

ADAM PUKALO, CIM
INVESTMENT & COMMODITY FUTURES ADVISOR

PROVEN INDEPENDENT INVESTMENT
MANAGEMENT

AG TECHNICALS & TRENDS

June 2020 Edition

Grain traders were patiently waiting for three reports that came out this week.

Yesterday, Stats Canada released their production report.

Today, the USDA released estimates for planted acres and quarterly grain stocks.

Here is Stats Canada's summary....

"In June, farmers reported several changes in crop areas compared with the previous year, with notably higher seeded areas of lentils, barley, and durum wheat, likely due to higher prices and better returns relative to other crops. In contrast, areas of crops such as canola and soybeans fell compared with 2019, possibly due to a shift away from oilseeds.

Despite cool temperatures throughout most of the country and ongoing harvest of 2019 crops in parts of Western Canada, dry conditions early in seeding aided planting progress, with the exception of much of Alberta and north-western Saskatchewan, which received higher-than-average levels of precipitation. While seeding progress during this reference period may not have been directly impacted by COVID-19, farmers have and continue to face their own set of unique challenges in the regular production and distribution of their crops due to the pandemic."

I want to start with talking about Minneapolis wheat.

Three common questions I have been getting lately....

1. Why do wheat futures keep going lower?
2. How much lower can wheat futures go?
3. Are there any opportunities in wheat given where the futures are?

I analyze markets on a fundamental, technical and seasonal basis.

When looking at the seasonals over the last fifteen years, Minneapolis wheat futures on average have increased during the first two weeks of July.

This could be positive for prices in the short term.

However, Minneapolis wheat futures typically tend to trend down from July to Sept, then start to increase into the fall/winter months.

Next up are the fundamentals.

Yesterday, Stats Canada reported somewhat negative fundamentals for all wheat because of the increased acres.

Even though Spring wheat acres were down, there is still a lot of wheat in the world.

"Nationally, farmers reported planting 25.0 million acres of wheat in 2020, up 1.5% from 2019. Higher wheat area was led by durum wheat, which rose 16.2% to 5.7 million acres, while winter wheat increased 45.9% to 1.4 million acres. The increase in durum wheat area may have been attributable to favourable prices and low carry-out stocks from the previous crop year, while the gains in winter wheat area were due to less winterkill compared with a year earlier. In contrast, spring wheat area fell 4.6% to 17.9 million acres, possibly due to high

carry-in stocks from the previous year.

Saskatchewan farmers reported wheat area falling 0.5% to 12.8 million acres. Spring wheat area decreased 7.5% to 8.1 million acres, while durum area rose 13.3% to 4.6 million acres.

In Alberta, wheat area edged down 0.3% to 7.4 million acres. Spring wheat area decreased 4.2% to 6.3 million acres, while durum wheat rose 30.6% to 1.0 million acres.

Farmers in Manitoba reported that total wheat planting edged up 0.2% to 3.2 million acres."

Finally, the charts are still pointing to there being more downside could be ahead, however, the USDA report today may give all grains a boost.

I do see this momentum starting to fade and "relief rallies" could happen from the market being oversold.

Short term traders could consider buying wheat here as a replacement if they are having to sell.

Overall, it doesn't seem like selling at these levels are the best if farms can wait until into the fall/winter.

Every operation is different for cash flow, bin space etc. which is why I've been tailoring strategies for my farms.

Minneapolis Wheat September Futures - 1 Year



844.982.0010

www.prairiecommodities.com

Chicago Wheat September Futures - 1 Year



844.982.0010

www.prairiecommodities.com

Kansas City Wheat September Futures - 1 Year



844.982.0010

www.prairiecommodities.com

Canola

Stats Canada reported farmers planted 20.8 million acres of canola in 2020, down 0.8% from 2019 as they shifted away from oilseeds.

The high cost of growing canola and prices not like they once were is what I have been hearing why clients have planted less.

Saskatchewan farmers reported planting 11.3 million acres of canola in 2020, down 1.8% from 2019.

In Alberta, canola area was down 1.0% from 2019 to 5.9 million acres.

Farmers in Manitoba reported that canola area was up 3.2% to 3.4 million acres.

Canola futures have been trading sideways all year in a \$21/t range.

The November canola futures contract from January 30th to today has traded between \$486/t to \$465/t approximately.

Rallies and declines in canola are often tied to news on the soy complex side (China buying more, South America weather, etc) and the Canadian Dollar fluctuations.

On any given days one of these factors could overshadow the other.

My approach has been selling November canola close to \$480/t, then taking profit near \$470/t.

Right now canola is at the lower end of the range and the futures are starting to turn more positive.

Until there is some positive news on the trade front I don't think canola is going to have any significant rallies barring some type of weather event.

Canola November Futures - 1 Year

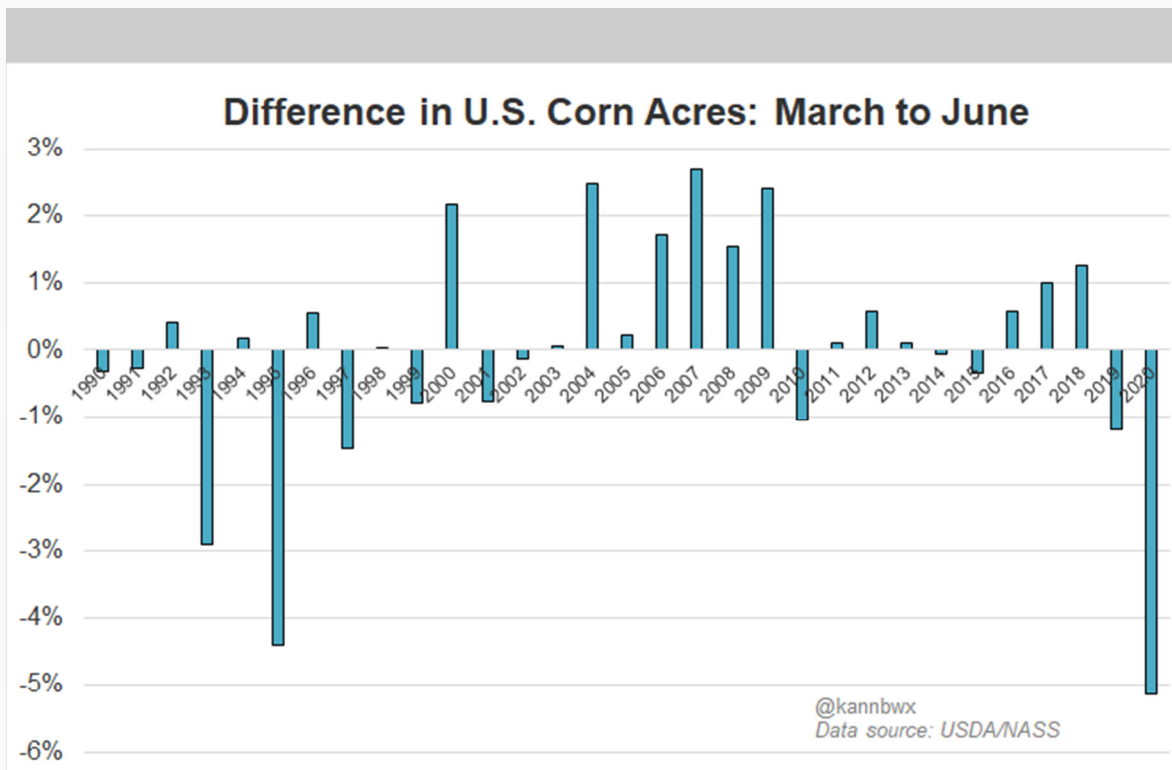


844.982.0010

www.prairiecommodities.com

Corn

Today's USDA report surprised traders and caused corn futures to spike as much as 18 cents/bu. Corn plantings in the U.S. fell by 5.1% between USDA's March and June surveys. See the chart below that shows this is the largest move since 1996. June acres came in at 92.006 million acres versus the average estimate of 95.207 million acres. Fund money had a significant short position on and now appears to be covering it. Support is now at \$3.38/bu on the September contract. The next psychological level to get above would \$3.50/bu. This could be a longer term positive trend starting to form.



844.982.0010

www.prairiecommodities.com

Corn September Futures - 1 Year



844.982.0010

www.prairiecommodities.com

United States Planted Acres 2020

(millions of acres)

	CORN	SOY	WHEAT
June Acreage	92.006	83.825	44.250
Trade average	95.207	84.716	44.718
Prospective Plantings	96.990	83.510	44.655
USDA Final 2019	89.700	76.100	45.158

Data sources: USDA/NASS; Reuters

@kannbwx

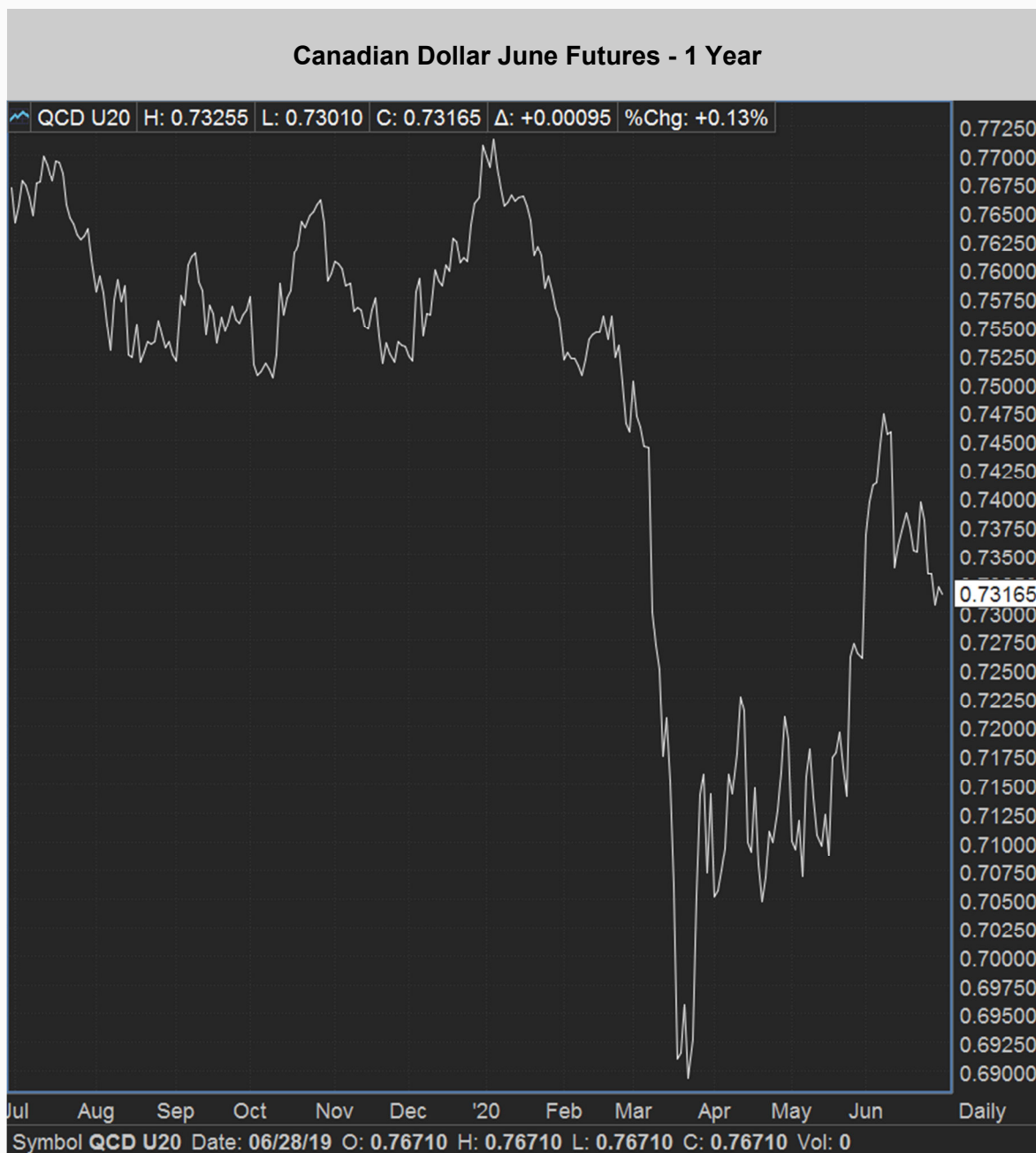
Canadian Dollar

The June Canadian Dollar futures reached a high of 75.10 cents on June 10th. Since then, it has given back some of the gain and is currently around 73.5 cents. It seems that 73 cents might be support now. There has been positive news recently showing rising consumer confidence and building permits supporting the view that Canada's economy is recovering from the coronavirus crisis. The Conference Board of Canada's Index of Consumer Confidence rose 16 points to 79.7 in June as the country continued to reopen from COVID-19 imposed lockdowns. The index stands at about two-thirds of its pre-pandemic level of 120.6. Separate data, from Statistics Canada, showed that the value of Canadian building permits rose by 20.2 per cent in May from April. It was the largest percentage increase since March 2009. Speculators have cut their bearish bets on the Canadian dollar, data from the U.S. Commodity Futures Trading Commission showed on Friday. As of June 23, net short positions had

844.982.0010

www.prairiecommodities.com

decreased to 20,834 contracts from 25,486 in the prior week. Economic data will be important to watch such as Canada's GDP shrank by 11.6% in April, which is the worst monthly drop on record.

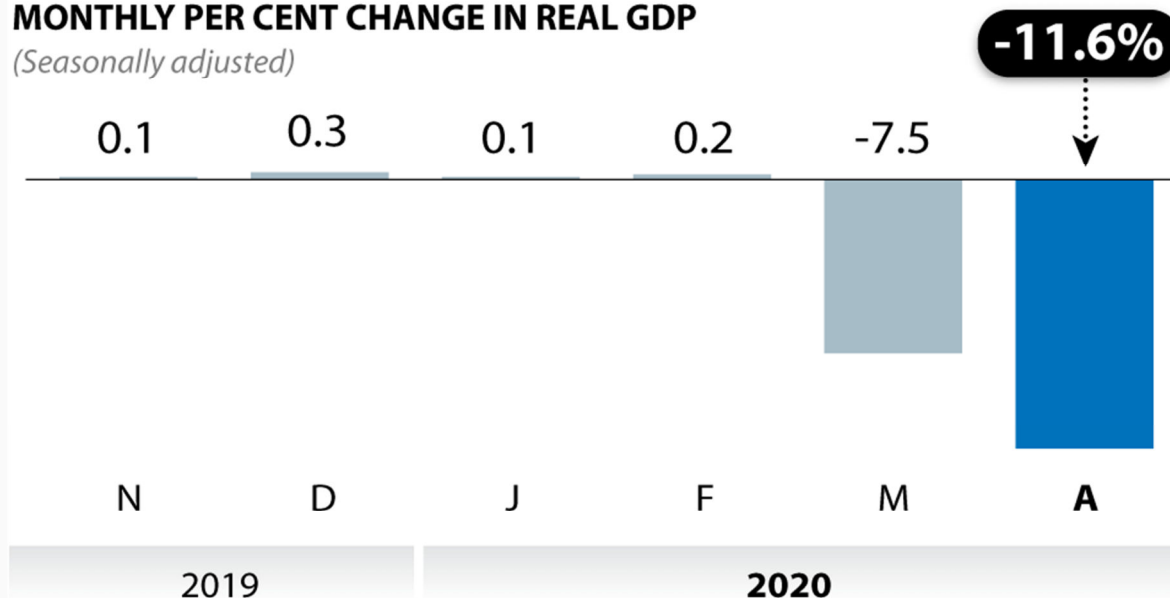


CANADA'S ECONOMY PLUMMETED IN APRIL

A look at the monthly change in Canada's real gross domestic product:

MONTHLY PER CENT CHANGE IN REAL GDP

(Seasonally adjusted)



SOURCE: STATISTICS CANADA

THE CANADIAN PRESS

Cattle

Reuters reported that the economic concerns over rising coronavirus infections dragged down both cattle and lean hog futures. Livestock markets have been hammered by coronavirus-related closures of restaurants and food service businesses, key outlets for items like steak and high-end cuts of beef. Closures at packing plants have also backed up supplies of market-ready animals, pressuring cash markets. The industry is now facing concerns about beef demand as some states have stalled or reversed their reopening plans due to rising coronavirus infections. Last month I mentioned I'm looking at a possible short position if prices break the 94.00 level on the August live cattle futures. This would be breaking major support (in my opinion) while also breaking out all of a 7-week consolidation pattern as prices look to

844.982.0010

www.prairiecommodities.com

have topped out in the short-term. Cattle prices are trading under their 20 and 100 day moving average as the trend has turned to the downside, however the volatility has come to an absolute crawl over the last several weeks. This is the seasonal time of year when cattle futures increase over the summer months, but that might not be the case this year.



Live Cattle August Futures - 1 Year



844.982.0010

www.prairiecommodities.com

PI Financial Corp. is a Member of the Canadian Investor Protection Fund. The risk of loss in trading commodity interests can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. In considering whether to trade or the authorize someone else to trade for you, you should be aware of the following. If you purchase a commodity option you may sustain a total loss of the premium and of all transaction costs. If you purchase or sell a commodity futures contract or sell a commodity options you may sustain a total loss of the initial margin funds or security deposit and any additional fund that you deposit with your broker to establish or maintain your position. You may be called upon by your broker to deposit a substantial amount of additional margin funds, on short notice, in order to maintain your position. If you do not provide the requested funds within the prescribe time, your position may be liquidated at a loss, and you will be liable for any resulting deficit in your account. Under certain market conditions, you may find it difficult to impossible to liquidate a position. This is intended for distribution in those jurisdictions where PI Financial Corp. is registered as an advisor or a dealer in securities and/or futures and options. Any distribution or dissemination of this in any other jurisdiction is strictly prohibited. Past performance is necessarily indicative of future results.