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Report Highlights:

FAS/Ottawa forecasts increased production of wheat and oats in marketing year (MY) 2020/21 driven by improved weather conditions, low on-farm stocks, and strong demand. Barley production is forecast to be stable and corn production up despite reduced area planted. In the short-term, demand for barley and corn has declined while demand for milling wheat and oats has increased due to COVID-19 impacts.

SUMMARY:

Despite the devastating impact of COVID-19, spring wheat, durum and oats are proving to be resilient, supported by sustained demand and resilient prices in the weeks since the first provincial stay at home guidelines were issued in mid-March. While COVID-19 has negatively impacted the prices of corn and barley, prairie province cash prices for spring wheat have remained stable and prices for durum have increased.

In MY 2019/20, wheat production is estimated to be 32.3 million metric tons (MMT), a marginal increase from the previous year, as reduced area harvested is offset by improved yields. Wheat exports are forecast down nine percent to 22.2 MMT due to significant global competition. Total domestic consumption of wheat is forecast at 10.6 MMT, an increase of 18 percent, driven by increased use of wheat as feed.

FAS/Ottawa forecasts MY 2020/21 wheat production at 33.8 MMT, up by a two percent increase in area planted and a decrease in area abandoned. MY 2020/21 wheat exports are forecast to increase eight percent to 24 MMT on strong global demand. Total domestic consumption in MY 2020/21 is forecast down by eight percent to 9.7 MMT due to an expected decline of cattle on feed levels.

In MY 2019/20, barley production is estimated at 10.4 MMT, up by 24 percent on increased area planted and improved yields. Barley exports are forecast to fall 22 percent to 1.8 MMT due to a reduction in purchases from Japan and China.

FAS/Ottawa forecasts MY 2020/21 barley production slightly down at 10.2 MMT on the expectation yields fall in line with the historic average. Barley exports are forecast to increase six percent to 1.9 MMT on the expectation of increased domestic supplies and partial demand recovery.

In MY 2019/20, corn production is estimated to be 13.4 MMT, four percent lower than the previous year, due to yield deterioration. Corn exports are forecast to be 1.1 MMT, a 39 percent decline from the previous year, due to lower levels of domestic supplies and reduced global demand. Total domestic consumption is forecast to be down 13 percent to 13.5 MMT caused by significant reduction in corn used for ethanol, as well as a decrease in corn used for feed.

FAS/Ottawa forecasts MY 2020/21 corn production to increase to 13.8 MMT given yields fall in line with the historic average. Corn exports are predicted to fall to 1.0 MMT, the lowest level in six years, based on forecasts of large U.S. supplies and a reduction in U.S. demand. Total consumption is forecast to increase four percent, assuming a recovery of the ethanol industry by August 2020 and increased use of corn as feed.

The forecasts in this report do not take into account the negative impact of COVD-19 on meat processing plants, a situation that is currently rapidly evolving and will have a significant impact on the consumption of barley, corn and wheat feed in the final three months of MY 2019/20, and in MY 2020/21. These impacts will be captured in subsequent grain and feed updates.

WHEAT

In marketing year (MY) 2019/20, Canadian field crops faced unfavorable weather conditions, transportation challenges, market access issues, low farm gate prices and now COVID-19. The latter three challenges will most likely continue to impact supply and demand factors well into MY 2020/21.

As long as inputs such as fertilizer and on-farm chemicals remain available, transportation of grains remain fluid and processing facilities remain open without interruptions to labor supply, wheat (and oats) are expected to weather the COVID-19 storm relatively well, supported by sustained demand and resilient prices.

Inputs are stable for now, and lower fuel and fertilizer costs are currently benefitting crop producers by reducing production costs. However, industry remains concerned about potential disruptions mid-growing season.

WHEAT	2018/2019		2019/2020		2020/2021	
Market Begin Year	Aug-18		Aug-19		Aug-20	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1,000 HA)	9,887	9,881	9,660	9,656		10,155
Beginning Stocks (1000 MT)	6,732	6,732	6,040	6,040		6,100
Production (1000 MT)	32,201	32,201	32,350	32,300		33,800
Imports (1000 MT)	482	482	500	560		400
MY Imports, (1000 MT)	478	478	500	560		400
TY Imp. from U.S., (1000 MT)	290	290				
Total Supply, (1000 MT)	39,415	39,415	38,900	38,900		40,300
MY Exports, (1000 MT)	24,404	24,404	23,000	22,200		24,000
TY Exports, (1000 MT)	24,476	24,476	23,000	22,200		24,000
Feed and Residual, (1000 MT)	3,982	4,071	4,900	5,500		4,500
FSI Consumption, (1000 MT)	4,982	4,900	5,000	5,100		5,200
Total Consumption, (1000 MT)	8,971	8,971	9,900	10,600		9,700
Ending Stocks, (1000 MT)	6,040	6,040	5,990	6,100		6,600
Total Distribution, (1000 MT)	39,415	39,415	38,890	38,900		40,300
Yield (MT/HA)	3.26	3.26	3.35	3.35		3.33
TS=TD	0	0	0	0		0

WHEAT - PRODUCTION

Wheat area harvested I (including durum) is forecast to increase to 10.2 million hectares and production to 33.8 million metric tons (MMT). Area planted to durum is expected to increase driven by low on-farm storage stocks, higher prices compared to some competing crops, and strong export demand. FAS/Ottawa forecasts area planted to winter wheat will rise while area planted to spring wheat will be stable. The MY 2019/20 growing and harvest period is detailed in FAS/Ottawa's January 2020 grain update.

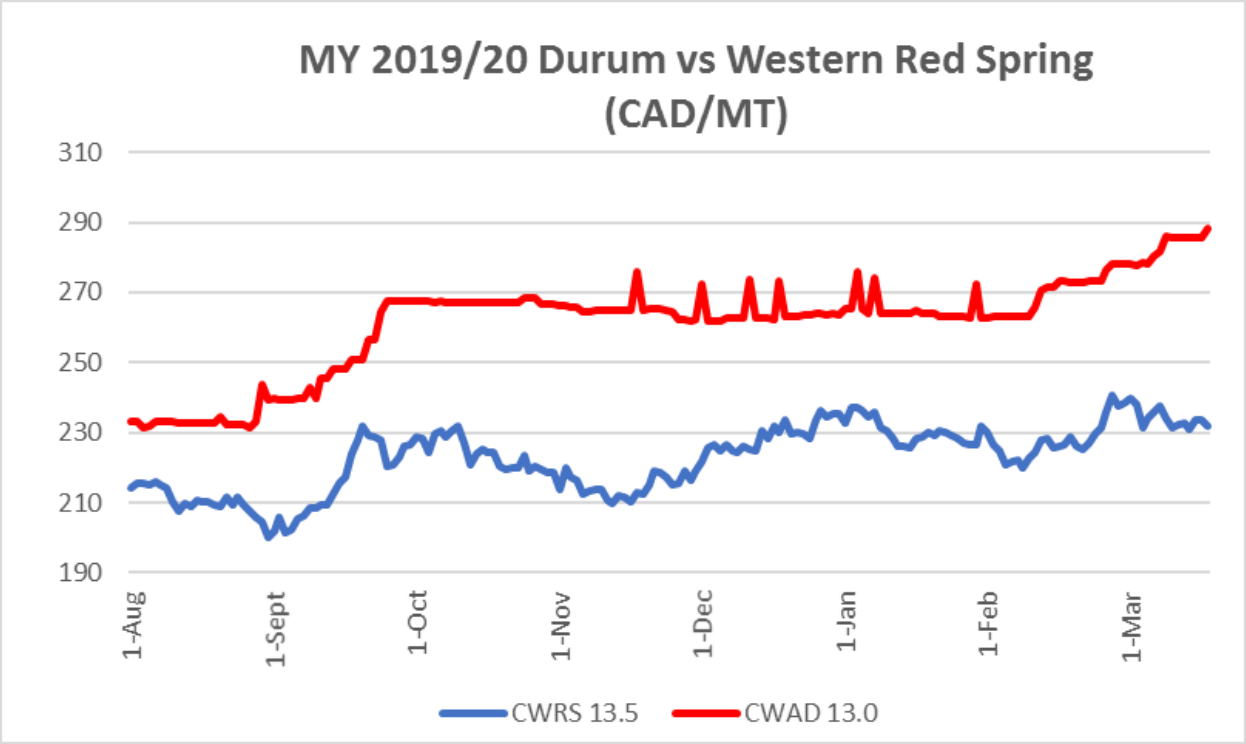
Unlike seed for competing crops like canola, which typically must be purchased early to catch a good seed price discount, wheat seed can be purchased shortly before planting without paying a premium price. Many farmers

may have delayed their seed purchasing decisions this year until more is known about the growing season. Nearly two percent of the MY 2019/20 crop from last fall still hadn't been harvested four weeks ago, which may delay MY 2020/21 planting. Conversations with industry sources and producers indicate that farmers may benefit from delaying their purchasing decisions because they can also factor in March wheat prices, which are being supported by demand more so than some competing crops.

Wheat area stands to gain from the falling prices of barley and corn and the perception that oats are risky due to their historic boom and bust cycle. Producers will proceed with plans to plant wheat contingent upon weather conditions to harvest last year's crops in time to plant wheat in early spring.

One factor preventing wheat area planted from growing even higher is large global supplies of wheat. However, farmers' seeding intentions are typically driven by price and on-farm storage stock levels, not international news.

Durum is one of the few field crops whose price has not fallen due to COVID-19 and demand remains strong. By contrast, milling wheat prices have begun to settle from their March high as trade concerns have diminished. Overall, wheat prices are holding up well compared to other crops.



Source: PDQ

While COVID-19 has negatively impacted the prices of corn, barley and other agricultural commodities, the prices of spring wheat remained stable and durum increased for the first month and a half after COVID-19 began to spread in Canada.[1] Between March 1 and mid-April, spot prices for Canadian durum (used for pasta) and Canadian Western Red Spring (accounting for 70 percent of all milled wheat) from PDQ, rose eight and three percent, respectively. Milling wheat prices have since begun to settle from their March high as trade concerns have diminished and demand is sustained, albeit drawn from large global supplies. Durum prices remain high on strong demand.

Statistics Canada's principal field crop area data was expected to be published on April 24, 2020 but was cancelled due to reporting delays caused by COVID-19. The next field crop survey will likely be based on crop surveys conducted in June on actual planted acres. Except where otherwise noted, this report uses Statistics Canada data for historic trade figures.

Starting in 2019, Statistics Canada's field crop survey for the July publication began using model-based data for the province of Manitoba to evaluate yield and production. The model utilizes data from low resolution satellite imagery, historical field crop survey estimates, agro-climatic information, and data from crop insurance. This new methodology is the continuity of the effort to reduce respondent's burden and to provide high quality estimated data.

WHEAT - FOOD, SEED AND INDUSTRIAL

Wheat: Food Seed and Industrial (MT, '000)		
	18/19	19/20 (f)
Seed requirements	995	1,000
Industrial use	500	620
Human food*	3,132	3,110
Imports of flour, products*	363	370
TOTAL FSI	**4,990**	**5,100**

Source: Statistics Canada; FAS/Ottawa

*Note: converted to grain equivalent

In MY 2019/20, FAS/Ottawa's forecast of domestic food consumption of wheat products has been revised to a year-on-year decline of just one percent driven by increased buying as a result of COVID-19. Before the pandemic, consumption trends were showing weakening demand for wheat products through the first five months of the MY. Wheat as food consumption is pegged at 3.1 MMT.

Government-imposed self-isolation measures introduced to manage the spread of COVID-19 have driven households to increase purchases of products such as pastas, flour, cereal and crackers. Responding to the initial impact of the pandemic, consumers began stocking up on shelf-stable foods and, as the economic impact began to be felt, consumers shifted buying habits toward cheaper grain products.

[1] Spring wheat and durum make up more than 90 percent of wheat production in Canada.

Nielsen figures show flour sales at grocery stores spiked 252 percent, in value terms, during the week ending March 21, 2020 compared to the previous week. The week ending March 21, 2020 marked the first week of stay-at-home measures.

Increased buying of flour and products made using flour and semolina, from March through May, is forecast to help offset the decline in restaurant usage. FAS/Ottawa forecasts that short-term heightened purchases of wheat products at grocery stores will equate to a one percent increase in per capita consumption of flour and processed wheat products for the months March through May and assumes that consumption will settle in the final two months of the marketing year.

Industry sources have shared that since the third week of March, Canada's flour mills and large bakeries have been running around the clock to meet increased demand, including mills owned by three of the largest milling companies in Canada, which grind 90 percent of domestically produced flour. Sources indicate this large and rapid increase in demand has put stress on flour production capacity, packaging capacity, transportation capacity, and warehousing capacity. However, supply chains have not been disrupted and grocery shelves continue to be stocked.

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

Source: Statistics Canada

In MY 2019/20, industrial use of wheat is forecast by FAS/Ottawa to increase 24 percent to 620,000 MT, based on December 2019 levels (the most recent data available) and a slower pace of use going forward.

In MY 2018/19 (the most recent year for which data has been observed by FAS/Ottawa), 3.2 MMT of wheat was milled in Canada. Of that, 2.4 MMT of flour was produced, and 750,000 MT of feed wheat was produced.

Ninety percent of the flour milled in Canada is ground by Ardent, P&H Milling and ADM. The existing P&H Hamilton flour mill, which came online in 2017, was the first new flour mill to be built in Ontario in 75 years. This mill significantly increased the company's capability to receive and process locally-grown Ontario wheat. A new expansion of the Hamilton flour mill will effectively double its capacity and is scheduled to come online in 2020.

WHEAT – FEED

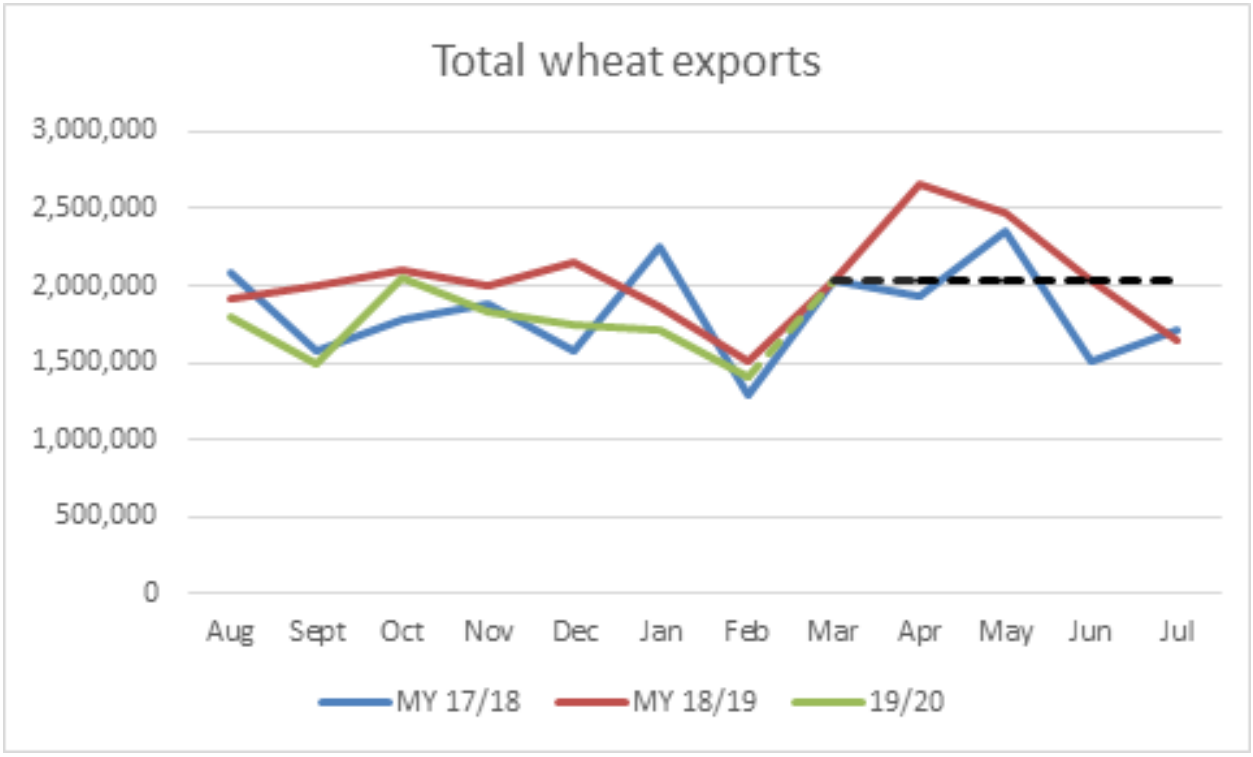
Commercial disappearance of feed wheat has been increasing in MY 2019/20 relative to the previous year due to more cattle on feed and the availability of more feed grade wheat.

MY 2020/21 feed levels are forecast down on the expectation of reduced demand from the livestock industry and improved wheat quality.

TRADE – EXPORTS

Currently, in MY 2019/20, the wheat export pace is behind the previous year due to the large global supply of wheat. According to weekly Canadian Grain Commission (CGC) data, which provides unofficial export statistics with a one-week lag[2], total wheat exports as of week 35 of the crop year[3] are behind last year by seven percent. Exports of wheat, excluding durum, were down 14 percent and exports of durum were up 29 percent.

Total wheat exports would need to reach 10.2 MMT for the period March through July to reach the FAS/Ottawa's sustained forecast of 22.2 MMT for MY 2019/20.



Source: Trade Data Monitor, LLC; FAS/Ottawa

[2] CGC export data does not include exports to the United States from unlicensed facilities.
[3] August 4, 2019 to April 4, 2020

With the Port of Thunder Bay now open for the season, the pace of durum exports is expected to increase even further driven by strong demand in Italy and Turkey. The first ship of the season arrived on April 10th. Exports to the U.S. and China continue to be down this marketing year.

Canada: MY 2018/19 Exports, By Port Terminal, % of total										
	Wheat	Amber Durum	Oat	Barley	Rye	Flaxseed	Canola	Soybeans	Peas	Corn
Vancouver	44%	31%	40%	84%	57%	84%	64%	21%	99%	0%
Prince Rupert	20%	0%	4%	16%	0%	0%	13%	0%	0%	0%
Churchill	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Thunder Bay	17%	35%	54%	0%	21%	16%	15%	4%	0%	0%
Bay & Lakes	3%	2%	2%	0%	0%	0%	5%	29%	0%	61%
St. Lawrence	16%	32%	0%	0%	21%	0%	3%	46%	0%	39%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Canadian Grain Commission, calculations by FAS Ottawa

Top Eight Export Destinations for Durum, Aug-Feb (metric tons)					
	2016/17	2017/18	2018/19	2019-20	% Change
Total World	2,427,453	2,493,958	2,024,542	2,632,541	30%
Turkey	73,408	49,523	182,713	596,926	227%
Italy	447,172	284,385	217,350	551,192	154%
Morocco	434,418	477,559	442,787	425,490	-4%
United States	181,979	515,899	507,346	258,564	-49%
Japan	113,702	102,681	101,545	109,571	8%
Tunisia	-	23,564	96,080	107,257	12%
Nigeria	9,500	61,852	35,514	68,449	93%
Algeria	644,876	568,248	113,405	56,447	-50%

SOURCE: TDM, LLC; FAS/Ottawa

Logistics sources indicate that bottlenecks in the transportation sector have been largely resolved and the pace of exports have increased after significant disruptions occurred in November 2019 and February 2020. While there were 27 to 32 grain vessels waiting to load at the Port of Vancouver on any given day during the end of February and first week of March, the average decreased to 15 to 17 by the end of March.

Canadian National (CN) Railway reports that temporary embargoes will continue to be in effect in certain west coast container facilities until these facilities can process the loaded grain cars directed to them and the volume of traffic in the associated rail corridor returns to more typical and manageable levels. Congestion issues remain at south shore terminals.

As a result of COVID-19, many major importing countries have increased purchases to stock up on inventories, while Russia, Kazakhstan and Ukraine have implemented restrictions to grain exports to secure domestic food supplies. None of these restrictions are forecast to have significant impact on grain trade in and out

of Canada, primarily because exports from Kazakhstan have been front-loaded this marketing year and total grain exports from Ukraine and Russia are not expected to exceed the established quota. However, if restrictions are extended, they could support increased demand for Canadian wheat.

As an immediate effect, the decision led to slightly higher Canadian freight on board prices for spring wheat, which already started to rise in March. A weak currency will support the export pace required to reach 22.2 MMT.

In MY 2020/21, FAS/Ottawa forecasts wheat exports to increase eight percent on strong global demand.

Canada may see increased competition from the United States now that the U.S.-Japan Trade Agreement was implemented on January 1, 2020. The agreement provides the U.S. tariff parity with competing food wheat suppliers such as Australia and Canada. It also gives the United States a tariff advantage over Turkey[4] one of the leading pasta suppliers. Pasta is the primary wheat product imported by Japan.

TRADE - IMPORTS

All wheat imports (including durum) have been revised up to 560,000 MT based on the stronger than expected pace of imports in the first seven months of the year. The pace is expected to slow in April and May as supply chains adjust to the COVID-19 environment and utilize domestic stocks.

In MY 2020/21, wheat imports are forecast to fall to 400,000 MT on increased supplies and reduced demand for feed wheat.

WHEAT - STORAGE STOCKS

Statistics Canada states that total wheat stocks were down 0.5 percent year over year to 25 MMT as of December 31, 2019. On-farm stocks were up 1.5 percent to 20.8 MMT, while commercial stocks decreased 9.6 percent to 4.2 MMT. Statistics Canada reports on storage stocks three times a year, in September, February and May.

MY 2020/21 storage stocks are forecast by FAS/Ottawa to increase on increased supplies and reduced demand.

[4] Turkey and EU account for about half of the world's pasta exports. Both origins allow duty-free imports of durum.

CORN FOR GRAIN

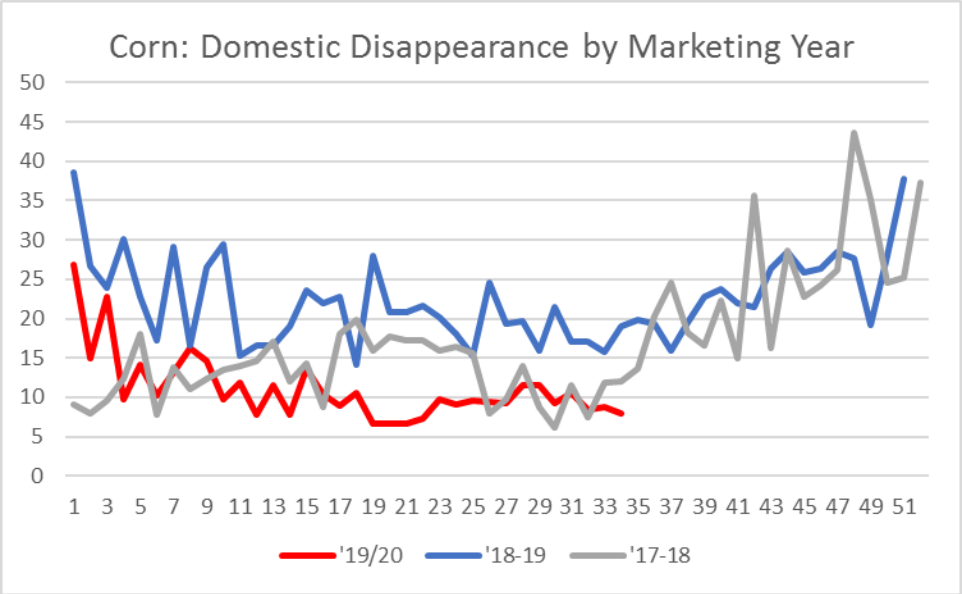
CORN	2018/2019		2019/2020		2020/2021	
Market Begin Year	Aug-18		Aug-19		Aug-20	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1,000 HA)	1,431	1,431	1,450	1,445		1,420
Beginning Stocks (1000 MT)	2,417	2,417	1,980	1,646		2,021
Production (1000 MT)	13,885	13,885	13,400	13,375		13,800
Imports (1000 MT)	2,633	2,582	1,500	1,600		1,600
TY Imports, (1000 MT)	2,623	2,542	1,500	1,600		1,600
TY Imp. from U.S., (1000 MT)	2,542	2,455	1,600			
Total Supply, (1000 MT)	18,935	18,884	16,880	16,621		17,421
MY Exports, (1000 MT)	1,797	1,797	900	1,100		990
TY Exports, (1000 MT)	1,719	1,719	900	1,100		990
Feed and Residual, (1000 MT)	9,372	9,638	8,500	9,000		8,800
FSI Consumption, (1000 MT)	5,786	5,803	5,400	4,500		5,200
Total Consumption, (1000 MT)	15,158	15,441	13,900	13,500		14,000
Ending Stocks, (1000 MT)	1,980	1,646	2,080	2,021		2,431
Total Distribution, (1000 MT)	18,935	18,884	16,880	16,621		17,421
Yield (MT/HA)	9.703	9.703	9.241	9.256		9.718
TS=TD	0	0	0	0		0

CORN – PRODUCTION

In MY 2019/20, only 13.4 MMT was produced from 1.5 million hectares planted due to poor yields and abandoned area caused by poor weather during the planting and growing season.

In MY 2020/21, production is forecast to increase on improved yields and despite lower area planted.

CORN - CONSUMPTION



Source: Canadian Grain Commission; FAS/Ottawa; *Note: Marketing Year for corn runs from September to August*

Total domestic consumption has been down in MY 2019/20 due to large supplies of barley for feed displacing demand for corn. Corn for industrial use is down over the previous year and is expected to fall even further after ethanol facilities in Canada reduced their production by as much as 75 percent in the third week of March. Corn purchases subsequently began to fall in April. FAS/Ottawa is not aware of any plants cutting ethanol production entirely. The steep reduction in corn used for ethanol will support increased corn used for feed.

In MY 2020/21, corn used for feed is forecast down due to a reduction in the size of cattle herds in Canada. Demand for corn as an ethanol feedstock is forecast to stabilize assuming a recovery of the energy sector by August 2020.

CORN – TRADE

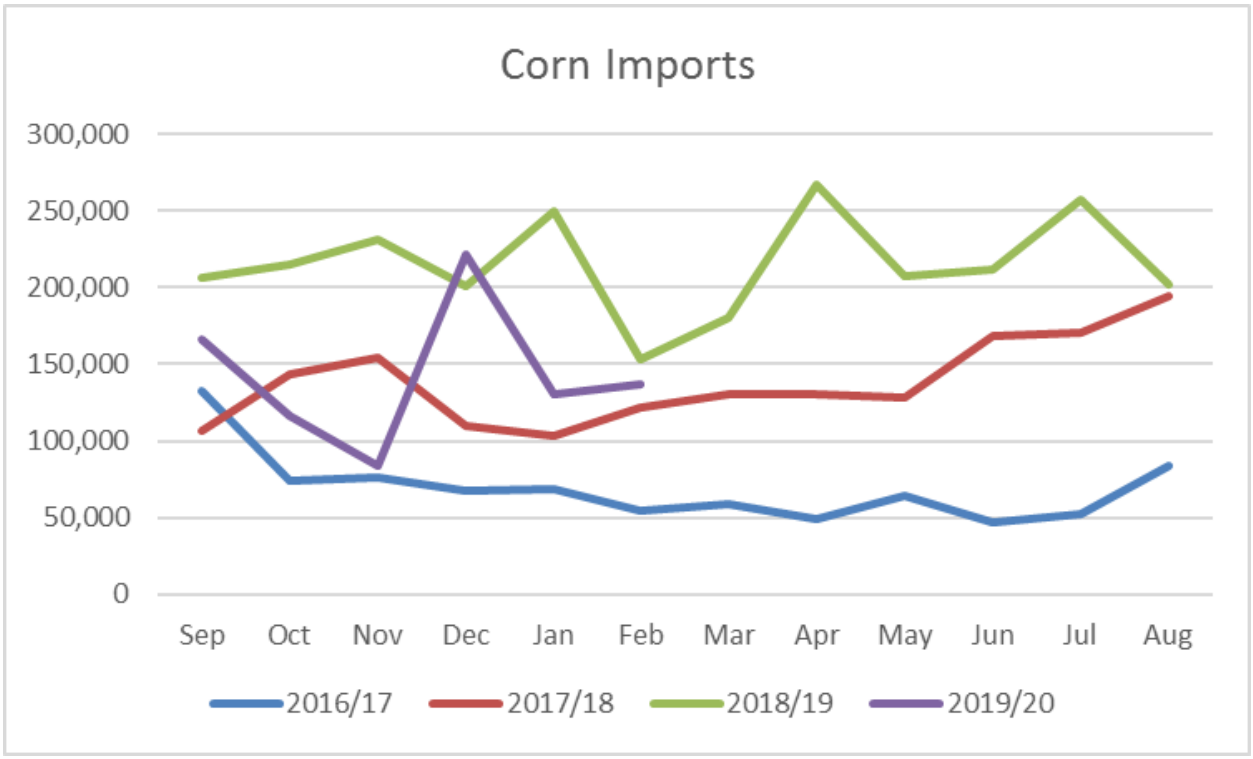
In the first seven months of MY 2019/20, exports were down 31 percent. Exports are forecast to fall 39 percent by year-end over the previous marketing year due to reduced domestic supplies and reduced global demand.

In MY 2020/21, exports are forecast to fall to the lowest level in six years, based on forecasts of large U.S. supplies and a subsequent reduction in U.S. demand.

Seven months into MY 2019/20, corn imports are down 32 percent from the previous year but still at the second highest level in ten years. Imports began to rise in June 2019 due to strong demand sustained by increased sizes of cattle herds and competitively priced corn relative to other feedstock options. Import pace began to settle in September 2019 due to large domestic supplies of barley for feed. Import pace is forecast to slow further and end

the year down 37 percent from the previous marketing year due to large domestic supplies of barley for feed in the prairie provinces.

MY 2020/21 imports are forecast to remain relatively low due to increased domestic supplies and an expectation of reduced livestock on feed. Ninety-six percent of corn imports are sourced from the United States.



Source: Statistics Canada; FAS/Ottawa

CORN - STORAGE STOCKS

Statistics Canada reports that total stocks of corn for grain were down eight percent year over year to 10.7 MMT as of December 31, 2019. On-farm stocks fell six percent while commercial stocks decreased 14 percent.

The agency states that lower production in 2019 and lower carry-in stocks from the previous crop year were responsible for the decrease in total corn stocks.

In MY 2020/21, corn stocks are expected to increase as a result of an increase in domestic supplies and limited demand due to large U.S. supplies.

BARLEY

BARLEY	2018/2019		2019/2020		2020/2021	
Market Begin Year	Aug-18		Aug-19		Aug-20	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1,000 HA)	2,395	2,395	2,700	2,728		2,730
Beginning Stocks (1000 MT)	1,250	1,244	877	863		2,055
Production (1000 MT)	8,380	8,380	10,400	10,383		10,150
Imports (1000 MT)	43	43	60	42		42
MY Imports, (1000 MT)	38	38	60	42		42
TY Imp. from U.S., (1000 MT)	35	35	0			
Total Supply, (1000 MT)	9,673	9,700	11,337	11,288		12,247
MY Exports, (1000 MT)	2,296	2,296	2,500	1,800		1,900
TY Exports, (1000 MT)	2,269	2,269	2,500	1,800		1,900
Feed and Residual, (1000 MT)	5,300	5,374	6,230	6,400		5,700
FSI Consumption, (1000 MT)	1,200	1,167	1,200	1,033		1,300
Total Consumption, (1000 MT)	6,500	6,541	7,430	7,433		7,000
Ending Stocks, (1000 MT)	877	863	1,407	2,055		3,347
Total Distribution, (1000 MT)	9,673	9,700	11,337	11,288		12,247
Yield (MT/HA)	3.499	3.499	3.852	3.806		3.718
TS=TD		0		0		0

BARLEY - PRODUCTION

According to the Canadian Grain Commission (CGC), area planted in Western Canada in 2019 comprised 55.1 percent malting barley, 37.3 percent general purpose barley, and 2.2 percent food barley, consistent with the previous year's planted ratio. However, according to the CGC, wet conditions in large areas of the prairie provinces throughout the month of October caused significant quality degradation in the malting barley crop in 2019, with a larger percentage graded feed compared with the previous two years. Actual barley production of malting quality is approximately 40 percent, according to industry. But the rule of thumb still stands that generally about 20 percent is actually used for malting and 80 percent for feed.

Area planted to barley is forecast to increase nearly two percent in MY 2020/21. FAS/Ottawa's area planted forecast is driven in part by low on-farm storage stocks of barley ahead of planting season and expectations of a late planting season. Many farmers did not have an opportunity to harvest the crop left in the field last winter and seeding was at risk of occurring late.

BARLEY - CONSUMPTION

Feed demand is currently up over the previous year. Driving the increase is the higher cattle on feed levels in Saskatchewan and Alberta and barley feed prices, which remained competitive with corn feed. The category of

barley for feed and residual is forecast to finish the year up 19 percent. This category typically accounts for 82 to 85 percent of domestic consumption.

Barley used for food seed and industrial use is forecast to fall 17 percent, primarily due to slumping beer sales. While beer sales at the retail level were high for a few weeks in March when self-isolation orders rolled out across Canada, the months-long reduced demand in draught beer caused by the global collapse of the hotel, restaurant, and bar industries will offset those short-term gains.

In MY 2020/21, total barley consumption is forecast to fall five percent. As in any year, demand for barley as a feed grain will depend on the U.S. corn supply and the price of U.S. corn relative to barley. If U.S. corn supplies grow due to a sustained negative impact of COVID-19 on ethanol demand, corn will cut into demand for barley as a feed grain. Despite this uncertainty, FAS/Ottawa is forecasting demand for barley feed to be down due to a reduction of livestock herds. Demand for barley used for malting is forecast to increase due to an assumed V-shape recovery of demand for beer within Canada.

BARLEY - TRADE

Barley exports are forecast to be down 22 percent due to a reduction in purchases from Japan and China. Exports were already down 12 percent in the first seven months of the MY on a reduction of 25,082 MT in purchases from Japan and the absence of a 163,600 MT purchase from Kuwait that occurred in MY 2018/19. Over the past two years, China has been the destination for an average of 74 percent of Canadian barley exports. China's share of Canadian barley exports is 70 percent in the first seven months of MY 2019/20.

Barley imports are up 20 percent in the first seven months of MY 2019/20 on increased purchases of U.S. barley, where nearly all imported barley is sourced. Increased demand for feed is the primary reason. The pace is expected to settle significantly, ending the year consistent with the previous year.

In MY 2020/21, barley exports are forecast to increase six percent on expectations of increased domestic supplies and the partial demand recoveries in China and Japan. Barley import levels are forecast to remain low and highly price dependent.

BARLEY – STORAGE STOCKS

Barley stocks rose 21 percent year-over-year as of December 31, 2019 due to increased production. This increase comes after record-low stocks were carried over from MY 2018/19. Statistics Canada reports that on-farm stocks were largely responsible for the increase, rising 20 percent to 5.6 MMT and commercial stocks increased 37 percent.

Looking ahead to MY 2020/21, as demand for malt barley decreases, there is potential for a significant amount of barley feed grains to be carried over into the beginning stocks of MY 2020/21. Ending stocks are forecast to increase significantly on reduced global and domestic demand.

OATS

OATS	2018/2019		2019/2020		2020/2021	
Market Begin Year	Aug-18		Aug-19		Aug-20	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1,000 HA)	1,005	1,005	1,160	1,160		1,320
Beginning Stocks (1000 MT)	784	778	417	397		651
Production (1000 MT)	3,436	3,436	4,160	4,157		4,600
Imports (1000 MT)	11	10	10	10		10
MY Imports, (1000 MT)	9	10	10	10		10
TY Imp. from U.S., (1000 MT)	7		0			
Total Supply, (1000 MT)	4,231	4,224	4,587	4,564		5,261
MY Exports, (1000 MT)	1,734	1,745	1,800	1,800		1,800
TY Exports, (1000 MT)	1,665	1,663	1,800	1,800		1,800
Feed and Residual, (1000 MT)	1,180	1,046	1,200	1,090		1,080
FSI Consumption, (1000 MT)	900	1,036	900	1,023		1,200
Total Consumption, (1000 MT)	2,080	2,082	2,100	2,113		2,280
Ending Stocks, (1000 MT)	417	397	687	651		1,181
Total Distribution, (1000 MT)	4,231	4,224	4,587	4,564		5,261
Yield (MT/HA)	3.419	3.419	3.586	3.584		3.485
TS=TD	0	0	0	0		0

OATS - PRODUCTION

In MY 2020/21, FAS/Ottawa forecasts that small on-farm stocks, increased export demand and the high price of oats relative to historic levels will drive oat area to levels not seen in more than a decade. Production is forecast to increase 11 percent. The need to still harvest last year's crops and the short growing season forecasted by long-term weather forecasts may further attract producers to oats, as some popular oat varieties flower and mature quickly.

Cash oat prices tracked higher than MY 2018/19 for all of 2019 with the exception of the month of October, and well above the five-year average.

A new oat mill was built in Yorkton, Saskatchewan by Minnesota-based Grain Millers in November 2019, but is currently not running at full capacity. Reportedly, it may hire staff sooner in response to heightened demand.

OATS - CONSUMPTION

Cattle on feed numbers in MY 2019/20 in Alberta and Saskatchewan were 121 percent above five-year averages and 111 percent ahead of the previous year, driving up demand for barley, wheat and corn for feed in Western Canada. A three percent increase in feed levels over the previous year is substantiated by December

2019 feed levels that are three percent above the previous December (and 35 percent above the December 2017 level). Statistics Canada releases feed data three times a year.

FAS/Ottawa is forecasting reduced use of feed in Western Canada in MY 2020/21, as placements are expected to swing lower than typically indicated by seasonal summer declines and demand from feedlot operations lessen.

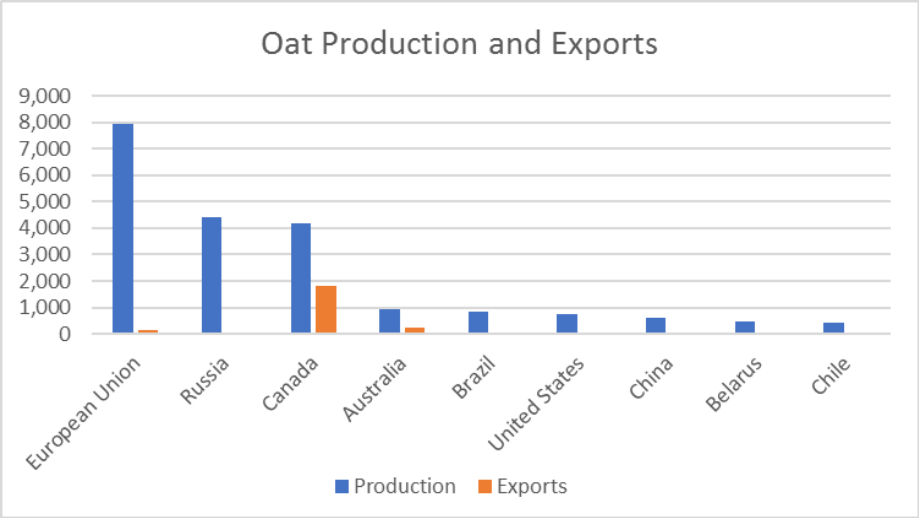
Oat demand for food has experienced a ten percent increase in MY 2019/20 as consumers look for gluten-free and dairy-free alternatives. That demand is expected to remain flat in MY 2020/21. Domestic food use typically accounts for 30 percent of supplies. Seed requirements are forecast to increase four percent.

Oat milling capacity increases 50,000 to 70,000 MT every five years, according to industry sources. In any given year, 50 to 60 percent of total oat production is consumed domestically.

OATS - TRADE

The export pace is eight percent ahead of last year in the first seven months of the marketing year. Exports are expected to end the year ahead of last year, primarily on increased demand from the United States due to lower production there.

Despite the built-in assumption that U.S. oat production will recover in MY 2020/21, FAS/Ottawa is forecasting a sustained level of exports on increased supplies in Canada as well as on the demand for gluten-free and dairy-free alternatives that has increased in recent years.



Source: USDA PSD Online, FAS/Ottawa

Canada is the third largest producer of oats in the world and yet the leading exporter. Canada exports an average of 47 percent of its production. About 90 percent of Canada's oats are exported to the United States. The United States is by far the world's largest importer of oats.

Top Ten Oat Importers in the World in MY 2018/19

Reporter	Unit	MY 2016/17		MY 2017/18		MY 2018/19	
		Total Imports	% Imported from Canada	Total Imports	% Imported from Canada	Total Imports	% Imported from Canada
United States	T	1,557,341	97%	1,579,016	94%	1,443,450	100%
China	T	266,955	0%	401,746	100%	215,620	2%
Mexico	T	127,636	28%	134,147	58%	188,004	94%
Norway	T	3,253	0%	15,186	0%	95,230	0%
Switzerland	T	56,180	0%	49,620	0%	53,937	0%
Japan	T	48,139	61%	45,398	52%	46,625	71%
Peru	T	39,583	0%	28,782	24%	40,700	57%
South Korea	T	22,145	64%	43,712	55%	33,958	76%
Belarus	T	2	0%	2,530	0%	26,128	0%
South Africa	T	24,438	0%	17,216	0%	24,086	97%

Source: Trade Data Monitor, LLC; FAS/Ottawa

Nearly all oat imports come from the United States. Imports are up four percent in the first seven months of the MY and are expected to end the year level with the previous year as demand for feed eases.

OATS – STORAGE STOCKS

Statistics Canada reports that stocks of oats rose 11 percent year over year to 2.7 MMT as of December 31, 2019. Both on-farm stocks (+9.0 percent) and commercial stocks (+30.9 percent) contributed to the increase.

Oat storage stocks are forecasted to increase in MY 2020/21 on increased production and flat growth of exports.

POLICY

Safe Food for Canadians Act (SFCA)

Due to COVID-19, until further notice the Canadian Food Inspection Agency (CFIA) will not prioritize compliance activities associated with the July 15, 2020 coming into force of the Safe Food for Canadians Regulations (SFCR) for the manufactured food sector. Any changes to the CFIA's prioritization of these compliance activities will be announced once the situation allows.

Despite the above, affected businesses are encouraged to apply for a license under the SFCA. However, importers of manufactured food will generally not encounter delays or disruptions in their imports simply because of not having a Safe Food for Canadians license yet. Domestic manufacturers can continue to operate while they apply for a license.

Labelling Requirements

Due to the COVID-19 pandemic, the Canadian Food Inspection Agency (CFIA) has temporarily suspended low-risk activities. Low-risk activities are those that do not immediately impact the production of safe food for Canadians. Subsequently, effective April 6, the CFIA temporarily suspended certain labelling requirements that have no impact on food safety.

Spring Thaw in Quebec

On March 26th, the government of Quebec announced an amendment to the spring thaw rules for 2020. This amendment means that essential supplies and products including food and goods necessary to produce food (as well as, sanitary and medical supplies, pharmaceutical products) can move on regular triaxle chassis without the need for quad or permits. More information can be found on the Transport Quebec website.

Carbon Tax Impact on Grain Producers

On April 1, 2020, Canada's carbon tax increased by 50 percent to $30 CDN/MT. Producer groups have criticized the application of the tax on grain drying and operating machinery.

Canadian Federation of Independent Business survey results, released in February, show that producers and agri-businesses paid, on average, $14,000 CDN in the first year the tax applied to them (April 1, 2019 to March 31, 2020) in direct and indirect carbon taxes, based on their own estimates.

The Agricultural Producers Association of Saskatchewan reported that for a 5,000-acre grain farm in Saskatchewan, the carbon tax will cost an additional $8,000 to $10,000 CDN per year. When the carbon tax increases to $50 CDN/ton in 2022, this bill will go up to $13,000 to $17,000 CDN for the same farm – the equivalent of a 12 percent decrease in net income.

Keystone Agricultural Producers stated in January their estimate that a typical farmer in Manitoba growing 500 acres of corn spent approximately $14,145 CDN on fuel for drying grain, and the carbon tax added $1,722 CDN to their fuel bill.

At the House Agriculture Committee on March 12, 2020, Minister John Barlow cited Canadian National Railway and Canadian Pacific Railway stating said that the carbon tax they expect to pass on to producers in 2022, at $50 CDN/ton, would total $28 million CDN.

In February 2020, Sen. Diane Griffin introduced Bill S-215 to gather more evidence on how the carbon tax is affecting farmers. The Grain Growers of Canada have stated that they strongly support the bill.

Attachments:

No Attachments