

MARKET WATCH

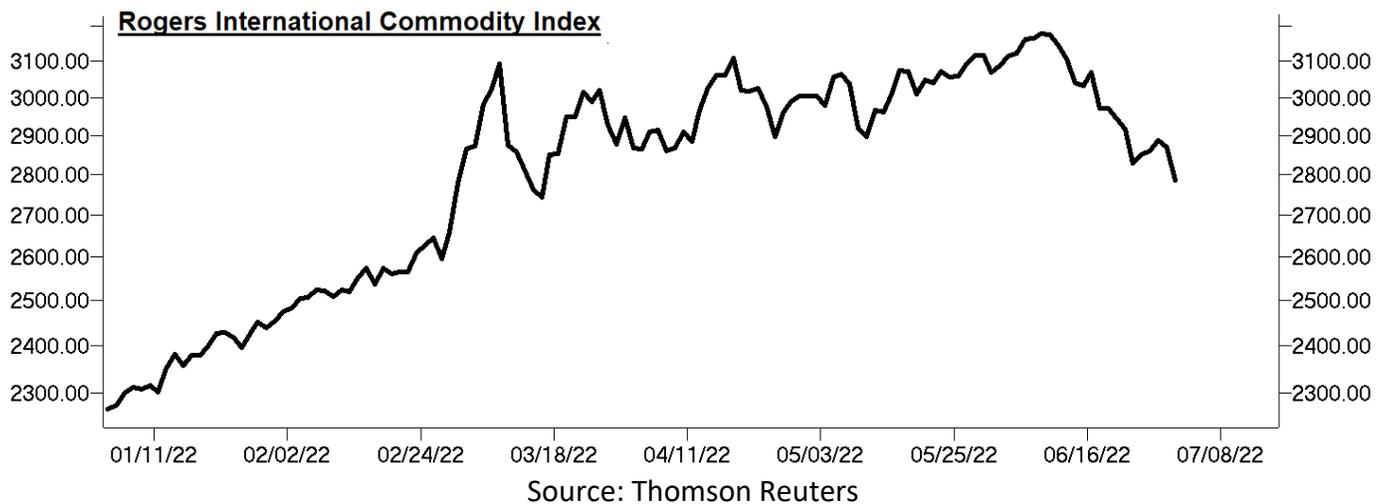
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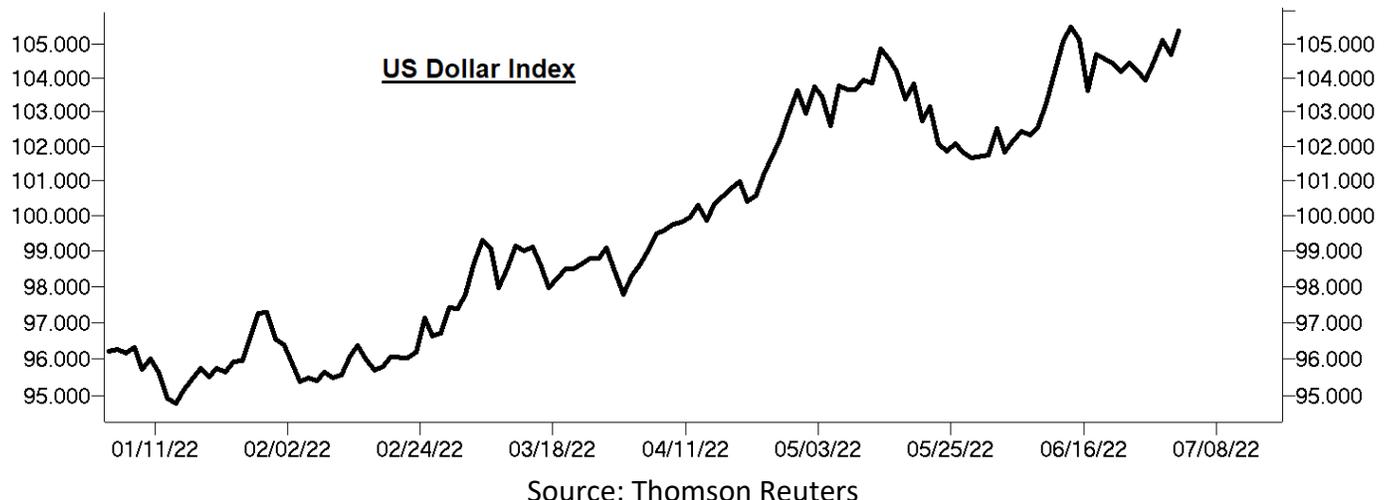
Below are excerpts from my weekly Market Watch radio spots.
Market Watch is broadcast on over two dozen radio stations across Western Canada.

2022 First Half Financial Review – July 4, 2022

Halfway through the year, the main European and US stock market indices are down about 21%. However, with oil up 50% since the beginning of the year, and a group of commodity indices up 25%, the resource & commodity intensive Toronto Stock Exchange Index is off only around 12%.



The Canadian dollar is down almost 2.5 cents versus the US dollar, continuing its downtrend of the past twelve months. At the same time, a measure of the US dollar against a broad basket of global currencies including the Euro, Japanese yen and British pound is up 10%.



Inflation and interest rates have been grabbing a lot of attention. Consumer prices are up 7.7% across Canada, 8.6% in the US and over 8% throughout Europe. Meanwhile, the Bank of Canada has raised rates from 0.25% to 1.5% and the US increased them from 0.25% to 1.75%.

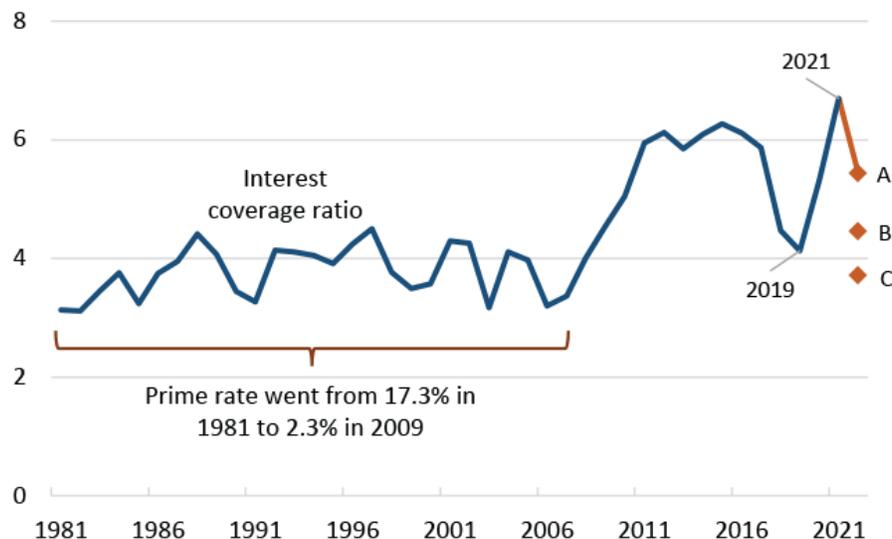
Bottom line, to stay ahead of the curve with investment planning and business risk management strategies for all your farm and family finances, connect with me at 844-982-0011 or commodity-options.ca.

Rising interest rates & financial risk – July 11, 2022

In a recent Farm Credit Canada economics article about assessing farm financial risk, they note that while commodity prices and net cash receipts are currently at healthy levels, "sustained inflationary pressures on farm input prices dampen the outlook." As such, they ask "is financial risk in Canadian agriculture significantly elevated in the current inflationary environment?"

They go on to say that "the ability to service debt is the most critical financial risk indicator for a farm operation" and one useful indicator to evaluate financial risk in the context of rising interest rates is the interest coverage ratio." It's no surprise that the higher rates are, the harder it can be to cover interest payments. So, FCC points out that operations should run various assumptions on commodity and farm input prices to understand their financial risk exposure and seek different strategies to mitigate risk."

Figure 1. Ability of Canadian agriculture to cover interest payments on farm debt climbed in 2021

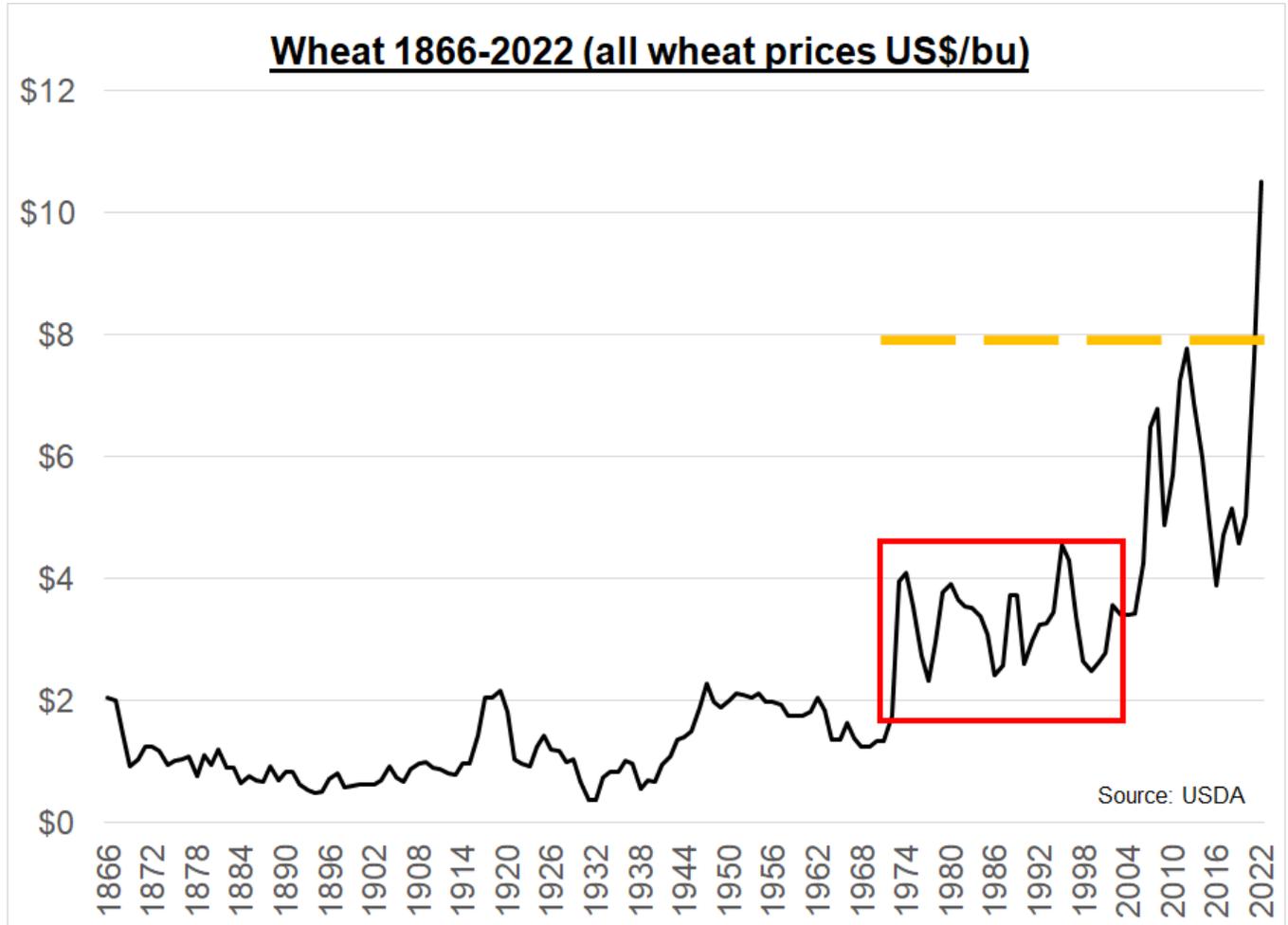


Source: [Farming under inflation: Assessing your financial risk | FCC \(fcc-fac.ca\)](https://www.fcc-fac.ca/en/2022/07/farming-under-inflation-assessing-your-financial-risk)

Bottom line, with rising interest rates and inflationary pressures adding to farm financial risk, it's all the more important to have options & futures hedging strategies to help maximize your commodity revenues. To find out how, connect with me at 844-982-0011 or commodity-options.ca.

Back to the future – July 18, 2022

Are we going back to the future for commodity prices? Looking back at history, the impact of 1972 Soviet grain robbery and the following high inflation of the 1970s marked a historic turning point in global commodity prices. Wheat, corn and soybean as well as most other commodity prices never returned to the low levels of the early 1970s - ever.



Just as the inflationary 70s ushered in a new level of higher grain and commodity prices, will the impact of recent droughts, the Russian invasion of Ukraine, pandemic induced food hoarding and now renewed global inflationary pressures bring about the next step up in the long-term staircase of global prices?

Could \$700/mt be the new floor for canola futures? Or US\$8/bu for wheat futures, US\$5 corn and US\$11 soybeans? Are we at the next level of grain pricing just like the last time we had major inflation in the 70s?

Bottom line, these are a lot of questions without answers at this time but a marketing plan that includes options & futures hedging strategies can help you navigate through the fluctuations and uncertainty. To find out how, connect with me at 844-982-0011 or commodity-options.ca.

Farm Commodity Input Costs – July 25, 2022

A lot of commodities have been drifting lower in the past couple of months with fertilizer and fuel part of that group.

While a group of commodities indices had been up by as much as 50% at one point since the beginning of the year and are still up around 20%, commodity indices in general have fallen almost 20% from their recent highs.

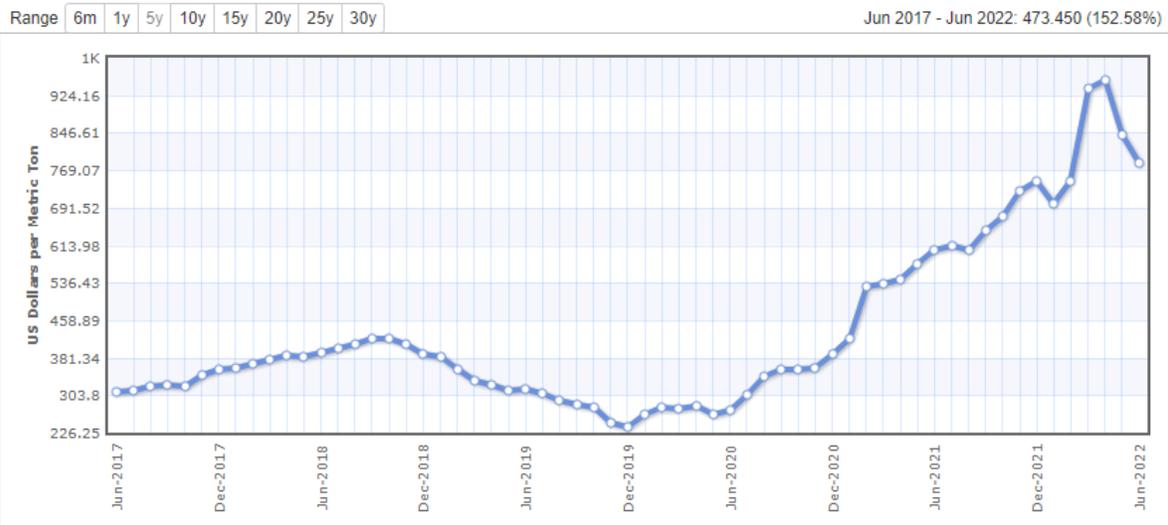
Some of the main farm input costs are down as well. Diesel futures are down 25% while diesel prices across the Prairies have fallen anywhere from 10% to 15%. Meanwhile, global benchmark prices for urea are down 20-40% from recent highs and DAP prices are off between 10-20%.

Urea Monthly Price - US Dollars per Metric Ton



Description: Urea, (Black Sea), bulk, spot, f.o.b. Black Sea (primarily Yuzhnyy) beginning July 1991; for 1985-91 (June) f.o.b. Eastern Europe

DAP fertilizer Monthly Price - US Dollars per Metric Ton



Description: DAP (diammonium phosphate), standard size, bulk, spot, f.o.b. US Gulf

Source: [Fertilizer Week](#); [Fertilizer International](#); [World Bank](#).

These prices will likely continue to drift lower because once a balloon starts to leak or pops, it's hard to get that air back in. Retail prices may not follow exactly, and it will take some time before these lower prices reach the local level, but farm commodity inputs have been coming down.

Bottom line, keep an eye on broad commodity price trends and use options & futures hedging strategies to help you navigate through the fluctuations and uncertainty. To find out how, connect with me at 844-982-0011 or commodity-options.ca.

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