
MARKET WATCH

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

***“Farming looks mighty easy when your plow is a pencil and
you’re a thousand miles from the corn field.”***

– General Dwight D. Eisenhower

Exchange Traded Options & Futures – July 8, 2019

According to a recent Reuters article, "The U.S. Commodity Futures Trading Commission has awarded about US\$2.5 million to a whistleblower in a 2017 case against a global grain trader over alleged violations in how it handled trades." Hear more right after this...

The CFTC Commodity, the US government agency that regulates and protects the commodity trading market, fined one of the largest farm commodities traders in the world, (and a name very common and familiar across the Canadian Prairies), in 2017 for providing inaccurate information and for failing to supervise" its traders and did not comply with regulations on thousands of complex swaps that affected hundreds of farm counterparties.

The company "provided inaccurate figures that concealed as much as 90 per cent of its mark-up" of the fees it charges its farm customers.

On the other hand, exchange traded options and futures are available on the open markets with fees that are transparent and fully disclosed. These futures exchanges offer rules and procedures that provide a level playing field for all market participants, including the farmer.

Bottom line, you can implement your own straightforward and effective hedging strategies using option & futures to round out your farm revenue plan. To learn more, connect with me at 844-982-0011 or commodity-options.ca.

Currency Wars? – July 15, 2019

Political disputes. Trade barriers. Currency wars?

In a recent article by Laura Rance in the Manitoba Cooperator called "Growing Canada's domestic market important strategy", she points out that "agricultural policies and regulatory structures over time have largely been aimed at supporting exports as an economic growth strategy."

She goes on to say that "Canada is now the fifth-largest agricultural exporter in the world, aiming to become the second largest by 2025. We export half of our beef and cattle, 70% of our soybeans, 75% of our wheat, 90% of our canola and 95% of our pulse crops."

Also, “as the global trading environment becomes increasingly volatile and subject to political disruptions, that unpredictability leaves Canadian farmers and the economy vulnerable to the posturing by much larger economies that can balance their exports against a more robust domestic market.”

Bottom line, this reminds me of the potential for the continuation of global currency wars that have been going on behind the scenes since currency exchange rate began floating in the early 1970s. To find out how to manage the impact of Canadian dollar fluctuations on your farm revenues, connect with me at 844-982-0011 or commodity-options.ca.

Rising Fertilizer Prices? – July 22, 2019

I’ve read a couple of interesting reports about the potential for rising fertilizer prices next year. The reasons for potentially higher fertilizer prices next year include depleted soil nutrients from large harvests in previous years, weather preventing fall fertilizer applications last year as well as expected large US corn acres next year.

So far, global fertilizer commodity prices have been mixed in the past year, but showing an overall gradual increase since the beginning of 2018.

The other important market data to track is the stock price of the fertilizer companies themselves. I’ve done research and analysis that shows that the share prices of Nutrien, or previously Potash Corp, and Mosaic are a good leading indicator of what global fertilizer prices may do. It makes sense that there would be a very strong correlation or connection between the two since the share price of these companies should increase in advance, anticipating a higher price for the commodities they produce.





Bottom line, when making fertilizer buying decisions, it's good to keep an eye on both the fertilizer commodity prices and the stock price of the companies that produce it.

The Trend is Not Your Friend – July 29, 2019

There's an old trading truism that says: "The trend is your friend." While the market trend can be your friend, it can also be your enemy. One on-going trend that is not a friend to Canadian farmers is the Canada-China trade issue.

- It all began in December 2018 when a Huawei executive was detained in Vancouver on a US arrest warrant.
- In January, China said they found pests in Canadian canola seed shipments.
- Then in March, two major Canadian grain companies and then eventually all Canadian canola exporters had their export licenses to China revoked.
- At the beginning of June, China announced closer inspections of Canadian pork products noting paperwork problems.
- Finally, near the end of June, China announced a total ban on all Canadian meat products citing certificate issues and containments in pork.

Bottom line, this trend is definitely not your friend and instead of magically reversing, it is likely to continue in the wrong direction. Hope is not a marketing strategy, so don't count on a turnaround of the China trade situation to raise grain prices. Instead, to find out how to use options & futures to capture grain price rallies and protect farm revenues.

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