Canola Market Commentary

September 13, 2021

I. Key Points for the Week:

- **Soybeans –** Gulf logistics following Hurricane Ida could continue to weigh on US futures.
- China continues to be a good buyer of soybeans at the lower prices. We expect this to continue.
- **Canola** – The USDA estimated the Canadian canola crop at 14 million mt last Friday, discounting the recent StatsCan production number by another 750k mt. Saskatchewan Agriculture estimated SK yields at an even lower 20 bushels per acre, which (if generalized) would imply a crop just below 10 million mt.
- Given the current canola balance sheets, we see no reason to sell more canola at this time.

II. Oilseed Market Backdrop

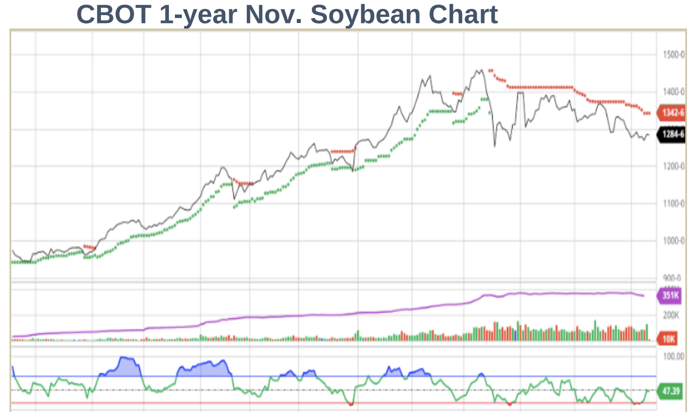
Soybeans

Current market situation:

Ongoing problems with loading families in the Gulf took CBOT soybeans and oil to 11-week lows ahead of the USDA report, while meal fell to 10-month lows. The USDA raised USA production and lowered the crush on both old and new crop, lifting '21/22 ending stocks 30 million bushels to 185 million bushels, while slashing the average farm price 80 cents per bushel to $12.90.

However, the trade seemed to think that the bearish news was already in the market, and soybeans bounced 16 cents following the report. This had already prompted Chinese buyers of soybeans, which ended the week down just 5 cents per bushel lower.

CBOT 1-year Nov. Soybean Chart



Market outlook:

The USDA left the S American balance sheets unchanged with a combined 13 million mt increase in Argentine and Brazilian production, but La Nina is again a potential threat to Argentina, while Brazilian seeding may well be delayed by dry soils and a lack of rain in the forecast.

On the demand side, we expect China to be continued buyers of soybean oil and soybeans at current levels. Futures may get weaker on harvest pressure, but we would not like to be cash sold at current levels.

The overall outlook for soybeans is about monitoring the following:

- progress with repairs in the in the Gulf export terminals,

- the September 30th stocks report,
- the pace of Chinese buying,
- US yield data,
- And about the monthly crush data (-the expansion in renewable diesel capacity/demand contends this factor will be higher than the USDA's number).

We would not short this market.

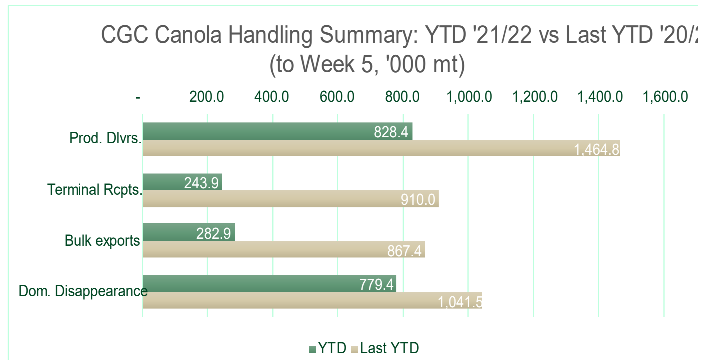
III. Canola Market

Canola:

Canola usage: The Canadian Grain Commission reported that during week 5 of the crop year, growers delivered 392 thousand MT of canola into primary elevators, exports were at 77 thousand MT, and the domestic disappearance was 151 thousand MT.

Total canola disappearance during the first five weeks of the new crop year amounted to 1.1 million MT.

Visible stocks are a still low at 603k MT.



Through week 5, canola usage already is 847k MT (-49%) smaller than in the previous year.

Current market situation:

In their stocks report Statistics Canada claimed that canola stocks at the end of July amounted to 1.8 million mt, which is overstated, and the number should be disregarded. As weekly market data indicated, the StatsCan estimate is about 800,000 mt too high.

LDC (crush)			
	Basis	Cash Price	Converted Price
	LDC		
Basis	Cash Price	Converted Price	
Sep 21	15.00	876.70	**19.88**
Oct 21	-5.00	856.70	19.43
Nov 21	1.00	862.70	19.57
Dec 21	15.00	867.80	**19.68**
Jan 22	17.00	869.80	19.73
Feb 22	27.00	868.00	19.69
Mar 22	33.00	874.00	19.82
Viterra (Moose Jaw) is posting $19.12/bu for Aug. and $19.32 for Nov.			

\- Sample prices, Sept. 13/'21 -

The USDA estimated the Canadian canola crop at 14 million mt, discounting the recent StatsCan production number by another 750k mt. However, last Friday Saskatchewan Agriculture estimated SK yields at an even lower 20 bushels per acre, which (if generalized) would imply a crop just below 10 million mt.

At 14.3 million mt production, we may be too high in our last balance sheet, but we are hearing a wide range of estimates from our customers. For the present, we will consider our estimate to be a maximum, and this is already bullish in our opinion. We will adjust as more actual yields make numbers more reliable.

Market outlook:

Canadian canola surprisingly ended the week down C$33/mt, despite the USDA's 14 million mt crop (a full 5.5 million mt below last year). We think the reduction in supply will all come out of exports and given that Canada accounted for ~61% of world canola trade of ~17.2 million mt in '20/21, this will show in the markets.

(We note that the lack of volume and liquidity is exacerbating the volatility of ICE canola futures. For example, just 870 contracts (17.4k mt) of canola traded on the November ICE on Thursday, compared to almost 500k mt traded on November Matif).

Asian markets had closed before the USDA report was released, but they ended lower despite the revised 2021 Malaysian palm oil production number of 18 million mt compared to 19.7 million mt previously, with all the decline reportedly due to the lack of labour resulting from the coronavirus.

1-year ICE Nov. Canola

However, we expect China to be more aggressive buying seed as canola oil is their preferred oil and the loss of the Canadian crop will leave them short oil. Margins to the EU remain good while Canola oil is valued at US$1,630.00/ mt.

Action:
Given the current canola balance sheets, we see no reason for farmers to sell additional seed at this time.

Canola - Topics of Interest:

USDA on Canadian Canola Production:
USDA last week estimated Canada's 2021/22 rapeseed production at 14.0 million mt, down 2.0 million mt (-13%) from last month, 5.5 million mt (-28%) from last year, and 31% below the 5-year average. Harvested area is estimated at 8.8 million hectares, up 1% from last month, 6% above last year, and 1% above the 5-year average. Yield is estimated at 1.59 mt per hectare (28.4 bu/acre), down 13 % from last month, and 32% below last year and the 5-year average.

USDA reports that industry and provincial sources have consistently reported lost acreage through the summer due to the ongoing drought. In addition, crop insurance agencies incentivized salvaging poor crops for feed (as opposed to abandonment) to offset feed shortages. USDA expects abandonment to be above average, resulting in lower harvested area than current StatsCan estimates indicate.