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## Canadian Supply and Demand of Canola Oil and Meal

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The processing industry in Canada continues to operate in an environment of ample seed supplies, growing U.S.A.-demand for canola oil and highly competitive international markets for oil and meal. Export Enhancement Program sales of soyoil from the U.S.A., production subsidies in the E.E.C. and China's willingness to sell soymeal cheaply into several Pacific Rim countries has kept crush margins and profits down from their fundamental potential levels.

However, the demand strength for canola oil and canola meal seen in the U.S.A. and Pacific Rim countries has enabled the Canadian processing industry to maintain its crush of seed at, or above, the levels seen in recent years. The Canadian crush for the 1987-88 crop year set a new record at just over 1,6 million tonnes.

The domestic market in Canada for canola oil and meal has also shown consistent strength enabling the Canadian processor to market in Canada but at one-half of their collective total production each year.

Canadian Supply-Demand of Canola Oil and Meal (000 Tonnes)

	3 year average 1984-86	1986-87	1987-88	Forecast 1988
<b>OIL:</b>				
total production	507,8	633,2	653,7	655,0
domestic use	285,8	319,5	335,3	340,0
exports	225,2	305,6	336,5	315,0
<b>MEAL:</b>				
total production	734,4	891,5	917,4	920,0
domestic use	410,8	454,2	390,5	420,0
exports	319,5	444,2	502,3	500,0

Expansion of the Canadian domestic market for canola meal is not as rapid, or encouraging, as we feel it should, or could, be. In Canada, livestock and poultry producers still recall the days of poor animal performance when fed rapeseed meal. Visually, nothing has changed to convince the livestock and poultry producer otherwise. Chemically and nutritionally, we are well aware of

the improvements made to canola meal. The industry is entering its fourth year at making an effort to change this situation at the producer level. Technical programs, advertising, participating in trade shows and specifically targetted publications are being exploited through the office of a qualified nutritionist employed by the Canola Crushers of Western Canada.

Canola oil utilization in Canada continues to steadily expand:

**Canadian Production of Deodorized Canola Oil (000 Tonnes)**

	3 year average 1984-85	1987	Forecast 1988
Use in salad oils	151,1 (77,1%)	191,6 (81,6%)	187,9 (83,6%)
Use in shortening oils	81,8 (47,2%)	101,1 (52,1%)	118,6 (57,8%)
Use in margarine oils	52,9 (38,6%)	53,2 (38,7%)	59,4 (41,8%)
<b>TOTAL</b>	<b>285,8 (56,5%)</b>	<b>345,8 (61,1%)</b>	<b>366,1 (64,0%)</b>

The figures forecast for 1988 are actual market share percentage to the end of the first seven months of 1988. The volumes shown are simply linear extrapolations to year end.

The reasons behind the continued growth for canola oil's share of the Canadian market can only be explained speculatively. No doubt, price competitiveness is a major factor. However, the grow-

ing awareness by dietitians, food manufacturers and, to a lesser extent, consumers of canola oil's nutritional properties should be considered as a likely explanation for the growth of canola oil's penetration into the shortening and frying oil markets.

Internationally, demand for canola oil and canola meal continues to be centered around the U.S.A. and the Pacific Rim countries.

**Canadian Exports of Canola Meal (000 Tonnes)**

	3 year average 1984-86	1987	1987-88	Forecast 1988
United States	121,9	211,9	203,5	210,0
Japan	54,7	140,4	194,6	180,0
Indonesia	39,8	41,4	22,0	25,0
South Korea	37,3	22,5	8,6	20,0
Taiwan	12,0	16,2	16,7	20,0
Norway	28,3	42,4	28,5	25,0
Others	25,5	23,5	28,4	20,0
<b>TOTAL</b>	<b>319,5</b>	<b>498,3</b>	<b>502,3</b>	<b>500,0</b>

The dominance of the U.S.A. and Japan markets for canola meal becomes clear by studying the export figures for recent years. U.S.A. demand, although still somewhat centered in the Pacific Northwest States (PNW), is spreading across the continent. In 1985, 84% of the canola meal sales to

the USA were destined into the P.N.W. Currently, about 50% of the canola meal sales into the USA enter into the P.N.W.

The U.S.A. market has been the success story in terms of canola oil exports.

## Canadian Exports of Canola Oil (000 Tonnes)

	3 year average 1984-86	1987	1987-88	Forecast 1988
United States	24,1	77,0	104,4	110,0
India	115,3	42,9	112,6	110,0
Pakistan	1,7	26,1	8,1	10,0
Indonesia	0,1	11,2	41,6	40,0
Hong Kong	18,3	13,6	6,4	5,0
China	1,9	13,3	17,3	5,0
Japan	8,2	13,5	15,9	5,0
Others	55,6	66,9	30,2	30,0
<b>TOTAL</b>	<b>225,2</b>	<b>264,5</b>	<b>336,5</b>	<b>315,0</b>

Just as the U.S.A. market is encouraging, the Indian market is disappointing. India was developed into a commercial market of significance in the late 70's and early 80's. Now, the vast majority of Canadian canola oil sales to India are through government aid and the Canadian International Development Agency. Perhaps more than anywhere else, the Indian market is where Canada has felt the full impact of EEC oil overtaking our niche in a market.

The future for canola oil exports currently appears to lie in the U.S.A., with some additional demand from Pacific Rim and Asian countries. In time, our list of oil customers may well come to resemble our list of meal customers - a list more or less confined to the USA and the Pacific Rim.