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GAIN Report

Global Agricultural Information Network

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Canada

Grain and Feed Update

Summer 2019 Wheat Update

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Report Highlights:

Drought concerns have diminished with improved precipitation, and FAS/Ottawa expects wheat production to increase in marketing year 2019/20 with yields returning to historical averages. Total wheat export demand appears strong, and higher shipments to Italy have driven the pace of durum exports. FAS/Ottawa has increased export projections for marketing year 2018/19, on sharply higher shipments to China.

Keywords: Canada, CA18049, Grain, Feed, Wheat

Post: Ottawa

Wheat	2017/2018		2018/2019		2019/2020	
Market Begin Year	17-Aug		18-Aug		19-Aug	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8,983	8,983	9900	9,881	9700	9,850
Beginning Stocks	6,856	6,856	5920	6,170	4670	4,589
Production	29,984	29,984	31800	31,769	33300	32,650
MY Imports	450	445	450	450	450	450
TY Imports	445	446	450	452	450	450
TY Imp. from U.S.	260	294	0	300	0	300
Total Supply	37,290	37,285	38170	38,389	38420	37,689
MY Exports	21,954	21,955	24500	24,500	24000	24,400
TY Exports	21,989	21,966	24500	24,550	24000	24,450
Feed and Residual	4,516	4,260	4100	4,400	4300	4,200
FSI Consumption	4,900	4,900	4900	4,900	5000	4,800
Total Consumption	9,416	9,160	9000	9,300	9300	9,000
Ending Stocks	5,920	6,170	4670	4,589	5120	4,289
Total Distribution	37,290	37,285	38170	38,389	38420	37,689
Yield	3.34	3.34	3.21	3.22	3.43	3.31
TS=TD	0	0	0	0	0	0

Production:

Wheat

Marketing year (MY) 2019/20 wheat area planted decreased slightly, declining by 56,340 hectares to 9.953 million hectares. FAS/Ottawa forecasts area harvested to be 9.85 million metric tons (MMT). An anticipated return to the 5-year historical average yield of 3.31 MT/hectare, an improvement over last year's disappointing 3.22 MT/hectare, would support a production forecast increase to 32.650 MMT in 2019/20, six percent higher than MY 2018/19.

Table 1. Total Wheat Area Planted (hectares)

Area Planted	2018/2019	2019/2020	Percent change
Durum	2,503,100	1,980,400	-21%
Spring wheat	7,005,500	7,956,900	14%
Winter wheat	501,000	376,000	-25%
All wheat	10,009,640	9,953,300	-1%

Source: [Statistics Canada](#)

The prairie provinces (Saskatchewan, Manitoba, and Alberta) dominate durum and spring wheat area, producing approximately 95 percent of Canada's total wheat. Saskatchewan produces 44 percent of all wheat, followed by Manitoba at 33 percent, and Alberta at 16 percent. Ontario produces the vast majority of Canada's relatively small volume of winter wheat (5 percent of total wheat production).

Farmers planted over 20 percent less durum as lower prices, trade challenges, and disease concerns (fusarium) were a disincentive, coupled with strong durum crops in the United States and North Africa. A 14 percent jump in spring wheat plantings nearly offset decreases in durum and winter wheat area

planted, resulting in a slight decrease in overall wheat plantings for MY 2019/20. FAS/Ottawa has adjusted 2019/20 area harvested and production forecasts down from previous estimates in response to delayed spring rains and farmers responding to trade and pest concerns by diversifying area planted across a broader range of commodities. Yields are expected to be highly variable as farmers who seeded late were reporting good growth in late July, while farmers who planted well before the rains in early spring anticipate lower yields. However, later plantings are more vulnerable to an early frost, which, if one were to arrive in mid-August, could reduce production dramatically. Industry sources have noted that a mid- to late-September frost could boost production for late planted area.

Table 2. Total Area Planted (hectares)

Type of crop	2018/19	2019/20	Change
Barley	2,627,700	2,995,500	14%
Canola (rapeseed)	9,232,200	8,478,900	-8%
Corn for grain	1,467,600	1,494,800	2%
Flaxseed	346,700	379,200	9%
Hemp	16,700	33,400	100%
Lentils	1,524,900	1,529,500	0%
Oats	1,235,300	1,459,200	18%
Peas, dry	1,463,100	1,753,400	20%
Soybeans	2,557,700	2,312,500	-10%
Wheat, all	10,073,500	9,953,300	-1%

Source: [Statistics Canada](#)

Competing Crops

Farmers reported planting fewer hectares soybeans and canola in the spring of 2019, while area planted to barley, corn, flaxseed, hemp, lentils, oats, and dry peas increased. Recent trade challenges and concerns about disease and pests have caused farmers to spread their risk wider by planting a more diverse mix of commodities. Some Canadian wheat farmers have begun to incorporate mustard and hemp into more traditional rotations of wheat, canola, barley, flax, lentils, oats, and peas. Farmers reported planting less canola due to the disruption of canola seed exports to China (though canola meal and oil continue to be exported) as well as concerns with the spread of pathogens, such as blackleg, which increase with continuous canola plantings. Marketing year 2019/20 area planted data suggest that prairie farmers have opted for more barley, peas and oats, rather than wheat.

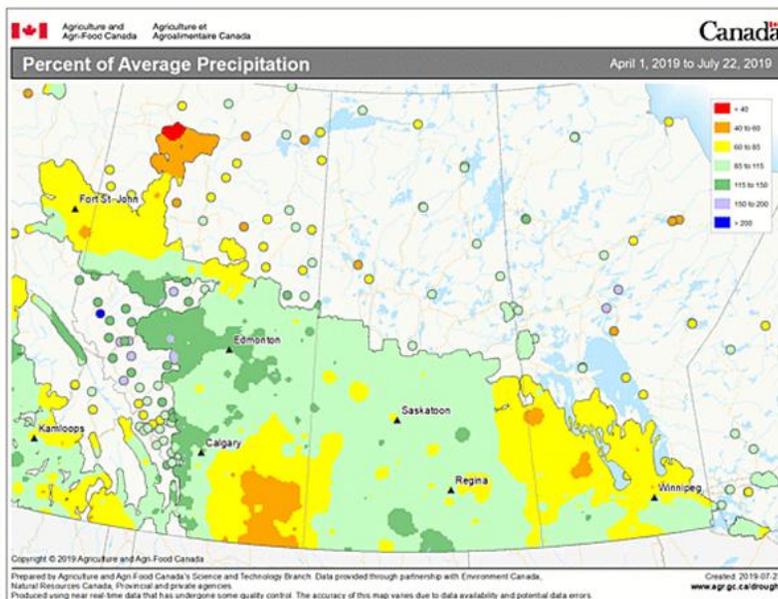
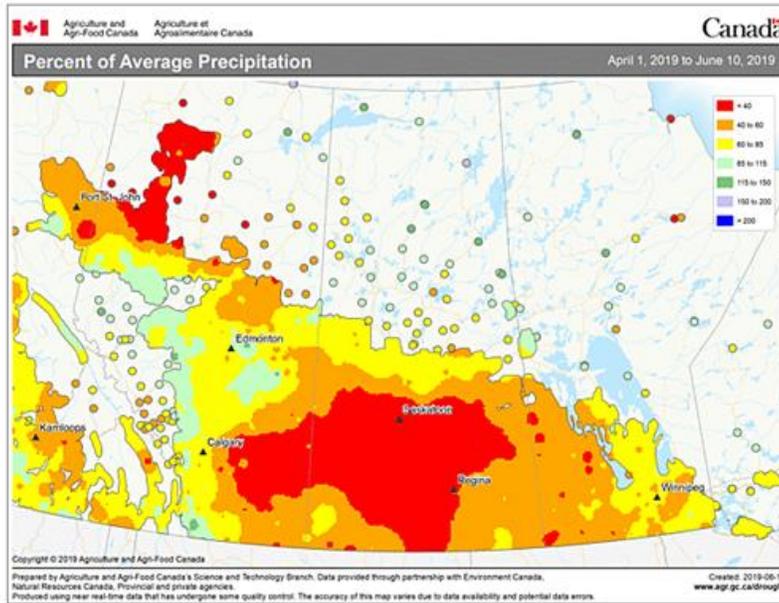
Continued lower soybean yields and early moisture concerns have caused prairie farmers to plant fewer soybeans. Farmers reported planting ten percent less area to soybeans, which follows a five percent drop last year. While industry investment into creating soybean varieties for the prairie region has been strong, farmers are still in the process of calibrating which varieties, under which conditions, will provide consistently high yields. Some farmers have noted that much of Saskatchewan is just not warm enough for soybeans.

Weather

The MY 2019/20 growing season began with very dry conditions in the prairies with most of the wheat producing areas experiencing counts of 60 to 100 days during the growing season with precipitation

below 0.5 mm. Rains in mid-June somewhat eased concerns that the MY 2019/20 crop yields could be markedly lower from MY 2018/19 levels.

Figures 1 and 2. 2019 Percent of Average Precipitation Across Prairie Provinces



Source: [Agriculture and Agri-Food Canada](http://www.agricultureandagri-food.ca)

Farmers reported that they needed rains by June 15 and most wheat producing areas received some rain by June 20. The rains were variable geographically, but they came relatively light and steady and the dry soil was able to adequately absorb the moisture. Cooler cloudy weather followed the rains, but by late July high temperatures and sun were conducive to seed germination, sprouting, and crop growth. Rain combined with warm conditions led to advanced crop development across the prairies. In late July,

Saskatchewan farmers reported that 72 percent of the cereal crop was normal or ahead of pace for that stage in the year. The favorable weather led FAS/Ottawa to boost estimates for MY 2019/20 wheat yields to 3.31 MT/hectare, up from 3.22 MT/hectare in MY 2018/19.

Most of the wheat producing areas in Saskatchewan received 85 to 115 percent of average precipitation by late July, though there were pockets areas in Southern Saskatchewan that received much less. Areas along the Alberta and Manitoba borders also experienced significantly less precipitation than Central Saskatchewan. Those drier areas could see lower yields accompanied by higher protein content.

Table 3. FOB Selling Price Range for Feed Grains at Prairie Province Locations

Type of crop	Selling Price per Metric Ton (as of July 29, 2019) in Canadian Dollars
Wheat	\$ 202.09 – 266.50
Corn	\$ 206.68 – 286.67
Barley	\$ 191.81 – 237.32
Oats	\$ 191.07 – 237.32

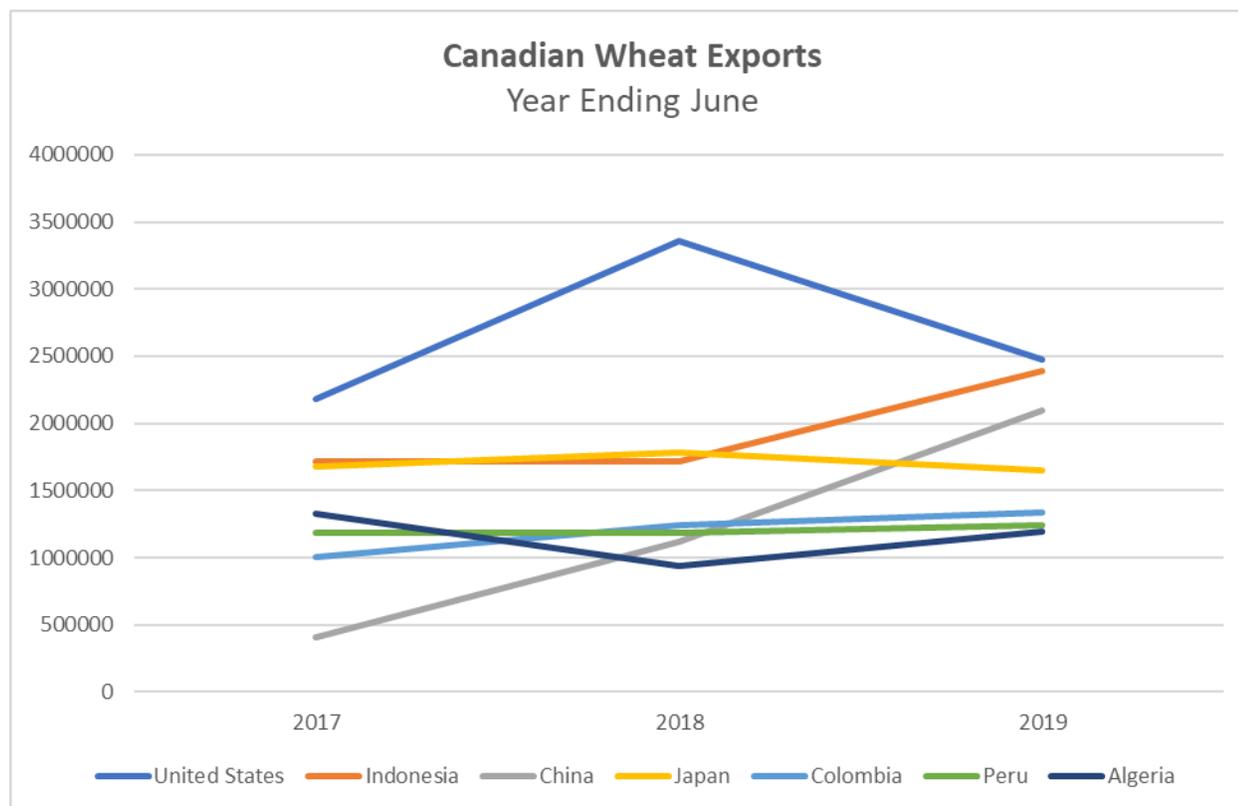
Source: [Agriculture and Agri-Food Canada](#)

Consumption:

FAS/Ottawa forecasts that total wheat consumption in MY 2018/19 increased marginally above the MY 2017/18 level. FAS/Ottawa predicts that food, seed and industrial (FSI) utilization was 4.9 MMT in MY 2018/19, unchanged from MY 2017/18 and slightly down from earlier FAS/Ottawa projections. Human food consumption was flat, industrial use for ethanol purposes decreased, and animal feed use also increased. On farm storage capacity has been steadily increasing across the prairies in recent years, and many farmers held higher quality wheat in anticipation of better prices, limiting supplies available for industrial use in MY 2018/19.

Looking ahead to MY 2019/20, FAS/Ottawa is forecasting wheat for feed usage and overall utilization of wheat to decline slightly, on increased supplies of barley and other feedstocks. Higher prices for U.S. corn could drive livestock consumption of Canadian wheat and barley for feed in MY 2019/20.

Figure 3. Top Destinations for Canadian Wheat Exports (MY 2016/17 – MY 2018/19)



Source:

[Global Trade Atlas](#)

Note: Wheat exports includes durum.

Trade:

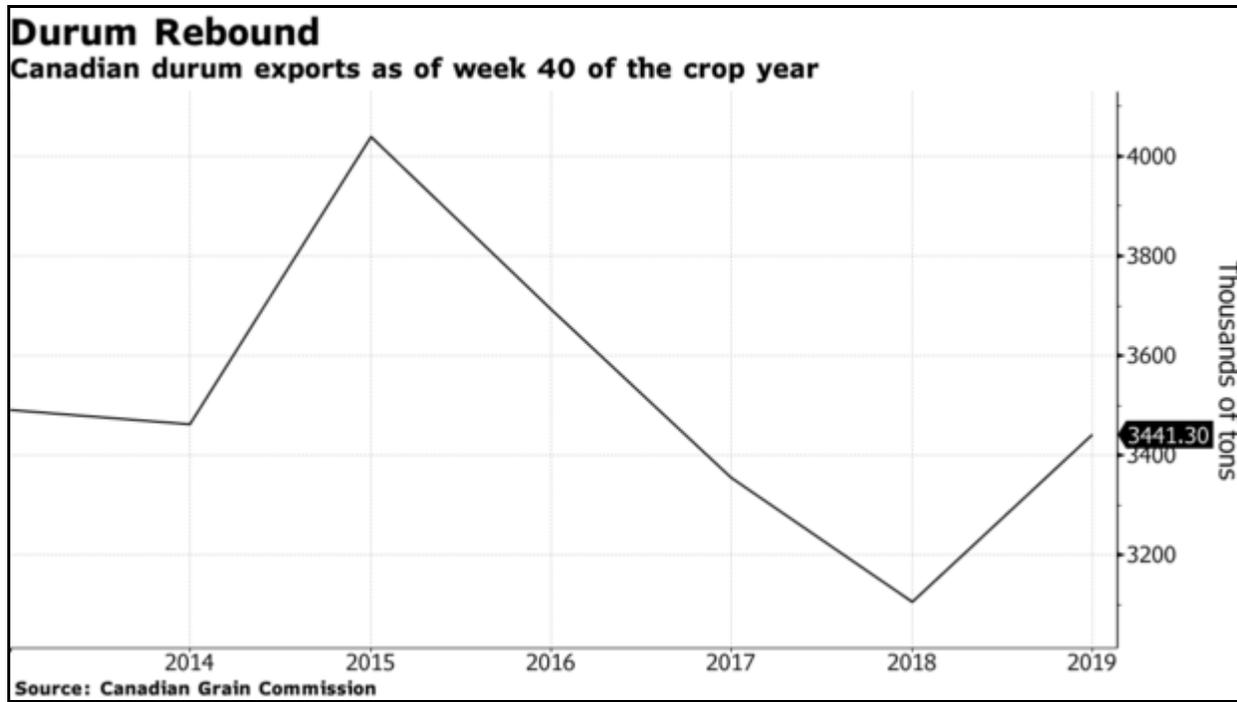
FAS/Ottawa projects total wheat exports higher in MY 2018/19, with exports up through June up 12 percent from MY 2017/18.¹ FAS/Ottawa expects the export pace to remain strong through the end of MY 2018/19 on continued demand from China, Indonesia, Columbia, and others, though exports to the United States and to Japan have fallen year-over-year in MY 2018/19. Canada’s share of total Chinese imports of wheat has rocketed above 60 percent in MY 2018/19, up from 32 percent in MY 2017/18, as U.S. wheat exports to China have plunged and Australian exportable supplies have fallen sharply. Of note, Australia imported a rare bulk shipment of Canadian wheat in May 2019.

Canadian MY 2018/19 durum exports were up eight percent through June, with large volumes moving in the latter half of the marketing year. Exports to most major markets were up, including to the North African markets of Morocco, Algeria, and Tunisia. Durum exports to Italy through June increased more than 65 percent year-over-year to nearly 590,000 MT, after Canadian durum exports to Italy fell sharply in MY 2017/18 on glyphosate-related concerns. Canadian durum exports to Turkey and Japan have also increased, while exports to the U.S. market were down nearly twelve percent. Industry sources have

¹ Official MY 2018/19 trade numbers were not available at the time of publication.

attributed this recent trade increase to concerns about the MY 2019/20 Canadian durum crop size, based on lower planted area.

Figure 4. Canadian Durum Export Volumes



Source: [Canadian Grain Commission](#)

Canadian grain exports have benefitted from handlers across the prairies have also made investments to improve infrastructure at inland grain terminals in recent years, improving hopper car loading efficiency, as seaport facilities continue to upgrade outdated equipment. However, capacity limitations in the Port of Vancouver as well as a bottleneck of rail cars transporting petroleum products are projected to continue to hinder export prospects in MY 2019/20.

Stocks:

The 2018/19 marketing year began with relatively large beginning stocks of wheat, as many growers held crop in on-farm storage in anticipation of more favorable prices for the relatively high-quality MY 2017/18 crop. Though total wheat production is forecast six percent higher in MY 2019/20, FAS/Ottawa forecasts MY 2018/19 ending stocks more than 25 percent lower than MY 2017/18 ending stocks, on a sustained, strong export pace (up 12 percent year-over-year through June 2019). Coupled with projected increased domestic feed use in MY 2019/20, FAS/Ottawa has revised wheat ending stock projections down to 4.6 MMT in MY 2019/18, falling further to 4.3 MMT in MY 2019/20.

