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**Report Highlights:**

Australian oilseed production is expected to be strong again in marketing year (MY) 2021/22, continuing the recovery that started in MY 2020/21 following two years of extreme drought. Canola production is forecast in MY 2021/22 at 3.9 million metric tons (MMT), only a 100,000-MT decline from a bumper crop in MY 2020/21. Although yields are expected to fall from the record levels of MY 2020/21, high prices and good moisture prospects are forecast to boost planted area. Cottonseed production is forecast to achieve an almost 50-percent production increase in MY 2021/22, as a further improvement in irrigation water reserves is expected to expand cotton area.

## **EXECUTIVE SUMMARY**

Australian oilseed production is expected to be strong again in marketing year (MY) 2021/22, continuing the recovery that started in MY 2020/21 following two years of extreme drought. Canola production is forecast in MY 2021/22 at 3.9 million metric tons (MMT), only a 100,000-MT decline from a bumper crop in MY 2020/21. Although yields are expected to fall from the record levels of MY 2020/21, high prices and good moisture prospects are forecast to boost planted area. Canola crush in MY 2021/22 is forecast to revert back towards more typical levels after a spike in MY 2020/21 encouraged by the large crop and high world canola oil prices.

Olive and olive oil production, although a small contributor to overall Australian oilseed production, is forecast to have a small decline in MY 2021/22. Although the long-term trend in Australia is for expanding olive production, there is expected to be a year-on-year dip as a result of a natural biennial decline in yield after the good previous crop.

Cottonseed production is forecast to achieve an almost 50-percent production increase in MY 2021/22, building on a recovery in MY 2020/21 after being severely impacted by drought across MY 2018/19 and MY 2019/20. The increase in production in MY 2021/22 is due to an expected further improvement in irrigation water reserves, which is anticipated to result in higher water allocations in the lead up to planting for next year's crop. This will lead to expanded acreage for irrigated cotton, and farmers are expected to shift some area from winter grain crops to more dryland cotton.

## **CANOLA**

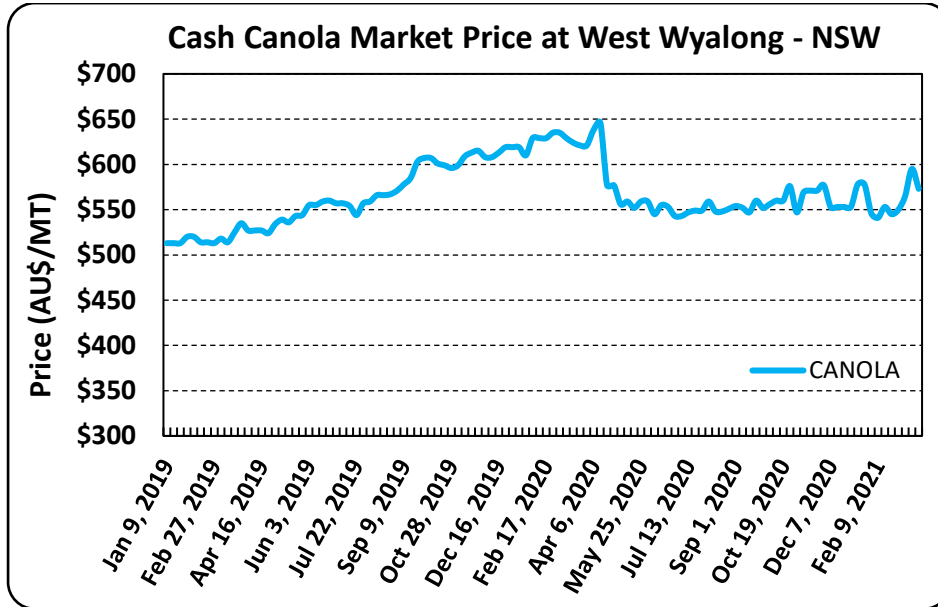
### **Production**

FAS/Canberra forecasts canola production to decline only slightly to 3.9 million metric tons (MMT) in marketing year (MY) 2021/22, from strong post-drought production of 4.0 MMT in MY 2020/21. Although yields are expected to return to more typical levels from the record yields of MY 2020/21, this is expected to be mostly offset by expanded canola planted area. Growers are expected to favor an increase in canola as a result of the continued high prices as well as favorable soil moisture conditions in the lead up to planting in the eastern states. This, along with continued positive rainfall forecasts, is reducing the risk profile of growing canola for many farmers. Planted area is forecast to increase in MY 2021/22 by 15 percent to 2.7 million hectares (MHa), from 2.35 MHa in MY 2020/21. Canola is typically planted from March to May and harvested from October to December. The more northern production areas generally have earlier planting and earlier harvest compared to the more temperate climate southern areas.

One of the major reasons for an expected expansion in planted canola area is the continued very attractive canola prices. Despite the harvesting of an Australian canola crop nearly double the size of the previous harvest, canola prices in Australia did not decline and have remained strong at around AU\$575/MT (US\$441/MT). This is due to the fact that Australia exports three-quarters of its

production and its canola price is heavily influenced by the high global prices. These high canola prices are expected to encourage farmer sowing of canola crops.

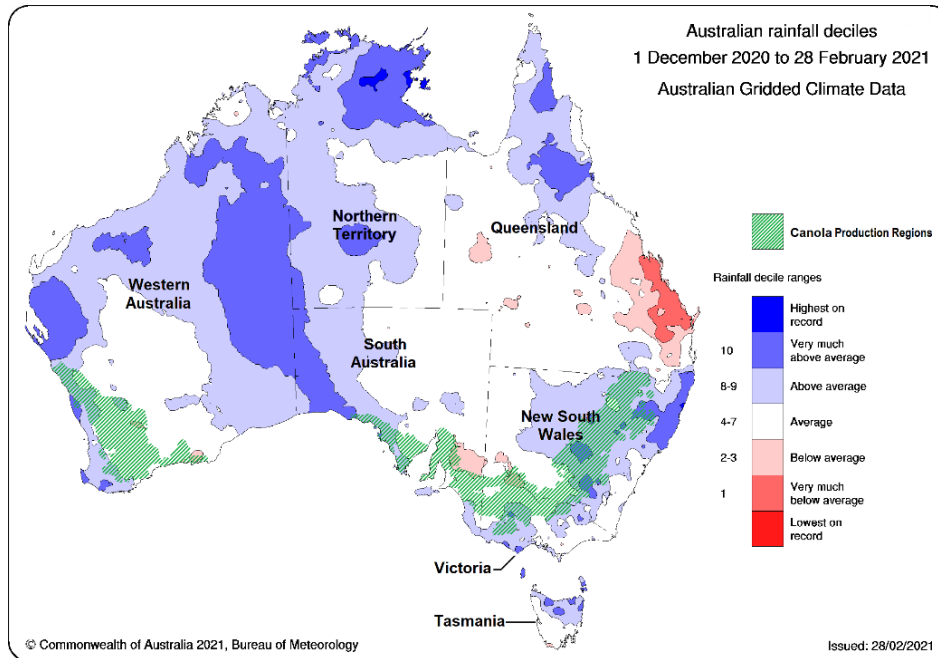
**Figure 1 – Canola Price Graph**



*Source: The Land newspaper*

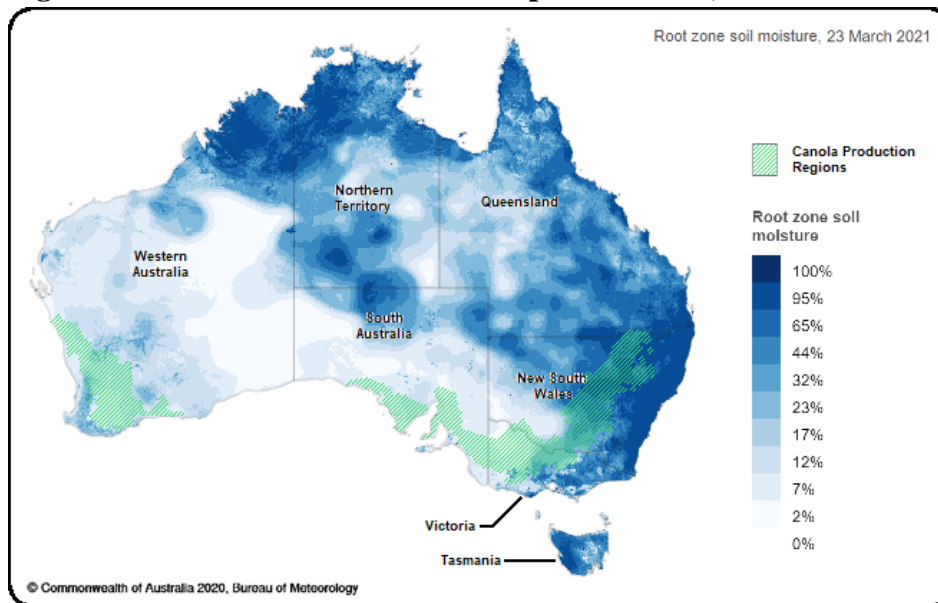
Another reason for expected higher planted area is good soil moisture, especially in the eastern growing regions, as planting approaches. The two-year drought in eastern Australia broke in early 2020, and since that time there has been abundant rainfall throughout the major canola producing states of New South Wales and Victoria. This soil moisture will give farmers confidence to shift area from winter grains to higher-risk canola. Many of these farmers were hesitant last year to plan canola after getting almost no returns from failed crops during the drought, and therefore they placed greater emphasis on the lower risk and lower input cost winter crops of wheat and barley to secure financial returns in MY 2020/21. But after a very positive season and rebuilt confidence, growers (particularly in the eastern states) are likely to take greater risk to optimize their returns by increasing the canola planting area for MY 2021/22.

**Figure 2 – Australia Rainfall Decile Map – Dec-Feb 2021**



Source: Australian Bureau of Meteorology / FAS/Canberra

**Figure 3 – Australia Soil Moisture Map – March 23, 2021**

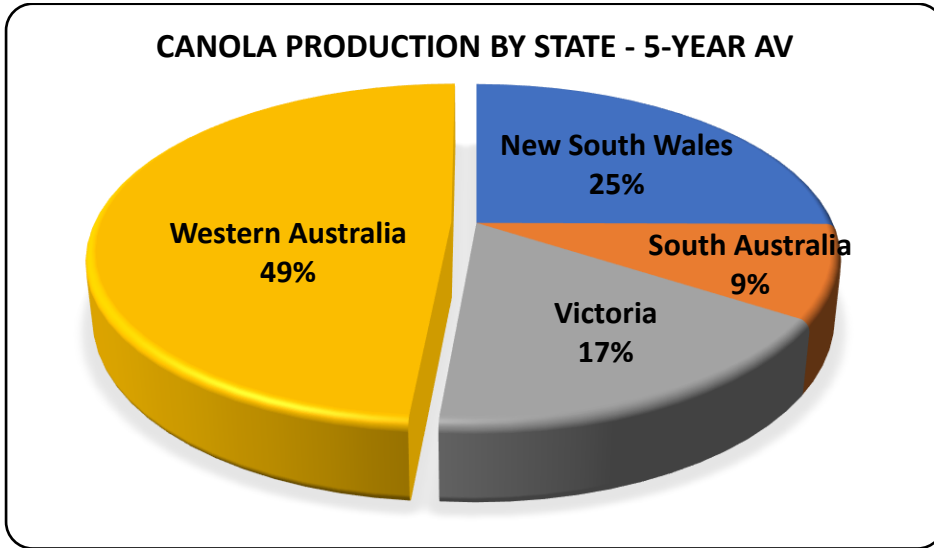


Source: Australian Bureau of Meteorology / FAS/Canberra

Soil moisture conditions in Western Australia are not as favorable in eastern Australia, and Western Australia typically accounts for nearly half of Australia’s total production. Because of its importance in overall production, any variance in planting and yield in Western Australia has a substantial bearing on national canola production. Although Western Australia has been experiencing drier than average

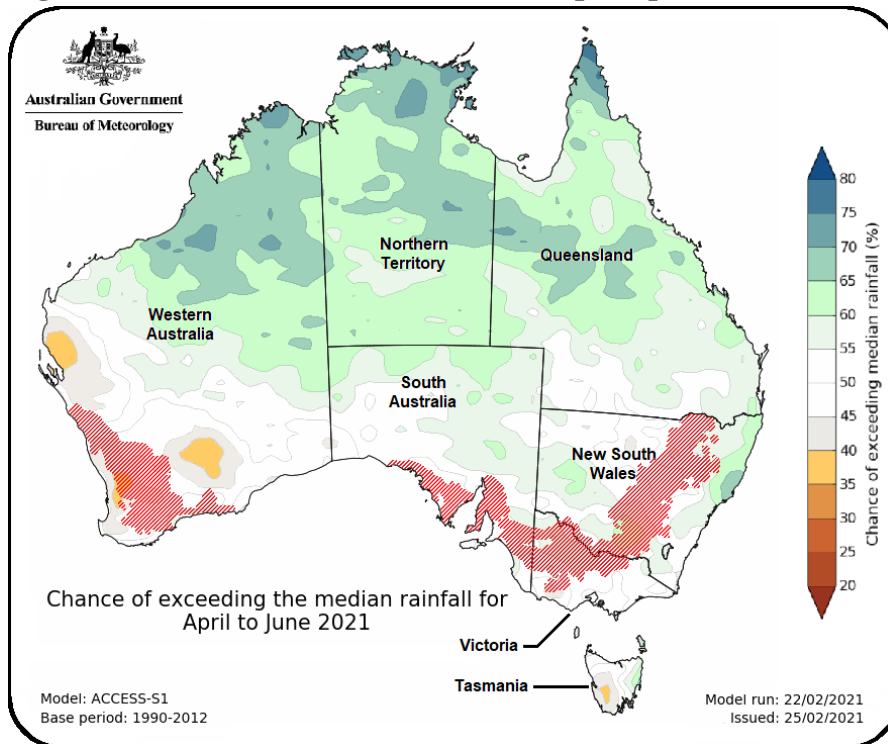
rainfall and soil moisture conditions in the early part of 2021, farmers will be encouraged by the forecast likelihood of near average rainfall in the coming months, coinciding with the planting period. In addition, as mentioned earlier the continued high canola prices are likely to encourage farmer plantings in Western Australia as well.

**Figure 4 – Canola Production by State - 5-year Average**



Source: Australian Bureau of Agriculture and Resource Economics and Sciences

**Figure 4 - Australia Rainfall Forecast Map – Apr-Jun 2021**



Source: Australian Bureau of Meteorology / FAS/Canberra

FAS/Canberra's production forecast for MY 2021/22 assumes a return to more normal canola yields following the record result of 1.7 metric tons per hectare in MY 2020/21.

Canola production for MY 2020/21 is estimated to have reached 4.0 MMT, finishing well above earlier expectations at the commencement of harvest. This was a result of a better-than-expected finish, particularly to the Western Australian production season where growing conditions were more of a concern than in eastern Australia. However, there were no reports of frosts at the time of flowering or heat waves, and there were well-timed rains in Western Australia, even if total rainfall during the growing season was still below average. The revised MY 2020/21 estimate is the third largest on record and the largest since MY 2016/17.

In 2020, the South Australian state government removed the moratorium on the planting of GM crops, which will allow South Australian producers the decision for this next crop on whether or not to plant GM canola varieties. South Australia was the only state in Australia which produces significant quantities of canola that did not allow cultivation of GM crops.

### **Consumption**

FAS/Canberra forecasts domestic canola crush to decline to 900,000 MT in MY 2021/22, from a revised estimate of 1.0 MMT in MY 2020/21. Crush volume has been stable for a number of years at around 800,000 MT, as vegetable oil consumption in Australia is fairly stagnant and only increasing with population growth. However, MY 2020/21 coincided with a bumper canola crop along with strong international canola oil prices. This has encouraged domestic crushers to increase production to near capacity. Canola crush next year, however, is expected to start to return to more typical levels.

Canola production in Western Australia and South Australia is almost entirely for exports, while canola from eastern Australia is typically destined for domestic crush, with any surpluses sold on the export market. Despite producing around 50 percent of the total crop, Western Australia only accounts for around 10 percent of Australia's total crush.

In most years domestic canola prices are closely correlated to international prices due to Australia's reliance on the export market. In a good production year, such as MY 2020/21, Australia consumes around one-quarter of production and exports the balance.

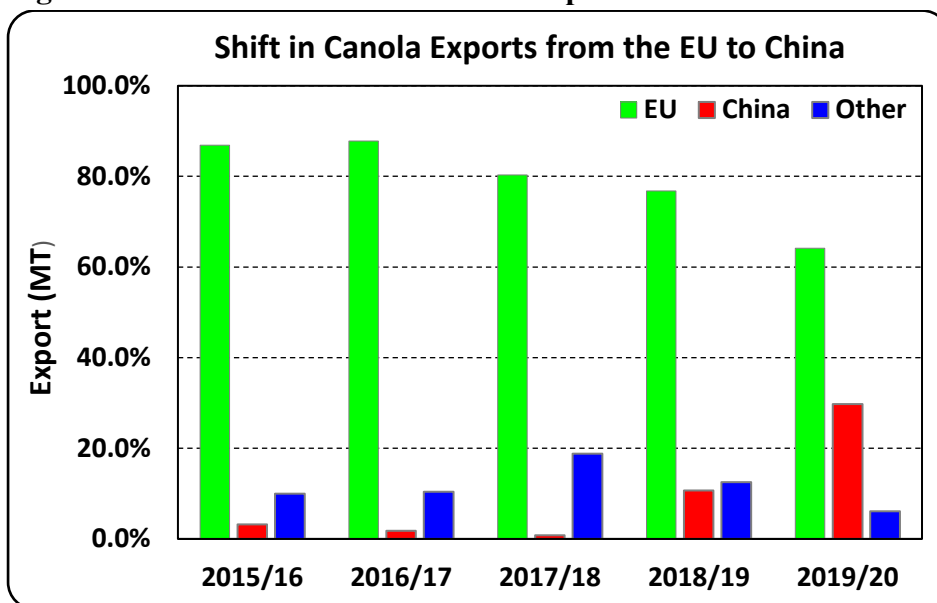
MY 2020/21 canola consumption has been revised upwards by FAS/Canberra to 1.0 MMT, compared to the official USDA estimate of 850,000 MT. Industry analysts report that the large crop and high world canola oil prices are encouraging crushers to produce at close to capacity.

## Trade

MY 2021/22 canola exports are forecast to be 2.9 MMT, remaining stable from the revised estimate for MY 2020/21. Although canola production is forecast to decline by 100,000 MT in MY 2021/22, domestic crush is also forecast to fall by the same volume.

Australia is a significant world exporter of canola, on average accounting for about 14 percent of global trade. However, Australia is typically a distant second to Canada, who generally accounts for around two-thirds of world trade. Over the last five years, on average about 80 percent of Australia's exports go to the European Union (EU), primarily for the biodiesel market. China, however, has been an increasing market in recent years.

**Figure 6 – Shift in Australia's Canola Exports from the EU to China**



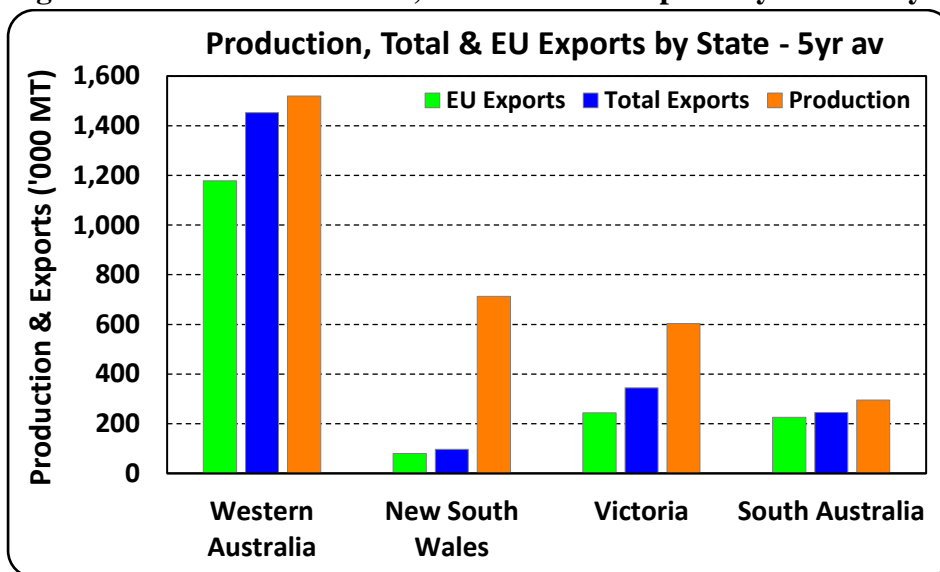
*Source: Australian Bureau of Statistics*

With Canada exporting around five-fold more canola than either Australia or Ukraine (another major supplier) changes to Canadian production and trade relations with their major trading partners have a significant bearing on Australian canola trade. A major difference between Canadian and Australian supplies to the EU is that most of Canada's canola is GM, whereas most of what is exported to the EU by Australia is non-GM. Even though the primary use of Australian canola in the EU is for the biodiesel market, importer preference is for non-GM canola. This enables the meal by-product to be used widely in their livestock industries. However, if the premium for non-GM canola climbs too high, EU importers reportedly have some flexibility in sourcing GM canola to meet their demands.

Over the last five years, Western Australia has on average produced almost half of the national canola crop but accounted for nearly 70 percent of exports. In fact, about 96 percent of Western Australian production is exported of which 81 percent has been to the EU (see figure 7). South Australia has

similarly been focused on the EU export market. This is due to the relatively small population and limited crushing facilities of these states. The opposite is true of New South Wales, however, which has a sizeable population base and robust crushing facilities. Because of this, although New South Wales on average accounts for one-quarter of production, over the last five years it has only accounted for five percent of total exports.

**Figure 7 – Canola Production, Total and EU Exports by State – 5-year average**

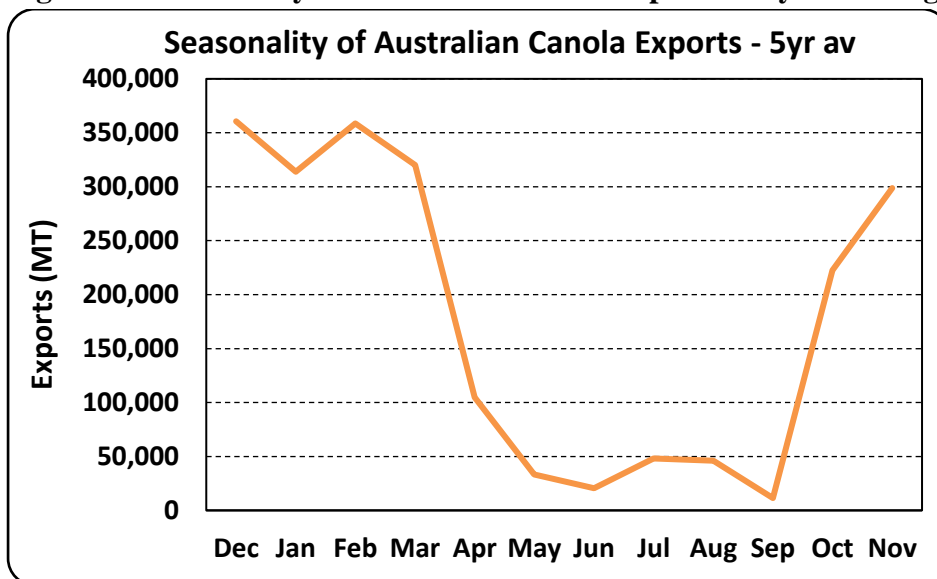


*Source: Australian Bureau of Statistics / Australian Bureau of Agriculture Resource Economics and Sciences*

Canola exports in MY 2020/21 are estimated by FAS/Canberra to reach 2.9 MMT, an upward revision over the official USDA estimate of 2.7 MMT. This increase is driven by strong early export results and high prices which will limit stock rebuilding. For the first two months (December 2020 to January 2021) of MY 2020/21 - which are in the peak export period for Australia (see figure 8 for export seasonality) - volumes have been high at 781,114 MT. This is up 44 percent compared the same period the previous year, and the highest volume shipped in these months since MY 2016/17 (when Australia exported 3.1 MMT). Exports from the eastern states have also started very strongly during this period, after being non-existent for a number of years due to the drought. Industry sources report that shipment results for February to March are expected to remain high, supporting the higher export estimate. Nearly 90 percent of exports during December and January went to the EU.



**Figure 8 – Seasonality of Australian Canola Exports – 5-year average**



Source: Australian Bureau of Statistics

### Stocks

FAS/Canberra forecasts ending stocks of canola to remain stable at around 754,000 MT in MY 2021/22. According to industry sources, most of the canola is sold by the end of June each year and very little stock is held prior to the start of harvest at the beginning of November. In addition, high canola prices are encouraging exports and limiting any rebuilding of stocks.

Oilseed, Rapeseed Market Year Begins	2019/2020		2020/2021		2021/2022	
	Dec 2019		Dec 2020		Dec 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Australia						
Area Harvested (1000 HA)	1800	1800	2400	2350	0	2700
Beginning Stocks (1000 MT)	1034	1034	752	752	0	753
Production (1000 MT)	2330	2330	4000	4000	0	3900
MY Imports (1000 MT)	1	1	1	1	0	1
Total Supply (1000 MT)	3365	3365	4753	4753	0	4654
MY Exports (1000 MT)	1664	1663	2700	2900	0	2900
Crush (1000 MT)	850	850	850	1000	0	900
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	99	100	168	100	0	100
Total Dom. Cons. (1000 MT)	949	950	1018	1100	0	1000
Ending Stocks (1000 MT)	752	752	1035	753	0	754
Total Distribution (1000 MT)	3365	3365	4753	4753	0	4654
Yield (MT/HA)	1.2944	1.2944	1.6667	1.7021	0	1.4444

(1000 HA) ,(1000 MT) ,(MT/HA)

## CANOLA MEAL

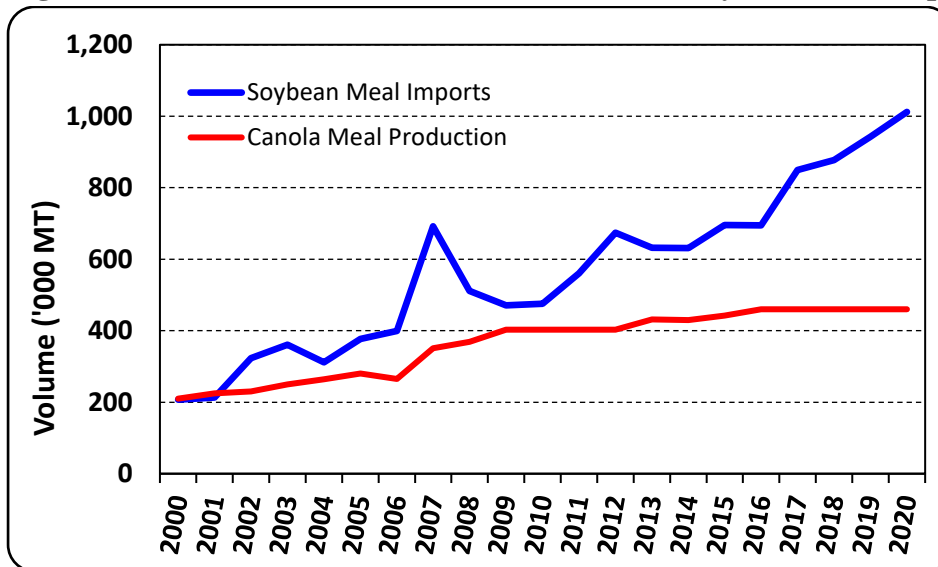
### Production

Canola meal production is forecast to decline in MY 2021/22 to 520,000 metric tons from the revised estimate of 580,000 MT in MY 2020/21. Canola meal production is driven by the crushing demand for canola oil. Although canola production is forecast to decline by less than 3 percent in MY 2021/22, canola meal production is forecast to fall by 10 percent. MY 2020/21 canola meal production was elevated due to crushers taking advantage of strong world canola oil prices and running at near crush capacity. However, in MY 2021/22 crush is expected to return towards more normal levels.

### Consumption

All canola meal produced in Australia is consumed domestically by the livestock industries, primarily in the eastern states. The major crushing facilities in these eastern states are located in close proximity to major users of meal including the pig, poultry and dairy industries. Canola meal competes with strong imports of soybean meal, which have been steadily increasing over the last two decades (see figure 9). These imports are almost entirely from Argentina, although some U.S. soybean meal was imported in 2020. Although Australia produces ample canola to increase crush and meal production, stagnant domestic demand for canola oil means that any increased canola production is typically exported.

**Figure 9 – Australian Canola Meal Production & Soybean Meal Imports**



Source: Australian Bureau of Statistics / FAS/Canberra

### Trade

There are typically no exports of Australian canola meal, and also no imports by Australia.

### Stocks

Canola meal is a product that spoils and needs to be used within a matter of weeks. For this reason, ending stocks remain low and stable from year to year.

Meal, Rapeseed Market Year Begins Australia	2019/2020		2020/2021		2021/2022	
	Dec 2019		Dec 2020		Dec 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	850	850	850	1000	0	900
Extr. Rate, 999.9999 (PERCENT)	0.5765	0.5765	0.5765	0.58	0	0.5778
Beginning Stocks (1000 MT)	19	19	19	19	0	19
Production (1000 MT)	490	490	490	580	0	520
MY Imports (1000 MT)	0	0	0	0	0	0
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	509	509	509	599	0	539
MY Exports (1000 MT)	0	0	0	0	0	0
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	490	490	490	580	0	520
Total Dom. Cons. (1000 MT)	490	490	490	580	0	520
Ending Stocks (1000 MT)	19	19	19	19	0	19
Total Distribution (1000 MT)	509	509	509	599	0	539

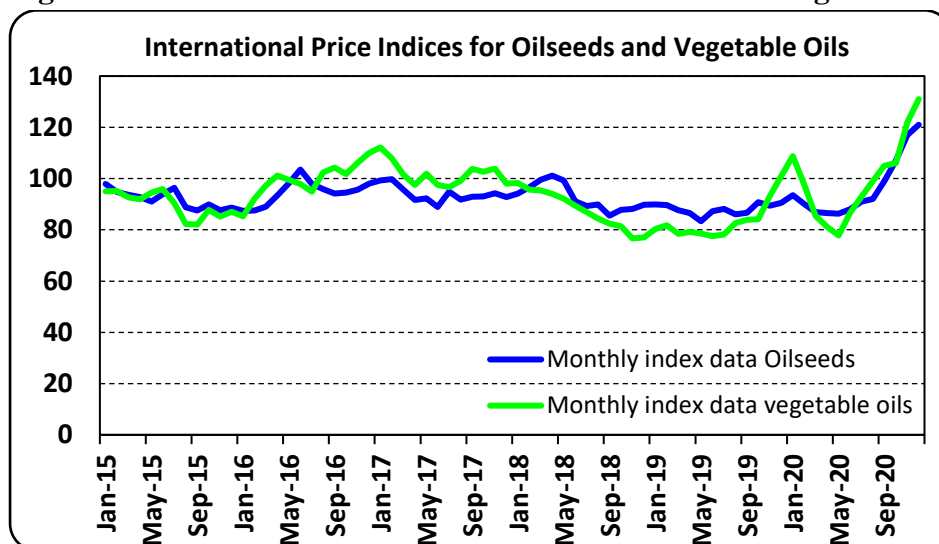
(1000 MT) ,(PERCENT)

## CANOLA OIL

### Production

With total canola crush forecast to decline in MY 2021/22, canola oil production is forecast to fall to 380,000 MT, 10 percent below the revised estimate of 420,000 MT in MY 2020/21. Crushers in MY 2020/21 have been encouraged to produce near capacity due to the high world oil prices (see indexed prices for oilseeds and vegetable oils in figure 10). However, industry analysts expect a return to more normal conditions in MY 2021/22 and reduced incentive to produce canola oil for export.

**Figure 10 – International Price Indices for Oilseeds and Vegetable Oils**



Source: Food and Agriculture Organization of the United Nations

Note: Time Period is from a larger data set and indexed to 100 in 2014-2016

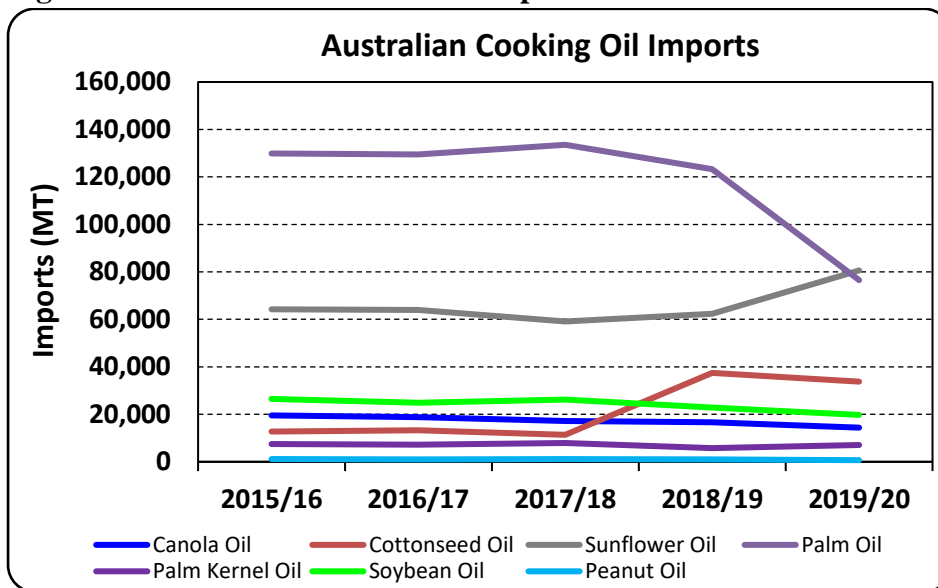
Australia has five canola crushing facilities in New South Wales and Victoria, the two most populated states with the greatest domestic demand for canola oil. There are a further two small crushing plants in Western Australia. Industry sources indicate that their combined crushing capacity is around 1.1 to 1.2 MMT.

MY 2020/21 canola oil production has been revised upwards by FAS/Canberra to 420,000 MT, from the official USDA estimate of 350,000 MT. This increase is partly driven by the bumper crop, but also due to the increase in world canola oil prices encouraging crushers to produce at close to capacity and increasing exports.

### Consumption

Canola oil consumption in MY 2021/22 is forecast to be unchanged from the previous year at 200,000 MT. Canola oil is the most consumed vegetable oil in Australia, and demand is relatively stagnant. Until MY 2019/20, palm oil was the second most consumed oil, and by far accounted for the largest percentage of vegetable oil imports (see figure 11). However, after a 38 percent drop in palm oil imports and a 29 percent increase in sunflower oil imports that year, the balance has shifted to sunflower oil imports now marginally being the most imported vegetable oil. Cottonseed oil imports have also increased over the last two years and this jump in imports is due to recent droughts causing the largest cottonseed crusher to be mothballed.

**Figure 11 – Australian Canola Oil Import Trend**



Source: Australian Bureau of Statistics

Biodiesel production from canola in Australia is practically non-existent, with no federal biodiesel mandate and only small mandates in two Australian states. Industry sources also indicate that it is more cost effective to produce biodiesel from tallow in Australia.

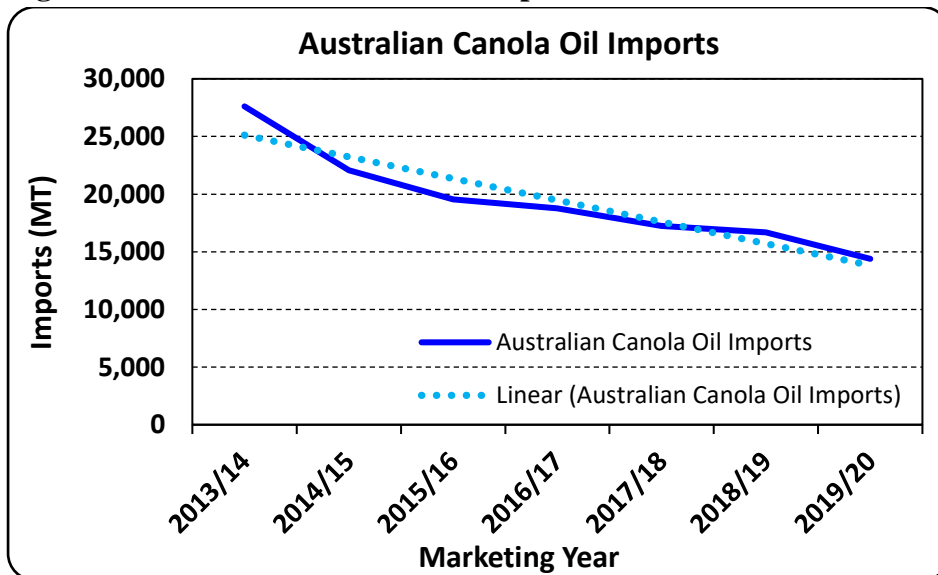
### Trade

Australia’s canola oil exports are forecast at 195,000 MT in MY 2021/22 a decline of 19 percent from the revised estimate of 240,000 MT in MY 2020/21. With stable domestic consumption, typically changes in oil production flow through to export volumes. As mentioned earlier, production of canola oil is forecast to decline as any return to more normal global vegetable oil pricing would result in reduced incentive to crush and export oil. China, New Zealand, and Taiwan are typically the largest markets for Australian canola oil exports.

FAS/Canberra revised the MY 2020/21 canola oil export estimate upwards to 240,000 MT from the official USDA estimate of 175,000 MT. As mentioned earlier this is driven by crushers seeking to take advantage of the strong world vegetable oil prices.

Australian canola oil imports are relatively low and stable at around 15,000 MT, around eight percent of domestic consumption. The forecast for MY 2021/22 remain unchanged from the revised MY 2020/21 estimate. FAS/Canberra revised the MY 2020/21 estimate down to 15,000 MT from the official USDA estimate of 21,000 MT. Canola oil imports have declined since reaching a peak of 27,610 in MY 2013/14 (see figure 12).

**Figure 12 – Australian Canola Oil Import Trend**



Source: Australian Bureau of Statistics

## Stocks

With stable domestic demand for canola oil along with low imports and a range of other cooking oil import options, ending stocks of canola oil remain consistent from year to year.

Oil, Rapeseed Market Year Begins Australia	2019/2020		2020/2021		2021/2022	
	Dec 2019		Dec 2020		Dec 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	850	850	850	1000	0	900
Extr. Rate, 999.9999 (PERCENT)	0.4118	0.4118	0.4118	0.42	0	0.4222
Beginning Stocks (1000 MT)	63	63	58	54	0	53
Production (1000 MT)	350	350	350	420	0	380
MY Imports (1000 MT)	20	14	21	15	0	15
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	433	427	429	489	0	448
MY Exports (1000 MT)	178	176	175	240	0	195
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	197	197	200	200	0	200
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	197	197	200	200	0	200
Ending Stocks (1000 MT)	58	54	54	53	0	53
Total Distribution (1000 MT)	433	427	429	493	0	448
(1000 MT) ,(PERCENT)						

## OLIVE OIL

### Production

Australian olive oil production is forecast to decline to 20,000 MT in MY 2021/2022, a 3,000-MT reduction from FAS/Canberra's revised estimate of 23,000 MT in MY 2020/21. The primary reason for the forecast decline is accounting for the natural biennial effect of olive yields falling following a good crop. This impact, however, is expected to be partially offset by more new olive trees coming into production, and other trees increasing yields as they mature.

The Australian olive oil industry typically produces 90 to 95 percent Extra Virgin Olive Oil (EVOO) which is processed via a cold press technique and known as a premium product. Further olive oil can be extracted from the post cold pressed olives via chemical extraction methods and is sold as olive oil or used in other products. The chemically extracted olive oil is a lower quality and lower value product.

Industry sources report that in Australia the EVOO average annual extraction rate is typically around 16.5 percent, largely driven by some producers commencing harvest prior to optimal oil content for logistics purposes.

Many of the large producers have expanded tree plantings, with estimates of up to 40 percent of trees less than five years old and which currently do not yield any, or very low, production. Typically, olive trees gradually increase production between year six and 14 after which they reach mature production

levels. These larger producers are estimated to have 30 percent of their trees in the year six to 14 profile and 30 percent of trees at maturity. Mature trees of these large producers achieve approximately 15 MT/ha of harvested olives based on traditional tree spacing. Small areas of high-density hedge plantings are reported to achieve well in excess of 20 MT/ha.

As the number of olive trees in Australia progress towards mature production the expectation is that the industry will achieve relatively consistent year on year production growth over the next 15 years. Larger producers have reported plans for substantial increases in plantings over the next five years primarily in the most optimal temperate growing regions of southern New South Wales, northern Victoria, and the south west corner of Western Australia.

Industry sources report that the seasonal conditions for the MY 2020/21 crop to be harvested from mid-March to July 2021 have been favorable. With above-average rainfalls and mild conditions in the lead up to flowering and fruit set, trees responded very well with a heavy crop load. Since fruit set, seasonal conditions have remained mild with less heat than optimal for fruit and oil development in the fruit. Industry sources also report that if the Bureau of Meteorology forecasts of above average rainfall in the lead up to and during harvest eventuate, the olives are likely to have higher than usual moisture content and lower oil content. Despite this, estimates are for olive production of 140,000 MT equating to around 23,000 MT of olive oil for MY 2020/21. If achieved this would surpass the previous peak production in MY 2017/18 of 22,000 MT.

FAS/Canberra revised the MY 2019/20 production to 8,000 MT from the official USDA result of 17,000 MT. Although there are no official published olive production results available, industry sources stated that 47,000 MT of olives were produced, almost all of which is for olive oil production, which equates to the revised oil production result of 8,000 MT. This production relates to the crop harvested from mid-March to July 2020. Although the biennial downcycle of olive production was taken into consideration in the official USDA figure, the crop was heavily impacted by drought conditions. Hot and dry conditions prevailed particularly around the time of flowering and fruit set. Although the largest olive producer in Australia, who accounts for around 70 percent of national production, is reported to have sourced adequate supply of irrigation water to mitigate the impacts of the drought condition, the trees did not respond as well as anticipated. Other producers also irrigated their trees with similar outcomes while others simply irrigated enough to maintain the trees and carry them into the following season.

### **Consumption**

FAS/Canberra forecasts consumption of olive oil in Australia at 52,000 MT in MY 2021/22 and in line with the revised estimate for MY 2020/21.

In Australia, EVOO is not perceived as a cooking oil and is not considered interchangeable with canola and vegetable oils for cooking. The majority of Australian EVOO is expected to continue to be sold through domestic retail outlets.

FAS/Canberra has revised the consumption estimate for MY 2020/21 from the official USDA estimate of 54,000 MT to 52,000 MT. Similarly, the result for MY 2019/20 has been revised down from 52,000 MT to 50,000 MT. This downward revision is as a result of COVID-19 lockdowns having a negative impact on overall consumption.

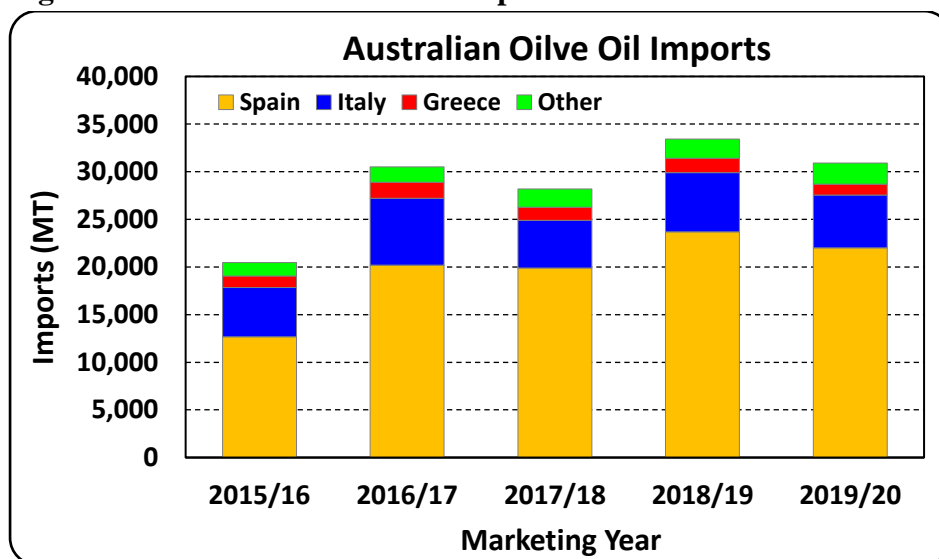
### Trade

FAS/Canberra forecasts Australia to import 37,000 MT of olive oil in MY 2021/22 a 2,000-MT increase over the official USDA estimate for MY 2020/21. The increase in forecast imports is equivalent to the volume of decline in production, ensuring domestic demand is met.

Industry sources indicate that of the olive oil imported, approximately 40 percent is sold via the retail network of which a proportion is EVOO and the balance lower-quality olive oil. Approximately 60 percent of imported olive oil is sold to the food industry sector and predominantly lower quality oil.

Almost all of the imported olive oil is from the European Union with Spain by far being the major supplier followed by Italy and Greece (see figure 14). These three countries have consistently supplied around 95 percent of overall imports to Australia for over the last 20 years.

**Figure 14 – Australian Olive Oil Imports**



*Source: Australian Bureau of Statistics*

FAS/Canberra forecasts export of Australian olive oil in MY 2021/22 at 5,000 MT, a small increase over the official USDA estimate of 4,000 MT in MY 2020/21. Australia is expected to remain a net importer of olive oil in the foreseeable future, although export volumes are expected to increase gradually as existing olive groves mature and increase in production.



## Stocks

Ending stocks are forecast at 13,000 MT in MY 2021/22, unchanged from the FAS/Canberra estimate for MY 2020/21. Stocks relative to production and consumption appear high but this is reflective of the MY commencing in January, some three months prior to the commencement of harvest.

Oil, Olive Market Year Begins	2019/2020		2020/2021		2021/2022	
	Jan 2020		Jan 2021		Jan 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Australia						
Beginning Stocks (1000 MT)	18	18	15	11	0	13
Production (1000 MT)	17	8	20	23	0	20
MY Imports (1000 MT)	35	39	35	35	0	37
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	30	37	30	33	0	35
Total Supply (1000 MT)	70	65	70	69	0	70
MY Exports (1000 MT)	3	2	4	4	0	5
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	52	50	54	52	0	52
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	52	50	54	52	0	52
Ending Stocks (1000 MT)	15	11	12	13	0	13
Total Distribution (1000 MT)	70	63	70	69	0	70

(1000 HA) ,(1000 TREES) ,(1000 MT)

## COTTONSEED

### Production

FAS/Canberra forecasts cottonseed production to rise to 1.0 MMT in MY 2021/22 from estimated production of 680,000 MT in MY 2020/21. The forecast increase in production is due to anticipated further improvements in irrigation water reserves in the lead up to planting of the MY 2021/22 cotton crop, starting around October 2021. This will help boost irrigated cotton area, and dryland cotton area is also expected to rise as incentives are likely to cause some farmers to shift from winter grains to cotton.

The Australian cotton industry has a mix of both dryland and irrigated cropping. However, both of these are typically located in the same growing regions as the water holding capacity of soils and the climatic conditions are well suited to cotton production there. In a typical season approximately 90 percent of cotton production is irrigated (including crops irrigated as little as once), and 10 percent is dryland. Irrigated cotton yields are typically 2-3 times higher than that of dryland cotton. Irrigated cotton areas are thus the primary driver of overall cotton production in Australia, and this in turn is driven by irrigation water availability.

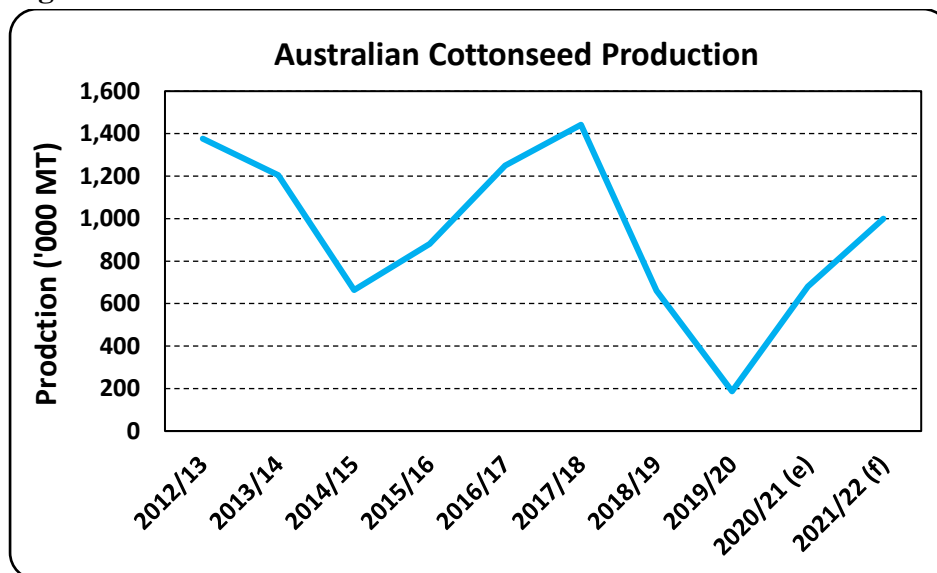
Irrigation water is derived from a combination of sources, one of which is water harvested and stored in on-farm dams from overland flows. This can occur after high rainfall events more typical in the more northern cotton production regions. Water is also harvested and stored from waterways during high flow periods also after high rainfall events which occurs across the northern and central cotton production regions. Underground water is also a source of irrigation water although relatively small

compared to the combination of other sources. The main source of irrigation water, that has a large bearing on cotton plantings, is multiple irrigation schemes based on large storage dams. The southern cotton production region is almost entirely dependent upon these dams whereas the central region and most northern regions have a high dependence on them.

Irrigated cotton planting for MY 2020/21, typically planted from October 2020 and harvested from April 2021, was limited by water availability from irrigation schemes still recovering after being heavily depleted during the drought in 2018 and 2019. However, with a relatively mild summer (Dec 2020 to Feb 2021) and early autumn and above-average rainfall, this has led to reduced irrigation water demand and boosted water storage levels beyond earlier expectations. Irrigators anticipate an improved water allocation for the MY 2021/22 season crop, resulting in an expanded planting area forecast.

A further important contributor toward the dryland planted area in the forecast MY 2021/22 year is farmers risk management decision process following the drought years in 2018 and 2019. After enduring the financial strain of two drought years, when rain did start to fall again in early 2020 and soil moisture was replenished, growers opted to focus dryland area in MY 2020/21 on winter grains crops rather than wait and plant dryland cotton. This is due to the lower risk profile of grains, as well as the fact that the harvest of the grains crops was a number of months before cotton and many farmers were quite cash strapped. However, following a year of good returns, these same farmers are expected to more likely to plant more higher-risk higher-reward dryland cotton for MY 2021/22, boosting overall cottonseed production.

**Figure 13 – Australian Cottonseed Production**



Source: PSD Online \*FAS/Canberra estimates and forecasts

FAS/Canberra has revised down the production estimate for MY 2020/21 for cottonseed from the official USDA estimate of 781,000 MT to 680,000 MT. Very mild temperatures, in particular during the

latter stages of production, is expected to have a negative effect on cotton yields and thus cottonseed yields.

### **Consumption**

FAS/Canberra forecasts total domestic cottonseed consumption to increase to 550,000 MT in MY 2021/22 from the estimated consumption of 370,000 MT for MY 2020/21. The domestic use for livestock feed is anticipated to remain stable at 350,000 MT. However, with the large increase in cottonseed production it is expected that the cottonseed price will decline to a point where it may be feasible for cottonseed crushing to recommence in MY 2021/22.

Cottonseed is a high-quality feed supplement primarily used in the livestock cattle industries and can be fed whole without any processing. It is a sought-after product for its high protein and oil content. It is typically used as part of a feed ration in beef feedlots but is also used by beef producers in the dairy industry in a partial mixed ration with other gains and fiber sources as a supplement to pastures. During the drought cottonseed demand was very high. Since the drought, with ample available pasture for beef and dairy producers their demand has diminished as has the demand from beef feedlots with diminished throughput of cattle.

The cotton industry in Australia has only one major crushing facility which has been mothballed over recent years due to low cottonseed production. At this point there is no formal announcement in regard to the intention of this crushing plant for the MY 2020/21 season and beyond. The FAS/Canberra forecast crush volume of 200,000 MT in MY 2021/22 is speculative based on an anticipated decline in cottonseed prices associated with the MY 2021/22 crop. There is one small other crushing plant focused on supplying byproducts to an associated livestock feed processing mill rather than cottonseed oil production. Their crush demand is unlikely to increase significantly even with a decline in cottonseed prices.

FAS/Canberra has revised down the cottonseed consumption estimate for MY 2020/21 from the official USDA estimate of 675,000 MT to 370,000 MT. Although cottonseed demand spiked during the drought as other feed was scarce, the return of rains has created plentiful supplies of other feeds. This, coupled with overall reductions in livestock on feed as a result in herd rebuilding in Australia, will likely temper demand and encourage more to be exported.

### **Trade**

FAS/Canberra cottonseed exports are forecast to increase by 60 percent to 400,000MT in MY 2021/22 from an estimated 250,000 MT in MY 2020/21. These higher exports are driven by the increase in cottonseed supply and expected stable demand from livestock industries and uncertainty associated with crush demand. If Australia's major crushing facility does not recommence operations in MY 2021/22 it is likely that the forecast export volume would be further increased.

FAS/Canberra has revised the cottonseed export estimate for MY 2020/21 to 250,000 MT, from the official USDA estimate of zero. Recent past exports were almost nothing during the drought years due to very low supply and strong demand from the domestic livestock industries. However, exports volumes are expected to return to near pre-drought levels. Australia in the past has exported large quantities of cottonseed peaking at 783,000 MT in MY 2011/12 and averaging 300,000 MT over the last 10 years.

## Stocks

FAS/Canberra forecasts an increase in cottonseed ending stocks to 117 MT in MY 2021/22 from 67 MT in 2020/21. Stocks were depleted during the drought due to the very strong demand from livestock industries and are anticipated to remain relatively low even with a large increase in cottonseed production.

Oilseed, Cottonseed Market Year Begins Australia	2019/2020		2020/2021		2021/2022	
	Apr 2020		Apr 2021		Apr 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (Cotton) (1000 HA)	60	60	275	300	0	415
Beginning Stocks (1000 MT)	120	120	2	7	0	67
Production (1000 MT)	187	192	781	680	0	1000
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	307	312	783	687	0	1067
MY Exports (1000 MT)	0	5	0	250	0	400
Crush (1000 MT)	5	5	5	20	0	200
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	300	295	670	350	0	350
Total Dom. Cons. (1000 MT)	305	300	675	370	0	550
Ending Stocks (1000 MT)	2	7	108	67	0	117
Total Distribution (1000 MT)	307	312	783	687	0	1067
Yield (MT/HA)	3.1167	3.2	2.84	2.2667	0	2.4096
(1000 HA) ,(RATIO) ,(1000 MT) ,(MT/HA)						

## COTTONSEED MEAL

### Production

FAS/Canberra forecasts cottonseed meal production to increase ten-fold to 100,000 MT in MY 2021/22 from the estimated outcome of 10,000 MT for MY 2020/21. As mentioned earlier the forecast crush of cottonseed is predicated upon the increased cotton production resulting in cottonseed prices falling to levels which may trigger the reopening of the sole major crushing plant in Australia.

FAS/Canberra has made a minor upward revision to the MY 2020/21 cotton meal production estimate to 10,000 MT from the official USDA estimate of 3,000 MT. This is primarily due to the estimated decline in cottonseed prices becoming more attractive for an existing small crushing plant to increase processing towards their more usual demand from an associated feed processing facility.

## Consumption

FAS/Canberra forecasts total cottonseed meal consumption to increase ten-fold to 100,000 MT in MY 2021/22 from the estimated outcome of 10,000 MT for MY 2020/21. With no import or export of cottonseed meal and the short storage life of wet meals, the forecast and estimated consumption are equivalent to production. All cottonseed meal is used in the domestic livestock industries.

## Trade

Australia does not typically import or export cottonseed meal.

## Stocks

Due to the short shelf life of wet cottonseed meal no stocks are carried over from year to year.

Meal, Cottonseed Market Year Begins Australia	2019/2020		2020/2021		2021/2022	
	Apr 2020		Apr 2021		Apr 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	5	5	5	20	0	200
Extr. Rate, 999.9999 (PERCENT)	0.6	0.4	0.6	0.5	0	0.5
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	3	2	3	10	0	100
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	3	2	3	10	0	100
MY Exports (1000 MT)	0	0	0	0	0	0
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	3	2	3	10	0	100
Total Dom. Cons. (1000 MT)	3	2	3	10	0	100
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	3	2	3	10	0	100
(1000 MT) ,(PERCENT)						

## COTTONSEED OIL

### Production

FAS/Canberra forecasts cottonseed oil production to increase ten-fold to 40,000 MT in MY 2021/22 from the estimated outcome of 4,000 MT for MY 2020/21. As mentioned earlier the forecast crush of cottonseed depends on whether or not the only major crushing plant in Australia is re-opened after being mothballed after the 2018 crush.

### Consumption

FAS/Canberra forecasts total cottonseed oil consumption to increase to 55,000 MT in MY 2021/22 from the estimated outcome of 34,000 MT for MY 2020/21. This increase is due to the large forecast jump in production. In recent years, with almost no cottonseed oil production in Australia in MY 2019/20 and MY 2020/21, domestic demand has in part been met by an increase in imports, as well as substituting cottonseed oil for alternate oils. Cottonseed oil is considered by the food service sector to have favorable deep-frying properties. Its key advantages are that it does not require hydrogenation, has a relatively high smoke point, is lower in cholesterol and has almost no trans-fats content compared to

many other substitute oils. It is anticipated that with the forecast increase in domestic supply of cottonseed oil, domestic consumption will also increase.

FAS/Canberra has revised down the estimated domestic consumption to 34,000 MT for MY 2020/21 from the official USDA estimate of 45,000 MT. With almost no stock and very little production this is primarily due to a lower estimated import volume of cottonseed oil.

## Trade

FAS/Canberra forecasts cottonseed oil imports to decline to 20,000 MT in MY 2021/22 from the estimated outcome of 30,000 MT for MY 2020/21. This decline in imports is due to the forecast increase in domestic supply of cottonseed oil.

In the five years prior to the drought years, imports of cottonseed oil ranged from 5,000 MT to 16,000 MT. The forecast import of 20,000 MT is still higher than past results but is an initial step towards closer to pre drought import levels. FAS/Canberra has revised down the estimated import of cottonseed oil to 30,000 MT for MY 2020/21 from the official USDA estimate of 40,000 MT. In the prior year of MY 2019/20, with similarly low domestic production, Australia imported 31,000 MT and is expected to be at a similar level for the MY 2020/21 year.

Australia has typically not produced enough cottonseed oil to meet its own domestic demand and does not export any significant quantities.

## Stocks

With almost no cottonseed oil production, stocks have been very low in recent years, which primarily consist of imported stock. The large forecast production increase in MY 2021/22 is expected to result in a small increase in end of year stock.

Oil, Cottonseed Market Year Begins	2019/2020		2020/2021		2021/2022	
	Apr 2020		Apr 2021		Apr 2022	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	5	5	5	20	0	200
Extr. Rate, 999.9999 (PERCENT)	0.2	0.2	0.2	0.2	0	0.2
Beginning Stocks (1000 MT)	10	1	5	1	0	1
Production (1000 MT)	1	1	1	4	0	40
MY Imports (1000 MT)	40	31	40	30	0	20
Total Supply (1000 MT)	51	33	46	35	0	61
MY Exports (1000 MT)	0	0	0	0	0	0
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	46	32	45	34	0	55
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	46	32	45	34	0	55
Ending Stocks (1000 MT)	5	1	1	1	0	6
Total Distribution (1000 MT)	51	33	46	35	0	61
(1000 MT) ,(PERCENT)						

**Attachments:**

No Attachments