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.

"I can always get cash elsewhere, but I can't always get canola."
– client commentary

Manage Price & Production Risk – November 1, 2021

Clients often tell me how much they've learned over the years about marketing and hedging with options and futures. Fortunately, it's a two way street, I've learn a lot from farmers as well.

A client said to me recently: "I can always get cash elsewhere; I can sell grain inventory, sell some investments, tap into borrowing lines of credit or take some cash from the bank. But I can't always get canola." These are very wise words of advice especially if we have drought conditions again next year and you're concerned about production risk.

Another client, who has had several dry years in a row, will be buying a lot of well placed crop and production insurance and revenue or margin coverage as well as setting aside funds to invest in put options for his canola and wheat. We're already planning new crop price protection hedging strategies that lets him manage these delivery risks.

Bottom line, these are the benefits of option hedging strategies: they provide the downside protection you need, the upside potential you want all without any delivery risk. To help prepare for the upcoming crop marketing year, connect with me at 844-982-0011 or commodity-options.ca.

Grain Marketing under Drought Conditions – November 8, 2021

With new crop prices high and continuing to rise, some farmers are already planning for next year.

However, with the issues we're having with delivery on grain contracts in this drought ravaged year, neither farmers nor the grain companies want a repeat of last year. Grain companies and the industry may make some changes to grain contracts, but ultimately it's been said that farmers don't have to sign them if they don't like the details of those contracts.

And while farmers still have to manage risk, with the drought issues fresh in their minds, many farmers have told me that they'll forward contract less next year. So, what's a producer to do? Fortunately, open transparent exchange trade option & futures are available on many crops including canola, wheat, corn, soybeans and even oats. These marketing tools give you the downside protection you need and the upside potential you want all without any physical delivery risk.

Bottom line, options & futures hedging strategies help you manage both price and production risk to provide greater marketing flexibility and adaptability, especially if we have drought conditions again next year. To find out more, connect with me at 844-982-0011 or commodity-options.ca.

INFLATION – November 15, 2021

The big news in the past week was US inflation. US inflation as measured by Consumer Price Index rose 6.2% in the past year, the highest since 1990, with food and fuel prices a major factor.

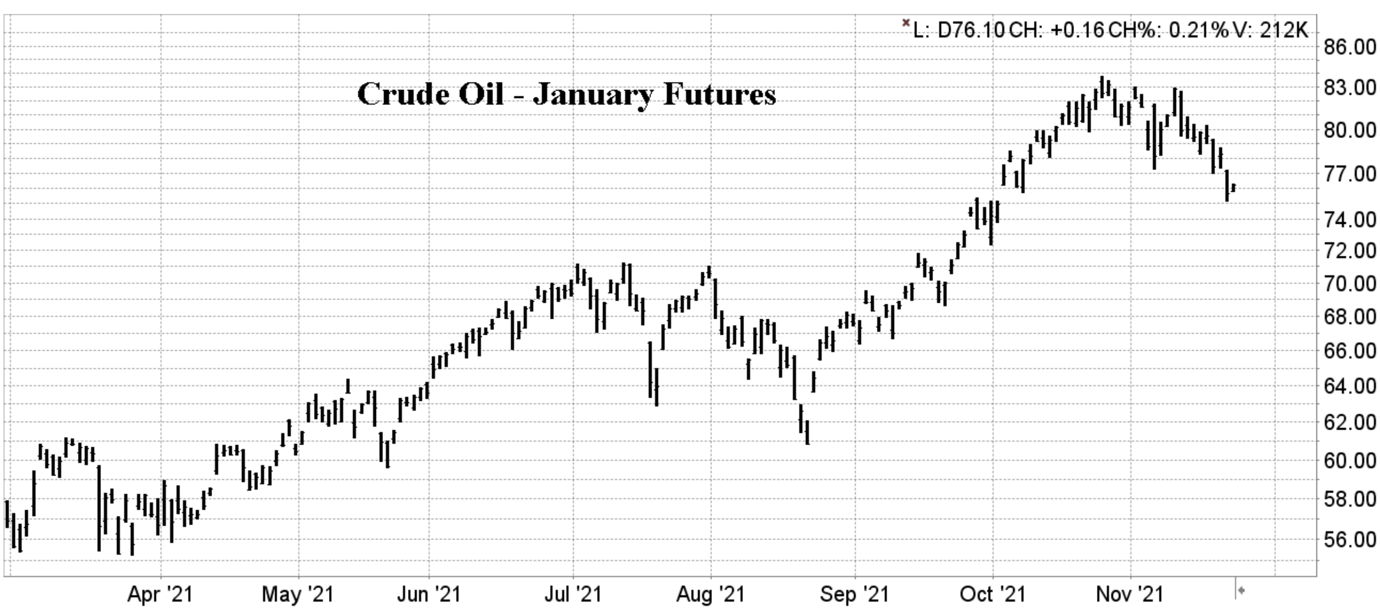
Crude oil, fuel and natural gas prices have doubled in the past year but that's when nearly all commodity prices were still coming out of their COVID induced collapse lows. But, over the previous longer-term two year period, energy commodities in general are roughly unchanged, or basically only back to the levels before COVID.

The situation in agricultural commodities is certainly different with the main grain prices like wheat, corn and soybeans rising on average over 30% last year in large part because of lower yields from the drought.

Bottom line, will these commodity uptrends persist or will this just be a short term spike given the pace of these price increases is already slowing? Either way, you want to have adaptability in your marketing to manage risk and capture opportunities. For flexible commodity option hedging programs, connect with me at 844-982-0011 or commodity-options.ca.

OIL – November 22, 2021

The Biden administration is trying to coordinate some of the world's largest oil-consuming nations, like China, India, South Korea, and Japan, to release national crude stockpiles since OPEC has ignored several previous requests to increase production to lower oil prices.



The U.S. and allies have coordinated strategic petroleum reserve releases before, with the last major attempt coming during the 2011 war in Libya. As of this weekend, Japan is already considering it. Japanese companies released reserves during 2011 as well when they also had to deal with the Fukushima earthquake and tsunami.

While this episode is only one historical example, oil did drop 30% during that period 2011 and then subsequently almost fully recovered over the next six months but still put an end to the two year oil price rally following the lows after the 2008 mortgage and financial crisis.

Bottom line, we've already seen oil drop 10% in the past month so these attempts to talk down prices can only encourage weakness in oil. For more crude oil insights and analysis, connect with me at 844-982-0011 or commodity-options.ca.

Cattle Option Protection – November 29, 2021

A recent article in the Alberta Farmer points out that interest in livestock insurance has been declining because it doesn't work since the premiums are too high and the payouts just haven't been there.

It's true, I've noticed it as well, fewer and fewer producers are using livestock insurance. At the same time, clients are using transparent, competitively priced, cattle options that trade on the CME Group Chicago Mercantile Exchange to manage livestock price fluctuations.

Varying levels of price protection are available on both feeder and full weight cattle. You can structure strategies and pay as little or as much as you want for the price ranges you need, with coverage periods up to 12 months.

There is also the added benefit that if you don't need or want the option protection any more, you can sell it back to recoup some of the value; it's like canceling an insurance policy and being refunded a portion of the premium.

Bottom line, cattle options provide very flexible hedging strategies to help you get the down side price protection you need as well as the upside potential you want. To find out more about cattle option protection, connect with me at 844-982-0011 or commodity-options.ca.