

Australian Oilseeds Federation

Crop Report



July 2012

Canola 2012/13

	2011/12 Interim Final		2012/13 July Estimate	
	Harvested Area (hectares)	Production (tonnes)	Area Planted (hectares)	Production (tonnes)
NSW	390,000	720,000	617,000	887,000
Vic	370,000	770,000	420,000	603,000
SA	255,000	455,000	287,000	415,000
WA	800,000	1,240,000	915,000	1,143,000
Total	1,815,000	3,185,000	2,239,000	3,048,000

Source: Industry Estimates: 13/7/2012

Good falls of rain in the past week have served to provide much needed topsoil moisture across many of the country's canola growing regions. However, in some areas it was too late and no/poor emergence in some areas has led to paddocks being re-sown to cereals. Consequently, projected area has come back by 3%, and yield has also settled back slightly, to provide a projected harvest of 3.048mIn tonnes, down 4.6% on last month. The drier start and the emerging prospect of the possibility of a return to El Niño later in the year is adding an element of caution to projections.

In **NSW** there have been very good falls of rain across most of the state, ranging from 20-50mm. However the rain was too late for some areas, such as the western Riverina, where canola establishment has failed and the area re-sown to cereals. Despite a full soil moisture profile below the surface, the drier start to the season has seen poor root establishment in a number of paddocks, especially the later sown crops. In the north of the state, some of the crops are beginning to flower, while in the south, some crops are only at the 4 leaf stage. Growers are currently active with weed management and N top dressing. Pests and diseases are reported as low, with a reasonable presence of blackleg being reported, but also being managed with a newly approved fungicide which is proving particularly useful for susceptible varieties.

The recent rains in **Victoria** have given a much needed boost to the canola crop, particularly in the drier Mallee, where plantings were up significantly this year compared to prior years, and were showing signs of moisture stress. In the south

west, later planting times this year have led to crops being at a slower stage of development than is typical for mid July. The key to crop prospects being realised in Victoria will be dependent on the size and timing of rainfall in spring. This is a major variable every year, but of heightened concern this year with the talk of a return to El Niño conditions.

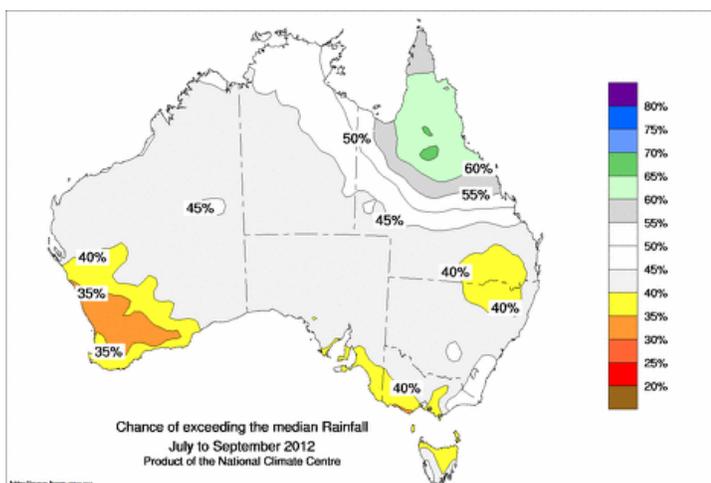
South Australia has had the most consistent start to the season with good falls of rain in most areas. Crops in the Mallee are looking good following May rain, with other districts slow due to the cool weather. As the days begin to lengthen and warm, good growth is expected from solid base. Yield has come back slightly in light of a possible drier than average finish.

Western Australia, has experienced mild/warm conditions for the season to date, with cold weather only striking in recent weeks. The good falls of rain in June have served the crop well, although there has been very little rain since until the past week, for many areas. In the north, some crops have been lost, while others are still patchy and not yet at full ground cover; while crops are typical for the time of year in the Kwinana and Albany zones. The south east/ Esperance zone has had a very good season to date, and could deliver above-average yields this year.

El Niño to return?

The Bureau of Meteorology is reporting that climate indicators are showing a shift towards El Niño conditions, with the SOI (Southern Oscillation Index) becoming more strongly negative during June. The other key indicator, the IOD (Indian Ocean Dipole) is showing a slight positive trend. If this trend in the IOP continues, combined with the negative SOI, drier conditions can be expected during mid-winter and spring over southern Australia, an area that corresponds to the canola growing areas. The Bureau will issue an update on July 17, which can be viewed at <http://www.bom.gov.au/climate/enso/>.

The BOM reported in June that the outlook for mid-winter to early spring (July to September) indicated that a drier than normal season is expected for the southwest WA, southeast (WA, SA and Vic) and eastern parts of the country, with the chance of receiving average rain at 35-40%.

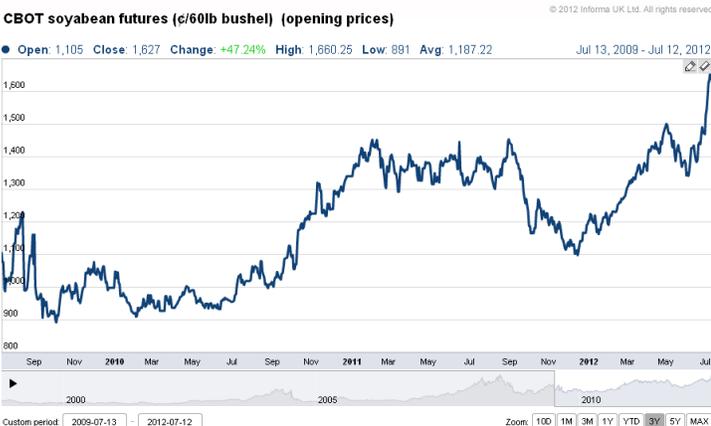


National Season Rainfall Outlook- Jul-Sept 2012 Source: BOM

If El Niño does return, it will not only be Australia that feels the brunt. South-east Asian palm oil supplies could also be affected, with some forecasting up to a 10% increase from the current prices. Conversely, El Niño will benefit South American grain production, and already forecasts for soybeans are very bullish, with production increases in South America up by more than 25%.

Global Snapshot

The USDA released its WASDE report last week, with a significant reduction in both US corn and soybean production due to the extreme hot and dry weather being experienced, and nearly a third of both crops rated as 'poor' (30% and 27% resp.) Soybean prices are already at the highest level in three years, and the WASDE report, in quantifying the production drop, did relieve some of the upward pressure towards the end of the week.



Source: The Public Ledger

However, Oilworld is projecting that soybean production this year will drop to a four year low, so prices of oilseeds

generally, and soybeans in particular, will remain firm until the expected large South American crops come in Q2, 2013.

The initial indication from the EU canola harvest is better than initially expected, although it will likely be below last year and below the 5 year average. This is expected to maintain EU interest in Australian 'EU certified sustainable' canola for the coming season.

Upcoming Events

Australian Grains Industry Conference:

July 30-Aug 1, Melbourne

Details at: <http://www.ausgrainsconf.com/>

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