 fields near Red Deer now there is documented resistance in the wild oats to Groups 1, 2, and 8. There are literally no options left for growing wheat and using herbicides to control the wild oats. To further emphasize my point on resistance not going away, the group 8 resistance was discovered 18 years ago. It is still there. So while you still have the use of these chemicals, remember to rotate your groups, use full rates only, and tank mix whenever possible. Also, where feasible, increase seeding rates to give better crop competition for the weeds.

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Diseases

Tighter rotations and management practices that leaves the residue on the fields has led to an increase in both seedling and leaf diseases in wheat. An ongoing study by Alberta Agriculture where they are working with seeding rate, fertility, growth regulators and fungicides as a way to establish best practices for high yielding wheat production has some results worth taking note of. Through a variety of environmental conditions over several years, the most consistent return on investment came from a properly timed fungicide treatment. Make sure you are scouting your wheat fields as the flag leaf begins to unfurl. Diseases present on the leaves directly below the flag at that time generally indicate that the flag leaf will become infected. Once the flag leaf is fully extended, spraying can start.

Insects

There are several insects to watch out for when it comes to wheat. Fortunately, Alberta Ag monitors several of the top ones and posts forecasts for all the major insects that may impact our crops at [http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/prm13779](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/prm13779). To summarize the highlights for east central Alberta this summer - expect generally low levels of wheat midge, low levels of wheat stem sawfly, except in parts of Flagstaff County and grasshoppers problems that start off as low in the west end of Camrose county and get worse as you go east. While overall populations will be either low or moderate, there may be pockets of severe infestations in eastern Flagstaff or in parts of Wainwright and Provost Counties. Remember, these forecasts are indicators only – you need to scout to find out what is going on in your own fields.

Harvest

It is common practice to do a pre harvest application of glyphosate on wheat and then straight cut it after dry down. The only point I want to make here, is that in some cases, as fields have become cleaner from years of this practice, some producers got in the habit of applying less than full rates of glyphosate, as they only wanted to “even up the field” for harvest and weed control was no longer the focus of the application. Based on what we are learning about how glyphosate resistance evolves, this is not a sound practice and applications should be made at the full recommended rate at all times. As tank mix options become approved and accepted commercially, these also should be taken advantage of as a resistance management strategy

Storage

The length of time cereal can be safely stored will depend on the condition it was harvested and the type of storage facility being utilized. Grain binned at lower temperatures and moisture contents can be kept in storage for longer periods of time before its quality will deteriorate. The presence and build up of insects, mites, molds and fungi, which are all affected by grain temperature and grain moisture content, will affect the grain quality and duration of grain storage.

This will be our last newsletter that features marketing information for a few months. As the focus on the farm shifts to production, my focus is going to turn more to what I am seeing in the fields as I scout this spring and summer. I would like to thank Ryan Denis for his contributions and I hope he will become a regular contributor to the Battle River Implements "off season" newsletters. I hope to have him back for a prognosis of the fall rye and winter wheat market potential in August or September. In the meantime, I join him in wishing you all a safe spring season, and if anybody has agronomic topics they would like to see discussed in this forum, please drop me a line or give me a call. The aim of this newsletter is to be both informative and topical, so let me know what's on your minds!

Wayne Spurrill, P.Ag
Agronomist
Battle River Implements
www.briltd.com

wspurrill@briltd.com

Cell: 780-761-1616

Office: 780-672-4463

To subscribe or unsubscribe, please email us
at mhafso@briltd.com