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# 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.

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*The creation of a thousand forests is in one acorn. – Ralph Waldo Emerson*

## **Shop Your New Crop – May 1, 2017**

Shopping around for marketing and hedging outlets for your new crop canola:

With November canola futures back up to \$500/ton , a lot of producers are looking at marketing strategies for their new crop.

However, with basis in the -30 to -40 under range, just using a forward delivery or target price contract isn't very appealing.

What about the Spring Price Endorsement? Talking to a lot of farmers, they tell me that it is not very compelling this year based on the premium, level of protection and when the protection kicks in.

So what other marketing strategy can you turn to?

Exchange trade canola options can protect your revenue downside. But, since you are not locking in, they give you the upside if prices move higher with the opportunity to wait for better basis levels, all without committing any production for delivery.

Bottom line, there is a lot of weather and growing before the crop is out of the ground. And, with potentially better prices to be had, option strategies are the ideal marketing tool in this environment.

## **Precision Ag & Precision Marketing – May 8, 2017**

Precision agriculture works better at the field specific level and precision marketing works better at commodity specific level as well.

Just like precision ag is very data-driven and field specific, commodity marketing is unique to each farm and crop specific. Your marketing plan needs to be flexible enough to take in to account current market price conditions, farm storage capacity and crop rotation, among other things.

As it relates to hedging and risk management, it should be commodity specific, since what is best in one scenario is not necessarily the best for another.

Different markets require different strategies. For example:

- a straightforward put strategy for canola works well given current conditions
- a delivery contract for wheat may be the best approach, if you have a good basis
- an option spread strategy may make the most sense for soybeans
- cattle has moved up significantly recently and is very volatile so dictates a different approach that just a month ago, and
- for the time being, you may want to do anything on the Canadian dollar.

Bottom line, if you spend some time on the science of marketing like you do on the science of growing your crop, you can reap bigger returns over the long-term.

### **Grain Price & Volatility Trends – May 15, 2017**

While oilseed futures like canola and soybeans have been fluctuating in a wide range in the past year, cereal futures like wheat and corn have been in a much tighter, quiet trading pattern.

Calm and quietness in markets don't last forever. Wheat futures have been moving in a narrow 50-cent range for nearly 9-months while corn has been in a 30-cent tight sideways pattern for almost a year.

So, following a fairly long period of lower volatility and sideways price pattern in wheat and corn, prices could start to move. Historically, nearly half the time these markets move up or down 25% within a 12-month period. So, it wouldn't be unusual to see wheat or corn move \$1/bushel from current prices.

The question is in what direction... Given we are entering the important growing season where crops are much more susceptible to weather risk, any surprises to the upside shouldn't really be a surprise.

Bottom line, with wheat and corn futures starting from some relatively low price levels and forming a potential bottoming chart pattern, use option strategies to capture any price rallies while still protecting your revenue downside.

### **Summer Weather Outlook – May 29, 2017**

Scorching, arid & oppressively hot...Those are some of the terms the Farmer's Almanac is using to describe the upcoming summer growing season.

In Canada, the Farmer's Almanac Summer Weather Outlook is forecasting "unseasonably hot and dry weather for the Rockies & Prairies" calling it "scorching and arid" across Alberta, Saskatchewan and Manitoba. They're also predicting dangers of thunderstorms capable of producing hail, high winds and even an isolated tornado or two in many regions including the Prairies.

In the US, "summer will be a real sizzler for most of the country."

"Temperatures are expected to arrive right out of the gate with unseasonably hot and dry weather for the Rockies and Great Plains. In fact, some areas could see a spell of hot weather with many

90-degree temperatures and even one or two spots breaking 100 in the very first week of summer."

"Warm & soggy conditions are forecast for the Great Lakes and Midwest areas in the US where above average precipitation is predicted."

Bottom line, you can't control the weather but don't let it control your marketing plans. To help manage weather risks and opportunities, connect with me for your all hedging & marketing strategies at 844-982-0011 or [commodity-options.ca](http://commodity-options.ca) .

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