Toward a Canadian Oilseed Strategy

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Policy Concepts Paper

Introduction

In a recent interview on CBC radio, Murad al-Katib, the CEO of AGT Global, observed that a "reset of the global trading order" is occurring. It presents a turbulent environment for Canadian agri-food, especially in products for which it has an exporting interest. This is the case in oilseeds- overwhelmingly for Canadian canola, and also for Canadian soybeans. Canola, soybeans and other oilseeds also compete with one another as imperfect substitutes in oil and protein meal markets. Canadian soybeans employ a price mechanism based on US futures markets; canola futures are traded in Canada but canola prices are pressured by US soy futures prices and prices of other oilseeds throughout the world.

Into this situation, Canada immediately faces two significant threats. Trade restrictions impacting canola are both urgent and very important to the western Canadian economy, and they are both from China (100 percent retaliatory tariff on canola oil and canola meal; 76 percent interim dumping duty on the canola crop) and the US (restrictions on 45Z tax credits for Canadian canola oil vs. US domestic feedstocks used in renewable fuels). China represented 67 percent of Canada's canola exports in 2024, and the resulting gap in demand is impacting canola prices and returns. The US accounted for 96 percent of Canadian canola oil exports in 2024.

Canada has not faced exceptional trade restrictions on soybeans from China; however, the US has- a 20 percent retaliatory tariff, plus the 3 percent most favored nation tariff. As of mid-October 2025, China has not booked any imports of new crop US soybeans. The impact has been to turn soybean futures prices sharply lower, and Canadian prices down with it. Absent a basis strengthening for Canadian soybeans from Chinese buying, Canadian soybean prices will fall with the US prices. The situation remains dynamic, with recent soybean sales by Argentina to China under Argentina's recently relaxed export tax; other countries have threatened the US with retaliation tariffs on soybeans, but this has not yet come to fruition.

Further to Mr. al-Katib's observation, it would be naïve to assume that these sudden trade policy shifts in agri-food are over, or limited to the current set of players. Trade restrictions on pulse crops by India have previously affected Canada. China has previously menaced Australia with anti-dumping duties against imports of Australian barley, conspicuously timed with geo-political tensions between the two countries over the origins of Covid-19. The review and renewal discussion among Canada, the US, and Mexico in 2026 looms.

It also presents a different and broader set of trade policy risks than those that frame our history. The great trade policy risks in agricultural markets from the 1970's up to the WTO era were embargoes on agricultural product exports, enacted by exporting countries (notably the US- against the USSR, and others), export subsidies, and egregious domestic agricultural support programs that had the effect of dampening global agricultural prices. The export subsidy threat has abated, based on agreement in 2015 and observance of these international rules. Actions taken to limit exports remain, with tolerance for these actions within WTO rules- but with

broadly more frequent use.[1] The current agricultural economic environment may trigger a return to higher levels of domestic agricultural support, not seen since prior to 1995. However, the exploitation of agri-food exporter vulnerability by major importers- itself the product of a rules-based multilateral system that provided the confidence for major exporters to build capacity and expand into this role- is comparatively new. But the potential severity of these actions are being visited directly upon Canadian canola, and US soybeans; Canadian soybeans could be collateral damage. We must assume that these risks will continue going forward.

Canada is a producer and exporter of both canola and soybeans; the extensive interrelationships between them mean that it is difficult to treat each in isolation from the other. The purpose of this policy concepts paper is to explore elements of strategy for Canadian oilseeds in this context.

Premises/Assumptions

1. Canola is a premium oil and not a premium meal. Soybeans are a premium meal and not a premium oil.
2. Canada is a market leader in canola. It is a player, but not a market leader, in soybeans.
3. Oilseed net exporters are few; oilseed net importers are many, but with a dominant importer.
4. The current Canadian/North American market situation is one of (over) abundance. The global situation is one of scarcity.
5. A confluence of market, policy, and technology factors have facilitated oilseed use in renewable fuels.
6. Canada faces the prospect of improving climate conditions for agriculture; most others do not.

Imperfect Substitutes

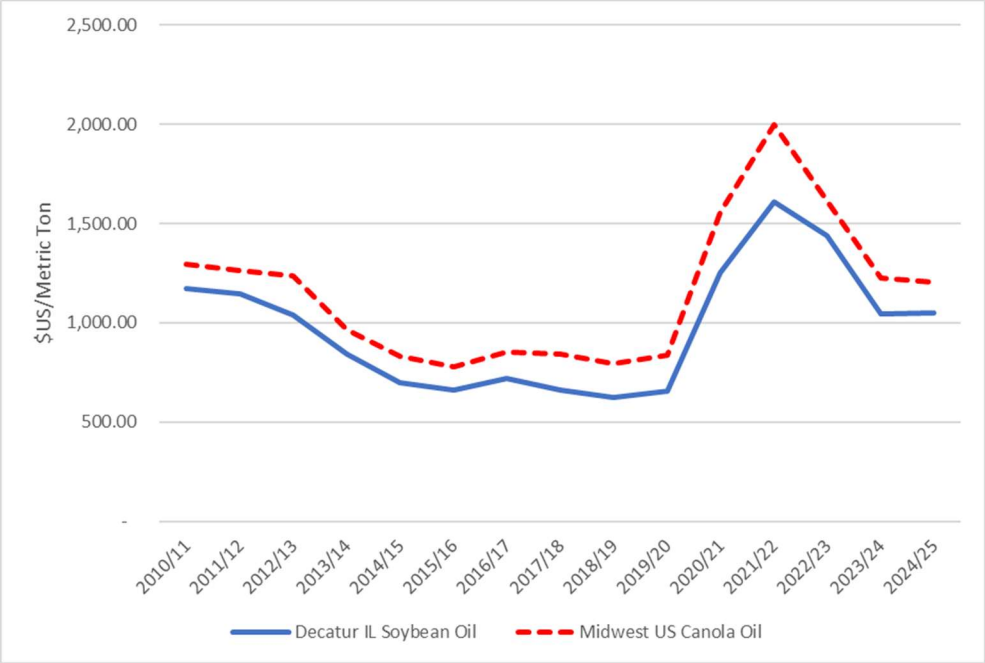
From a product perspective, canola and soybean are each an amalgam of edible oil and protein. But canola is an oil-seed and soybean is more of a meal-seed. Based on 2024 aggregate Canadian crush statistics, canola yielded 42 percent oil and 58 percent canola meal at about 36 percent protein. Soybean crushing typically yields about 20 percent oil and 80 percent soymeal at about 47-48 percent protein. Canola oil is a premium food oil due to its comparatively low content of saturated fats, lack of trans-fats, and content of omega fats. Soymeal presents a premium plant protein due to its high concentration of protein, relatively high digestibility in foods and livestock feeds, and isolates containing protein bioactive compounds with specific health benefits.

Pricing in the oilseed complex provides some indication of this. This is presented in Figures 1 and 2 below, based on comparisons in the US market. Figure 1 shows that canola oil, US Midwest basis, has held a price premium over southern Illinois soybean oil, although the

[1] For examples, see the International Food Policy Research Institute Food and Fertilizer Export Restrictions Tracker https://www.foodsecurityportal.org/tools/COVID-19-food-trade-policy-tracker

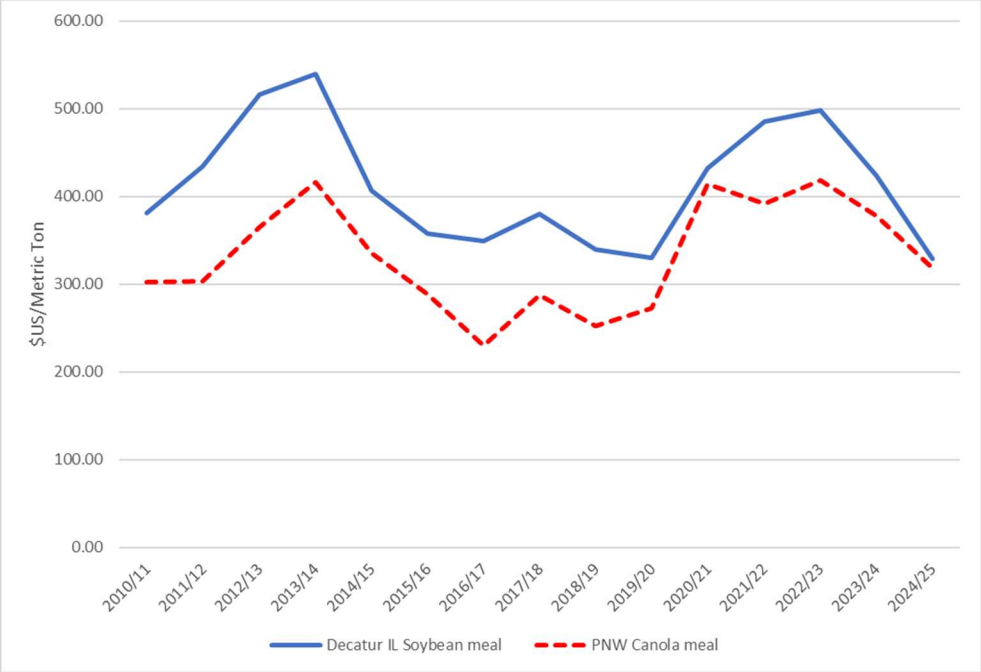
preference for canola oil can fall more into brand positioning than price spread, *per se*. Southern Illinois soymeal has held a premium value to Pacific Northwest canola meal, even without

Figure 1 US Prices of Soybean Oil and Canola Oil



Source: USDA-ERS Oil Crops Outlook Tables

Figure 2 US Prices of Soybean Meal and Canola Meal

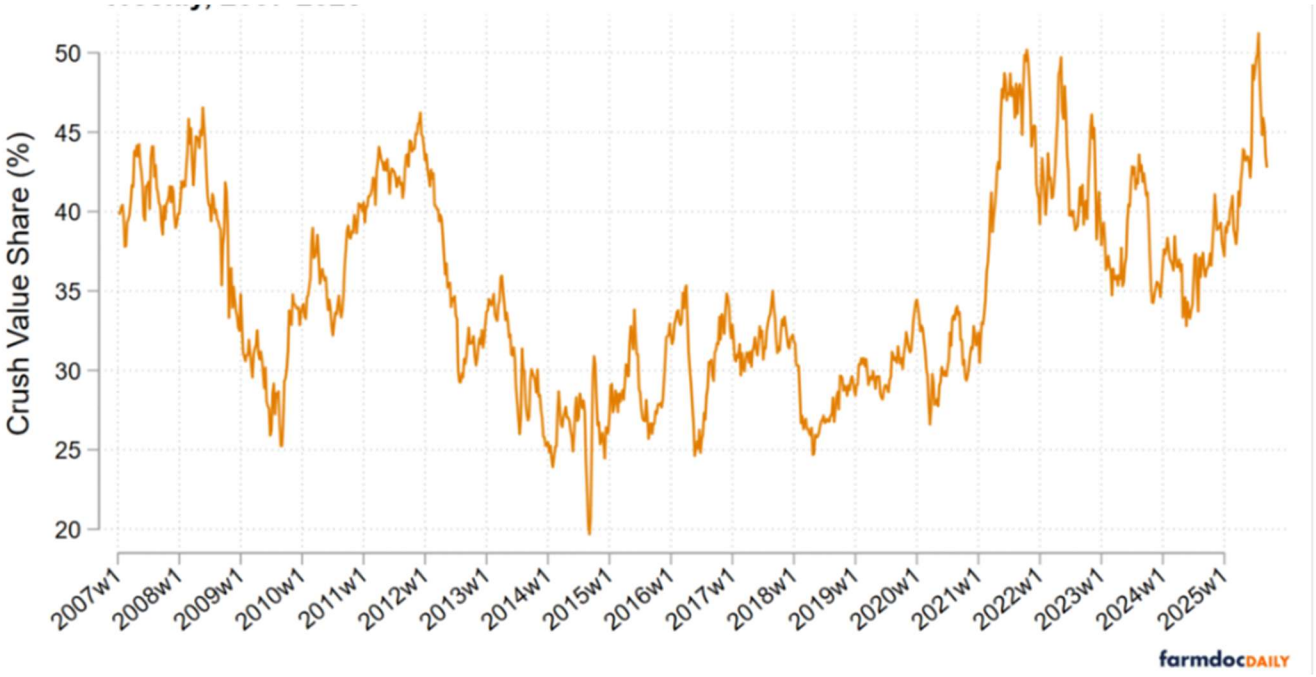


Source: USDA-ERS Oil Crops Outlook Tables

accounting for location differences (which would only widen the price spread). It is evident from the figure that some recent price convergence is occurring between soymeal and canola meal.

The figures above do not pick up structural changes in the relative value of oil and protein meal in oilseed crops, especially soybeans. Figure 3 illustrates the situation for soybeans, as documented by Janzen and Wang (2025). The figure shows that increasingly the soybean crush value has skewed toward oil, at almost 50 percent, and well above the physical yield share of oil from soybeans. Soybean oil has increased relative to soybean meal in the US.

Figure 3 Soybean Oil Share of Crush Value, 2007-2025 Weekly

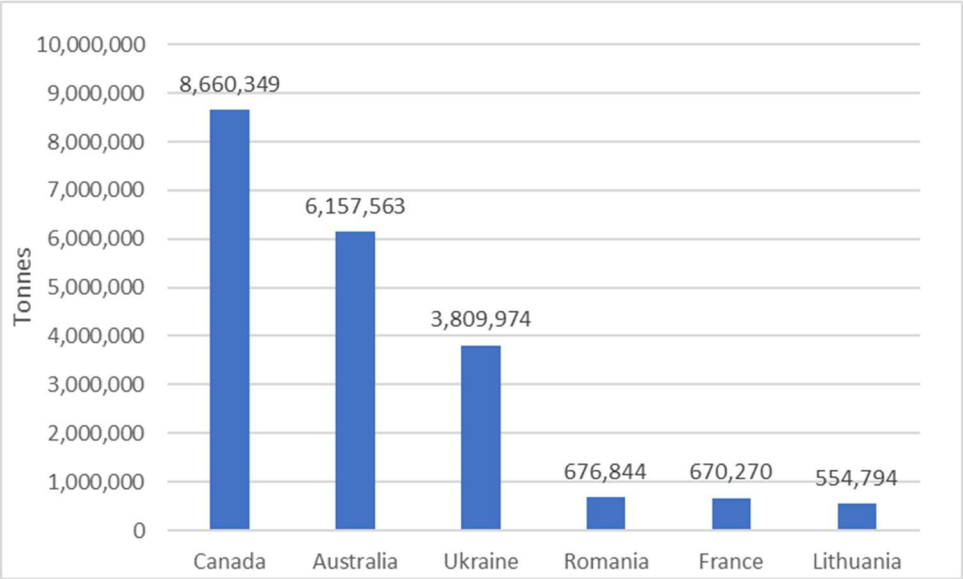


Source: Reprinted from Janzen and Wang (2025)

Canada's Market Position

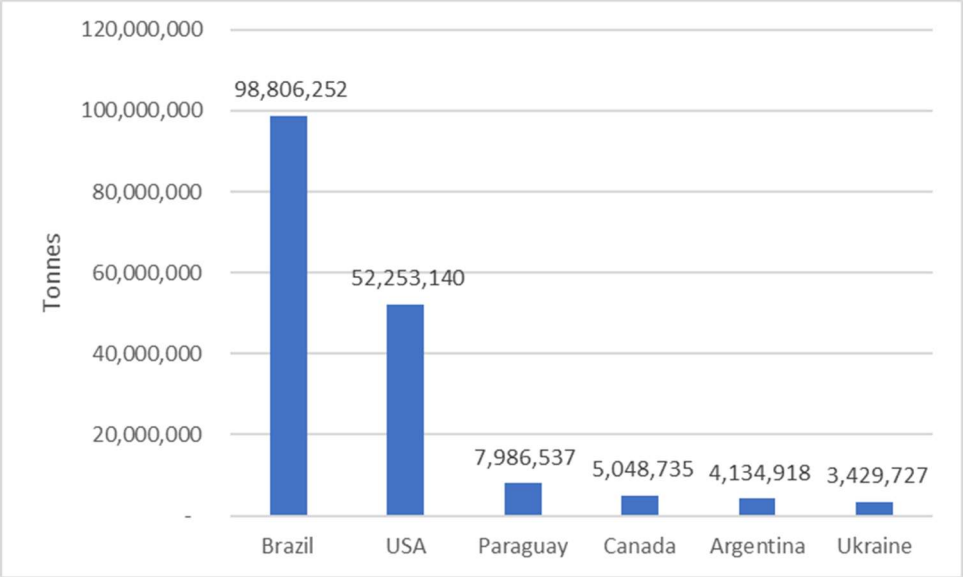
Canada is the global market leader in canola. Figure 4 below shows that there are very few countries that produce significant exportable surpluses of canola; Australia is the principal alternative source to Canada. Figure 5 shows that Canada is not a market leader in soybeans, but is significant among a second-tier group, behind Paraguay. There are few countries with significant export capacity in soybeans.

Figure 4 Major Exporters of Canola, 2024



Source: UN Comtrade. HS 1205.10

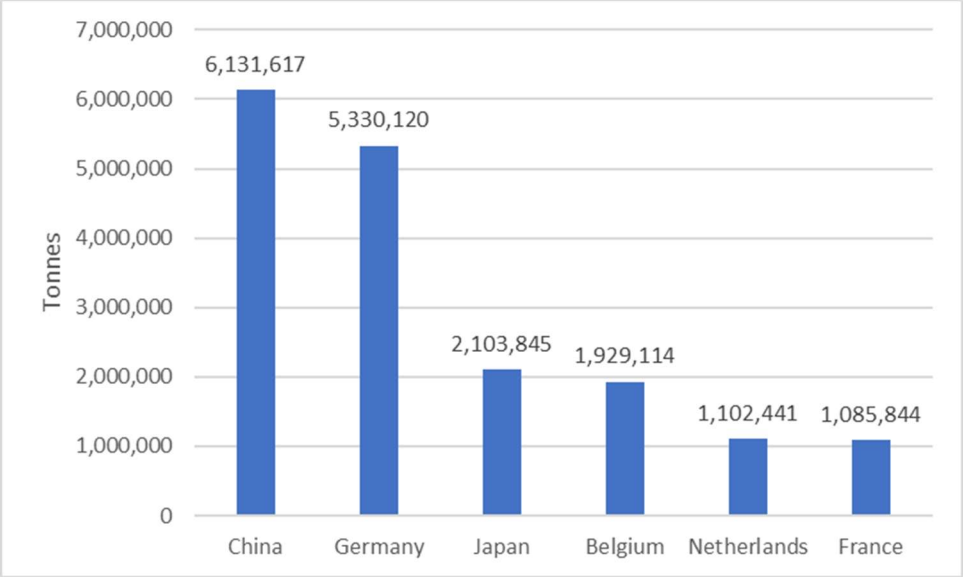
Figure 5 Major Exporters of Soybeans, 2024



Source: UN Comtrade. HS 1201.90

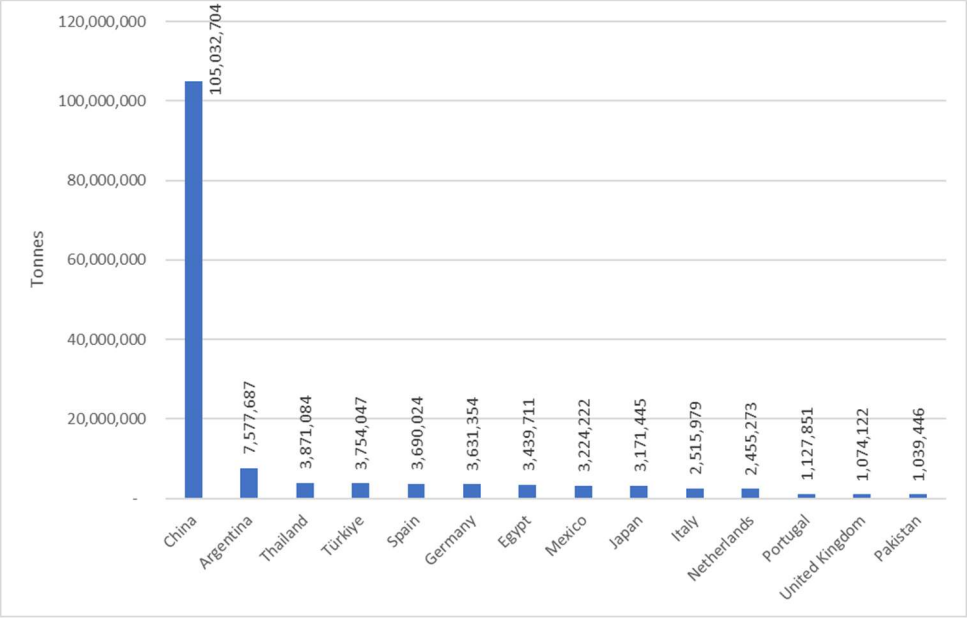
The largest importer of both canola and soybeans is China, but China is much more dominant as an importer of soybeans (Figure 6). In 2024, Canada exported a canola volume exceeding China's total imports; Australia's canola exports were about equal to China's imports. Figure 7 presents leading soybean importers, led by overwhelmingly by China. Brazil's total soybean exports in 2024 were just under China's total imports. Argentina is both an importer and exporter of soybeans, but a large producer; its exports are primarily soybean oil and meal.

Figure 6 Leading Importers of Canola, 2024



Source: UN Comtrade. HS 1205.10

Figure 7 Leading Importers of Soybeans, 2024



Source: UN Comtrade. HS 1201.90

Abundance and Scarcity

Oilseeds occupy a central position as both oil and protein, and as both foodstuff and feedstuff. The oilseed outlook is thus tied to higher level considerations of relative abundance vs. relative

scarcity in foods globally. What would the criteria be that we look at to assess abundance relative to scarcity in staple agri-food products? We might start with a look at the performance of agricultural systems, and the production potential relative to consumption for staples. Next, we would look at farm price levels, and farm incomes. Finally, we would consider the sufficiency of diets and food prices and consumer affordability.

The immediate term data seem pretty compelling. According to the AAFC Outlook for Principal Crops in August, Canadian canola production for 2025-26 will be above last year and above the five year average; a similar story is expected for soybeans. Canadian wheat and corn production will be within the most recent five-year average. Even with some late season downward yield adjustments, the US will probably have a record corn crop; soybeans will have a record yield, and the US soybean crop will be very large by any historical standard.

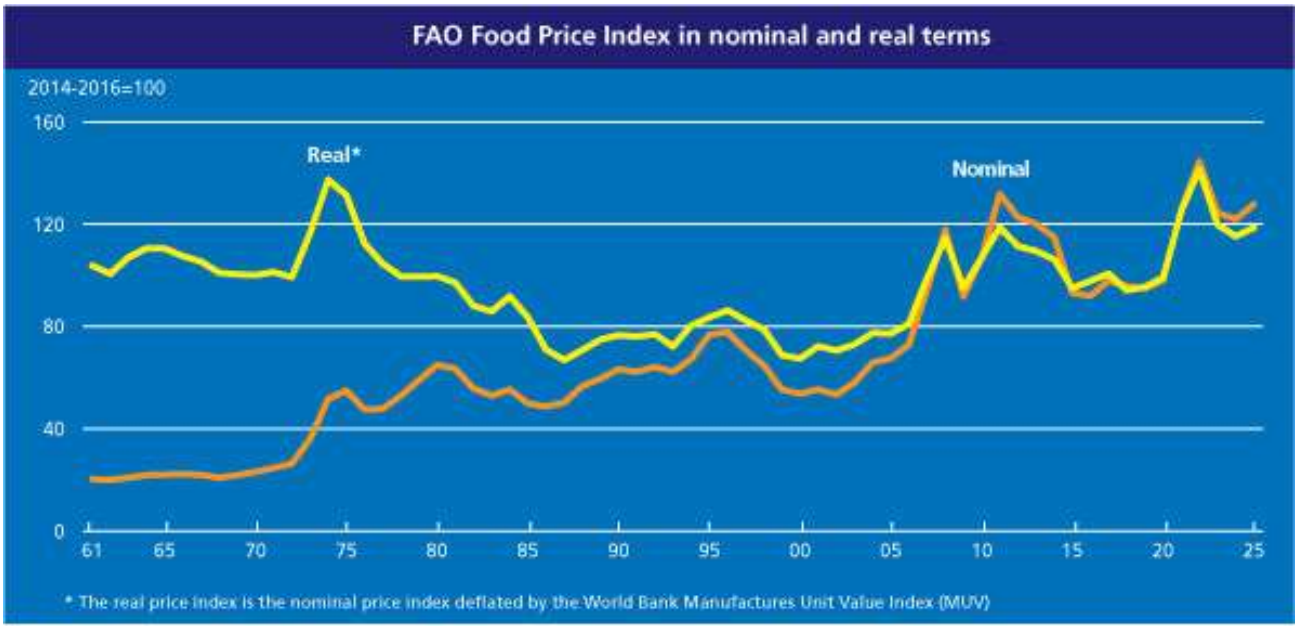
Consistent with this, there has been a slide in prices extending back to 2023. These low prices will squeeze farm incomes and will trigger larger farm program payments- the current discussion seems to be $US 10-14 billion in *ad hoc* funding to US farmers, targeting soybeans. But even with this, profitability will probably be a struggle for farmers with cash rented land, and there are growing concerns regarding farm finances in the US Midwest, and elsewhere.[2] Canadian farm prices are mostly driven by US futures markets, and the input markets are highly integrated, so the Canadian agricultural economy can expect much the same adversity.

But the longer-term, global view information presents something of a contradictory perspective. Global food prices increased in the FAO Food Price Index values have ranged around 120 throughout 2025, which puts current global food prices at mid-1970's levels, adjusted for inflation (Figure 8). The principal driver has been prices of cereal grains, but recently vegetable oils and animal fats, along with meats, have driven up the price index.

According to the International Grains Council, global production of wheat and coarse grains (excluding rice) continues to grow, and 2025/26 projections are for record production (Figure 9). However, even in the face of record production, ending stocks are expected to show virtually no growth- consistent with greater than offsetting growth in consumption driven by population and growth in incomes in specific parts of the world. Moreover, Figure 10 shows that the global stocks are heavily concentrated, especially in China. For 2024/25, it is estimated that China accounted for about 63 percent of global coarse grain stocks, over one-third of the soybean stocks, and about half of the wheat stocks. These stocks are typically used to shore up domestic supplies in China and are not exported to cover off shortfalls elsewhere. This greatly impacts the implied stocks-use ratio. For example, in 2024/25 for coarse grains, global stocks represented an estimated 20 percent buffer relative to annual consumption- but when China's stocks and annual

[2] See for example Schnitkey, G., N. Paulson and C. Zulauf. "2025 Grain Farm Return Prospects at the Beginning of July with a New Commodity Title." farmdoc daily (15):124, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, July 8, 2025.

Figure 8 FAO Food Price Index, Updated October 10, 2025

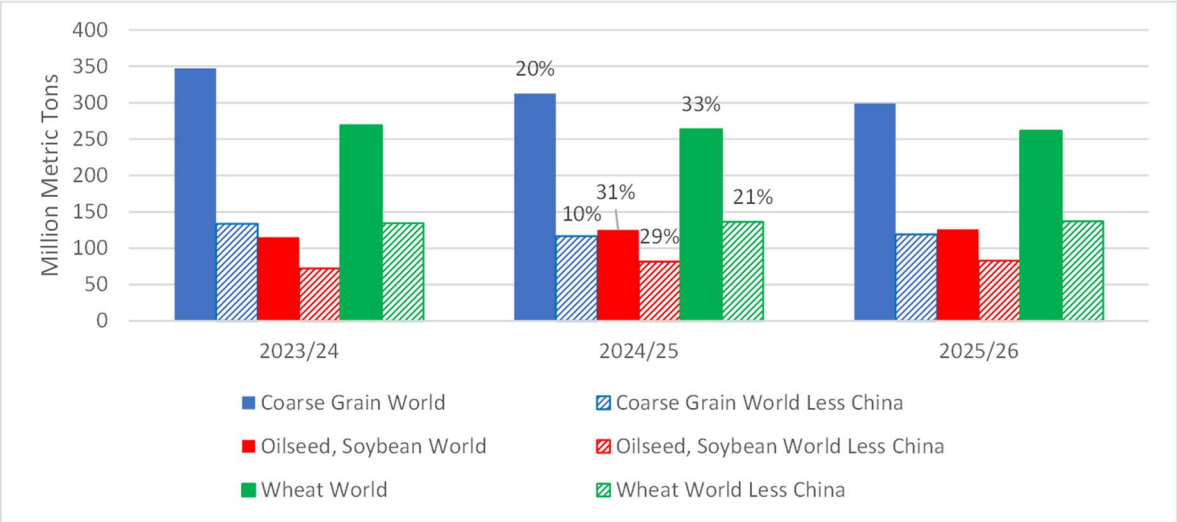


Source: UN-FAO

Figure 9 Global Grain Production and Ending Stocks

Source: International Grains Institute. Wheat and coarse grains. Excludes rice.

Figure 10 Staple Stocks, Global and Global less China, and Stocks/Use Ratios 2024/25



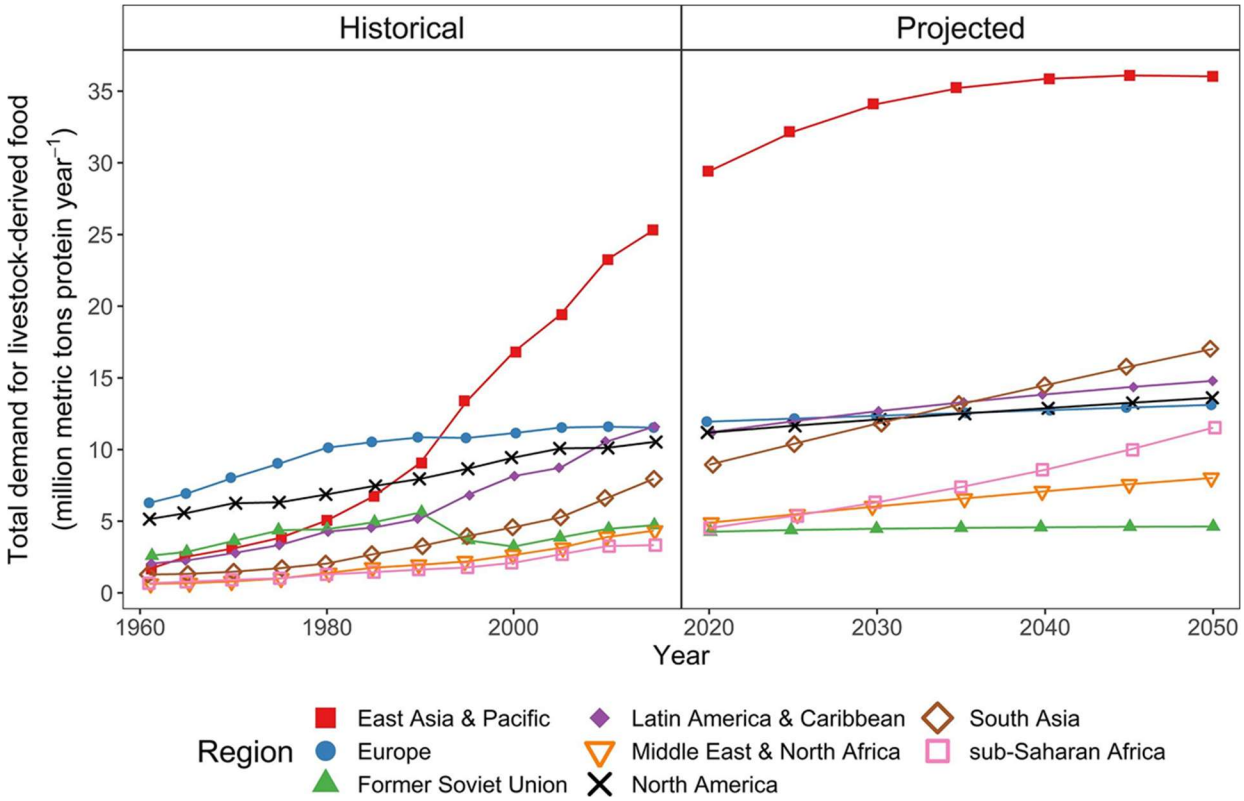
Source: USDA WASDE

consumption are removed, the rest of the world is operating with buffer stocks of about 10 percent relative to annual consumption.

Demand for protein is building, especially in eastern and southern Asia. Komarek *et al* (2021) found that the global demand for animal proteins would increase 38 percent between 2020 and 2050. Figure 11 shows that the growth will initially be led by the East Asia and Pacific region, followed by South Asia, Sub-Saharan Africa, and the Middle East and North Africa. Surely plant proteins will follow these trends- both as a substitute for animal protein-based foods, and as feed ingredients in animal diets. Moreover, there appears to be reorientation in rich/developed country toward protein consumption. A recent report published by Cargill (2025) observed a trend in the US away from vegan, vegetarian, flexitarian or pescatarian approaches to eating, and an increase in omnivore and carnivore approaches. It also presents data suggesting that by 2030, 9 percent of US adults could be on GLP-1 drugs to treat obesity, and that consumers using these medications "often focus on high protein foods to manage satiety and energy without excessive calorie intake".

For many years prior to 2017, both the prevailing share of undernourished people in the world and the absolute number undernourished were in decline. The data in the most recent FAO report show that since 2017, the share of people undernourished has increased up to about 8 percent of the global population, and about 100 million more people are undernourished now- a total of 673 million (FAO, IFAD, UNICEF, WFP and WHO, 2025). Sorting out the difference between people that are undernourished because they can't afford a proper diet from those who could afford it but lack the access, as well as the definitional differences among undernourishment, hunger, and other metrics, is important and complex- but not indicative of an abundance of food.

Figure 11 Projected Long-term Demand for Animal Proteins



Historical and projected trend in total demand for protein aggregated over six livestock-derived foods (beef, sheep & goat meat, pork, poultry meat, dairy milk, and eggs) by region and year. Historical data from Food Balance Sheets (FAO, 2020). Projected data simulated using income and population from shared socioeconomic pathway 2 and the reference case elasticities. Source: Komarek et. al (2021) Global Environmental Change 70 102343

Productivity and Growth in Productivity

Over the last 20 years, global agricultural total factor productivity (TFP) growth- the growth rate in output not explained by tangible increases in inputs like land, fertilizer, pest control products, and irrigation water- has lagged and is currently about .74 percent per year, which is less than half the rate required to meet global sustainable growth targets and hunger targets. Agnew and Nakelse (2024) note, "TFP growth must now average 2 percent annually from 2024 to 2050 to achieve sustainable agricultural production that meets the changing demand of our global population". Agricultural TFP is broadly the product of research and innovation, and typically comes with long lags, and globally agricultural research expenditure has actually decreased, with some notable exceptions (China).

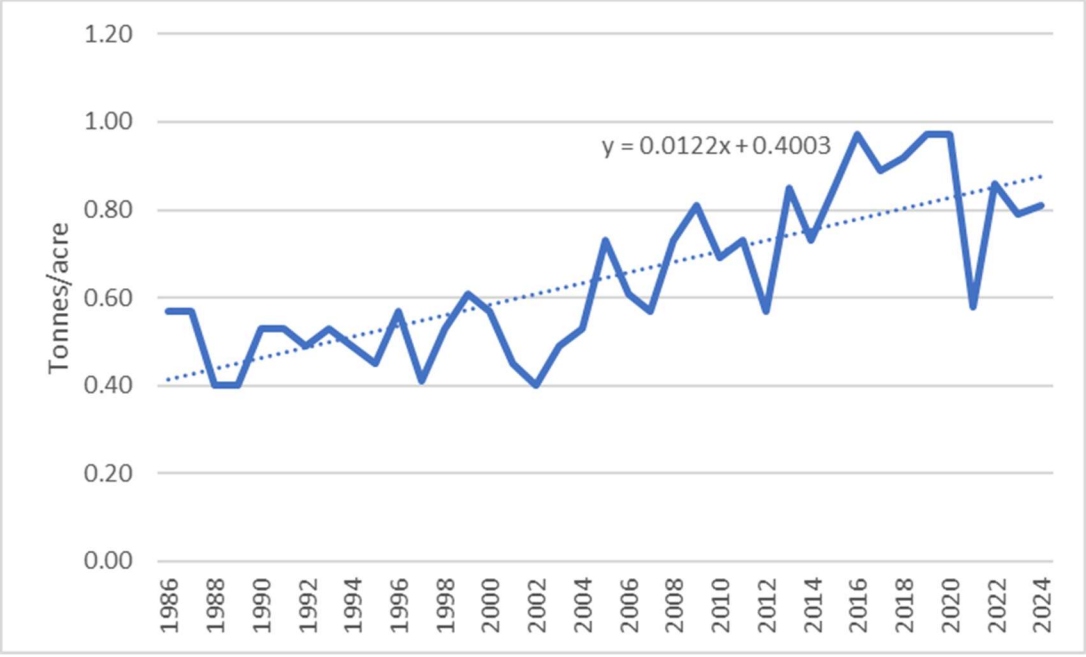
A tangible example of the gap in agricultural productivity is presented in work by Carl Zulauf at the Ohio State University (Zulauf, 2022). He considered the extent to which global yield growth in crops was sufficient to satisfy growth in consumption between 1982 and 2022. He found that

for global feed grains, yield growth was sufficient to satisfy global consumption growth from 1982 up until 2000, and that since then, additional land brought into feed grain production was required for supply to meet consumption growth. When he repeated this analysis for global oilseeds (excluding palm), he found that between 1982 and 2022, yield growth never was sufficient to meet needs in consumption, and that the only way to keep up with consumption growth was by adding acres in oilseed production.

This situation is perhaps different for canola and soybean in Canada. Figures 12 and 13 provide the evidence. Saskatchewan canola yields have increased markedly to around .8 tonnes/acre recently, at a rate of about 12 kg/acre/year. Ontario soybeans have higher average yield than Saskatchewan canola- recently about 1.4 tonnes/acre- but a remarkably similar yield growth rate, at about 12 kg/acre/year. Global average yields are presented in Figure 14. Saskatchewan canola yields are at about the global average, but growing faster than the global average; Ontario soybean yields are higher than the global average, and its growth rates are about on par with global values.

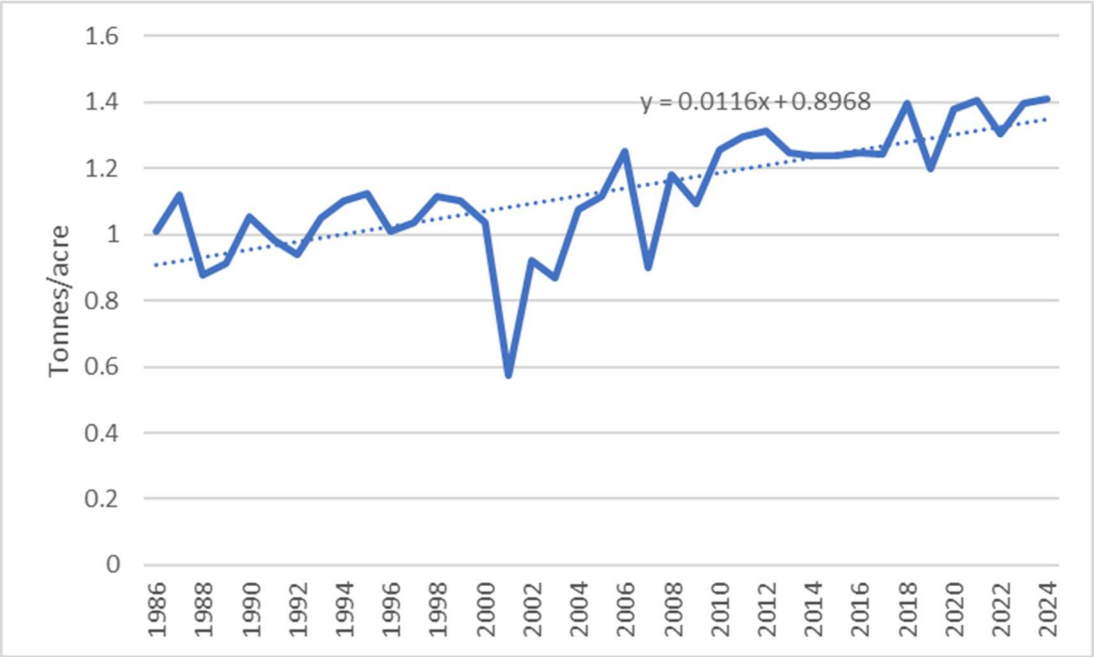
Comparing crop budgets for canola vs other field crops in Saskatchewan, canola has typically provided the highest return per acre. A similar analysis for Ontario shows that corn is usually the highest returning field crop, closely followed by soybeans and well above alternative field crops.

Figure 12 Saskatchewan Canola Yield, 1986-2024



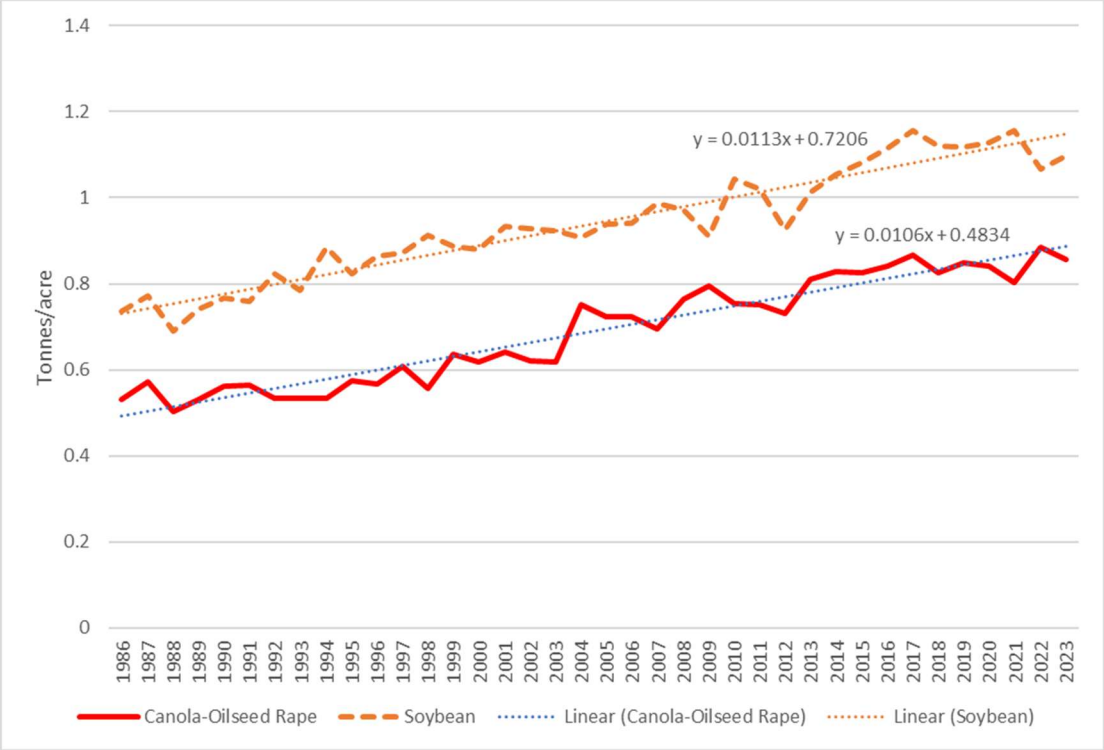
Source: Statistics Canada, accessed via Canola Council of Canada

Figure 13 Ontario Soybean Yields, 1986-2024



Source: Statistics Canada, accessed via Ontario Ministry of Agriculture, Food, and Agribusiness

Figure 14 Global Average Yields, Canola and Soybean



Source: FAOStat

Global Trade Environment

The US and Canada are leading agricultural trading nations, and international trade is central to the marketing of oilseeds- and in providing for healthy diets throughout the world. A highly efficient global trading system facilitates the allocation of food from surplus to deficit regions at low-cost under a legal (rather than political) framework in which countries and companies can treat exports and imports much like domestic transactions, and make investments in capacity that include markets beyond their own borders, with confidence.

This environment is dissolving rapidly. There are a number of reasons. A rift that opened up several years ago among WTO members having to do with the process for appeals of trade disputes, resulting in the WTO appeals body that is non-functional today. Seldom used provisions of trade rules- with exemptions to countries' trade commitments for emergencies and conflict situations- have increasingly been dusted off and used to block trade. Worries of domestic scarcity have provoked export controls by some exporting countries. Food and agricultural products have become the instrument of choice in retaliation in trade disputes, and also an instrument of geo-political intimidation. Some seem to have set aside the concept of comparative advantage in international trade, and spurned the notion of win-win trade agreements.

The map of agricultural trade looks very different today compared with only just a short time ago. The material barriers, and generally less friendly trade environment complicate what has been a very efficient, commodity merchandizing trade. It is especially complex for oilseeds, given the high proportions that are exported in Canada and the US, and a dominant importer largely operating through a state-owned enterprise (China- Cereal Oils and Foodstuffs Company- COFCO). Trade occurs in both oilseed crops and their oil and meal products, and there is substitution and competition across alternative oilseeds and their products.

According to data assembled by the International Trade Centre[3] for US soybeans, China's imports represented 52 percent of exports in 2024 (27 million tonnes); today it has a tariff against US soybeans totaling 23 percent, US soybean exports to China have ground to a halt, and the US President is pleading with China to buy some US soybeans. In other cases, the US has established uniform tariffs with major soybean export customers; none have retaliated against the US with tariffs on soybeans, but it has been threatened and is perhaps a looming threat; surely the US tariffs have come at the cost of some goodwill. Elsewhere, Brazil has firmly moved in as China's foreign soybean supplier of choice. Argentina has lifted its soybean export tax, leaving open the possibility of major soybean exports from Argentina, and opening the question of how

3 https://www.trademap.org/Country_SelProductCountry_Map.aspx?nvpm=1%7c124%7c%7c%7c%7c12%7c%7c%7c2%7c1%7c1%7c2%7c1%7c1%7c2%7c1%7c1%7c3

global trade flows will adjust to utilize Argentina's significant soy crushing capacity if it exports large volumes of soybeans.

Canada now faces a 76 percent interim dumping duty from China on canola, as well 100 percent Chinese countervailing duties on canola oil and canola meal, apparently in retaliation to tariffs that Canada levied on Chinese electric vehicles, steel, and aluminum in 2024. China accounted for 67 percent of Canadian canola exports in 2024 (5.9 million tonnes); its purchases of Canadian canola oil and meal are much smaller, but with the door closed on these as well Canada is left scrambling to find other markets. The US has been the anchor export customer for Canadian canola oil (96 percent in 2024, or 3.4 million tonnes) which we must assume could be subject to US tariff in the future. Surely soybeans, canola and their products, displaced from existing/past export markets by recent trade actions, will compete with each other internationally for alternative markets and backfill for diverted trade.

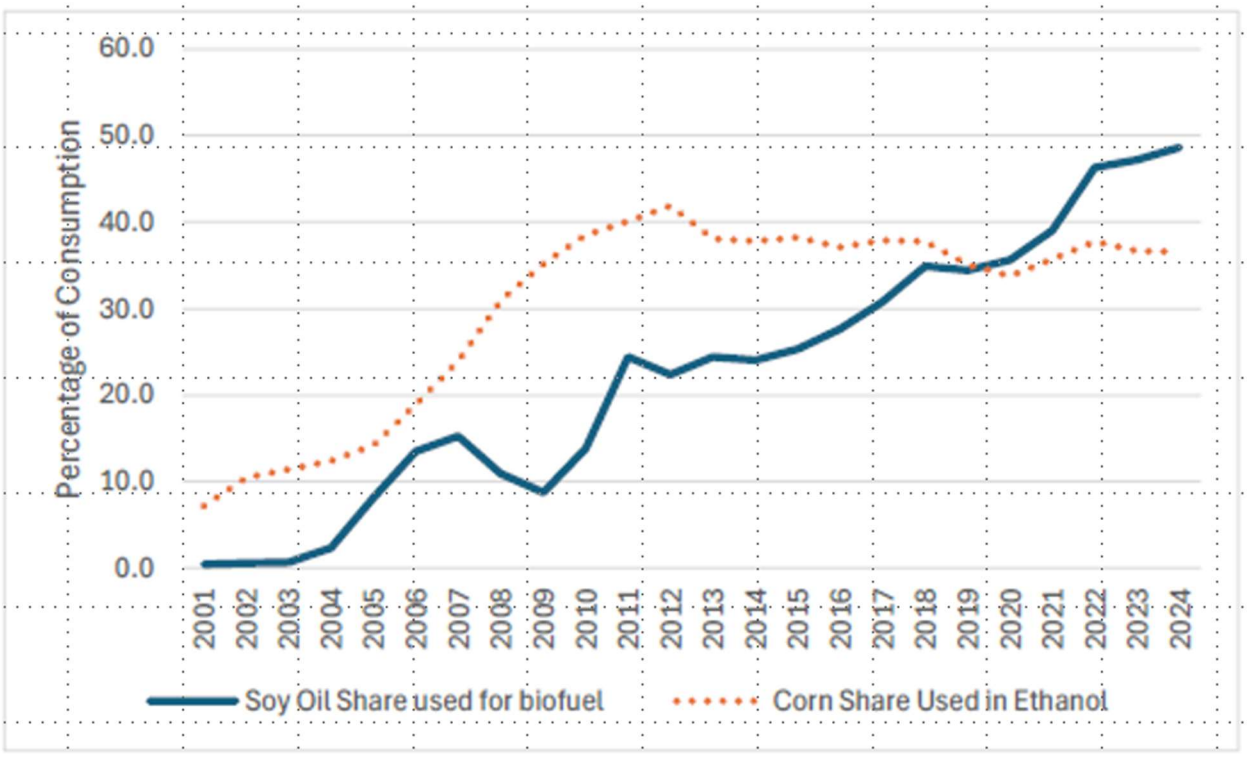
Market, Technology, and Policy Factors

As the US has declined as the pre-eminent global soybean exporter, the effective demand and utilization has increasingly moved toward policy mandate-driven, non-food uses. This direction was initially set in 2018-19. In response to Chinese tariffs against US soybeans (themselves in retaliation for US tariffs on Chinese steel and aluminum) the US rolled out deficiency program payments to farmers, heavily targeting soybean producers initially (the Market Facilitation Program). The resulting decline in US soybean exports to China gave rise to an increase in the US soybean crush, drove a push for alternate uses for soybeans, ultimately contributing in expanded mandates, support programming and tax credits for biodiesel and renewable diesel manufacturing- consistent with broader initiatives for cleaner fuels in place at that time.

The ambition and capacity of manufacturing US renewables has pressured the supply of available feedstocks. Remarkably, and in short order, almost half of US soybean oil is now supplying renewable fuels- in addition to large volumes of animal fats and used cooking oil consumed in renewables (Figure 15). US soybean crush capacity has grown in the US accordingly (Figure 16), which will also originate large additional volumes of soymeal. In so doing, the composition of the soybean crush margin has been turned on its head, with soybean oil comprising a much larger value of the US crush value. As Janzen and Wang (2025) recently observed, "The average per-bushel value of soybean meal between 2007 and 2025 was $8.66 per bushel, compared to $4.72 per bushel for soybean oil. However, this has changed with the sharp run up in soybean oil prices beginning in late 2020. Soybean oil value has reached parity with soybean meal in 2021 and again in mid-2025."

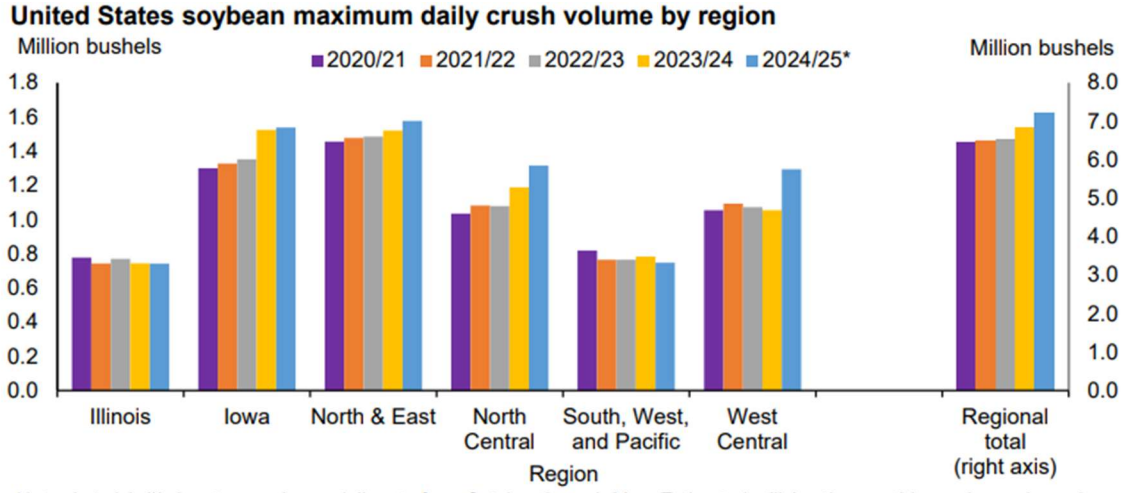
In turn, the demand for feedstocks in US renewable diesel manufacturing has given rise to increasing exports of Canadian canola oil to the US. This now links Canadian canola processing and marketing to US policy mandates, support, and tax credits for renewables. If soybean oil has been overvalued relative to history in the US soybean crush value, surely Canadian canola has been a beneficiary. Canada's renewable diesel and biodiesel manufacturing, and its

Figure 15 Shares of US Corn and Soybeans Consumed in Biofuel



Source: Reprinted from USDA ERS Oil Crops Outlook and ERS Oil Crop Outlook reports

Figure 15



Note: Asterisk (*) denotes maximum daily rate from October through May. Estimated utilizing the monthly crush max in each marketing year. North and East region = Indiana, Kentucky, Maryland, Ohio, Pennsylvania, and Virginia. North Central region = Michigan, Minnesota, North Dakota, and South Dakota. South, West, and Pacific region = Alabama, Arkansas, California, Georgia, Louisiana, Mississippi, North Carolina, and South Carolina. West Central region = Kansas, Missouri, and Nebraska.
Source: USDA, Economic Research Service estimates using USDA, National Agricultural Statistics Service *Fats and Oils: Oilseed Crushings, Production, Consumption, and Stocks* report.

Source: Reprinted from USDA-ERS Oil Crops Outlook: July 2025 by Maria Bukowski and Bryn Swearingen

accompanying policy supports, have not operated at proportional scale to the US. In early September, the federal government announced $370 million to "amend Clean Fuel Regulations to support the domestic biofuels industry" (among other measures to assist canola producers).

Discussions are ongoing regarding development of sustainable aviation fuel, potentially from a range of oilseed and grain feedstocks.

Climate Change and Agricultural Systems

The earth is warming, and Canada is warming, among the fastest in the world, especially in its north, and especially in winter. For a country at the northern fringe of feasible agriculture, provided that the warming is accompanied by adequate growing season precipitation, it is a benefit in terms of agricultural potential- increasing crop yields, allowing for crop switching, and making additional land newly viable for farming (Mussell, 2024). It is particularly a relative benefit, as agricultural systems in other countries, especially those closer to the equator, are being severely impacted by the changing climate. There are many aspects to this- biodiversity loss, groundwater depletion, and plant and animal disease expansion.

Another aspect of warming is an increase in the atmospheric concentration of carbon dioxide. It has been increasing long-term, and at an increasing rate. Just as CO_2 is injected into a greenhouse to stimulate plant growth, increasing the atmospheric concentration of CO_2 increases crop yields- for C3 crops. C4 crops like corn, sorghum, and sugarcane generally see little benefit, and could be adversely affected- except under drought stress. The impact of this CO_2 fertilization is general and quite remarkable- for example, research has shown wheat yield responses of 19 percent; barley and rice have seen a similar effects; soybean yield effects of 16 percent have been observed (Mussell, 2024).

But it is systemic change for food crops, which ends up changing a crop's nutrient profile profoundly. These are summarized in Table 1. For many crops- wheat, barley, rice, others- the effect is to reduce the protein content of the seed and micronutrient profiles- zinc and iron in particular. Seedling vitality and germination can also be affected. However, the effect seems to be mitigated for soybeans and perhaps legumes more generally, and especially as it relates to protein. It would seem that as the protein content of most other crops falls, protein content in soybeans is resilient. This could be a critical advantage for soybeans. Studies investigating carbon fertilization effects for canola were not observed.

Synthesis

Canola is a critical, fundamental crop in economies and agricultural economies in western Canada that anchors crop rotations. Serious decline in canola economics impair farm operating earnings could start to undermine farm land values in prairie provinces, which could trigger further adjustment and unravelling of the agricultural economy. The situation is analogous for soybeans, where soybeans along with corn anchor crop rotations, and safeguarding soybean value is fundamental to operating earnings and sustaining farm land values.

Table 1 Observed Effects of CO2 Fertilization

	Photosynthetic Pathway	Yield Potential	Protein	Zinc	Iron
Wheat	C3	+19%	Lower	Lower	Lower
Barley	C3	+19%	Lower	Lower	Lower
Rice	C3	+19%	Lower	Lower	Lower
Corn	C4	<0 >0 with water stress	No Change	No Change	Lower
Sorghum	C4	<0 >0 with water stress	No Change	No Change	No Change
Soybean	C3	+16%	No Change	Lower	Lower
Field Peas	C3		Slightly Lower	Lower	Lower
Potato	C3		Lower	No Change	No Change

Source: Mussell (2024). Compiled from reviews by Kimball (2016), Myers (2014), and Hatfield and Dold (2019)

The world is relatively short in staple foods- grains/starches, fats and oils, and (especially) proteins. Climate change, and growth in incomes and population have and will continue to exacerbate this situation. Canada stands among very few agricultural beneficiaries of climate change, is the market leader in the healthiest food grade oil [canola], and significant player, but not a market leader, in soybeans.

The loss of China as an export market for the Canadian canola crop will logically lead to more canola crushing in Canada. Whether it leads to new/greater Canadian investment in crushing is uncertain. In the near term, the major loss of export markets for US soybeans will lead to a larger soybean crush, larger volumes of soybean oil and meal in the US, and, all else equal, lower prices for soybeans, soybean oil and soybean meal. Price arbitrage could force a market convergence between soy and canola complexes, even more than might typically be the case.

China has begun to import canola from Australia, resolving a long-standing quality issue, apparently as an alternative product source given the trade barriers it has erected against Canadian product. But it seems unlikely that Australia can fill China's demand, given its existing European and other export customers.

The prospect of greater and greater volumes of soymeal coming forward in the US as a byproduct of soybean crushing for renewable fuels, and the near-term adjustments to pricing that make this feasible should be a major worry- impacting soybeans in Canada, and canola. It presents the prospect that US renewable fuels policy is having the effect of overvaluing oil

relative to meal in the US soybean crush, keeping in mind that it is the soy protein that has a quality premium (and not soybean oil).

An aspect of the erosion in rules-based trade is that export-oriented agri-food industries in Canada could be increasingly targeted by hostile interests prepared to exploit Canada's leverage into an export orientation as a vulnerability. Predatory foreign ownership in Canadian agri-food export industries by these interests, including segments of the Canadian canola and soybean complex, are a specific threat.

More generally, the efficacy of a Canadian oilseed strategy will be weakened if handling and processing firms downstream from the farm do not satisfy the fundamental assumptions of company profit-seeking and competition. If the Canadian operations of a multi-national firm are sufficiently remote for a far away corporate head office, a Canadian oilseed strategy may have little traction within the company.

Conclusions: Toward a Canadian Oilseed Strategy

For canola, Canada needs to find ways to avoid or minimize the degree of price arbitrage with US soybeans and soybean oil. As soybean demand in the US becomes increasingly mandate-driven, price arbitrage is anathema to premiumization of canola. But Canadian canola has the oil product attributes and market position that can allow it to retain a premium positioning vs. soy oil and soybeans. Leveraging this requires discretion and discipline- by not marketing Canadian canola, or canola oil, as a cost-based substitute for soy or animals fats.

Has Canada lost the Chinese canola export market to Australia? The data suggest not, as Australia cannot supply China unless it is prepared to drop its other canola customers. So China will be back as a Canadian export customer; it is just hard to predict the timing and volume, and the industry needs to see its way through. This is easier said than done, and important work will be necessary to determine how to bridge this (uncertain) gap.

Canadian soybeans will be heavily influenced by the soy oil demand driven by US renewable mandates. However, Canada has market access in China for soybeans that the US does not, which can offer it at least a temporary price premium versus US pricing. The bigger issue could be soymeal- specifically, how to work with, and add value to, Canadian soy proteins in the face of a coming wave of US soymeal, and maintain crush margins in Canada that allow crush plants to operate profitably at soybean prices that can be feasible for producers. This situation is a product of US policy-driven overvaluation of soybean oil; if the US is doubling down on oil in renewables, the logical response is for Canada to double-down on adding value to soy proteins derived from soymeal. Furthering existing efforts to add value to canola protein is consistent with this.

There is an understandable push to create/expand renewable fuels industries based on canola displaced by Chinese trade action. But this should be approached with caution. Crushing canola for fuel cedes canola oil's premium in foods and brings it down to the value of other feedstocks.

Also, some caution is warranted as investment in renewables based on canola will create a legacy Canadian demand bound to government mandates and subsidy, which can shift with governments and politics; Canada's public finances could become stretched. There are also worries regarding whether Canada could really have the threshold scale to be a major player in renewables, especially sustainable aviation fuel. Less risky options exist for surplus supplies of canola oil in the form of co-processing[4], in which crude vegetable oils can be blended in with crude petroleum oil in the refining process, leading to a cleaner end-use fuel.

It appears likely that we could face increasing prices of animal proteins and, simultaneously, decreasing prices of soymeal, canola meal, and plant proteins. This could offer an opportunity for plant proteins to substitute for animal proteins in foods, or for plant proteins to extend animal proteins in food products as amalgams of meat and animal products. It could present something of a lifeline to plant-based meats, if soy and canola proteins can be prominently used in their formulations. Lowering consumer costs of meat protein, perhaps through product coatings or batters made with plant proteins to extend meat portion sizes, could improve affordability. A separate market segment leverages specific health attributes from plant protein- this is already established and in further development, but will need to prepare for a greater scale as more soymeal is generated, in addition to development of new products, new health benefits targeted, and different modes of action.

Surely there stands to be a shift in much higher inclusion rates of protein meals in livestock feeds. This is particularly a challenge for canola meal in monogastric feeds, and existing work on canola meal and its derivatives in foods and feed may need to be redoubled, anticipating the scale of effect. Soymeal is initially better positioned, but the challenge for Canada may be to anticipate the scale at which cheap soymeal is coming forward from the US.

In the immediate term, all aspects of Canada's canola and soybean supply chains, from producers down through the domestic and export supply chains, stand to suffer and could require stabilization and support. A very large farm support package in the US can be anticipated. But the economic weakening of companies in the canola supply chain withering under trade action could make them ripe for foreign acquisition. Such acquisitions will need to be formally reviewed and screened to provide the assurance that the firms involved are profit-seeking and will compete with Canadian firms accordingly, and that they are prepared to co-ordinate with a Canadian industrial strategy.

Canadian oilseeds, like other segments of Canadian agriculture, are facing an uncertain future. We need the space to approach this situation with some confidence, and patience. In canola, Canada is the market leader with highly efficient production and a premium quality product; this is an important advantage. In soybeans, Canada is not the market leader, but it has efficient production systems and is big enough to be globally significant, and yet small enough to

[4] https://www.canadianfuels.ca/industry-facts/low-carbon-fuels/co-processing/

coordinate on important forms of product differentiation and targeting of premium soy proteins. Given Canada's market positioning, focus and discipline are our most potent of weapons.

Finally, politics pervades this context, and it is mostly a distraction to a robust and coherent strategy. Surely China knows that an offer to resume its canola imports if Canada removes its EV tariffs will create a flurry of skirmishes and recriminations in Canadian politics between the west and the east, just as President Trump uses menacing statements to incite drama and consternation in Canada.

These should largely be ignored in favour of a proactive, focused strategy. A Canadian oilseed strategy will not succeed based on better government relations, lobbying, and communications. Rather, it needs to be based on a clear understanding of what Canada has (and can have) to offer, how we differentiate and make it unique, and how we prudently address the many challenges of disarray in international trade policy and geopolitics, our international competitors, and shifting market balances between abundance and scarcity.

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