

Canola Market Commentary

February 16, 2021

I. Key Points for the Week:

- **Soybeans** – The USDA estimate on wheat and soybeans were close to trade expectations.
- For the week, front month March soybeans were 5 1/4 cents higher, but new crop November ended 13 cents in the black. We will need a big increase in new crop acres planted to soybeans.
- **Canola** – *Through week 27, canola usage is 1.8 million MT (+18%) greater than in the previous year to week 27.*
- We have seen crushers bidding \$16.00 per bushel (+) for supplies. May futures are too low, they will go to the March value.

II. Oilseed Market Backdrop

Soybeans

Current market situation:

CBOT soybeans ended a volatile week up 5¢, following a USDA report which brought no surprises to oilseeds, and which showed minimum USA pipeline stocks at only 120 million bushels. We will need a big increase in acres planted to soybeans, which is a reason why the corn carry over is key. This could be a motive why the USDA was conservative in the last WASDE report.

The S American forecasts maintains an unfavorably dry pattern across the whole of Argentina and S Brazil, while central and N Brazil will continue to see too much precipitation which will continue to slow the soybean harvest.

Market outlook:

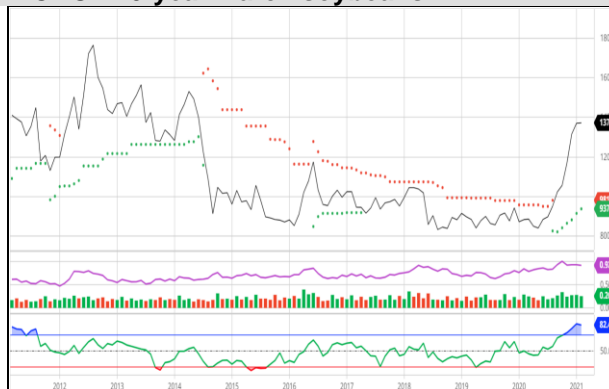
The USDA Outlook Conference at the end of this week should give us an idea of the USDA's thinking for the new crop balance sheet. The current numbers suggest stronger prices to us. We are going to need more acres for both corn and soybeans, which is hard to justify.

It is unlikely that there will be any fresh Chinese business this week due to the holidays in China. S American weather will remain the key factor while waiting for Friday's Outlook Conference indications.

WASDE Numbers

U.S. Soybeans and Products Supply and Use (Domestic Measure) 1/				
SOYBEANS	2018/19	2019/20 Est.	2020/21 Proj. Jan	2020/21 Proj. Feb
			<i>Million Acres</i>	
Area Planted	89.20	76.10	83.10	83.10
Area Harvested	87.60	74.90	82.30	82.30
			<i>Bushels</i>	
Yield per Harvested Acre	50.60	47.40	50.20	50.20
			<i>Million</i>	
Beginning Stocks	438.00	909.00	525.00	525.00
Production	4,428.00	3,552.00	4,135.00	4,135.00
Imports	14.00	15.00	35.00	35.00
Supply, Total	4,880.00	4,476.00	4,695.00	4,695.00
Crushings	2,092.00	2,165.00	2,200.00	2,200.00
Exports	1,752.00	1,682.00	2,230.00	2,250.00
Seed	88.00	96.00	103.00	103.00
Residual	39.00	9.00	22.00	22.00
Use, Total	3,971.00	3,952.00	4,555.00	4,575.00
Ending Stocks	909.00	525.00	140.00	120.00
Avg. Farm Price (\$/bu) 2/	8.48	8.57	11.15	11.15

CBOT 10-year March soybeans



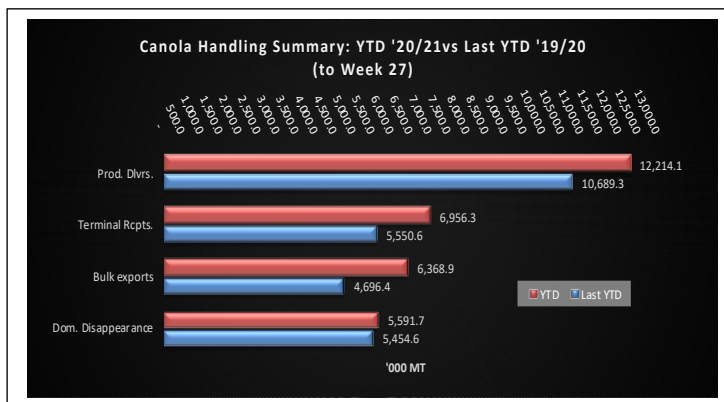
III. Canola Market

Canola:

Canola usage: The Canadian Grain Commission reported that during week 27 of the crop year, growers delivered a big 486 thousand MT of canola into primary elevators, exports were below average at 169 thousand MT, and the domestic disappearance was 201 thousand MT. Total canola disappearance amounted to 371 thousand MT for the week.

Visible stocks were stated at 1.7 million MT. There are a large number of vessels waiting for product at the West Coast.

Through week 27, canola usage is 1.8 million MT (+18%) greater than in the previous year to week 27.



Current market situation:

Eastern seaboard stocks remain at 330,000 MT, which suggests export movement to the EU remains healthy. Crush margins remain very good, keeping up domestic demand.

The markets are very strong reflecting what we have been saying for weeks: "We will run out of canola before new crop is available". - We have seen crushers bidding \$16.00 per bushel (+) for supplies. May futures are too low, they will go to the March value.

Market outlook:

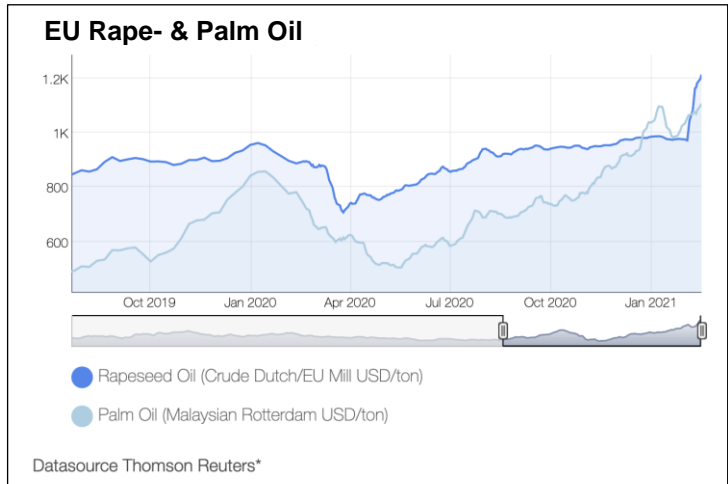
ICE canola hit 13-year highs last Friday and is up another C\$9-10/MT so this morning (Tuesday). Matif rapeseed in Europe also began the week with contract highs. Palm oil is the only Asian market that is trading this week, and Malaysia extended yesterday's gains and is very close to the January contract highs; February exports rose 27% to 540k MT. Gains are being capped by the higher import taxes imposed by India, but support continues to come from the new rally highs in crude oil.

LDC			
	Basis	Cash Price	Converted Price
May 21	7	718.2	16.29
Jun 21	25	702.4	15.93
Jul 21	27	704.4	15.98
Sep 21	-25	547.6	12.42
Oct 21	-23	549.6	12.46
Nov 21	-20	552.6	12.53
Dec 21	-18	555.3	12.59
Jan 22	-15	558.3	12.66
Feb 22	-18	554.5	12.58
Mar 22	-15	557.5	12.64

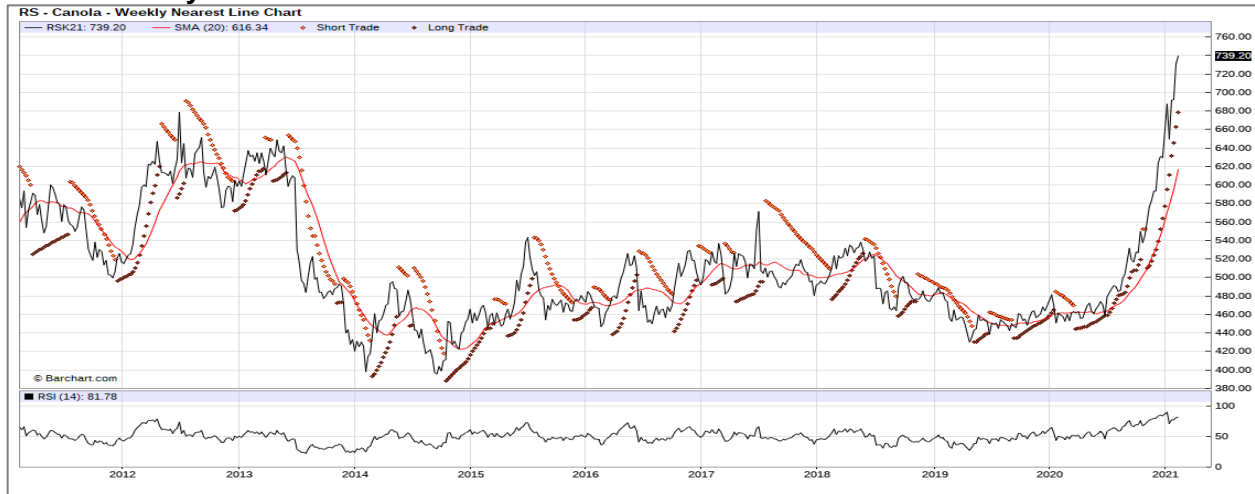
With China away this week, S American weather will likely be the prime focus of oilseed markets this week, while waiting for Friday's first look at US new crop prospects. For canola, increasingly tight stocks are starting to pose a problem for export and crush companies alike.

Action:

Our target for any current crop canola remaining is \$16.50 per bushel, and we would sell 10 percent new crop canola at \$12.00 per bushel.



10-Year May Canola Chart



Canola - Topics of Interest:

The February USDA-WASDE report last week included some small updates to the global rapeseed balance sheet. The '20/21 global production increased slightly to 68.93 million MT, primarily because of increases to 'other' production. Exports were also increased slightly to 16.23 million MT. Ending stocks increased marginally to 5.14 million MT, which still is 29% lower than the '19/20 global rapeseed ending stocks.

