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Market Prospects for Rapeseed—1972-73

by R. J. Guyton

Rural Economist, Rural Economics and Marketing Section

Arlo rapeseed, one of the main varieties grown in W.A. in 1971, (twice life size).

Interest in rapeseed as an alternative crop in the agricultural region of Western Australia was reflected in the area sown in 1971, some 70,000 acres, and an initial export contract of 10,000 tons made in January 1972.

This market report draws upon information released by the Department of Primary Industry and Department of Trade and Industry (both located in Canberra) and research within the Department of Agriculture. Its purpose is to outline future prospects for rapeseed as an aid to decision making for the 1972 season.

Current Australian situation 1970–1972

From an assessment of demand and supply of oilseeds in Australia, made in August 1971, it was anticipated that there would be an exportable surplus of 55,700 tons above domestic requirements during 1970/71. Most of the seed for export was made up of rapeseed and sunflowerseed. The exportable surplus from the current harvest could amount to 90,000 tons.

An awareness of the world demand and supply situation for rapeseed (and sunflowerseed) has become necessary, particularly in the Eastern States where domestic requirements are now covered by local production. Rapeseed production in Australia has grown from an estimated 4,900 tons in 1969/70 to 46,500 tons in 1970/71 and 65,200 tons is expected from the 1971/72 harvest. The Australian domestic requirement for rapeseed (as seed) was around 20,000 tons in 1970/71 and demand is expected to increase at 6 per cent. per annum.

Current world situation

(i) General characteristics of the world oilseed market

Oilseeds as a commodity group represent a large number of products that are interchangeable within their end uses. A far higher proportion of world vegetable oil and meal production enters international trade than for most other agricultural commodities. In 1969 some 34 per cent. of world oil output and 38 per cent. of meal was traded internationally.

The edible vegetable oils are an important component of world fats and oils trade, accounting for some 72 per cent. of the market. Soyabean dominates world trade, accounting for some 34 per cent. of world trade in oilseeds and sunflowerseed controls some 3 per cent. according to 1970 trade figures.

Price determination for individual oilseed types, depends among other factors, on the proportion of oil and cake. Soyabean for
example has major value in providing cake or meal for livestock feeding, with oil the by-product. The availability of some oils in extraction processes at a relatively low cost and the competitiveness between oils generally add to the complexities in the marketing of this commodity group.

In the past there has been a tendency for prices to fluctuate markedly. The dominance of major individual exporters Canada, U.S.A. and Eastern Europe, coupled with the fact that the various oilseeds do not have completely interchangeable end uses, means that the magnitude of world trade and prices are largely dependent on seasonal conditions and production policies in the major exporting countries.

(ii) World production of oilseeds

World output of oilseeds has increased gradually at around 2 to 3 per cent. per annum in recent years. Table 1 indicates the five dominant oilseeds (soyabeans, cottonseed, sunflowerseed, groundnuts and rapeseed) and their contribution to world production.

| TABLE 1—WORLD PRODUCTION—OILSEEDS  (preliminary estimates in million metric tons) |
| Production | 1970/71 | 1969/70 | 1968/69 |
| Soyabeans | 44-6 | 43-4 | 42-5 |
| Cottonseed | 19-6 | 19-3 | 19-9 |
| Groundnuts (shelled) | 11-8 | 11-1 | 10-6 |
| Sunflowerseed | 9-5 | 10-1 | 9-9 |
| Rapeseed | 6-5 | 5-1 | 5-4 |
| Total Major Oilseeds | 103-2 | 99-6 | 97-9 |


For rapeseed in particular, Canadian production has been increasing rapidly following the diversion of large areas of wheat land to alternative uses. Output has nearly trebled since 1969 when 0.76 million metric tons were produced. The 1971 harvest was anticipated to reach 2.2 million metric tons making Canada the world’s major producer of rapeseed.

(iii) Price movements since 1968

The world market for edible vegetable oilseeds and their derivatives has been characterised by exceptionally high prices during 1970 and 1971 (see Table 2). This situation has been brought about by a slower rate of increase in the production and export of peanuts, sunflower oil and fish meal throughout the world.

Although world production of soyabeans was expected to increase by 1.8 million metric tons in 1971/72, the total availability (including stocks) was expected to be down by approximately 3 million metric tons. Mainly because of this relatively tight supply of soyabeans, the expansion of rapeseed and sunflower exports from Australia has been possible at the high prices prevailing in world trade.

| TABLE 2—PRICE MOVEMENTS OF SELECTED OILSEEDS  ($A per long ton, c.i.f. North Sea Ports) |
| Soyabeans | 96 | 93 | 106 | 116 |
| Rapeseed | 96 | 101 | 129 | 124 |
| Groundnuts | 151 | 188 | 209 | 231 |


While the average price for rapeseed during 1971 remained at the high level achieved in 1970, there was a marked reduction in prices late in the year as the market responded to the large production from Canada where a 30 million bushel carryover was anticipated.
Demand for oilseeds

There has been a continuing strong demand for oilseeds and their derivatives on world markets. Importers included the United Kingdom, Algeria, Hong Kong and Pakistan, but the main importers were the E.E.C. and Japan.

(i) Japan

Rising incomes, changing consumer tastes and a phenomenal expansion of the livestock industry have made Japan one of the world's largest markets for vegetable oilseeds (see Table 3).

TABLE 3—IMPORTS OF SELECTED OILSEEDS

<table>
<thead>
<tr>
<th></th>
<th>1965</th>
<th>1969</th>
<th>1970</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Soyabeans</td>
<td>1.82</td>
<td>2.55</td>
<td>3.19</td>
</tr>
<tr>
<td>Cottonseed</td>
<td>0.21</td>
<td>0.24</td>
<td>0.29</td>
</tr>
<tr>
<td>Rapeseed</td>
<td>0.10</td>
<td>0.27</td>
<td>0.33</td>
</tr>
<tr>
<td>Total Oilseeds</td>
<td>2.35</td>
<td>3.31</td>
<td>4.04</td>
</tr>
<tr>
<td>E.E.C. Soyabeans</td>
<td>2.34</td>
<td>3.18</td>
<td>4.71</td>
</tr>
<tr>
<td>Rapeseed</td>
<td>0.25</td>
<td>0.32</td>
<td>0.30</td>
</tr>
</tbody>
</table>

Source: Department of Primary Industry, Canberra, July, 1971.

The consumption of all edible oils and fats in Japan has risen some 45 per cent. over the five year period from 1965. Vegetable oils have the greatest growth factor in consumption, and their use has risen twice as fast as the use of animal oils. The per caput growth rate of vegetable oil consumption in Japan on an annual basis is some 9 per cent.

Japanese domestic production of oilseeds has halved in recent years with an estimated 154,000 tons being produced in 1970. Thus increased consumption has a direct impact on import requirements. Imports of oilseeds (as seed) has risen from 2.5 million tons in 1965 to 4.0 million tons in 1970. Soyabeans account for almost three quarters of the oilseeds imported by Japan, but expansion of sunflowerseed and rapeseed imports has been rapid since 1965. Canada provided 95 per cent. of the Japanese rapeseed imports in 1970.

The abolition of import duties on rapeseed and soyabeans in Japan as from April 1, 1972 will make these products more competitive with each other. At present less duty is payable on soyabeans than on rapeseed.

(ii) E.E.C.

Rapidly increasing consumption of vegetable oils and meals in the E.E.C. has stripped the ability of local production to meet this increased demand. Total imports in 1970 amounted to 6.0 million tons which represented an increase of about 76 per cent. since 1965, with soyabeans accounting for 78 per cent. of the total. Groundnuts constitute 7 per cent. of the imports and together with sunflowerseed and rapeseed (5 per cent. each) they make up the balance of the imports.

Rapeseed production has increased sharply in the E.E.C. in recent years mainly as a result of the high internal price maintained under the Common Agricultural Policy. As a result imports of rapeseed declined in 1970 (see Table 3).

Although per caput consumption of vegetable oils in the E.E.C. is already relatively high by world standards the demand for protein meals for feeding livestock has been rising rapidly. The growth of the livestock industry is expected to lead to increasing utilization of oilseed meals.

Future outlook—short term prospects

The outlook for oilseeds in the next year or so will depend not only on the recovery of peanuts, sunflower and fish meal in their production growth rate, but also on the reaction of producers in all countries to the high prices prevailing in the market. Also the increase in supplies of palm products resulting from planting decisions taken in earlier years, must be considered in future supply projections.

More specifically, the downward pressure on prices received for rapeseed will be stronger than for sunflowerseed and soyabeans, given the increased production from Canada competing on the Japanese market and the increased production within the E.E.C. However with the recent price decline and the possibility of import duties being relaxed by Japan the demand pressure in favour of rapeseed over other oilseeds should increase thus preventing marked price declines.

Another reason for not expecting marked price declines for rapeseed is the general shortage of sunflower oil and reduced supplies of soyabeans emanating from the 1971 season. The impact of the supply response, to previous high prices, for all oilseeds will be minimised during 1972 until stocks, which were reported to be at a minimal working level, are replenished.

The most probable situation will be one of increasing supply gradually outstripping demand in the next few years. Prices on being maintained during the coming year are expected to decline slowly in subsequent seasons. That is, rapeseed prices should
level out in 1972/73 at prices experienced in the mid 1971/72 period—something like $A100 to $A105 per long ton c.i.f. U.S. or Japanese ports.

**Recommendation**

The anticipated market requirement for rapeseed in conjunction with other oilseeds should balance with production increases to keep prices maintained at or slightly below their mid 1971/72 level in the coming year—given no adverse or above average seasonal conditions in the northern hemisphere.

A price of $2.10 per bushel at the port terminal (i.e. less individual growers' freight and tolls) should be used with any budget calculations. On this estimate, a first advance of $1.50 per bushel is expected to be maintained. Freight charges range from nil with growers delivering direct to a port and 5 to 10 cents per bushel depending on the distance of the rail siding to the port. Tolls are expected to be 5 cents per bushel.

Factors affecting the above recommendation include:

1. The official announcement of the removal of the oilseed import duties by the Japanese Government (made on April 1, 1972).

2. The extent of the plantings to all oilseeds in the northern hemisphere which could be known by May, 1972.

3. Seasonal conditions during 1972 in the northern hemisphere.

Observations on statistics affecting these three points will give a guide as to any likely deviations from this initial market report allowing changes in management and financial control procedures to be implemented in the light of new information.

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**TERMITES AND SOIL**

By K E. Lee and T. G. Wood

251 pp. and 30 figs.

Published by Academic Press, London and New York, 1971

Price $11.50

Termite damage can occur in cities, in suburban backyards, in the bush, on farms or on outback stations, and so termites, commonly but incorrectly called White Ants, are of concern to everyone in Australia. "Termites and Soil" will therefore have points of interest, not only to the serious student for whom it was written, but also to the man on the land and even the casual reader, who must be impressed by the ability of these small creatures to thrive in the tropical north, the arid centre and the mild south, and to successfully thwart man's best endeavours to prevent damage to building timbers, fence posts, modern plastics, lead sheeting and even asbestos lagging. Termites are amongst the most successful of all the insect groups and reasons for this success are not hard to find. Firstly, large colonies may contain several million workers and, secondly, the termite queen and her mate may live and continue to breed for 50 years or more—a much longer period than has been recorded for any other insect. One 60 year old mound of the Spinifex Termite had its top knocked off in 1872, because, being 15 feet high, it would have fouled the wires of the overland telegraph line. The mound was still active in 1935, 63 years later, but was found to be dead when checked again in 1970.

Most writers on termites are interested either in sorting out and naming the different species (taxonomy), or in studying their habits for the purpose of devising better control methods. Lee and Wood study the termites not as mere destroyers of timber and vegetation, but as members of a complex soil fauna, whose role thus far has been largely overlooked. It was Charles Darwin who, more than a hundred years ago, drew attention to the affect of earthworms on soil texture and fertility, and, because of their numbers and wide distribution, termites may also be important, although in the words of Lee and Wood, "it is still far from clear whether termites have a beneficial effect on our soils, or whether they are a luxury that mankind cannot afford".

The authors tell us that "all termites are social insects and live in communities large or small within the limits of the nest system" and then go on to describe the varying ways in which excreted soil, digested wood, and saliva are used in the construction of subterranean "cities", foraging galleries, and conspicuous domes and turrets, according to the termite species and its surroundings.

Although the destruction of posts and building timber is usually regarded as the most important damage done by termites, there is evidence to show that some of the grass and litter-feeding species of the interior may be important in denuding areas already drought-stricken, and in rendering them more susceptible to all forms of erosion. On the credit side we are told that termites serve as food for such unique creatures as the numbat and the echidna, and that the earthen mounds may provide nesting sites for some of Australia's most interesting birds, including several kingfishers and the rare paradise parrot.

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**Book Review** by C. F. H. Jenkins

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