

Canola Market Outlook

February 22, 2022

I. Key Points for the Week:

- **Soybeans** – The CBOT soybean complex was closed on Monday, but today soybeans are up 33¢ at contract highs, with March closing at 1635.
- Black Sea politics, S American crop losses, the USDA Outlook Conference, soaring crude oil prices and expanding renewable energy capacity against questions about Chinese import demand, make up a hugely volatile cocktail for the world's oilseed markets.
- **Canola** – *Total canola disappearance during the first twenty-eight weeks of the new crop year amounted to 8.6 million MT compared to 12.2 million MT last YTD.*
- We expect canola to follow soybeans and see no weakness for now.
- We see no need to make additional canola sales at this time.

II. Oilseed Market Backdrop

Soybeans

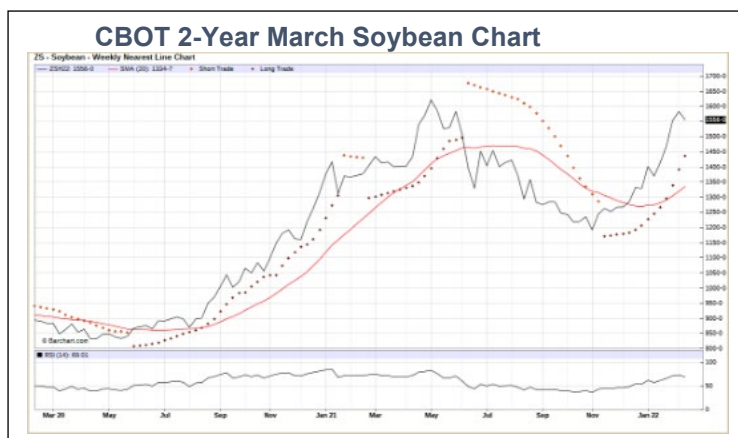
Current market situation:

The CBOT soybean complex was closed on Monday, but today soybeans are up 33¢ at contract highs, with March closing at 1635. Soybean oil is up 2.58¢ and is also at fresh contract highs.

Like all other commodity markets (notably crude which is up to \$96 on Brent), the CBOT soybean rallies are a reaction to President Putin's overnight decision to not only to officially recognise the Donetsk and Luhansk "People's Republics" in

eastern Ukraine, but also to send "peace keeping" troops into the areas. This has opened up a debate as to what is Putin's end game might be, and whether or not this move is sufficient to trigger the much-vaunted western sanctions.

The other problem area is S America, where according to BAGE, Argentina's soybean crop could still see further yield losses with dryness expected to continue into mid-March. The country's core agricultural area will see some rainfall, but large regions will remain with significant water deficits. Private crop estimates continue to decline with additional reports of sub 40 mln mt (vs. USDA's 45 mln mt). In Brazil, the harvest was put at around 33% complete as of the weekend. This was up 10% on the week and is well above last year's 15%, although rain continues to pose problems not only for the harvest itself but also for soybean quality. There are increasing reports of yield losses in Mato Grosso.



In addition to the above issues, the trader's attention will be also on the USDA Outlook Conference's (Feb. 24-25) views of losses in South America and what acreage gains in corn and/or soybeans might materialize in North America.

Market outlook:

China is becoming increasingly vocal about poor/negative feeding and crush margins while pork prices rise to unaffordable levels. The implication could be that imports will be lower than current trade and USDA estimates, and that soybean prices should come down. However, some traders think China is short and are caught by rising markets. If so, they will be very unhappy with the events in Ukraine and the 33¢ gain today.

Black Sea politics, S American crop losses, the USDA Outlook Conference, soaring crude oil prices and expanding renewable energy capacity, against questions about Chinese import demand make up a hugely volatile cocktail for the world's oilseed markets.

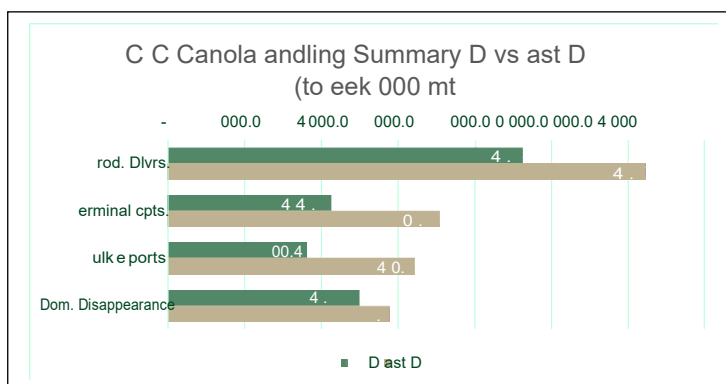
III. Canola Market

Canola:

Canola usage: The Canadian Grain Commission reported that during week 28 of the crop year, growers delivered 278 thousand MT of canola into primary elevators, exports were at 67 thousand MT, while the domestic disappearance amounted to 159 thousand MT. Crush volume still averages at 178k MT per week but is declining. Exports are still running well above annual capacity (6.8 million MT annualized) but are declining even faster than domestic crush.

Total canola disappearance during the first twenty-eight weeks of the new crop year amounted to 8.6 million MT compared to 12.2 million MT last YTD.

Visible stocks remain at 1.45 million MT, with 183 thousand MT in process elevators, only 154 thousand MT in Vancouver/ Prince Rupert, and 178 thousand MT in eastern ports. YTD usage (export & crush) is 3.6 million MT (-30%) smaller than Last YTD.



(CCC) Grain Handling Summary CANOLA		Week 28 (Feb. 13/ 22)		
(000mt)	Prod. Dlvrs.	Terminal Rqpts.	Bulk exports	Dom. Disappearance
Week 28	277.9	57.9	67.4	159.1
Week ago	211.9	84.0	164.9	149.0
YTD	9,245.6	4,243.8	3,600.4	4,985.8
Last YTD	12,477.8	7,078.3	6,420.1	5,769.8
YTD less Last YTD		-2,834.5	-2,819.7	-784.0
YTD over Last YTD	74%	60%	56%	86%

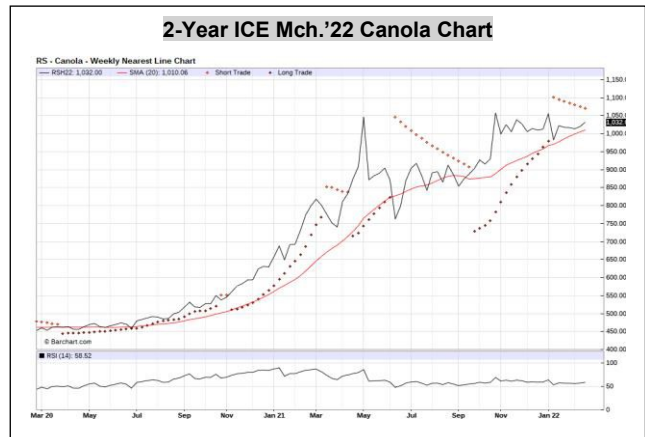
LDC (crush)			
	Basis	Cash Price	Converte
May 22	40.00	1040.20	
Jun 22	40.00	1040.20	
Jul 22	40.00	1040.	
Sep 22	-10.00	8	
Oct 22	0.00		
Nov 22	0.0		
Dec 22			
Jan 23			
Viterria			
\$2			
- Sample prices, Feb. 22/ 2 -			

Current market situation:

Using the StatsCan production numbers and year to date usage, we have used up 73 percent of the crop. Exports in week 28 fell off and they, or the domestic crush, will need to be small to make it through the year. Export stocks on the west/east coasts are reasonable for week 29.

The still falling soybean production numbers in S America have supported oilseed markets, and we also need to maintain a ~2.45 ratio of soybeans over corn to secure more soybean acres. (The current ratio is close at 2.42.) China continues to buy soybeans and we suspect that the USDA is light on the number of US soybeans going to China. Also in our view, the high cost of fertilizer favours soybeans.

In Europe, Matif rapeseed jumped to 3-week highs on old crop while new crop rapeseed rose to contract highs as Asian veg-oils continued to rally and war threatens in the Ukraine. Asian markets are making new highs on palm oil, soybean oil and Dalian meal.



Market outlook:

We expect canola will follow soybeans and see no weakness for now.

Action:

We see no reason to make additional canola sales at this time.

Canola - Topics of Interest:

Statistics Canada: January '22 canola crush numbers

Canada crushed 651k MT of canola in January ' down from 104k MT in December ' and down from 915k MT in Jan. ' 1. YTD crush (Aug. to Jan.) adds to 4.5 million MT compared to 5.3 million MT last year and 5.1 million m the year prior.

Annualizing the YTD crush would yield a crush volume of 8.9 million MT, which is not sustainable given the drought reduced crop.

Canada - Canola Crush Summary

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
August	665,347	628,918	742,988	829,778	830,335	661,968
September	779,251	748,629	696,377	767,666	785,725	778,402
October	808,721	870,998	786,770	882,301	931,060	876,127
November	804,948	805,945	820,507	829,303	917,992	781,105
December	831,590	823,434	846,481	899,331	904,577	704,696
January	798,373	760,229	829,640	854,686	915,553	651,282
February	752,205	675,944	635,526	812,633	797,438	
March	821,990	820,712	722,433	881,348	957,952	
April	747,528	788,612	808,945	845,495	901,911	
May	701,002	765,216	733,689	855,008	820,250	
June	731,124	742,573	854,510	864,559	829,846	
July	746,944	838,014	854,510	806,868	832,114	
Crop YTD	4,688,230	4,638,153	4,722,763	5,063,065	5,285,242	4,453,580
Annual	9,189,023	9,269,224	9,332,376	10,128,976	10,424,753	4,453,580

