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Date: 4/16/2019
GAIN Report Number: CA19011

Canada

Grain and Feed Annual

April 2018

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Report Highlights:
FAS/Canada projects strong exports and sustained livestock feeding to drive carryover stocks lower for most grain and feed commodities, with non-durum wheat and barley on pace to reach ten-year low levels. Increased uncertainty in oilseed markets and strong livestock feed demand are expected to push area planted higher for most grains in marketing year 2019/20. Sagging durum wheat exports through January 2019 point towards higher carryover stocks and lower area planted in the marketing year ahead.

Keywords: CA19011, Canada, grain, wheat, corn, barley, oats, feed

Strong overseas demand and tighter global supplies lifted Canadian exports of all feed grains, except durum, through the first half of marketing year (MY) 2018/19. While durum exports through January 2019 slumped 18 percent from MY 2017/18 levels, largely on reduced demand from Italy, non-durum wheat exports were up 8 percent (0.9 million metric tons (MMT) higher), barley exports were up 22 percent (220,000 metric tons (MT) higher), corn exports were up 52 percent (330,000 MT higher), and oat exports were up 3 percent (30,000 MT higher). U.S. corn shipments into Western Canada through the first half of MY 2018/19, supporting relatively high cattle stocking rates and sustained ethanol production, represent the only economically significant imports of grains into Canada.

Durum carryover stocks heading into MY 2019/20 are forecast near a ten-year high, while non-durum wheat stocks are on pace to fall to a ten-year low at less than 4 MMT. Barley stocks are also forecast to reach a ten-year low as strong demand for malt and shorter crops from traditional exporters continue to drive Canadian exports. FAS/Canada projects MY 2018/19 corn ending stocks to fall 17 percent below MY 2017/18, on sustained export demand as well as Canadian feed and industrial utilization. Larger oat exports to Mexico and to other markets are expected to more than offset a slower U.S. import pace to date, pushing MY 2018/19 exports up and drawing carryover stocks down 23 percent to 600,000 MT.

Area planted for all grains, except for winter wheat and durum, is projected to expand in MY 2019/20. Continued weaker demand from traditional export markets is expected to draw more area out of durum in MY 2019/20, as barley area planted is forecast 7 percent higher at 2.8 million hectares. Corn supplies are predicted to remain relatively constant, on higher area planted and lower carryover stocks heading into MY 2019/20, while Mexican and, to a lesser extent, Chinese demand for oats drive area planted projections higher.

Higher soil moisture levels before frost sealed the ground in October/November 2018 have improved MY 2019/20 planting conditions in Western Canada. A relatively slower spring thaw through early April, should allow more of the winter snow pack to penetrate the soil, further improving planting conditions across Canada relative to MY 2018/19.

Wheat

Wheat	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8983	8983	9900	9880	0	9950
Beginning Stocks	6856	6856	5920	6170	0	4950
Production	29984	29984	31800	31780	0	33100
MY Imports	450	445	450	450	0	450
TY Imports	445	446	450	452	0	452
TY Imp. from U.S.	260	294	0	300	0	300
Total Supply	37290	37285	38170	38400	0	38500
MY Exports	21954	21955	24000	23800	0	23800
TY Exports	21989	21966	24000	23850	0	23850
Feed and Residual	4516	4260	4300	4650	0	4500
FSI Consumption	4900	4900	5000	5000	0	4900
Total Consumption	9416	9160	9300	9650	0	9300
Ending Stocks	5920	6170	4870	4950	0	5300
Total Distribution	37290	37285	38170	38400	0	38500
Yield	3.3379	3.3379	3.2121	3.2166	0	3.3266
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production: MY 2018/19
Timely rains and hot weather throughout the MY 2018/19 growing season drove total wheat production up 6 percent to 31.8 MMT. Non-durum wheat (spring and winter wheat) production was the highest since MY 2013/14, with particularly high protein levels; durum production was the third highest in the last ten years. Following sustained imports of corn throughout the winter of 2019, FAS/Canada has revised the wheat feed and residual levels for MY 2018/19 down from the January 2019 estimate and pushed MY 2018/19 ending stocks higher than previously estimated in the January 2019 Grain and Feed Update. FAS/Canada revised the projection for MY 2018/19 total wheat exports down from the January 2019 estimate on a slower export pace in the month of January 2019. For a more detailed overview of MY 2018/19, see GAIN Report CA18058.

Production: MY 2019/20
FAS/Canada expects total area planted to wheat (durum, spring wheat, winter wheat) in MY 2019/20 to increase 2 percent, driving total production to 33.1 MMT. Area planted to durum is expected to decline slightly on top of the decrease in area planted to winter wheat in the fall of 2018. FAS/Canada forecasts spring wheat area to climb 11 percent to 7.75 million hectares, on less area planted to durum and to canola in Western Canada. Based on forecasts of improved growing conditions and better soil moisture levels for planting going into May 2019, FAS/Canada anticipates yields will rise in MY 2019/20, returning to the three-year average.

China has suspended two Canadian grain companies and warned a third over alleged hazardous pests in canola shipments. Shutting two of the largest shippers out of Canada's number one market for canola

seed exports has created uncertainty ahead of the MY 2019/20 planting season. As a result, FAS/Canada anticipates a slight shift out of canola and into wheat and barley.

Trade

Table 1: Canadian Wheat Exports (August – January)

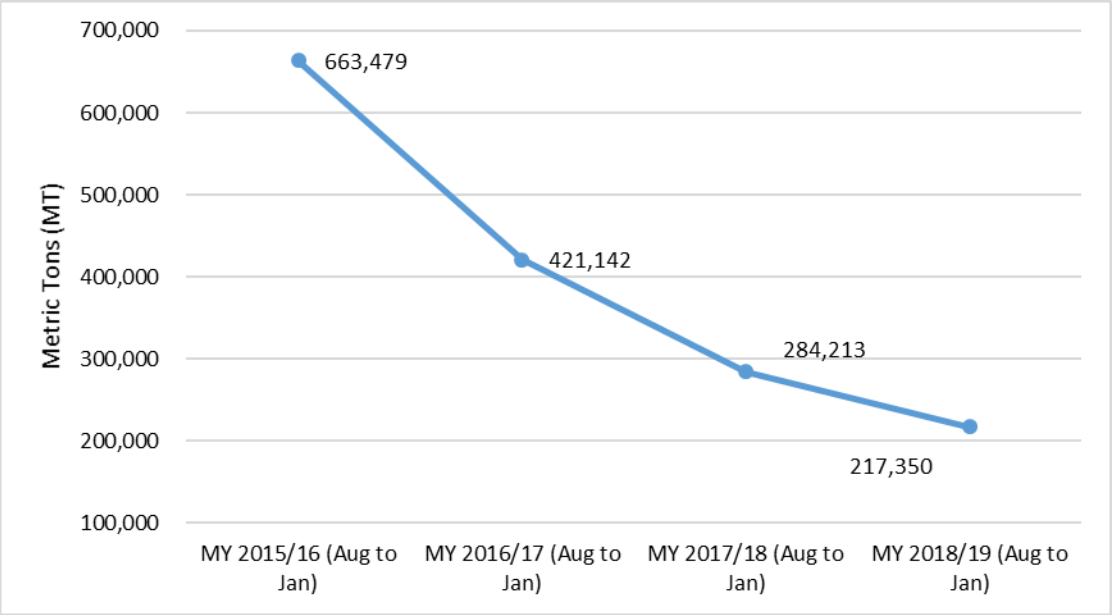
	MY 2015/16 (Aug-Jan)	MY 2016/17 (Aug-Jan)	MY 2017/18 (Aug-Jan)	MY 2018/19 (Aug-Jan)	Percent Change
World	11,466,667	9,300,676	10,929,748	11,850,649	8%
United States	1,060,449	996,809	1,614,910	1,355,438	-16%
China	332,658	279,928	447,040	1,192,626	167%
Indonesia	917,399	693,423	933,090	1,155,350	24%
Japan	893,906	891,764	1,050,489	887,937	-15%

Source: Global Trade Atlas
Note: Import data from Japan shows roughly 250,000 MT of imports from Canada in February 2019, which would bring Canadian exports to Japan back to historical averages over the August-February span. Canadian export data for February 2019 were not available when this report was written.

Wheat exports through the first half of MY 2018/19 were up roughly 900,000 MT to 11.9 MMT, and FAS/Canada anticipates that pace to continue through July, pushing MY 2018/19 exports 8 percent above MY 2017/18 to 23.8 MMT. Non-durum wheat exports to China more than doubled through the first half of MY 2018/19, as U.S. wheat shipments to China (3-year average of 480,000 MT over the same span) were nill. Tighter exportable wheat supplies in Australia, another traditional supplier to the Chinese market, helped drive Australian shipments to China roughly 400,000 MT lower through the first half of MY 2018/19.

Durum exports declined by 18 percent during the first half of MY 2018/19 due to increased export competition, less demand from the European Union, and abundant exportable supplies in north African exporters. Canadian exports of durum to Italy, formerly one of Canada's largest markets for durum, fell by roughly 25 percent during the first half of MY 2018/19, following three consecutive years of declining exports (Figure 1). For more detail on durum and declining exports to Italy, please refer to GAIN report CA18042.

Figure 1: Canadian Durum Exports to Italy



Source: Global Trade Atlas

While Canadian imports of U.S. wheat through January 2019 were up 34 percent over the same period in MY 2017/18, in an average year, Canada's full marketing year wheat imports amount to less than 5 percent of total wheat exports. Imports from the United States through the first six months of MY 2018/19 were just under 40,000 MT.

At 4.95 MMT, total wheat ending stocks for MY 2018/19 are on pace to fall 17 percent from MY 2017/18, dropping to the lowest level in ten years. FAS/Canada projects durum ending stocks, by contrast, up 50 percent to 1.8 MMT.

Barley

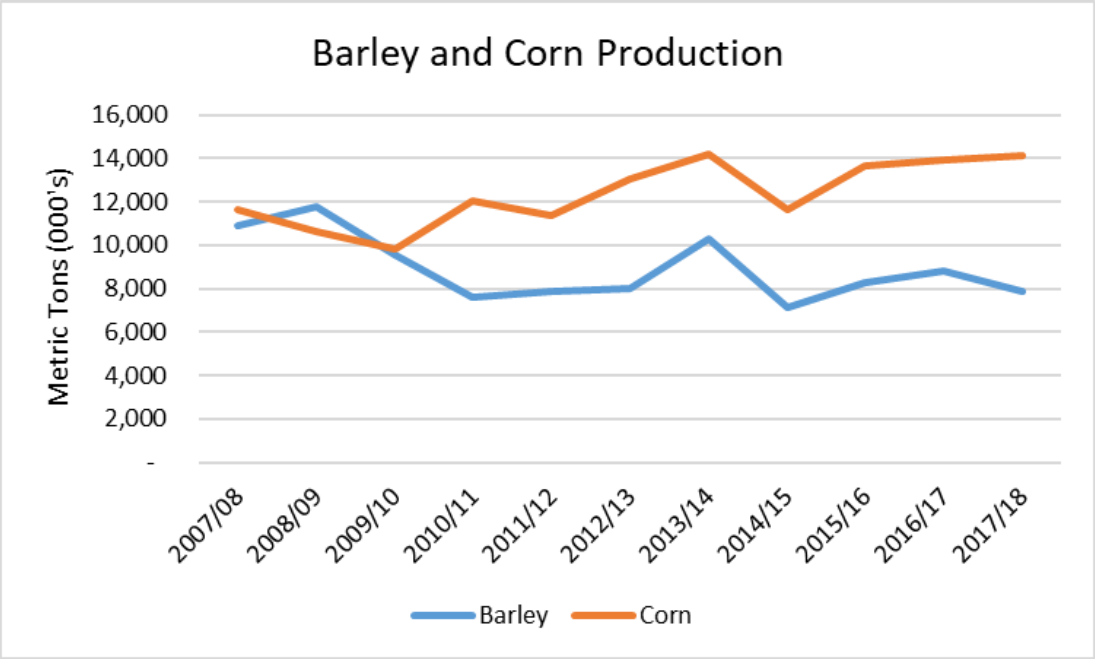
Barley	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2114	2114	2400	2395	0	2700
Beginning Stocks	2120	2120	1250	1256	0	800
Production	7891	7891	8400	8380	0	9700
MY Imports	59	59	100	64	0	50
TY Imports	56	56	100	62	0	48
TY Imp. from U.S.	57	55	0	70	0	70
Total Supply	10070	10070	9750	9700	0	10550
MY Exports	2021	2020	2200	2100	0	2000
TY Exports	1868	1861	2200	2159	0	2050
Feed and Residual	5599	5664	5600	5600	0	5900
FSI Consumption	1200	1130	1200	1200	0	1200
Total Consumption	6799	6794	6800	6800	0	7100
Ending Stocks	1250	1256	750	800	0	1450
Total Distribution	10070	10070	9750	9700	0	10550
Yield	3.7327	3.7327	3.5	3.499	0	3.5926
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production: MY 2018/19
Barley production rose 6 percent in MY 2018/19 to 8.38 MMT on higher area harvested. In an average year, just over 2 MMT of Canadian barley production is expected to be used for malting (for domestic use and for export), while the remainder (much of which would be malting quality) is consumed as livestock feed. Barley maltsters generally look for barley with lower protein (in the range of 11 to 12.5 percent on a dry basis), moisture content of 13.5 percent, and plump kernels of uniform size.

FAS/Canada projects MY 2018/19 barley utilization for feed to remain flat, as corn utilization by prairie province cattle feeders is expected to remain high through MY 2018/19. Though corn production is concentrated in Eastern Canada and very little is shipped from Eastern farms to Western Canada feedlots, new corn varieties have drawn planted area in Western Canada out of barley and into corn, canola and other crops (Figure 2).

For a more detailed overview of MY 2018/19, please refer to GAIN Report CA18058.

Figure 2: Canadian Barley and Corn Production



Source: Statistics Canada

Production: MY 2019/20

Despite the recent downward trend in barley area planted, FAS/Canada expects MY 2019/20 barley area to climb 10 percent to 3 million hectares on strong export demand (particularly Chinese demand for malting barley), tightening global and Canadian barley supplies heading into the MY 2019/20 planting season, and increased uncertainty in oilseeds markets. Despite relatively weak corn and soybean prices, global barley demand has remained high, because it is less substitutable in some markets (e.g., camel feed).

Trade

Barley exports were 22 percent ahead of MY 2017/18 through the first half of MY 2018/19, driven in large part by record high exports to Japan, driven in part by tighter exportable supplies in traditional barley exporting countries. Drought conditions in Australia have driven Australian exports nearly 40 percent lower through the first six months of MY 2018/19. FAS/Canada expects Canadian barley exports to remain ahead of MY 2017/18 through the remainder of MY 2018/19.

Table 2: Canadian Barley Exports (August – January)

	MY 2015/16 (Aug-Jan)	MY 2016/17 (Aug-Jan)	MY 2017/18 (Aug-Jan)	MY 2018/19 (Aug-Jan)	Percent Change
World	705,194	514,900	1,015,974	1,236,892	22%
Japan	23,420	19,713	61,792	282,527	357%
China	468,077	411,273	860,552	682,300	-21%
United States	213,203	81,543	92,127	60,489	-34%

Source: Global Trade Atlas

FAS/Canada expects Canadian barley exports to Japan to remain higher in MY 2019/20 and beyond, as Canadian access to a preferential tariff rate quota (TRQ) for barley grows under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which entered into force on December 30, 2018. By year nine of CPTPP, member countries (including Canada and Australia) will have access to a 65,000 MT TRQ at a 45 percent lower markup rate, whereas non-CPTPP, most-favored nation exporters would face the full 255 percent markup. For a more detailed overview of CPTPP and the impact on barley, please refer to GAIN Report JA8042.

Canada imports small volumes of barley, almost exclusively from the United States, based on transportation differentials. Canada imported 20,500 MT through the first half of MY 2018/19, 25 percent below the three-year average.

FAS/Canada is forecasting MY 2018/19 ending stocks at 800,000 MT, a ten-year low, driving a decline in the stocks-to-use ratio from 26 percent in MY 2016/17 to 9 percent by the close of MY 2018/19.

Corn

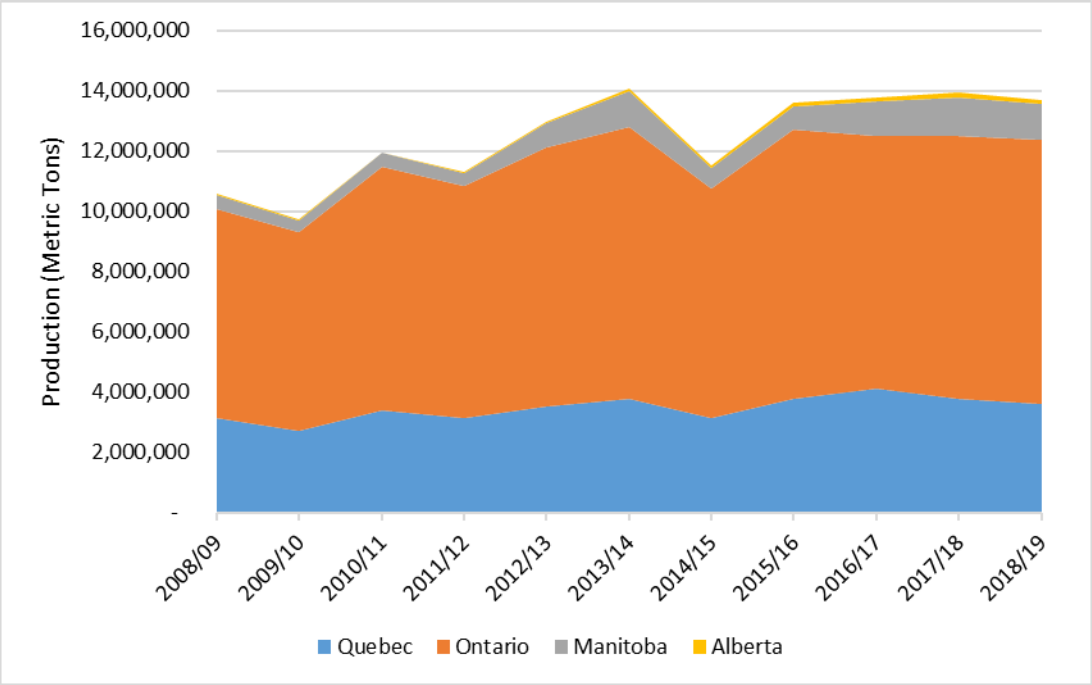
Corn	2017/2018		2018/2019		2019/2020	
Market Begin Year	Sep 2017		Sep 2018		Sep 2019	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1406	1406	1430	1439	0	1530
Beginning Stocks	2574	2497	2369	2417	0	2000
Production	14095	14095	13900	13883	0	14900
MY Imports	1699	1698	1700	2000	0	1300
TY Imports	1767	1797	1700	2000	0	1300
TY Imp. from U.S.	1759	1740	0	1950	0	1250
Total Supply	18368	18290	17969	18300	0	18200
MY Exports	1936	1936	1600	1900	0	1850
TY Exports	1973	1920	1600	1910	0	1860
Feed and Residual	8400	8810	8800	9400	0	9100
FSI Consumption	5663	5127	5400	5000	0	5250
Total Consumption	14063	13937	14200	14400	0	14350
Ending Stocks	2369	2417	2169	2000	0	2000
Total Distribution	18368	18290	17969	18300	0	18200
Yield	10.0249	10.0249	9.7203	9.6477	0	9.7386
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production: MY 2018/19
Poor yields in Manitoba and Quebec dragged total corn production two percent lower in MY 2018/19, falling to 13.9 MMT. Ontario, by far the largest corn-producing province, was afflicted by high levels of vomitoxin (also known as deoxynivalenol or DON) in MY 2018/19, as damp weather during harvest contributed to 40 percent of Ontario corn registering DON levels. For a more detailed overview of MY 2018/19, please refer to GAIN Reports CA19003 and CA18058.

Production: MY 2019/20
In MY 2019/20, total area planted is forecasted to increase by 6 percent. Ontario attained record yields in MY 2018/19, despite high DON levels, and area planted this spring is expected to increase. Consultation with industry reveals that high DON levels experienced during harvest in MY 2018/19 are not likely to reduce producer confidence in planting the crop in MY 2019/20. On forecasts of better than average corn yields in Manitoba and Quebec, FAS/Canada is projecting total MY 2019/20 corn production to increase, on increased area planted and improved soil moisture conditions ahead of planting season. Total corn supplies in MY 2019/20 are projected to remain relatively flat on lower MY 2018/19 ending stocks.

Total Canadian corn production is expected to continue to increase over time, driven by higher usage as animal feed and a switch to using corn instead of other grains in ethanol production. Corn production in Manitoba has been increasing over the last ten years, in part as more corn has been incorporated into ethanol production (Figure 3).

Figure 3: Canadian Corn Production by Province



Source: Statistics Canada

Trade

Canada's total corn exports were up 52 percent through the first five months of MY 2018/19, driven by shipments to Ireland and the United Kingdom. Ireland reportedly had low DON levels, enabling Irish feeders to more effectively blend discounted, DON-affected Canadian corn with domestic Irish supplies.

Table 3: Corn Exports (September to January)

	MY 2015/16 (Sep to Jan)	MY 2016/17 (Sep to Jan)	MY 2017/18 (Sep to Jan)	MY 2018/19 (Sep to Jan)	Percent Change
World	484,249	549,512	626,366	954,505	52%
Ireland	69,554	12,775	243,274	530,048	118%
United States	305,584	284,688	258,701	139,060	-46%
United Kingdom	33,152	10,886	26,202	105,962	304%

Source: Global Trade Atlas

Canadian imports of U.S. corn through the first five months of MY 2018/19 were 81 percent ahead of the same period in MY 2017/18, on higher sustained cattle-on-feed numbers in Western Canada and a transition to corn as the primary feedstock for ethanol production.

Table 4: Corn Imports from the United States (September to January)

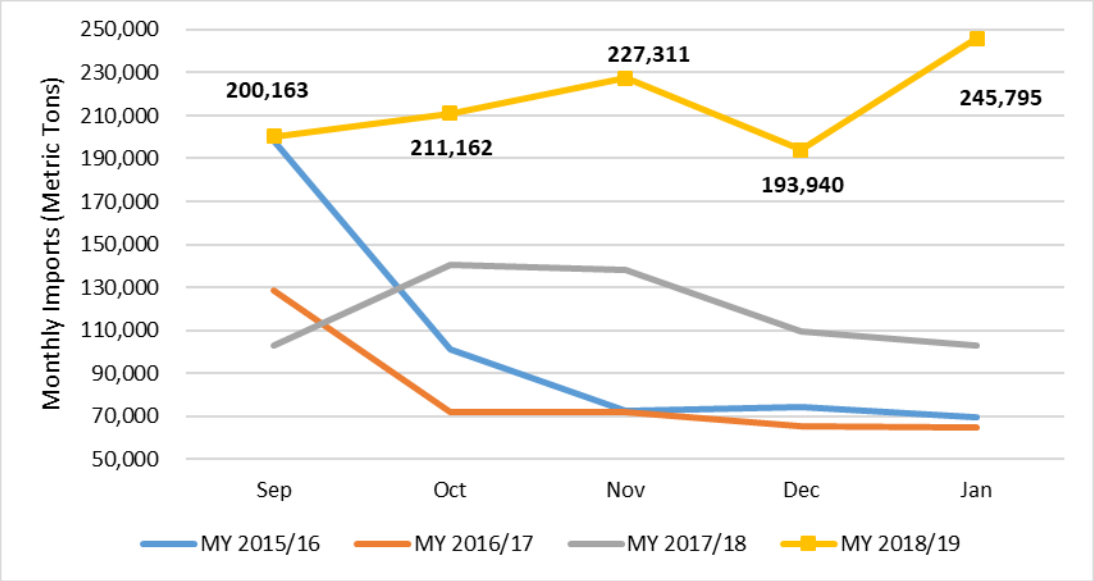
	MY 2015/	MY 2016/17 (Sep to Jan)	MY 2017/18 (Sep to Jan)	MY 2018/19 (Sep to Jan)	Percent Change

	16 (Sep to Jan)				
United States	515,621	402,931	595,149	1,078,371	81%

Source: Global Trade Atlas

U.S. corn imports into Canada for the first half of MY 2018/19 were more than double the three-year average (Figure 4). In January 2019, Canada imported nearly 250,000 MT of corn.

Figure 4: Monthly Corn Imports from the United States (September – January)



Source: Global Trade Atlas

FAS/Canada expects MY 2019/20 corn imports to recede from recent highs, falling 35 percent to 1.3 MMT as increased barley, wheat and corn (Manitoba) area planted across Western Canada and firmer corn prices reduce the competitiveness of U.S. corn. The five-year average corn imports into Canada are 1.2 MMT.

Continued high industrial utilization and exports are projected to unwind MY 2018/19 ending stocks by 17 percent to 2.0 MMT.

Oats

Oats	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1052	1052	1000	1005	0	1100
Beginning Stocks	703	704	784	784	0	600
Production	3733	3733	3450	3436	0	3800
MY Imports	14	14	10	20	0	20
TY Imports	12	12	10	18	0	18
TY Imp. from U.S.	8	12	0	18	0	18
Total Supply	4450	4451	4244	4240	0	4420
MY Exports	1631	1630	1600	1740	0	1750
TY Exports	1685	1680	1600	1760	0	1770
Feed and Residual	1135	1032	1100	900	0	920
FSI Consumption	900	1005	800	1000	0	1000
Total Consumption	2035	2037	1900	1900	0	1920
Ending Stocks	784	784	744	600	0	750
Total Distribution	4450	4451	4244	4240	0	4420
Yield	3.5485	3.5485	3.45	3.4189	0	3.4545
(1000 HA) ,(1000 MT) ,(MT/HA)						

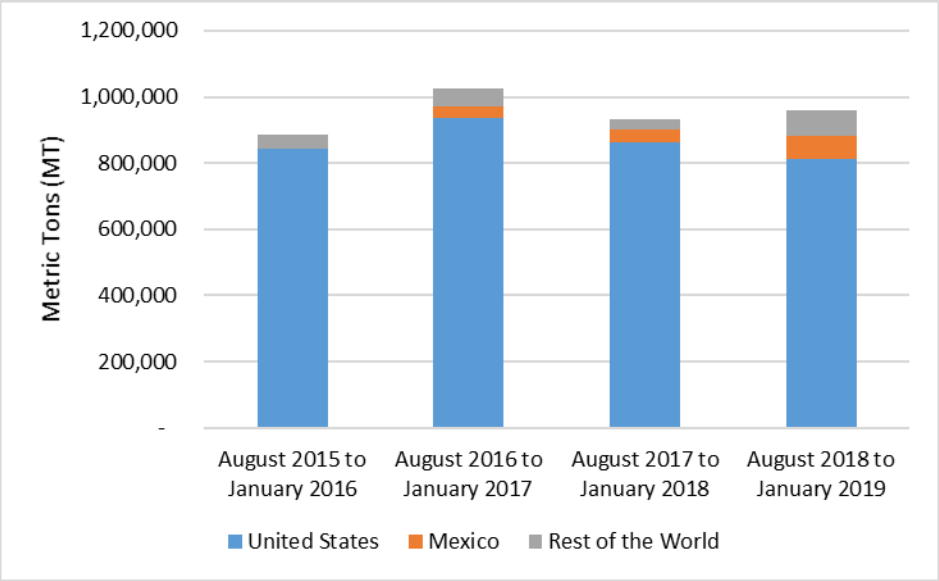
Production: MY 2018/19
Following record production in MY 2017/18, Canadian oat production fell 8 percent in MY 2018/19 to 3.4 MMT, with late season moisture dragging down yields and challenging harvest conditions reducing crop quality.

FAS/Canada anticipates total feed use in MY 2018/19 to decline from MY 2017/18 levels, as the livestock sector capitalizes on relatively abundant supplies of North American corn and feed quality wheat. For a more detailed overview of MY 2018/19, please refer to GAIN Report CA18058.

Production: MY 2019/20
For MY 2019/20, FAS/Canada expects area planted to increase on strong oat prices. According to industry sources, MY 2018/19 oat production in Sweden declined by 50 percent and in Finland by 19 percent, tightening global exportable supplies. In MY 2019/20, FAS/Canada is forecasting a 10 percent growth in oat production to 3.8 MMT, bolstered by higher yields and increased area planted.

Trade
Canadian oat exports were up 3 percent through the first half of MY 2018/19 over the same period in MY 2017/18, with shipments to the United States comprising 85 percent of total oat exports. Canadian oat exports in MY 2018/19 reflect increasing export diversification, as exports to Mexico and other trade partners (notably Japan, South Korea, China, and the United Arab Emirates) represented a higher percentage of Canadian exports despite lower U.S. oat production (Figure 5).

Figure 5: Canadian Oat Exports (August-January)



Source: Global Trade Atlas

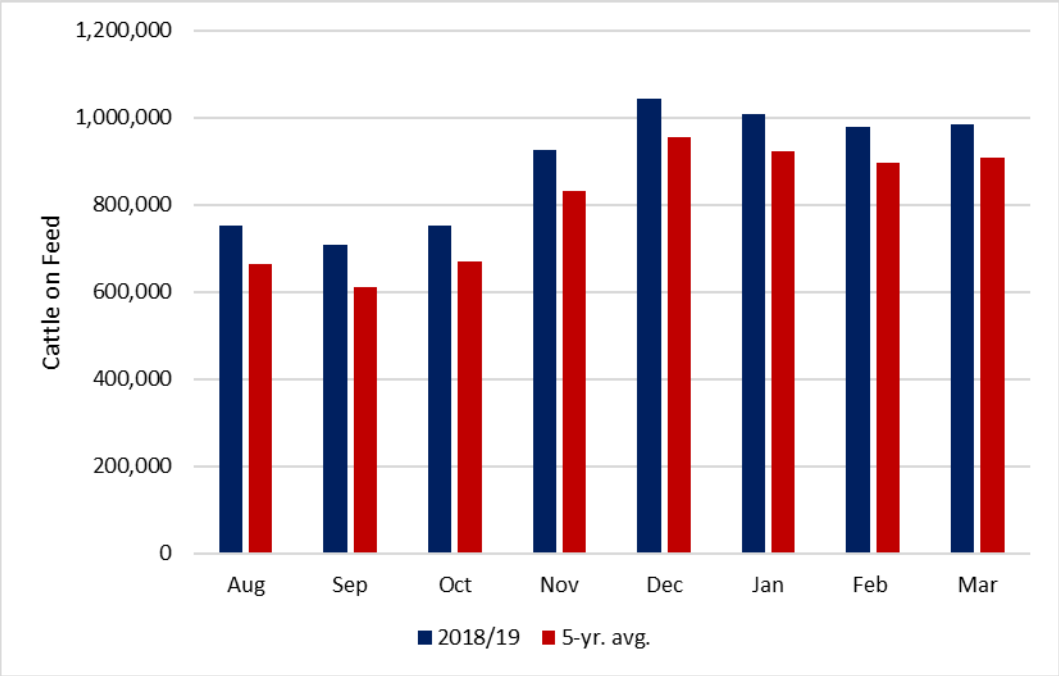
In most years, Canadian imports of oats (almost exclusively from the United States) total less than 1 percent of Canada's oat export volumes. Canadian oat imports through the first six months of MY 2018/19 were 16 percent behind the three-year average. South Dakota is the largest U.S. producer of oats, but Maine is the largest exporter to Canada, as Maine oats are processed across the border in neighboring New Brunswick.

FAS/Canada anticipates Canadian oat ending stocks falling to 600,000 MT at the close of MY 2018/19, down 23 percent from MY 2017/18 year end on strong export demand.

Feed

Cattle on feed numbers in Alberta and Saskatchewan were 10 percent above five-year averages over the winter of 2018/19 (Figure 6), driving up demand for barley, wheat and corn for feed in Western Canada. FAS/Canada expects increased feeding of wheat, barley and Manitoba-origin corn in Western Canada in MY 2019/20, as increased Canadian production of all three feed grains should improve availability and price competitiveness. Slightly higher hog production projected through 2019 is expected to sustain steady demand for corn and feed barley, even as FAS/Canada anticipates a tapering of Canadian feeder cattle imports through 2019. For more detailed information on Canadian livestock industry developments, please refer to the Livestock and Products Semi-Annual Report CA19005.

Figure 6: Cattle on Feed in Alberta and Saskatchewan (August – March)

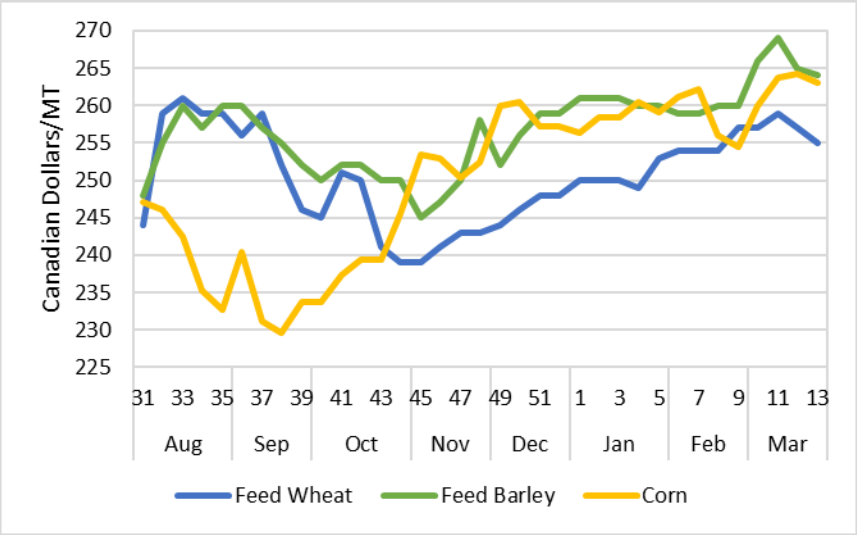


Source: Canfax
Note: "Cattle on Feed" refers to the number on feed, placements, marketings and other disappearances on 1,000+ feedlots in Alberta and Saskatchewan.

Despite the narrowing price gaps between imported U.S. corn and Canadian barley / wheat for feed over the last six months (Figure 7), Canadian imports of U.S. corn have remained steady through January 2019. U.S. corn offers have averaged a $15 CAD/MT price discount below Canadian feed barley from August to October 2018, supporting Canadian feedlot investments in corn processing and feeding through the 2018/19 winter months. However, corn feeding has continued at high rates into the spring of 2019, even as feed barley prices have drawn even with U.S. corn.

FAS/Canada attributes the March 2019 feed price surges (Figure 7) to seasonal purchases of feed grains ahead of spring road travel restrictions across the prairies. Canadian provinces routinely restrict the maximum weight of truck loads when thawing moisture is trapped beneath pavement, reducing road strengths.

Figure 7: Elevator Feed Grain Prices in Southern Alberta

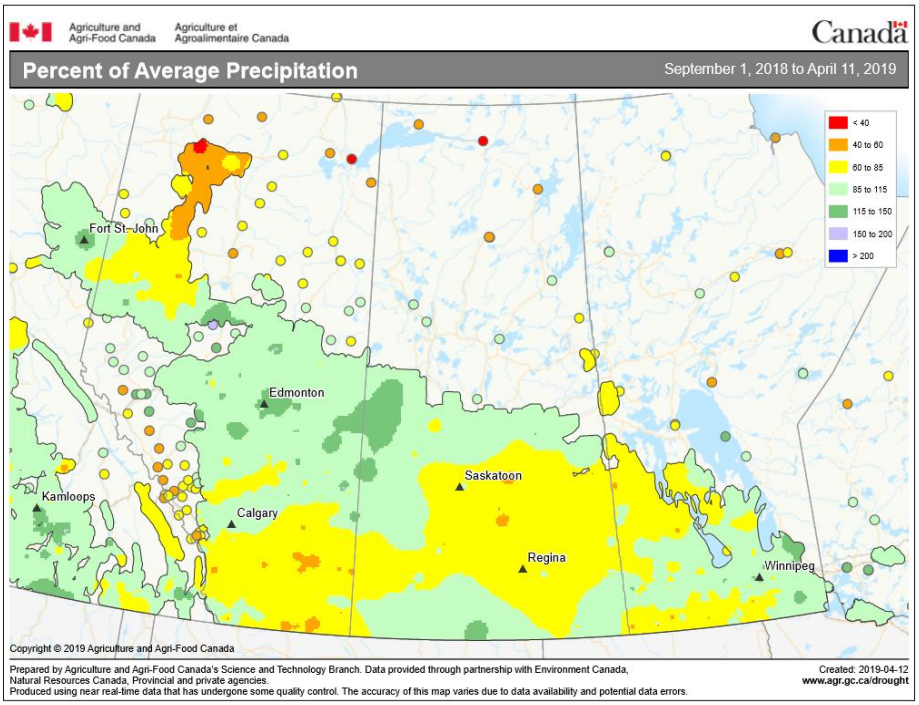


Source: Canfax, Alberta Agriculture and Forestry
Note: Exchange rates calculated using Bank of Canada monthly rates.

Planting Conditions

Soil moisture levels entering the MY 2019/20 planting season are considerably better than in MY 2018/19 (Figure 8), as moisture during the fall 2018 harvest season penetrated subsoil layers before the ground froze (please refer to GAIN CA18058).

Figure 8: Western Canada Precipitation (September 2018 – April 2019)



Source: Agriculture and Agri-Food Canada

Though winter 2018/19 snow pack was slightly below average, the Saskatchewan Water Security Agency, among others, expects improved retention of snow pack moisture as day / night temperature conditions in spring 2019 have been conducive to a slower, steadier thaw and reduced runoff. Moisture runoff is caused by warm temperatures during the day and cool temperatures at night, which cause the ground to remain frozen while the snow melts on the surface and runs into drainage ditches. Long-range weather forecasts, though less reliable, further support the MY 2019/20 crop production outlook with improved moisture through the summer months relative to MY 2018/19 conditions.

Policy

African Swine Fever (ASF) Control Zones

On March 29, 2019, the Canadian Food Inspection Agency (CFIA) released an Order Imposing Conditions in Relation to Secondary Control Zones in Respect of African Swine Fever (ASF), imposing new import requirements for unprocessed grains and oilseeds as well as associated meals destined for use in livestock feed. The order provides a list of "Control Zones" whereby "[a]ny grain or oilseed, and their associated meals, that are destined for use in livestock feed or for further processing or for cleaning" cannot be imported. The restrictions are not expected to have a discernible effect on trade flows, as Canada imports insignificant volumes of grains or oilseeds from designated control zone countries. Canada imports less than 4 percent of corn, soymeal and/or barley, by volume of total imports, from any country other than the United States, which is not listed.