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GAIN Report

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Canada

Grain and Feed Update

Summer 2017 Wheat Update

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Report Highlights:

Area seeded to canola exceeded area seeded to wheat in Canada for the first time ever in marketing year (MY) 2017/2018, as continued strong returns to canola and a wet spring planting season perpetuated prairie province planting towards more canola and less wheat. With fewer hectares seeded to wheat and both harvested area and yields expected down on poor growing conditions across sections of the prairies, FAS/Ottawa is lowering the MY 2017/2018 wheat production forecast to 26.5 million metric tons, a 17 percent drop from MY 2016/2017. Members of Parliament will cut their Summer holiday short to hold hearings on the Transportation Modernization Act, which could affect the cost of shipping grain across the prairies.

Keywords: Canada, CA17031, Wheat

Preface:

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

Wheat Market Begin Year	2015/2016		2016/2017		2017/2018	
	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	8800
Beginning Stocks	7090	7090	5178	5178	6913	6947
Production	27594	27594	31700	31729	26500	26500
MY Imports	493	518	485	520	450	550
TY Imports	497	519	485	524	450	550
TY Imp. from U.S.	345	345	0	350	0	0
Total Supply	35177	35202	37363	37427	33863	34497
MY Exports	22129	22129	20250	20400	20500	20700
TY Exports	22136	22134	20278	20278	20500	20700
Feed and Residual	2677	2727	5000	5000	3200	2900
FSI Consumption	5193	5168	5200	5080	5200	5200
Total Consumption	7870	7895	10200	10080	8400	8100
Ending Stocks	5178	5178	6913	6947	4963	5077
Total Distribution	35177	35202	37363	37427	33863	33997

(1000 HA) ,(1000 MT)

Production:

Statistics Canada’s June planting survey results indicate that area seeded to all wheat, including durum, in MY 2017/2018 was down nearly four percent from MY 2016/2017 to 9.112 million hectares. Driving overall area down was a 16 percent decline in area seeded to durum wheat, which fell by nearly 400 thousand hectares to 2.106 million hectares. Area seeded to spring wheat rose 157 thousand hectares to 6.391 million hectares, a 2.5 percent increase. Area seeded to winter wheat (primarily planted in August and September of 2016) fell 66 thousand hectares to 615 thousand hectares, a decline of 10 percent.

FAS/Ottawa anticipates that crop abandonment due to poor growing conditions caused by heat, wind and lack of precipitation, especially in parts of Saskatchewan, would reduce area harvested in MY 2017/2018 to 8.8 million hectares, nearly two percent below FAS/Ottawa’s April forecast. Poor growing conditions, which were particularly acute in certain areas, are expected to result in average wheat yields of 3.01 tons per hectare, below the five-year average of 3.20 tons per hectare. However, yields are expected to vary considerably across the different growing areas in each of the prairie provinces.

On reduced yield potential and a lower forecasted area harvested, FAS/Ottawa is lowering its forecast for MY 2017/2018 total wheat production to 26.5 million metric tons (MMT), down seven percent from the April forecast of 28.6 MMT.

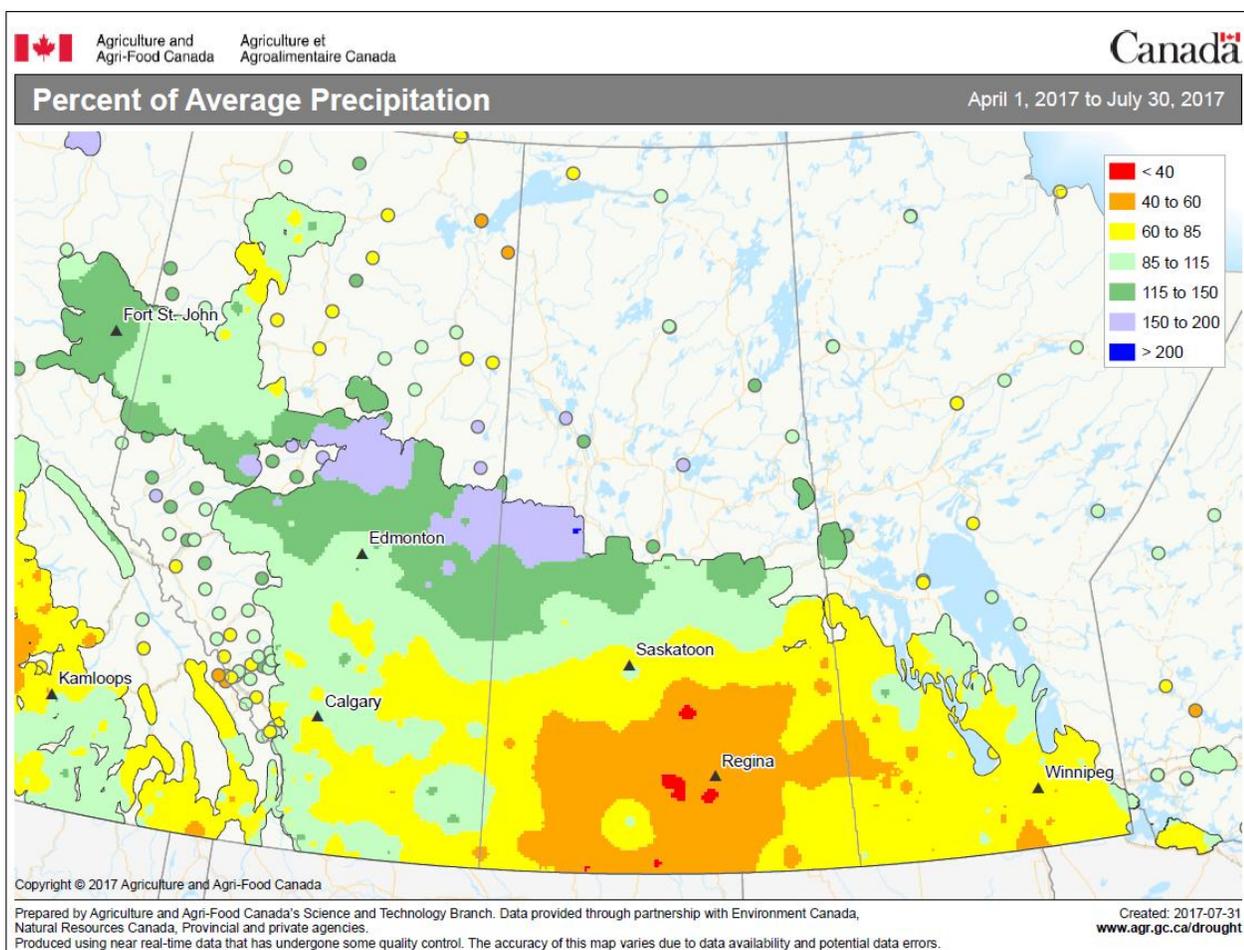
Saskatchewan continued to lead all Canadian provinces in MY2017/2018 with 2.780 million hectares seeded to spring wheat (44 percent of total spring wheat area) and 1.665 million hectares to durum (80 percent of total area). Area seeded to spring wheat in Saskatchewan was up just a percent from MY 2016/2017. Alberta seeded 2.371 million hectares of spring wheat (up ten percent) and 0.441 million

hectares of durum (down seven percent). Combined, Saskatchewan and Alberta account for just over 80 percent of Canadian wheat area.

While overall yields are forecast to be down, there is considerable variability in conditions and yield potential between crop districts. Whereas growing conditions in Alberta and Manitoba were generally good, conditions in Saskatchewan ranged from very dry to very wet.

Though soil moisture reserves from the very wet growing season of MY2016/2017 helped pull crops along in areas of Saskatchewan that received little precipitation MY 2017/2018, yields in those areas are expected to be lower than average. Though rain in August may have helped fill out crops in some areas, for others areas it came too late to make a good crop out of a poor crop; some areas of Southern Saskatchewan have reported wheat heads whitening from dryness and heat stress.

Slightly more than half of the major wheat-producing areas of Saskatchewan received between 40 to 60 percent of average precipitation between April 1st and July 30th, 2017. By early July, sections of southwestern Saskatchewan were very short of moisture, including small pockets of “severe drought” in Saskatchewan, along the U.S. border (see below).



From Agriculture and Agri-Food Canada [Agroclimate Maps](#)

At the time of writing, it was still too early to speculate if producers in the drier areas will decide to register for pre- or post-harvest claims, or risk harvesting a poor quality crop with anticipated low yields. The Saskatchewan Crop Insurance Corporation requires that post-harvest claims be registered immediately after completing harvest but no later than November 15. Pre-harvest claims must be registered “before destroying or putting the acres to another use.” Pre-harvest crop insurance claims are already being filed, mainly by producers who want to bale their crop for livestock feed or turn it over for grazing. Producers who don’t have livestock are generally holding out for rain.

Despite ample carryover stocks heading into MY 2017/218 FAS/Ottawa forecasts total supplies of wheat in MY 2017/2018 to fall 9.2 percent from MY 2016/2017 levels on anticipated production declines.

A record was broken in MY 2017/2018 as area seeded to canola surpassed area seeded to wheat. Canola can be seeded later than many competing crops (as late as mid-June in some areas of the prairies), has been profitable, and is associated with the highest net return to land when grown continuously.¹ Wheat area is anticipated to remain at risk of displacement as it competes with canola and other, more profitable crops, including pulses.

Area seeded to canola has grown 98 percent since 2000,² while growth in wheat has experienced a gradual decline of 12 percent during the same period. In MY 2017/2018, 9.112 million hectares of total wheat were seeded, while 9.241 million hectares of canola was seeded. In 2004, area seeded to canola surpassed barley to become the second largest crop grown in Canada, after wheat.

Optimal winter wheat seeding is between August 27 and September 9th in most growing areas of Canada. While current dry conditions may deter producers from seeding winter wheat, it’s too early to forecast seeding intentions.

Looking ahead to MY 2018/2019, planting intentions will again come down to weather, agronomics and economics. If top soil moisture is depleted, high-value crops such as pulses will be rotated out in place of versatile wheat varieties.

Consumption:

Though final data is not yet available, total wheat consumption in MY 2016/2017 is forecast to increase 28 percent above the MY 2015/2016 level due to an increase wheat for feed on high total production and an abundance of low-quality wheat. Feed and residual utilization increased by 83 percent to 5.0 MMT. Growth in total milled wheat consumption in MY 2016/2017 is expected to be relatively flat from MY 2015/2016. Use of wheat as a feedstock in ethanol production was down 12.5 percent in calendar year (CY) 2016 to 125 thousand MT, due to displacement by corn. FAS/Ottawa expects ethanol feedstock allocations to remain unchanged in CY 2017.

¹ However, continuous canola planting has been associated with slower yield growth. For more information, see [Effect of crop rotation on canola seedling blight and soil pathogen population dynamics](#).

² When comparing MY 2017/2018 area seeded to canola to the five-year average from 2000 to 2005.

Total wheat consumption in MY 2017/2018 is forecast to decrease 20 percent from MY 2016/2017 to 8.1 MMT, led by a decline in feed consumption, due to tight supplies. Markets will have to wait until September to learn how much grain will be downgraded to feed quality; large volumes of feed quality wheat in MY 2017/2018 could mitigate anticipated declines in wheat feeding. FAS/Ottawa expects wheat feedstock inputs for ethanol and total milled wheat consumption in MY 2017/2018 to be unchanged from MY 2016/2017.

Trade:

FAS Ottawa forecasts MY 2017/2018 total wheat exports to increase 1.5 percent year-on-year to 20.7 MMT, due to stronger U.S. demand for spring wheat, and increased Canadian durum exports due to tighter exportable supplies in the United States and European Union.

MY 2016/2017 exports are estimated at 20.4 MMT, based on an export forecast of 1.8 MMT for the month of July. FAS/Ottawa has nudged down its MY 2016/2017 forecast since April due to a slightly slower pace of exports than expected.

Exports of durum are expected to increase 290,000 MT to nearly 4.500 MMT in MY 2016/2017. Through June 2017 (latest available trade data), durum shipments to Algeria, up 41 percent over the same period in MY 2015/2016 to 1.265 MMT, were leading durum export growth.

Imports of durum in MY 2016/2017 are forecast to fall 19 percent from the previous year to 11,186 MT due to sufficient domestic supply. MY 2016/2017 imports to June have decreased 17 percent to 9.42 MT, while imports from the U.S. were in line with the five-year average. Imports of total wheat in MY 2017/2018 are forecast to increase 5.8 percent to 550 thousand MT, above the five-year average of 480 thousand MT.

Stocks:

In MY 2016/2017, ending stocks are forecast to increase nearly 35 percent, above MY 2015/2016 levels due to increased production and decreased exports.

Ending stocks in MY 2017/2018 are forecast to be 5.077 MMT, 26.9 percent below the five-year average.

Wheat storage stocks are reported three times a year by Statistics Canada, most recently in March. March 2017 stocks of wheat, excluding durum were up seven percent above the same time last year. Durum stocks were up 51 percent. July storage stocks figures are expected to be published September 6th.

Policy:

Transportation Modernization Act

The House of Commons Transportation Standing Committee will return early from summer recess to hold hearings on the Transportation Modernization Act (also known as Bill C-49) during the week of September 11, 2017. As presently written, C-49 would overhaul several aspects of the Canada Transportation Act and of the Fair Rail for Grain Farmers Act that could have a material impact on the

cost of moving Canadian grain across the prairie provinces. Of primary importance to grains, C-49 would impose new data reporting requirements on the rail industry to increase transparency, enable grain shippers to seek reciprocal financial penalties against railways, and replace the current regulated interswitching provisions with a Long-Haul Interswitching mechanism to ensure access to competitive rail options for “captive shippers” (e.g., remotely situated grain farmers). Minister of Transport Marc Garneau has reportedly indicated that he hopes Bill C-49 will be adopted in early 2018.

More information on Bill C-49 and its progress through the Canadian Parliament can be found at: <http://www.parl.ca/LegisInfo/Result.aspx?BillNumberQuick=C-49&Language=E&Mode=1>

The Canadian Agricultural Partnership

On July 21, 2017, federal, provincial and territorial agriculture leaders agreed on the central elements of the next agricultural policy framework, the Canadian Agricultural Partnership (CAP). Successor to the Growing Forward 2 framework (2013-2017), the CAP represents a \$3 billion, five-year investment by federal, provincial and territorial governments in the agriculture, agri-food and agri-based products sector. While the details of CAP implementing regulations have yet to be finalized, it is anticipated that Canadian producers will continue to have access to the current suite of business risk management programs (AgriStability, AgriInvest, AgriInsurance, AgriRecovery, and AgriRisk) under the CAP. The CAP will take effect April 1, 2018 and guide Canadian agricultural policy through 2023; existing program rules remain in effect for the 2016 and 2017 program years.