



POLICY AFFECTS YOUR FARM

CANOLA TRADE & ACCESS

**SK Canola Dev. Commission
Saskatoon, SK
January 13, 2010**



Canola – Trade

- **Issues facing the farm**
- **WTO**
- **Bi-lateral agreements**
- **Trends**
- **Future**



Free Trade

- ***“Free Trade, one of the greatest blessings which a government can confer on a people, is in almost every country unpopular.”***
- *British historian Thomas Macaulay (1824)*



Trade our way out - NOT

- “No Nation was ever ruined by trade.” - *Benjamin Franklin (1774)*
- “The obvious and simple system of natural liberty in which individuals are free to pursue their own interests, while governments provide the legal framework in which commerce takes place.” - *Adam Smith, “The Wealth of Nations” (1776)*



How is WTO Different from GATT

- **GATT – Was multilateral instrument, but many agreements selective**
- **WTO – Almost all agreements multilateral & involve commitments for entire membership**
- **GATT – Involves “codes”; dispute settlement – slow**
- **WTO – dispute settlement faster; more automatic; less blockage**



WTO's INFINITE TIMELINE

- **December 31, 05 – Hong Kong Ministerial – watered down**
- **US Trade Negotiating Authority Expired (June-07)**
- **2007 was the end date for the U.S.**
- **2013 end date – don't hold your breath**



MINORITY GOVERNMENT

- **RURAL** representation
- **ONTARIO** - **restless**
- **WEST** – **silent**
- **WTO** – Canada with forked tongue - politics
- **Vision?**



Expectations vs. FACTS

- **Export led farm prosperity just around the corner (been saying this for over 25 years)**
- **The World will become ravenous – Hon Otto E. Lang**
- **China's starving/EU broke; WTO will solve inequities – blah blah blah**
- **Technology advances are a double edged sword for farmers**

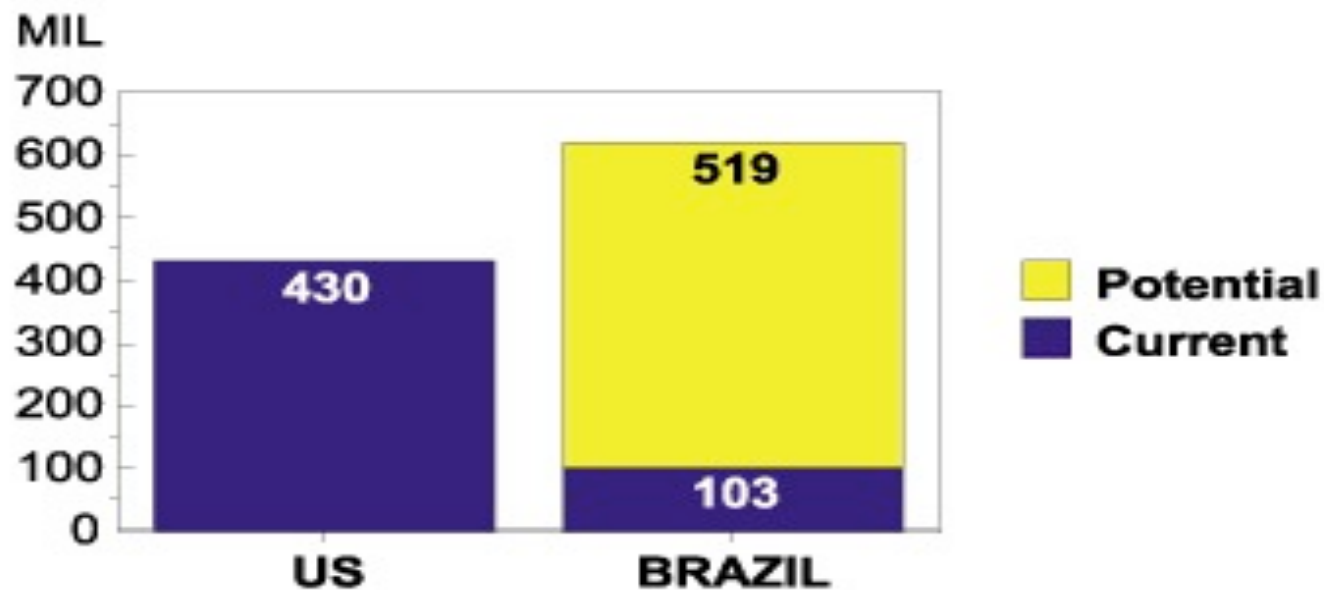


Brazil



BRAZIL

Current and Potential Cropland Acres

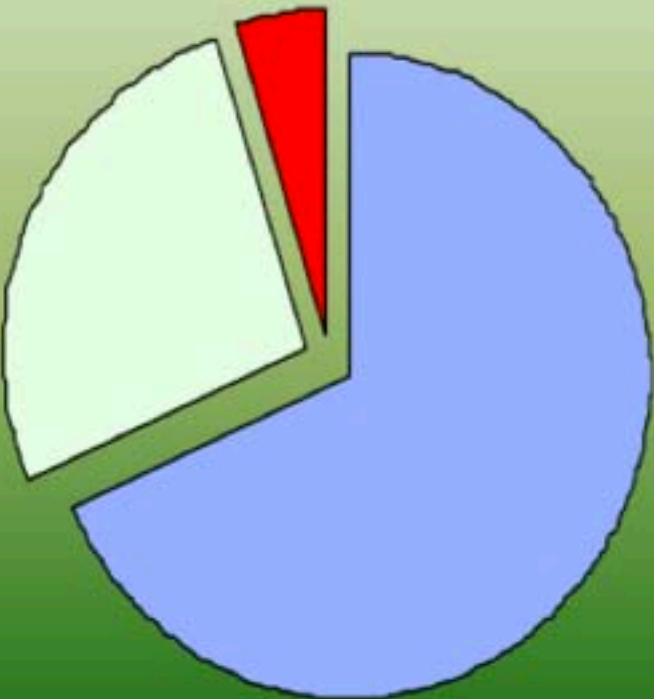


Source: Shean (cited EMBRAPA and USDA)
Figure 22.

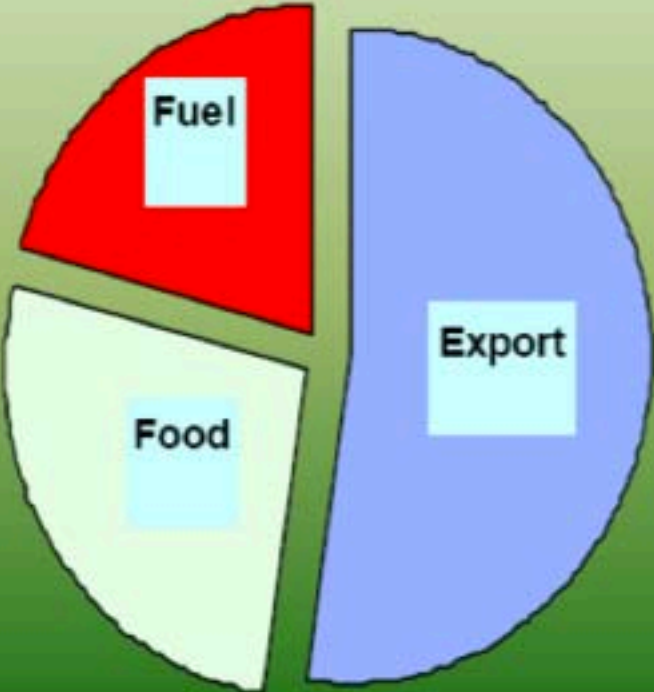


BRAZIL

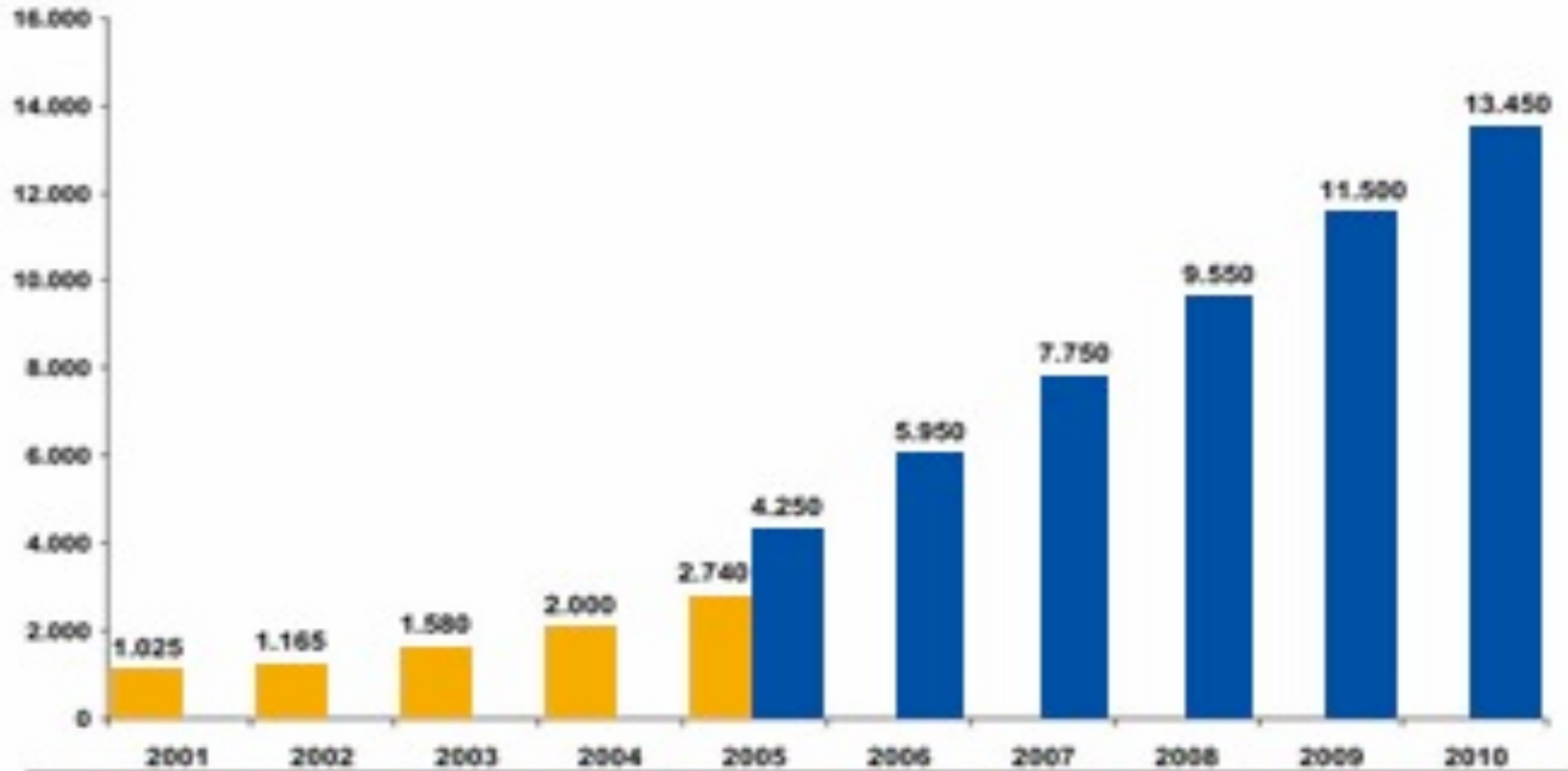
2006/07 Soybean Oil Distribution



2009/10 Soybean Oil Distribution



EU Biodiesel



Verband Deutscher Biodieselerzeuger e.V. - Am Weidendamm 1A - D-10117 Berlin

17.03.2005, Seite 10



CURRENT CANOLA ISSUES

- Salmonella**
- Weed Seeds**
- Blackleg issue**
- China/USA**



LINGERING CANOLA ISSUES

- Discriminatory tariffs**
 - China/Taiwan – seed**
 - Korea/Pak/India/Japan - oil**
- 15 years to get yellow margarine into Quebec**



CANOLA – Policy affects price

- ▶ Basis, funds, open interest**
- ▶ Crush levels - crush margins**
- ▶ Seeding intentions**



CANOLA – BASIS

▶ +15.00 to - 45.00

▶ Wide – Given crush margins

▶ Crushers pay what they have to



CANOLA – EXPORTS

▶ 2007/08 = 5.661 MMT

▶ 2008/09 = 7.908 MMT

▶ 2009/10 = 6.000 MMT

▶ Price –PAK/MEX/



CANOLA

- ▶ **Crush = 4.5 MMT**
- ▶ **Exports = 6.0 MMT**
- ▶ **Carry @ 2.0 MMT**
- ▶ **Carry 08/09 = 1.6 MMT**
- ▶ **Carry 97/98 = 363,000**

CANOLA – MARCH/2010





Agriculture Trends

- **Industry Consolidation**
- **Increased Emphasis on Food Safety and Quality Assurance**
- **Diminishing Margins and the volatility of farm incomes**
- **Land Use Issues are an Increasingly Contentious Issue**
- **New and emerging tastes, markets, opportunities**



Agricultural Trends

- **Education increases viability.**
- **Farmers who complain about regulation and the farming environment are less profitable.**



What Now?

- **Farmers change the mix of crops but use all their acreage**
- **Farmers have every incentive to produce full out**
- **Land remains in production even if the current farmer goes bankrupt**
- **I'll worry about the future of ag when I go to an auction sale and no one puts up their hand**



Where you need to be

- **Profit driven – not price driven**
- **Adapting to change:**
 - **Cooperation amongst yourselves instead of competing with yourselves**
 - **Who is the voice of Ag?**
 - **Business Environment – I'm the CEO of an Agri-Business versus – I'm a farmer**



What's Not Exciting

- **Cash flow; Operating Costs**
- **Ocean Freight – Crude Oil**
- **95% farmers hate marketing grain**
- **It has to change – we leave too much \$ on the table**

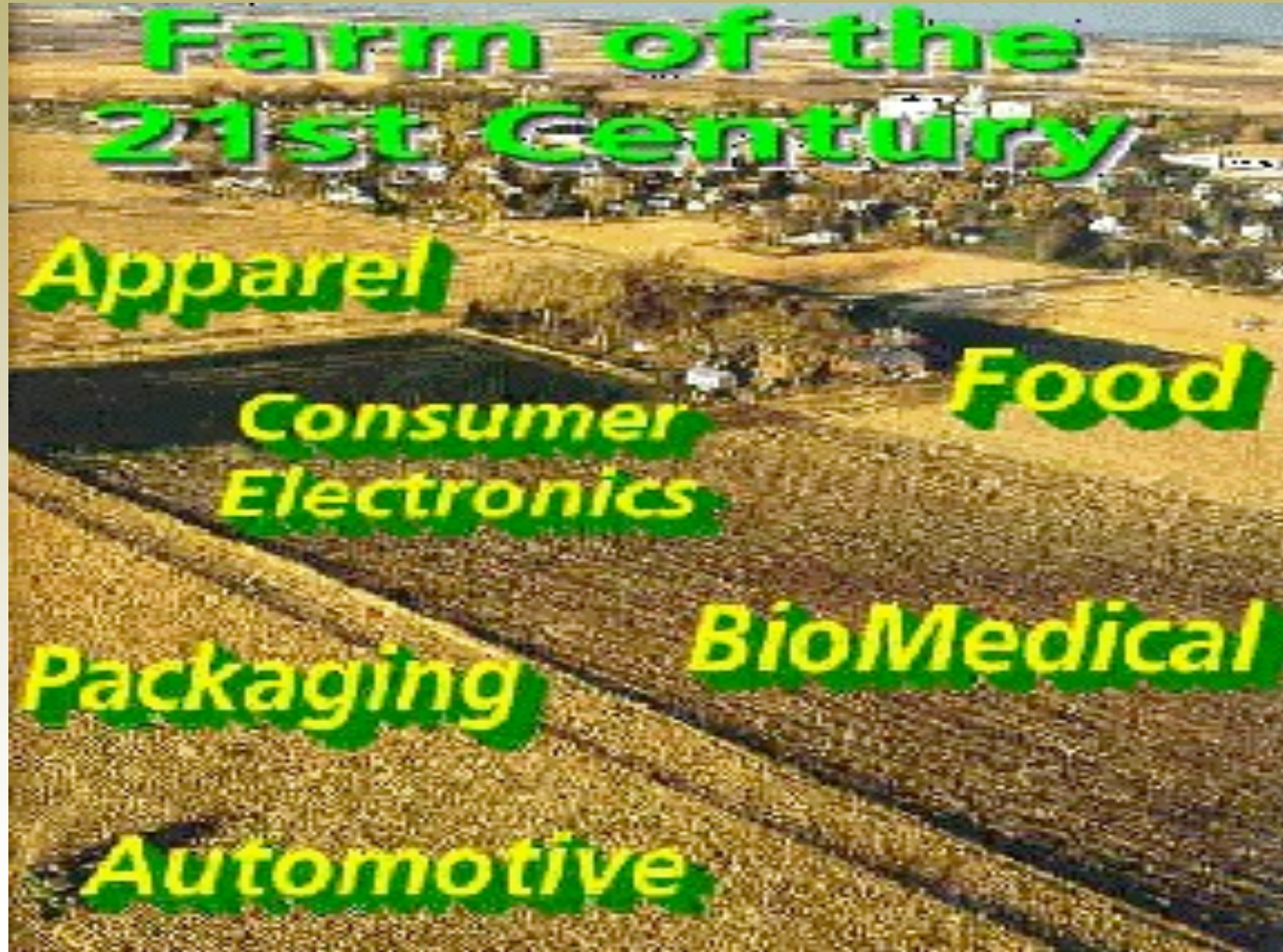


What's Exciting?

- **Identity Preserved Grain (IP)**
- **Health Benefits of Canola**
- **Container shipping**
- **Intensive Farm Management**
- **ROI for canola**



THE FUTURE





One answer of many

- Create a fresh, **bold policy vision that is farmer-centered not industry**
- Hon. Otto Lang: — 1984:
Agricultural and energy policy
- **Talk talk talk instead of do do do**

Questions

