

Canola Market Commentary

January 10, 2022

I. Key Points for the Week:

- **Soybeans** – Soybeans got a good boost in prices as Funds took some profit on corn futures and bought additional soybeans in a thin futures market.
- It also remained very dry in South America resulting in heightened concerns on the S American yield and overall production potential.
- **Canola** – *Total canola disappearance during the first twenty-two weeks of the new crop year amounted to 7 million MT compared to 9.8 million MT last YTD.*
- Through week 22, we have now delivered 62 percent of the crop and utilized 55 percent of the crop
- There is no doubt that we will run out of current crop canola by week 52. New crop sales at \$18.00/bu (+) look interesting to us.

II. Oilseed Market Backdrop

Soybeans

Current market situation:

Soybeans got a good boost in prices as Funds took some profit on corn futures and bought additional soybeans in a thin futures market.

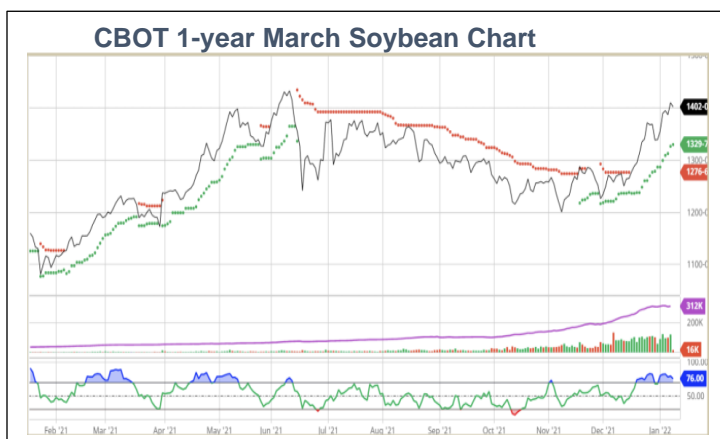
US soybean exports for the week were also much higher than trade expectations: Weekly US Export Sales amounted to 383k MT, but export shipments amounted 1.74 million MT, bringing the YTD total to 30.6 million MT (1.125 bu).

It remained very dry in South America resulting in heightened concerns on the S American yield and overall production potential. AgRural in Brazil reduced their soybean crop estimate by 11.3 million MT to 133.4 million MT due to dryness in the South. BAGE in Argentina showed '21/22 soybeans 81% planted.

Palm oil also made contract highs as floods, labour shortages and sky-high fertilizer costs threatened major production losses.

Market outlook:

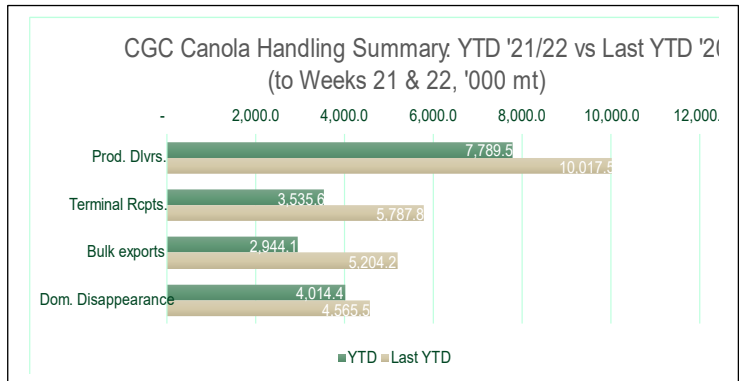
Futures will depend upon how funds behave. – We expect them to continue to take corn profits and add to their soybean/wheat longs. We have a new WASDE report on the 12th of January; traders will want to view this before making new moves.



III. Canola Market

Canola:

Canola usage: The Canadian Grain Commission reported that during weeks 21 & 22 of the crop year, growers delivered 361 thousand MT of canola into primary elevators, exports were at 166 thousand MT, while the domestic disappearance amounted to 320 thousand MT. Crush volume still averages at 182.5k MT per week. Exports are still running well above annual capacity.



Total canola disappearance during the first twenty-two weeks of the new crop year amounted to 7 million MT compared to 9.8 million MT last YTD.

Visible stocks have shrunk to 1.4 million MT, with 140 thousand MT in Vancouver/ Prince Rupert, and 182k MT in eastern ports. YTD usage (export & crush) is 2.8 million MT (-29%) smaller than Last YTD.

(CGC) Grain Handling Summary CANOLA		Weeks 21 & 22			(Jan. 2/'22)
('000 mt)	Prod. Dlvs.	Terminal Rcpts.	Bulk exports	Dom. Disappearance	
Weeks 21 & 22	360.6	186.8	166.4	319.7	
Week ago	298.6	134.8	164.3	179.7	
YTD	7,789.5	3,535.6	2,944.1	4,014.4	
Last YTD	10,017.5	5,787.8	5,204.2	4,565.5	
YTD less Last YTD	-2,228.0	-2,252.2	-2,260.1	-551.1	
YTD over Last YTD	78%	61%	57%	88%	

LDC (crush)			
Basis	Cash Price	Converted Price	
Mar 22	0.00	1004.60	22.78
Apr 22	45.00	1049.60	23.80
May 22	80.00	1033.80	23.45
Jun 22	80.00	1033.80	23.45
Jul 22	80.00	1033.80	23.45
Sep 22	20.00	811.00	18.39
Oct 22	20.00	811.00	18.39
Nov 22	20.00	811.00	18.39

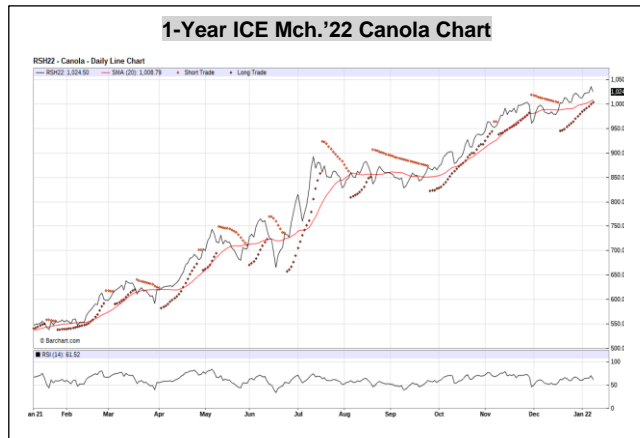
Viterra (Moose Jaw) is posting \$22.62/bu for Feb., \$22.74/bu for Mch.'22; N/C: \$16.83/bu.

- Sample prices, Jan. 10/'22 -

Current market situation:

Considering we had the Christmas Holidays in the week 21-22 period, the usage was quite good. Through week 22, we have now delivered 62 percent of the crop and utilized 55 percent of the crop. - There is no doubt that we will run out of canola by week 52.

The concerns about the S American crops have lend support to oilseed futures. But in Europe, Matif ended the week flat, despite EU net imports (imports less exports) running at an annualised 6 million MT below last year, while Black Sea futures rose in line with the CBOT.



Canola Balance Sheet

merc estimate	likely balance	change to	StatsCan	aafc	delivered	% StatsCan ytd	
21/22	sheet	balance sheet	21/22	21/22	week 22	of production	
07-Jan-22	<u>merc esti</u>	2020/21			delivered	% of crp ytd	
CARRY IN	1,069.0	-1,414.6	1,875.0	1,800.0	7,789.0	62%	
PRODUCTION	13,390.3	-6,355.1	12,594.0	12,782.0			
imports	25.0		25.0				
TOTAL SUPPLY	14,484.2	-7,744.7	14,494.0	14,582.0	used	ytd of usage	
LESS EXPORTS	4,758.0	-5,782.0	5,500.0	6,500.0	2,944.0	53.53%	-5,040.0
DOMESTIC CRUSH	9,000.0	-1,370.0	8,500.0	7,500.0	4,015.0	47.24%	-1,870.0
LESS SEED/WASTE	300.0	50.0	200.0	300.0	6,959.0	55%	
total use	14,058.0	-7,102.0	14,200.0	14,300.0			
carry out	426.2	-642.7	294.0	282.0			
visible week 22	1,443.9		1,443.9				
on farm	6,670.2						
stock use							
acres	21,086.8		22,243.0				
yield	28.0		25.3				

Market outlook:

The next CONAB report in Brazil and the next USDA report are scheduled for this week, but it is unlikely their soybean numbers will already reflect the kind of crop losses that the trade is beginning to use. Still, traders will want to view these reports before making new moves.

Action:

There is no doubt that we will run out of current crop canola by week 52. New crop sales at \$18.00/bu (+) look interesting to us.

Canola - Topics of Interest:

Canada – Domestic Crush Numbers:

According to Statistics Canada, Cdn. crushers crushed 781k MT of canola during November. The year-to-date crush rose to 3.1 million MT, 11 percent lower than last year-to-date. The YTD crush reflects an average of 774k MT crushed per month, annualizing it to the full crop year yields 9.3 million MT, which is too high for this crop year due to the small crop. AAFC is projecting annual crush at 8.5 million MT, and Mercantile is using 9 million MT. Both numbers would require expert's to at least fall to 5.4 and 4.8 million MT, respectively.

Canada - Canola Crush Summary						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
August	665,347	628,918	742,988	829,778	830,335	661,968
September	779,251	748,629	696,377	767,666	785,725	778,402
October	808,721	870,998	786,770	882,301	931,060	876,127
November	804,948	805,945	820,507	829,303	917,992	781,105
December	831,590	823,434	846,481	899,331	904,577	
January	798,373	760,229	829,640	854,686	915,553	
February	752,205	675,944	635,526	812,633	797,438	
March	821,990	820,712	722,433	881,348	957,952	
April	747,528	788,612	808,945	845,495	901,911	
May	701,002	765,216	733,689	855,008	820,250	
June	731,124	742,573	854,510	864,559	829,846	
July	746,944	838,014	854,510	806,868	832,114	
To Sept.	3,058,267	3,054,490	3,046,642	3,309,048	3,465,112	3,097,602
Annual	9,189,023	9,269,224	9,332,376	10,128,976	10,424,753	3,097,602

Annualizing YTD exports shows we are on pace of 6.96 million MT, which also is unsustainable.

