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.

"Planning is bringing the future into the present so that you can do something about it now." Alan Lakein American Businessman

- June 5, 2017

While grain and livestock marketing is a year-round endeavour, now that most of seeding is complete, some of you may move marketing up the priority list.

Since there are a lot of things to keep track of when selling your crop, a marketing plan, ideally a simple straightforward plan, is always a good place to start.

The Province of Saskatchewan Ministry of Agriculture has a very useful tool you can use called the Grain Marketing Plan Workbook. This planning workbook encourages you to ask yourself a lot of important questions. Here are five that caught my attention:

1) Which sales strategy is the most appropriate for the existing or forecasted market conditions?
2) Do you have specific strategies for different commodities?
3) What strategies will you use to capture prices that will meet obligations and/or targets?
4) Do I have a contingency plan in case prices move lower instead of higher?
5) Based on your history of performance, what needs improving?

Bottom line, marketing is such an important part of farm business management that we can always use fine-tuning and improvement. So, call me at 844-982-0011 for a complimentary copy of the Grain Marketing Plan workbook or simply go to commodity-options.ca to request a copy.

Managing Political Risk – June 12, 2017

Trade was a key source of debate during the 2016 US elections and continues to be a priority for the Trump administration. What does this mean for Canadian farmers?

According to the May 2017 Purdue University/CME Group Ag Economy Barometer survey, 83% of US producers favour renegotiating NAFTA and 61% thought the outcome of a renegotiated NAFTA agreement would be beneficial for U.S. farmers.

If it is good for US farmers, does that mean it will be bad for Canadian producers? Not necessarily but, with 90% of Canadian livestock and almost 20% of grain going to the US, US political uncertainty will continue to affect Canadian farm operations.

So how do you manage the risks of a more politically uncertain environment? By better managing the commodity and currency risks you can control, to offset or balance the risks you can't control that don't have any hedging mechanism.

Bottom line, while you can't control the outcome of NAFTA renegotiations or any other political risk, you can still hedge the effects political uncertainty may have on grain, livestock and C$ prices.

Cattle Prices: Coming to a Top or Continuing to Trend? – June 19, 2017

Are cattle prices coming to a top or continuing to trend?

While the trend for cattle prices has been rising for the past 8-months, a potential double top in both feeder and live cattle futures could be developing.

A couple more weeks of sideways trading, combined with any drop in prices below current support levels would confirm a double top and put into question this uptrend.

In addition, a recent trip to the Winnipeg Livestock Sales auction suggests a change in trading sentiment when you hear comments like:

"Prices should be higher than this...." Or "We got 10 cents more a pound just a few weeks ago!"

However, prices are still inverted along the futures curve with near term future prices trading higher than deferred delivery months; physical demand is still strong.

Bottom line, it's not too late to protect your cattle revenues and capture prices that are still 30% higher than they were in the fall. For a complimentary livestock option & futures hedging guide, call me at 844-982-0011 or go to commodity-options.ca to request a copy.

Rising interest rates in Canada? Not yet. But soon? Maybe… – June 26, 2017

Two weeks ago, the Bank of Canada made comments which markets interpreted that interests could rise sooner than expected.

Short-term interest rate futures have risen about 20 basis points while longer-term 5 & 10-year government bond yields have risen about 10 basis points

At the same time, the C$ has increased about a penny and a half from around 74.5 cents to about 76 cents. However, the C$ is still in a longer-term downtrend, slowly drifting lower for the past year.

The interest rate difference between Canada and the US has historically been the main driver that determines the ultimate longer-term trend of the C$. With the US Federal Reserve further ahead in their rate rising cycle compared to the Bank of Canada, we'll see if a clearer indication and confirmation of a change in trend emerges.

Bottom line, C$ options that trade on the CME Group Chicago Mercantile Exchange are very liquid allowing farmers to efficiently and effectively manage their currency exposure.