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Report Highlights:

Canadian total oilseeds production was down in marketing year (MY) 2019/20 for the second consecutive year due to reduced area planted and poor weather conditions. Canola seed exports to China declined 70 percent in the first half of MY 2019/20 though increased market share in other countries reduced Canada's overall export losses. Domestic crush is forecast by FAS/Ottawa to surpass exports in MY 2019/20. Low-priced canola and large on-farm canola stocks will limit growth in area planted to canola in MY 2020/21.

Oilseeds Summary

In marketing year (MY) 2019/20, the Canadian oilseed sector is coping with unfavorable weather conditions, transportation challenges, African swine fever (ASF), market access issues, low farm gate prices and now COVID-19.

More than two percent of canola was left unharvested as of December 2019. Much of the crop harvested in November and December came off with high levels of moisture (between 12 and 15 percent) and at increased risk of deteriorating quality while in storage.

Area seeded to canola in MY 2020/21 is forecast to remain consistent with last year, limited by low-priced canola and large on-farm canola stocks but buoyed by returns on investment that continue to exceed most other competing crops.

Exports of canola seed have suffered significantly due to market access issues and ASF in China. China alleged that inspectors found pests in some shipments of canola and, in March 2019, two of Canada's largest canola handlers lost their permit to deliver canola to China. There is widespread belief that this finding is linked to Canada's detention of a Huawei executive who was under U.S. warrant.

Increased market share in the European Union (E.U.), due to low supply there, reduced Canada's overall export losses. If E.U. supplies return to recent historic levels and Canada and China fail to achieve a resolution, canola exports will be severely hampered in MY 2020/21.

In MY 2020/21, soybean area is forecast to decline for the third consecutive year. Total production is expected to increase more than five percent over the previous year assuming a return to historic yields and reduced area abandoned.

Soybean exports to China fell to just one percent of total soybean exports in the first half of MY 2019/20, from 82 percent in the same period of the previous year. In MY 2020/21, exports are forecast by FAS/Ottawa to increase on an assumed improvement in the trade relationship between the United States and China, and on U.S. market share in the E.U. falling to historic levels.

Total canola, soybean and sunflower oil production in MY 2019/20 is forecast to increase four percent on increased processing of canola seed. Total oil production is forecast to fall slightly in MY 2020/21 on the assumption that domestic processing will ease as crush margins will settle into historic trends.

Total canola, soybean and sunflower meal production is forecast to grow less than a percent in both MY 2019/20 and MY 2020/21, from the previous marketing year.

In MY 2019/20, Canada experienced significant [transportation delays](#). In mid-March, the Port of Vancouver (from which 64 percent of canola and 21 percent of soybean ocean vessel-delivered exports departed from in MY 2018/19) stated that the industry is one and a half months behind for bulk grain. Even without disruptions

from COVID-19-related absenteeism, FAS/Canada anticipates that it could take months for the industry to catch up.

World and Canadian oilseed markets are expected to be impacted by COVID-19, but the full impact will not be known for several months.

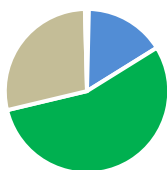
This report refers to marketing years, which for oilseeds run from August to July, except for peanuts which run from October to September. Unless otherwise noted, 'E.U.' in this report refers to E.U.27+UK, the current E.U. Customs Union.

RAPSEED (CANOLA), OILSEED

Oilseed, Rapeseed	2018/2019		2019/2020		2020/2021	
Market Begin Year	Aug-19		Aug-19		Aug-20	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	9,232	9,232	8,900	8,481		8,480
Area Harvested	9,120	9,120	8,780	8,319		8,400
Beginning Stocks	2,499	2,506	3,500	3,831		3,110
Production	20,343	20,343	19,450	18,649		19,000
MY Imports	146	146	100	130		100
Total Supply	22,988	22,995	23,050	22,610		22,210
MY Exports	9,202	9,202	10,400	9,200		9,000
Crush	9,295	9,295	9,350	9,800		9,700
Food Use Dom. Cons.	-	-	-	-		-
Feed Waste Dom. Cons.	397	667	300	500		300
Total Dom. Cons.	9,692	9,962	9,650	10,300		10,000
Ending Stocks	4,094	3,831	3,000	3,110		3,210
Total Distribution	22,988	22,995	23,050	22,610		3,210
Yield	2.231	2.231	2.215	2.242		2.262

(1000 HA) ,(1000 MT) ,(MT/HA)

Canada: 2019 Area Planted to Canola by Province



■ Manitoba ■ Saskatchewan ■ Alberta

MY 2019/20 Canola Production

MY 2019/20 production is estimated to be down eight percent over the previous year due to an eight percent reduction in area planted and despite a marginally higher yield.

Canola yields varied greatly within and between the Prairie Provinces. Based on Statistic Canada's harvest and production estimates, yield is estimated at 2.24 MT/hectare, above the five-

year average of 2.21 MT/hectare, for the total crop harvested prior to January. Areas of Saskatchewan, Alberta and Manitoba experienced dry conditions during seeding and throughout the growing season. Below-zero temperatures arrived early, in mid-October, but occurred well after yield had been established.

According to Statistics Canada, about two percent of area planted (162,000 hectares) remains unharvested from last year due to a wet and snowy fall harvest period. In a typical year less than one percent of area planted is left unharvested.

Producers may choose to combine unharvested area, seed over the top of abandoned crop, or destroy what remains. Spring-harvested canola tends to be lower in weight and oil content, higher in free fatty acid levels and at increased risk of animal damage.

In MY 2016/17, a similar situation occurred where a significant amount of area was not harvested until spring. The Canadian Grain Commission (CGC) extended their sample program to include spring-harvested crop. They report that of the 161 canola samples submitted that spring, 34 percent were No.1, 26 percent were No.2, and 20 per cent No.3. However, the growing season in MY 2016/17 was more favorable to canola quality than MY 2019/20 conditions. Spring harvested MY 2019/20 canola is expected to include even less top-grade samples.

Percent of samples graded No. 1 Canada Canola (according to CGC)	
2019	85.3
2018	74.8
2017	94.4
5-year avg	91.5

In general, canola harvested prior to the second week of October fared best for quality. Cold weather, rain and snow slowed harvest throughout October, and much of the crop harvested in November and December came off with high levels of moisture (between 12 and 15 percent) and at increased risk of deteriorating quality while in storage. Aeration and drying operations ran on many farms through most of harvest. Industry sources have shared concerns of canola spoiling in storage due to mold and pests, even after aeration and drying. The issue, according to industry, is the challenge of drying crop down completely.

For canola harvested prior to December 31, 2019, 85 percent of samples were graded No. 1 Canada which is less than the five-year average.

The CGC sample program measures oil and protein. Protein and oil content were consistent with the three-year average although these numbers are expected to decline slightly as canola harvested after December 2019 is sampled.

Western Canada Samples: Canola, average percent oil				
	2016	2017	2018	2019*
No. 1	44.3	45	44.1	44.7
No. 2	42.7	43.9	44.7	44.6
No. 3	45.2	43.7	44.7	44.9
All grades	x	x	x	44.7

Source: Canadian Grain Commission, calculations by FAS/Ottawa

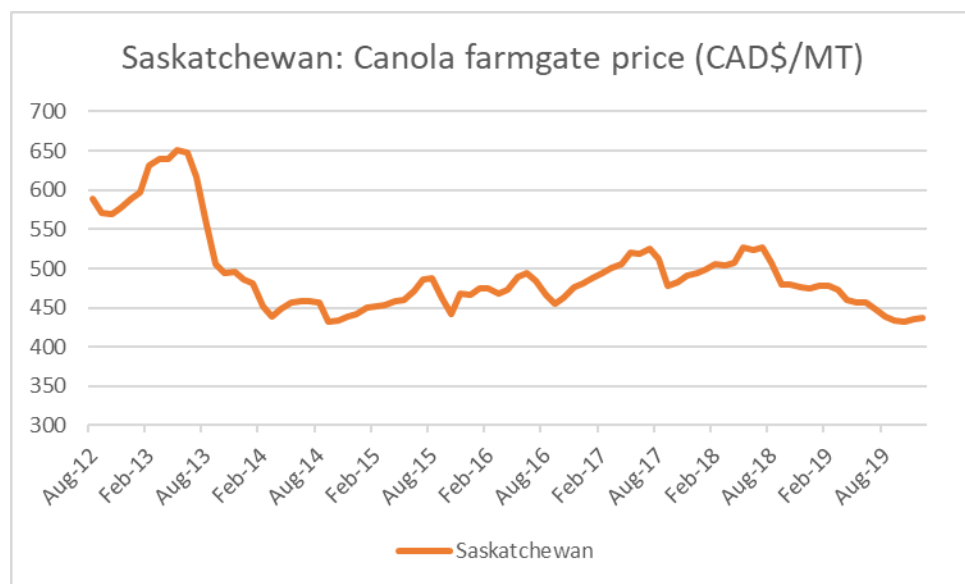
Note: * 2019 estimate is as of Dec 13, 2019

Western Canada Samples: Canola, average percent protein				
	2016	2017	2018	2019*
No. 1	20.1	20.1	21.1	20.2
No. 2	21.3	20.7	20.8	20.2
No. 3	19.9	20.4	20	20.1
All grades	x	x	x	20.2

Source: Canadian Grain Commission, calculations by FAS/Ottawa

Note: * 2019 estimate is as of Dec 13, 2019

The recent growth in the adoption rate of shatter-resistant canola pods is motivating more farmers to straight-cutting their crop instead of swathing, a practice that grew significantly in MY 2019/20. Among its advantages, straight-cutting is said to improve moisture drop and yield and reduce dockage. Less dockage reduces risk in storage. The trade-off is that waiting for canola to mature in order for it to be straight-cut means increased exposure to the elements, such as damaging winds, which is why shatter-resistant canola varieties go hand-in-hand with straight cutting.



Source: Statistics Canada; FAS/Ottawa

Farmgate canola prices¹ in December 2019 fell to levels not seen since September 2014, and continue their decent due to demand factors (market access in China and COVID-19 concerns), global weather uncertainty and

¹ Farmgate prices are collected at point of first transaction, where fees deducted before a producer is paid are excluded (for example, storage, transportation and administration costs), but any bonuses and premiums that can be attributed to specific commodities are included. Commodity-specific program payments are not included in the price.

exchange rates. In terms of supplies, only the tight palm oil supplies have played a significant role in pushing prices higher but even that has been trumped by sagging demand due to COVID-19 disrupting trade and demand.

Eight percent of canola acres were planted with high oleic varieties, down from about 12 percent in 2018 due to a leveling-off of demand.

Approximately 93 percent of canola insured by provincial crop insurance programs are genetically engineered.

Research in canola continues in the areas of: clubroot resistance; germplasm development; weather-based, near real-time crop insect pest monitoring; and assessing the impact of disease and insects on canola production. Varieties stacking clubroot resistance continue to lead in sales booked for MY 2020/21 planting.

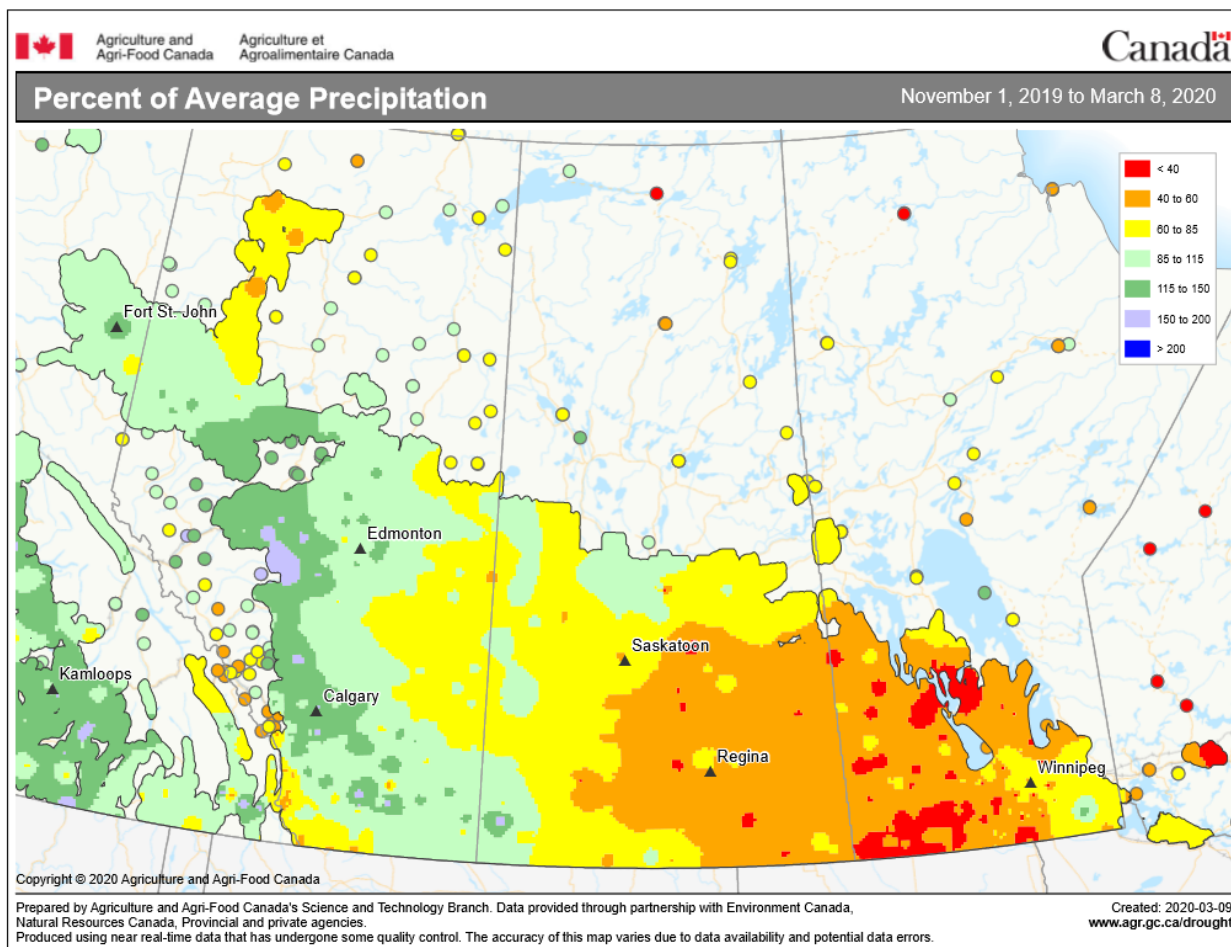
Announced in March 2020, three provincial canola growers associations, along with the Western Grains Research Foundation (WGRF), will invest over \$2.3 million into six canola research projects under the Canola Agronomic Research Program (CARP) focusing on: germplasm discovery for sclerotinia tolerance; investigation of insect pest predators; understanding of the clubroot infection process; improving insect pest monitoring; protein optimization; and, high-throughput phenotyping to enable faster screening of stable, high-yielding traits.

MY 2020/21 Canola Production

In MY 2020/21, FAS/Ottawa forecasts area planted to canola to be unchanged from last year. Planting decisions will be based on large on-farm stocks and lower prices which will prevent acres from rebounding to 2017 and 2018 highs. Returns after variable costs are still expected to be higher than any other crop type grown in Saskatchewan (the largest canola-growing province), with the exception of flax, large green lentils, and green peas.

Winter precipitation levels were poor, particularly in the major canola-growing area of Saskatchewan. The March spring runoff outlook released for the province of Saskatchewan by the Water Security Agency indicates that if a lack of moisture continues, agricultural water supply issues could develop within the drier areas this year. Another runoff forecast will be issued in April if the runoff has not yet taken place.

Concerns about agricultural water supply issues may encourage producers to consider growing wheat, barley or oats instead of canola. However, FAS/Ottawa expects rotation out of canola to be constrained, due to the current low profitability of wheat and barley.



Source: [Agriculture Agri-Food Canada](http://www.agr.gc.ca)

Two large yellow pea processing facilities are expected to open in Manitoba in the fourth quarter of 2020. This may incentivize some farmers to add peas to crop rotations however, no significant loss of area planted to canola is expected in MY 2020/21, as both facilities will only be running at about half capacity into 2021.

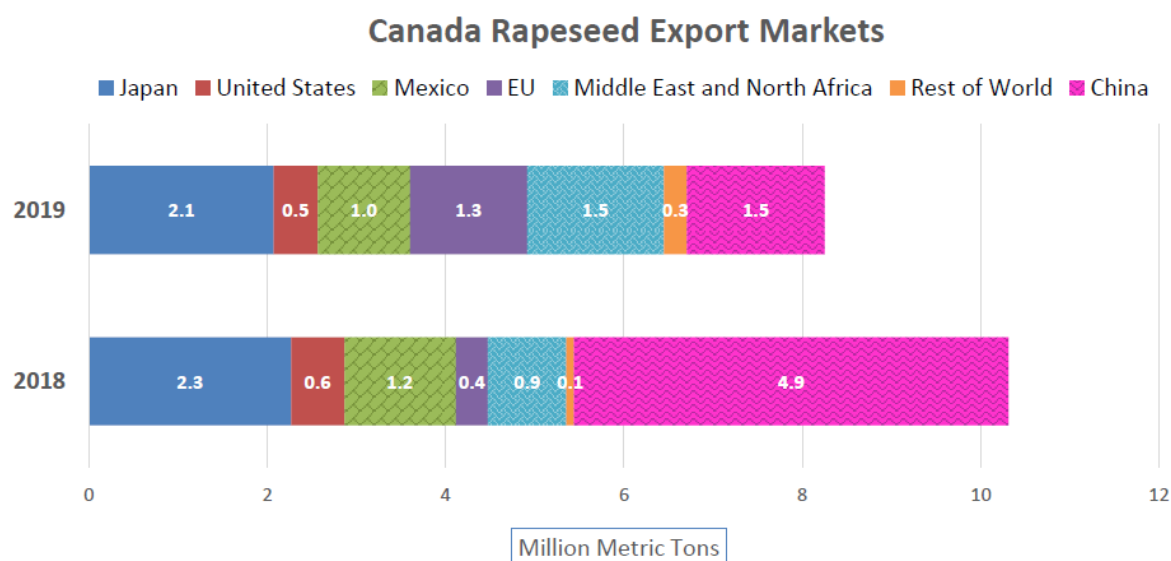
Canola - Consumption

The total supply of canola seed that goes to domestic feed, seed and waste in MY 2019/20 and MY 2020/21 is expected to be consistent with recent years, ranging from one to three percent.

Canola Exports - MY 2019/20

In MY 2019/20, exports of canola seed are forecast to fall marginally from the previous marketing year. This forecast is based on the pace of exports to date, as indicated by Statistics Canada data through December 2019

and CGC data on overseas-bound vessels and licensed facilities exporting to the United States through to February 2020.



Source: Trade Data Monitor, LLC; [FAS](#), [USDA](#)

In the first half of MY 2019/20, canola exports fell 16 percent over the same period of the previous year, driven by a 1.65 million MT loss of exports to China. This decline was only partly offset by increased exports to the E.U., following a production decline of about 15 percent in the E.U. Canada's market share increased in the U.A.E., Pakistan and Bangladesh, which reduced Canada's decline overall. Exports to the U.A.E. are largely dependent on E.U. vegetable oil demand.

Canola Seed Exports First Half MY 2019/20 (Aug to Jan)												
Partner Country	Unit	Quantity					% Share					% Change 2019/2020
		MY 2015/16	MY 2016/17	MY 2017/18	MY 2018/19	MY 2019/20	MY 2015/16	MY 2016/17	MY 2017/18	MY 2018/19	MY 2019/20	
World	T	4,756,423	5,717,363	6,054,361	5,147,633	4,320,137	100%	100%	100%	100%	100%	-16%
China	T	1,466,224	1,763,479	2,073,194	2,367,805	717,655	31%	31%	34%	46%	17%	-70%
Japan	T	930,858	1,222,769	1,473,913	1,150,595	1,000,454	23%	21%	24%	22%	23%	-7%
France	T	930,858	305,464	261,556	214,650	624,225	20%	5%	4%	4%	14%	191%
United Arab Emirates	T	252,253	479,098	505,164	139,504	495,709	5%	8%	8%	3%	11%	255%

Source: Trade Data Monitor, LLC; calculations by FAS Ottawa

Note: Marketing Years for canola seed run from August to July.

Exports of canola seed, like soybeans, have suffered significantly due to market access issues and reduced demand to African swine fever. China alleged that inspectors found pests in some shipments of canola² and, shortly afterward, Canada's two largest canola handlers lost their permit to deliver canola to China. Richardson

² There remains speculation within Canada that this finding is linked to Canada's detention of a Huawei executive who was under United States warrant.

International lost its permit to deliver canola to China on March 1, 2019, and Viterra lost its permit March 26. A third unidentified company reported issues on April 2 but, according to a government official, these issues have since been resolved. The losses of these export permits led to a significant decline in exports of canola seed to China.

Canada challenged China's delisting of the two Canadian handlers at the WTO. The challenge continues to proceed through the consultation process and could lead to a dispute settlement panel.

As of March 26, 2020, Canada's freight-on-board canola price (in Canadian dollars) at the Port of Vancouver has fallen 12 percent since March 2018 (or 21 percent in U.S. dollars per MT), improving its global competitiveness. The decline is largely attributed to reduced demand from China for soybeans and canola. This is due to market access issues but also caused by a significant reduction in demand for oilseed meal from China after ASF devastated pig herds.

Looking ahead, if [Russia](#) can improve its canola production and yield, Canada may experience increased competition in the next five years. Russia grew 1.5 million hectares of rapeseed in MY 2019/20, producing 2.1 million MT. This equates to only 11 percent of what Canada produced in 2019, or 3 percent of what the world produced, but production could quickly expand if growers adopt hybrid seeds and improve their yield.

Canola Exports - MY 2020/21

Assuming Canada-Chinese relations fail to improve before August 2021 and E.U. demand shrinks as production rebounds to recent historic levels, exports will decline in MY 2020/21 over the previous marketing year.

Downside risks to the FAS/Ottawa forecast include potential negative impacts of COVID-19 and a greater than expected reduction in demand from the E.U., down from the record levels that propped up canola exports in MY 2019/20. The impact of COVID-19 remains to be seen. Persistent risks to export flows include [transportation disruptions](#) and negative attitudes towards genetically engineered crops, such as has been taking place in the [United Arab Emirates \(UAE\)](#) where a draft law toughens the penalties to those who import, export, or re-export genetically modified products.

Canola biosafety certificates continue to be issued by China

Authorization certificates for the importation of Canadian canola seed in key export markets are of significant importance to the canola sector. Current authorization certificates in China and the E.U. have expiry dates that range from December 20, 2021 to August 02, 2029.

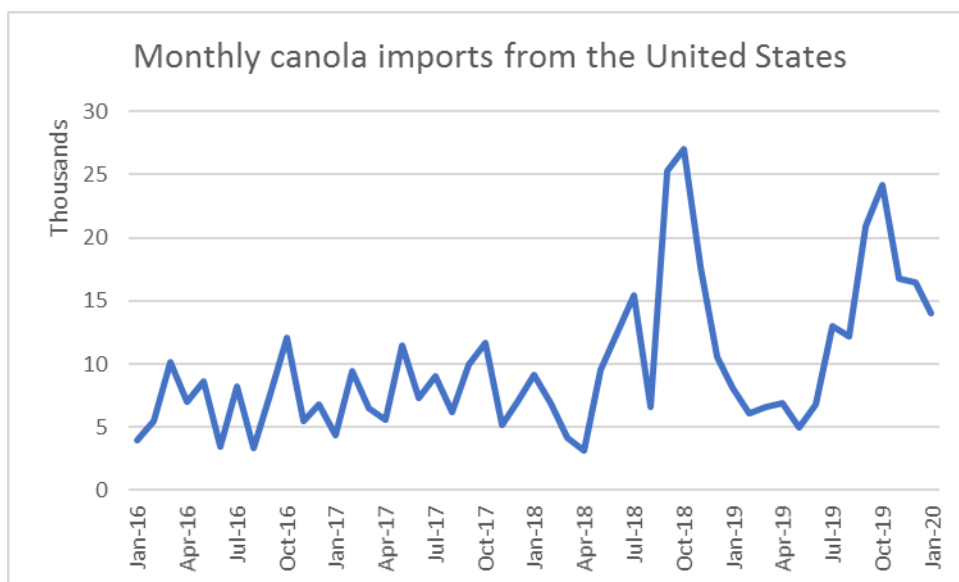
The table below demonstrates the importance to the industry that authorizations of just two events have. Of particular importance are the events MS8/Rf3 and Gt73 (or RT73), which in 2019 were used in 26 and 139 commercially grown varieties, respectively. Combined, these two events were used to grow about 85 percent of provincially insured hectares seeded to canola.

Area seeded to GM canola, insured by prairie province governments				
Event	Area seeded, hectares	% of insured hectares	Biosafety certificate validity, China	EU authorization expiration date
Ms8/Rf3	4,074,994	58%	Dec. 02, 2019-Dec. 02, 2022	Aug. 02, 2029
GT73 (also known as RT73)	1,900,232	27%	Dec.20, 2018 - Dec.20, 2021	Apr. 26, 2025
MON88302	183,126	3%	Dec.20, 2018 - Dec.20, 2021	Dec. 20, 2027
Rf3	101,842	1%	Dec. 20, 2018 - Dec. 20, 2021	Aug. 02, 2029
Total insured	6,995,865	100%		
Total canola planted in the prairie provinces (incl. uninsured and privately insured)	8,481,000			

Sources: Agriculture Financial Services Corporation, Saskatchewan Crop Insurance Corporation, Manitoba Agricultural Services Corporation, Canadian Food Inspection Agency, EU register of GM food and feed, USDA/ FAS Beijing, calculations by USDA/ FAS Ottawa

Canola Seed Imports

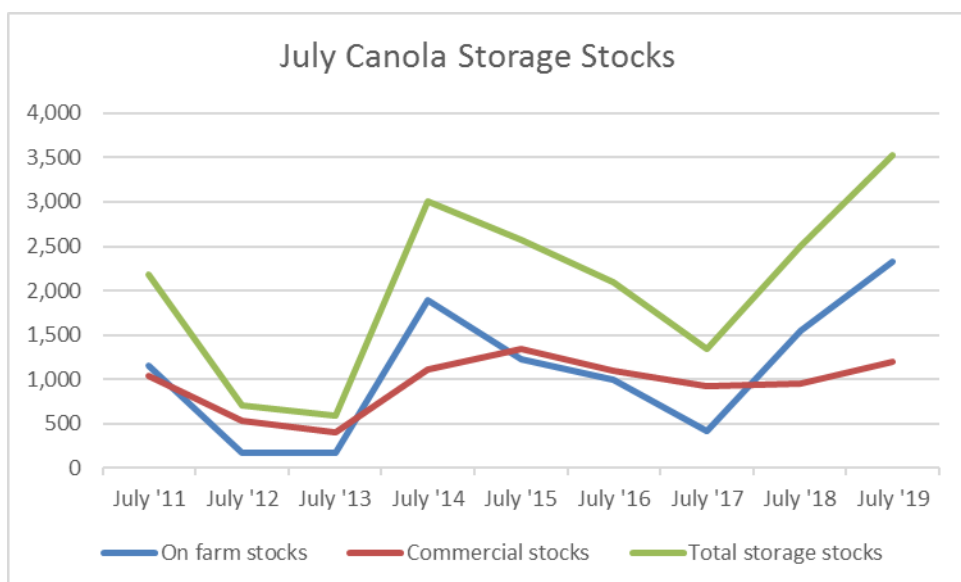
Canola seed imports remain minimal but have grown significantly since the beginning of MY 2018/19. Still, they represent just a percent of supply.



Canola Seed Imports								
Year Ending: July								
Partner Country	Unit	Quantity			% Share			% Change 2017/2016
		2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	
World	T	94,532	108,035	146,466	100%	100%	100%	36%
United States	T	88,910	100,770	139,444	94%	93%	95%	38%
Chile	T	5,519	6,859	6,564	6%	6%	4%	-4%

Source: Trade Data Monitor, LLC; Calculations by FAS/Ottawa

Storage Stocks – Canola seed



Source: Statistics Canada; USDA/ FAS Ottawa

A widening gap between farm and commercial has formed since on-farm stocks outgrew commercial stocks in December 2019. Large on-farm stocks are one reason why FAS/Ottawa believes that canola area planted has limited growth potential.

Storage stocks are currently considered to be large, underpinned by China's reduction in purchases, and farmer's unwillingness to sell on the expectation of improved prices.

MY 2019/20 ending stocks are forecasted to fall nearly 20 percent, for a stocks-to-use ratio of 14 percent, down from 17 percent the previous year.

MY 2020/21 ending stocks are forecasted to rise due to challenges finding export markets and the fact that domestic processing is already running at capacity.

SOYBEAN, OILSEED

Oilseed, Soybean	2018/2019		2019/2020		2020/2021	
Market Begin Year	Aug-18		Aug-19		Aug-20	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	2,558	2,558	2,300	2,313		2,250
Area Harvested	2,540	2,540	2,300	2,271		2,235
Beginning Stocks	632	651	841	700		325
Production	7,267	7,417	6,000	6,045		6,400
MY Imports	1,172	1,172	900	350		600
Total Supply	9,071	9,240	7,741	7,095		7,325
MY Exports	5,258	5,258	4,700	4,000		4,500
Crush	2,077	2,077	1,900	1,800		1,900
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	895	1,205	791	970		700
Total Dom. Cons.	2,972	3,282	2,691	2,770		2,600
Ending Stocks	841	700	350	325		225
Total Distribution	9,071	9,240	7,741	7,095		7,325
Yield	2.861	2.921	2.861	2.662		2.864

(1000 HA) ,(1000 MT) ,(MT/HA)

MY 2019/20 Soybean production

In MY 2019/20, the level of soybean production in Manitoba was the lowest it has been since 2014, driven down by a poor yield of 1.98 tons/hectare, a 22 percent reduction in area planted, and a record abandonment rate of four percent of area seeded. The reduction in area is in part due to dry conditions over the last two years in Western Canada, while the reduction in yield is primarily due to dry conditions in 2019. Abandonment issues were due to early snow and moisture prior to harvest.

In Ontario, poor winter wheat survival and delayed corn planting resulted in a record soybean area planted at 1.26 million hectares. Despite a significant delay in seeding due to cool weather and high precipitation, a dry growing season, and a late harvest, the MY 2019/20 Ontario crop was average to above average in quality and yield.

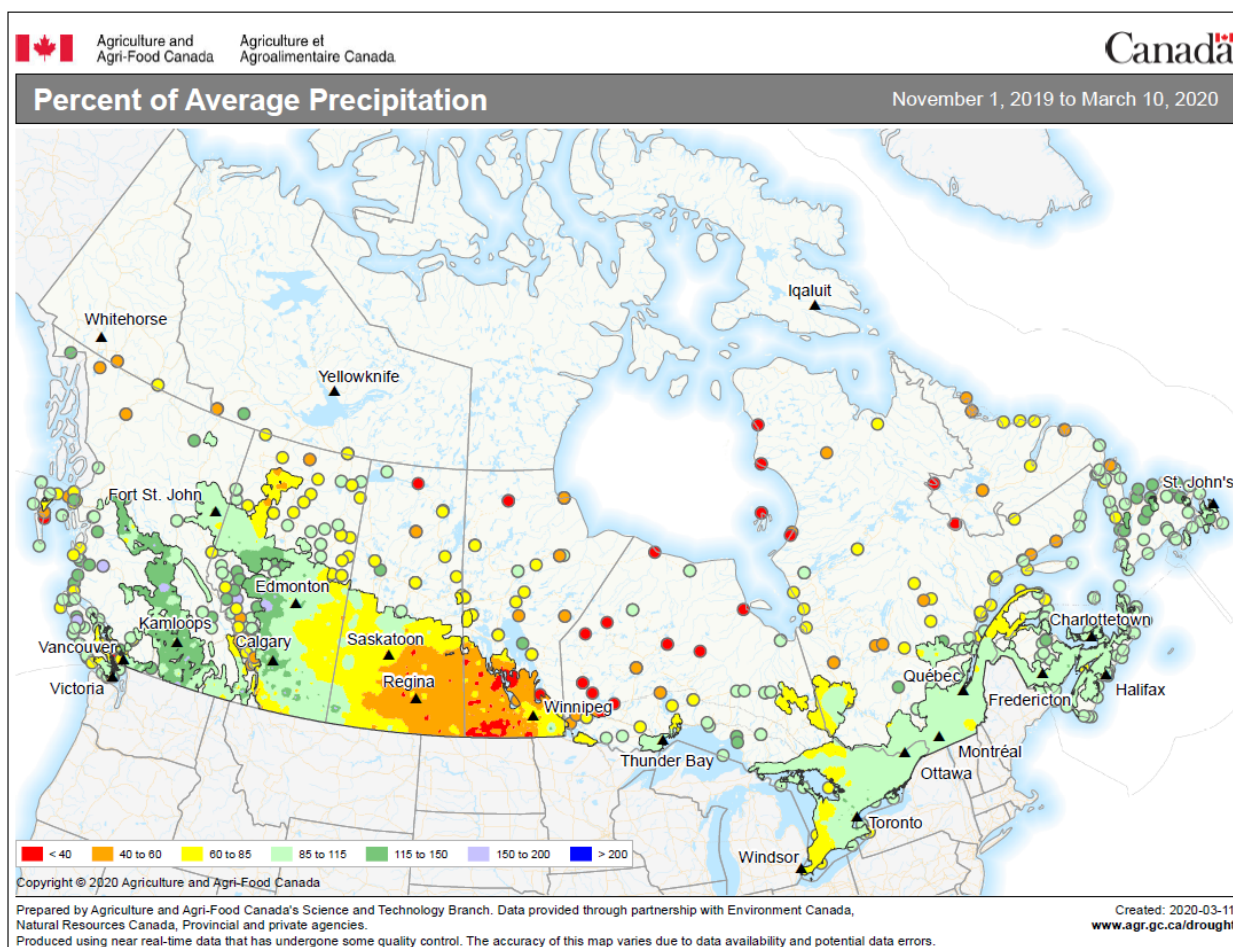
MY 2020/21 Soybean production

For MY 2020/21, soybean area is forecasted to decline for the third consecutive year, led by a significant drop in Manitoba and a marginal reduction in Ontario. Total production is expected to increase six percent over the previous year assuming a return to historic yields.

The soybean/corn ratio is a simple method used to predict relative changes in area planted to soybean and to corn. Using the November 2020 futures prices for soybeans (\$8.87 USD/bu) and for corn (\$3.76 USD/bu), the soybean-to-corn price ratio would be 2.35. The rule of thumb is that a ratio of 2.35 is viewed as neutral (i.e., area planted to remain roughly flat), whereas higher levels would point towards more soybean area planted and lower ratios would lean in favor of more corn.

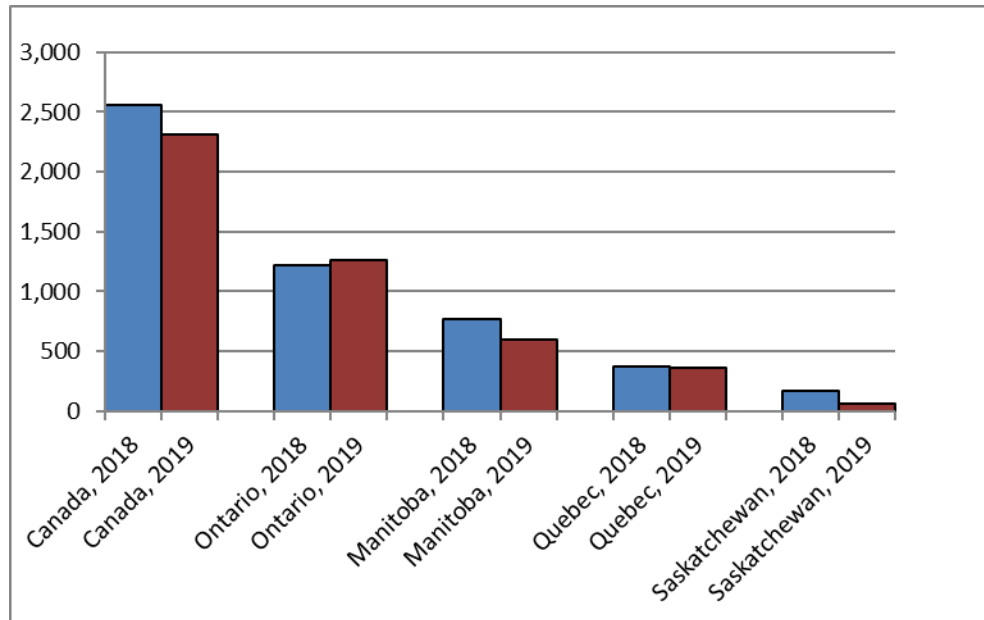
However, reduced return on investment due to poor yields and relatively low current prices compared to other rotation crops in Manitoba will encourage producers to move away from soybeans in MY 2020/21. Further, minimal snow cover in Manitoba as of mid-March does not bode well for soybean seeding. Large global supplies reduced demand due to ASF and market access issues continue to put downward pressure on prices.

In the near term, soybean area planted in Manitoba is not expected to expand past the 2017 level of 0.9 million hectares due to limitations on land suitable for production.



Source: Agriculture and Agri-Food Canada

Hectares seeded to soybeans by province



Source: Statistics Canada; FAS/Ottawa

Soybean – Domestic Use

MY 2020/21 crush is forecast at 1.8 million MT, based on a decline of nearly 30 percent in the first half of the marketing year as some processors switch from soybeans to canola, which had more profitable crush margins.

Soybean Exports - MY 2019/20

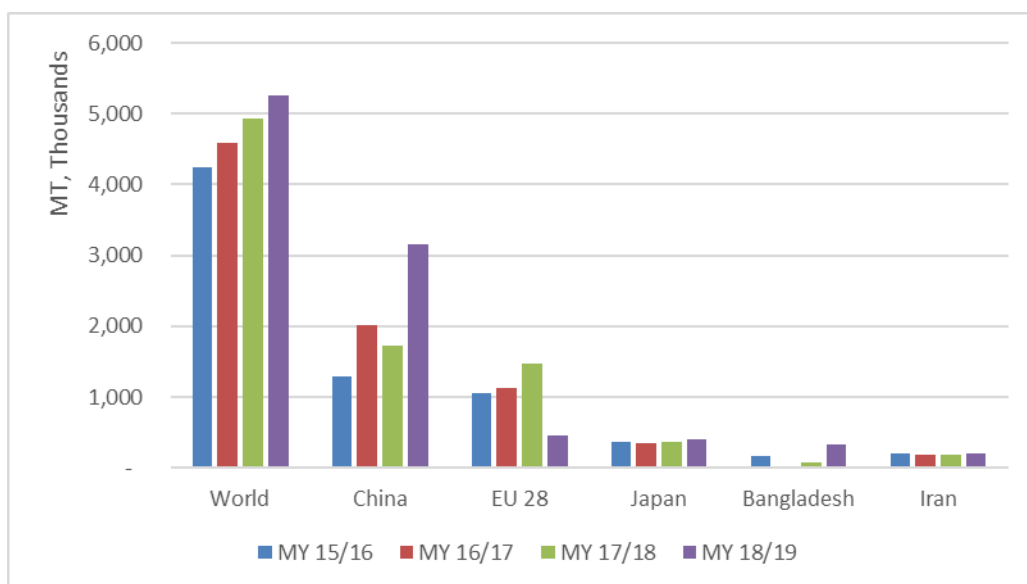
In the first half of MY 2019/20, soybean exports were down 29 percent from the same period the previous year due to a decline in exports to China. China currently accounts for just one percent of Canada's exports, down from 82 percent in the same period of the previous year. Restoring access to China will be critical to reviving historic export levels in MY 2020/21.

Canada has reduced its overall export losses by recovering market share in key E.U. markets, namely Italy, the Netherlands and Germany. In the first half of MY 2019/20, the share of exports going to the E.U. increased to 41 percent, from just three percent the previous marketing year. Canada has found stable export markets in Japan and Iran, which have been importing approximately eight percent and four percent Canada's soybean exports each marketing year since 2015, respectively.

Canada: Soybean Export Statistics								
First Half of Marketing Year (August through to January)								
Partner Country	Unit	Quantity			% Share			Difference
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	2019/20
World	T	3,424,413	3,824,641	2,732,595	100%	100%	100%	(1,092,046)
EU 28	T	1,181,562	131,755	1,128,316	35%	3%	41%	996,561
Iran	T	121,888	-	655,780	4%	0%	24%	655,780
Bangladesh	T	-	4,017	287,440	0%	0%	11%	283,423
Italy	T	296,171	97,847	286,120	9%	3%	10%	188,273
Netherlands	T	199,047	4,506	225,116	6%	0%	8%	220,610
Germany	T	170,723	837	180,760	5%	0%	7%	179,923
China	T	1,350,678	3,136,305	37,075	39%	82%	1%	(3,099,230)

Source: Trade Data Monitor, LLC; FAS/Ottawa

Soybean Exports



Source: Trade Data Monitor, LLC; FAS Ottawa

Canada: Soybean Import Statistics								
First Half of MY 2019/20								
Partner Country	Unit	Quantity			% Share			% Change
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	2018/19
World	T	242,300	808,079	164,048	100%	100%	100%	-80%
United States	T	202,880	760,593	151,709	84%	94%	92%	-80%
India	T	35,515	41,654	9,100	15%	5%	6%	-78%
China	T	1,888	3,460	1,618	1%	0%	1%	-53%
Taiwan	T	292	488	489	0%	0%	0%	0%
South Korea	T	8	9	10	0%	0%	0%	11%
Japan	T	44	40	34	0%	0%	0%	-15%

Source: Trade Data Monitor, LLC; FAS Ottawa

Non-GE identity preserved (IP) soybeans continue to have a market in Southeast Asia, where they represent nearly 20 percent of soybeans used. The IP soybean market in that region is dominated by Canadian soybeans, primarily of Ontario origin.

According to industry sources in Malaysia, Canadian non-GE IP soybeans produce relatively high soymilk and tofu yield when compared to non-GE soybeans from other countries. However, sources indicate that Canadian GE food soybeans produce slightly lower soymilk and tofu yield when compared to U.S. GE soybean.

Soybean Exports - MY 2020/21

Exports are forecast by FAS/Ottawa to increase on an assumed improvement in the trade relationship between the United States and China, and fewer U.S. soybeans crowding out Canada's beans in the E.U.

Soybean Imports

As a result of the United States-China trade war and an abundance of U.S. soybeans, U.S. exports to Canada reached record levels in MY 2018/19 but have since returned to historical averages in MY 2019/20.

Storage Stocks - Soybean

Soybean storage stocks are forecasted to end MY 2019/20 at about 325 MT, based on December 2019 storage stocks that are nine percent below what they were a year ago. The decline is attributed to a reduction in total supplies that surpassed a decline in exports and domestic consumption.

SUNFLOWER SEED, OILSEED

Oilseed, Sunflowerseed	2018/2019		2019/2020		2020/2021	
Market Begin Year	Aug-19		Aug-20		Aug-21	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	29	29	31	31		31
Area Harvested	27	27	29	29		30
Beginning Stocks	35	98	37	103		102
Production	57	57	63	63		65
MY Imports	24	24	30	25		24
Total Supply	116	179	130	191		191
MY Exports	29	27	27	35		27
MY Exp. to EU						
Crush		0	9	0		0
Food Use Dom. Cons.	9	9	55	9		9
Feed Waste Dom. Cons.	41	40	64	45		40
Total Dom. Cons.	50	49	39	54		49
Ending Stocks	37	103	130	102		115
Total Distribution	116	179	2.17	191		191
Yield		2.1111		2.1724		2.1667

(1000 HA) ,(1000 MT) ,(MT/HA)

Production

In MY 2020/21, area seeded to sunflower seed is forecast to remain unchanged from the previous year, and in line with the five-year average. Growth is limited in the sunflower industry due to limited returns expected relative to other crops.

In MY 2019/20, area seeded to sunflower increased seven percent while production increased 10 percent on improved yields. Of total area seeded, only 94 percent was harvested, compared with 93 percent the previous year and a five-year average of 96 percent.

Manitoba produces roughly 75 to 85 percent of domestic sunflower seed.

Domestic consumption

The National Sunflower Association of Canada estimates that a third of sunflower seed grown in Manitoba in 2019, went towards the snack market or baking industry. The remaining 69 percent went into sunflower oil production. Over the last three years, more sunflower planters were driven towards oil production as a result of higher producer risk and fewer export marketing options for confectionary sunflowers.

There is currently no large-scale crushing facility in Manitoba, so most Canadian sunflower seed production is either processed in the province for the bird food market or exported to crushing facilities in the United States. A small-scale Manitoba processor began crushing sunflower seeds, soybeans and canola in 2017, though crush volumes are expected to remain negligible.

MY 2019/20 exports

FAS Ottawa forecasts sunflower seed exports to grow 28 percent in MY 2019/20 over the previous year based on strong export pace in the first half of the year. Compared to last year, exports are up 38 in the first half of the year due to a smaller U.S. sunflower supply. The U.S. accounted for 92 percent of Canada's sunflower seed exports in MY 2018/19, increasing to 96 percent in the final quarter of 2019.

MY 2020/21 exports

Exports in MY 2020/21 are forecast lower on improved U.S. supplies.

MY 2019/20 imports

Sunflower seed imports are up 15 percent in the first half of the marketing year and exports are forecast to grow 4 percent for the entire marketing year over the previous year. In the fourth quarter of 2019, suppliers of sunflower seed included the United States (55 percent), Bulgaria (29 percent) and China (11 percent).

MY 2020/21 imports

Imports are forecast to fall to 2018/19 levels due to sufficient supply.

Storage stocks

Ending stocks in MY 2019/20 are forecast to fall marginally due to increased demand but buoyed by sufficient supply. Ending stocks in MY 2020/21 are expected to fall 12 percent on reduced demand from the United States. Nearly all stocks are held in commercially-owned storage facilities as opposed to farm-owned facilities.

Oilseed, Peanuts

Oilseed, Peanuts	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct-17		Oct-18		Oct-19	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	0	0	0	0		0
Beginning Stocks	4	9	4	9		9
Production	0	0	0	0		0
MY Imports	172	166	170	170		173
Total Supply	176	175	174	179		182
MY Exports	9	3	7	3		3
Crush	0	0	0	0		0
Food Use Dom. Cons.	163	163	163	167		170
Feed Waste Dom. Cons.	0	0	0	0		
Total Dom. Cons.	163	163	163	167		170
Ending Stocks	4	9	4	9		9
Total Distribution	176	175	174	179		182

(1000 HA) ,(1000 MT) ,(MT/HA)

Peanut production in Canada is constrained by climatic conditions, with insufficient heat limiting quality and yield potential. As a result, peanut production is limited to a few farms in southern Ontario and Canada will remain a net importer of peanuts, with the United States and China being the top suppliers.

OILSEED MEALS

Total canola, soybean and sunflower meal production is forecast to grow less than a percent in both MY 2019/20 and MY 2020/21, from the previous marketing year.

Soymeal equivalent (SME) protein consumption

Protein Meal	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20 f	2020/21 f
Meal, Soybean	2,050	2,050	1,978	2,179	2,201	2,020	2,083
Meal, Rapeseed	533	620	501	606	620	630	600
Soybean (full fat)	618	646	658	1,047	1,205	970	700
Meal, Sunflowerseed	41	50	45	44	40	45	40
Total in SME	2,951	3,041	2,891	3,477	3,633	3,274	3,097

Source: Statistics Canada; FAS Ottawa

All data in 1,00 MT

Marketing year: Aug/ July

f = forecast

Meal, Rapeseed (Canola)

Meal, Canola	2018/19		2019/20		2020/21	
Market Begin Year	Aug-18		Aug-19		Aug-20	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	9,295	9,295	9,500	9,800		9,700
Extr. Rate, 999.9999	0.5637	0.5598	0.5637	0.5561		0.5567
Beginning Stocks	117	104	93	58		102
Production	5,240	5,203	5,355	5,450		5,400
MY Imports	6	6	5	4		5
Total Supply	5,363	5,313	5,453	5,512		5,507
MY Exports	4,620	4,635	4,720	4,780		4,810
Industrial Dom. Cons.						
Food Use Dom. Cons.						
Feed Waste Dom. Cons.	650	620	670	630		600
Total Dom. Cons.	650	620	670	630		600
Ending Stocks	93	58	63	102		97
Total Distribution	5,363	5,313	5,453	5,512		5,507
SME	3,728	3,702	3,810	3,878		3,842

(1000 MT) ,(PERCENT)

Over the last ten years, Canadian canola meal production averaged eight percent growth year-over-year. There has been very little change in canola meal production in the last two years. In the first half of MY 2019/20, canola meal production has grown seven percent and is forecast to continue at the current pace.

Canola crushing facilities are forecast to operate at nearly 90 percent of the approximately 11 million MT capacity in MY 2019/20, based on high monthly crush levels to date. Facilities cannot use the final ten percent of capacity due to necessary down time for annual maintenance and potential supply chain constraints (eg. rail disruptions).

MY 2019/20 crush levels are forecasted at 9.8 million MT, five percent higher than the previous marketing year. A rise in world soybean and palm oil prices relative to canola prices and Canadian dollar weakness compared to the U.S. dollar, have strengthened crush³ margins and increased crush demand. Crush levels have risen seven percent in the first six months of the marketing year.

Crush margins have been volatile since February 2020, ranging from \$64.97/ton CDN on March 16th to \$110.49/ton CDN on March 24. While declining world vegetable oil prices have pressured crush margins down, the steep decline of the Canadian dollar relative to the U.S. dollar has propped margins up.

³ Crush is the quantity of canola seed processed that results in canola oil and canola meal.

MY 2020/21 crush levels are forecasted to fall marginally from the previous marketing year to 9.7 million MT on reduced supplies but remain well above the three-year average.

Canadian canola meal is sold at a discount to soybean meal due to canola's lower protein content. Prior to 2018, almost all was exported to U.S. dairy operations. Chinese demand for canola meal has grown and nearly 20 percent of Canada's canola meal exports went to China in 2019. Through the first half of MY 2019/20 Canada sent 26 percent of total canola meal exports to China and 74 percent to the United States.

Canola Meal Exports								
Calendar year								
Partner Country	Unit	Quantity			% Share			% Change 2018/2019
		2017	2018	2019	2017	2018	2019	
World	T	4,557,804	4,665,698	4,707,387	100.00	100.00	100.00	14.16
United States	T	3,399,020	3,223,929	3,357,037	94.53	87.37	77.15	0.81
China	T	1,041,524	1,395,973	1,296,769	0.56	7.72	19.42	187.29
Mexico	T	23,407	19,188	12,604	0.55	0.46	0.65	61.53
Thailand	T	52,317	21,113	10,564	0.00	1.13	0.44	- 55.48
Vietnam		14,595	17,400	18,432	0.01	1.14	0.45	- 55.49

Source of Data: Trade Data Monitor, LLC; calculations by FAS Ottawa

Meal, Soybean

Meal, Soybean	2018/2019		2019/2020		2020/2021	
Market Begin Year	Aug-18		Aug-19		Aug-20	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	2,077	2,077	1,900	1,800		1,900
Extr. Rate, 999.9999	0.7800	0.7723	0.7800	0.7778		0.7763
Beginning Stocks	143	23	171	19		19
Production	1,615	1,604	1,478	1,400		1,475
MY Imports	1,018	1,018	1,050	1,020		1,018
Total Supply	2,776	2,645	2,699	2,439		2,512
MY Exports	425	425	325	400		410
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	2,180	2,100	2,250	2,020		2,083
Total Dom. Cons.	2180	2,201	2,250	2,020		2,083
Ending Stocks	171	19	124	19		19
Total Distribution	2776	2,645	2,699	2,439		2,512

(1000 HA) ,(1000 MT) ,(MT/HA)

Canada is a net importer of soybean meal and imports 46 to 50 percent of its consumption.

MY 2019/20 soybean meal imports are forecasted to remain stable for the second consecutive year, as is the composition of countries that it obtains the meal from. Typically, Canada imports 95 percent of its soybean meal from the United States. In the first half of MY 2019/20, imports were up two percent over the previous year.

Soybean meal production was 16 percent behind MY 2018/19 in the first half of MY 2019/20. Reduced domestic soybean crush is attributed to some processors switching to canola due to increased profitability.

Canadian soybean crushing capacity is estimated at 3.2 million MT per year, with two crushing plants in Ontario that crush canola and soybeans (Windsor and Hamilton), and one plant in Quebec (Bécancour) that crushes canola and soybeans. While there have been discussions of building a soybean crush facility in the prairies, industry sources indicate there is no construction planned.

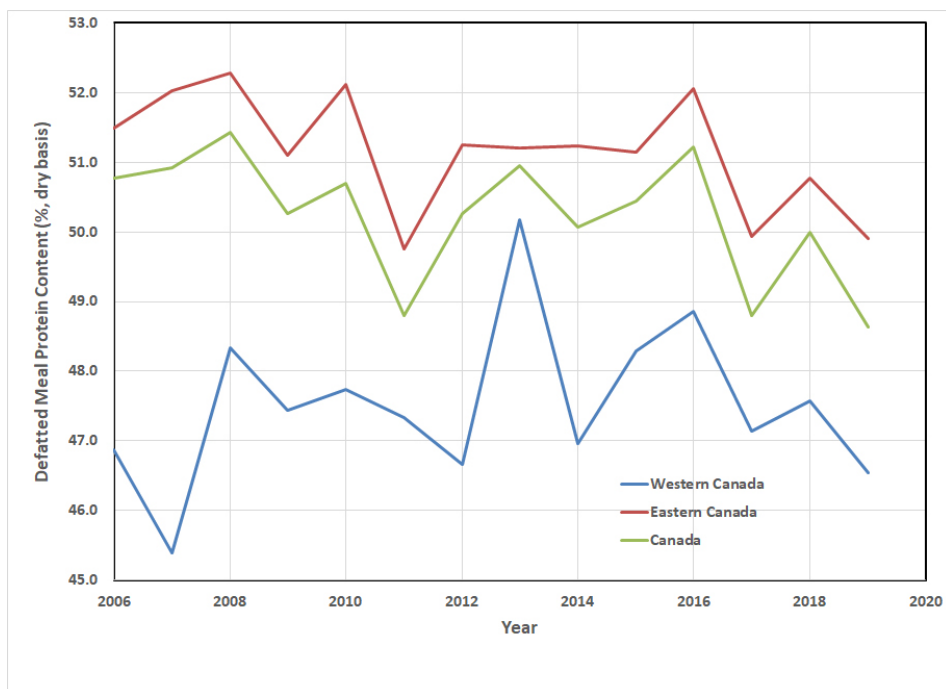
Soybean Meal Imports								
Year Ending: July								
Partner Country	Unit	Quantity			% Share			% Change
		16/17	17/18	18/19	16/17	17/18	18/19	
World	T	820,702	1,022,219	1,018,445	100%	100%	100%	0%
U.S.	T	802,582	975,833	964,456	98%	95%	95%	-1%
India	T	8,372	28,303	43,315	1%	3%	4%	53%
China	T	8,217	14,525	6,512	1%	1%	1%	-55%

Source: Trade Data Monitor, LLC

Soybean Meal Exports								
Year Ending: July								
Partner Country	Unit	Quantity			% Share			% Change
		16/17	17/18	18/19	16/17	17/18	18/19	
World	T	291,308	356,808	424,761	100%	100%	100%	19%
U.S.	T	204,527	249,770	272,438	70%	70%	64%	9%
EU 28	T	85,648	105,312	149,689	29%	30%	35%	42%
Thailand	T	80	1,361	1,222	0%	0%	0%	-10%

Source: Trade Data Monitor, LLC

Defatted soybean meal is protein supplement in livestock rations.



Source: Canadian Grain Commission

OILSEED OILS

Canola oil accounts for about 50 percent of the total vegetable oil consumed by Canadians but only about ten percent of the Canadian canola crop is consumed in Canada. Nearly 90 percent of Canadian canola complex is exported.

Oil Consumption, food use

	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/20	2020/21
Rapeseed Oil	578	607	634	670	633	630	660
Soybean Oil	214	226	211	219	249	192	187
Sunflowerseed Oil	8	9	9	9	9	9	9

All data in 1,000 metric tons

Marketing year: Aug/July

Oil, Rapeseed (Canola)

Oil, Canola	2018/2019		2019/2020		2020/2021	
Market Begin Year	Aug-18		Aug-19		Aug-20	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	9,295	9,295	9,500	9,800		9,700
Extr. Rate, 999.9999	0.4373	0.4355	0.4447	0.4357		0.4381
Beginning Stocks	487	487	433	433		426
Production	4,065	4,048	4,225	4,270		4,250
MY Imports	16	16	16	13		14
Total Supply	4,568	4,551	4,674	4,716		4,690
MY Exports	3,155	3,155	3,450	3,275		3,280
Industrial Dom. Cons.	330	325	335	335		340
Food Use Dom. Cons.	650	670	660	680		680
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	980	963	995	1,015		1,020
Ending Stocks	433	433	229	426		390
Total Distribution	4,568	4,551	4,675	4,716		4,690

(1000 HA) ,(1000 MT) ,(MT/HA)

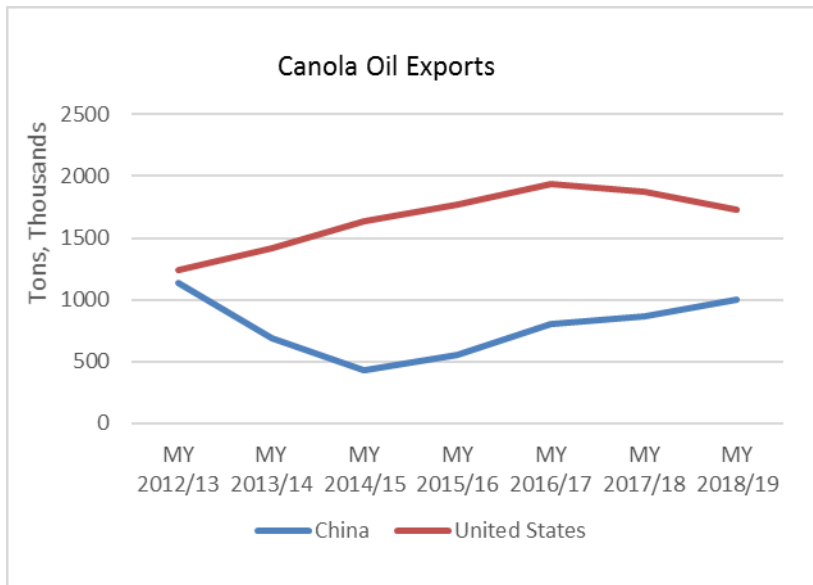
Canola oil production was up eight percent in the first half of MY 2019/20, compared to the same period of the previous year due to attractive crush margins and strong demand.

Eight percent of canola acres were seeded to high oleic varieties, down from about 12 percent in 2018. High oleic varieties have represented as much as one third of domestic crush in recent years.

Exports

In the first half of MY 2019/20, exports are up eight percent, led by additional purchases of 100,807 MT from the United States and a declining but still high level of exports to China. Canada is benefitting from China's increased demand for vegetable oil and China adopting a more Western diet.

The Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), implemented December 31, 2018, expanded Canadian access to CPTPP members for canola and soybean oil exports. In the first half of MY 2019/20, exports to CPTPP countries grew 92 percent over the same period in the previous year and have surpassed levels attained during the entire MY 2016/17.



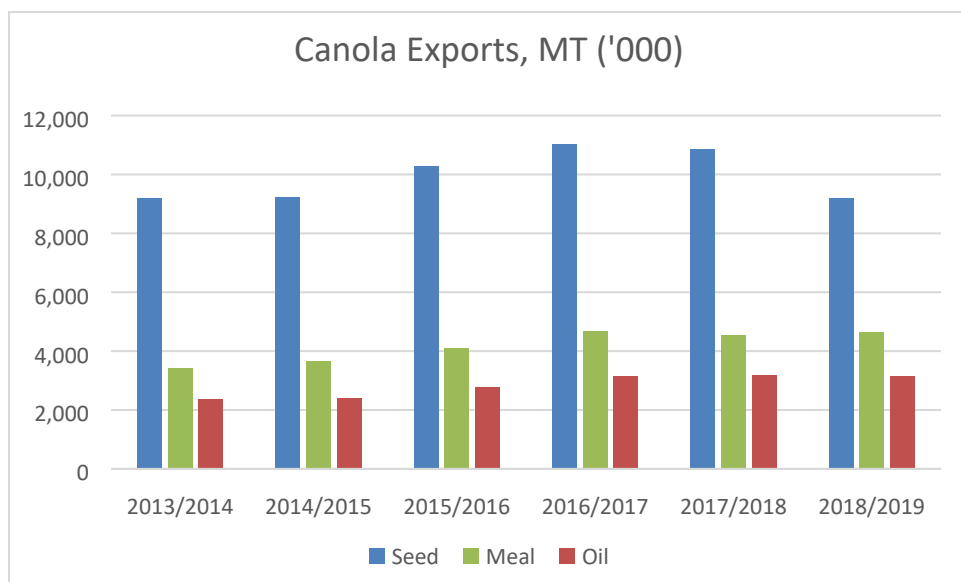
Source: Trade Data Monitor; FAS Ottawa

Canola Oil Exports								
Year Ending: July								
Partner Country	Unit	Quantity			% Share			% Change
		2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	
World	T	3,106,105	3,170,256	3,155,459	100%	100%	100%	0%
United States	T	1,932,202	1,872,017	1,730,986	62%	59%	55%	-8%
China	T	800,382	871,100	1,003,891	26%	27%	32%	15%
CPTPP	T	177,435	238,012	228,697	6%	8%	7%	-4%
South Korea	T	119,567	133,038	136,031	4%	4%	4%	2%
Chile	T	67,239	108,511	103,008	2%	3%	3%	-5%
EU 28	T	16,047	312	71	1%	0%	0%	-77%
Mexico	T	61,049	69,358	78,088	2%	2%	2%	13%
Japan	T	5,966	10,938	18,359	0%	0%	1%	68%

Source: Trade Data Monitor/ FAS Ottawa

Canola Oil Exports								
First half of MY (Aug to Jan)								
Partner Country	Unit	Quantity			% Share			% Change
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
World	T	1,496,841	1,585,826	1,705,440	100%	100%	100%	8%
United States	T	1,012,303	837,855	938,662	68%	53%	55%	12%
China	T	244,102	573,930	472,072	16%	36%	28%	-18%
CPTPP	T	130,507	93,146	178,778	9%	6%	10%	92%
South Korea	T	69,309	50,990	86,336	5%	3%	5%	69%
Chile	T	146	70	12,071	0%	0%	1%	17144%
EU 28	T	-	-	12,060	0%	0%	1%	
Mexico	T	33,736	36,008	49,321	2%	2%	3%	37%
Japan	T	2,515	5,121	24,072	0%	0%	1%	370%

Source: Trade Data Monitor/ FAS Ottawa



Source: Statistics Canada

Oil, Soybean

Oil, Soybean	2018/2019		2019/2020		2020/2021	
Market Begin Year			Aug-19		Aug-20	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	2,077	2,077	1,900	1,800		1,900
Extr. Rate	0.1907	0.1907	0.1900	0.1833		0.1737
Beginning Stocks	8	7	28	8		7
Production	396	396	360	330		330
MY Imports	23	23	23	21		22
Total Supply	427	426	411	359		359
MY Exports	169	169	165	160		160
Industrial Dom. Cons.	-	0	0	0		0
Food Use Dom. Cons.	230	249	239	192		187
Feed Waste Dom. Cons.	-	0	0	0		0
Total Dom. Cons.	230	249	239	192		192
Ending Stocks	28	8	7	7		7
Total Distribution	427	426	411	359		359
TS=TD	0	0	0	0		0

(1000 HA) ,(1000 MT) ,(MT/HA)

Canadian soybean oil production in the first half of MY 2019/20 fell from the record high of the previous year and is now below the five-year average. Soybean oil exports are down three percent. Imports of soybean oil in the first half of MY 2019/20 were down 13 percent.

Soybean oil production in MY 2019/20 was down 20 percent through December 2019, and FAS/Ottawa anticipates total MY 2019/20 soybean oil production to fall to 330,000 MT due to a weaker crush rate, competition from canola, and large global vegetable oil supplies.

Imports of soybean oil from the United States in the first half of MY 2019/20 were down 25 percent. In a typical year, Canada purchases about 98 percent of its soybean oil imports from the United States. However, in the first half of MY 2019/20, 84 percent of Canada's imports were sourced from the United States. The remainder was imported from China (six percent) and India (nine percent).

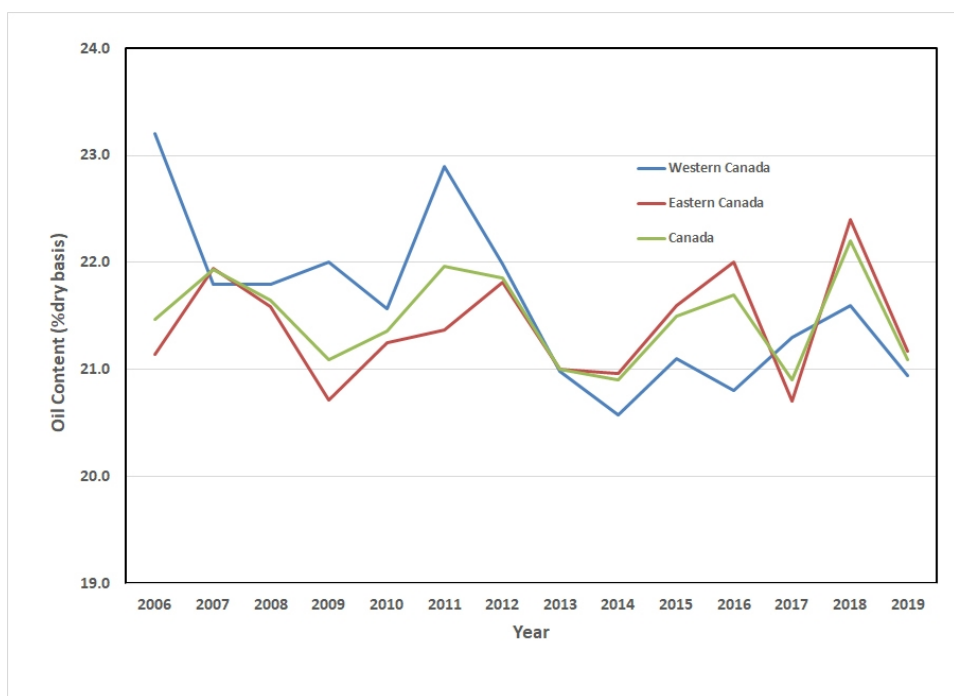
Canada Export Statistics							
Soybean Oil Exports							
Year Ending: July							
Partner Country	Volume (MT)			% Share			% Change 2017/2016
	16/17	17/18	18/19	16/17	17/18	18/19	
World	19,316	20,916	23,256	100%	100%	100%	11%
United States	19,023	20,803	22,898	98%	99%	98%	10%
China	1	3	326	0%	0%	1%	10767%
Source: Trade Data Monitor, LLC; FAS Ottawa							

MY 2019/20 exports are forecast down three percent paced on the pace in the first six months of the year. The United States is virtually Canada's only buyer of soybean oil. In MY 2018/19, it purchased 98 percent of Canada's exports.

Consumption

Soybean oil is used in salad oil, shortening and margarine products.

Seed Oil Content Averages of Canadian oilseed type soybean, 2006 to 2019



Source: Canadian Grain Commission

Trade Agreements

There are currently ongoing FTA negotiations with Mercosur region and Pacific Alliance, and Canada is undergoing exploratory discussions regarding an ASEAN FTA. Other changes in trade alliances include the following:

United States-Mexico-Canada trade agreement (USMCA)

Legislation in the form of Bill C-4 to implement USMCA was tabled in Parliament in January 2020, has been given second reading in the House, and is now being examined by the House of Commons Trade Committee. Once it passes through the committee and becomes law, the federal government can ratify USMCA. This is expected to happen in March or April, with the least optimistic onlookers betting on September, shortly before the U.S. election.

BREXIT / CETA

The UK's departure from the E.U., effective January 31, 2020, is not expected to have an impact on Canadian exports. The Withdrawal Agreement includes a provision for a "transition period" until December 31, 2020. During the transition period, the U.K. will be treated as a member state of the E.U., though without the ability to participate in E.U. decision-making.

Canada has consented to the UK continuing its participation in the Canada-E.U. Comprehensive Economic and Trade Agreement (CETA), and all other Canada-E.U. agreements, during the transition period.

The transition period is due to end on December 31, 2020 but can be extended by mutual consent of the E.U. and UK. When the transition period ends December 31, 2020 (or beyond, if extended), the UK will no longer be bound by the E.U.'s treaties, including CETA.

According to Agriculture and Agri-Food Canada (AAFC), Canadian officials remain engaged with their U.K. counterparts on possible next steps. Any future trade arrangement between Canada and the U.K. would be influenced by the U.K.-E.U./ trade relationship, as well as any unilateral U.K. approaches.

CPTPP

The Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) was implemented December 31, 2018 and expanded Canadian access to CPTPP members for canola and soybean oil exports. CPTPP member countries include Japan, Canada, Mexico, Singapore, New Zealand, Brunei, Chile, Malaysia and Peru. Canola oil exports to CPTPP member countries increased 36 percent to 292,500 MT in the twelve months after implementation was complete. Japan and Vietnam, which already had zero tariffs for canola seed/meal and soybean seed/meal, have been reducing tariffs on Canadian oils over the last five to seven years. Under CPTPP, Japan's canola oil mark-up will be eliminated in six annual stages. A 2016 Canola Council of Canada (CCC) study expects Canada to export 700,000 MT of canola oil to Japan per year by 2025, as CPTPP drives increased canola crush in Canada and a steady decline in Japanese crush.

Japan Tariff Elimination Schedule for Canola Oil

	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Crude oil (HS 151411)	10.9 yen/kg 98 USD/MT	9.1 yen/kg 82 USD/MT	7.3 yen/kg 66 USD/MT	5.5 yen/kg 49 USD/MT	3.6 yen/kg 33 USD/MT	1.8 yen/kg 16 USD/MT	Free
Refined oil (HS 151419)	13.2 yea/kg 119 USD/MT	11.0 yen/kg 99 USD/MT	8.8 yen/kg 79 USD/MT	6.6 yen/kg 60 USD/MT	4.4 yen/kg 40 USD/MT	2.2 yen/kg 20 USD/MT	Free

Source: [Government of Canada](#); Exchange rates from the United States Federal Reserve (February 22, 2019):
110.7000 yen per U.S. dollar

Attachments:

No Attachments