

Market Update for Rapeseed & Canola 18th of January 2024

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Canadian canola futures on the ICE were relatively weaker than EU rapeseed in the past three weeks, reducing the premium in the May position to only US-\$ 1 at the close of Jan 11 compared to \$ 26 on Dec 27 and \$ 40-50 in mid-Nov. But a further relative price increase in the EU is needed to a) facilitate imports and to b) promote farmer selling in the EU.

With no import margin for Canadian canola and seasonally low supplies in Ukraine, EU rapeseed crushers will strongly depend on imports of Australian canola in Apr/June 2024. However, Australian exports to the EU sharply trailed the year-ago volume in Nov and Dec, losing market share to Japan, Pakistan, Mexico and the UAE.

Undelivered sales to the EU are reportedly relatively low and it remains to be seen whether additional purchases will be done in time, considering the relative long shipping time as well as limited Australian export logistics.

Record rapeseed crushings boosted EU oilseed crushings to a new high in 2023. Following sizeable year-on-year increases in Jan/Sept, processing of rapeseed declined marginally to 6.3 Mh T in Oct/Dec 2023, bringing the total to 24.4 Mh T in 2023 (up 1.8 Mh T).

While the shortage of soya meal on the world market and the corresponding rally in prices kept EU rapeseed meal prices well supported in Oct/Dec, record production apparently outpaced EU demand for rapeseed oil, reducing nearby prices in Rotterdam to an average of only 983 US-\$/T in Dec (down 20% from a year earlier). However, the current supply surplus will be only temporary. Rising usage and the looming slowdown of EU rapeseed crushings are expected to reverse the recent downtrend in rapeseed oil prices.

The outlook for 2024 points to diverging fundamentals in the vegetable oil and protein markets. The considerable slowdown in combined output of rapeseed oil, sunflower oil and palm oil is expected to raise the dependence on soya oil. This is seen supporting EU vegetable oil prices in coming months, while oilmeal prices are forecast to weaken considerably. A rising oil share will promote processing of high-yielding oilseed, providing support to EU rapeseed prices.

Update prepared by ISTA Mielke GmbH – Global Oil World analyses and forecasts for oilseeds, oils & fats and oilmeals in Hamburg, Germany. On www.oilworld.de more details are provided about the company profile and the individual services.