MARKET WATCH

David Derwin – Portfolio Manager & Investment Advisor
PI Financial Corp.
Connect at www.Commodity-Options.ca or 1-844-982-0011

Below are excerpts from my weekly Market Watch radio spots.
Market Watch is broadcast on over two dozen radio stations across Western Canada.

JFK: An American Farmer?? – March 6, 2017

John F. Kennedy, the 35th President of the United States from 1961 to 1963, had some unique insights and understanding of farming economics.

During a 1960 speech in South Dakota at a National Plowing Contest, then Senator John F. Kennedy shared some thoughts that still hold true today when he said:

"The farmer is the only man in our economy who buys everything at retail, sells everything at wholesale and pays the freight both ways."

This does seem to be a rather skewed situation doesn't it??? However, having flexibility in marketing and sales using exchange traded pricing tools like options & futures is also what sets the farm business apart from many others.

For instance, a farmer can almost instantly take advantage of market price signals by hedging grain or livestock when prices are favourable. Or, when prices are low, you can store grain, use options to set downside floor price protection and wait patiently to capture any higher prices. In addition, with options or futures, you can protect revenues one, two and even three years in to the future on commodities like corn, soybeans and wheat when the price is right.

Bottom line, while it still may be true that "the farmer is the only man in our economy who buys everything at retail, sells everything at wholesale and pays the freight both ways", options & futures also give farm businesses very advanced sales strategies to tilt the playing field back in their favour.

New Crop 2017 – March 13, 2017

Senior Market Analyst with FarmLink Marketing Solutions, John Driedger, shares some thoughts on new crop when he says: "As we move into spring, there is a lot of discussion about new crop acres, and which crops will gain ground at the expense of others. While seeded area is important, it’s only the starting point to determining final production. In fact, yield is far more important. Even a small swing in average yield can quickly overwhelm a year-over-year change in acres. FarmLink will be watching planting intentions closely, but in terms of crop size, it’s Mother Nature that will be of greater importance."

Driedger goes on to say: "Given the conditions last fall and through the winter, we may see more uncertainty and risk in the coming growing season than we’ve seen in some time. Growers need to stay on top of how this will affect crop prices, and adjust their marketing plans accordingly."

Bottom line, there seems to be more uncertainty that usual this spring. So, consider commodity options as an ideal pricing and hedging tool to protect your revenues without having to lock-in prices or commit any production for delivery.

The C$: a Key Part of your Sales Strategies & Marketing Decisions – March 20, 2017

The C$/US$ exchange rate can and should be a unique & separate farm marketing decision and since it impacts almost 100% of your revenues, it's an important one!!

Last week, the US Federal Reserve raised interest rates for the third time in just little over a year since December 2015. Historically when the US Fed begins down a path on interest rates, it usually continues in that direction for a period of time measured in many months, if not multiple years.

Long-term, the Canada-US interest rate differential is the main driver determining the trajectory of the C$. My Farming Big Data research study shows that the C$ typically trends for periods between 5-10 years. So, with the US Federal Reserve having increased rates for a third time in just over a year, and with further increases likely going forward, the odds are that the loonie will continue to fall.

In the near term, it could drop back down to 69 cents like we saw early last year. Longer-term, it could fall back to the 2002 lows of under 65 cents.

Bottom line, be careful relying too much on grain or livestock forward pricing programs that require you to lock in the C$ since you are giving up the potential benefit of a continuing C$ downtrend. To find out more about a proactive currency management program for your farm revenue, connect with me at 844-982-0011 or commodity-options.ca.

Cattle Hedging Update – March 27, 2017

This past week brought a 3% jump in cattle futures price bringing the total increase to nearly 25% since the October lows and shifting the trend to a wide sideways to higher trading range. Hear more right after this...

Whether it's fires throughout cattle country the US, better packer margins, or bans around the world on meat exports from top beef exporter Brazil as a result of a government food inspection and safety scandal, cattle prices are up.

Regardless of the exact reason why, what's more important is that there are now better pricing opportunities than there were a few weeks ago. So how do you best capture the existing profits, take advantage of any further upside while still protecting the downside?

This is an ideal scenario to use exchange traded cattle option strategies that trade on the Chicago Mercantile Exchange.

Options on full weight cattle contracts that cover 40,000 lbs or 50,000 lbs for feeder cattle allow you establish a range of higher prices without having to try to pick an exact top and still establish floor price protection, all at potentially little to no initial cost.

Bottom line, the cattle markets are presenting opportunities to use options to proactively manage your cattle prices. Connect with me at 844-982-0011 or commodity-options.ca to receive a complimentary cattle revenue management guide.