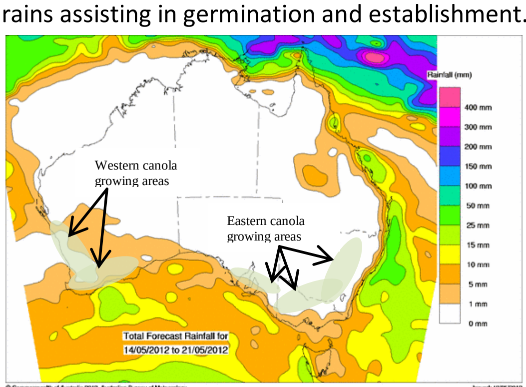
May 2012

Canola 2012/13

	2011/12 Interim Final		2012/13 May Estimate	
	Harvested Area (hectares)	Production (tonnes)	Area Planted (hectares)	Production (tonnes)
NSW	390,000	720,000	535,000	760,000
Vic	370,000	770,000	420,000	620,000
SA	255,000	455,000	275,000	385,000
WA	800,000	1,240,000	960,000	1,200,000
Total	**1,815,000**	**3,185,000**	**2,190,000**	**2,965,000**

Source: Industry Estimates: 11/5/2011

Welcome to the first AOF Crop Forecast for the 2012/13 season. Following a record season last year, a wet east-coast summer leaving good soil moisture, and continuing firm prices, the outlook for Australian canola for the 2012 season is looking very promising. The overarching caveat, however, are the dry conditions experienced in much of the Eastern states in recent weeks which is threatening establishment of crops. WA conditions at this stage seem more typical, with timely May rains assisting in germination and establishment.



7 day national rainfall projection- Source: BOM.

In **NSW**, projected planted areas have already come back from early projections as a result of deficient rainfall. In some areas, there has been no rainfall since the floods early in the year, leaving a good moisture profile 10cm+ below the surface, but a dry upper profile. Some areas of the state have been sown dry, in the hope of rains to come, while those crops planted early (late March/early April) have been able to take advantage of remaining topsoil moisture and have established well. Crops planted into drying soil have led to patchy emergence.

The early planted crops, where appropriate, could be suitable for grazing by mid next month.

The heavy stubble load from last season has served as a prime refuge for slugs and earwigs in some areas, which has already led to some re-sowing. Other than this, there are minimal reports of pest and disease issues at this early stage.

The floods and heavy rains earlier in the year will have leached nutrients from the soil, so growers can be expected to increase their use of nitrogen this season to optimise yields, which will impact returns, despite strong prices at planting time. There also appears to be an increased use of farmer retained seed (mostly TT), which is likely to impact the uptake of GM in this state this season.

The rainfall prospects over the remainder of the month will be critical for NSW to realise the potential of these early planting estimates.

The situation in **Victoria** is similar to that of NSW, with limited rainfall over recent months, and a full profile in the subsoil (in the central and north east districts). In the north-east of the state, all canola has by now been planted and has established well, while in other districts, growers are either holding off sowing awaiting rain, or have sown in the hope that rain will be forthcoming. Area devoted to canola in the Mallee has increased significantly this season, as cereal crop returns remain low, and while the crop is at early emergence stage, rain is desperately needed to ensure good establishment.

In **South Australia**, the situation is the best and the worst of the national picture. In the eastern districts, (Mallee, Mid North and South East), crops have mostly been sown, but are in need of rain to either trigger germination or ensure effective establishment. In the western growing regions (Eyre Peninsula), good rains have seen a good start to the crop.

Western Australia experienced a typically dry summer, with no sub-soil moisture now present, but good rains at the end of March in the Esperance zone set the scene for heavy canola planting during April. At just under a million hectares, this represents the largest area devoted to canola on record for the state, with the area coming from lupins, field peas, and in some cases, cereals. Where rain has not yet fallen, seeding has commenced dry in the hope of seasonal autumn rains.

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Sunflowers

	2010/11 Final		2011/12 Estimate	
	Harvested Area (hectares)	Production (tonnes)	Area Planted (hectares)	Production (tonnes)
NSW	19,400	31,000	30,700	49,100
Vic	0		4,700	7,500
QLD	11,000	13,000	27,800	35,700
Total	**30,400**	**44,000**	**63,200**	**92,300**

Source: Industry Estimates: 02/5/2011

Sunflowers have returned strongly as a summer cropping option this last season, with good moisture conditions and solid prices driving planting intentions. Over 90% of area was devoted to monos, with the balance split between poly (5%) and birdseed (2%). The market demand and the seasonal conditions (esp in Qld) have driven the planting for monos, which should see Australia self sufficient in this oil this year, with only poly oil needing to be imported. Marketers have also used hectare contracts to encourage growers adopt sunflowers as a summer option.

The return of sunflowers to Victoria and Southern NSW as a rotation crop proved beneficial to growers who had the moisture. To support existing and prospective growers in this region next season, the AOF will be holding training sessions later in the year.

Soybeans

	2010/11 Final		2011/12 Estimate	
	Harvested Area (hectares)	Production (tonnes)	Area Planted (hectares)	Production (tonnes)
NSW	15,380	36,250	25,500	60,100
QLD	10,000	21,000	13,000	27,300
Total	**25,380**	**57,250**	**38,500**	**87,400**

Source: Industry Sources NSW DPI Grains Report Jan12/Qld DEEDI: Prospects March12

Soybeans have also returned to favour this year, with estimated area slightly above the 5 year average. A significant increase has come from the MIA region of southern NSW, with renewed grower interest fuelled with improved water allocations and soil moisture. The summer rains did impact some northern NSW crops, however, the overall national tonnage is not expected to be significantly impacted. There have been no reports of significant pest or disease issues for the season.

Global Snapshot

Global soybean supply and demand remain the primary driver of oilseed pricing at present, with the reduced output from the US and South America and increased demand from China tightening the S&D equation. Consequently, prospective soy plantings for the upcoming US season and the following South American season are up on this year, with record production expected in South America and a 5% increase in the US. However, with very low closing stocks, forecast reduced production in China, and ongoing demand growth for soy in China, soybean supply is expected to remain tight, providing a solid floor for soybean (read 'oilseed') prices at least until the expected large 2013 South American soy crop comes to fruition.

Canola/rapeseed production in the EU and Ukraine is expected to be very low this season which augers well for ongoing demand for Australian canola destined for the EU. Despite large production expected in both Australia and Canada this year, the production shortfall in the EU will serve to keep canola prices firm.

Sunflower production is projected to be at least at the levels of last year, with Russia, EU and Ukraine being the primary drivers behind this. The increased production, however, is unlikely to have any appreciable effect on overall oilseed pricing.

Upcoming Events

Australian Grains Industry Conference:
July 30-Aug 1, Melbourne
Details at: http://www.ausgrainsconf.com/

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