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POUNCING ON THE MARKET BOUNCES: ANALYST STRESSES NEED FOR AGILITY TO NAVIGATE CHALLENGING CROP MARKET IN 2020

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By Tim Kalinowski

Farmers will continue to have to tread softly in 2020, predicts MarketsFarm senior market analyst Mike Jubinville— who recently spoke at the Farming Smarter annual conference in Lethbridge— and be ready to pounce when their price point opens up in marketplace.

Political interference will be the biggest headwind farmers continue to face in 2020, he says, as it was in 2019.

“It all comes back down to Trump’s America First trade policy, which has disrupted global supply chains that have been in place for over 20 years and have developed,” he says. “Now with trade wars and such, the flow of the rivers have changed, if you will— this has created an element of uncertainty in the marketplace, and uncertainty breeds fear, and fear breeds selling. That weakness, and overhang in the marketplace, created by political interference into the markets, has had a dampening effect which goes beyond what normal supply and demand would have suggested otherwise. That overhang is still with us today, and I think continues into 2020.”

“So it’s difficult for me to get bullish on markets, in terms of any potentially sustained bullish market, without some new catalyst emerging to take us there,” states Jubinville.

Like 2019, Jubinville predicts in 2020 generally subdued and suppressed markets, followed by shorter periods of frenzied selling.

“We are still in an environment where markets are held lower than maybe they would be, punctuated by periods of whatever the reasons of the day are to give us a bounce in the marketplace,” Jubinville confirms. “And those are going to be our selling opportunities. I see opportunities coming from time to time to sell which will give us a reasonably profitable price ... It’s going to be short-term bounces in my mind instead of a real turn higher.”

Feed barley continues to lead the charge in local markets, says Jubinville, and actually has no international equivalent— it’s purely a supply and demand issue in Canada which is driving those markets higher.

“The barley story is a strange one,” he admits. “We are not short barley; it’s out there. There are some questions about quality because much of it was harvested under high moisture, and there are

sprouting issues, but the overall supply of barley is there. The problem is it is in the wrong position. Relative to Southern Alberta, which has encountered two relatively dry growing seasons and short crops— there is no significant reserve of feed barley here. And you have a cattle feeding industry that is going full out at the moment; demand is high.

“But our ability to transport barley from the surplus areas to the deficit areas is limited relative to the strength of the demand.”

Jubenville expects some market correction in 2020 as suppliers ramp things up to fill the void, but still expects good prices on barley in the months ahead despite that.

“Maybe that gets settled in time because trucking premiums have been elevated this fall season,” he explains. “Maybe it draws more trucks back into the system. We will probably hear of train shuttles bringing barley in from western and central areas of Saskatchewan into Southern Alberta. Maybe that will help alleviate the transportation issue. All of that probably happens, and will help address this scenario to some extent, but I expect relative to the amount of supply we have out there prices will probably hold up better than probably that supply-demand balance will suggest.”

In fact, in some ways Jubenville admits he is an optimist when it comes to forecasting rebounds in other markets as well, such as pulses and durum in 2020.

“It’s not an all doom and gloom thing,” Jubenville states, referring to global market outlooks. “Look at pulses, we go through spikes in market and we come back down just as quickly. We go through a two-year period of basing. We’ve gone through our two-year period of basing now; so I feel little more optimistic on the pulses than I did at this time last year.

“In fact, my advice to growers is: While you may have been disappointed with your returns on pulses in general these past two years general to extraordinary prices we saw before that. This is probably not the time to take pulses out of your rotation.

“And there is a lot of durum growers in this region throughout Southern Alberta,” he adds, “and, to me, I suspect given we saw as much as \$9 a bushel offered early in the spring and in September, early October— a great price if you had the quality to meet it I think we either get a bump in the market later this winter, and given our supply balances, from both U.S. and Canadian perspective— as tight as I suspect they are going to be— next year might not be that bad either.”

With wheat though, Jubenville feels there is perhaps less reason for optimism.

“The overall perspective on wheat to me can’t be anything but still bearish,” he opines. “The global supply scenario is just too great; however, I do envision periods of time where we do have these three to six week periods where those demand elements kick in. Opportunities for farmers on wheat isn’t going to be a broad-based rally, it’s going to be a localized thing where a basis special gets offered.”

This is where the pounce-bounce factor kicks in, explains Jubenville— not just for wheat, but all crop-selling opportunities.

“Eyes wide open in this environment,” Jubenville advises, “because margins are tight and the opportunities can be fleeting. Certainly knowing what you have to sell in terms of quality, and canvassing that amongst the candidates to purchase your grains, pulses or oilseeds in the local market.

“Understanding that and having that relationship in place already, and looking for those short-term opportunities; this is going to be how we as farmers get through this until the next big opportunity comes along.”