
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.

“When you're thirsty, it's too late to think about digging a well”.
– Japanese proverb

US Spring Weather Forecast – April 1, 2019

With both flood warnings and drought conditions in parts of the Canadian prairies, here's a spring weather outlook for the US growing regions.

Based on its long-range weather formula, the Farmer's Almanac predicts spring will once again take its sweet time arriving and winter will be sticking around for quite a while.

In fact, cool to cold temperatures will hang on through April, especially in the Great Lakes & Midwest regions, as well as the north and south central states. Even May looks on the cool side. An active storm track may lead to widespread severe conditions during the middle of the month.

Finally, in the south-central states of Texas and Oklahoma, a very wet and stormy spring is on tap.



Bottom line, weather is always unpredictable and, as is usually the case, will both give and take away pricing opportunities. Be ready to manage market swings with hedging strategies using futures & options to round out your marketing in 2019. To find out how, connect with me at 844-982-0011 or commodity-options.ca.

Don't hold your breath... – April 8, 2019

Nothing moves too quickly in China unless they want it to so don't expect a resolution to the canola trade issues any time soon.

Remember back in 2009 and 2016 China had issues with blackleg in our canola. Canada and China made an agreement in September 2016 that was supposed to secure shipments until 2020.

Keep in mind too that the US soybean tariff issue is still an issue eleven months and almost two bucks a bushel later.

Even with our close and strong trade partners like the US, trade issues can linger for a long time. BSE hit the Canadian cattle market in 2003 and our cattle was ultimately banned in almost 40 countries. It took until 2005 before it made its way back to the US market.

Bottom line, this recent China-canola issue is just another reason to use options & futures so you can hedge incrementally throughout the year. It's a great way to manage market surprises and unexpected political or trade conflicts. To find out how to include options & futures hedging programs as part of your overall marketing plan, connect with me at 844-982-0011 or commodity-options.ca.

The State of the U.S. Rural Economy – April 15, 2019

In his recent State of the US Rural Economy, US Agriculture Secretary Sonny Perdue points out that, "Net farm income has fallen nearly 50 percent from its peak in 2013, as most commodity prices have fallen over the past 5 years while global stock levels have rebounded with several years of record production."

As a result, he says, "Producers have reduced spending on inputs and tapped a combination of savings, loans, and off-farm income and assets to remain in business in the face of continuing stresses in the farm economy. After five years, however, those resources are dwindling for many."

Fortunately, while farm debt has risen 30 percent since 2013, "relatively firm land values have kept farmer debt-to-asset levels low by historical standards and continued low interest rates have kept the cost of borrowing relatively affordable."

Bottom line, the farm situation in Canada might look a lot more like our neighbours to the south if our Canadian Dollar was near par instead of the current 75 cent level. To capture this low currency going forward, connect with me at 844-982-0011 or commodity-options.ca.

David vs. Goliath in the Farming Industry – April 22, 2019

On a regular basis, I come across articles or research that reminds me of the David vs. Goliath situation that exists in farming. Names like DowDuPont, Monsanto, Cargill and Richardson come up often and expect these industry consolidation and concentration trends to continue.

For instance, in 2015 four companies controlled 85% of US steers slaughtered, 2/3 of hogs and half the chickens, based on Department of Agriculture data. Likewise, just four companies control 85% of U.S. corn seed sales and 3/4 of soybean seed.

The situation is no different in the farm commodity marketing world. There are often just a few places to sell your product and the contract terms and conditions are not set by the farmer. However, you can use the some same hedging tools the big boys use to level the marketing playing field.

Bottom line, why not use all the marketing tools available to you including options & futures to give you a marketing advantage. To help maximize your revenues and manage your risk with options & futures, connect with me at 844-982-0011 or commodity-options.ca.

David vs. Goliath: Part 2 – April 29, 2019

Last week I focused on the David vs. Goliath world of commodities, this week I'll look at a specific example.

In a recent Reuters article, I read where four companies, which control over 80% of the U.S. fed cattle market, were accused of colluding since Jan. 2015 to suppress the price of "fed" cattle with a goal of improving their margins and profitability.

The article goes on to say: It resembles similar litigation in which some of the same companies have been accused of conspiring to fix prices of broiler chickens and pork.

The complaint said it "encouraged an apprehension amongst producers that they might not be able to 'get their cattle dead'" unless prices were cut, and led to an artificial 8% average reduction in fed cattle prices.

Bottom line, this is just another reminder of the ever challenging world of commodity marketing farmers face and to take advantage of every opportunity you can to better market your production. From the financial world, futures and options can provide those additional marketing tools and strategies to help improve your bottom line.

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