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PROVEN INDEPENDENT INVESTMENT MANAGEMENT

AG TECHNICALS & TRENDS

November 2020 Edition

Canola futures have been a hot topic with clients.

Since August 1st, canola futures on the January contract has increased $85/t approx.

Is canola going to the moon?

$600/t is the next target in sight, however, don't expect it to be a smooth ride.

I've been mentioning to clients for the last couple of months that trends are shaping like canola could go higher, but it is still wise to incrementally sell.

One thing I watch is the spread between the different canola futures contracts.

Currently, spreads continue to be very narrow and historically this is a bullish signal because commericals are being aggressive in the marketplace.

On the fundamental side, the demand for canola is still expected to be strong with no slowdown in domestic crush or exports early next year

Ending stocks for 2020-21 could be around 1.5 million tonnes, resulting in a tight 7-8% stocks-to-use ratio.

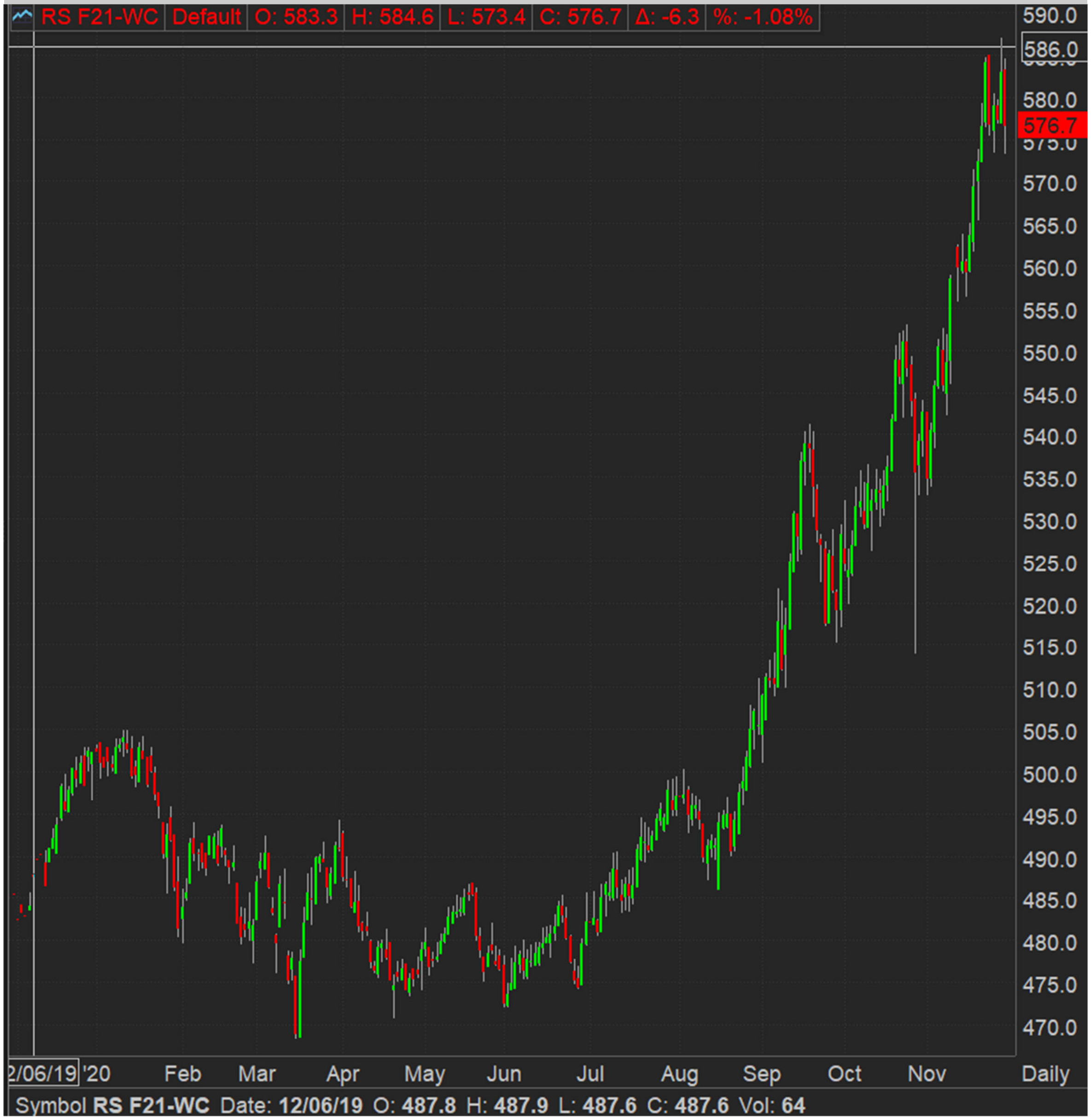
Stats Canada latest forecast on the supply side was bullish at 19.4 million tonnes, but it is looking like it could be smaller then that.

Combine these fundamentals on canola with outside forces like a strong soy complex and there has been a perfect storm for canola to increase.

I'm starting to see that there could be some resistance here now for the soy complex to go higher.

For farms that aren't wanting to sell physical canola it might be worthwhile to consider a risk limited option strategy to protect yourself if the futures decline.

Canola January Futures - 1 Year



Wheat

It is seeming like the technicals on all wheat contracts are showing there could be a decline.

Today all wheat contracts are lower and so far this month.....

- Chicago wheat DECREASED 6 cents/bu
- Minneapolis wheat DECREASED 5 cents/bu
- Kansas City wheat INCREASED 7 cents/bu

Deteriorating crop conditions in the U.S. and southern Russia have helped to provide underlying support.

However, weather trends may be changing and there isn't a strong fundamental view to support wheat prices like some other grains.

I'm reviewing for clients an option strategy call a Bear Put Spread.

For more options terminology click here.

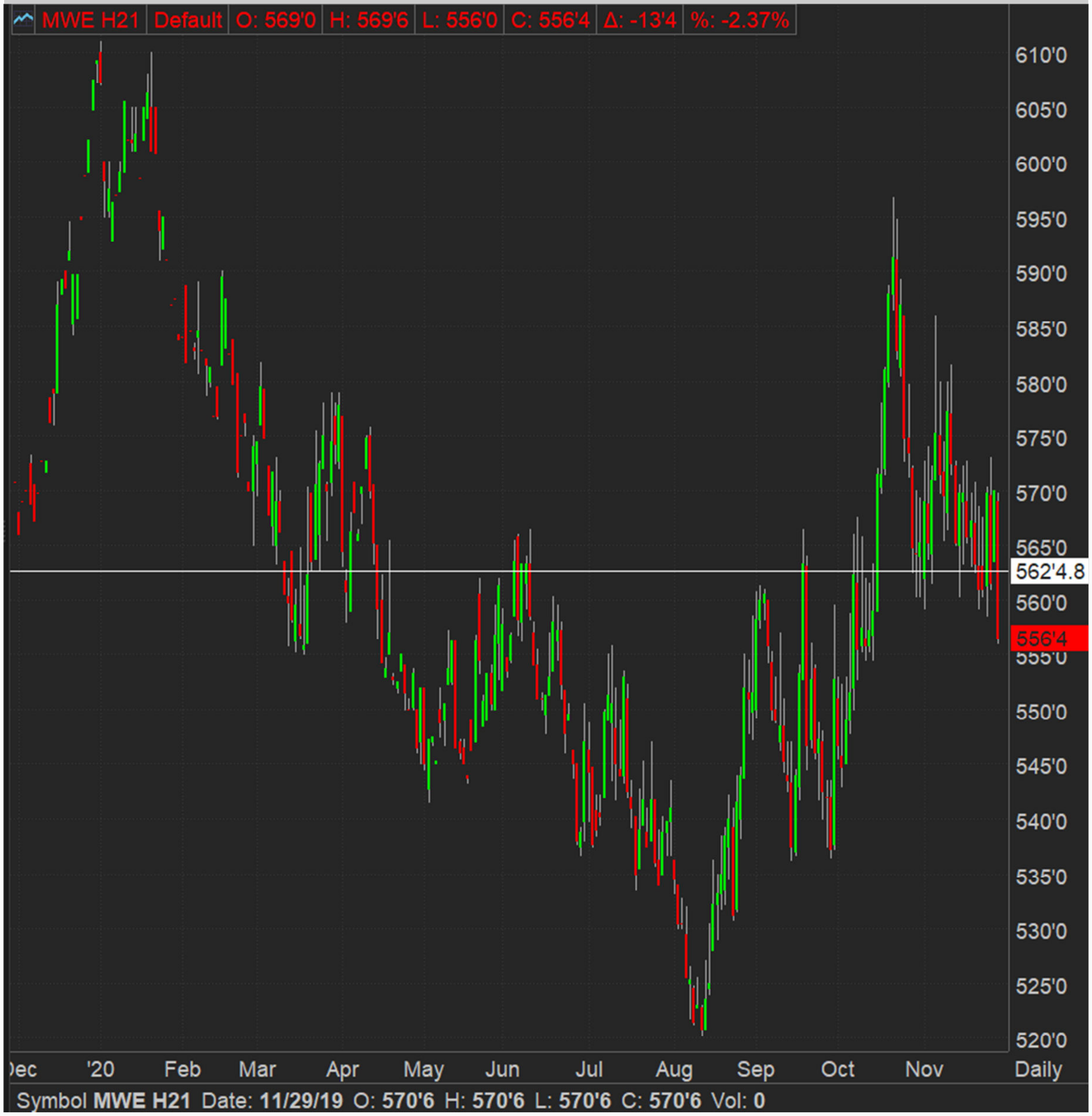
A Bear Put Spread is where you simultaneously on the same futures month Buy a Put and Sell a Put at a lower level.

If you are new to options, think of this strategy as giving you a range of protection for a cost.

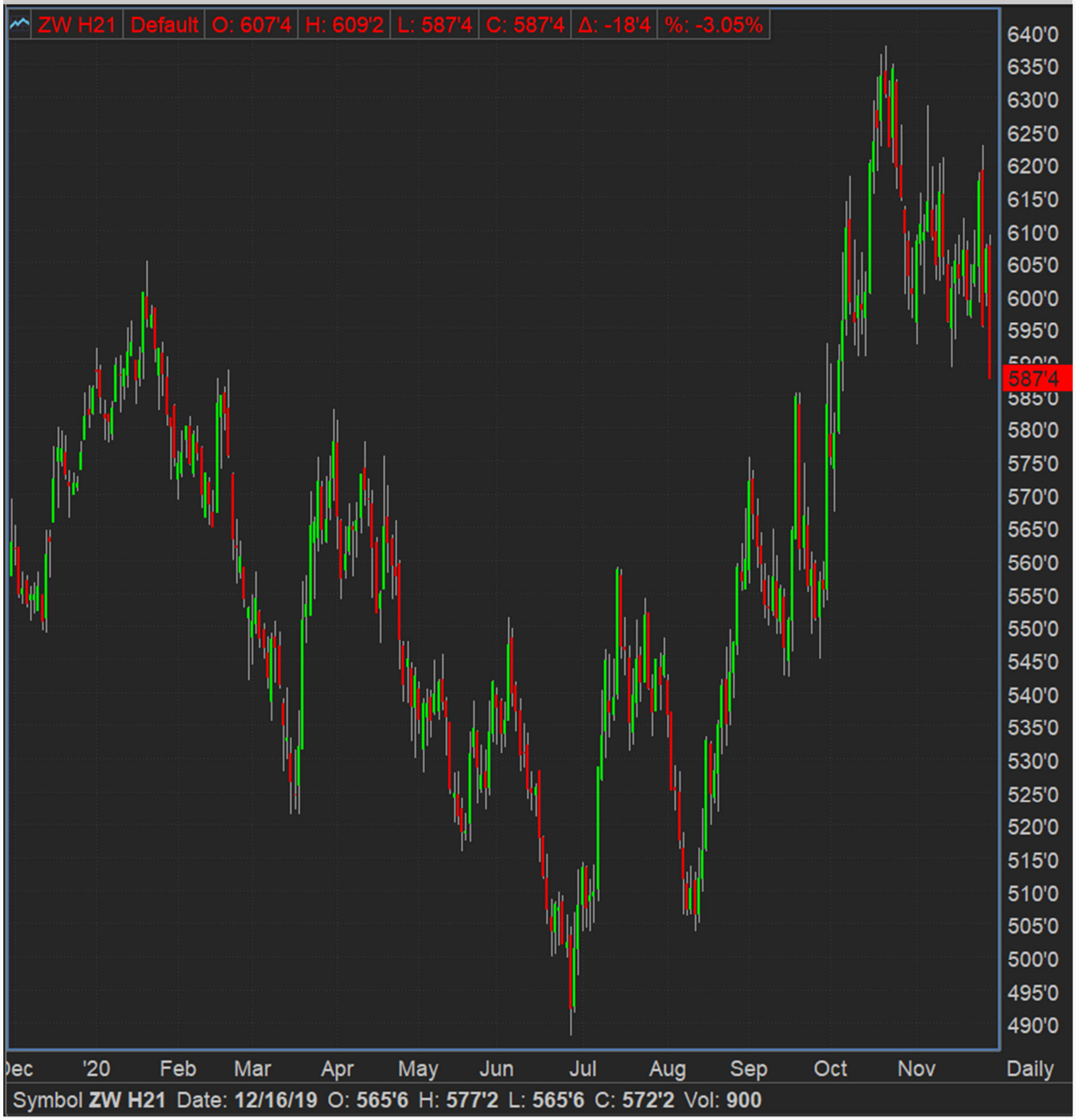
An example would be....

Buy May $6.00 Chicago Wheat Put - Cost 35 cents/bu
Sell May $5.50 Chicago Wheat Put - Collect 12 cents/bu
Total cost: 23 cents/bu, or $1,150USD on the 5,000/bu contract.

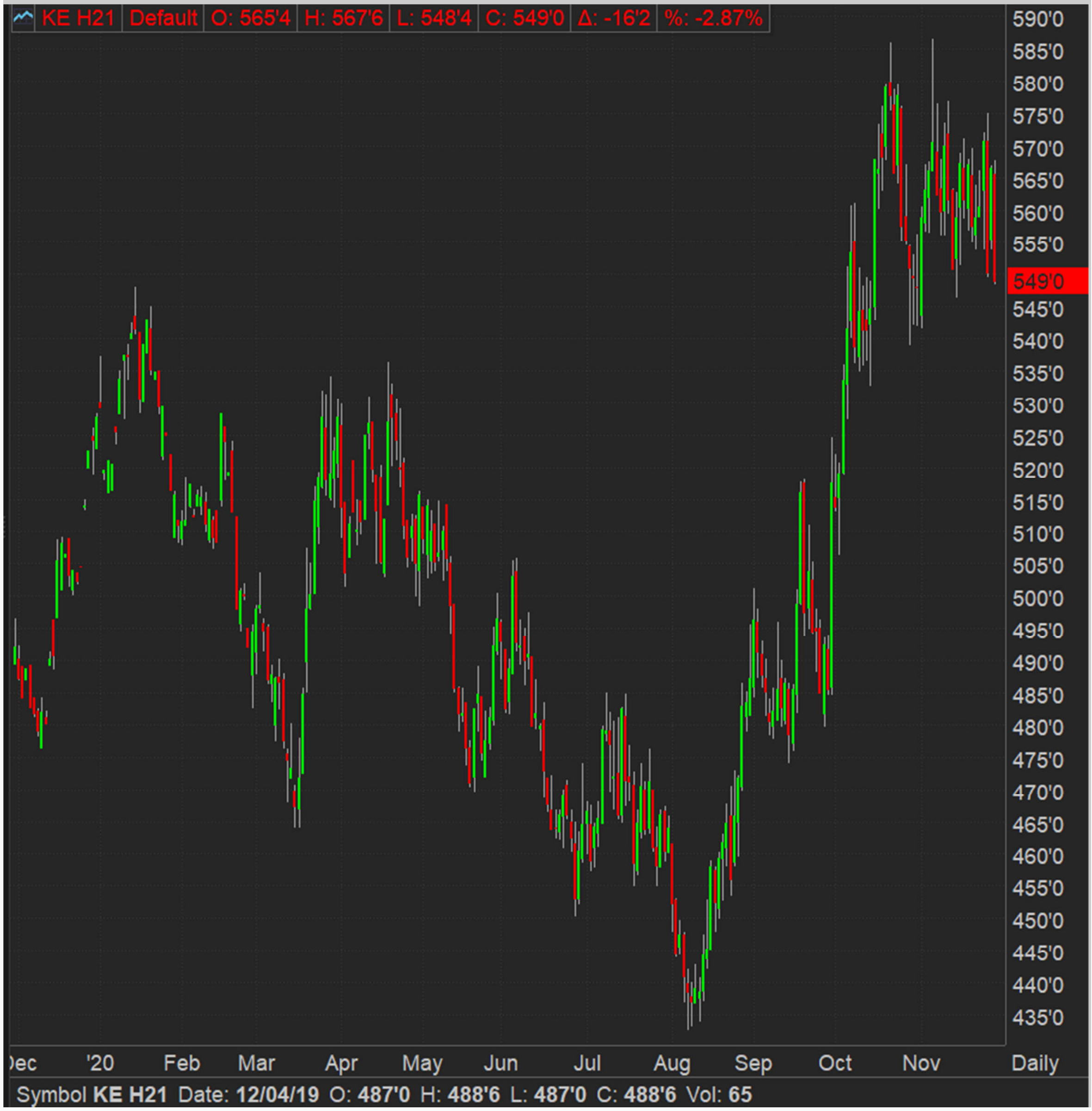
Minneapolis Wheat March Futures - 1 Year



Chicago Wheat March Futures - 1 Year



Kansas City Wheat March Futures - 1 Year



Soybeans

There might be a pause in the uptrend for the oilseeds, as mentioned in canola above. Soybean futures have increased $1.21/bu this month and $2.75/bu approx since the beginning of August.

There are positive fundamental and technical forces that could keep the rally going longer term.

Argentinian producers remain tight holders of soybeans and Brazil may be an active importer of soybeans this coming month.

Brazilian producers were aggressive sellers on the rally in pricing their 2021 crop and with plenty of dryness issues already the market could be supported. Stock are tight in Brazil and with the late planted crop could cause there to be no exports until February.

This opens the door for significant tightening in U.S. soybean stocks.

Traders believe that 30-50% of the Brazil crop is in drought stress situation.

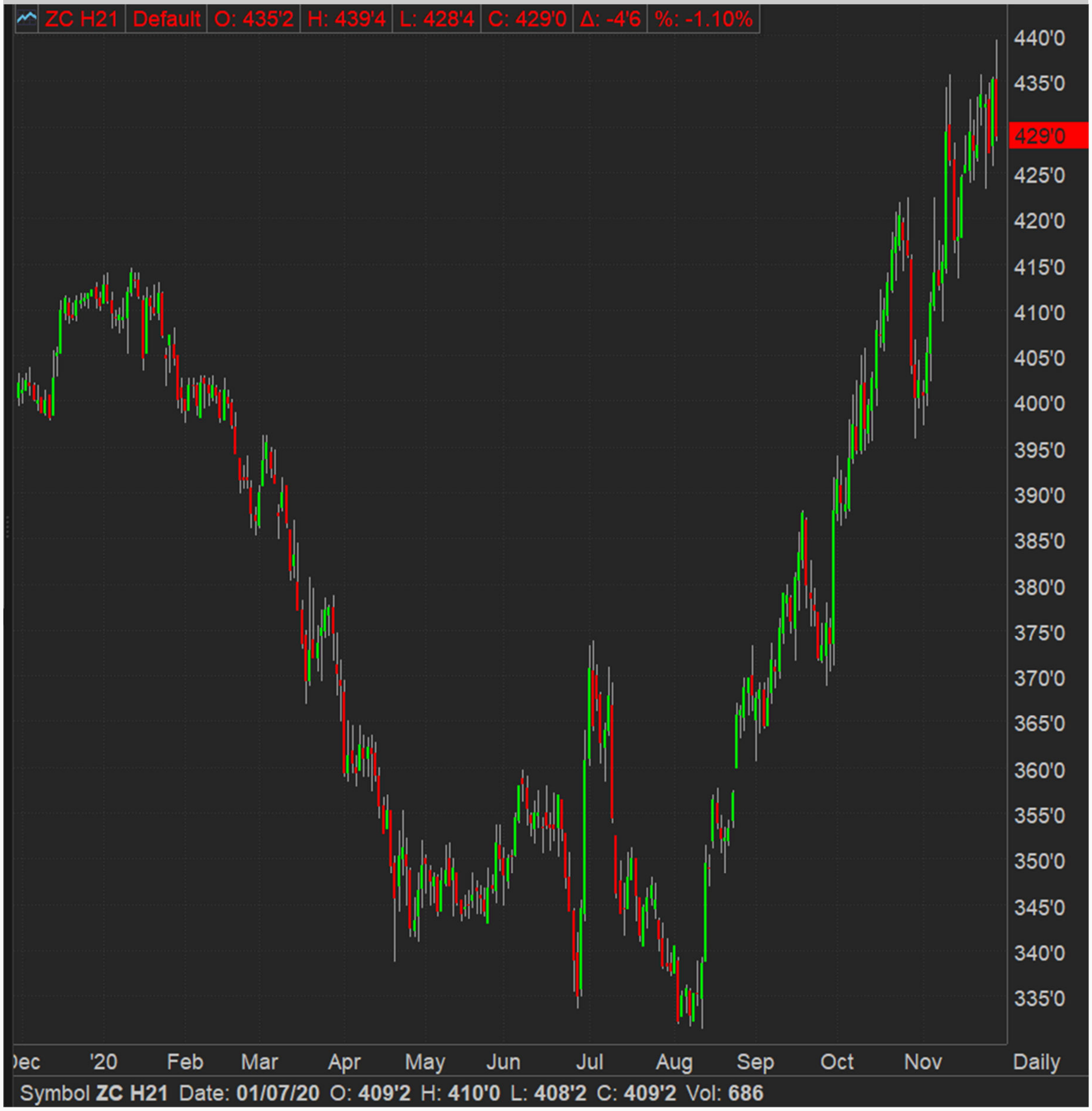
Argentina plantings jumped 10.6% over the past week due to improved rains and this pushed plantings to 39.3% of the total.

This shows how quickly plantings can change, which is why I think it is prudent to sell some physical beans or hedge at this level.

Traders may be in search of new bullish news in order to rationalize the current steep uptrend. Sellers are already more active in overnight trading and here today.

This month January soybeans pushed sharply to a 4 year high led by a surge in the soybean oil market, which also pushed to a new contract high.

Soybean March Futures - 1 Year



Corn

Corn futures on the December contract have now rallied $1/bu since the beginning of August.

There are positive fundamental and technical forces that could keep the rally going longer term.

On the weather front, a La Nina dryness trend for southern Brazil and Argentina is a longer-term bullish force.

For exports, the USDA attache is projecting China’s corn imports for 2020/21 to be 22 million tonnes versus the current USDA estimate of 13 million.

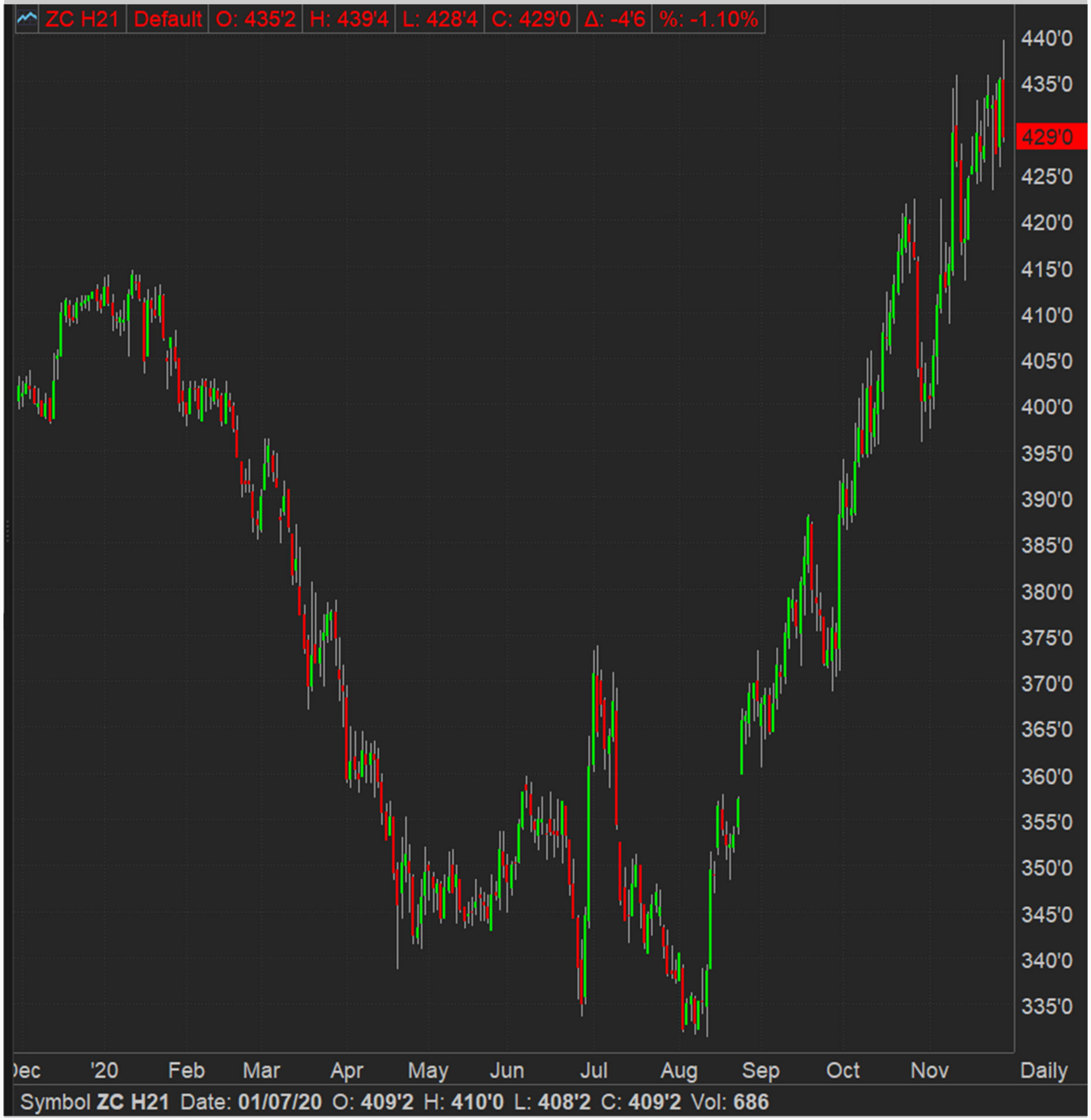
If china were to buy 75% of this additional corn from the US, it would add another 266 million bushels to total US corn exports.

This would cause US ending stocks to drop from 1.702 billion bushels to just 1.436 billion bushels.

One thing traders are watching is how pandemic concerns could cause ethanol stocks to grow.

I'm seeing the corn market at a possible short term peak and reviewing hedging strategies for operations.

Corn December Futures - 1 Year



Cattle

This month's Cattle on Feed Report was considered bullish for 2021 futures contracts and slightly negative for the cash market.

Placements for the month of October came in at 89% from trade expectations for 91.1% of last year.

This will leave less market-ready cattle available during February and March.

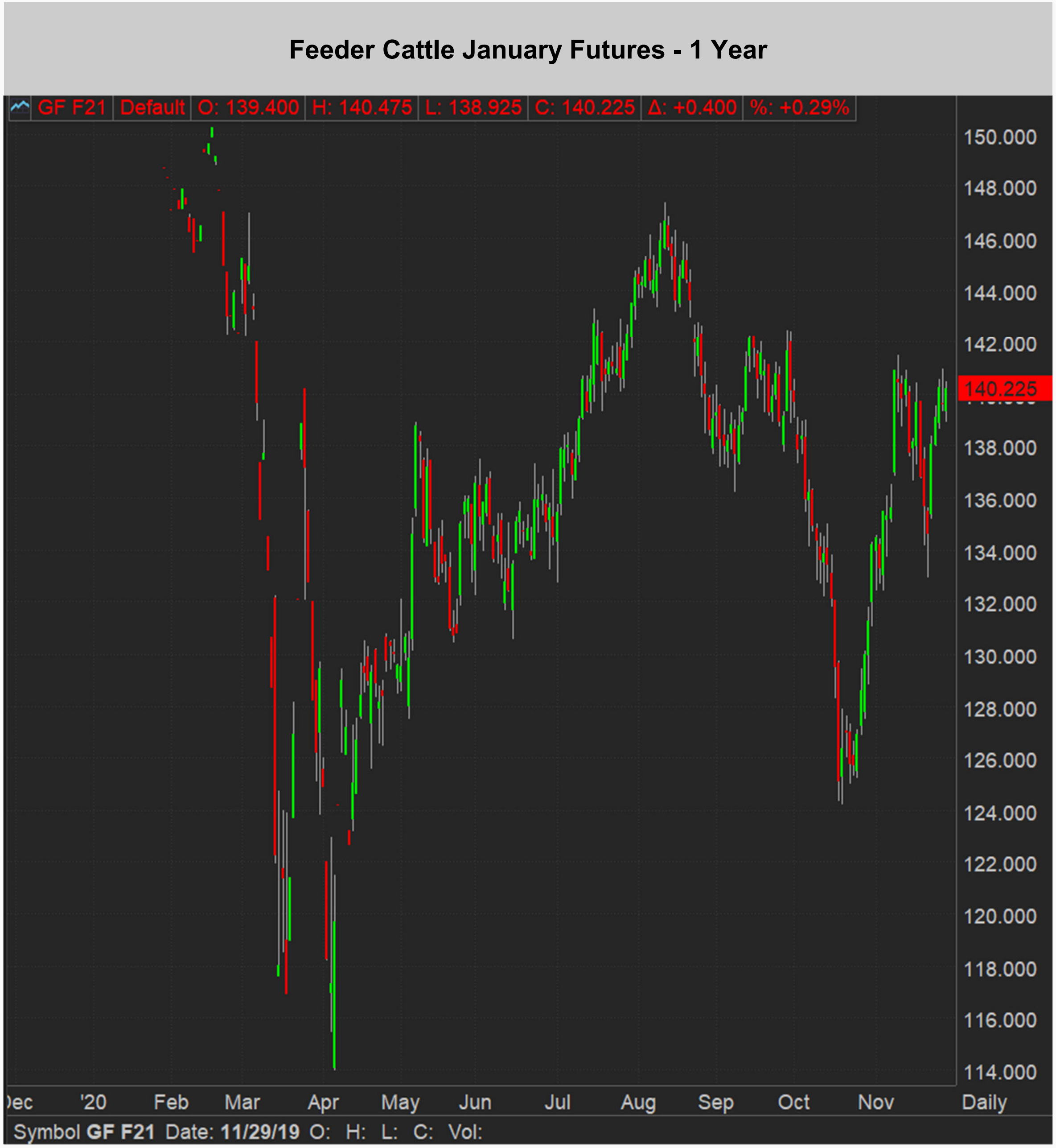
Marketing’s during October came in at 99.9% of last year as compared with expectations for 100.2%of last year.

This would suggest a few more cattle are available than expected early this month.

Overall, the USDA report was supportive and the jump in beef prices to the highest since June and steady cash trade are short-term supportive forces.

I haven't been adding in significant protection for my livestock clients yet.

Some have been filling their feedlots/buying cattle and adding some protection similarly to how grain farms incrementally sell.


Feeder Cattle January Futures - 1 Year
GF F21 Default O: 139.400 H: 140.475 L: 138.925 C: 140.225 Δ: +0.400 %: +0.29%
150.000
148.000
146.000
144.000
142.000
140.225
138.000
136.000
134.000
132.000
130.000
128.000
126.000
124.000
122.000
120.000
118.000
116.000
114.000
Dec '20 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Daily
Symbol GF F21 Date: 11/29/19 O: H: L: C: Vol:

Live Cattle February Futures - 1 Year