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Date: 1/30/2015

GAIN Report Number: CA15007

Canada

Grain and Feed Update

Grain and Feed Quarterly Update – January

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Report Highlights:

Early outlook for 2015/2016 is for area seeded to wheat, barley, corn and oats to increase to more average levels as areas that were left unseeded the previous year due to inclement weather are reclaimed. In 2014/2015, quality issues and lower domestic supplies are limiting exports of barley and corn and will likely result in higher than average corn imports. While a greater than average percentage of Canadian wheat is being graded lower, often the reasons for the lower grades have little to do with the functionality of the wheat and can be addressed through the milling process. As a result wheat exports continue to be strong. Several policy tools and bills have been brought forward to help empower the grains industry.

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2015/2016

Early outlook for 2015/2016 is for area seeded to wheat, barley, corn and oats to increase to more average levels as areas that were left unseeded the previous year due to inclement weather are reclaimed. Early estimates are for area seeded to spring wheat to increase between two and five percent, while area seeded to durum is expected to increase to between 12 percent and 15 percent. There are concerns on the availability and cost of durum seed which may be a limiting factor.

Area seeded to barley is expected to increase between 9 percent and 11 percent above 2014/2015 levels. These levels reflect a return to more normal levels; however, assuming normal yields, the increase in production levels will not be enough to increase supplies due to anticipated low carry-in stocks. This will limit barley exports in 2015/2016.

Area seeded to corn is anticipated to increase between 4 percent and 6 percent as a result of producers in Eastern Canada not being able to get the winter wheat in the ground in the fall. Increased production will not be able to offset the low carry-in stocks and will result in the need to import corn at levels well above recent average levels.

Oats acreage is expected to increase around 7 percent and 10 percent as land that could not be seeded the previous year is recovered.

2014/2015

Wheat:

Year to date data has wheat exports well above average (Aug – Nov), however there has been a slow down since Christmas. While quality issues have overshadowed total supplies, quality issues have been a factor for world supplies. Many of the factors that are causing Canadian wheat to be graded lower are not factors that affect the functionality of the wheat for the end user. For example, wheat is being downgraded for mildew but the mildew does not go deep enough to affect the color when milled. Other quality issues are able to be addressed through blending. This fact, combined with a weaker Canadian dollar and high supplies, will keep exports strong through 2014/2015. Stocks will be drawn down to more manageable levels. Durum supplies for quality and quantity will be tight after a disastrous year. Wheat into feed is higher than average due to low barley supplies and the availability of abundant supplies of feed wheat.

Barley:

Low domestic supplies and quality issues will limit barley exports in 2014/2015. Despite a lower percentage of the Canadian barley crop meeting the quality standards required for malt barley, Canadian barley has been finding markets. China has been a big buyer of barley this year, as they do not mind using barley that does not quite meet the malt grade for malting purposes. This has helped support exports and therefore prices. Low domestic supplies, combined with the availability of a lot of feed wheat will result in less barley going into feed in 2014/2015. Stocks will be pulled down.

Corn:

Lower domestic supplies due to excess moisture at harvest have limited exports and will result in a significant increase in corn imports in 2014/2015. While feed consumption is expected to remain constant, there is a slight increase for biofuels usage anticipated as provincial regulations in Quebec are being implemented that requires that gasoline fuel must have a reduced carbon footprint (greenhouse gas reduction) which will result in blending in higher rates of ethanol than currently being blended to meet the federal mandate. Stocks will be drawn down in 2014/2015 due to low supplies resulting from difficulties at harvest resulting from very wet conditions.

Oats:

Oats are moving again in 2014/2015 after a disastrous previous year that was fraught with logistics issues. Exports are being supported by a weak Canadian dollar and lower quality which helps drive down prices. However, Canadian oats are facing competition from Europe in the US market as companies try to manage their risk against logistical bottlenecks. U.S. supplies of oats are high due to the fact that a lot of the oats moved at the end of crop year 2013-2014 as well as higher US production. Domestic use in feed is a little lower due to the availability of feed wheat, as well as a little more oats being directed into human consumption.

Policy:**Bills Moving Through Parliament**

There are a number of grains-related bills moving through Parliament at this time. Bill C-18, the Agricultural Growth Act is a bill designed to amend certain Acts relating to agriculture and agri-food, including the Plant Breeder's Rights Act, the Feeds Act, the Fertilizer Act, the Seed Act, the Health of Animals Act and the Plant Protection Act. Perhaps one of the most controversial elements of Bill C-18 is the amendments to the Seed Act and the Plant Breeder's Rights Act which will bring Canada into compliance with the UPOV 91 convention which offers more protection for plant breeders' intellectual property. Canadian government officials are confident that this will stimulate more research, more investment in Canada and increased access to foreign plant varieties. The timeline for this legislation is that it will reach final assent in March 2015 and come into force one month later. More on Bill C-18 can be found at the following URL address:

<http://www.parl.gc.ca/LegisInfo/BillDetails.aspx?billId=6373658&Mode=1&Language=E>.

Bill C-48 is designed to modernize the Canada Grain Commission and proposes some changes to the Canada Grain Act that will help level the playing field for U.S. farmers delivering to Canadian grain elevators. Proposed changes to the Canada Grain Act will make it possible for U.S. farmers to receive a Canadian statutory grade if the variety being delivered is of a variety that is registered for use in Canada. More can be found in GAIN report CA15004 available at the following URL address:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Changes%20to%20Grain%20Act%20May%20Help%20Level%20the%20Playing%20Field_Ottawa_Canada_1-22-2015.pdf.

Price Discovery Tool

Minister Ritz announced nearly a three-quarter of a million dollars in funding to get a price discover tool (program) in place for the industry. Here is the government's announcement:

<http://news.gc.ca/web/article-en.do?nid=926329>

Transportation

While the rail situation has vastly improved over the previous year, tensions remain high between the railroads and the shippers. There is a great deal of variability on timing (when the trains are supposed to arrive and when they actually arrive) and a continued need for greater capacity. The AgCoalition/QCI released information publically on rail car demand, supply, timeliness, corridor performance, railway dwell times at origin and railway dwell times at destination. The data presented demonstrates the shortfall in meeting orders (demand). The performance measurement initiative is part of a five-year transportation strategy and action plan made possible by matching investments from the ag industry and Agriculture and Agri-Food Canada (AAFC) through Growing Forward 2 programming. The report is available for download at the following URL address: <http://www.agtransportcoalition.com/>.

Production, Supply and Demand Statistics

WHEAT	2013/2014		2014/2015		2015/2016		
Marketing Begins Canada	Aug-13		Aug 2014		Aug-15		
	USDA Official	New Post	USDA Official	Old Post	USDA Official	New Post	
Area Harvested	10,442	10,441	9,460	9,462	0	9,870	(1000 HA)
Beginning Stocks	5,052	5,052	9,795	9,795	0	6,226	(1000 MT)
Production	37,530	37,530	29,300	29,281	0	30,000	(1000 MT)
MY Imports	446	446	480	480	0	480	(1000 MT)
TY Imports	441	441	480	480	0	480	(1000 MT)
TY Imp. from U.S.	319	319	0	460	0	0	(1000 MT)
Total Supply	43,028	43,028	39,575	39,556	0	36,706	(1000 MT)
MY Exports	23,238	23,238	23,000	23,000	0	21,200	(1000 MT)
TY Exports	22,138	22,138	23,500	23,500	0	21,200	(1000 MT)
Feed and Residual	4,787	4,787	5,000	5,000	0	5,000	(1000 MT)
FSI	5,208	5,208	5,330	5,330	0	5,330	(1000 MT)
Consumption	9,995	9,995	10,330	10,330	0	10,330	(1000 MT)
Total Consumption	9,995	9,995	10,330	10,330	0	10,330	(1000 MT)
Ending Stocks	9,795	9,795	6,245	6,226	0	5,176	(1000 MT)
Total Distribution	43,028	43,028	39,575	39,556	0	36,706	(1000 MT)
Yield	3.5941	3.5945	3.0973	3.0946	0.0000	3.0395	(MT/HA)
TS=TD	0	0	0	0	0	0	

BARLEY							
2013/2014			2014/2015		2015/2016		
Marketing Begins Canada	Aug-13		Aug 2014		Aug-15		
	USDA Official	New Post	USDA Official	Old Post	USDA Official	New Post	
Area Harvested	2,652	2,652	2,140	2,134	0	2,375	(1000 HA)
Beginning Stocks	983	983	1,924	1,924	0	768	(1000 MT)
Production	10,237	10,237	7,120	7,120	0	7,875	(1000 MT)
MY Imports	9	9	25	20	0	15	(1000 MT)
TY Imports	9	9	25	20	0	15	(1000 MT)
TY Imp. from U.S.	9	9	0	15	0	0	(1000 MT)
Total Supply	11,229	11,229	9,069	9,064	0	8,658	(1000 MT)
MY Exports	1,559	1,561	1,200	1,320	0	1,150	(1000 MT)
TY Exports	1,714	1,714	1,200	1,320	0	1,150	(1000 MT)
Feed and Residual	6,566	6,566	5,520	5,944	0	5,636	(1000 MT)
FSI	1,180	1,178	1,200	1,100	0	1,100	(1000 MT)
Consumption	7,746	7,744	6,720	7,044	0	6,736	(1000 MT)
Total Consumption	7,746	7,744	6,720	7,044	0	6,736	(1000 MT)
Ending Stocks	1,924	1,924	1,149	700	0	772	(1000 MT)
Total Distribution	11,229	11,229	9,069	9,064	0	8,658	(1000 MT)
Yield	3.8601	3.8601	3.3271	3.3365	0.0000	3.3158	(MT/HA)
TS=TD	0	0	0	0	0	0	

Corn	2013/2014		2014/2015		2015/2016		
Marketing Begins	Aug-13		Aug 2014		Aug-15		
Canada	USDA Official	New Post	USDA Official	Old Post	USDA Official	New Post	
Area Harvested	1,480	1,480	1,230	1,227	0	1,300	(1000 HA)
Beginning Stocks	1,549	1,549	1,594	1,494	0	961	(1000 MT)
Production	14,194	14,194	11,500	11,487	0	12,180	(1000 MT)
MY Imports	503	503	1,000	1,500	0	1,200	(1000 MT)
TY Imports	671	671	1,000	1,500	0	1,200	(1000 MT)
TY Imp. from U.S.	646	646	0	0	0	0	(1000 MT)
Total Supply	16,246	16,246	14,094	14,481	0	14,341	(1000 MT)
MY Exports	1,851	1,949	500	700	0	700	(1000 MT)
TY Exports	1,846	1,947	500	700	0	700	(1000 MT)
Feed and Residual	7,621	7,623	7,000	7,500	0	7,500	(1000 MT)
FSI	5,180	5,180	5,400	5,320	0	5,320	(1000 MT)
Consumption	12,801	12,803	12,400	12,820	0	12,820	(1000 MT)
Total Consumption	12,801	12,803	12,400	12,820	0	12,820	(1000 MT)
Ending Stocks	1,594	1,494	1,194	961	0	821	(1000 MT)
Total Distribution	16,246	16,246	14,094	14,481	0	14,341	(1000 MT)
Yield	9.5905	9.5905	9.3496	9.3619	0.0000	9.3692	(MT/HA)
TS=TD	0	0	0	0	0	0	

Oats	2013/2014		2014/2015		2015/2016		
Marketing Begins	Aug-13		Aug 2014		Aug-15		
Canada	USDA Official	New Post	USDA Official	Old Post	USDA Official	New Post	
Area Harvested	1,113	1,113	910	912	0	1,050	(1000 HA)
Beginning Stocks	506	506	1,031	1,031	0	900	(1000 MT)
Production	3,906	3,906	2,910	2,908	0	3,200	(1000 MT)
MY Imports	24	24	10	20	0	20	(1000 MT)
TY Imports	26	26	10	20	0	20	(1000 MT)
TY Imp. from U.S.	14	14	0	0	0	0	(1000 MT)
Total Supply	4,436	4,436	3,951	3,959	0	4,120	(1000 MT)
MY Exports	1,659	1,659	1,700	1,700	0	1,700	(1000 MT)
TY Exports	1,728	1,728	1,700	1,700	0	1,700	(1000 MT)
Feed and Residual	971	1,023	700	824	0	827	(1000 MT)
FSI	775	723	750	535	0	643	(1000 MT)
Consumption	1,746	1,746	1,450	1,359	0	1,470	(1000 MT)
Total Consumption	1,746	1,746	1,450	1,359	0	1,470	(1000 MT)
Ending Stocks	1,031	1,031	801	900	0	950	(1000 MT)
Total Distribution	4,436	4,436	3,951	3,959	0	4,120	(1000 MT)
Yield	3.5094	3.5094	3.1978	3.1886	0.0000	3.0476	(MT/HA)
TS=TD	0	0	0	0	0	0	