

# MARKET WATCH

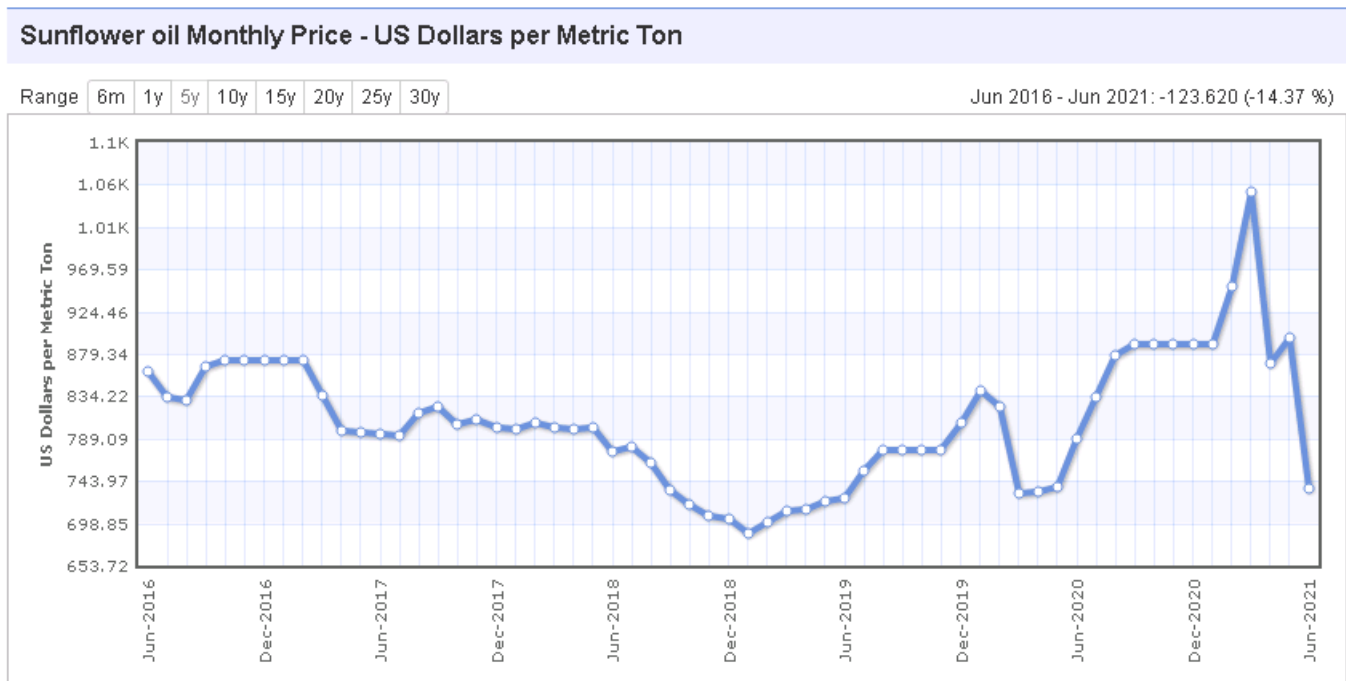
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Connect at [www.Commodity-Options.ca](http://www.Commodity-Options.ca) or 1-844-982-0011

Below are excerpts from my weekly Market Watch radio spots.  
Market Watch is broadcast on over two dozen radio stations across Western Canada.

## Follow The Setting Sun (flower)? – August 2, 2021

While soybean, palm, canola and rapeseed oil futures get all the attention, sunflower is another major oilseed crop to keep an eye on.



**Description:** Sunflower Oil, US export price from Gulf of Mexico, US Dollars per Metric Ton

**Unit:** US Dollars per Metric Ton

**Source:** Index Mundi

The U.S. Department of Agriculture is forecasting increased combined production of palm, sunflower, soy and canola oil of almost 8 million tonnes compared to last year. At the same time, consumption of these four major types of vegetable oil is forecast to be up only around 5 million tonnes, producing a surplus of nearly 3 million tonnes.

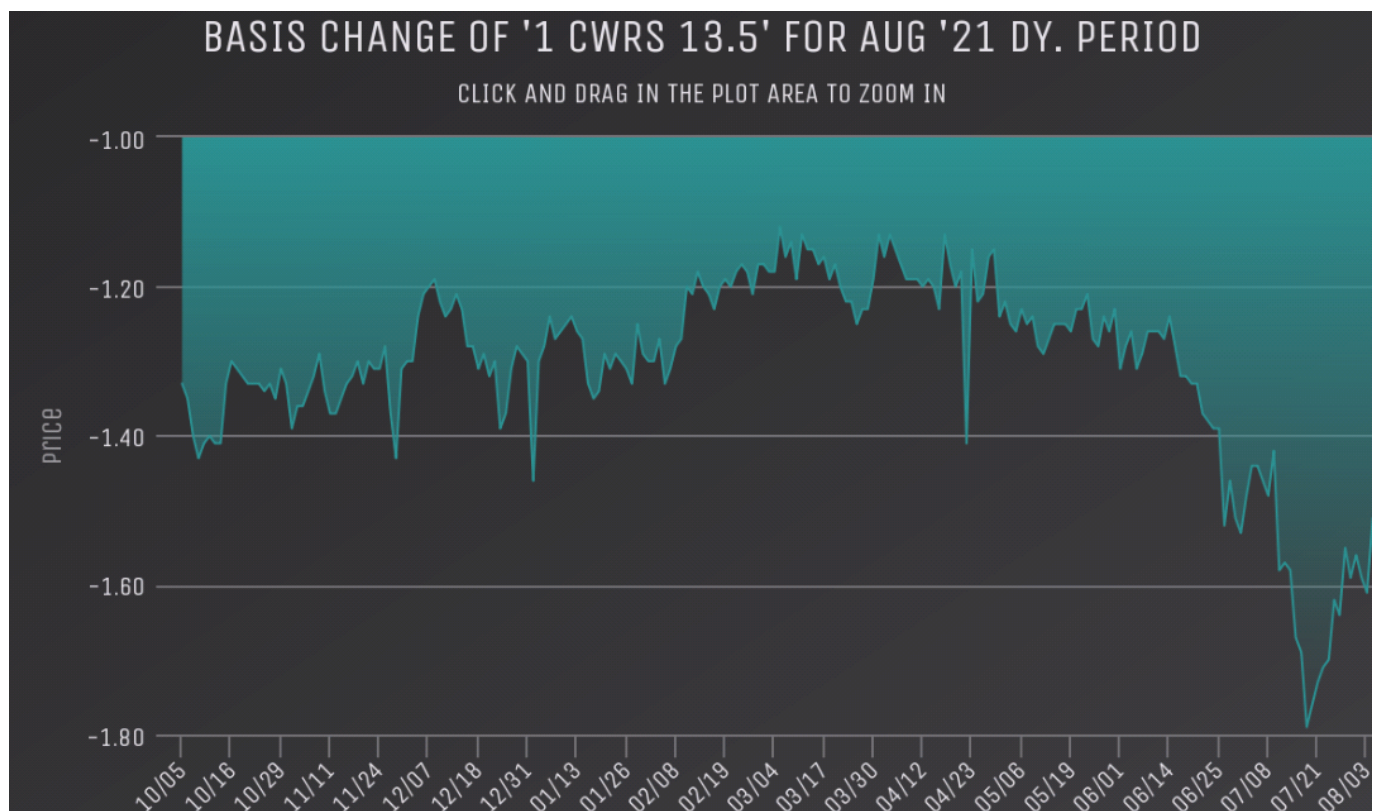
As a result, global oilseed futures like soybean oil, European rapeseed, Malaysian palm oil and Chinese rapeseed products have all been trading sideways for the past few months and, in particular, US cash prices for sunflower oil have collapsed. US export sunflower oil prices have dropped from over US\$1000/metric ton in March to around US\$700/metric ton, a drop of 30% and back down near the 5-year lows.

Bottom line, while Canadian canola has experienced extreme dry conditions that has forced up prices, other oilseeds around the world haven't been as bullish lately. For commodity market insights and farm hedging strategies, connect with me at 844-982-0011 or commodity-options.ca.

### **Back to Basis – August 9, 2021**

While grain futures provide a good picture of global price trends, local bids and basis levels are a key piece of the puzzle to what's happening in your backyard. With the drought situation across the Prairies and Northern US states, grain prices in general have been trending higher for the past couple of months.

However, despite the extreme dryness across the prairie Provinces and the uptrend in wheat prices, CWRS basis levels have been weakening since the middle of June. Over these past couple of months, basis levels had weakened as much as 30 to 40 and even 50 cents per bushel across the Prairies.



Source: [www.pdqinfo.ca](http://www.pdqinfo.ca)

A lot of things could explain this so it could just be short-term trade fluctuations or it could be a change in longer-term demand behavior. Regardless of the reasons, wheat basis levels have weakened as Prairie cash prices have not kept up with hard red spring wheat futures.

Bottom line, it's important to keep an eye on both futures prices as well as local cash bids & basis levels. For commodity market insights and farm hedging strategies, connect with me at 844-982-0011 or commodity-options.ca.

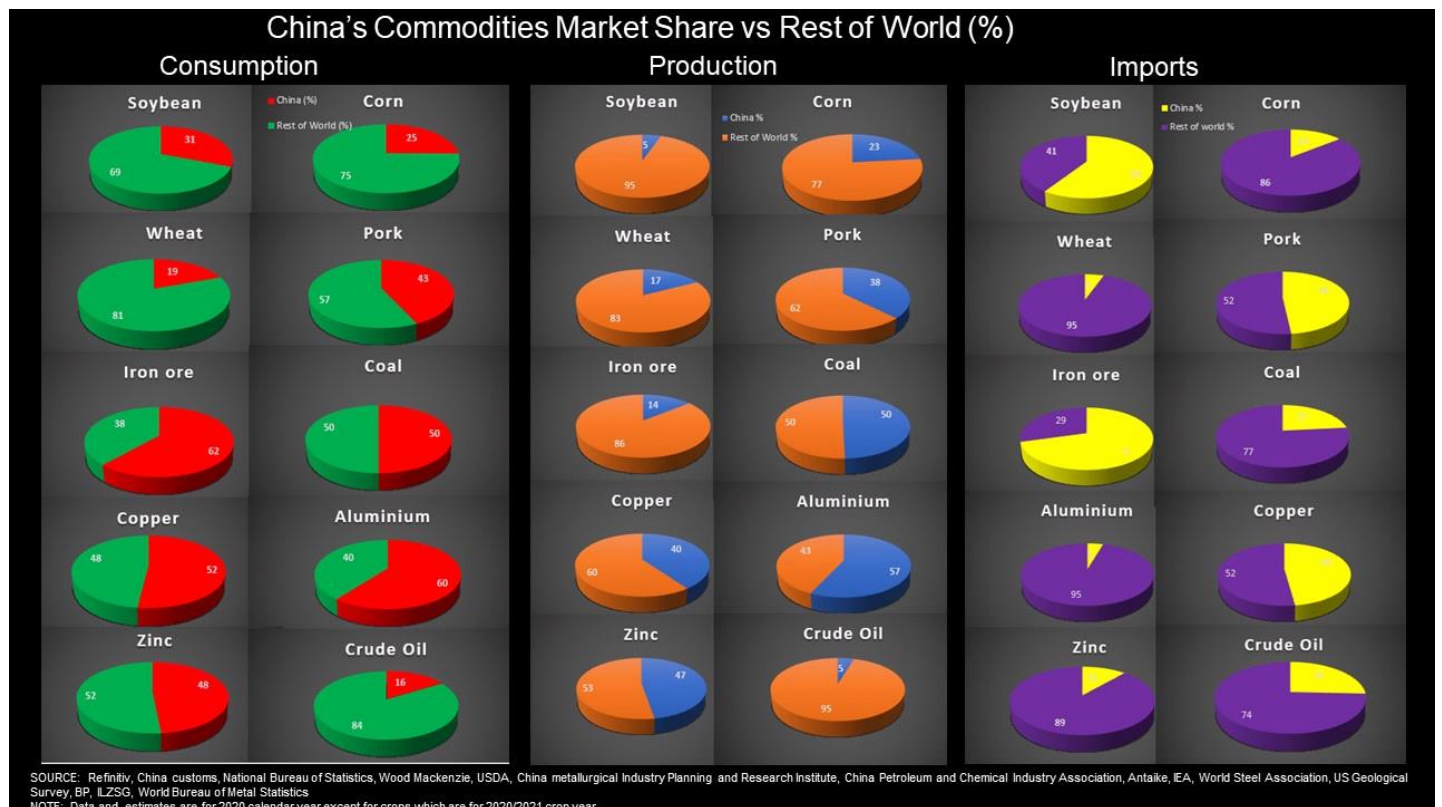
## Just how important is China to the global commodity markets? Here's a good reminder – August 16, 2021

We all know that China is a key buyer of many commodities that Canada produces but a closer look at the numbers reminds us just how important they really are.

For instance, China consumes 30% of the world's soybeans, 25% of the corn and 43% of all the pork. At the same time, to meet these feed requirements, they account for 60% of the world soybean imports and 50% of all pork imports.

When it comes to the metals markets, the numbers are just as great. China consumes around 55% of all iron ore, copper, aluminum and zinc.

Lastly, in the energy markets, China represents 50% of global coal use and 15% oil consumption while buying 25% of global oil and coal imports.



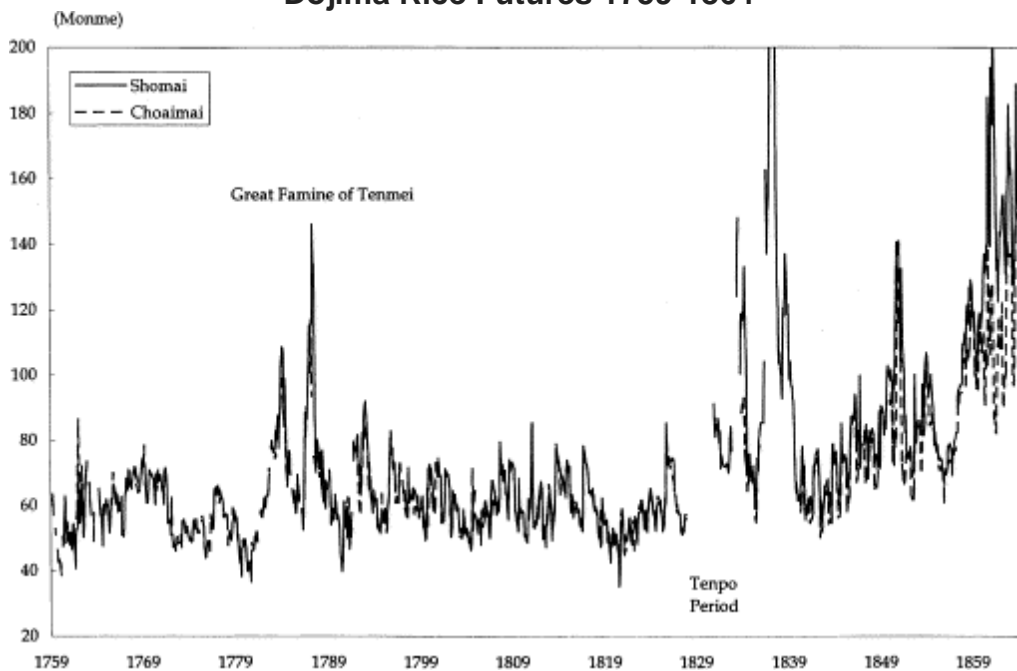
Oh yeah, and as a reminder, China does have almost 1.4 billion people or around 18% of the world's population.

Bottom line, China will continue to be a major player in the global commodity markets for years to come, including canola, where they are the second largest market for our canola products. For commodity market insights and farm hedging strategies, connect with me at 844-982-0011 or [commodity-options.ca](http://commodity-options.ca).

## **Did you know that futures have been around for 300 years? – August 23, 2021**

The first modern day futures contracts were rice futures that started trading on a Japanese exchange back around 1730. At the time, the Samurai, whose wealth was connected to rice, lobbied the government to allow trade in rice futures after prices fell to record lows in the 1720s. So, futures and options are nothing new. But, a lot of farm businesses are just now realizing the benefits of these flexible marketing tools, especially given the impact the drought has had on production and grain marketing.

### **Dojima Rice Futures 1759-1864**



They can be used to protect a physical sale since many growers have been concerned about delivery commitments or to replace a cash sale to benefit from higher prices.

They can also be used build a minimum floor price to capture these high prices by putting in place the downside protection you need along with the upside potential you want, all without committing your grain for delivery.

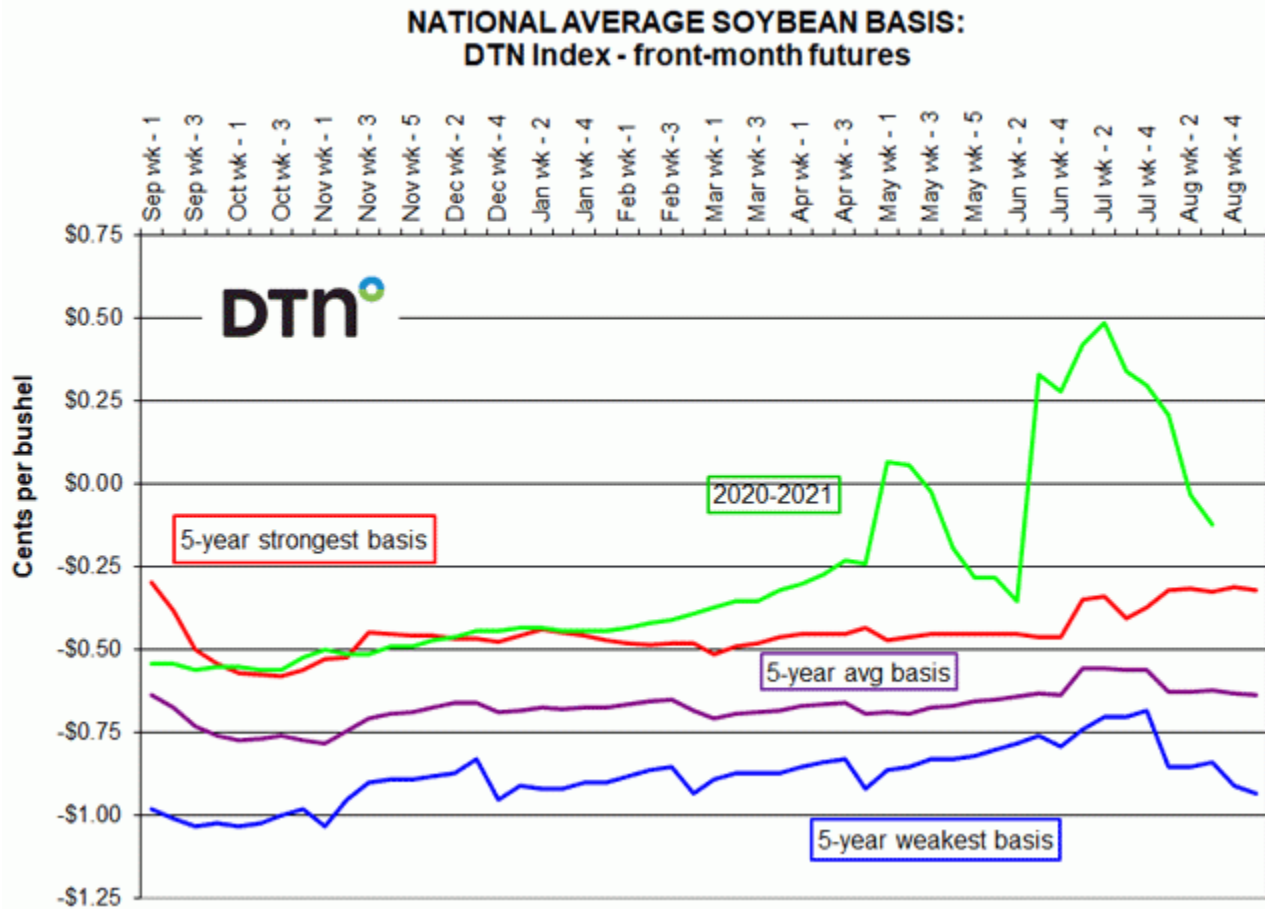
Bottom line, while futures and option hedging may be new to you, it has been around for around 300 years. To benefit from this time tested financial technology, connect with me at 844-982-0011 or [commodity-options.ca](http://commodity-options.ca).

## **US soybean basis levels – August 30, 2021**

A couple of weeks ago, I looked at wheat basis levels and noted how they had weakened during the month of July; they have since come right back. Now, however, the national average cash

soybean basis level tracked by DTN shows that local cash prices across the US have been weakening compared to futures prices. In the past three month while soybean futures have been moving sideways, the average basis level has dropped by 60 cents US.

Based on DTN data, soybean basis started to slide downward the third week of July as processors backed away from the high spot basis. While the average basis is 60 cents down from the highest basis this crop year, DTN still suggests it will slide lower by the time the crop year ends.



This doesn't mean that cash soybean prices will drop dramatically. Perhaps cash price behavior relative to futures and physical trading activity throughout the US are starting to normalize a bit.

Bottom line, it's important to follow futures prices as well as local cash grain bids & basis levels. For commodity market insights and farm hedging strategies, connect with me at 844-982-0011 or commodity-options.ca.

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