

Canola Market Commentary

April 26, 2021

I. Key Points for the Week:

- **Soybean** – Friday was another huge day for the CBOT soybean complex with soybeans up 40¢ at one point and May soybean oil briefly limit up.
- The soybean market needs to buy additional soybean acres to prevent the '21/22 balance sheet from becoming even tighter.
- **Canola** – *Through week 37, canola usage is 1.6 million MT (+11%) greater than in the previous year to week 37.* Exports are starting to slow.
- New crop bids are attractive to Canadian growers as they show a good return, but they are undervalued when compared to export bids for soybeans. We would not be inclined to sell additional new crop canola at this time.

II. Oilseed Market Backdrop

Soybeans

Current market situation:

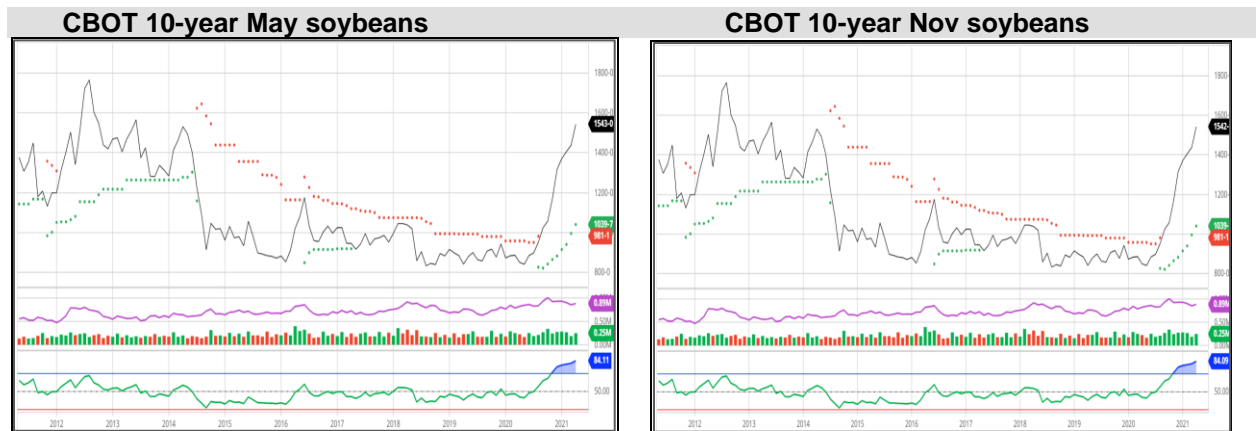
Friday was another huge day for the CBOT soybean complex with soybeans up 40¢ at one point and May soybean oil briefly limit up. Soybean oil is up again today, and both the board and cash crush margins will continue to push crushers to buy soybeans - even though they are now trading above \$15 for the first time since 2014. This means that old crop is for further declines in ending stocks, which along with a decline in the soybean-corn ratio to just 2.42 is asking fresh questions about new crop prices. The market just has to buy additional soybean acres to prevent the '21/22 balance sheet from becoming even tighter.

In Argentina, BAGE held the Argentine crop unchanged at 43 million MT, but harvest remains exceptionally slow at just 19% complete compared to 56% last year.

Market outlook:

The charts look a little overbought to us. Overall, the corn-soybean ratio still favours corn planting, so we think soybeans will be followers of corn and wheat for the present. Longer term, we can see Funds increasing their long in new crop soybeans.

Fundamental tightness in the soybean market continues to push the US basis higher, but the US crush is not slowing down. Bigger fund positions and expanded daily price limits will fuel volatility, and like corn, US soybeans simply cannot afford any weather problem. As of Friday, fund longs were estimated at 200k soybean contracts.



III. Canola Market

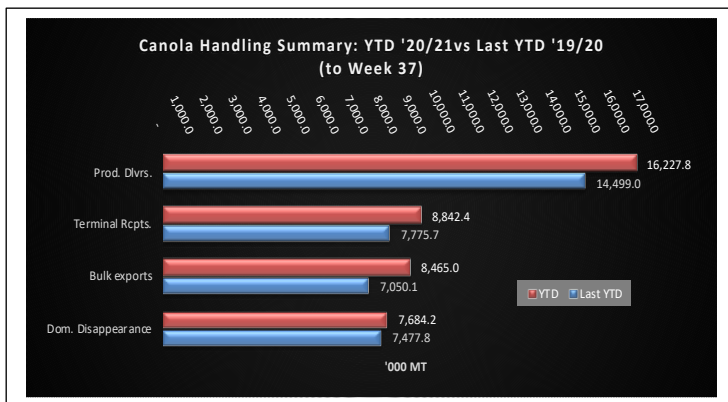
Canola:

Canola usage: The Canadian Grain Commission reported that during week 37 of the crop year, growers delivered 377 thousand MT of canola into primary elevators, exports were 154 thousand MT, and the domestic disappearance was at 224 thousand MT.

Total canola disappearance amounted to 379 thousand MT for the week.

Visible stocks declined to 1.57 million MT.

Through week 37, canola usage is 1.6 million MT (+11%) greater than in the previous year to week 37.



Current market situation:

We note the export number was smaller than the domestic crush, and we can see that the minimum tonnage necessary is being shipped to the West Coast on a weekly basis.

We still have decent canola stocks on the Eastern Seaboard (267k MT) to allow more exports to the EU. Growers through week 37 have now delivered 16.3 million tonnes of canola, 300k MT more than wheat excluding durum.

There are reports of Ukrainian canola coming to Canada. We doubt that this will ever happen. - It could only work to a Quebec crusher and we expect that the EU will always be a better priced buyer.

We expect StatsCan will need to increase this year's planted acres in line with Mercantile's long term forecast.

LDC			
	Basis	Cash Price	Converted Price
Jun 21	25	861.9	19.55
Jul 21	33	869.9	19.73
Aug 16-31	20	716.9	16.26
Sep 21	-15	681.9	15.47
Oct 21	-10	686.9	15.58
Nov 21	-5	691.9	15.69
Dec 21	-5	687.2	15.59
Jan 22	-2	690.2	15.65
Feb 22	-5	683	15.49
Mar 22	-2	686	15.56

Viterra is posting \$19.52 & \$19.63 for Jne & Jly and \$15.35 for Nov. '21

Market outlook:

Matif May rapeseed in Europe increased its 4-day gains to €96/MT (~C\$144/MT) at Friday's highs, and new crop rapeseed made its 13th straight higher close. Canadian canola also made contract highs on both old and new crop. Importantly, Asian markets are all higher again this morning with soybean oil, rapeseed oil and palm oil all at contract highs. Crush margins and crush rates in China continue to improve.

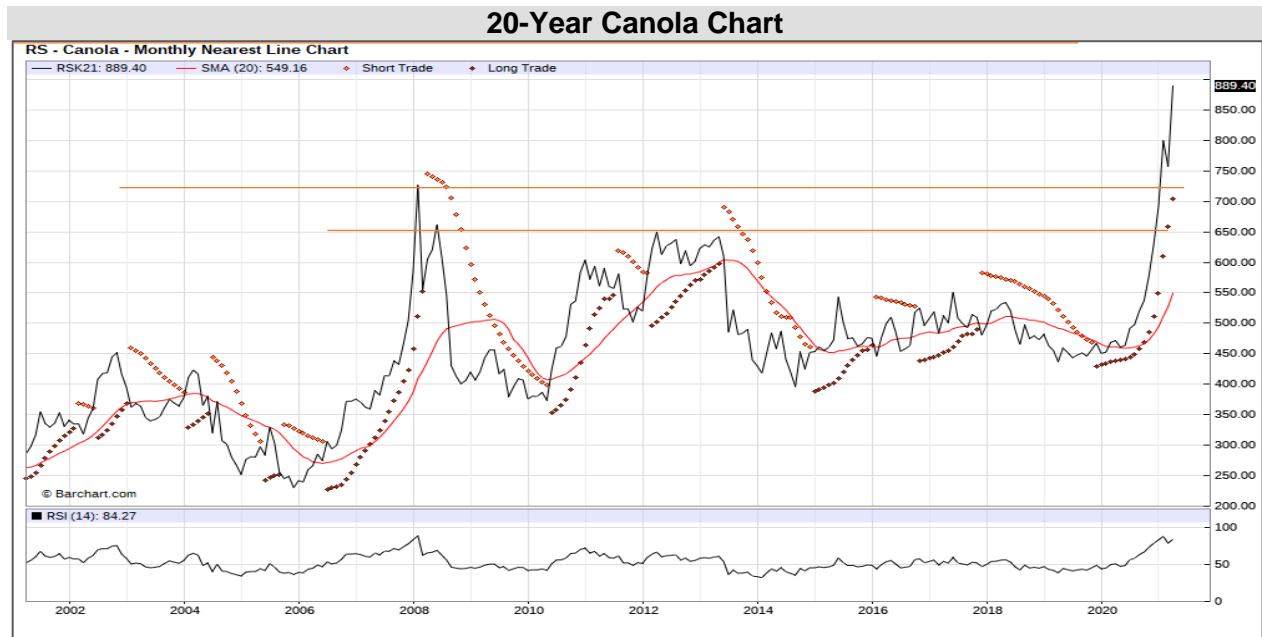
Following the generally strong futures markets and exceptionally strong markets for all vegetable oils, cash bids for canola on the Prairies have increased by ~1.25/bu for both old crop and new crop deliveries.

- New crop bids are attractive to Canadian growers as they show a good return, but they are undervalued when compared to export bids for soybeans. We would not be inclined to sell additional new crop canola at this time.

EU Canola Product Values			
23-Apr-21			
eu prices	current	canola yield	
oil	\$1,380.00	44%	\$607.20
meal	\$253.00	58%	\$146.74
canola product value usfmt			\$753.94
minus frt t/bay/ara			\$25.00
net t/bay			\$728.94
Canadian \$ exchange	0.79938		\$911.88
futures july			\$839.00
Premium over futures			\$72.88
per bushel t/bay			\$20.71

Action:

Our recommendation remains the same: no new crop sales for the present.



**Canola - Topics of Interest:
Vegetable Oil Values in China:**

The graph gives a snapshot of soybean oil values and rapeseed oil values in Dalian, China, as of Dec. 2019, July 2020, and April 23, 2021. Since July 2020, the soybean oil value in China has increased by 40 percent, while the rapeseed oil value has increased by a more moderate 27%. Rapeseed/ canola imports were increased again after during the '20/21 crop year after being severely curtailed by China the previous year. Rapeseed is currently underpriced relative to soybeans.

