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PROVEN INDEPENDENT INVESTMENT  
MANAGEMENT

# AG TECHNICALS & TRENDS

*December 2020 Edition*

Canola, soybeans and corn have all increased substantially since the summer. Wheat seems to be playing catch up now.

Unlike the other grains, I haven't been overly bullish on wheat. However, some technical trends are starting to change that is leading me to believe there could be more upside.

Now I often hear "I've missed out on the rally so I can't buy in now" especially after one day rallies of 20 cents plus.

While that might be true, rallies can confirm that a trend higher is starting.

I'd rather be late to a party and know it's good than show up early and it be a bust.

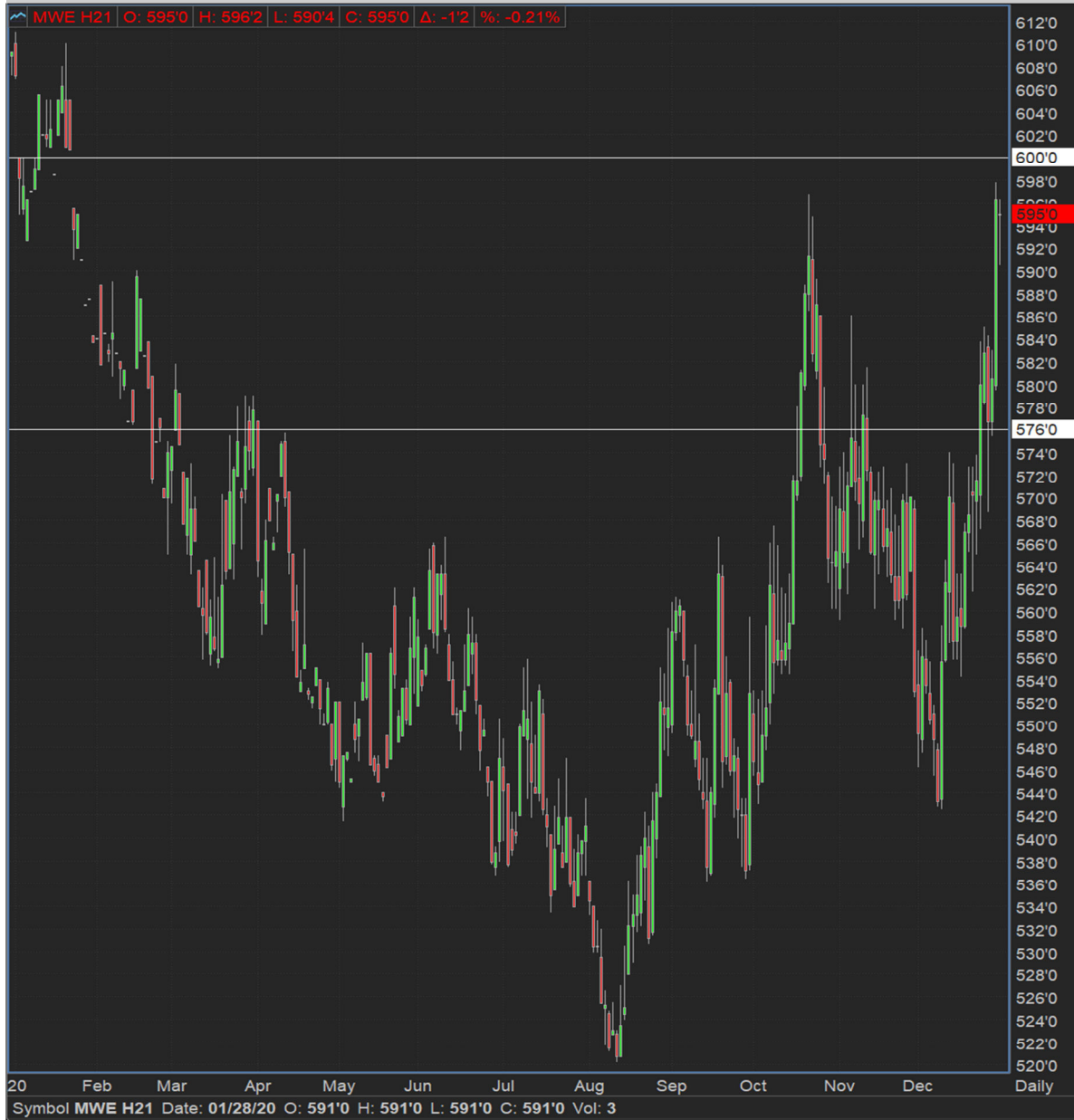
Going with a trend is a very powerful way of analyzing the markets.

The most successful traders are the ones who don't want to be a hero and call the bottom or top.

They recognize a particular scenario and make a calculated trade (key word being calculated as nobody has a crystal ball).

If you're worried about being late to buying wheat futures/options as a replacement, keep in mind these prices are just helping your next years crop!

# Minneapolis Wheat March Futures - 1 Year



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### Chicago Wheat March Futures - 1 Year



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# Kansas City Wheat March Futures - 1 Year



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## **Canola**

On December 3rd Stats Can released their crop production report as of Nov 1st. The data released was supportive for prices to keep going higher and boy did they!

Using yesterday's close, March canola increased in December \$59.1/t.

Stats Can reported canola production decreased 4.5% nationally to 18.7 million tonnes in 2020. To give you an idea Canada needs 20 million tonnes to meet demand so 18.7 is bullish for prices.

In Saskatchewan, canola production was down 8% to 10.2 million tonnes, driven by lower yield and harvested area.

Canola yields in Alberta decreased 0.2%, while harvested area fell 1.8%, resulting in a 2% production decrease to 5.2 million tonnes.

In Manitoba, canola production was actually up 4.4% to 3.2 million tonnes with harvested area up 5.9% and yields falling 1.4%.

### **The question I have been getting for months.....where is the top in canola?**

I've mentioned that I saw \$600/t as the first resistance, which it is well through now. Seeming like \$650/t is the next stop. Last month I mentioned it might not be a straight line up.

With the strong soy markets canola shot up like a cannon.

My thoughts right now is the trend is still positive.

On the March contract, \$620/t is short term support I'm watching.

## Canola March Futures - 1 Year



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## **Soybeans**

Soybean futures have now increased in December \$1.45/bu approx.

Since the beginning of August, we have seen a rally of \$4.20/bu. approx

Bigger picture fundamentals seem to support the rally to go even further.

Sellers won't get active unless the weather situation improves in South America.

If Argentina's production is revised lower, U.S. exports could increase and U.S. ending stocks could tighten further.

The U.S. stocks usage ratio for 2020/2021 is currently estimated at 3.9%, already the second lowest on record going back to 1966.

2013/2014 was the only year it was tighter and soybean prices hit a record high.

There are no signals yet I'm watching that suggest farms should be hedging next years soybean crop yet.

## Soybean March Futures - 1 Year



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## **Corn**

March corn futures have increased 47 cents/bu approx in December using yesterday's close.

The last time the futures were at these levels was back in 2014.

China imported 1.23 million tons of corn in November, up 1,130% from a year ago.

This pushed year to date imports to 9.04 million tons, up 122.7% from a year ago.

Even without any production issues in South America, there could be more tightening endings stocks for the January USDA supply/demand report.

Traders see lower production from Argentina, which could boost US corn exports further and drive ending stocks lower.

Argentine weather is threatening and as long as dry conditions persist, buyers are likely to remain active.

The corn market is overbought, however, as I've said before that can often lead to more strength depending on the situation.

Right now it seems that corn is on the trajectory to still increase with the current factors.

Next stop we could be looking at is \$5/bu corn on the March futures.

## Corn March Futures - 1 Year



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## **Canadian Dollar**

The Canadian Dollar remains in an upward trend.

Since the beginning of November the Canadian Dollar has rallied almost 3.5 cents, which is near 2.5 year highs.

According to the CFTC data, net positioning in the Canadian Dollar is now long for the first time in a year showing more upside could be expected.

The Bank of Canada opted to keep its benchmark rate at 0.25% and maintained its status of rates staying low until 2023.

What the BOC does with rates is important for the Canadian Dollar because keeping them where they are could keep the trend for the loonie higher.

Other central banks around the world are talking about cutting rates and Canada keeping them unchanged shows strength in our economy.

GDP growth in Canada is expected to be 1.4%, which compared to other countries is relatively good.

A major factor in the strength in the Canadian Dollar has been the U.S. Dollar declining.

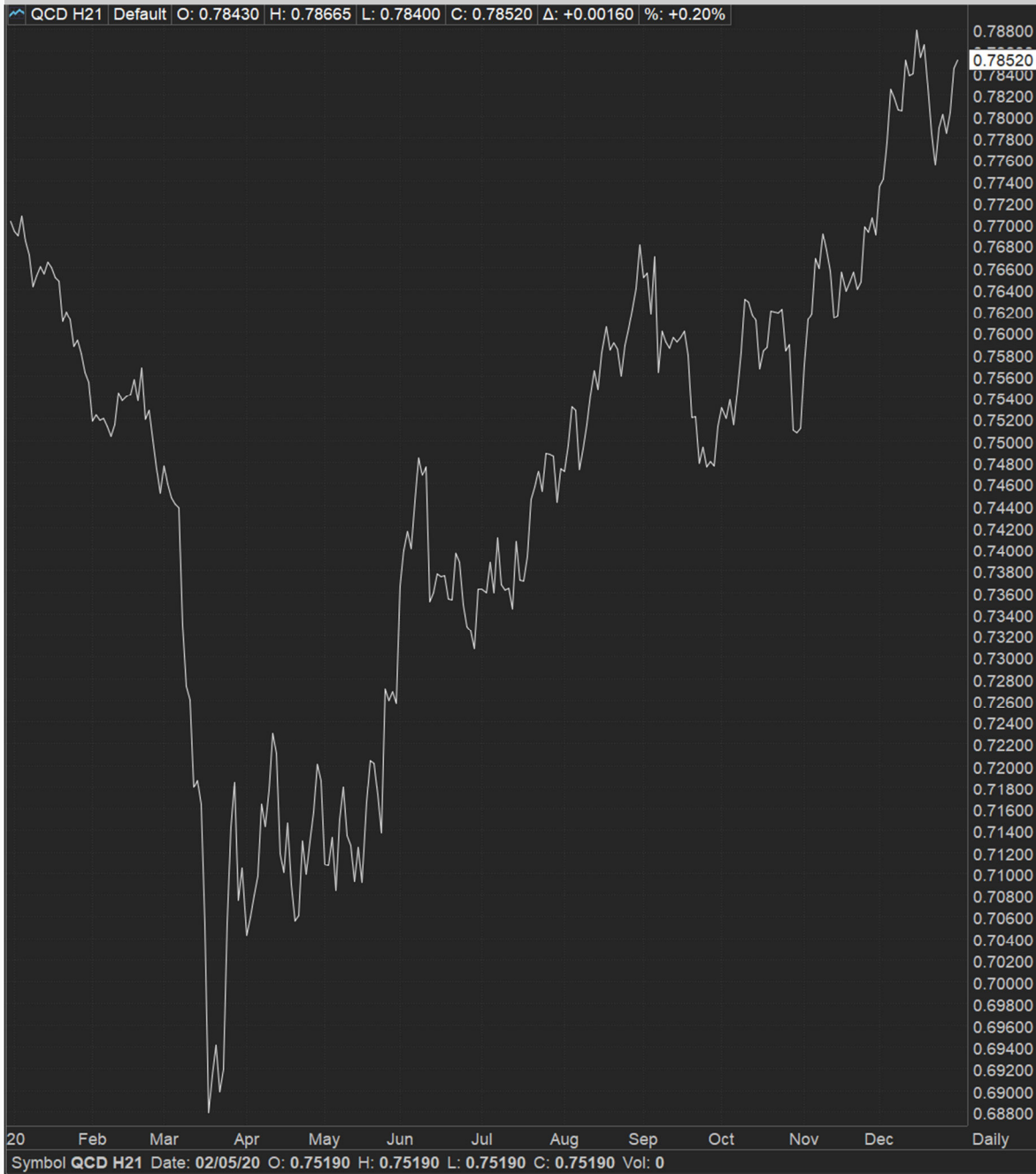
It seems that investors are not flocking to buy the “safe haven” U.S Dollar and instead are following the trend lower.

I'm seeing it is possible for the Canadian Dollar to reach 80 cents if the current factors remain the same.

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### Feeder Cattle March Futures - 1 Year



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## **Cattle**

With two weeks of reduced slaughter pace and a storm bearing down on the Plains, the rally in the beef market and the jump in the cash market has been impressive.

However, as the winter storm moves out of the Plains and the slaughter pace picks up over the next two weeks, it may be difficult to absorb the extra beef with demand from the food industry still very sluggish.

For now, the strength in the beef and the cash market seems to have been "priced" on the rally to the December 28th high.

February live cattle fell back into negative territory after a higher opening yesterday failed to attract new buying interest.

While the beef market continues to rally and the cash market has been firm, traders are concerned that demand in the first few weeks of January could be weak.

Longer term fundamentals do look positive, but near term we might see lower meat demand affect the futures.

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## Feeder Cattle March Futures - 1 Year



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## Live Cattle February Futures - 1 Year



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