

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 4/29/2016

GAIN Report Number: CA16021

Canada

Grain and Feed Annual

2016

Approved By:

Teresa McKeivier

Prepared By:

Darlene Dessureault

Report Highlights:

According to Statistics Canada planting intentions and assuming average yields, Post forecast total production of wheat, barley, corn and oats to reach 53.6 million metric tons (MMT) in 2016/2017. This is a 1.5 percent increase from 2015/2016 production levels. Wheat and barley production are forecast to increase by 4.0 percent and 1.3 percent, respectively, from 2015/2016. Corn and oat production are forecast to drop by 1.6 percent and 5.9 percent, respectively. Total imports are forecast to fall nearly 5 percent due to mainly to higher domestic supplies of barley in 2016/2017. Total exports, mainly wheat, are forecast to drop nearly 9.0 percent due to lower domestic supplies and lower carry-in of wheat. Wheat ending stocks are projected to drop to a record low.

Grain and Feed Annual - 2016

Executive Summary

2016/17:

Statistics Canada planting intentions released on April 21, 2016 report that total area planted in 2016 will be 15.03 million hectares, slightly lower than area seeded in 2015 of 15.2 million hectares. Area seeded to durum, winter wheat (seeded in fall), barley and corn are forecast to increase 5.2 percent, 25.9 percent, 3.8 percent and 6.2 percent, respectively over 2015/2016 area seeded. Planting intentions suggest that area seeded to spring wheat and oats will fall from 2015/2016 by 5.7 percent and 10.9 percent, respectively. Canadian farmers also report that they intend to plant more pulse crops this year, mostly affecting spring wheat acres. Post has adopted these intentions and, assuming average yields, forecast total production of wheat, barley, corn and oats to reach 53.6 million metric tons (MMT). This represents a 1.5 percent increase from 2015/2016 production levels. Wheat and barley production are forecast to increase by 4.0 percent and 1.3 percent, respectively, from 2015/2016. Corn and oats production is forecast to fall by 1.6 percent and 5.9 percent, respectively. Total imports are forecast to fall nearly 5 percent due to higher domestic supplies of barley in 2016/2017. Total exports are forecast to decrease nearly 9 percent due to lower domestic supplies and lower carry-in of wheat.

WHEAT OUTLOOK

Wheat Market Begin Year	2014/2015		2015/2016		2016/2017	
	Aug 2014		Aug 2015		Aug 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Canada						
Area Harvested	9480	9480	9600	9577	0	9547
Beginning Stocks	10436	10406	7075	7075	0	3854
Production	29420	29420	27600	27594	0	28700
MY Imports	502	502	485	485	0	500
TY Imports	490	490	485	485	0	500
TY Imp. from U.S.	348	348	0	350	0	350
Total Supply	40328	40328	35160	35154	0	33054
MY Exports	24111	24111	22000	22500	0	20500
TY Exports	24825	24825	22000	22500	0	20500
Feed and Residual	3812	3812	3600	3600	0	3600
FSI Consumption	5330	5330	5200	5200	0	5200
Total Consumption	9139	9142	8800	8800	0	8800
Ending Stocks	7075	7075	4360	3854	0	3754
Total	40328	40328	35160	35154	0	33054

Distribution						
(1000 HA) ,(1000 MT)						

Production

Low prices relative to alternative crops combined with limited productivity gains are leading Canadian wheat farmers to seed 1.3 percent less area to wheat in 2016/2017. However, winter wheat area is up significantly in 2016/17, masking the decline in spring wheat area. Planting intentions published by Statistics Canada suggest that farmers are switching from wheat to more area planted to durum, corn, and pulse crops.

Canadian farmers reported that they will be planting 5.2 percent more area to durum wheat; however this increase is offset by a 5.7 decrease in spring wheat area. Area seeded to winter wheat is also reported up significantly and reflects a return to more normal levels after back-to-back poor crops. Post has adopted these seeding intentions and forecasts area harvested to wheat to fall to 9.547 million hectares, 30,000 hectares below 2015/2016 area harvested.

Post forecasts wheat production to increase 4.0 percent to 28.7 MMT. The decline in area seeded will be more than offset assuming average yields.

Trade

Post forecasts total 2016/17 wheat exports at 20.5 MMT. Although production is projected higher, low carry-in stocks will limit exports. In 2015/2016, Post is raising the 2015/16 export estimate to 22.5 MMT, 500,000 tons above the official USDA estimate. The strong export pace continues, as a weak Canadian dollar buoys exports, but the pace is expected to slow over the summer months as supplies tighten.

Consumption

In 2016/2017, wheat consumption is forecast to remain flat at 2015/2016 expected levels of 8.8 MMT. Use of wheat in 2015/2016 is expected to fall compared to 2014/2015 levels due to an abundance of supplies of competitively priced alternative feeds available due to increased domestic crush levels in canola and soybeans.

Stocks

In 2016/2017, stocks are projected to fall to a record low at 3.754 MMT as the increase in production is not able to off-set low carry-in stocks. In 2015/2016, stocks are expected to drop to 3.854 MMT.

CORN OUTLOOK

Corn Market Begin Year Canada	2014/2015		2015/2016		2016/2017	
	Sep 2014		Sep 2015		Sep 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1227	1227	1310	1312	0	1390
Beginning Stocks	1600	1600	1402	1402	0	1511
Production	11487	11487	13600	13559	0	13345
MY Imports	1558	1558	1000	1000	0	1000
TY Imports	1533	1533	1000	1000	0	1000
TY Imp. from U.S.	1472	1472	0	980	0	980
Total Supply	14645	14645	16002	15961	0	15856
MY Exports	423	423	1000	1000	0	500
TY Exports	395	395	1000	1000	0	500
Feed and Residual	7426	7426	8000	8000	0	8130
FSI Consumption	5394	5394	5400	5450	0	5500
Total Consumption	12820	12820	13400	13450	0	13630
Ending Stocks	1402	1402	1602	1511	0	1726
Total Distribution	14645	14645	16002	15961	0	15856
(1000 HA) ,(1000 MT)						

Production

Planting intentions published by Statistics Canada show farmers intend to plant 6.2 percent more corn in 2016/17 than in 2015/2016. Farmers in Quebec and Ontario produce 90 percent of Canada's corn crop and are reporting a 4 percent increase over 2015/2016 area seeded. Farmers in Manitoba are reporting a 44% increase over 2015/2016 area. Area seeded to corn in Manitoba has been steadily increasing since 2007 due to the development of earlier maturing varieties.

Post has adopted the Statistics Canada seeding intentions and forecasts area harvested to rise to 1.39 million hectares, nearly 6 percent higher than 2015/2016. The increase in area seeded to corn is forecast to be offset by a return to average yields resulting in Canadian corn production of 13.345 MMT for 2016/2017. This is 1.6 percent below 2015/2016.

Consumption

In Canada, the largest market for corn is livestock feed, followed by ethanol production. No change in renewable fuels mandates is expected in Canada in 2016/2017 that would impact the demand for ethanol. However, lower fuel prices are encouraging higher consumption, thus greater demand for ethanol. While there seems to be some loosening of provincial policies in Western Canada that have been restricting hog expansion, any increase in hog production will be gradual. The repealing of the Country of Origin Labelling (COOL) legislation is also expected to have little impact on feed consumption in the next crop year. However, lower relative prices and ample supplies in 2016/17 are expected to spur additional feed demand slightly, up 100,000 tons from 2015/16 to 8.1 MMT. A slight increase in demand for ethanol industry is also forecast for 2016/2017.

Ethanol usage in 2015/2016 is expected to increase in response to more gasoline consumption resulting from lower gas prices. This increase is reflected in Post expecting a FSI consumption to reach 5.45 MMT; 50,000 tons above USDA official number.

Trade

Imports are expected to remain at 1.0 MMT in 2016/2017, mainly to meet the needs of the Canadian ethanol industry. Corn exports are expected to drop to 500,000 tons in 2016/17 from 1.0 MMT in 2015/16.

Stocks

Corn stocks are forecast to increase to 1.726 MMT in 2016/2017 as a result of higher carry-in and lower exports. Corn stocks in 2015/2016 are forecast lower to 1.511 MMT, slightly lower than USDA official estimates due to Post using the Statistics Canada production number and anticipating a higher FSI usage.

BARLEY OUTLOOK

Barley Market Begin Year	2014/2015		2015/2016		2016/2017	
	Aug 2014		May 2015		Aug 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Canada						
Area Harvested	2136	2136	2350	2354	0	2486
Beginning Stocks	1950	1950	1217	1217	0	1478
Production	7119	7119	8225	8226	0	8330
MY Imports	136	136	115	150	0	50
TY Imports	165	165	90	150	0	50
TY Imp. from U.S.	76	76	0	75	0	50
Total Supply	9205	9205	9557	9593	0	9858
MY Exports	1516	1516	1400	1365	0	1500

TY Exports	1384	1384	1450	1365	0	1500
Feed and Residual	5222	5222	5350	5500	0	5685
FSI Consumption	1250	1250	1250	1250	0	1300
Total Consumption	6472	6472	6600	6750	0	6985
Ending Stocks	1217	1217	1557	1478	0	1373
Total Distribution	9205	9205	9557	9593	0	9858
(1000 HA) ,(1000 MT)						

Production

Statistics Canada planting intentions for barley indicate that farmers intend to plant more barley in 2016/17. Area seeded is projected 3.7 percent above 2015/2016. Saskatchewan and Alberta reported a 7.6 percent and 1.9 percent increase in intentions, respectively. A reported 14.9 percent decrease in barley planting intentions in Ontario is not large enough to offset the increase in the other Provinces.

Alberta and Saskatchewan are the largest barley producing provinces in Canada, together accounting for 86 percent of the Canadian barley production.

Post has adopted these intentions and, assuming average yields, forecasts barley production to reach 8.33 MMT, 1.3 percent above 2015/2016 levels of 8.226 MMT. Canada is the 4th largest barley producer in the world.

In recent years, Canadian barley producers have chosen to grow a relatively limited numbers of varieties of malting barley. In 2015, over 70% of the area seeded to malting barley in Western Canada was to two types of two-rowed malting barley cultivars – AC Metcalf and CDC Copeland. While there are new, higher yielding varieties of malting barley cultivars available, maltsters are comfortable with these two main cultivars. As a result, commercial opportunities for producers who wish to grow newer varieties are limited.

Trade

Generally, the bulk of barley exports are destined for the malting industry, with a smaller proportion for feed. In recent years, however, China has been importing increasing amounts of Canadian barley for use as both a feed and for its expanding malting industries. Barley exports to China have increased significantly over the last three years, and accounted for 55 percent of total Canadian barley exports in 2014/2015. China's announcement that it will end its corn stockpiling program could reduce Chinese demand of Canadian barley for feed use. In 2016/2017, Post is assuming that a return to average yields and quality will result in increased amount of malting barley to be available for export and help offset potential reduced import demand for feed barley in China. Post forecasts exports of barley to reach 1.5 MMT in 2016/2017.

Post estimate for barley exports in 2015/2016 is 1.365 MMT. This is 35,000 tons below official USDA estimates and is based on less malt barley available for exports due to weather damage, as well as export pace to-date (Aug-Feb).

Barley imports are forecast to fall in 2016/2017 due to large supplies. In 2015/2016, Post expects barley imports will reach 150,000 tons, 35,000 tons more than the official USDA estimate, based on import pace to date (Aug – Feb).

Consumption

On average, 80 percent of the Canadian barley crop is used domestically as feed for livestock. In 2016/2017, Post forecast feed consumption to increase slightly to 5.685 MMT, slightly higher than the Post revised estimate of 5.5 million tons in 2015/16. A small increase in FSI consumption is also forecast in 2016/17 to reflect expected growth in malt barley consumption given ample supplies.

In 2015/2016, malt exports pace (Aug – Feb) is similar to the previous year suggesting that barley going into the malting industry is on par with 2014/15. Post expects FSI usage of barley to remain level with the 2014/2015 levels.

Stocks

In 2016/2017, Post forecast stocks to drop slightly due to higher domestic use and exports. In 2015/2016 stocks will decline due to higher feed use.

OATS OUTLOOK

Oats Market Begin Year	2014/2015		2015/2016		2016/2017	
	Aug 2014		Aug 2015		Aug 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Canada						
Area Harvested	928	912	1050	1055	0	1000
Beginning Stocks	1054	1054	681	681	0	869
Production	2979	2979	3430	3428	0	3225
MY Imports	13	13	10	10	0	15
TY Imports	12	12	10	10	0	15
TY Imp. from U.S.	11	11	0	0	0	14
Total Supply	4046	4046	4121	4119	0	4109
MY Exports	1692	1692	1600	1600	0	1600
TY Exports	1729	1729	1600	1600	0	1600
Feed and Residual	893	893	850	850	0	850
FSI Consumption	780	780	800	800	0	800
Total	1673	1673	1650	1650	0	1650

Consumption						
Ending Stocks	681	681	871	869	0	859
Total Distribution	4046	4046	4121	4119	0	4109
(1000 HA) ,(1000 MT)						

Production

Farmers are reporting that they intend to plant less oats in 2016/17. Higher expected returns on alternative crops are driving this change. Canadian farmers are reporting that they intend to plant 10.9 percent less area to oats in 2016/2017. Farmers in Saskatchewan alone, where about 50 percent of the oats are grown, are reporting a 16 percent drop in planting intentions compared to 2015/2016. Post has adopted the Statistics Canada seeding intentions and, assuming average yields, forecasts production at 3.225 MMT, a 22 percent decrease from 2015/2016 production.

Trade

Nearly all Canadian oats exports go to the United States, with a small portion going to Asian markets. Exports in 2016/2017 are forecast to remain at 2015/2016 export levels of 1.6 MMT.

Consumption

Market research shows that consumption of ready-to-eat cereal has declined in favor of ready to eat cereals bar and this has limited oats demand. In 2016/2017, consumption of oats for feed and FSI usage is forecast to remain at 2015/2016 levels of 1.65 MMT.

Stocks

In 2016/2017, oat stocks are forecast down slightly due to higher carry-in stocks being unable to offset a reduction in production.

POLICY DEVELOPMENTS:

Change in Government:

In October 2015, the federal Liberal Party of Canada won a majority government and the former Conservative government now forms the official opposition. With the change of government comes a demographic shift that has resulted in the most urban-based government in Canadian history. Some industry observers note that this may make it more difficult for agricultural issues such as market access, access to labor, low level presence and transportation to receive priority attention. Shortly after the government took power, the Prime Minister made public the mandate letters he sent to his Ministers. The mandate letters set the objectives that each Ministry in the government must work towards. The new government prioritized infrastructure, trade, and climate change which may be good for Canadian grains and oilseed producers who are heavily dependent on exports markets. The climate

change agenda does not focus on biofuels, however, there may still be opportunities within that policy space for Canadian agricultural producers to demonstrate and market their contribution to greenhouse gas reductions.

Transportation:

Transportation is one area where the government has signaled it will put its resources. The Canadian Minister of Transport tabled the Canada Transportation Act (CTA) Review report in late February 2016. The review, which was to occur in 2015, was launched ahead of schedule due to a transportation log jam that impacted the agricultural sector heavily. The review is an exercise to identify the priorities and actions in the transportation sector needed to support Canada's long-term economic well-being. For the Canadian grains and oilseed sector, so heavily reliant on exports, an efficient grain handling system is the life blood of the industry. To date, the government has made no official comment on the report recommendations.

In late April, 2016, the Canadian government announced that the provisions of the Fair Rail for Farmers Act will be extended for one year. The provisions of the Act focus on trying to achieve better rail service through measure designed to increase accountability and foster competitiveness.

With the collapse of the oil prices in late 2015 and 2016, the extra capacity in the rail system, combined with new dedicated rail programs put forth by the railway companies, railway capacity has been able to meet increased demand from the grains sector that needs to get the crop to export positions. Railway performance continues to be monitored very closely.

Weekly and monthly reports will be available at www.grainmonitor.ca. In addition, weekly reporting by corridor on rail car supply is being made available by the Ag Transport Coalition at the following URL address: www.agtransportcoalition.com.