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CROP TALK MARKET UPDATE

Provided by

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CHINESE TARIFFS

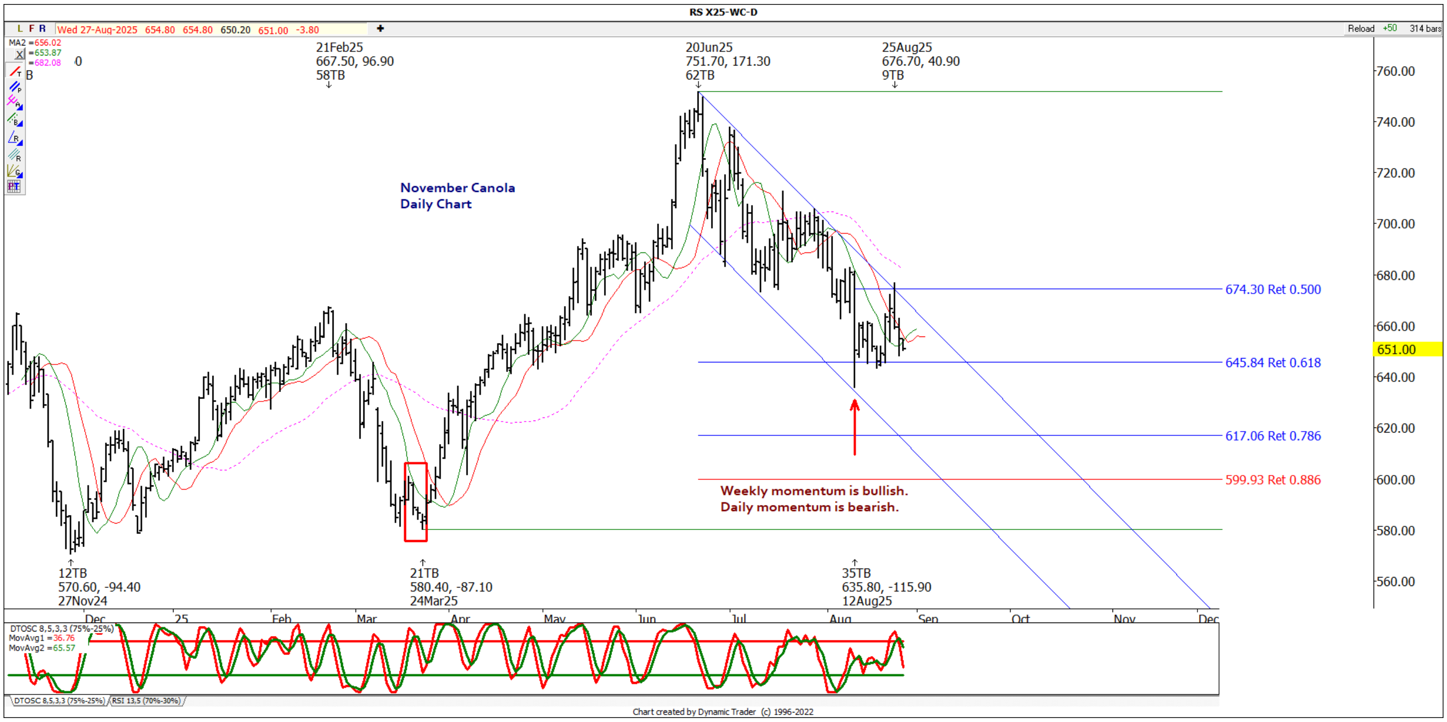
There has been a focus on U.S. trade talks with China, and we can expect an agreement that will encourage China to resume purchasing U.S. soybeans. However, I also want to discuss the Chinese tariffs on Canadian canola and what this means for canola prices. Recent articles have focused on recent rains and what the yield potential might be for U.S. crops. Canada has also received late-season rains, which have increased the yield potential for their canola crops.

Harvest is just ramping up across the Canadian Prairies, and if we look back over the growing season, there has been a shift from early canola yields being hopeful for 30-40 bushels during the early growing season due to dry conditions to reports of 50-60 bushel yields as the combines begin to roll. This has shifted the production outlook from early estimates of 19.5–20 million metric tons to a potential heavy supply, with the possibility of a 22 million metric ton canola crop for our northern neighbors.

The increase in potential supply is usually enough to push prices lower, but this year, there has been a shift in demand for Canadian canola and byproducts. The trade war between China and Canada began in 2024 when Canada implemented 100% tariffs against Chinese electric vehicles. China delayed tariffs against Canadian grains, including canola, until March 20, 2025, when it placed a 100% tariff on Canadian canola oil and meal. At that time, there were no tariffs against raw canola seed, but on August 12th, China placed a 75.8% tariff on canola seed as it continued with an anti-dumping investigation.

To understand the impact of Chinese tariffs on Canadian canola, let's examine export levels for 2024. Since the tariffs initially targeted canola oil and meal, we will focus on where Canadian canola byproducts were exported. Canada exported 3,502,161 metric tons of canola oil, with the U.S. as the leading destination, receiving 3,342,928 metric tons. China ranked as the fourth-largest importer of canola oil, importing 15,351 metric tons. Canada also exported 5,771,840 metric tons of canola meal. The U.S. was the primary buyer of Canadian canola meal, with China second at 2,002,283 metric tons. The March tariffs had the greatest effect on canola meal, which will limit canola crush since storage capacity will restrict future processing. The latest tariffs could have a larger impact, as the Canola Council of Canada reported a total of 8,659,296 metric tons of canola exported for 2024; of this, 5,863,794 metric tons were shipped to China. Japan was the second-largest buyer, taking in 1,005,948 metric tons. Although new markets might emerge, it remains to be seen how long it will take to offset the potential loss of sales to China.

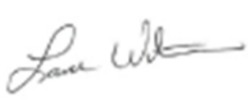
The tariff announcements from China resulted in prices pushing lower. The March 20th announcement posted a $19/mt loss into a low that was followed by a move to the upside that was $171.30/ton off the March 24th low. The August 12th tariff announcement had canola push limit down, which was a range of $45.50/mt, and has been trading sideways within that daily range.



Source: E-signal, Dynamic Trader, August 26, 2025.

The world has been focused on the U.S. trade negotiations and where the tariff may lead, especially with China. China's trade war with Canada has a major impact on the global canola market, but more directly on North American prices. Canada is in the process of harvesting a crop that was bigger than expected, which is bearish in its own accord, but couple that with possibly losing its largest canola trading partner, and we really should be looking at lower prices based on increased supply and decreased demand. While any reaction to tariff news has been limited, the fundamental picture is looking bearish. While China is now sourcing canola from other sources such as Australia, which they have not bought canola from them in 5 years. Now the countries that relied on Australian canola will likely need to find another source, possibly Canada. One would expect prices to continue to drop on the current fundamental picture, but the hope of increased demand for renewable fuels and the possibility of a smaller U.S. soybean crop have kept canola from accelerating to new contract lows. The quickest fix to possibly lower prices would be for tariffs to be lifted, but that does not appear to be in the cards any time soon, so prepare for the worst and hope for the best.

Until next time,



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