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TECHNICALS & TRENDS

May 2017 Edition

The May USDA supply/demand report for wheat was considered neutral. All wheat production came in at 1.82 billion bushels compared to the estimate at 1.858 billion. This 1.82 billion bushels is down 490 million bushels from last year. The market could see continued choppy trade short-term. With harvest just ahead, the market may struggle to find traction in the near term. Seasonal strength normally begins by mid to late June. The Minneapolis market made a new high at $5.76 per bushel on the July contract and now could continue higher. Chicago and Kansas wheat are a bit different of a story staying in a sideways to lower trend. I've been discussing with clients their new crop marketing plan. Rallies seen from weather related issues may give a good opportunity to protect using options. Given you may not know how much wheat you'll have next year, an option could be a better alternative to selling off the combine.

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Chicago Wheat July Futures

Kansas Wheat July Futures

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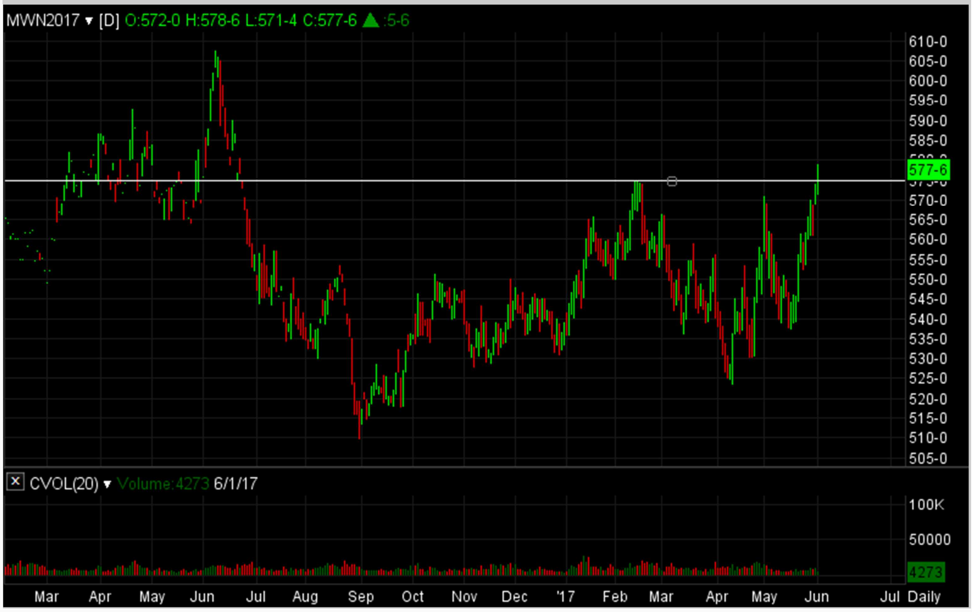
Minneapolis Wheat July Futures



Canola futures have been steadily declining lately. In the last seven trading days, July canola has declined from $528/ton to where it is currently at $494/ton approx. That is a $34/ton move in a short amount of time. There has been a few contributing factors. From mid April until late May the soybean complex already declined, but canola did not follow. Combine this with the Canadian Dollar increasing 1.5 cents since the beginning of May, has finally put pressure on canola. Any market can get oversold and that is where we could be getting to soon. I'm watching for July canola to bottom around $490/ton.

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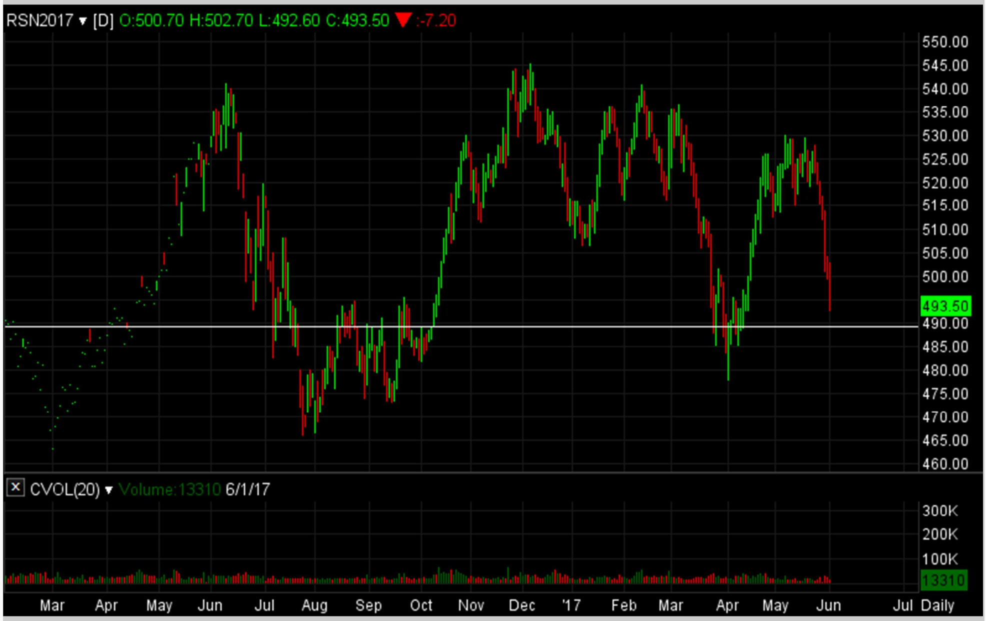
Canola July Futures



The Crop Progress Report showed soybean plantings are at 32% approx, which is must better than expected. Yesterday July soybeans closed higher for the first time since May 22nd. The market is oversold, but all the fundamentals still seems bearish. We are still in a time of year where the weather could influence the markets heavily. The weather this year has been extreme to say the least:

- Second warmest December-March to 2015/16 in the Corn Belt and
- Fifth most wet April-May in the Corn Belt

Longer term, I believe soybeans could still continue lower. Any rallies growers could consider to protect more new crop prices.

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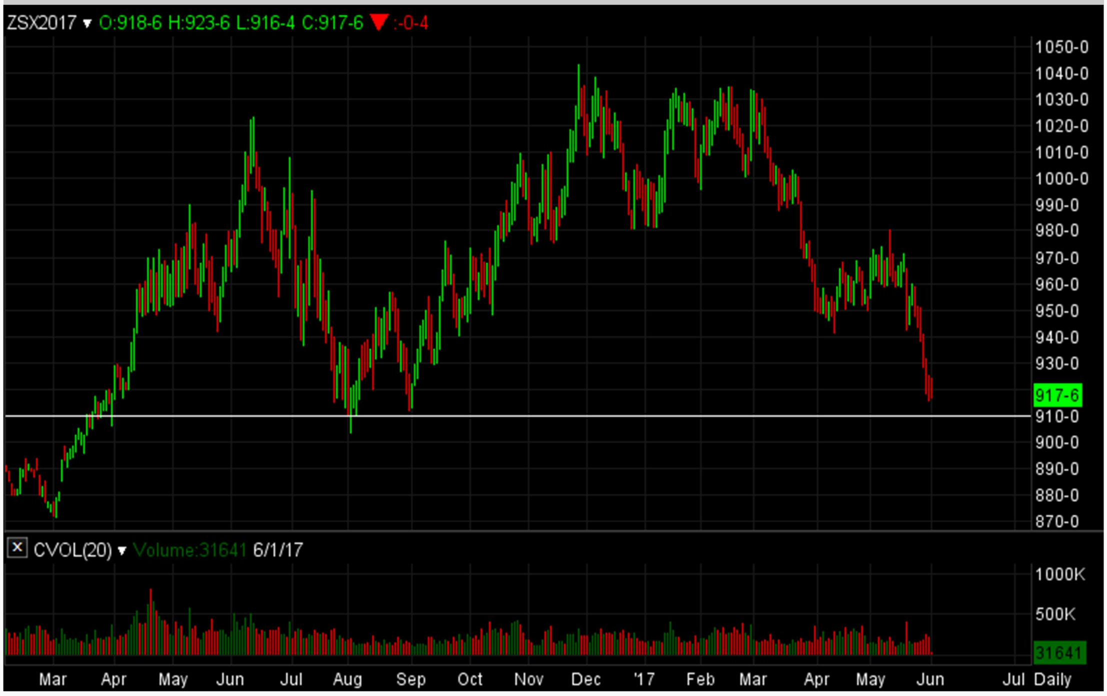
Soybean November Futures



The Canadian Dollar on the June futures in May rallied from under 73 cents to 74.5 approx. Now the loonie is trading closer to the 74 cent mark. Supporting factors have been the dropping US Dollar and oil increasing on more possible supply cuts. Consistent negative new surrounding Trump has finally seemed to weigh on the US Dollar. Since the beginning of the year, the US Dollar Index has declined almost 6%. Also, Russia and Saudia Arabia have agreed to keep oil production levels at current output through the first quarter of 2018.

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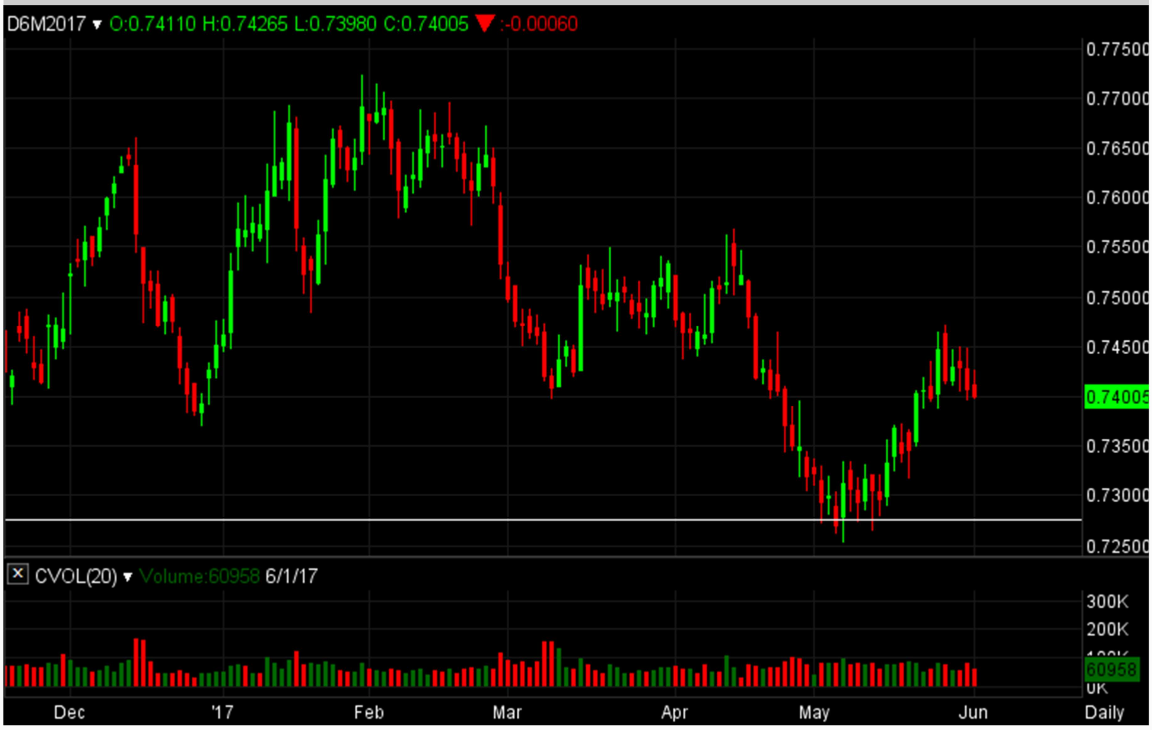
However, if demand does not increase and other countries like the US and Libya pick up production this agreement may not mean much. Production cuts could support oil prices, but maybe have a "see it to believe it" type of attitude. In the past, production cuts like these have been agreed upon with no follow through.

Canadian Dollar June Futures



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The cattle market has been still sideways to higher. I've been getting the question a lot "how much can cattle keep going?!". My best answer is nobody knows. However, what I do know is that operations are making very good profits at these levels. Yesterday was the last day for provinces insurance programs and some may not have added in any protection. This year is setting up nicely for put options to possible be more beneficial over the insurance program. If cattle do continue higher, you can at least sell your option back and regain some of your premium.

Feeder Cattle August Futures

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