

**Required Report:** Required - Public Distribution

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## **Report Name:** Grain and Feed Update

**Country:** Canada

**Post:** Ottawa

**Report Category:** Grain and Feed

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### **Report Highlights:**

Significant rainfall has alleviated severe drought conditions in large regions of Alberta and Saskatchewan but more is required to support wheat growth. Large regions of Manitoba that were waterlogged in June, now have adequate conditions after a heat wave dried up excess water. Wheat prices began to fall in June on improved North American drought conditions and optimism that Ukrainian grain exports may be able to resume via the Black Sea. Year-to-date wheat grain imports (excluding wheat products) are up 34 percent after the 2021 drought reduced domestic supplies.

## GRAIN AND FEED UPDATE

**Table 1: Wheat Production, Supply, and Distribution**

| WHEAT                        | 2020/2021     |        | 2021/2022     |        | 2022/2023     |        |
|------------------------------|---------------|--------|---------------|--------|---------------|--------|
| Market Begin Year            | Aug-20        |        | Aug-21        |        | Aug-22        |        |
|                              | USDA Official | Post   | USDA Official | Post   | USDA Official | Post   |
| Area Harvested (1000 HA)     | 10,018        | 10,018 | 9,247         | 9,247  | 10,000        | 10,100 |
| Beginning Stocks (1000 MT)   | 5,499         | 5,499  | 5,666         | 5,666  | 3,418         | 3,000  |
| Production (1000 MT)         | 35,183        | 35,183 | 21,652        | 21,652 | 34,000        | 33,500 |
| MY Imports (1000 MT)         | 546           | 544    | 600           | 550    | 600           | 550    |
| TY Imports (1000 MT)         | 549           | 543    | 600           | 550    | 600           | 550    |
| TY Imp. from U.S. (1000 MT)  | 319           | 319    |               |        |               |        |
| Total Supply (1000 MT)       | 41,228        | 41,226 | 27,918        | 27,868 | 38,018        | 37,050 |
| MY Exports (1000 MT)         | 26,429        | 26,400 | 15,000        | 15,600 | 25,000        | 24,000 |
| TY Exports (1000 MT)         | 27,723        | 27,722 | 15,000        | 15,600 | 25,000        | 24,000 |
| Feed and Residual (1000 MT)  | 4,183         | 4,245  | 4,500         | 4,468  | 4,000         | 4,000  |
| FSI Consumption (1000 MT)    | 4,950         | 4,915  | 5,000         | 4,800  | 5,100         | 5,120  |
| Total Consumption (1000 MT)  | 9,133         | 9,160  | 9,500         | 9,268  | 9,100         | 9,120  |
| Ending Stocks (1000 MT)      | 5,666         | 5,666  | 3,418         | 3,000  | 3,918         | 3,930  |
| Total Distribution (1000 MT) | 41,228        | 41,226 | 27,918        | 27,868 | 38,018        | 37,050 |
| Yield (MT/HA)                | 3.51          | 3.51   | 2.34          | 2.34   | 3.40          | 3.32   |

### Wheat Production – Marketing Year (MY) 2022/2023

Significant rainfall that occurred throughout June and early July in much of Alberta and Saskatchewan alleviated severe drought conditions. Manitoba and Eastern Saskatchewan received surplus rain during this period, but a heat wave the week of July 11 has brought moisture levels closer to adequate conditions.

Saskatchewan spring wheat area accounts for 46 percent of national spring wheat area planted in 2022. The Government of Saskatchewan reported on July 11 that parts of the southwest and west central regions received rain throughout June and the first week of July, “but much more is required to support crop and hay growth.” Only 58 percent of spring cereals are reportedly at a normal stage of development, while 34 percent are behind, primarily due to excessive moisture on the eastern side of the province.

Alberta spring wheat area accounts for 35 percent of national spring wheat area planted. Alberta reported that 83 percent of spring wheat is rated in “good to excellent” condition. Sixty-four percent of winter wheat is rated “good to excellent.”

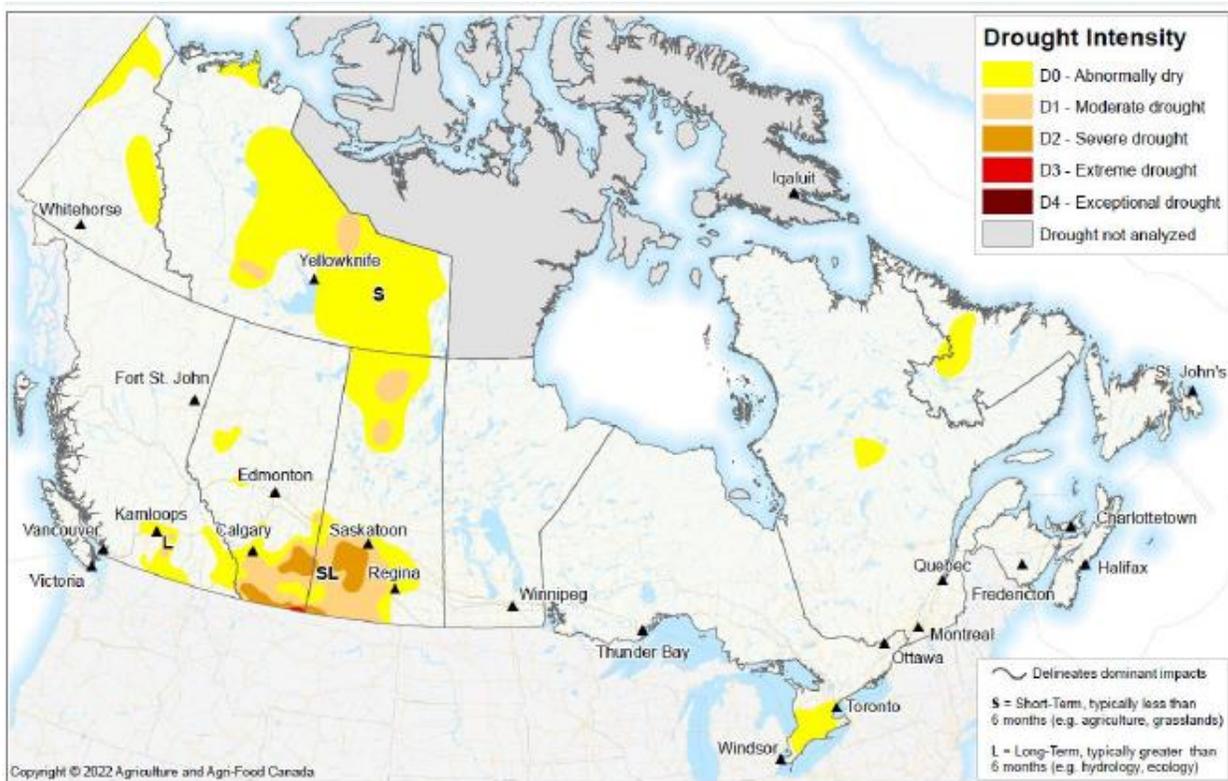
Manitoba spring wheat area accounts for 17 percent of the national spring wheat area. Approximately five percent of Manitoba cropland has not been planted, according to the provincial government. The

majority of this land will likely remain unplanted with anything other than cover crops because [crop insurance deadlines](#)<sup>1</sup> have passed.

Nationally, spring wheat represents 71 percent of area planted to wheat in 2022, in line with recent years. Durum represents 23 percent of area planted, and the remainder is winter wheat.

In general, wheat yield and quality potential in the Prairies will not be evident until early-to-mid August. Planting in many areas of the Prairies was delayed one to four weeks, which puts crops at risk of frost damage by October (or November this year) harvest time. Canadian wheat will not begin to move into commercial channels until fall 2022.

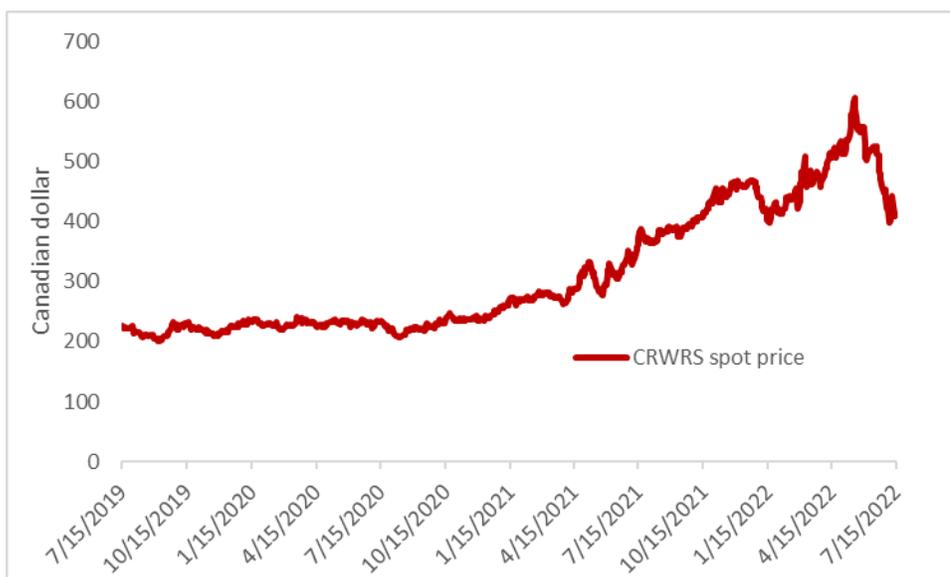
**Figure 1: Drought Conditions as of June 30, 2022**



*Source: Agriculture, Agri-Food Canada*

<sup>1</sup> Crops must be seeded by indicated seeding deadlines to be eligible for full insurance coverage under the AgriInsurance program. Crops seeded in the extended seeding period will still be insured, but at a reduced coverage level.

**Figure 2: Canadian Western Red Spring (CWRS) Spot Prices Settle**



Source: Created by FAS/Ottawa using Alberta Wheat Commission data

Canadian Western Red Spring (CWRS) spot prices in Saskatchewan reached a peak of \$599 CDN on May 16, 2022 before retreating on improved North American drought conditions in June and optimism that Ukrainian grain exports may be able to resume via the Black Sea.

Russia’s attack on Ukraine has impacted Canadian agricultural producers by driving up farmer input costs. Eastern Canada is highly dependent on Russian fertilizer. Agri-chemical export bans implemented by producing countries have also driven up input costs.

### Wheat Exports

**Table 2: Exports of Canadian Wheat (including durum), Metric Tons (MT)**

| Partner              | 08/2019 - 05/2020 | 08/2019 - 05/2020 % Share | 08/2020 - 05/2021 | 08/2020 - 05/2021 % Share | 08/2021 - 05/2022 | 08/2021 - 05/2022 % Share |
|----------------------|-------------------|---------------------------|-------------------|---------------------------|-------------------|---------------------------|
| <b>World</b>         | 18,929,949        | 100                       | 22,667,279        | 100                       | 12,213,759        | 100                       |
| <b>Japan</b>         | 1,721,198         | 9.1                       | 1,464,923         | 6.5                       | 1,478,417         | 12.1                      |
| <b>United States</b> | 1,414,523         | 7.5                       | 1,183,747         | 5.2                       | 1,255,663         | 10.3                      |
| <b>Indonesia</b>     | 1,870,046         | 9.9                       | 1,919,381         | 8.5                       | 1,007,133         | 8.2                       |
| <b>West Africa</b>   | 1,033,916         | 5.5                       | 1,409,513         | 6.2                       | 939,747           | 7.7                       |
| <b>Peru</b>          | 1,056,862         | 5.6                       | 1,681,671         | 7.4                       | 773,168           | 6.3                       |
| <b>Colombia</b>      | 1,149,424         | 6.1                       | 1,211,548         | 5.3                       | 716,891           | 5.9                       |

Source: Trade Data, LLC

Note: “West Africa” includes only West African countries for which there are Canadian export data provided by Statistics Canada, including Burkina Faso, The Gambia, Ghana, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

August 2021 to May 2022 exports (year-to-date MY 2021/22) are 55 percent of a year ago. High wheat prices have slowed the pace of Canadian wheat exports as importing countries opted to draw down domestic storage stocks until new crops become available at an expected lower price. Separately, a major grain handler told FAS/Ottawa that they are having a difficult time buying the last of the 2021 wheat crop from farmers, because some farmers are holding onto the high-protein, high-quality crop to blend with the 2022 crop.

Canadian exporters will likely benefit from tighter global export supplies and subsequent increased demand for Canadian grains. However, price-sensitive countries (Bangladesh, Indonesia, Philippines, etc.) that blend high-protein Canadian wheat with lower-protein wheat from Ukraine, Russia, India, and other countries, to produce a desired product, may reduce their purchases of Canada’s higher-priced wheat. These countries may substitute wheat products for rice- or pulse-based dishes if they cannot access appropriate wheat blends to prepare preferred wheat-based dishes. There are concerns throughout the supply chain that long-standing rail congestion issues may re-emerge if grain production volumes return to pre-drought levels while, simultaneously, competition for rail cars returns to pre-pandemic levels.

## Wheat Imports

**Table 3: Volume of Wheat Imports (including durum, excluding wheat products), in MT**

| Partner              | 08/2019 -<br>05/2020 | 08/2019 -<br>05/2020<br>% Share | 08/2020 -<br>05/2021 | 08/2020 -<br>05/2021<br>% Share | 08/2021 -<br>05/2022 | 08/2021 -<br>05/2022<br>% Share |
|----------------------|----------------------|---------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|
| <b>World</b>         | 254,379              | 100                             | 113,913              | 100                             | 152,144              | 100                             |
| <b>United States</b> | 250,775              | 98.6                            | 113,813              | 99.9                            | 152,069              | 100.0                           |

*Source: Trade Data Monitor, LLC*

Year-to-date MY 2021/22 total wheat grain imports (including durum) have increased 34 percent on increased demand for feed wheat after the 2021 drought reduced domestic supplies. Total wheat imports, including wheat products, have increased only three percent year-to-date. Nearly one hundred percent of imports are from the United States.

## Wheat Product Consumption

Consumer Price Index data from May 2022, the most recently available, indicates that cereal product prices in stores rose 12 percent year-over-year, more than average food prices, which rose ten percent.

While shelf prices may have eased since May, along with bulk commodity prices, they remain at an elevated level compared to recent years.

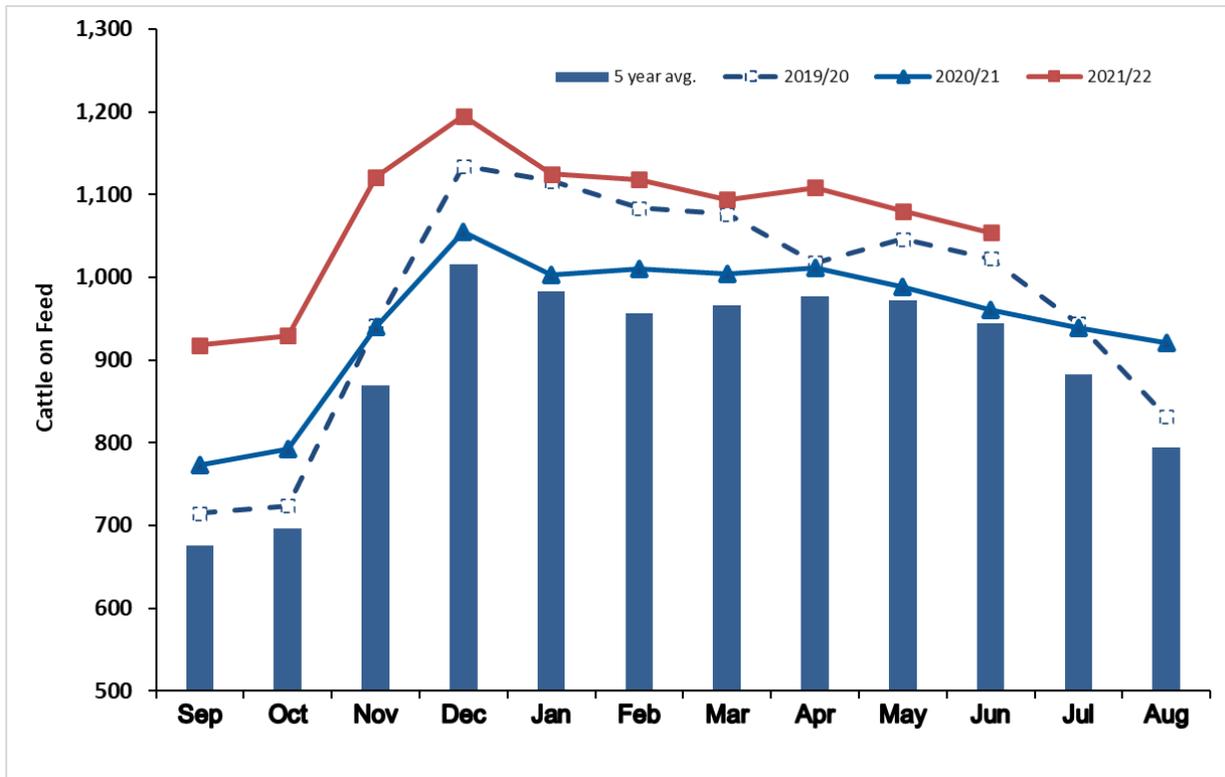
Since food generally accounts for a lower share of income in Canada, Canadian consumers are generally better positioned to deal with higher food prices than consumers in more price sensitive countries. While Canadians may adjust their grocery store purchases to reduce the cost to their household, it is unlikely that they will replace wheat products with other carbohydrates in a significant way. However, higher prices for wheat products and food in general (in addition to higher fuel and housing costs) are a financial strain for low-income Canadians.

Food price inflation and new climate change policies that encourage the use of crop-dependent biofuels have rekindled the food versus fuel debate amongst Canadian consumers.

### **Feed Consumption**

Data from CANFAX, a Canadian cattle market information source, shows that Saskatchewan and Alberta have the largest cattle on feed levels in 20 years. November through January placements dropped off more dramatically than is typical during this period of seasonal decline, but higher than typical cattle on feed levels have since resumed. This indicates that feed imports will continue to be strong following the 2021 drought that drastically reduced Canada's domestic feed availability.

**Figure 3: Cattle on Feed at Alberta and Saskatchewan Feedlots  
with >1,000 head capacity**



*Source: Created by FAS/Ottawa with data by CANFAX*

Feed wheat prices have declined along with other wheat prices during the start of the summer. Prices in Lethbridge, Alberta averaged \$453 CDN the week of July 11, down from \$595 CDN the week of May 30. Feed wheat prices remain above feed barley prices, but below oats, corn, and dried distillers' grain.

### **Storage Stocks**

Storage stocks are at a multi-year low and expected to remain reduced in MY 2022/23 due to strong global demand and a reduction in supply caused by the 2021 drought.

MY 2021/22 (ending July 2022) wheat ending stocks-to-use ratio is forecast by FAS/USDA to reach an 83-year low.

## **Canada and Global Food Security**

The Canadian agricultural sector is asking how government and industry can help price-sensitive countries manage global food security challenges. Common comments made by producer and industry associations are as follows. Canada needs to:

- Address a workforce shortage crisis in agriculture and agri-food manufacturing;
- Develop policies that support producers' access to inputs such as fertilizers and chemicals;
- Develop more free trade agreements to both diversify exports and increase export volume;
- Resolutely speak against non-tariff trade barriers, and foreign export bans on food and agricultural inputs; and,
- Recognize the need for reliable transportation throughout the supply chain, holding logistic and transportation companies accountable for delays and associated costs.

### **Attachments:**

No Attachments