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Grain and Feed Update

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Report Highlights:

This Grain and Feed Update reflects the latest Statistics Canada data on area planted (released June 29 2016), on stocks of field crops (released on May 6, 2016), and the year to date trade data (until May 2016 from Global Trade Atlas). June planting surveys suggest that total area seeded to wheat, barley, corn and oats in 2016 will be 14.5 million hectares, 4.1% lower than 2015 seeded area. A return to more normal abandonment rates is expected to partially offset this decrease. Post forecasts area harvested to reach 13.924 million hectares, 2.62 percent below 2015 levels. Total production of wheat, barley, corn and oats is forecast to reach 52.560 million metric tons (MMT), relatively even with the previous year's total production levels. Total exports in 2016/17 are forecast to fall nearly 8 percent from 2015/2016 expected levels to 24.2 MMT due to lower supplies resulting from a forecasted flat total production levels and low wheat carry-in stocks. Total 2016/17 imports are forecast to fall to 1.595 MMT from expected 2015/16 levels of 1.748 MMT due mainly to adequate domestic supplies of corn and oats resulting from high carry-in stocks.

Executive summary

This Grain and Feed Quarterly reflects the Statistics Canada Report on Principle Field Crop Areas released on June 29, 2016, the Statistics Canada report on Stocks of Principle Field Crops in Canada that was released on May 6, 2016, and the year to date trade data (until May 2016) from Statistics Canada and the Global Trade Atlas.

Statistics Canada June planting survey results suggest that the total area seeded to wheat, barley, corn and oats in 2016 will be 14.5 million hectares, 4.1% lower than 2015 seeded area. However, a return to more normal abandonment rates is expected to partially offset this decrease. Post forecasts area harvested to reach 13.924 million hectares, 2.62 percent below 2015 levels. This is in line with the USDA official estimate of 13.940 million hectares.

Current growing conditions across the prairies are favorable and expected to result in a return to average yields or slightly higher than average yields. This improvement over year 2015/16 yield levels is expected to off-set the decrease in area seeded to spring wheat, and partially off-set the decrease in area seeded to barley and oats in the Prairies.

Total production of wheat, barley, corn and oats in 2016/17 is forecast to reach 52.560 MMT, only marginally lower than the previous year's total production levels of 52.807 MMT. This is 240 TMT below the USDA official estimate of 52.8 MMT which assumes slightly higher yields for wheat and oats.

Total supplies of wheat, barley, corn and oats in 2016/17 is forecast to fall 3.68 percent from 2015/16 due to relatively flat production forecasted for 2016/17 and lower carry-in stocks resulting from strong export pace in 2015/16.

Total 2016/17 imports are forecast to fall to 1.595 MMT from expected 2015/16 levels of 1.748 MMT due mainly to adequate domestic supplies of corn and oats resulting from high carry-in stocks. Post's estimate for 2015/2016 marketing year is 112 TMT above the USDA official estimate based on a strong corn export pace.

Total exports in 2016/17 are forecast to fall nearly 8 percent from 2015/2016 expected levels to 24.2 MMT due to lower supplies resulting from a forecasted flat total production levels and low wheat carry-in stocks. Year to date data for 2015/16 shows a strong export pace for wheat and corn; however wheat exports have been limited by low domestic supplies. Post estimates total exports in 2015/16 to fall to 26.275 MMT, 5.47 percent below 2014/15 export levels, and 275 TMT above the USDA official estimate of 26.0 MMT. This difference is attributed largely to Post forecasting higher exports in corn and wheat than the USDA official estimate.

COMMODITIES:

WHEAT

Wheat Market Begin Year	2014/2015		2015/2016		2016/2017	
	Aug 2014		Aug 2015		Aug 2016	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9480	9480	9600	9577	9300	9282
Beginning Stocks	10406	10406	7075	7075	4560	4429
Production	29420	29420	27600	27594	29000	28700
MY Imports	490	490	485	485	485	500
TY Imports	490	490	485	485	485	500
TY Imp. from U.S.	348	348	0	340	0	350
Total Supply	40316	40316	35160	35154	34045	33629
MY Exports	24164	24164	22000	22025	20500	20500
TY Exports	24877	24877	22200	22100	20000	20500
Feed and Residual	3747	3747	3400	3500	3600	3600
FSI Consumption	5330	5330	5200	5200	5200	5200
Total Consumption	9077	9077	8600	8700	8800	8800
Ending Stocks	7075	7075	4560	4429	4745	4329
Total Distribution	40316	40316	35160	35154	34045	33629

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Production:

In response to the latest planting survey results released by Statistics Canada, Post forecasts area harvested in crop year 2016/217 at 9.282 million hectares. Despite a decrease in area harvested compared to the previous year's levels, good weather and an assumption of a return to higher yields is forecast to lift wheat production above 2015/16 levels. Post forecasts crop year 2016/217 wheat production to reach 28.7 MMT, 300 TMT less than the USDA official estimate of 29.0 MMT.

Trade:

The favorable Canadian dollar exchange rate is expected to drive 2016/17 wheat exports limited only by domestic carry-out stock demands. Post forecasts total 2016/17 wheat exports at 20.5 MMT, in line with the USDA official estimate.

For 2015/2016, Post estimates wheat exports at 22.025 MMT, 25 TMT above the official USDA estimate, to reflect year to date export data trends (data until May was available at the time of this report).

Consumption:

Year 2016/17 wheat consumption is forecast to lift slightly from with 2015/16 estimated levels to reach 8.8 MMT. Post expects use of wheat in feed to increase slightly over 2015/2016 levels to 3.6 MMT. Wheat consumption for flour and pasta products, seed and industrial uses is forecast to remain level with 2015/16 expected levels of 5.2 MMT. Feed use in 2015/2016 is forecast to fall substantially from the previous year's level due to an abundance of supplies of competitively priced alternative feeds available due to increased domestic crush levels in canola and soybeans. Post forecasts 2015/16 feed use at 3.5 MMT, 100 TMT higher than the USDA's official number.

Stocks:

In 2016/17, stocks are forecast to be drawn down to 4.329 MMT, 416 TMT lower than the USDA's official estimate. The main reason for this difference is Post forecasting lower production/supplies.

Lower supplies and a brisk export pace in 2015/16 are expected to pull stocks down to 4.429 MMT. This is 37 percent lower than a year ago (2014/15) and 131 TMT lower than the USDA official estimate of 4.560 MMT. This difference between the official USDA number and Post estimate is due to Post anticipating slightly higher export levels and feed consumption levels than the USDA official estimate.

BARLEY

Barley Market Begin Year Canada	2014/2015		2015/2016		2016/2017	
	Aug 2014		Aug 2015		Aug 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2136	2136	2350	2354	2350	2352
Beginning Stocks	1950	1950	1217	1217	1592	1353
Production	7119	7119	8225	8226	8100	8115
MY Imports	136	136	150	145	50	75
TY Imports	165	165	125	130	50	75
TY Imp. from U.S.	76	76	0	75	0	50
Total Supply	9205	9205	9592	9588	9742	9543
MY Exports	1516	1516	1400	1300	1400	1300
TY Exports	1384	1384	1450	1300	1400	1300
Feed and Residual	5222	5222	5350	5675	5500	5675
FSI Consumption	1250	1250	1250	1260	1250	1265
Total Consumption	6472	6472	6600	6935	6750	6940
Ending Stocks	1217	1217	1592	1353	1592	1303
Total Distribution	9205	9205	9592	9588	9742	9543

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Production:

Based on the newest planting survey data, Post lowered forecast 2016/17 barley area harvested to 2.352 million hectares. Post forecasts barley production at 8.115 MMT, marginally higher than the official USDA production forecast of 8.1 MMT.

Trade:

Barley imports are forecast to fall in 2016/17 due to adequate stocks-to-use ratios. In 2015/16, based on export pace to date (Aug – May), Post expects barley imports to reach 145 TMT, 5 TMT less than the official USDA estimate.

In 2016/17, Post forecasts a return to average yields and quality to result in increased amount of malting barley to be available for export and help offset potential reduced demand for feed barley from China. Low stocks coupled with strong domestic feed demand are expected to limit barley exports. Post forecasts exports of barley to reach 1.3 MMT in 2016/17, 100 TMT lower than the USDA official estimate.

Based on year-to-date barley export data for crop year 2015/2016 (August-May), Post expects Canadian barley exports to fall to 1.3 MMT, 100 TMT below the USDA official number of 1.4 MMT

and more than 15 percent below the previous year's level. While supplies are higher in 2015/16 compared to 2014/15 levels, exports have been limited due to more domestic barley going to meet the domestic animal feed needs and less malt barley available for exports due to weather damage.

Consumption

On average, 80 percent of the Canadian barley crop is used as feed for livestock, with most of the feed barley being consumed domestically. In 2016/17, Post forecast feed consumption to remain steady with 2015/16 levels of 5.675 MMT. This forecast is 125 TMT lower than the USDA official estimate and reflects lower supplies anticipated by Post. A small increase in FSI consumption over 2015/16 expected levels is forecast to reflect expected growth in malt barley supplies, good growing conditions permitting. Post's forecast for barley FSI usage in 2016/2017 is 1.265 MMT, 15 thousand metric tons higher than the USDA official estimate and reflects Post anticipating higher malt barley supplies.

In 2015/16, malt exports pace (Aug – May) is at slightly higher levels to the previous year. As a result, Post expects 2015/16 FSI usage of barley to reach 1.26 MMT, marginally higher than the USDA official number of 1.25 MMT.

Stocks

In 2016/17, Post forecast stocks to decrease due to lower supplies resulting from higher carry-in being unable to offset lower production levels compared to the previous year. Post forecasts stocks in 2016/17 to be pulled down to 1.303 MMT, 289 TMT lower than the USDA official estimate. This difference is largely attributed to Post anticipating higher use of barley in feed than the USDA official estimate. In 2015/16 stocks will be pulled up due to increased production and lower exports.

CORN

Corn Market Begin Year	2014/2015		2015/2016		2016/2017	
	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	1330	1330
Beginning Stocks	1600	1600	1402	1402	1602	1736
Production	11487	11487	13600	13559	12500	12600
MY Imports	1558	1558	1000	1100	1000	1000
TY Imports	1533	1533	1000	1100	1000	1000
TY Imp. from U.S.	1472	1472	0	1000	0	980
Total Supply	14645	14645	16002	16061	15102	15336
MY Exports	423	423	1000	1350	500	800
TY Exports	395	395	1000	1350	500	800
Feed and Residual	7426	7426	8000	7525	7900	7550
FSI Consumption	5394	5394	5400	5450	5500	5500
Total Consumption	12820	12820	13400	12975	13400	13050
Ending Stocks	1402	1402	1602	1736	1202	1486
Total Distribution	14645	14645	16002	16061	15102	15336
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Production

Based on the June planting survey published by Statistics Canada, Post is forecasting 2016/17 corn harvested area at 1.330 million hectares, in line with the USDA official number. Despite similar areas seeded/harvested to corn forecasted compared to 2015/16, an anticipated return to more average yields leads Post to forecasts 2016/17 corn production at reach 12.6 MMT, 100 TMT above the USDA official estimate.

Trade

Imports are forecast to fall slightly in 2016/17 due to ample domestic supplies, and will go mainly to meet the needs of the Canadian ethanol industry. Despite ample corn supplies, increased competition from other countries is forecast to result in export levels falling below 2015/16 export levels. For crop year 2016/17, Post forecasts Canadian corn exports to reach 800 TMT, 300 TMT above the USDA official estimate of 500 TMT.

Import pace to date (Sept – May) suggests that Canada will import 1.1 MMT of corn in 2015/2016, 100 TMT above USDA official. Higher corn imports have been needed to meet domestic needs and balance the impact of a strong corn export pace. Year to date trade data suggests that exports in 2015/16 will reach 1.35 MMT, 350 TMT higher than USDA official, due to ample domestic supplies and a lower Canadian dollar compared to the U.S. dollar that has made Canadian corn competitive.

Consumption

In Canada, the largest market for corn is livestock feed, followed by ethanol production. No change in renewable fuels blend mandates is expected in Canada in 2016/17 that would impact the demand for ethanol. While there seems to be some loosening of provincial policies in Western Canada that have been restricting hog expansion, any increase in hog production will be gradual. The repealing of the Country of Origin Labelling (COOL) legislation is also expected to have little impact on feed consumption in the next crop year.

In 2016/17, lower production due to a return to more average yields is forecast to be partially offset by high carry-in stocks resulting in supplies of corn remaining relatively high. Ample supplies in 2016/17 are forecast to result in feed consumption increasing over 2015/16 levels to 7.55 MMT. This is 350 TMT lower than the USDA official number. A slight consumption increase

gasoline, and hence ethanol, is forecast for 2016/17.

Ample supplies of corn in 2015/16 are expected to result in a slight increase in corn usage in feed over 2014/15 levels. Post forecasts feed usage in 2016/2017 to reach 7.525 MMT, 475 TMT lower than the USDA official estimate. Ethanol usage in 2015/16 is expected to increase over 2014/15 consumption levels in response to more gasoline consumption resulting from lower gas prices. This increase is reflected in Post expecting FSI consumption to reach 5.45 MMT, which is 50 TMT above the USDA official number for corn FSI.

Stocks

Corn stocks are forecast to be drawn down to 1.486 MMT in 2016/17 as a result of higher carry-in stocks not being able to off-set lower production. This is 284 TMT higher than the USDA official number and is reflective of Post forecasting higher corn carry-in and production than USDA official. Corn stocks in 2015/16 are expected to increase to 1.736 MMT due to higher than average yields resulting in high production levels. This is 134 TMT higher than the USDA official estimate and reflects lower Post expecting lower feed consumption levels.

OATS

Oats Market Begin Year	2014/2015		2015/2016		2016/2017	
	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	960	960
Beginning Stocks	1054	1054	681	681	871	867
Production	2979	2979	3430	3428	3200	3145
MY Imports	13	13	10	18	15	20
TY Imports	12	12	10	17	15	20
TY Imp. from U.S.	11	11	0	16	0	18
Total Supply	4046	4046	4121	4127	4086	4032
MY Exports	1692	1692	1600	1600	1700	1600
TY Exports	1729	1729	1600	1600	1700	1600
Feed and Residual	893	893	850	850	850	850
FSI Consumption	780	780	800	810	800	810
Total Consumption	1673	1673	1650	1660	1650	1660
Ending Stocks	681	681	871	867	736	772
Total Distribution	4046	4046	4121	4127	4086	4032

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Production

Based on the June planting survey conducted by Statistics Canada, and assuming a return to normal abandonment rates, Post forecasts the area harvested to oats in crop year 2016/17 to fall 9 percent below 2015/16 area harvested levels to reach 960 thousand hectares. This decrease is due to more other more profitable cropping options. This decrease is expected to be partially offset by a return to more average (higher) yields. Post forecast oats production to reach 3.145 MMT, 55 TMT below the USDA official number.

Trade

Nearly all Canadian oats exports go to the United States, with a small portion going to Asian

markets. Exports in 2016/17 are forecast to remain at 2015/16 export levels of 1.6 MMT due to similar demand anticipated out of the United States. Post's forecast is 100 TMT below the current USDA official number. Exports in 2015/16 are expected to fall below the 5-year average due to high U.S. supplies limiting demand.

Consumption

In 2016/17, consumption of oats for feed and FSI usage is forecast to remain at 2015/16 levels of 1.66 MMT. In 2015/16, FSI is expected to increase over 2014/15 levels due to year to date trade data (Aug-May) showing an increase in processed oats for export markets.

Stocks

In 2016/17, oat stocks are forecast down slightly due to low carry-in stocks and lower production. Stocks in 2015/16 are expected to increase as a result of higher production and lower exports being able to more than offset low carry-in stocks.

ADDITIONAL INFORMATION

Area Seeded Survey Results

Statistics Canada June planting survey results suggest that total areas planted in 2016 to wheat, barley, corn and oats will be 14.5 million hectares, 4.1% lower than 2015 seeded area. Area seeded to durum, winter wheat (seeded in fall), and corn are forecast to increase 4.81 percent, 22.26 percent, 1.67 percent over 2015/2016 area seeded. Area seeded to winter wheat reflects a return to more normal levels after back-to-back poor crops. Canadian producers report that area

seeded to spring wheat, barley and oats will fall from 2015/2016 area seeded levels by 9.19 percent, 2.17 percent, and 14.25 percent respectively. Due to higher profitability Canadian farmers also report that they have planted more pulse crops and similar levels of canola, mostly substituting spring wheat acres.

Type of crop	2016 June Area Seeded Estimates	2016 April Area Seeded Estimates	Spring 2015 Area Seeded	Percent Change for June Area Seeded Estimate and Spring 2015 Area Seeded
Barley	2,584,200	2,742,700	2,641,400	-2.17%
Canola	8,101,700	7,828,400	8,132,000	-0.37%
Corn for grain	1,347,400	1,407,100	1,325,300	1.67%
Lentils	2,363,300	2,080,000	1,598,400	47.85%
Oats	1,157,900	1,202,800	1,350,300	-14.25%
Soybeans	2,211,700	2,147,400	2,190,100	0.99%
Sunflower	28,300	32,400	40,500	-30.12%
Durum Wheat	2,468,600	2,476,700	2,355,200	4.81%
Wheat, spring	6,252,000	6,492,500	6,884,800	-9.19%
Wheat, winter seeded in fall	685,400	705,900	560,600	22.26%
All Wheat	9,406,000	9,675,100	9,800,600	-4.03%

Source: Statistics Canada

Crop Progress

According to the Crop Condition Assessment Program (CCAP), crop development for most agricultural areas are showing normal to above normal vegetation levels suggesting average to above average yields across the Prairies. Dry, warm weather in Alberta, Saskatchewan and Alberta allowed seeding in the provinces to be completed early, although some of the earliest seeded areas (mostly canola) needed to be reseeded following frost in western Saskatchewan and southern Alberta. Sunny and dry conditions helped Ontario producers seed earlier. Quebec seeding was held up by a cool spring and a lack of rain.

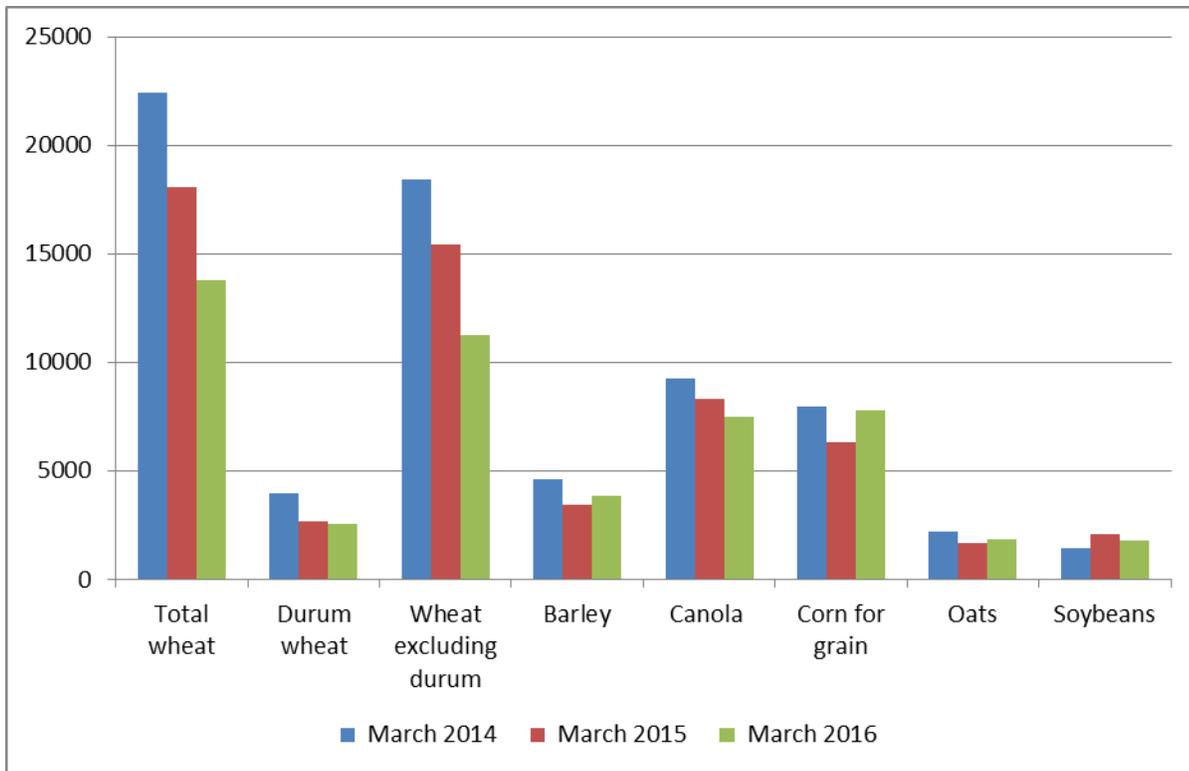
Crop development in the Prairies can be followed using the Crop Condition Assessment Program available at the following URL: <http://geodepot.statcan.gc.ca/ccap-peec/index3.jsf>

Maps on production areas can be found at the following URL website:

<http://www.agr.gc.ca/eng/?id=1343066456961>

Stocks Report

**Table 1:
Total Stocks of Principal Field Crops as of March 31, 2016, in thousand metric tons**



Source: Statistics Canada

As of March 31, 2016, total wheat stocks were down 23.8% over year 2015 wheat stocks level for the same time period. Statistics showed a lower level of stocks held on farm (-28.4%) compared to a year ago, as well a 9.4% decline in commercial stocks compared to a year ago. This reflects an efficient grain handling system (no major problems this year) and the strong export pace in wheat experienced in crop year 2015/2016.

An increase in grain production in barley, oats and corn in 2015 has resulted in higher stocks levels on March 31, 2016 compared to the same time period a year ago. Barley stocks showed an increase over 2015 levels of 12.1 percent while oats and corn showed increases of 9.3 percent and 23.4 percent, respectively.

More detail can be found at the following URL address:

<http://www.statcan.gc.ca/daily-quotidien/160506/dq160506b-eng.htm>

POLICY UPDATES

Fair Rail for Grain Farmers Provisions Extended

Certain provisions of Bill C-30, the Fair Rail for Grain Farmers Act, which were set to expire on August 1st, 2016, have been extended one year by a unanimous vote in the House of Commons. Of particular importance to the grain producers and companies were the following renewed provisions:

1. the federal government's right to set grain volume requirements for the railways and fine them for non-performance, and;
2. the limit on inter-switching being expanded to 160 kilometers from 30 kilometers.

Bill C-30 came about as a response to a severe backlog in the Canadian grain handling transportation system in the winter of crop year 2013/2014. More on Bill-30 can be found on the following URL addresses:

<http://www.lop.parl.gc.ca/content/lop/LegislativeSummaries/41/2/c30-e.pdf>

<http://www.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&DocId=6630225&File=4>

Grain Varietal Registration Changes

In an effort to maintain the quality and improve the consistency of the Canadian wheat classes system, as of August 1, 2016, the Canadian Grain Commission will begin implementing a plan that involves the implementation of two new wheat classes – Canadian Northern Hard Red (CNHR) and Canada Western Special Purpose (CWSP), and the elimination of three wheat classes - Canada Western Interim Wheat (CWIW), Canada Western General Purpose (CWGP), and Canada Western Feed (CWF). In addition, the quality parameters of the previously existing classes have also been reviewed and tightened so that a number of varieties that were previously in the Canada Western Red Spring (CWRS) class will now be moved to the new CNHR class. This change of designation will only begin on August 1, 2018.

The extent to which this impending change has affected the Western grain farmer's decision on which wheat varieties to plant in 2016/2017 crop year is not yet know. The Canadian Grain Commission continues to review the quality data for the varieties that are in the Canada Western Red Spring (CWRS) and Canada Prairie Spring Red (CPSR) class and may yet make additional changes to the varietal designations. Two years notice will be given if a variety will be designated to another class.

More on this can be found on the CGC website at the following URL address:

<https://www.grainscanada.gc.ca/consultations/2015/classes-en.htm>