

CHS[®]

The logo features the letters 'CHS' in a white, serif font. A thick, white, curved swoosh underline starts under the 'C', goes under the 'H' and 'S', and then loops back up under the 'C'.



What's Happening in the Canola Market?

Jennifer Webster

12.10.19

CANOLA MARKET SUPPLY AND DEMAND RECAP/OUTLOOK



TRADE WAR UPDATE

- **USMCA does show the potential of passing before the new year, but it seems to slim by the day.**
- **Canada and China continue to battle against each other as China is still not accepting canola and other oilseed shipments.**
 - This has been going on since early spring
- **Canada and China continue to hold hostage primary diplomats across their countries.**
- **China and the US continue to go back and forth on trying to get a new deal in place.**
 - China has started purchasing soybeans and pork products at more relaxed tariff rates.
 - Due to the ASF that spread across China

CANOLA FUTURES



SOYBEAN FUTURES



CANADIAN DOLLAR FUTURES

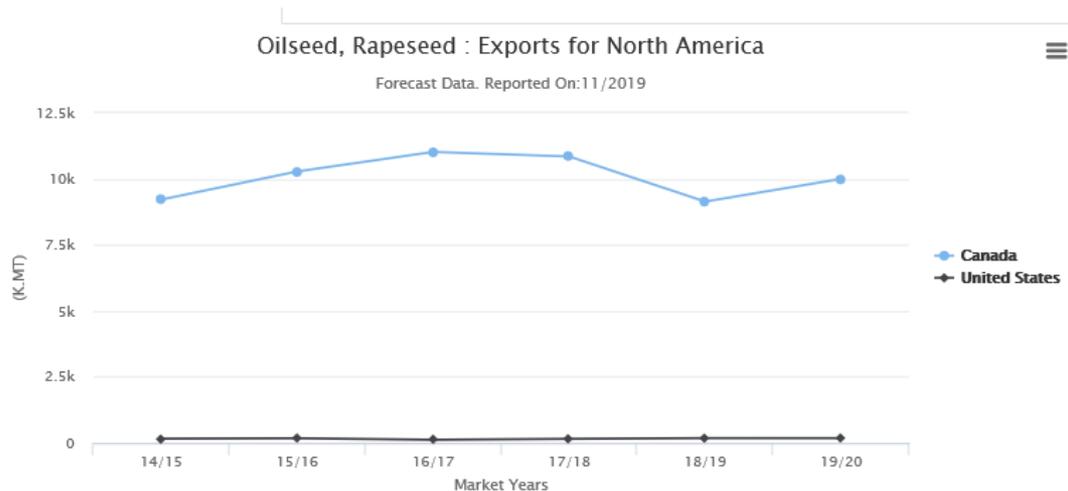
- **Choppy on a narrower trade deficient and slightly weaker economic data**



Demand Recap

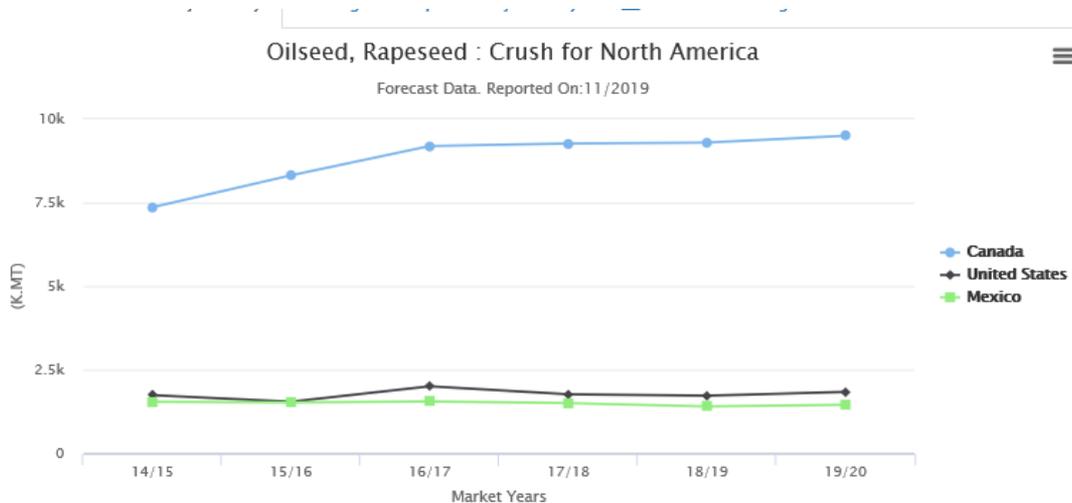
NORTH AMERICAN EXPORTS

- **Canada alone accounts for nearly 70% of world canola exports accounting for about 10 MMT this year**
- **Top importers of Canada canola are Japan, Mexico and Europe followed by the US and China.**
 - If China is removed from the picture, exports will flow to less key players such as Bangladesh and also sprinkle among the other key players. (it may be hard to reach that number)
- **US accounts for less than 2% of exports, but imports about 500,000 MT annually, to help support the crush industry.**



NORTH AMERICAN CRUSH

- **Canada accounts for 13% of world crush totaling about 9 MMT.**
- **US crushes about 2.7 MMT annually accounting for about 3% of world crush.**
- **Canola crush margins are on the rebound in the last few months and switch plants are starting to fire up canola crush. Look for that number to increase.**



Supply Recap

STATS CAN DECEMBER 6TH REPORT

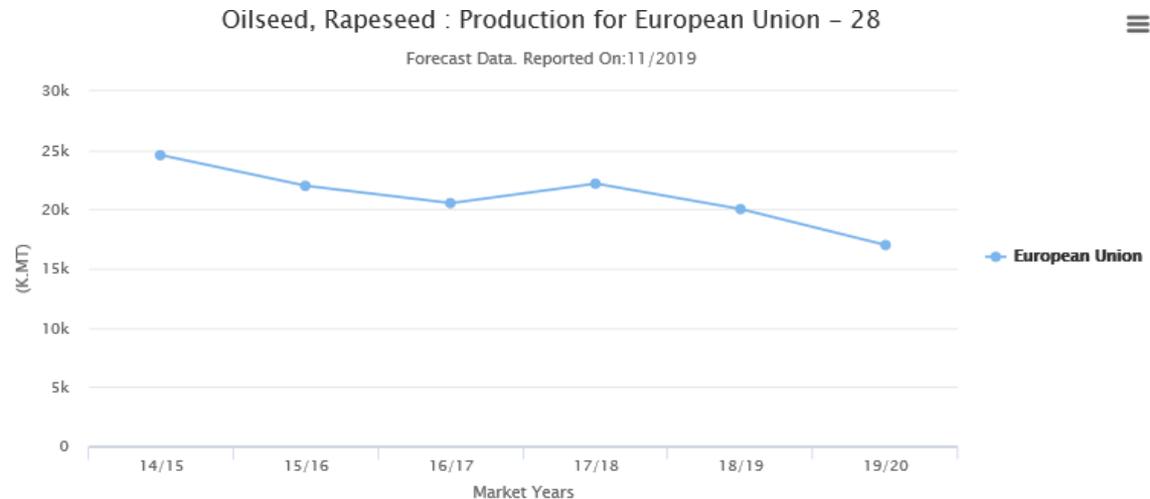
- **Canada farmers harvested the smallest crop on record in 4 years**
- **Current production is at 18.6 MMT, down 8% yoy**
 - SK down 7.3% to 10.0 MMT
 - Alberta down 12.9%
 - MB down 5%
- **2 million acres of canola still remains unharvested in Western Canada in frozen fields**
- **Yields were mixed across much of the canola growing areas**

US PRODUCTION

- US production is down about 4% from last year due to a poor OK crop.
- ND acres are about the same at 1.5 million acres
- MN acres increased about 10,000 acres this year to about 55,000 acres
- Final production numbers will be a gamble for a while this year across the US as producers are just finishing harvest
 - Estimated 5-10% of acres will not be harvested
 - Quality issues with sprouting, moisture

EUROPEAN UNION PRODUCTION

- **Canola production estimated to drop 18% this year due to ongoing drought conditions**
- **Accounts for nearly 30% of world canola production**



SOUTH AMERICAN SOYBEAN PRODUCTION

- **Brazil is expected to harvest 123 MMT this spring, up 1 MMT from last year**
 - Brazilian Real has hit a fresh low in the last week, production may not be altered at this point, but currency swings may help dictate future production and sales
- **Argentina production expected to be about 54 MMT which is a larger production estimate.**
- **Right now, most of South America is drier with a few spotty wetter areas.**

CANOLA ACREAGE ESTIMATES

- Acres this this time of year are always a gamble, especially this year due to the recent weather events this past fall.
- ND will stay fairly consistent to keep up with crush
- MN acres seem to increase every year and will most likely this upcoming year as well.
- Canada acres-stats can?

Where do we go from
here?

PRICE OUTLOOK

- **Dependent on political decisions with China, Canada and US**
- **Dependent on oilseed acres next year**
 - Last year due to trade war, bean acre intentions declined 5% while corn acre intentions increased 4%
- **Oilseed futures do not seem to consider crop losses/quality issues and weather events currently**
 - Look for a potential rally?
- **Canola crush margins on the rebound, some switch plants are back to crushing canola leaving basis to be stronger at those facilities.**
- **Look to set offers between \$16-\$17/cwt to capture basis improvements and futures rallies in the defer months.**



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