

Canola Market Commentary

June 28, 2021

I. Key Points for the Week:

- **Soybeans** - CBOT soybeans had their lowest weekly close last Friday in ten weeks, soybean meal fell to a 2021 low, but soybean oil closed in the green.
- Longer term, soybean oil demand will be far more a function of renewable energy capacity expansion than EPA waivers.
- **Canola** – Through week 46, canola usage is 1.2 million MT (+7%) greater than in the previous year to week 46. – The volume gains over last year are dwindling due to tightening supplies.
- Margins in the EU based on canola are good and there will continue to be buyers.
- The forecast heat across the Prairies may be a threat to canola during flowering.

II. Oilseed Market Backdrop

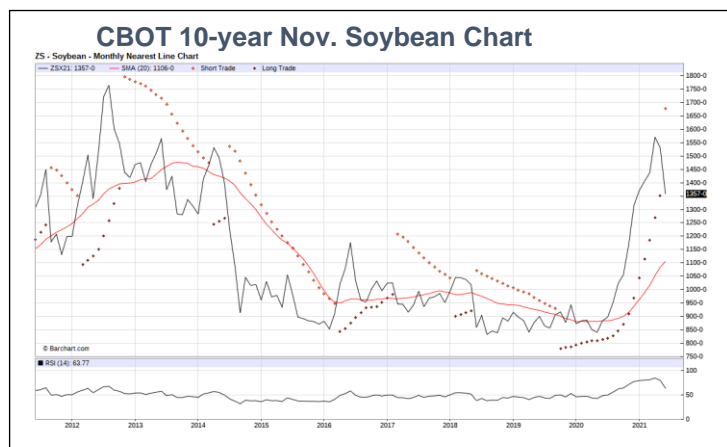
Soybeans

Current market situation:

CBOT soybeans had their lowest weekly close in ten weeks, soybean meal fell to a 2021 low, and although soybean oil closed in the green, it still fell 3¢ on Friday following the news that the US Supreme Court would allow the EPA to grant small refiner waivers.

On the other hand, there were new sales to China and crop ratings fell to 60% GD/EX (compared to 70% last year at this time), but it was the rain in the E Midwest and the EPA announcement which ramped up the liquidation ahead of this Wednesday's USDA stocks and acreage report.

In S America, the Argentine soybean harvest is complete, and BAGE kept the crop at 43.5 million MT. S American soybeans rallied with Brazil now at or above US execution parity to China.



Market outlook:

Asian markets actually closed higher on reports of large Malaysian palm exports and Indonesia's decision to lower its export tax by \$80 to \$175. The USDA stocks and plantings report on Wednesday will be crucial to the market, after which weather will again be the focus. Pre-report estimates for the new crop soybean acreage in the US range widely from a 400k acre increase from March to a 3-million-acre bump. The average estimate at 89.1 million soybean acres planted for 2021/22, which would be 1.5 million acres higher than the March intentions.

Regarding the EPA-small refiner waiver decision, longer term, soybean oil demand will be far more a function of renewable energy capacity expansion than EPA waivers.

III. Canola Market

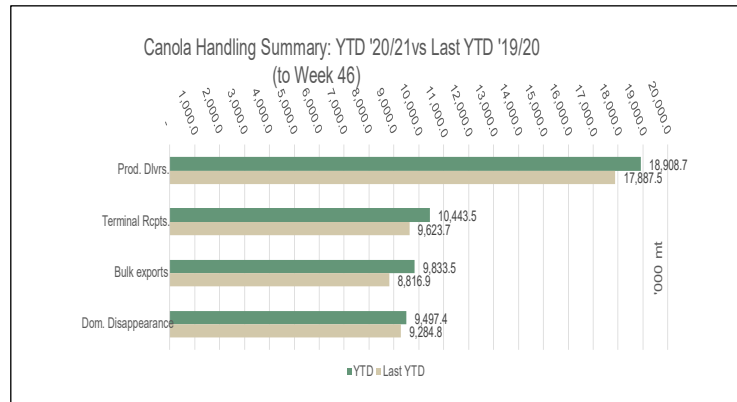
Canola:

Canola usage: The Canadian Grain Commission reported that during week 46 of the crop year, growers delivered 304 thousand MT of canola into primary elevators, exports were at 130 thousand MT, and the domestic disappearance was at 207 thousand MT.

Total canola disappearance amounted to 337 thousand MT for the week.

Visible stocks moved to 1.2 million MT.

Through week 46, canola usage is 1.2 million MT (+7%) greater than in the previous year to week 46. – The volume gains over last year are dwindling due to tightening supplies.



Current market situation:

Oilseed markets followed soybeans down last week as CBOT soybeans made their lowest weekly close in ten weeks. Matif rapeseed in Europe also closed lower despite the EU balance sheet update estimating the EU crop at 16.7 million MT (up 600k MT on last year) and imports at 6.2 million MT, unchanged from this last year. For the Ukraine, private estimates projected the Ukrainian rapeseed crop at a 4-year low of 2.5 million MT. In the end, canola in Canada closed only little changed and has resumed its upward trend overnight. Cash bids have also moved up again.

Market outlook:

It will be interesting to see if the Statistics Canada report on Tuesday will increase their 2021 acreage numbers for canola. The pre-report Reuters survey last week showed the average guess for canola acres at 22.5 million acres, compared to the April StatsCan number at 21.5 million acres. We expect the actual acreage number to be closer to 23 million acres.

Beyond that, everyone is watching the weather developments, fearing that the heat could hit canola during flowering.

In international markets, with the exception of Dalian soybeans, Asian markets are all trading higher this Monday.

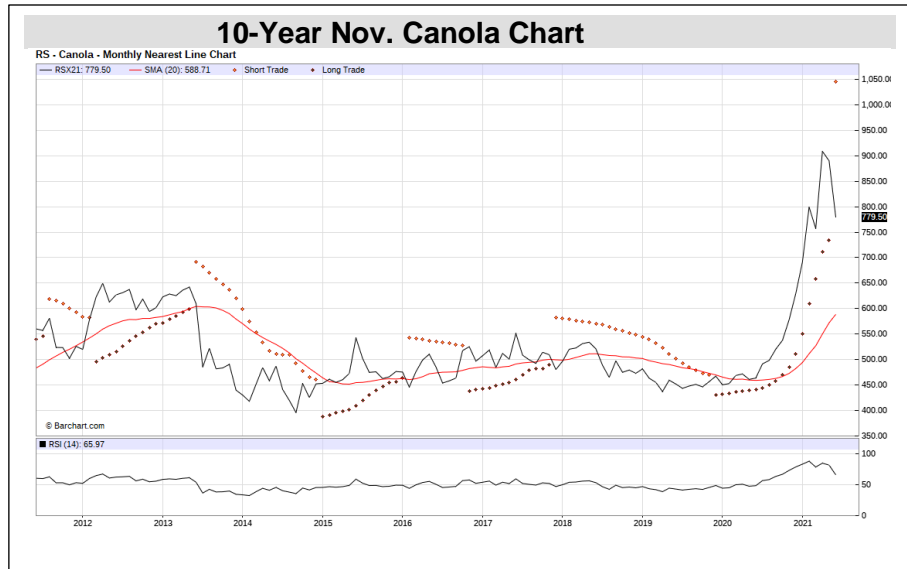
LDC (crush)			
	Basis	Cash Price	Converted Price
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Jun 21	40	809.5	18.36
Jul 21	47	816.5	18.52
Aug 16-31	15	784.5	17.79
Sep 21	-25	744.5	16.89
Oct 21	-20	749.5	17.00
Nov 21	-15	754.5	17.11
Dec 21	-15	751	17.03
Jan 22	-12	754	17.10
Feb 22	-15	743	16.85
Mar 22	-12	746	16.92

Viterra (Moose Jaw) is posting \$16.90/bu for Jly and \$17.12 for Nov.

- Sample prices June 21 -

Action:

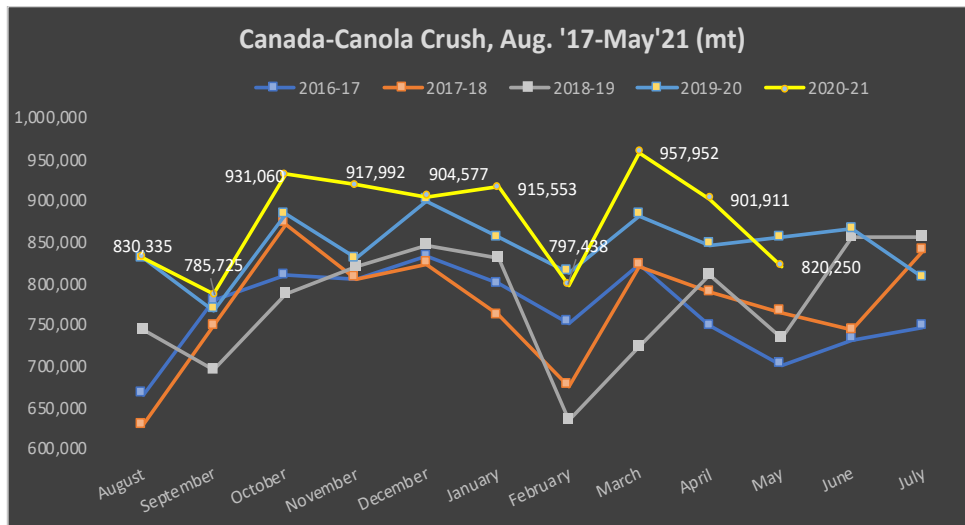
Be patient; we see no reason to make additional new crop canola sales at this time.



Canola - Topics of Interest:

Canadian Canola Crush:

Statistics Canada published the may canola crush numbers for May last week at 820k MT, for a year-to-date total of 8.8 million MT. This is 4% higher than last year-to-date. Annualizing the year-to-date crush to the full, crop year would give us a 10.52 million MT annual crush, but it remains to be seen if we have enough seed in W Canada to continue at the previous pace.



Canadian Canola Exports:

Just to review how the YTD canola exports by destination stack up: The latest StatsCan numbers are for April '21. Canada exported 631k MT in April, with 247k MT of these going to China. YTD exports reached 8.6 million MT, compared to 7.3 million MT last YTD. Exports to the EU have slowed over the past 2 months with dwindling stocks in MB. Exports into Asia have slowed to a

lesser degree. Annualizing the YTD exports would yield 11.5 million MT of exports for '20/21, but there is not enough seed in Canada to sustain that target, especially not in combination with good crush numbers.

