



February 2002

Australian Oilseeds Outlook

Soybeans 2001/02

The soybean crop has got off to a relatively poor start, with estimates revised downwards from the December estimates by around 20%. Queensland has been the worst hit with crops impacted significantly by drought or lack of irrigation and extreme heat in all regions. Coastal Queensland has had very poor monsoonal rain (effectively zero) and the lack of river flow and demand from cotton crops in all areas has been high excepting parts of the North Burnett. Extreme temperatures and water stress even in the better irrigated crops has reduced prospects considerably with reduced vegetative growth and poor water supplies likely to continue given current weather forecasts.

Whitefly has emerged as a major problem at Bundaberg and the Central Highlands. Silver leaf whitefly type B, which is resistant to all registered crop protection chemicals available for broadacre crops, have moved from horticultural crops to cotton, peanuts, mung beans and soybeans in parts of Central Queensland (see story in Industry News).

Prospects are mixed in NSW. The North Coast has had another poor start. Estimates for the central region – Lachlan and Macquarie valleys – remain unchanged. Whilst there have been reports of very dry conditions and lack of water in the Riverina, this is not expected to be as bad as media reports would suggest. Insect pressure to date has been low.

State	2000/01	2000/01F	
	Prod'n (tonnes)	Est. Area (hectares)	Est. Prod'n (tonnes)
Queensland	12,460	9,700	19,250
New South Wales	44,155	24,655	49,680
Victoria	1,800	800	1,920
Total	58,415	35,155	70,850

Source: Industry Estimates, 15/02/02

Sunflowers 2001/02

Our estimates for the sunflower crop remain relatively unchanged from December, with production of around 120,000 tonnes expected. However, this does depend on the Central Queensland crop getting planted and achieving average yields. There is good rain predicted for CQ over the next couple of weeks which should support sunflower planting, however, there is some grower concern over white fly.

State	2000/01	2001/02F	
	Prod'n (tonnes)	Est. Area (hectares)	Est. Prod'n (tonnes)
Queensland			
-monounsaturates	20,200	55,800	57,890
-polyunsaturates	22,900	10,695	12,725
New South Wales			
-monounsaturates	8,340	21,200	30,000
-polyunsaturates	12,320	21,350	28,050
Total	63,760	109,045	128,665

Source: Industry Estimates, 15/02/02

Canola 2001/02

The 2001/02 canola crop is still estimated at 1.49 million tonnes. The industry is currently checking all numbers and will have a final production figure for the March issue.

The year was mixed. South Australia had its best year ever, with excellent yields and oil content. On the back of the good results this year, the area planted in 2002/03 is expected to increase significantly possibly up by 25%.

Victoria had mixed performance with the Mallee impacted by dry conditions, but other areas finishing well after a poor start. Overall, yields were down around 6%. Plantings are expected to recover in 2002/03, up by around 10%.

WA had a very good finish which resulted in some respectable yields and very good oil contents. NSW also had a mixed performance with the North very good, the Central West impacted by frost and the South impacted by dry conditions.

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Market Comment (as at 18 Feb)

Canola prices drifted lower last week under pressure from a stronger dollar and falling US futures. Growing world soy oil stocks, the small crush margins for canola compared to soy, and the big post harvest volumes here are all helping push prices down. Chinese New Year is keeping export trade quiet, with some small cargoes being sold to Europe. Canola's current high price against soybeans is further discouraging buyers. Outlook is for prices to continue to soften until exports pick up. Confusion in the industry is rising over the Chinese GM rules due to come into effect next month (see story in Industry News). Trade opinion is that the canola market will be flat until next month.

The low world stock of vegetable oils should be positive for oilseed prices in the longer term. However, the US is carrying large stocks of soy oil, and until this turns around it is unlikely that Canadian futures prices for canola will advance.

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Industry News

A new pest hits soybean/sunflower crops

Whitefly has emerged as a major problem across parts of Central Queensland. Silver leaf whitefly type B, which is resistant to all registered crop protection chemicals available for broadacre crops, has moved from horticultural crops to cotton, peanuts, mung beans and soybeans.

CSIRO have a research project underway to introduce a very effective parasite from the US which annihilates whitefly, but this is unlikely to be available until 2004/5. The Cotton CRC has initiated a project looking at control of whitefly in an IPM approach and relying heavily on the rapid registration of new chemistry which is also very expensive.

The white fly problem being experienced this year could be a 'once only' event due to the season, crops and incidence of host crops, but it is expected that this pest will become an increasing issue for summer crops including soybeans and sunflowers. Some soybeans crops are expected to lose 50% or more of their yield this season due to the pest despite no horticultural crops in close proximity.

World canola/rapeseed supplies short

Oil World says that the shortfall in world canola/rapeseed supplies this season has led to rationing of demand. World exports are estimated to have declined by 0.8 million tons to 3.1 million tons in July/Dec2001 and total supplies are down 2.9 million tons from a year ago.

The lack of buying activity from China is a factor for the Australian market to watch, with China having reduced its imports by more than 50% in the June/Dec period.

Canadian canola stocks are at a five-year low of 3.2 million tons as of end January 2002, down from 4.9 million tons a year ago.

India relents on plans to increase import duties

India, the world's largest importer of vegetable oils, has abandoned previous plans to increase import duties to 75% for soy oil imports over 500,000 tonnes annually. The current duty is 45%. The decision is a blow to palm oil producers (Malaysia and Indonesia) who have been pushing hard for better parity between palm and soy oil import quotas and were hoping to capitalize on the change. India's import duties for refined and crude palm oil are 85% and 65% respectively. The Indian government abandoned the plan when it was opposed by the Commerce Ministry on the grounds that it would violate India's WTO obligations.

Australia's soy meal imports on the rise

Australia's imports of oilseed meals are up this year, increasing by nearly 130,000 tonnes in the first quarter of this season. Soy meal accounts for the bulk of this and soy meal imports could increase to about 180,000 tonnes in Oct/Sept 2001/02. This brings Australia back to import levels of the mid 1990's which had been pegged back in recent times by expanded volumes of canola and cottonseed meal.

China's GMO rules cause concern for US/Canada but may be an opportunity for Australia

China announced new GMO rules last year sending the soybean market into a spin as imports came to a halt due to the lack of clarity over the how the rules would be applied. Under the new GMO rules, importers are required to label genetically modified products and obtain safety certification and approval documents from the Ministry of Agriculture.

The expected delays in soybean shipments has seen the USDA reduce its forecast of China's 2001/02 soybean imports from 14.0 million tons to 13.5 million tons. Shortly after China's announcement in January 2002 regarding implementation, exports of US soybeans jumped as processors sought to secure delivery before March 20.

With US soybean shipments having been disrupted for some months, Canada is now becoming concerned about access for its canola. This could be good news for Australian canola growers, with Australia still being free of any GM crops.

China has become one of Canada's major markets for canola (valued at \$123 million in 2000) and this maybe under threat unless China's new rules for GM food imports are clarified. The Canola Council of Canada is concerned not just about the lack of clarity on the rules, but also the potential for delays saying that even if all the requirements for documentation are met, the Chinese government may take 270 days to approve the product.

There is an indication that, despite the absence of an official Brazilian approval of GM soybeans, Chinese buyers have also cancelled purchases from Brazil for April-May shipment. This would indicate that, in the face of a zero tolerance standard, Chinese processors do not want to risk unlabelled imports testing positive because of traces of GM soybeans. This may imply that Brazil will also need to move to an identity preservation system in order to obtain the required safety certificate.

AOF lends it support to the fledging bio-diesel industry

The AOF sees the emerging bio-diesel industry in Australia as a potentially valuable new market for canola and other vegetable oils. Whilst the industry has a number of hurdles to overcome before it is a fully commercial industry, the AOF believes one area where it can lend support is in ensuring that Australian Government policy puts bio-diesel on an equal footing to other renewable fuels.

Thus, AOF will be encouraging the government to provide the same tax exemptions as for other bio-fuels; and to classify bio-diesel as an alternative fuel and give it equal treatment to other alternative fuels such as ethanol including recognition under the Diesel and Alternative Fuels Grants Scheme and the Energy Grants (credits) Scheme.

AOF also sees that development of quality standards for bio-diesel will help the introduction as plants come on stream. We will work with the biofuels industry and international groups such as the IASC Bio-diesel group to help facilitate this.

In other bio-diesel news, Thailand has announced it will waive excise tax on bio-diesel to promote wider use. The bio-diesel product is expected to be 90% diesel and 10% palm oil.

In the US, the American Soybean Association (ASA) has welcomed a move by the Senate Finance Committee to include bio-diesel tax provisions in its energy tax bill. The bio-diesel amendment provides a 1-cent per gallon reduction in the diesel excise tax for every percent of bio-diesel included in blends with diesel, up to a maximum of 20 percent.

Canada's canola crop finished down 30% on the previous year

Canada's canola 2001 crop is estimated to have produced 5.1 million tonnes, down 29% on the previous year and the lowest since 1992. This was due to both a decline in the area planted and lower yields.

The quality of the crop was about average for oil and above average for protein. Average oil content was 42.8%, protein 22.3% and chlorophyll content 11 mg/kg.

The low level of production has resulted in a poor year for Canadian crushers. Canadian canola oil exports from August to November declined from 354,800 tonnes a year ago to only 227,500 tonnes so far this year. Crushers have been experiencing relatively poor crushing margins due to poor vegetable oil prices due to more than ample oil supplies world-wide; and strong seed prices due to a lack of supplies world-wide.

Australia produces a new functional peanut

Kingaroy plant breeder Alan Cruikshank has developed a 'high oleic' peanut, which has increased the level of the beneficial, monounsaturated oleic acid to 80%, up from the normal level of 45-55%. The saturated fatty acid content of the high oleic peanut has also been reduced to 15.4% from the normal level of 18.4%.

Another advantage of the high oleic content is that shelf life is increased tenfold. This could have significant benefits for manufacturers who will no longer have to use nitrogen to maintain the freshness of nuts and potentially reduce losses in nut products intended for export.

The industry has forecast that the high oleic peanut will be the leading variety grown in Australia by 2005.

Healthy butter?

Research from New Zealand indicates that cows fed oilseeds have produced milk from which butter that is comparable to polyunsaturated margarines in terms of its ability to reduce blood cholesterol levels can be produced. The specially formulated diet was able to alter the fat content of the milk.

ANZFA approves non-labelled GM corn & canola

The Australia New Zealand Food Authority (ANZFA) drew fire from the anti-biotechnology lobby last week when it approved the use of GM corn and canola oil in for use in breakfast cereals, bread, pastries and snack foods which would be able to sold in supermarkets without warning labels.

ANZFA argues that the food undergoes distilling in the production of the final product, which destroys the DNA and releases the manufacturer and retailer from the obligation to label the end product as genetically modified.