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# TECHNICALS & TRENDS

July 2016 Edition

## Highlighted: Canola, Wheat, Soybeans & CDN\$

On June 1<sup>st</sup> the new crop November canola futures contract opened at \$510.70/ton. Throughout June the high was \$528.20/ton and a low of \$461.20/ton, or a 13% decline. The past couple of days canola has rebounded almost \$20 (4%) - see chart below. For some clients, I removed part of their canola protection they had at the \$520-\$510 strikes and took profit. The trend has definitely changed from moving higher to possibly back into a range of \$465-\$500. Just today I have added in protection for some farms with canola up \$12 strongly. It may continue higher back up to the high of \$530, but I want to at least ensure the \$500 level is protected.

### Canola November futures contract:





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This month wheat has broken some important support (floor) levels. I have been recommending since the spring for farm operations to have some protection in for their wheat. Trends were drifting sideways and the large inventory numbers gave some indication that lower prices could happen. We never knew for sure prices were going to move lower, but we always want to have some type of hedge protection going into the summer months in case the markets adversely react to the weather. Farms that don't have much new crop wheat sold and a lot in the bin with no protection on using options have a lot harder marketing decisions to make. Some farms have been mentioning they have been selling or will need to in order to make bin space available. If you are unhappy with the prices you receive from the elevator after you sold your wheat, one strategy to capture the upside is to use call options. This 'replacement strategy' can often be favorable because you can still participate if prices increase, but you don't have the same physical grain risk.

## Kansas City December Wheat futures contract:





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## Chicago December Wheat futures contract:





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Soybeans are still considered to be in an uptrend. I am watching the support (floor) to be \$10.80 approx. and the resistance (ceiling) at \$11.80 approx. With November bean futures at \$11.53, an at-the-money put would cost \$0.70 approx. I've started to look at various put spreads to implement for clients to help reduce the protection cost. For those wanting to sell their soybeans at these good levels, the replacement strategy I mentioned for wheat could be applicable here.

## Soybean November futures contract:





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The Canadian Dollar appears to be range bound from \$0.76 approx. to \$0.80 approx on the Dec futures (see below). Both are considered important levels that if broken could show which direction it is headed for the near future. Most of our farm clients are concerned with a higher loonie, so we would do some type of call option strategy if above \$0.80 to protect from a move higher. If the loonie breaks below \$0.76 and looks like it will continue trending lower, my goal is to be patient in adding protection from it increasing.

## Canadian Dollar December futures contract:





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Today the USDA released their planted acres report.

Here is a bit of a summary....

- Corn Planted Acreage UP 7% from 2015
- Soybean Acreage UP 1%
- All Wheat Acreage DOWN%

Corn planted area for all purposes in 2016 is estimated at 94.1 million acres, up 7 percent from last year. This represents the third highest planted acreage in the United States since 1944. Area harvested for grain, at 86.6 million acres, is up 7 percent from last year and represents the third highest area harvested for grain since 1933.

Soybean planted area for 2016 is estimated at a record high 83.7 million acres, up 1 percent from last year. Area for harvest, at 83.0 million acres, is also up 1 percent from 2015 and will be a record high if realized. Record high planted acreage is estimated in Michigan, Minnesota, New York, North Dakota, Ohio, Pennsylvania, and Wisconsin.

All wheat planted area for 2016 is estimated at 50.8 million acres, down 7 percent from 2015. The 2016 winter wheat planted area, at 36.5 million acres, is down 7 percent from last year but up 1 percent from the previous estimate. Of this total, about 26.5 million acres are Hard Red Winter, 6.58 million acres are Soft Red Winter, and 3.42 million acres are White Winter. Area planted to other spring wheat for 2016 is estimated at 12.1 million acres, down 8 percent from 2015. Of this total, about 11.4 million acres are Hard Red Spring wheat. Durum planted area for 2016 is estimated at 2.15 million acres, up 11 percent from the previous year.

\*Source: <http://www.agweb.com/article/usda-corn-acreage-up-7-to-941-million-soybean-acres-up-1-to-837-million--naa-usda/>

**Happy Canada Day!!**



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