

Required Report: Required - Public Distribution

Date: July 14, 2021

Report Number: CA2021-0045

Report Name: Grain and Feed Update

Country: Canada

Post: Ottawa

Report Category: Grain and Feed

Prepared By: Erin Danielson

Approved By: Katherine Nishiura

Report Highlights:

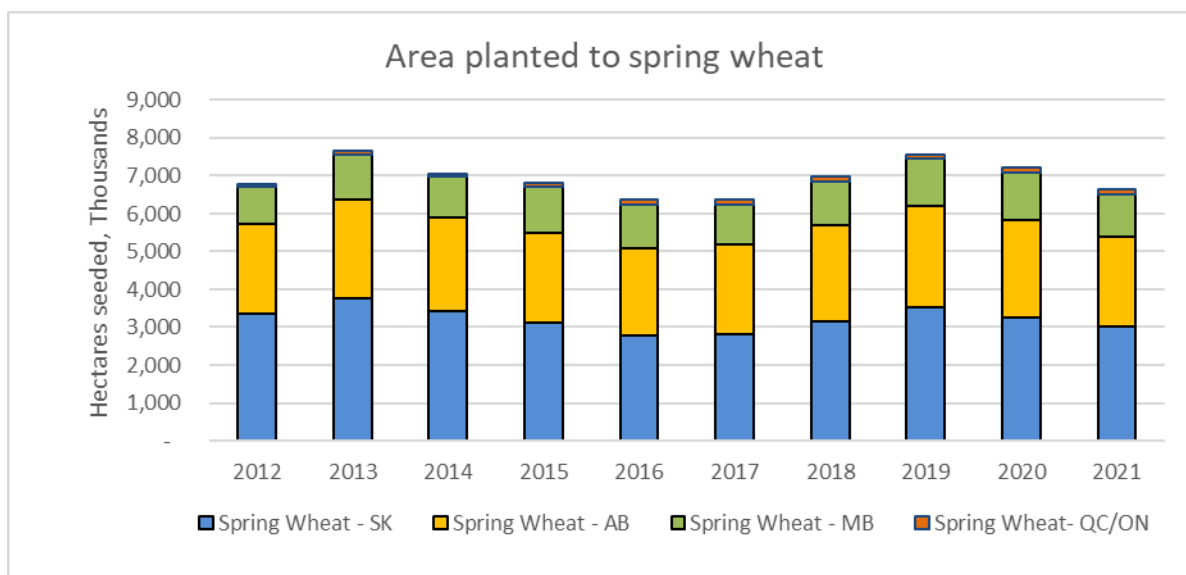
Intense heatwaves, strong winds, and lower-than-average precipitation will negatively impact MY 2021/22 wheat production in vast areas of the Canadian prairies. Parts of Ontario also experienced dryness but later received significant rain, resulting in the lodging of winter wheat. Demand from China continues to drive wheat exports in MY 2020/21. Strong global demand is expected to draw down ending stocks of durum, resulting in a stocks-to-use ratio of only ten percent in MY 2020/21.

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	9,200	9,250
Beginning Stocks (1000 MT)	6,041	6,041	5,499	5,499	3,832	4,650
Production (1000 MT)	32,670	32,670	35,183	35,183	32,000	32,000
MY Imports (1000 MT)	678	674	550	510	700	400
TY Imports (1000 MT)	675	674	550	510	700	400
TY Imp. from U.S. (1000 MT)	390	390				
Total Supply (1000 MT)	39,389	39,385	41,232	41,192	36,532	37,050
MY Exports (1000 MT)	24,627	24,140	27,500	27,100	23,500	22,500
TY Exports (1000 MT)	23,478	22,989	28,000	27,100	23,500	22,500
Feed and Residual (1000 MT)	4,163	4,760	4,700	4,180	4,000	4,450
FSI Consumption (1000 MT)	5,100	4,986	5,200	5,262	5,200	5,000
Total Consumption (1000 MT)	9,263	9,746	9,900	9,442	9,200	9,450
Ending Stocks (1000 MT)	5,499	5,499	3,832	4,650	3,832	5,100
Total Distribution (1000 MT)	39,389	39,385	41,232	41,192	36,532	37,050
Yield (MT/HA)	3.38	3.38	3.51	3.51	3.48	3.37

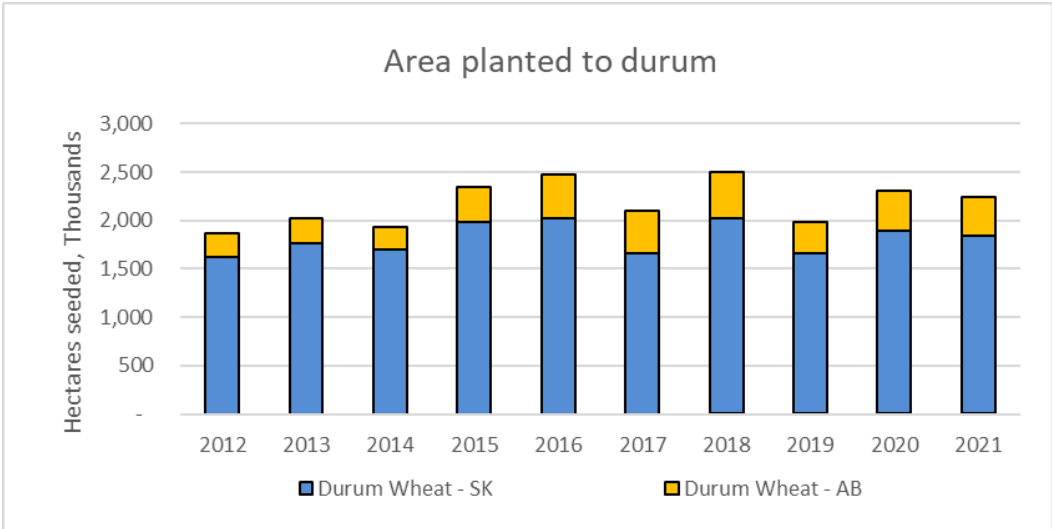
PRODUCTION

FAS/Ottawa reduced the 2021/2022 production forecast based on revised area planted information and dry growing conditions. FAS/Ottawa may further reduce expected yields once the full impact of recent weather events is known.

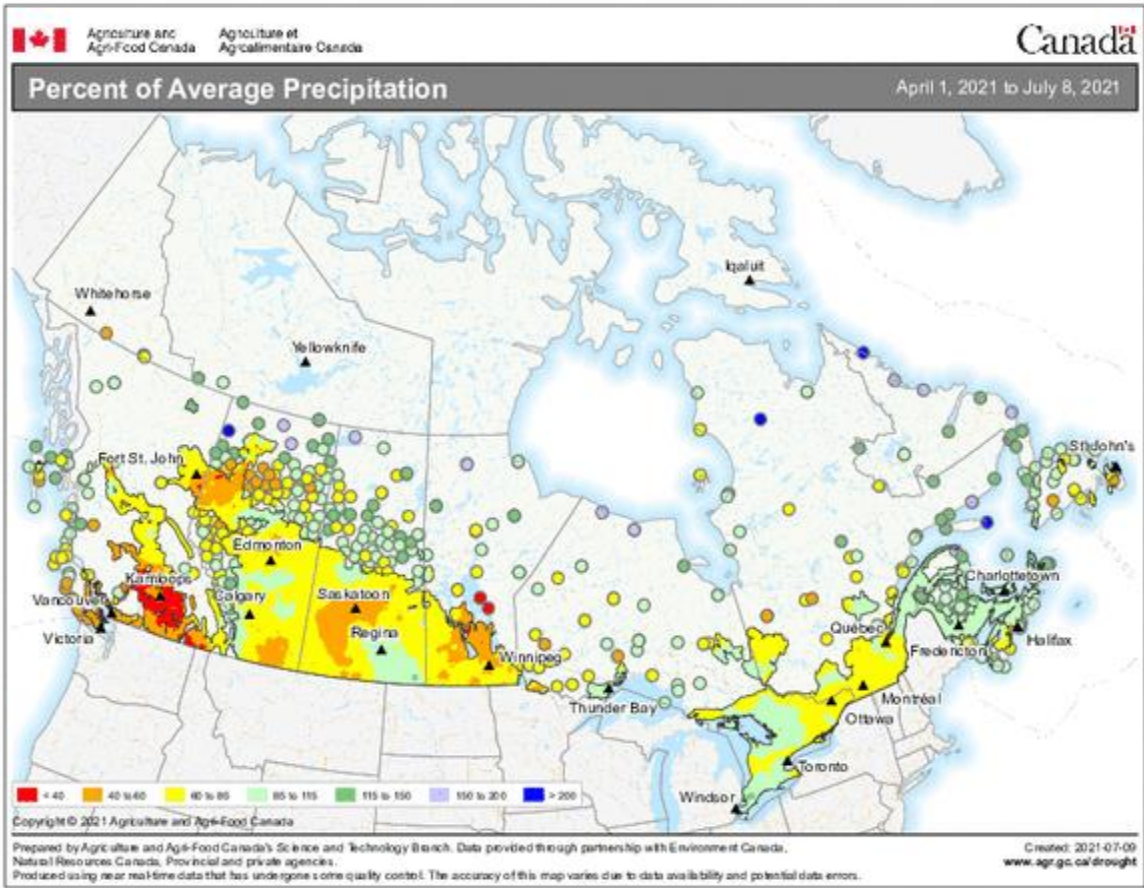
FAS/Ottawa's production estimate is based on Statistics Canada's June 29 production data release, which shows total wheat area planted at 9.49 million hectares, durum at 2.24 million, spring wheat at 6.67 million, and winter wheat at 546 thousand.



Source: Statistics Canada; FAS/Ottawa



Source: Statistics Canada; FAS/Ottawa



Source: Agriculture Agri-Food Canada

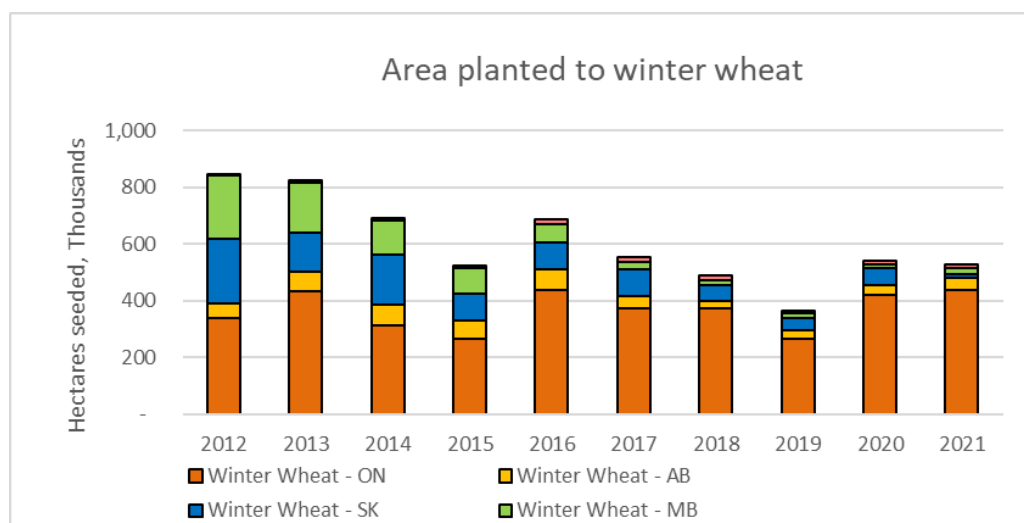
In Saskatchewan, [58 percent](#) of spring wheat crop area is reported to be in good to excellent condition, as of June 28. Dry conditions in the spring allowed farmers in the southern region of the province to plant early. Heat and wind throughout June and going into July has left much of the province facing moderate to extreme drought conditions. Southwestern Saskatchewan also received frost the week of June 21. All regions of Saskatchewan are reporting 58 to 79 percent of spring cereals are at a normal stage of development as of June 29, down from 60 to 83 percent the same time last year.

Industry sources state that wheat fields on the same parallel of Prince Albert, Saskatchewan appear to be fairing among the best of the province, as of July 2. Conditions there are generally described as dry at this time, in contrast to much of the rest of the province which is facing moderate to extreme drought.

As of June 28, crop conditions in Alberta are deemed good to excellent in 70.8 percent of the spring wheat crop (down from 81.4 percent the previous week) and 48.2 percent of the durum crop (no data available the previous week), according to a [crop report](#) by the Agriculture Financial Services Corporation (AFSC). Crop conditions are expected to deteriorate further as the wheat-growing regions around Calgary, Edmonton, and the Peace region face more extremely hot, dry, and windy conditions heading into July.

Even directly east of Calgary, where the May 28 Canadian Drought Monitor and current precipitation maps depict conditions to be better than most of the growing areas of Saskatchewan and Manitoba, the weather may force an early harvest, according to industry sources. These crops are maturing faster than normal and moving into reproductive stages faster than expected due to drought stress.

In Manitoba, wheat in the central and eastern parts of the province are generally maturing faster than normal and moving into reproductive stages faster than expected due to drought stress. While the majority of Manitoba is experiencing extreme drought conditions, images received from industry show wheat grown in Manitoba's southwest and Interlake regions to be in better condition than much of the wheat growing around Calgary, Edmonton, and the Peace regions of Alberta, as of July 2. Wheat in the southwest and Interlake regions are [reported](#) as being 80 percent good to excellent and 70 percent good, respectively.



Source: Statistics Canada; FAS/Ottawa

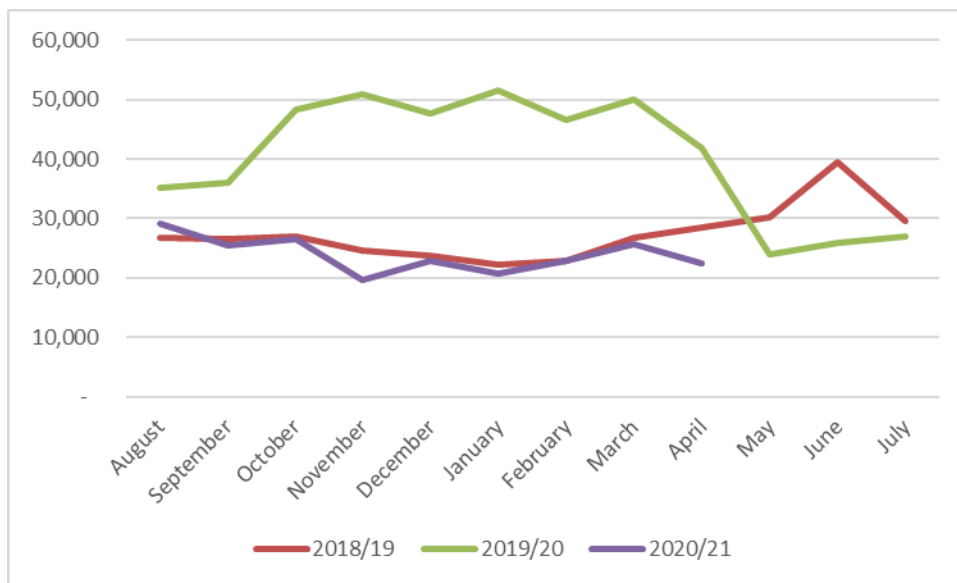
In general, the winter wheat crop looks very good throughout Ontario, despite precipitation maps showing that much of the growing region has been moderately dry to abnormally dry since the beginning of spring, and despite vast reports of frost in mid-June. Industry sources state that lodging has resulted from the heavy rain occurring during the week of June 28, indicating filled heads and high yield.

Ontario winter wheat was in the head-filling stage when dry conditions deteriorated to drought conditions. The shorter the grain-filling period the less potential there is for yield. Ideally, farmers would like to see rain and cooler temperatures during the grain fill period, to extend this period. However, while some areas of Ontario have had little rain through the grain fill, many regions have had adequate moisture. Farmers had the opportunity to apply fungicide on many acres during heading, lowering the incidence of fusarium, along with some leaf diseases that can impact yield.

The Ontario winter wheat harvest began in late June, typical for the most southern counties of Essex, Chatham-Kent and Lambton. Industry sources expect to get a sense of quality and yield over the following week. In regions further north that require another week or two before harvesting, if the topsoil dries out again, disease levels likely will not progress further. However, if soil moisture continues to be excessive right through to harvest, producers may start to see a reduction in quality as fusarium head blight and other head diseases can set in.

IMPORTS

Canada: Wheat Imports from the United States, Including Flour and Wheat Products



Source: Trade Data Monitor, LLC; FAS/Ottawa

Imports of U.S. wheat grain have settled to their five-year average, after a 12-month blip that began May 2019 due to large imports of feed wheat. Imports of wheat products and flour are at an all-time high, due to increased domestic consumption in the front end of MY 2020/21, likely related to the pandemic and increased consumption of cupboard staples such as pasta. Imports of wheat products and flour comprise nearly 80 percent of total wheat imports in year-to-date (YTD) marketing year (MY) 2020/21, compared to only 59 percent in MY 2019/20 when feed imports were higher.

Looking ahead to MY 2021/22, Canada's importation levels may resemble MY 2019/20 when poor harvest weather in Eastern Montana and Western North Dakota resulted in lower quality and an abundance of hard red spring and durum feed wheat. In MY 2019/20, downgraded wheat coupled with improved market opportunities for feed wheat drove increased exports to Canada.

EXPORTS

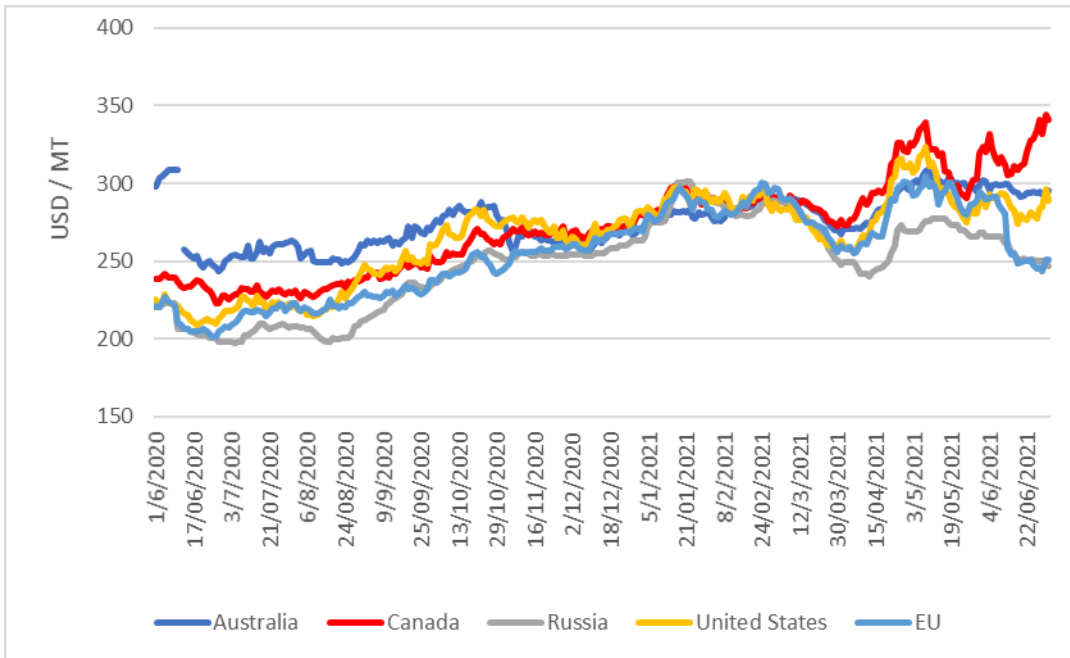
Exports of wheat grain in August through April reached a record high, with large volumes going to China, Peru, Algeria, and Italy. Meanwhile, exports of wheat products and flour are at a seven-year low due to increased domestic consumption.

The free on board (f.o.b.) price¹ for Canadian Western Red Spring (CWRS), 13.5 percent protein shipping from Vancouver, has risen sharply in June on increased drought conditions across the prairies and expectations of a smaller crop. Canada's f.o.b. prices have been higher than competing countries for most of the second half of the marketing year.

¹ The f.o.b. price (free on-board price) of exports and imports of goods is the market value of the goods at the point of uniform valuation, (the customs frontier of the economy from which they are exported).

It is equal to the c.i.f. price less the costs of transportation and insurance charges, between the customs frontier of the exporting (importing) country and that of the importing (exporting) country.

International Daily f.o.b. Export Bids



Source: IGC

*Note on f.o.b. prices: Australia APH, Newcastle (NSW); Russia - Black Sea- milling; EU- France grade 1, Rouen; US- HRW 11.5 percent, Gulf; Canada CWRS (13.5 percent), Vancouver.

Wheat demand from China is more than double the three-year average, and industry sources expect demand will remain high throughout the trade year (July to June) and beyond. While some analysts speculate that the spike in exports is due to China re-building stocks, industry sources indicate that demand for animal feed and milling wheat should continue to fuel demand into MY 2021/22, though exports may ease slightly. Demand for milling wheat is driven by consumers modifying preferences towards various wheat products.

Looking further ahead, foreign import restrictions and drought pose downside risks to FAS/Ottawa's export projection. It is still very early, but if a prolonged heatwave puts stress on the 2021 crop, and moisture deficiency continues, Canada's export potential will deteriorate.

Canada: Top eight markets for wheat grain (incl durum), excluding product and flour, by marketing year to date, (Aug - April), metric tons							
	Destination	2018/19	2019/20	2020/21	% Chg	Difference	Share of exports
	World	17,998,266	15,965,236	20,200,286	27%	4,235,050	100%
1	China	1,625,869	738,760	2,477,390	235%	1,738,630	12%
2	Indonesia	1,890,759	1,510,614	1,636,225	8%	125,611	8%
3	Peru	904,069	901,835	1,571,165	74%	669,330	8%
4	Japan	1,218,076	1,582,443	1,312,954	-17%	(269,489)	6%
5	Italy	394,865	856,394	1,278,470	49%	422,076	6%
6	Colombia	1,006,942	973,665	1,089,684	12%	116,019	5%
7	United States	1,930,829	1,293,559	1,086,068	-16%	(207,491)	5%
8	Bangladesh	982,276	666,201	916,250	38%	250,049	5%

Source: Trade Data Monitor, LLC; FAS/Ottawa

Canada: Top eight markets for wheat products & flour in grain equiv. (*1.368) by trade year to date (Aug to April), metric tons							
	Destination	2018/19	2019/20	2020/21	% Change	Difference	Share of total exports
	World	218,134	218,199	197,729	-9%	(20,469)	100%
1	United States	201,212	201,846	184,850	-8%	(16,996)	93%
2	Ecuador	-	2,334	3,550	52%	1,216	2%
3	Bahamas	1,834	2,141	2,479	16%	338	1%
4	South Korea	784	1,033	1,562	0%	529	1%
5	China	4,785	2,746	865	-69%	(1,881)	0%
6	Bermuda	1,316	1,172	784	-33%	(389)	0%
7	Greece	460	495	666	35%	171	0%
8	Saint Maarten	5	5	321	5775%	316	0%

Source: Trade Data Monitor, LLC; FAS/Ottawa

FEED

Alberta and Saskatchewan, the largest hay-producing provinces in the prairies, are reporting that dry conditions have slowed hay and pasture growth and reduced hay yields. Some producers in Saskatchewan have reported that their ability to support cattle throughout the marketing year will be challenged by dry conditions.

According to the Saskatchewan Ministry of Agriculture's crop [report](#) for the period June 22 to June 28:

Haying operations are off to a delayed start in the province due to cool temperatures and moisture limitations early in the season. For most producers this year's hay crop did not reach a

satisfactory quantity or quality. Hay quality is currently rated as seven per cent excellent, 38 per cent good, 45 percent fair and 10 percent poor.

For the period June 22 to 28, 76 percent of hay and pasture land topsoil in Saskatchewan was [rated](#) as short or very short of moisture, up from 55 percent the previous week, primarily in the south-west and central regions of the province. Both quality and yield are deteriorating quickly.

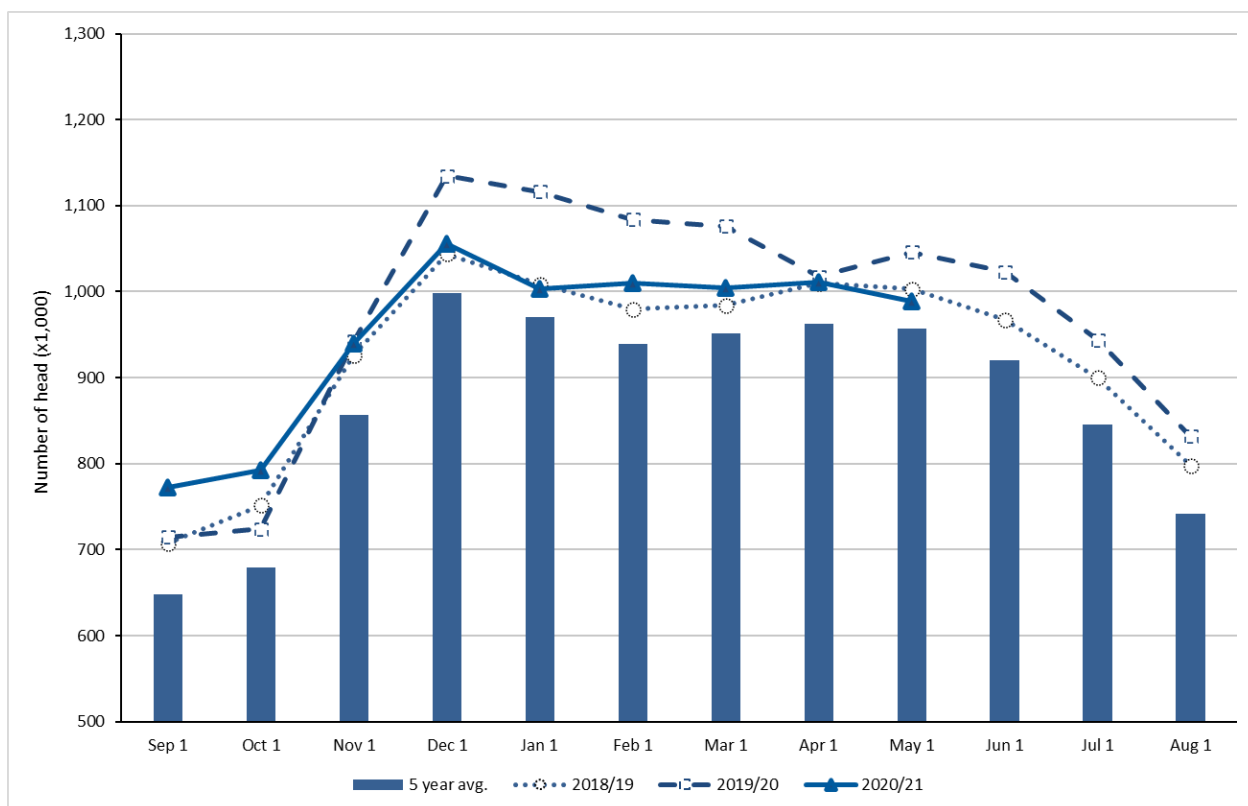
In Alberta, AFSC reports:

Dryland condition is rated 53 percent good and 16 percent excellent, with irrigated hay in better shape at 61 per cent good, with 8 percent excellent. Yields are averaging 1.2 tons per acre on dryland, slightly behind the five-year average of 1.3 tons per acre. Irrigated yields are estimated at 2.1 tons per acre while the five-year average is 2.4

In Manitoba, first-cut hay is underway, with [reported](#) yields ranging from 50 to 80 percent of normal, though with high quality, as of June 28.

As of early March, feed wheat was trading in the range of \$330 to \$365 CDN per ton in the Lethbridge, Alberta region, similar to feed barley.

Cattle on Feed: Alberta and Saskatchewan feedlots with >1,000 head capacity



Source: CANFAX, FAS/Ottawa

FOOD, SEED AND INDUSTRIAL

Milled wheat ('000 MT), August to April				
	MY2017/18	MY 2018/19	MY 2019/20	MY 2020/21
Total wheat milled	2,376	2,400	2,411	2,404
Western red spring wheat milled	1,667	1,671	1,712	1,660
Western amber durum wheat milled	165	162	177	165
Other western wheat milled	92	88	58	52
Ontario winter wheat milled	366	416	412	449
Other eastern wheat milled	88	61	53	75

Source: Statistics Canada

The quantity of wheat milled in Canada is roughly in line with the past two years; however, less flour is being exported and more is being used domestically. The overall growth in wheat milled and flour produced in 2020 was partly because of an increase in milling capacity in Canada.

Looking ahead to the rest of the marketing year, a worsening of drought conditions in the prairies could lead to a smaller western red spring crop and a shortage of hard milling wheat.

As the pandemic improves, the re-opening of restaurants across Canada may lead to a slight decrease in the consumption of flour and products made using flour and semolina, returning levels to a pre-pandemic trajectory.

WHEAT - STORAGE STOCKS

Statistics Canada reports that stocks of total wheat fell 13.6 percent year over year to 16.2 million MT as of March 31. Both on-farm (-14.3 percent) and commercial (-11.2 percent) stocks contributed to the overall decline. Stocks of wheat excluding durum were down 12.9 percent to 13.5 million tons, while durum wheat stocks fell 16.7 percent to 2.8 million MT.

Despite near-record production levels (second to MY 2013/2014), total wheat ending stocks in MY 2020/21 are forecast to reach their lowest level in seven years on increased global demand and higher exports during the COVID-19 pandemic.

Ending stocks of durum are expected to be extremely tight, with a stocks-to-use ratio of ten percent.

The next release of storage stocks data is July 31, 2021.

POLICY AND OTHER DEVELOPMENTS

The Canadian Drought Outlook

Agriculture Agri-Food Canada has recently released the first publication of [The Canadian Drought Outlook](#). The Outlook predicts if drought across Canada will develop, stay the same or improve by the end of the target month. The Canadian Drought Outlook maps are generated using Environment and Climate Change Canada's (ECCC) Global Ensemble Prediction System (GEPS) forecast data. Agroclimate indices, such as the Standard Precipitation Index (SPI), the Standard Precipitation Evaporation Index (SPEI), and the Palmer Drought Severity Index (PDSI) are calculated using the GEPS forecast data. These indices are then combined with the [Canadian Drought Monitor](#) to predict future changes in drought over the course of a month. Both the monitor and the outlook are slated for publication around the seventh day of each month.

Bill C-206

[Bill-C206](#), an act to amend the Greenhouse Gas (GHG) Pollution Pricing Act, passed through the House of Commons at third reading, June 23, but did not make it through the Senate before Parliament rose for the summer. The bill, first introduced in the House in February 2020, is an act to amend the Greenhouse Gas (GHG) Pollution Pricing Act by extending the exemption on fuel taxes for qualifying farming fuel to include not only marked fuel (marked fuel was exempt prior to the passage of the bill), but also marketable natural gas and propane.

The House Ag Committee amended Bill C-206 in May and sent it back to the House to extend the exemption on fuel taxes for qualifying farming fuel to now include fuel used for grain drying.

The Senate may resume its reading of the bill when Parliament sits again in the September; however, government sources indicate that a fall election will likely be called in August, delaying the passing of the bill into law.

The Great Lakes Wheat Yield Enhancement Network

The Great Lakes Wheat Yield Enhancement Network (YEN) launched in June to help U.S. and Canadian farmers in the Great Lakes region navigate new wheat varieties, fertilizer technologies, and other factors that impact yield. Every farm involved in the Great Lakes YEN will share soil, tissue, and whole plant analysis for comparison and benchmarking.

The Great Lakes Yen is the newest group to join the global group of YEN, first developed in the United Kingdom. It is the result of collaboration between Michigan State University, Michigan Wheat Program,

Ontario's Ministry of Agriculture, Food, and Rural Affairs (OMAFRA), Grain Farmers of Ontario, University of Guelph, and partners in the United Kingdom.

Attachments:

No Attachments