

Mustard (& other) Market Outlook

Presented by:

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@leftfieldcr

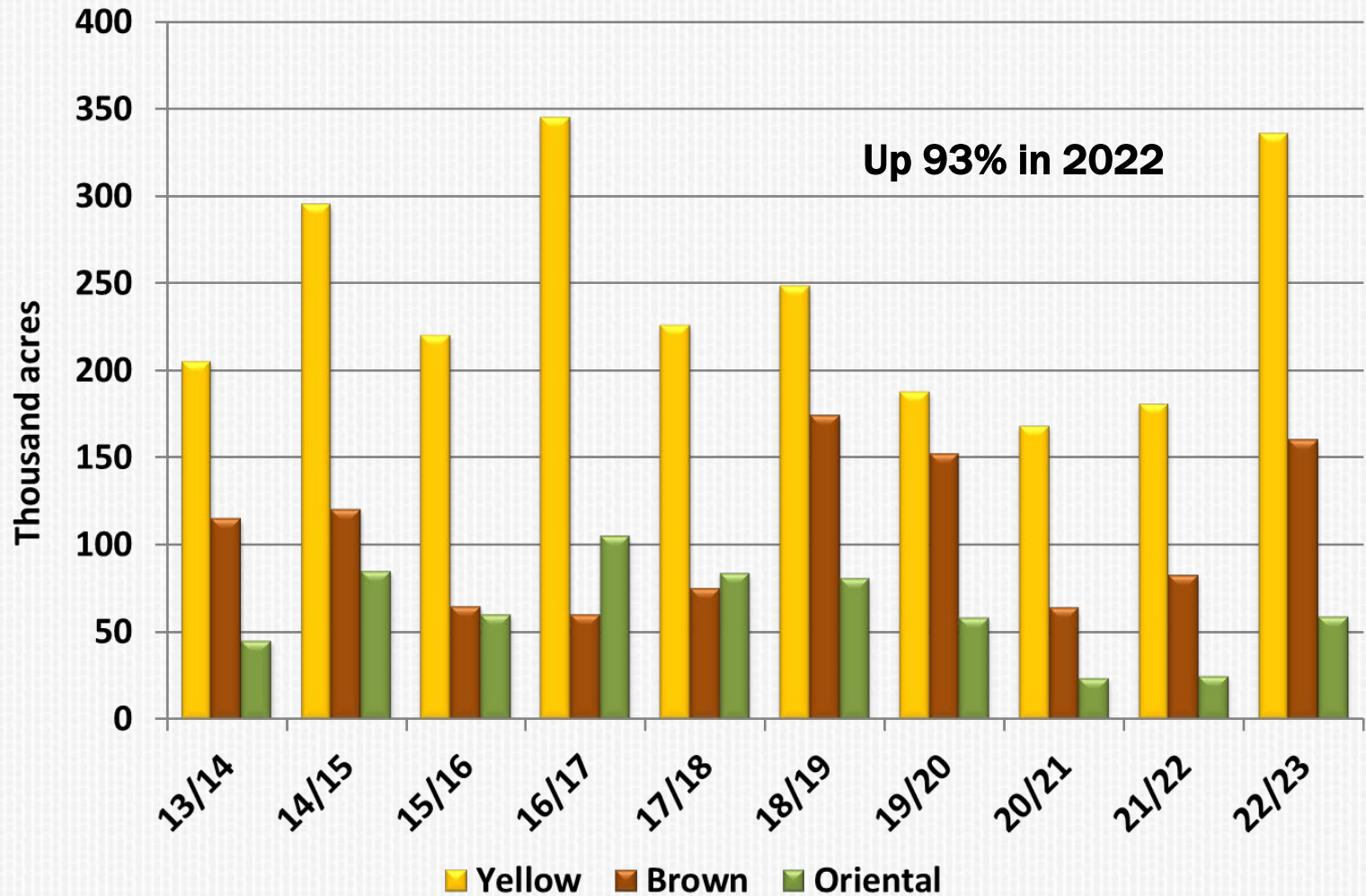


January 2023

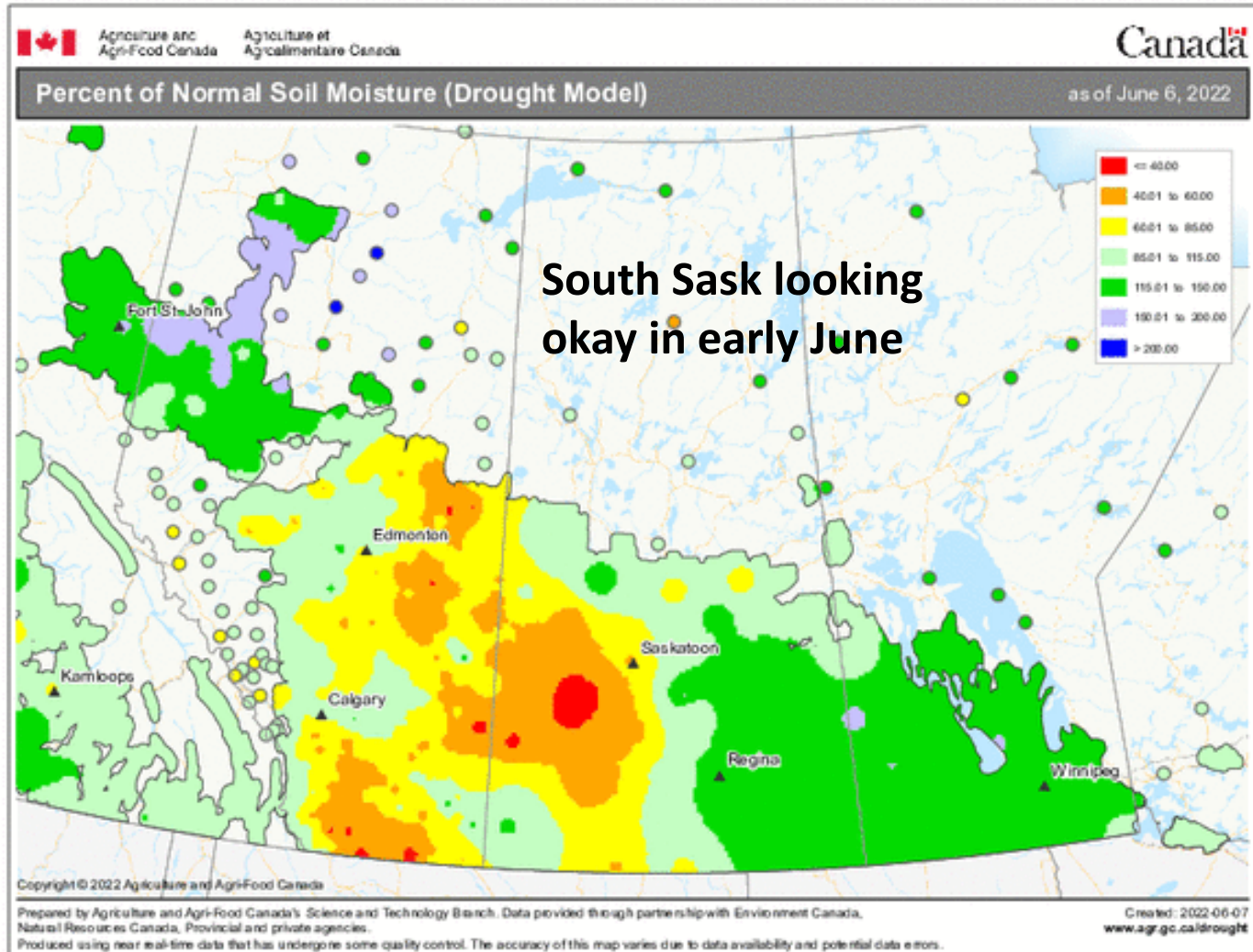
PRESENTATION OUTLINE

- × Mustard outlook
 - + Current environment
 - + Outlook for 23/24
 - + Longer term questions or concerns
- × Quick roundup of other crops

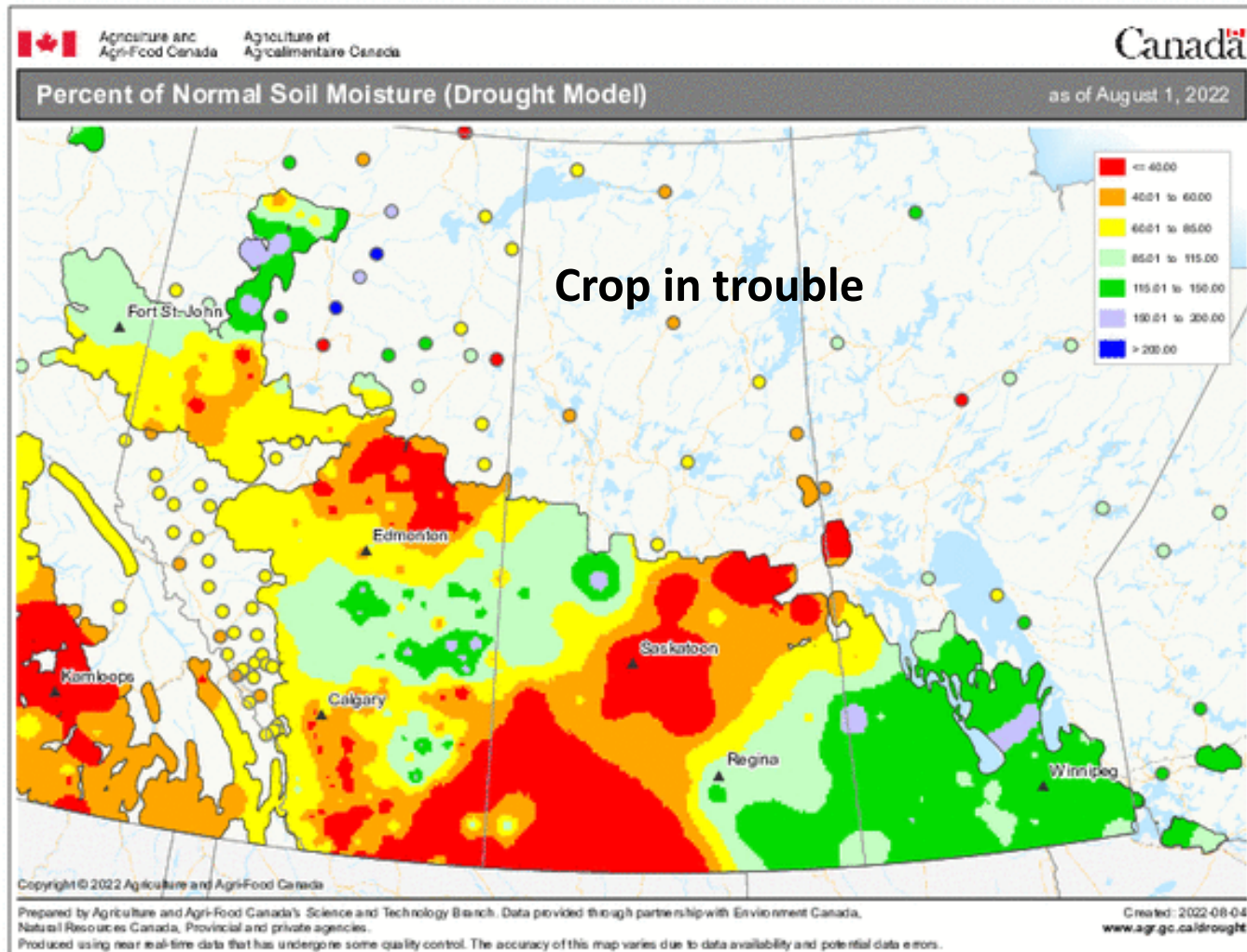
CANADIAN MUSTARD ACREAGE



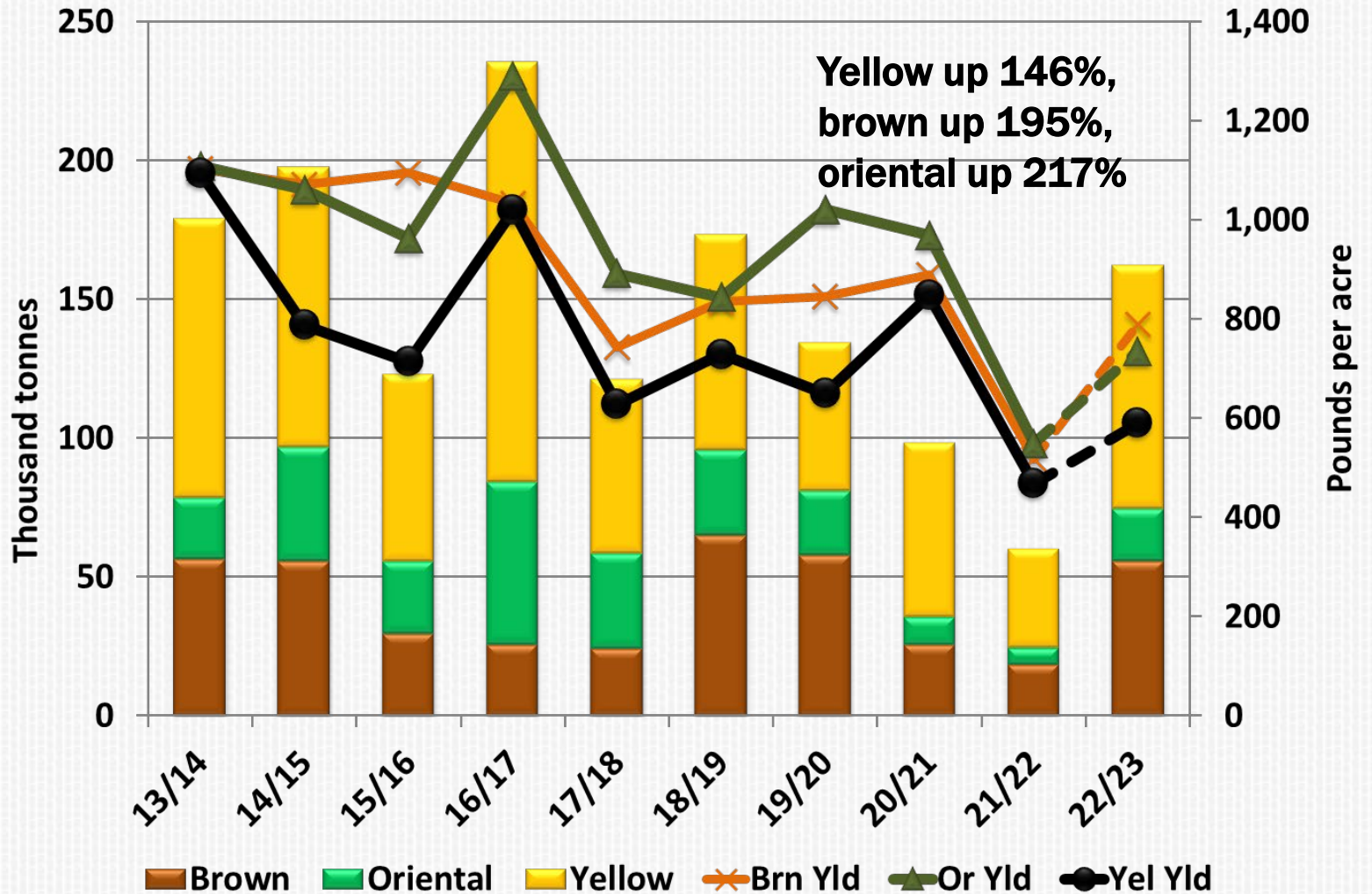
SOIL MOISTURE – EARLY JUNE



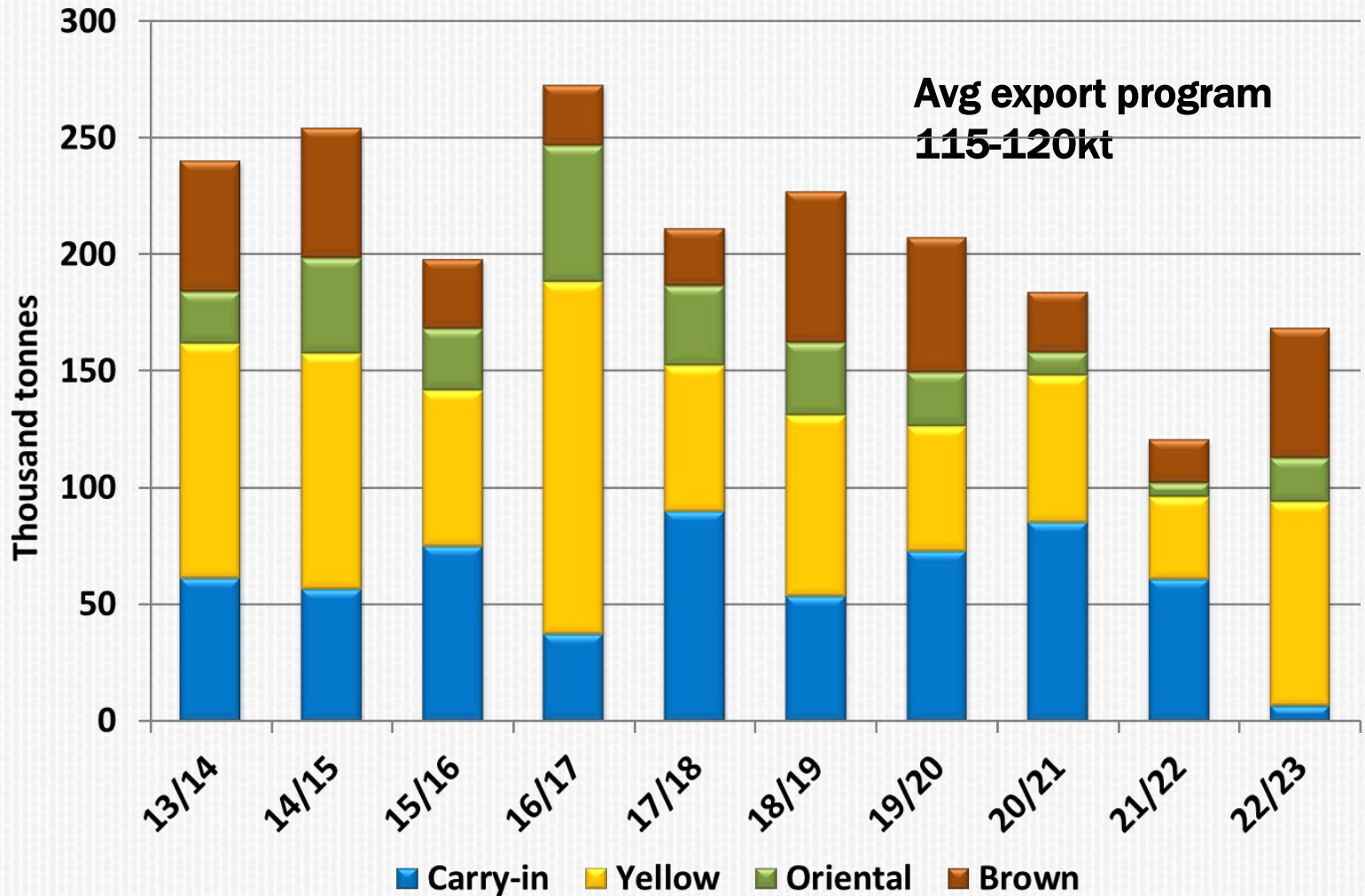
SOIL MOISTURE – EARLY AUGUST



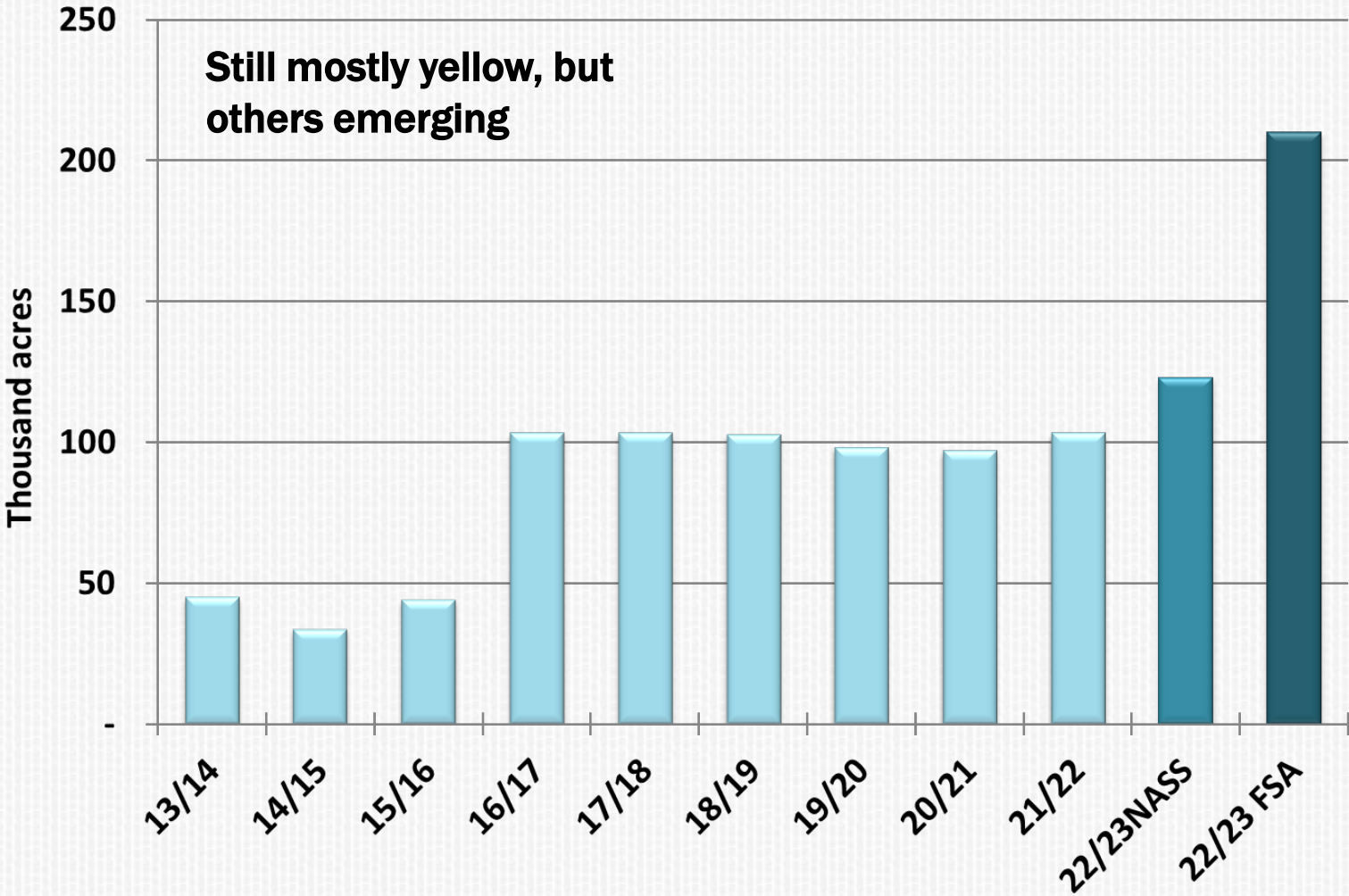
CANADIAN MUSTARD PRODUCTION



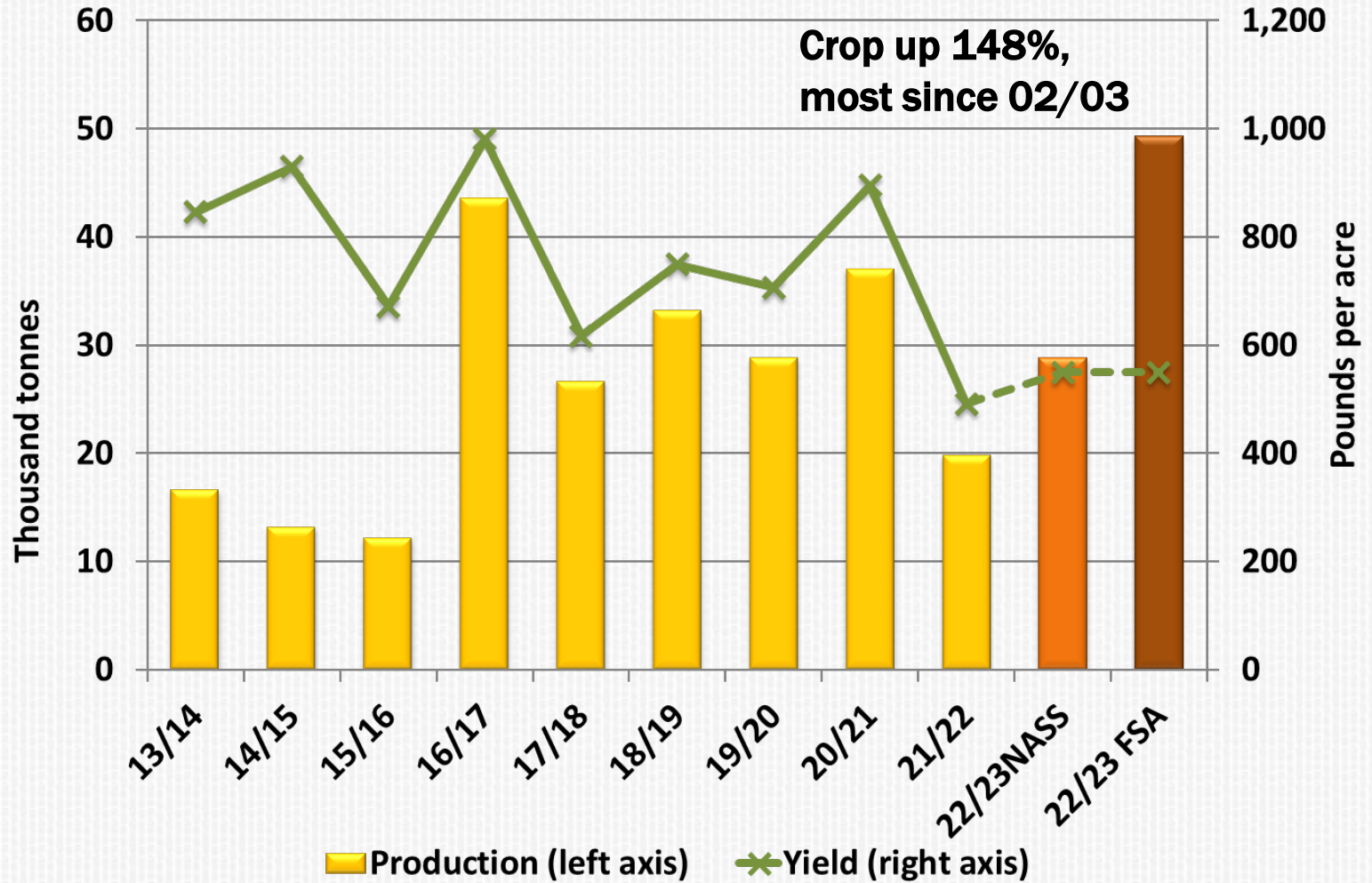
CANADIAN MUSTARD SUPPLIES



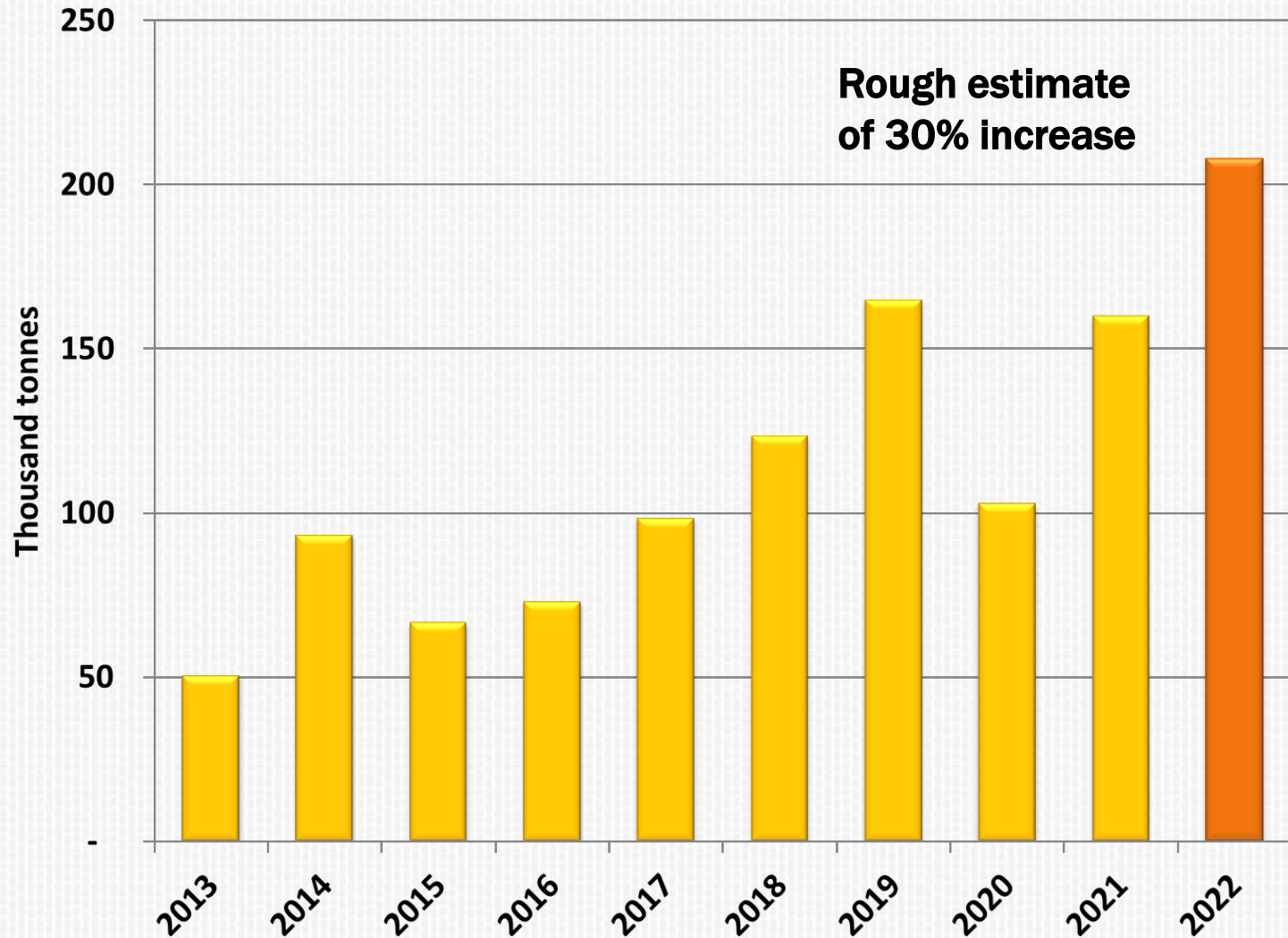
US MUSTARD SEEDED AREA



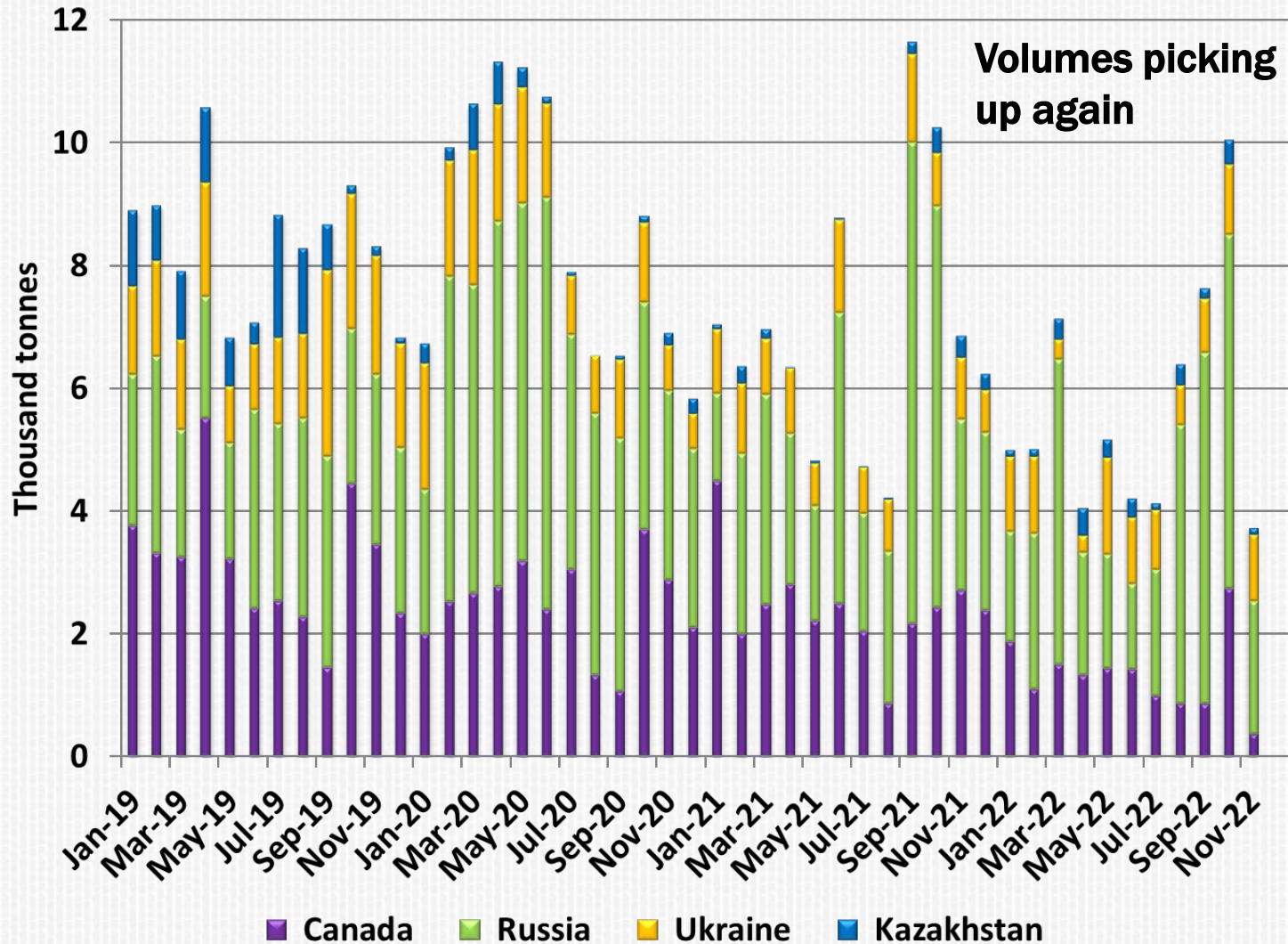
US MUSTARD PRODUCTION & YIELD



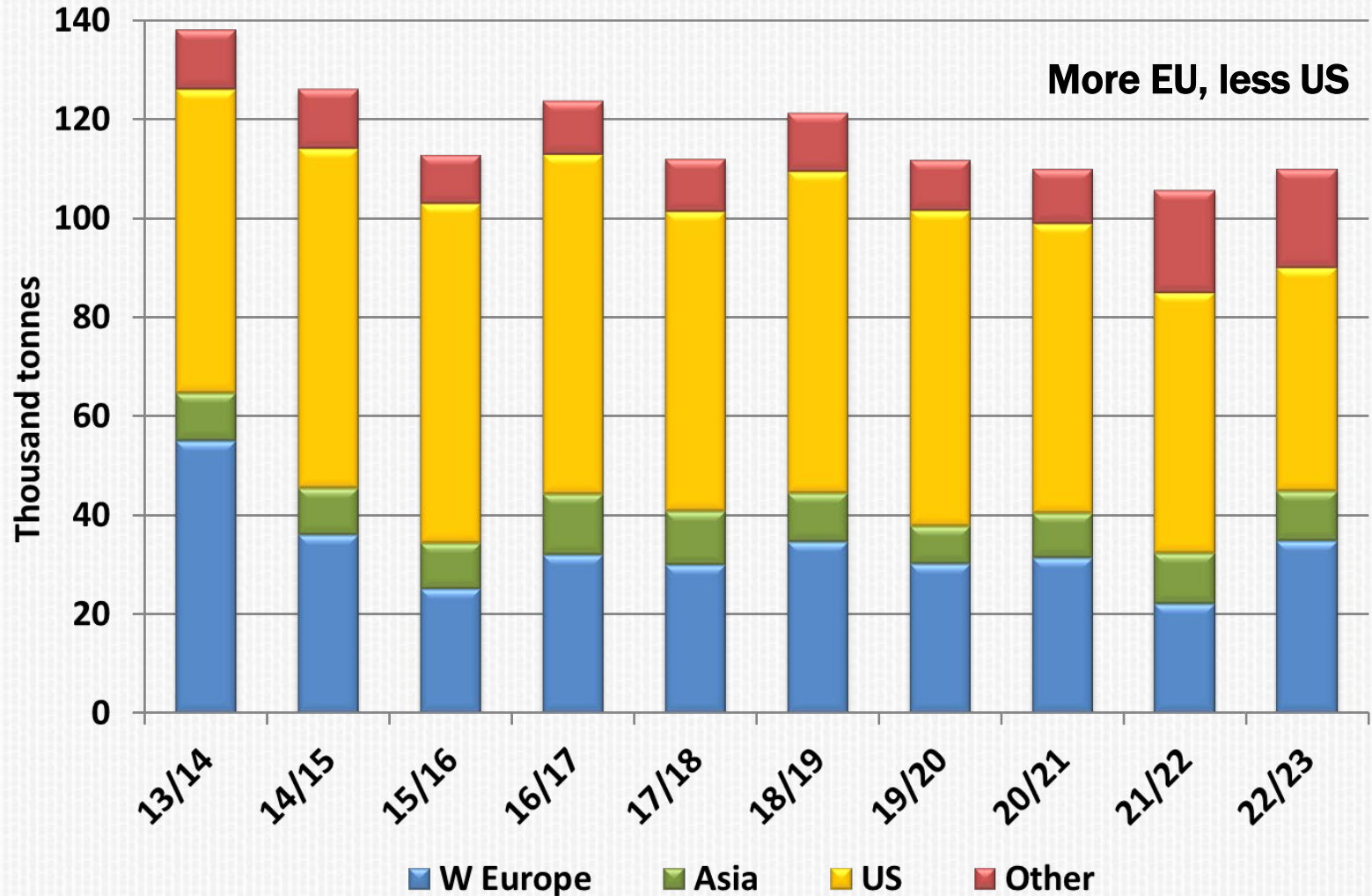
RUSSIA MUSTARD PRODUCTION



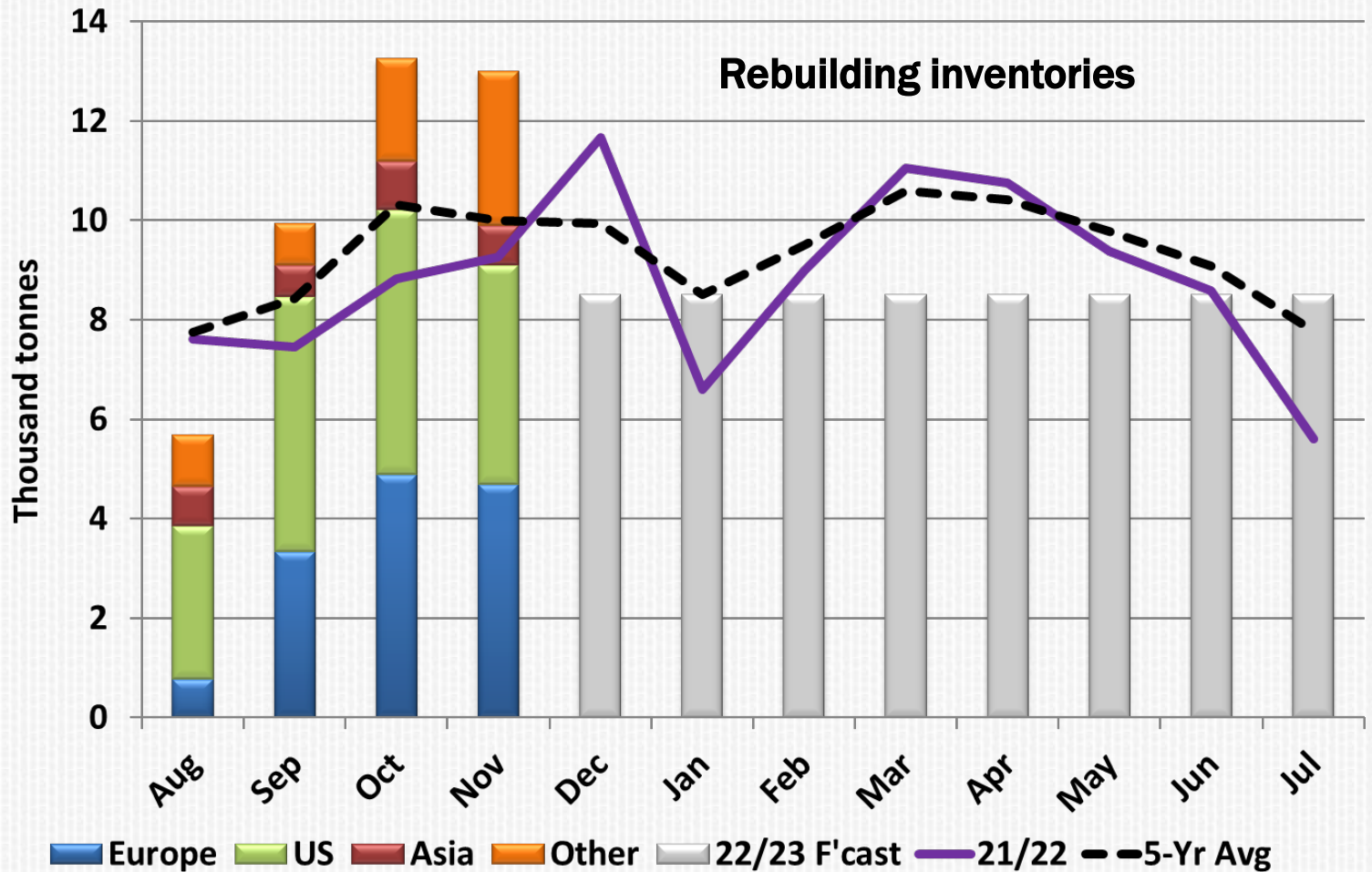
EU MUSTARD IMPORTS



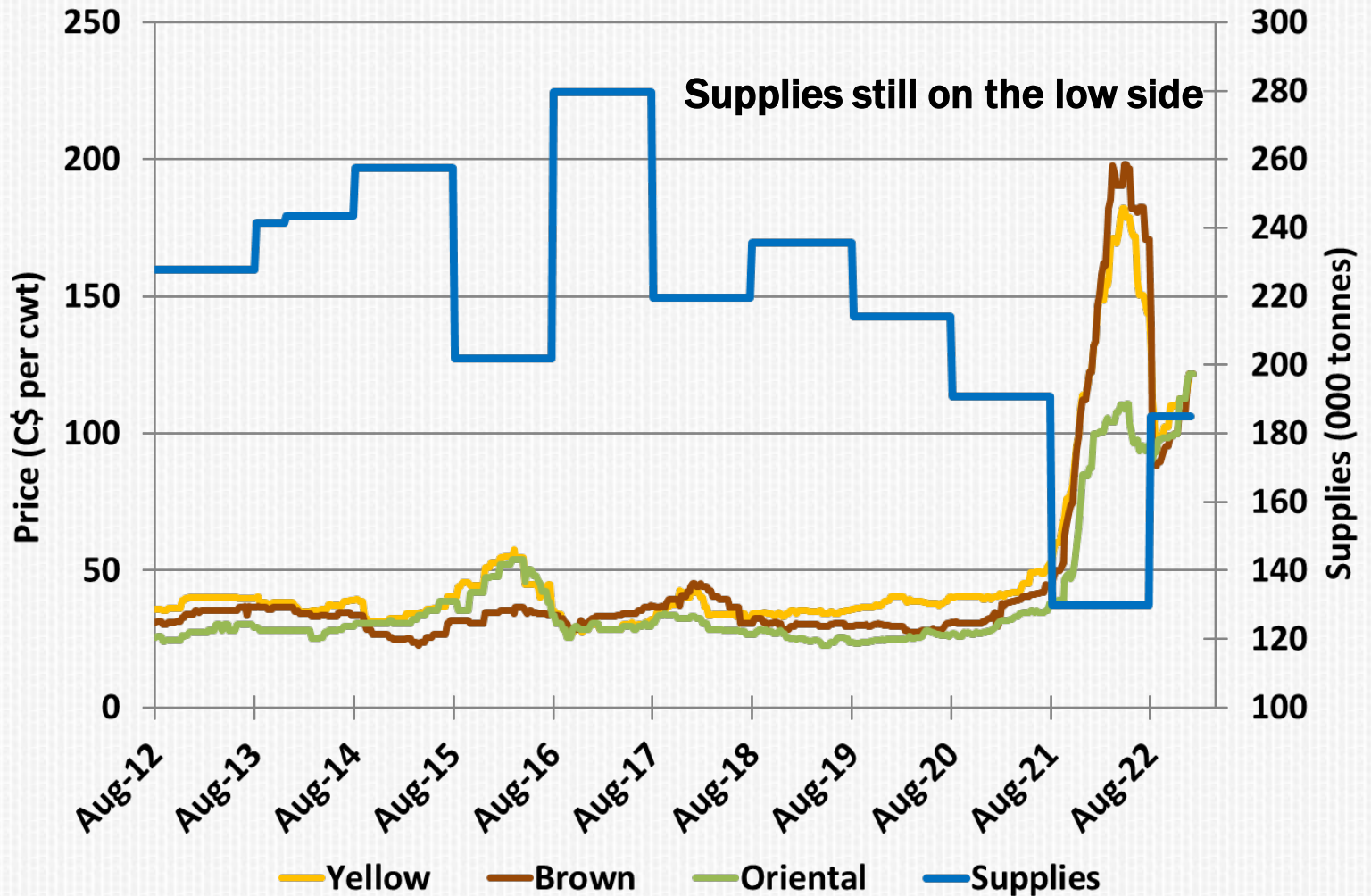
CANADIAN MUSTARD EXPORTS



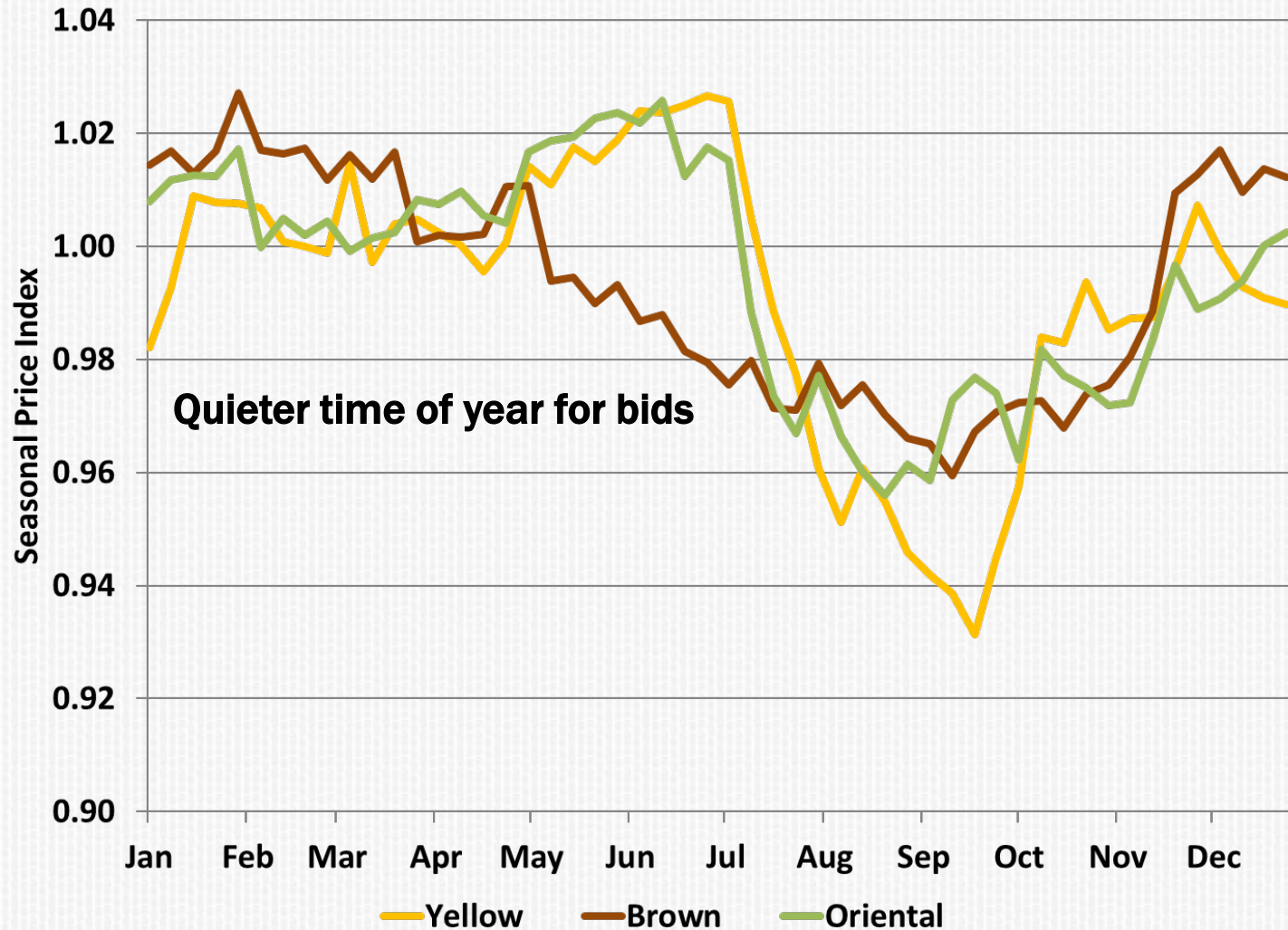
CDN MUSTARD EXPORTS - 2022/23



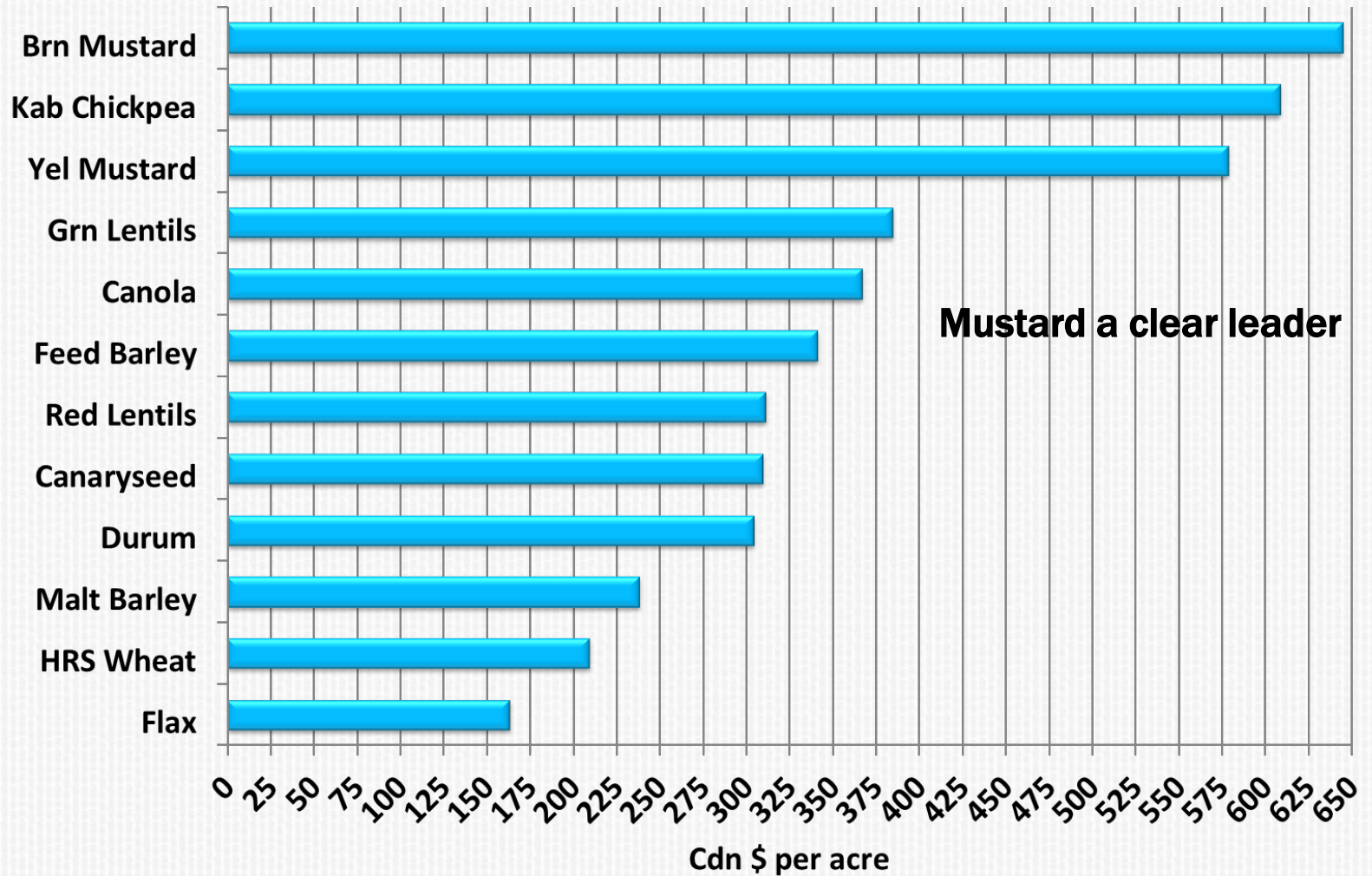
CDN MUSTARD BIDS & SUPPLIES



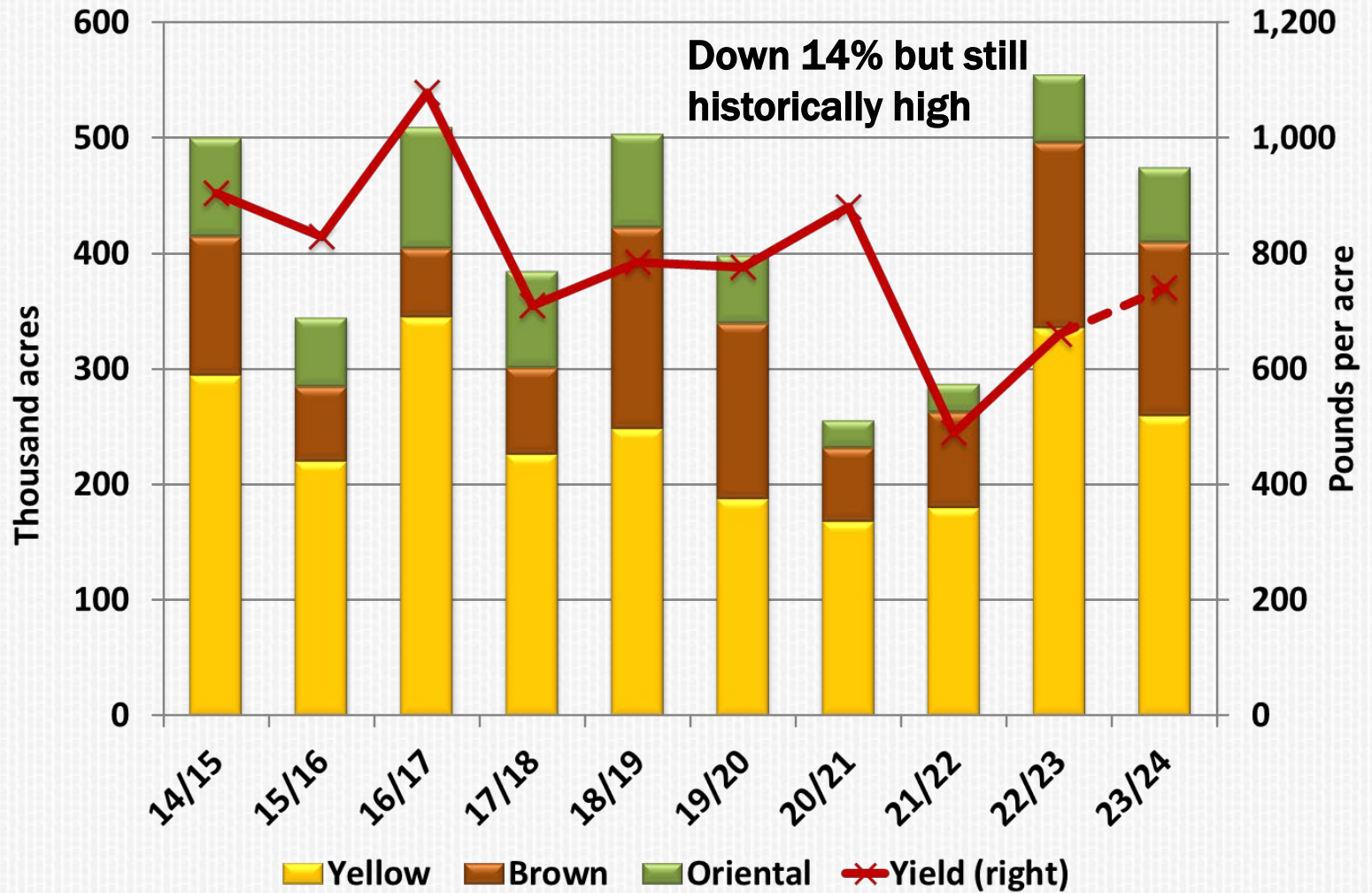
MUSTARD BID SEASONALITY



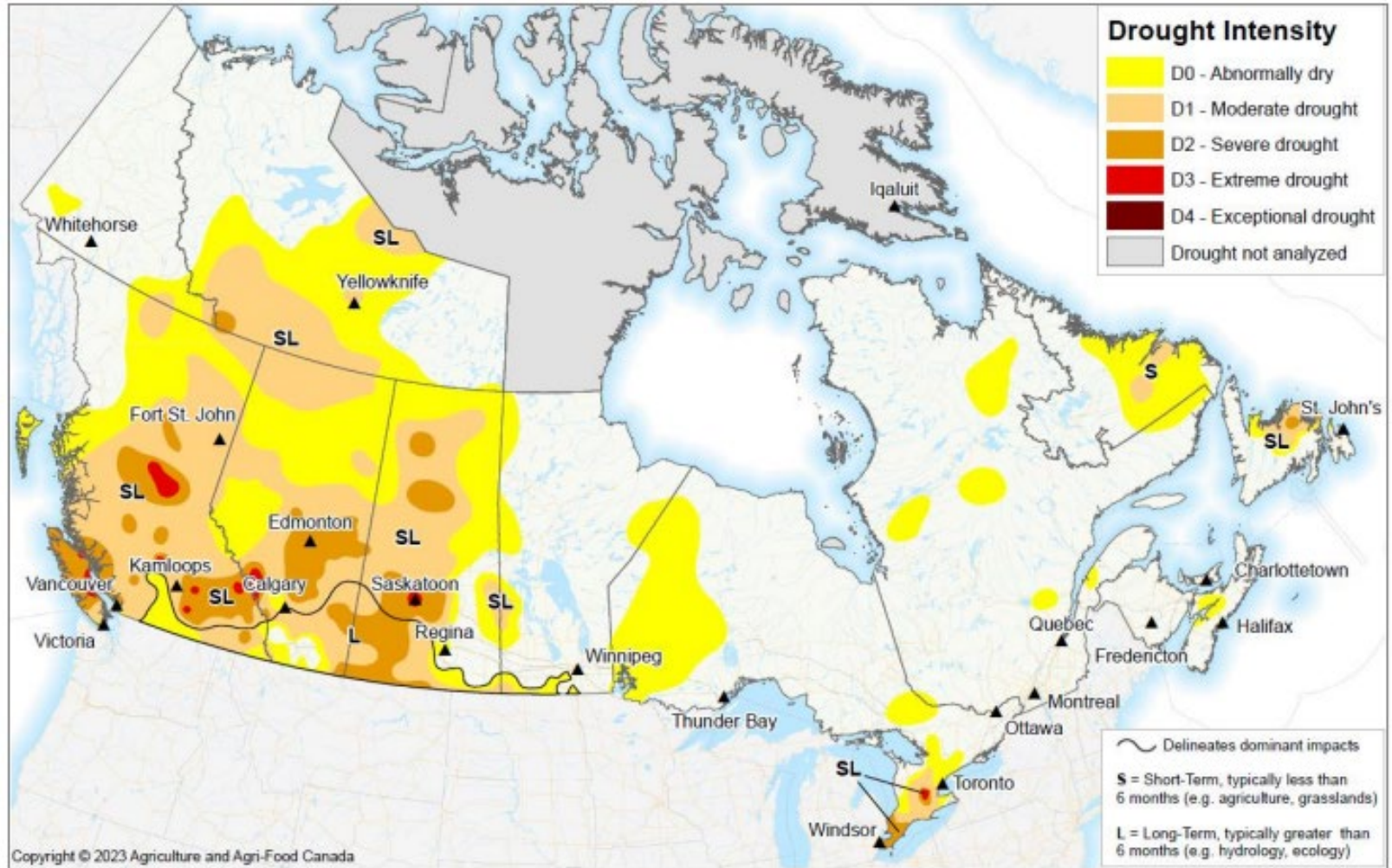
2023 GROSS MARGIN COMPARISONS



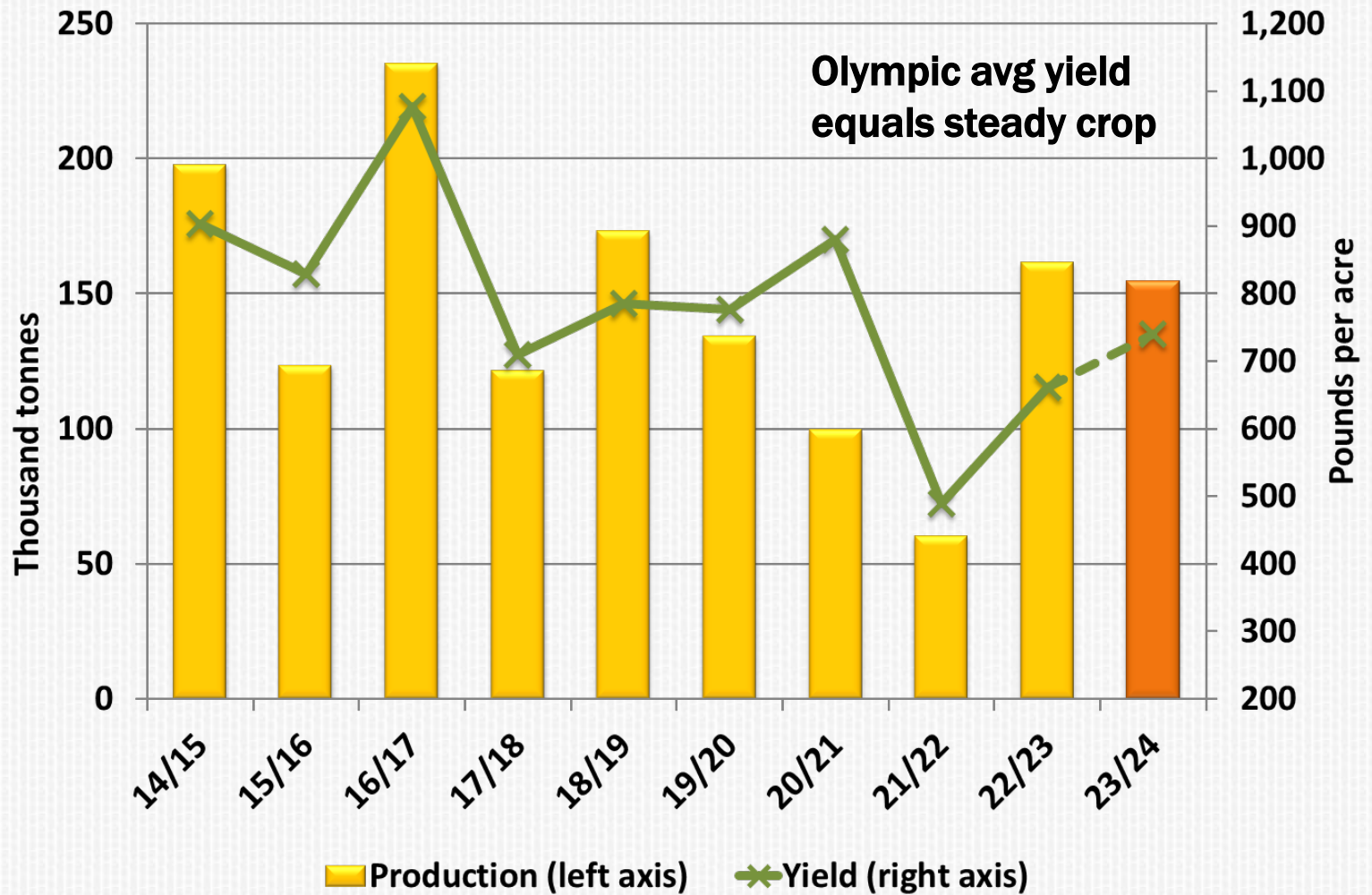
NEW CROP ACREAGE FORECAST



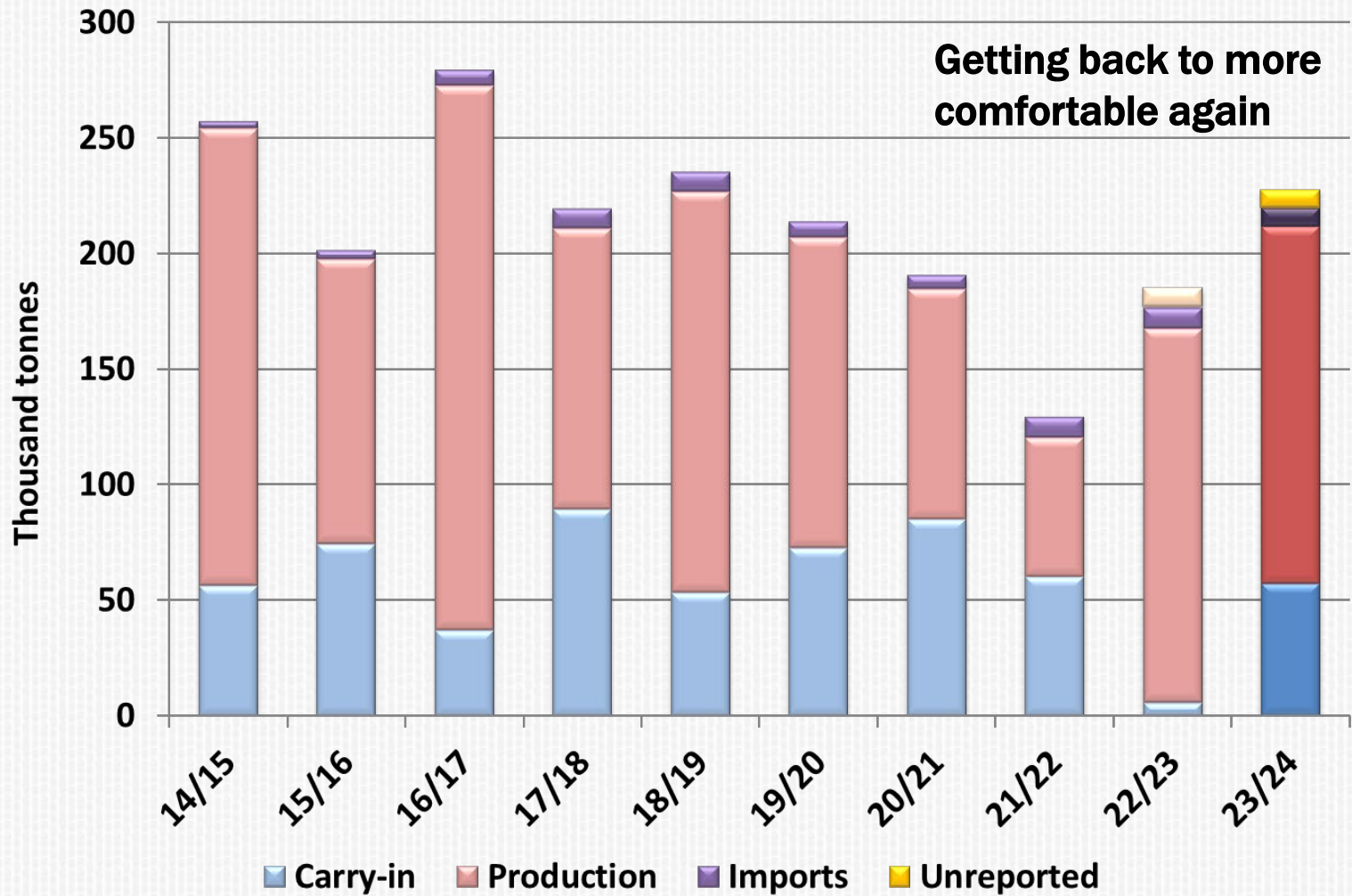
DROUGHT CONDITIONS – DEC 31



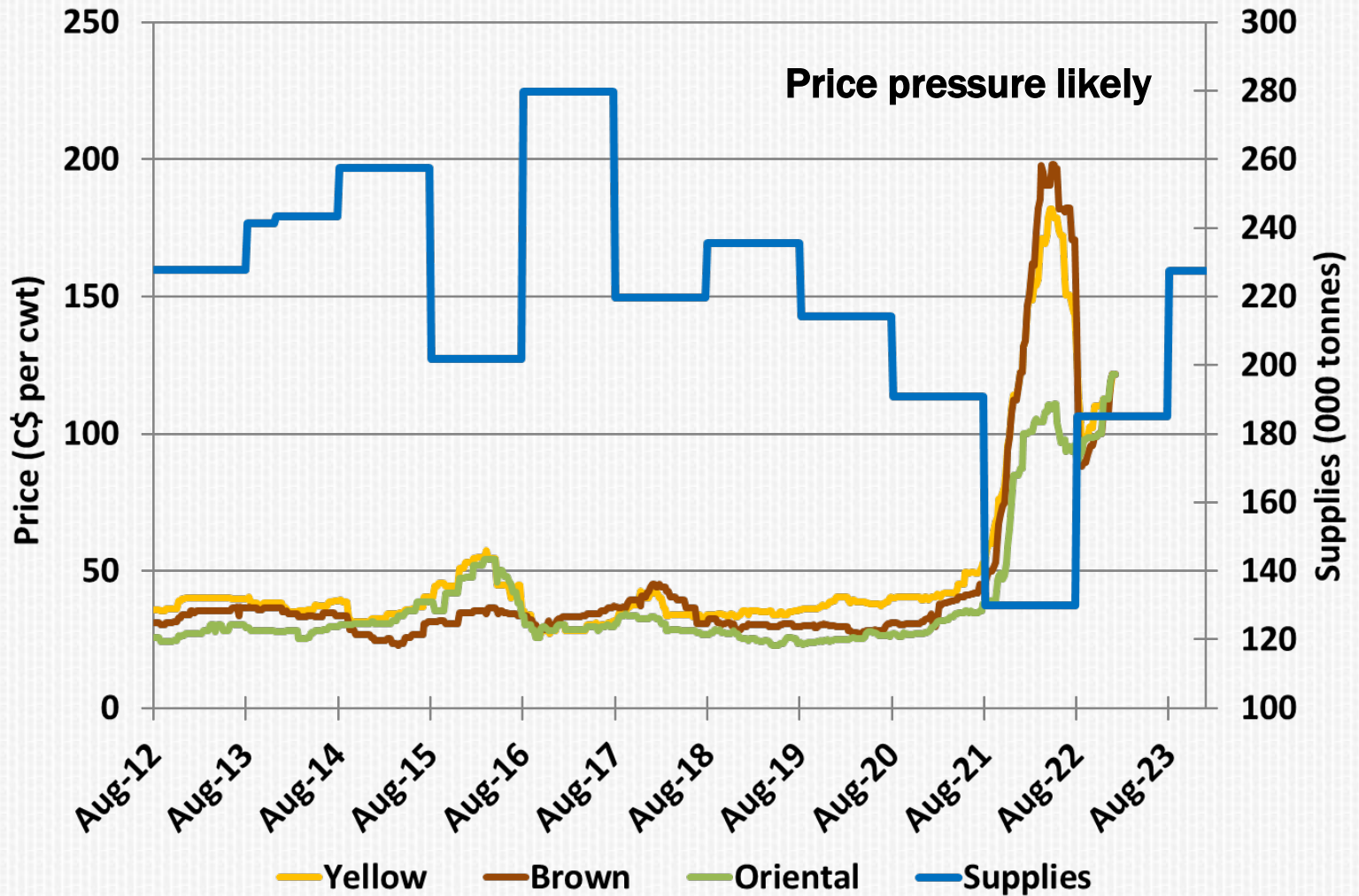
CANADIAN MUSTARD PRODUCTION



CANADIAN MUSTARD SUPPLIES



CDN MUSTARD BIDS & SUPPLIES



MUSTARD MARKET OUTLOOK

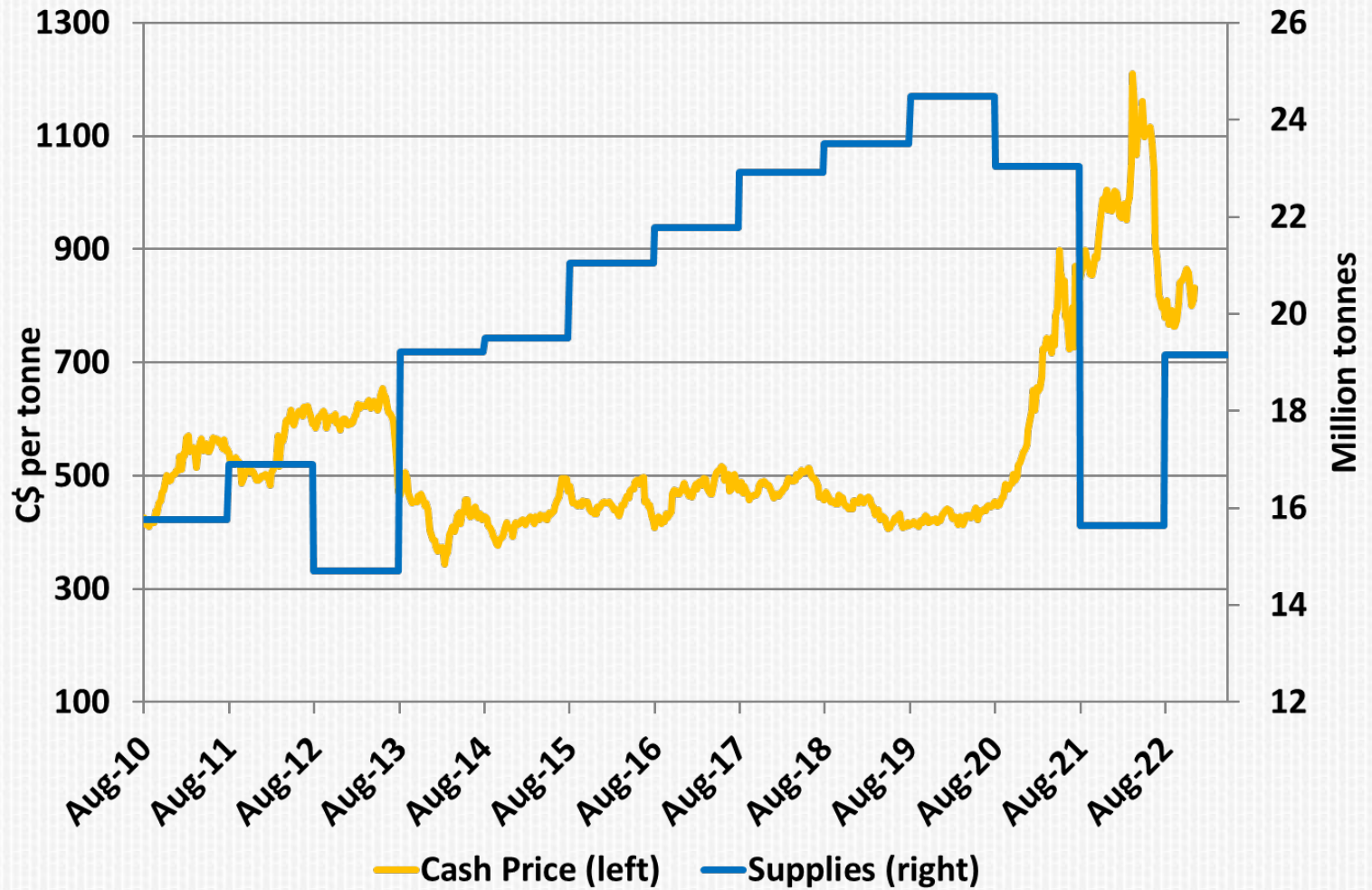
× Rest of 2022/23

- + Price expectations very high...
- + What happens when users full?

× In 2023/24

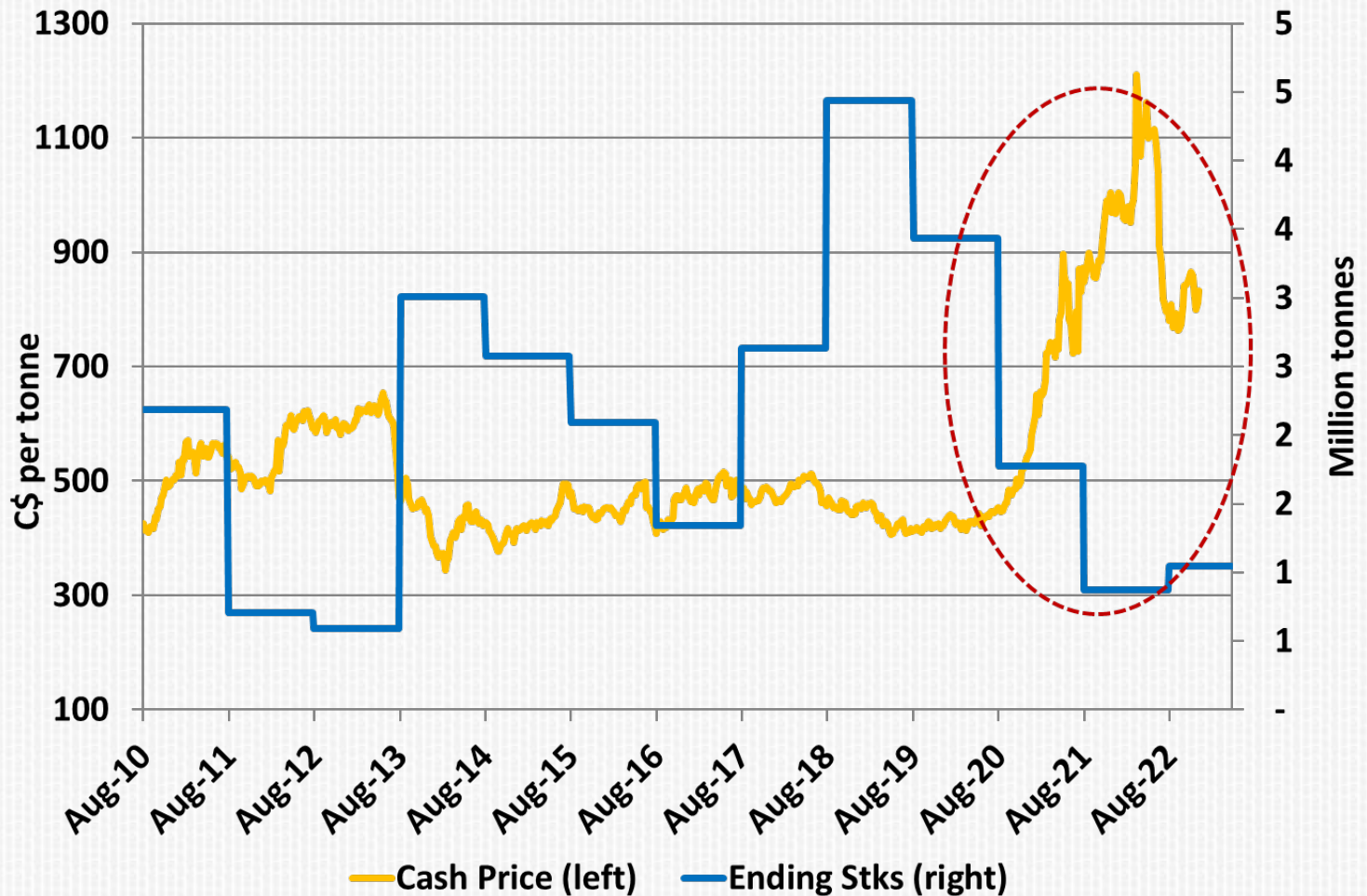
- + Sizable acres again, more comfortable supplies
- + Still concerns about dryness
- + Less US demand on carryover
- + More typical contracting?
- + Prices off the 22/23 levels

SUPPLY VS PRICE – CANOLA



— Cash Price (left) — Supplies (right)

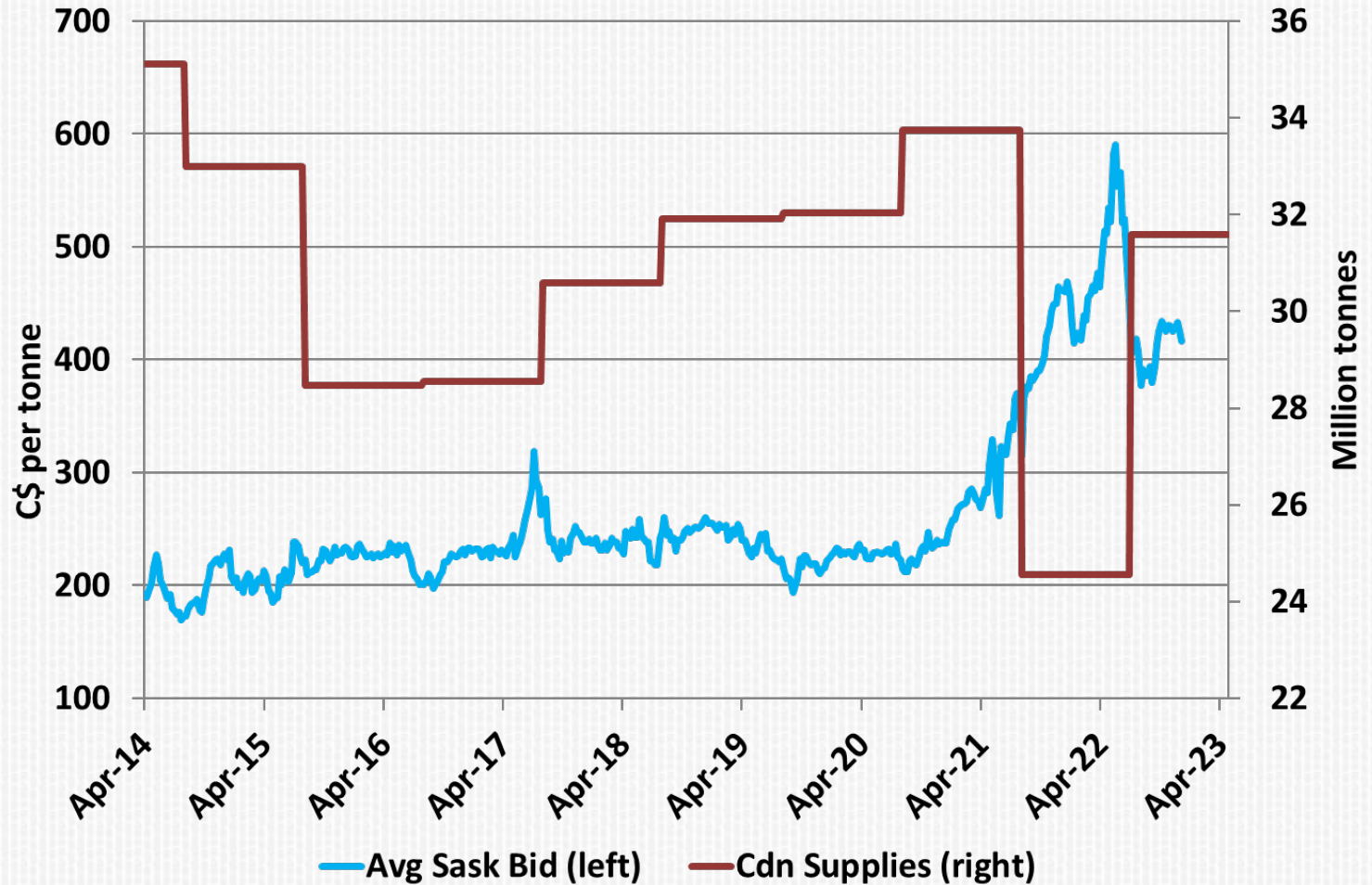
ENDING STOCKS VS PRICE – CANOLA



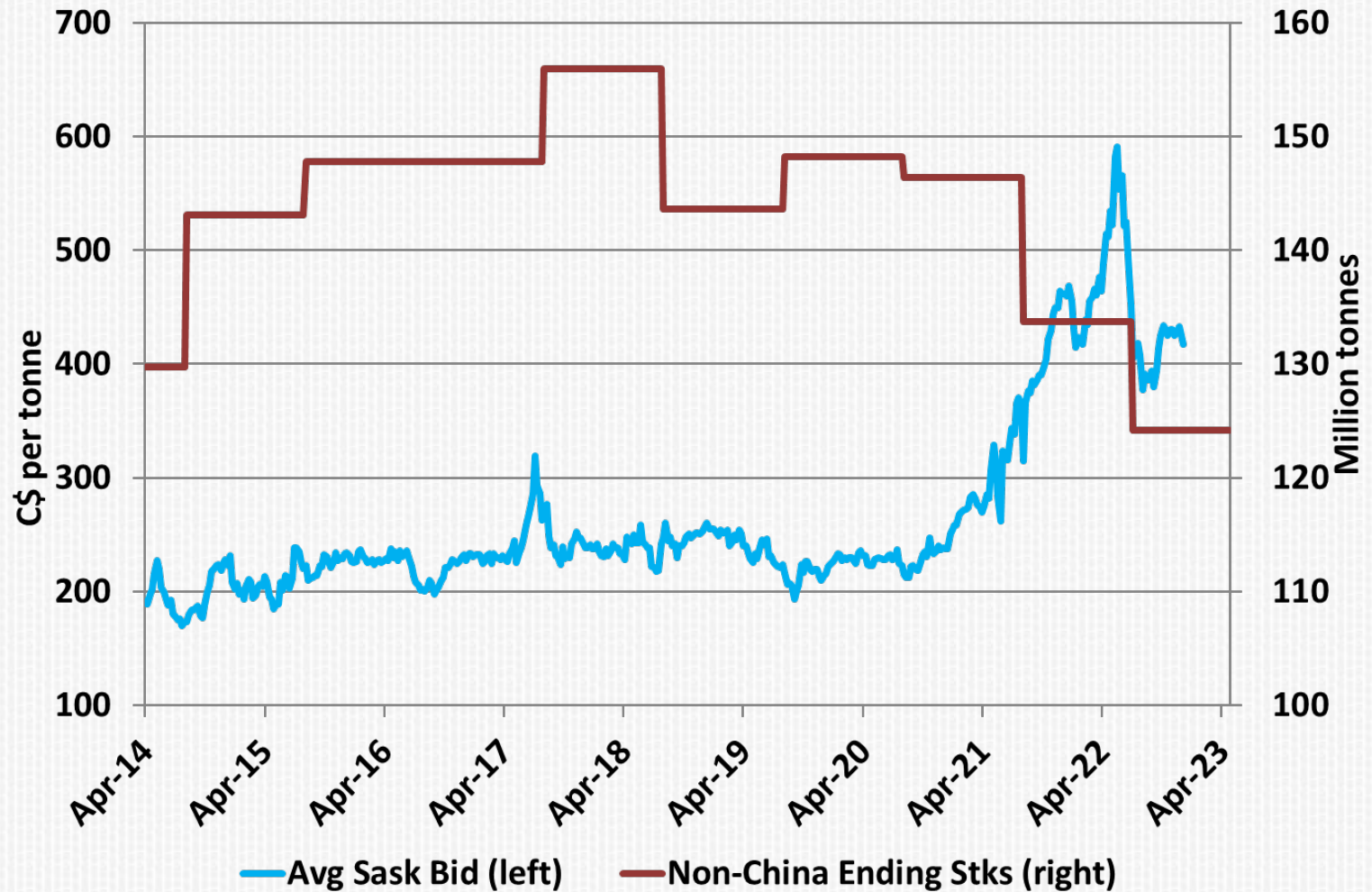
WHAT ELSE WILL INFLUENCE CANOLA?

- × Record Australia canola crop
- × South American soybean crop
 - + Brazil & Argentina very different outlooks
- × Limited rapeseed supplies from Ukraine
- × Other oilseeds & veg oils
- × Long-term friendly

CDN NON-DUR SUPPLY VS CWRS PRICE



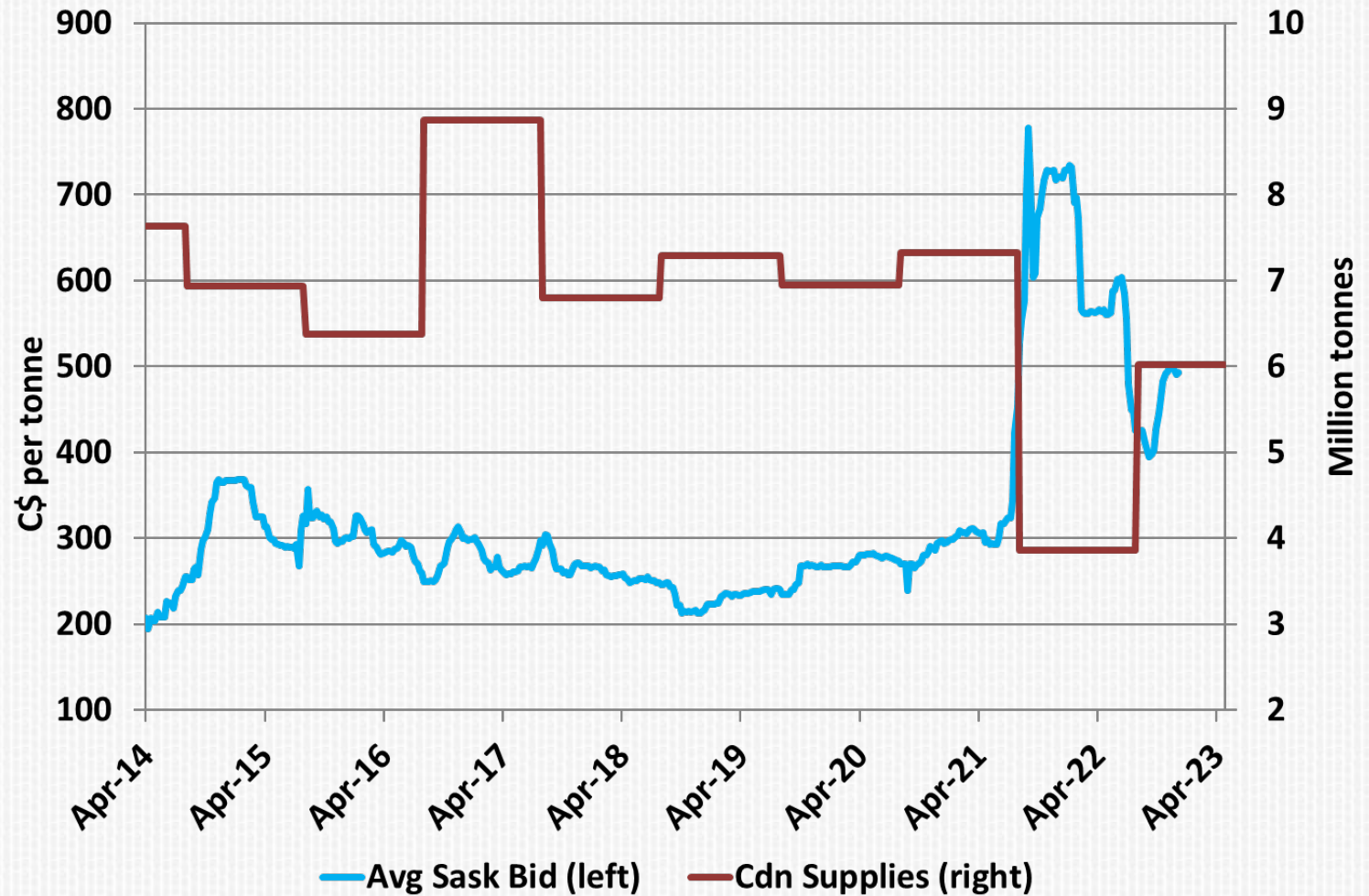
ROW WHT ENDING STKS VS CWRS PRICE



WHAT ELSE WILL INFLUENCE WHEAT?

- × Black Sea availability
 - + Winter crop area reduced in Ukraine
- × Southern hemisphere wheat
 - + Damage to Australian crop
 - + Smaller Argentine production
- × Tight US supplies
 - + Drought in HRW regions

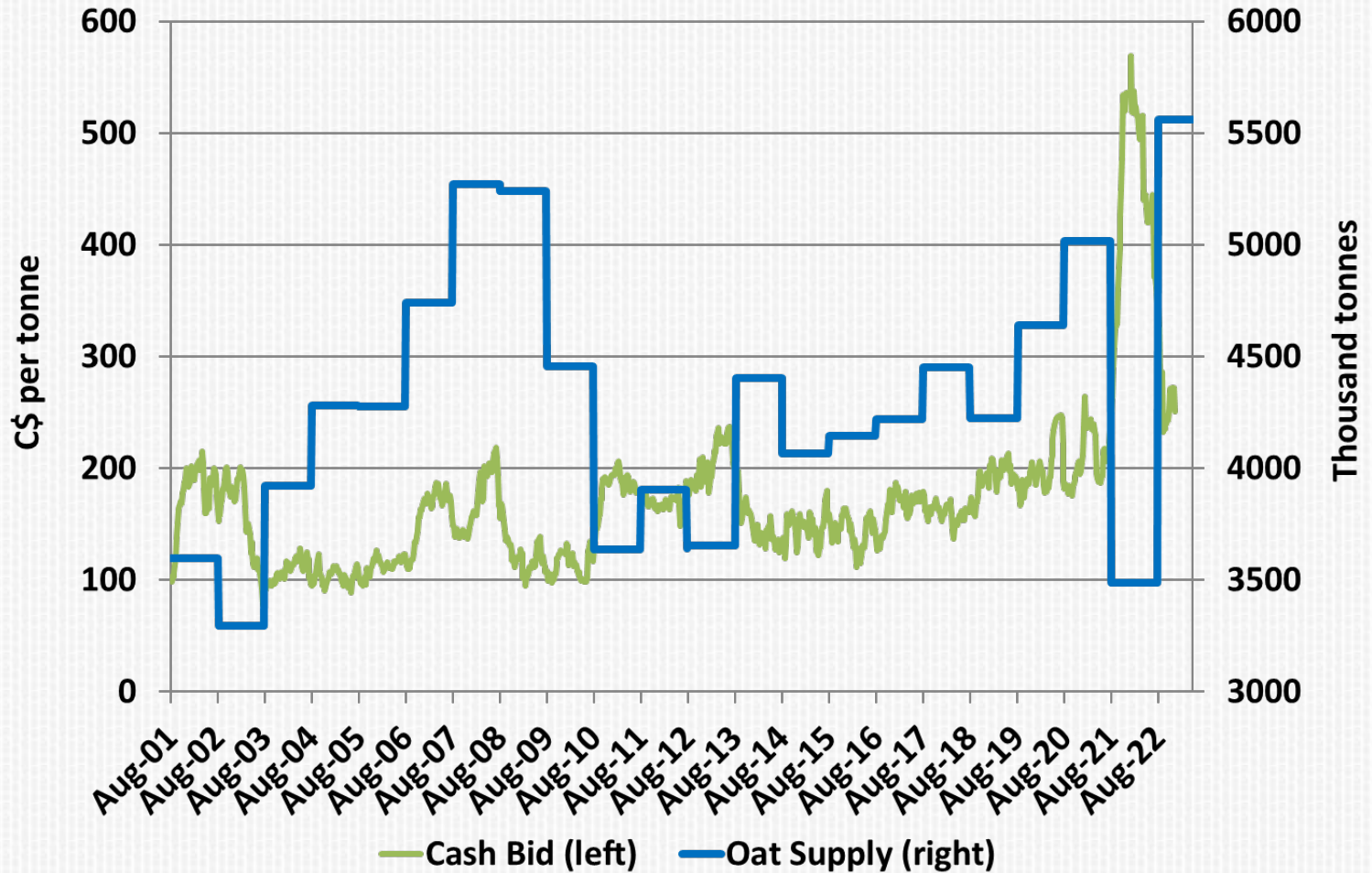
SUPPLY VS PRICE – CDN DURUM



WHAT ELSE WILL INFLUENCE DURUM?

- ✘ Smaller EU crop
 - + Trade surprisingly weak
- ✘ Small US crop (again)
- ✘ Crop failure in Morocco

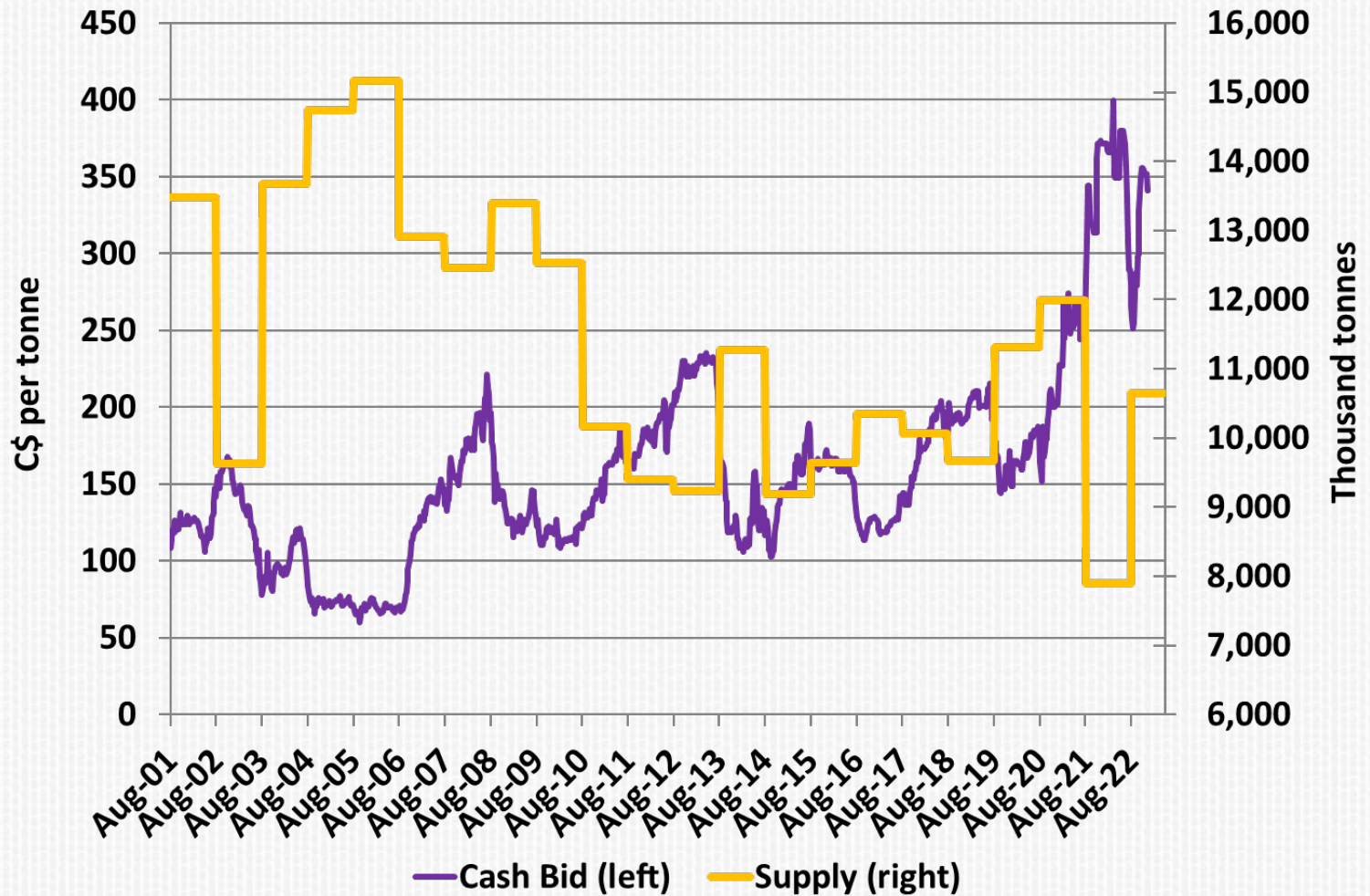
SUPPLY VS PRICE – CDN OATS



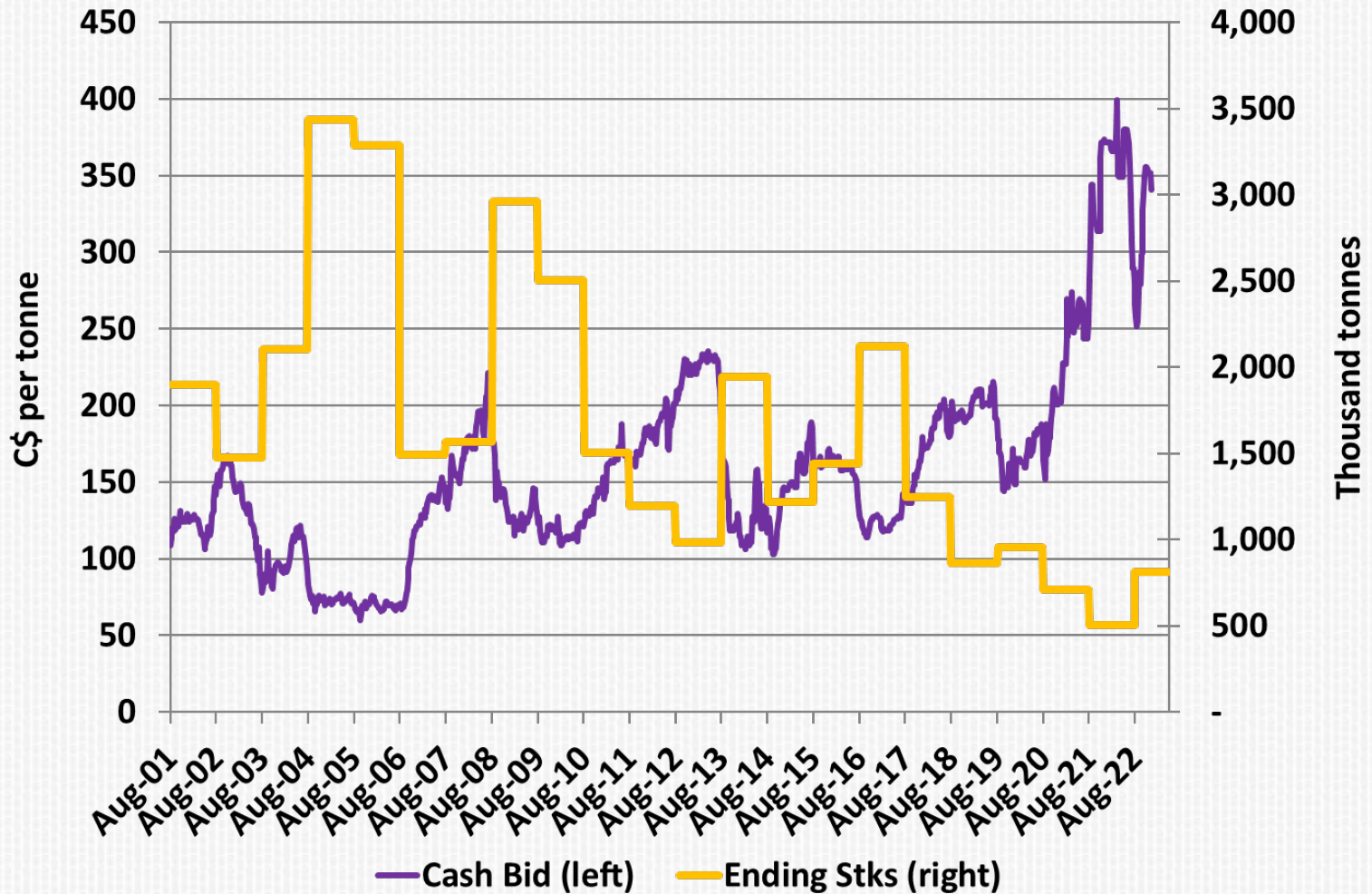
WHAT ELSE WILL INFLUENCE OATS?

- × Rebound in US crop
 - + Still not quite average
- × More domestic milling capacity
- × New(ish) demand from alternate users
 - + Oatly etc

SUPPLY VS PRICE – BARLEY



ENDING STKS VS PRICE – CDN BARLEY

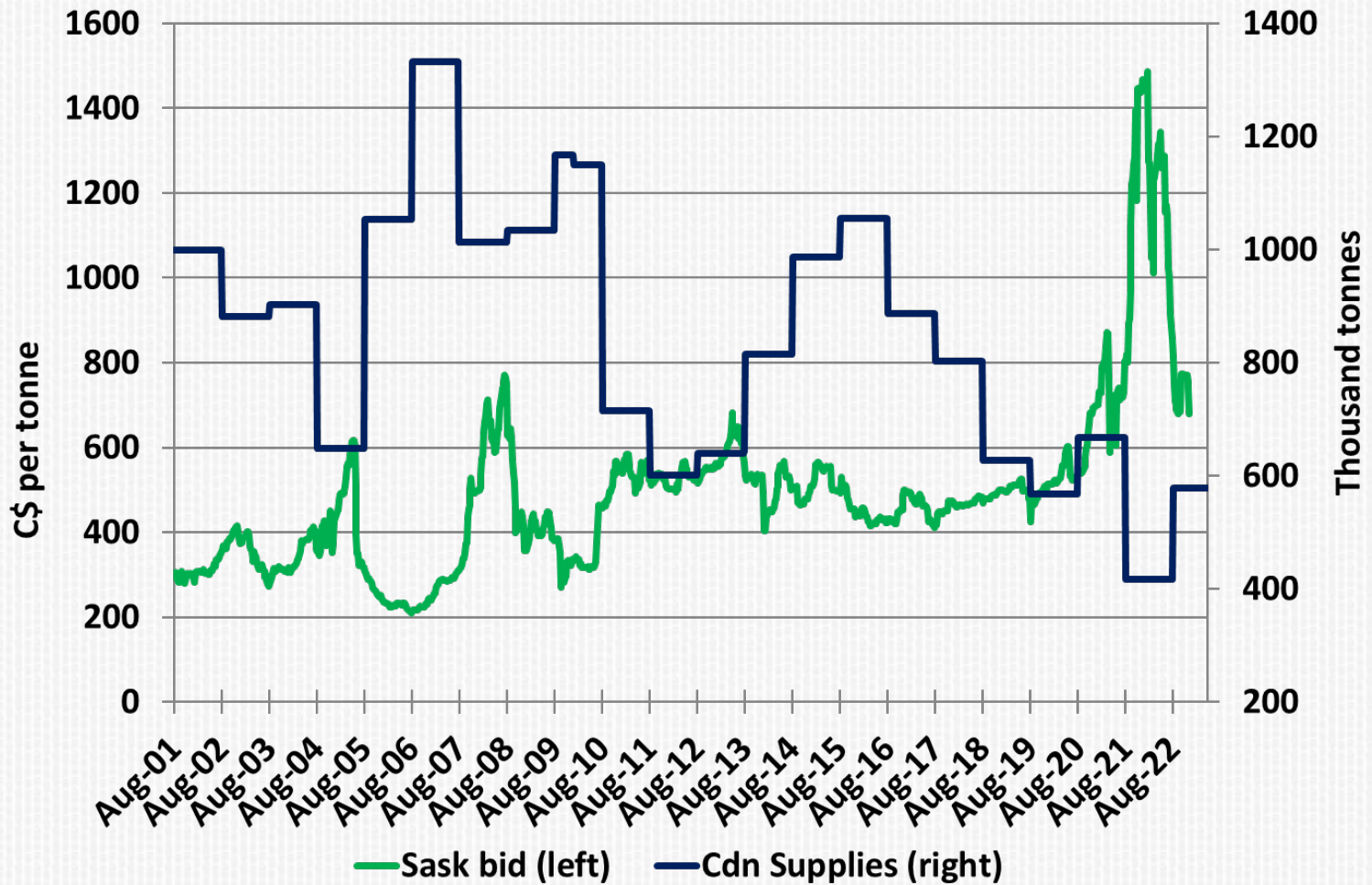


— Cash Bid (left) — Ending Stks (right)

WHAT ELSE WILL INFLUENCE BARLEY?

- ✘ Less Ukrainian barley & corn
- ✘ Russian barley into China?
- ✘ Overall Chinese demand
 - + A bit questionable with weak economy
- ✘ Corn in US & South America

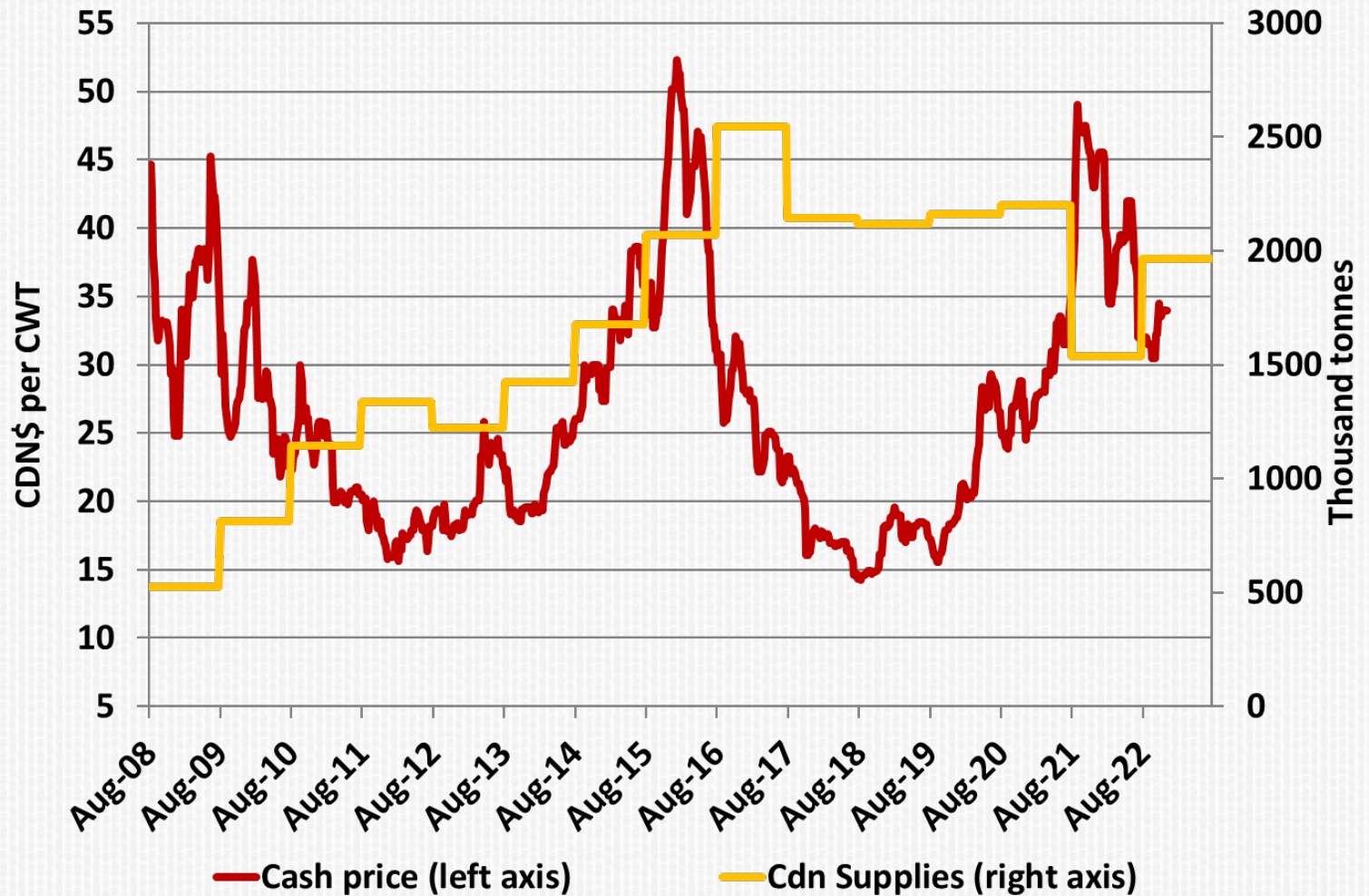
SUPPLY VS PRICE – FLAX



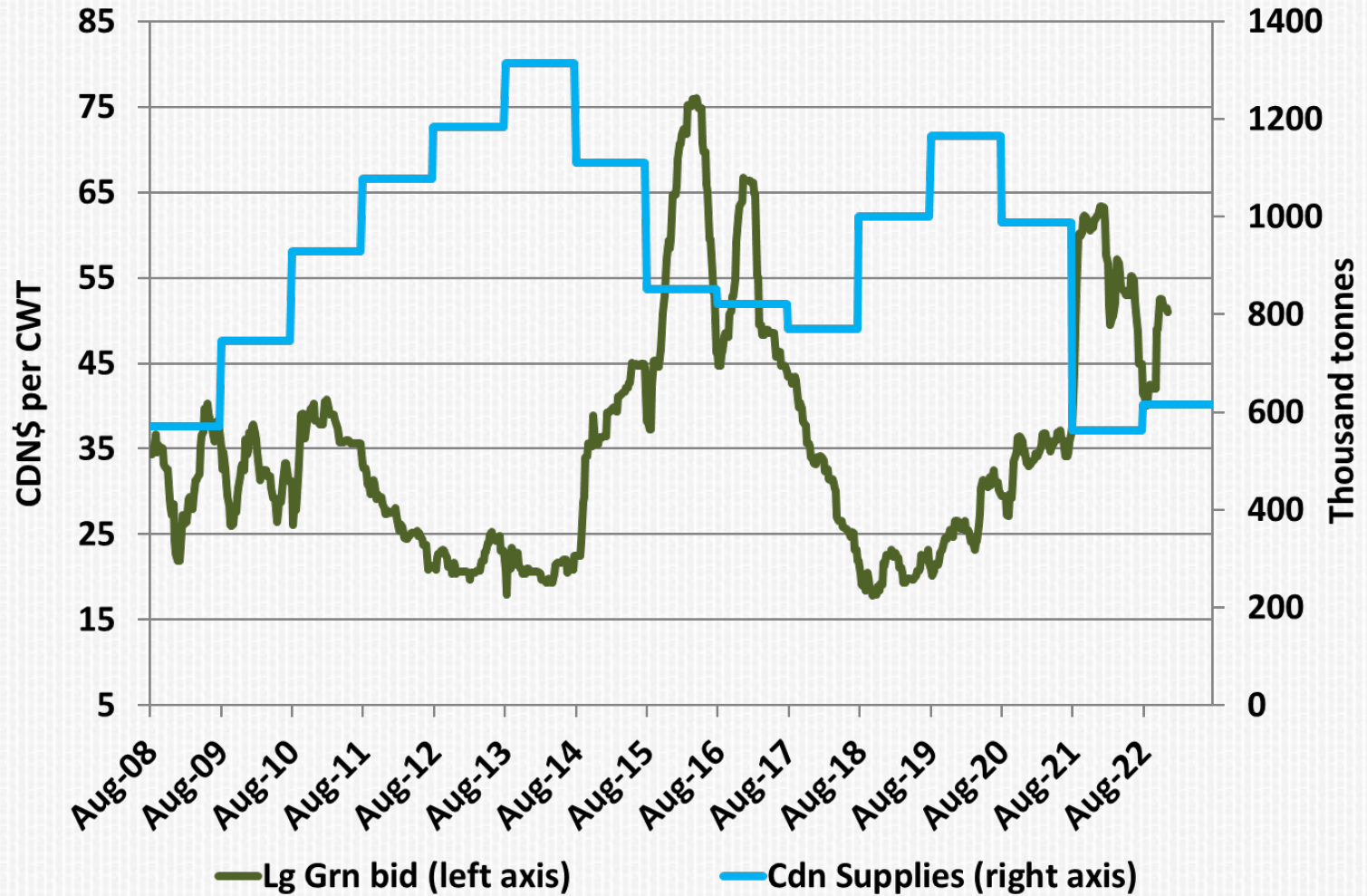
WHAT ELSE WILL INFLUENCE FLAX?

- × Bigger Russian crop
 - + China is only meaningful outlet
- × Rebound in Kazakh production
- × Small(ish) US crop again
- × Cdn flax uncompetitive in China and EU

SUPPLY VS PRICE- RED LENTILS



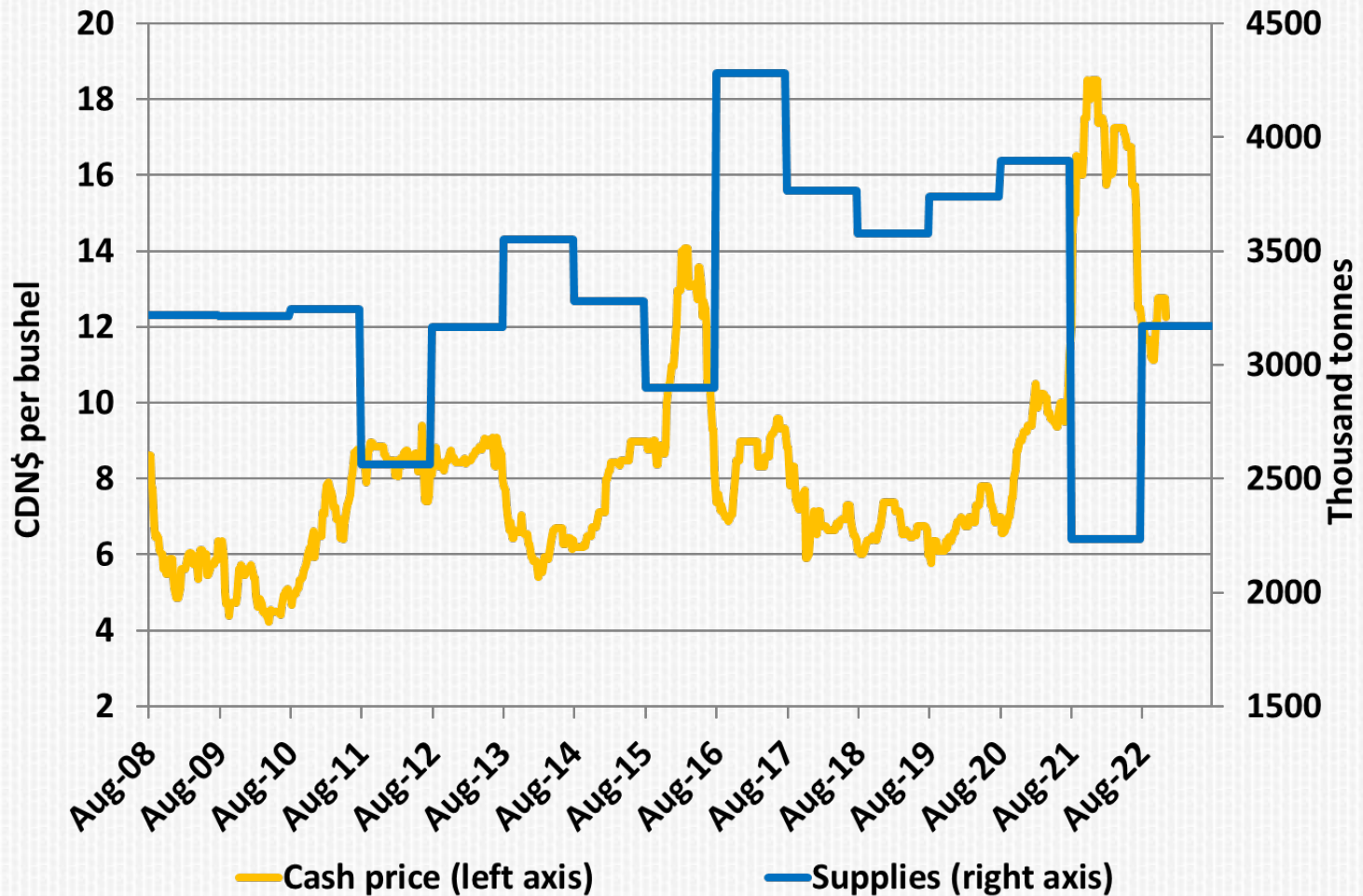
SUPPLY VS PRICE- GREEN LENTILS



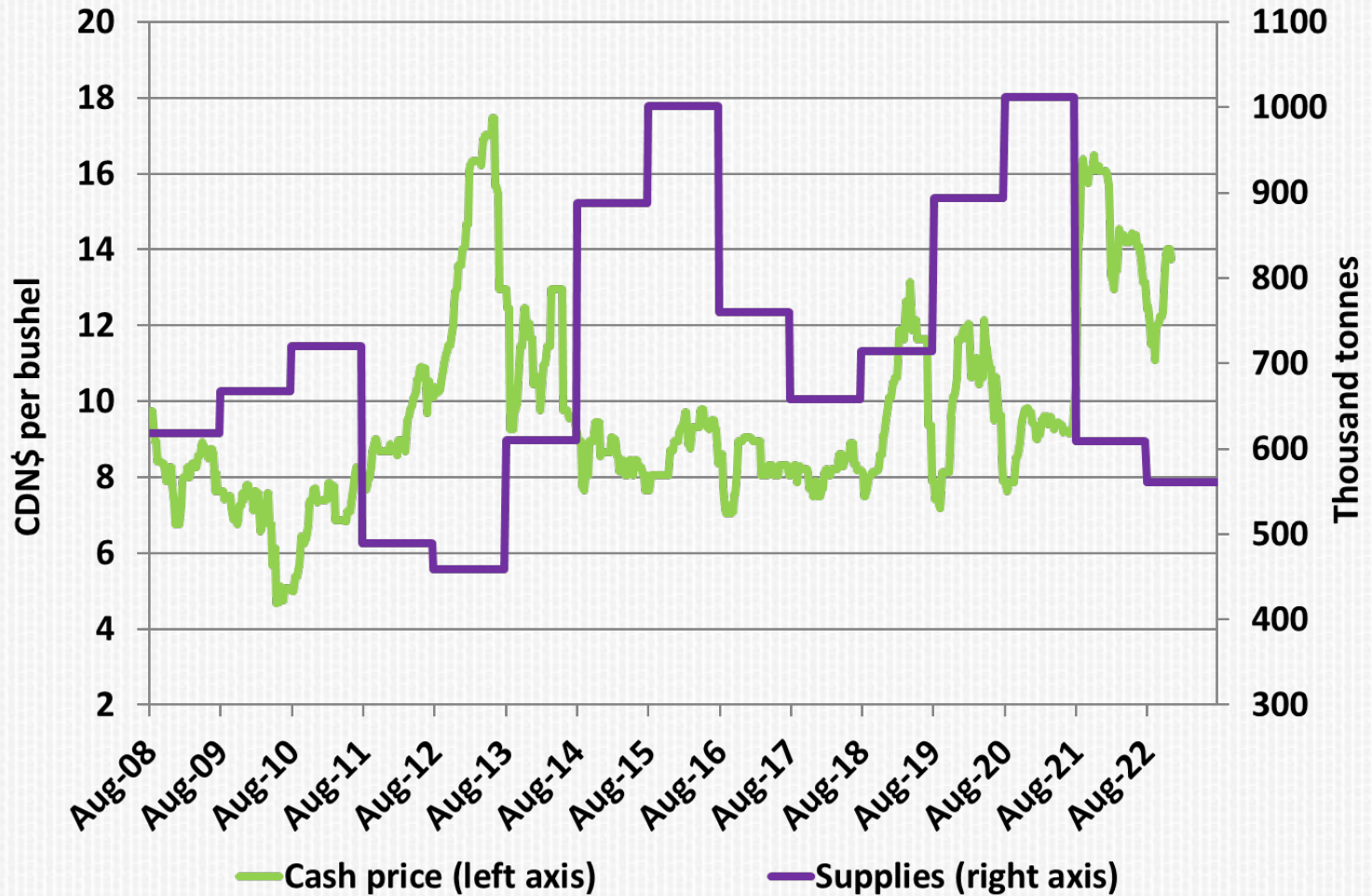
WHAT ELSE WILL INFLUENCE LENTILS?

- × Record Aussie (red) production
 - + Quality
- × Last Indian kharif crop (for greens)
- × Upcoming Indian rabi crop (for reds)

SUPPLY VS PRICE- YELLOW PEAS



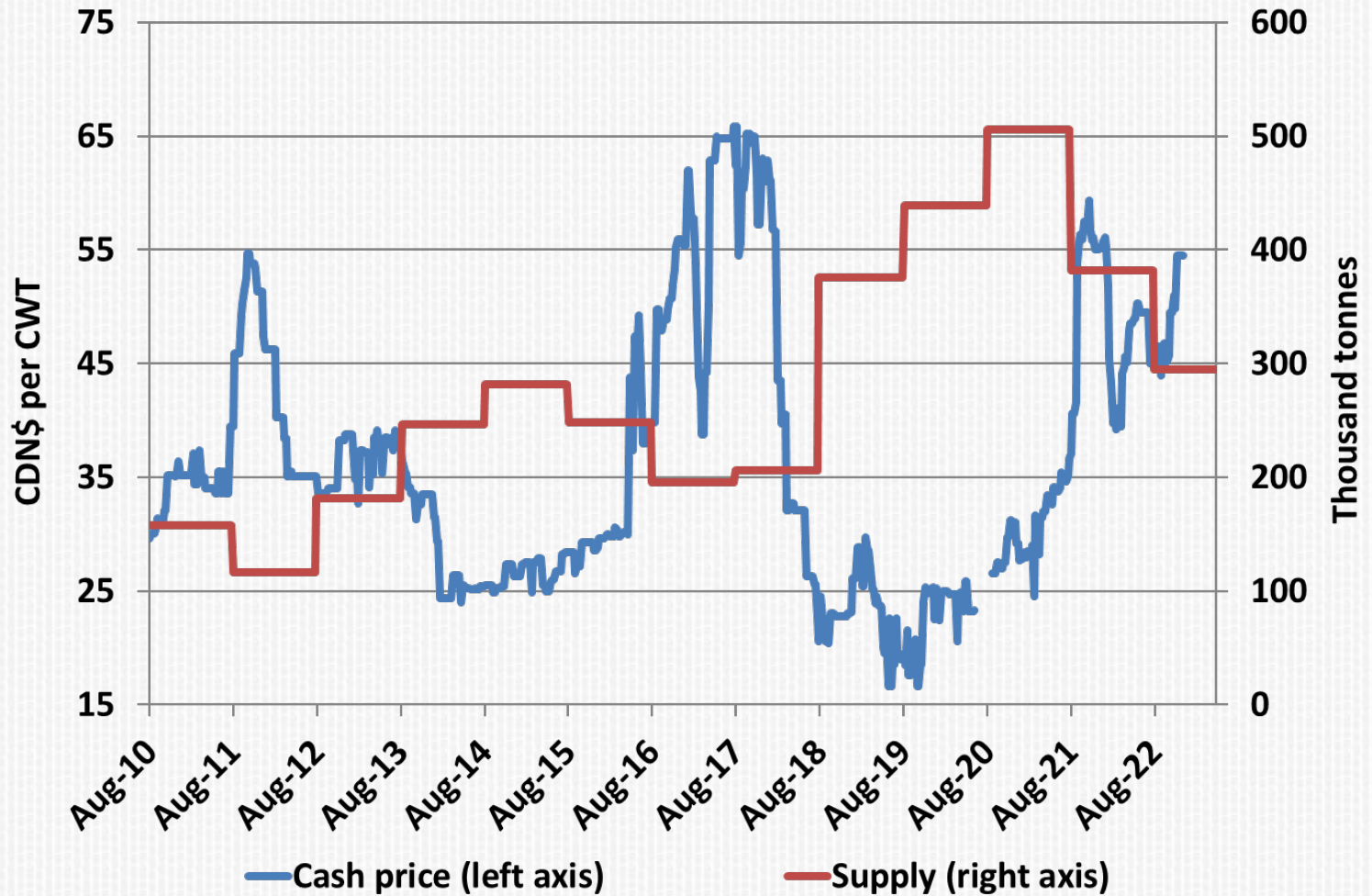
SUPPLY VS PRICE- GREEN PEAS



WHAT ELSE WILL INFLUENCE PEAS?

- ✘ Overall Chinese fractionation & feed demand
- ✘ Russian peas competing in China
- ✘ India return as importer?
- ✘ Feed prices, including soymeal

SUPPLY VS PRICE- KABULI CHICKPEAS



WHAT ELSE WILL INFLUENCE CHICKPEAS?

- ✘ Smaller US crop
- ✘ Tight supplies in Mexico & India
- ✘ Demand from Pakistan

ADDITIONAL FACTORS

- × How much are farmers sold?
 - + Variable by crop
 - + Not much pressure to sell
- × Have price expectations changed?
 - + For farmers, users, consumers
- × Cdn dollar variability
- × Global economies & possibility of recession
- × Geopolitics (escalation or de-escalation)

MEDIUM-TERM QUESTIONS

- ✘ Where will the new plateaus / floors be?
- ✘ What happens to farmers' margins?
- ✘ How will energy markets affect agriculture?
- ✘ How have trade patterns changed?
 - + Diversification of origins / destinations
- ✘ What have we learned about price rationing?

LONGER-TERM DISCUSSION

- ✘ How will govt climate initiatives affect markets?
 - + In Canada and elsewhere
- ✘ What happens when crush capacity explodes?
- ✘ How will food security manifest itself?
 - + Drive for self-sufficiency
 - + More openness to biotech
- ✘ What will happen with food trends?
- ✘ What happens when population stops growing?



LeftField
COMMODITY RESEARCH



Farm Market Letter

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The Bigger Picture – Rising Canadian Dollar Impacts Markets

We're certainly not currency experts, but we would argue even the experts have been wrong on the Canadian dollar outlook for a while. This week, the loonie pushed briefly above 83 US cents for the first time since 2015. Even though the dollar leveled off earlier this week, it rebounded today and the short-term and long-term trends are both still higher.

Canada's economy is heavily weighted toward commodity exports. Bullish markets for nearly all ag and non-ag commodities are providing most of the support for the Canadian dollar, with an outlook for higher inflation and rising interest rates adding to the upside.



This strength in the Canadian dollar comes too late in the season to reduce crop input costs but is showing up in time for the start of 2021/22 exports. The stronger loonie makes Canadian crop exports more expensive for overseas buyers and tends to dampen demand. With crop prices historically high, the negative impact of a higher dollar may be less noticeable but is still very real.

Spring Wheat

Bullish

- ✓ Although the current rain event is beneficial, moisture deficits are still a concern in the northern US and the Prairies.
- ✓ China's wheat imports have been above normal over the past year, a trend that is expected to continue.
- ✓ The Canadian wheat balance sheet will be tight in 2021/22.
- ✓ The corn outlook is mostly positive, which supports wheat.

Bearish

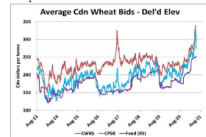
- ✓ The global crop is getting bigger in the market's eyes. This includes large crops in the EU, Ukraine and Russia.
- ✓ Wheat doesn't have its own independent bullish story.

Market Stance

- ✓ Although not heavy, global wheat supplies are increasingly looking comfortable as we get further into the growing season with few problems in the key production regions.
- ✓ Wheat demand will be strong and corn will provide spillover strength, which will help underpin the market once we get past harvest.
- ✓ As much as the crop is largely "made" in the market's eyes, there are still some wildcards to monitor, including mixed reports on Russian supplies for 2021/22.
- ✓ Hard red spring wheat will remain relatively tight.

Chart of the Week

- ✓ CWRS and CFS prices have pulled back sharply over the past week, as would be expected given the correction in futures markets. Conversely, feed wheat prices continue to move higher in western Canada. While milling wheat bids are still at a premium overall, there are regions where the feed market is on par or above. While the break in corn futures is a headwind for prairie feed grains as a whole, it's still at least a couple of months until there is actual supply relief, which will keep feed wheat prices elevated. This will help provide a floor for all wheat bids, even if milling values see further pressure.



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Special Crops Letter

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Highlights & Lowlights

Lentils

- The Sask Ag lentil yield estimate was sharply lower than StatsCan's initial release, with the next one likely lower.
- StatsCan estimated 2021/22 lentil ending stocks at 234,000 tonnes, low but larger than earlier ideas.
- The USDA's crop estimate for lentils (mainly greens) showed yields well below average again.
- The latest Australian crop estimate showed a record 924,000 tonnes of lentils but the real total is likely higher.
- Indian lentil imports have been mediocre through the first four months of its marketing year.

Flax

- Estimates of Canadian flax yields will likely be trimmed in the upcoming StatsCan estimates.
- StatsCan showed surprisingly large 2021/22 flax ending stocks at 85,000 tonnes, the most since 2017/18.
- Canadian flax exports were very quiet to end 2021/22 due to low supplies but also uncompetitive prices.
- Unofficial reports indicate Russian flax exports were a record 975,000 tonnes in 2021/22.
- Offers of Canadian flax into China are still well above Russian offers and will limit Canadian export volumes.

Chickpeas

- The Sask Ag yield estimate was 1,227 lb/acre, 500 pounds less than StatsCan's initial number.
- StatsCan showed 2021/22 chickpea ending stocks at 147,000 tonnes, but that number is questionable.
- Canadian exports were 20,000 tonnes in July, with a record 2021/22 export program of 180,000 tonnes.
- The USDA crop estimate showed below average yields again in 2022, leading to a tighter supply outlook.

Sunflower

- StatsCan pegged 2021/22 sunflower ending stocks at an unrealistically high 118,000 tonnes.
- Canadian sunflower exports to the US were lower in 2021/22 and will decline next year too.
- The condition of the North Dakota sunflower crop has dipped in the last two weeks but may not affect yields.
- Firmer soy oil futures have been unable to provide support to oil and black birdseed sunflower bids in the US.

Lentils

- Another piece of the 2022 lentil production puzzle was added last week, with a Sask Ag yield estimate of 1,174 lb/acre, far lower than StatsCan's initial estimate of 1,504 lb/acre. Based on the Sask Ag yield, the 2022 crop would come in at 2.27 mln tonnes versus 2.91 mln from StatsCan. The average trade guess is 2.7 mln tonnes. That said, we expect StatsCan will lower its

yield in Wednesday's release, which will base yields on satellite vegetation images from August rather than conditions in July. Our view is that the actual yield is closer to the Sask Ag end of the range than the early StatsCan yield. Our own guesstimate is a yield of 1,250 lb/acre which would produce a crop of 2.41 mln tonnes. That's still 800,000 tonnes more than last year but lower than the pre-2021 average of 2.64 mln tonnes. If so, that would mean a red lentil crop of

THANK YOU!