

Canada to boost canola production 65 pct by 2015

by Roberta Rampton

VICTORIA, British Columbia, March 22 (Reuters) – Canada is counting on demand for heart-healthy cooking oil to help boost canola production by 65 percent to 15 million tonnes by 2015, industry players said on Thursday. Interest in the crop has soared because it can be used to make cooking oil free of artery-clogging trans fats, adopted by health-conscious consumers and major U.S. fast food chains alike.

"Customers are keenly interested in whether we'll be able to supply the product with regularity, and this is a critical, critical issue," Barb Isman, president of the Canola Council of Canada, told an industry conference. "The most important thing we have to do now is not let them down."

Canada produced 9.1 million tonnes of the rapeseed variant in 2006, down from a record 9.7 million tonnes the previous year. The new industry targets are designed to assure new customers in the food and biofuel markets that supply will grow, Isman said.

Canola oil is being used on its own and in blends by chains including McDonald's Corp., Yum Brands Inc.'s KFC and Taco Bell Corp., and Darden Restaurants Inc., the parent of Red Lobster and Olive Garden. New York City banned trans fats from restaurants last year, and other jurisdictions are considering similar regulations.

Canada is the largest canola producer, and the new 15-million-tonne target will require farmers to plant an extra 30 percent or 4 million acres of the crop, displacing mainly wheat, the country's largest crop. The industry is also counting on higher yields from new hybrid varieties to boost production, Isman said. An estimated 25 percent of production will come from varieties owned by Dow Chemical Co. and Cargill Inc.

Farmers complain that the varieties, grown under contract, are not profitable because of lower yields and insufficient premiums. Domestic oilseed crushers are pegged to more than double their crushings to 7.5 million tonnes selling most of the oil into the food market in North America and abroad. But the industry projected 2.5 million tonnes of seed could go to the biodiesel sector, depending on government policies in Canada and other parts of the world.

Canada could crush as much as 8 million to 9 million tonnes of canola domestically by 2015, with Japan seen as the largest market at 2 million tonnes, Mexico at 1.5 million tonnes, the United States at 1 million tonnes, and other markets like Pakistan and China taking 2 million tonnes. The plan calls for 1 million tonnes of exports of canola to the European Union, which currently bans Canadian seed because it is genetically modified.

Canada could meet the new growth targets as early as 2010, said Len Penner, president of Cargill's Canadian division. But he said that ambition could be derailed by Canada's perennial labor and rail transportation problems that tie up traffic at export ports.

"Unfortunately, I think our track record on reliability has not been the best," Penner said, noting the Canadian government may look at changing rail transportation laws. (\$1 = 1.16 Canadian dollars)

© Reuters 2007. All Rights Reserved.

CANOLA COUNCIL OF CANADA