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TECHNICALS & TRENDS

June 2016 Edition

Highlighted: Wheat, Canola, Soybeans & Corn

Wheat has been drifting sideways to lower for the last month. The USDA Crop Production released middle of May really did not have much effect on prices. I'm watching the floor for the July KC wheat futures to stay around $4.46. A first initial ceiling is around $4.46 and second around $4.98 (see chart below). For operations that don't have much hedge protection on, I am waiting for around the $4.80 level. The strategies I have been working on focus on different spreads to help reduce the cost. A cost effective way to have protection at these low prices, while still giving farms the flexibility if cash prices go higher.

Kansas City Wheat July futures contract:

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Canola has broken through the $495 approx resistance. I reduced or removed the canola hedges on for operations once this happened to keep our mechanical approach. Remember, the advantage of options are you can sell them at any time to get back at least some of your premium, unlike typical price insurance contracts. Now that prices are staying up above $520, I'm reviewing strategies to add protection higher up. The current cost for an at-the-money November canola put with the $520 strike is $21 approx. minus the premium cost that is giving operations a $500/ton level floor.

November Canola futures contract:

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Since the beginning of April, soybeans have rallied 18% on the new crop November contract. The near month July is up 40 cents today helping it reach 24% higher in the past two months. Similar to canola, given these higher bean prices a lot of farms I work with have been asking about protection strategies. With today's large move, we could see a whole new range being started. $10.70 and $10.30 are two floor levels I am watching to hold.

November Soybean futures contract:

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Lastly, corn has broken its downtrend in May. The move above $4 confirmed a break above resistance and has been trending higher since. Below is a chart of Sept corn and as seen the last time we saw prices this high were back in the fall of 2015. For those operations who have already sold their corn lower down, it may be appropriate to buy call options to capture some of the upside. Operations that don't have much sold can look at buying puts to protect their downside and have all the further upside.

Corn Sept futures contract:

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