Australian Oilseeds News

Australian Oilseeds Federation GPO Box 4758UU Melbourne VIC 3001 Tel: 03 9533 2623 Fax: 03 9530 3962

October 2002

Canola 2002/03

The Australian canola crop has been revised down by a further 10% (722,500 tonnes compared to 801,000 tonnes last month). There is still a great deal of uncertainty over the NSW crop, and to a lesser extent the Victorian crop, however, yield prospects in Western Australian have also bee revised downwards. This leaves South Australia with the only unchanged estimates from last month.

	Area Harvested (ha's)	Yield (t/ha)	Production (Tonnes)
NSW	196,000	0.79	154,000
VIC	150,000	0.93	139,000
SA	145,000	1.1	159,500
WA	300,000	0.9	270,000
Total	791,000		722,500

Source: Canola Association of Australia, 10/10/02

We indicated last month that without further rain, **NSW** crop prospects were not looking all that bright. Whilst there was some rain around 16th September, this was not sufficient to do more that briefly rejuvenate the crops and has caused some further problems in terms of regrowth. This will cause pre harvest and harvesting difficulties for growers. Since this brief respite, the crops have been experiencing hot, dry and windy conditions. There is increasing enquiry from growers about canola hay and silage and thus, the area harvested may be further reduced as growers take these options. There has also been heavy insect pressure – from Diamond Back Moth in western areas and aphids in most areas. To compound problems, there have been some frosts in the south in recent days and this is likely to further reduce yield prospects.

Victoria follows a similar story to NSW, although the insect pressure has been less. In the Mallee and northern areas, there is likely to be little harvested. The north Central, north East and Wimmera are all facing poor prospects, with only the Western Districts and Central area with prospects for reasonable yields. The Wimmera will need rain, however, to deliver this. Similarly to NSW, there have been late frosts and very windy conditions.

As mentioned, **South Australia** is the only state to leave estimates unchanged. Whilst rain has been variable and conditions windy, temperatures have been cooler which has helped the crops and there has been low insect pressure.

Despite good rain last weekend in **Western Australia**, this followed a hot spell and thus, yield potential has been downgraded.

Sunflowers 2002/03

The early plant of sunflowers is just getting underway. The main factors influencing area planted are lack of rain and high sorghum prices. Area planted to date is relatively low, but if rain is received over the next few months this could change significantly. We have indicated a potential plant in Central Queensland of 20,000 hectares, but this could be in the region of 60-80,000 hectares if rain does not allow the intended area of sorghum to be planted. On current estimates, we would still expect to see a shortfall in sunflower production against domestic oil requirements.

	Est. Area (hectares)	Est. Prod'n (tonnes) Planted	Intended
Monounsaturated sunflower			
Queensland	10,600	2,100	8,500
NSW	12,700	6,700	6,000
Polyunsaturated sunflower			
Queensland	23,000	-	23,000
NSW	5,500	-	5,500
Total	51,800	8,800	38,000

Source: Industry Estimates, 11/10/02

Market Comment

The domestic canola market continues to trade at a premium to export values – by around $30/tonne. A east coast shortfall on the normal crush demand of 400,000 tonnes is likely. This rationing of demand will highlight the intrinsic demand for canola oil, and there be increased imports of soybeans, soy meal and various oils. The issue will be how strongly the local industry will compete with Japan to keep canola supplies here.

In the longer term, the focus is now on the broader global vegetable oil complex. Recent changes to import duties in India has seen reduced soybean oil imports. This, combined with China reducing purchases, has ended the bullish run for vegetable oils. The key short term is palm oil with latest estimates showing higher production than expected. The USDA crop report due out on Friday will be closely watched by the market.

Thus in the very near term, canola futures values are likely to drift lower but in the more medium to longer term the tight supply situation should see stronger canola values.

Upcoming Meetings/Conferences

- 5&6 March 12th Australian Soybean Conference Toowoomba
- 8th September 2003, ARAB 13 conference Tamworth

Australian Oilseed News is provided free due to the support of the Oilseed Development Fund (ODF).

- Cargill Oilseeds Australia
- Meadow Lea Foods
- Unilever Foods
- Peerless Holdings
- Riverland Oilseed Processors
- Ridley Agriproducts
- Bartter Enterprises

AOF thanks the ODF for their ongoing support

Industry News

Canola Association WA changes its name and focus

'Oilseeds WA', was launched during the CAWA's Pod to Plate Tour on 9th October 2002. Oilseeds WA is the successor to the Canola Association of Western Australia. The name change broadens the focus of the Association to include canola, rapeseed, soybean, sunflower and future oilseeds crops.

Canada's canola crop slightly better than expected

On Friday (04/10/02), Statistics Canada released its latest estimate of Canadian canola production. The results indicated slightly higher canola production of 3.32 mmt, up from last month's 3.24 mmt. However, this is still 33% less than a year ago when Canada produced 4.93 mmt. The reason for the slightly better than expected crop was improved yields, however, the report had little impact as it was within trade expectations.

However, the canola harvest is progressing more slowly than normal due to rain, snow and cooler temperatures. With such a large proportion of the crop still not harvested, final production figures will depend on favourable weather prevailing to allow harvest to be completed without major losses. There is also some concerns about inferior quality of this year's production.

Lower US soybean production

The October USDA Crop report forecasts lower US soybean production at 72.2 million tonnes (2.654 billion bushels, compared the September estimate of 2.656 billion bushels). The estimate was below trade expectations. However, world ending stocks increased from 25.350 mmt to 26.11 mmt. Brazilian and Argentine soybean production was unchanged from the September estimate.

The Crop Report also put global oilseed production for 2002/03 at 317.9 million tons, down 1.2 million tons from last month. Lower rapeseed production in the EU was a major factor causing the downward revision.

EU Agreement on Biotech Rules Falters

The EU governments appear to have abandoned hopes of reaching agreement this month on stringent biotech rules despite fears of being hauled before the World Trade Organization by the US due to division over a range issues such as corn oil, pet food, etc. The delay means no movement can be made on lifting a 4-year-old EU moratorium on new genetically modified crops.

Public opinion in Europe continues to be opposed to GM foods and crops, despite scientific evidence that they pose no new risk to humans or the environment. This attitude can be linked with the range of health crises and food scares in Europe ranging from mad cow disease to dioxin-tainted chickens that have undermined public trust in government safety assurances.

Three new ethanol plants in western Canada

The announcement of planned construction of three 80-million litre plants will make Saskatchewan Canada's largest ethanol producer. The first plant (at a cost of C$55-million) is scheduled to open in the spring of 2004. It will use 218,000 tonnes of wheat per year.

Broe will be the majority owner of each plant, with a 60% share in the first plant. The Crown Investments Corp. of Saskatchewan will own 40% of the first plant. Community groups will also invest in the projects.

This announcement follows the passing of new ethanol laws by the provincial government in July, providing grants to offset fuel taxes on ethanol produced and used in Saskatchewan. The government ahas also indicated that it will make it mandatory to use ethanol-blended gasoline once production is sufficient.

China sets 2003 grain, edible oil import quotas

China has set quotas for imports of grains, edible oil and natural rubber for 2003, in line with its commitments as a member of the World Trade Organisation (WTO). China formally joined the WTO last December. The State Development Planning Commission (SDPC) set quotas for imports of palm oil at 2.6 mmt, soybean oil at 2.818 mmt and rapeseed oil at 1.0186 mmt in 2003. For all edible oil, 26% of quotas would go to state firms.