
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.

“Budgets may be tight, but creativity is always free.”
– Walt Disney

Another look at weather – June 1, 2020

El Nino weather patterns get a lot of attention because they are an irregularly occurring series of climatic changes that can have a big impact on agriculture. This year, the United Nations World Meteorological Organization said that with sea surface temperatures in the Pacific remaining neutral, neither El Niño nor La Niña weather patterns are prevailing. During El Nino periods, milder-than-normal winters and springs with warmer temperatures are known to occur in Western Canada. Conditions in La Niña patterns include colder-than-normal temperatures on the Prairies.

Combined with the Farmer's Almanac summer forecast suggesting above to much-above normal temperatures, near-normal precipitation and with good soil moisture in many parts of the Prairies, perhaps volatile weather will have less impact on the growing season this year.

Bottom line, weather can change quickly providing good hedging opportunities. Be prepared with options & futures strategies, which are ideally suited for weather driven price rallies.

Connection between risk management & mental health – June 8, 2020

A recent article in the Manitoba Co-operator highlighted a study by Farm Management Canada that found that Farm business management activities have a positive correlation to mental well-being and supports education around risk mitigation planning.

Heather Watson, executive director of Farm Management Canada, said “farm business management practices offer a significant opportunity for managing the stresses of farming in a way that contributes to positive mental health.” One of the key findings of the study was that business risk management advice, tools and training would be particularly helpful.

In fact, when stressed, some farmers reported more frequent management behaviours like focusing more on financial numbers and assessing or planning for alternative outcomes. Building a support team of advisers to help provide advice can also lighten the burdens of decision-making.

Bottom line, if you would like to talk through some scenarios how options & futures strategies and hedging programs can help manage market uncertainties and help you sleep better at night, connect with me at 844-982-0011 or commodity-options.ca.

Predicting Grain Price with the Stocks-to-use ratio – June 15, 2020

There are many indicators you can use to analyze the fundamental price situation of grain markets. But one has a better track record than many others.

When analyzing grain markets to forecast price, you can look at production figures, export numbers, inventories, farmer deliveries as well as elevators supplies.

One analytical tool, the stocks-to-use ratio, combines a lot of these fundamental supply and demand data points in to one easy to use number. It essentially indicates the level of carryover stock for any given commodity as a percentage of the total demand or use. With this tool in hand, you can develop an estimate of the direction of the price trend as well as the probable price change, whether higher or lower.

The correlation, or connection, between historical corn, soybean and hard red winter wheat price data with their stocks-to-use data tell some interesting stories. For some markets, the stocks-to-use ratio is a good indicator for prices. For others, not so much.

Bottom line, if you are interested in a complimentary report showing which farm commodities the stocks-to-use ratio provides some reliable predictive price forecasting power, connect with me at 844-982-0011 or commodity-options.ca.

Ag Markets & COVID – June 22, 2020

How have the agriculture markets fared throughout the COVID situation? Along with almost all other markets and industries, the ag economy and commodities were hit hard by the coronavirus when the effects really emerged near the end of February.

While it does vary across markets, almost all markets are down with some more than others. Wheat futures markets are down about 8% although cash wheat bids across the Prairies are essentially unchanged thanks to a weak Canadian dollar and good basis levels. Corn is down 15%. Soybeans down 5%. Cattle futures are down 12% with hogs down a dramatic 40%.

The only commodity that isn't down is canola; the futures are basically unchanged.

A basket of agriculture and farm based stocks is down about 8 percent as well.

Bottom line, this weakness is not all because of COVID, but it certainly didn't help. Going forward, expect heightened volatility levels across most markets so be prepared with a full range of marketing strategies & hedging tools at the ready. To find out about all your farm marketing options, connect with me at 844-982-0011 or commodity-options.ca.

More corn and soybeans across the Canadian Prairies – June 29, 2020

Over the years, we've seen more corn and soybeans grown across the Prairies. There's currently about 1.6 million soybean acres and almost 1 million acres for corn. And it looks like these numbers are set to increase.

Researchers at Pennsylvania State University's College of Agricultural Sciences looked at more than three decades of USDA crop-yield data from the 18 top-producing states. They concluded that ideal growing conditions for corn and soybeans were moving north:

"In general for corn and soybean, and if precipitation does not change, the southern edge of the production area may see worsening growing conditions and the northern edge toward Canada will get a boost from moderate warming."

Bottom line, more corn and soybeans across the Prairies means greater crop diversification as well as marketing diversification. Corn & soybeans have the two of biggest and most liquid futures & options markets offering the opportunity to fine tune and improve your pricing and hedging strategies. To find out how, connect with me at 844-982-0011 or commodity-options.ca.

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