



# Hidden Assets

## Oh Canada!

06/25/2010

The rains and flooding from the Dakotas north and west into Saskatchewan, Manitoba and Alberta have caused great speculation of the amount of lost acres of the expected 60 million to be planted. The effected commodities are Canola, oats, spring wheat and barley. We might want to lighten up on our Anheuser-Busch stock, after we lay in a good supply of beer as their production costs will definitely be affected by sharply higher barley prices. What a great spread, long cash beer, short stock! **Please note this is not a trade recommendation.**

Many grain traders are probably grinding their teeth remembering \$25.00 Minneapolis wheat several years ago. Minneapolis wheat has already made a substantial move against soft red Chicago and Kansas City hard red winter wheat. Since heavy rains have also slowed harvest of hard red in Oklahoma, the spread between KC and Minneapolis has come in about 15 cents from its highs, but just in case buying in Minneapolis wheat may still be a factor based on previous experience. Confusion over actual planted Canadian acres still exists since the last survey considered the possibility of dried out acres being replanted. Time needed for maturing crops has run out with continued bad weather. Replanting currently is not an option. The Canadian Canola Growers Association estimates a loss of nearly 2 million tons. Further loss estimates for oats and wheat should be out soon.

According to CNBC, 50% of US oats needs come from Canada, can we justify being long Sept short Dec? Long September Minneapolis / short KC wheat on a pull back to 20 cents Minn. over. I think we will have some new spread opportunities coming out of this situation.

The upcoming hog report should also give us an opportunity to revisit the August/ December hog spread. These are three I am currently looking to trade. I will update with entries.

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