





What's Happening in the Canola Market?

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CANOLA MARKET SUPPLY AND DEMAND OUTLOOK



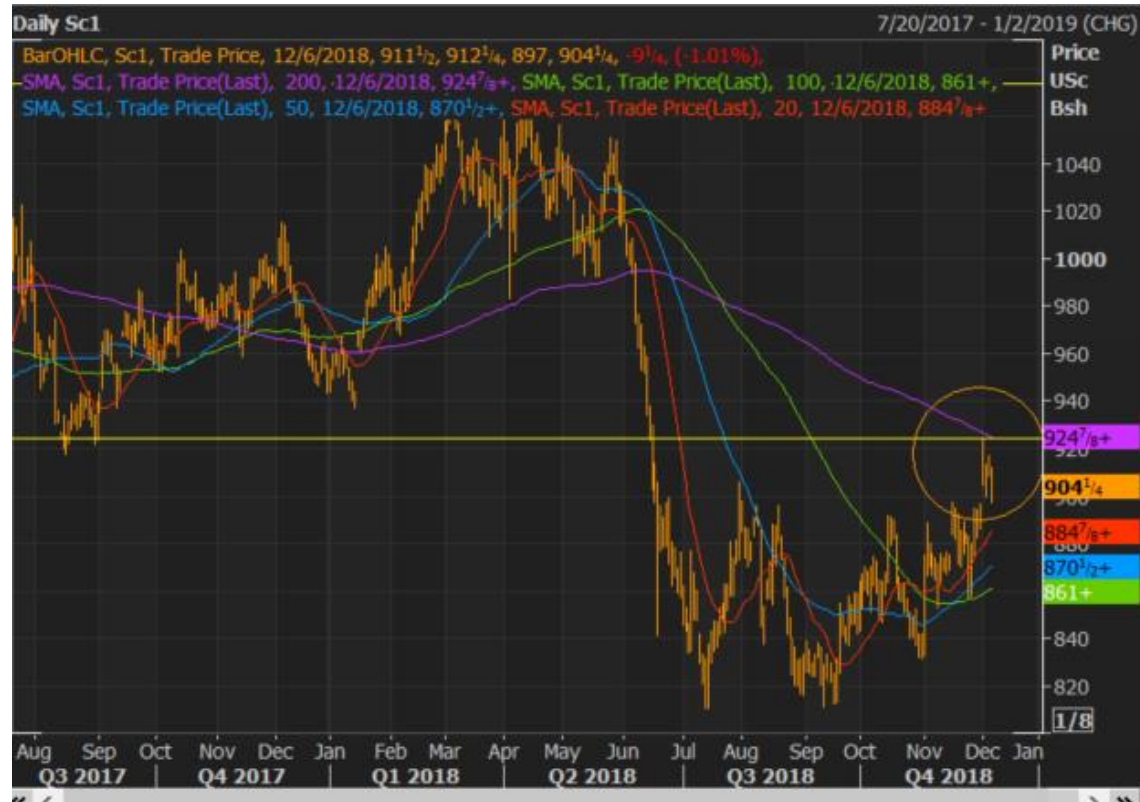
US AND CHINA TRADE WAR..WHAT WE KNOW

- **Both sides agree to stop imposing new tariffs, but agree to keep the imposed tariffs of 10% on 200 billion USD until Jan 1st. After Jan 1st, tariff rates go up to 25%**
- **China has agreed to purchase a substantial amount of ag, energy, industrial and other products (no actual number has been decided)**
 - **US beans**
- **Both Trump and Xi have agreed to begin negotiation talks supposedly within the next 90 days (according to US sources)**

CANOLA FUTURES



SOYBEAN FUTURES



CANADIAN DOLLAR FUTURES

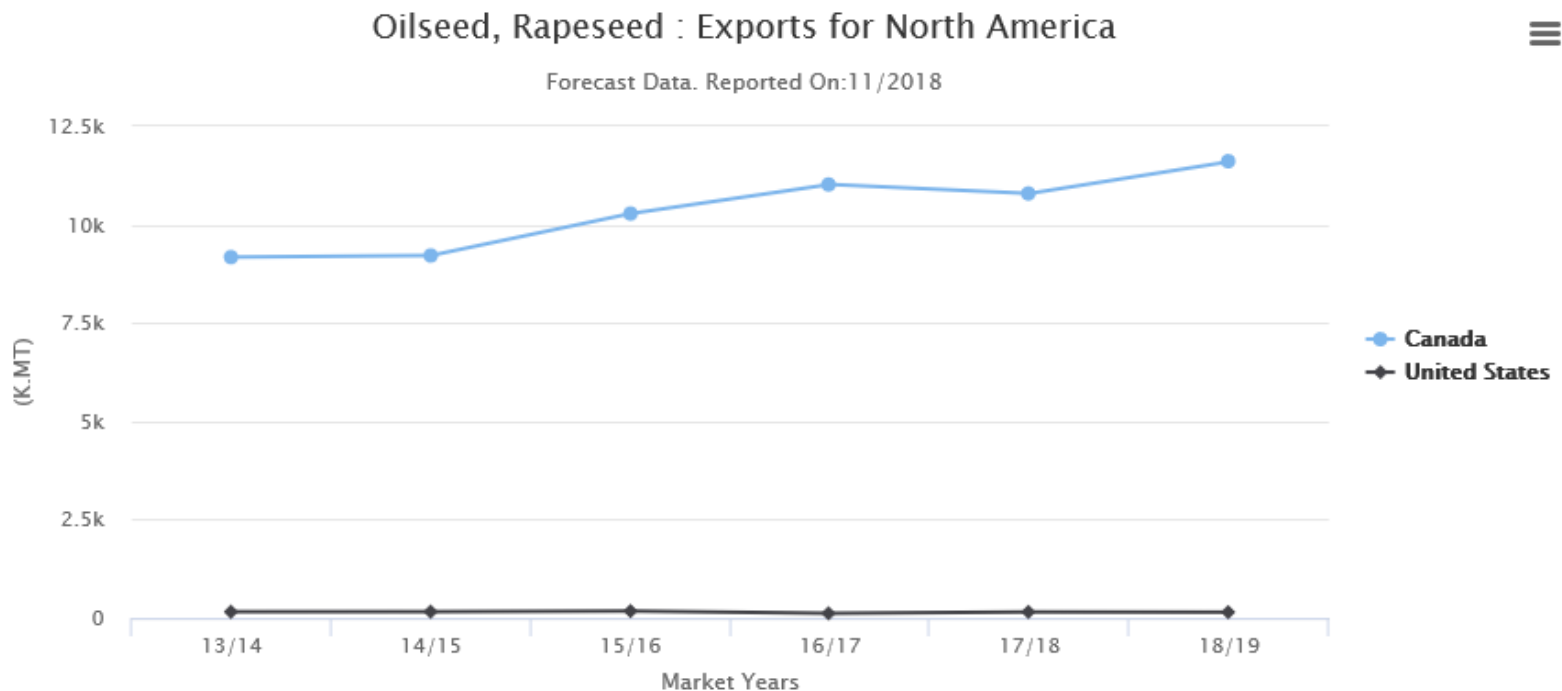
- This is the lowest value the dollar has traded since June '17
- Due to Canadian Interest rates



Demand Recap

NORTH AMERICAN EXPORTS

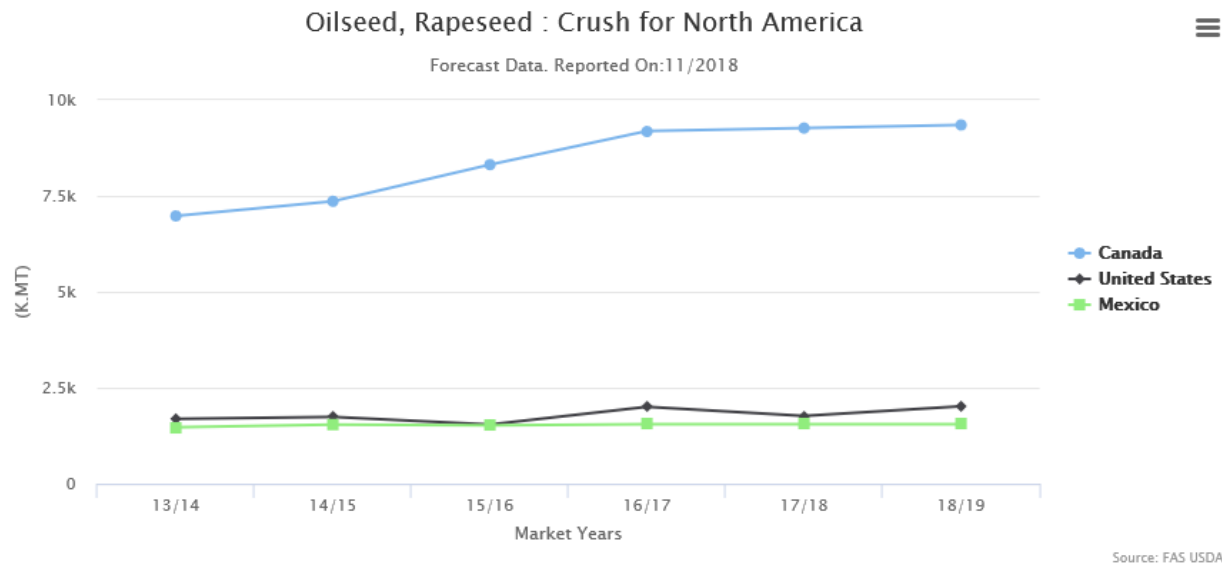
- Canada alone accounts for nearly 70% of world canola exports accounting for 11.6 MMT.
- US accounts for less than 2% of exports



Source: FAS USDA

NORTH AMERICAN CRUSH

- Canada accounts for 13% of world crush totaling about 9 MMT.
- Poor canola crush margins have been favoring soy crush
- US crushes about 2.7 MMT annually accounting for about 3% of world crush.



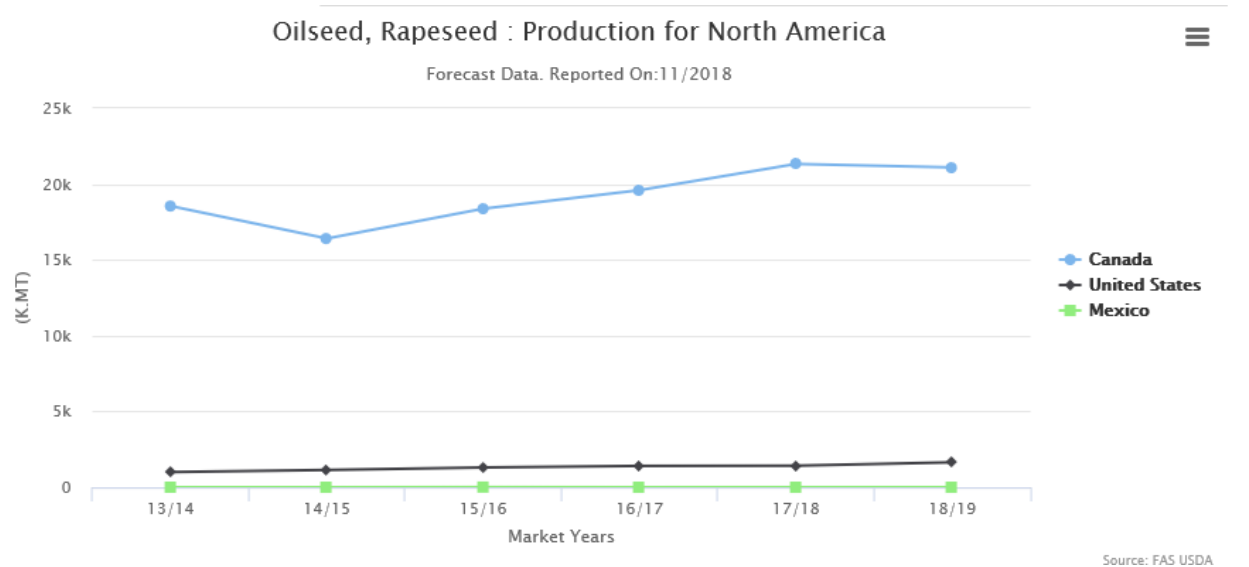
Supply Recap

STATS CAN DECEMBER 6TH REPORT

- **Canola production estimate was 20.9 MMT**
 - Stats Can reporting 20.34 MMT (decrease of 4.6%)
 - Last year's production was 21.378
- **Some loss of production was due to poor harvest progress in western CA, mixed with acreage loss going to crops like wheat and barley**

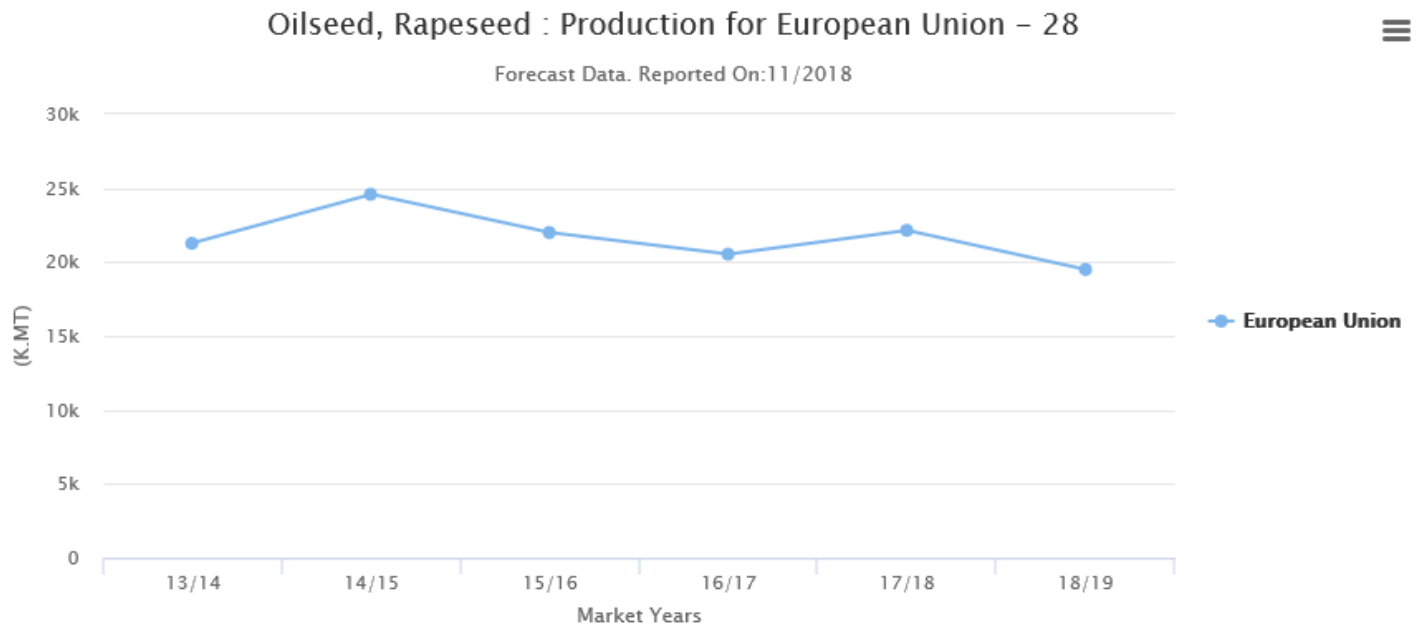
NORTH AMERICAN PRODUCTION

- Canada alone produces about 30% of world canola production
- US production seen at 2.3% of world production producing 1.6 MMT.



EUROPEAN UNION PRODUCTION

- Production this year is roughly 19,500 MMT, down due to drought conditions
- Accounts for nearly 30% of world canola production



SOUTH AMERICAN OILSEED PRODUCTION

- **Brazil is expected to harvest 122 MMT this spring, up 2.5 MMT from last year**
- **Argentina production expected to be up 20 MMT from last year at 57 MMT**
- **Total South American Production is expected to be up 23.1 MMT overall this year totaling 194.3 MMT**

CANOLA ACREAGE ESTIMATES

- **Canola expected to be higher than last year in Canada as of today, but could change due to lower pricing and higher fertilizer costs..could loose to pulses**
- **US acreage hard to guess at this time as people are still running cost analysis and figuring out their seed needs going into the next growing season**
 - Assumption today is more canola acres
- **Less soybean acres to drive more canola acres**
- **Soybean plantings nation wide estimated to be down according to some analysts nearly 5% as of today**

Where do we go from
here?

PRICE OUTLOOK

- **Dependent on political decisions with China and US**
- **Dependent on oilseed acres next year**
- **Bean crush margins pulling back, will some switch plants go back to crushing canola over soybeans?**
- **Bin doors continue to be tightly shut leaving basis values to appreciate to get some crop moving**
 - **Once the crop starts moving, basis may get sloppy**
- **Continue to set offers today around \$16.50-\$17.00/cwt while the trade war continues to happen. If resolved, canola prices could see an additional bump.**



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