

## **Winter Canola Equals Business Opportunities**

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I was recently asked by the Oklahoma Agribusiness Retailers Association to present my views on agribusiness opportunities provided by the rapid expansion of winter canola acres in the Oklahoma. My first reaction to this request was –I'm an agronomist, not an economist. But the ongoing Okanola Project has many business implications, which I shared with that group, and I'll share some of those with you today.

We all know that canola acreage in OK, KS, and TX is increasing rapidly. About 4 times as many OK growers requested crop insurance for winter canola this year as last year, indicating a major increase in acreage. Why? Because canola has a better profit potential than wheat and because wheat growers are becoming more comfortable growing canola. Clearly there is growing demand from canola growers for the services typically provided by their local agribusiness retailer. These services include everything required for crop production including local delivery points for the harvested canola seed. Because the long range outlook for wheat and canola suggests more profit with canola, astute businessmen should be working to stay informed of the needs of canola growers and to provide them the goods and services they need.

Changes I expect to see in terms of supplies provided include more sulfur containing fertilizers, some different herbicides, some different insecticides, and more timely and accurate custom application of all these ag chemicals. Since canola seed is generally purchased instead of saved, there will be more opportunities for seed sales, and growers can be expected to demand the varieties that perform the best in statewide yield trials, as they do with other crops. Thus, seed dealers will have to pay attention to the variety tests. We expect hybrids to increase in popularity, and we may see more growers booking seed early to insure a supply of the best selections.

Opportunities will exist to provide more scouting services to assist new and larger growers with pest management and fertility decisions. Timely weed and insect control are important to canola yields. Good crop scouts require training and experience and skilled canola scouts will be in short supply and high demand for a few years as acreage continues to climb..

We have seen several canola growers purchase new equipment such as no-till drills and air seeders, draper swathers, canola pushers, and pickup heads to help them grow canola more easily and more profitable on larger acreages. Thus, equipment dealers need to stay alert to the needs of new canola growers.

Successful businessmen stay alert not only to the present situation, but also plan for the future. When investments may be required to service canola growers, they have to ask whether they will pay off in the long run. To answer the question of the long term future of canola, we can look at what some of the largest agribusinesses in our country are doing about canola. What we find is that many of the major corporations involved with ag chemicals, crop seed, or the grain business are investing substantially in canola.

You are probably familiar with the major contribution of Monsanto and Dekalb towards the introduction of winter canola in the southern Great Plains. They continue

their work with winter canola and have recently added a winter canola breeder and beefed up their variety development program to provide improved locally adapted varieties.

Most of you are probably also aware that Croplan Genetics (think Winfield Solutions and Land O' Lakes) has introduced some high performing winter canola varieties and they marketed a Roundup Ready Hybrid to OK growers this past fall. We expect them to continue offering improved winter canola genetics.

Okay, so who else is involved? To name some we have ADM, Bayer, Bunge, Cargill, Dow, DuPont and on down the alphabet. All of them are heavily involved in the development of canola and ways to add value to this crop. Why invest in canola, you might ask. The answer seems to be that canola seed is about 40% oil and that oil is arguably the healthiest cooking oil known. And, the large corporations have discovered ways to modify that oil to make it even better for human consumption than it is now. Others are interested in the meal that is left over after the oil is removed.

For example, ADM is cooperating with a Canadian firm to develop improved canola products. In October, 2008, ADM announced plans to build a facility dedicated to extracting protein isolates from canola meal. It seems they have identified a protein that can be added to soda pop to provide a healthier soft drink. Most proteins break down in acid, and thus are not stable in a soft drink. This one doesn't break down that way. ADM said "Our customers will be the largest food and beverage companies in the world". I'll take their word for that, and clearly, a lot of canola will be needed.

Bayer isn't in the winter canola market yet. They are still focused on spring canola up north. But they will likely be in OK soon. They offer their InVigor® hybrids, which have a reputation for high yields, along with Liberty Link® genetics that permit use of Ignite® herbicide on their canola.

Cargill cooperates with Bayer on canola, and in August 2008 Cargill hired 38 new people to work at their expanded Cargill Specialty Canola Oils Innovation Center in Fort Collins, CO. They have developed new genetics which they call InVigor Health Hybrids, which have high oleic content that maintain stability in high heat food processing applications. They recognize that people are actively limiting their consumption of hydrogenated vegetable oils to improve their heart health and they are working to insure an adequate supply of their Clear Valley Oils®.

Dow AgroSciences owns Mycogen Seeds, and they too are working aggressively on canola oils. They have introduced NEXERA canola. NEXERA indicates that the oil has over 70% Omega-9 monounsaturated fat. They anticipate a high demand for that oil by health conscious individuals.

DuPont (think Pioneer Seed) is also pumping dollars into canola. Last year they opened a new state-of-the-art seed production facility to boost their production of canola seed by 58%. Although they are focusing on spring canola now I expect DuPont to get serious about winter canola as our acreage grows in the southern Plains.

So, it appears that the future of canola is going to be very active indeed. Opportunities for growers and supporting businesses should be bright. We are fortunate here in OK to have a large crusher centrally located in OKC that plans to expand to meet the demand for capacity. Easy access to a crusher is a key to profitable production.

In summary, if you look to the "big boys" to see what is going on, the level of investment is amazing. We continue working with new canola growers to help them become familiar with winter canola, and we believe that when they first decide to plant

canola, they are taking a big step towards insuring the future economic stability of their farming operation.

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