

Canola Market Commentary

October 12, 2021

I. Key Points for the Week:

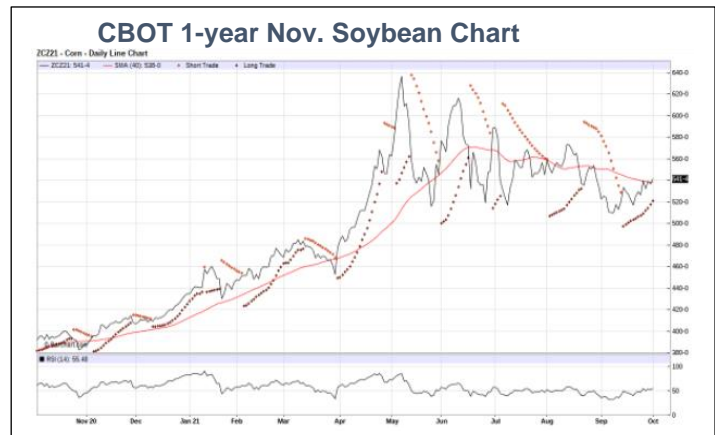
- **Soybeans** – Global carryout was seen at 104.57 million MT, compared to 98.9 million MT in Sept. Most of the revision came via U.S. carry-in and 21/22 domestic carryout. Charts and technicals are quite negative with Nov soybeans now below \$12.00/bu.
- **Canola** – Total canola disappearance during the first nine weeks of the new crop year amounted to 2.3 million MT compared to 3.6 million mt last YTD.
- We would consider selling some canola when bids equal \$22.00 per bushel ex farm.

II. Oilseed Market Backdrop

Soybeans

Current market situation:

Futures have been below all the major moving averages since the Sept 30th stocks report which raised '20/21 stocks by 80 million BU to 256 million BU. And the USDA report today raised '21/22 stocks by 135 mln bu to 320 million BU tonight via higher US yields (51.5 bu/acre). The yield estimate was above the 51 bu/acre average trade guess, and above the 50.6 bu/acre estimate last month and higher than the 50.8 bu/acre trendline. World demand for soybeans was lowered in both old crop and new crop. Global carryout was seen at 104.57 million MT, compared to 98.9 million MT in Sept. - Charts and technicals are negative with Nov soybeans now below \$12.00.



Market outlook:

The bears got what they wanted with higher US stocks and a higher yield. Exports for now were left unchanged but the soybean market needs China to start pricing volume if further significant losses are not to be prevented. With crush margins turning positive, there were reports that had China buying 8-12 cargoes of US/Brazilian soybeans and Sinograin reportedly buying on the PNW as far out as Feb '22. However, there also is a discussion of potentially less than 100 million MT of import demand due to energy shortages. – We will see if China was awaiting a bearish report in order to jump in with volume pricing. Bear in mind that soybeans are already \$2.25/bu off the summer highs.

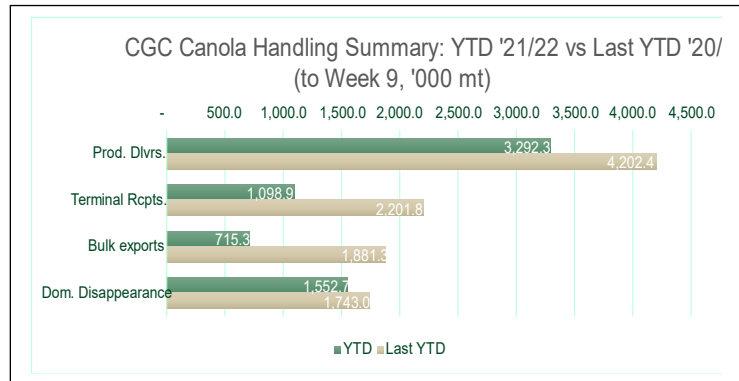
III. Canola Market

Canola:

Canola usage: The Canadian Grain Commission reported that during week 9 of the crop year, growers delivered 474 thousand MT of canola into primary elevators, exports were at an improved 250 thousand MT, while the domestic disappearance amounted to 200 thousand MT.

Total canola disappearance during the first nine weeks of the new crop year amounted to 2.3 million MT compared to 3.6 million mt last YTD.

Visible stocks are at 1.5 million MT. YTD usage (exports & crush) is already 1.4 million mt smaller than Last YTD.



(CGC) Grain Handling Summary CANOLA		Week 9 (Oct. 3/'21)		
(000 mt)	Prod. Dlvs.	Terminal Rcpts.	Bulk exports	Dom. Disappearance
Week 9	474.2	276.7	250.4	200.3
Week ago	620.9	314.6	75.6	221.5
YTD	3,292.3	1,098.9	715.3	1,552.7
Last YTD	4,202.4	2,201.8	1,881.3	1,743.0
YTD less Last YTD	-910.1	-1,102.9	-1,166.0	-190.3
YTD over Last YTD	78%	50%	38%	89%

LDC (crush)			
Basis	Cash Pr	Converted Price	
Oct 21	0.00	901.10	20.44
Nov 21	0.00	901.10	20.44
Dec 21	27.00	917.80	20.82
Jan 22	26.00	916.80	20.79
Feb 22	39.00	916.90	20.80
Mar 22	41.00	918.90	20.84
Sep 22	0.00	713.90	16.19
Oct 22	0.00	713.90	16.19
Nov 22	0.00	713.90	16.19

Viterra (Moose Jaw) is posting \$20.00/bu for Nov.. and \$20.05 for Dec.

- Sample prices, Oct. 12/'21 -

Current market situation:

Through week 9, growers have delivered 28 percent of the AAFC production estimate. Stocks in Thunder Bay are increasing, and we expect more canola exports to the EU via the St. Lawrence.

Matif rapeseed in Europe saw a second day of sharp losses, essentially on profit taking ahead of the USDA report, which turned out to be somewhat bearish. Following Monday's holiday, Canadian canola was also trading lower overnight and ended down almost C\$26/mt at today's close. But the world rapeseed balance sheet has not really changed. Canadian crop estimates have dropped to 12 -13.5 Million MT (USDA 13 million MT today), and Chinese rapeseed oil made new all-time highs on Monday although it has given back some today.



Market outlook:

The margin to crush Canadian sourced rapeseed remains very good in the EU, and we expect exports of canola into the EU to resume.

We see vegetable oil stocks getting very tight, and higher prices for vegetable oils are presenting big problems for China. They will try to buy some canola as well.

Action:

We would consider selling some canola when bids equal \$22.00 per bushel ex farm.

crush margin canola seed in eu		9-Oct-21			
canola seed		eu products			
		usfnt	value	yield	usfnt cfmt
seed cost yorkton	\$943.00	oil	\$1,770.00	44%	\$771.72 \$961.82
transport to thunder bay	\$22.00	meal	\$290.00	58%	\$168.20
t/bay fobbing	\$7.00				
total	\$972.00				
exchange	0.80235				
usfnt	\$779.88				
transit to air/a	\$50.00				
total canola cost alr/a usfnt	\$829.88				value of canola crush in the eu usfnt \$939.92
crush margin canola in eu usfnt basis yorkton bids			\$110.04		
crush margin cfmt			\$137.14		
*note canola stock in t/bay building					

Canola - Topics of Interest:

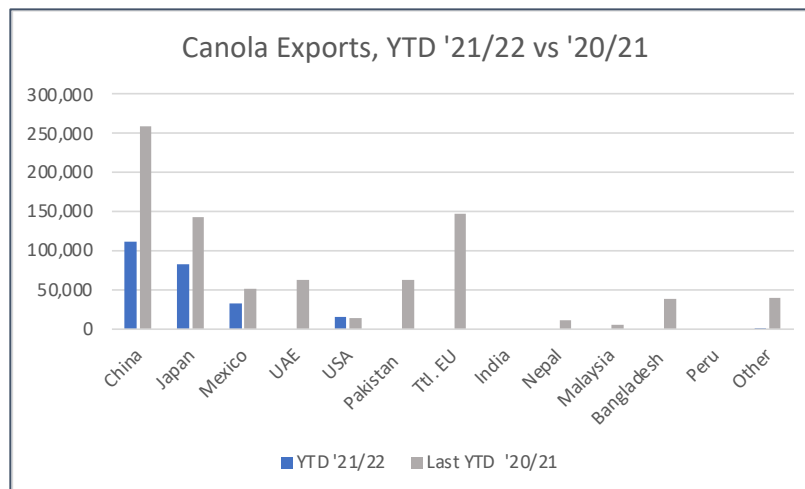
US Canola production (USDA numbers):

According to the latest USDA production estimates for 2021, US canola production is expected to reach 1.068 million MT, down 32% from the 2020 revised production of 1.566 million MT in 2020.

Area planted for the US was at a record high 2.15 million acres, is up 7% from the June estimate and up 18% from last year's area. But the October yield forecast, at 1,119 pounds per acre, is 812 pounds below last year's yield and will represent the lowest average yield on record for the US.

Canadian Exports '21/22 crop year (StatsCan numbers):

StatsCan published the August '21 exports by destination last week. Canola exports reached 244k mt for the month, compared to 835k mt for August '20. This is a 71% reduction from the year prior. Exports to all destinations were down, except a small increase to the US:



(mt) Monthly CANOLA Ex 2021/'22 crop yr.						
Rank	Country	Aug. '21	YTD '21/22	Last YTD '20/21	% of 1st yr	Diff. in Tonnage
	World	244,179	244,179	835,454	0.29	-591,275
1	China	111,604	111,604	258,826	0.43	-147,222
2	Japan	83,038	83,038	142,995	0.58	-59,957
3	Mexico	32,933	32,933	51,415	0.64	-18,482
	UAE	-	0	62,578	-	-62,578
4	USA	15,341	15,341	14,583	1.05	758
	Pakistan	-	0	62,459	-	-62,459
	France	-	0	79,250	-	-79,250
	Germany	-	0	3,813	-	-3,813
	Belgium	-	0	0	-	0
	Portugal	-	0	0	-	0
	Netherlands	-	0	63,583	-	-63,583
	Ttl. EU		0	146,646	-	-146,646
	India	-	0	0	-	0
	Nepal	-	0	11,623	-	-11,623
	Malaysia	-	0	5,156	-	-5,156
	Bangladesh	-	0	38,459	-	-38,459
	Peru	-	0	0	-	0
	Other	1,263	1,263	40,714		

Global Rapeseed Production (USDA October numbers & own numbers):

USDA shows global rapeseed production at 67.4 million MT, down another 213k mt from last month. The biggest reduction was a 400k mt decrease for Canada to 13 million MT. This put global production down by 7% from last year. Ending stocks for '21/22 are shown at 4.1 million MT, down 33% from 6.1 million MT last crop year.

