



Commodity Comments

A Weekly Farm Publication by Jonah Bowles

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- ✓ I find it ironic that the colors red, white, and blue stand for freedom, until they're flashing behind you.
- ✓ Take my advice – I'm not using it.
- ✓ Hospitality is the art of making guests feel like they're at home when you wish they were.
- ✓ I was going to give him a nasty look, but he already had one.
- ✓ Ever stop to think, and forget to start again?
- ✓ I'm great at multi-tasking. I can waste time, be unproductive, and procrastinate all at once.
- ✓ Is it wrong that only one company makes MONOPOLY?

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PRICES AVAILABLE TODAY

The following prices are available on the various futures markets – the same markets that determine local prices for producers and consumers.

Top 3rd – Cotton, Class III Milk

Middle 3rd – Soybeans, Soybean Meal

Bottom 3rd – Corn, Wheat, Feeder Cattle, Live Cattle, Lean Hogs, Crude Oil, Natural Gas, Ethanol, Unleaded Gasoline, Heating Oil

Commodity	Month	Today	Week Ago	\$ Chg	% Chg	Life of Contract	
		7/27/16	7/19/16			High	Low
Corn	Sep-16	\$3.34	\$3.43	(\$0.09)	-2.6%	\$4.49	\$3.26
	Dec-16	\$3.41	\$3.50	(\$0.09)	-2.6%	\$4.89	\$3.33
	Dec-17	\$3.71	\$3.76	(\$0.05)	-1.3%	\$4.74	\$3.67
Soybeans	Sep-16	\$9.94	\$10.37	(\$0.43)	-4.1%	\$11.92	\$8.65
	Nov-16	\$9.81	\$10.26	(\$0.45)	-4.4%	\$11.86	\$8.50
	Nov-17	\$9.30	\$9.49	(\$0.19)	-2.0%	\$10.90	\$8.57
Soy Meal	Sep-16	\$343.20	\$357.30	(\$14.10)	-3.9%	\$420.30	\$264.40
	Dec-16	\$340.20	\$354.40	(\$14.20)	-4.0%	\$418.70	\$267.20
Wheat	Sep-16	\$4.17	\$4.20	(\$0.03)	-0.7%	\$6.42	\$4.07
	Dec-16	\$4.44	\$4.44	\$0.00	0.0%	\$6.52	\$4.31
	Jul-17	\$4.91	\$4.89	\$0.02	0.4%	\$6.10	\$4.75
Cotton	Oct-16	\$73.63	\$72.00	\$1.63	2.3%	\$75.14	\$55.64
	Dec-16	\$74.08	\$72.26	\$1.82	2.5%	\$75.00	\$54.19
Feeders	Aug-16	\$142.45	\$139.90	\$2.55	1.8%	\$190.00	\$134.10
	Oct-16	\$140.20	\$137.70	\$2.50	1.8%	\$180.10	\$132.30
	Jan-17	\$134.40	\$131.25	\$3.15	2.4%	\$150.15	\$125.00
Live Cattle	Aug-16	\$113.85	\$110.40	\$3.45	3.1%	\$145.75	\$107.35
	Oct-16	\$112.60	\$109.50	\$3.10	2.8%	\$147.00	\$105.55
	Aug-17	\$104.60	\$103.50	\$1.10	1.1%	\$113.00	\$100.25
Lean Hogs	Aug-16	\$74.60	\$77.35	(\$2.75)	-3.6%	\$90.40	\$71.30
	Oct-16	\$63.60	\$64.30	(\$0.70)	-1.1%	\$74.80	\$61.80
	Jul-17	\$75.30	\$75.60	(\$0.30)	-0.4%	\$80.60	\$73.60
Class 3 Milk	Aug-16	\$16.86	\$16.58	\$0.28	1.7%	\$17.12	\$13.43
	Dec-16	\$16.01	\$16.25	(\$0.24)	-1.5%	\$16.84	\$14.54
Natural Gas	Sep-16	\$2.66	\$2.69	(\$0.03)	-1.1%	\$4.03	\$2.01
Crude Oil	Sep-16	\$42.69	\$45.45	(\$2.76)	-6.1%	\$83.54	\$32.85
Gasoline	Sep-16	\$1.34	\$1.38	(\$0.04)	-2.9%	\$2.56	\$1.12
Ethanol	Sep-16	\$1.45	\$1.51	(\$0.06)	-4.0%	\$1.69	\$1.36
Diesel	Sep-16	\$1.34	\$1.41	(\$0.07)	-5.0%	\$2.62	\$0.99
		Top Third				New High	New Low
		Middle Third					
		Bottom Third					

MARKET OBSERVATIONS

Corn, wheat, feeder cattle, live cattle and lean hogs all traded to new life-of-contract lows during the past week. Cotton and nearby class 3 milk are the only Ag commodities trading in the top third of their lifetime range; milk made a new high.

THE PATH TO SUCCESS

This will be the very first Commodity Comments that are written in the first person. I have always wanted the Comments to be informative, but I would like for this, the last one with the purpose of providing information, to be more personal.

If there truly is a path to success, everyone should at least try to find it and stay on it. It seems that the older I get, the more agreeable I am to stop and ask directions – and listen to those wiser than me.

I became licensed as a stock and commodity broker in 1977 so I have almost 40 years of experience with markets, primarily agricultural commodity markets where the greatest majority of my business resided. I never told a client that I was the best broker in the nation, but I did honestly tell them that there were probably no situations that I had not experienced.

I could write a book about how I decided to devote my life to a service to those in agriculture. Every chapter would come back to wanting to be involved with a group of our society that is unequalled in the areas of honesty, professionalism, and importance to our survival as individuals or as a nation or as a world. During my years as a broker and as a market analyst at Virginia Farm Bureau Federation, I came to understand what the path to success might look like for this industry. Some thoughts-

Discipline – This is a simple word with a lot of important parts. It means to spend the necessary amount of time deciding on a process that has proven to be successful under a multitude of conditions in the past and stick with it. This doesn't mean to ignore changes in the industry – it means to have a good plan in place and don't abandon it on a whim.

Be aware, but don't stare – It is imperative that producers and consumers know what prices are available, not only for the near term but also for as many years into the future that they are provided. This doesn't mean that they should all be traded, but the awareness is important. Watching them too often during the day (staring) will prove to be counterproductive.

Relationships - Spreads and substitute commodity relationships can be more telling than individual prices of any particular crop or product. Prices can be so volatile that they are hard to analyze, but spreads and substitute relationships are not as erratic. Quite often they begin telling a story about changes in trends that is difficult to recognize when just looking at a price. Trends will change, but the recognition of the change may take longer without confirmation from spreads and substitute product relationships.

Understand the Commitment of Traders - The weekly report that is released by the Chicago Futures Trading Commission (CFTC) is a snapshot of who is doing what in the markets. Giving too much credit to the small speculator for making rational and sensible decisions can be a mistake, but being aware of what the managed funds (the smart money) are doing can (1) explain why markets have behaved as they have and (2) indicate buying and selling tendencies going forward.

Understand and believe the markets - The markets can seem to be irrational and foolish, but it is the market. Every day it trades it discovers value for every local area. Not believing the market, or hoping for something different and better, can be very expensive for producers or consumers. A suggestion for all those who question the validity of agricultural markets is to ask themselves, 'What if the markets are right and I am wrong?'

Profits versus price - Chasing a price means striving for something that is uncertain and maybe not possible. It disregards the current market in favor of seeking something else. Profits, or the lack of profits, can be measured every day. Recognizing when the market offers profits and being in a position to take advantage of them will always prove to be a more successful marketing approach than waiting/hoping for better prices. This doesn't mean that target prices should not be sought, just that profits should not be risked in doing so.

Understand the strategies - Not all risk management and marketing strategies are suitable for all producers and consumers. But, an educated selection of that which best suits a purpose cannot be made unless there is an understanding of all methods available. The best time to become educated on a strategy is when it is not available and therefore applies no pressure. Don't try to understand revenue crop insurance during the signup period; learn about using futures and options as an alternative to cash pricing while cash pricing is still available.

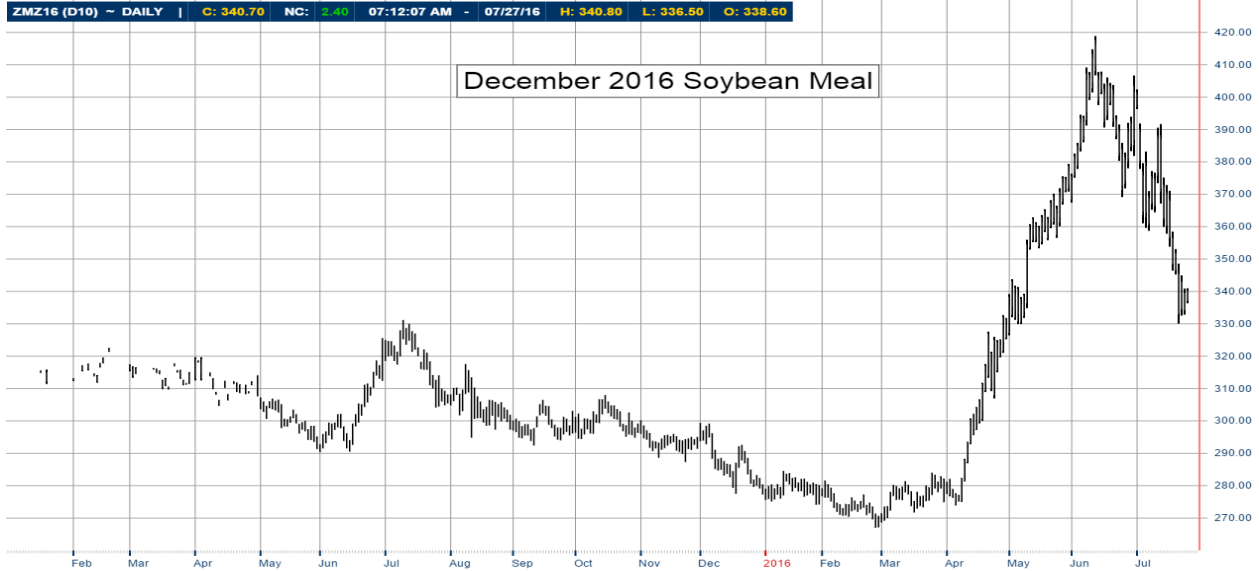
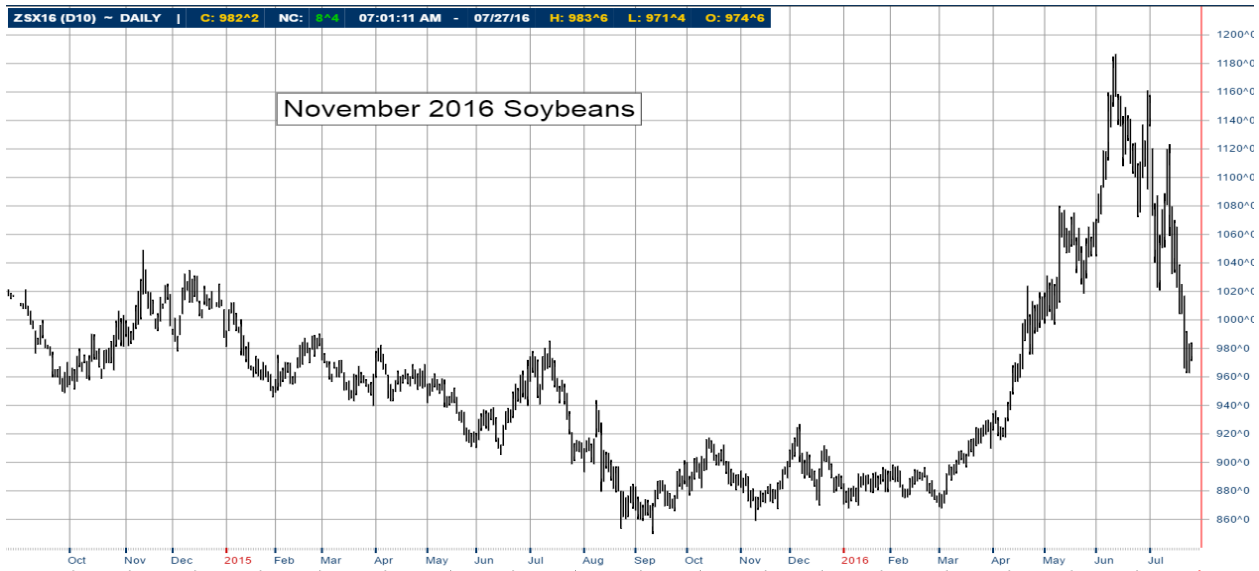
Who do you trust? – There are three categories of (insurance agents, salesmen, stock and commodity brokers, advisors, analysts, etc.) in any industry – good, bad, and what I call ‘pick-pockets’. The good are professional, they know their product or service and they know how best to match that with the needs of the customer. The bad are not intentional in their shortcomings, but something is missing. They try, but it doesn’t turn out for a number of reasons. The ‘pick-pocket’ is all about himself and doesn’t care about the customer. He knows exactly what he is doing when he fleeces his customers. Get references before exposing the profitability of an operation to an outsider.

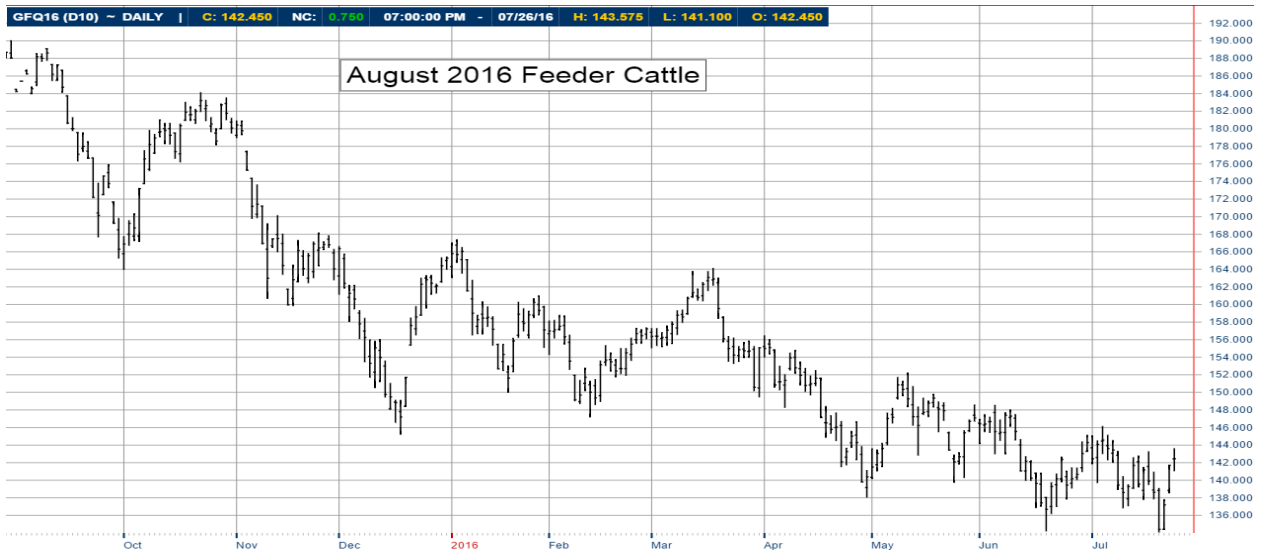
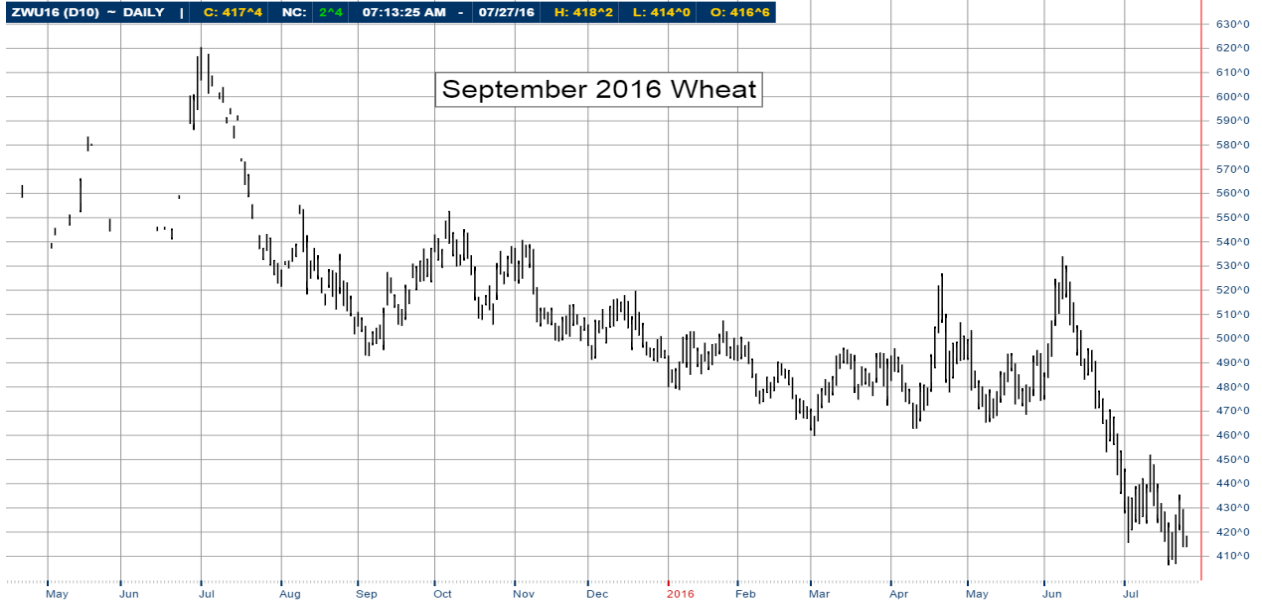
Analyze the value of doing business – No one likes to pay more than they think goods or services are worth. Two merchandisers might both charge the same handling fee; two commodity brokers might charge the same commission; two salesmen might charge the same for a bag of seed. But, in each case there might be a clear advantage in doing business with one over the other. It might even be beneficial to do business with the one with the highest apparent cost because of the intangible perks, like professionalism, accessibility, information. Generally speaking, costs such as handling fees or commissions do not determine an operations’ profitability nearly as much as the quality of the service rendered.

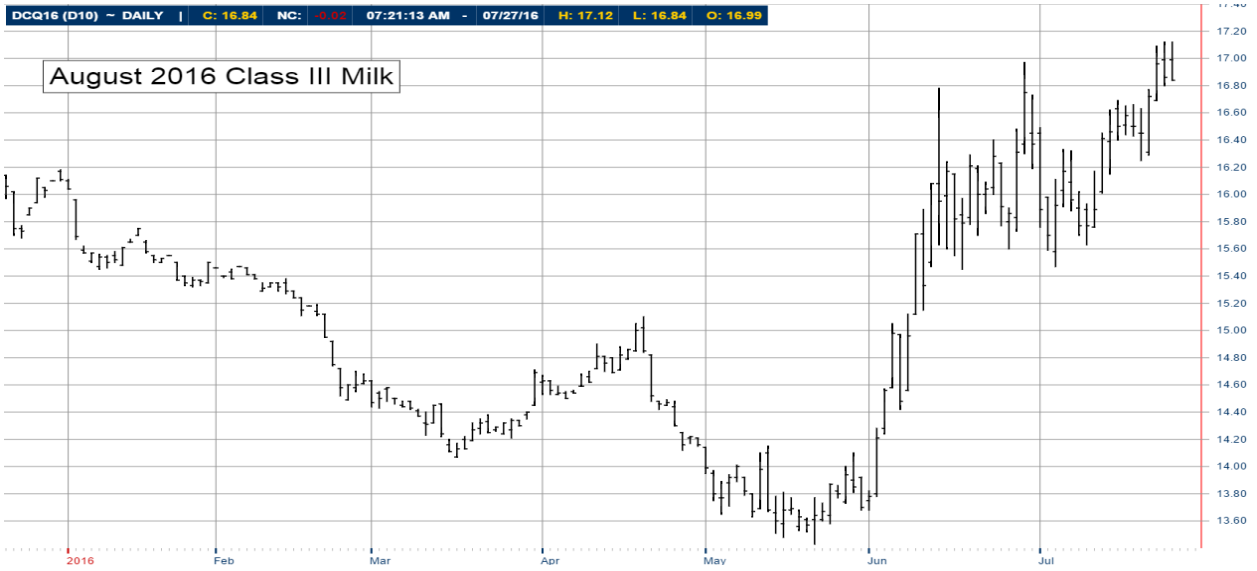
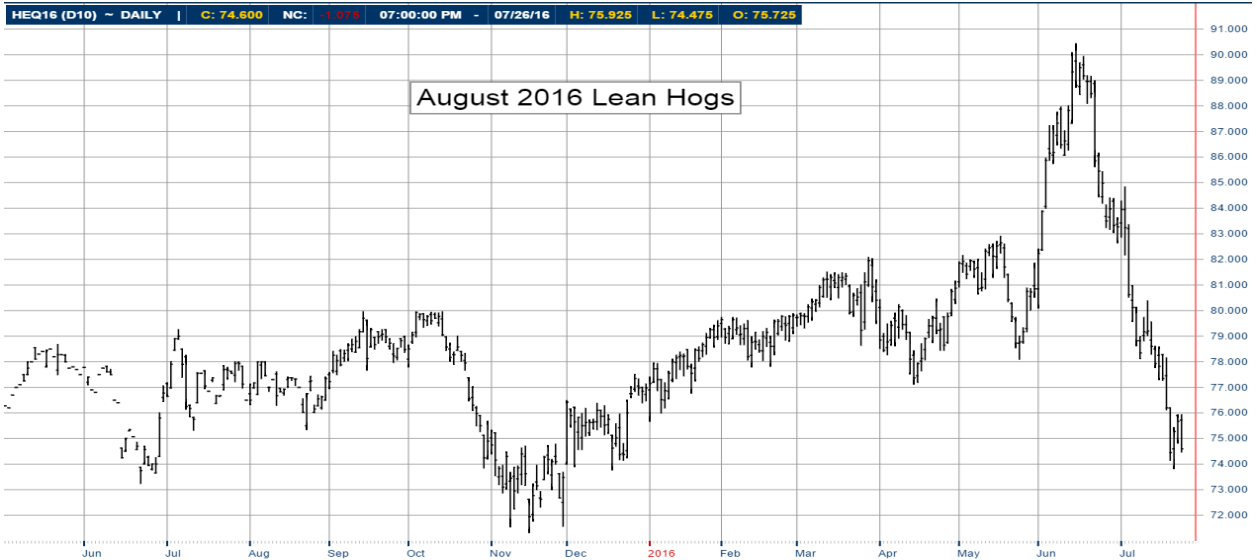
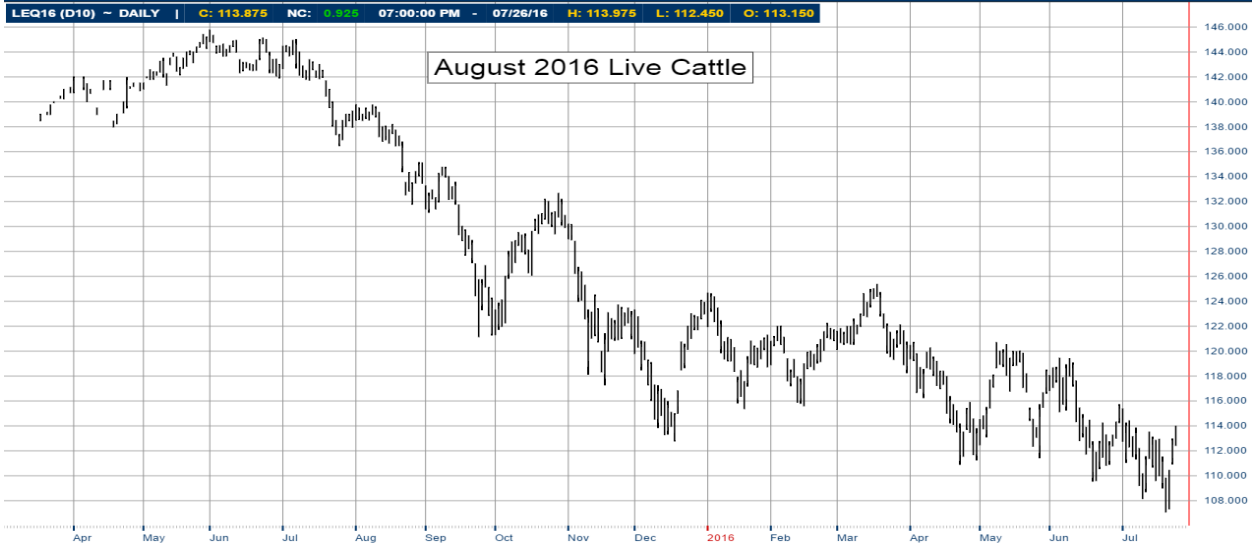
Quality and quantity have value – Almost anyone can produce a commodity, but not everyone can produce exactly what the buyer wants. Price alone can be very misleading when evaluating the best delivery point. Quality can have subtle (or not so subtle) discounts or premiums and almost all merchandisers will offer a better local basis for larger quantities of product.

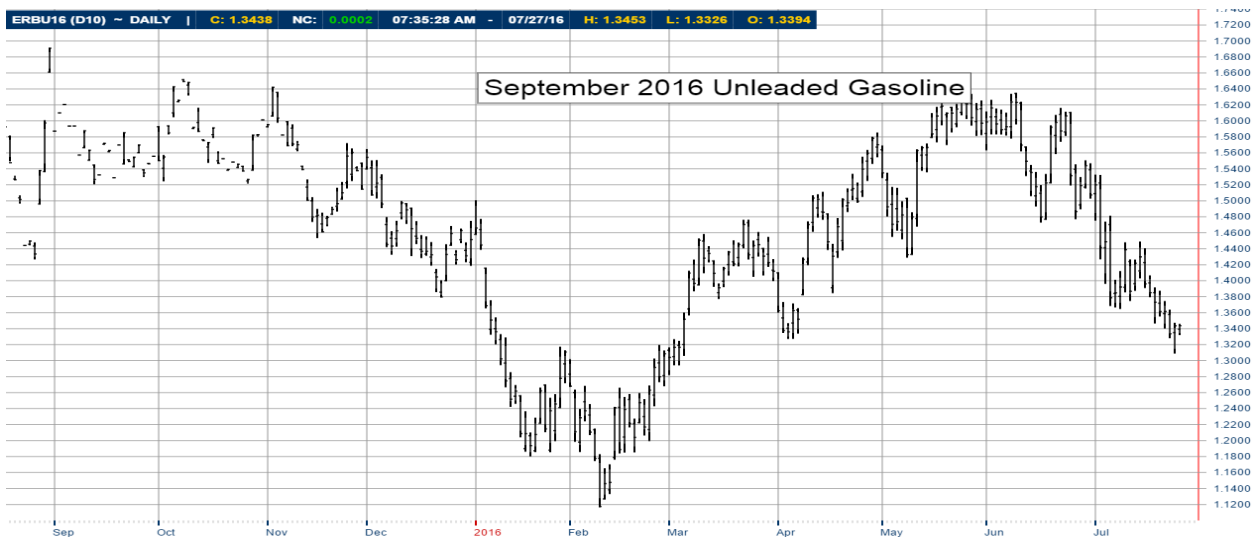
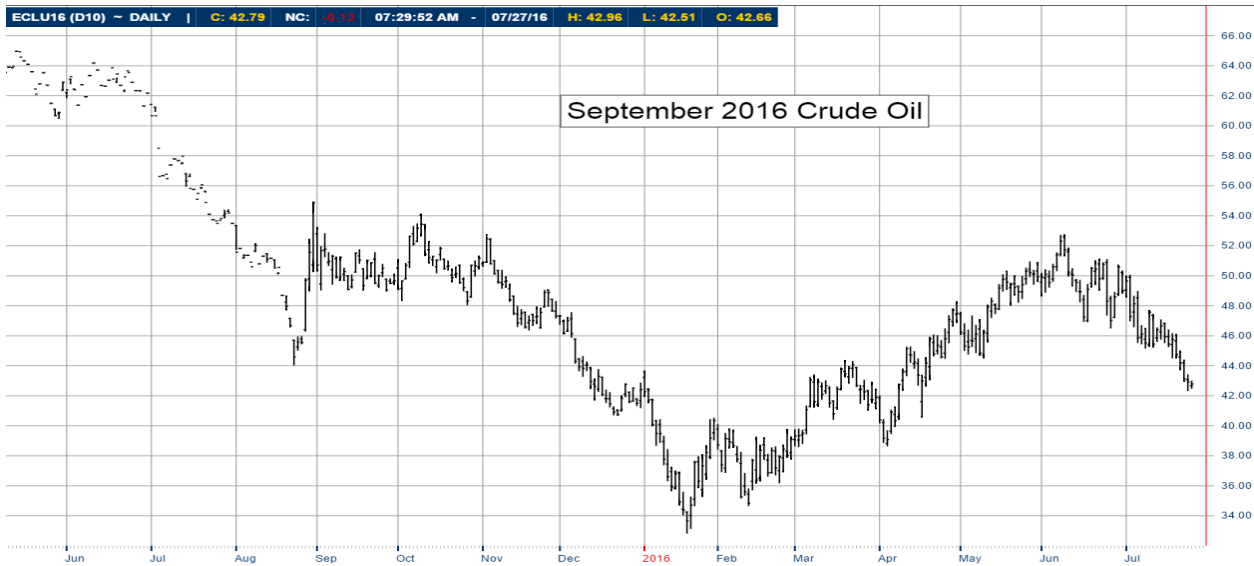
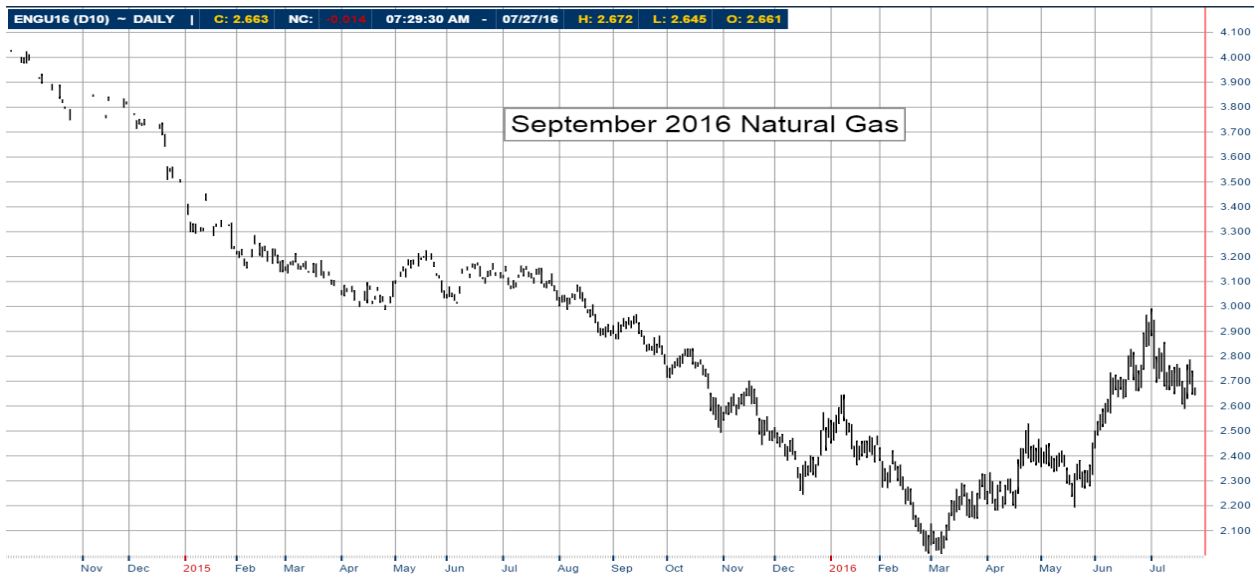
Belong to groups – The industry of agriculture is the most important industry in the world. There are a lot of producer and consumer organizations that speak on behalf of members and they deserve the support of every grower or consumer who benefits from their work. The cost of belonging is very small compared to the advantages received.

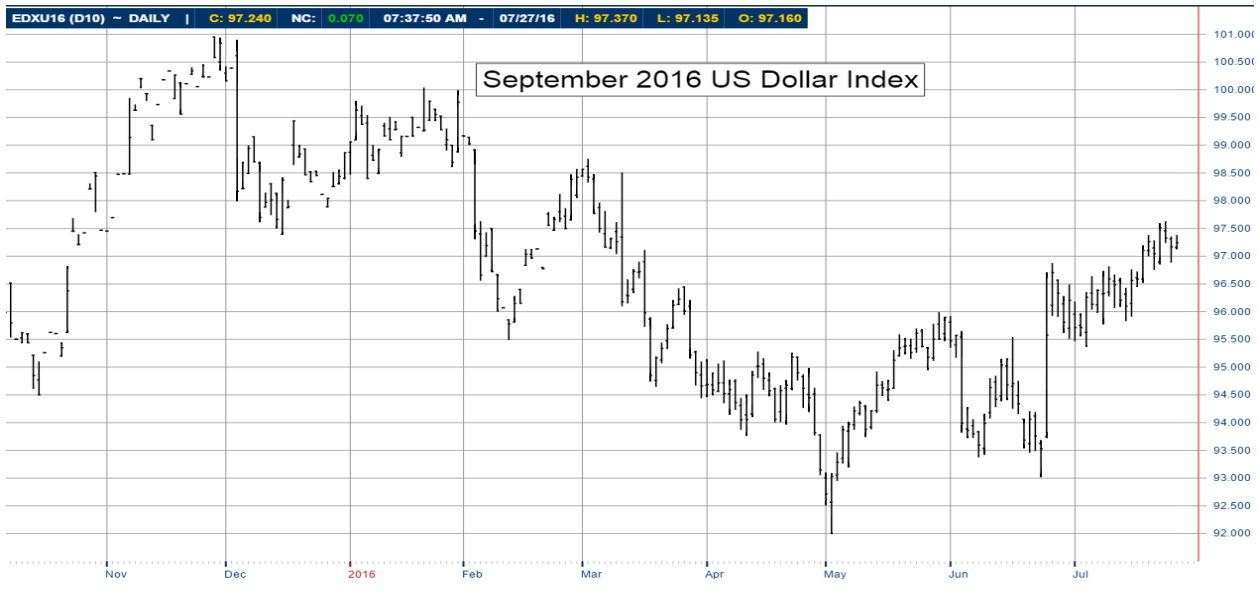
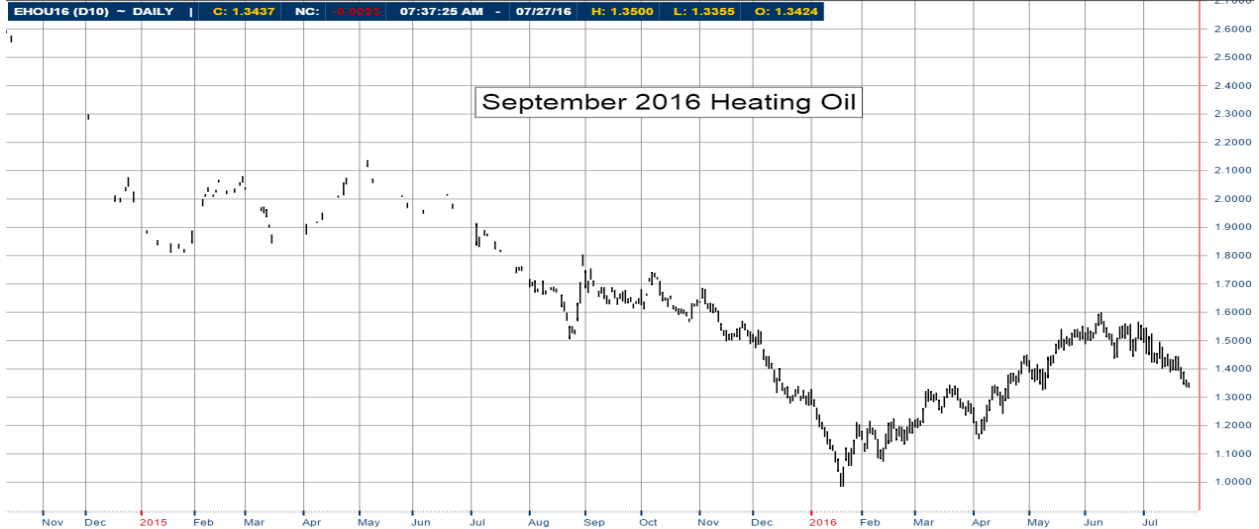
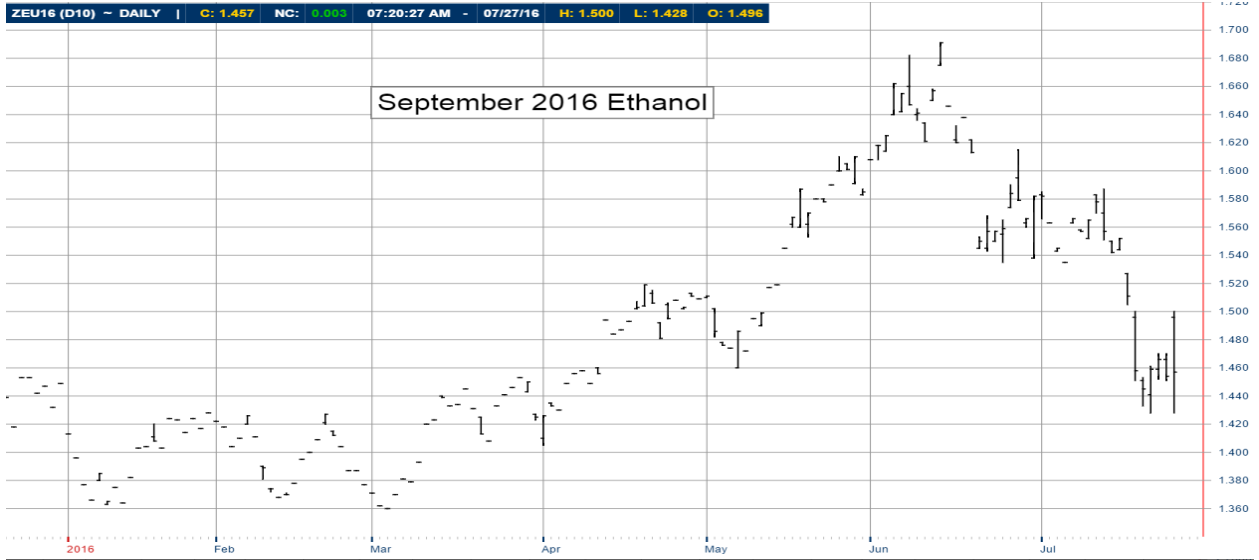
Separate business and pleasure – Sometimes the pleasurable part of farming can interfere with the farming operation. Ag Extension Agents frequently make the statement that farmers just need to get off their tractors and do something more productive. It’s easy to become involved with the fun tasks (operating the equipment) and lose sight of the importance of the more unpleasant farming projects (market planning, risk management, budgeting).

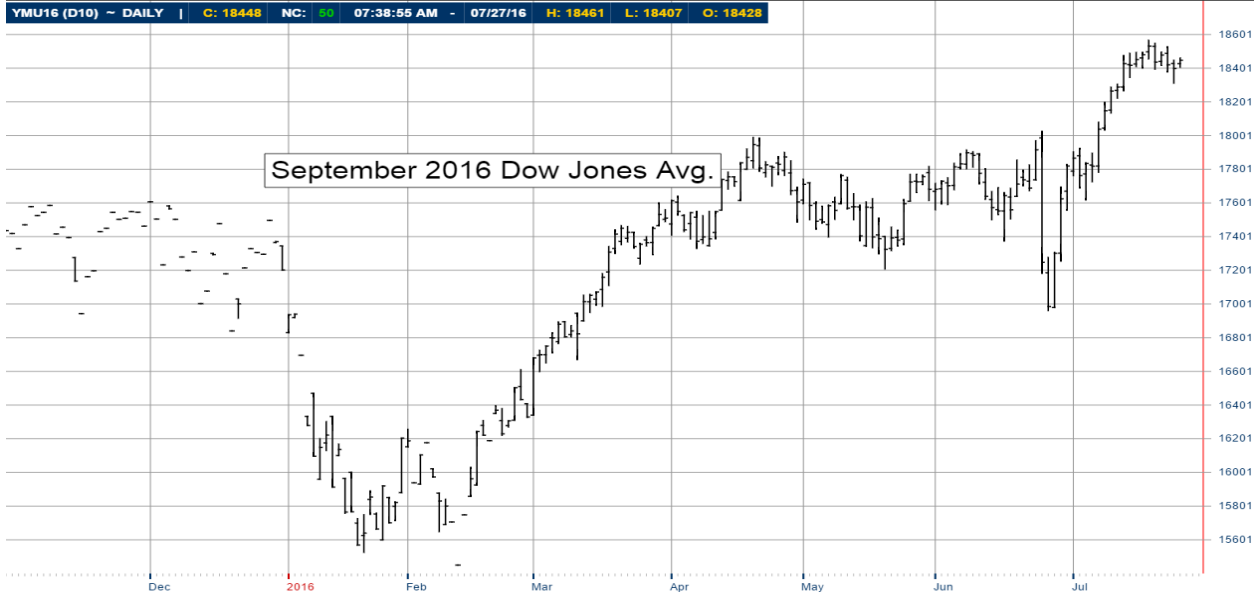












“So anyway, I thought, ‘You won’t be back for 10 minutes. I’ll grab a hot dog.’”