

# THE POWER TO PERFORM

Professional. Agricultural. Coaching.



**Minnesota  
Canola Council**

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# Canola: Short History, Bright Future

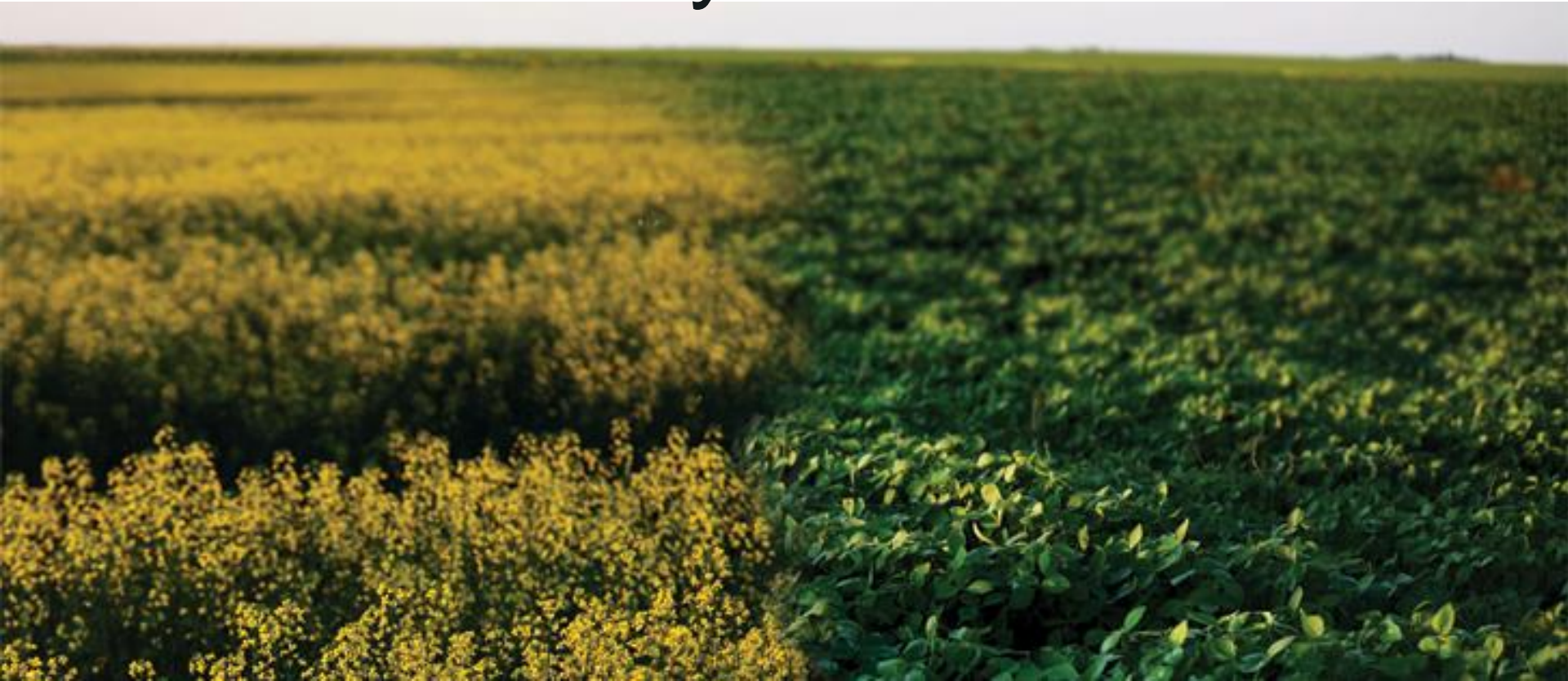
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# Goals:

- Oilseed markets
  - Where we've come from
  - Future of oilseeds
- Market signals
  - Basis
  - Futures



# Soybeans



<b>U.S. SOYBEANS</b>	2012/13	2013/14	2014/15 Nov	2014/15 Dec
			<i>Million Acres</i>	
Area Planted	77.2	76.8	84.2	84.2
Area Harvested	76.1	76.3	83.4	83.4
			<i>Bushels</i>	
Yield per Harvested Acre	40	44	47.5	47.5
			<i>Million</i>	
Beginning Stocks	169	141	92	92
Production	3042	3358	3958	3958
Imports	41	72	15	15
Supply, Total	3252	3570	4065	4065
Crushings	1689	1734	1780	1780
Exports	1317	1647	1720	1760
Seed	89	98	92	92
Residual	16	0	23	23
Use, Total	3111	3478	3615	3655
Ending Stocks	141	92	450	410

WASDE, Dec. '14

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<b>WORLD</b>			2014/15	2014/15
<b>SOYBEANS (MMT)</b>	2012/13	2013/14	Nov	Dec
<b>Supply</b>				
Beginning Stocks	53.4	56.28	66.85	66.58
Production	268.06	285.3	312.06	312.81
Imports	95.89	110.44	112.72	112.77
<b>Use</b>				
Crush, Domestic	229.6	239.83	251.92	251.87
Total Domestic	260.53	272.62	285.82	286.07
Exports	100.54	112.83	115.54	116.22
Ending Stocks	56.28	66.58	90.28	89.87
<b>Stocks/Use Ratio</b>	<b>21.6%</b>	<b>24.4%</b>	<b>31.6%</b>	<b>31.4%</b>

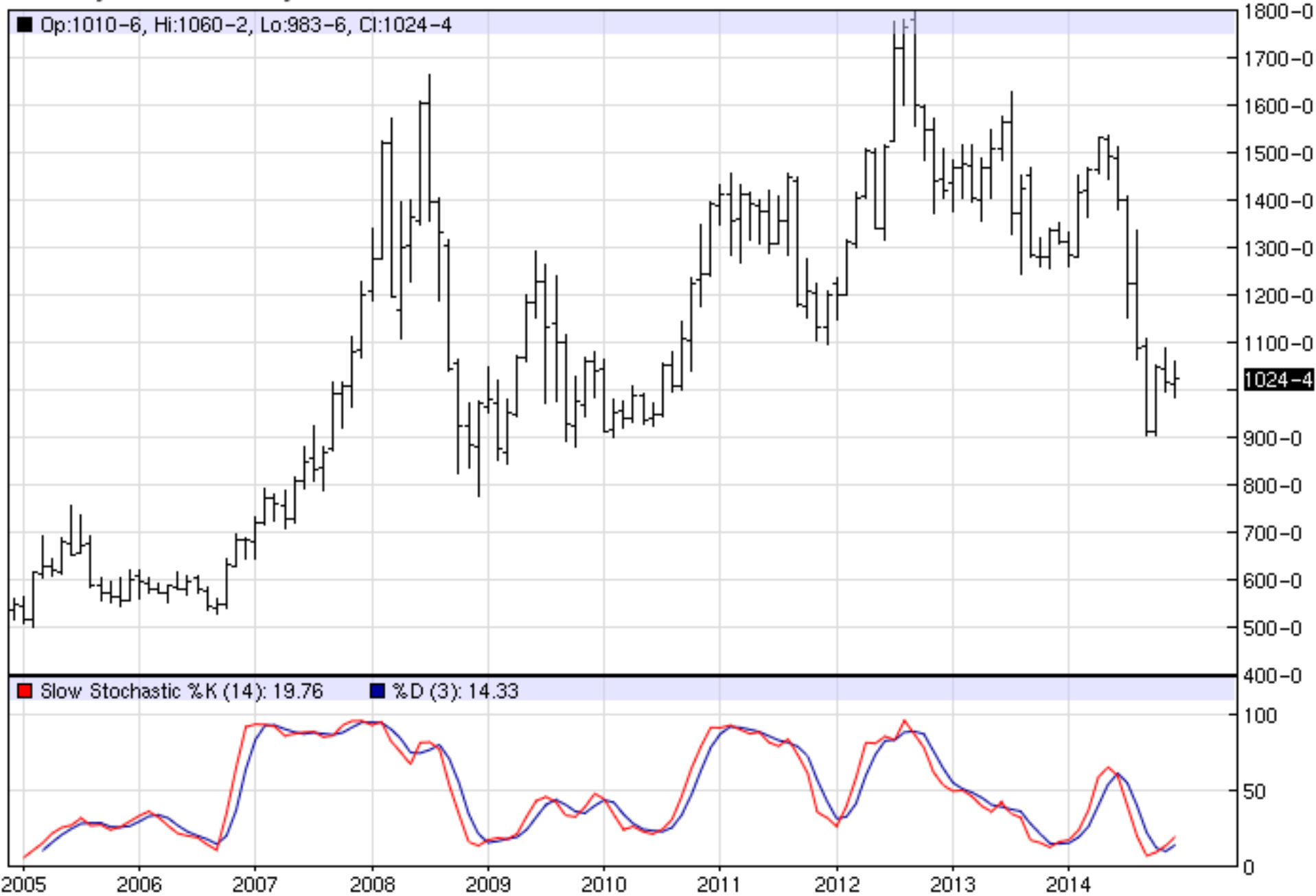
WASDE, Dec. '14

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# ZSF15 - Soybeans - Daily OHLC Chart



# ZS - Soybeans - Monthly Nearest OHLC Chart

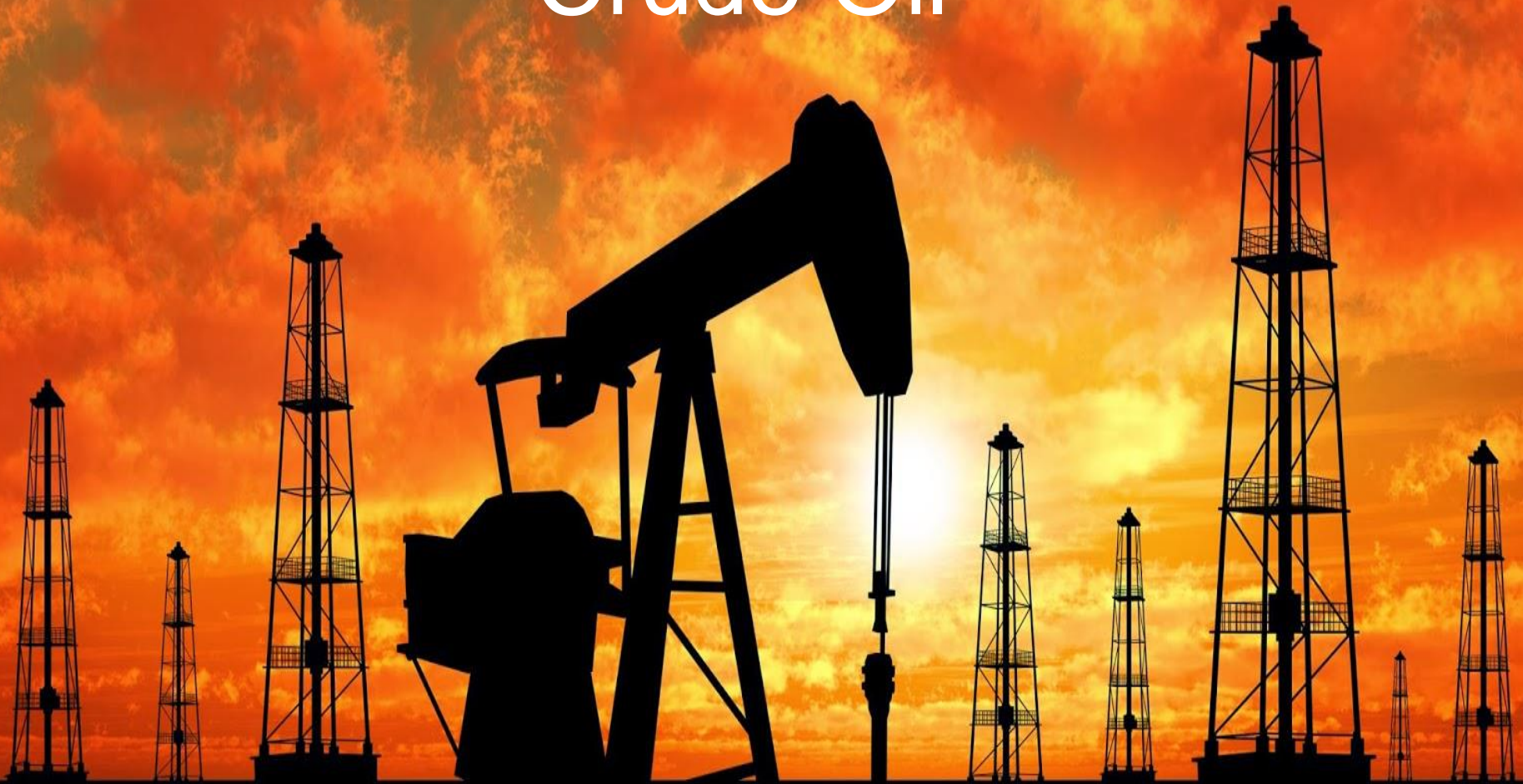




# Thoughts on soybeans:

- Currently \$10.24/bu on January futures
- Support at ~ \$9.10/bu
- Resistance at ~ \$10.60/bu
  
- Potential turnaround from 2013 to 2014
  - Tight US ending stocks → ample ending stocks
  - China's enormous appetite continues
  - 2015 US acreage
- South American production
  - Issues getting crop in the ground
  - Infrastructure issues

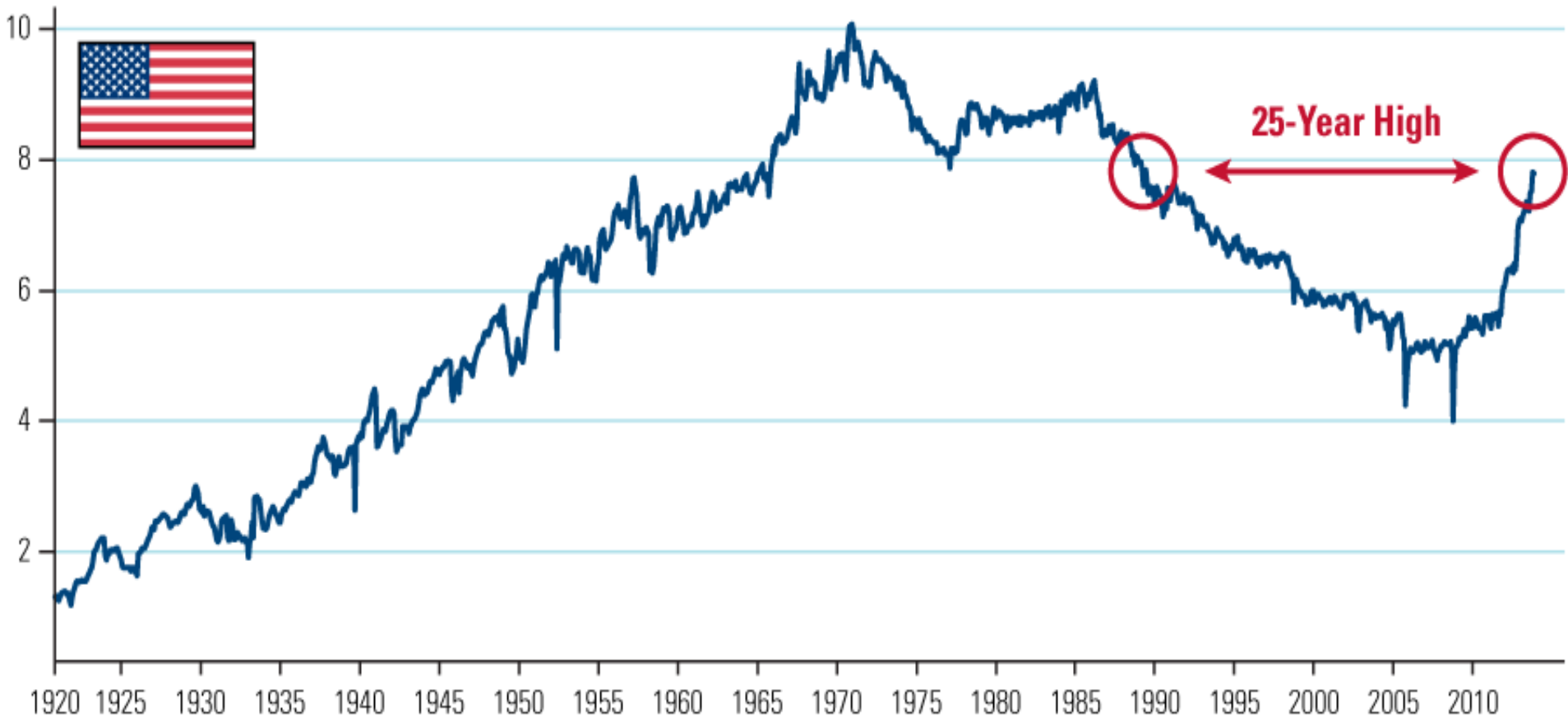
# Crude Oil



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# U.S. Crude Oil Production at a 25-Year High

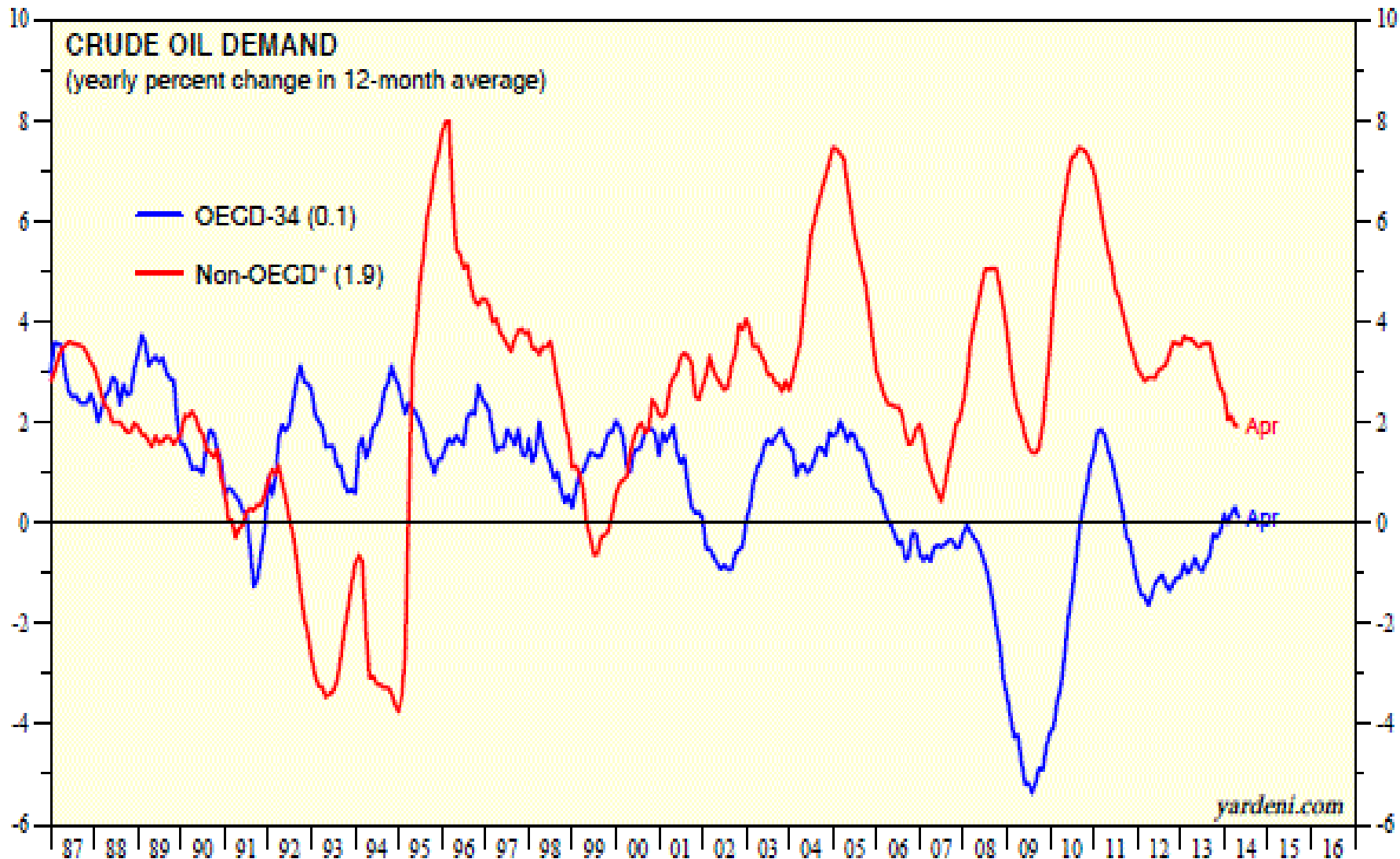
Millions of barrels per day



Source: Bloomberg, U.S. Global Investors

Forbes, June '14

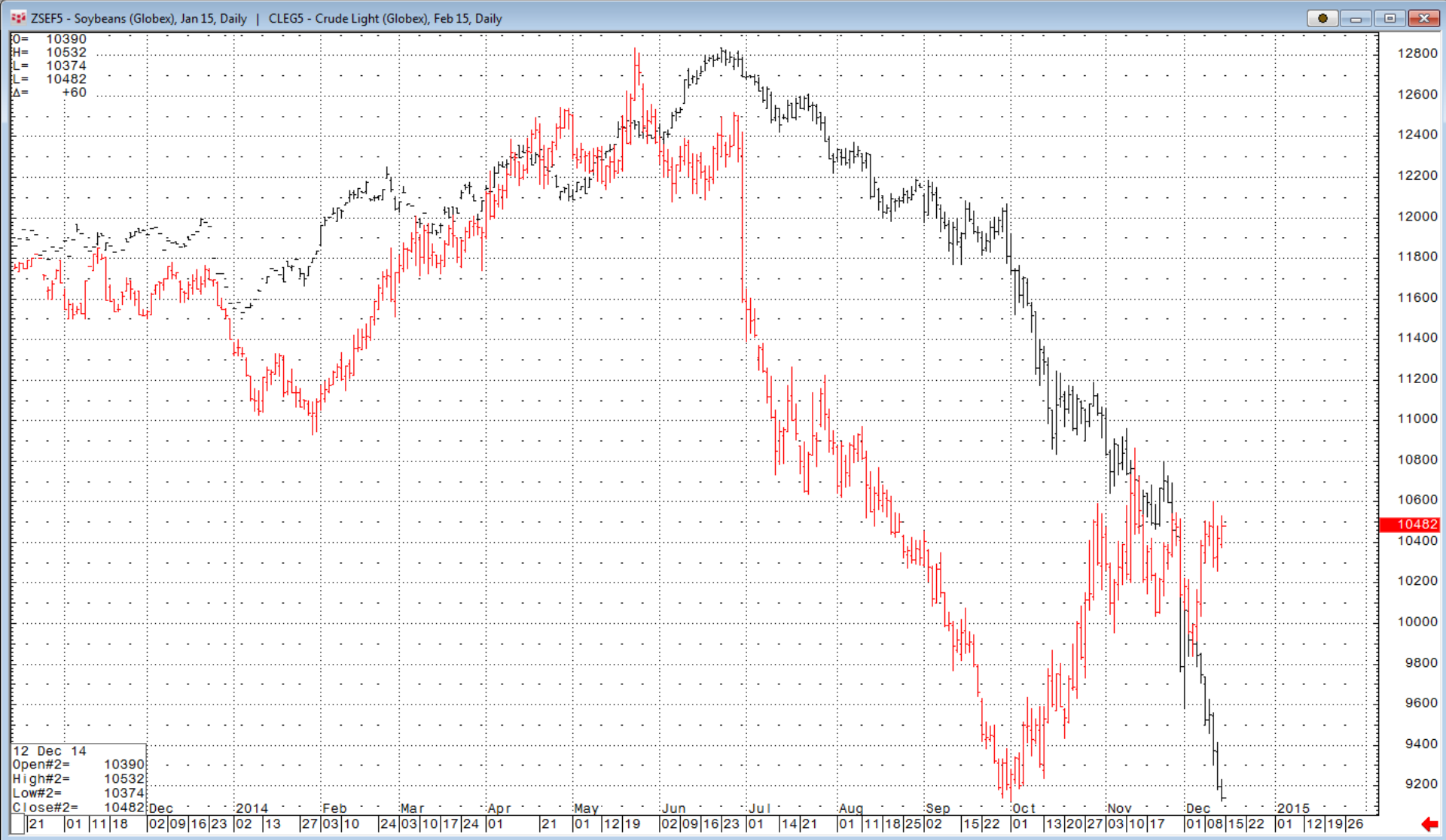
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\* Total excluding OECD-34.  
 Source: Oil Market Intelligence.

# CL - Crude Oil WTI - Monthly Nearest OHLC Chart





Source: CQG Inc. © 2014 All rights reserved worldwide. <http://www.cqg.com>

Fri Dec 12 2014 08:03:32

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# Canola



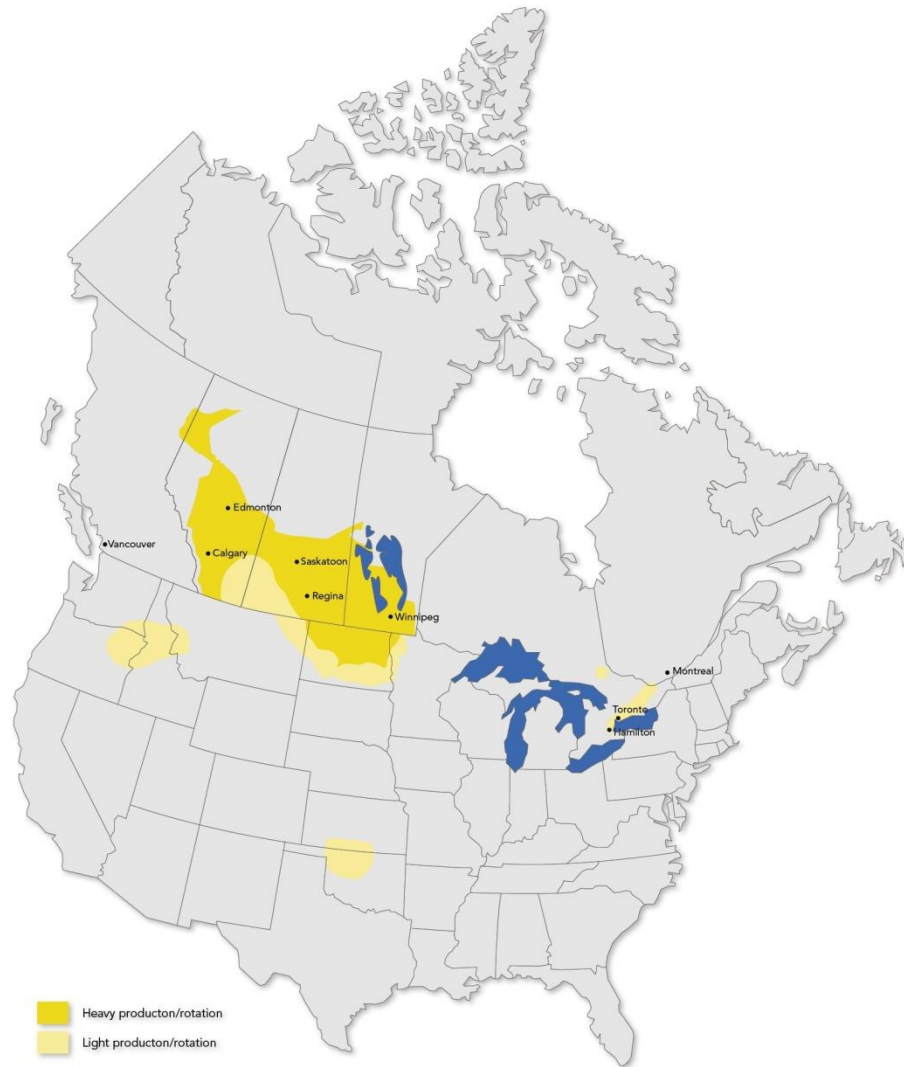
# History of Canola

- 1974 – first canola variety, Tower, released
- 1975 – first canola crushing plant established in Canada
- 1978 – “canola” is trademarked by the Western Canadian Oilseed Crushers Association (WCOCA) to differentiate from rapeseed
- 1979 – more canola produced in Canada to exceed 1 mmt
- 1985 – canola becomes the top oilseed crop in the US
- 1989 – Puritan canola wins the Year Award for Quality of Product of Acceptance
- 1995 – first harvest of canola in Canada
- 2002 – industry sets new annual production target of 15 mmt by 2015
- 2004 – first harvest of canola in Canada
- 2006 – USDA approves canola for high % of unsaturated fatty acids
- 2011 – Canadian canola production sets new record of 14 mmt
- 2013 – the 2007 goal of 15 mmt by 2015 is exceeded, two years early
- 2014 – industry launches new target of 52 bu/ac by 2025





# Canola Growing Regions of Canada and The U.S.



Canola Council, Dec '14

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# US Production

	2012/13	2013/14	2014/15
Area Seeded	1,765,000	1,348,000	1,711,500
Area Harvested	1,729,000	1,264,500	1,554,200
Yield (bu/ac)	28.4	34.97	32.5
All numbers in mt			
Carry In	70,000	81,000	124,000
Production	1,100,000	1,002,670	1,143,470
Imports	394,000	933,000	900,000
Total Supply	1,551,000	2,018,000	2,169,000
Exports	177,000	158,000	157,000
Crush	1,266,000	1,701,000	1,816,000
Total Use	1,293,000	1,736,000	1,853,000
Carry Out	81,000	124,000	159,000
Stocks to Use Ratio	6%	7%	8.5%

USDA, Dec '14

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## Canadian Canola S&D

thousand acres, metric tonnes

1 hectare = 2.471 acres

	<u>2011 / 2012</u>	<u>2012 / 2013</u>	<u>2013 / 2014</u>	<u>Forecast 2014 / 2015</u>
Area Seeded - acres	18,989	21,530	19,800	20,000
Area Harvested - acres	18,753	21,735	19,783	19,947
Yield - bu/acre	34.34	28.12	40.03	34.38
Carry In	2,185	706	580	2,337
Production	14,607	13,862	17,959	15,554
Imports	97	128	65	100
Residual	0	0	0	0
Total Supply	16,889	14,696	18,594	17,991
Exports	8,699	7,305	9,040	8,200
Crush	6,999	6,717	6,960	7,300
FWD, Seed	485	94	257	250
Total Domestic Use	7,484	6,811	7,217	7,550
Total Use	16,183	14,116	16,257	15,750
Carry Out	706	580	2,337	2,241
Stocks to Use Ratio	4%	4%	14%	14%

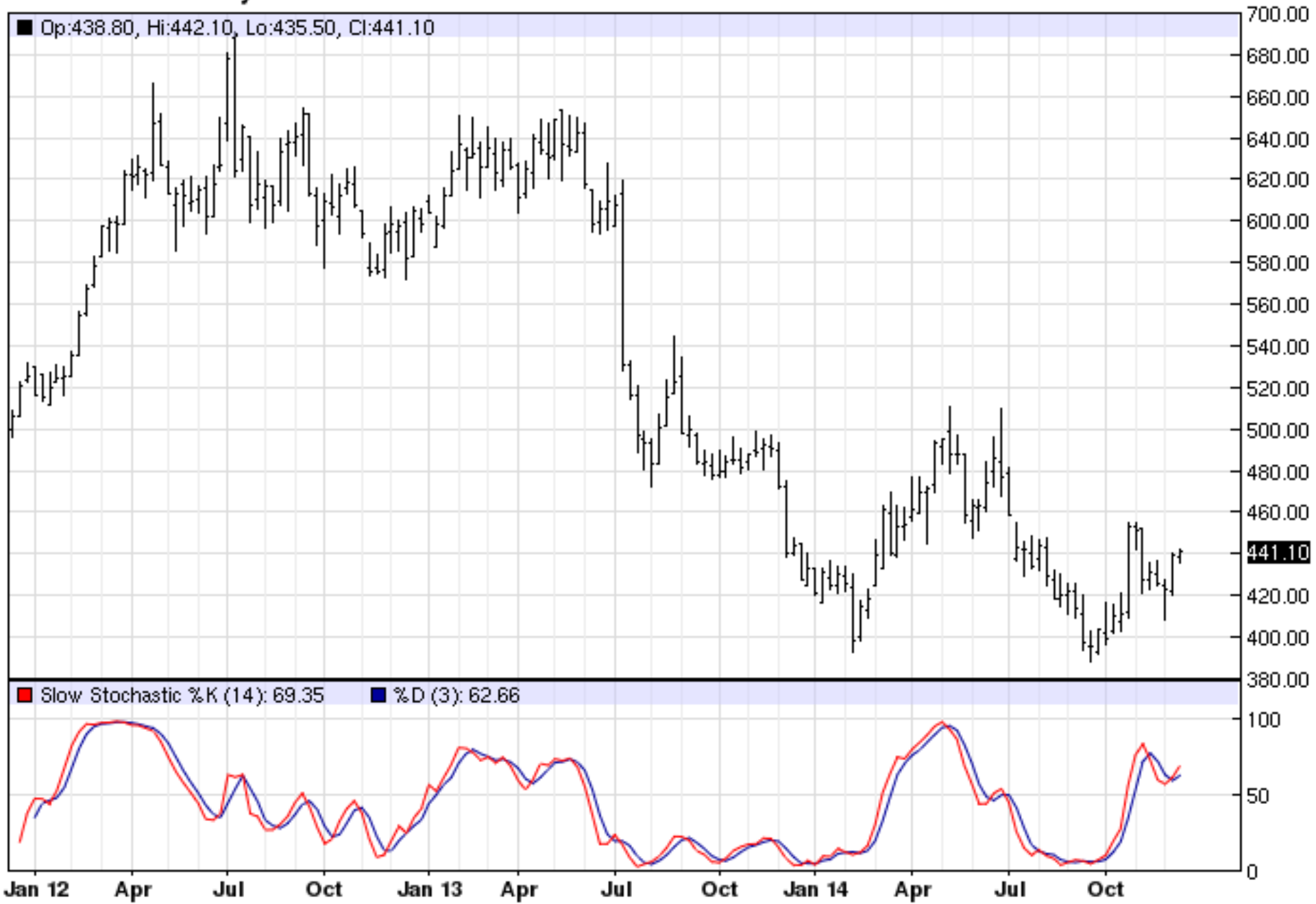
# November estimates of production of principal field crops<sup>1</sup>

	2012	2013	November 2014	2012 to 2013	2013 to November 2014
	thousands of tonnes			% change	
Total wheat <sup>2</sup>	27 205	37 530	29 281	38.0	-22.0
Durum wheat	4 627	6 505	5 193	40.6	-20.2
Spring wheat	18 845	27 239	21 222	44.5	-22.1
Winter wheat	3 733	3 786	2 867	1.4	-24.3
Barley	8 012	10 237	7 119	27.8	-30.5
Canary seed	150	131	125	-12.5	-4.7
Canola	13 869	17 966	15 555	29.5	-13.4
Chick peas	161	169	123	5.0	-27.4
Corn for grain	13 060	14 194	11 487	8.7	-19.1
Dry beans	274	206	273	-25.0	32.7
Dry field peas	3 341	3 961	3 445	18.6	-13.0
Fall rye	337	223	195	-33.8	-12.7
Flaxseed	489	724	847	48.1	17.0
Lentils	1 538	2 173	1 837	41.3	-15.5
Mustard seed	119	155	198	30.3	28.2
Oats	2 812	3 906	2 908	38.9	-25.6
Soybeans	5 086	5 359	6 049	5.4	12.9
Sunflower seed	87	52	55	-40.3	6.0

Stats Can, Dec. '14

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# RS - Canola - Weekly Nearest OHLC Chart



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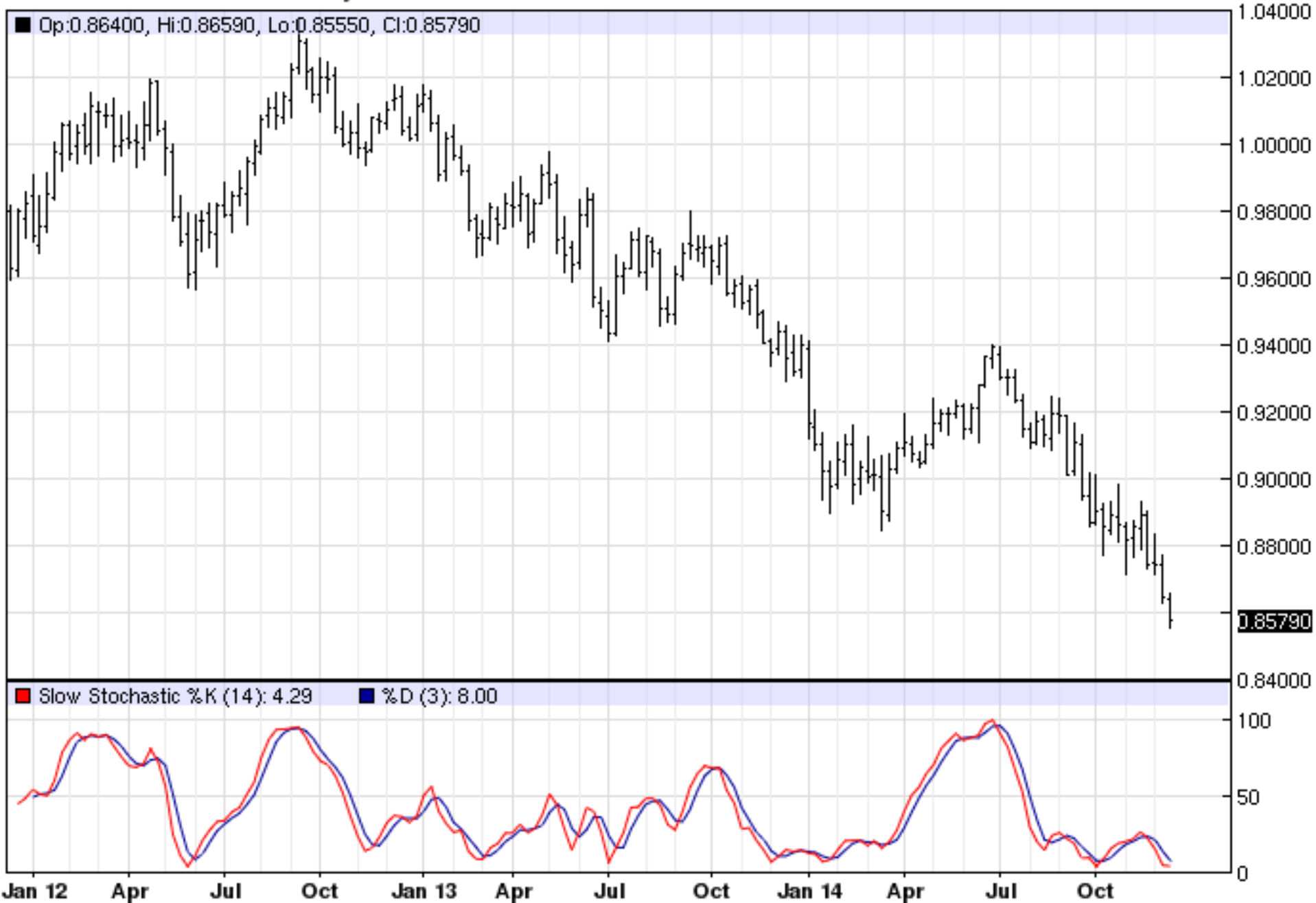
# RS - Canola - Monthly Nearest OHLC Chart



# Currency risk:

- Only crop where US farmers face currency risk on
- Devaluation of Cdn\$ negatively impacting canola returns to US farmers
- Currency can be managed

# D6 - Canadian Dollar - Weekly Nearest OHLC Chart





# Currency risk:

- Only crop where US farmers face currency risk on
- Devaluation of Cdn\$ negatively impacting canola returns to US farmers
- Currency can be managed

## Currency Risk:

\$640/mt canola futures (\$14.51/bu)

1.00 (par) Cdn\$

\$640/mt US\$ (\$14.51/bu)

\$441/mt canola futures (\$10/bu)

0.86 Cdn\$

\$378.40/mt US\$ (\$8.58/bu)

# Thoughts on canola:

- Currently \$441/mt on January futures
- Support at ~ \$390/mt
- Resistance at ~ \$450/mt
  
- Final Canadian production
  - Brutal 2012 → record 2013 → poor 2014
  - Average crop, big demand
  - 2013-14 vs. 2014 -15 carryout
  - Logistics, logistics, logistics
  - Basis likely to stay strong all year
  - Big global demand but need to get to export

# Basis & What it Means

**BASIS  
BASICS**



# What is Basis?

- Difference between the futures price and the cash price
- Indicator of demand from a particular buyer
  - cost of freight
  - elevation
  - cleaning
  - storage/interest risk
  - local S&D situation
- Is a grain buyer's only way to make their bid better than their competitor



# Using Basis to Your Advantage

- Plain and simple:
  - Wide basis → DON'T SELL (company doesn't want it)
  - Narrow basis → SELL (company has demand)
- Don't just look at spot basis, compare months throughout the crop year
- Timing is everything
  - Many farms enter basis contracts at the wrong time or for the wrong reason
  - Rolling game...
- Might choose basis first, might go futures first and wait on basis
- Many opportunities, need to know which is right for you



# Location: **Altona, MB**

## Cash Bids

Cash Bids Subject to Change

### Canola

CAD per MT as of 12/16/2014 01:38 PM CST.

	Symbol	Futures	Basis	Quote	Quote (BU)
Dec 14/Jan '15 fut	@RSF15	441.10	-2.00	439.10	9.9586
Jan 15/Jan '15 fut	@RSF15	441.10	6.00	447.10	10.1401
Feb 15/Mar '15 fut	@RSH15	436.00	8.00	444.00	10.0698
Mar'15/Mar'15 fut	@RSH15	436.00	8.00	444.00	10.0698
Apr'15/May '15 fut	@RSK15	435.20	15.00	450.20	10.2104
May '15/May '15 fut	@RSK15	435.20	15.00	450.20	10.2104
June '15/Jul'15 fut	@RSN15	436.50	4.00	440.50	9.9904
July '15/Jul'15 fut	@RSN15	436.50	4.00	440.50	9.9904
Sept '15/Nov'15 fut	@RSX15	433.20	-18.00	415.20	9.4166
Oct '15/Nov'15 fut	@RSX15	433.20	-15.00	418.20	9.4846

[View Canola Futures](#) ▶



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