

Canola Market Commentary

November 22, 2021

I. Key Points for the Week:

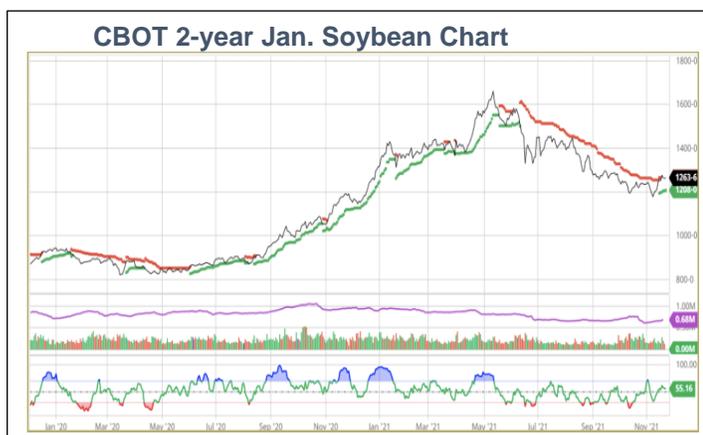
- **Soybeans** – CBOT soybeans managed a second straight higher weekly close as funds increasingly bought into the trade.
- We think soybeans are still undervalued to corn.
- **Canola** – *Total canola disappearance during the first fifteen weeks of the new crop year amounted to 4.7 million MT compared to 6.7 million MT last YTD.* However, through week 15, growers have already delivered 45 percent of the StatsCan crop production estimate.
- Canola is very tight this year and good crush margins continue to lend support. We would make additional old crop sales at \$22.50/bu ex farm.

II. Oilseed Market Backdrop

Soybeans

Current market situation:

The President Xi - Biden meeting last week brought nothing new to the market. However, although YTD soybean export sales remain 32% below last years, CBOT soybeans managed a second straight higher weekly close as funds increasingly bought into the trade: Fund buying took soybeans above the downtrend line, and with a Relative Strength Index (RSI) of only 42 and a net long of just 29,000 contracts, there is plenty room from a technical viewpoint for further gains. However, the export market also needs to see actual demand.



On the oil side, the NOPA crush came in at 184 mln bu. This was close to trade expectations, but oil stocks rose to their highest level since May 2020, which pushed oil to an 8-week low close. In the southern Hemisphere, central Brazil reported disease problems due to excessive rain, S Brazil remains too dry, and while Argentine plantings at 29% complete have favourable soil moisture, the longer-term outlook shows dryness December onwards.

Asian markets ended higher across the board except for soybeans, with palm oil showing the biggest gains of almost 7% to new contract and all-time highs.

Market outlook: The fundamentals continue center around demand from China and S American weather, but the funds seem to be increasingly prepared to buy on any dips.

The soybean - corn ratio has improved somewhat (2.20), but to see more soybean acres planted, we would expect to see a ratio of at least 2.35 at some time. We think soybeans are still undervalued to corn, so we will leave them alone.

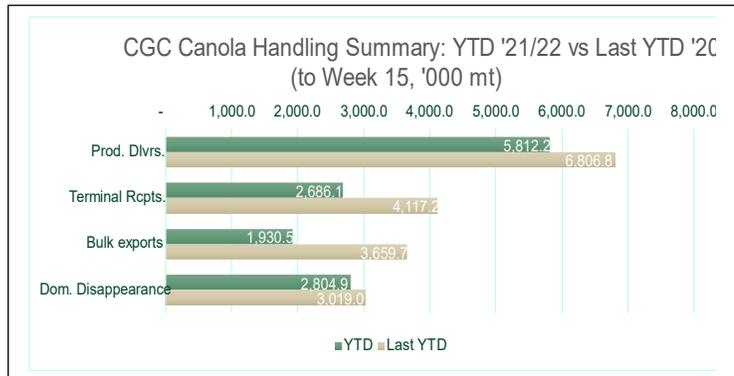
III. Canola Market

Canola:

Canola usage: The Canadian Grain Commission reported that during week 15 of the crop year, growers delivered 344 thousand MT of canola into primary elevators, exports were at 127 thousand MT, while the domestic disappearance amounted to 177 thousand MT.

Total canola disappearance during the first fifteen weeks of the new crop year amounted to 4.7 million MT compared to 6.7 million MT last YTD.

Visible stocks are at 1.8 million MT, with 385 thousand MT in Vancouver. YTD usage (exports & crush) is 1.9 million MT (-29%) smaller than Last YTD.



(CGC) Grain Handling Summary CANOLA				Week15	(Nov. 14'21)
('000 mt)	Prod. Dlvs.	Terminal Rcpts.	Bulk exports	Dom. Disappearance	
Week15	343.7	304.9	126.9	173.6	
Week ago	451.3	225.5	247.9	216.7	
YTD	5,812.2	2,686.1	1,930.5	2,804.9	
Last YTD	6,806.8	4,117.2	3,659.7	3,019.0	
YTD less Last YTD	-994.6	-1,431.1	-1,729.2	-214.1	
YTD over Last YTD	85%	65%	53%	93%	

LDC (crush)			
	Basis	Cash Price	Converted Price
Nov 21	0.00	1021.80	23.17
Dec 21	0.00	1021.80	23.17
Jan 22	0.00	1021.80	23.17
Feb 22	50.00	1047.00	23.75
Mar 22	41.00	1038.00	23.54
Sep 22	0.00	827.10	18.76
Oct 22	0.00	827.10	18.76
Nov 22	0.00	827.10	18.76

Viterra (Moose Jaw) is posting \$22.20/bu for Nov., \$22.39/bu for Dec., \$22.61 Jan.'22; N/C: \$17.68/bu.

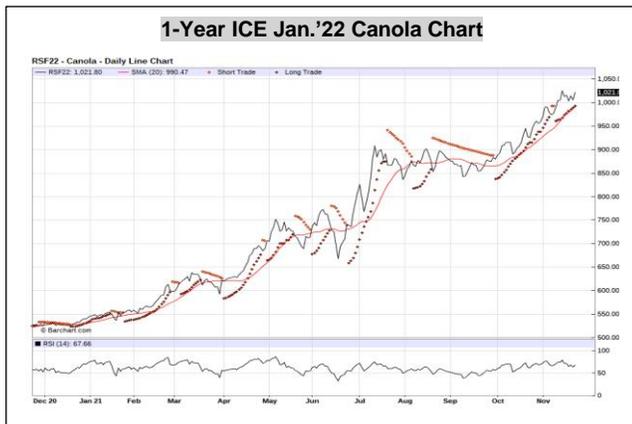
- Sample prices, Nov. 22/'21 -

Current market situation:

Through week 15, growers have delivered 45 percent of the StatsCan (STC) crop production estimate.

The Vancouver stocks tell us that we should either get a very large export number for week 16, or that exports have slowed down. We expect grain elevators to lower their bids, citing the mud slides and rain delays caused by the flooding in BC. If bids are lowered, as growers we would ignore them; your canola will be needed later.

AAFC published their November crop balance sheets last Friday. The overall numbers for canola stayed the same, but AAFC lowered their export projection for canola by 1 mln mt to 5.5 mln mt, while increasing crush by 1 mln mt to 8.5 mln mt. The '21/22 ending stock projection stayed at 500k mt. – These changes bring the AAFC numbers closer to our '21/22 numbers of 4.8 mln mt exports and 9 mln mt crush. We project ending stocks at 1.79 mln mt due to a higher production number.



merc estimate	likely balance	change to	StatsCan/ AAPC	delivered	%	STC YTD
crop 21/22	sheet	balance sheet	21/22	week 15		of production
Nov. 22/'21	merc esti	2020/21				
CARRY IN	1,069.0	1,069.0	1,800.0			
PRODUCTION	14,459.8	14,459.8	12,782.0	5,812.2	45%	
imports	25.0		150.0			
TOTAL SUPPLY	15,553.8	15,553.8	14,699.0	used		ytd usage
LESS EXPORTS	4,758.0	4,758.0	5,500.0	1,930.5	35.10%	
DOMESTIC CRUSH	9,000.0	9,000.0	8,500.0	2,804.9	33.00%	
LESS SEED/WASTE	0.0	0.0	199.0			
total use	13,758.0	13,758.0	14,199.0			
carry out	1,795.8	1,795.8	500.0			
visible week 14	1,678,100		1,641,600.0			
on farm	9,716.6		8,769.8			
stock use						
acres	0.0		22,244.0			
yield	28.0		25.3			

Market outlook:

Matif rapeseed took back only a small part of Wednesday's losses and had its first lower weekly close in eleven weeks. (The prospect of a bigger EU rapeseed crop in 2022 dampened the outlook last week.) Matif did, however, close up again by €15.75/mt on Monday. Jan ICE canola had another strong showing on Monday with gains of \$16/mt.

Action:

Canola is very tight this year and good crush margins continue to lend support. We would make additional old crop sales at \$22.50/bu ex farm.

Canola - Topics of Interest:

USDA: Global vegetable oil production set to reach new record highs in 2021/22

According to the recent USDA outlook report, the global production of vegetable oils continues to increase in the 2021/22 crop year to reach new record highs. An expected decline in rapeseed oil output can be more than offset by production increases in palm-, sunflower- and soybean oil.

USDA expects the '21/22 **global vegetable oil production** to amount to 214.8 million mt, an increase of 8.21 million tonnes from '20/21.

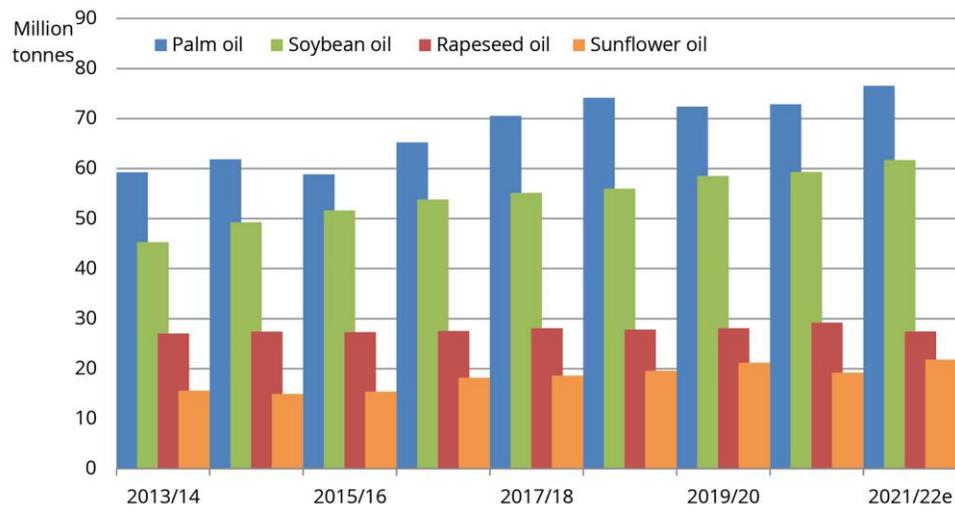
Palm oil is set to remain the world's most important vegetable oil in terms of production and consumption, with output estimated at 76.5 million tonnes. Palm oil accounts for just less than 36 per cent of total vegetable oil production.

Production of **soybean oil** is expected to grow by 4% to 61.7 million mt. China remains the most important producer with production amounting to 17.6 million tonnes, while the USA ranks second with 11.6 million tonnes.

Production of **sunflower oil** is expected to rise ~14% to 21.8 million tonnes in 2021/22 due to larger harvests in Eastern Europe and the EU-27.

*The USDA has projected a 6% decline in global **rapeseed oil** production to 27.4 million tonnes based on inadequate rapeseed supply.*

Global vegetable oil production



Source: USDA

Note: e = estimated