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Report Highlights:

Total trade year (TY) 2019/20 wheat exports were down four percent despite a significant increase during the second half of the year. Canada exported 5.1 million metric tons (MMT) of durum in TY 2019/20, on a 5.0 MMT crop, drawing down stocks. Total wheat production is estimated to have increased nearly five percent compared to the 2019 crop and both yields, and quality are described as excellent.

Summary

Canada's wheat exports ended trade year (TY) 2019/20 down four percent below the previous year but have increased significantly since March. Less competition for rail service, helped push wheat, flour, and wheat product exports up. Exports for the months April through August were up 33 percent over the three-year average for that period. The strong export pace has continued in the first quarter of the TY 2020/21.

In TY 2019/20, Canada exported 5.1 million metric tons (MMT) of durum on a 5.0 MMT crop, bringing durum ending stocks to their lowest level in years. Exports of durum were driven up by purchases from Italy, Morocco, and Spain.

In terms of quality and yield, preliminary data from the Canadian Grain Commission and Statistics Canada suggest producers had excellent growing and harvest conditions. Yields are forecast by FAS/Ottawa to reach 3.4 MT/HA, approaching record levels. Growing conditions have been very good in most growing regions and, thus far more, than 80 percent of wheat and durum attained No 1 or 2 quality grades. Dryness began in September, allowing wheat and durum to mature early and be taken off the field before frost arrived. However, fall and winter precipitation will be needed to replenish the soil and water reserves for the next crop.

Wheat and durum have weathered the pandemic well, supported by sustained demand and resilient prices. Inputs such as fertilizer and on-farm chemicals have remained available, rail transportation has been operating in grain producers' favor due to decreased competition from petroleum, and processing facilities have remained open without interruptions to labor supply.

Except where otherwise noted, this report uses Statistics Canada data for historic trade figures. This report refers to marketing years and trade years, which for wheat run from August to July and July to June, respectively.

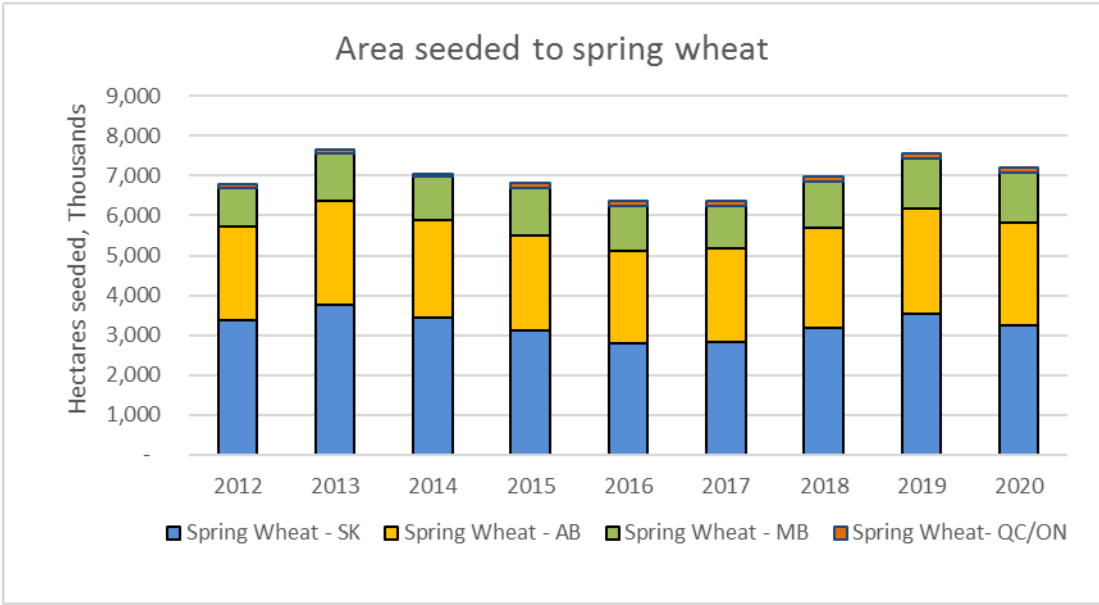
WHEAT Market Begin Year	2018/2019		2019/2020		2020/2021	
	Aug-18		Aug-19		Aug-20	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	9,881	9,881	9,656	9,656	9,900	9,878
Beginning Stocks (1000 MT)	6,732	6,732	5,891	6,041	5,028	5,499
Production (1000 MT)	32,201	32,352	32,348	32,670	35,000	34,145
MY Imports (1000 MT)	482	482	678	677	450	450
TY Imports (1000 MT)	478	478	675	677	450	450
TY Imp. from U.S. (1000 MT)	293	293	390	390		
Total Supply (1000 MT)	39,415	39,566	38,917	39,388	40,478	40,094
MY Exports (1000 MT)	24,380	24,380	24,627	24,604	25,000	25,000
TY Exports (1000 MT)	24,452	24,452	23,478	23,453	25,000	25,000
Feed and Residual (1000 MT)	4,155	4,154	4,162	4,161	4,500	4,000
FSI Consumption (1000 MT)	4,989	4,991	5,100	5,124	5,200	5,060
Total Consumption (1000 MT)	9,144	9,145	9,262	9,285	9,700	9,060
Ending Stocks (1000 MT)	5,891	6,041	5,028	5,499	5,778	6,034
Total Distribution (1000 MT)	39,415	39,566	38,917	39,388	40,478	40,094
Yield (MT/HA)	3.259	3.274	3.350	3.383	3.535	3.457

Production

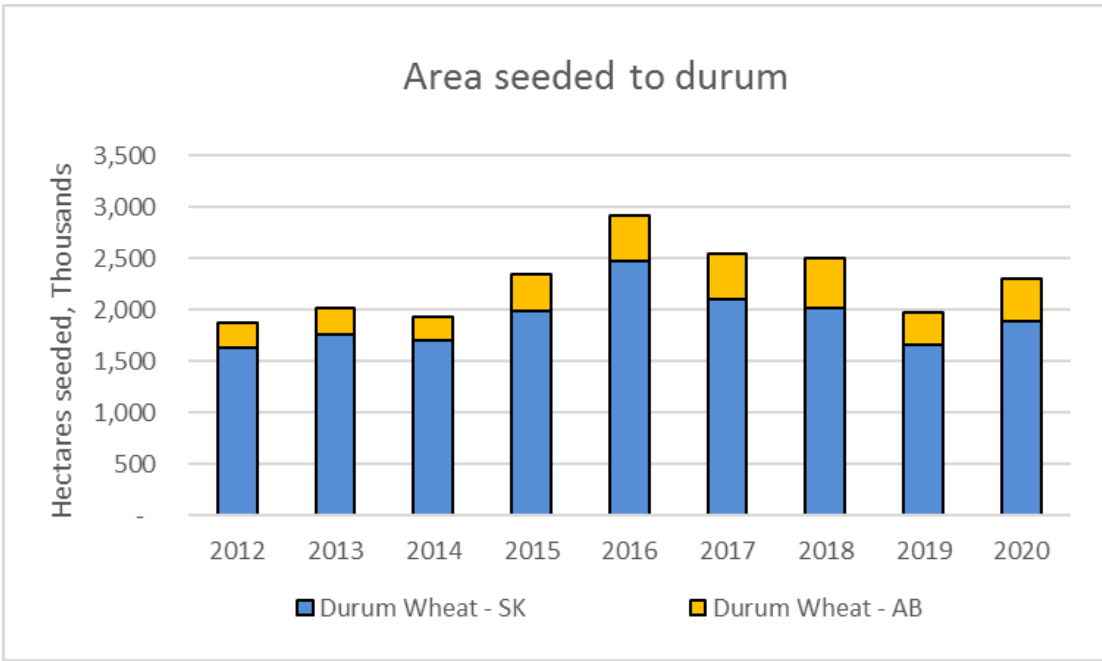
Near record yields of wheat and durum are being observed in 2020 due to excellent growing conditions and favorable harvest weather. The majority of wheat matured early this fall thanks to very hot and dry August weather. The frost that began to occur across the prairies in early September had minimal impact on quality or yield.

Production of spring wheat is down from last year due to decreased area planted. Nonetheless, production is projected to be up over 20 percent from the five-year average. Sixty-five percent of the area planted to spring wheat in 2020 is of the Canadian Western Red Spring (CWRS) variety.

Area seeded to durum wheat was five percent below the previous year. However, at 6.1 MMT, production is expected to be six percent higher due to near-record yields.



Source: Statistics Canada; FAS/Ottawa



Source: Statistics Canada; FAS/Ottawa

Provincial data show excellent harvest progress in the prairie provinces, a significant improvement compared to harvest in the previous two years. By the first week of October, 100 percent of spring wheat in [Saskatchewan](#) was harvested (52 percent last year). In [Alberta](#), 92 percent of the spring wheat was harvested (48 percent last

year). Ninety-nine percent of durum was harvested in Alberta (91 percent last year) and 100 percent of durum was harvested in Saskatchewan (59 percent last year).

At the time of writing, the Canadian Grain Commission's wheat quality data showed a high level of samples in the higher quality No. 1 & 2 categories. While sampling is incomplete and results to date may not reflect actual production, FAS/Ottawa doesn't envision a major deviation from the data collected to date.

CWRS in Western Canada percent of samples by grade, as of Oct. 13, 2020

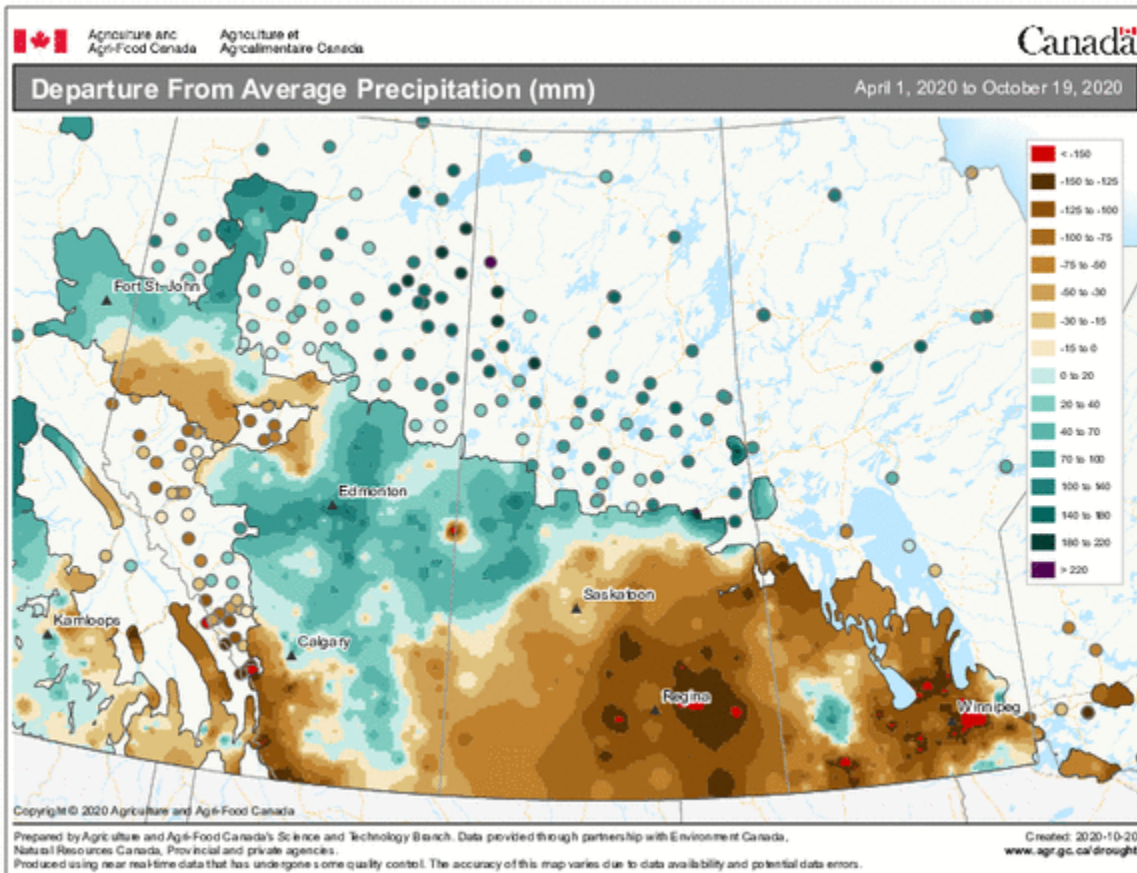
	2016	2017	2018	2019	2020
No. 1	19	78	56	29	68
No. 2	39	14	18	42	23
No. 3	20	4	15	17	4
Feed	22	4	11	11	5
Total number samples	4,325	5,276	6,230	6,296	2,353

Source: Canadian Grain Commission, calculations by FAS/Ottawa

Durum in Western Canada percent of samples by grade, as of Oct. 13, 2020

	2016	2017	2018	2019	2020
No. 1	11	76	67	25	62
No. 2	12	15	17	24	22
No. 3	39	5	10	29	11
No. 4	10	1	3	12	2
No. 5	29	3	2	10	3
Total number samples	1,298	1,539	1,556	1,343	813

Source: Canadian Grain Commission, calculations by FAS/Ottawa



Source: [Agriculture and Agri-Food Canada](https://www.agriculture.gc.ca)

As of late October, cropland topsoil is short of moisture in Saskatchewan and Manitoba. Fall and winter precipitation will be needed to replenish soil and water reserves for the next crop year.

While COVID-19 negatively impacted the prices of corn and barley, cash prices for spring wheat in the prairie provinces have remained resilient due to strong demand. After a dip in July and August, spring wheat prices have since risen steadily to reach \$242 CDN per ton in Saskatchewan as of October 22, 13 percent above the average August price, according to prices reported by [PDO](#).

Durum prices rose in the spring on increased demand for pasta before falling in July and August. Durum prices then have risen six percent above the average August price to \$284 CDN per ton on October 22.

Feed

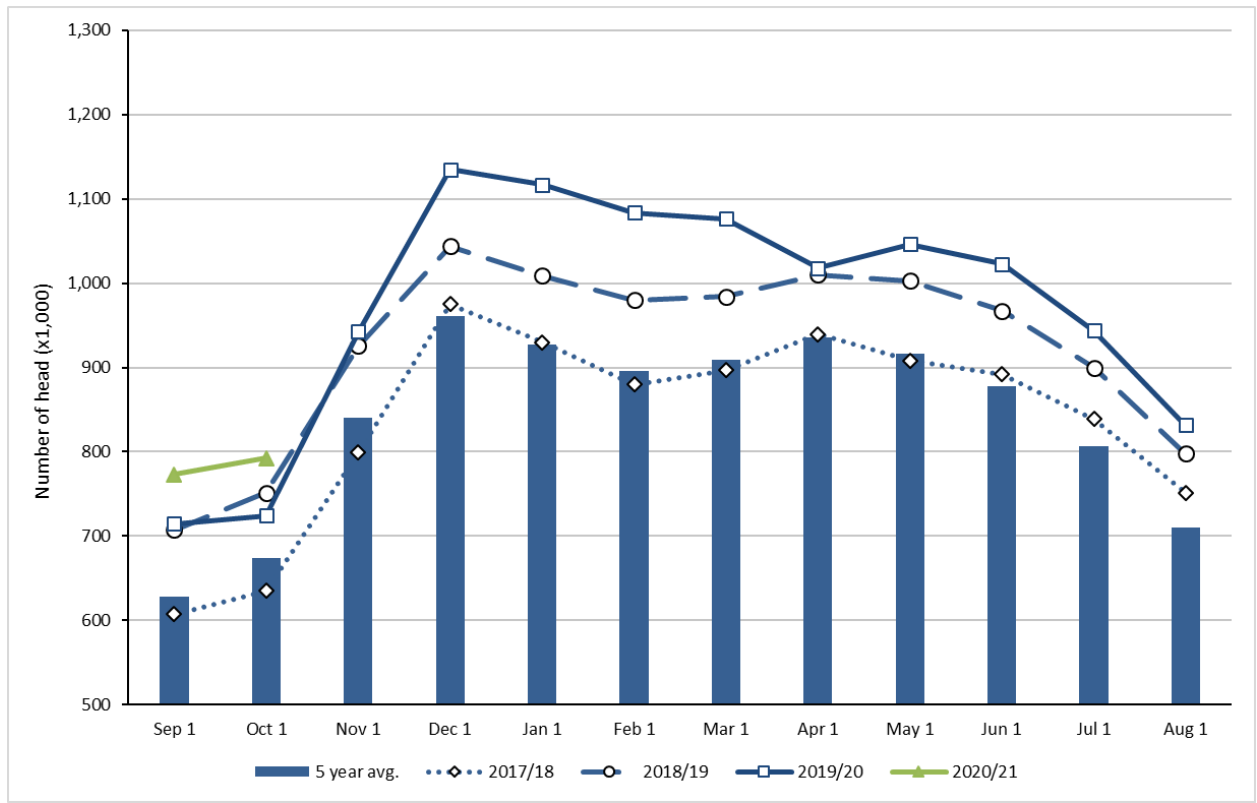
FAS/Ottawa has revised its feed consumption forecast for MY 2020/21 slightly down from the previous forecast due to the high level of Canadian wheat receiving grades 1 and 2. However, demand for feed-quality U.S. wheat may again increase if the corn basis tightens in coming months, leading livestock operators to explore

alternatives. In TY 2019/20, Canada imported a record level of feed wheat from Montana and North Dakota, as discussed in the trade section below.

Most cattle in Canada are fed forages and then are finished on a high grain diet, primarily corn and barley. Uptake of feed wheat is dependent on prices relative to competing grain feed, as well as on herd size. Further, uptake is limited by nutritionists often recommending no more than 40 percent wheat in cattle rations for digestive reasons.

On the demand side, cattle on feed numbers at Alberta and Saskatchewan feedlots are above historic levels, supporting increased feed demand. CanFax reported October cattle on feed inventory in Saskatchewan and Alberta as the highest recorded for that month since 2007.

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



Source: [CANFAX](#); FAS/Ottawa

Food, Seed and Industrial

When averaged across MY 2019/20, the COVID-19 pandemic did not contribute to a significant change in the quantity of wheat milled in Canada. Increased household purchases of flour and products made from flour and semolina is estimated to have helped offset the decline in restaurant usage in the first three months of the pandemic, until panic buying ceased. FAS/Ottawa estimates that short-term heightened purchases of wheat products at grocery stores equated to a one percent increase in per capita consumption of flour and processed wheat products March through May. While data is not yet available anecdotal evidence suggests that household consumption settled closer to pre-COVID levels in the final two months of the marketing year.

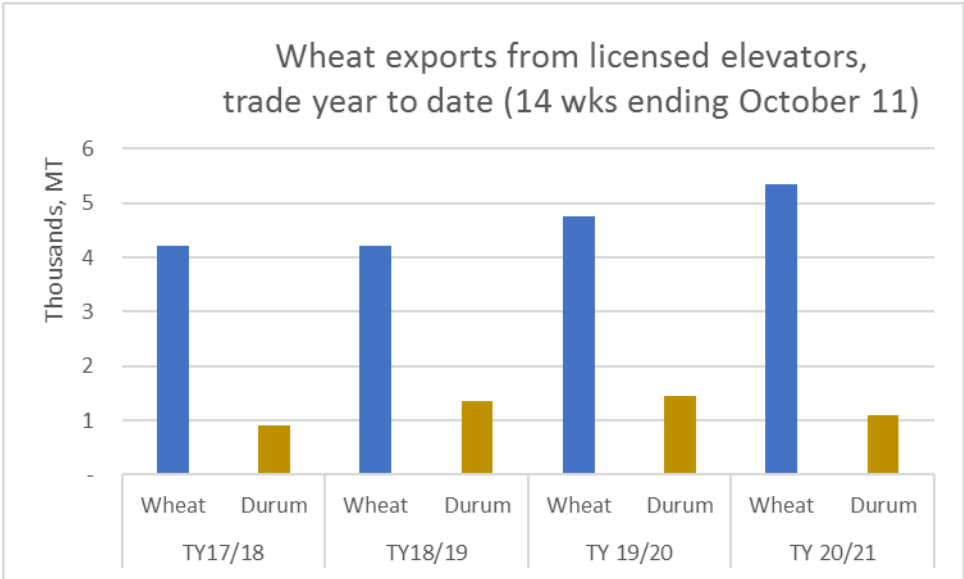
Milled wheat and flour produced ('000 MT), August to July				
	MY 2016/17	MY2017/18	MY 2018/19	MY 2019/20
Total wheat milled	3,009	3,188	3,206	3,212
Western red spring wheat milled	2,110	2,235	2,251	2,263
Western amber durum wheat milled	215	222	215	235
Other western wheat milled	124	126	105	85
Ontario winter wheat milled	439	496	553	546
Other eastern wheat milled	122	113	81	81

Source: Statistics Canada

Industry sources have shared that, in March through May, Canada's flour mills and large bakeries ran around the clock to meet increased demand. The three largest milling companies in Canada grind 90 percent of domestically produced flour and were operating at capacity. Sources indicate this large and rapid increase in demand put stress on flour production capacity, packaging capacity, transportation capacity, and warehousing capacity. However, supply chains were maintained, and grocery shelves continued to be stocked.

Exports – TY2020/2021

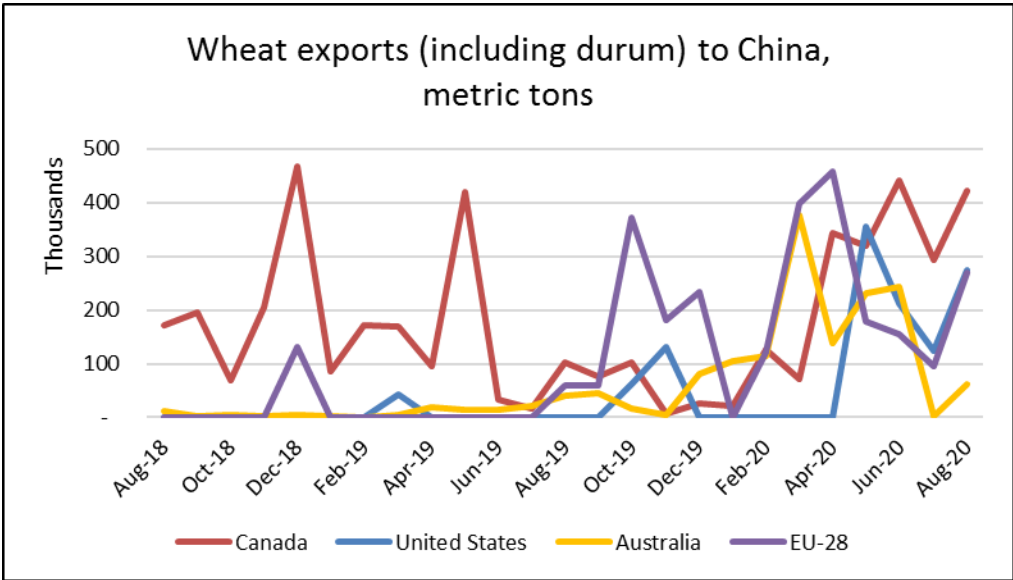
Although still very early in TY 2020/21 data from the Canadian Grain Commission indicate relatively strong wheat (excluding durum) exports shipped out of Canadian ports through the week ending October 11, 2020. Strong demand from China, as well as purchases from Bangladesh and Peru boosted exports in the first quarter of the trade year.



Source: Canadian Grain Commission; FAS/Ottawa

Note: Includes only licensed handlings (grain handlings by primary, process and terminal elevator facilities). Does not include grain moved by producer cars, containers and exports to the United States direct from farms, which are regarded as unlicensed handlings.

Canada continued to be a leading supplier of wheat to China in recent months despite renewed competition. Wheat exports to China increased significantly in April 2020, and then remained strong through August 2020 (the most recently available data from Statistics Canada).



Source: Trade Data Monitor, LLC; FAS/Ottawa

Exports of durum began TY 2020/21 on strong footing as well, led by healthy demand from Italy, Morocco and Spain. Industry sources share that the increased demand from Italy is due to a shortage of high-protein durum wheat in that country.

Access to transportation remained an important factor for Canadian wheat and wheat product exports. As Canada's petroleum industry contracted due to the COVID-19 situation, competition for rail service was reduced. Canadian wheat, flour and wheat product exports benefitted from improved access to rail transport and exports of these products from April through August increased 33 percent in volume above the three-year average. It also helped lead the country to two of the largest monthly wheat export levels ever experienced, in May and July 2020.

Exports – TY 2019/2020

Canadian wheat (incl. durum) exports by trade year (July to June), metric tons							
Partner	07/2017 - 06/2018	07/2017 - 06/2018 % Share	07/2018 - 06/2019	07/2018 - 06/2019 % Share	07/2019 - 06/2020	07/2019 - 06/2020 % Share	
World	21,553,544	100	24,117,174	100	23,132,601	100	
1 Indonesia	1,715,250	7.96	2,386,619	9.90	2,271,565	9.82	
2 Japan	1,784,128	8.28	1,649,682	6.84	2,053,642	8.88	
3 China	1,116,966	5.18	2,094,944	8.69	1,653,916	7.15	
4 United States	3,360,476	15.59	2,453,676	10.17	1,612,775	6.97	
5 Colombia	1,237,810	5.74	1,335,741	5.54	1,358,610	5.87	
6 Peru	1,189,162	5.52	1,244,380	5.16	1,271,229	5.50	
7 Italy	468,193	2.17	752,624	3.12	1,265,499	5.47	
8 Bangladesh	1,219,398	5.66	1,162,296	4.82	956,612	4.14	
9 Morocco	750,524	3.48	879,252	3.65	950,639	4.11	
10 Nigeria	890,132	4.13	797,073	3.31	814,387	3.52	

Source: Trade Data Monitor, LLC; FAS/Ottawa

Exports in TY2019/20 gained strength toward the conclusion of the trade year but ended four percent below the previous year. While the United States is typically the largest buyer of Canadian wheat, in TY 2019/20 it purchased its lowest level since TY 2004/05.

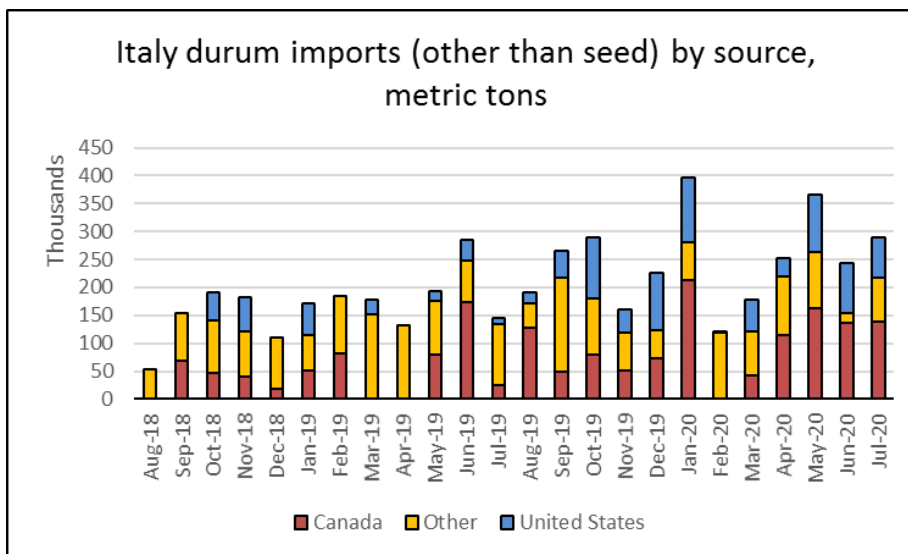
Although exports to China ended the year down, in the second half of TY 2019/20 China became Canada's most important trading partner for wheat grain, purchasing 13 percent of Canada's total exports for that period.

Canadian durum exports by trade year (July to June), metric tons						
Partner	07/2017 - 06/2018	07/2017 - 06/2018 % Share	07/2018 - 06/2019	07/2018 - 06/2019 % Share	07/2019 - 06/2020	07/2019 - 06/2020 % Share
World	4,116,297	100	4,628,903	100	5,108,162	100
1 Italy	355,451	8.64	588,893	12.72	1,115,141	21.83
2 Morocco	743,994	18.07	838,425	18.11	915,998	17.93
3 Turkey	49,523	1.20	310,473	6.71	784,919	15.37
4 United States	932,124	22.65	824,172	17.81	501,900	9.83
5 Algeria	934,758	22.71	1,125,360	24.31	372,618	7.30
6 Japan	166,888	4.05	173,778	3.75	225,057	4.41
7 Tunisia	23,564	0.57	177,831	3.84	207,937	4.07
8 Nigeria	136,491	3.32	52,314	1.13	163,847	3.21
9 Peru	156,683	3.81	131,718	2.85	120,225	2.35
10 Belgium	51,963	1.26	35,944	0.78	103,771	2.03
11 United Arab Emirates	104,042	2.53	81,820	1.77	84,935	1.66

Source: Trade Data Monitor, LLC; FAS/Ottawa

In TY 2019/20, Canada exported 5.1 MMT of durum, on a 5.0 MMT crop, representing 22 percent of national wheat exports. On average, Canada exports about 80 percent of the durum it produces and dominates global trade.

Durum exports were up ten percent over the previous year led by increased demand in Italy and Turkey. Exports of durum wheat to Italy reached 1.1 MMT, a growth of 89 percent over the previous year. Canada has been the largest supplier of durum to Italy for two consecutive years and supplied 38 percent of Italy’s imports in the most recent trade year.

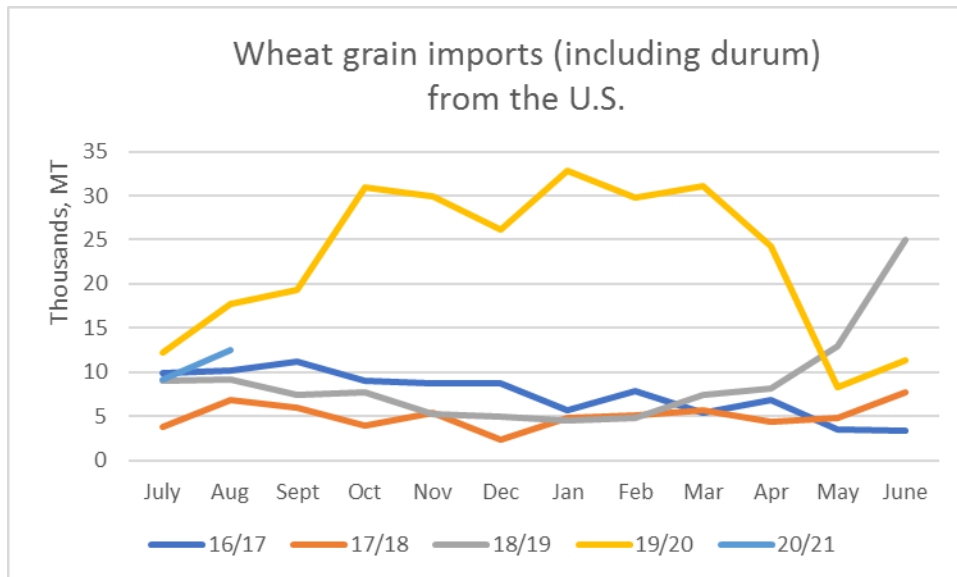


Source: Trade Data Monitor, LLC; FAS/Ottawa

Imports

Imports into Canada are expected to decrease in MY 2020/21, resuming a more average trade pattern due to improved U.S. wheat quality. Some Montana feed wheat will likely continue to find its way into Southern Alberta feedlots.

In TY 2019/20, imports from the United States increased 168,000 MT (July to June) compared to the previous TY, reaching a record level of 274,388 MT. Poor harvest weather in Eastern Montana and Western North Dakota resulted in an abundance of lower quality hard red spring and durum feed wheat in those states. Canadian feedlots and ethanol producers took advantage of competitively priced feed wheat from North Dakota and Montana. Almost all U.S. feed-quality wheat entering Canada went directly to Saskatchewan and Alberta feedlots, feed mills, and ethanol production. There has been no noticeable increase in demand for U.S. wheat at Canadian flour and semolina mills.



Source: Trade Data Monitor, LLC; FAS/Ottawa

The United States-Mexico-Canada Agreement (USMCA) came into effect July 1, 2020. The Act to implement USMCA (Bill C-4) included amendments to the Grain Act to improve access to the Canadian market for U.S. wheat that is of a wheat variety registered under Canada's variety registration system. U.S. grown grain, of varieties registered in Canada, can now receive an official Canadian grade. Canada also removed requirements for official Canadian inspection certificates to indicate that shipments containing grain grown in the United States are of foreign or mixed origin. Canadian and U.S. wheat is now simply labeled "non-foreign wheat" on official inspection certificates. However, if the Canadian Food Inspection Agency (CFIA) receives a request to issue a phytosanitary certificate on U.S. grown wheat for export, the exporter must identify the grain as "U.S. origin" on the application if it has been segregated or "Canada / U.S. origin" if it has been comingled. This country of origin information would appear on the CFIA phytosanitary certificate.

Following changes to the Seeds Act, a shipment of U.S. wheat of a variety registered in Canada that has been commingled with Canadian wheat can now receive the highest statutory grade for which it is eligible. Prior to USMCA, the commingled grain would have received the lowest official statutory Canadian Grain Commission (CGC) grade for that class (e.g., Feed Wheat or #5 Amber Durum).

USMCA also brought about a new administrative requirement. Effective August 1, 2020, the first day of the crop year, a standardized Declaration of Eligibility for Delivery of Grain is required on all grain of approved varieties delivered anywhere in Canada.

U.S. grain can still be sold without a grade directly to interested Canadian purchasers at prices based on contract specifications. However, contract-based sales are a relatively small proportion of all sales in Canada. Most sales occur through the bulk handling system in grain elevators. Grain elevators offer economic efficiencies by collecting and storing grain from many small-volume growers, giving them the ability to fulfill larger contracts and to demand higher prices for that ability.

The overall impact of USMCA on U.S. wheat exports to Canada in MY 2020/21 is expected to be minimal but it may encourage some producers near the U.S.-Canada border to plant varieties approved in Canada in order to export to Canada. All deliveries of registered Canadian varieties must be accompanied by a mandatory declaration as of August 1, 2020 (the first day of the new crop year).

Ending Stocks

Storage stocks were down nine percent in July 2020 compared to the same time the previous year, as strong exports reduced durum stocks, primarily commercial.

Attachments:

No Attachments