

Canola Market Commentary

October 13, 2020

I. Key Points for the Week:

- **Soybeans** – CBOT soybeans made contract highs last week and were up over 40¢/bu ahead of the USDA report on more volume sales to China and on ongoing Fund buying.
- The big surprise in the USDA report was a cut in acreage by over 700k acres, although yield was left unchanged despite earlier concerns over a downgrade.
- The oilseed market focus now switches to South American weather.
- **Canola** – During week 9, growers again delivered a big 631k MT of canola into the handling system; visible stocks increased to 1.8 million MT, thus taking the pressure off exporters and crushers. Total YTD usage is 17% (524k MT) ahead of last year's pace.
- We expect good exports into the EU and into China to continue this crop year.

II. Oilseed Market Backdrop

Soybeans

Current market situation:

In spite of the “Golden Week” holiday in China, Chinese traders continued to buy soybeans. It is becoming tough to understand their justification. We do not think the rebuilding of the Chinese hog herd (after ASF) merits the extend of buying we are seeing, and still think their front-end load has something to do with the US election.

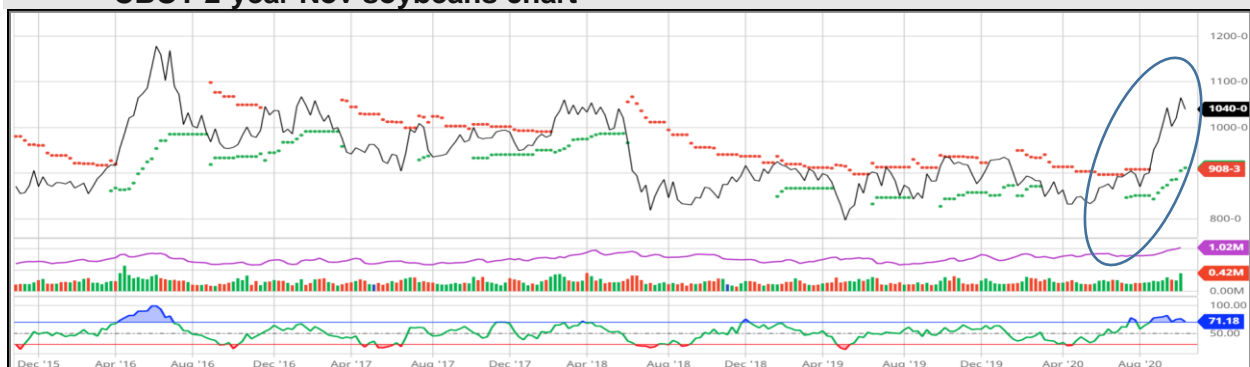
However, the USA balance sheet is already tight, and if they continue to buy, it is difficult to know how far the market can reach.

Market outlook:

All we can say is that ‘if China continues to buy US soybeans’, the market goes higher and canola will follow.

Given the delay to Brazilian plantings, the South American crop progress is also being watched. The chart is close to overbought and we know specs are long, so we could see some profit taking.

CBOT 2-year Nov soybeans chart



III. Canola Market

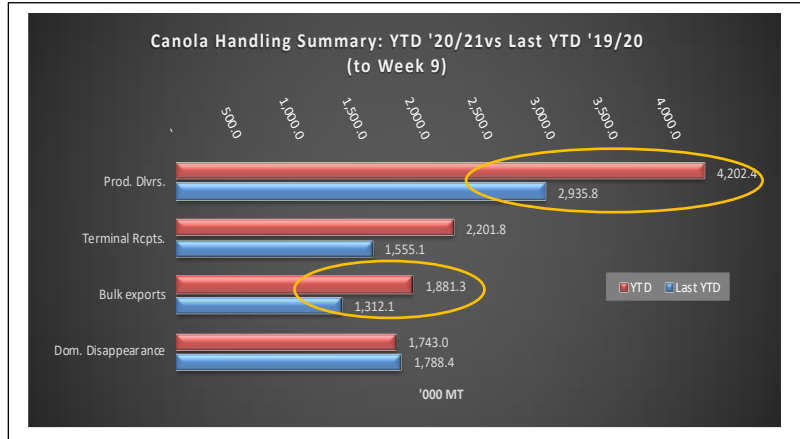
Canola:

Canola usage: The Canadian Grain Commission reported that during week 9 of the new crop year, growers again delivered a big 631 thousand MT of canola, exports were 223 thousand MT, and the domestic usage was 187 thousand MT.

Total canola consumption amounted to 410 thousand MT for the week.

Visible stocks increased to 1.8 million MT.

Through week 9, canola usage is already 524k greater than in the previous year to week 9.



Current market situation:

The build-up of stocks on the Eastern Seaboard confirms that we can expect additional export shipments into the EU. StatsCan showed last week that Canada shipped 128k MT to EU countries during August '20. Canada also shipped 194k MT of canola to China, which supports our belief that China will take more canola this year.

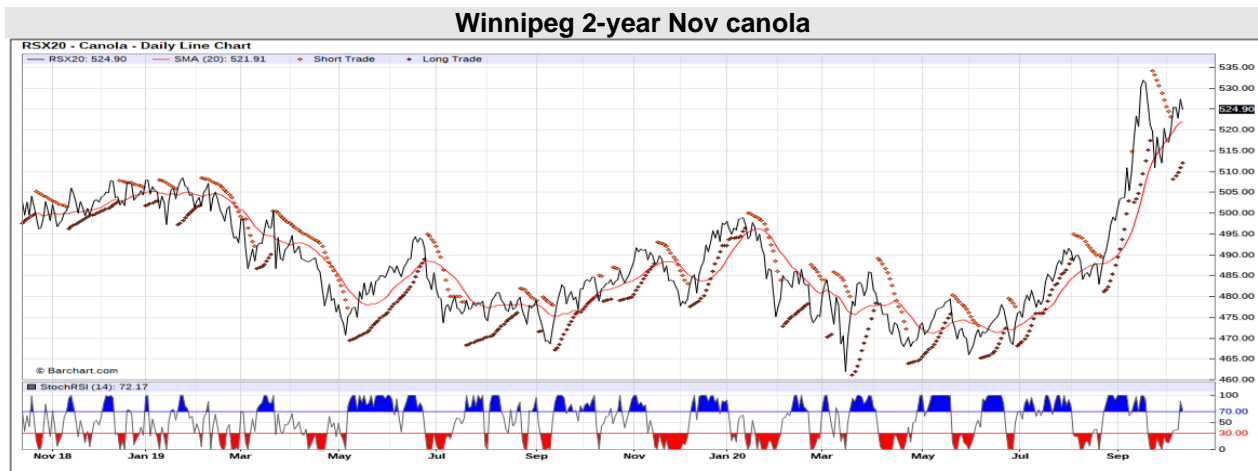
According to the USDA's latest crop production estimate last week, canola production in the United States is expected to reach 3.19 billion pounds, down 6% from the 2019 revised production of 3.40 billion pounds. This will create more demand for canola to go south into the US.

In Canada, growers continue to deliver canola in volume, which allows elevators to keep their "basis" discounted to futures.

Market outlook:

Given shipments to the Eastern Seaboard for Europe and the outlook for more demand in the US, we expect Manitoba canola to be in deficit by February 2021.

Action: *We see no reason for growers to sell additional canola at this time.*



Canola - Topics of Interest:

August canola exports by destination:

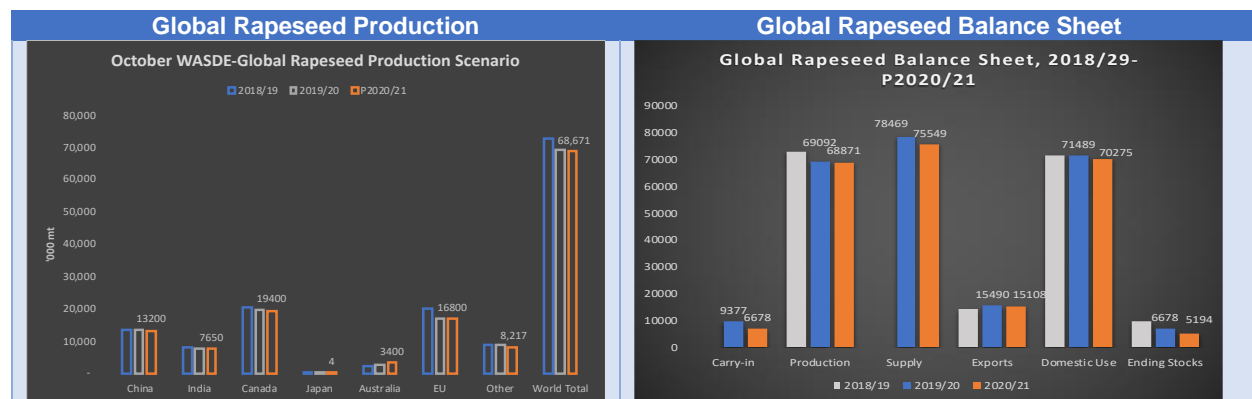
Statistics Canada issued their first monthly export numbers for canola. August exports were interesting. We shipped 315k MT to Japan, 194k MT to China, 128k MT to the EU, and 128k MT to the United Arab Emirates. Exports to Mexico came in 5th at 98k MT. August '20 canola exports were 33% bigger than August '19 exports.

(mt)		Monthly CANOLA Ex 2020/'21 crop yr.					
Rank	Country	Aug. '19	YTD '19/20	Last YTD		% of 1st yr	Diff. Tonnage
				'18/19	'18/19		
	World	912,052	912,052	686,233		1.33	225,819
2	China	193,731	193,731	118,153		1.64	75,578
1	Japan	314,855	314,855	214,973		1.46	99,882
5	Mexico	97,615	97,615	147,238		0.66	-49,623
4	UAE	127,578	127,578	75,326		1.69	52,252
	USA	14,852	14,852	11,817		1.26	3,035
	Pakistan	147	147	56,915		0.00	-56,768
	France	38,865	38,865	27,805		1.40	11,060
	Germany	43,813	43,813	0			43,813
	Belgium		0	0			0
	Portugal		0	0			0
	Netherlands	45,233	45,233	0			45,233
3	Ttl. EU		127,911	27,805		4.60	100,106
	India	-	0	1,974		-	-1,974
	Nepal	11,372	11,372	8,597		1.32	2,775
	Malaysia	3,163	3,163	0			3,163
	Bangladesh	150	150	0			150
	Peru	-	0	0			0
	Other	20,678	20,678	23,435			

Total EU exports

Global rapeseed balance sheet:

The most recent published production numbers show that global rapeseed/canola production is expected at 68.8 mln MT, ~400k mt higher than last month. However, because of the smaller carry-in, Supply at 75.5 mln MT will still be down ~ 4% due to the smaller carry-in stocks. Global exports are projected at 15.1 mln MT, down by 2% from last year. Ending stocks should fall again to 5.2 mln MT from 6.7 mln MT last crop year (-22%).



US canola crop expected to be lower

According to the USDA's latest crop production estimate, canola production in the US is expected to reach 3.19 billion pounds (1.445 million MT), down 6% from the 2019 revised production of 3.40 billion pounds (1.54 million MT).

State	Area harvested		Yield per acre		Production	
	2019	2020	2019	2020	2019	2020
	--- 1,000 acres ---		----- pounds -----		---- 1,000 pounds ----	
Kansas	19.0	3.0	1,090	1,910	20,710	5,730
Minnesota	48.5	48.0	2,270	1,400	110,095	67,200
Montana	138.0	145.0	1,450	1,500	200,100	217,500
North Dakota	1,610.0	1,520.0	1,800	1,770	2,898,000	2,690,400
Oklahoma	21.0	8.0	1,410	1,530	29,610	12,240
Washington	73.0	88.0	1,950	2,200	142,350	193,600
United States	1,909.5	1,812.0	1,781	1,759	3,400,865	3,186,670

UK rapeseed crop seen at 1.07 mln MT, down 39% -ministry

The United Kingdom's rapeseed harvest this year is provisionally forecast at 1.07 million tonnes, down 39% from the previous season, Britain's farming ministry said on Thursday. The decline was driven partly by a 27% decrease in planted area as wet weather during the autumn of 2019 prompted many farmers to switch to spring planted crops.