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Grain and Feed Update

October 2015

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Report Highlights:

Total Canadian wheat, barley, corn and oats production in 2015/2016 is forecast fall to 49.2 MMT, a 4 percent decrease from 2014/2015 total production levels of 51.0 MMT. This decrease is due to an 11 percent decrease in wheat production caused by abnormally dry conditions during the growing season. Due to increases in area seeded, barley, corn and oats production levels all increased over the previous year's level. Wheat exports are forecast to fall to the five-year average level of 20.0 MMT, while barley corn and oats export levels will remain at levels similar to the previous year. Some corn U.S. exporters will require new provincial licenses in 2015/2016 to sell into the Ontario market. There is potential for disruption of rail service into the United States and up to Canada should bill S.650, the Rail Safety and Positive Track Control Extension Act not be passed before the New Year.

Grain and Feed Update – October 2015

WHEAT

Wheat	2013/2014		2014/2015		2015/2016	
Market Begin Year	Aug 2013		Aug 2014		Aug 2015	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10442	10441	9480	9480	9600	9622
Beginning Stocks	5137	5137	10436	10446	7108	7108
Production	37530	37530	29420	29420	26000	26061
MY Imports	446	446	483	483	485	485
TY Imports	441	441	490	490	485	485
TY Imp. from U.S.	320	319	348	348	0	320
Total Supply	43113	43113	40339	40349	33593	33654
MY Exports	23270	23269	24116	24118	19000	20000
TY Exports	22157	23269	24830	24832	19500	20000
Feed and Residual	4199	4195	3785	3793	3800	3800
FSI Consumption	5208	5203	5330	5330	5200	5200
Total Consumption	9407	9398	9115	9123	9000	9000
Ending Stocks	10436	10446	7108	7108	5593	4654
Total Distribution	43113	43113	40339	40349	33593	33654

(1000 HA) ,(1000 MT)

Despite an increase in acreage seeded to wheat in the spring of 2015, extremely dry conditions in part of Alberta and Saskatchewan during the growing season resulted in lower production levels.

Wheat production for 2015/2016 is estimated to be 26.1 million metric tons (MMT), 11 percent decrease from year 2014/2015 levels. The five and ten year production average is 28.0 MMT and 26.9 MMT, respectively. The drier than average conditions also resulted in very high protein levels for wheat and durum. Average protein levels for all grades of spring wheat are being reported to be 14.1 percent, while the durum average being reported is 13.9 percent. More information of wheat quality for the 2015/2016 harvest is available at the following URL address:

<https://www.grainscanada.gc.ca/wheat-ble/hqwm-mqrb-eng.htm>.

Lower production levels, lower carry-in stocks and healthy world wheat supplies, are expected to limit wheat exports in 2015/2016 marketing year. Exports are expected to fall to the five-year average of 20 MMT, a 17.1 percent decrease from the previous year's export levels of 24.1 MMT.

Feed and wheat for food, seed and industrial use is forecast to maintain relatively similar to those levels experience in 2014/2015 due to no expected increase in demand from those sectors. Strong barley supplies mean that there will be no increase in demand for wheat as feed.

Stocks are forecast to be pulled down to lower than average levels resulting from lower domestic supplies.

BARLEY

Barley	2013/2014		2014/2015		2015/2016	
Market Begin Year	Aug 2013		Aug 2014		May 2016	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2652	2652	2136	2136	2350	2350
Beginning Stocks	983	983	1950	1950	1217	1217
Production	10237	10237	7119	7119	7600	7610
MY Imports	9	9	118	136	100	100
TY Imports	9	9	125	127	100	100
TY Imp. from U.S.	10	10	0	59	0	50
Total Supply	11229	11229	9187	9205	8917	8927
MY Exports	1559	1559	1544	1544	1500	1500
TY Exports	1714	1714	1500	1514	1500	1500
Feed and Residual	6510	6510	5231	5213	5000	5200
FSI Consumption	1210	1210	1195	1231	1200	1227
Total Consumption	7720	7720	6426	6444	6200	6427
Ending Stocks	1950	1950	1217	1217	1217	1000
Total Distribution	11229	11229	9187	9205	8917	8927
(1000 HA) ,(1000 MT)						

Barley production in 2015/2016 is estimated at 7.6 MMT, an increase of 7 percent over the previous year's production levels. The increase in area seeded was high enough to off-set lower yields. The five-year production average is 8.1 MMT. The quality of the malt barley crop is better than expected, considering the very dry conditions experienced during the summer months. The quality is also better than the previous year's crop which increases the potential pool of malting barley. Similar to the case in wheat, early samples show higher than average protein levels which could be challenging for malsters. Harvest quality reports can be found at the following URL: <https://www.grainscanada.gc.ca/barley-orge/hqbm-mqro-eng.htm>

Exports in 2015/2016 are forecast to remain close to 2014/2015 levels of 1.5 MMT. Domestic demand are also forecast to remain similar as there is only a marginal increase in cattle inventories expected in 2016 that should not impact feed demand. Exports in 2015/2016 are forecast to reach 1.5 MMT and feed use is forecast to remain steady at 5.2 MMT.

The Canadian barley industry expressed satisfaction that the Trans-Pacific Partnership deal was concluded and look forward to exploiting increased, predictable and secured access into the TPP markets, especially Japan. They also expected the domestic demand for feed barley to increase

over time as Canada exports increased beef and pork as a result of more market access. The text of the TPP had not been released at the time of this report.

Stocks are forecast to be draw down as the increase in production over 2014/2015 is not enough to offset lower carry-in stocks. Stocks are forecast to fall to 1.0 MMT, the lowest level seen since 2012/2013.

CORN

Corn	2013/2014		2014/2015		2015/2016	
Market Begin Year	Sep 2013		Sep 2014		Sep 2015	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1480	1480	1223	1227	1300	1294
Beginning Stocks	1549	1549	1600	1600	1287	1402
Production	14194	14194	11487	11487	12300	12204
MY Imports	506	506	1500	1660	1500	1000
TY Imports	679	679	1500	1670	1500	1000
TY Imp. from U.S.	644	644	0	1604	0	980
Total Supply	16249	16249	14587	14747	15087	14606
MY Exports	1949	1949	500	422	500	500
TY Exports	1917	1917	500	487	500	500
Feed and Residual	7520	7520	7500	7550	8000	7600
FSI Consumption	5180	5180	5300	5373	5350	5300
Total Consumption	12700	12700	12800	12923	13350	12900
Ending Stocks	1600	1600	1287	1402	1237	1206
Total Distribution	16249	16249	14587	14747	15087	14606
(1000 HA) ,(1000 MT)						

Corn production in 2015/2016 is estimated at 12.2 MMT, which represents a 6 percent increase over year 2014/2015 marketing levels. It is in line with the five-year average of 12.4 MMT. The production increase from 2014/2015 levels of 11.5 MMT is due to an increase in area seeded to corn.

Corn imports in 2015/2016 are forecast to fall to 1.0 MMT, a 40 percent decrease from year 2014/2015 import levels of 1.7 MMT. This decrease is anticipated as a result of adequate domestic supplies resulting from higher production levels and average carry-in stocks. Corn exports will be close to average levels and are forecast to be 500 TMT.

New rules on the sale and use of neonicotinoid-treated seed in Ontario came into effect on July 1, 2015 and will impact U.S. exports of neonicotinoid-treated corn into the province of Ontario. The purposes of the regulations are to significantly decrease the use neonicotinoid-treated corn and soybeans in Ontario. The government of Ontario has chosen this approach to address concerns on bee health in the province. This decision has not gone unchallenged as the lobby organization Grain Farmers of Ontario is challenging the Ontario government in court.

The new regulations require vendors of a neonicotinoid-treated corn and soybean seeds to obtain a "treated seed vendor's license". This will impact companies who export neonicotinoid-treated corn and soybeans to Canada and sell them through sales representatives. These companies will be required to obtain a license. To obtain this license, the vendor will be required to provide a set of information to the Ministry of Environment and Climate Change. The regulations have a phase in period which limits the circumstances and amount of neonicotinoid-treated corn and soybeans that can be sold to a producer. The regulations also require end-of-year reporting requirements for vendors for which they must detail their sales during the compliance period.

The neonicotinoid regulations for seed vendors can be found at the following URL:

<http://www.ontario.ca/page/neonicotinoid-regulations-seed-vendors>

The demand from the feed industry is forecast to remain steady in 2015/2016 as no significant growth or shrinkage in the hog industry is anticipated in 2015/2016. Domestic usage of corn for biofuel production is not expected to grow beyond current levels in 2015/2016 as there has been no indication that there will be an increase in the provincial or federal renewable fuel content mandates. In addition, lower oil prices limit the profitability of discretionary blending above mandated volumes. Based on the information available at this time on the government of Ontario's plan to create a carbon market, there will be no significant impact on the demand for corn for industrial use in 2015/2016.

OATS:

Oats	2013/2014		2014/2015		2015/2016	
Market Begin Year	Aug 2013		Aug 2014		Aug 2015	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1113	1113	928	912	1100	1093
Beginning Stocks	446	446	1054	1054	681	681
Production	3906	3906	2979	2979	3310	3292
MY Imports	24	30	13	19	10	15
TY Imports	26	32	10	20	10	15
TY Imp. from U.S.	14	21	0	20	0	10
Total Supply	4376	4382	4046	4052	4001	3988
MY Exports	1662	1662	1678	1683	1600	1600
TY Exports	1732	1732	1700	1700	1600	1600
Feed and Residual	870	870	902	902	850	837
FSI Consumption	790	796	785	786	800	800
Total	1660	1666	1687	1688	1650	1637

Consumption						
Ending Stocks	1054	1054	681	681	751	751
Total Distribution	4376	4382	4046	4052	4001	3988
(1000 HA) ,(1000 MT)						

Oats production in 2015/2016 increased to 3.3 MMT, a 11 percent increase above year 2014/2015 production levels. This increase is a result of an increase in area seeded to oats. The increase in production, however, is not enough to offset low carry-in stocks so supplies will remain close to the previous year's level. Relatively low domestic supplies and lower demand due to increased supplies in the United States are expected to limit exports in 2015/2015. Exports are forecast to fall to 1.6 MMT, a 5 percent decrease from year 2014/2015 export levels of 1.683 MMT.

POLICY:

Transportation

Transportation has not been a major issue for the grain industry this year due in part to a greater availability of crews and power resulting from the reduction in economic activity in the Canadian oil industry. There has also been increased efficiency in management by the railway industry. There is, however, a potential for rail disruption in U.S.-Canada trade in the New Year.

Canadian and American class 1 railways have stated that they will be unable to meet the deadline set out in the U.S. Rail Safety Improvement Act of 2008. The compliance deadline for the regulations is December 31, 2015. They are asking the U.S. Congress to approve a bi-partisan bill, bill S. 650, the Railroad Safety and Positive Train Control Extension Act, that would extend the compliance deadline by 5 years. Canadian and American class 1 railways have stated that should the extension not be granted, they will be forced to suspend operations in areas where they are not in compliance. This potential gap in rail service would negatively impact U.S. grain trade between the United States and Canada.

Progress of Bill S 650 can be found at the following url address:

<https://www.govtrack.us/congress/bills/114/s650>

More on the issue can be found on the Association of American Railroads website:

<https://www.aar.org/policy/positive-train-control>

New Federal Government:

On October 19, 2015, the Liberal Party of Canada won a strong majority of seats in the Canadian Parliament, replacing the Conservatives government. At the time of this report, the transition of responsibilities on-going and the new Cabinet, including the position of Minister of Agriculture, has not yet been announced. In general, there do not seem to be concerns that the new government

will not ratify the Trans Pacific Partnership. They have made public statements reaffirming their pro-trade stance. Also encouraging for the grain sector is that the Liberal Party platform highlighted that the trade relationship between Canada, the U.S. and Mexico is essential to economic prosperity and that in order to support growth in trade, they will focus on cooperation to reduce impediments to trade and improve border infrastructure, including streamlining inspections.