

# Canola Market Commentary

September 8, 2020

## I. Key Points for the Week:

- **Soybeans** – US crop ratings fell 3% to 66% Gd./Exc. (still well above last year's 55%), and dryness has clearly taken its toll in Iowa where Gd./Exc. fell by 6% to 50% and Poor/V. Poor rose 5% to 18%.
- More soybean sales to China lifted futures, and Fob Gulf soybeans rose to their highest level in 5 years.
- The September USDA-WASDE report is out on Friday.
- **Canola** – In Canada, the Statistics Canada canola crop estimate of 19.4 million MT was below expectations, July 31 stocks at 2.7 million MT are 44% below last year's 4.2 million MT, and early yield reports are mixed.
- Canola usage for week 4 amounted to 418k MT against producer deliveries of 243k MT; and at 846k MT, commercial canola stocks remained below 1 million MT.
- MATIF rapeseed in Europe struggled to break above the €385/MT level, but this was still the highest weekly close since late February.
- In Asia, all markets ended higher, with soybean oil, rapeseed oil and palm oil all making contract high weekly closes.

## II. Oilseed Market Backdrop

### Soybeans

#### Current market situation:

US crop ratings fell 3% to 66% Gd./Exc. (still well above last year's 55%), and dryness has clearly taken its toll in Iowa where Gd./Exc. fell by 6% to 50% and Poor/V. Poor rose 5% to 18%.

The CBOT soy complex saw good gains in soybeans last week. August soybean imports by China were 9.6 million MT, taking the season total to 88.7 million MT, up 19% on last year. The Sept-Aug 12-month import total of 96.9 million MT is up 18%, and the current Oct-Sept USDA projection of 98 million MT requires September imports of 9.3 million MT. The September USDA-WASDE report which should address US yields and questions about demand is out on Friday.

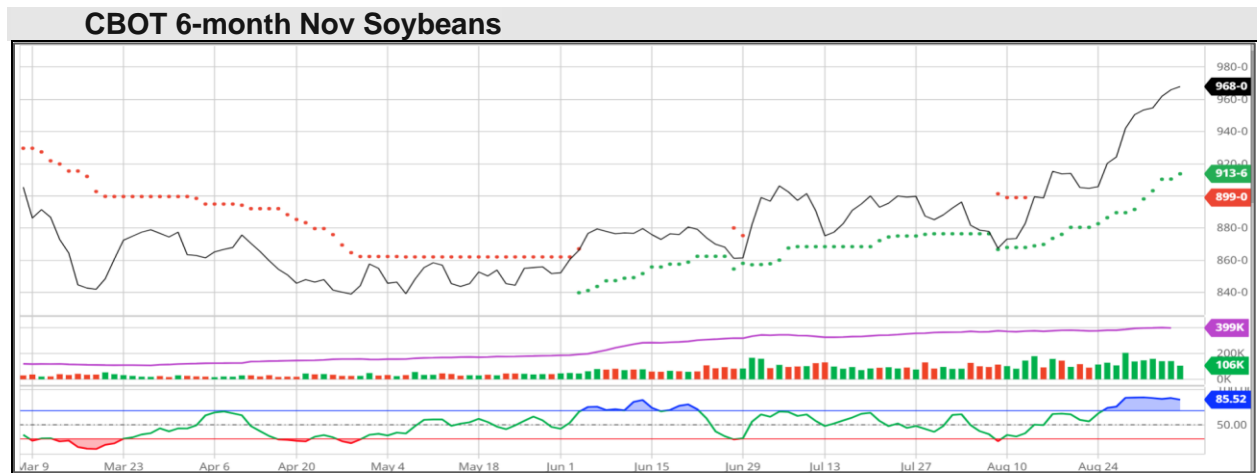
#### Market outlook:

CONAB in Brazil will update their crop outlook on Thursday. The official start to seeding in Brazil is one week from today, while Argentina won't start for another 6 weeks. But reports are intensifying that La Nina looks to be a concern for Argentina, to a lesser degree for Brazil. Given current values, we expect that S American acreage expansion will be maximised.

The soybean/oilseed markets remain a function of ongoing Chinese demand, US yield, and whether or not Funds will add to what is estimated as already a historically very large net long of around 175,000 contracts.

Soybeans	FAO-AMIS			USDA		IGC	
	2019/20 est	2020/21 f'cast		2019/20 est	2020/21 f'cast	2019/20 est	2020/21 f'cast
		2 Jul	3 Sep		12 Aug		27 Aug
Prod	340.6	364.3	374.9	337.3	370.4	339.3	373.4
	322.5	345.8	356.3	319.2	352.9	321.2	354.6
	400.9	414.7	425.6	460.2	466.3	401.1	420.7
Supply	371.8	380.6	390.2	412.6	421.5	264.2	275.6
	357.8	365.5	370.3	351.9	367.9	353.8	368.5
	249.1	254.3	255.6	243.7	251.5	244.8	252.8
Utiliz.	160.7	158.4	163.7	164.6	165.5	162.7	164.3
	64.1	63.3	66.2	64.3	63.5	64.6	65.7
	51.0	49.1	53.0	95.9	95.4	52.2	47.3
Trade	34.2	31.3	35.0	68.6	68.1	19.5	23.0

in million tonnes



### III. Canola Market

#### Canola:

**Canola usage:** The Canadian Grain Commission reported that during week 4 of the new crop year, growers delivered 243 thousand MT of canola, exports were 256 thousand MT, and the domestic usage was 162 thousand MT.

Total canola consumption amounted to 418 thousand MT for the week.

Visible stocks at 846k MT remain well below 1 million MT.

(CGC) Grain Handling Summary CANOLA			Wk. 4 (Aug. 30/'20)	
('000 mt)	Prod. Dlvs.	Terminal Rcpts.	Dom.	
			Bulk exports	Disappearance
Wk. 4	242.5	185.9	255.9	162.0
Week ago	252.7	281.2	167.5	202.2
YTD	1,128.2	964.1	883.0	824.2
Last YTD	1,251.8	803.1	758.5	854.0
YTD less Last YTD	-123.6	161.0	124.5	-29.8
YTD over Last YTD	90%	120%	116%	97%

#### Current market situation:

Statistics Canada reported on **July 31 stocks** last Friday and pegged canola stocks at 2.7 million MT; this is 44% lower than last year's stocks. We have 2019/'20 ending stocks at 2.4 million MT.

Total **2019/20 crop canola export numbers** amounted 10.17 million MT, which was 955k MT or 10% higher than last year's exports. The biggest increases in exports were to the EU-27 (+1.5 million MT). The biggest decrease was to China (-1.1 million MT).

**Market outlook:**

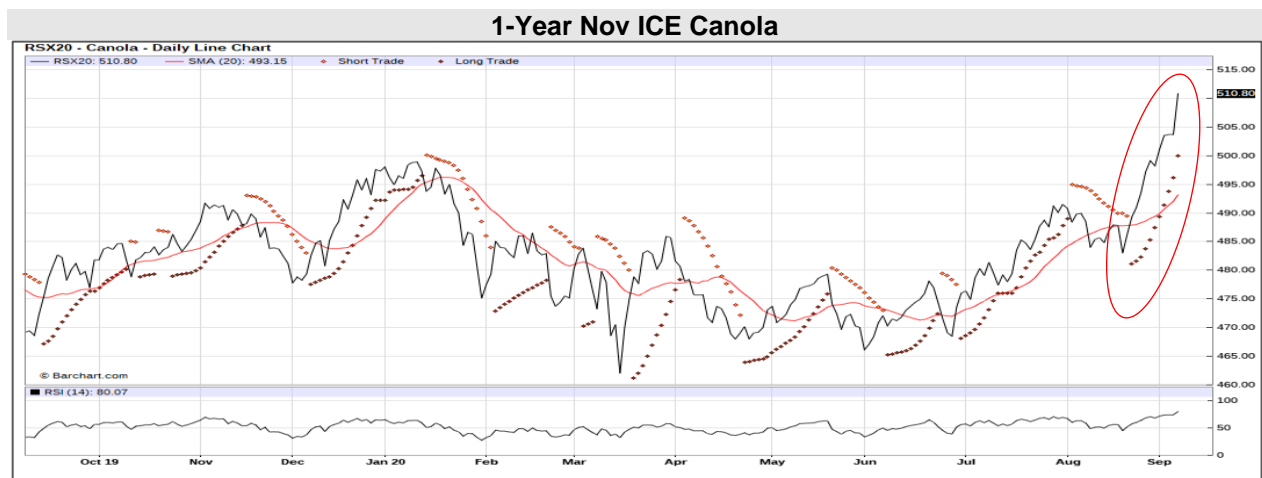
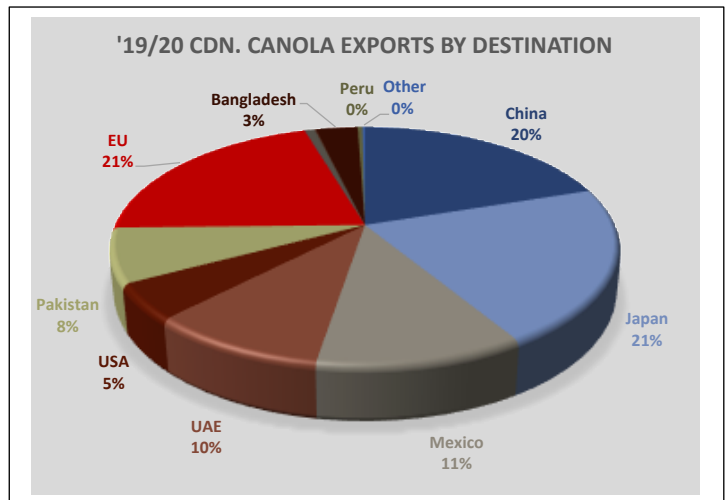
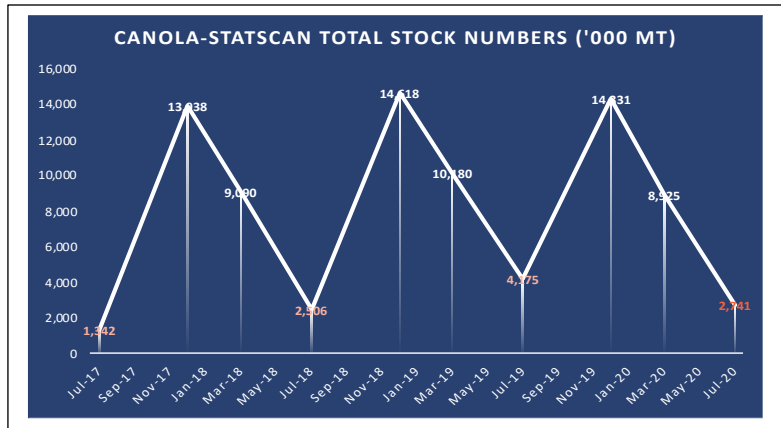
**2020/21 crop year:** The week 4 CGC commercial stocks number tells us that there are good exports from the East Coast, which we expect to continue throughout the year.

EU oilseeds production for market year 2020/21 is characterized by the lowest rapeseed production in more than a decade. There is ongoing and increasing concern over dryness and very low soil moisture levels across Europe. Most crops are fall seeded, so this could be impacting next year's crop materially.

Total EU major oilseeds (rapeseed, sunflower, soybeans) production are forecast to decline by about 1.5 percent year-on-year.

The Covid-19 pandemic and its lockdown measures are expected to have a negative impact on oilseeds meal use in feed ratios due to lower meat consumption, which favours the import of canola with its high oil content. We can also see from the pie chart above that destination exports were much better balanced to in 2019/20, with less reliance on China. Canadian crush margins remain excellent.

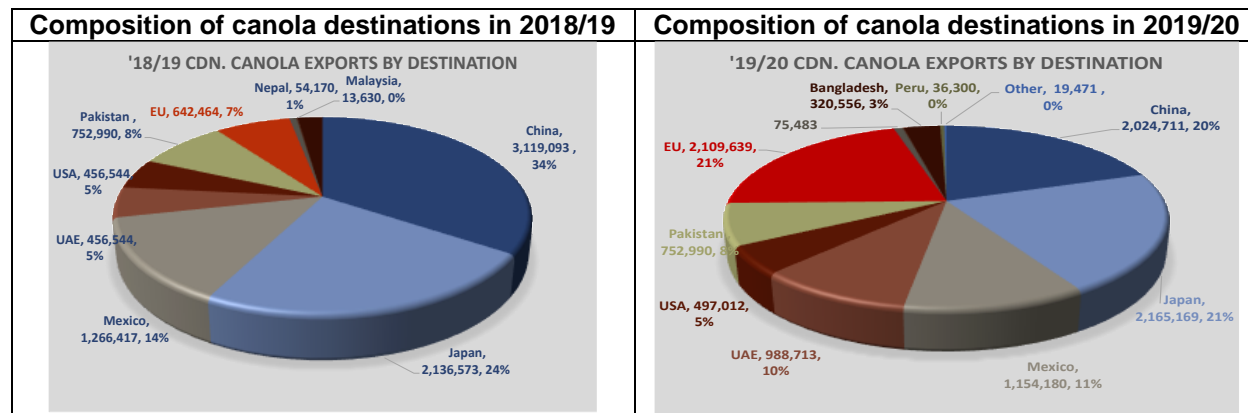
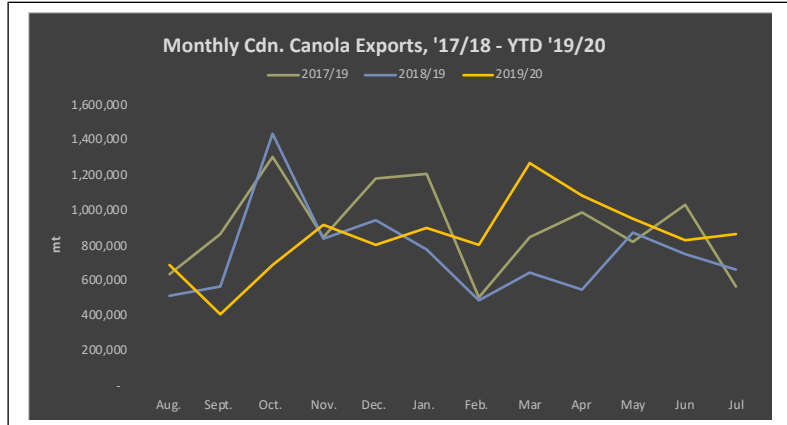
**Action:** This would be a good time for growers to hold back on deliveries to get better basis levels. *We see no reason to sell canola below \$11.00/bu.*



## Canola - Topics of Interest:

**Final (StatsCan) 2019/20 canola exports** amounted to 10.17 million MT. This was 955k MT or 10% higher than what Canada shipped for export during 2018/19.

Looking at destinations, China dropped from the number one export destination to number three, behind Japan and the European Union.



**Final (StatsCan) 2019/20 canola crush numbers** added to 10.13 million MT, 797k MT of 9% ahead of the previous year. In fact, it was the highest crop year crush achieved in Canada to date.

*Combined canola exports and crush for 2019/20 reached 20.3 million MT, compared to 18.54 million MT in 2018/19.*

*We are projecting the 2020/21 combined usage to reach 21.2 million MT.*

