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.

2018: A Year in Preview – January 8, 2018

We begin this year not necessarily with just a forecast or outlook, but rather an analysis of what current trends and market conditions could mean as we begin 2018, right after this...

If the trend is indeed your friend, then it is reasonable to expect the trends of last year to continue as we begin 2018.

On the livestock front, hog futures have been trading in a 10 cent range while cattle futures have entered into a sideways pattern as well.

A similar sideways pattern exists for the C$; watch for sustained trading activity above 80 cents or below 75 cents US as a signal of a change in direction.

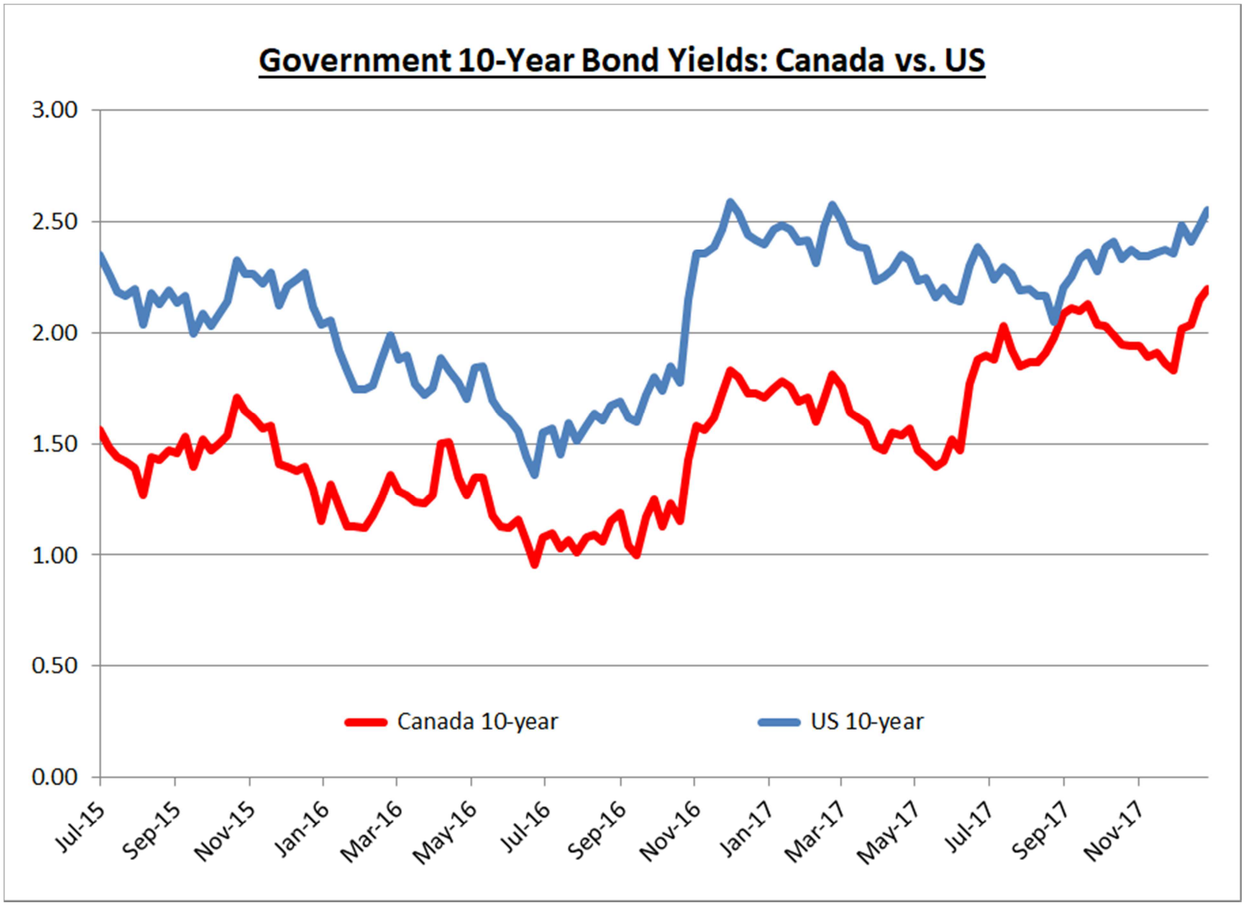
Wheat and corn futures are drifting lower but oilseeds have been in a price channel for the past year. Pay attention to any price breakout above C$525 or below C$475/tonne on canola and above US$10.50 or below US$9.50/bu for soybeans.

Bottom line, many markets are moving sideways. Watch for a change in trend and be prepared by having various options & futures hedging strategies at the ready to manage risk and benefit from opportunities in the months ahead. To gain access to my monthly commodity analysis and commentary, visit commodity-options.ca.

Rising Interest Rates and Your Farm – January 15, 2018

Over the past few weeks, I have been asked a lot about interest rates, and for good reason.

Since the lows in 2016, 10-year government bond yields have increased 1.25% from 1% to 2.25% in Canada and from 1.25% to 2.5% in the US. And, the trend is still toward higher rates in North America.



With the US expected to raise rate at least couple of times this year, based on current market conditions, we should see Canadian rates increase over time as well. In fact, historically, Canadian government bond rates tend to move in a similar direction to US Treasury rates about 80% of the time.

These borrowing costs can be a significant expense in your farm business and a 1/2% to 1% rate increase can dramatically impact you bottom line. For every 1% increase on half a million dollars of borrowing over five years would mean an extra $25,000 in expenses for the farm.

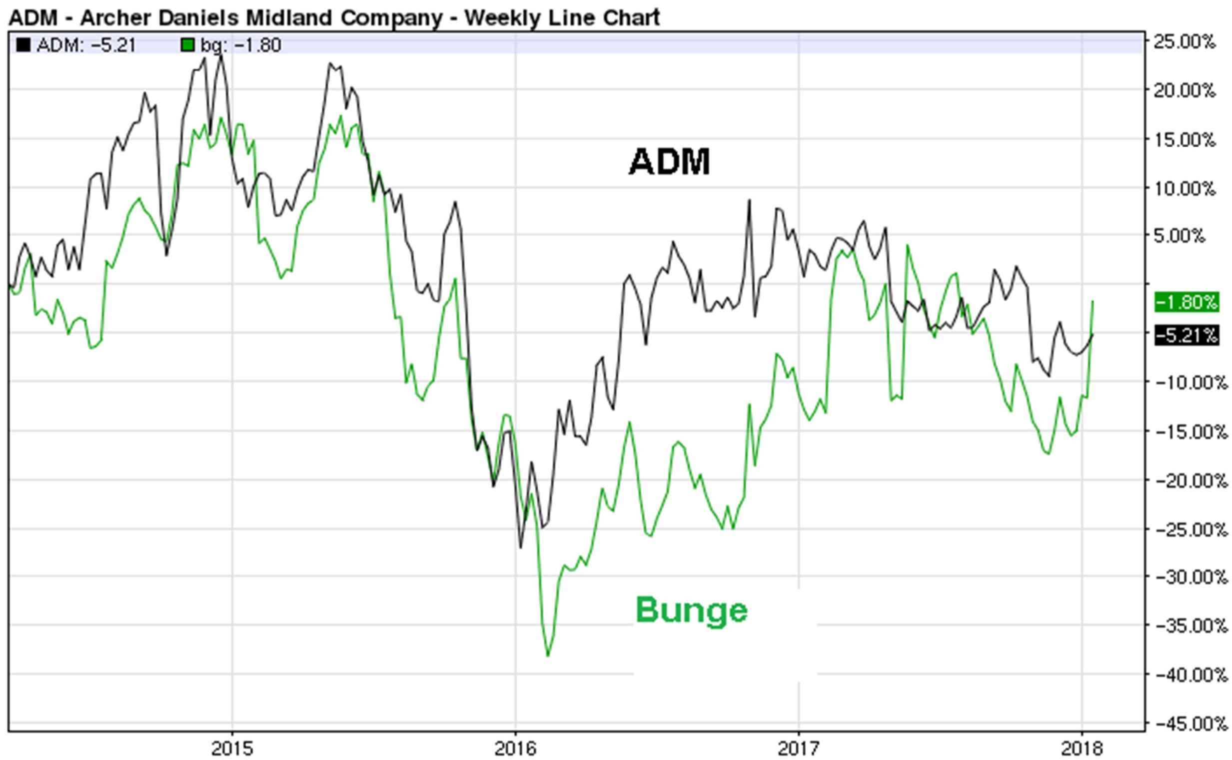
Bottom line, just as you can use market based tools like options and future to hedge your grain, livestock and currency risk, there are exchange traded tools to protect against rising interest rates as well.

Overcapacity, Consolidation and Agriculture Asset Prices – January 22, 2018

It has been a couple a weaker years for farmers as well as large grain traders like ADM, Bunge, Cargill and Louis Dreyfus who make money by buying, selling, storing, shipping and trading crops.

A couple of recent articles from Reuters and Bloomberg highlight the conditions surrounding the recent takeover speculation of Bunge by ADM.

After several years of bumper crops, trading profits have fallen with global oversupply. The stock charts of ADM and Bunge certainly reflect that; neither have gained any ground in the past 3 years. This overcapacity is prompting industry executives to talk of consolidation as one remedy.



However, farmers are worried a takeover of Bunge could lead to grain handlers paying farmers less for their wheat, corn and soybeans. There have already been many mergers and less competition is not good.

Bottom line, grain companies are going to do what's best for shareholders and that could mean less favourable marketing outlets for crops. So, farm businesses also need to do what's best for themselves and that means creating your own marketing advantages. This includes adding options and futures strategies as part of your overall marketing plan. To find out about specific commodity hedging strategies and farm marketing programs, connect with me at commodity-options.ca or 844-981-0011.

2018 Seeded Acres: Canola & Wheat Up, Pulses Down – January 29, 2018

According to Agriculture and Agri-Food Canada's estimates for the upcoming crop year, canola and wheat acres are expected to rise while pulse acres are likely to drop.

Total canola acres in 2018 are forecast at 24 million with wheat & durum at 23.5 million, up around 4%, based on Ag Canada figures. Oats and barley acres are also expected to increase. The increase in canola and grains will come at the expense of pulses, with both peas and lentils acres expected to be over 20% lower at about 3.2 million acres each.

This doesn't surprise me after speaking with growers across the prairies over the past few months. The recent India pulse import duties have been making planting decisions more challenging with canola and wheat seeming to be the default winners.

Fortunately, from a hedging standpoint, there are many more marketing strategies available for canola and wheat using exchange traded options and future to manage prices on those extra acres.

Bottom line, if you are growing more canola and wheat this year, you'll have less marketing diversity, so it's all the more reason to use options & futures to manage that extra risk.