

Canola Market Commentary

January 11, 2021

I. Key Points for the Week:

- **Soybeans** – The Weekly US Export Inspections report showed 65.4 mln bu (1.8 mln MT) of soybeans were shipped during the first week of January. That was a 1% increase on the week, but shipments were 54% above the same week last year. China was the top destination for the week with 58% of the total.
- Funds reduced their amount of futures ownership due to profit taking, but they still own more than the last USDA carryover estimate. They are in a good position to buy soybeans if tomorrow's USDA report is bullish.
- **Canola** – Through week 22, canola usage is 1.2 mln MT (+14%) greater than in the previous year to week 22.
- Supplies are tight and we will likely need price rationing.

II. Oilseed Market Backdrop

Soybeans

Current market situation:

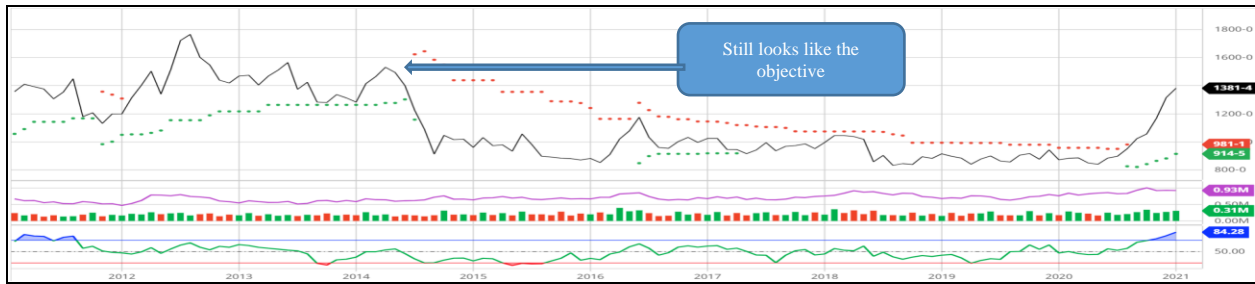
China has continued to buy US soybeans as far out as Jul-Aug., which the US can ill afford to sell, as it cannot keep up the current export pace. Funds were looking for even greater exposure to the commodity and Ag space (the index fund rebalance started Friday and will last through next week). Early yields in Brazil are well below expectations, although BAGE left the Argentine crop unchanged despite a decline in crop ratings. The trade wonders how the USDA will handle a market situation, which is unlike anything we have seen before.

Market outlook:

All attention is focused on tomorrow's WASDE report. The report will include US December stocks data, US soybean disappearance data, and South American crop sizes. Many traders expect a Chinese soybean import number of 104 mln MT, which would be bullish. Others talk of heavy price rationing already reducing usage. In our view, both corn and soybean carryovers should be lower.

On the ten-year chart the April 2014 value of over \$15.00/bu still looks like the objective.

CBOT 10-year Jan Soybeans



III. Canola Market

Canola:

Canola usage: The Canadian Grain Commission reported that during week 22 of the crop year, growers delivered 373 thousand MT of canola into primary elevators, exports were 101 thousand MT, and the domestic disappearance was 355 thousand MT.

Total canola disappearance amounted to 456 thousand MT for the week.

Visible stocks decreased to 1.5 million MT.

Through week 22, canola usage is 1.2 million MT (+14%) greater than in the previous year to week 22.

(CGC) Grain Handling Summary CANOLA			Wk. 22 (Jan. 3/'21)	
('000 mt)	Prod. Dlvr.	Terminal Rcpts.	Bulk exports	Dom. Disappearance
Wk. 22	372.8	227.8	101.3	354.8
Week ago	729.2	397.9	302.5	288.6
YTD	10,017.5	5,787.8	5,204.2	4,565.5
Last YTD	8,696.4	4,517.5	3,704.9	4,855.1
YTD less Last YTD	1,321.1	1,270.3	1,499.3	-289.6
YTD over Last YTD	115%	128%	140%	94%

Current market situation:

Crush margins in Canada continue to exceed \$100/MT. This will ensure that crushers will attempt to keep crushing to full capacity.

The EU is the leading export destination this year and that this level of demand will continue next year. We estimate that the EU has purchased at least 1.4 mln tonnes of canola year to date.

Exporters and crushers are beginning to stretch to buy seed. We know that \$15.00 per bushel has been paid in Saskatchewan, and we expect that even better values should be available in Alberta and Manitoba.

CANOLA			
	LDC		
	Basis	Cash Price	Converted Price
Jan 21	-45.00	623.00	14.13
Feb 21	-45.00	623.00	14.13
Mar 21	-45.00	623.00	14.13
Apr 21	-45.00	610.40	13.84
May 21	5.00	660.40	14.96
Jun 21	7.00	648.50	14.71
Jul 21	8.00	649.50	14.73
Sep 21	-25.00	519.20	11.78
Oct 21	-23.00	521.20	11.82
Nov 21	-20.00	524.20	11.89

Market outlook:

We want to see tomorrow's USDA report, but expect further strength in soybean markets, which canola will follow.

Action:

We see no reason to sell additional canola until after the new WASDE report is released.

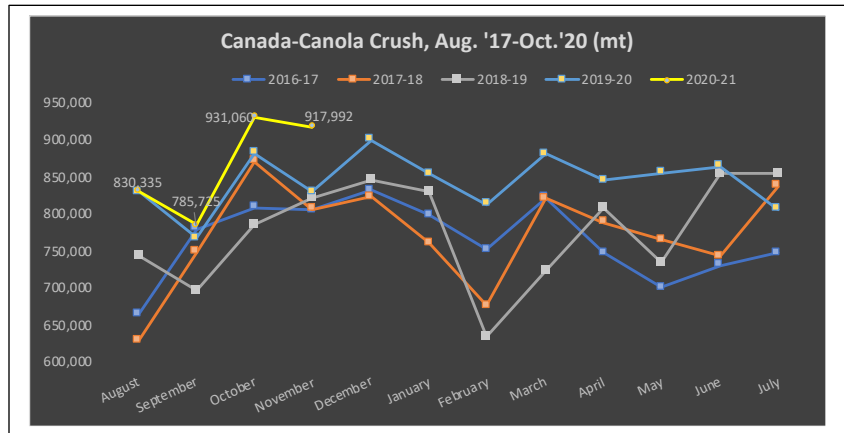
20-Year Jan ICE Canola



Canola - Topics of Interest:

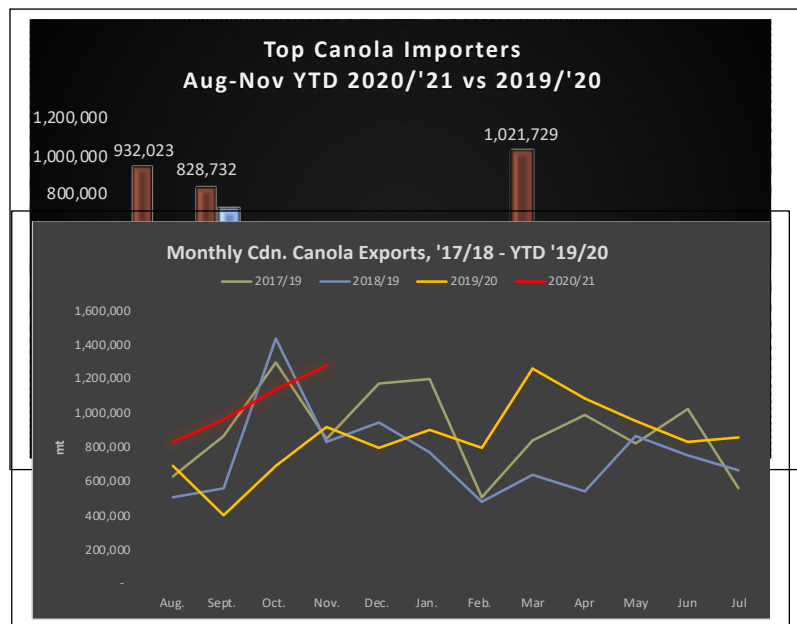
YTD Canola Crush:

Statistics Canada published the November '20 Canadian crush numbers at 918k MT, which is a new record for the month of November. Total crush for the first 4 months of the crop year amount to 3.5 mln MT, which is 5% higher than last years. Annualizing the YTD crush to the full crop year would give us 10.4 mln MT of crush. AAFC is using 10.2 mln MT for the year.



YTD Canola Exports:

Statistics Canada also published November exports by destination. November canola exports came in at 1.3 million MT, for a year-to-date total of 4.2 million MT. The year-to-date number is 1.5 million MT ahead of last year's exports. The EU combined was the single biggest buyer in November, as well as the biggest buyer to date, ahead of China and Japan. Annualizing the year-to-date exports to the full crop year would yield 12.6 mln MT of exports, which is not possible given Canadian supplies.



The second chart compares monthly exports during 2020/'21 to monthly exports over the past three years.