

## CANOLA

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## PRECIPITATION

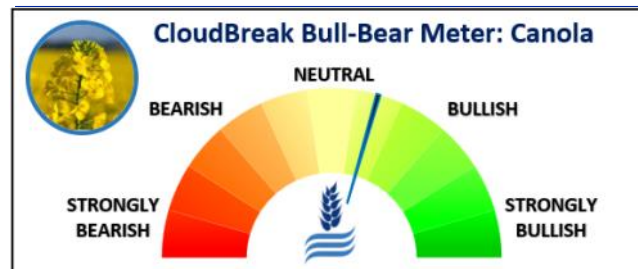
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## Oilseed Complex Sees Support from Strong Demand

- Canadian Canola plantings and US Soybean plantings delayed
- Canola and Soybean futures pull back in early May as hedge funds take profits after stellar rise through April and then rebound on energy markets
- Oilseed Complex remains tight globally with Importing Countries having to source from new exporters
- Indonesia bans Palm oil exports to sure up food security internally, Russia increases export duty on sunflower oil
- Strong demand from China for US Soybean sees record shipments booked through the remainder of calendar year 2022

Canola prices have continued to rally through April, driven by surging soybean futures, concerns over Ukraine production and movements by governments to ensure food security. Since our last report, 22/23 Canola prices have traded between \$1,080 and \$1,155/MT in the Outer Harbour and Port Lincoln zones. 22/23 basis continues to be weak at around minus €70/MT to minus €100/MT. In a normal year canola follows Matif futures with a basis of around minus €30/MT reflecting the freight cost to Europe. The discounted basis this year can be attributed to higher freight cost, geopolitical concerns in Europe and a decline in the Euro/AUD exchange rate.

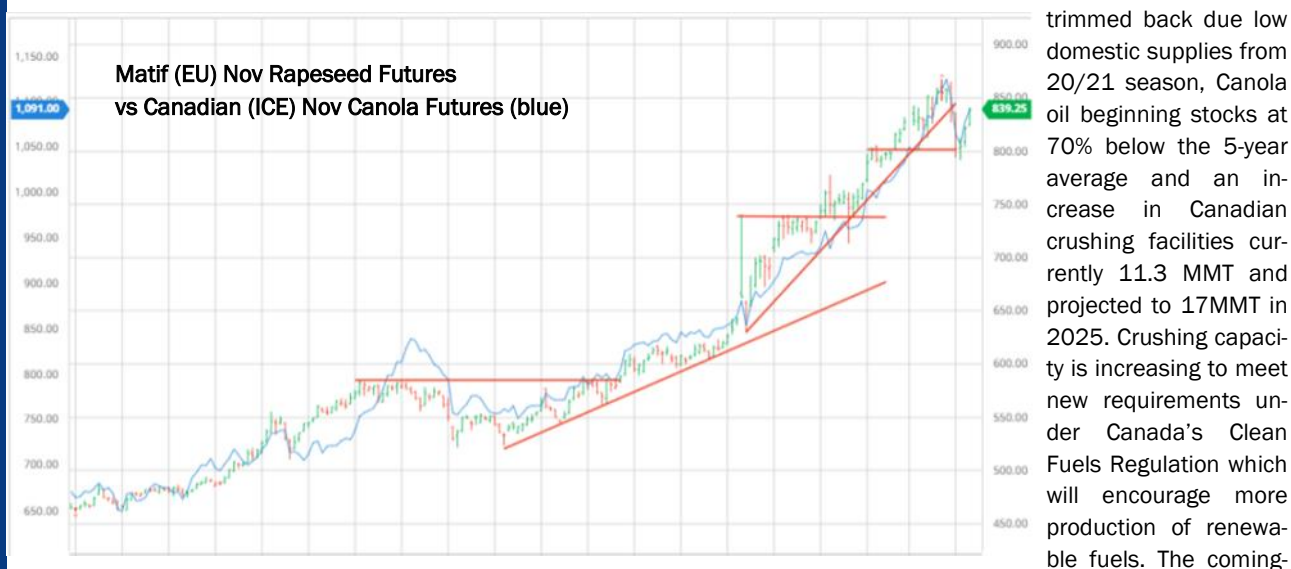
**2022/23 Production Estimates** - Overall global production of Canola is expected to increase for 22/23 to 43.3MMT, up 4.3MMT (11%) on 39MMT in 21/22, as Canadian production rebounds from the last years drought affected crop offsetting production falls in Ukraine and Australia after a record harvest last year.



**Australia** - The USDA estimate for Australian canola production is 4.7MMT while ABARE's forecast is 4.9MMT (3.1Mha), compared to 6.35MMT (2.45Mha) in 2021/22. If realised, it will be the second largest crop in history. Soil moisture conditions in the canola growing regions are generally good and prices are very high in the lead up to sowing. However, due to high fertiliser, chemical and fuels costs it is expected that there will be a little change in Canola area in Australia. Seeding is underway in most canola growing districts.

**Canada** - Statistics Canada (26/04/2022) have forecast a 7% decline for 2022 in the area planted to canola to 20.9 million acres (8.5 Mha) compared to 20/21. This marries early USDA forecast of 8.4 Mha with production forecast at 19MMT. Despite high Canola prices and tight oilseed supplies globally, Canadian farmers have indicated a pullback in Canola area and a subsequent increase in wheat area with last season's drought conditions and high farm input costs influencing crop selection. Continued cool and dry conditions currently during the planting window has the potential to reduce yields and delay the harvest window. CloudBreak are of the view that a production figure of 15MMT is more likely at this early stage.

Exports of Canadian Canola seed are also likely to be trimmed back due low domestic supplies from 20/21 season, Canola oil beginning stocks at 70% below the 5-year average and an increase in Canadian crushing facilities currently 11.3 MMT and projected to 17MMT in 2025. Crushing capacity is increasing to meet new requirements under Canada's Clean Fuels Regulation which will encourage more production of renewable fuels. The coming-



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# Canola—Continued

US Corn and Soybean Area Planted (Million Hectares)							% change	
	2017	2018	2019	2020	2021	2022 (f'cast)	y/y	vs 5-yr avg.
CORN	36.5	36.0	36.3	36.7	37.8	36.2	-4.1%	-1.2%
SOYBEANS	36.5	36.1	30.8	33.7	35.3	36.8	4.3%	6.8%
TOTAL	73.0	72.0	67.1	70.4	73.1	73.0	-0.1%	2.7%

into-force date for carbon intensity reduction requirements in fuels is 1 December 2022.

Canadian Canola crush margins have been low since harvest and negative in February 2022. Crushers will need to ensure supply, as throughput volume is the key to profitability, for this coming season dragging Canola seed away from export destinations. With a move towards a more balanced domestic supply and demand for Canadian canola over the next few years, Australian basis is more likely to decline further against Winnipeg (ICE) futures contracts, especially in lower production seasons in Canada.

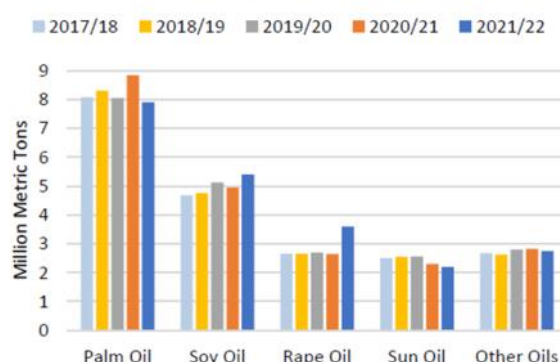
**Europe** - The European Commission has projected EU-27 production at 18.1MMT, up from 17MMT in 2021/22. Strategie Grains' forecast is similar at 18.2MMT. Generally, mild conditions during their winter have been favourable for crop development although rainfall for next 8 days is forecast to be below average. Regardless, it's worth monitoring closely to see if there is any real impact on yields through the growing season.

**USA** - USDA's weekly Crop Progress report showed Soybean planting progressed 5% points to 8% complete as of the 1 May. This is slightly behind the 5-yr average of 13% points but well in front of this time last year. Continued dry weather in some areas of the USA and cool temperatures through Northern USA and Canadian Prairies are delaying planting. Yield risks and delayed canola harvest dates may be impacted if these weather conditions continue in Canada for the next two weeks.

USDA forecast for US Soybean production at 127MMT with 36.8Mha expected to be planted. This is 1.5Mha higher than last year's crop an increase of 4.3% and 6.8% higher than the prior five year average. The increase in soybean area has been at the expense of Corn plantings which are down 1.6Mha on last year.

**South America** - Brazilian trade data for Soybeans for May indicates a monthly export rate of 11 MMTs which is more than 1 MMTs less than April and 5.2MMTs less than the prior year. Strong Brazilian crush margins are resulting in domestic crushers sourcing freshly harvested new crop and reducing supply to port. Combined with the decline in Soybean production the South America due to

India Vegetable Oil Food Use Consumption



the La Nina induced drought the Brazilian cash markets remain strong.

Argentina's soy harvest is now 46% complete against USDA estimates of 51MMT for 2022 up 24% on the drought affected crop last year. CONAB have the Brazilian harvest at 87% complete against a USDA forecast at 122.4MMT.

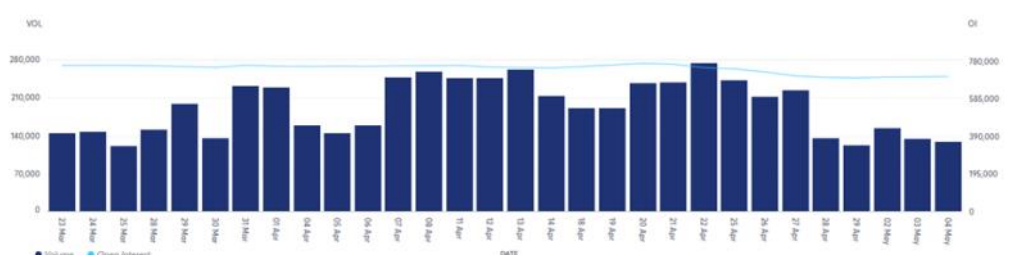
**China / India** - With tight supplies from South America, China has been a regular buyer of US old and new crop Soybeans for the past several months. There is a strong export shipping program for US Soybeans through to the end of the calendar year. USDA forecast China's total Soybean imports for 22/23 at a record 100MMT up (5%) from 95MMT in 21/22.

India has increased imports of US soy oil and rapeseed oil due to the production constraints in the South American crop and contributed to by tightened international supplies of Palm oil with Indonesia placing export bans as of 22 April of this year in an attempt to limit food inflation internally.

On 5 May Russia announced an increase to the export duty on sunflower oil of US\$152.80/mt, an increase of 41% to US\$525/mt to take affect 1 June 2022.

Canola futures on both ICE and Matif (rapeseed) have continued to rise through April driven primarily through increas-

SOYBEAN FUTURES - VOLUME & OPEN INTEREST



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# Canola—Continued

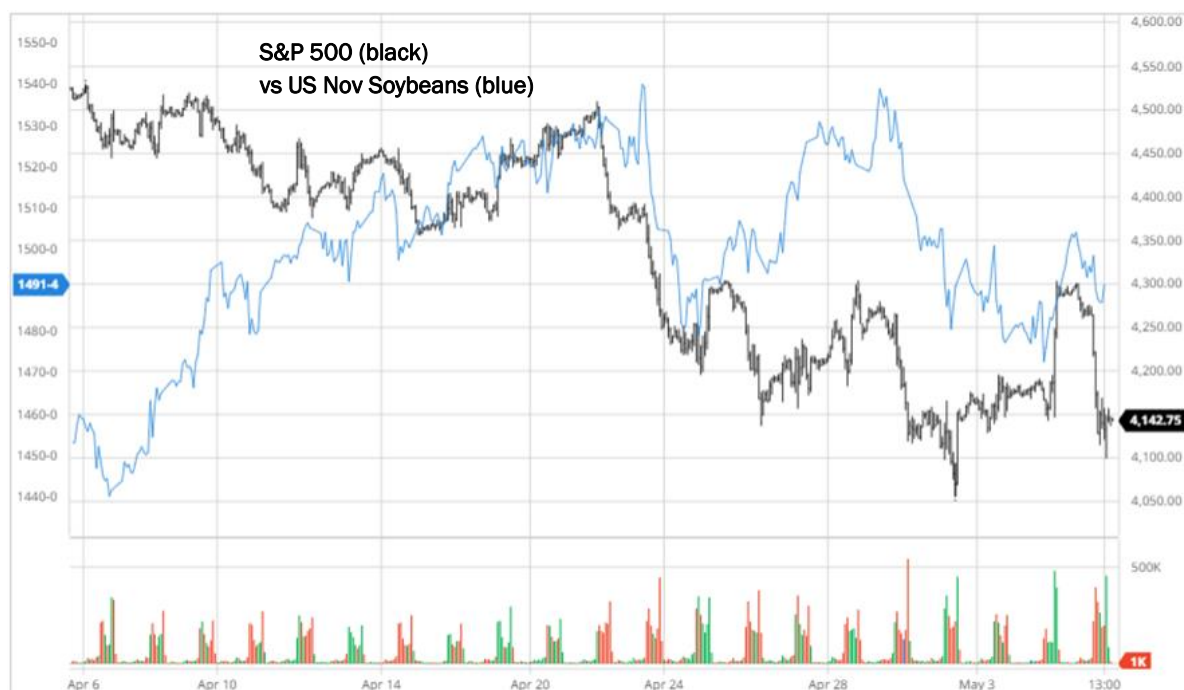
es in soybean futures. A pullback in the first few days of May was triggered by profit taking by hedge funds on a number of commodities including Soybeans.

Both trade volume and open interest in Soybean futures on CME have declined significantly through the last week of April 2022 with open interest declining from around 770,000 contracts to 680,000 (12%) and daily volumes down from 270,000 contracts to 130,000 contracts on 4 May 2022. This is despite planting of the 22 US Soybean crop currently underway.

Soybean futures have been strongly correlated to the S&P500 since mid-April until Thursday's nights fall in US stock prices. Canola futures on Matif and ICE have rebounded well as focus turns to supply and demand concerns for the respective crop and production area. This being said, fund managers will look favourably to agriculture commodities futures where they have profited recently and may look at a pullback in prices as an opportunity to extend positions.

**Outlook** – CloudBreak's outlook remains unchanged whilst markets remain at elevated levels. CloudBreak looks to hold 22/23 canola sales at 20-25% of conservative production. The conflict in Ukraine continues to be a strong market influencer, however; weather in the EU, US and Canada is becoming more important as the global oilseed balance sheet remains extremely tight. USDA estimates for world stocks Canola are 4.3MMT with a stocks to use ratio of 5%, whilst world Soybean stocks are 89.6MMT with a stocks to use ratio of 17.3%.

Canada and EU have the potential to fill the gap left by lack of access to Ukrainian supplies, yet weather will need to be kind. Record soybean acres are expected to be planted in the US, which will help to alleviate short comings from the lacklustre South American crops. However, any weather setbacks could see prices rally to new highs. Although there are still several weather-driven unknowns for the 22/23 season, seasonally, the best canola prices are seen in May-June, a period in which CloudBreak will be targeting for further forward sales.





# 14-Day Precipitation Forecast

Precipitation (mm)  
during the period:

Fri, 06 MAY 2022 at 00Z

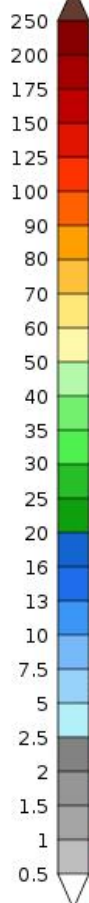
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Sat, 14 MAY 2022 at 00Z

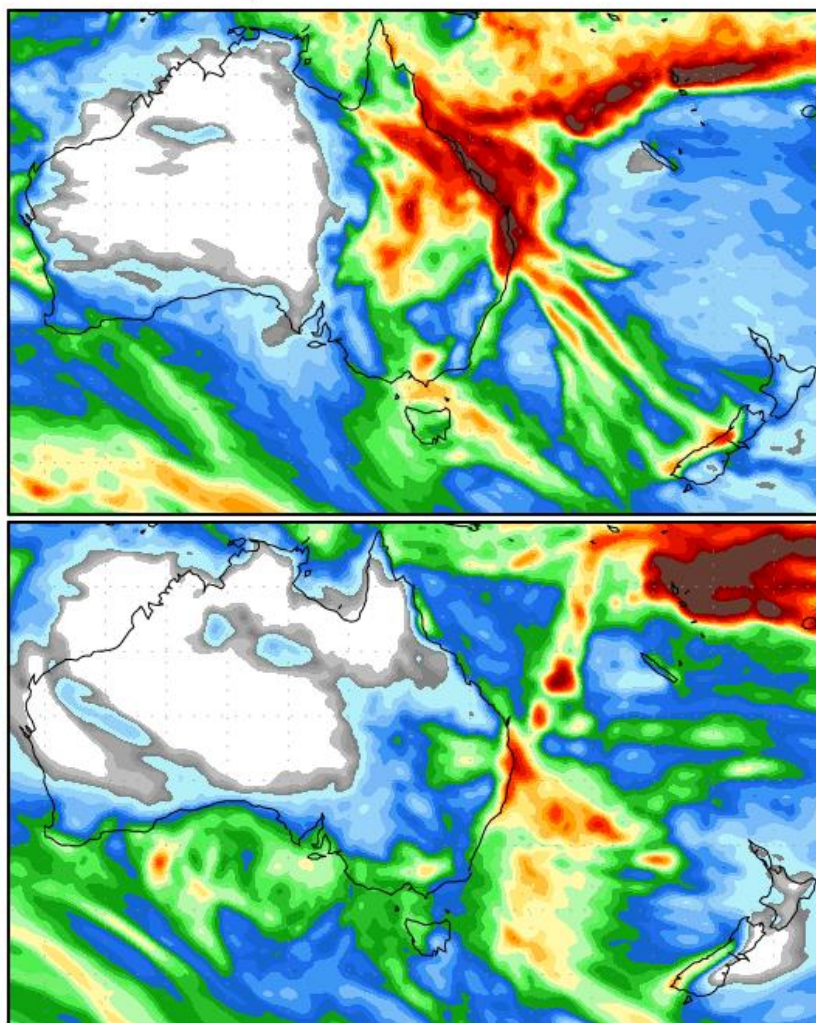
Sat, 14 MAY 2022 at 00Z

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Sun, 22 MAY 2022 at 00Z



## Precipitation Forecasts



This newsletter was brought to you by:  
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