

Canola Market Commentary

October 25, 2021

I. Key Points for the Week:

- **Soybeans** – Soybeans have big crush margins and are at a record discount to canola/rapeseed. However, the market will need to see a significant pick-up in export demand over the next while if further losses are to be avoided.
- Renewed buying by China will be the key to this market.
- **Canola** – *Total canola disappearance during the first eleven weeks of the new crop year amounted to 3.2 million MT compared to 4.7 million mt last YTD.*
- There is not enough canola to satisfy crush and export demand. Our target to make some additional sales remains at \$22.00 per bushel.

II. Oilseed Market Backdrop

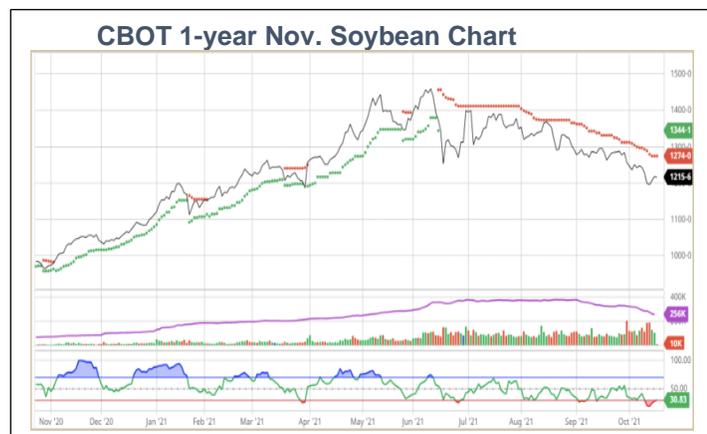
Soybeans

Current market situation:

The CBOT soybean complex closed higher, but beans and oil had a late-week sell-off. On the supportive side,

- crush margins are at 3-year highs, oil share is at 23-year highs,
- meal export commitments are the 2nd largest on record,
- there will be a fight for acres in the US next spring, with corn showing better returns at present.

But the real issue remains soybean exports, with sales well below expectations over the past month. – Still, in our view, USDA is understating soybean demand.



Market outlook:

Basically, there are several crosswinds: Soybeans show huge crush margins inviting more crush, soybeans are at a record discount to canola/rapeseed, soybean oil demand should increase in concert with the expansion of renewable energy capacity, and there will be fight for acres with corn and wheat in the US next spring. But the market will need to see a significant pick-up in export demand over the next while if further losses are to be avoided. The US export window prior

to Brazilian new crop is rapidly narrowing. – Renewed buying by China will be the key to the market.

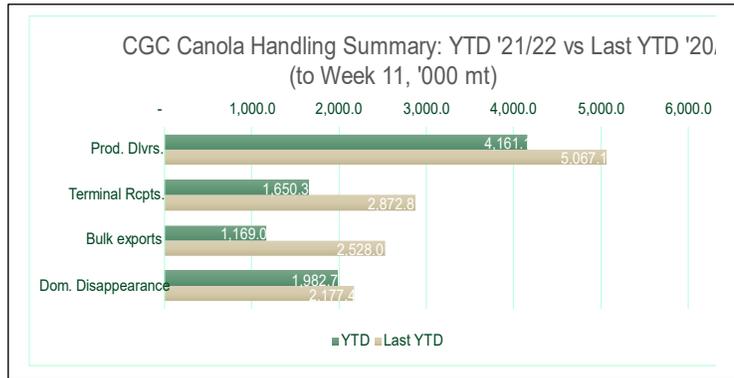
III. Canola Market

Canola:

Canola usage: The Canadian Grain Commission reported that during week 11 of the crop year, growers delivered 353 thousand MT of canola into primary elevators, exports were at 185 thousand MT, while the domestic disappearance amounted to 234 thousand MT.

Total canola disappearance during the first eleven weeks of the new crop year amounted to 3.2 million MT compared to 4.7 million mt last YTD.

Visible stocks remain at 1.5 million MT. YTD usage (exports & crush) is 1.6 million mt smaller than Last YTD.



('000 mt)	Week 11 (Oct. 17/'21)			
	Prod. Dlvs.	Terminal Rcpts.	Bulk exports	Dom. Disappearance
Week 11	353.3	275.9	185.4	233.5
Week ago	500.4	219.2	268.2	196.5
YTD	4,161.1	1,650.3	1,169.0	1,982.7
Last YTD	5,067.1	2,872.8	2,528.0	2,177.4
YTD less Last YTD	-906.0	-1,222.5	-1,359.0	-194.7
YTD over Last YTD	82%	57%	46%	91%

	Basis	Cash Price	Converted Price
Oct 18-29 Gerald	20.00	968.80	21.97
Oct 21	0.00	948.80	21.52
Nov 21	0.00	948.80	21.52
Dec 21	27.00	970.50	22.01
Jan 22	26.00	969.50	21.99
Feb 22	39.00	967.60	21.95
Mar 22	41.00	969.60	21.99
Sep 22	0.00	721.30	16.36
Oct 22	0.00	721.30	16.36
Nov 22	0.00	721.30	16.36

Viterra (Moose Jaw) is posting \$21.07/bu for Nov. and \$21.25/bu for Dec.&Jan. '22. A/S'22: \$14.57/bu.

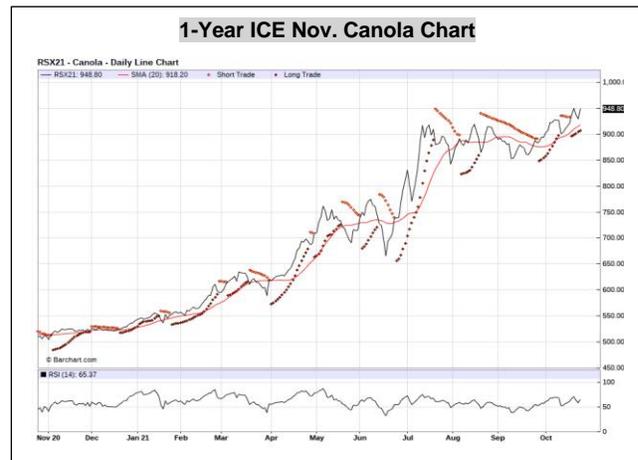
- Sample prices, Oct. 25/'21 -

Current market situation:

Through week 10, growers have already delivered 33 percent of the StatsCan production estimate of 12.8 million mt. We can expect good exports for week 12, as stocks on both coasts are building.

Against the backdrop of above disappearance levels, speculation about the actual level of production of the Canadian crop continues, with some estimates as low as 12 – 12.5 mln mt. The area of dispute is primarily Manitoba, where StatsCan assessed an average yield of 32.8 bu/acre, which seems an unlikely achievement.

The YTD export pace, if sustained, would imply 5.5 mln mt of exports, which is too high combined with the YTD crush pace of 9.4 mln mt (total 14.9 mln mt). In fact, in order for domestic crush/plant utilization to stay profitable, the crush pace would need to stay at ~180k mt per week (9.4



mln mt annually). This is putting pressure on crushers to secure as much canola as possible and will ultimately limit export volumes.

Matif rapeseed and Canadian canola both made new highs last week before selling off into the weekend. Asian vegetable oils also made new highs, but they too gave back much of the gains.

This Monday, both Matif rapeseed and canola came back strong; Nov. Matif rapeseed gained €1 0.50/mt and Nov ICE canola gained \$19.10/mt.



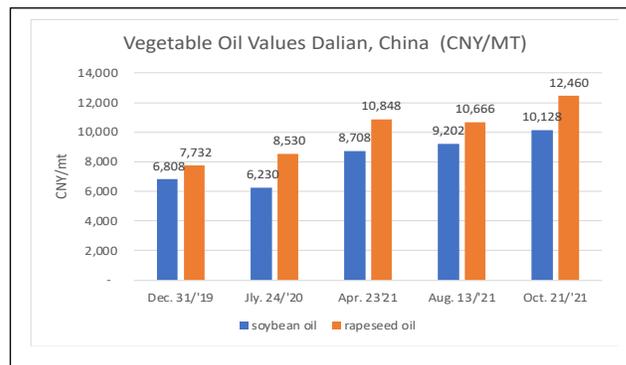
Market outlook:

Canola is a little overpriced compared to soybeans, but we remain bullish and decided to buy Jan soybeans at this time. LDC at Yorkton are bidding \$21.97 per bushel for canola. In the EU, rapeseed oil remains at \$1,760.00 US\$/mt, which upholds a good margin to crush canola.

Action:

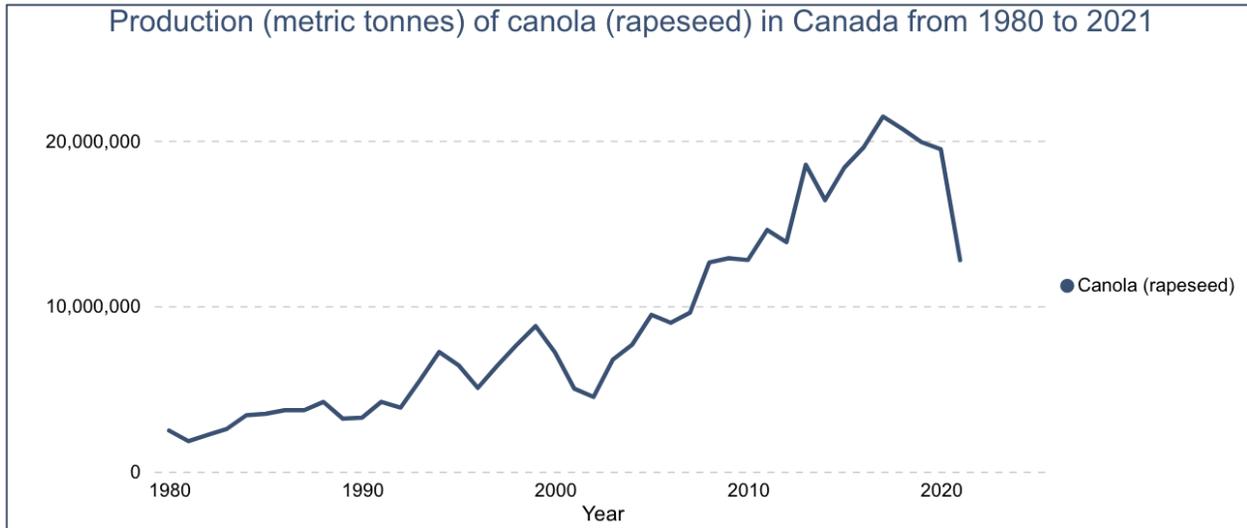
We would sell some canola when bids reach \$22.00 per bushel.

crush margin canola seed in eu		24-Oct-21				
<u>canola seed</u>		<u>eu products</u>				
		usfmt	value	yield	usfmt	cfmt
seed cost yorkton	\$959.00	oil	\$1,760.00	44%	\$767.36	\$950.41
transport to thunder bay	\$22.00	meal	\$275.00	58%	\$159.50	
t/bay fobbing	\$7.00					
total	\$988.00					
exchange	0.8074					
usfmt	\$797.71					
transit to a/r/a	\$66.00					
total canola cost a/r/a usfmt	\$863.71	value of canola crush in the eu usfmt	\$926.86			
crush margin canola in eu usfmt basis yorkton bids			\$63.15			
crush margin cfmt			\$78.21			
*note canola stock in TBay is building						



Canola - Topics of Interest:

Canadian canola production: The graph below gives a good illustration as to how severe the drop in production is this year compared to recent trends. Canadian rapeseed production peaked in 2017 at 21.5 mln mt. According to StatsCan production fell to 12.8 mln mt this year, 34.4% smaller than the 2020 crop and 40% smaller than the 2017 crop. At the same time, Canadian canola crush increased to 10.4 mln mt in 2020/21, while peak canola exports reached 23.3 mln mt in 2017.



Source: Statistics Canada