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Grain and Feed Update

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Approved By:

Jeff Zimmerman – Agricultural Attaché

Prepared By:

Darlene Dessureault – Senior Agricultural Specialist

Report Highlights:

Despite area seeded to wheat, barley, and oats in 2015/2016 increasing 4 percent above 2014/2015 levels, a dry spring and summer in Western Canada is anticipated to result in lower production due to lower yields. Total production of wheat, barley and oats in 2015/2016 is forecast at 37.2 mmt, a 5 percent decrease from 2014/2015 levels of 39.3 mmt. Lower supplies of wheat, barley and oats will limit exports. Better growing conditions being experienced in Quebec and Ontario are forecast to result in corn production increasing 6 percent above 2014/2015 production levels to reach 12.2 mmt. A return to more average supplies of corn in 2015/2016 is anticipated to limit demand for corn imports. Corn for feed use is expected to stay stagnant in 2015/2016 due to pork producers being unlike to grow their herds due to the lower prices for pork in the U.S. export market resulting from U.S. domestic oversupply. For 2014/2015, year-to-date barley import statistics show barley imports significantly higher than average. Strong demand from China has been driving Canadian barley exports and domestic barley users have been forced to increase the amount of barley they import.

Post:

Ottawa

Executive Summary:

According to Statistics Canada, total area seeded to wheat, barley and oats in 2015/2016 increased 4 percent over 2014/2015 area seeded. Despite this, a dry spring and a dry summer is expected to lower yields resulting in total production of wheat, barley and oats in 2015/2016 falling to 37.2 mmt, a 5 percent decrease from 2014/2015 production levels. The impacts of the drought are uneven across the Prairies with some areas receiving inadequate precipitation, while other areas, such as the area around Winnipeg, receiving too much precipitation. Moisture stress in crops in Alberta and some part of Saskatchewan, and hot and humid conditions in Manitoba, are accelerating crop development which is expected to lower yields. Despite Statistics Canada reporting similar area seeded to wheat in 2015/2016 as in 2014/2015, wheat production is forecast to fall to 27.1 million metric tons (mmt), an 8 percent drop from 2014/2015 production levels. Area seeded to barley in the spring of 2015 increased over 11 percent over 2014/2015 levels, however barley production in 2015/2016 is forecast to fall to 6.9 mmt, a new record low. Trade projections have also been adjusted downward to reflect lower supplies. Barley imports in 2015/2016 are expected to follow a similar trend seen in 2014/2015 due to very low domestic supplies. Barley imports in 2014/2015 are on track to reach 120 thousand metric tons (tmt), a more than 10-fold increase from 2014/2015 levels. The increase in imports is due to significantly due to low domestic supplies resulting from high exports levels to fill China demand. Fears of inadequate feed supplies in Alberta are forecast to result in lower feed consumption for 2015/2016. Lower feed supplies are expected to lead to beef producers to forgo holding onto heifers through the winter months.

The growing season for corn has been much better in central eastern Canada (Quebec and Ontario) where the majority of the corn is grown. Corn production is forecast at 12.2 mmt for 2015/2016, a 6 percent increase over the previous year's production level. Corn imports are expected to fall to more average levels of 1.0 mmt in 2015/2016 with a return to more normal domestic supply levels anticipated. As corn is grown in Canada mostly to meet the needs of the domestic feed and ethanol industry, a return to more average domestic supplies are anticipated to limit corn exports in 2015/2016. Corn for feed is expected to stay stagnant in 2015/2016 due to the fact that the hog production is not expected to grow. Increased hog production is being limited by low prices for pork in the U.S. export market caused by oversupply. Several exports markets are closed to US pork producers which are causing U.S. domestic supplies to grow. Corn consumption for feed use is expected to increase marginally in 2014/2015 due to a slight increase in herd size as well as statistics showing heavier hogs.

WHEAT:

Wheat	2013/2014		2014/2015		2015/2016	
Market Begin Year	Aug 2013		Aug 2014		Aug 2015	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10442	10441	9460	9462	9600	9580
Beginning Stocks	5052	5052	10351	10351	5101	6700
Production	37530	37530	29300	29281	27500	27100
MY Imports	446	446	480	480	460	460
TY Imports	441	441	480	480	460	460
TY Imp. from U.S.	319	319	0	480	0	460
Total Supply	43028	43028	40131	40112	33061	34260
MY Exports	23270	23270	23700	23000	19500	20500
TY Exports	22157	22157	24200	24000	20000	20500
Feed and Residual	4199	4199	6000	5082	3800	4000
FSI Consumption	5208	5208	5330	5330	5200	5200
Total Consumption	9407	9407	11330	10412	9000	9200
Ending Stocks	10351	10351	5101	6700	4561	4560
Total Distribution	43028	43028	40131	40112	33061	34260
(1000 HA) ,(1000 MT)						

Area Harvested2015/2016

Area harvested to wheat has been adjusted to reflect seeding estimates released by Statistics Canada derived from producer surveys conducted in June 2015. Statistics Canada estimates that total area seeded to wheat (all wheat, including durum) in marketing year 2015/2016 is close to 9.8 million hectares (ha). Area seeded to wheat in the marketing year 2015/2016 was similar to the acreage seeded to wheat in 2014/2015.

Production2015/2016

Despite similar acreage seeded to wheat in the spring of 2015 as was seeded in 2014, wheat production in 2015/2016 is expected to fall close to 8 percent from year 2014/2015 production levels of 29.3 mmt. Based on provincial crop reports, Statistics Canada's Crop Assessment Program, as well as results of the CWB marketing agency crop tour, the production forecast for 2015/2016 for wheat has been lowered significantly from Post's last estimate in April and is only marginally lower than USDA's official number. Post's forecast for wheat production is being lowered to 27.1 million metric tons due to yields of the spring wheat grown in Western Canada being negatively impacted by the dry conditions in some wheat growing regions. The province of Alberta has been particularly hard hit with nearly 75% of the sub-surface moisture conditions rated as fair to poor. The most recent crop report estimated that 27% and 43% of the area seeded to wheat have poor and fair growing conditions, respectively. Areas hardest hit include areas north of Edmonton and northern and eastern regions of the Peace region. Statistics Canada estimates that area seeded to wheat in Alberta accounts for nearly 30 percent of the national total in 2015/2016.

Wheat production in the provinces in Saskatchewan and Manitoba is expected to help mitigate some of the wheat production losses in Alberta. While Saskatchewan is not enjoying ideal growing conditions, most of the province is reporting close to adequate moisture conditions. Only 16 percent of the spring crops are reporting being behind in development. Manitoba's meteorological data and provincial crop data suggest that soil moisture levels in Manitoba are adequate and that the growing conditions for wheat are rates as "good". Hot humid conditions in Manitoba are accelerating crop development which will likely negatively impact yields.

Trade:

2015/2016

Despite a weaker Canadian dollar to help drive exports, lower supplies will limit wheat exports in 2015/2016. Post forecasts wheat export to fall to 20.5 mmt from the 201/2015 anticipated export level of 23 mmt. This represents a decrease of nearly 11 percent, and is in line with USDA's official number of 19.5 mmt. The 2015/2016 wheat crop may struggle with quality issues, however, Canada has proven itself adept at mitigating this impact on exports through a robust wheat promotion program that shows potential Canadian wheat customers how to blend different grades of wheat to achieve the desired result. Often, factors that can result in wheat being downgraded have no effect for end use purposes or can be mitigated through blending with higher grades of wheat.

2014/2015

The most recent export data suggests that wheat exports in 2015/2016 will be similar to the previous year's export levels of 23.3 mmt and is marginally lower than USDA's official number. The export statistics are reflective of strong supplies, a weaker Canadian dollar, and continued strong world demand. The United States is expected to remain the export top market for Canadian wheat (grain). Between 12 and 15 percent of Canadian wheat grain exports are expected to go to the United States in 2014/2015. Indonesia, Italy, Japan and Bangladesh (all between 5-7 percent share) are the next top markets for exports of Canadian wheat grain. In 2014/2015, the United States is expected to be the top market for Canadian wheat products with an estimated market share of 70 percent.

Feed and Food, Seed and Industrial Use

2015/2016

Lower cattle numbers anticipated in 2015/2016 due to fears of a feed shortage due to low supplies of feed grains in western Canada, especially in Alberta, is the reason that Post is lowering the feed use number from Post's April forecast. Post is lowering the feed use number to 4.0 mmt, which is slightly lower than USDA's official number of 3.8 mmt. A weaker Canadian dollar also limits Canadian cattle producers' ability to source corn from the United States which means it is further unlikely that cattle producers, especially in Alberta, will hold onto their replacement heifers through the winter months. FSI consumption is expected to remain stable due to continued strong demand.

2014/2015

Post estimates that consumption of wheat for feed will reach 5.1 mmt in 2014/2015, which represents a 21 percent above 2013/2014 levels of 4.2 mmt. This is reflective of the good supplies, lower barley supplies, and the fact that many beef producers are feeding their cattle in order to sell them to export markets and take advantage of the current currency exchange. Fears of inadequate feed supplies in 2015/2016 are helping motivate increased exports of cattle.

Stocks:

2015/2016

Post anticipates stocks in 2015/2016 to be drawn down to fall to 4.6 mmt due to lower carry-in stocks as well as lower production levels. This is in line with USDA's official number.

2014/2015

Stocks in 2014/2015 are anticipated to be drawn down to 6.7 mmt as high carry-in stocks were not able to off-set lower production levels and strong exports. This is higher than USDA's official number. The difference is a result of USDA predicting more aggressive exports and feed usage.

BARLEY:

Barley	2013/2014		2014/2015		2015/2016	
Market Begin Year	Aug 2013		Aug 2014		May 2016	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2652	2652	2140	2136	2350	2250
Beginning Stocks	983	983	1950	1950	1220	1073
Production	10237	10237	7120	7119	7500	6900
MY Imports	9	9	50	120	25	202
TY Imports	9	9	50	103	25	202
TY Imp. from U.S.	9	9	0	37	0	60
Total Supply	11229	11229	9120	9173	8745	8175
MY Exports	1559	1559	1500	1500	1300	1300
TY Exports	1714	1714	1500	1500	1300	1300
Feed and Residual	6510	6510	5200	5316	5200	5100
FSI Consumption	1210	1210	1200	1300	1200	1275
Total Consumption	7720	7720	6400	6600	6400	6375
Ending Stocks	1950	1950	1220	1073	1045	500
Total Distribution	11229	11229	9120	9173	8745	8175

(1000 HA) ,(1000 MT)

Area Harvested2015/2016

Area harvested to wheat has been adjusted to reflect seeding estimates released by Statistics Canada derived from surveys conducted in June 2015. Statistics Canada estimates that total area seeded to barley in marketing year 2015/2016 is close to 2.6 million ha. This is a nearly 11 percent increase over the previous year's level.

Production2015/2016

Production forecast for 2015/2016 for barley has been lowered significantly from Post's last estimate in April. Based on provincial crop reports, Statistics Canada's Crop Assessment Program, Post's forecast for barley production is lowered to 6.9 mmt which is a 3 percent decrease over the previous year's production, despite a nearly 11 percent increase in area seeded over the previous year. This also represents a record low in barley production for Canada and is lower than USDA's official number of 7.5 mmt. Yields of the barley grown in Western Canada are expected to be negatively impacted by the dry conditions. The province of Alberta has been particularly hard hit with nearly 75% of the sub-surface moisture conditions rated as fair to poor. The most recent crop report estimated that 75% of the area seeded to barley is rated as having poor or fair growing conditions. Statistics Canada estimates that area seeded to barley in Alberta accounts for nearly 52 percent of the national total in 2015/2016. Barley production in the province of Saskatchewan, which accounts for 37% of the area seeded to barley nationally, will help mitigate some of the loss of production. Most of the province is reporting close to adequate moisture conditions and that only 16 percent of the spring crops are reporting being behind in

development. Moisture stress, however, is anticipated to negatively affect yields.

Trade:

2015/2016

Post's forecast is for a further increase of barley imports in 2015/2016 due to low domestic barley supplies. Marketing year imports of barley are forecast to increase significantly over 2014/2015 anticipated levels of 120 tmt to reach 202 tmt. Barley exports will be limited by lower supplies, poorer quality and competing domestic demand. Barley exports are forecast to reach 1.3 mmt in 2015/2016. Much of the trend of higher exports of barley has been driven by increased demand from the Chinese malting industry and for animal feed industry. Post is assuming that this pattern will continue into 2015/2016. Post forecast imports and export numbers differ from USDA official numbers which assume higher domestic supplies than Post.

2014/2015

Barley imports have increased significantly in 2014/2015 compared to the average. Strong demand from China has been driving Canadian barley exports and domestic barley users have been forced to increase the amount of barley they import. Year to date data (August 2014 –May 2015) shows barley imports in 2014/2015 have reached 115 tmt and are coming mainly from Denmark (58 percent share) and the United States (41 percent share). Post estimates that barley imports (grain and seed) will reach 120 tmt in marketing year 2014/2015.

Canadian barley exports have been driven by strong demand from China. China is expected to import more than 700 tmt of Canadian barley in 2014/2015. This is due to a growing demand from the Chinese malting industry that makes beer with a variety of barley grades as well as Chinese demand for feed barley. Year to date Canadian export statistics suggest that total exports of barley (grain and seed) will reach 1.5 mmt in 2014/2015.

Feed and Food, Seed and Industrial Use

2015/2016

Post is forecasting feed use to fall to 5.1 MMT to reflect a smaller beef cattle industry and low supplies. Feed is forecast to fall 4 percent from the 2014/2015 anticipated levels of 5.3 MMT as a result of a slightly constricting beef cattle industry, low supplies and continued competition from exports. Due to fears of a feed shortage, especially in Alberta, cattle producers are unlikely to hold onto replacement heifers in the coming winter. FSI consumption is expected to remain stable due to continued steady demand.

2014/2015

In 2014/2015, the domestic feed industry has been competing with strong demand from export markets. This, combined with lower supplies, is expected to result in barley for feed use to fall to 5.3 mmt in 2014/2015. This represents a nearly 20 percent drop from the previous year's level and is in line with USDA's official number.

Stocks:

2015/2016

Post forecast's that barley stocks in 2015/2016 will be drawn down to 500 tmt as a result of a combination of low production and low carry-in stocks. USDA's official number is nearly double that of Post due to USDA's official production number being significantly higher than Post's.

2014/2015

Stocks in 2014/2015 are anticipated to be drawn down to 1 mmt.

OATS:

Oats	2013/2014		2014/2015		2015/2016	
Market Begin Year	Aug 2013		Aug 2014		Aug 2015	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1113	1113	910	912	1100	1075
Beginning Stocks	506	506	1034	1034	504	575
Production	3906	3906	2910	2908	3250	3200
MY Imports	24	24	10	12	10	10
TY Imports	26	26	10	12	10	10
TY Imp. from U.S.	14	14	0	12	0	10
Total Supply	4436	4436	3954	3954	3764	3785
MY Exports	1662	1662	1800	1800	1600	1600
TY Exports	1732	1732	1800	1800	1600	1600
Feed and Residual	925	925	850	850	850	850
FSI Consumption	815	815	800	729	725	725
Total Consumption	1740	1740	1650	1579	1575	1575
Ending Stocks	1034	1034	504	575	589	610
Total Distribution	4436	4436	3954	3954	3764	3785

(1000 HA) ,(1000 MT)

2015/2016:

For 2015/2016 Statistics Canada seeding estimates suggest that area seeded to oats has jumped 22 percent over 2014/2015 level. This increase is being driven due to strong oats prices. Production is expected to only increase by 10 percent over the previous year's level to reach 3.2 mmt due to lower yields caused by moisture stress in some oats growing areas and hot and humid conditions in other oats growing areas. Post's production forecast is slightly lower than USDA's official number of 3.25 mmt. Low carry-in stocks and lower production levels are forecast to limit oats exports in 2015/2016. Post forecasts oats exports to reach 1.6 mmt, an 11 percent decrease over year 2014/2015 anticipated export levels of 1.8 mmt. Stronger domestic demand is anticipated due to a reduced availability of domestic feed grains expected. Low carry-in stocks and lower production levels are forecast to draw stocks down to 610 tmt.

2014/2015:

For 2014/2015, year-to-date trade statistics (August 2014-May 2015) suggest that oats imports will reach 12 tmt, a 50 percent decrease of the previous year's export level of 24 tmt. This is likely due to a weaker Canadian dollar. Year to date trade statistics also suggest that oats exports will lift slightly from the previous year to reach 1.8 mmt. This is reflective of the U.S. oats users

building up stocks and the weaker Canadian dollars. Strong exports and lower domestic supplies due to higher carry-in stocks being unable to off-set lower production will result in oats stocks being drawn down to 575 tmt.

CORN:

Corn	2013/2014		2014/2015		2015/2016	
Market Begin Year	Sep 2013		Sep 2014		Sep 2015	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1480	1480	1230	1246	1300	1316
Beginning Stocks	1549	1549	1600	1600	1300	1500
Production	14194	14194	11500	11487	12300	12180
MY Imports	506	506	1500	1700	1500	1000
TY Imports	679	679	1500	1700	1500	1000
TY Imp. from U.S.	646	646	1500	1600	0	1000
Total Supply	16249	16249	14600	14787	15100	14680
MY Exports	1949	1949	500	450	500	500
TY Exports	1917	1917	500	450	500	500
Feed and Residual	7520	7520	7500	7600	8000	7600
FSI Consumption	5180	5180	5300	5237	5350	5300
Total Consumption	12700	12700	12800	12837	13350	13020
Ending Stocks	1600	1600	1300	1500	1250	1260
Total Distribution	16249	16249	14600	14787	15100	14680

(1000 HA) ,(1000 MT)

2015/2016:

For 2015/2016, Statistics Canada estimates area seeded to corn as 1.3 million ha. This represents a 6 percent increase over the previous year`s level. The growing season has been much better in Quebec and Ontario where the majority of the corn is grown. Assuming normal yields, corn production is forecast to be nearly 12.2 mmt, a 6 percent increase over 2014/2015 levels. Corn imports in 2015/2016 are forecast at 1 mmt, the level estimated necessary to meet domestic demand. Corn exports in 2015/2016 will be limited by average domestic supplies. Corn for feed is expected to stay stagnant in 2015/2016 due to pork producers being unlike to grow their herds due to the lower prices for pork in the U.S. export market resulting from U.S. domestic oversupply. Several exports markets are closed to U.S. pork producers which are causing U.S. domestic supplies to grow. Demand for corn for industrial use will remain constant due to steady

demand for ethanol.

2014/2015:

Imports of corn are expected to reach 1.7 tmt in 2014/2015, reflecting a return to more average exports levels resulting from more average domestic supplies. Corn exports will be limited by the more average levels of domestic supplies. Corn consumption is expected to increase a marginal 1 percent in 2014/2015 over 2013/2014 levels due to a slight increase in herd size as well as statistics showing heavier hogs.