CANOLA UPDATE

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MIDDLE EAST CONFLICT

The escalating conflict involving Iran has injected a fresh wave of volatility into global agricultural markets, particularly through energy and fertiliser costs. While the geopolitical situation stays uncertain, the economic impact on farmers is already becoming clear.

Fertiliser markets have reacted quickly because the Middle East plays a critical role in global nitrogen supply. Iran alone accounts for around 10% of global urea trade, meaning any disruption to production or exports can quickly tighten the global market. Even without a complete shutdown of production, geopolitical risk can raise freight costs, insurance premiums and shipping delays, all of which feed directly into higher fertiliser prices.

For Australia, the exposure is particularly acute. The country imports the majority of its nitrogen fertiliser, and around 69% of Australia's urea imports originate from the Middle East, leaving the supply chain highly exposed to disruptions in the region. With shipping through the Strait of Hormuz effectively halted, one of the main export corridors for Gulf fertiliser has been disrupted, forcing importers to look for alternative supply sources.

Prices have already begun to move sharply. Episode 3's fertiliser fair value model shows Australian urea prices now sitting above A$1200/t, up more than A$200 in just one week as the conflict escalated. In some cases, distributors are quoting prices above A$1300/t, often without guaranteed access to supply, highlighting the level of uncertainty currently present in the market.

Energy markets are also reacting, which creates a second cost pressure for farmers. Rising geopolitical risk around Iran increases the likelihood of higher oil prices, which typically flow through to diesel costs for agriculture. Higher diesel prices increase the cost of running machinery, freight and grain transport, adding further pressure to farm budgets.

The situation creates significant uncertainty for growers. Higher diesel costs, rising fertiliser prices, and questions over supply availability are making input budgets for the coming season increasingly difficult to manage as the conflict continues to unfold.
Whilst this is largely bad news, there are some potential benefits to canola from this military action (more on that in a later section).

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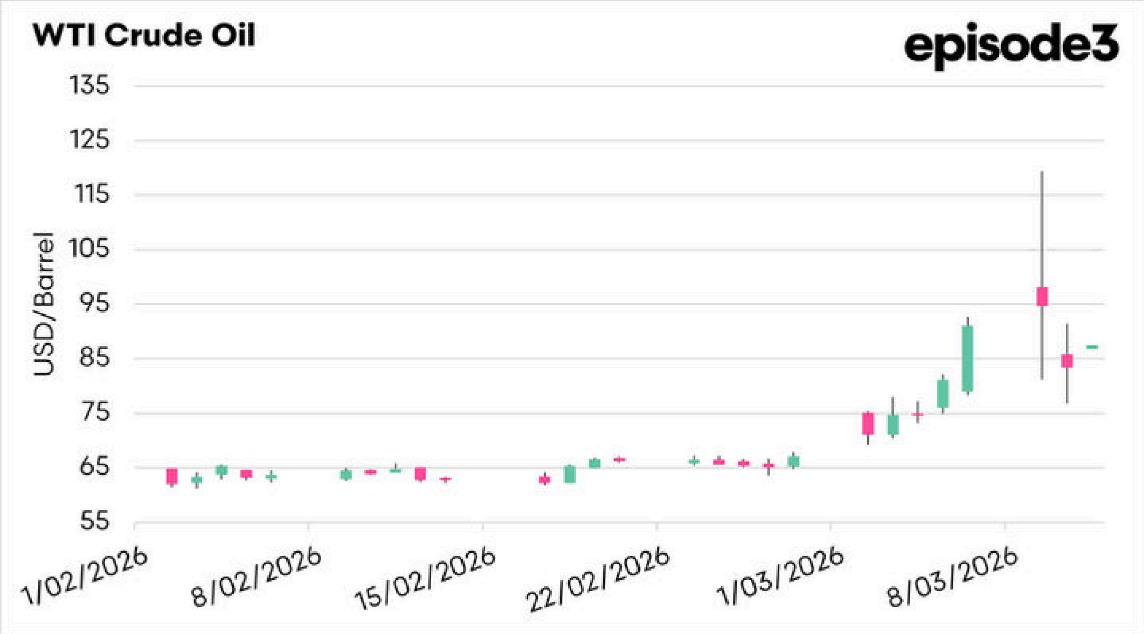
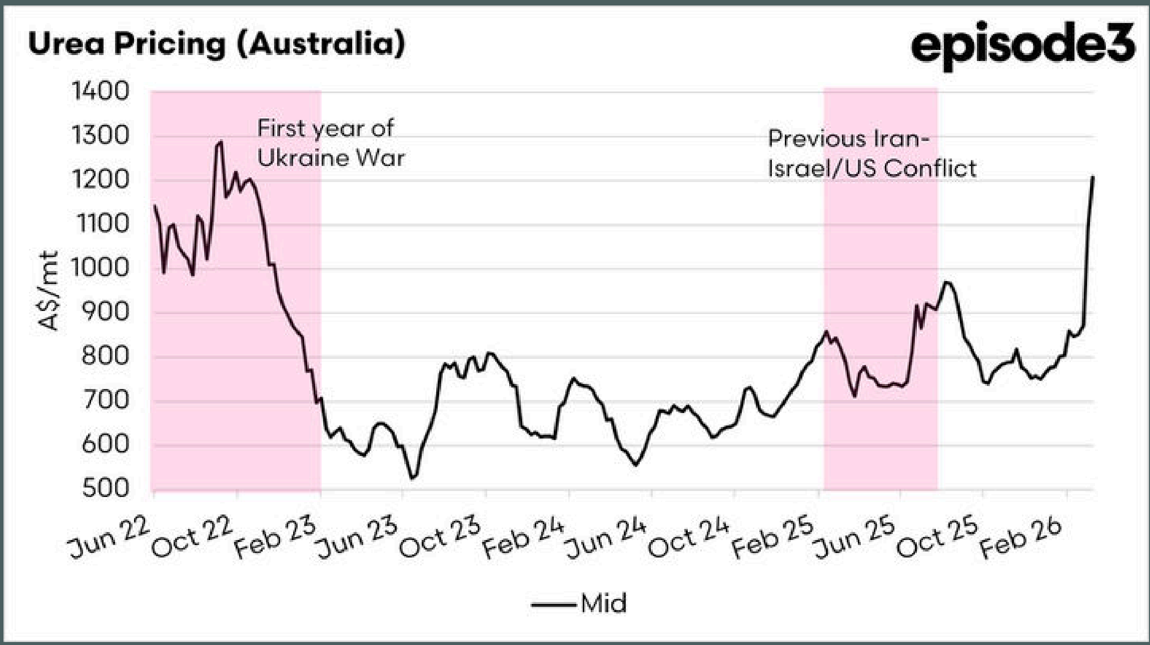
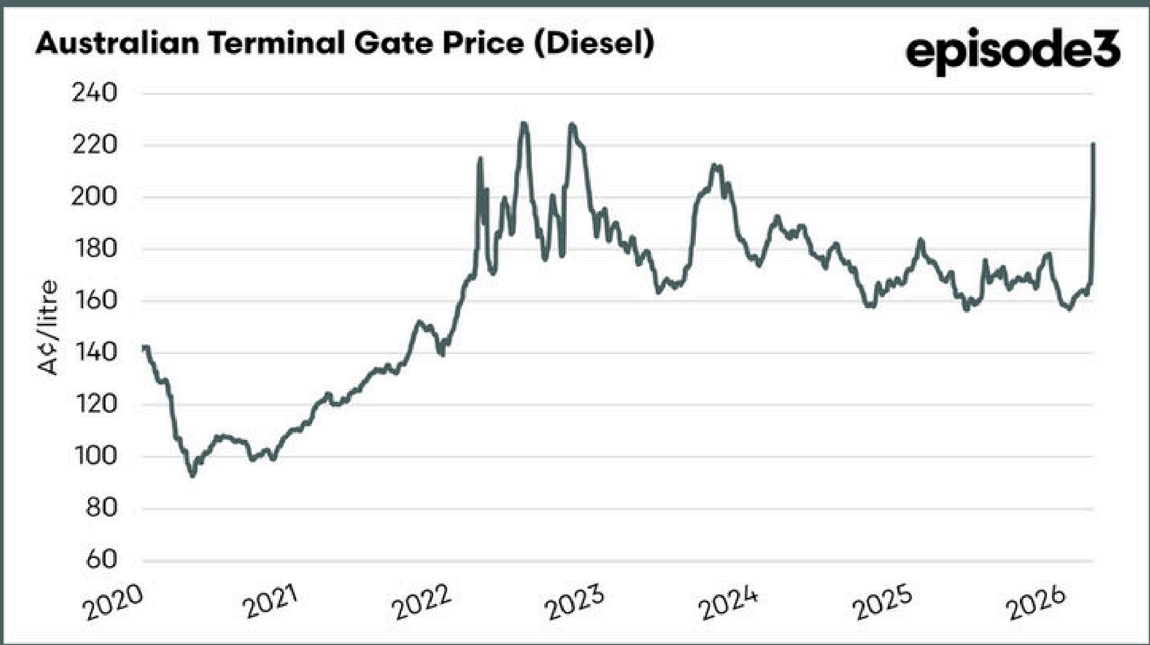


The energy market has had the biggest reaction from the conflict in the middle east.



Urea prices have risen dramatically, and we expect that prices will stay inflated for our application windows



Diesel prices have risen dramatically, as crude oil increased but also individuals stockpiling

PRICING ENVIRONMENT

Over the past few months, the global canola market has eased slightly, with prices softening across most major export origins. In November 2025, Australian canola values in the international dataset were sitting around $818/t, broadly comparable with France at about $857/t and Ukraine near $825/t, while Canadian prices were lower at roughly $751/t. By December 2025, prices had begun to slip, with Australia falling to around $787/t and Canada to about $704/t.

The softer tone has carried into early 2026. Australian values declined from roughly $770/t in January to $761/t in February, before easing further to about $741/t by March. A similar trend is visible across the other major exporters, suggesting the global oilseed market has been drifting lower rather than experiencing any sharp correction.

The Kwinana export market reflects this pattern. Prices averaged around $819/t in November 2025, slipping to roughly $781/t in December, before easing to about $773/t in January, $759/t in February, and $746/t by March 2026. While weaker, these values still sit comfortably above the levels seen prior to the oilseed rally earlier in the decade.

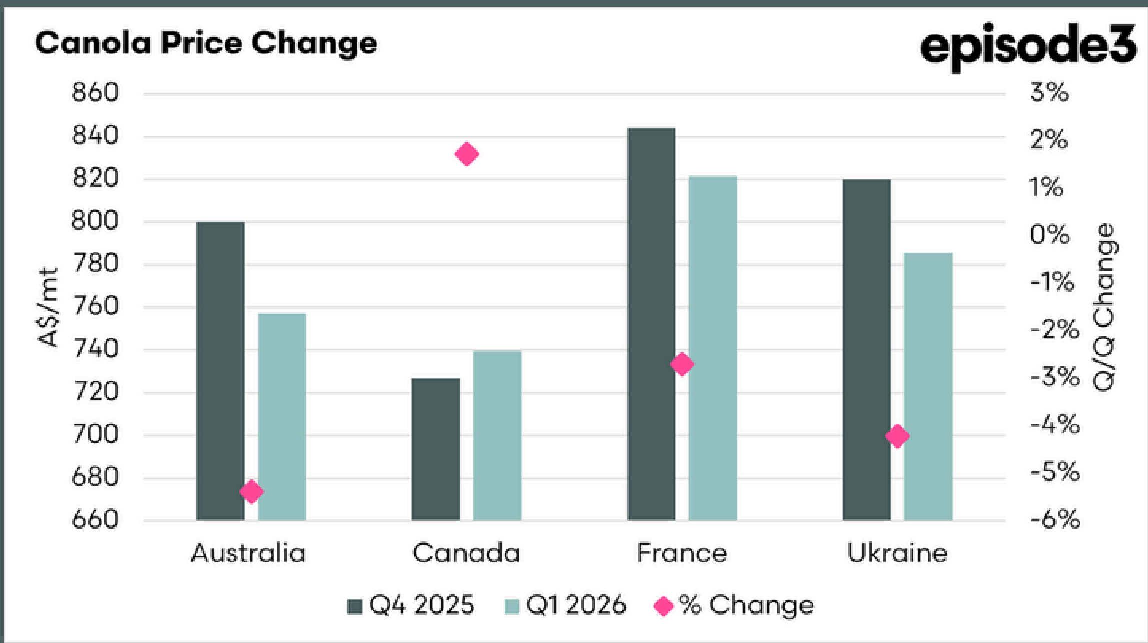
The more notable change has been in the GM spread at Kwinana, which has been steadily narrowing. During late 2025, the premium for non-GM canola reached unusually high levels, peaking at around $122/t in November and remaining elevated at about $108/t in December.

Since then, the spread has compressed noticeably, falling to around $96/t in January, $76/t in February, and about $63/t by March. Although still above long-term averages, the trend is clearly lower.

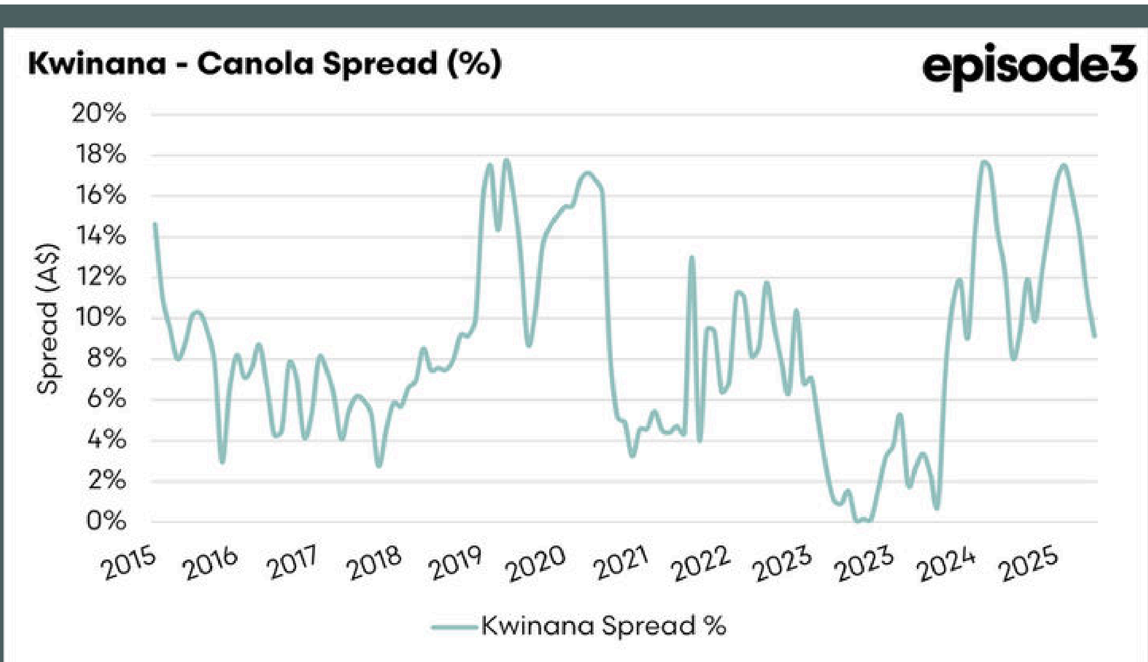
After a prolonged period of exceptionally wide premiums, the non-GM spread now appears to be moving back toward more typical levels, in part due to the relaxation of trade issues between China and Canada, reducing the need for Canada to compete with Australia on alternate markets.

(It is important to note that this pricing section is open to volatility due to the current situation in the Middle East.)

Canola prices eased this quarter, but will likely bounce back may claw back losses due to the middle eastern conflict.



Canada gained value versus the other major origins, due to regaining access to China.



The GM spread in Australia has started narrowing as the volumes from Canada no longer look to compete with Australia

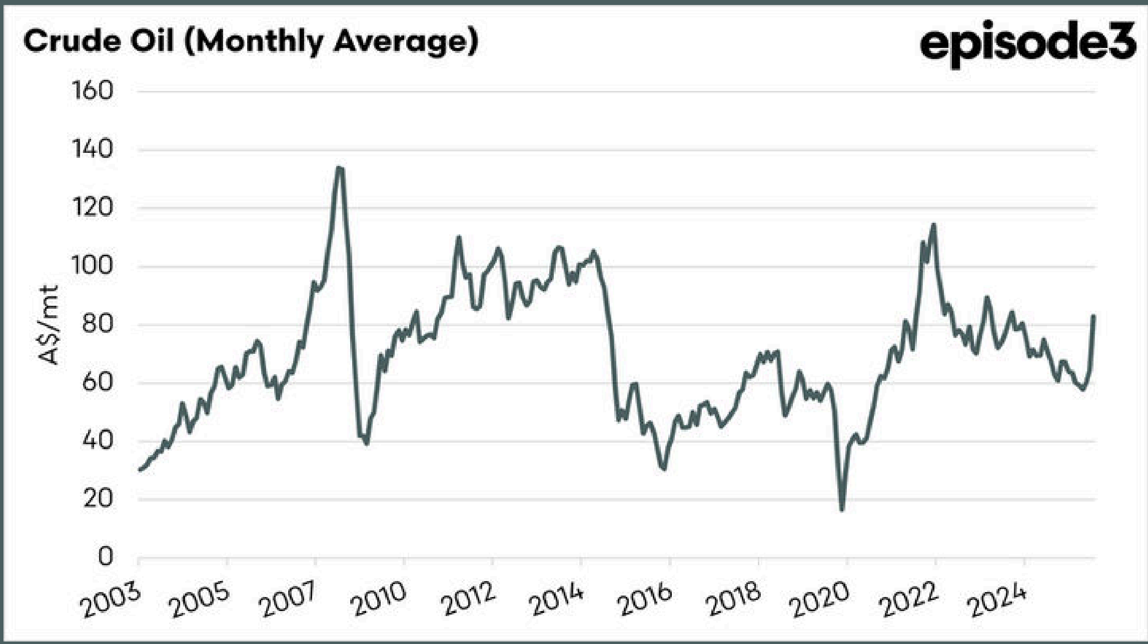
ENERGY MARKET

The energy market has rallied strongly in the past fortnight, due to the conflict in Iran (more on that later). This causes input prices for farmers to increase, but it has a positive side effect: oilseed markets can follow the energy market higher.

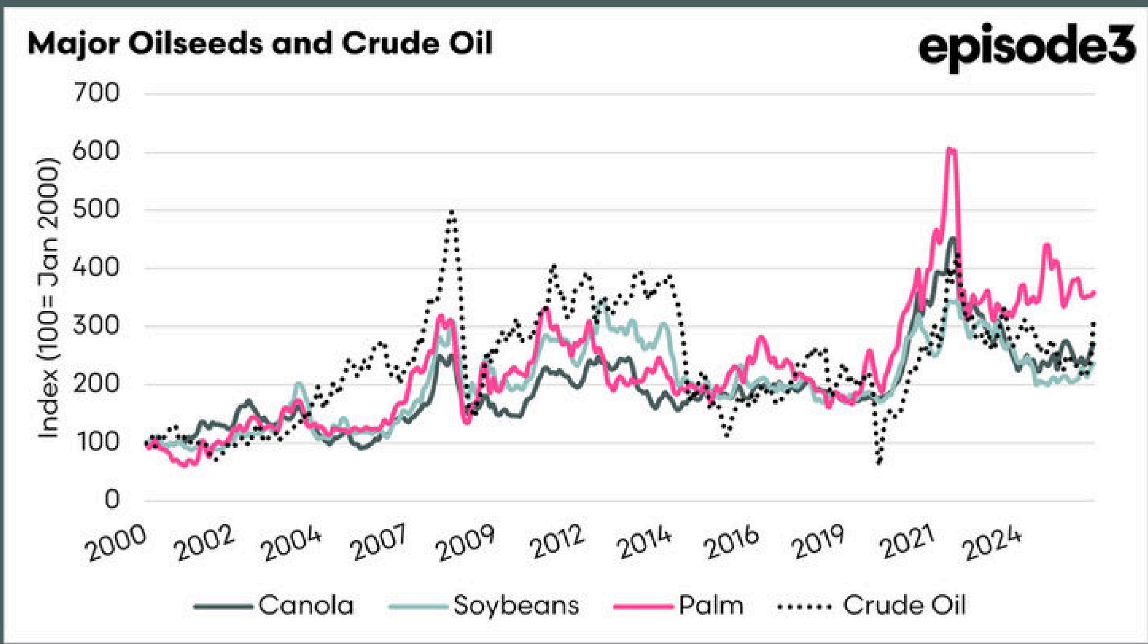
Oilseed markets, including canola, are closely tied to developments in the broader energy complex because vegetable oils play a key role in global biofuel production. When crude oil prices rise, biofuels such as biodiesel and renewable diesel often become more competitive relative to fossil fuels. This tends to lift demand for vegetable oils, including canola oil, soybean oil and palm oil, as they are important feedstocks in the biofuel industry. As demand for these oils increases, the value of oilseeds typically strengthens because crushers can capture higher margins from processing them into oil and meal.

The connection has become stronger over the past decade as governments have expanded renewable fuel mandates and low-carbon fuel standards. Policies in the US, Europe and increasingly parts of Asia are encouraging greater use of renewable diesel and biodiesel, which rely heavily on vegetable oils. Canola has become particularly important in this space because of its favourable oil profile and relatively low carbon intensity compared with some other feedstocks.

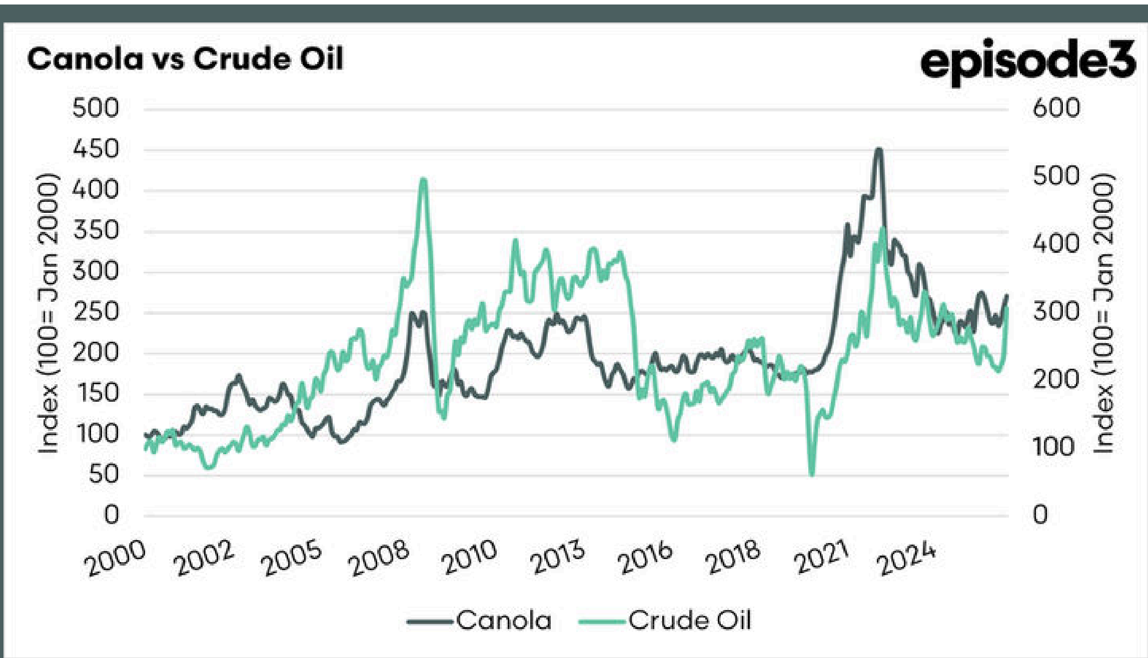
Energy markets also influence oilseed production costs. Higher crude oil prices tend to push up fertiliser, fuel and freight costs, which can affect planting decisions and global supply. As a result, canola markets are often influenced not only by traditional agricultural factors such as weather and yields, but also by movements in crude oil prices and broader energy policy trends.



The oil market has experienced a strong rally during recent weeks due to the conflict in the middle east.



Oilseed markets tend to follow one another very closely due to their high degree of fungibility



The canola market historically followed the crude oil market . If high energy prices persist, this could be beneficial for canola pricing levels

CANADIAN PLANTING INTENTIONS

Canada has released their most recent planting estimates, and canola area has expanded for another year. Farmers expect to plant around 8.8 million hectares, a modest increase of about one per cent on the previous year and broadly in line with the five-year average. While the rise appears relatively small, the sheer scale of Canadian production means even minor changes in planted area can have meaningful implications for global oilseed supply.

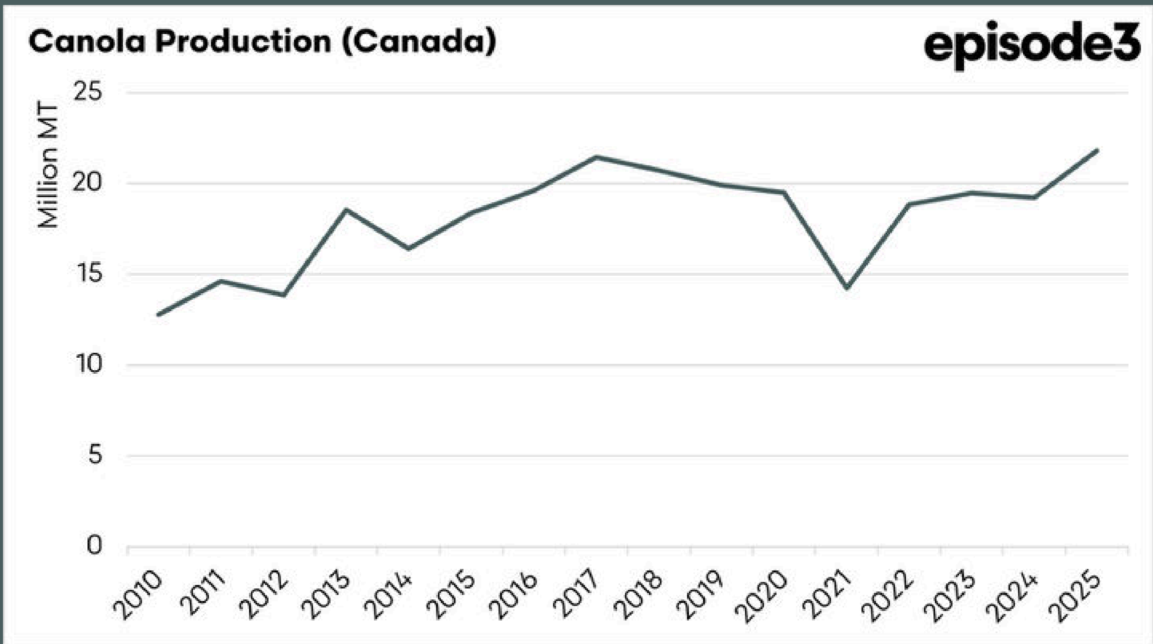
Production remains heavily concentrated across the Canadian Prairies. Saskatchewan is expected to account for the largest share with roughly 4.9 million hectares, followed by Alberta with about 2.5 million hectares and Manitoba with around 1.3 million hectares. These three provinces form the core of Canada's canola industry and underpin the country's role as the largest exporter of canola seed in the world.

For Australian growers, developments in Canadian planting intentions are particularly important because Canada is Australia's biggest competitor in global canola markets. Both countries produce large exportable surpluses and compete directly in many of the same markets, particularly Europe, Japan, Mexico and parts of Southeast Asia. As a result, the size of the Canadian crop often plays a major role in shaping global price direction and the export opportunities available to Australian exporters.

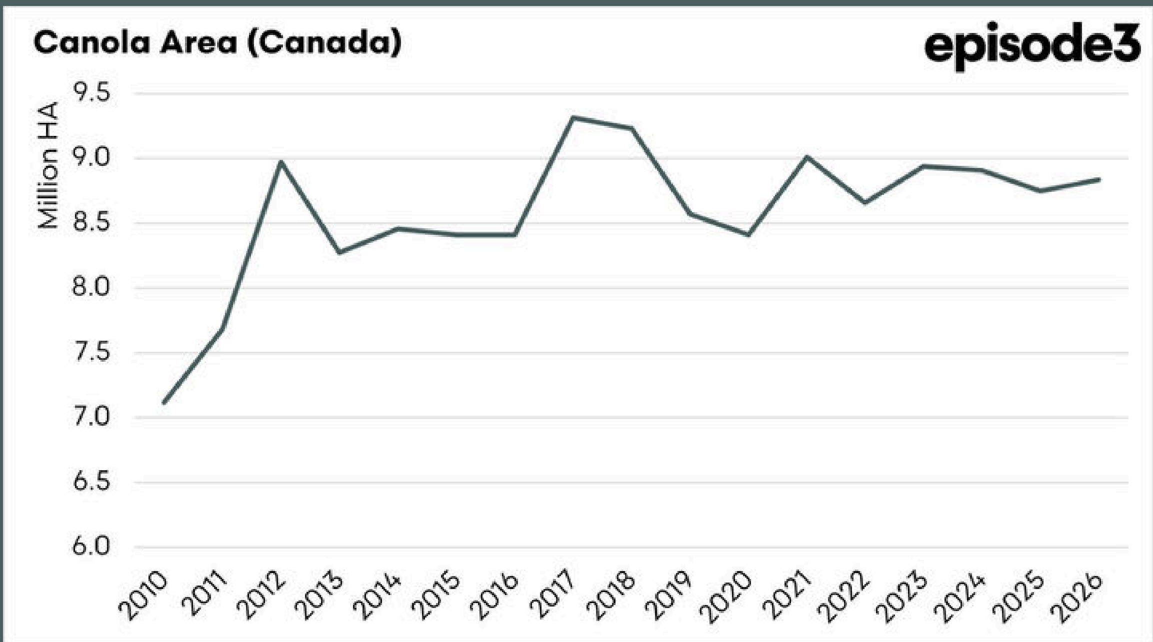
Several factors are supporting canola's continued prominence in Canada. Expanding domestic crushing capacity is increasing demand for seed as processors position themselves to supply the rapidly growing renewable diesel sector. Strong global vegetable oil prices have also improved forward pricing opportunities for growers relative to some competing crops.

For Australian producers, the key takeaway is that Canadian planting decisions remain one of the most important global supply signals for canola markets heading into the 2026 season.

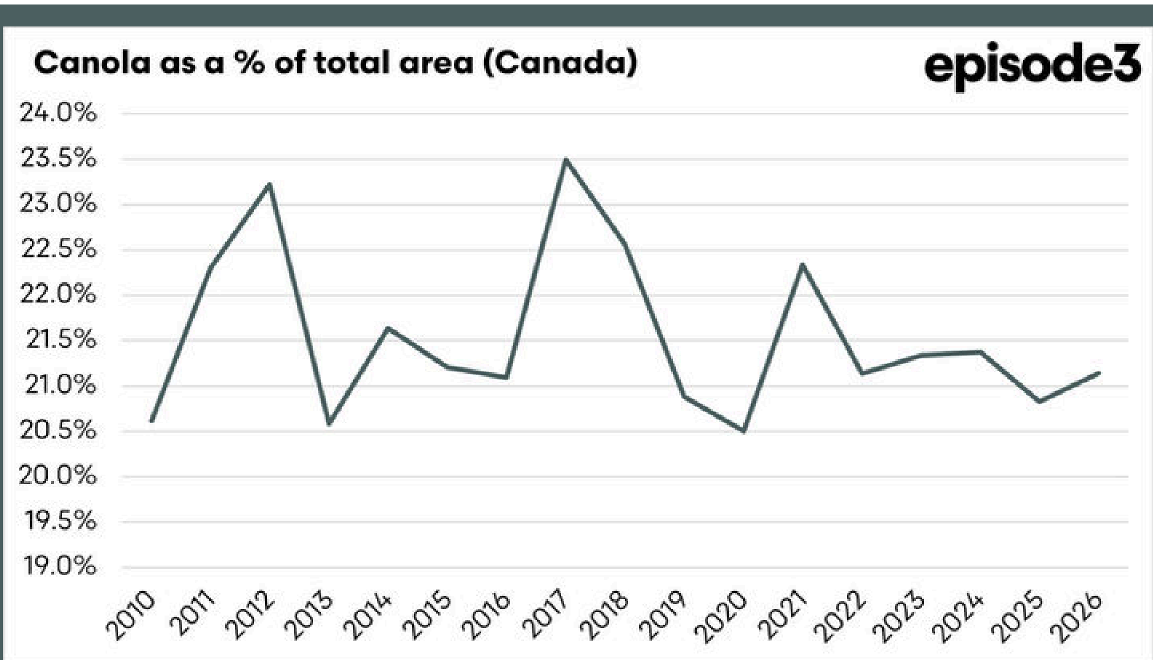
It is important to note that these planting intentions were collected in Mid-December to Mid-January, and changes may occur, especially considering the increase in input costs caused by the Iran conflict.



Canadian canola production hit record levels in 2025



Canola planting intentions in Canada are up year on year, but these may change if input prices remain high.



Canada has consistently devoted around 20 to 23% of the growing area to Canola.

CANADA ACCESS TO CHINA

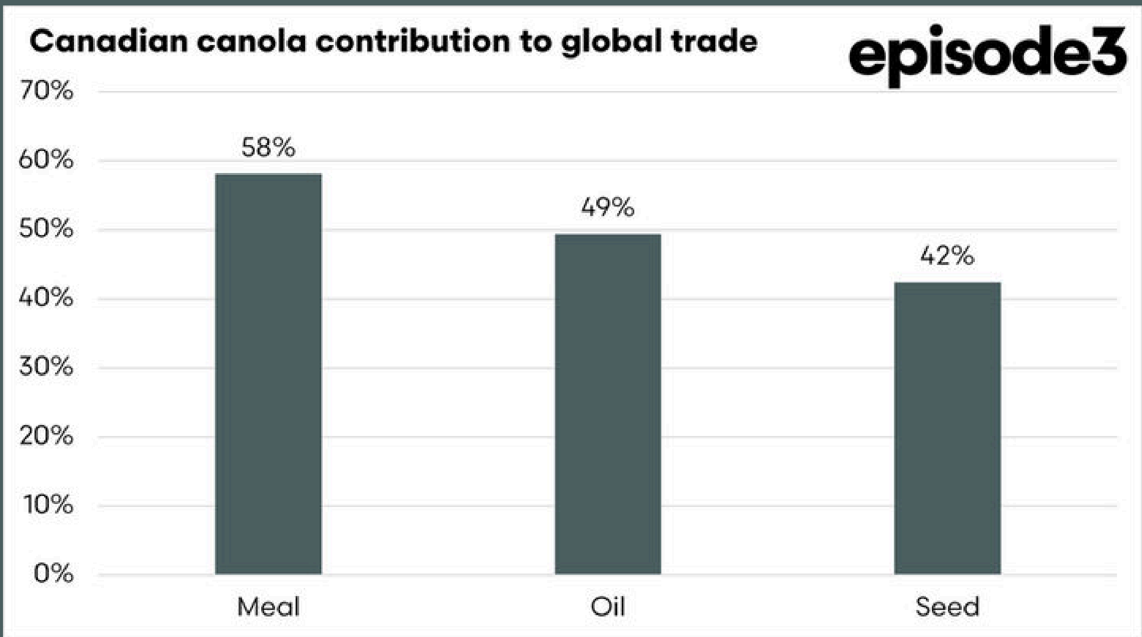
Canada has regained access to the Chinese market for canola seed following a significant reduction in the tariffs that had effectively shut Canadian exporters out of the trade. The change restores a crucial outlet for one of Canada's most important agricultural exports and reintroduces a major source of demand into the global oilseed market.

China had previously imposed anti-dumping duties of close to 80 per cent on Canadian canola seed. At that level, the tariff was effectively prohibitive, bringing shipments to a halt and removing a large portion of Canadian export demand almost overnight. The tariff has now been reduced dramatically, with the combined applied rate falling to about 14.9 per cent. While the duty has not been removed entirely, it brings the cost of access back into a range where trade can once again occur.

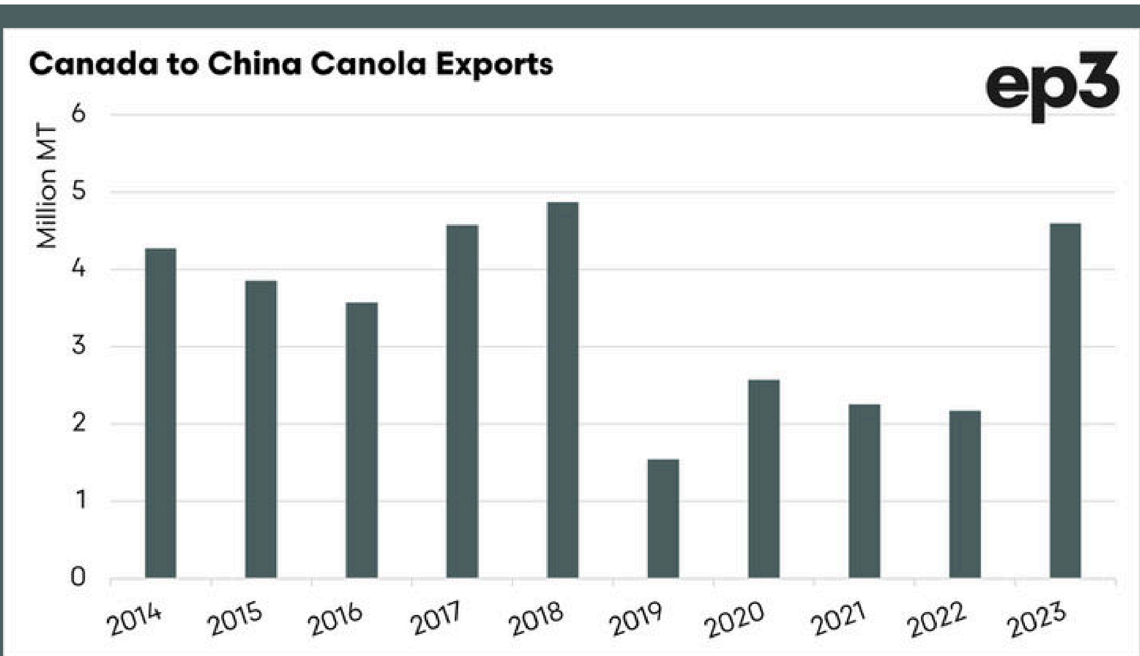
For Canada's canola sector, the Chinese market is particularly significant. In a typical year, China purchases around four to five million tonnes of Canadian canola seed, making it one of the largest single destinations for the crop. When the higher tariffs were introduced, that demand disappeared from the market, placing downward pressure on prices and forcing exporters to redirect volumes into other destinations.

The return of access means this demand signal is likely to re-emerge, helping restore balance to the export program and providing additional support for Canadian canola values. It also reopens a market that is difficult to replace elsewhere due to the sheer volume China can absorb.

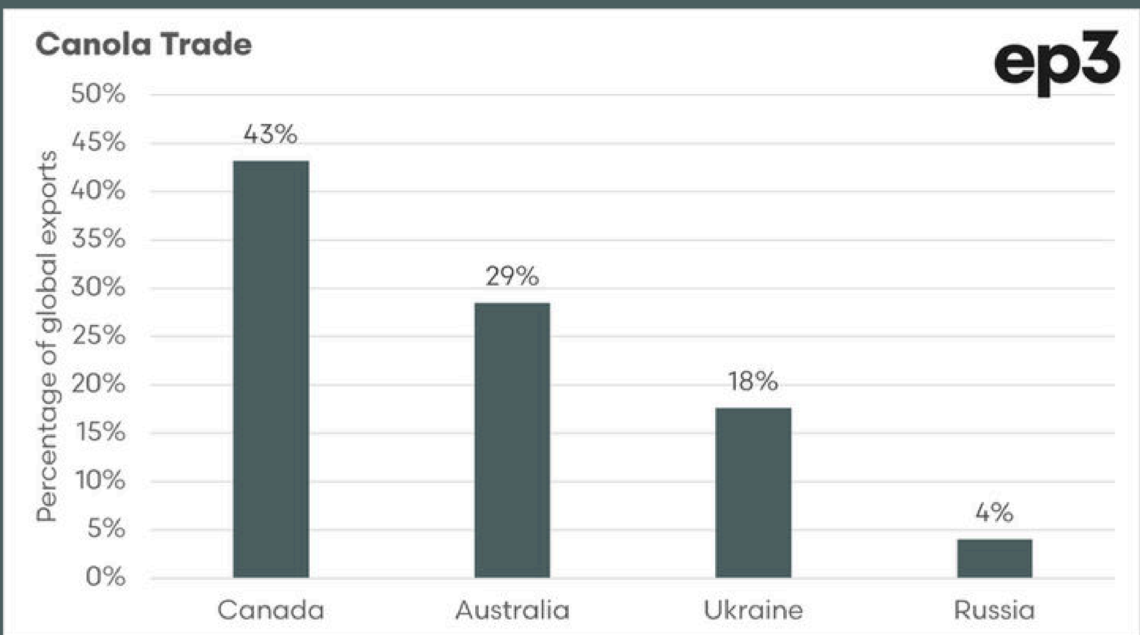
It is important to note that Canada is largely a producer and exporter of GM canola. As previously noted in our updates, we expected that when Canada regained access to China, GM spreads would narrow. This has occurred as the spread between Non-GM and GM has moved from 17% to 9%.



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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AUSTRALIAN PRODUCTION

Australia's canola industry has experienced a significant lift in production over the past decade, but the most striking changes have occurred in the past few seasons. While planted area has expanded, the more notable trend has been the emergence of strong yields in recent years.

Canola production for much of the 2000s and early 2010s generally ranged from 1 to 4 million tonnes. Planted area during this period gradually expanded, but yields were often constrained by seasonal conditions, particularly drought. As a result, production fluctuated widely from year to year.

The past five seasons, however, mark a clear shift in scale. In 2020/21, Australia produced around 4.8 million tonnes from roughly 2.6 million hectares. The following season saw a major jump, with production reaching about 6.8 million tonnes from 3.25 million hectares. That increase reflected both a larger planted area and exceptionally strong yields across many growing regions.

The 2022/23 season then set a new benchmark. Production climbed to approximately 8.4 million tonnes from around 3.9 million hectares, the largest crop recorded in the dataset. While the area was certainly high, the production outcome also points to very strong yields nationally.

Production eased the following year to about 6.0 million tonnes as seasonal conditions softened, despite planted area remaining elevated at roughly 3.5 million hectares. In 2024/25, output lifted again to around 6.4 million tonnes.
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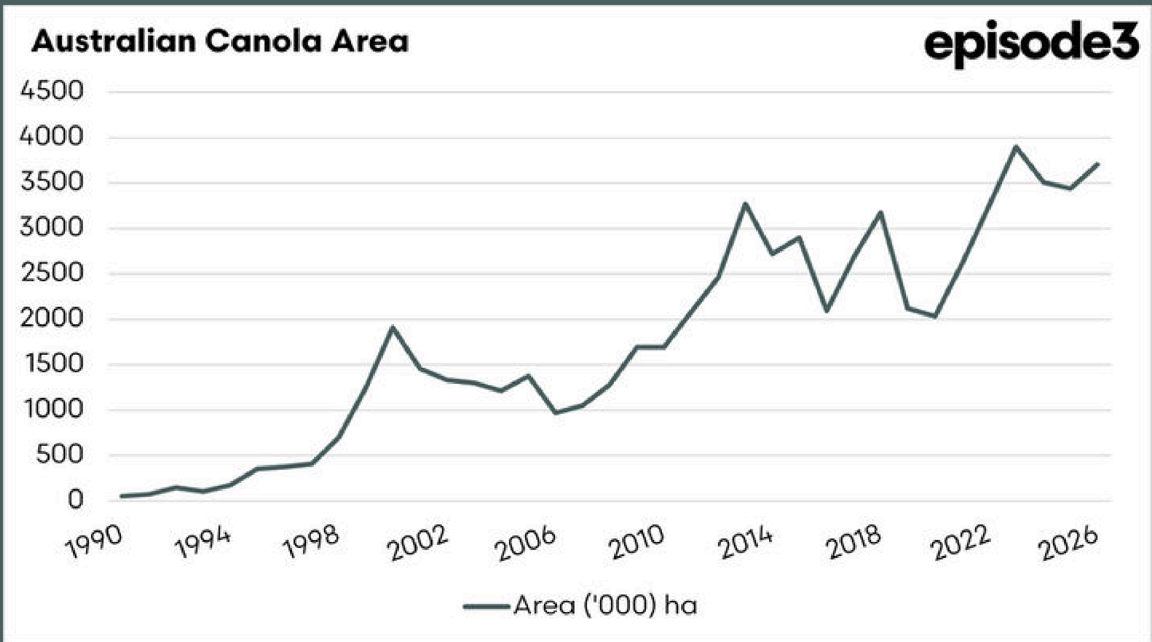
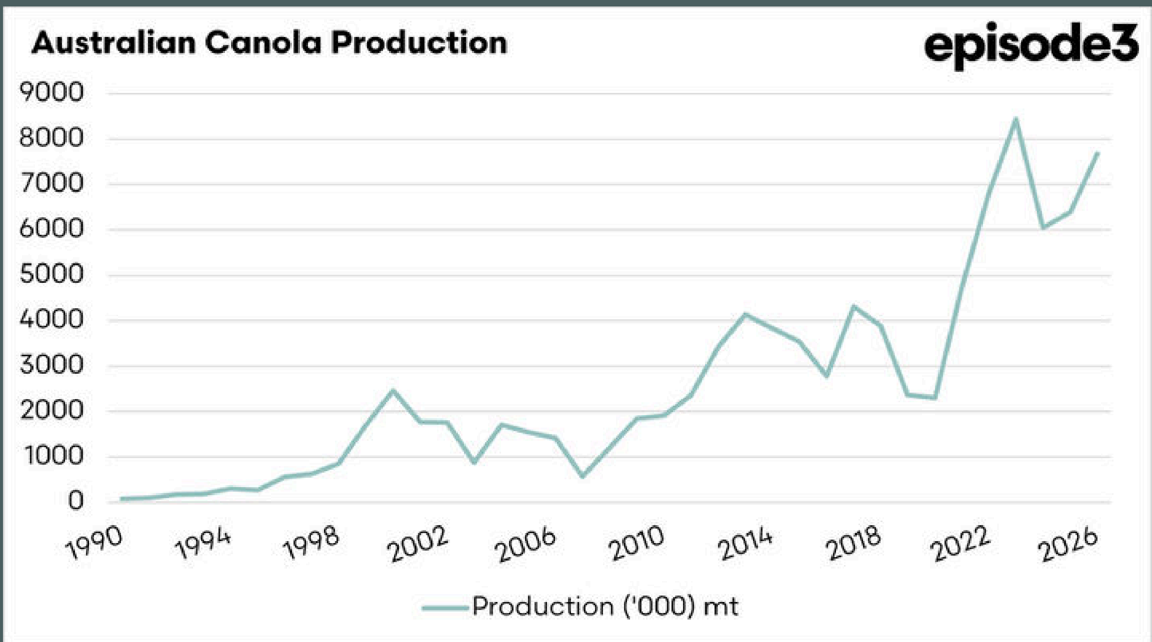
The most recent forecast for 2025–26 suggests production could reach roughly 7.7 million tonnes from about 3.7 million hectares. If realised, this would rank among the largest canola crops Australia has ever produced. The recent seasons, therefore, highlight not just an expansion in area but a clear step-up in crop productivity across Australian farming systems.

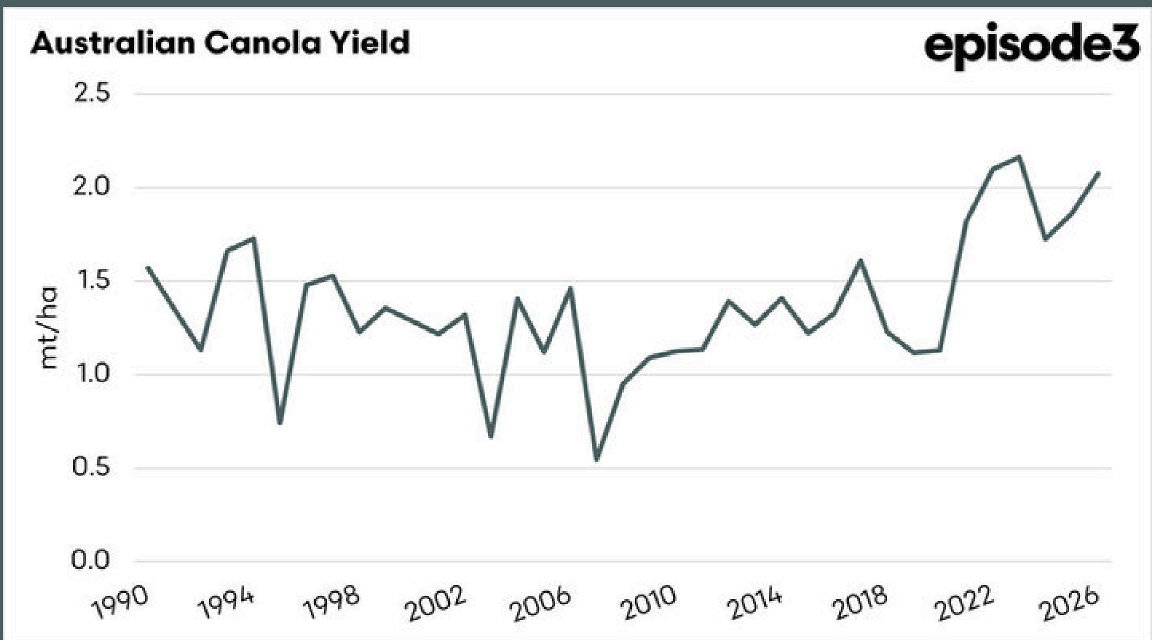
Data on Australian forecasts for the coming season will be available next month, as growers begin planting.



Australian canola area has increased throughout the years, which has helped contribute to the national crop



The area is not the only factor, as production capacity has increased as yields have substantially increased.



Up until this decade the national yield for canola was around 1.5mt/ha, it now rests closer to 2mt/ha

GLOBAL PRODUCTION (CANOLA)

Global supply conditions in the canola sector have shifted noticeably over the past few seasons, with production and total availability rising to some of the highest levels seen on record. While demand has continued to grow steadily, the increase in supply has helped rebuild stocks and leave the market in a more comfortable position than earlier in the decade.

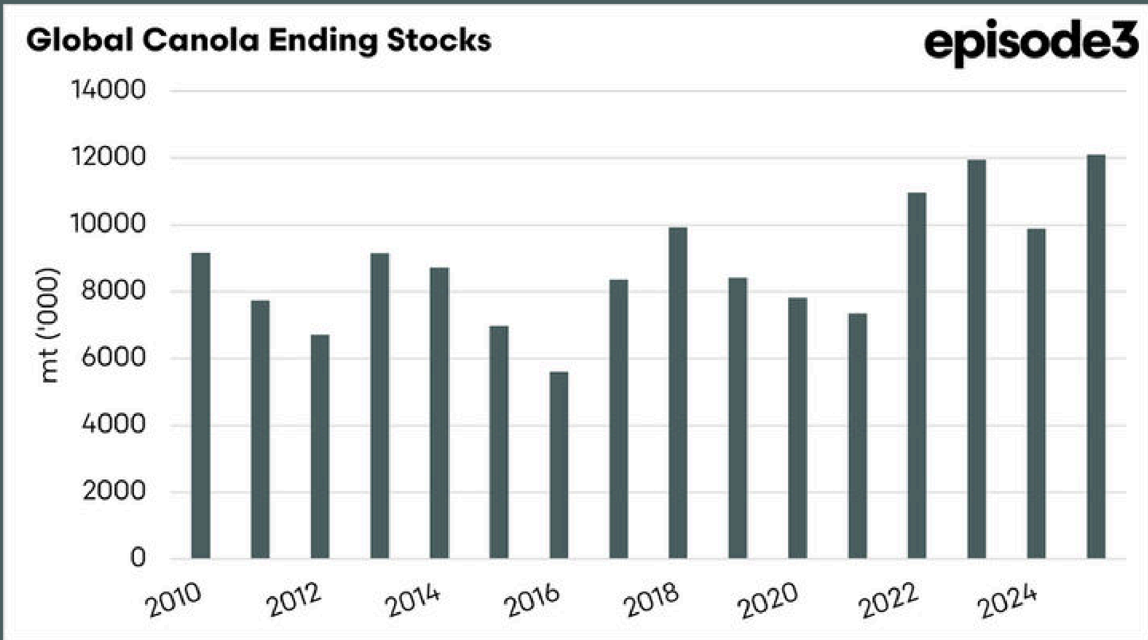
Production has climbed sharply in recent years. Global canola output rose from around 76.6 million tonnes in 2021/22 to 89.9 million tonnes in 2022/23. Production remained elevated in the following season at roughly 90 million tonnes, before easing slightly to about 86 million tonnes in 2024/25. The latest forecast suggests output could rebound strongly to around 95 million tonnes.

Total supply has followed a similar pattern. Global canola availability expanded from roughly 98 million tonnes in 2021/22 to around 117 million tonnes in 2022/23, before pushing close to 120 million tonnes in 2023/24. Even with a small decline the following year, supply is projected to reach about 123 million tonnes in the latest forecast, highlighting the substantial increase in global availability.

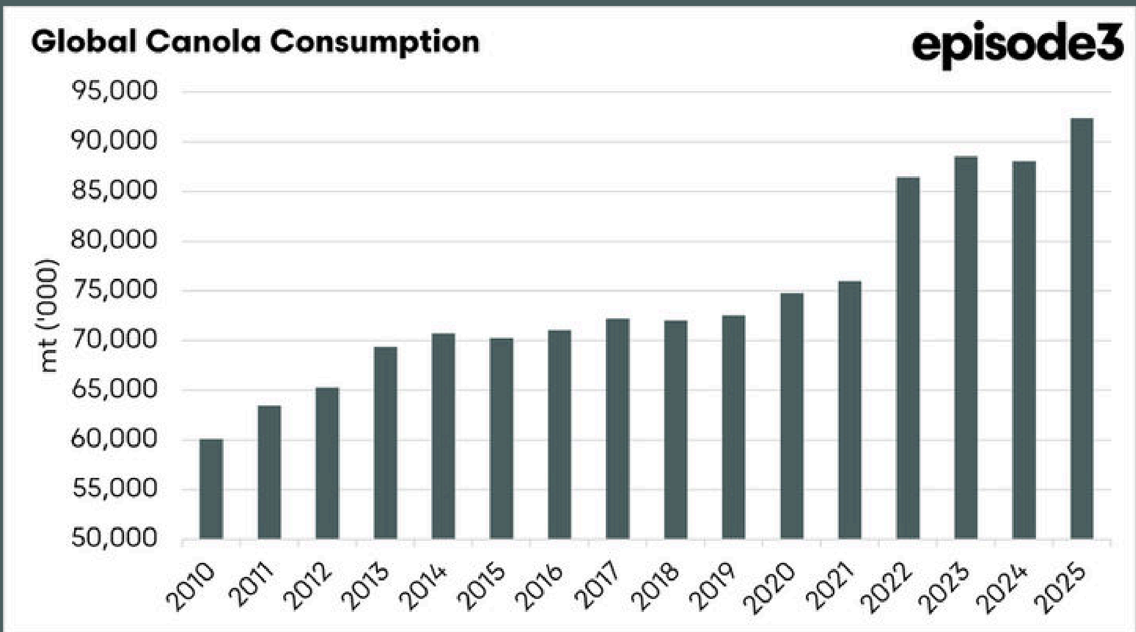
Demand has also continued to rise, though at a steadier pace. Global consumption has increased from roughly 76 million tonnes in 2021/22 to about 92 million tonnes in the most recent estimate, reflecting ongoing demand for vegetable oil and protein meal.

As a result, stocks have also rebounded. Ending stocks are estimated to have risen from around 7.3 million tonnes in 2021/22 to approximately 12.1 million tonnes in the latest forecast. This lifts the global stocks-to-use ratio to a little over 13 per cent, compared with under 10 per cent earlier in the decade.

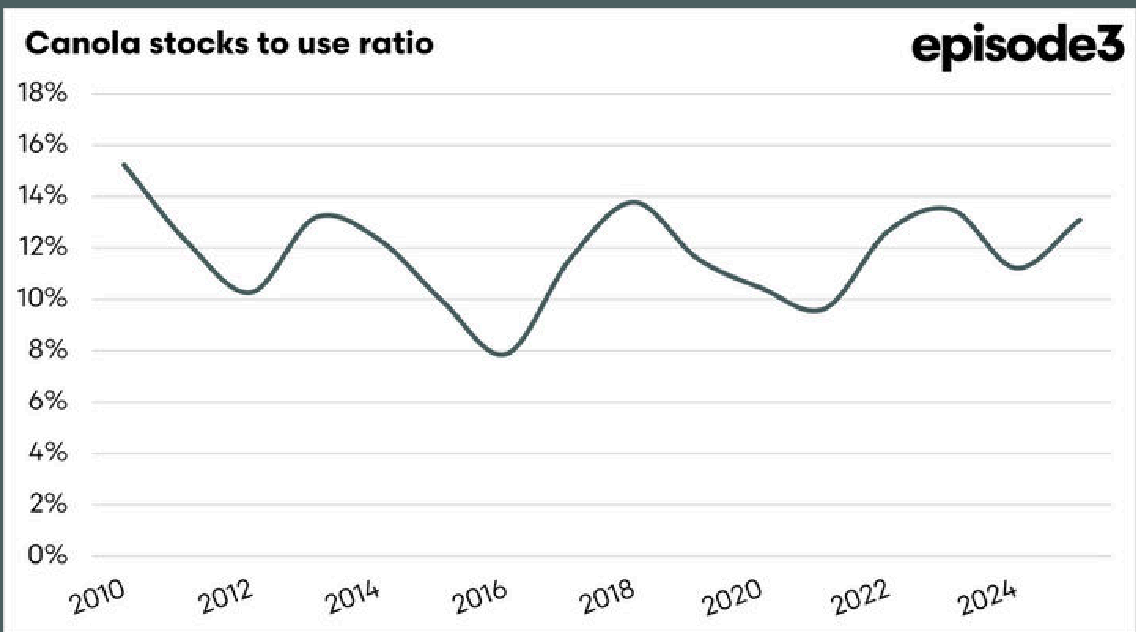
The recent data suggest the global canola market has moved into a more comfortable supply position, with larger crops and rising stocks helping to ease the tightness seen in previous years.



Global ending stocks for canola are record high at the end of the 2025 growing season.



Global consumption has been increasing significantly in the past four years



The stocks to use ratio is currently at what would historically be considered a comfortable level.

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GLOBAL PRODUCTION (OILSEEDS)

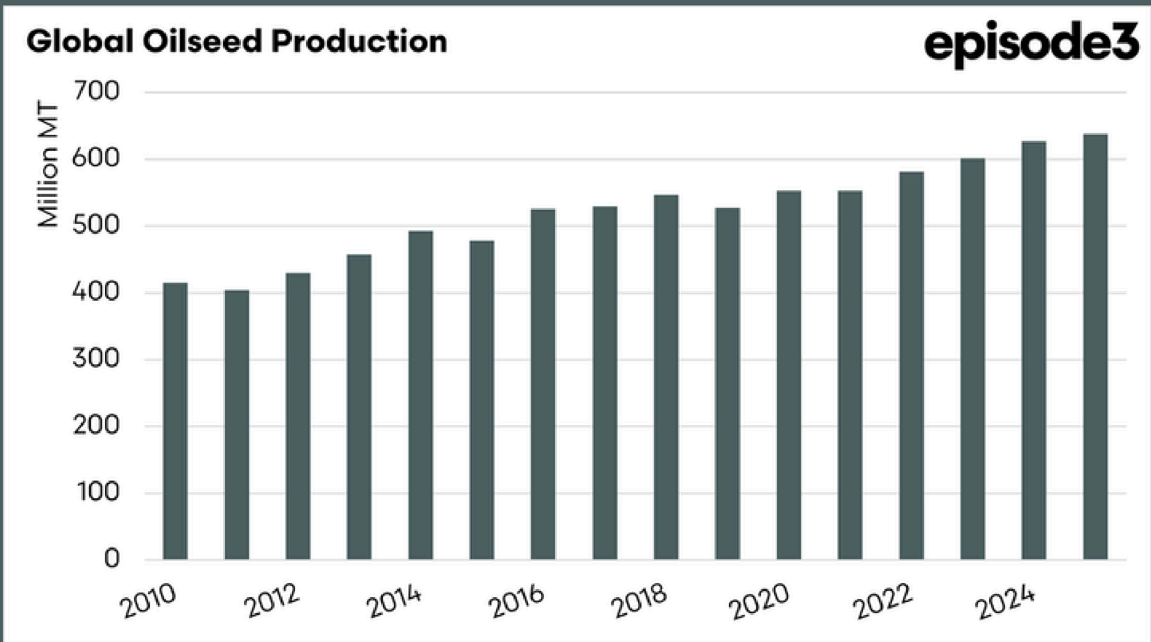
Global oilseed supplies have expanded noticeably over the past few seasons, driven largely by strong growth in soybean production and supported by solid output from other major oilseeds such as sunflower seed and cottonseed. While global demand for vegetable oils and protein meals continues to rise steadily, supply growth has been strong enough to rebuild inventories and leave the broader oilseed complex in a more comfortable position than it was several years ago.

Soybeans remain the dominant force in the oilseed market and have been the primary driver of the recent expansion in global supply. Production has increased from about 361 million tonnes in 2021/22 to roughly 396 million tonnes in 2023/24, before climbing further to around 427 million tonnes in the latest estimates. Over the same period, global consumption has risen from approximately 366 million tonnes to about 425 million tonnes, reflecting strong demand for soybean meal in livestock rations and for soybean oil for food use and biofuel production.

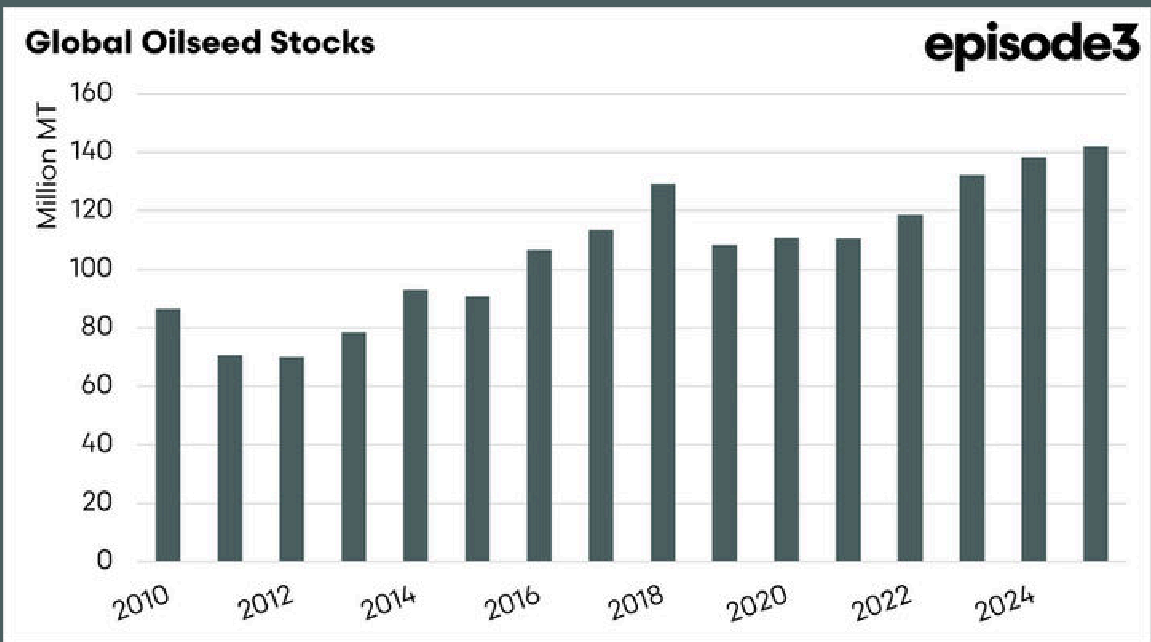
Despite this robust growth in demand, global inventories have continued to build. Soybean ending stocks have increased from roughly 94 million tonnes in 2021/22 to about 125 million tonnes in the most recent season, leaving the soybean stocks-to-use ratio at around 30 per cent, indicating a relatively comfortable supply situation compared with many other agricultural commodities.

Other oilseeds have also contributed to the overall expansion in supply. Sunflower seed production has generally fluctuated between 52 and 56 million tonnes in recent seasons, while cottonseed output has remained relatively stable at around 40 million tonnes per year. Together with soybeans and canola, these crops form the backbone of global vegetable oil and oilseed meal production.

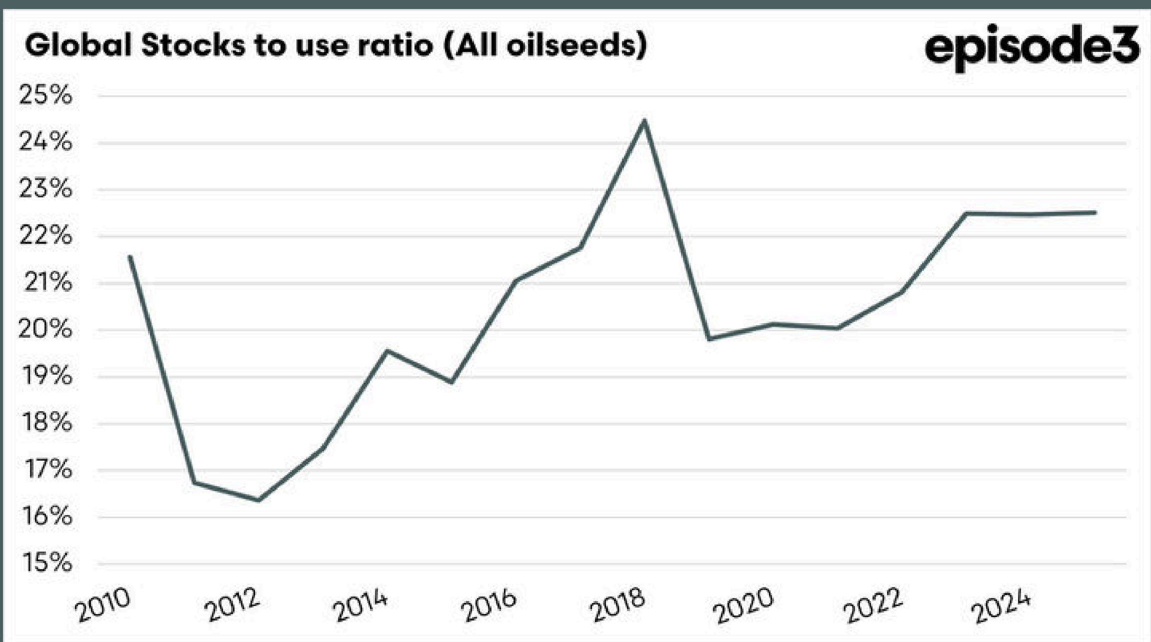
The global oilseed sector is reasonably well-supplied. Across all major oilseeds, global ending stocks are estimated at roughly 140–150 million tonnes, with total consumption near 700 million tonnes, leaving a combined stocks-to-use ratio of around 20-22 per cent. This suggests the oilseed complex currently has a moderate buffer against production shocks, although weather disruptions in key producing regions can still tighten markets quickly.



Global oilseed production hit record levels in 2025, as price incentivized planting



The higher production has led to higher ending stocks, but consumption has also increased dramatically



The stocks to use ratio for oilseeds is quite comfortable, but will only take a production issue to see this change.

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