

SPEEDING AND SEEDING

APRIL 30, 2021

EXECUTIVE SUMMARY**WORLD AG STAGE:**

Full steam ahead! Globally there needs to be a bumper crop. Right now it seems that every major crop growing region has something to be concerned about. From today's vantage point it looks like global supply will not be increasing this year.

FINANCIAL WORLD:

A classical economist, where the economy is self-regulating, would consider the world a complete mess, yet politicians will continue to print currency until the gig is up. And nobody knows when the gig is up, so ride the wave. Luckily for farmers, big money has decided to go long which means the commodity complex which should stay strong for a long time.

RISK TO REWARD MANAGEMENT:

As these prices become higher and higher the risk also becomes higher, but not just to the downside. On both sides the market can swing an exponential degree. These markets are acting rationally irrational which basically means you don't want to be on the wrong side.

NEW RECOMMENDATIONS**OLD CROP**

Make sure everything is stable and put in lofty targets.

NEW CROP

Even in the last few weeks the fundamentals have changed enough that additional pricing shouldn't be considered. That being said, everyone should have something priced by now.

MAJOR REVELATIONS

- Canadian canola crush capacity is going to increase by a minimum of 3.5 MMT in 4 years, which means at least 5 Million more acres.
- The world's supply chain is much more fragile than previously thought.
- Excess money supply has created such things as NFT, non-fungible token, which is basically a digital house or digital art that is connected to the blockchain therefore making it a one-of-a-kind item. My personal take on this is that this technology will transfer into commodity contracts to the degree where they can track individual kernels of grain.

- Expect huge market volatility in the coming years. Canola used to move 40 bucks a MT. Going forward moves could easily be 200 plus. This means risk management is more important than ever before. i.e. know your numbers.

STATS CANADA INTENTDED ACRES -APRIL 27,2021

No surprise with these numbers.

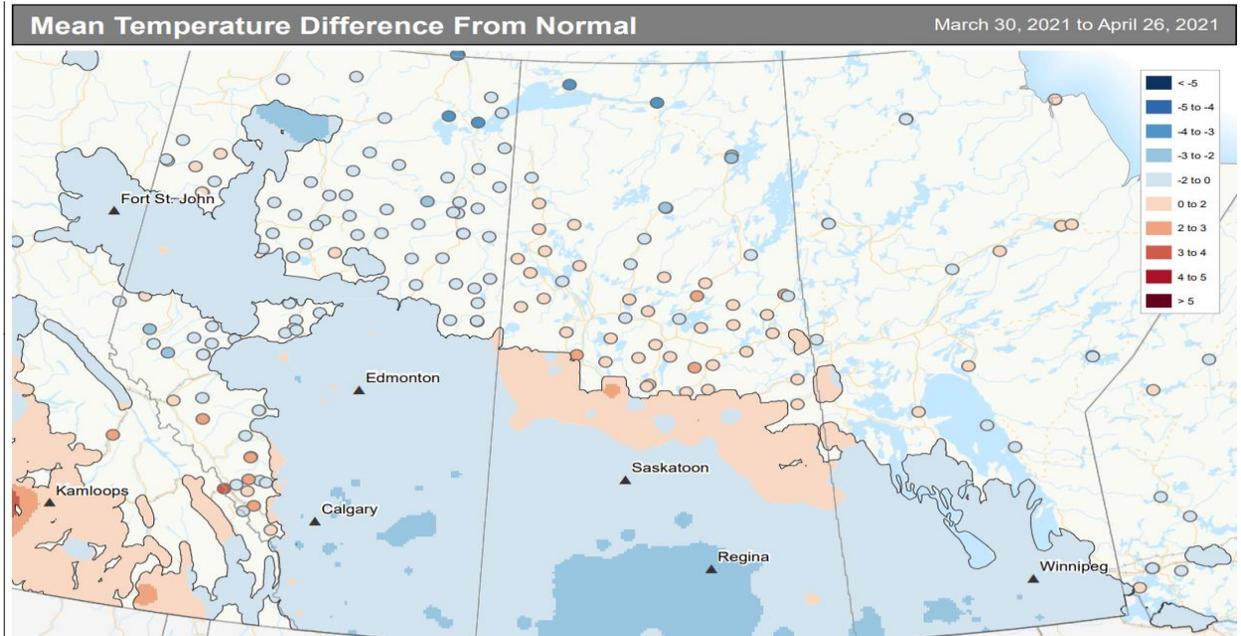
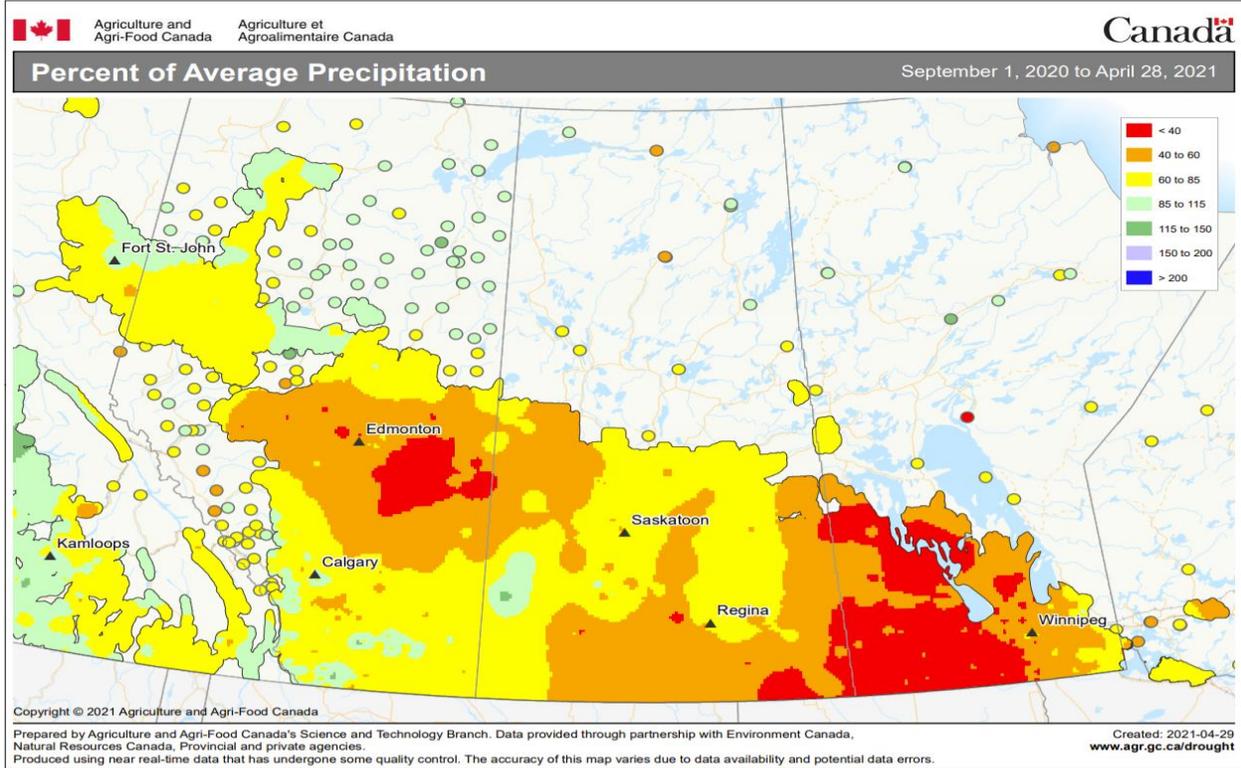
	2019	2020	2021	2019 to 2020	2020 to 2021
	<i>thousands of acres</i>	<i>thousands of acres</i>	<i>thousands of acres</i>	<i>% change</i>	<i>% change</i>
<i>Spring wheat</i>	18,782	17,926	16,340	-4.6	-8.8
<i>Barley</i>	7,402	7,561	8,613	2.1	13.9
<i>Canola</i>	21,181	20,783	21,530	-1.9	3.6
<i>Oats</i>	3,596	3,839	3,608	6.8	-6

MARCH PRELIMINARY ESTIMATES OF PRINCIPAL FIELD CROP AREAS

<https://www150.statcan.gc.ca/n1/daily-quotidien/210427/t001b-eng.htm>

WEATHER

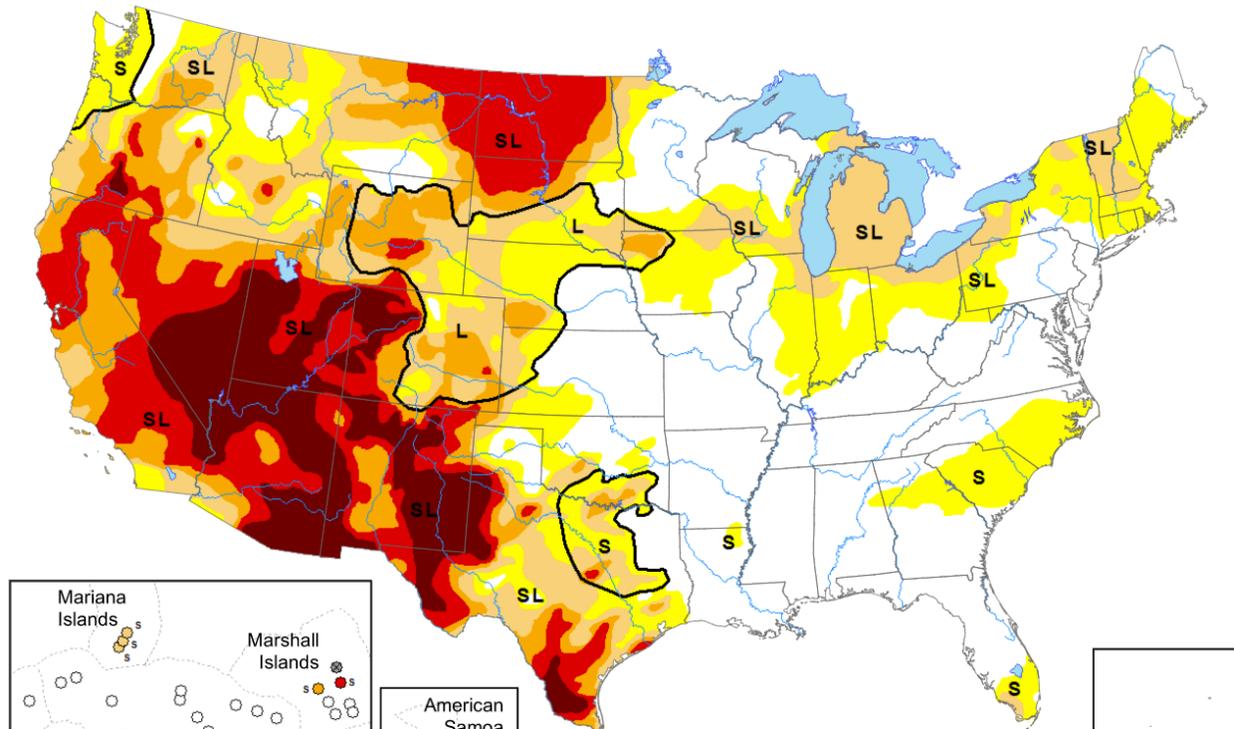
Looks like the la Nina is still forming and some of the climatic factors are forming. In much of North America it is dryer than normal. Also, the Canadian soil temperature is lower than normal.



The Western part of the USA is very dry. It looks like Texas is dry and parts of Oklahoma. Moving north it looks like Montana, South Dakota and North Dakota are also dry. These states are wheat growing states. Together those few states mentioned above will produce over a 29 million Metric Tonnes of wheat. Canada will produce 27 MMT of wheat (excluding durum).

Map released: April 29, 2021

Data valid: April 27, 2021



BULLISH OR BEARISH.

The overall commodity complex is decidedly bullish on all commodities. Unfortunately, this is a very complicated time. This time around it is not your simple supply and demand economics 101. This time around it is mashup of factors that is some complex that very few people are going to be able to outsmart this one.

Stacking the deck.

Things are very complex and they are moving very fast. Stacking the deck in this kind of market means focus on the things you can control, like growing the crop. It's a bullish market so that buys time. There is probably no need to do excessive pricing, because anything that disrupts the balance sheet could send this market screaming higher. You don't want to be the one writing the check. Pay attention and manage the risk. It is true that money can be made on both sides of the market. Don't be the one holding the bag when the party is over. At least take some candy out.

CANOLA

WORLD STAGE:

The world vegetable market is incredibly strong. There has never been a time in history where demand has been so strong. Couple that with a small supply issue and market goes vertical.

When two major players in the global food world build massive canola crushing plants then take heed. There is a reason why Cargill has touched everything you eat in some way.

A few factors affecting the market right now are:

- Dryness in North America
- Brazil removes import tax on soybeans
- Canada imported canola from Ukraine
- Cargill is building a 1 MMT new canola crush plant in Regina
- Viterra is building 2.5 MMT new canola crush plant in Regina

MARKET ZONING AND TIMING:

In reality, old crop canola is running on fumes. The crushers will pay as much as they can as long as arbitrage doesn't become a factor. That means if they can buy canola from Ukraine for cheaper than they will.

New crop canola blew through 650 on the November '21 which is very significant as 650 is a major support and resistance line. The next big line is at 710, then at 796.



RISK TO REWARD MANAGEMENT:

• 2021

Again, this market is all about balance and it could be the hardest thing that is done on the farm this year. It's finding that balance between risk Management, Profitability and Speculation.

As the growing season commences we need to pay attention.

Knowns:

- Very strong Canola demand.
- Dryness in North America
- Basically zero ending stocks
- Futures have blown past 650/mt. Expect volatility.

SMART CONTRACTING:

- 2021- look for opportunities that make money. Need to understand that under these current conditions the market could rally or drop \$200/mt in a very short time. Regardless, of the choice things can get very expensive very quick.

CURRENT TREND AND LOOKING AHEAD:

- The market is setup for some serious excitement during the growing season. Any thought of drought or even a slight hiccup is going to drive this market crazy.
- Because of this fact it seems like a pretty safe bet to leave some production unpriced and take a wait and see approach.
- It goes without saying that China and the rest of our trading partners need to be watched very carefully. Remember it only takes one idiot in Ottawa to say something stupid and the whole thing comes off the rails.

MOVING FORWARD:

- The best thing to do right now is to take money off the table if you haven't done so already.
- It is important to realize that the S&D is super tight and any issues with production could cause the market to jump \$200/mt overnight.
- Don't get caught by overbooking, because in this environment everything is expensive. Puts and Call are expensive, a good futures broker knows what I'm referring to.
- Look at different insurance programs. This could be the year where big premiums have big rewards.

CANOLA - General Selling Thoughts

2020 Harvest Crop		2021 Growing Crop		2021 Harvested Crop	
Fall 2020	N/A	Fall 2020	10% - 20%	Fall 2021	N/A
Winter	N/A	Winter/ Spring 2021	12/bu-16/bu	Winter/ Spring 2021	
Spring / Summer 2021	100% Sold @ 18 keep a load for pure speculation??	Summer 2021	Have room to take advantage of summer rally	Growing 2022	
Total	100%	Total	25%	Total	N/A

Assuming a normal growing season and average production					
TREND		Short Term (90 days)		Long Term (6 months)	
		<i>Stable</i>		<i>S&D dependent</i>	
Technical Range 2021 crop					
Lower Range		Likely Range		High Range	
Major Support	500	<i>S&D dependent</i>	650-710	Breakout	700-800
<i>Tough Decision</i>		<i>Best Risk Management</i>		<i>Pull The Trigger</i>	
50% sold	A bumper crop would push market down this far.	50% sold	710	85% sold	800

WHEAT

WORLD STAGE:

Has wheat finally awakened from its slumber? It's been a long time coming and it seems wheat is now awake and ready to go. For the most part this is because it is pretty dry in the States plus a few freeze events. Wheat production in the USA will probably suffer. Likewise, Canada is expecting a smaller crop simply because acreage is going down by 1.5 million acres.

Watch for an la Nina year! If this happens wheat will rally significantly. It could be as much as \$2/bu

MARKET ZONING AND TIMING:

Traditionally the ratio between wheat and corn has been 1.35 as in it takes 1.35 bushels of corn to buy one bushel of wheat. The current ration is 1.27 which means less corn is needed to buy a bushel of wheat. The story is much the same with soybeans where the long term average is about .55 and currently running around .49. By looking at these ratios it can be determined that wheat will return to it's commodity equilibrium. Basically, wheat will go up in relative value. It just needs a little push.

RISK TO REWARD MANAGEMENT:

- 2021
 - **A weather market in mid summer could be really exciting with wheat. The set up is there.**
 - CPS: CPS is priced off of Kansas wheat futures which are enjoying a really nice rally.
 - HRS: There doesn't seem to be a rush when pricing this crop. However, if new crop HRS rallied up to 9.50 or more it would be wise to lock in some production.

Knowns:

1. 2020 wheat production was a record. Ending stocks over production is very high.
2. La Nina could be forming. This weather is negative to wheat production.
3. Wheat is undervalued compared to corn and soybeans. This always corrects.

SMART CONTRACTING:

- 2021
 - CPS – Stand aside
 - HRS Have some lofty targets in for a summer rally. Be quick like a fox.

MOVING FORWARD:

Best thing that can be done right now is to be prepared for a La Nina Year. The setup is already in place. The market just needs a trigger.

CURRENT TREND AND LOOKING AHEAD:

2020 Harvest Crop		2021 Growing Crop		2021 Harvested Crop	
Fall 2020	N/A	Fall 2020	CPS futures only	Fall 2021	N/A
Winter	N/A	Winter/ Spring 2021		Winter/ Spring 2021	
Spring / Summer 2021	100% Sold @ 8.50 keep a load for pure speculation??	Summer 2021	Have room to take advantage of summer rally	Growing 2021	
Total	100%	Total	25%	Total	N/A

Assuming a normal growing season and average production (If this is a true La Nina year than prices will be higher)					
TREND		Short Term (90 days) <i>Unstable</i>		Long Term (6 months) <i>VERY S&D dependent</i>	
Technical Range 2021 crop -KANSAS Wheat Futures					
Lower Range		Likely Range		High Range	
Major Support	\$4/bu	A Slow Up Trend	6-7.50	Breakout	7.50-9.5
<i>Tough Decision</i>		<i>Best Risk Management</i>		Pull The Trigger	
50% sold	A bumper crop would push marked down this far.	50% sold	8.50	85% sold	8.50

BARLEY

WORLD STAGE:

Worldwide barley acres will be increasing this year. Farmers around the world will respond to this price action. Generally speaking many farmers consider barley an “easy and cheap” crop to grow. In Canada there has been a fundamental shift in the arbitrage market because the elevator system is now involved in the barley trade. Expect freight spreads to narrow in. This might cause some feedlots to re locate to a place where money flow is the greatest???

MARKET ZONING AND TIMING:

The going forward barley pricing zone should be somewhere around 5 bucks. Again, this year barley pricing will depend a lot on the growing season and the crop that is produced. It seems as if the new crop barley market is stabilizing and taking a wait and see approach. This makes sense as domestic buyers can not efficiently hedge their positions.

RISK TO REWARD MANAGEMENT:

- 2021
 - There should be a significant portion of barley sold to elevators already. New crop pricing has come off significantly. Any price greater than 5 is a no brainer.

Knowns:

- A lot of barley will be grown this year. Close to 9 million acres
- New crop sales have been very aggressive. Export program could be as high as 4 mmt? This year it is estimated at 3.3MMT.
- Canada ending stocks are virtually zero.
- Tight Corn S&D

SMART CONTRACTING:

2021

- Nothing wrong with being 40% sold when the prices are this high if you have priced correctly.
- If you haven't priced anything yet use some targets to get some sales on the books.

CURRENT TREND AND LOOKING AHEAD:

Under normal circumstances the probability of new crop barley being lower in the fall than it is right now is pretty high. The amount of barley that will be grown is very large and export demand is only so much. Expect the S&D to start coming into alignment.

2020 Harvest Crop		2021 Growing Crop		2021 Harvested Crop	
Fall 2020	N/A	Fall 2020	10% - 50%	Fall 2021	N/A
Winter	N/A	Winter/ Spring 2021	5/bu - 6/bu	Winter/ Spring 2021	
Spring / Summer 2021	100% Sold @ 6.5 keep a load for pure speculation??	Summer 2021	Have room to take advantage of summer rally	Growing 2021	
Total	100%	Total	Up to 50%	Total	N/A

<i>Assuming a normal growing season and average production</i>					
TREND		Short Term (~90 days)		Long Term (~6 months)	
		<i>Stable</i>		<i>Down - S&D dependent</i>	
Technical Range 2021 crop					
Lower Range		Likely Range		High Range	
Major Support	4.50	A Slow Down Trend	4.75-6.00	Breakout	6.50
<i>Tough Decision</i>		<i>Best Risk Management</i>		Pull The Trigger	
50% sold	A bumper crop would push market down this far.	65% sold	5.75	95% sold	6.50

THE ACTION PLAN

The setup for this summer is one of volatile markets. There could be huge swings either direction. The whole financial complex is in a state of uncertainty. The whole political world is anything but certain. The weather pattern is setting up for a La Nina which historically has caused some production issues. At this particular point in time nobody has a clue how the next 6 months are going to play out.

A few suggestions.

1. Be ready for market volatility. Have your pricing targets in place.
2. Don't get oversold. Know what your maximum level of risk is. Write it down.
3. Have a backup plan.
 - a. What are you going to do if the crop fails?
 - b. What are you going to do if the market never rallies and just keeps falling?

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