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Global canola opportunities in the sustainable-fuel future

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While recent favourable growing conditions have seen prices decline considerably from last year's highs, the outlook is still golden for canola. Government initiatives in the northern hemisphere to curb emissions have already and will further fundamentally change the global canola market outlook through to 2030.

Demand for, and pricing of, canola will depend on several factors, including; how much Canadian canola exports drop once planned crush capacity additions come online, how quickly the EU phases out palm oil as a feedstock for biodiesel in favour of other inputs like canola oil before its 2030 deadline, demand from Sustainable Aviation Fuel (SAF), and how much global production of canola and other oilseeds grows.

The strong current and expected renewable diesel and biodiesel growth in the US and Canada is creating significant demand for Canadian canola, and is expected to substantially curb its exports, supporting global prices. Canada is the world's largest canola exporter, on average producing roughly 20 million tonnes of canola, with 10 million tonnes heading to the export market and 10 million tonnes remaining for the domestic crushing sector. Just over 4 million tonnes of new canola crush capacity is in the pipeline for completion in Canada by early 2024. An extra 4 million tonnes of crush capacity means that Canada's ability to export could fall by up to 40% from 2024 onwards – equivalent to the expected average production of the entire Australian canola crop by 2030.

In Europe, while total demand in the biodiesel sector overall is not expected to grow moving into 2030, its use of particular biodiesel feedstocks is, including canola and used cooking oils. The EU is on track to phase out the majority of palm oil use by 2030 as part of the European renewable energy directive and green deal. The faster palm oil is phased out, the more biodiesel market share and volume canola can capture before total biodiesel feedstock volumes declines due to electric car adoption. However, canola will have to compete with other feedstocks for use in biodiesel, particularly used cooking oil. Each biodiesel feedstock has an associated emission value. Since canola comes from regions where deforestation is limited, its emission value is relatively low, however, used cooking oil has an even smaller emission value. The German environmental minister is currently looking to eventually replace vegetable oils from food crops in favour of feedstocks from non-food crops and other waste sources. Currently, the availability of waste feedstock in Europe and north America is constrained, and more will have to be procured from Asia, where the local sector will also need it for its own biofuel industry in coming years to meet emission targets.

There is also expected to be considerable growth in demand from SAF and in the sea freight sector as new regulations come into place. For now, the cost of manufacturing SAF is considerably above fossil fuel and hence government support will be required to assist the industry move forward.

The future for canola is bright, but we will have to keep a close eye on changing regulations, especially from Europe.