Required Report: Required - Public Distribution

Date: November 03, 2021

Report Number: CA2021-0055

Report Name: Grain and Feed Update

Country: Canada

Post: Ottawa

Report Category: Grain and Feed

Prepared By: Erin Danielson

Approved By: Philip Hayes

Report Highlights:

The 2021 growing season was one of the hottest and driest on record in the Canadian Prairies. Yields fell sharply below expectations, and poultry and livestock producers are struggling to procure feed rations for their animals. Marketing year (MY) 2020/21 exports reached record levels on tight global supplies of high-protein wheat. Canada's export pace slowed significantly in July 2021 through the first quarter of MY 2021/22.

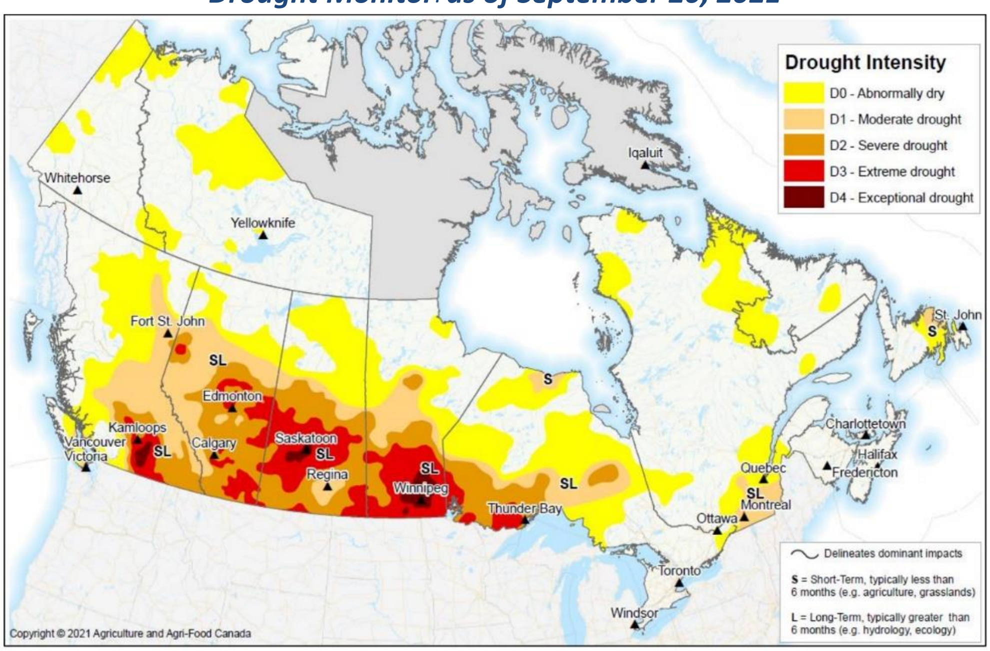
Production – Marketing Year 2021/22

WHEAT	2019/2020		2020/2021		2021/2022	
Market Begin Year	Aug-19		Aug-20		Aug-21	
	USDA Official	Post	USDA Official	Post	USDA Official	Post
Area Harvested (1000 HA)	9,656	9,656	10,018	10,018	8,500	9,185
Beginning Stocks (1000 MT)	6,041	6,041	5,499	5,499	5,688	5,705
Production (1000 MT)	32,670	32,670	35,183	35,183	21,000	21,715
MY Imports (1000 MT)	678	674	545	542	700	550
TY Imports (1000 MT)	675	674	547	510	700	550
TY Imp. from U.S. (1000 MT)	444	444	319	319		
Total Supply (1000 MT)	39,389	39,385	41,227	41,224	27,388	27,970
MY Exports (1000 MT)	24,627	24,143	24,406	26,404	15,000	15,700
TY Exports (1000 MT)	23,478	22,989	27,700	27,100	15,500	15,700
Feed and Residual (1000 MT)	4,130	4,616	4,184	4,169	2,800	3,800
FSI Consumption (1000 MT)	5,133	5,127	4,949	4,946	5,100	5,100
Total Consumption (1000 MT)	9,263	9,743	9,133	9,115	7,900	8,900
Ending Stocks (1000 MT)	5,499	5,499	5,688	5,705	4,488	3,370
Total Distribution (1000 MT)	39,389	39,385	41,227	41,224	27,388	27,970
Yield (MT/HA)	3.38	3.38	3.51	3.51	2.47	2.36

Canada, one of the world's largest producers of spring wheat, saw its spring wheat production fall due to an eight percent reduction in area planted and significantly diminished yields. Similarly, durum wheat production shrank on a three percent reduction in area planted and diminished yields. Average yield of all types of wheat is expected to fall more than 30 percent below the five-year average of 3.426 tons per hectare.

Drought conditions stretched across vast regions of farmland in 2021. Typically, moisture levels and temperature vary significantly across the prairies and drought occurs in isolated pockets. However, 80 percent of crops in Alberta - for example – are of lower quality than the previous year, largely due to an uncommonly expansive drought.

***Drought Monitor**: as of September 20, 2021*



Source: Agriculture Agri-Food Canada [Drought Monitor];

FAS/Ottawa estimates that 96.8 percent of wheat planted has been harvested, higher than USDA's official forecast of 89.5 percent. FAS/Ottawa may reduce its area harvested value when Statistics Canada releases its final estimate on December 3. FAS/Ottawa's forecast is based on conversations with several prairie province agronomists and provincial government market analysts throughout the month of October. FAS/Ottawa and USDA define abandonment as the difference between planted area and harvested area. Area from crops salvaged for feed or left for pasture is considered abandoned.[1]

Sources with the Saskatchewan government suggest that abandonment of wheat crops (all types) in Saskatchewan is 2.43 percent of area planted to wheat. Some sources stated that four percent is the absolute upper limit in Saskatchewan.

Sources in Manitoba told FAS/Ottawa that they estimate two to five percent of wheat area was abandoned this year. One source stated that since wheat crops fared better than most other crops in the province (ie. they matured early, were harvested early, and prices were strong) it "worked to further reduce what might have been available for cattle feed under different circumstances." The Manitoba government reports that, in the Interlake Region of the province, a sizeable number of grain-intended crops were being cut as greenfeed to reduce pressure on grazing pastures and hayfields. However, this is a very small portion of the national total wheat area.

Alberta sources did not provide an estimate of the wheat abandonment rate, but FAS/Ottawa assumes it to be less than four percent, based on anecdotal evidence received from agronomists.

Generally, the prairie wheat harvest was complete relatively early in 2021, compared to recent years, because the crop matured early and conditions for harvesting were ideal (though quality and yield were diminished). Harvest was delayed the previous two years due to excessive moisture. By Sept 13, 2021, 83 percent of spring wheat in Saskatchewan was harvested, compared to just seven and 55 percent in 2019 and 2020, respectively.

Exports – MY 2021/22

The pace of exports has been slow as of the eleventh week of MY 2021/22. Data from the Canadian Grain Commission shows total wheat exports (including durum) through licensed terminals during the first two months of the crop year (August and September) at 3.0 million MT, down 24 percent from the same period in MY 2020/21.

The high cost of shipping has reduced the ability of COVID-impacted economies in Southeast Asia and East Asia to import wheat from such great distances as Canada. The Baltic Dry Index (BDI), a major

[1] Prairie provinces define

indicator of shipping rates, has trended upward since May 2020. On October 6, it settled at 5,650 points, a level not reached since August 2008.

However, FAS/Ottawa anticipates the pace of wheat exports will pick up in the first quarter of 2022 as production prospects deteriorate in other high-protein wheat-producing countries and global supplies dwindle. USDA's production estimates for the largest high-protein wheat producers in the world are all below 2020 levels and have further shrunk since June/July[2] due to drought (Canada, United States, Russia) and flooding (western Europe). Canadian grain exporters will likely benefit, not only from tight global supplies of high protein milling wheat, but also from favorable exchange rates.[3] However, overall Canadian exports to the United States and the world are forecast to decline in MY 2021/22 due to lower domestic supplies.

Canada continues to seek to diversify its exports and grow under-developed markets, as recently evidenced by Saskatchewan's announcement to establish four new trade and investment offices. These offices will be located in London, United Kingdom; Dubai, United Arab Emirates; Mexico City, Mexico; and, Ho Chi Minh City, Vietnam.

Canada: Top eight markets for wheat grain (incl durum), excluding product and flour, Aug - July, metric tons							
	Destination	**2018/19**	**2019/20**	**2020/21**	**% Chg**	**Difference**	**Share of exports**
	World	24,083,124	23,819,915	26,114,083	10%	2,294,168	100%
1	**China**	2,095,030	1,806,483	3,325,478	84%	1,518,995	13%
2	**Indonesia**	2,329,297	2,227,955	2,310,676	4%	82,721	9%
3	**Peru**	1,277,837	1,321,416	1,983,365	50%	661,949	8%
4	**Japan**	1,695,187	2,064,914	1,777,269	-14%	(287,645)	7%
5	**Italy**	765,631	1,409,983	1,506,452	7%	96,469	6%
6	**Colombia**	1,336,914	1,353,746	1,473,306	9%	119,560	6%
7	**United States**	2,311,040	1,724,968	1,395,542	-19%	(329,426)	5%
8	**Algeria**	1,125,471	365,158	1,187,036	225%	821,878	5%

Source: Trade Data Monitor, LLC; FAS/Ottawa

[2] Production has increased in Australia and the Ukraine, but they are not large suppliers of high-protein wheat.
[3] Grain is traded in U.S. dollars.

Canada: Top eight markets for wheat products & flour in grain equiv. (*1.368) , Aug to July, metric tons							
	Destination	2018/19	2019/20	2020/21	% Change	Difference	Share of total exports
	World	319,948	322,617	291,759	-10%	-30,858	100%
1	**United States**	295,168	298,759	273,325	-9%	-25,434	94%
2	**Ecuador**	-	4,231	4,902	16%	670	2%
3	**Bahamas**	2,669	3,235	3,584	11%	349	1%
4	**South Korea**	1,311	1,572	2,044	0%	472	1%
5	**China**	5,280	3,696	1,421	-62%	-2,275	0%
6	**Bermuda**	1,821	1,568	1,215	-23%	-353	0%
7	**Greece**	542	614	744	21%	130	0%
8	**Saint Maarten**	29	19	477	2393%	458	0%

Source: Trade Data Monitor, LLC; FAS/Ottawa

Canadian durum exports, Aug to July, metric tons							
	Partner	2018/19	2019/20	2020/21	% Change	Difference	Share of total exports
	World	4,513,283	5,282,115	5,751,651	9%	469,536	100%
1	**Italy**	615,698	1,257,080	1,364,775	9%	107,695	24%
2	**Algeria**	1,057,969	365,158	1,154,350	216%	789,192	20%
3	**Morocco**	792,485	885,019	1,056,530	19%	171,511	18%
4	**United States**	766,324	501,351	328,532	0%	-172,819	6%
5	**Belgium**	36,028	104,338	305,240	193%	200,902	5%
6	**Tunisia**	177,831	207,937	287,412	38%	79,475	5%
7	**Japan**	173,778	227,280	230,623	1%	3,343	4%
8	**Nigeria**	61,889	159,393	172,942	9%	13,549	3%

Source: Trade Data Monitor, LLC; FAS/Ottawa

Exports – MY 2020/21

Canadian wheat exports increased to record levels in in MY 2020/2021, up ten percent year-over-year on increased demand from China, South & Central America, Algeria, and Indonesia.

Canada remains the United States' major competitor in South America and West Africa. Exports of Canadian wheat and wheat products to South and Central America have more than doubled in the past decade, reaching 6.12 million MT in MY 2020/21, led by exports to Peru and Colombia. Exports to West Africa have more than tripled, reaching 1.63 million MT in MY 2020/21.

Year over year, Canadian wheat exports to Peru increased 50 percent to 1.98 million MT in MY 2020/21. Over the last two decades, Peru has shifted from importing solely hard red winter wheat (HRW), the primary type of wheat grown in the United States, to a mix of durum and spring wheat - the primary types grown in Canada - for blending purposes. An industry source states that Canada accounts for between 80 to 90 percent high protein wheat imports into South America and West

Africa. The volume of high-protein Canadian wheat exports to the region have risen annually for the past four consecutive years.

Canada exported a record level of durum in MY 2020/21 due to the strong demand for durum in Europe for pasta production and in the Middle East for couscous and bread production. Durum exports to Italy were double MY 2016/17 export levels despite Italy's mandatory country-of-origin labelling (MCOOL) on durum being implemented in July 2017. The measure was intended to support growth in domestic production; however, domestic supplies of high-protein durum for pasta production have been tight in Italy.

Imports

Reduced U.S. supplies of wheat and subsequent price premium for wheat over corn are expected to curtail Canada's wheat imports from the United States in MY 2021/22. U.S. corn began displacing Canadian feed barley and wheat in October. Industry sources state there has been a significant number of train loads of corn booked for import into western Canada in October and November.

Wheat imports fell 48 percent to 141,749 MT in MY 2020/21, primarily on a decrease of wheat used for cattle feed.

Imports: wheat grain (incl durum), excluding product and flour, Aug - July, metric tons							
	Destination	**2018/19**	**2019/20**	**2020/21**	**% Chg**	**Difference**	**Share of exports**
	World	118,938	275,112	141,749	-48%	-133,363	100%
1	**United States**	110,068	271,504	141,648	-48%	-129,856	100%
2	**New Zealand**	60	81	38	-53%	-43	0%

Source: Trade Data Monitor, LLC; FAS/Ottawa

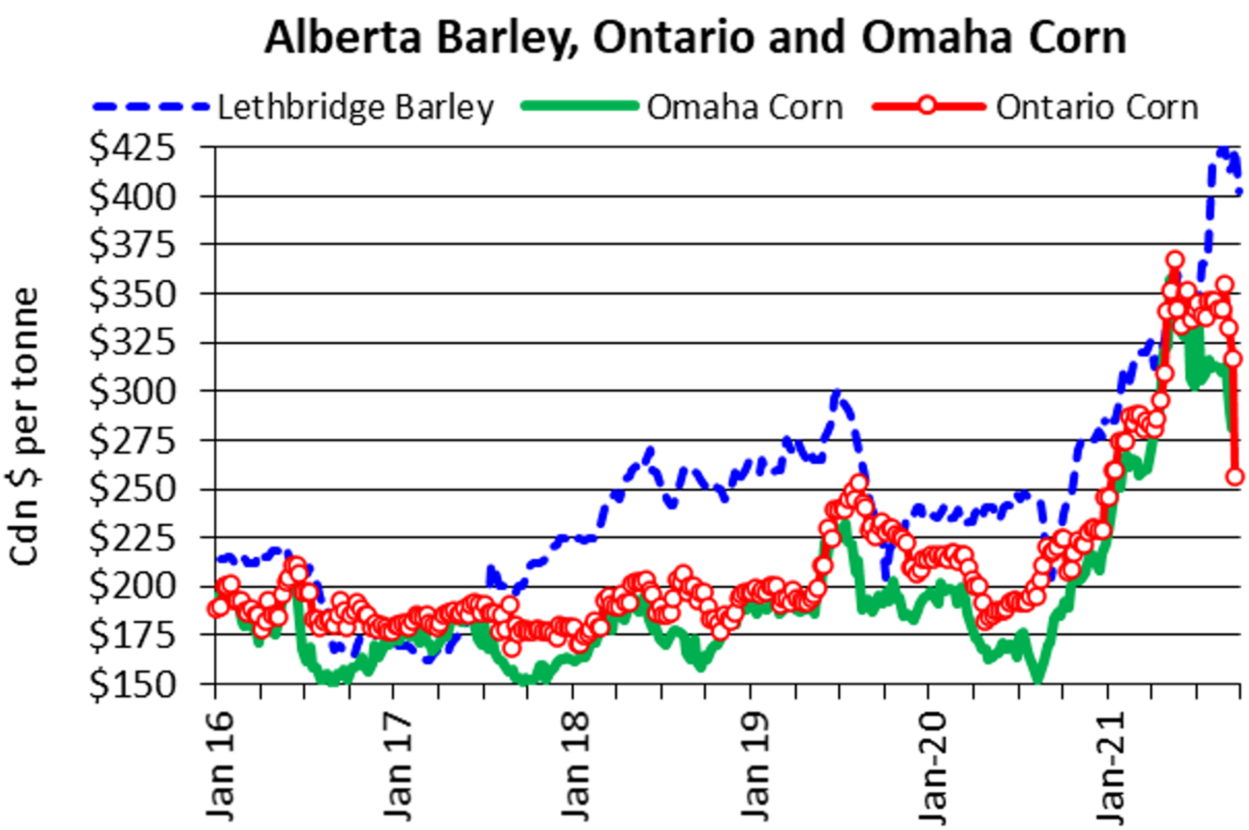
Feed Wheat

Poultry and livestock producers are struggling to procure feed rations for their animals, but - as reported - a significant amount of U.S. corn imports is expected to arrive in Western Canada in October and November. Corn imports will displace high-priced and scarce feed barley and wheat.

It's too early to determine how much wheat and barley will be displaced, but barley will likely comprise less than the standard 90 percent of feeding ration in MY 2021/22, sources state. A significant volume of Canadian barley was booked for export earlier in the year and that too will limit domestic barley feed consumption. Feed wheat will also be impacted. It's possible that an increased volume of domestic feed quality wheat will lead to continued usage if prices fall in line with corn. However, it's unlikely that wheat prices will move significantly, because of tight supplies.

The week of October 18, feed wheat in the Lethbridge area (Canada's 'feedlot alley') was priced at $420 CDN per ton (up $145 CDN from the start of the year), barley at $417.50 CDN (up $138 CDN), and corn at $382 CDN (up $69 CDN).

Cattle on feed numbers are well above a year ago, but sources expect to see a slowdown in feeder imports and a year-over-year increase in feeder exports. Emerging from a widespread drought and heading into winter, many livestock producers will likely refrain from rebuilding livestock numbers until forage has recovered. However, cattle on feed numbers will remain quite large through the remainder of the year.



Source: AlbertaAg, OCA, CANFAX

Food, Seed, and Industrial – MY 2021/22

Food, seed, and industrial (FSI) is expected to increase in MY 2021/22 as ethanol production partially recovers after declining due to COVID the previous year. However, levels are not expected to return to MY 2019/20 levels in MY 2021/22, as COVID impacts linger. Canada's Clean Fuel Standard, which will boost low carbon-intensity fuels such as ethanol, will not come into effect until December 2022.

Food Seed and Industrial – MY 2020/21

In MY 2020/21, FSI fell year-over-year on reduced seed requirements and a COVID-related reduction in ethanol production during the period August 2020 to July 2021.

FAS/Ottawa continues to calculate FSI use with data collected from Statistics Canada and Trade Data Monitor, LLC. Statistics Canada uses a different value than USDA to convert "human food" to grain equivalency (1.309747 vs 1.368 used by the USDA), and therefore this category is converted back to "food" weight prior to converting to cereal equivalence using USDA's conversion rate.

Wheat: Food, Seed, and Industrial (MT, '000)				
	18/19	**19/20**	**20/21**	**10-yr avg**
Seed requirements	995	1,010	940	**961**
Industrial use	500	565	483	**735**
Human food*	3,132	3,153	3,123	**2,939**
Imports of flour, products*	360	399	400	**377**
TOTAL FSI	**4,987**	**5,127**	**4,946**	**5,012**

Source: Statistics Canada; Trade Data Monitor, LLC; FAS/USDA
* Note: In grain equivalency

Milled wheat ('000 MT), August to July				
	MY2017/18	**MY 2018/19**	**MY 2019/20**	**MY 2020/21**
Total wheat milled	3,188	3,206	3,218	3,178
Western red spring wheat milled	2,235	2,251	2,279	2,214
Western amber durum wheat milled	222	215	234	212
Other western wheat milled	126	105	76	65
Ontario winter wheat milled	496	553	547	584
Other eastern wheat milled	113	81	81	101

Source: Statistics Canada

Storage Stocks – MY 2021/22

Wheat ending stocks are projected to shrink from the previous year on significantly reduced domestic supplies of all spring, durum, and winter wheat.

Storage Stocks – MY 2020/21

Total stocks of wheat increased 3.7 percent year-over-year to 5.7 million MT as of July 31, largely on higher opening supplies (up 4.6 percent to 40.8 million MT), according to Statistics Canada data. The increase was led by higher commercial stocks (up 7.1 percent to 3.5 million MT), which more than offset lower on-farm stocks (-1.3 percent to 2.2 million MT). An increase in total wheat stocks was driven by wheat excluding durum (up 4.0 percent to 5.0 million tons), while durum wheat stocks rose 2.0 percent to 751,500 tons.

Attachments:

No Attachments