

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.

How do canola stock-to-use ratios affect canola prices? – October 5, 2020

I've looked at the effectiveness and predictive capabilities of corn, wheat and soybean stock-to-use ratios. Those results are mixed. So what about canola?

Historically, the canola stock-to-use ratio has ranged from about 5% to 20% in the past thirteen years of data. Of those past thirteen years, there have been a few instances where the canola stock-to-use ratio was below 13%.

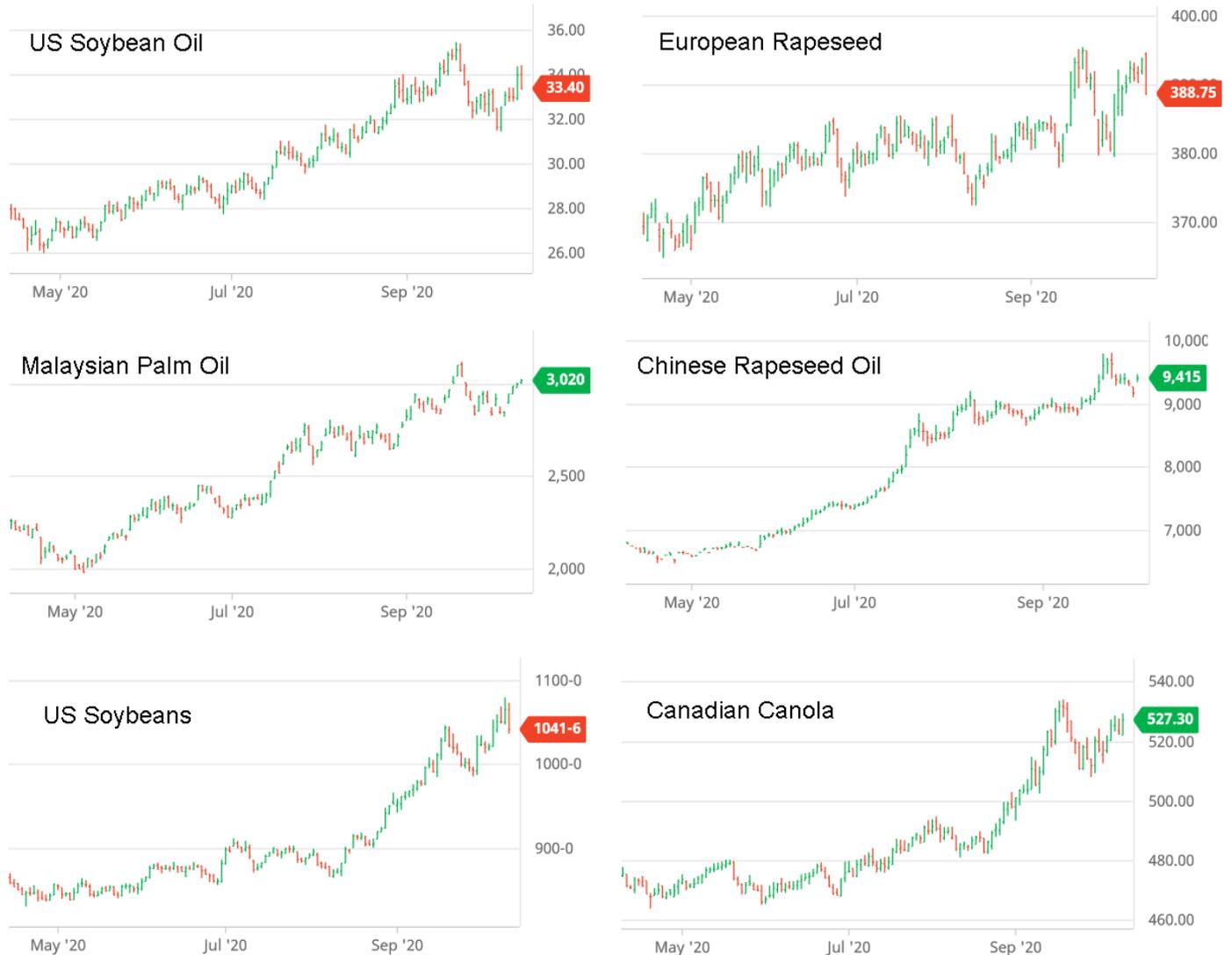
Current estimates are between 6% to 13% with an average of about 10%. Given the historical correlation or connection between canola prices and the stock to use ratio is around negative 75%; when stock are low, prices tend to higher. This suggests that canola prices could trade in the C\$525 to C\$550/metric tonne area. November canola futures contract did in fact trade as high as C\$534 in September, near the middle of that range.



Bottom line, this previous relationship doesn't necessarily have to hold, but at least it gives you a sense of where canola prices might go. But, more importantly, what does it mean for pricing strategies going forward? To talk more about canola hedging programs, connect with me at 844-982-0011 or commodity-options.ca.

Are oilseed prices getting too much attention lately? – October 12, 2020

Oilseed prices around the world have been getting a lot of attention lately, but perhaps for good reason. When you look at all the actively traded oilseed futures markets from around the world, combined they are up on average about 20% in the past six months. And canola, which is up around 10% since the spring, has gone along for the ride as well.



Source: Barchart.com

Certainly a big move has already occurred but given prices are still in an uptrend, it doesn't mean it can't go higher or at least stay at these levels. However, worldwide vegetable oil price patterns are constantly evolving so it's a good idea to keep an eye on all those global commodities.

Bottom line, even though prices could go higher, that doesn't mean you shouldn't capture these prices on some of your canola production. Having a mix of cash sales, option strategies, futures hedges and unpriced grain is a good way to diversify your marketing decisions. To talk more about all your canola pricing alternatives, connect with me at 844-982-0011 or commodity-options.ca.

US Election Update – October 19, 2020

There are a few market indicators we can look at to gauge who might win the US presidential election and what effects it could have on various markets. Some stocks will win and some will lose regardless of who wins the US presidential election next month.

One area that is showing strong signs of a Biden win is the clean energy sector. Biden has pledged about \$2 trillion of spending for climate change initiatives and certainly the market is aware of that. For example, solar power and renewable energy funds in particular have taken notice, moving up around 20% in October since the first presidential election debate. Investors in alternative energy companies are betting that Biden will win.



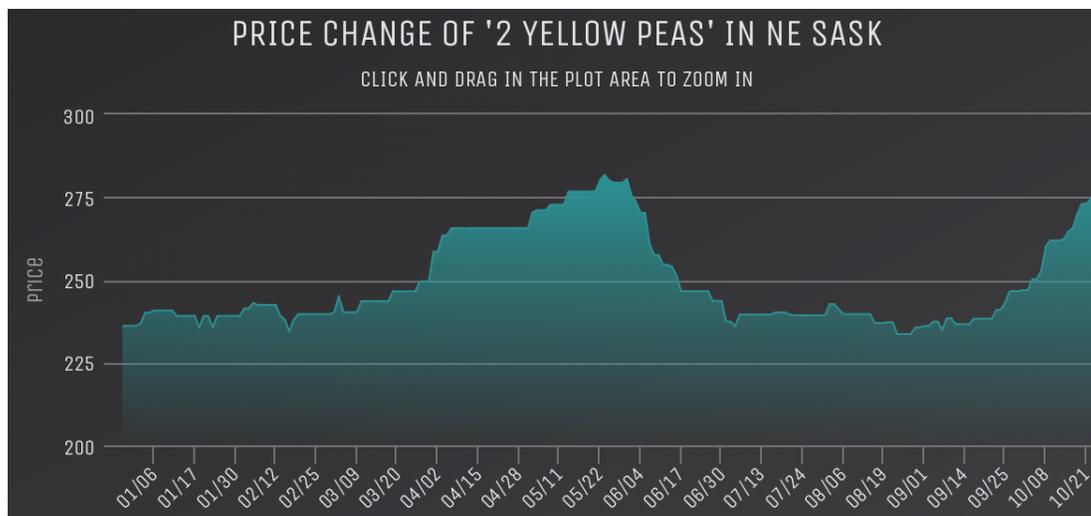
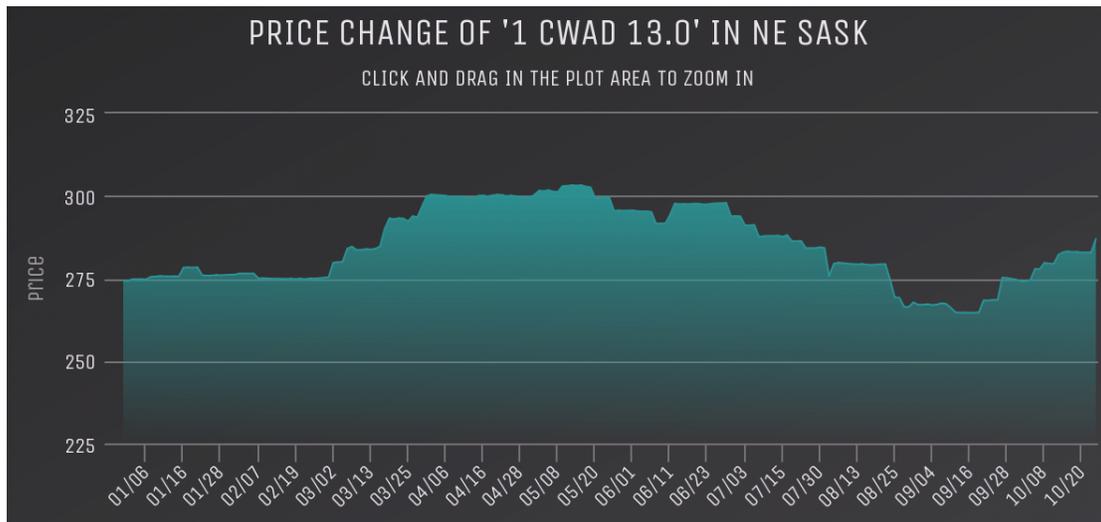
In addition, online political futures and betting sites still show Biden has about a 58% chance of winning with Trump near 42%.

Bottom line, perhaps the incumbent won't win the presidency this year but surprises do happen, think back to the 2016 election when Trump unexpectedly won or the surprise Brexit vote. Regardless of who wins, markets will continue to present both risks and opportunities. To talk more about hedging strategies to manage these uncertainties for your farm, connect with me at 844-982-0011 or commodity-options.ca.

A rising tide lift all boats – October 26, 2020

We've seen a lot of stories lately about how much grain futures having risen recently. And while they may not get as much attention, other cereal and specialty across the Prairies are taking part in this broad based push higher as well.

For instance, barley is up 25% throughout Alberta in the past two months while durum is up almost 10% across the Prairies since the August lows. At the same time, lentils have increased between 10% and 15% with peas up about 15%.



Source: PDQInfo.ca

Bottom line, farm commodities around the world are following this broad based trend higher, just like the old saying that a rising tide lifts all boats. Furthermore, if this continues in to next year, it could also provide some good new crop pricing opportunities. As always, having a whole range of marketing tools including options and futures to hedge these prices can help you diversify your strategies and spread those decisions across time. To talk more about crop hedging programs, connect with me at 844-982-0011 or commodity-options.ca.

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