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## Canada

### Grain and Feed Update

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**Report Highlights:**

Due to a combination of lower area seeded/harvested, as well as a return to normal yields, the latest information from Statistics Canada puts the 2014/2015 wheat, barley, corn, and oat crop at 48.7 million metric tons (MMT), 26 percent below the previous year's crop of 65.9 million metric tons. High carry-in stocks are off-set by lower production levels resulting in total exports dropping 8 percent to 26.0 MMT from 2013/2014 levels of 28.5 MMT. Imports of wheat, barley and corn are forecast to increase in marketing year 2014/2015 due to lower domestic supplies than the previous year. Corn in particular is forecast to increase 47 percent due to lower domestic supplies, low prices, and steady demand from the feed and biofuel industries.

## **Wheat**

Based on the most recent Statistics Canada numbers, wheat production in 2014/2015 is predicted to fall to 27.5 million metric tons, nearly 27 percent below the year's previous level of 37.5 million metric tons. Unlike the 2013/2014 crop, wheat quality is an issue this year. Very damp weather in the spring and excessive rain close to harvest has resulted in higher than average levels of fusarium that will likely result in only 50% of the wheat crop being graded at CRWS 1 or CRWS2. Durum production regions were particularly hard hit and only 20% of the crop is likely to meet the grade requirements to meet grading at CWAD 1 and CWAD 2 levels.

Despite high carry-in stocks, imports are expected to lift slightly due to an anticipated better rail service north and slightly lower domestic supplies due to a significantly smaller crop size.

For 2014/2015, consistent world demand, strong domestic supplies and a lower Canadian dollar are expected to keep exports strong. Year to date export levels for 2014/2015 are substantially above the average, likely due to a combination of factors which include high carry-in stocks, as well as the railways maximizing efficiencies and concentrating on specific corridors in order to comply with mandated minimum grain transportation volumes. The mandate expires on November 29, 2014, and it remains to be seen whether or not velocity will slow down once and if the corridors being serviced broaden (more rail movement east, south and along feeder lines). Wheat exports are forecast to reach 22.5 million metric tons, well above the five year average of 18.2 million metric tons and slightly lower than the 2013/2014 record wheat export levels of 23.2 million metric tons. In addition to the weaker Canadian dollar, concerns around wheat quality of the 2014/2015 will mean that farmers will have to dry the grain before storage and that even then, difficulties in maintaining quality in storage will act as an incentive to push out the crop as quickly as possible.

As mentioned previously, there are indications that only 50% of the 2014/2015 crop will be graded as CWRS 1 and CWRS 2, and 20% as CWAD 1 and CWAD 2. There is an expectation that 15 % of the wheat will be graded as feed quality wheat. Industry feels that there will be a demand for Canadian wheat, despite the lower quality Canadian industry feels that the quality issues will be addressed through blending at the terminals to meet contract specifications and also through the manufacturing process (fusarium). There is little concern about the volume of feed quality wheat since the average domestic consumption of wheat for feed is within this range. 2014/2015 FSI is forecast to increase as a result of a weak Canadian dollar favoring exports of processed products captured under this category. In addition, the lower quality levels across the entire wheat crop of 2012/13 has resulted in lower relative domestic prices and boost domestic production of wheat-based food products for export.

Wheat Canada	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9,497	9,497	10,440	10,441	9,300	9,346
Beginning Stocks	5,932	5,932	5,052	5,052	9,795	9,795
Production	27,205	27,205	37,500	37,530	27,500	27,486
MY Imports	483	483	441	450	480	480
TY Imports	485	485	441	450	480	480
TY Imp. from U.S.	382	382	319	319	0	460
<b>Total Supply</b>	<b>33,620</b>	<b>33,620</b>	<b>42,993</b>	<b>43,032</b>	<b>37,775</b>	<b>37,761</b>
MY Exports	18,970	18,970	23,243	23,238	22,000	22,500
TY Exports	18,581	18,581	22,137	22,138	22,500	22,500
Feed and Residual	4,398	4,357	4,755	4,786	4,500	4,550
FSI Consumption	5,200	5,241	5,200	5,213	5,250	5,330
Total Consumption	9,598	9,598	9,955	9,999	9,750	9,880
Ending Stocks	5,052	5,052	9,795	9,795	6,025	5,381
<b>Total Distribution</b>	<b>33,620</b>	<b>33,620</b>	<b>42,993</b>	<b>43,032</b>	<b>37,775</b>	<b>37,761</b>

1000 HA, 1000 MT, MT/HA

## **Barley**

Statistics Canada Data estimates 2014/2015 barley production at 7.120 MMT due to lower area harvested and a return to normal yields. Imports are forecast to increase to more average levels due to high-carry-in stocks being off-set by the lower production. Total supplies are expected to fall to a more average level of 9.064 MMT, which is 20 percent lower than 2013/2014 levels.

Barley exports in 2014/2015 are expected to fall by 15 percent as a result of lower domestic supplies. Lower domestic supplies and the availability of more feed wheat at competitive prices are forecast to reduce demand for barley from the feed industry. Despite high carry-in stocks in 2014/2015, and reduced domestic demand and exports, stocks will be drawn down due to the low production levels.

Barley Canada	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,751	2,751	2,650	983	2,100	2,134
Beginning Stocks	1,195	1,195	983	983	1,924	1,924
Production	8,012	8,012	10,250	10,237	7,200	7,120
MY Imports	19	19	9	9	25	20
TY Imports	21	21	25	9	25	20
TY Imp. from U.S.	10	10	0	9	0	15
<b>Total Supply</b>	<b>9,226</b>	<b>9,226</b>	<b>11,242</b>	<b>11,229</b>	<b>9,149</b>	<b>9,064</b>
MY Exports	1,434	1,434	1,559	1,560	1,000	1,320
TY Exports	1,316	1,316	1,700	1,580	1,000	1,320
Feed and Residual	5,669	5,669	6,579	6,565	5,600	5,944
FSI Consumption	1,140	1,140	1,180	1,180	1,200	1,100
Total Consumption	6,809	6,809	7,759	7,745	6,800	7,044
Ending Stocks	983	983	1,924	1,924	1,349	700
<b>Total Distribution</b>	<b>9,226</b>	<b>9,226</b>	<b>11,242</b>	<b>11,229</b>	<b>9,149</b>	<b>9,064</b>

1000 HA, 1000 MT, MT/HA

## Corn

Corn production is expected to fall nearly 20 percent from the previous year to 11.397 MMT which is also well below the five year average. This decrease is due to lower area harvested. US corn imports are expected to rise significantly (47 percent) due to lower domestic supplies resulting from lower carry-in stocks and lower production, as well as a low price for corn. Total corn supply in 2014/2015 is expected to fall to 13.691 MMT, 16 percent below the previous year's level. Lower domestic supplies and abundant US corn production will limit Canadian corn exports. 2014/2015 exports are forecast at 500 thousand metric tons, 72 percent below the previous year's level. Consistent demand from the Canadian livestock industry will keep feed consumption at average levels. Slightly higher corn ethanol blend levels due to carbon reduction requirements will slightly increase the demand for corn for industrial use in 2014/2015. No increase in provincial or federal mandates is expected for 2014/2015. Stocks are forecast to be drawn down to 1.141 MMT in 2014/2015.

Corn Canada	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Sep 2012		Market Year Begin: Sep 2013		Market Year Begin: Sep 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,418	1,418	1,480	1,480	1,250	1,234
Beginning Stocks	1,365	1,365	1,549	1,549	1,594	1,594
Production	13,060	13,060	14,200	14,194	11,500	11,397
MY Imports	481	481	500	475	700	700
TY Imports	493	493	500	475	700	700
TY Imp. from U.S.	479	479	0	475	700	700
<b>Total Supply</b>	<b>14,906</b>	<b>14,906</b>	<b>16,249</b>	<b>16,218</b>	<b>13,794</b>	<b>13,691</b>
MY Exports	1,752	1,752	1,851	1,850	500	500
TY Exports	1,813	1,813	1,800	1,850	500	500
Feed and Residual	6,275	6,275	7,624	7,528	6,600	6,650
FSI Consumption	5,330	5,330	5,180	5,246	5,400	5,400
<b>Total Consumption</b>	<b>11,605</b>	<b>11,605</b>	<b>12,804</b>	<b>12,774</b>	<b>12,000</b>	<b>12,050</b>
Ending Stocks	1,549	1,549	1,594	1,594	1,294	1,141
<b>Total Distribution</b>	<b>14,906</b>	<b>14,906</b>	<b>16,249</b>	<b>16,218</b>	<b>13,794</b>	<b>13,691</b>

1000 HA, 1000 MT, MT/HA

## Oats

Statistics Canada data suggests that oat production for 2014/2015 will reach 2.686 MMT, a decrease from the previous year's level. The decrease is due to lower area planted that may be a result of uncertainty around whether or not the crop can be marketed effectively in 2014/2015. Futures prices continue to reflect the difficulties and uncertainty in shipping the rail-dependent oats south to the United States. The Canadian oats producers are looking into ways that the transportation risk can be mitigated and are looking into trucking options.

Export levels in 2014/2015 are forecast to be at levels similar to those in 2013/2014 due to lower domestic supplies and the fact that the volume mandate imposed on the railways will not be lifted until November 29, 2014 so the priority will remain on gaining efficiencies by focusing on grain transport to the west coast ports. Total domestic consumption will fall to more normal levels due to lower domestic supplies. Stocks will be drawn down as the higher-than average carry-in stocks are offset by lower production.

Oats Canada	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	985	985	1,110	1,113	885	885
Beginning Stocks	805	805	506	506	1,031	1,031
Production	2,812	2,812	3,890	3,916	2,685	2,686
MY Imports	9	9	24	29	10	10
TY Imports	9	9	25	30	10	10
TY Imp. from U.S.	10	9	0	18	0	5
<b>Total Supply</b>	<b>3,626</b>	<b>3,626</b>	<b>4,420</b>	<b>4,451</b>	<b>3,726</b>	<b>3,727</b>
MY Exports	1,607	1,607	1,659	1,659	1,700	1,675
TY Exports	1,359	1,359	1,800	1,750	1,700	1,675
Feed and Residual	753	753	955	986	700	702
FSI Consumption	760	760	775	775	750	750
<b>Total Consumption</b>	<b>1,513</b>	<b>1,513</b>	<b>1,730</b>	<b>1,761</b>	<b>1,450</b>	<b>1,452</b>
Ending Stocks	506	506	1,031	1,031	576	600
<b>Total Distribution</b>	<b>3,626</b>	<b>3,626</b>	<b>4,420</b>	<b>4,451</b>	<b>3,726</b>	<b>3,727</b>
1000 HA, 1000 MT, MT/HA						

**Additional Note on Transportation:** Minister Ritz has indicated that the minimum grain volumes imposed on the railways which are set to expire on November 29, 2014 are unlikely to be renewed, barring a significant increase in stocks in the country elevators as was seen the case the previous year. The anticipated affect is a slowdown in velocity as more corridors such as the movement south and east are addressed. In addition, statistics show that terminal elevators in the ports as well as in the country are at levels that should keep grain delivery free of the bottlenecks that occurred the previous year. Despite supplies being at nearly record levels, the general consensus is that crisis has passed and that attention should turn to addressing the systemic issues that affect rail capacity and service. These issues are being looked at as Canada begins its review of the Canada Transportation Act. A committee has been formed and will report its findings to Parliament in late 2015.