

A World market survey on rapeseed prospects

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I am glad to have the opportunity at this rapeseed meeting to give my contribution to all the many predictions about future prospects for rapeseed worldwide.

First of all, I would like to give you a quick picture of the organization I am representing. The Agricultural Council of Denmark is a farmer owned and farmer controlled organization. Our objective is to act as an umbrella organization virtually covering all farming interests in Denmark.

I am here to give a general world market survey on rapeseed prospects. I have decided to divide the subject in two parts. Firstly, the development and trends on the world market for oilseeds and secondly the very important changes in agricultural policies worldwide which affect the oilseeds market.

Markets

The world production of oilseeds sums up to 225 million tons. Within the last 5 years, the production has increased by 11%. The increase is primarily caused by an increase in the soybean production.

A) World production of oilseeds

More than 50% of the world production of oilseeds is covered by soybeans with the United States as the major producer.

Rapeseed is becoming more and more important and is now the third most important oilseed after soybeans and cottonseed. Rapeseed production amounts to 12% of the world production of oilseeds.

Production and acreage

Now let us concentrate on rapeseed. The world production has been increasing steadily with a temporary drop in the 1992/93 marketing year. The reason for this drop was bad weather conditions in major production areas. The Danish production was reduced by half last year.

B) World production of rapeseed

The major rapeseed producing areas are China, India, Canada and the European Community. Together these countries produce 89% of the world production. Looking at the trends, all these countries can expect a further growth in production, although the development within the EC will be highly dependent on political restrictions on the production.

Out of a total of 20 million hectares with rapeseed worldwide, China and India cover 63%.

C) World rapeseed acreage

In the 1991/92 marketing year, acreages were 2 million hectares up due to increasing acreages in all major producing countries. In Canada, the increase was as much as 24%.

In 1992/93, there was no change in acreages, but a fall in production.

The yield has been fairly stable between 1,3 and 1,4 tons/ha. China, India and Canada were below this average and the EC is very much above with an average of 2,6 to 3,0 tons/ha.

International Trade

The international trade in rapeseed products is divided into three groups: the seeds, the protein meal and the rapeseed oil.

Only about 15% of rapeseed production is traded as seeds. The rest is crushed. Out of a yearly production of 15 million tons, about 18% of rapeseed protein meals are traded internationally.

The world production of rapeseed oil amounts to 9 million tons, of which 2 million tons are traded on international markets.

Soybeans and soybean products are still the most important oilseed on the world market, but rapeseed, especially in the vegetable oil sector, seems to gain ground slowly, but steadily. This is a development which has to be seen in connection with the changing consumption patterns.

Consumption

The future development in consumption is always a very interesting and important subject. For rapeseed, the future looks good as proved by many surveys.

D) World consumption of vegetable oils

Until now, there has been a steadily growing consumption of vegetable oils.

Soybean oil is the most important single vegetable oil, followed by palm oil, sunflower oil and rapeseed oil. The consumption of rapeseed oil has however risen by 18% within 5 years.

The per capita demand for oils and fats has been growing for some years and is expected to grow further in the coming years. In the mid-eighties, the per capita consumption was 10 kg. The present consumption is close to 12 kg and around the year 2000, it is expected to reach 13 kg. Since the world population is growing too, the future is looking bright and prosperous.

The total demand for oils and fats is expected to increase by 30% in the 90's. This means a yearly increase in production by 2,3 million tons. Most of the increase in demand will probably be covered by palm oil, but a fair share of the increasing consumption will be to the benefit of rapeseed oil.

To give an example, in the home-country of soybean, we have seen an increase in the consumption of rapeseed oil from 75.000 tons in 1986/87 to 355.000 tons in 1991/92.

The growing interest for rapeseed oil is caused to a large extent by the recent results obtained by research and development in the dietary fields. At the First International Symposium on Rapeseed Oil in Human Nutrition held in Stockholm last year, it was concluded that rapeseed oil had one of the best compositions from a human nutritional point of view.

Until now, rapeseed oil has been neglected in many ways as a vegetable oil for human consumption. But at the moment, we see consumers' tests, including flavour tests, coming out in favour of rapeseed oil.

So, already, we have all the right arguments to use more rapeseed oil. The rest is up to marketing.

Even in the industrial sector, the future for rapeseed oil looks good. In many European countries, rapeseed has become important in the production of energy, to be specific, in the production of diesel. From an environmental point of view, rapeseed is in a good position in the future energy production, since it is biodegradable.

However, tax- and energy-policies will set limits to its use.

Until now, I have not mentioned prospects for the protein meal sector. First of all, you have to admit that the protein part is of minor importance, since the oil part will be the most valuable. Protein meal is the by-product. Secondly, the demand in the protein meal sector depends on the quality of the product, as well as on the price- and quality policies around the world.

Rapeseed meal can already replace soybean meal to some extent in compound feedingstuffs. The reason for this is that at least in Europe, the almost 100% use of 00-varieties has given very good results in the animal feed sector.

Quality and prices

In my opinion, the quality aspect is of major importance for the future. There is still a lot to be gained by research and development. To compare with the soybean-sector, where substantial efforts have been made by research and development for many years, the rapeseed sector has had lower priority until now in that context.

There is a general trend towards the use of 00-low or even 000-low rapeseed varieties, which makes the product more valuable to the farmer and the industry.

The dietary discoveries make it even more profitable to proceed with a committed quality policy.

A higher quality makes it reasonable to expect higher prices. Since the oil part will be the important one for rapeseed and a growing demand is expected in this field, there will be an uptrend in prices. The development towards more free trade in the GATT-negotiations supports and underlines this trend.

Future Prospects

From a market orientated point of view, the future prospects for rapeseed look very positive. The growing demand for oils and fats combined with the quality, dietary and environmental issues puts rapeseed in a very advantageous position, and it is only fair to believe that rapeseed can play a dominant role in the future.

Politics

The markets are however influenced or controlled to a great extent by different agricultural policies. Therefore, the political issues have to be examined closely in order to give a more precise picture of future prospects for rapeseed.

Influence

Nobody really doubts the influence of political initiatives. Just to refer to two of the most common objectives in agricultural policy, I will mention the wish for self-sufficiency and the need to secure farmers' income. It is obvious that these objectives and others can lead to barriers to trade, distortion of competition and unrealistic supply and demand situations.

It is important to be aware of these circumstances in our evaluation of future prospects.

GATT

Within the frame of GATT (General Agreement on Tariffs and Trade), one of the objectives for many years has been to liberalize world trade. Until now, the GATT-negotiations have not dealt with agricultural trade.

In the present negotiation round, called the Uruguay round, agricultural trade is however one out of 15 items on the agenda. The negotiations were to be ended by 1990, but different obstacles occurred. Right now many people hope and expect the negotiations to be finalized by the end of 1993.

The agricultural negotiations deal with three major items :

- internal support,
- market access and
- export subsidies;

A GATT-agreement will have major influence on the future world market trade and the production structures. A more liberal world trade will probably result in higher world market prices. The reduction of barriers to trade could change the production patterns. Production will be even more influenced by the comparative advantages.

This leads many countries to change their agricultural policies. The general picture is that national policies are being changed towards a policy based on some kind of world market price combined with an income support to the farmer. This is to simplify the present policy in the US, and the reform of the common agricultural policy in the EC is another example of this.

Reform of the CAP

In 1992, the EC decided to reform the CAP. The reason for this was partly the signals in the GATT- negotiations, partly due to budgetary

problems within the EC.

One of the major objectives of the reform is to reduce production. In the arable sector, this is done by an almost compulsory set-aside of land.

The reform reduces prices, and as a compensation to the farmers hectare premiums are applied to the arable sector. The granting of the hectare premiums is however under the condition that the farmer participates in a set-aside scheme. The set-aside percentage is 15%.

In general, the reform will reduce production and acreages in the arable sector. The drastic price cuts is furthermore expected to reduce productivity. The grain sector (cereals, oilseeds and protein crops) is seen as a whole. Therefore, the rapeseed sector will experience the same effects.

Actually, a similar system as introduced in the reform was applied to the oilseed sector last year, that is to say in the 1992/93 marketing year. The first results of this change in the support system has been a falling acreage and production in the EC.

The change of support system in the oilseed sector was however first of all a consequence of the so-called soya-panel case.

Soya-panel

The soya-panel is the name of an old trade dispute between the United-States and the EC. The panel concerns the free trade of oilseeds. The US complained within the frame of GATT, that the EC support system for oilseeds was a barrier to the old free trade agreement on oilseeds between US and EC.

The EC changed the support system to the just described system, but had to accept specific restrictions on the oilseed production too.

The soya-panel was settled in the Blair House agreement between US and EC in November last year. The special oilseed agreement was ratified by the EC just last week and is now to be implemented as from the 1994-harvest.

The oilseed agreement sets a ceiling for the oilseed acreage at 5,128 million ha within the EC. The ceiling is set below the average of the last three marketing years, which is close to 5,5 million ha. If the total oilseed acreage rises above the ceiling, there will be a reduction in the specific hectare premium.

It is believed that this system will be effective. This means that the future expansion in the rapeseed sector measured in production and acreage probably will not take place within the EC.

New structures

The changes in politics make new structures in production. The best example of this is the just mentioned soya-panel case. The reform of national policies all over the world will to some extent have the same effects. The ending of the GATT-negotiations will on the one hand give opportunities, and on the other set restrictions to the future production.

The international trade will increase, but it is important to realize that total liberalization of trade is without reach at the present time. Different agricultural policies will make sure of that. I just simply cannot imagine politicians accepting agricultural production without some kind of control.

It is difficult to predict where the future rapeseed production will take place. Due to political regulations, the future prospects for rapeseed will be different in various parts of the

world. I expect however China, India, Canada and the EC still to be major producers. However, the EC can expect a falling interest for growing oilseeds, including rapeseed, while in most other parts of the world, oilseeds in general and rapeseed in particular will become more interesting. I specifically see the Eastern European countries and the US as growing areas for rapeseed.

Summary and Conclusion

The trade and production of oilseeds will increase because of the liberalization of trade and the growing demand. This trend will be strong especially for rapeseed.

High quality products with a strong environmental or health attitude are future market successes. I believe rapeseed to be one of them.

World rapeseed acreage (Mio. ha)			
	1990/91	1991/92	1992/93
EC-12	2,2	2,3	2,1
Canada	2,4	3,3	3,2
China	5,6	6,3	6,2
India	5,8	6,3	6,5
Others	2,3	2,4	2,2
Sum	18,3	20,6	20,2

World production of rapeseed (Mio. tons)			
	1990/91	1991/92	1992/93
EC-12	7	7,5	6,6
Canada	3,4	4,2	3,2
China	6,5	7,9	8,2
India	5,1	5,4	5,5
Others	3,3	3,3	3
Sum	25,3	28,3	26,5

World production of oilseeds (Mio. tons)					
	1988/89	1989/90	1990/91	1991/92	1992/93
Rapeseed	25	20,1	24,6	26,8	29,2
Soyabean	95,1	109,9	105,5	106,3	113,1
Others	81,5	82,3	85,8	90,7	82,4
Sum	201,6	212,3	215,9	223,8	224,7

World consumption of vegetable oils (Mio. tons)					
	1988/89	1989/90	1990/91	1991/92	1992/93
Rapeseed	7	7,1	7,3	7,5	7,4
Soyabean	15,1	15,9	15,9	15,9	16,3
Others	31,4	33,5	35,6	36,8	37,6
Sum	53,5	56,5	58,8	60,2	61,3