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Grain and Feed Annual

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Report Highlights:

Post is forecasting total production of wheat, barley, corn, and oats to reach 52.6 million metric tons (MMT) in 2017/2018, a seven percent decrease from 2016/2017 production levels of 56.7 MMT. Wheat, corn, and barley production are forecast to decrease by 10 percent, three percent, and nine percent respectively, from 2016/2017; oat production is forecast to rise by 12 percent. Total imports are forecast to climb six percent to make up for a drop in domestic supply and production in 2017/2018. Total exports are forecast to increase modestly by just under two percent due to strong beginning domestic stocks of wheat and barley. Total supply of wheat, corn, barley and oats is forecast to decrease by 2.7 percent at 66 MMT as increased carry-in is expected to partly offset the drop in production. In general, the impact on grain prices in Canada continues to be partly mitigated by the weaker Canadian Dollar.

Executive Summary:

According to Agriculture and Agri-Food Canada, based on historical trends and current market conditions, area seeded to field crops in Canada for 2017/18 is forecast to decrease marginally compared to 2016/17. Post is forecasting total harvested area of wheat, corn, barley, and oats in 2017/18 will be 13.6 million hectares, up 1.8 percent from 2016/17. Assuming normal conditions and yield, Post foresees total production at 52.6 MMT down seven percent from the previous year's generous yields. Total imports are expected to reach 1.78 MMT, up six percent from 2016/17, while exports are forecast up by a modest 1.8 percent to 25.25 MMT as supplies fall by 2.7 percent to 66 MMT. Post is forecasting domestic consumption at 31 MMT down one percentage point from the year before as more focus is placed on exports, leaving ending stocks at 10 MMT, down 16 percent from the more bountiful 2016/17 crop year.

WHEAT OUTLOOK

Wheat	2015/2016		2016/2017		2017/2018	
Market Begin Year	Aug 2015		Aug 2016		Aug 2017	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9,577	9,577	8,878	8,878	0	8,970
Beginning Stocks	7,090	7,090	5,171	5,171	0	6,656
Production	27,594	27,594	31,700	31,700	0	28,600
MY Imports	491	491	485	485	0	440
TY Imports	492	492	485	485	0	440
TY Imp. from U.S.	340	340	0	0	0	0
Total Supply	35,175	35,175	37,356	37,356	0	35,696
MY Exports	22,134	22,134	20,500	20,500	0	21,000
TY Exports	22,141	22,141	20,500	20,500	0	21,000
Feed and Residual	2,670	2,670	5,000	5,000	0	3,500
FSI Consumption	5,200	5,200	5,200	5,200	0	5,500
Total Consumption	7,870	7,870	10,200	10,200	0	9,000
Ending Stocks	5,171	5,171	6,656	6,656	0	5,696
Total Distribution	35,175	35,175	37,356	37,356	0	35,696

(1,000 HA) ,(1,000 MT)

Production

For 2017/18, Post is forecasting a modest one percent increase in area harvested for wheat. Some parts of the Canadian Prairies experienced slowdowns in their fall 2016 harvest forcing some farmers to leave crops in the field due to early onset of winter weather conditions. Consequently, spring 2017 seeding

may be delayed for the major wheat-producing region; there have also been reports of higher winter precipitation leading to a soggy spring in Alberta and Saskatchewan further delaying seeding.

In spite of a slight increase in wheat acreage, Post is forecasting a return to average yields in 2017/18. Production of wheat is forecast at 28.6 MMT, down 10 percent from 31.7 MMT in 2016/17.

Trade

The average crop year producer price in Canada for wheat is forecast to increase from 2016/17 because of the lower world supply. Post forecasts that the tighter world supply of wheat coupled with a weaker Canadian Dollar will poise Canada to step up exports in 2017/18 by 2.4 percent with 21 MMT. It logically follows that Post is also forecasting a 9 percent decline in imports of wheat in 2017/18 with 440 TMT due to stronger beginning stocks, tighter world supply, and a lower Canadian Dollar.

Consumption

Post expects that lower production in 2017/18 will result in reduced overall domestic consumption, particularly with Canada taking advantage of its weaker dollar and a lower world supply to raise exports. Post is forecasting domestic consumption at 9 MMT, a 12 percent drop from 2016/17. Total domestic consumption of wheat in 2017/8 is estimated at 25 percent of total supply, compared with 27 percent the previous year.

Stocks

Lower production in 2017/18 is expected to be offset by stronger carry-in stocks from 2016/17 at 6.7 MMT, up by 29 percent. Post is forecasting the lower total supply in 2017/18 to result in a return to average ending stocks at approximately 5.7 MMT, down 14 percent from 2016/17.

CORN OUTLOOK

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	Sep 2015		Sep 2016		Sep 2017	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,312	1,312	1,325	1,325	0	1,315
Beginning Stocks	1,402	1,402	2,243	2,243	0	2,543
Production	13,559	13,559	13,200	13,200	0	12,847
MY Imports	1,374	1,374	1,000	1,000	0	1,140
TY Imports	949	949	1,000	1,000	0	1,140
TY Imp. from U.S.	942	942	0	0	0	0
Total Supply	16,335	16,335	16,443	16,443	0	16,530
MY Exports	1,738	1,738	1,000	1,000	0	900
TY Exports	1,764	1,764	1,000	1,000	0	900
Feed and Residual	7,073	7,073	7,500	7,500	0	7,820
FSI Consumption	5,281	5,281	5,400	5,400	0	5,560
Total Consumption	12,354	12,354	12,900	12,900	0	13,380
Ending Stocks	2,243	2,243	2,543	2,543	0	2,250
Total Distribution	16,335	16,335	16,443	16,443	0	16,530
(1,000 HA) ,(1,000 MT)						

Production

Area seeded to corn in 2017/18 is facing competition from soybeans on better returns. Post is forecasting corn area down slightly by 10 thousand hectares in 2017/18 at 1.3 million hectares harvested. Consequently, Post is estimating corn production at 12.8 MMT, down approximately three percent from 2016/17.

Trade

In spite of generous beginning stocks of corn in 2017/18, Post is forecasting corn imports will be up 14 percent from 2016/17 at one MMT to make up for the small drop in production. Post is forecasting a 10 percent drop in exports of corn at 900 TMT in 2017/18 compared with 1 MMT in 2016/17 due to tighter domestic supplies contrasting with higher global supply. Post has chosen to revise its 2016/17 corn export numbers down to be more consistent with USDA's final estimate from 1.7 MMT to one MMT.

Consumption

Stocks

BARLEY OUTLOOK

Barley	2015/2016		2016/2017		2017/2018	
Market Begin Year	Aug 2015		Aug 2016		Aug 2017	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,354	2,354	2,220	2,220	0	2,270
Beginning Stocks	1,217	1,217	1,443	1,443	0	2,050
Production	8,226	8,226	8,800	8,800	0	8,000
MY Imports	161	161	75	75	0	75
TY Imports	131	131	75	75	0	75
TY Imp. from U.S.	31	31	0	0	0	0
Total Supply	9,604	9,604	10,318	10,318	0	10,125
MY Exports	1,193	1,193	1,700	1,700	0	1,750
TY Exports	1,146	1,146	1,700	1,700	0	1,750
Feed and Residual	5,768	5,768	5,965	5,965	0	6,178
FSI Consumption	1,200	1,200	1,200	603	0	697
Total Consumption	6,968	6,968	7,165	6,568	0	6,875
Ending Stocks	1,443	1,443	1,453	2,050	0	1,500
Total Distribution	9,604	9,604	10,318	10,318	0	10,125

(1,000 HA) ,(1,000 MT)

Production

Although Post is forecasting a two percent increase in harvested area of barley at 2.27 million hectares for 2017/18, this modest rise in acreage is not expected to translate into higher production compared with 2.2 million hectares in 2016/17 which yielded 8.8 MMT. Instead, Post expects to see a return to normal yields in 2017/18 placing barley production at 8 MMT.

Trade

Post expects that strong beginning stocks will offset the drop in production placing the need for imports in 2017/18 at the same level as the previous year of 75 TMT. Despite a drop in production, Post is forecasting a three percent rise in exports at 1.75 MMT due to higher domestic supplies and a lower Canadian Dollar creating favorable opportunities for exports.

Upon examining Statistics Canada's March 2017 Outlook for Principal Field Crops, Post has revised its export numbers from 2016/17 to better reflect those statistics, placing the outflow of barley from Canada at 1.7 MMT, up from the previous estimate of 1.37 MMT.

Consumption

Post foresees a five percent increase in total domestic consumption of barley for 2017/18 with an estimate of 6.9 MMT driven by higher feed use for hogs and cattle. Post has revised domestic consumption estimates from 2016/17 to better reflect Statistics Canada's final numbers on food and industrial use, which were likely closer to 700 TMT according to Statistics Canada's albeit even more conservative estimate. Post has also revised its 2016/17 feed and residual use estimate up from 5.8 MMT to 6.2 MMT.

Stocks

Post forecasts beginning stocks of barley in 2017/18 at two MMT, up 42 percent from 2016/17, the highest level reported since 2010/11 when that number was estimated at just over 2.5 MMT. Ending stocks for 2017/18 are expected to return to normal levels at 1.5 MMT, a 27 percent drop from 2016/17.

OATS OUTLOOK

Oats	2015/2016		2016/2017		2017/2018	
Market Begin Year	Aug 2015		Aug 2016		Aug 2017	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,055	1,055	895	895	0	1,000
Beginning Stocks	673	673	928	928	0	693
Production	3,428	3,428	3,000	3,000	0	3,160
MY Imports	10	10	15	15	0	17
TY Imports	10	10	15	15	0	17
TY Imp. from U.S.	10	10	0	0	0	0

Total Supply	4,111	4,111	3,943	3,943	0	3,870
MY Exports	1,567	1,567	1,600	1,600	0	1,600
TY Exports	1,666	1,666	1,600	1,600	0	1,600
Feed and Residual	816	816	850	850	0	880
FSI Consumption	800	800	800	800	0	820
Total Consumption	1,616	1,616	1,650	1,650	0	1,700
Ending Stocks	928	928	693	693	0	570
Total Distribution	4,111	4,111	3,943	3,943	0	3,870
(1,000 HA) ,(1,000 MT)						

Production

Seeded area for oats is expected to rise in 2017/18 spurred on by reports of strong U.S. oat futures prices compared with alternative crops. Post is forecasting that area harvested of oats in 2017/18 will be up 12 percent at one million hectares compared with 895 hectares in 2016/17. Assuming average yields, Post estimates oat production at 3.16 MMT in 2017/18, a five percent increase from 2016/17.

Trade

Post is forecasting a slightly higher need for imports of oats in 2017/18, up two TMT from the previous years due to lower carry-in stocks and average production levels. Exports are expected to remain unchanged in 2017/18 at 1.6 MMT as global supply and market conditions remain stable.

Consumption

Post is forecasting that total domestic usage of oats in 2017/18 will increase by three percent due to slightly higher feed use and trend human consumption. Post is estimating that feed and residual use of oats will rise by 30 TMT to 880 TMT in 2017/18 and that food consumption will inch up 20 TMT to 820 TMT.

Stocks

The 2016/17 crop year benefitted from high beginning stocks due to large production the year before. For 2017/18, Post is forecasting a return to average production and ending stocks at 570 TMT, down 18 percent from 2016/17.

POLICY DEVELOPMENTS

Rail Transportation Update

Although industry consultations on the [*Fair Rail for Grain Farmers Act*](#) wrapped up in December of 2016, there is still no permanent legislation in sight. Transport Minister Marc Garneau has said he hopes to have the new legislation in place before the start of the next harvest, which begins August 1st. However, no legislation has yet been tabled in the House of Commons.

Bill C-30 was first introduced as a response to a severe backlog in the Canadian grain transportation system in the winter of 2013/2014 following a bumper crop. Temporary measures were extended for one year past its original July 2016 expiration date in order to give the Transport Minister time to learn the file and come up with a permanent plan. The current *Fair Rail for Grain Farmers Act*, temporary emergency legislation designed to tide the system over while a long term fix is found, expires in July 2017.

American Farmers Eye Fairer Grain Grading Rules in NAFTA Renegotiation

Recent talks of renegotiations to the North American Free Trade Agreement (NAFTA) are bringing new hope for American grain farmers seeking fairer treatment under Canadian grain grading rules. Current legislation does not allow for foreign grain, even if it is a variety that is registered to be grown in Canada, to be issued a grade by the Canadian Grain Commission. Under current legislation, U.S. wheat delivered to a Canadian grain elevator is sold as either feed grade (lowest grade) or according to a specification at any price agreed to by the buyers and sellers.

There have been calls from industry on both sides of the border to level the playing field for U.S. farmers delivering grain to Canadian elevators by allowing for official grading, handling, and export of U.S. grain through Canada. Although legislation was introduced into the House of Commons in late 2014, Bill C-48, the *Modernization of Canada's Grain Industry Act*, did not make it beyond its first reading before it was stalled and ultimately swept away in the shuffle of the fall 2015 general elections.

Canada and China Potential Trade Agreement

Global Affairs Canada announced in March that it is launching consultations on a potential [Canada-China free trade agreement](#). This comes six months after China threatened to reduce dockage allowances on imports of canola from 2.5 percent to 1 percent over concerns of blackleg disease. However, Canadian Prime Minister Justin Trudeau was successful in extending current dockage rules beyond the September 1st deadline. China's experience in recent FTAs (New Zealand, Australia, and Chile) suggests that they may be prepared to address tariffs and other trade barriers in some sectors (malt, barley, pulses, beef, and pork).

China is Canada's second-largest single-country trading partner and a key market for Canada in the Asia-Pacific region. In 2016, two-way merchandise trade amounted to \$85.3 billion. China accounts for nearly one half of Canadian canola exports; in 2015, Canadian exports of canola for oilseed crushing were valued at \$2 billion. "By promoting and expanding market access to China, the government is ensuring our agriculture industry remains a central driver of the Canadian economy," Agriculture and Agri-Food Minister Lawrence MacAulay said about the negotiations.

All interested parties are welcome to provide a written submission in response to the [Canada Gazette notice](#) until June 2, 2017.