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Canada

Grain and Feed Update

January

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Report Highlights:
The combined production of wheat, barley, corn and oat production is forecast to fall marginally in **2016/2017** as a result of small increases in wheat and barley production being off-set by a ten percent decrease in corn production. Total exports of wheat, barley, corn and oats in 2016/2017 are forecast to fall eight percent as increases in barley exports are not high enough to offset an anticipated drop in wheat exports. The weakness for the Canadian dollar compared to the U.S. dollar has been helping Canada aggressively push out grain exports in the **2015/2016** marketing year. This advantage will likely weaken in the coming months as oil is expected to recover somewhat and the Canadian dollars strengthens.

Grain and Feed Update – January

General Information:

2016/2017 Production: Overall wheat production in 2016/2017, Canada's primary grain crop, is forecast to increase by 3 percent from 2015/2016 production levels. Barley production is expected to increase 2 percent from 2015/2016 levels. Oat acres will be competing with wheat and oat production is expected to remain unchanged from 2015/2016 production level. Corn production is expected to decrease over 10 percent as a result of more acreage going to soybeans. Last year, while the Canadian dollar was falling, Canadian grain producers were enjoying the ability to buy inputs with a stronger Canadian dollar in the fall and spring and then sell the crop when the Canadian dollar was weaker. The stabilization of the Canadian dollar is expected to result in less expansion of land in production and foster a drive to efficiencies.

Exports and the Canadian Dollar: The weakness for the Canadian dollar compared to the U.S. dollar has been helping Canada aggressively push out grain exports in the 2015/2016 marketing year, despite high world supplies. This advantage will likely weaken in the coming months as oil is expected to recover somewhat and the Canadian dollars strengthens. Low ocean freight rates have also helped Canada expand its markets in the current marketing year.

Weather in 2016: A dry spring is predicted for western Canada due to a carry-over from a dry summer and below average precipitation occurring in the winter months. The El Nino weather pattern is weakening but will likely prevail through the spring of 2016 resulting in continued moisture deficits. Most recent weather data suggests that the La Nina effects, which would bring wetter weather to Western Canada, will only occur close to the harvest season.

Wheat Production, Supply, and Demand Statistics:

Wheat	2014/2015		2015/2016		2016/2017	
Market Begin Year	Aug 2014		Aug 2015		Aug 2016	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9480	9480	9600	9600	0	9260
Beginning Stocks	10436	10436	7108	7108	0	4257
Production	29420	29420	27600	27594	0	28320
MY Imports	483	483	485	480	0	480
TY Imports	490	490	485	480	0	480
TY Imp. from U.S.	348	348	0	350	0	480
Total Supply	**40339**	**40339**	**35193**	**35182**	**0**	**33057**
MY Exports	24116	24116	20500	22000	0	20000
TY Exports	24832	24832	21000	22000	0	20000
Feed and Residual	3785	3785	3800	3725	0	3700
FSI Consumption	5330	5330	5200	5200	0	5200
Total Consumption	9115	9115	9000	8925	0	8900
Ending Stocks	7108	7108	5693	4257	0	4157
Total Distribution	**40339**	**40339**	**35193**	**35182**	**0**	**33057**
(1000 HA) ,(1000 MT)						

Post forecasts Canada’s 2016/2017 wheat harvested area at 9.26 million hectares, a 3.5 percent decrease from 2015/16 reported levels. Post expects to return to average yields that will offset the harvested area decline for an estimated 2016/17 wheat production of 28.3 million metric tons (MMT). This forecasted 3 percent increase in production over 2015/2016 production levels will not be sufficient to overcome low-carry-in stocks resulting in a lower forecasted total supply. Lower wheat supplies will limit Canadian wheat exports in 2016/2017. Exports are forecast to fall 9 percent from 2015/2016 estimated levels to reach 20 thousand metric tons (TMT). With stable cattle markets expected in 2016/2017 combined with tighter domestic wheat supplies, barley is expected to be a less expensive alternative to wheat resulting in a decrease in wheat destined for the feed industry. Lower domestic supplies will pull stocks down.

In 2015/2016, the lower Canadian dollar has resulted in wheat export pace well above the 5-year average but close to the previous year’s export pace. A strengthening Canadian dollar and high world supplies combined with lower domestic supplies will slow the export pace as the marketing year progresses. Post expects exports in 2015/2016 to reach 22 TMT, 4.8 percent higher than USDA current official estimate of 21 MMT.

Barley Production, Supply, and Demand Statistics:

Barley	2014/2015		2015/2016		2016/2017	
Market Begin Year	Aug 2014		Aug 2015		Aug 2016	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2136	2136	2350	2354	0	2450
Beginning Stocks	1950	1950	1217	1217	0	1543
Production	7119	7119	8225	8226	0	8400
MY Imports	136	136	50	50	0	50
TY Imports	165	165	25	50	0	50
TY Imp. from U.S.	76	76	0	50	0	50
Total Supply	**9205**	**9205**	**9492**	**9493**	**0**	**9993**
MY Exports	1516	1513	1500	1350	0	1450
TY Exports	1384	1384	1700	1350	0	1450
Feed and Residual	5222	5225	5200	5350	0	5400
FSI Consumption	1250	1250	1300	1250	0	1250
Total Consumption	6472	6475	6500	6600	0	6650
Ending Stocks	1217	1217	1492	1543	0	1893
Total Distribution	**9205**	**9205**	**9492**	**9493**	**0**	**9993**
(1000 HA) ,(1000 MT)						

Post forecasts Canada’s 2016/2017 barley harvested area at 2.45 million hectares, a marginal increase over 2015/16 area. Due to anticipated better yields, barley production in 2016/17 is forecast at 8.4 MMT, an increase of 2 percent over the previous year’s level. Higher carry-in stocks will support an increase in exports, although stocks are forecast to increase slightly.

In 2015/2016, demand from the feed industry is expected to grow as cattle producers are beginning to switch to barley as a cheaper feed alternative as a result of tightening domestic supplies of wheat. Post expects feed to reach 5.35 MMT, a 2.9 percent increase above USDA official estimate. This trend is expected to continue in 2016/2017.

Corn Production, Supply, and Demand Statistics:

Corn	2014/2015		2015/2016		2016/2017	
Market Begin Year	Sep 2014		Sep 2015		Sep 2016	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1227	1227	1310	1312	0	1260
Beginning Stocks	1600	1600	1402	1402	0	1761
Production	11487	11487	13600	13559	0	12100
MY Imports	1558	1558	1000	1000	0	1400
TY Imports	1533	1533	1000	1000	0	1400
TY Imp. from U.S.	1472	1472	0	980	0	1372
Total Supply	**14645**	**14645**	**16002**	**15961**	**0**	**15261**
MY Exports	423	423	1000	800	0	500
TY Exports	395	395	1000	800	0	500
Feed and Residual	7426	7426	8000	8000	0	8000
FSI Consumption	5394	5394	5350	5400	0	5400
Total Consumption	12820	12820	13350	13400	0	13400
Ending Stocks	1402	1402	1652	1761	0	1361
Total Distribution	**14645**	**14645**	**16002**	**15961**	**0**	**15261**
(1000 HA) ,(1000 MT)						

In 2016/2017, post forecasts a decrease in corn production from 2015/2016 levels. Corn production in 2016/2017 is forecast to fall to 12.1 MMT – a 10 percent decrease from 2015/2016 production levels. This is a result of increased acreage going to soybeans due to expected better returns. Imports are forecast to rise to 1.4 MMT as a result - the United States being the predominant supplier. Lower domestic supplies and strong demand from the feed industry is expected to limit corn exports in 2016/2017. In 2015/2016, a weaker Canadian dollar compared to the U.S. dollar is resulting in increased corn exports compared to the previous year; however exports will be limited by strong demand from the domestic feed industry. Post forecasts corn exports at 800 TMT, 2 percent lower than the current USDA official estimate. Ending stocks in 2015/2016 are expected to rise due to lower exports.

<u>Oats Production, Supply, and Demand Statistics</u>:

Oats	2014/2015		2015/2016		2016/2017	
Market Begin Year	Aug 2014		Aug 2015		Aug 2016	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	928	912	1050	1055	0	1050
Beginning Stocks	1054	1054	681	681	0	825
Production	2979	2979	3430	3468	0	3400
MY Imports	13	13	10	10	0	10
TY Imports	12	12	10	10	0	10
TY Imp. from U.S.	11	11	0	10	0	10
Total Supply	**4046**	**4046**	**4121**	**4159**	**0**	**4235**
MY Exports	1689	1689	1600	1650	0	1705
TY Exports	1726	1726	1600	1650	0	1705
Feed and Residual	896	896	850	884	0	895
FSI Consumption	780	780	800	800	0	810
Total Consumption	1676	1676	1650	1684	0	1705
Ending Stocks	681	681	871	825	0	825
Total Distribution	**4046**	**4046**	**4121**	**4159**	**0**	**4235**
(1000 HA) ,(1000 MT)						

Area harvested to oats is forecast to fall in 2016/2017 due to the low price of oats relative to wheat. However, with average yields expected, this should still result in 3.4 MMT produced in 2016/17 - marginally lower than the previous year's production level. Domestic supplies are forecast to increase as a result of higher carry-in stocks and will support exports. Stocks are forecast to remain flat. For 2016/2017, post forecasts oats exports at 1.65 MMT, slightly above current USDA official estimate of 1.6 MMT. A return to normal oat stock level in the U.S. is expected to result in export decreasing from 2014/2015 export levels.