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Australia

Oilseeds and Products Annual

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Report Highlights:
Australia normally produces around four million MT of oilseed crops each year, with canola and cottonseed accounting for over 90 percent of the total. In 2016/17, Australian production of canola is forecast by Post at 3.3 million MT, reflecting an expansion in area and forecasts of better seasonal conditions over the year. In 2016/17, production of cottonseed is forecast at 800,000 MT, due to an expanded harvested area and despite lower yields due to an increase in the proportion of area planted to dryland cotton. Australian olive oil production is also expanding based on a larger plantation area which is expected to reach 36,000 hectares. There are few statistics available on other oilseeds such as soybeans and sunflowers, but the volume of production is relatively small.

EXECUTIVE SUMMARY:

Overview

Australia normally produces around four million MT of oilseed crops each year, with canola and cottonseed accounting for over 90 percent of the total. Canola represents over half of this total and cottonseed a third with small quantities of soybeans, safflower and linseed also grown. Canola is Australia's third largest broad acre crop after wheat and barley, and it is widely grown across south east Australia and Western Australia. Cottonseed is a by-product of cotton production and is crushed to produce oil for human consumption and seed for animal feed.

Cottonseed, sunflower and soybean are summer crops grown mostly in northern New South Wales and Queensland. Canola, safflower and linseed are winter crops grown from mid-northern NSW across southern and eastern Australia. Western Australia is the largest producer of canola whereas NSW and Queensland account for most of cotton production. The seasonal outlook for these widely separated regions has a key influence on the outlook for Australian oilseeds production.

In 2016/17, Australian production of canola is forecast by Post at 3.3 million MT, reflecting an expansion in the planted area and forecasts of better seasonal conditions over the year. Australian olive oil production is expanding with the plantation area expected to reach 36,000 hectares. In 2016/17, production of cottonseed is forecast at 800,000 MT, due to an expanded harvested area and despite lower yields due to an increase in the proportion of dryland cotton. There are few statistics available on production of other oilseeds such as soybeans, sunflowers and safflowers, but the volume of production is relatively small.

Seasonal Outlook

The seasonal outlook varies significantly by region. The Bureau of Meteorology is forecasting an above average chance of higher than median rainfall over most grainbelts where oilseeds are grown (Chart 1). Average temperatures are forecast to be slightly above median levels in most regions (Chart 2).

Forecasts for Western Australia are for average rainfall over most of the State for the three month period to June 2016, which should improve soil moisture levels. Rainfall in March across most grain production regions in Western Australia was above average while temperatures were near average levels. In central to eastern Victoria and central Queensland prospects are for a drier than average April. April to June rainfall is more likely to be above average across the Gascoyne region in WA, throughout SA, extending into NSW and the far western corners of Queensland and Victoria.

Chart 1: Likelihood of above median rainfall from April to June 2016

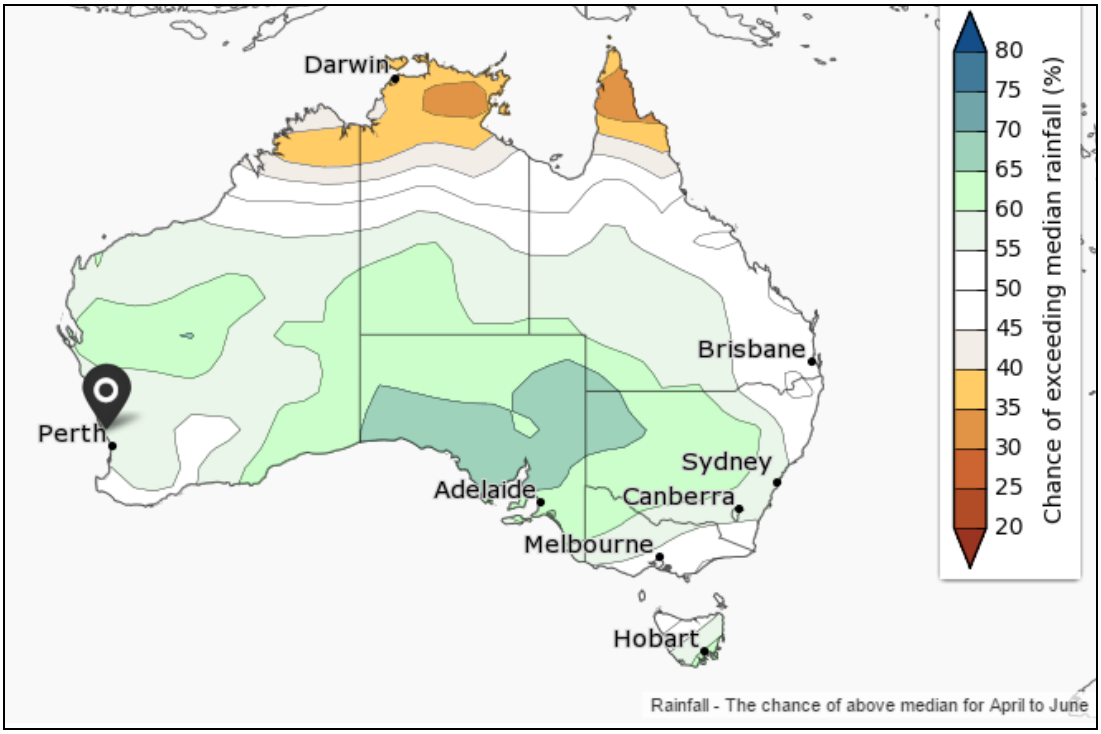
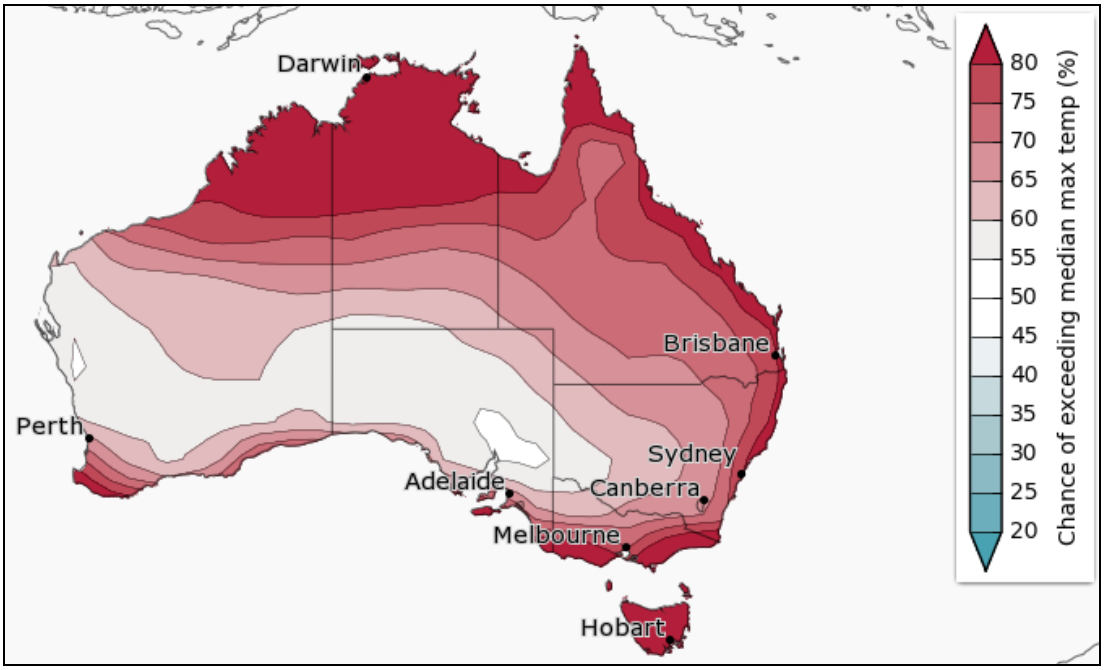


Chart 2: Likelihood of above median maximum temperature from April to June 2016



Source: Bureau of Meteorology (April, 2016).

Commodities:

Oilseed, Rapeseed

Meal, Rapeseed

Oil, Rapeseed

CANOLA

Overview

Canola is Australia's third largest broad acre crop after wheat and barley and is the major oilseed grown across the higher rainfall regions of the grain belt from south-west Western Australia to south-eastern Australia, and into northern NSW. Canola was first grown commercially in Australia in 1969 and the winter oilseed crop is now prevalent in temperate Australia. The canola crop is usually sown in late autumn or early winter into moist soil. In the high rainfall zones it can be sown as late as early spring. The crop can be sown into dry soil to germinate after rain. Canola is grown as a source of edible oil for human consumption and meal for animal feed. It is generally a profitable winter crop and also a break crop for cereal production systems.

Production

In 2016/17, Australian production of canola is forecast by Post at 3.3 million MT, a ten percent increase on the official estimate for the previous year. This rise reflects an expansion in the planted area, the expectation of better seasonal conditions over the year and lower prices for alternative crops. In March there were early plantings of canola in Western Australia following wet weather and the because of good subsoil moisture.

In 2015/16, low soil moisture and high prices for alternative crops such as barley and pulses had led to a lower planted area for canola in States such as Victoria and NSW but this trend is likely to be reversed in 2016/17. The average yield for canola in 2016/17 is likely to be similar to that in 2015/16. Around 750,000 MT of canola is crushed domestically in plants with a capacity of one million MT.

Buyers of Australian canola have access to both conventional and genetically modified product as each is grown under strict production protocols for different markets. The Gene Technology Regulator gave approval for the growing of GM varieties of canola in 2003. GM canola varieties currently account for around one fifth of the canola planted in the States that allow it to be grown (Western Australia, Victoria and New South Wales). The other States (South Australia and Tasmania) maintain a moratorium on the commercial release of GM food crops.

Over 440,000 hectares of GM canola is expected to be planted in 2016/17, up from nearly 350,000 hectares the previous year, with 1,200 farmers planting GM canola during 2016/17. Australian farmers have been relatively slow to shift to GM canola because of demand from the EU for non-GM canola for biodiesel production and the price premium in this market.

Production of Canola Meal

Canola meal is a by-product produced after the seed has been crushed and the oil extracted. It is used as a high protein feed for intensive livestock, mainly in the pig, poultry and dairy industries. In 2016/17, Post expects canola meal production to be 430,000 MT, the same as the official forecast for the previous year.

Production of Canola Oil

Canola oil is a high quality oil used for human consumption. In 2016/17, Post expects canola oil production to be 340,000 MT because of the ten percent expansion in overall canola production.

Consumption

Consumption of canola in Australia has been relatively stable in recent years for canola grain, meal and oil. Canola oil is used for food production and has a growing reputation as a healthy alternative to other oils. According to the Grains Research and Development Corporation, canola oil has the lowest level of saturated fatty acids and is second only to olive oil in its high level of monounsaturated oleic acid. Canola meal is used for animal feed, mainly in Australia.

Trade

In 2016/17, Australian canola exports are forecast by Post to reach 2.5 million MT due to expanded production and rising international demand. Exports for 2015/16 are expected to be 2.4 million MT, or the same as the official estimate for that year. Australia is a significant exporter of canola, with around 15 percent of international trade.

The European Union is expected to remain Australia's major export market, accounting for over 60 percent of total canola exports in 2016/17. Australian exporters are expected to have reduced competition from the Ukraine in the EU market due to adverse seasonal conditions in that country. Other export markets for canola include South Korea, Japan, Netherlands, Malaysia and Germany. The main use for canola exported to the EU is as an input in the production of biodiesel. In Asian markets, canola is used to produce oil for human consumption.

Exports of Canola Meal

In 2016/17, Australian canola meal exports are forecast by Post to reach 50,000 MT due to expanded production and rising international demand, significantly above the official figure for the preceding year of 30,000 MT.

Exports of Canola Oil

In 2016/17, Australian canola oil exports are forecast by Post to reach 180,000 MT due to expanded production and rising international demand, above the official figure for the preceding year of 160,000 MT.

Production, Supply and Demand Data Statistics:

Oilseed, Rapeseed – (Oilseed, Canola)	2014/2015		2015/2016		2016/2017	
Market Begin Year	Dec 2014		Dec 2015		Dec 2016	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	2825	2825	2400	2360	0	2600
Area Harvested	2824	2824	2400	2360	0	2600
Beginning Stocks	530	530	360	360	0	160
Production	3447	3447	3000	3000	0	3300
MY Imports	1	1	1	1	0	1
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	3978	3978	3361	3361	0	3461
MY Exports	2808	2808	2400	2400	0	2500
MY Exp. to EU	1484	1484	1500	1500	0	1600
Crush	750	750	750	750	0	750
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	60	60	51	51	0	51
Total Dom. Cons.	810	810	801	801	0	801
Ending Stocks	360	360	160	160	0	160
Total Distribution	3978	3978	3361	3361	0	3461
(1000 HA) ,(1000 MT)						

Meal, Rapeseed (Meal, Canola)	2014/2015		2015/2016		2016/2017	
Market Begin Year	Dec 2014		Dec 2015		Dec 2016	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	750	750	750	750	0	750
Extr. Rate, 999.9999	0.5733	0.5733	0.5733	0.5733	0	0.6267
Beginning Stocks	6	6	13	13	0	13
Production	430	430	430	430	0	470
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	436	436	443	443	0	483
MY Exports	23	23	20	30	0	50
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	400	400	410	400	0	420
Total Dom. Cons.	400	400	410	400	0	420
Ending Stocks	13	13	13	13	0	13
Total Distribution	436	436	443	443	0	483
(1000 MT) ,(PERCENT)						

Oil, Rapeseed – (Oil, Canola)	2014/2015		2015/2016		2016/2017	
Market Begin Year	Dec 2014		Dec 2015		Dec 2016	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	750	750	750	750	0	750
Extr. Rate, 999.9999	0.4133	0.4133	0.4133	0.4133	0	0.4533
Beginning Stocks	37	37	16	16	0	9
Production	310	310	310	310	0	340
MY Imports	22	22	23	23	0	23
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	369	369	349	349	0	372
MY Exports	171	171	155	160	0	180
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	182	182	180	180	0	180
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	182	182	180	180	0	180

Ending Stocks	16	16	14	9	0	12
Total Distribution	369	369	349	349	0	372
(1000 MT) ,(PERCENT)						

Commodities:

Oil, Olive

OLIVE OIL

Production:

In 2016/17, Australian olive oil production is expected by Post to reach 21,000 MT, assuming the continuation of average seasonal conditions. Production in 2015/16 is estimated at 20,000 MT, in line with the official forecast. The area harvested in 2016/17 is forecast at 36,000 hectares, slightly above 2015/16. The trend to 2016/17 is for an expanding harvest area in Victoria and southern New South Wales. Olive oil prices for the Australian product appear to be strengthening, compared to imported oils which account for over half of market supplies. There are no recent Australian government statistics on production and consumption of olive oil.

There are 1,500 olive growers in Australia with 36,000 hectares of planted olives. Victoria is the largest producing state, accounting for over 25 percent of the harvested area and over 60 percent of annual production. Australia's production season for olives and olive oil is from mid-March to July, with the peak in May. Olive oil is extracted from olive fruit by mechanical processes of milling, pressing and separation. There is a lag between harvesting and bottling of olive oil and the marketing year for 2016/17 is assumed to begin in January 2017.

Larger scale Australian olive oil producers use continuous harvesting machines adapted to the size of trees in modern groves of typical densities between 250 and 550 trees per hectare. This is instead of the traditional method of mechanical harvesting with trunk shakers, which is still used by smaller operations. The most common varieties of olive trees planted are Arbequina, Barnea, Coratina, Frantoio and Picual, which represent around 85 percent of the harvested area. Other varieties include Manzanillo, Koroneiki, Hojiblanca and Picholine. Most of these varieties have been chosen for their productivity and oil quality.

The major Australian olive oil producer has over 2.2 million producing trees planted on over 6,000 hectares with major oil varieties. Its major estate near Bendigo comprises almost 900,000 trees on an area covering over 2,500 hectares. This estate has an on-site olive processing plant with the capacity to process over 400,000 MT of premium extra virgin olive oil annually. The leading company, Boundary Bend recently set up a US$20 million production facility and U.S. headquarters in the California town of Woodland.

Trade

Imports of olive oil into Australia in 2016/17 are expected by Post to be stable at 30,000 MT, the same as the official forecast. Exports of olive oil are expected by Post to be 5,000 MT in 2016/17, unchanged from the official forecast and the same as in the previous year. Italy is expected to be the main destination with around one third of total exports.

Consumption

Consumption of olive oil in 2016/17 is forecast at 40,000 MT, based on trade information, in line with the official forecast. Demand for olive oil is expected to gradually increase in Australia because of a growing preference for healthier oils as they contain high levels of monounsaturated fats. There are no recent government or industry statistics on olive oil consumption.

Production, Supply and Demand Data Statistics:

Oil, Olive	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	35	0	35	0	36
Area Harvested	0	35	0	35	0	36
Trees	0	4500	0	4500	0	4600
Beginning Stocks	2	2	2	3	0	3
Production	20	20	20	20	0	21
MY Imports	27	27	30	30	0	30
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	25	0	28	0	0	30
Total Supply	49	49	52	53	0	54
MY Exports	7	6	5	5	0	5
MY Exp. to EU	3	3	3	3	0	3
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	40	40	45	45	0	45
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	40	40	45	45	0	45
Ending Stocks	2	3	2	3	0	4
Total Distribution	49	49	52	53	0	54
(1000 HA) ,(1000 TREES) ,(1000 MT)						

Commodities:

Oilseed, Cottonseed
Meal, Cottonseed
Oil, Cottonseed

Overview

Cottonseed is a by-product of cotton production. A metric ton of cotton produces around 300-320 kilograms of seed. Cottonseed produces an average of 17 percent oil (10 kg) and 83 percent of meal (46 kg) when crushed. The oil is used for human consumption while the meal is used as an animal feed for dairy cattle, beef cattle, poultry, horses, pigs and feed lots. Not all cottonseed is crushed for meal as whole seeds are also fed to cattle.

Cotton lint makes up about 40 percent of the picked cotton by weight and contributes about 85 percent of the total income from a cotton crop. The other 15 percent of income is from cottonseed. The oil yield from cottonseed provides a significant return to growers and processors, as it is a higher value product than cottonseed meal. In recent years, the oil yield from cottonseed has been falling from around 20 percent to the current 17 percent. The two major cottonseed crushing facilities are in Hay and Narrabri, NSW.

Production

In 2016/17, Australian production of cottonseed is forecast at 800,000 MT, due to an expanded harvested area for cotton of 280,000 hectares. Yields are expected to fall slightly in 2016/17 due to an increase in the proportion of dryland cotton to over ten percent of the total area planted to cotton. Post has revised the cottonseed production figure for 2015/16 to 750,000 MT due to the lower than expected area harvested of 263,000 hectares, although this still represented a significant increase on the previous year. These revised cotton production figures are based on statistics from crop harvesters. A conversion rate of 0.31-32 was used to estimate cottonseed generated from cotton production.

Consumption

Cottonseed oil is used for human consumption in food service deep frying in the restaurant and fast food industries as it has a relatively high smoke point as a frying medium.

Cottonseed meal is a protein and energy source for animal feed and has been widely used in dry seasons. Traditionally, feedlots have been the largest users of cottonseed meal and the expansion of the feedlot industry in recent years has support demand from this source. Currently, almost one million cattle are in feedlots in Australia, although this number may ease over the year as seasonal conditions improve in Queensland and assuming that pasture growth results. Post has therefore revised downwards the expected domestic consumption of cottonseed.

Trade

In 2016/17, exports of cottonseed are expected to fall to around 80,000 MT in 2016/17 due to lower than expected production and falling stocks. Australia exports cottonseed to a number of countries, including Japan (crushed and cattle feed), Korea (crushed), China (crushed) and the United States (dairy feed) with the direction of trade varying somewhat with the parity price and the value of the Australian dollar.

Production, Supply and Demand Data Statistics:

Oilseed, Cottonseed	2014/2015		2015/2016		2016/2017	
Market Begin Year	Apr 2015		Apr 2016		Apr 2017	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (Cotton)	205	222	315	263	0	280
Area Harvested (Cotton)	205	222	314	263	0	280
Seed to Lint Ratio	0	0	0	0	0	0
Beginning Stocks	646	646	395	414	0	194
Production	711	730	800	750	0	800
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	1357	1376	1195	1164	0	994
MY Exports	96	96	150	100	0	80
MY Exp. to EU	0	0	0	0	0	0
Crush	600	600	650	650	0	650
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	266	266	265	220	0	200
Total Dom. Cons.	866	866	915	870	0	850
Ending Stocks	395	414	130	194	0	64
Total Distribution	1357	1376	1195	1164	0	994
(1000 HA) ,(RATIO) ,(1000 MT)						

Meal, Cottonseed	2014/2015		2015/2016		2016/2017	
Market Begin Year	Apr 2015		Apr 2016		Apr 2017	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	600	600	650	650	0	650
Extr. Rate, 999.9999	0.49	0.49	0.4815	0.4815	0	0.4815
Beginning Stocks	17	17	18	19	0	17
Production	294	294	313	313	0	313
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	311	311	331	332	0	330
MY Exports	3	2	15	15	0	15
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	290	290	300	300	0	300
Total Dom. Cons.	290	290	300	300	0	300
Ending Stocks	18	19	16	17	0	15
Total Distribution	311	311	331	332	0	330
(1000 MT) ,(PERCENT)						

Oil, Cottonseed	2014/2015		2015/2016		2016/2017	
Market Begin Year	Apr 2015		Apr 2016		Apr 2017	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	600	600	650	650	0	650
Extr. Rate, 999.9999	0.1667	0.1667	0.1677	0.1677	0	0.1677
Beginning Stocks	33	33	33	33	0	31
Production	100	100	109	109	0	109
MY Imports	15	16	5	5	0	5
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	148	149	147	147	0	145
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0

Food Use Dom. Cons.	115	116	115	116	0	116
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	115	116	115	116	0	116
Ending Stocks	33	33	32	31	0	29
Total Distribution	148	149	147	147	0	145
(1000 MT) ,(PERCENT)						