

# Policy will affect canola's success

Longer-term domestic and international agricultural policies rather than shorter-term market forces may direct canola's potential success in the U.S. and its expansion in Canada, according to oilseed industry leaders speaking in Chicago in March at the Canola Council of Canada's annual meeting.

Growing demand for canola oil and meal is evidence that there is interest in canola products in the U.S., according to Parry Dixon, an economist with Archer Daniels Midland Co. (ADM). Dixon estimated 200,000 metric tons (MT) of canola oil and 270,000 MT of canola meal will be consumed in the U.S. this year.

In 1988/89, approximately 175,000 to 200,000 acres of canola will be grown in the U.S., Dixon said. He forecast that the north central part of the country (the Dakotas and Minnesota) may grow 90,000-100,000 acres and the Midwest, Midsouth and Southeast could harvest 40,000-70,000 acres. The Pacific Northwest, the U.S.'s

For canola to prosper in the U.S., future farm legislation must make allowances for alternative crops to enter the market, Dixon said, noting that base acreage concepts must be made more flexible, and alternative crops must be given equal protection under support and insurance programs. "Now farmers are making planting choices based on the security of government payments," he said. Expanded production in Canada and the U.S. will partially be determined by world subsidies. "The European Economic Community holds the key to production for Canada and the U.S."

Despite increased interest in canola, current economic conditions in the U.S. oilseed sector put canola at a disadvantage to soybeans when one looks at the meal side, Dixon said. Soybeans dominate in the U.S., and they will be canola's chief impediment as long as the U.S. market is driven by soy meal, he said.

Dale Gustafson of Drexel Burnham Lambert Inc. agreed that

1989, up from 300 million pounds last year. Overall U.S. consumption of edible fats and oils is expected to drop by about 0.75 pounds per capita as consumers respond to health campaigns, Gustafson said. The decline in fats and oils consumption and the increased availability and use of cottonseed, corn, peanut and canola oils could cause the domestic use of soy oil to fall by nearly 400 million pounds this year, he added.

The increased planting of canola in the U.S. is a healthy market development given that U.S. demand is increasing and Canadian production is decreasing, Gustafson said. (This year's Canadian acreage was forecast between 6.5 and 7.5 million, well below last year's 9 million acres.) "A key challenge for Canada in the coming years is to insure that production grows rapidly enough to enable Canada to be a consistent supplier of products at reasonably stable prices. Otherwise, recent aggressive sales campaigns to shift new users into rapeseed oil will have been wasted," Gustafson said.

Canada can realistically sustain canola production between 3.5 and 5 million MT per year, according to J.M. Fair, chief executive officer of the Saskatchewan Wheat Pool. "There is little question that Canada has the potential to increase canola yields through higher average acreages devoted to the crop, enhanced agronomic practices and improved yields through generic advancements." However, any advances in production will be affected by pricing, the Free Trade Agreement, the Japanese oil tariff, the relationship between soybean and canola futures pricing alternatives, and competition among cereals, coarse grains, pulses and oilseeds.

Fair noted that many growers—those holding their crops in hope of better prices—are under severe financial stress "and have no alternative but to take action that will allow them to achieve the highest

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"traditional" growing area, has about 10,000 to 13,000 acres in production.

Growth in the Pacific Northwest will remain slow, Dixon said, noting that harvested seed goes mainly for export. More rapid growth is likely in regions which have suitable processing facilities. Seed harvested in the North Central, Midwest, Midsouth and Southeast could be crushed domestically at ADM's plant in Velva, North Dakota, or at Central Soya Co. Inc.'s Chattanooga, Tennessee, plant. However, total U.S. production still will be unable to fully utilize the processing capacity of one modern processing plant, Dixon said.

future U.S. agricultural policies could limit canola's potential. However, he pointed out that increased Soviet purchases of soy meal have kept soy meal prices high. Due to more competitive prices for other meals, soy meal usage could decline by 10% in 1988/89, he said. High prices in the U.S. for soy meal have resulted in "an increased experience factor" for alternate protein feedstuffs which will make future meal substitutions easier, Gustafson said. He estimated U.S. rapeseed meal imports could reach 600,000 MT, up from 453,000 MT in 1987/88.

On the oil side, Gustafson forecast U.S. canola oil consumption at 400 million pounds in 1988/

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possible return in the short term." The withholding of crops has caused the shutdown of nearly every processing plant in western Canada for periods ranging from a few days to several months, and eventually could be dangerous to the Canadian canola industry because current users of canola products may seek alternate supply sources, he said.

### Canola interests form U.S. group


Representatives from grower groups and biotechnology, seed, food and chemical companies met during the Canola Council meeting in March to form a canola association for the U.S. Approximately 35 people attended the group's organizational meeting, and 14 people agreed to serve on a working committee that will determine the direction of the proposed organization. The committee is expected to meet later this year.

The working committee will evaluate the U.S. canola industry's needs in the areas of research and breeding priorities, uniform seed and product standards, consumer and grower education, and U.S. agricultural policy. Depending on the committee's decisions, the new organization could become primarily a grower organization, a lobbying association, or a blend of grower and industry interests much like the Canola Council of Canada.

Participants at the organizational meeting, however, agreed that a U.S. group should be a "stand-alone" organization, and rejected proposals to become part of the National Sunflower Association or the American Soybean Association because of potential conflicts of interest. Although there was some interest in joining the Canola Council of Canada, that is not an option: the directors of the council already have expressed their opposition to a North American canola organization. However, the Canola Council said it would be willing to provide technical information to the new group once it forms.

The following persons are members of the committee: Curtis Hennings, Spectrum Crop Development Corp., chairman; Larry Horn, Central Soya Co. Inc.; Chan A. Atchley, DNA Plant Technology Corp.; Marlene Peters, Mid America Oil Seed Association; Harry True, Frito-Lay Inc.; David Holman, Con-

tised; Eric Rey, Calgene Inc.; Michael Kane, the Pillsbury Co.; Harley E. Neshem, Archer Daniels Midland Co.; Tim Vaux, E.I. DuPont; Joseph Burnside, Tifton Innovation Corp.; Bruce Magee, Allelix Inc., and Sally Metz, Monsanto Co. Dale Adolphe of the Canola Council will serve as an advisor.



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