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TECHNICALS & TRENDS

May 2016 Edition

Highlighted: Wheat, Canola, CDN$ & Cattle

When looking at a six month chart of wheat (see below) the trends have been sideways since the beginning of March. There is a USDA Crop Production report next month on May 10th that will give us their first winter wheat production estimate. We have seen a $0.30 range in this sideways pattern giving operations an opportunity to potentially move some old crop. There is still negative fundamental pressure helping prices stay low. Many of our operations have 10-30% of their production protected using options in case the price continues lower. Our main goal to protect against the downside, while still giving you all the upside flexibility if the prices goes higher.

Kansas City Wheat July futures contract:

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Chicago Wheat July futures contract:

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Canola has been steadily moving higher over the month gaining $10 approx. For operations that don't have anything sold for new crop, we added protection in around the $480-$490 area. Our strategy has been to sell puts spreads that give $40 worth of protection for $15 approx. We do not want to see these high prices slip away like we have seen in the other grains. As you can see below, we are at an important resistance (ceiling) around this $495 level. If we start to see the trends rolling over and weaken, it might be time to be more aggressive on protection strategies.

November Canola futures contract:

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Last month I spoke about the CDN$ seasonality. April is a seasonally strong time of the year and this month has been no exception. On the June futures contract, we started at April 1st opening at $0.7703 and we are currently at $0.7960. As I write this update, today we have seen the high on this contract touch $0.8004 and immediately came down. $0.80 may have proven to be a strong resistance (ceiling) that the dollar needs to get over to continue its uptrend. Most operations gains from a declining Canadian dollar, but now might be the time to consider what type of risk they have if the dollar goes back down. For example, you might know of some machinery you are buying in the US next year and the $0.80 loonie is making it a lot more affordable than at $0.70. We have strategies that can protect your grains if the dollar keeps going up AND help you protect on things such as US machinery purchases.

June Canadian Dollar futures contract:

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Lastly, both feeder and live cattle futures have continued their decline. We are seeing the lowest levels since middle of Dec 2015 in feeders. I've been proactive throughout the month in adding more cattle protection for those that did not have any on and adding more to those that do. The trends are remaining negative and unless we see some type of stabilization we can see the futures continuing lower.

Feeder Cattle April contract:

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Live Cattle April contract: