NUFARM CANOLA UPDATE

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This Canola Update was independently prepared by Episode 3 for Nufarm Seeds.

The purpose of the report is to provide Nufarm Seed staff, growers and agronomists with clear, evidence-based intelligence on the canola market to support informed decision-making.

Episode 3 is an independent Australian agricultural market analysis and consulting firm specialising in data-driven insights for commodity markets. Episode 3 is now wholly owned by Australian Community Media.

Nufarm is a global crop protection and seed technologies company that helps farmers and businesses meet the global challenges of food, feed, fibre and sustainable fuel production. Nufarm brings its proven agility, innovation capabilities and partnerships to help its customers in a rapidly changing world. Established over 100 years ago, it is listed on the Australian Securities Exchange (ASX:NUF) with its head office in Melbourne, Australia.

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LOCAL SUPPLY

The expectations for the Australian canola crop have risen after beneficial rainfall fell across most of the country's grain-growing regions during the July-September period.

The official forecaster ABARES currently has the national canola production at 6.37mmt, which is the fourth-highest production on record, with 2022 being the record production year, which was significantly higher at 8.4mmt. The range of forecasts from private forecasters is vast, from 6 to 7mmt, with a median of 6.42mmt, slightly higher than the ABARES expectation. The episode 3 forecast is for a 6.4mmt to 6.6mmt crop.

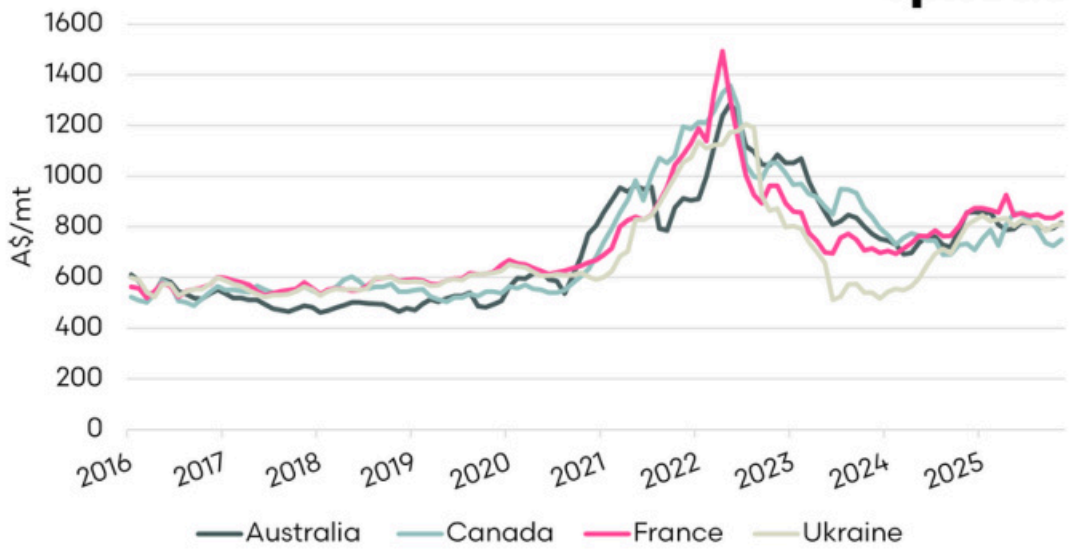
The biggest news in the Australian canola (and sorghum/sugar) space is the announcement of A$1.1bn cleaner fuels program, which is set to jump-start the biofuels industry in Australia. There have been attempts in the past to create a biofuels market, but, in essence, these enterprises have failed. Biofuel production (ethanol from grains such as wheat and sorghum; biodiesel from oilseeds such as canola) creates significant, price-supportive domestic demand for feedstock. This adds a second pillar of demand alongside food and export markets. When global export prices are weak, a local biofuel industry provides an alternative outlet that can smooth price volatility and reduce growers' exposure to international market swings.

At EP3, we have been concerned about our reliance on Europe for our canola and China for our sorghum exports. A valid and competitive biofuels industry would generate a new market for Australian grains/oilseeds and allow us to value-add to our grain. At the moment, our canola is mainly used for biofuels in Europe.

Canola prices in Australia have bucked the trend in the rest of the world, with Kwinana recording a slight 1% increase on the quarter. In contrast, other major origins experienced a 2-6% fall in pricing.

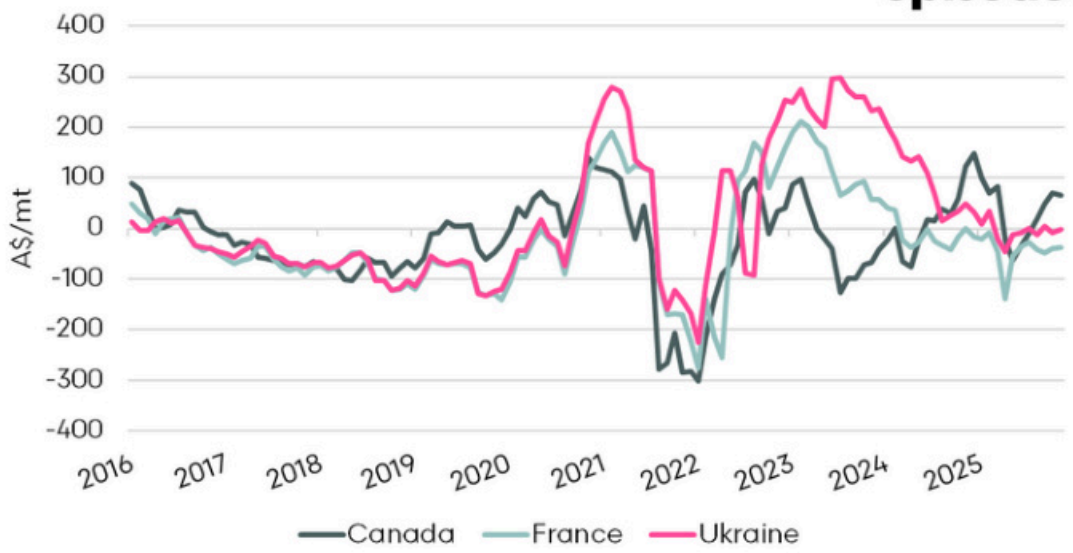
Canada received the worst of the fall due to continuing trade issues with China. Our expectations are for Q4 to experience a downward movement in Australia, as a combination of flow-on effect from overseas values and harvest pressure.

Global Canola Pricing



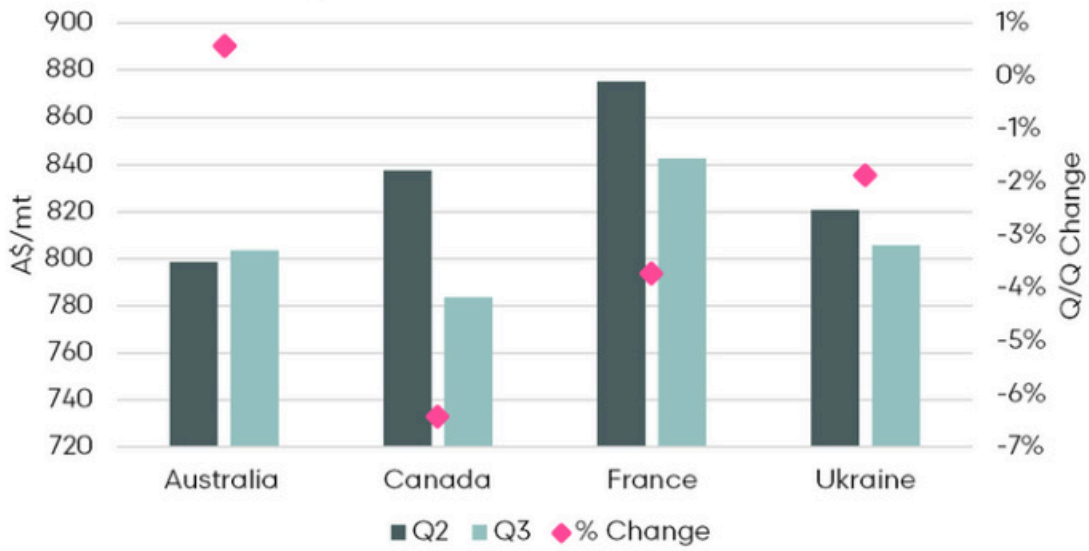
Canola pricing is significantly lower than the highs in 2022, but remains elevated compared to the pre-peak period.

Australian Canola Basis



Australian canola is pricing at a premium to Canada, after several years of trading at a discount.

Canola Price Change



Canola prices around the world have fallen, with prices in Australia fairing better with a slight increase q on q.

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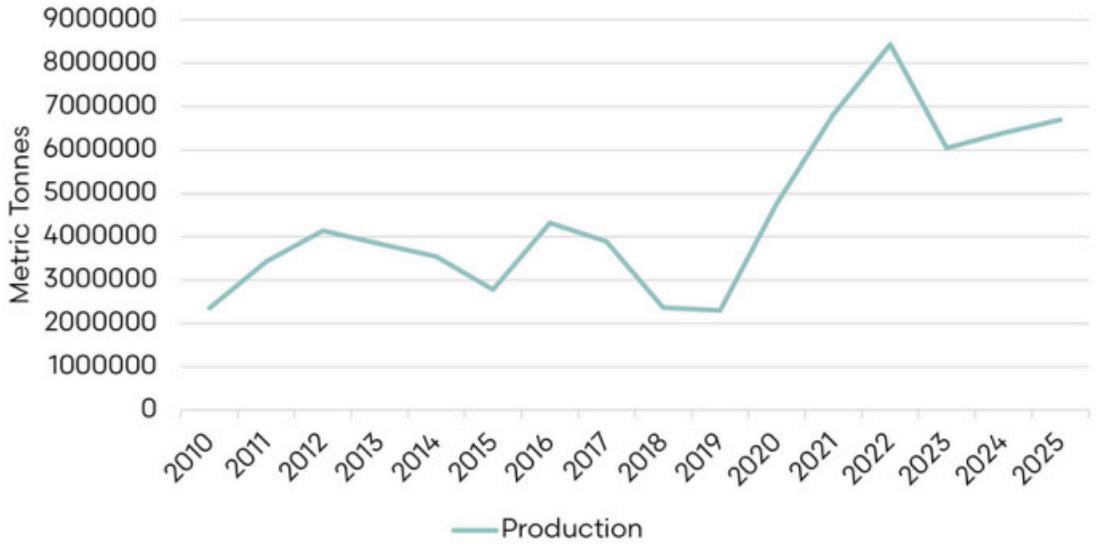
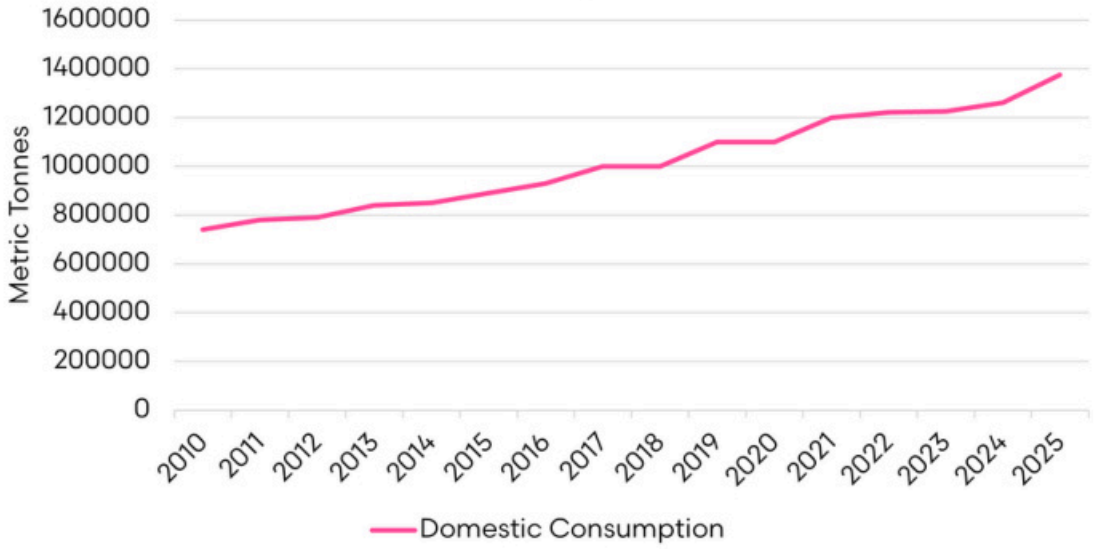
Australian Canola Production



Canola production in Australia has grown significantly in recent years, due to the high margins available

Australian Canola Domestic Consumption



Australia exports most of it's production, but domestic crush is also increasing. A future biofuels industry will also assist in growing this local demand further.

Australian Canola Ending Stocks

The high export volumes in recent years have left low stocks at the start of the past two seasons.

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GLOBAL SUPPLY

Global canola and rapeseed supply has entered 2025 on a firmer footing than in the past two years, but that doesn't mean the market feels settled. Production has picked up across several key exporters, taking expected global output for 2025/26 to roughly 92 million tonnes. On paper, that's a record-class crop. In practice, prices haven't eased much at all.

Europe is a big part of the improved global picture. After a patchy season in 2024 that left crushers scrambling, the EU harvest has bounced back to about 19.5 million tonnes. Some forecasters think it could push closer to 20 million tonnes if conditions hold in France, Poland and parts of central Europe. Even so, the region continues to import because its crushing sector runs far ahead of what local farmers can supply. The better crop doesn't change that structural deficit, but it does ease some of the pressure that built up last year and helps steady global sentiment.

Canada remains the heavyweight in global canola production/exports, and this year's crop looks likely to come in around 20 million tonnes. Rainfall has improved in parts of the Prairies, and yields have steadied after a relatively poor 2024. Production isn't the big story in Canada this year; politics are. China's decision in August 2025 to slap a provisional 75.8% anti-dumping duty on Canadian seed slammed the door on what was a multibillion-dollar market. Canada has been forced to reroute seed into the EU, Japan, Mexico and anywhere else that can take it, while domestic crushers absorb the rest. There is a dedicated section on this topic later in this report.

China and India continue to influence the broader market from both sides of the equation. China grows a sizeable rapeseed crop of its own, usually in the mid-teen millions of tonnes, but still crushes far more than it can produce. With Canadian seed effectively out of reach for now, Chinese buyers have stepped up use of alternatives, including more Indian rapeseed meal. India's own crop, around 12–13 million tonnes, is mainly consumed at home, but its expanding meal exports have become an increasingly important piece of the protein puzzle for China and Southeast Asia. (cont)

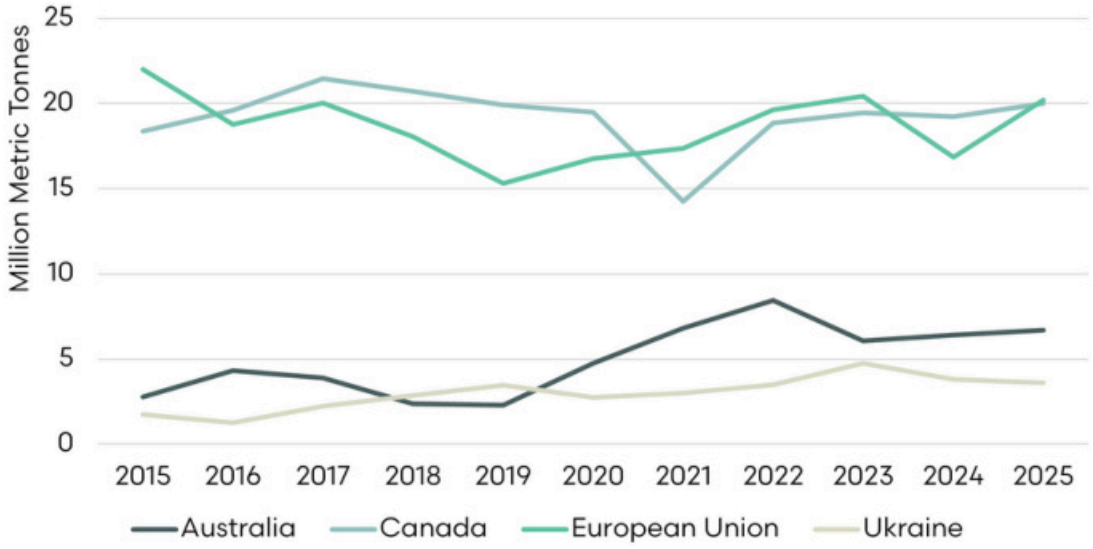
GLOBAL SUPPLY

Ukraine's role has slipped this year. The 2025/26 crop is expected to be near 3.2 million tonnes, down around 14 per cent as growers shift land into other crops. On top of that, Kyiv introduced a 10% export duty on rapeseed and soybeans in September. The policy has created so much confusion at ports that exports have stalled altogether at times. Given Ukraine's importance as one of the EU's earliest-season suppliers, any interruption would tighten availability and put more pressure on other exporting regions.

Russia, Kazakhstan and a handful of other producers are adding modest increments to global supply. However, infrastructure and geopolitical hurdles limit how much of their seed can reach the export market.

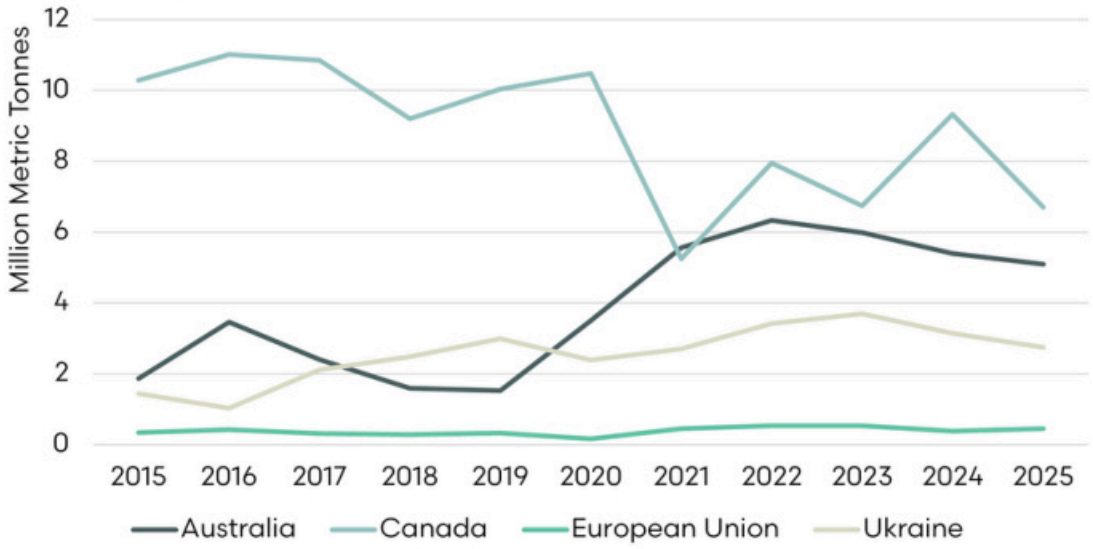
All of this adds up to a year where the world has more canola available, but getting it from where it's grown to where it's needed is far from straightforward. Politics and the uncertainty around them have been the fundamental drivers. That's why futures markets have barely blinked at the larger production numbers. The supply is there, but the distribution is complicated, and the market is still primed for volatility, uneven basis levels and wide regional spreads as we move into 2026.

Canola Production



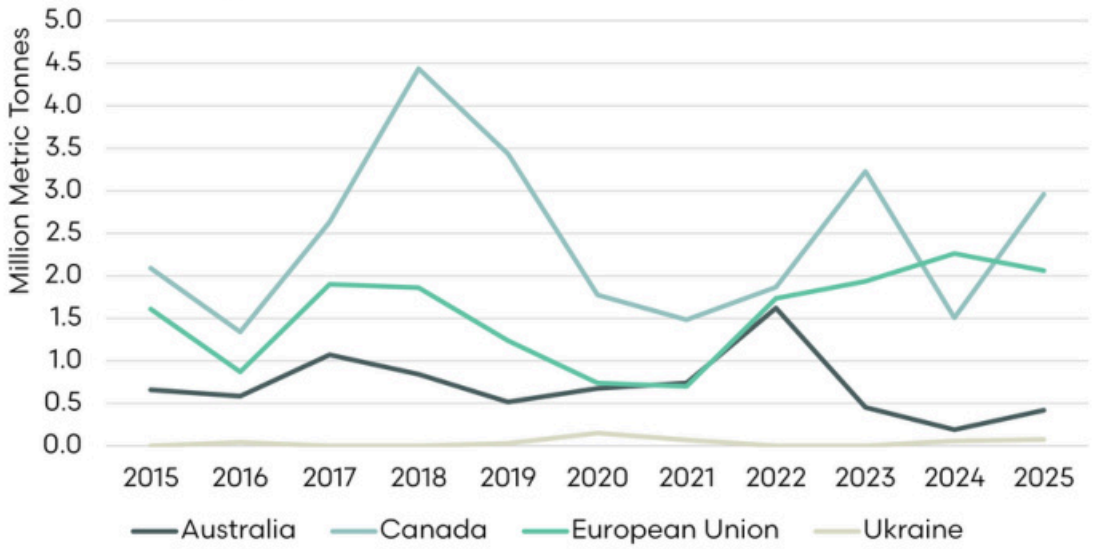
Australia produces considerably less canola than the EU and Canada.

Canola Exports



While Australia produces less, we have a much smaller population, and therefore are able to contribute greatly to global trade

Canola Ending Stocks



Canola ending stocks in Ukraine and Australia have been quite low in recent years, as export nations which 'empty the pantries' as soon as possible with the high pricing

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GEOPOLITICS

China's effective ban on Canadian canola seed in 2025 is one of the most consequential trade shocks in the global oilseed market in recent years. The situation began in early August, when China's Ministry of Commerce announced a provisional anti-dumping duty of 75.8% on Canadian canola seed. Although framed as a trade remedy, the scale of the tariff is effectively prohibitive, closing the Chinese market to Canadian exporters overnight. This move has significant implications because China has historically been one of Canada's most significant and most valuable destinations for canola seed, taking billions of dollars' worth of product annually. By imposing a tariff of this magnitude, China has made imported Canadian seed commercially unviable for its crushing sector, which relies heavily on imported seed.

Officially, China claims that the tariff is the result of a dumping investigation, alleging that Canadian suppliers were selling seed into the market at artificially low prices that harmed domestic processing margins. Provisional duties are often introduced before a full investigation is finalised, giving authorities time to gather evidence while immediately limiting trade. However, the geopolitical context strongly suggests that the measure is motivated by broader diplomatic tensions rather than purely commercial considerations. China has used canola as leverage in political disputes with Canada before, most notably during the 2019 suspension of Canadian exporters following Canada's detention of Huawei executive Meng Wanzhou. The 2025 escalation aligns with a period of strained bilateral relations, driven by security concerns, technology policy, and Canada's closer alignment with US strategic positions. As analysts, we view the anti-dumping investigation as likely to be politically motivated.

The ban has triggered an immediate need for Canadian exporters to redirect seed into alternative markets. Canada is still producing a near-record canola crop of around 20 million tonnes in 2025/26, and those tonnes must find a home. Without access to China, more seed must flow to the EU, Japan, Mexico, and other secondary buyers, many of whom already import substantial volumes but cannot fully replace China's scale. This redirection places pressure on Canadian logistics, increases reliance on domestic crushers, and affects prairie basis levels as supply exceeds the needs of traditional buyers. (cont)

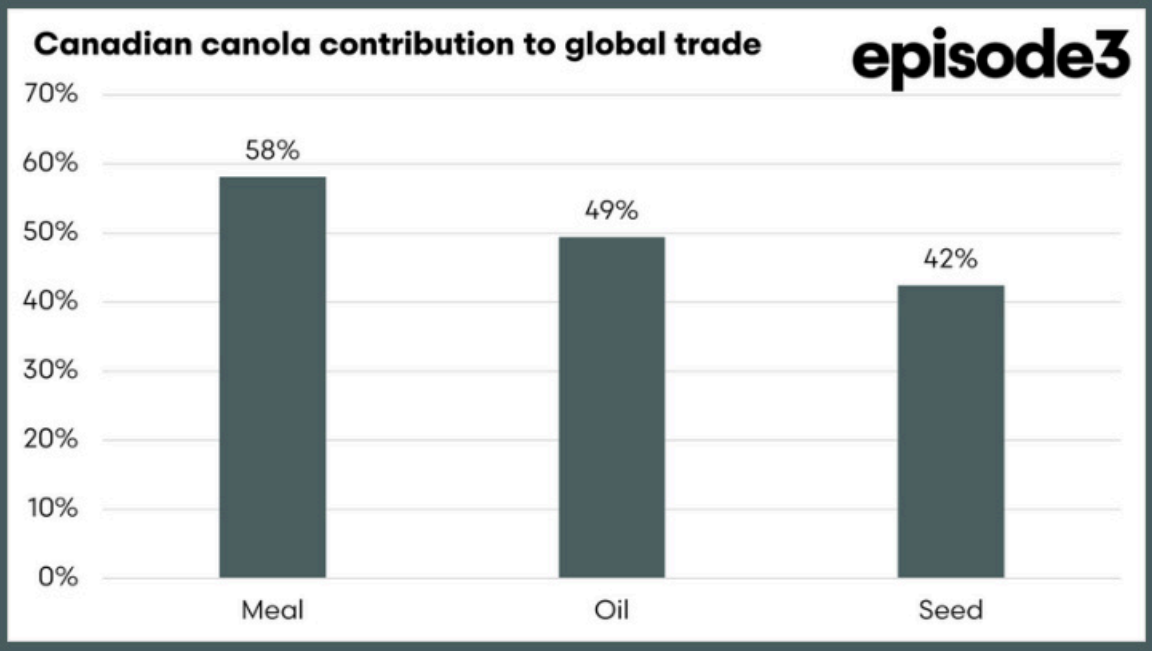
GEOPOLITICS

Domestic crush margins will absorb some of the excess seed, but Canadian crushers cannot replace the full volume China previously handled. As a result, exporters are left with longer shipping routes, thinner margins and greater exposure to competition in the Atlantic and Pacific markets.

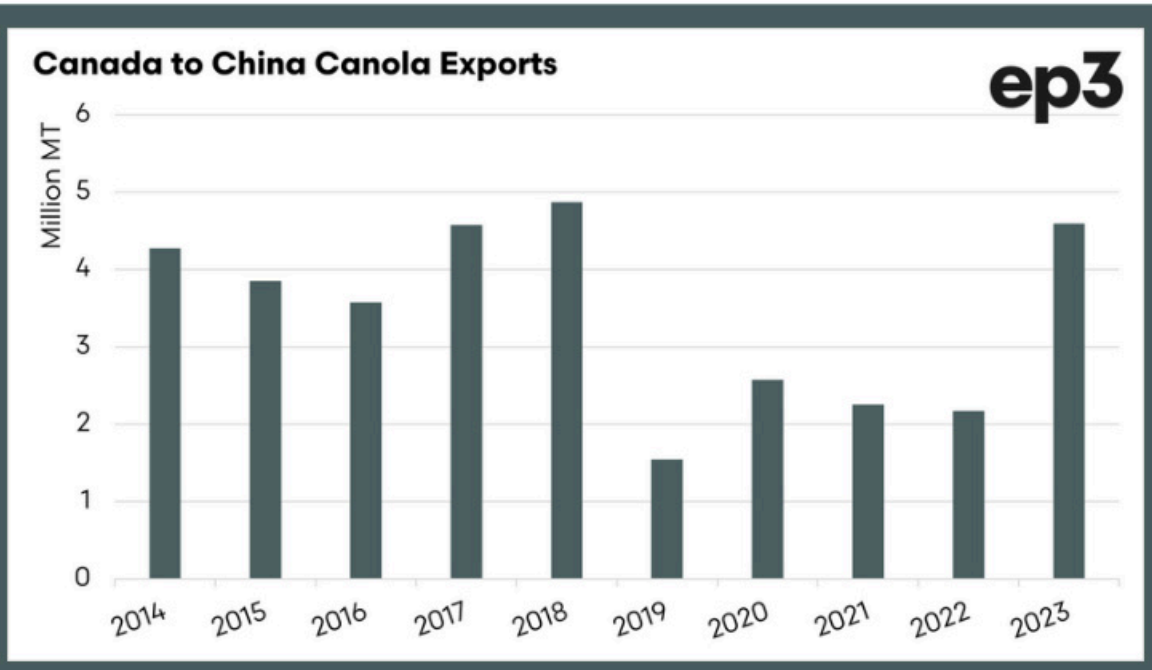
For China, the loss of Canadian seed does not create a supply shortage, but it does reduce flexibility and raise costs. Chinese crushers must now pivot more heavily toward Australian canola. Australia is the primary beneficiary of this trade shift, as Chinese buyers view Australian seed as high-quality, logistically reliable, and free from the political impediments currently affecting Canada. Chinese crushers are likely to lean further into Australian supply throughout 2025 and 2026. India also stands to gain through increased exports of rapeseed meal, which have already surged in response to Chinese demand.

In global terms, the ban does not reduce total supply, but it disrupts the flow of that supply, tightening the market even as production increases. Canada still has the seed, China still has the demand, but the trade link between them has been severed. That inefficiency adds friction and cost to the system, supporting prices on both ICE and MATIF despite the rebound in world production. The result is a market that feels “adequately supplied but structurally tight,” with politics now doing as much work as weather in shaping price outcomes.

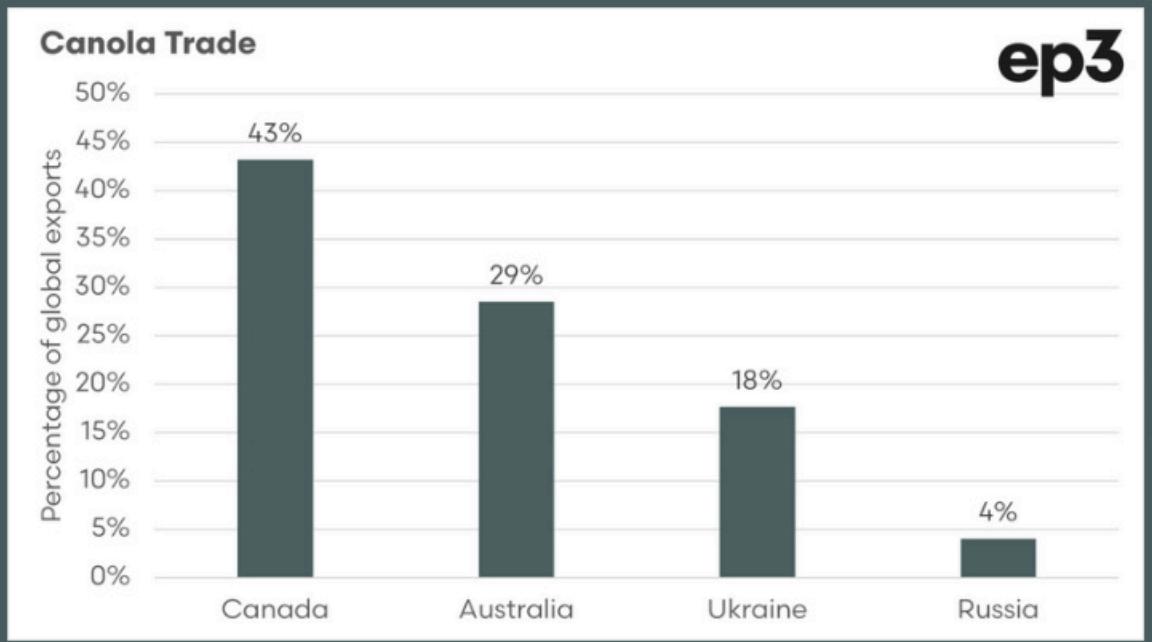
This situation with the anti-competitive dumping of canola has all the hallmarks of the anti-dumping investigation into Australian barley, which was later overturned.



Canada provides a substantial percentage of the worlds trade in canola seed, meal and oil.



Canada trades a significant volume of canola to China. This trade flow is at risk, opening up opportunities for Australian producers



Canada is the worlds largest contributor to the global trade in canola, with Australia in second place.

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CHINA BACK TO AUSTRALIA

After five years on the sidelines, China has officially resumed imports of Australian canola. This move marks one of the most significant developments for the Australian oilseed sector since the 2020 suspension. A 65,000-tonne shipment has been loaded at Esperance, signalling the reopening of a trade pathway worth hundreds of millions of dollars to Australian growers.

China halted Australian canola imports in 2020, citing detections of the fungal disease blackleg, though the decision occurred amid broader diplomatic strain between the two countries. Rebuilding access has been slow and technically complex, requiring assurances around biosecurity, traceability and supply chain protocols. The approval of this shipment is therefore far more than a commercial transaction; it is a signal that relations have warmed enough for trade in a tightly regulated commodity to resume.

The timing is advantageous for Australia. Canola remains one of the most valuable broadacre crops. Europe has traditionally been Australia's largest premium customer, but a combination of strong local production and tightening environmental rules has softened buying appetite. Re-entry into China provides much-needed market diversity at a moment when Australia risks being overexposed to any single region's policy settings.

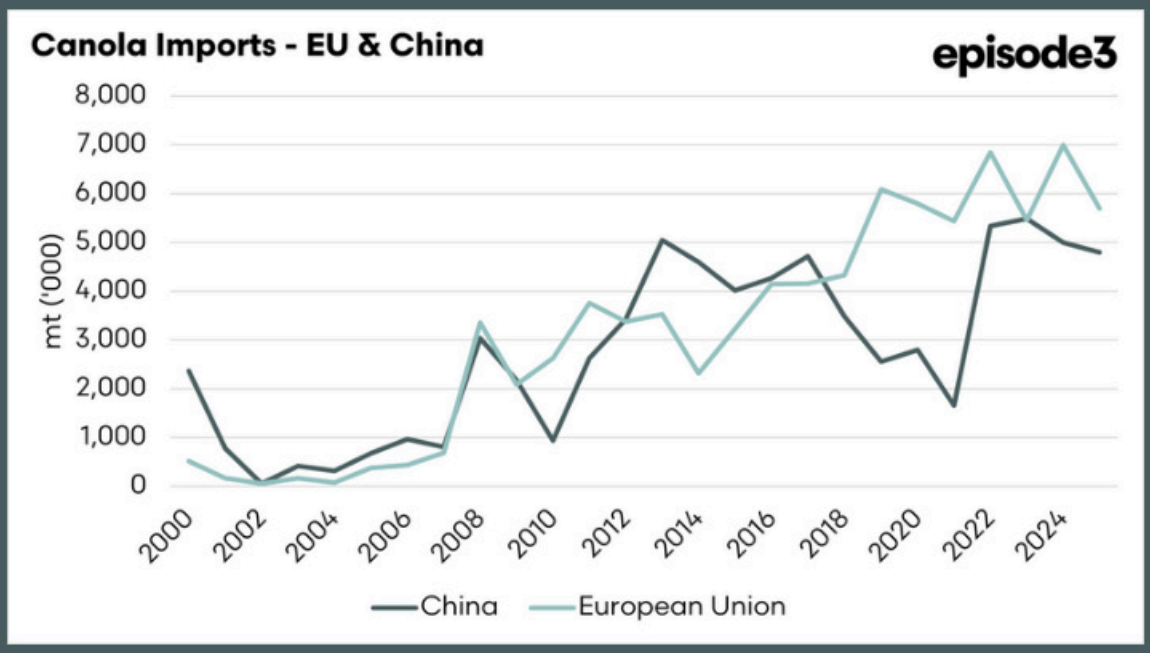
China's re-engagement is also strategically interesting. The country has increasingly relied on Canadian canola in recent years, but that supply has faced its own uncertainty, including anti-dumping actions and periodic trade friction. Australian supplies provide an additional source for Chinese crushers. Australian canola offers China an alternative, reliable source at a time when domestic demand for vegetable oils and protein meal continues to grow. Early estimates suggest Australia will ship between 150,000 and 250,000 tonnes in the initial phase of testing, with room to expand if trade flows stabilise. (cont)

CHINA BACK TO AUSTRALIA

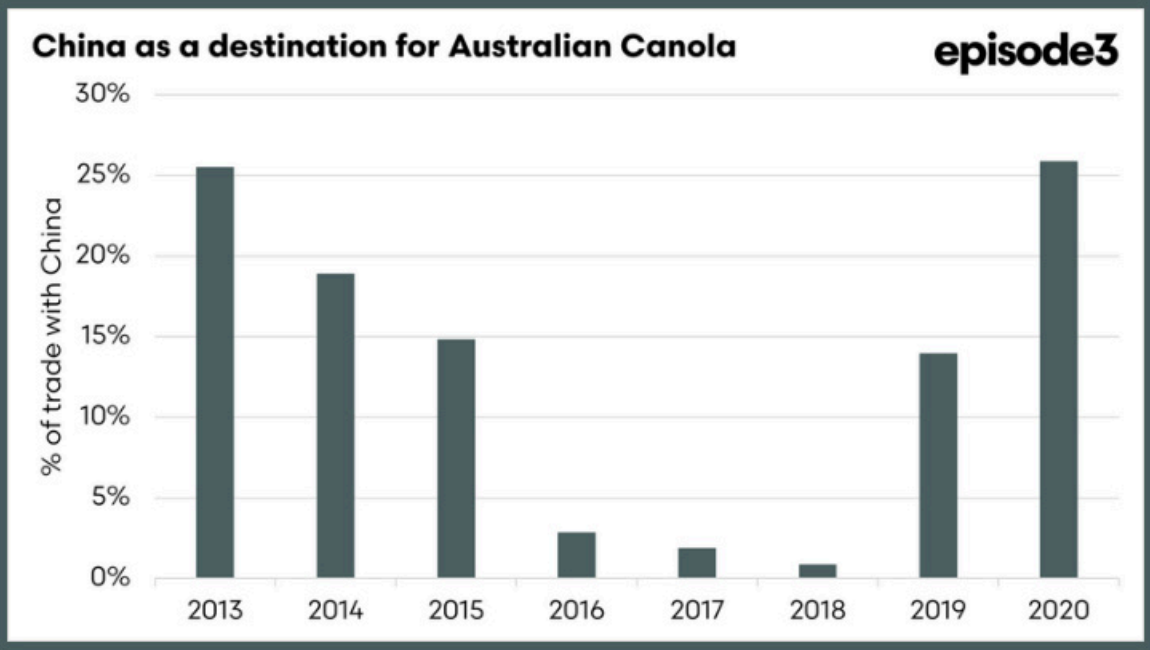
For Australian growers, the immediate benefit is confidence. Even a modest return of Chinese buying strengthens demand at a time when global prices have been under pressure. Analysts note that additional competition for cargoes typically provides underlying price support, particularly when European crushers are less active than usual.

However, this is not yet a fully normalised trading relationship. The shipment is still a trial, and China retains the ability to halt or slow imports if phytosanitary or political conditions change. Biosecurity vigilance and ongoing government-to-government communication will be essential.

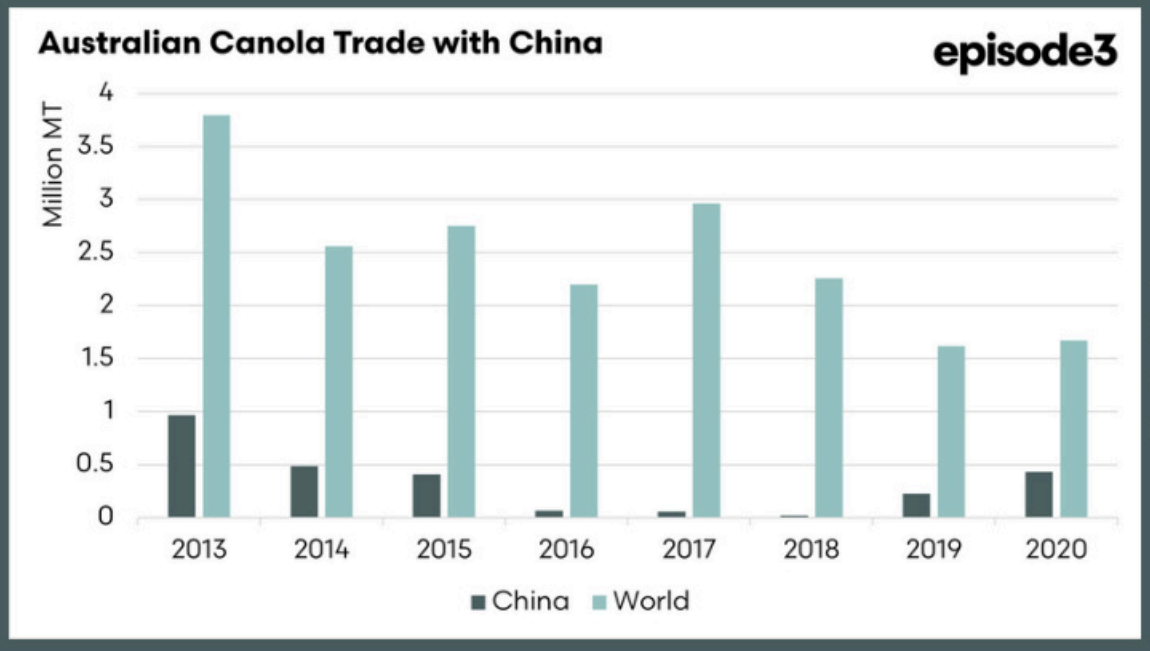
Still, the reopening of this market is a clear positive. China's return injects competition, improves pricing resilience and broadens Australia's export options. The more options Australia has for export, the better for the local sector.



China and Europe are the two largest importers of canola. Australia has not had access to China in recent years.



China was a significant market for Australian canola in the 2010s. They are price sensitive, and declined during the drought years when pricing was higher.



During the same time frame, Europe continued being a large buyer. This is due to their preference for Non-GM.

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GM DEBATE

In Australia, GM canola consistently trades below non-GM canola, but this difference is far better understood as a non-GM premium rather than an actual GM discount. The gap is driven not by any deficiency in GM canola, but by the presence of a unique, high-paying market segment overseas that specifically rewards non-GM supply. Australia's most valuable export destination for canola, the European Union, operates under regulatory, industry and consumer frameworks that strongly favour GM-free oilseeds. As a result, European crushers do not generally buy GM canola, meaning the higher price attached to non-GM seed is generated by extra demand, rather than any reduction in value for GM varieties.

At the farm level, GM canola actually provides significant agronomic advantages. Growers use GM varieties because they offer improved weed control flexibility, consistent performance, and strong yield potential across a range of seasonal conditions. These traits make GM canola a reliable and efficient option in many Australian production systems. The lower price it receives is therefore not a reflection of its productivity or quality, but simply a consequence of selling into markets that treat it as a standard commodity oilseed, without the uplift attached to identity-preserved non-GM programs. A significant reason non-GM attracts a premium is the cost and complexity of maintaining strict identity-preservation systems.

To access EU markets, exporters must invest in segregation, testing, documentation and traceability from paddock to port. These processes add cost and risk, and buyers compensate exporters and growers accordingly. The premium, therefore, reflects both the higher willingness to pay from European crushers and the logistical effort required to deliver certified non-GM cargoes. GM canola, which does not need to meet these requirements, flows through the supply chain more like a traditional bulk commodity.

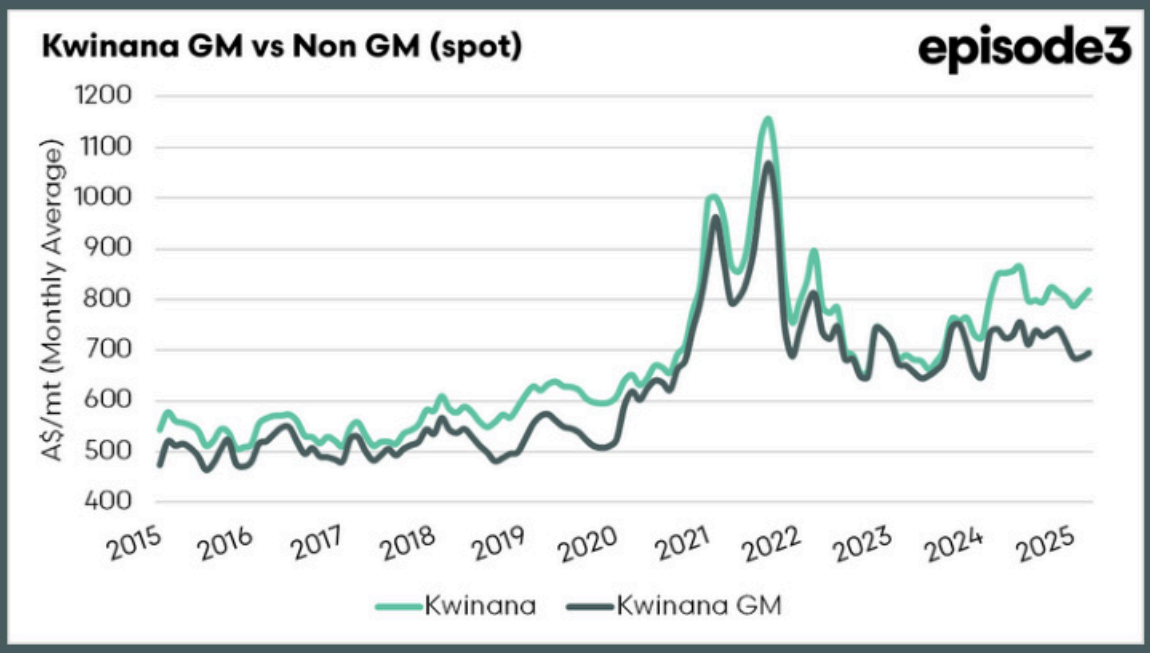
Supply balance also shapes the price spread. In regions such as Western Australia, where GM adoption is high, GM canola often represents the majority of the crop. Because exporters prioritise limited non-GM tonnage for premium markets, the larger GM portion becomes the residual pool that must clear into lower-value destinations once non-GM commitments are filled. In years with large crops, this clearance dynamic can widen the price gap simply because more GM seed is competing for a narrower set of markets. (cont)

GM DEBATE

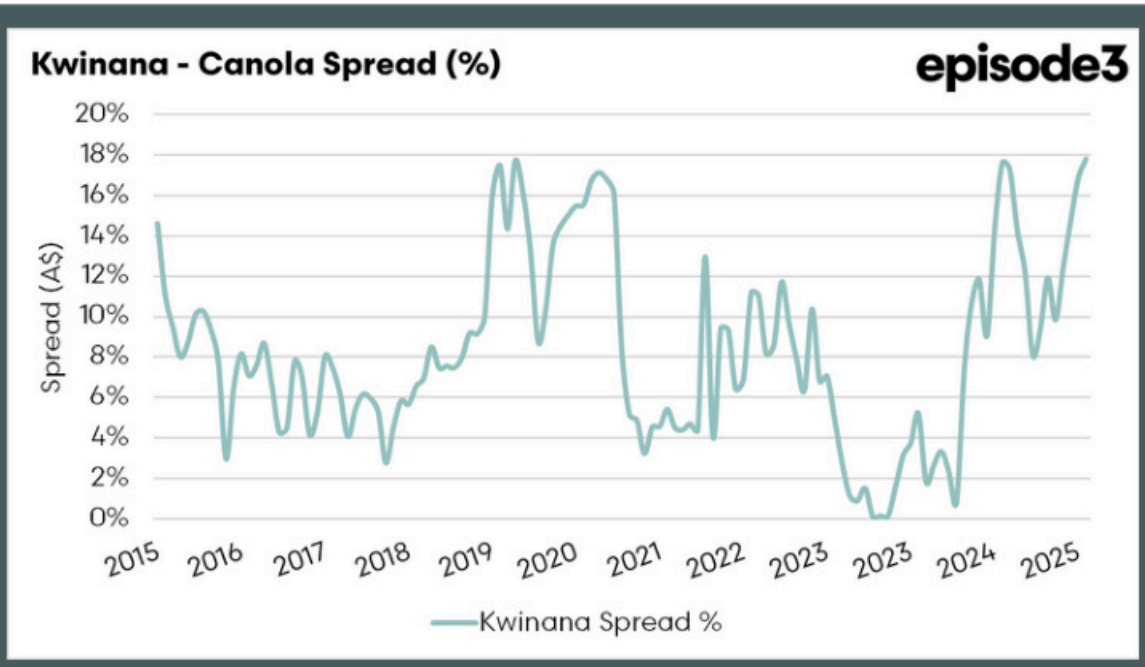
The situation has been further complicated in the past two years, as geopolitical manoeuvring has forced Canada, the world's largest exporter of canola, most of which is GM, to look for new markets as China effectively removes access. This places downward pressure on GM markets.

Ultimately, the relationship between GM and non-GM prices is the economic expression of market access. Non-GM canola earns a premium because Europe and a handful of other buyers are willing to pay more for it. GM canola remains a strong agronomic performer and a competitive global commodity; it simply trades at the baseline value, while non-GM trades above that line due to regulatory and consumer-driven demand.

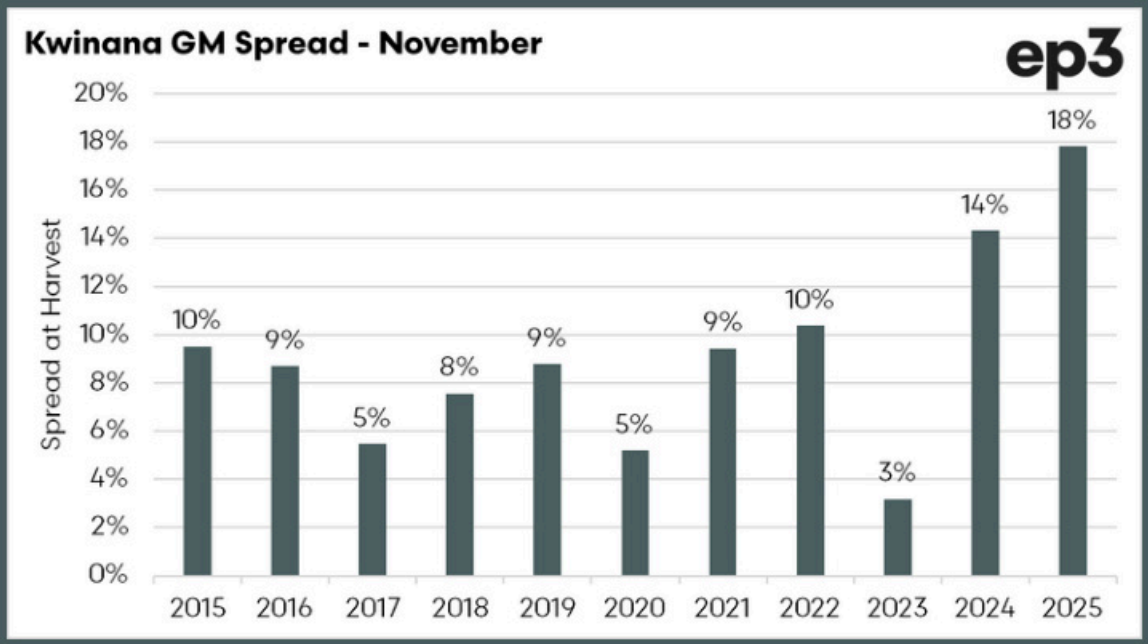
The GM spread at the moment is larger than typically would be expected; however, this is not a new phenomenon. The GM spread changes throughout the year, and the next few charts present some interesting analysis.



The Non-GM and GM canola price tends to track one another, but at times will diverge.



In percentage terms, the spread between GM and Non-GM has been at similar levels in the past - predominately when supply of canola was constrained by drought.



The spread however at present is high in comparison to previous harvests. This dynamic may remain for some time, but will likely reduce to more average levels.

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