

Factors Affecting Future Rapeseed Markets

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Background

Considerable change has already occurred in markets for oilseed rape. These include the change from low erucic acid ('0') which took place in the late 1970's to low erucic acid /low glucosinolate rapeseed which occurred in the 1980's.

Additionally changes in aid payments in EU in particular have been substantial. During the 1970's and 1980's aid was paid to EU crushers and they in turn paid a competitive price (relative to soyabean) to producers for rapeseed. The introduction of Maximum Guaranteed Quantity (MRQ) and Maximum Guaranteed Area (MGA) payments were introduced later as budgetary control measures within EU. Other states outwith EU paid various incentives or subsidies to growers to produce, transport or export rapeseed.

During the early 1990's a decision by GATT (General Agreement on Tariffs and Trade) caused the introduction of a Transitional Oilseeds Scheme within EU and that became subsumed by the EC/US Oilseeds Agreement and that in turn became part of the agreements accepted under the Uruguay Round of GATT.

The Uruguay Round covered many aspects of world trade, including agriculture, but was the first major step in deregulation of world trade and the easing of restrictions distorting markets. Undoubtedly this process of deregulation will continue.

The Singapore Round of World Trade Organisation (WTO)

WTO has succeeded GATT. The Singapore Round is due to commence during 1999 and conclude during 2002. It seems unlikely that all

trade restrictions will be removed by agreements reached under this Round. Moreover, experience in previous Rounds suggests that the planned date for agreement may be optimistic. Nevertheless, there is every indication that primary agricultural commodities will move nearer to unsupported World market prices. That move will focus primary producer's concerns on unit cost of production for their produce and could lead to changes in structure of farms at local and national level and, perhaps, concentration of individual crop species in most favourable geographical production areas. Even so, commodity prices are likely to become more volatile than they have been in the past.

Despite the likely removal of aid from commodities per se there is likely to be a need to invest in rural economies if they are to remain viable; approaches will vary according to trading group (eg. EU) or individual state. For budgetary reasons aid to individual growers may be limited.

Revision of Overall Budgets in European Union

It has been announced that the overall EU budget will be reviewed during 1999. Whilst no firm proposals have yet been tabled, agreement seems to have been reached in a Madrid Summit that agricultural support cannot continue under current arrangements. Moreover anecdote suggests that the proportion of EU budget allocated to agriculture will change, probably decreasing.

EC/US Oilseeds Agreement

This agreement was reached in 1992, before the accession of Austria, Finland and Sweden to EU.

It affects the oilseeds, oilseed rape, sunflower and soyabean and had 2 components :

- * the limiting of production area, including associated set-aside to 5,128 million hectares. This figure was extended with the accession of Austria, Finland and Sweden to EU and would presumably be extended further when other states accede to EU-15.

Production in excess of the Area Limit has hitherto been penalised by cuts in area aid payments.

- * the limiting of oilseeds for non-food use on set-aside land by restricting meal production (i.e. residual meal used for livestock feeding once oil has been removed) to 1 million tonnes soya meal equivalent. This limit is currently not negotiable.

Clearly both components impinge to a greater or lesser extent upon EU oilseeds production and constrain the development of bio-renewable products for industry. It would seem logical for this agreement to be revisited as further progress to free-trade is made.

Extension of European Union (EU)

Currently it appears likely that EU will extend by at least 5 new states and possibly 8 by the year 2010. States involved include :

Poland
Hungary
Czech Republic
Slovak Republic
Slovenia
The Baltic States - Latvia,
Estonia
Lithuania

The effect of the Baltic States on oilseeds markets will be small but Poland in particular of other accessing states may have an effect as a major oilseeds producer. Against any exports from Poland into other EU States must be balanced increases in domestic Polish consumption of vegetable oils, which would be expected as the Polish economy

develops further. It is anticipated that by the year 2000 the yield of rapeseed will be in the order of 2,3 to 2,5 t/ha and will therefore be comparable with unit area production in existing EU 15. The impact of Polish production will therefore be a function of area and home consumption ; in the author's view an exportable surplus seems likely.

Biotechnology

The botanical family *Brassicaceae* offers one of the easier opportunities for genetic modification using novel technologies. Hence a number of different transformations in rapeseed will be developed.

These will include :

- * Agronomic improvements eg herbicide tolerance.
- * Physiological improvements eg reduced pod shatter ; stress tolerance ; male sterility.
- * Novel quality characteristics eg lauric acid.

Whilst much remains to be done in terms of introduction to practical agriculture of genetically transformed plants, there is every indication that they will allow reductions in unit cost of production and diversification in rapeseed markets.

Rapeseed in the World Market

Evidence suggests that rapeseed will remain the third most important oilseed in terms of world production although there may be changes in order of importance of the 2 «larger» oilseeds, namely palm oil and soyabean oil.

Conclusion

Rapeseed will continue as a major oilseed crop but prices per tonne on world markets will fall in real terms post-2000 AD. Technological developments will extend the area of rapeseed grown and provide potentially significant contributions to sustainability.