

INTERPRETING THE MARKET



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This is the one time of the year when farmers know more than the trade. It is also a time when big mistakes can be made.

Your advantage is that you know what is happening with your crops

and your neighbours. Chats in the coffee shop can give a better picture of conditions in the surrounding area. You are the first to know if diseases, insect pests, or the weather might hurt yields.

The problem is, some farmers think what is happening around them represents the crop. Some growers avoid this problem by visiting friends they made at the CropSphere conference in January. Walking their fields results in a better idea of what is happening in a bigger area.

Many times, the trade only knows about problems after you talk to grain buyers and they talk to their head offices. Every time information passes through another person, it changes to fit what each individual wants to believe or emphasize. This can create opportunities in the coming weeks.

With seeding complete, markets will focus on how crops are developing. Crop progress is likely to get more attention than usual because, while seeding was finished on time, it happened in a shorter period. This means that a bigger proportion of pulse crops could be flowering at the same time than was the case in prior years.

Pulse crops can be hurt by extreme heat during flowering because it causes some pods to abort. This reduces the yield potential of the crop. Hot and dry conditions can also result in crops which look thin. However, farmers are in a better position than the trade to know whether this means there are fewer pods per plant. Many times in the past, fields looked terrible, but yields were good.

Markets feed off of this information during the growing season. This is why the summer months are times when we have what are called weather markets. Weather

forecasts and crop condition reports from the Saskatchewan Ministry of Agriculture influence the emotions of traders and markets -- just like they can affect how happy or sad you feel about your crops. When television cameras start visiting farms to report on how bad or great things look, it can super-charge people's emotions.

There is nothing strange about saying markets have emotions. During the growing season, markets are often nothing more the net sum of the feelings and expectations of farmers, grain buyers, processors, exporters, and end users. They worry about yields, disease pressure, and the impact of real and imagined weather events.

The emotional stew of this year's weather market is being magnified by the brewing trade war between the United States (U.S.) and other countries. While the U.S. is imposing harsh duties on aluminum and steel, its agricultural products are being targeted for retaliation. This has unsettled markets for grains and oilseeds.

If China imposes a 25% import duty on U.S. origin soybeans and corn, Saskatchewan's soybean growers could see solid export demand after harvest. It also has the potential of boosting China's demand for other sources of protein. Like feed mills in Canada, they operate on a least-cost basis and so far this year peas have been able to compete for market share, resulting in a steep reduction in the quantity which is expected to be carried over into the next marketing year.

There are a lot of ways to think about numbers. The fact that farmers are eager to take advantage of the chance to deliver peas to primary elevators for export to China's feed market suggests two things. One is that the trade might be dead wrong in criticizing the seeding intentions report. Land in peas might not have dropped nearly as much as expected. Secondly, farmers do not seem worried about this year's yield prospects.

If they did not plant peas or were truly worried about their fields, more would tend to hold peas in their bin to sell in the coming marketing year. New crop bids might be discounted to spot markets, but that has never discouraged people from

believing they will get a better price if they wait. If field pea growers expected a huge drop in production, many would believe prices will get better as the 2018/19 marketing year progresses.

As of June 10, farmers had delivered 64% of last year's crop to the bulk handling system, compared to 79% by the same time last year. However, movement through processors appears to be up over this time last year. It can be argued that up to 85% of what was grown last year has been sold, compared to around 87% by the middle of June last year. If that is the case, this summer's residual supply of peas could be lower than the current forecast of 714,000 tonnes, setting the stage for a better balance between available supplies and demand in the coming marketing year.

At this time of year, farmers have an advantage. They know their local crop conditions and if they have friends in other places, they can find out what is happening in a bigger area. This means farmers know if they should take advantage of chances to sell before harvest begins and whether to forward sell or hold the coming crop.

Stay cool. Feel the emotions of the market as sometimes farmers can be market makers, not price takers.

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