



August 2003

Sunflowers 2002/03

The Central Queensland crop has seen yields well below average and this has resulted in production estimates from the late crop being further downgraded. However, some revision of the NSW figures has kept total estimates around last month's figures. Final estimates for the 2002/03 crop are for 24,500 tonnes.

	Est. Area Planted (hectares)	Est. Production (tonnes)
Monounsaturated sunflower		
Queensland	12,500	6,500
NSW	11,000	8,500
Polyunsaturated sunflower		
Queensland	13,000	6,500
NSW	3,000-	3,000
Total	39,500	24,500

Source: Industry Estimates, 14/07/03

Canola 2003/04

Good general rain has improved confidence and canola estimates have been increased by around 10%

The central and northern parts of **NSW** are facing considerably improved prospects following good rainfall throughout the last week. This should be sufficient to see the crop through the next 3-4 weeks, whereas prior to this it was likely that some area would be lost to crops being cut for hay/silage. There remains a lack of subsoil moisture although this is variable. Crops are flowering and there has been some frost damage but the impact is unknown at this stage. All crops are early – generally 2-3 weeks earlier than normal. Crops are patchy with some being planted in April/May and others not emerging until the June rain. The recent rain has improved yield prospects. In the southern part of the state warm and windy weather has provided some stress to crops, but recent widespread rain ranging from 30-60mms has improved grower confidence and crop prospects. Disease and insect pressure has generally been low across the state. Both area and yield estimates have been revised upwards.

Crop conditions in **Victoria** have improved with recent rain. This has secured yield prospects and area estimates have been revised upwards.

There has been good general rain across **SA** through July-August and crops are generally in good condition. Crops in the Mallee are just starting to flower. The majority of the crop has been planted in the medium to high rainfall areas due to the late break. Insect pressure has been low and emergence has generally been good. There is a higher incidence of blackleg occurring. Area estimates remain unchanged, while yields have been revised upwards slightly.

WA is experiencing an excellent season and both area and yield estimates have been revised upwards. Good rain has been received in August and further rain is forecast. Crops range from just starting to flower to being in full flower.

State	2002/03	2003//04 Planting Intentions	
	Production (Tonnes)	Area Planted (Hectares)	Production (Tonnes)
NSW	100,000	200,000	300,000
Victoria	180,000	230,000	345,000
SA	180,000	175,000	254,000
WA	330,000	420,000	483,000
Total	790,000	1,025,000	1,382,000

Source: Canola Association of Australia, 15/08/03

Market Comment

US soybean futures moved sharply higher this week following the release of the USDA's latest crop report. Industry estimates had been anticipating a larger soybean number than the 2.86 billion bushels released by the USDA, with average industry forecasts of 2.94 billion bushels, which saw a 16 cent/bushel jump in soybean futures. Hot and dry conditions in Canada and Europe continue to hamper canola production in these countries with canola crop conditions in the major province of Saskatchewan continuing to deteriorate. This has combined with continuing uncertainty surrounding the size of potential EU imports which has helped to push Winnipeg canola futures slightly higher.

The market reaction to, what is still a big US soybean crop, underpins the relatively tight stocks situation in world soybeans despite bumper crops in Brazil, Argentina and the US. China's seemingly unquenchable appetite for soybean imports is the main reason for the underlying tightness. Official forecasts for soybean imports are 18.5 million tonnes but many market analysts now pegging the number at over 20 million tonnes. This compares with imports of only 10.4 million tonnes in 2002/03. This huge surge in soybean imports is creating its own problems in China. Many Chinese buyers are now trying to cancel soybean imports following recent announcements from Beijing of their intentions to curb the runaway import program. Importers are also becoming increasingly nervous following recent increases in the number of quarantine problems with soybean imports into China.

Australian east coast cash prices have been in a relatively tight range between \$395-400/t delivered port over the past month with very little farmer selling to speak of.

Upcoming Meetings/Conferences

- 8th September 2003, ARAB 13 conference Tamworth

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Cargill Oilseeds Australia
Ridley Agriproducts
Noble Grain

Meadow Lea Foods
Bartter Enterprises
Graincorp

Unilever Australasia
Grain Pool WA
Elders

Peerless Holdings
MarketLink
Toepfer

Riverland Oilseed Processors
Louis Dreyfus

Industry News

Australian oil and fat imports rise on the back of the 2002/03 drought

Severe drought conditions throughout the majority of Australia last year saw total oilseed production drop below 1.3 million tonnes, resulting in a proportion of domestic vegetable oil demand being substituted with imported product. New South Wales, the largest oilseed producing state, was affected hardest by the drought with canola production down by 80 per cent on the 2001-02 crop.

Import/export statistics for the 2002/03 financial year show the impact of the drought. Soybean imports increased from virtually nil to over 40,000 tonnes, while soybean meal imports increased by 45% to around 375,000 tonnes and soy oil imports were up by more than 50%. Sunflower oil imports were up by over 70% and palm oil imports up almost 20%. Olive oil imports remained strong.

Australia has developed some significant international markets for its canola and cottonseed exports. Prior to the 2002-03 drought, Australia was regularly exporting over 1.3 million tonnes of canola and over half a million tonnes of cottonseed. Japan, China, Pakistan and Bangladesh are important markets for Australian canola; with Japan and the US being the major cottonseed destinations.

For the 2002/03 financial year, canola and cottonseed exports were both down by more than 50% showing the lower export availabilities. Soybean exports were up reflecting the changed mix in the crop between edible and crushing varieties.

Although drought conditions have abated for the major grain and oilseed production regions in Australia, oilseed production for 2003/04 is still forecast to be well short of recent production averages.

2002/03	Tonnes	Change on last year %
<i>Imports</i>		
Soybeans	43844	
Coconut oil	14229	
Olive oil	32550	
Palm oil	112588	19%
Soy oil	9881	56%
Sunflower oil	25076	72%
Soybean	373676	45%
<i>Exports</i>		
Canola seed	611587	-53%
Cottonseed	256155	-57%
Soybeans	7085	33%
Safflower seed	2751	-73%

Oilseed production in India expected to be up sharply

India's oilseed production is expected to increase in the year to March 2004 due to expanded crop area and good monsoon rains. Oilseed production is likely to be around 19 million tonnes, up 21% on the previous year. The area under oilseeds this year is 11.6 million hectares, compared with 9.6 million hectares last year. This could see India reduce its imports of edible oils. This follows a poor year last year when India experienced its worst drought in 15 years following scanty rainfall in several parts of the country.

Australia likely to see another year of low cottonseed production

Australia's cottonseed production in 2003/04 could be as low as 300,000 tonnes given low subsoil moisture and expected continued water restrictions. However, world cottonseed production in is forecast to reach a high of 36 million tons (Oil World). Australia's reduced export availability will keep global export supplies tight.

US production is forecast to recover by 0.1 million tons from last year's low to 5.7 million tons and China is expected to have a bumper crop in the vicinity of 10.2 million tons.

Canola expected to see another year of low of production globally

Unfavourable weather is impacting world production of rapeseed/canola with Oil World forecasting production to be 36.3 million tons in 2003/04. While this is an increase of 3.8 million tons from last season's low, it is well below the 1999/00 production of over 42 million tons. World stocks at only 2.3 million tons are the lowest in many years.

The European Union crop has been impacted by frosts in Jan/April, while the Canadian crop continues to be impacted by hot, dry conditions. The hot weather is reported to have sped up maturity and damaged the canola crop in many regions. This is expected to affect both quantity and quality of the crop.

While production prospects have improved in Australia, the latest forecast of 1.38 million tonnes is still lower than initial expectations of 1.6-1.8 million tonnes in a 'normal' year.

China

China continues to play a major role in the oilseed trade with soybean imports continuing at high levels. Soybean imports in July were officially given at a preliminary 2.1 million tons, continuing the uptrend compared to last year. Total imports for the Jan/July 2003 period are 12.27 million tons compared to 4.97 million tons last year.

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