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 understand the past, the confusion of the present becomes clear"
- John Betjeman, English poet, writer, and broadcaster

Starting the year with a bang – January 7, 2019

2018 ended with lots of volatility in many markets and the fluctuations continued in to the new year. So when trading options, it's important to determine how cheap or expensive the puts and calls are.

Option volatility in markets like US stock indices, Treasury bonds and oil are at the highest level in over two years with percentile ratings of 90% and even 100%. These options are very expensive.

Currencies on average and the Canadian dollar in particular are mid-range near 50% and 60%.

At the low end of their range are ag commodities like corn, wheat, soybeans and cattle. The price of these options is very low; only about 10% to 30% compared to levels seen in the past two years. These options are relatively cheap.

Bottom line, different levels of market volatility will shape which option strategies are best suited to the current conditions. To learn how to better use options for managing farm revenues in 2019, connect with me for your complimentary option hedging guide at 844-982-0011 or commodity-options.ca.

Marketing Decisions in a Vacuum – January 14, 2019

A recent Reuters article called "U.S. shutdown sends grain traders, farmers hunting for data" laments that "commodity traders, economists, grain merchants and farmers are anxious for crop updates as they work to project their financial balance sheets and make spring planting decisions."

There is in fact a lot of data out there but it takes the shape of live market prices.

New crop November and January canola futures are near C$500/tonne; essentially the same level it's been for the past several years. November & January soybeans futures are around US$9.60/bu with highs of US$10, lows of US$8.60 in the past year and have been steadily moving up for the past six months.

Meanwhile, new crop hard red spring wheat cash bids are C$7 according to PDQ with new crop Minneapolis future at the equivalent of C$6 but still near it's lows of the past 2 years.

Bottom line, with the USDA shutdown, turn to the futures markets to analyze prices and help manage farm overall revenues in 2019. To find out how, connect with me for your complimentary options & future hedging guide at 844-982-0011 or commodity-options.ca.

China: the low cost producer – January 21, 2019

Visit any store and the majority of items are produced in China. China has been the low cost leader in so many goods for decades, why not farming?

Interestingly enough, according to one Reuters article, the Chinese government is pushing firms to develop within 7 years fully-automated machinery capable of planting, fertilizing and harvesting each of China's staple crops like rice, wheat, corn and soybeans.

There's still a long way before these trends fully develop and reach across the globe, but farms are also getting larger in China just like they are here in North America. This commercialization will drive down cost structures and force all farm businesses to be more competitive.

Bottom line, while you can't control the global cost structure for grain farming, you can have more control on the revenue portion of your income statement. Options & futures on grain, cattle and the Canadian dollar are all available to help manage farm revenues. To find out how to include commodity hedging programs into your farm business, connect with me at 844-982-0011 or commodity-options.ca.

Another Challenging Year for Farm Profitability – January 28, 2019

Manitoba Agriculture Production Economics figures developed by the Farm Management Team shows 2019 could be another tough year for the bottom line.

Based on long-term averages and trends and using average yields, current costs and existing forward prices, the average Manitoba farmer could make around $16 per acre on canola, $46 per acre for soybean, $49 on corn, $11 on oats but lose $13 with hard red spring wheat. This is a combined average of $27 profit per acre but doesn't give a lot of cushion.

Market prices will always fluctuate so be prepared to capture from any prices rallies for both old and new crop as we move through the winter.

Bottom line on the bottom line, under these farming conditions, grain options & futures are valuable marketing tools to help maximize farm revenues. To benefit from commodity hedging programs in the upcoming year, connect with me at 844-982-0011 or commodity-options.ca.