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Report Highlights:

Dryness persists in scattered growing areas of Alberta and Saskatchewan. However, there is still time for spring precipitation. Meanwhile, most eastern soybean producers await warmer temperatures to dry the heavy-to-adequate snow accumulation. MY 2022/23 canola seed production rebounded on improved growing conditions, and exports to China increased after access was reinstated for Canada's two largest canola-handling companies. For the second year, the average canola oil extraction rate remains below the historic average, due to environmental factors. Effective in April 2023, the Canadian government will end domestic uses of insecticide ingredient, lambda-cyhalothrin, on grains and oilseeds destined for animal feed channels.

Executive Summary

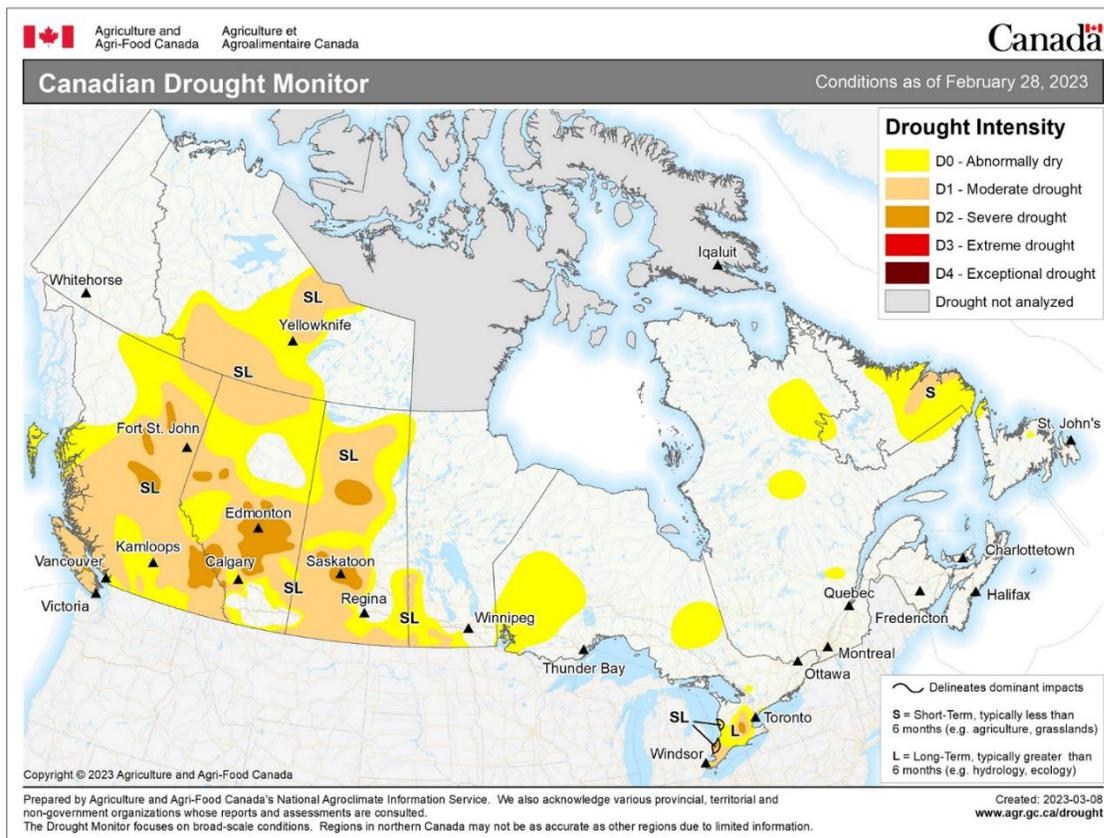
Marketing Year (MY) 2022/2023 and Beyond

In MY 2023/24, Canada's net total production of oilseeds (canola, soybean, and sunflower seeds) is forecast to decrease by less than one percent to 24.7 million metric tons (MT). Canola production is forecast to increase while soybean production is forecast down. Statistics Canada's planting intentions survey was not available at the time of this report.

Dryness persists in scattered growing areas of Alberta and Saskatchewan. However, there is still time for spring precipitation.

Most farmers in the soybean regions of Ontario and Quebec received sufficient snowfall over the winter months and will be monitoring weather forecasts for warmer temperatures. In recent years, the region has been prone to excess water in the root zone (waterlogging) more so than to dryness.

Figure 1: Canadian Drought Intensity



Source: Agriculture Agri-Food Canada

Total vegetable oil production is forecast to increase marginally on the assumption that canola seed oil content will rebound.

Total meal production (soymeal and canola meal) is forecast to decrease by three percent as the canola meal extraction rate settles to the five-year average, while protein consumption in soymeal equivalent is forecast to remain steady due to steady demand from the livestock sector.

Total exports of oilseeds are forecast to fall by 1.5 percent as the percentage share of canola going to domestic processors increases.

Canada is the third largest exporter of oilseeds in the world, by volume, after Brazil and the United States. However, its share of exports has shrunk in recent years, in part because of increased domestic processing, but also because of production gains in other canola-growing countries, such as Australia. In export markets with low dockage requirements, such as China, Canada remains advantaged by its established seed-cleaning facilities.

Looking beyond MY 2022/23, national canola crush capacity is projected to increase from the current level of 11.3 million MT to 17 million MT in 2025. Investment in crush capacity is largely being driven by the biodiesel and renewable diesel industries. Canada is actively exploring export markets for the increased domestic supply of canola meal, which is crucial to supporting crush margins. Research is also being done to increase the nutritional content of canola meal to increase its marketability and value.

Marketing Year (MY) 2022/2023

Improved moisture conditions in the prairies led to increased canola yields and a 32 percent increase in production in MY 2022/23 over the previous year. Canada's canola stocks-to-use ratio is forecast to increase by less than a percentage point, reaching nearly four percent, still below the five-year average (MY 2017/2018 to MY 2021/22) of 13 percent. The stocks to use ratio indicates the level of carryover stock for any given commodity as a percentage of the total demand or use. The ratio has been driven down in recent years due to the 2021 drought and strong domestic and international demand.

In MY 2022/23, exports of canola oil are forecast to increase 13 percent on expected increased crush levels, despite lower year-over-year oil extraction rates caused by low canola oil content. The processing capacity of soybeans remains limited.

A decision made by Canada's Pest Management Regulatory Agency (PMRA) to prohibit the domestic use of insecticide lambda-cyhalothrin on all grains and oilseeds destined for animal feed, [effective April 2023](#), may affect feed market dynamics. As it currently stands, in addition to new labelling requirements that prohibit domestic use, anyone delivering foreign or domestic grain to a grain-handling facility in Canada must attest that all grains supplied, "have only been

treated with crop protection products and/or with active ingredients registered for use in Canada, in accordance with Canadian label directions.”

This report refers to the USDA’s marketing years, which for oilseeds run from August to July, except for peanuts which run from October to September.

OILSEEDS

Canola, Oilseeds

Table 1: Canola Production, Supply, and Distribution

Oilseed, Rapeseed	2021/2022		2022/2023(f)		2023/2024(f)	
Market Begin Year	Aug-21		Aug-22		Aug-23	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8,946	8,946	8,600	8,596		8,640
Beginning Stocks	1,776	1,776	875	865		700
Production	13,752	13,752	19,000	18,174		18,300
MY Imports	105	105	125	100		100
Total Supply	15,633	15,633	20,000	19,139		19,100
MY Exports	5,233	5,249	8,400	8,400		8,300
Crush	8,555	8,555	10,000	9,500		9,500
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	970	964	450	539		550
Total Dom. Cons.	9,525	9,519	10,450	10,039		10,050
Ending Stocks	875	865	1,150	700		750
Total Distribution	15,633	15,633	20,000	19,139		19,100
Yield	1.54	1.54	2.21	2.11		2.12

(1000 HA) ,(1000 MT) ,(MT/HA)

Canola Production – MY 2024/2023 and Beyond

Planted area to canola is forecast to increase on expectations of higher returns, relative to alternative crops such as spring wheat, and yields are assumed at the five-year average (2018 to 2022). However, current cash prices suggest that competing crops, such as beans, durum, and lentils, may take area away from canola. Aside from currently offering relatively high cash prices, crops such as beans and lentils offer farmers a further advantage of having nitrogen-fixing properties. Canola is considered a high fertilizer-using crop, requiring high levels of nitrogen, potassium, and phosphorus.

Farmers may seek to lower variable costs by rationing costly inputs such as fertilizer. Fertilizer prices softened throughout the first quarter of the year but remain high relative to historic

averages. Anecdotally, high interest rates are motivating farmers to also target fixed costs by holding onto equipment and infrastructure longer, rather than upgrading or expanding. Input/asset rationing is not built into FAS Ottawa's forecasts.

PMRA's ban on applying lambda-cyhalothrin to specific crops destined for feed channels may affect planting decisions in MY 2023/24. Alternative products are on the market and, reportedly, supplies are sufficient; however, some agronomists say the efficacy of alternatives can be lower than lambda-cyhalothrin-containing products, depending on the rationale for treatment. Lambda-cyhalothrin is used on canola to treat against flea beetles and other pests. It is also used on other crops, but less alternatives are on the market for canola than for other crops.

Canola breeders continue to focus on improved yield, disease resistance, and pod shatter resistance, the latter of which is particularly beneficial in Canada during late harvests. New research focuses on increasing the protein content of meal to make it more marketable while leaving the oil unchanged in volume and characteristic. In addition to advances in genomics, canola producers also benefit from improved seed treatments that protect against undesirable factors like fungus.

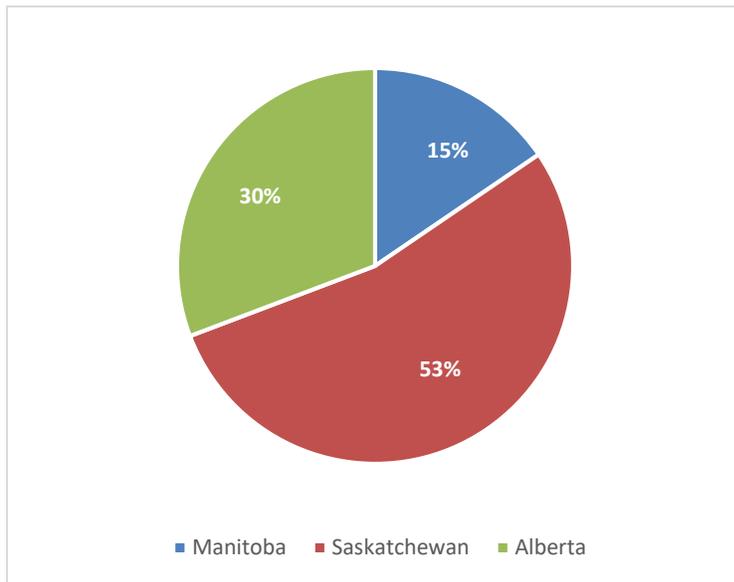
In 2023, the Canola Council of Canada re-affirmed its [2025 yield target](#) of 2.91 tons per hectare, which they expect will be achieved through genetic improvements, improved plant establishment, fertility management, integrated pest management, and harvest management.

Canola Production – MY 2022/2023

Final production estimates from Statistics Canada put MY 2022/23 canola production at 18.17 million MT. This is a production increase of 32 percent year-over-year, on improved yields due to moister conditions. While the average yield increased by 0.58 tons per hectare over the previous year to reach 2.11 tons per hectare in 2022, it was below the five-year average (2016 to 2020, excluding the extreme drought year of 2021) of 2.33 tons per hectare because of poor moisture reserves after two to five years of dryness in areas of the prairies.

Some canola producers experienced inconsistent canola quality in 2022 due to unique environmental factors, coupled with a problematic seed coating. However, most users of the seed were not impacted. Industry sources say the problem was quickly identified via laboratory testing and spokespeople from the company responsible say they are confident the issue will not reoccur.

Figure 2: Provincial Share of National Canola Area Planted



Provincial shares of canola area planted experience minimal shifts from year-to-year.

Canola Seed Trade – MY 2023/2024

Exports are forecast to fall marginally due to lower exportable suppliers driven by lower beginning-year stocks.

Assuming average growing conditions in oilseed-growing regions of the world, Canada’s canola seed sector is expected to

Source: Statistics Canada; prepared by FAS/Ottawa

continue to face strong competition from U.S. and Brazilian oilseeds, and now Australian canola, as well.

Australian canola exports are expected to continue to compete with Canadian canola, particularly in markets where dockage limits are higher than China’s. In MY 2021/22, for the first time ever, Australia exported more canola than Canada because of increased production in Australia, drought conditions in Canada and an increased share of Canadian canola seed going to domestic crush (despite absolute volumes of Canadian canola crush falling 22 percent over MY 2020/21).

Canada’s established cleaning facilities means it currently has a strong advantage in that market, according to industry contacts. China’s low dockage requirements, which apply to both Canada and Australia, are costly and time-consuming.

Canadian canola sellers may have an advantage over canola/rapeseed-selling competitors in China, but they also have a growing number of options to sell to Canadian processors supplying canola oil in the North American renewable fuel market. Advantages include proximity to market, and a lower risk profile than the Chinese market.

If current plans for increased crush capacity materialize, the share of supplies going to exports could decline from an average 40 percent to 25 percent in a historically average growing year.

Other policies around the world could also impact Canada’s position in international canola/rapeseed markets, such as Germany’s proposed phasing-out of crop-based biofuels, which would reduce global demand for canola.

Canola Seed Trade – MY 2022/2023

Table 2: MY Year-to-Date (August to January) Exports of Canola Seed

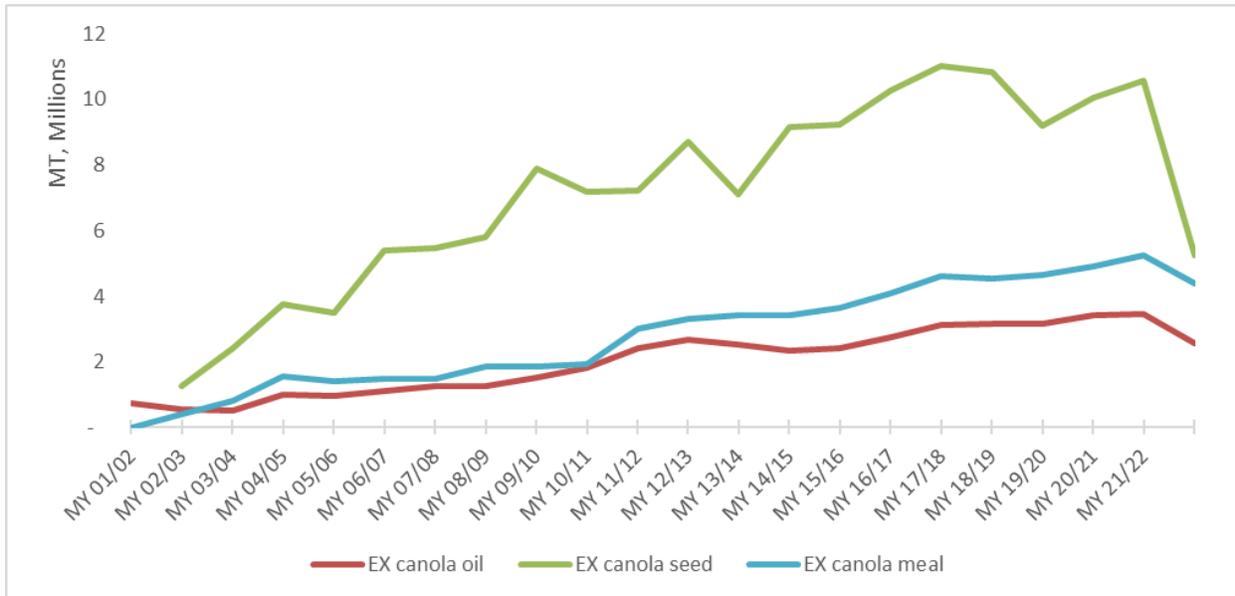
Partner Country	Tons (,000)			% Share			% Change
	20/21	21/22	22/23	20/21	21/22	22/23	21/22 to 22/23
World	6,148	3,427	4,028	100%	100%	100%	18%
China	1,449	857	1,987	24%	25%	49%	132%
Mexico	602	650	676	10%	19%	17%	4%
Japan	1,169	860	631	19%	25%	16%	-27%
Pakistan	447	64	267	7%	2%	7%	319%
France	633	359	123	10%	10%	3%	-66%
United Arab Emirates	645	307	122	10%	9%	3%	-60%
United States	176	147	95	3%	4%	2%	-35%

Source: Statistics Canada; prepared by FAS/Ottawa

MY 2022/23 canola exports to China are forecast to reach levels not seen since MY 2018/19. On May 18, 2022, the Canadian government announced that China reinstated access for Viterra and Richardson, the two companies that China Customs had suspended from exporting canola seed to China in March 2019. However, as of writing, China still has a restrictive one percent dockage requirement in place on canola imports. It is costly and time consuming to meet the restrictive dockage requirement, but attainable with the proper infrastructure.

In MY 2022/23, exports are forecast to reach 44 percent of domestic supplies and domestic crush is expected to reach 50 percent, in line with five-year ranges. In each of the past five years, 40 to 55 percent of canola seed has been crushed domestically and 39 to 48 percent has been exported in seed form.

Figure 3: Exports of Canola Seed, Oil, and Meal



Source: Statistics Canada

Canola Seed Storage Stocks – MY 2023/2024

Ending stocks are forecast to increase marginally year-over-year on higher supplies but remain significantly below the five-year average (2017 to 2021) of 2.6 million MT, due to the significant impact that the 2021 drought had on canola supplies.

Canola Seed Storage Stocks – MY 2022/2023

Closing stocks in July 2023 are forecast to be marginally lower than a year prior on strong domestic demand for processing, strong export demand, and low beginning stocks due to the 2021 drought.

Statistics Canada reports that canola stocks were up 29.3 percent year-over-year to 11.4 million MT as of December 31, 2022. The increase was attributable to an increase in on-farm stocks (+42.3 percent to 9.7 million MT), offsetting a decrease in commercial stocks (-16.8 percent to 1.6 million MT).

Soybeans, Oilseeds

Table 3: Soybean Production, Supply, and Distribution

Oilseed, Soybean	2021/22		2022/23		2023/24	
Market Begin Year	Aug-21		Aug-22		Aug-23	
Canada	USDA Official	Post	USDA Official	Post	USDA Official	Post
Area Harvested	2,080	2,080	2,118	2,118		2,140
Beginning Stocks	294	296	428	287		350
Production	6,224	6,224	6,543	6,543		6,334
MY Imports	541	541	500	450		450
Total Supply	7,059	7,061	7,471	7,280		7,134
MY Exports	4,276	4,284	4,200	4,500		4,400
Crush	1,845	1,845	1,850	1,950		1,950
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	510	645	770	480		464
Total Dom. Cons.	2,355	2,490	2,620	2,430		2,414
Ending Stocks	428	287	651	350		320
Total Distribution	7,059	7,010	7,471	7,280		7,134
Yield	2.99	2.99	3.09	3.09		2.96

(1000 HA) ,(1000 MT) ,(MT/HA)

Soybean Production – MY 2023/2024

A year-over-year increase in area planted to winter wheat in Ontario is indicative of reduced area planted to soybeans and corn combined. However, area planted to soybeans is forecast to increase in Manitoba, the second largest soybean-grown province after Ontario, for an aggregate area increase and subsequent production increase. The FAS/Ottawa forecast assumes yields to be in line with the five-year average.

Soybean Production - MY 2022/2023

National soybean production increased 2.3 percent over MY 2021/22 on increased area planted in Ontario. Farmers in Ontario, Manitoba, and Quebec planted 1.25 million hectares, 0.56 million hectares, and 0.39 million hectares, respectively. National average yields increased from 2.99 tons per hectare to 3.09 tons per hectare on record yields in Manitoba. Manitoba yields (2.89 tons per hectare in 2022) are consistently lower than yields achieved in Ontario (3.23 tons

per hectare in 2022) and Quebec (2.94 tons in 2022) but reached an average record on improved genetics and favorable conditions that were widespread across soybean-growing regions.

Soybean Consumption

Sarnia, Ontario may become the home of Canada’s first soybean processing company. In July 2022, New Protein International (NPI), Huron Commodities, and Hensall Co-operative’s Animal Nutrition Division announced a joint venture to create a clean-label soy protein for Canada’s Plant-based food and ingredients sector. NPI will build and operate a demonstration facility to test its clean label soy protein processing method called BioPur. Huron Commodities, a global provider of custom-sourced grain and seeds projects such as IP soybeans and non-GMO crops will provide soybean varieties for testing. Hensall will test and provide feedback on the ingredients’ by-products. The project received funding from [Protein Industries Canada](#).

Soybean Trade – MY 2023/2024

Export volumes are forecast to fall slightly on a contraction of exportable supplies. Imports of soybeans remain limited by soybean processing capacity and sufficient domestic oilseed supplies. Most soybean commodity volume is imported in meal form for animal feed.

Soybean Trade – MY 2022/2023

Due to increased exportable supply over the previous year, export volumes are forecast to increase.

Table 4: Soybean Exports MY Year-to-Date, ‘000 MT

Partner	08/2020 - 01/2021	08/2021 - 01/2022	08/2022 - 01/2023	08/2020 - 01/2021 % Share	08/2021 - 01/2022 % Share	08/2022 - 01/2023 % Share
World	3,464	3,305	3,561	100	100	100
China	406	392	1,285	11.7	11.9	36.1
Iran	660	403	419	19.1	12.2	11.8
Algeria	318	219	321	9.2	6.6	9.0
Italy	245	376	274	7.1	11.4	7.7
Japan	125	113	194	3.6	3.4	5.5
Indonesia	126	161	147	3.6	4.9	4.1
Netherlands	270	188	124	7.8	5.7	3.5
Spain	145	119	108	4.2	3.6	3.0
Belgium	91	108	105	2.6	3.3	2.9
Portugal	72	21	96	2.1	0.6	2.7
Egypt	33	154	96	1.0	4.7	2.7
United States	51	73	66	1.5	2.2	1.9

Source: Trade Data Monitor, LLC

Soybean Storage Stocks

MY 2023/24 ending stocks are forecast to decrease marginally on reduced supplies.

MY 2022/23 ending stocks are forecast to increase marginally on increased supplies. Statistics Canada reports that soybean stocks rose 14 percent year over year to 3.7 million MT as of December 31. On-farm stocks increased 16.1 percent to 2.2 million MT, while commercial stocks rose 11.0 percent to 1.5 million MT.

Sunflower Seed, Oilseeds

Table 5: Sunflower Seed Production, Supply, and Disposition

Oilseed, Sunflowerseed	2021/2022		2022/2023		2023/24	
Market Begin Year	Aug-21		Aug-22		Aug-23	
Canada	USDA Official	Post	USDA Official	Post	USDA Official	Post
Area Harvested	37	37	38	38		38
Beginning Stocks	44	116	43	118		120
Production	75	75	84	84		83
MY Imports	37	37	25	40		38
Total Supply	156	228	152	242		241
MY Exports	43	43	50	45		45
Crush	0	0	0	0		0
Food Use Dom. Cons.	10	9	10	9		9
Feed Waste Dom. Cons.	60	58	55	68		67
Total Dom. Cons.	70	67	65	77		76
Ending Stocks	53	118	37	120		120
Total Distribution	156	228	152	242		241
Yield	2.03	2.03	2.21	2.21		2.18

(1000 HA) ,(1000 MT) ,(MT/HA)

Sunflower Seeds – Production MY 2023/2024

Area planted to sunflower seeds in MY 2023/24 is forecast to be similar to MY 2022/23 and yields are assumed to return to average.

Sunflower Seeds – Production MY 2022/2023

Statistics Canada reports that 84,000 MT of sunflower seeds were produced in 2022, an increase of 12 percent over the previous year. However, industry contacts indicate that this estimate may be high. In Manitoba, where more than 90 percent of Canada’s sunflower area is located, industry says production could be 12 percent lower than Statistics Canada estimates due to a wet spring and difficult planting conditions in the sunflower-growing regions of the province.

Industry contacts estimate that MY 2022/23 Manitoba sunflower seed production consisted of 94 percent oilseed variety and six percent confectionary.

Sunflower Seed Trade

Sunflower seed is not a major oilseed in Canada and imports remain limited due to limited processing capacity.

Peanuts, Oilseed

Table 6: Supply and Demand of Peanuts

Oilseed, Peanuts	2021/2022		2022/2023		2023/2024	
	Market Begin Year		Oct-22		Oct-23	
Canada	USDA Official	Post	USDA Official	Post	USDA Official	Post
Area Harvested	0	0	0	0		0
Beginning Stocks	5	5	5	9		5
Production	0	0	0	0		0
MY Imports	170	170	173	190		190
Total Supply	175	175	178	199		195
MY Exports	0	0	0	0		0
Crush	0	0	0	0		0
Food Use Dom. Cons.	170	170	173	194		197
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	170	170	173	194		187
Ending Stocks	5	5	5	5		5
Total Distribution	175	175	178	199		195

(1000 HA) ,(1000 MT) ,(MT/HA)

Peanut production is less than 500 MT and limited to a handful of farms in Southern Ontario. Canada will remain a net importer of peanuts, with the United States and China being the top suppliers. Peanut production is constrained by climatic conditions, with insufficient heat limiting quality and yield potential. Imports remain steady.

OIL

Canola Oil

Table 7: Canola Oil Production, Supply, and Demand

Oil, Canola	2021/2022		2022/2023		2023/2024	
Market Begin Year	Aug-21		Aug-22		Aug-22	
Canada	USDA Official	Post	USDA Official	Post	USDA Official	Post
Crush	8,555	8,555	10,000	9,500		9,500
Extr. Rate, 999.9999	0.42	0.42	0.44	0.42		0.43
Beginning Stocks	551	103	545	74		90
Production	3,573	3,572	4,350	3,940		4,066
MY Imports	19	19	20	20		19
Total Supply	4,143	3,694	4,915	4,034		4,175
MY Exports	2,573	2,573	3,250	2,900		3,040
Industrial Dom. Cons.	325	340	340	340		340
Food Use Dom. Cons.	700	707	755	704		704
Feed Waste Dom. Cons.	-	0	0	0		0
Total Dom. Cons.	1,025	1,047	1,095	1,044		1,044
Ending Stocks	545	74	570	90		91
Total Distribution	4,143	3,694	4,915	4,034		4,175

(1000 HA) ,(1000 MT) ,(MT/HA)

Canola Oil – Production MY 2023/2024 and Beyond

In MY 2023/24, assuming the rapeseed oil extraction rate rebounds to a five-year (MY 2018/19 to MY 2022/23) average rate of 0.428, FAS Ottawa projects Canadian crushers to produce 30 percent more canola oil year-over-year from 18.3 million MT of canola.

Canola crush capacity is expected to grow from 11.3 million MT in 2022 to 17 million MT in 2025, according to a series of industry announcements. These announcements came in conjunction with several announcements for new and expanded renewable diesel plants in

Canada and the United States. Industry states that major crush capacity expansion plans are on track.

Canola Oil – Production MY 2022/2023

Low oil content in the past two years has driven oil extraction rates down to 0.418 in MY 2021/22 and 0.415 in MY 2022/23 year-to-date. These rates are well below the three-year (2018 to 2020) average of 0.436.

In nine of the last 15 years, Canada’s canola oil extraction rate has equaled or exceeded the average rapeseed oil extraction range of 0.33 to 0.44 used by USDA official. The frequency of such occurrences and continual advancements in canola seed genomics are justifications for revising at least the upper limit of the range.

Canola crush margins have experienced significant volatility since 2020. ICE Commodities, which calculates a proxy canola crush margin based on soybean oil and meal futures (there is no futures market for canola products) reported a record low crush margin in October 2021 and began breaking new record highs in November 2022. March crush margins have since moved even higher in March 2023.

Canola Oil Trade – MY 2023/2024

If current plans for increased crush capacity materialize, the share of seed processed domestically in a historically average growing year could approach 75 percent to meet growing industrial demand in the United States and Canada. In the absence of stronger market signals for renewable diesel production in Canada, the increase in crush capacity will serve foreign vegetable oil demand and will likely lead to a significant increase of canola oil exports to the United States by 2025. [Industry is calling](#) on the Canadian government for a renewable fuel incentive program similar to what the United States has in its Inflation Reduction Act.

Canadian canola growers and processors welcomed the U.S. Environmental Protection Agency’s (EPA) December 1, 2022 [determination](#) to approve Renewable Fuel Standard (RFS) pathways for certain biofuels that are produced from canola/rapeseed oil. With this action, these fuel pathways will be eligible to generate Renewable Identification Numbers (RINs), provided they satisfy the other definitional and RIN generation criteria for renewable fuel specified in the RFS regulations. In conjunction with the market signal triggered by the U.S. Inflation Reduction Act, and state-level initiatives like those in place in California and Oregon, the announcement signifies a potential increase in the exports of Canadian canola oil to U.S. renewable diesel facilities.

Separately, EPA’s [proposed RFS volume and percentage standards](#), published in December, 2022 for the years 2023, 2024, and 2024, drew disapproving comments from Canadian industry.

Canadian producer associations [stated](#) that the EPA should update its analysis behind proposed renewable volume obligations (RVOs) “to account for the approval of canola oil as a feedstock in [renewable diesel/ sustainable aviation fuel] production and the expectation that imports from Canada will occur to satisfy this growing demand.”

U.S. canola production remains limited outside of the northern plains (mainly North Dakota) by climate and soil factors. The bulk of canola oil feedstock used in U.S. renewable diesel production is likely to come from Canada.

Canola Oil Trade – MY 2022/2023

In MY 2022/23, exports of canola oil are forecast to increase on a forecast of increased crush levels, despite lower year-over-year oil extraction rates.

Table 8: Marketing Year Canola Oil Exports (August to July), ‘000, MT

Partner	08/2019 - 07/2020	08/2020 - 07/2021	08/2021 - 07/2022	08/2019 - 07/2020 % Share	08/2020 - 07/2021 % Share	08/2021 - 07/2022 % Share
World	3,429	3,448	2,573	100	100	100
United States	1,852	1,793	1,920	54.0	52.0	74.6
China	970	1,192	246	28.3	34.6	9.6
Mexico	101	160	183	3.0	4.7	7.1
South Korea	143	154	95	4.2	4.5	3.7
Chile	150	94	71	4.4	2.7	2.8
Japan	46	14	20	1.3	0.4	0.8

Source: Trade Data Monitor, LLC; Prepared by FAS/Ottawa

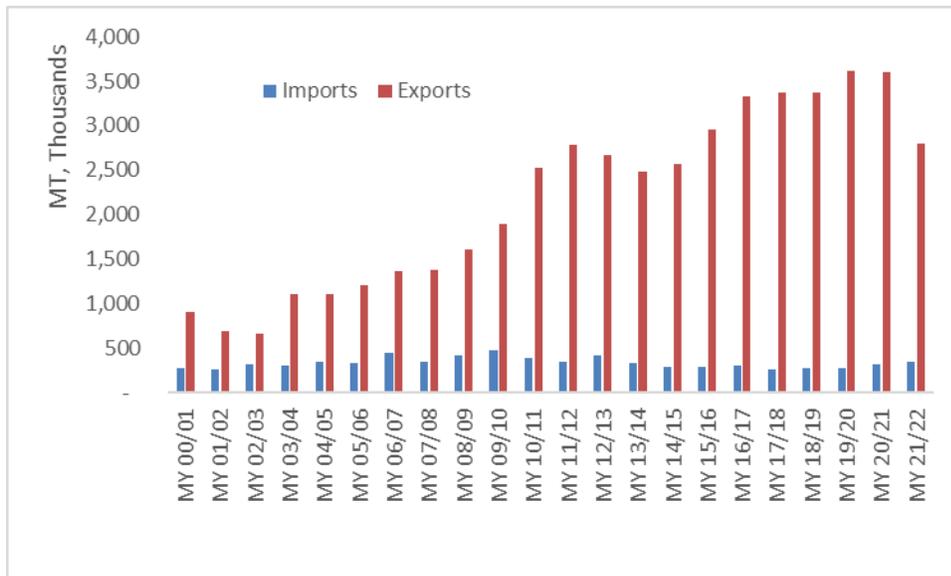
Table 9: Canola Oil Exports Year-to-Date (August to January), ‘000, MT

Partner	08/2019 - 01/2020	08/2020 - 01/2021	08/2021 - 01/2022	08/2022 - 01/2023	08/2022 - 01/2023 % Share
World	939	1,675	1,257	1,473	100
United States	472	821	956	1,154	78.3
China	49	639	102	152	10.3
Mexico	84	71	77	80	5.4
South Korea	86	72	48	48	3.3
Chile	24	42	46	15	1.0
Japan	4	11	9	12	0.9

Source: Trade Data Monitor, LLC; Prepared by FAS/Ottawa

Canada has a significant trade surplus of vegetable oil; large reductions in the oil content of canola, or volume of canola produced, can have no impact on import levels.

Figure 4: Exports and Imports of Vegetable Oil



Source: Trade Data Monitor, LLC; prepared by FAS/Ottawa

Canola Oil - Use

Market data availability related to Canada's biofuel market and other industrial uses is insufficient to accurately determine the volume of canola oil used for total industrial purposes. However, Statistics Canada data and data from Environment Climate Change Canada (ECCC) give indications of total vegetable oil used in the renewable fuel sector only.

A Statistics Canada's survey of Canadian renewable fuel plants indicates that in calendar year 2021, 338,000 MT of total vegetable oil from foreign and domestic sources was used to produce biofuel. Similarly, data submitted to ECCC under their audited, mandatory reporting program, estimates vegetable oil feedstocks at 356,000 MT. Year 2021 data is the most recent available from ECCC. In calendar year 2022, Statistics Canada's survey of renewable fuel plants indicates that 314,000 MT of total vegetable oil was used to produce biofuel.

Canadian canola oil makes up the bulk of vegetable oil used to produce biodiesel within Canada; however, Canada's biodiesel is mostly exported to the United States and the majority of biodiesel consumed in Canada is produced from used cooking oil (UCO) and imported from the United States.

There are additional industrial uses of canola oil that are not captured by the Statistics Canada survey nor in ECCC's reporting program, such as uses in the production of paints and varnishes.

Canola Oil Storage Stocks

Canola oil ending stocks differ slightly from USDA Official and are derived from a Statistics Canada survey of industry (Table: 32-10-0352-01).

SOYBEAN OIL

Table 10: Soybean Oil Production, Supply, and Distribution

Oil, Soybean	2021/2022		2022/2023		2023/2024	
Market Begin Year	Aug-21		Aug-22		Aug-23	
Canada	USDA Official	Post	USDA Official	Post	USDA Official	Post
Crush	1,845	1,845	1,850	1,950		1,950
Extr. Rate	0.190	0.189	0.18	0.189		0.187
Beginning Stocks	15	8	28	5		8
Production	343	343	338	369		364
MY Imports	63	63	45	65		65
Total Supply	421	414	411	439		437
MY Exports	153	152	150	170		170
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	240	257	240	266		259
Feed Waste Dom.	0	0	0	0		0
Total Dom. Cons.	240	257	240	261		259
Ending Stocks	28	5	21	8		8
Total Distribution	421	414	411	439		437

(1000 HA) ,(1000 MT) ,(MT/HA)

Soybean Oil – Production

Soybean oil production is constrained by limited processing capacity in Canada, which is primarily located in Eastern Canada.

Soybean Oil – Trade

Export levels are forecast to be sustained in MY 2023/24 because of a forecasted only marginal change in production and based on the assumption that the extraction rate will be in line with the five-year average.

Soybean exports are forecast to increase in MY 2022/23 on a small increase in production. Year-to-date (August 2022 to January 2023), 94 percent of soy oil exports went to the United States and three percent to the United Arab Emirates. In each of the past five marketing years, 94 to 99 percent of exports were sold to the United States.

Soybean imports remain low because Canada is a large canola seed producer and processor, and a net exporter of vegetable oil.

Though not a direct soybean oil import, the share of imported U.S. renewable fuel produced from U.S. soybean oil (UCO) is falling. Data from British Columbia’s mandatory reporting program, published in the most recent [Renewable and Low Carbon Fuel Requirements Summary](#), indicates that in 2021 fuel suppliers supplied 288.9 million liters of renewable fuel produced from UCO, verses 172.7 million liters of fuel produced from vegetable oil.

Soybean Oil Storage Stocks

Soybean oil ending stocks differ from USDA Official and are derived from a Statistics Canada survey of industry (Table: 32-10-0352-01).

Sunflower Seed Oil

Table 11: Sunflower Seed Oil Production, Supply, and Distribution

Oil, Sunflowerseed	2021/22		2022/23		2023/24	
Market Begin Year	Aug-21		Aug-22		Aug-23	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	0	0	0	0		0
Extr. Rate	0	0	0	0		0
Beginning Stocks	5	5	5	5		5
Production	0	0	0	0		0
MY Imports	55	55	55	55		55
Total Supply	60	60	60	60		60
MY Exports	2	1	2	1		1
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	53	54	53	54		54
Feed Waste Dom. Cons.	0		0			
Total Dom. Cons.	53	54	53	54		54
Ending Stocks	5	5	5	5		5
Total Distribution	60	60	60	60		60

(1000 HA) ,(1000 MT) ,(MT/HA)

Sunflower Seed Oil – Production

Sunflower seed processing remains very limited in Canada. FAS/Ottawa anticipates that sunflower seeds grown for oil in Manitoba will continue to be exported to North Dakota for crushing.

Sunflower Seed Oil Imports – MY 2022/2023

Looking ahead to MY 2022/23, the share of sunflower seed oil imports from the United States is projected to increase, following Russia’s invasion of Ukraine.

Sunflower Seed Oil Imports – MY 2022/2023

Year-to-date (August 2022 to January 2023), the share of imports from Ukraine is 27 percent. Since MY 2020/21, Canada has imported a higher share of sunflower oil imports from Ukraine than it has historically, though that share has been slowly declining from year to year as the war in Ukraine continues and the Black Sea ports remain affected.

In MY 2020/2021, the share of sunflower oil imported from the United States fell from a five-year average of 77 percent to 47 percent. The shift in market share was due to record sunflower seed production in Ukraine in MY 2019/20, which resulted in low sunflower oil prices in spring 2020 and a subsequent increase in Canadian buying, according to FAS/Kyiv in spring 2021. Canada’s market share of sunflower seed oil imported from Ukraine increased to 38 percent in MY 2020/21, up from a five-year average (MY 2015/16 to MY 2019/20) of six percent. In MY 2021/22, 34 percent of Canada’s sunflower seed oil imports came from Ukraine.

OILSEEDS MEAL

Table 12: Soymeal equivalent (SME) protein consumption, 1,000 MT

Protein Meal	2019/20	2020/21	2021/22	2022/23(f)	2023/24(f)
Meal, Soybean	2,163	2,170	2,332	2,457	2,459
Meal, Rapeseed	737	623	646	696	677
Soybean (full fat)	823	858	645	480	464
Sunflowerseed (full fat)	40	65	65	68	67
Total in SME	3,367	3,333	3,341	3,372	3,347

Source: Statistics Canada; FAS Ottawa

Marketing year: Aug/ July

f = forecast

Canola Meal

Table 13: Canola Meal Production, Supply, and Distribution

Meal, Canola	2021/22		2022/23		2023/24	
Market Begin Year	Aug-21		Aug-22		Aug-23	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	8,555	8,555	10,000	9,500		9,500
Extr. Rate	0.60	0.5952	0.56	0.5950		0.5755
Beginning Stocks	125	94	183	153		120
Production	5,092	5,092	5,600	5,653		5,467
MY Imports	11	11	8	10		10
Total Supply	5,228	5,197	5,791	5,816		5,597
MY Exports	4,395	4,398	4,950	5,000		4,800
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	650	646	680	696		677
Total Dom. Cons.	650	646	680	696		677
Ending Stocks	183	153	161	120		120
Total Distribution	5,228	5,197	5,791	5,816		5,597

(1000 MT) ,(PERCENT)

Canola Meal – Production

In MY 2023/24, canola meal production is forecast to decrease on the assumption that the meal extraction rate will fall back in line with the five-year average. High canola oil prices may continue to lift margins in the near term but, if Canada overproduces canola meal and does not grow its domestic/export market, margins will decline. Canada (similar to the soybean sector in the United States) is constrained by assumptions in the growth of meal markets and Canada’s international market share as well as how high canola oil prices can get before capital investments in RD plants are not as profitable.

In MY 2022/23, canola meal production is up on increased domestic seed production and higher crush levels.

Canola Meal Use

The forecast for increased domestic canola seed processing in Canada by 2025 means that significantly more canola meal will be produced. Uses of canola meal outside of feed are limited due to its fiber and relatively low nutritional content, compared to soy meal and other alternatives. Therefore, the expected increase in production has prompted interest in ways to

utilize canola differently, diversify exports into markets where animal feed is growing (e.g., IndoChina), and increase meal’s nutritional and economic value.

The following are examples of research that is being conducted to increase meal’s value and prop up margins:

- AGT Foods, Federated Cooperatives Limited (FCL), and Ulivit are investigating [novel methods for protein separation](#) to create a protein concentrate (greater than 60 percent protein) from canola meal. If successful, this canola protein concentrate could serve the aquafeed industry and plant-based human and pet food industries. The project is funded by Protein Industries Canada.
- Corteva Agriscience, Bunge, Botaneco, and Protein Industries Canada have been investigating [new canola seed traits](#) that maintain the valuable oil content in the plant while increasing the protein content in meal to produce high-value meal for livestock.

Effective in April 2023, the Canadian government will prohibit the domestic use of insecticide ingredient lambda-cyhalothrin on all grains and oilseeds destined for animal feed channels.

The Canadian government has prohibited the domestic use of insecticide lambda-cyhalothrin on all grains and oilseeds destined for animal feed (effective April 2023), which also restricts the domestic feed use of cereal and oilseed products such as soybean meal, canola meal, and dried distillers’ grain (DDGs), if treated with lambda-cyhalothrin. Further, anyone delivering grain to a grain handling facility in Canada must attest that all grains supplied, “have only been treated with crop protection products and/or with active ingredients registered for use in Canada, in accordance with Canadian label directions.” This decision may affect feed market dynamics. See the PMRA’s [re-decision document](#) for further details.

Canola Meal Exports

Table 14: Canola Meal Exports

Partner	08/2019 - 07/2020	08/2020 - 07/2021	08/2021 - 07/2022	08/2019 - 07/2020 % Share	08/2020 - 07/2021 % Share	08/2021 - 07/2022 % Share
World	4,904	5,261	4,398	100	100	100
United States	3,466	3,581	2,920	70.7	68.1	66.4
China	1,417	1,577	1,469	28.9	30.0	33.4
Mexico	9	21	8	0.2	0.4	0.2

Source: Trade Data Monitor, LLC

Canola Meal Imports

Canola meal imports remain low, comprising less than a percent of total use. Ontario imports meal from the United States, and Quebec imports meal from India. Meal from India has a lower unit value, averaging USD 178.37 per MT in MY 2021/22 versus a unit value of USD 273.77 for meal imported from the United States.

Soymeal

Table 15: Soymeal Production, Supply, and Distribution

Meal, Soybean	2021/2022		2022/2023		2023/2024	
Market Begin Year	Aug-21		Aug-22		Aug-23	
Canada	USDA Official	Post	USDA Official	Post	USDA Official	Post
Crush	1,845	1,845	1,850	1,950		1,950
Extr. Rate	0.78	0.7700	0.7800	0.7768		0.7763
Beginning Stocks	136	20	135	37		40
Production	1,429	1,429	1,435	1,515		1,514
MY Imports	1,326	1,326	1,300	1,350		1,350
Total Supply	2,891	2,775	2,870	2,902		2,904
MY Exports	406	406	350	405		405
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	2,350	2,332	2,385	2,457		2,459
Total Dom. Cons.	2,350	2,332	2,385	2,457		2,459
Ending Stocks	135	37	135	40		40
Total Distribution	2,891	2,775	2,870	2,902		2,904

(1000 HA) ,(1000 MT) ,(MT/HA)

Soymeal Production

Soybean processing in MY 2023/24 is forecast to remain steady but high on strong crush margins and robust demand for vegetable oils. Similar factors are driving up the MY 2022/23 soymeal production forecast. Soymeal production is constrained by domestic soybean supply and limited crush capacity, located primarily in eastern Canada.

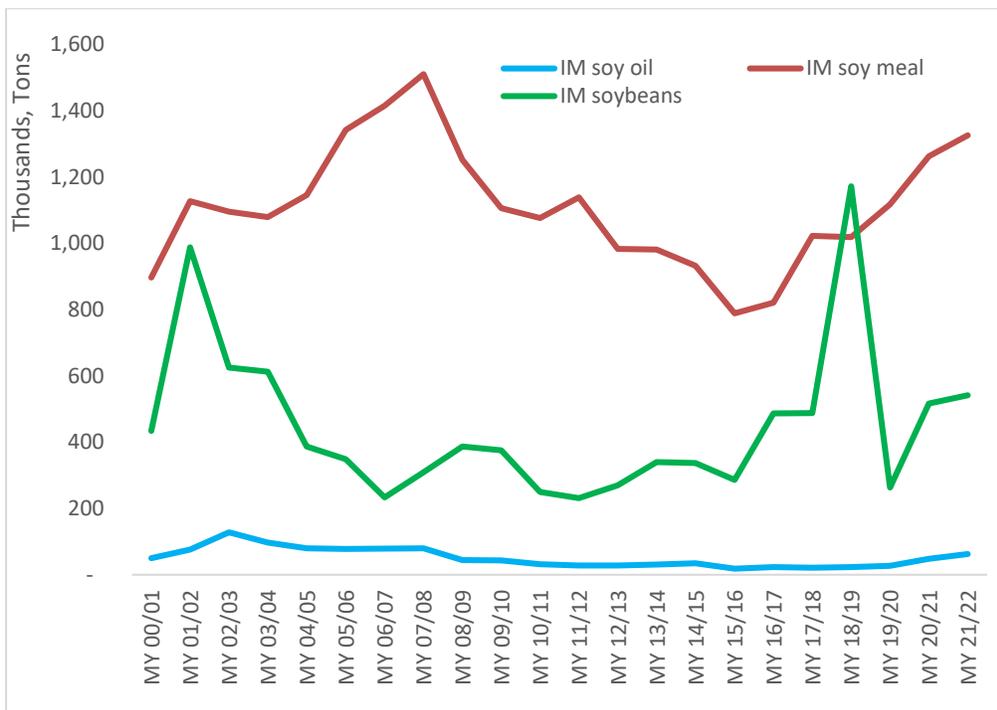
Soymeal Domestic Use

Soymeal use is forecast to remain steady in MY 2023/24 but may ease as shortages of dry lysine caused by supply chain issues are resolving. Lysine is fed to livestock and typically sourced from China.

Soymeal Trade

With little capacity for soybean processing in Canada, import volume of soybean meal continue to exceed that of soybean seeds Soybean meal is sourced primarily from the United States, and India.

Figure 5: Imports of Soybeans and Soybean Products



Source: Trade Data Monitor LLC; Prepared by FAS/Ottawa

TRANSPORTATION

Major Expiring Transportation Industry Expiring Agreements

In early March, two unions currently in contract talks with CN Rail voted in favor of strike action.

Unifor Local 100 and Unifor Council 4000 have voted 98 per cent and 97 per cent in favor of a work stoppage after contract talks with the railway broke down last month.

Deals with the unions, which represent 3,000 workers in mechanical, intermodal, and clerical positions across the country, expired at last year's end. Unifor says it had five bargaining sessions with CN since Oct. 2022.

The two sides are reportedly scheduled to return to the bargaining table in Montreal on March 13 hoping to get a new deal which would prevent a possible walkout. The earliest workers could walk off the job is March 21. CN says it does not expect any labor action to impact its operations.

Three other major labor agreements expire on March 31st, potentially impacting 7,780 employees at the Port of Vancouver and 225 employees in the St Lawrence Seaway in Quebec.

Attachments:

No Attachments