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Grain and Feed Update

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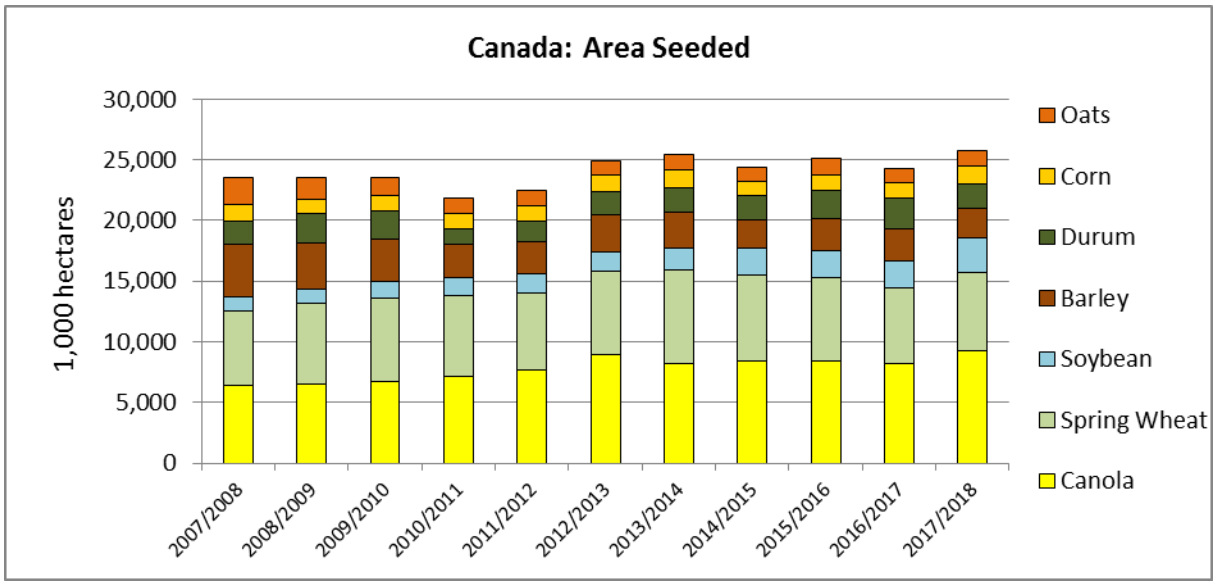
Report Highlights:
Canadian wheat production in 2017 has been a success story for improved crop genetics, as yields across the prairie provinces are in line with the five-year average despite large swaths of the prairies receiving precipitation well below average. Though supported by relatively high sub-soil moisture reserves, strong wheat yields in 2017 are a testament to new crop varieties with improved drought tolerance and water use efficiency.

Keywords: Canada, CA17040, Grain, Wheat, Barley, Corn, Oats

Preface:

The FAS/Ottawa October *Grain and Feed Update* and the April *Grain and Feed Annual* cover coarse grains as well as wheat. The January and July *Grain and Feed Update* reports focus exclusively on wheat. Throughout this report, the term "total wheat production" refers to all wheat, including durum.



WHEAT

Wheat	2015/2016		2016/2017		2017/2018	
Market Begin Year	Aug 2015		Aug 2016		Aug 2017	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9577	9577	8878	8878	9000	8944
Beginning Stocks	7101	7101	5178	5178	6865	6865
Production	27594	27594	31700	31729	27000	27000
MY Imports	493	518	488	507	450	550
TY Imports	497	519	489	512	450	550
TY Imp. from U.S.	345	345	332	332	0	0
Total Supply	35188	35213	37366	37414	34315	34415
MY Exports	22111	22111	20201	20177	21000	20700
TY Exports	22119	22119	20279	20256	21000	20700
Feed and Residual	2726	2756	5323	5390	3000	2900
FSI Consumption	5173	5168	4977	4982	5200	5200
Total Consumption	7899	7924	10300	10372	8200	8100
Ending Stocks	5178	5178	6865	6865	5115	5615
Total Distribution	35188	35213	37366	37414	34315	34415
Yield	2.8813	2.8813	3.5706	3.5739	3	3.0188
(1000 HA) ,(1000 MT) ,(MT/HA)						

Average wheat yields in marketing year (MY) 2017/2018 are expected to be in line with the five-year

average, despite the drought conditions affecting vast areas of the Canadian Prairies this year. Slightly more than half of the major wheat-producing areas of Saskatchewan (Canada's leading wheat-producing province) received between 40 to 60 percent of average precipitation between April 1 and July 30, 2017.[1]

By comparison, in the drought year of 2001, amounts of precipitation in Saskatchewan from April 1 to August 30, ranged from 98 percent to an extreme of 63 percent of average precipitation, according to Agriculture and Agri-Food Canada. While average rainfall during the 2001 growing season was closer to the five-year average than in 2017, the subsoil in 2001 held less moisture from the winter – due to a drier winter – and grain varieties did not possess recent genetic improvements, which drove yields down considerably in 2001.

MY 2017/18 wheat yields are forecasted at 3.02 metric tons (MT) per hectare, in line with the five-year average. High precipitation levels in the 2016/17 winter led to a soggy spring, resulting in a surface layer (<5cm) with better-than-average moisture reserves at the start of April in the majority of the crop growing areas. In addition, new wheat varieties exhibited improved drought tolerance and improved water-use efficiency. Improved genetics have proven to be one of the most successful methods of drought susceptibility adaptation across the Prairies.

Dry weather conditions and low disease pressure in much of the Prairies resulted in good crop quality. The Canadian Grain Commission's western Canada (B.C., Alberta, Saskatchewan, Manitoba) harvest samples indicated that, as of October 12, 2017, 88 percent of Canada Western Red Spring (CWRS) and 77 percent of Canada Western Amber Durum (CWAD) wheat would be grade one, the highest quality grade.[2]

Crop quality in northern Alberta, relative to the rest of Alberta, is expected to decline over time as wet weather in September and October, including snow, impedes harvest progress. However, the majority of grains in the Prairies were harvested on time and in good quality.

[1] Source: Agriculture and Agri-Food Canada, URL: http://www.agr.gc.ca/eng/programs-and-services/list-of-programs-and-services/drought-watch/agroclimate-maps/?id=1463574557847

[2] https://www.grainscanada.gc.ca/wheat-ble/hqwm-mqrb-eng.htm

BARLEY

Barley	2015/2016		2016/2017		2017/2018	
Market Begin Year	Aug 2015		Aug 2016		Aug 2017	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2354	2354	2220	2223	2100	2121
Beginning Stocks	1217	1217	1443	1443	2015	2122
Production	8226	8226	8800	8784	7250	7600
MY Imports	161	161	75	64	50	65
TY Imports	131	132	75	73	50	65
TY Imp. from U.S.	31	31	0	72	0	0
Total Supply	9604	9604	10318	10291	9315	9787
MY Exports	1193	1195	1507	1507	1300	1550
TY Exports	1146	1147	1700	1500	1300	1550
Feed and Residual	5808	5808	5534	5558	5700	5500
FSI Consumption	1160	1158	1262	1104	1200	1200
Total Consumption	6968	6966	6796	6662	6900	6700
Ending Stocks	1443	1443	2015	2122	1115	1537
Total Distribution	9604	9604	10318	10291	9315	9787
Yield	3.4945	3.4945	3.964	3.9514	3.4524	3.5832
(1000 HA) ,(1000 MT) ,(MT/HA)						

Much like wheat, despite low levels of precipitation, MY 2017/18 barley yields are expected to be in line with the five-year average, because of good subsoil moisture reserves. New genetics can explain some of the yield, but it is less the case with barley than with wheat. According to industry sources, brewers using barley malt have shown limited acceptance of new varieties, limiting the use of new varieties. As most of Canada's barley is planted for the intended use of malting, the majority of barley varieties sown are ten to twenty years old.

MY 2017/2018 barley production is forecast to be 7.6 million metric tons (MMT), 13 percent below production levels of the previous year. Just over 2 MMT of national barley production is expected to be used for malting (for domestic use and export), while the remainder (much of which will be of malting quality) is expected to be used as 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.[3]

Successful producers of barley for malt generally receive a significant price premium over feed barley when selling into the malting market. However, due to the ample harvest of malt quality barley, the MY 2017/18 malt premium has dwindled to CAD 25 cents per bushel in some locations. By comparison, the malt premium in MY 2016/17 ranged from CAD 1.50 to CAD 3.00 per bushel. On average, the malt premium is about CAD 2.00 per bushel.

The malt premium accounts for the majority of barley area in Canada being seeded to varieties that produce good malt. In MY 2017/2018, malting barley varieties made up 61 percent of all area seeded to barley in Western Canada.[4] In Saskatchewan, where 39 percent of the country's barley was seeded, 77

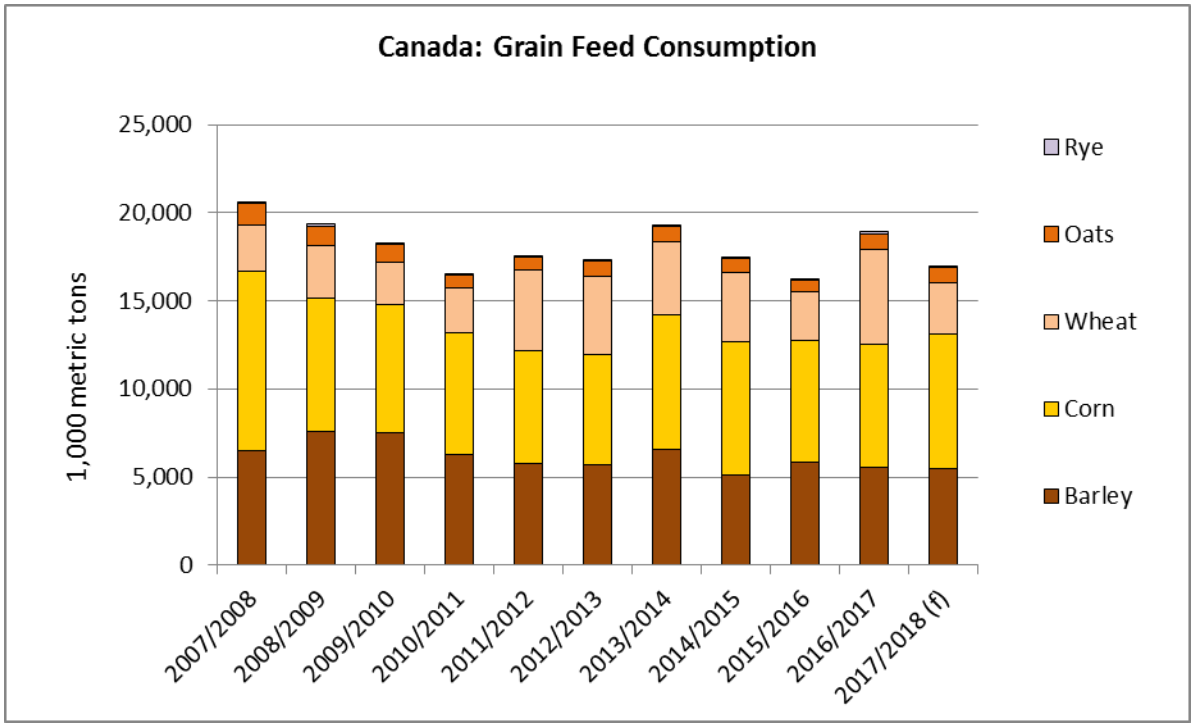
[3] Source: Agriculture and Agri-Food Canada, https://www.grainscanada.gc.ca/barley-orge/harvest-recolte/2016/qbsm16-qosm16-2-en.htm

[4] Ninety-four percent of barley grown in Canada is seeded in the Prairies.

percent of total barley area was seeded to malting barley varieties. However, according to the Canadian Grain Commission, only about 20 percent of national barley production is actually selected for malting each year, a rate that is largely established by demand from the maltsters.

Approximately ten percent of Canadian barley is used for food, and it generally fetches a similar price as barley for malt. Barley for food is required to meet similar qualifications as barley for malting.

Barley used for feed in MY 2017/2018 is expected to continue along a path of gradual decline. The majority of barley produced in Canada is used as feed for livestock and the share varies year-to-year according to production levels and the relative prices of feed corn, feed wheat and dried distillers grain (DDGs). Increased competition from other crops has continued to drive down area seeded to barley in line with a decline in barley used for feeding over the past ten years, as the prices of other feed grains have been consistently lower.



In MY 2017/2018, U.S. demand for Canadian feed barley is forecast to be down, because of ample supplies of U.S. corn. Increased Chinese demand for feed and malting barley could offset some of the decline in U.S. demand. China, now the world's largest beer market, has been increasing imports Canadian barley since 2011, and took 66 percent of Canada's barley exports in MY 2016/2017, up from just 26 percent five years earlier. Canada is the seventh largest exporter of barley in the world and it principally exports to China and the United States.

CORN

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	Sep 2015		Sep 2016		Sep 2017	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1312	1312	1325	1325	1420	1417
Beginning Stocks	1402	1402	2243	2242	2193	2186
Production	13559	13559	13200	13193	14100	14100
MY Imports	1374	1223	950	910	800	800
TY Imports	949	1156	950	900	800	800
TY Imp. from U.S.	942	1081	0	900	0	0
Total Supply	16335	16184	16393	16345	17093	17086
MY Exports	1738	1741	1500	1516	1300	1550
TY Exports	1764	1767	1500	1500	1300	1550
Feed and Residual	7073	6918	7100	6991	8200	7600
FSI Consumption	5281	5283	5600	5652	5600	5700
Total Consumption	12354	12201	12700	12643	13800	13300
Ending Stocks	2243	2242	2193	2186	1993	2236
Total Distribution	16335	16184	16393	16345	17093	17086
Yield	10.3346	10.3346	9.9623	9.957	9.9296	9.9506
(1000 HA) ,(1000 MT) ,(MT/HA)						

Area seeded to corn climbed eight percent, reaching nearly 1.5 million hectares. Major corn-growing areas of Ontario and Québec experienced delayed planting, relatively slow crop emergence, and above-average precipitation through the growing season. Ontario and Québec crops suffered from some pest problems, but not enough to significantly impact yields. National yields are expected to exceed the five-year average at 9.949 MT per hectare.

Similar to parts of the American corn belt, wet weather has delayed harvest in Ontario and Québec. Many producers were just beginning in the fourth week of October.

MY 2017/2018 imports of corn are expected to follow the downward trend that has emerged over the past ten years, as significant improvements in yields and increased growing area have led to increased domestic utilization of Canadian corn. Imports of U.S. corn will be driven by feedlots that are looking to expand their purchase and use of corn for feed rations and substitute out higher-priced barley feed.

On increased production and ample supplies in the United States, corn exports are expected to increase only slightly in MY 2017/18. Corn exports were down 13 percent year-on-year through August 2017, primarily due to a decrease in exports to the United States. After the United States, which takes nearly half of Canadian corn exports on average, major export markets include the Ireland (15 percent in MY 2016/17), Spain (13 percent), and Portugal (12 percent).

OATS

Oats	2015/2016		2016/2017		2017/2018	
Market Begin Year	Aug 2015		Aug 2016		Aug 2017	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1055	1055	907	907	1070	1075
Beginning Stocks	673	673	930	929	690	680
Production	3428	3428	3195	3195	3700	3700
MY Imports	11	19	21	21	10	17
TY Imports	11	16	15	17	10	17
TY Imp. from U.S.	10	16	0	17	0	17
Total Supply	4112	4120	4146	4145	4400	4397
MY Exports	1567	1571	1650	1642	1800	1800
TY Exports	1666	1732	1650	1500	1800	1800
Feed and Residual	675	676	886	882	1000	900
FSI Consumption	940	944	920	941	900	950
Total Consumption	1615	1620	1806	1823	1900	1850
Ending Stocks	930	929	690	680	700	747
Total Distribution	4112	4120	4146	4145	4400	4397
Yield	3.2493	3.2493	3.5226	3.5226	3.4579	3.4419
(1000 HA) ,(1000 MT) ,(MT/HA)						

MY 2017/18 oat quality is generally good and yields are expected to be slightly above the five-year average at 3.4 tons per hectare.

Oat exports during the eleven months leading up to August 2017 were down nearly eight percent compared to MY 2015/16. Continued tight supplies in the United States and relatively higher production in Canada are expected to bolster exports in MY 2017/2018.