

**Required Report:** Required - Public Distribution

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## **Report Name:** Grain and Feed Update

**Country:** Canada

**Post:** Ottawa

**Report Category:** Grain and Feed

**Prepared By:** Erin Danielson

**Approved By:** Philip Hayes

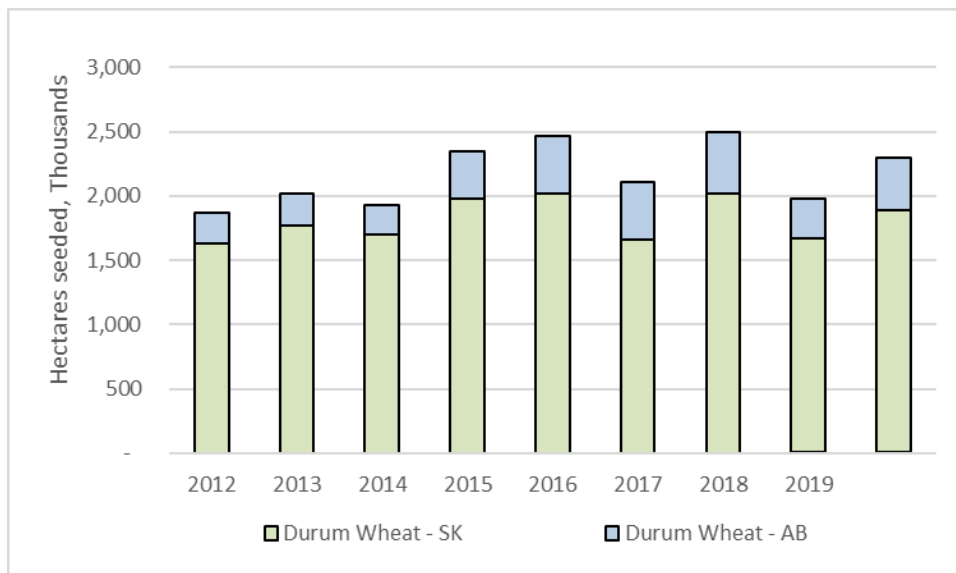
### **Report Highlights:**

Canada's wheat imports from the United States reached record levels in trade year (TY) 2019/20 through May due in part to the United States' exportable surplus of lower-quality feed wheat. Decreased wheat exports to the United States and China drove a six percent decline in overall wheat exports, compared to the same period last year. Under USMCA, U.S. wheat producers are now eligible to export wheat to Canada and receive a respective grade within the Canadian grading system, provided the wheat is of a variety approved in Canada.

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)	9,881	9,881	9,656	9,656	9,800	9,920
Beginning Stocks (1000 MT)	6,732	6,732	6,040	6,040	5,463	5,928
Production (1000 MT)	32,201	32,201	32,348	32,348	34,000	33,700
Imports (1000 MT)	482	482	675	640	450	450
MY Imports, (1000 MT)	478	478	675	640	450	450
TY Imp. from U.S., (1000 MT)	290	290				
Total Supply, (1000 MT)	39,415	39,415	39,063	39,028	39,913	40,078
MY Exports, (1000 MT)	24,404	24,392	23,200	23,000	24,500	24,500
TY Exports, (1000 MT)	24,476	24,463	23,200	22,900	24,500	24,500
Feed and Residual, (1000 MT)	3,982	3,993	5,300	5,000	4,600	4,600
FSI Consumption, (1000 MT)	4,989	4,990	5,100	5,100	5,200	5,200
Total Consumption, (1000 MT)	8,971	8,983	10,400	10,100	9,800	9,800
Ending Stocks, (1000 MT)	6,040	6,040	5,463	5,928	5,613	5,778
Total Distribution, (1000 MT)	39,415	39,415	39,063	39,028	39,913	40,078
Yield (MT/HA)	3.259	3.259	3.350	3.350	3.469	3.397

## PRODUCTION

### Area planted to durum wheat



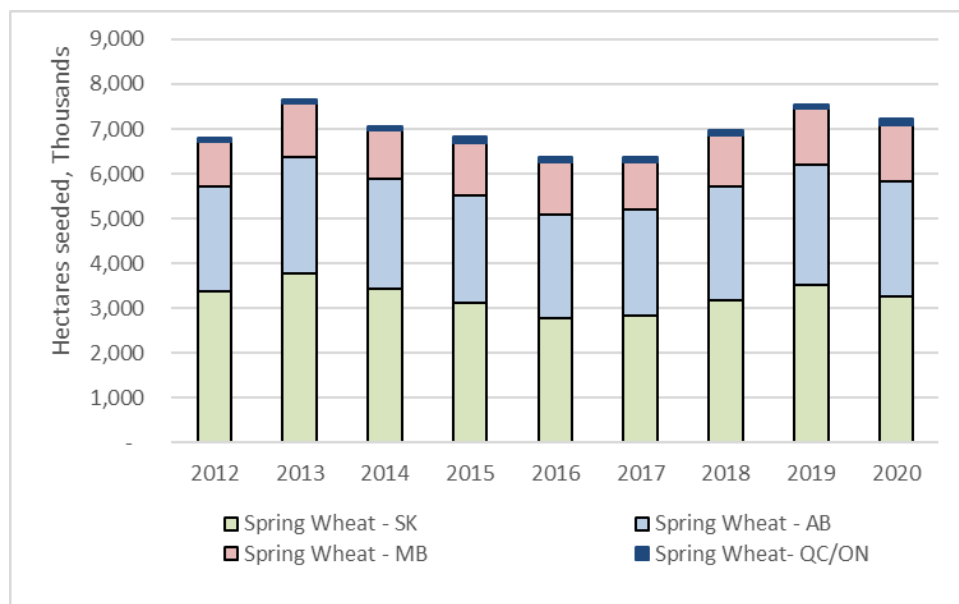
Source: Statistics Canada; FAS/Ottawa

Area planted to durum wheat increased this marketing year (MY) owing to a shift away from oilseeds primarily due to lower canola prices at the time planting decisions were made. Area planted to durum increased 16 percent to 2.3 million hectares, an increase of 22,000 hectares from the five-year average. In contrast, area planted to canola fell 0.8 percent to 8.4 million hectares, according to Statistics Canada.

In May 2019, cash prices for canola fell to their lowest level on record and prices recovered just nine percent by January. Planting decisions are typically made early in the calendar year as canola seed prices usually increase after January. While canola remains one of the top four most profitable crops in the Canadian prairies after variable costs, uncertainty over cash prices and [future export demand](#) has led producers to turn to other crops, most notably durum wheat.

While COVID-19 has negatively impacted the prices of corn and barley, cash prices for spring wheat in the prairie provinces have remained fairly stable and prices for durum have increased due to increased demand for pasta during the pandemic. Since March 1, 2020, cash prices for durum in Southwest Saskatchewan steadily increased nine percent to \$290 CDN per ton as of July 16, 2020, according to price quotes from a cross-section of delivery points compiled by [PDQ](#). Cash prices for Canadian Western Red Spring (13.5 percent protein) have been more volatile but have increased four percent to \$243 CDN per ton.

### Area planted to spring wheat

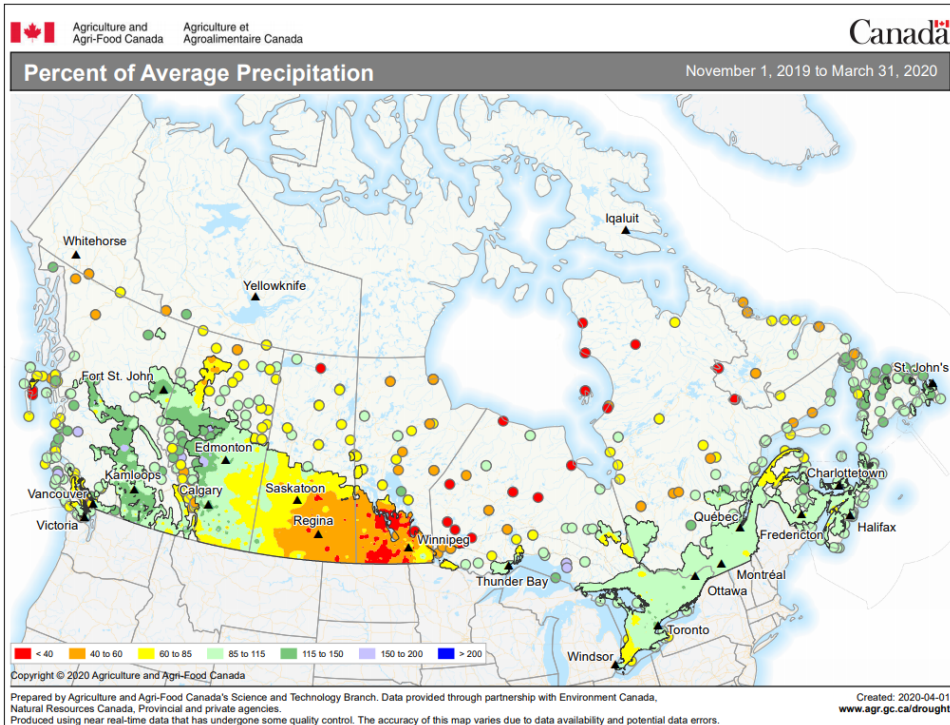


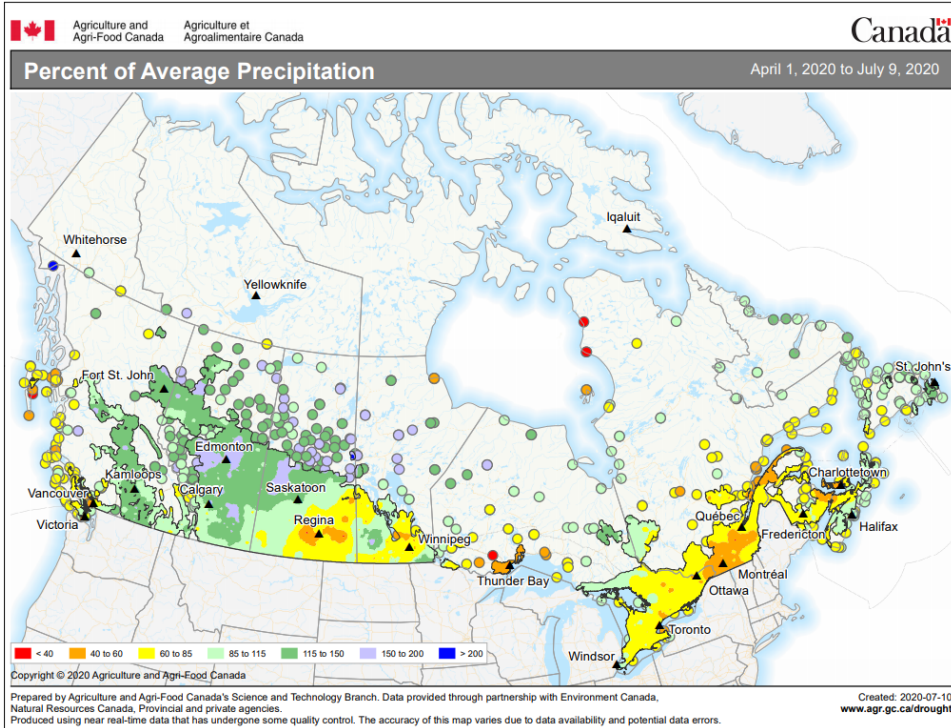
Source: Statistics Canada; FAS/Ottawa

Area planted to spring wheat fell five percent to 7.25 million hectares, yet still six percent above the five-year average. Durum, lentils, and barley replaced some of the area planted to spring wheat in the previous year as they offered better returns.

## Growing conditions

Since the start of the growing season, there has been variable rainfall across the prairies. Significantly lower than average precipitation is occurring in areas of Saskatchewan and Manitoba already dealing with precipitation deficits throughout the preceding winter season. However, moisture conditions improved significantly during the first two weeks of July. Saturated soils and waterlogged fields are now common in the southwest region from Brandon, Manitoba northward, according to a Saskatchewan Ministry of Agriculture [report](#). Parts of Northern Alberta and Saskatchewan are experiencing higher than average precipitation this growing season and waterlogged fields are also being reported there.





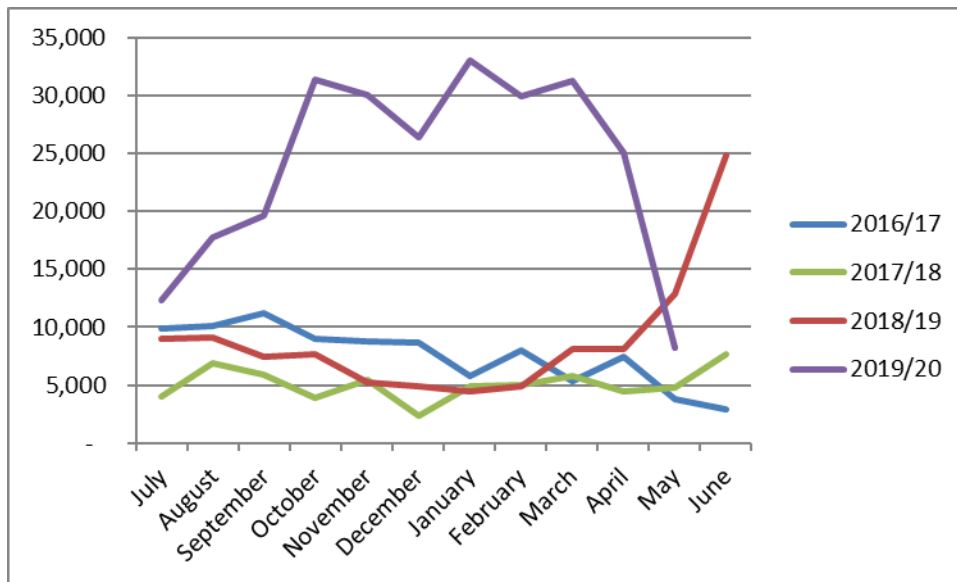
The majority of Saskatchewan wheat crop conditions range from fair to good. Wheat producers have been challenged by an unusually windy spring in Saskatchewan and other parts of the prairies causing soil degradation, crop damage, and interference with spraying.

In Alberta, as of June 29, crop conditions are deemed 80 percent good to excellent and above average in the south, central and northeast regions, according to a [crop report](#) by the Alberta Ministry of Agriculture. Conditions are on par with the historical average in the Peace River area, while conditions are lagging in Northwest Alberta compared to the historical normal.

In Manitoba, wheat crop conditions are rated fair to good on average throughout the province, and good to excellent in the central region of the province.

## IMPORTS

### Canada: Wheat imports from the United States by trade year (July – June)



Source: Trade Data Monitor, LLC; FAS/Ottawa

Imports from the United States increased 63 percent (July to May) over the same period of the previous trade year, reaching a record level for that period of 363,700 metric tons (MT) despite falling off in May. Poor harvest weather in Eastern Montana and Western North Dakota resulted in an abundance of lower quality hard red spring and durum feed wheat. Downgraded wheat, coupled with improved market opportunities for feed wheat in Canada and subsequent increased demand, drove increased exports to Canada. A high corn basis in the United States last year led Canadian feedlots and ethanol producers to explore alternatives for downgraded wheat. North Dakota and Montana feed wheat filled the void. Almost all downgraded wheat exported to 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.

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

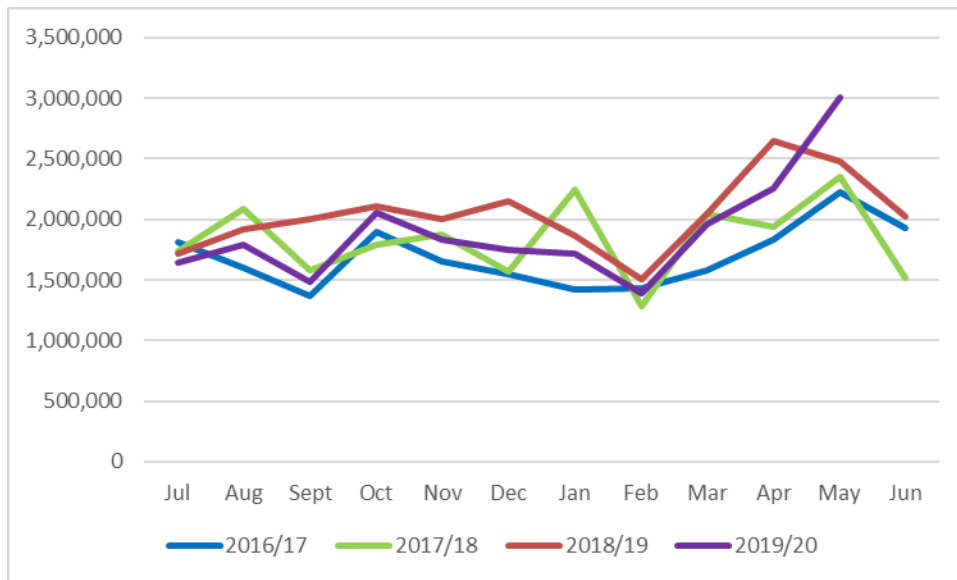
The United States-Mexico-Canada Agreement (USMCA) came into effect July 1, 2020. As part of the new agreement, Canada agrees to allow grain grown in the United States, but of a variety that is registered in Canada, to receive an official Canadian grade. Additionally, Canada agrees to remove requirements for official inspection certificates to indicate that grain grown in the United States is of foreign or mixed origin. Statements of origin for phytosanitary or customs requirements will not be affected. If the Canadian Food Inspection Agency receives a request to issue phytosanitary certificates on U.S. grown wheat, the exporter must identify it as U.S. origin on the application if it has been

segregated or Canada / U.S. origin if it has been comingled. This will appear on the phytosanitary certificate.

The overall impact of USMCA in MY 2020/21 is expected to be minimal but it may encourage new varieties to be grown for export in Northern Montana and North Dakota. 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).

## EXPORTS

### Canada: Wheat exports by trade year (July – June)



Source: Trade Data Monitor, LLC; FAS/Ottawa

The pace of wheat grain, product and flour exports picked up in March, reaching 3.0 million MT in May, a monthly record high. This peak was driven by large monthly shipments to China and Indonesia. Once June export levels become official, FAS/Ottawa estimates trade year shipments will reach approximately 22.9 million MT, six percent below the previous year.

Despite China's overall increase in purchases of wheat grain for the period July 2019 to May 2020, purchases from Canada fell as demand for wheat from France and Australia increased. Exports of wheat to the United States fell 780,100 MT primarily as a result of reduced demand in the United States during the same period. Exports to Italy increased 67 percent on increased demand for durum. Exports of wheat grain to Japan increased 21 percent as Japan's total purchase volume increased and demand for wheat from the United States and the Black Sea Region decreased. Exports of wheat grain to Indonesia fell five percent as total purchases declined from the previous period and demand for wheat from the Ukraine and Argentina increased.

**Canada: Top eight markets for wheat grain (incl durum), excluding product and flour by trade year to date (July '19 - May '20), metric tons**

Destination	2017/18	2018/19	2019/20	% Change	Difference	Share of total exports
World	20,081,938	22,125,322	20,586,061	-7%	(1,539,261)	100%
1 Indonesia	1,592,315	2,135,059	2,037,194	-5%	(97,865)	10%
2 Japan	1,618,806	1,517,162	1,843,186	21%	326,024	9%
3 United States	3,048,555	2,328,775	1,548,700	-33%	(780,075)	8%
4 Colombia	1,109,778	1,266,990	1,259,901	-1%	(7,089)	6%
5 Peru	1,102,611	1,124,760	1,181,513	5%	56,753	6%
6 Italy	459,374	676,040	1,130,299	67%	454,259	5%
7 China	1,116,051	2,061,340	1,075,416	-48%	(985,924)	5%
8 Bangladesh	1,158,900	1,149,596	866,378	-25%	(283,218)	4%

Source: Trade Data Monitor, LLC; FAS/Ottawa

**Canada: Top five markets for wheat products & flour in grain equiv. (\*1.368)  
by trade year to date (July '19 - May '20), metric tons**

Destination	2017/18	2018/19	2019/20	% Change	Difference	Share of total exports
World	422,198	310,625	295,205	-5%	(15,420)	100%
1 United States	275,566	275,385	273,965	-1%	(1,420)	93%
2 Malaysia	10,636	7,075	3,534	-50%	(3,542)	1%
3 China	27,013	6,324	3,442	-46%	(2,882)	1%
4 Ecuador	0	0	2,880	-	2,880	1%
5 Bahamas	3,326	2,460	2,755	12%	295	1%
6 Bermuda	1,501	1,740	1,498	-14%	(242)	1%
7 South Korea	1,179	1,112	1,404	26%	291	0%
8 Australia	279	304	713	135%	409	0%

Source: Trade Data Monitor, LLC; FAS/Ottawa

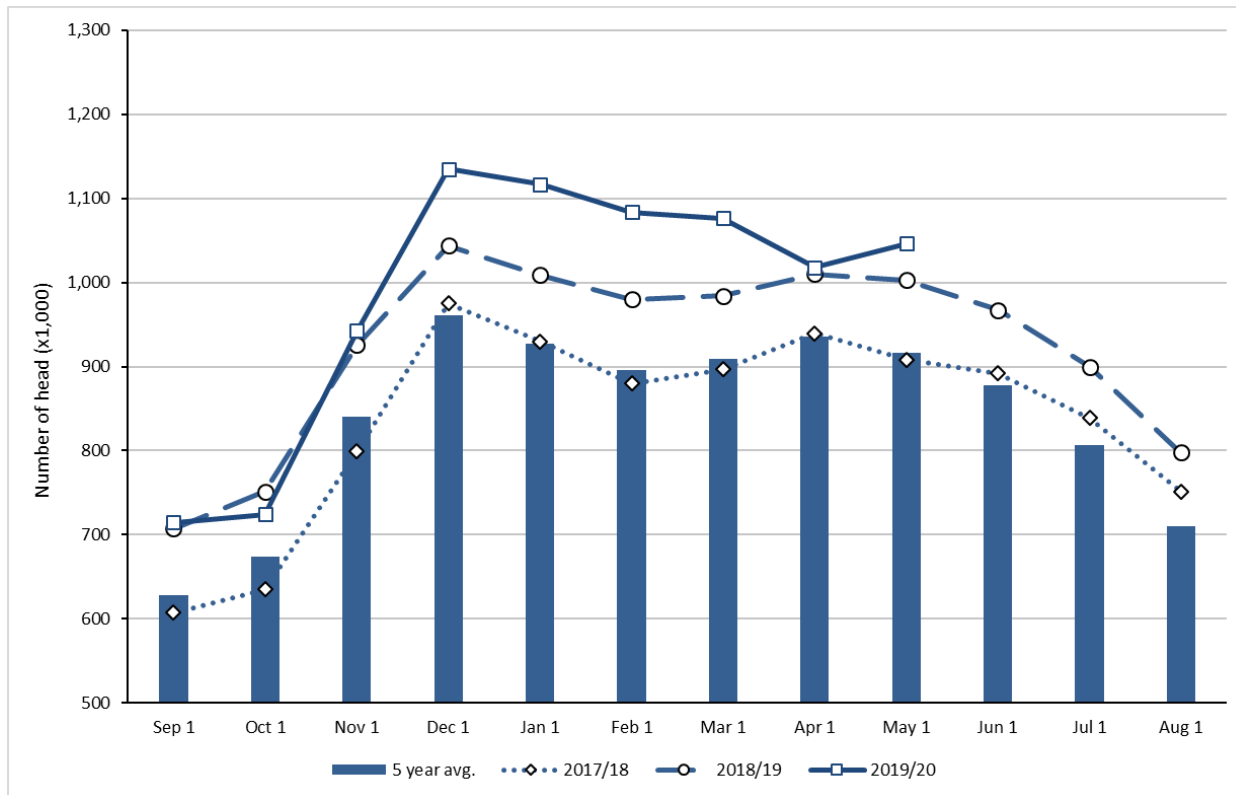
## FEED

Commercial disappearance of feed wheat has been increasing in MY 2019/20 due to more cattle on feed, the availability of more feed grade wheat, and a relatively high corn basis during periods of the year. A significant amount of demand was met by feed quality wheat imported from Montana and South Dakota, as previously discussed.

MY 2020/21 feed wheat levels are forecast down on the expectation of reduced demand from the livestock industry. However, a significant amount of uncertainty remains due in part to backlogs at cattle slaughter facilities as caused by COVID-19.



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



Source: CANFAX, FAS/Ottawa

## FOOD, SEED AND INDUSTRIAL

The COVID-19 pandemic has contributed to a 10 percent increase in Western amber durum wheat being milled in Canada as consumers increased their purchases of pasta during the pandemic. The volume of Western Red Spring Wheat milled in Canada increased by less than a percent.

Increased buying of flour and products made using flour and semolina, from March through May, for home consumption is estimated to have helped offset the decline in restaurant usage. FAS/Ottawa forecasts 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 March through May and assumes consumption will settle closer to pre-COVID levels 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. The three largest milling companies in Canada grind 90 percent of domestically produced flour are currently operating at capacity. 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 been maintained and grocery shelves continue to be stocked.

<b>Milled wheat and flour produced ('000s), August to May</b>				
	<b>MY 2016/17</b>	<b>MY2017/18</b>	<b>MY 2018/19</b>	<b>MY 2019/20</b>
<b>Total wheat milled</b>	2,484	2,654	2,681	2,666
<b>Western red spring wheat milled</b>	1,755	1,862	1,871	1,886
<b>Western amber durum wheat milled</b>	181	185	181	199
<b>Other western wheat milled</b>	90	105	96	67
<b>Ontario winter wheat milled</b>	369	408	463	453
<b>Other eastern wheat milled</b>	90	96	69	61

Source: Statistics Canada

## **WHEAT - STORAGE STOCKS**

Statistics Canada states total wheat stocks increased 1.6 percent year over year to 17.8 million MT as of March 31. The increase was led by on-farm stocks, up 5.4 percent to 13.8 million MT, while commercial stocks decreased 9.7 percent to 4.0 million MT. 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 fall on reduced imports and increased export demand.

### **Attachments:**

No Attachments