

LECKFORD ESTATE RAPESEED OIL

Global market worksheet

The rapeseed oil production unit on the Leckford Estate is proving to be a profitable venture, yet it is still a long way from utilising all of the rapeseed crop that is grown each year. For the foreseeable future, the majority of the harvested rapeseed will continue to be sold on the global commodities market through local grain merchants. The role of the merchants is to study the demand and supply of rapeseed across the world and to ensure that they (and the Leckford Estate) profit, as the value of rapeseed can vary greatly.

The market for rapeseed oil:

Refined rapeseed oil has become increasingly popular with food manufacturers as an alternative to imported refined oils and as such, the growing of rapeseed as a crop has increased dramatically since the 1970s. As well as being a popular cooking oil, it is also a major ingredient in many foods such as mayonnaise and a component of less obvious products such as toothpaste, plastic, a popular lubricant and biodiesel. As such rapeseed (and rape meal – the by-product of rapeseed oil production) are bought and sold within the global commodities market*, with only non-genetically modified seeds permitted for human consumption within Europe.

The European Union does not permit the use of genetically modified seeds in any food related products which will be consumed within the EU. This means that only non-GM rapeseed can be grown within Europe, restrictions that are unlikely to be lifted although Britain is no longer a member state.

How does the inability to grow and sell GM rapeseed impact UK producers and their crop yields?

Rapeseed Oil: Regional Segmentation

The geographical coverage for the global rapeseed oil market includes North America, Latin America, Europe, Asia Pacific and China (APAC) and Middle East and Africa (MEA). Europe accounts for the maximum production of rapeseed oil. UK accounts for the third-largest cultivator of rape plant. Asia-Pacific accounts for the second fastest growing market in the global rapeseed oil market. India and China are expected to be the major rapeseed oil consumers in APAC region thereby boosting up the global rapeseed oil market

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The market research extract identifies three different segments within the global rapeseed market:

- **Cultivators of rapeseed plant – UK is the third largest grower**
- **Producers of rapeseed oil – Europe (including the UK) is the largest producer**
- **Consumers of rapeseed oil – APAC is the 2nd fastest growing (especially India and China)**

Whilst Europe is noted as being a prolific cultivator and producer of rapeseed and its oil, demand for the oil within Asia – Pacific is rapidly increasing. It is therefore reasonable to assume that much of the rapeseed oil consumed across the globe has been imported. Why do so many countries find it necessary to import rapeseed oil rather than growing and producing it themselves?

What are the implications of this for:

- a) the countries exporting rapeseed oil?
- b) the countries importing rapeseed oil?

*The Global Commodities Market is a physical or virtual marketplace for the buying and selling of raw physical assets whether related to food, energy or metals, all play an important part of everyday life.

Read through the article below from Farmers Weekly and consider the following issues:

- Why may there have been a global shortage of the rapeseed crop during the harvest of 2019?
- Who are the consumers of the rapeseed crop and where might they be located?
- UK Crushers are those businesses that buy in the seeds from the farm and crush them on a large scale producing a lower quality oil used by large scale manufacturers. Why would they need to separate GM and non-GM crops?
- What does the article mean when it refers to the 'harvested area' and why may the North of England and Scotland have maintained good yields compared to other areas of the UK?
- How would a no-deal Brexit have impacted the value of the pound against the euro, and what would such fears have meant for UK rapeseed exports to Europe?
- Why would the value of rapeseed that hadn't been planted increase by almost £10 per tonne whilst the value of seeds being delivered to the crushing plant drop?
- What should Andrew do with his rapeseed harvest in 2019?



Rapeseed prices set to rise further in the new year

[Andrew Meredith](#)

25 September 2019

Arable farmers are holding on to rapeseed crops as a global shortage is set to help prices rise in the new year, according to traders. Prices have slumped for other combinable crops, such as wheat and barley, but growers who have managed to get the difficult and expensive break crop into the shed should see a return for their effort.

Consumers of the crop are set to have ample supply until the end of the year, but prices could move higher in 2020, as they will have to choose between importing troublesome GM crops from Canada or buying locally, said United Oilseeds trading manager Owen Cligg. UK crushers are currently being well supplied by Ukrainian imports, but these are predicted to decline by the end of the year.

Importing GM rapeseed is tricky, as not all plants have the ability to keep supplies of GM and non-GM crops separate, with a flow of non-GM rapeseed oil essential to meet demand for human consumption, Mr Cligg said. There is also only a small domestic market for GM rape meal,

meaning much of it has to be exported, and these factors are likely to encourage increased demand for UK product.

United Oilseeds estimates a domestic crop this year of 1.75m tonnes – down from about 1.9m tonnes last year. Yields held steady but the harvested area fell to about 520,000ha from a planted area of 590,000ha. This puts UK average yields at 3.3t/ha, although there has been a widespread between good yields in the north of England and Scotland and poorer yields in flea beetle-affected areas. First estimates of the 2019-20 cropping area are not expected until November, with agronomists again reporting establishment issues following dry weather and pest attacks, causing some farmers to rip up failing fields already.

Poor crops across Europe

A poor harvest 2019 across Europe will mean a low output of 17.1m tonnes will have to be supplemented by 5m tonnes from Ukraine, Canada and Australia, said Mr Cligg

Sterling has strengthened as fears of a no-deal Brexit at the end of October have, for the time being, receded.

This was the main factor for delivered prices for November into Erith – one of the UK's main crushing plants – falling by £7/t between 23 August and 20 September. This was despite the Paris oilseed rape futures price rising by €11.25/t (£9.97), according to AHDB analysis.

Farmgate rapeseed prices have fallen by just £1.20/t from a two-year high at the end of August, with the UK average price standing at £328.30/t on Wednesday (25 September). This compares with £316/t in the same week last year.

Global factors

Global shortages of rapeseed mean its price is not likely to follow other oilseed prices as closely as normal, said Mr Cligg, but AHDB analysts said US soya prices are also set to increase.

The rapeseed price is also linked to crude oil, as it is used in biodiesel production. Prices for both briefly spiked last week following the drone attack on Saudi Arabian oil-production facilities.

A crop price forecast published this week (25 September) by agricultural finance specialist Rabobank said the attack rippled through energy markets and into the vegetable oil and ethanol complexes.

It warned that geopolitical risk in the Middle East is at its highest in a long time, with the consequences of the attack not yet fully known.