



September 2002

Canola 2002/03

	2001/02		2002/03 Estimate			
	Production (tonnes)	Area Planted (Ha's)		Area Harvested (ha's)	Yield (t/ha)	Production (Tonnes)
		Mar 02	Aug 02	Sept 02	Sep 02	Sep 02
New South Wales	600,000	400,000	290,000	206,000	0.8	164,800
Victoria	372,000	250,000	200,000	150,000	1	150,000
South Australia	214,500	140,000	145,000	145,000	1.1	159,500
Western Australia	421,200	400,000	320,000	300,000	1.1	330,000
Total	1,607,700	1,190,000	955,000	801,000		804,300

Source: Canola Association of Australia, 13/9/02

The Australian canola crop has been revised down significantly since last month. Estimates for area harvested are only 85% of last month's estimate of area planted and 67% of planting intentions in March. Production estimates are now about half of what was predicted based on March planting intentions and with prospects for further crop declines, domestic shortfall on the east coast could be a possibility.

Area harvested in **NSW** has been cut dramatically by over 80,000 hectares. Current yield estimates are seen as a best case and will need rain to secure these. Without further rain, there is likely to be significant areas of crop grazed in the Albury, Temora and Lockhart regions. Whilst there was a small amount of rain in August, the benefit of this was offset by high evaporation rates and wind. About 86% of NSW is now drought declared.

Victoria continues to suffer from some of lowest rain on record in some areas. Conditions have been very windy and there have been 35 days of frost causing further problems for the crops. The western district is looking the best and yields of 2t/ha are still possible. However, most of the Mallee won't be harvested and all other areas fall somewhere between these two. Rain is forecast over the weekend and this will be critical to hold yield prospects in the Wimmera.

South Australia follows a similar story of no rain, windy conditions and frosts. The best areas are the lower Eyre Peninsula and the South East. There has been some recent rain in the south East. Crops are flowering in most areas of the state.

Most of the canola in **Western Australia** has been planted in the higher rainfall districts and thus, yields have been maintained at 1.1 t/ha. With 80% of grower surveys now back, area has been reduced to 300,000 hectares. Crops have flowered and swathings should start in the north next week.

Market Comment

The domestic market has disassociated itself with the international market, with few prospects for exports other than from Western Australia. The domestic market is trading at \$20-30 above Canadian FOB values. The major activity is around grower contract washouts. There is a real possibility of a domestic shortfall on the east coast if crops deteriorate further.

Upcoming Meetings/Conferences

- 9th October 2002, Canola Association WA Pod to Plate Tour
- 5&6 March 12th Australian Soybean Conference Toowoomba
- 8th September 2003, ARAB 13 conference Tamworth

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Industry News

USDA report sees canola/rapeseed at a 6 year low

Poor weather conditions around the globe have seen canola/rapeseed output drop to a 6-year low.

In August, world production was forecast at 33.9 million tonnes, but is now predicted to fall to less than 32.5 million tonnes as yields in Canada, Europe, Australia, and China fail to reach their full potential.

Adverse weather (heavy rain at harvest) is also expected to see EU rapeseed production fall to 9.3 million tonnes from previous forecasts, although this is up from last year.

Canadian canola production of canola is expected to plunge to 3.2 million tonnes compared with the August forecast of 3.9 million.

USDA estimates have the Australian crop at 1 million tonnes but our latest forecasts show that this is optimistic.

Consumer friendly soybean being developed

USDA scientists are working to turn off a protein in soybeans that triggers allergic reactions in some children and adults. This new biotech soybean could mean that many soy-sensitive consumers will be able to eat cereals, baby formula, snack foods, salad dressings and other foods made from soy. Globally, 6-8% of children and 1-2% of adults suffer from food allergies, mostly from soybeans, milk, eggs, peanuts, nuts, fish and wheat. More than half of the soy-related allergies are linked to a protein known as P34. USDA researchers have developed a strain of soybean plants in which the P34 protein is shut off. Field trials have shown that the modified beans have similar crop qualities of yield, pest resistance, oil composition and other criteria important to farmers and food processors.

GM canola resource

Agrifood Awareness recently produced a Bulletin entitled "GM crops, canola and clarification". A canola button has been included on the front page of the Agrifood Awareness website (www.afa.com.au) which will include other timely canola information.

Cargill and McDonald's work together to reduce trans fatty acids

McDonald's has worked with long-time supplier Cargill to develop improved cooking oils to be used in US restaurants that have a significant reduction of trans fatty acids (TFAs). The new oil will reduce French fry TFA levels by 48%, reduce saturated fat by 16% and dramatically increase polyunsaturated fat. Whilst the total fat content in the fries remains unchanged, the shift to a higher proportion of healthier polyunsaturated oil will be beneficial to consumers' health. The improved cooking oil is planned to be rolled out in October 2002 and completed by February 2003.

Whilst being launched in the US, McDonald's is working towards a worldwide reduction of TFAs. This move in the US will put McDonald's USA in line with McDonald's Europe which has already attained comparable levels of saturated fat.

Sunflower production is up

Improved sunflower production in the former Soviet Union has seen sunflower production recover globally which will be boosted by further recovery in Argentina in 2002/03.

The collapse of the financial system in Argentina and the subsequent credit squeeze has limited farmers' ability to pay for key supplies and has seen some analysts forecast overall grain and oilseed output to fall dramatically – by as much as 15%. However, sunflowers and soybeans are expected to go against the trend, in part, due to the strong demand for vegetable oils.

It has been forecast that the area planted to sunflowers in Argentina could increase by 16.6% in 2002/03 to 2.38 million hectares, although other estimates have put production as high as 4.5 million tonnes.

High prices for sunflower seed are supporting the growth with sunflower seed prices up 20% in the last year and sun seed oil prices up 31% in the same period.

Brazil increases soybean production

Brazil's 2002/03 soybean crop, which is due to be planted in September, is forecast to be 49.7 million tonnes, up nearly 19% from last year. Higher prices are the main driver for the increased acreage.

Georgia (US) looks to non GM canola to kick-start a new industry

Georgia, which is a major cotton producing state, sees that the domination of GM canola in North America may provide an opportunity to expand the area planted to canola by going against the trend and encouraging planting of conventional canola for markets like Europe.

Demand for canola is growing, with canola now widely used in cooking oil, margarine, salad dressing, pastries, chips, fried food, soap and detergents. Canola plantings have increased in the US, with it now being a major crop in North Dakota and Montana. Despite this, US food companies continue to import most of their requirements from Canada.

Some commentators are saying that Georgia could develop an canola industry in the order of 50,000 hectares. The key will, however, be access to markets. Currently Georgia does not have a crushing plant and canola is currently transported to Ontario for processing, which makes the crop uneconomical.