

Canola prices rally on biofuel boom, trade shifts and energy markets before June pullback

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A year of strong gains underscores canola's growing role at the intersection of food security, renewable fuels and global trade, says Trading Economics data



The global canola market has undergone a remarkable transformation over the past year, illustrating how oilseed markets are increasingly shaped by far more than agricultural fundamentals alone. Once driven primarily by weather, acreage and export demand, canola prices are now responding just as strongly to renewable fuel policies, geopolitical trade negotiations, energy markets and the broader vegetable oil complex.

Between June 2025 and June 2026, canola futures on the ICE Futures Canada exchange recorded one of their strongest annual performances in recent years. Prices climbed from approximately 692.26 Canadian dollars (CAD) per tonne at the end of June 2025 to a peak of 798.00 CAD per tonne on June 3, 2026, before easing to 745.14 CAD per tonne by June 30, 2026. Although the market corrected from its June highs, prices remained substantially above the previous year's levels, reflecting strong structural demand rather than a temporary speculative rally. The twelve-month period tells the story of a commodity increasingly positioned at the crossroads of food security, climate policy and energy transition.

A volatile but fundamentally bullish market

The past year can broadly be divided into three distinct phases. The first phase witnessed weakness through the second half of 2025, when improving global oilseed supplies, subdued vegetable oil demand and cautious export buying pushed prices steadily lower. Canola ultimately closed 2025 at 589.40 CAD per tonne, representing one of the lowest levels seen during the twelve-month period.

The second phase began almost immediately in early 2026. Prices recovered sharply as a series of supportive factors aligned almost simultaneously. Trade policy changes, particularly easing tensions surrounding Canadian exports, coincided with rising demand from the renewable diesel sector and stronger soybean oil prices. These developments fundamentally altered market sentiment, shifting expectations from oversupply toward tightening demand.

The third phase emerged during May and June 2026, when canola approached 800 CAD per tonne, only to retreat modestly as crude oil prices softened and markets began pricing in improved production prospects. Rather than signalling the end of the rally, however, the June correction appeared to represent a healthy consolidation following one of the strongest price advances in recent years.

Trade policy reshapes export expectations

Perhaps the single most important catalyst behind the 2026 recovery was changing trade dynamics between Canada and China. China remains one of the world's largest consumers of vegetable oils and one of Canada's most critical export destinations for canola seed, oil and meal. Consequently, any change in bilateral trade relations tends to have an outsized influence on market psychology.

Earlier concerns regarding trade barriers and tariffs had weighed heavily on Canadian exporters. However, adjustments in tariff policies during early 2026 significantly improved expectations regarding Canadian market access. For exporters, the implications were immediate. Greater certainty over Chinese demand translated into improved export projections, stronger crusher margins and increased purchasing by domestic processors. Since Canada exports a substantial proportion of its annual canola production, even modest changes in Chinese buying behaviour have the potential to move global prices significantly.

Markets responded accordingly. The renewed optimism surrounding exports helped propel prices beyond 690 CAD per tonne by February 2026, laying the foundation for the sustained rally that followed.

Biofuel demand transforms canola's value proposition

While trade policy initiated the recovery, renewable fuels arguably became the dominant structural driver throughout the remainder of the year. Canola oil has emerged as one of the preferred feedstocks for renewable diesel and biodiesel production, particularly across North America. Unlike conventional diesel, renewable diesel offers substantially lower lifecycle greenhouse gas emissions and qualifies under numerous low-carbon fuel standards implemented across Canada and the United States.

As governments continue tightening decarbonisation targets, refiners have increasingly sought vegetable oil feedstocks capable of meeting renewable fuel mandates. Canola has benefited enormously from this transition. Throughout early 2026, expanding renewable diesel capacity across North America significantly increased demand for canola oil. Crushing plants responded by purchasing larger quantities of seed, tightening supplies available for traditional food markets. The result was a powerful structural shift. Increasingly, canola is no longer priced solely as a food commodity but also as an energy commodity. This dual-demand profile has fundamentally altered long-term market dynamics. Every increase in renewable fuel production now creates additional demand for canola seed, while higher crude oil prices improve renewable diesel economics, reinforcing canola's attractiveness as a biofuel feedstock.

The vegetable oil complex remains tightly interconnected

Canola rarely moves independently. Instead, it forms part of the broader global vegetable oil complex alongside soybean oil, palm oil and sunflower oil. Price movements in any one of these commodities frequently spill over into others through substitution effects. Throughout much of 2026, soybean oil markets remained exceptionally strong, supported by expanding renewable diesel production in the United States and firm edible oil consumption globally.

This strength naturally spilled into canola markets. Food manufacturers routinely substitute among vegetable oils depending on relative prices, while biodiesel producers similarly adjust feedstocks based on economics and availability. Consequently, rising soybean oil prices increased demand for canola oil, amplifying the rally already underway. Palm oil prices also provided intermittent support, although production recoveries in Southeast Asia occasionally tempered gains. Overall, the vegetable oil complex remained broadly bullish throughout the first half of 2026, creating an exceptionally supportive environment for canola.

Energy markets become an increasingly important influence

Perhaps the most striking evolution in recent years has been the growing relationship between canola and crude oil. Historically, agricultural commodities were only loosely connected with energy markets. That relationship has changed dramatically. As renewable diesel capacity expands globally, vegetable oils have effectively become alternative energy feedstocks. Higher crude oil prices improve renewable fuel margins, encouraging refiners to purchase greater volumes of vegetable oils.

During early 2026, geopolitical tensions in the Middle East contributed to stronger crude oil prices, increasing the profitability of renewable diesel production. The resulting boost in canola demand added further momentum to already strengthening prices. However, the relationship also works in reverse. When crude oil prices retreated during June following easing geopolitical tensions and improving supply expectations, renewable diesel margins narrowed. Canola consequently surrendered part of its earlier gains, falling from its June peak of 798.00 CAD per tonne to approximately 745 CAD per tonne by month-end. Although relatively modest, this correction highlighted just how closely agricultural and energy markets have become intertwined.

Supply expectations continue to influence market sentiment

Despite stronger demand fundamentals, supply-side developments remained an equally important component of price discovery. Throughout the year, markets closely monitored planting conditions across Canada's Prairie provinces, where the majority of global canola production originates. Delayed planting, weather uncertainty and periodic concerns over moisture availability created intermittent production risks that supported prices.

At the same time, global rapeseed production forecasts—including Australia and Europe—were carefully scrutinised for signs of tightening supplies. Whenever production estimates weakened, futures strengthened. Conversely, improving crop prospects periodically moderated bullish enthusiasm. The market therefore spent much of the year balancing exceptionally strong demand against uncertain production expectations. This balance ultimately prevented prices from sustaining levels above 800 CAD per tonne, despite extremely supportive demand conditions.

Monthly price evolution

The monthly progression clearly illustrates the market's changing fundamentals. Following weakness throughout late 2025, prices bottomed at approximately 589.40 CAD per tonne at year-end. January 2026 saw the first signs of recovery as prices improved to around 603.90 CAD per tonne. By February, renewed optimism surrounding Chinese trade policies and stronger renewable diesel demand pushed prices back above 693 CAD per tonne.

Momentum accelerated further during March and April. By April, canola traded around 763.80 CAD per tonne, supported by strengthening energy markets, expanding crusher demand and firm vegetable oil prices. May brought relative stability, with prices consolidating around 760.90 CAD per tonne, suggesting markets were assessing whether further upside remained justified. The rally ultimately culminated in 798.00 CAD per tonne on June 3, before softer crude oil prices, improved supply

expectations and routine profit-taking triggered a moderate correction toward 745.14 CAD per tonne by the end of June.

Outlook: Structural support remains intact

Although the June decline attracted attention, it has done little to undermine the broader bullish narrative. The structural drivers supporting canola remain firmly in place. Renewable diesel capacity continues expanding. Low-carbon fuel policies remain supportive. China remains a critical source of demand. Vegetable oil markets remain fundamentally tight. These factors suggest canola is likely to remain considerably more sensitive to developments in trade policy, biofuel regulation and crude oil markets than in previous decades.

Weather will, as always, remain critical. Growing conditions across Canada, Australia and Europe will determine whether supply can keep pace with expanding industrial demand. Meanwhile, geopolitical developments affecting energy markets will continue influencing renewable diesel economics and, by extension, canola prices.

Beyond food: Canola's evolving strategic importance

The past year demonstrates that canola has evolved far beyond its traditional identity as simply another oilseed crop. Today, it occupies a strategic position within three interconnected global systems—food security, energy transition and international trade. For policymakers, the crop has become increasingly important for achieving renewable fuel targets. For processors, it represents a valuable industrial feedstock. For farmers, it offers access to expanding premium markets driven by sustainability objectives. For commodity markets, it has become one of the clearest examples of how agriculture and energy are converging.

The rally from 692.26 CAD per tonne in June 2025 to nearly 800 CAD per tonne in June 2026 was therefore more than just another commodity cycle. It reflected the emergence of a new pricing paradigm in which agricultural commodities increasingly derive value not only from feeding the world, but also from helping power it. As renewable energy policies mature and global trade patterns continue evolving, canola's role within the global bioeconomy appears set to become even more significant—ensuring that its future price trajectory will be shaped as much by climate policy and energy economics as by rainfall and harvests.

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