



August 2002

Canola 2002/03

Crop forecasts have been further reduced by 10% for August making a total reduction in production of 17% over the last two months. This puts the 2002 harvest forecast down 25% on last year. NSW and VIC lead the falls again this month with estimates for SA stable and a slight rise predicated in WA. Oil contents are now expected to be below average with the continued dry conditions.

State	2001/02 Production (Tonnes)	2002/03 Planting Intentions	
		Area Planted (Hectares)	Production (Tonnes)
NSW	600,000	290,000	377,000
Victoria	372,000	200,000	259,050
SA	214,500	145,000	210,250
WA	421,200	320,000	352,000
Total	1,607,700	955,000	1,198,300

Source: Canola Association of Australia, 8/08/02

82% of **NSW** is now drought declared, with conditions remaining worst in the North and West. The South and East received up to 20mm of rain last week, which has bought some time for crops in those areas. Over the last month 25-30,000 hectares is estimated to have been grazed or died and a further 30-40,000 hectares is predicated to go the same way if there is not rain in the next fortnight. Yields are being impacted by heavy frosts resulting in pod abortion as well as estimates of 40% ground cover in late sown crops. Whilst there have been some isolated pest incidences generally pest and disease issues are low. Yield estimates suggest that 10% of the crop will have above average yields, 30% average and 60% below average. The outlook remains poor with low subsoil moisture except for some areas of the south.

Seasonal conditions in **Victoria** are mixed with the Western District and the eastern border regions experiencing favourable conditions, however, the Wimmera and the Mallee are extremely dry and comparable to the north west of NSW. The lack of rainfall has coincided with sunny and windy days and continual frosts. Many crops sown in the Mallee have not germinated. The Wimmera may still recover given a wet spring. Given good rain from now Victoria could still produce near average yields.

The majority of the Canola growing areas in **SA** are experiencing good growing conditions. However, conditions in the Mallee remain dry to very dry. There is good interest in spring sowing in the South East with the favourable season and market conditions. Whilst this might provide some scope to lift area and yield estimates, as a whole production for the state is considered to remain stable.

In **WA** the crop is well into flowering. There have been regular, though not large, rainfalls over most areas during the last month with conditions in the lower east and the coastal regions looking good. However, conditions in the lakes region remain dry. The CBH crop survey indicates that area planted is higher than previously thought and thus, estimates for the state have been revised upwards.

Summer Crops 2002/03

Cottonseed – Last year's crop produced just under 1 million tonnes of seed, however, only about 180,000 tonnes were crushed due to the local feed demand as a result of the drought and continuing strong US market. Next season's crop is expected to be down by around 25% due to lack of water, with current estimates around 670,000 tonnes.

Soybeans – Continuing prospects for reduced water allocation across most regions is expected to see the area planted to soybeans depressed, with cotton, corn and rice receiving allocations in preference to soybeans.

Market Comment

The canola market continues to be driven by global weather conditions and prices remain firm on the back of heavy frosts and a predicated dry in Canada as well as the continued dry conditions in eastern Australia and USA. Soy meal prices have fallen slightly, whilst soy oil gained some ground underpinning the canola market. The market is now waiting for key destination markets to begin securing supply, with buyers, to date, waiting for a correction in seasonal conditions. These factors indicate a continued upward trend in prices. The ability of growers to fill contracts is becoming an issue and marketers are advising growers to act sooner rather than later if they have delivery concerns.

Upcoming Meetings/Conferences

- 13-15 August 2002, Sydney Australian Agriculture & AOF Forum contact 02 6257 3299 for details
- 27 August 2002, Wagga Wagga CAA workshop on Pests and Diseases of Canola
- 28 August 2002, Wagga Wagga CAA meeting – contact CAA on 02 6382 4359
- 19 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

Trade Figures 2001/02

The import/export figures for 2001/02 tell the story of the Australian oilseed sector. This shows the continuing high levels of imports of soybean meal reflecting the lower cottonseed crush and reduced canola oil exports. Sunflower oil imports were also up compared to last year due to the smaller crop and this can expect to continue in 2002/03. Canola seed exports were down slightly reflecting the smaller export surplus and cottonseed exports to the US remained strong.

Australian Imports and Exports 2001/02

Item	2001/02	2000/01
Imports		
Palm oil	94,675	108,056
Soy oil	6,341	7,875
Sunflower oil	14,540	11,587
Soybean meal	258,390	183,073
Exports		
Canola seed	1,296,390	1,479,416
Cottonseed	591,365	659,872

Cottonseed oil gets a makeover

CSIRO is using gene technology to develop healthier and more functional cottonseed oils including high oleic and high stearic oils. Major alterations in the proportions of individual fatty acids have been achieved in a range of oilseeds using conventional selection, induced mutation and, more recently, post-transcriptional gene silencing (PTGS).

This is aimed at producing a range of high-oleic oils in order to provide high-stability cooking oils that provide the opportunity to replace the current widespread use of saturated fats and hydrogenated oils.

Oils with increased stearic acid content are being developed to enable the production of solid fats without the need for hydrogenation.

Pakistan has developed as key market for Australian canola

Pakistan has emerged as a key market for Australia, taking over 300,000 tonnes of canola this last financial year. Pakistan is deficient in the production of oilseeds, with 70% of domestic demand being supplied by imports. Cottonseed, sunflower and canola are widely used oils.

Edible oil consumption in Pakistan was 1.9 million tons in 2000-01, with some forecasts putting the demand in 2004-05 at 2.218 million tons.

This will not be met from domestic production without a significant increase in both area planted and yield. This is unlikely to occur without a significant shift in Government policy.

The Government is looking to promote oilseed production through:

- increasing soft oil production from sunflower and canola and also from olive
- introducing oil palm plantations as long term perennial edible oil source
- increasing area planted and yields of oilseeds grown

Industry calls for feedback on its co-existence framework

Both Monsanto and Aventis have lodged applications to grow commercial crops of genetically modified canola in Australia. This has focused debate in the industry on the potential for GM and non-GM crops to co-exist.

The Gene Technology Grains Committee released its "Strategic framework for maintaining coexistence of supply chains" last week which is aimed at ensuring growers and the supply chain can deliver either/or GM or non-GM crops to the marketplace.

The Eastern Chair of the Gene Technology Grains Committee, Bob Watters, said that 'this framework will provide growers with the opportunity to select the production method best suited to their farm and business needs'. The Committee is developing plans for the entire supply chain – from pod to plate – in anticipation of the commercial release of GM canola. "The framework is based on five key principles including transparency and consultation, freedom of choice, monitoring and review, and case-by-case planning," he said.

The GTGC is now seeking further input from industry and has circulated the framework for comment by the industry. Anyone wishing to obtain a copy can contact AOF on 03 9533 2623.

China steps up canola imports

Despite high rapeseed/canola prices in international markets, Chinese rapeseed imports continue in an up-trend, due to the low level of crusher stocks and poor crops locally.

China stepped up its purchases in late June purchasing canola/rapeseed from both Europe and Australia. The outlook for global rapeseed/canola production is being impacted by the unfavourable weather in major producing countries including Canada, China, Australia and parts of Europe.

China's rapeseed imports in 2002-03 are projected to be 1.20 million tons, compared with actual imports of 979,000 in 2001-02.

USDA Proposes GMO Segregation Program

In response to market needs and growing demand for biotech-free crops, USDA has indicated that it may create a voluntary system to verify whether US grain exports are genetically modified. The USDA wants to launch an industry-funded voluntary program to facilitate the segregation and marketing of non-biotech grains, oilseeds, and seed products. The program would require segregation from the field to the consumer.

This is being driven by the emergence of value-enhanced commodities and a niche market for non-biotechnology-derived commodities according to the USDA. Under the proposed program, USDA would verify that minimum requirements for the production, handling and processing of biotech crops were followed. The program would only verify the process, not the final product.

Cottonseed production to fall globally

Cottonseed is expected to fall with a reduction in plantings across many major producing areas and a decrease in average yields due to unfavourable growing conditions. Oil World is forecasting global production to be about 33.9 million tons in Oct/Sept 2002/03, down from a record of 37.4 million tons this season.

Drought hits world rapeseed/canola exports

World exports of rapeseed and canola are expected to fall to around 4.9 million tons in July/June 2002/03, down by 0.7 million tons from last year (Oil World). However, the situation could worsen if the Canadian crop falls below 3.7 million tons. This is likely to see declines in imports by the major importing countries.

Continuing poor weather has seen Oil World revise world rapeseed/canola production down further to now be only 34.6 million tons, down steeply from 36.5 million tons in 2001/02. Low old-crop carryover stocks contribute to an unusually tight supply outlook.