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Report Name: Grain and Feed Update

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Report Highlights:

Canada's wheat marketing year 2021/22 was defined by drought, fires, atmospheric rivers, and the resilience of Canada's rail transportation sector. Canadian wheat export volumes are down 37 percent (August to November 2021) from the previous year, though wheat exports by value are 95 percent of the value earned the previous year, due to strong global prices. Though some regions of the prairies have received significant snow cover, lower than normal soil moisture continues to be a concern for farmers in the Canadian prairies.

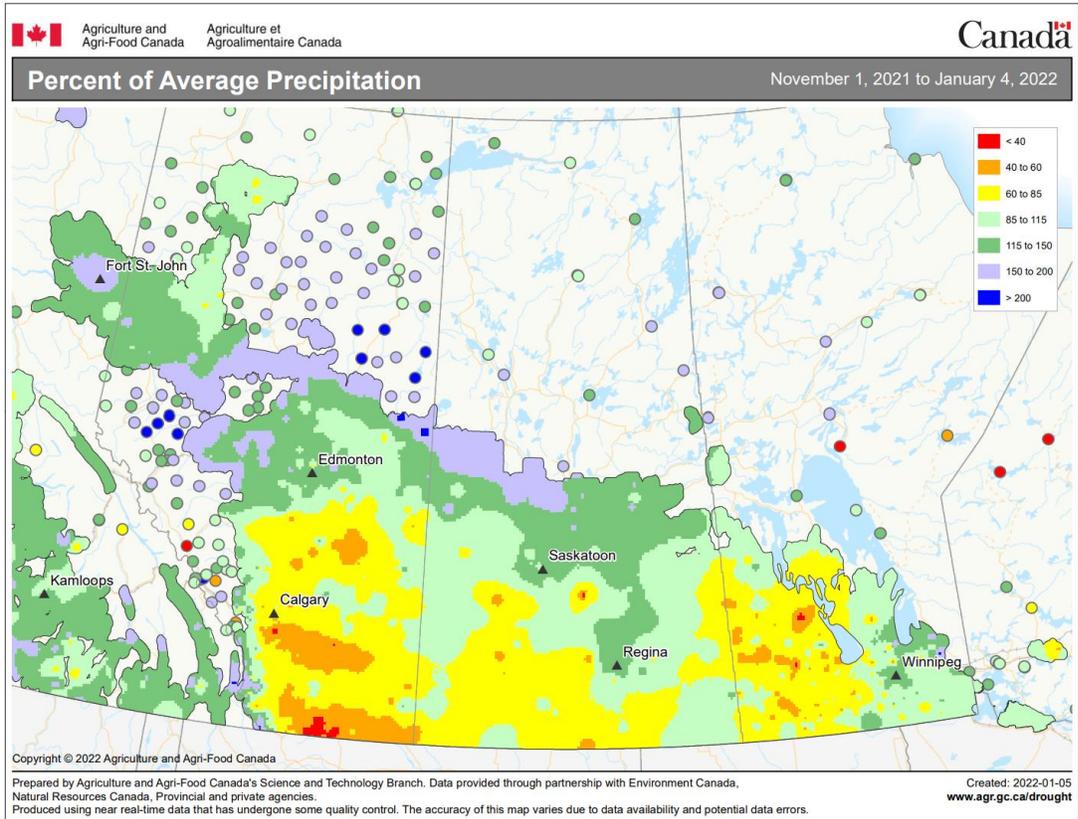
WHEAT	2019/2020		2020/2021		2021/2022	
Market Begin Year	Aug-19		Aug-20		Aug-21	
	USDA Official	Post	USDA Official	Post	USDA Official	Post
Area Harvested (1000 HA)	9,656	9,656	10,018	10,018	9,247	9,247
Beginning Stocks (1000 MT)	6,041	6,041	5,499	5,499	5,688	5,688
Production (1000 MT)	32,670	32,670	35,183	35,183	21,652	21,652
MY Imports (1000 MT)	678	674	545	544	700	550
TY Imports (1000 MT)	675	674	547	543	700	550
TY Imp. from U.S. (1000 MT)	444	390	319	-	-	-
Total Supply (1000 MT)	39,389	39,385	41,227	41,226	28,040	27,890
MY Exports (1000 MT)	24,627	24,142	24,406	26,429	15,000	15,700
TY Exports (1000 MT)	23,478	22,990	27,700	27,723	15,500	15,700
Feed and Residual (1000 MT)	4,130	4,617	4,184	4,161	2,800	3,500
FSI Consumption (1000 MT)	5,133	5,127	4,949	4,948	5,100	5,050
Total Consumption (1000 MT)	9,263	9,744	9,133	9,109	7,900	8,550
Ending Stocks (1000 MT)	5,499	5,499	5,688	5,688	5,140	3,640
Total Distribution (1000 MT)	39,389	39,385	41,227	41,226	28,040	27,890
Yield (MT/HA)	3.38	3.38	3.51	3.51	2.34	2.34

PRODUCTION

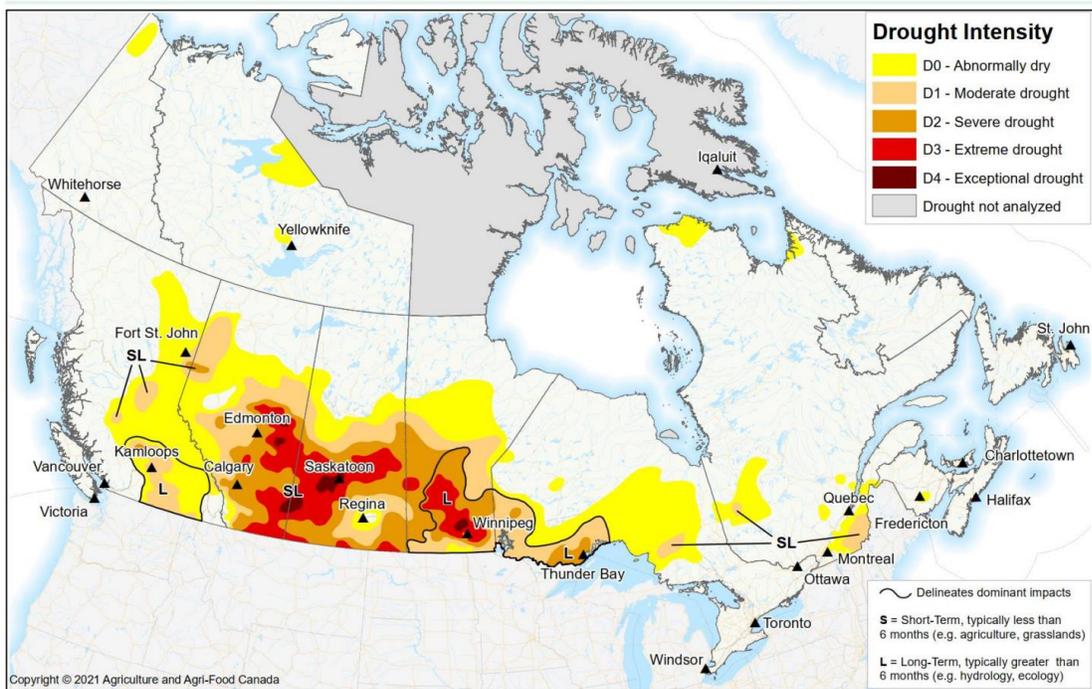
Canada's 2021 wheat production was down 38 percent year-over-year on drought-impacted yields and a 0.6-million-hectare reduction in area planted to spring wheat.

Precipitation throughout the growing season was well below average in most parts of the Canadian prairies and lower than normal soil moisture continues to be a concern for prairie farmers. In general, Saskatchewan (which has half of Canada's wheat-growing area) is reporting the highest percent-of-normal precipitation since November 1 and Manitoba is reporting the lowest, but winter precipitation has been highly variable within provinces.

In a December 31, 2021 publication, [The Canadian Drought Monitor](#) notes, "Up to 150 percent of normal precipitation fell across [some parts of Southern Manitoba] in the last three months. However, since long-term deficits remain high at nearly 250 mm in the last year and a half, concern for water supplies still exist."



Source: [Agriculture, Agri-Food Canada](#)



Source: [The Drought Monitor, Agriculture, Agri-Food Canada](#). December 31, 2021.

Irrigation of wheat fields is uncommon in the Canadian prairies and therefore the net benefit to total wheat from irrigation is currently negligible. In 2020 (the most recent data available), only about two percent (or 145,000 hectares) of harvested wheat area in Alberta and Saskatchewan combined were irrigated.

Approximately 136,000 hectares of wheat (including durum) was irrigated in [Alberta](#) in 2020, with winter wheat being the class with highest tendency to be irrigated, at 25 percent. In the same year, 8,945 hectares of wheat was irrigated in [Saskatchewan](#).

Alberta Harvested Area ('000 ha), 2020			
	Harvested Area	Irrigated Land	% Irrigated
All Wheat	2,945	136	5
Cereals Total	4,579	191	4

Source: Alberta Agriculture and Forestry; Statistics Canada Table 32-10-0359-01; FAS/Ottawa

Saskatchewan Harvested Area ('000 ha), 2020			
	Harvested Area	Irrigated Land	% Irrigated
All Wheat	5,175	9	0
Cereals Total	14,391	10	0

Source: Irrigation Saskatchewan

There is [anecdotal evidence](#) suggesting that smoke from massive forest fires in British Columbia, Northern Ontario, and elsewhere may have protected some crops from excessive heat and intense UV light, generating a positive effect on yields. The net effect of forest fire smoke on crop yields and quality is a relatively new subject being [studied](#) by agronomists, such as those at [Pioneer](#).

Moisture levels, prices, and on-farm stock levels will influence planting decisions over the next couple of months. Dry conditions entice farmers to consider wheat, corn, rye, and other crops that grow well on drier land.

EXPORTS

Canada wheat (including durum) exports to the world

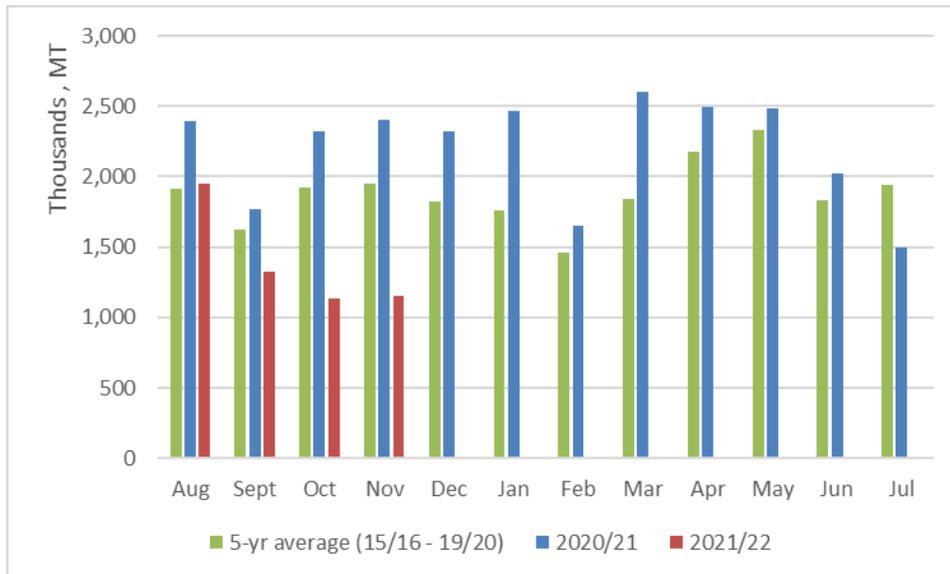
Partner	Unit	08/2019 - 11/2019	% Share	08/2020 - 11/2020	% Share	08/2021 - 11/2021	% Share
World	T	7,051,613	100.0	8,780,443	100.0	5,561,032	100.0
United States	T	473,962	6.7	577,011	6.6	587,645	10.6
Japan	T	718,430	10.2	597,769	6.8	547,704	9.8
West Africa	T	455,913	6.5	618,420	7.0	490,609	8.8
Indonesia	T	722,079	10.2	807,033	9.2	412,110	7.4
Ecuador	T	159,056	2.3	213,380	2.4	360,970	6.5
Peru	T	367,636	5.2	726,044	8.3	360,352	6.5
Morocco	T	306,583	4.3	410,761	4.7	291,662	5.2
Colombia	T	402,163	5.7	410,902	4.7	274,460	4.9
Italy	T	413,427	5.9	699,393	8.0	256,688	4.6

West Africa includes: Benin, Burkina Faso, Cape Verde, Côte D'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo .

Source: Trade Data Monitor, LLC; FAS/Ottawa

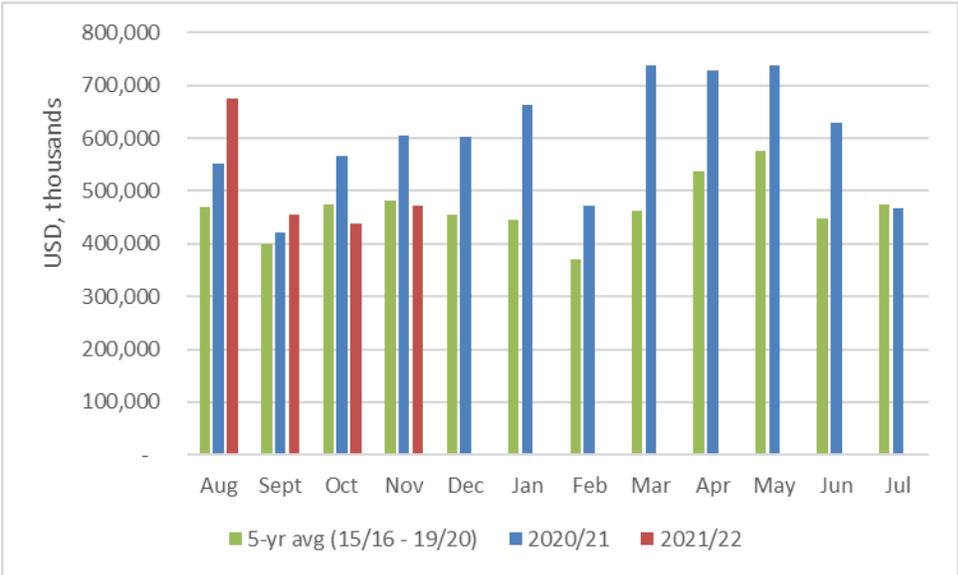
Wheat exports by value, through the months August to November 2021, are 95 percent of the value earned the previous year due to strong prices and despite wheat export volumes falling 37 percent (or 3.3 million metric tons) from the previous year.

Exports of Canadian wheat, including durum and wheat products in grain equivalent, by volume



Source: Trade Data Monitor, LLC; FAS Ottawa

Exports of Canadian wheat, including durum and wheat products, by value

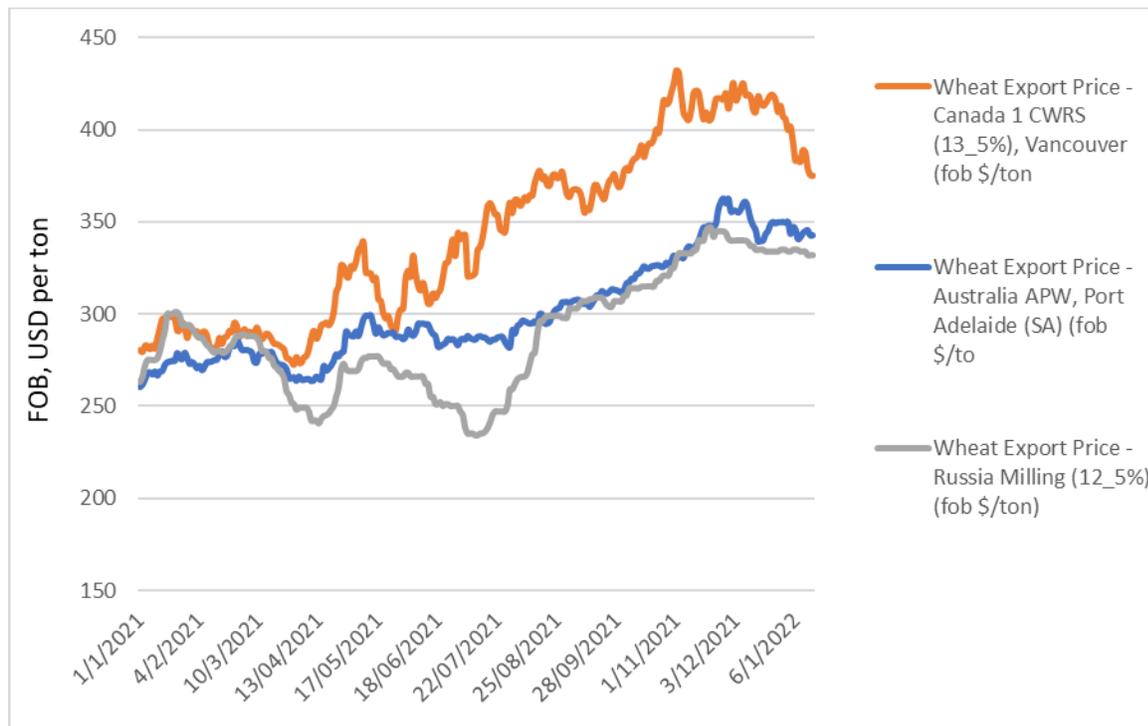


Source: Trade Data Monitor, LLC; FAS Ottawa

In December 2021, Canadian Western Red Spring (CWRS) with 13.5 percent protein averaged CDN \$474 per ton in southern Alberta, up from CDN \$235 in December 2020¹. High global wheat demand, coupled with tight global wheat supplies, pushed wheat prices to record highs in 2021, which began to soften in January 2022. The global demand and supply situation is expected to continue, as production in Australia and Russia are forecast to be hindered.

¹ <https://www.pdqinfo.ca/>

Canadian wheat prices driven by global supply-demand situation



Source: International Grains Council; FAS Ottawa

Exports as a percent of production is lower in MY 2021/22 than the previous marketing year due to lower production in 2021. Total year-to-date (August 2020 to November 2021) exports of total wheat (including durum) are 26 percent of domestic production, which is more than the 25 percent of production exported by the same time in 2020.

According to Canadian Grain Commission data from licensed facilities, as of the week ending January 2, 2022 (week 22 of the marketing year), exports of wheat (including durum), were six million metric tons (MT) compared to 11 million MT over the same period in 2021.

Transportation disruptions

Canadian West Coast ports have remained mostly fluid throughout the pandemic despite several challenges, including excessive precipitation in British Columbia. An “atmospheric river²” in mid-November caused flooding and landslides in British Columbia’s interior, damaging rail lines and interrupting transportation to the Port of Vancouver for two weeks. This caused the pace of Canada’s crop exports to slow.

² “The term atmospheric rivers [...] refers to long narrow streams of high water vapour concentrations in the atmosphere that move moisture from tropical regions towards the poles across the mid latitudes,” according to the [Atmospheric Rivers State of Knowledge Report](#).

Grain destined for the Port of Vancouver stood mostly at a stand-still for nine days and experienced more than a week of further delays as rail companies worked to restore the ground surrounding tracks, battled recurring landslides, and worked through the backlog of exports. Wheat export backlogs are expected to recover by February, in part because of the low levels of exportable supply available this marketing year.

The impact of this most recent disruption to the supply chain dwarfs that of the January to March 2020 rail blockades that hindered port flow for several months, because the amount of grain to move is significantly less. This year, Canada produced 69 million MT of crops, much less than the 108 million MT produced in 2019. In addition, the 2020 blockades compounded a pre-existing problem of lagged movement at bottlenecks, whereas in 2021 exports were moving fluidly ahead of the disruption. Grain vessel have been less affected by port congestion than container vessels. On December 2, 2021 there were five grain vessels at port and 19 at anchor at the Port of Vancouver, significantly less than the more than 30 ships at anchor the second week of the 2020 blockade. By January 16, 2022 there were only ten at anchor.

Though comparably less disruptive than the rail disruptions of 2020, the impact of the 2021 British Columbia landslides will have economic consequences to the grain sector. On December 1, two weeks after the storm, 246 cars were unloaded (about two trains, or slightly more) at the Port of Vancouver when, typically, 700 to 800 cars are unloaded per day.

As of the week ending January 2, 2022 (the 22nd week of the marketing year), wheat exports from the Port of Vancouver were three million metric tons, less than the five million metric tons exported in the same week of marketing year (MY) 2020/21, primarily due to lower domestic supply.

According to transportation analysts, no wheat exports were re-routed. However, some cargo containers (i.e. not wheat) were re-routed from the Port of Vancouver to the Port of Prince Rupert. Grain screenings, a by-product of grain-cleaning, is re-routed from port facilities to the feed market in the British Columbia interior, but that is a standard practice and not related to port congestion (or feed shortages).

Recovery of non-grain/oilseed exports is expected to be slow, because of stronger-than-usual import volumes, up 20 percent this year through week 15. Some analysts suggest that Canada's West Coast ports are receiving a growing amount of traffic as shippers and carriers seek to avoid congested ports on the West Coast of the United States. Agricultural inputs may be affected but, as long as port congestion resolves before spring, it should not impact inputs available to farmers at seeding time.

Responding to an imbalance of containers, the Canadian government gave CDN \$4.1 million (USD \$3.21 million) to set up an empty container yard, according to the Journal of Commerce. “The 40-acre site will be located in Richmond, British Columbia, approximately 15 miles from Deltaport, Vancouver’s largest marine terminal.”

Separately, long-haul trucking prices have spiked since spring 2021 and [vaccine requirements](#) imposed on truckers may disrupt the transport of goods moved by truck as companies scramble to hire vaccinated drivers. However, the challenges facing North American trucking companies are not expected to have a significant impact on the movement of wheat, though the cross-border trade of some inputs may be affected. Currently, trucks that are moving wheat are generally providing only the first and last mile of grain shipment and usually remain within country, similar to the use of trucks in the United States.

IMPORTS

Canada Wheat (including durum) imports from the world

Partner	Unit	08/2019 - 11/2019	08/2020 - 11/2020	08/2021 - 11/2021
World	T	101,258	30,230	97,465
U.S.	T	98,039	30,180	97,465

Source: Trade Data Monitor, LLC; FAS/Ottawa

FAS Ottawa remains more conservative than USDA official on its wheat import forecast for MY 2021/22. Reduced U.S. supplies of wheat and the subsequent price premium for wheat over corn led to the curtailment of Canada’s wheat imports in October when U.S. corn began displacing Canadian feed barley and wheat. Wheat is primarily imported for animal feed. Corn grain imports, however, may reach more than three million metric tons, a level not seen since the drought of MY 2002/03.

Wheat imports fell 48 percent to 141,749 MT in MY 2020/21, primarily on a decrease of wheat used for cattle feed.

DOMESTIC CONSUMPTION

Food, Seed, and Industrial

FAS/Ottawa forecasts that milled wheat will settle close to pre-COVID levels. MY 2020/21 was marked with panic buying at retail stores, a trend that did not continue this marketing year.

Total wheat milled ('000 MT), marketing year YTD (Aug to Nov.)				
	MY 2018/19	MY 2019/20	MY 2020/21	MY 2021/22
Total wheat milled	1,110	1,107	1,147	1,097
Western red spring wheat milled	770	797	792	753
Western amber durum wheat milled	72	76	79	73
Other western wheat milled	47	24	28	29
Ontario winter wheat milled	194	190	212	203
Other eastern wheat milled	25	20	36	38

Source: Statistics Canada; FAS Ottawa

Note: Figures do not add to totals because of rounding

Wheat: Food, Seed, and Industrial (MT, '000)				
	19/20	20/21	21/22(f)	10-yr avg
Seed requirements	1,010	940	980	961
Industrial use	565	483	550	735
Human food*	3,153	3,123	3,130	2,939
Imports of flour, products*	399	402	388	377
TOTAL FSI	5,127	4,948	5,048	5,012

Source: Statistics Canada; Trade Data Monitor, LLC; FAS/USDA

* Note: In grain equivalency

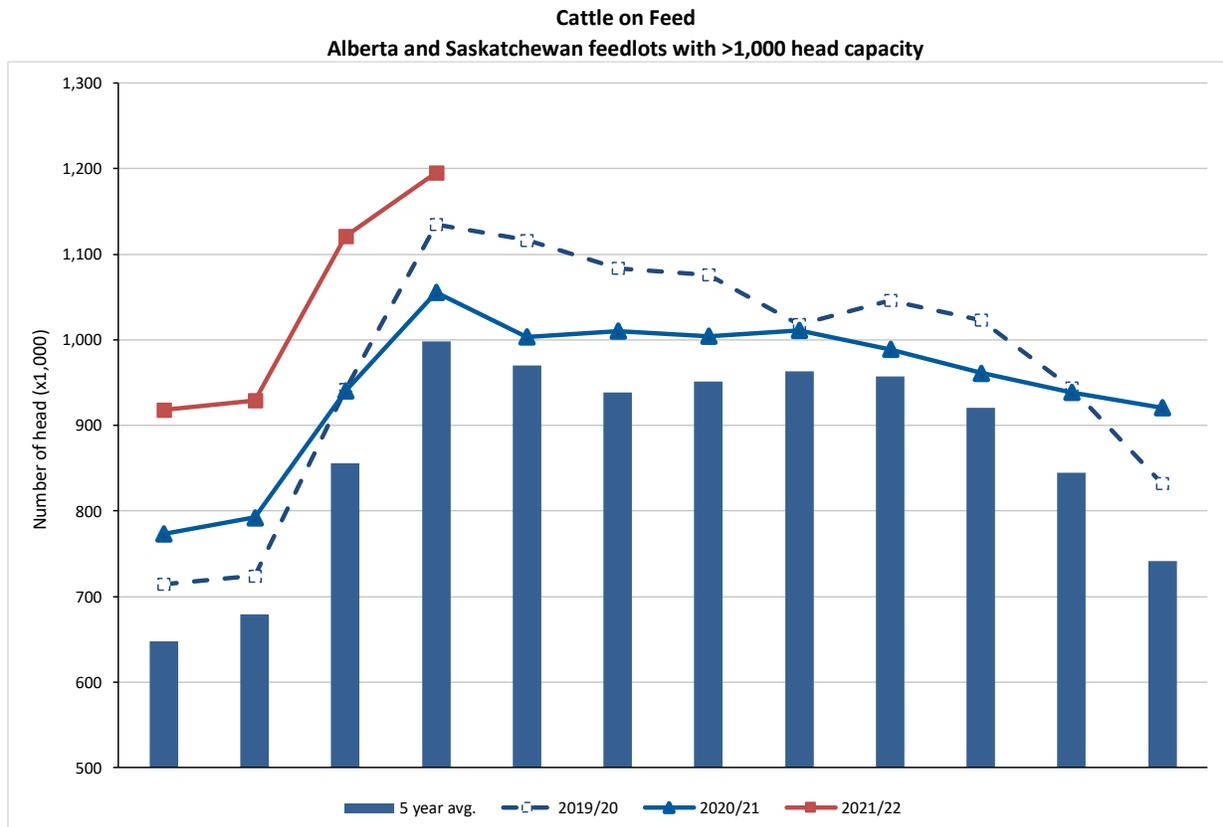
Industrial use of wheat is expected to rebound in MY 2021/22 as ethanol for transportation fuel use increased when government-imposed pandemic-related travel restrictions eased. This projection may need to be revised as new travel restrictions were imposed again in January 2022, in response to the spread of the Omicron variant.

Feed and residual

Record high feed costs persist in Alberta, putting the province at a feed cost disadvantage to Ontario and the United States. The week of January 7, 2022, feed wheat prices in Lethbridge, Alberta (Canada's "feedlot alley") averaged about CDN \$465 per ton, up from about CDN \$275 per ton the same week in 2021, according to information published by [the Alberta Ministry of Agriculture and Forestry](#). Feed barley prices, by comparison, were CDN \$448 per ton, up from CDN \$280 per ton the same week in 2021. Corn prices were \$413 per ton, up from CDN \$312 per ton.

Dry distillers' grains with solubles (DDGS) in Edmonton, Alberta were CDN \$464 per ton the week of January 3, 2022, up from CDN \$401 per ton the year previous. DDGS use is expected to increase on a relative price advantage and increased cattle on feed levels.

The number of cattle on feed is higher than previously anticipated. Cattle on feed in western Canada on December 1 totaled 1.2 million head, the highest monthly level in at least 16 years.



Source: [CANFAX](#); FAS/Ottawa

In September 2021, the Canadian government approved CDN \$1 million to the Hay West Initiative, which helped transport approximately 150 shipments (5.6 million pounds) of hay to feed 16,750 cattle, according to a government press [release](#). In December, the government announced up to CDN \$3 million in additional funding to the initiative. This funding offset transportation costs associated with moving hay from Eastern Canada to Western Canadian cattle farms, helping a portion of western farmers and ranchers who were impacted by the catastrophic drought of 2021.

STORAGE STOCKS

No new storage stocks data is available since FAS/Canada's [November 2021 GAIN report](#).

Attachments:

No Attachments