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2019

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Report Highlights:
FAS/Canada predicts increased canola area planted in marketing year 2019/20, despite increased volatility and uncertainty in global oilseed trade and ongoing agronomic concerns. Soybean exports to China more than tripled through the first half of marketing year 2018/19, bolstered by access to U.S. soybeans shipping across the Great Lakes and record high production in Ontario.

Keywords: Canada, CA19003, Oilseeds, Canola, Soybean, Sunflower, Peanut, Seed, Meal, Oil

Commodities:
Oilseed, Rapeseed
Oilseed, Soybean
Oilseed, Sunflowerseed
Oilseed, Peanut
Meal, Rapeseed
Meal, Soybean
Oil, Rapeseed
Oil, Soybean

Executive Summary

While canola production decreased five percent in marketing year (MY) 2018/19, total supplies remained relatively flat due to high ending stocks the previous year. Canola exports were down 14 percent for the first half of MY 2018/19, in part driven by traditional importers transitioning substituting Canadian canola for U.S. soybeans. FAS/Canada predicts increased canola area planted in MY 2019/20, despite an uncertain global oilseed market and agronomic concerns associated with the spread of clubroot.

Total soybean production decreased by 13 percent in MY 2018/19, despite record production in Ontario, as area planted declined in Manitoba and Saskatchewan. Soybean exports to China increased by 230 percent through the first half of MY 2018/19, supported by the Ontario crop, high carryover stocks, and Eastern Canadian access to U.S. soybean imports. FAS/Canada predicts strong MY 2019/20 soybean area planted in Ontario and further area declines in the prairies, where canola, wheat, durum, green peas, and flax offer better gross margins.

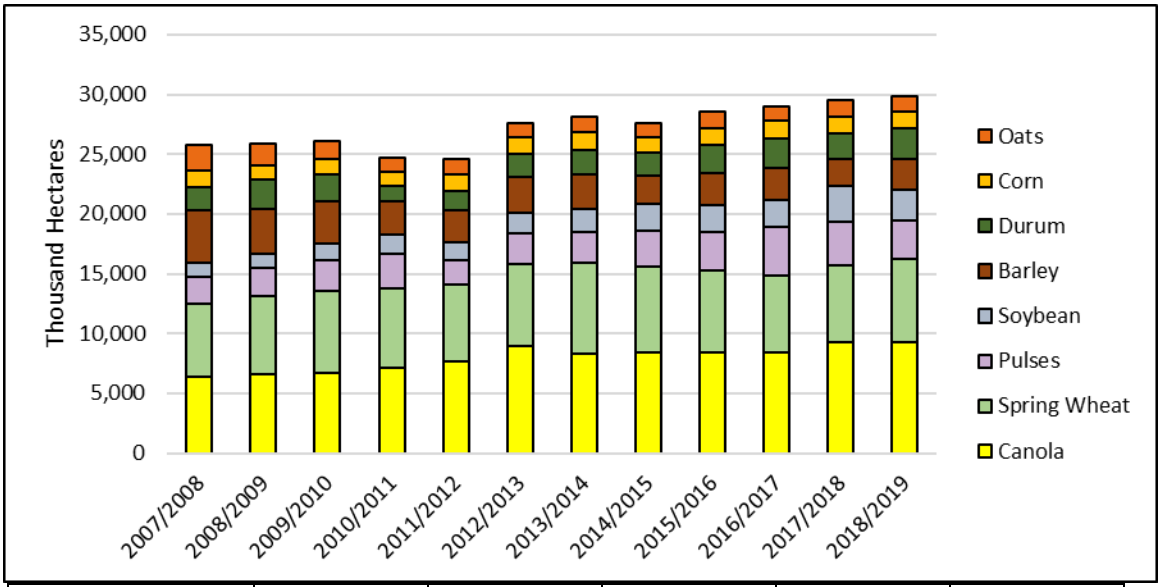
FAS/Canada predicts slightly higher canola crush and substantially higher soybean crush in MY 2018/19. Canola facilities are expected hit virtual limits on crushing capacity as lower exports increase returns to domestic crushing. Soybean crushing, which entered the marketing year with ample slack in crushing capacity, has been bolstered by a doubling of soybean meal exports to the European Union through the first half of MY 2018/19.

Canola oil production is expected to increase over the longer-term in Canada, especially as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) trade agreement brings down tariff rates in key markets, like Japan and Vietnam. As Japanese crushing facilities continue to age, export opportunities for canola oil are expected to accelerate.

Total Oilseed

FAS/Canada expects canola area planted to climb one percent in MY 2019/20, on sustained profitability relative to alternative crops in spite of a volatile oilseed trade outlook. Soybean area planted is expected to retreat further eastward in MY 2019/20, ceding prairie area to wheat planted to wheat, as low moisture levels and weaker soybean prices increase the economic risks of planting soybeans in the prairie provinces. As farmers across the prairies reduce plantings of soybeans and lentils on diminished exports prospects, wheat area planted is increase and remain ahead of canola again in MY 2019/20. Area planted to soybeans in Ontario and sunflower seeds in Manitoba are expected to remain strong.

Figure 1. Area Planted to Field Crops



	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Oats	1,172	1,360	1,232	1,295	1,235
Corn	1,278	1,359	1,452	1,447	1,468
Durum	1,934	2,343	2,469	2,106	2,503
Barley	2,417	2,699	2,702	2,334	2,628
Soybean	2,272	2,239	2,269	2,947	2,558
Pulses	2,997	3,229	4,062	3,642	3,199
Spring Wheat	7,108	6,871	6,423	6,395	7,006
Canola	8,458	8,411	8,411	9,313	9,231
TOTAL HECTARES	27,746	28,632	29,185	29,622	29,963

Source: Statistics Canada

Oilseed, Rapeseed (Canola)

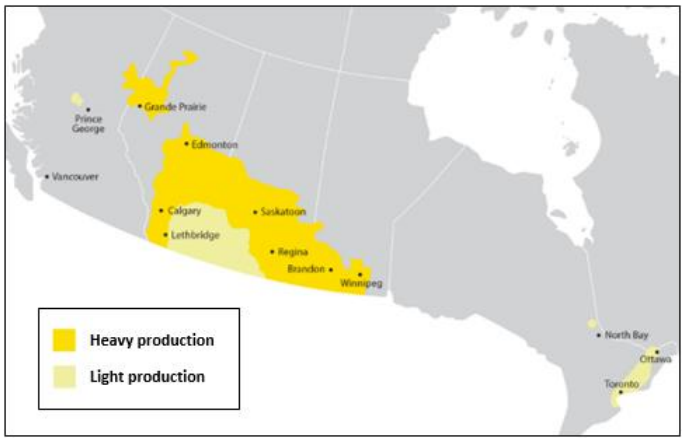
Oilseed, Rapeseed	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	9540	9313	9600	9232	0	9300
Area Harvested	9273	9273	9100	9120	0	9250
Beginning Stocks	1342	1342	2391	2506	0	2700
Production	21328	21328	21100	20344	0	20500
MY Imports	108	108	100	100	0	100
Total Supply	22778	22778	23591	22950	0	23300
MY Exports	10793	10723	11600	10550	0	11100
Crush	9269	9269	9350	9450	0	9350
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	325	280	241	250	0	300
Total Dom. Cons.	9594	9549	9591	9700	0	9650
Ending Stocks	2391	2506	2400	2700	0	2550
Total Distribution	22778	22778	23591	22950	0	23300
Yield	2.3	2.3	2.3187	2.2307	0	2.2162
(1,000 HA), (1,000 MT), (MT/HA)						

MY 2018/19 Canola Production

Canadian canola production in MY 2018/19 fell 5 percent to 20.3 MMT. The decrease was due to area planted decreasing from 9.3 million hectares to 9.2 million hectares (down one percent) and prolonged periods of dryness throughout July and August leading to lower yields.

Canada's canola production is heavily concentrated in the western provinces of Manitoba, Saskatchewan and Alberta (Figure 2). However, small volumes of winter canola are grown in Ontario and the southernmost reaches of Quebec.

Figure 2: Canola Growing Regions of Canada



Source: Canola Council of Canada

While area planted and production were down in MY 2018/19, the 87 percent increase in beginning stocks carried over from MY 2017/18 meant that MY 2018/19 total canola supply was relatively unchanged relative to MY 2017/18.

Canola production was down in Alberta by 14 percent in MY 2018/19, driven by a small decrease (2 percent) in area planted, low heat units early in the growing season, smoky days in August – resulting from forest fires in British Columbia, which lengthened crop maturity times – and cool rainy conditions that delayed during harvest (Table 1 and Table 2). Data from Environment and Climate Change Canada (ECCC) shows that the prairies experienced the largest number of "smoke-hours" on record.[1] Above factors drove canola yields down 11 percent in Alberta (to 2.2 MT/ha) in MY 2018/19. Alberta accounts for roughly 30 percent of Canada's canola production, on average.

Saskatchewan Canola production dropped 2 percent to 10.9 MMT in MY 2018/19, on reduced area planted and lower yields of 2.21 MT/ha (down 1 percent from MY 2017/18). The lowest yields came from the southwest region (1.5 MT/ha) compared with the highest yields in the northeast (2.3 MT/ha) and the northwest (2.5 MT/ha); the southwest region is considerably dryer than other growing regions in Saskatchewan and corresponds with the "light production" area in Figure 2. Soil moisture was reportedly very low during the MY 2018/19 harvest, and MY 2019/20 yields across Saskatchewan could drop if soil moisture does not improve before planting.

Even though yields were 2 percent lower overall, Manitoba canola production rose 5 percent in MY 2018/19 to 3.3 MMT, on an 8 percent growth in area planted. Farmers that managed to harvest before early fall rain and snowfall reportedly averaged closer to 2.72 MT/ha compared with those who harvested afterward (closer to 2.43 MT/ha). The best canola yields (2.72-3.26 MT/ha) came from the Parkland region, between the western shores of Lake Manitoba and the Saskatchewan border.

Table 1: Canola Production by Province (Metric Tons)

	2016	2017	2018	% Change 2017/18

[1] A smoke-hour is an hour of smoke reducing visibility to six miles or less.

Canada	19,599,200	21,328,000	20,342,500	-5%
Manitoba	2,608,200	3,147,900	3,318,400	5%
Saskatchewan	10,682,100	11,181,100	10,927,100	-2%
Alberta	6,157,500	6,826,600	5,870,600	-14%

Source: Statistics Canada

Table 2: Canola Area Planted by Province (Hectares)

	2016	2017	2018	% Change 2017/18
Canada	8,410,900	9,313,400	9,232,200	**-0.9%**
Manitoba	1,294,800	1,278,800	1,382,400	**8.1%**
Saskatchewan	4,552,700	5,151,600	4,997,900	**-3.0%**
Alberta	2,495,200	2,804,500	2,755,900	**-1.7%**

Source: Statistics Canada

Much of the canola harvested after the early fall rain and snowfall that swept across the prairies from Alberta to Manitoba required extra aeration and drying. Green seed issues affected some of the later seeded canola, while other areas faced higher incidence of seeds that were distinctly shrunken or shrivelled, covered with mold or rime, or excessively weathered and potentially sprouted. The Canadian Grain Commission (CGC) sets the factors that affect canola grades.

The quality of the canola crop graded at number 1 dropped slightly from the five-year average for MY 2018/19. For MY 2018/19, 75 percent of harvested canola graded as number 1, whereas the five-year average is 92 percent. The Peace River area of Northern Alberta had the lowest percent of samples graded number 1. Quality data is available from the CGC.

Nearly all canola grown in Canada is spring canola (Table 3), with winter canola accounting for less than 1 percent of total production on average. Winter canola is typically planted in September and concentrated in Southern Ontario with small areas planted in Quebec and the Maritime provinces of PEI, Nova Scotia and New Brunswick.

Table 3: Area Planted by Growing Season in MY 2018/19

	Area (hectares)	Percent of total
Spring Canola	9,21 1,950	99 .78
Winter Canola	20,2 50	0. 22
Total	9,23 2,200	10 0.00

Source: Statistics Canada and Industry Sources

Interest in winter canola has grown over the last two years as producers have managed to improve winter survival rates. Total winter canola area planted has varied from 4,000 to 32,500 hectares in recent years. While current area planted to winter canola is very small, longer-term increases in area planted could affect current cropping patterns and decrease Canada Eastern Hard Red Winter (CEHRW), Canada Eastern Soft White Winter (CESWW) and Canada Eastern Soft Red Winter (CESRW) wheat area planted.

According to the Canola Council of Canada, approximately 95 percent of total canola area was seeded with genetically engineered (GE) varieties in 2018, consistent with the previous five years (Table 4), putting 2018 GE area planted at just over 8.7 million hectares.

Table 4: Estimated Area Seeded to GE Canola

Area Seeded (1,000 hectares)	2013	2014	2015	2016	2017	2018
Total Canola	8,197	8,458	8,411	8,411	9,307	9,202
GE Canola	7,787	8,035	7,990	7,990	8,842	8,742
GE Canola, percentage of total	95%	95%	95%	95%	95%	95%

Source: Statistics Canada, Canola Council, Manitoba Agricultural Services Corporation, Saskatchewan Ministry of Agriculture, FAS/Ottawa

MY 2019/20 Canola Production

FAS/Canada predicts increased canola area planted in MY 2019/20, despite increased volatility and uncertainty in global oilseed trade and despite steady agronomic concerns associated with the spread of clubroot. FAS/Canada expects continued canola profitability, relative to alternate crops, to sustain high area planted in Western Canada, driving total area planted up slightly to 9.3 million hectares in MY 2019/20. Canola producers typically book their seed between October and January, with supplies shipping out to farms in March or April. Until the seed moves to the farms, producers can generally seek a refund if they change their planting intentions. Discussions with seed suppliers indicated that canola seed sales have been strong and in line with forecasts.

FAS/Canada expects the spread of clubroot into additional growing regions, due in part to continuous mono-cropping of canola, to reduce yields in MY 2019/20, even if it does not reduce area planted. After appearing in the region around Edmonton, Alberta in 2003, clubroot has since appeared in Manitoba and, more recently, in Saskatchewan (Maps in Appendix: Figures 8 and 9). The most reliable technique for combating clubroot is a 2- to 4-year crop rotation out of canola. Farmers can also plant disease resistant varietals to try to control clubroot and blackleg, a yield-reducing fungal disease, but those varietals are generally lower-yielding than non-resistant varieties. Industry sources note that growers' confidence in improved canola varieties to sustain yields is expected to outweigh the pressure to rotate area out of canola more often in Western Canada and to sustain canola area planted through MY 2019/20.

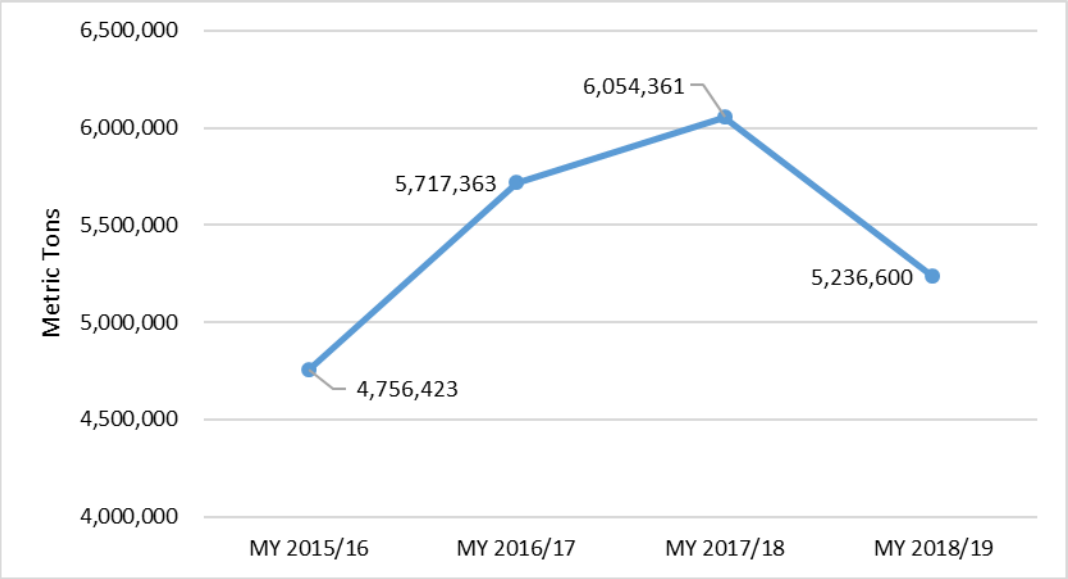
Canadian growers are also factoring considerable uncertainty in the international oilseeds market outlook into MY 2019/20 planting decisions. Industry sources have reported additional testing and delays affecting Canadian canola shipments to China, Canada's largest export market, since December 2018, following Canadian detention of a prominent Chinese corporate executive. The Chinese decision in early 2019 to delist a major Canadian canola exporter following allegations of infestation has ratcheted up trade tensions. While increased uncertainty in Canada's largest market may result in a reduction of MY 2019/20 canola area planted, industry sources indicated that confidence in canola's profitability and global oil and meal demand would mitigate pressure to significantly reduce planned canola planting in MY 2019/20. As such, FAS/Canada's forecast for canola area planted remains largely unchanged by recent events.

The outlook for pulses is another factor influencing canola planting decisions for MY 2019/20. Canada entered MY 2018/19 with substantial carryover stocks of lentils, and to a lesser extent peas, as India, Canada's largest buyer, significantly reduced imports in MY 2017/18. Indian tariffs of 50 percent on peas and 30 percent on lentils imposed in late 2017 drove down Canadian pulse prices and resulted in Canadian farmers holding 876,000 MT of lentils and 650,000 MT of peas at the start of MY 2018/19. Record exports to China over the first four months of MY 2018/19 (August to November) have helped to unwind the pea stockpile, and, despite a smaller Indian lentil crop in MY 2018/19, industry sources anticipate Canadian lentil stocks could remain high if India keeps tariffs in place ahead of national elections in April or May 2019. FAS/Canada projects continued Indian tariffs and large Canadian carryover stocks entering MY 2018/19 to discourage area planted to lentils in MY 2019/20, moving that area into canola and cereals.

Canola Exports

Canada is highly dependent on export markets, with 50-60 percent of canola seed exported abroad. Through the first half of MY 2018/19, Canola seed exports were down 14 percent rel (Figure 3), driven in part by importers like Pakistan increasing imports of relatively lower-priced soybeans. For the first two months of MY 2018/19, Pakistan imported 226,000 MT of soybeans compared with the three-year average of 33,000 MT for this same two month period (590 percent increase). Though data is not yet available, industry sources indicate that the trend has continued through the first half of MY 2018/19.

Figure 3: Canola Exports MY 2018/19 (Aug to Jan)



Source: Global Trade Atlas and Industry Data

Although MY 2018/19 exports to China through the end of December 2018 climbed to record levels at 2.0 MMT, China typically imports 35 percent of their canola imports in the first five months (August to December) and 65 percent for the remaining seven months (January to July) of the marketing year. As mentioned earlier, industry sources indicated that exports to China had already begun slowing down in January 2019. Combined with the recent delisting of one of Canada's largest canola handlers, FAS/Canada projects total canola seed exports will be lower than they might have been, though still higher than MY 2017/18.

Table 4: Canola Exports (Metric Tons)

Partner Country	Quantity			% Share			% Change 2018/17
	MY 2015/16	MY 2016/17	MY 2017/18	MY 2015/16	MY 2016/17	MY 2017/18	
World	10,282,445	11,021,679	10,848,531	100.00	100.00	100.00	- 1.57
China	4,015,641	3,968,618	4,392,001	39.05	36.01	40.48	10.67
Japan	2,179,396	2,214,212	2,584,020	21.20	20.09	23.82	16.70
Mexico	1,382,138	1,565,196	1,473,980	13.44	14.20	13.59	- 5.83
Pakistan	1,080,856	931,687	678,452	10.51	8.45	6.25	- 27.18
U.S.A.	381,911	664,787	653,617	3.71	6.03	6.02	- 1.68
UAE	587,202	763,053	636,961	5.71	6.92	5.87	- 16.52

Source: Global Trade Atlas

Canola Imports

Canadian canola imports in MY 2018/19 remain minimal (Table 5). Canola imports are primarily coming north into Manitoba from North Dakota. Monthly import volumes are a fraction of Canada's monthly exports.

Table 5: Canola Imports (Metric Tons)

Partner Country	Quantity			% Share			% Change 2018/17
	MY 2015/16	MY 2016/17	MY 2017/18	MY 2015/16	MY 2016/17	MY 2017/18	
World	104,979	94,453	108,058	100.00	100.00	100.00	14.40
U.S.A.	98,997	88,831	100,792	94.30	94.05	93.28	13.46
Chile	5,773	5,519	6,859	5.50	5.84	6.35	24.27
Australia	171	66	251	0.16	0.07	0.23	281.90

Source: Global Trade Atlas

Canola Ending Stocks

FAS/Canada is projecting MY 2018/19 ending stocks slightly higher at 2.7 MMT, for a stocks-to-use ratio of 12 percent. The projected ending stocks for MY 2018/19 are 8 percent above MY 2017/18 and roughly 5 percent ahead of the 5-year average (dropping MY 2016/17 as outlier). Forecasted ending stocks for MY 2018/19 are 10 percent lower than ending stocks in MY 2013/14.

Though MY 2018/19 endings stocks are forecasted to be slightly higher than the 5-year average, lower than expected exports should offset the smaller MY 2018/19 crop. Already high crush rates in MY 2017/18 leave little room to increase crush and take advantage of additional canola seed on hand in MY 2018/19.

Oilseed, Soybean

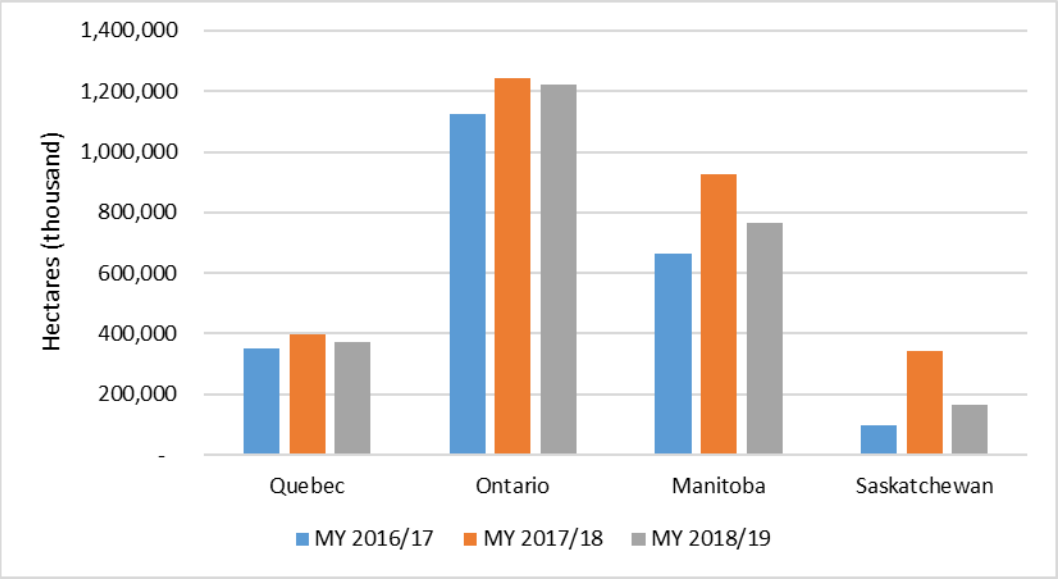
Oilseed, Soybean	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	2935	2947	2550	2558	0	2500
Area Harvested	2935	2935	2550	2540	0	2450
Beginning Stocks	277	277	632	632	0	530
Production	7717	7717	7300	7267	0	7000
MY Imports	487	487	700	650	0	400
Total Supply	8481	8481	8632	8549	0	7930
MY Exports	4925	4925	5300	5301	0	4780
Crush	1937	1969	2000	2200	0	2100
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	987	955	695	518	0	550
Total Dom. Cons.	2924	2924	2695	2718	0	2650
Ending Stocks	632	632	637	530	0	500
Total Distribution	8481	8481	8632	8549	0	7930
Yield	2.6293	2.6293	2.8627	2.861	0	2.8571
(1,000 HA), (1,000 MT), (MT/HA)						

MY 2018/19 Soybean Production

Though total area planted to soybean dropped 13 percent in 201 to 2.56 million hectares, MY 2018/19 production only fell 6 percent as Ontario harvested a record 4.2 MMT crop (Figure 4). Ontario area planted was two percent lower in 2018, but above average rainfall in late July and August helped drive yields to a province record high of 3.45 MT/ha.

For the first time in ten years, Manitoba farmers seeded fewer hectares to soybeans in 2018, driving area planted down 18 percent to 769,000 hectares. In Quebec, soybean area planted was down 7 percent to 370,000 hectares, and Saskatchewan farmers planted only 165,000 hectares, less than half of what they planted in MY 2017/18.

Figure 4: Soybean Planted by Province



Source: Statistics Canada

Table 6: Soybean Planted by Province

	2016	2017	2018	% Change 2018/17
Canada	2,231,800	2,934,800	2,539,600	-13%
Quebec	348,700	396,000	369,400	-7%
Ontario	1,121,000	1,238,300	1,216,100	-2%
Manitoba	641,400	924,700	756,900	-18%
Saskatchewan	93,100	342,000	163,700	-52%
Alberta			6,900	-

Source: Statistics Canada

Industry sources indicated that lower soybean prices as well as low subsoil moisture and drier weather forecasts at planting in 2018 combined with some recovery in wheat prices drove soybean area planted in Manitoba and Saskatchewan into a pronounced retreat.

The percentage of Canada's total soybean crop planted to GE varieties has been edging up at an average pace of 1.2 percentage points per year over the past 5 years as GE varieties have made prairie soybeans a possibility (Table 7). An estimated 262,000 hectares (71 percent) of Quebec's soybean crop was GE in 2018, while neighboring Ontario planted 935,000 hectares to GE varieties (76 percent) in 2018. However, in Manitoba, 99 percent of 2018 soybean area planted was GE (approximately 761,000 hectares). Ontario and Quebec have higher levels of food grade soybean production, which tends to be dominated by conventional varieties.

Table 7: Estimated Area Seeded to GE Soybean

Area Seeded (1,000 hectares)	2013	2014	2015	2016	2017	2018
Total Soybeans	1,869	2,272	2,239	2,269	2,947	2,558
GE Soybeans	1,477	1,613	1,612	1,724	2,417	2,123
GE Soybeans, percentage of total	79%	71%	72%	76%	82%	83%

Source: Statistics Canada, Canola Council, Manitoba Agricultural Services Corporation, Saskatchewan Ministry of Agriculture, FAS/Ottawa

MY 2019/20 Soybean Production

Until 2018, area planted to soybean had been spreading westward from Manitoba into Saskatchewan, expanding at the expense of spring wheat area (Table 8). However, Saskatchewan and Manitoba saw soybean area planted decrease by 52 percent and 18 percent in MY 2018/19, respectively. Industry sources indicate that in the long-run, Manitoba will settle on roughly 800,000 hectares of soybeans in their crop rotation.

Table 8: Area Planted to Soybean (hectares)

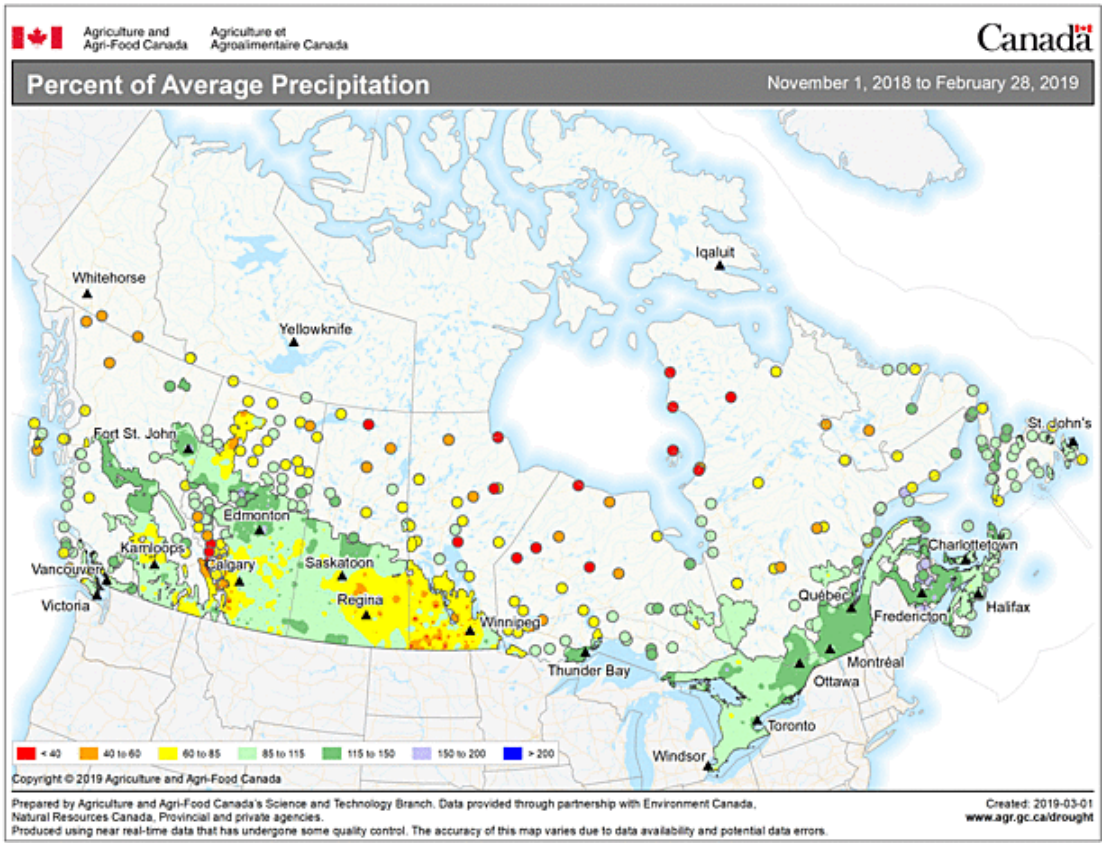
Marketing Year (MY)	Manitoba	Saskatchewan	Alberta
MY 2012/13	333,900	..	..
MY 2013/14	424,900	68,800	..
MY 2014/15	526,100	109,300	..
MY 2015/16	570,600	109,300	..
MY 2016/17	665,900	97,100	..
MY 2017/18	926,700	344,000	..
MY 2018/19	764,900	164,900	7,400

Source: Statistics Canada

Industry sources suggested that area planted to soybean across the prairies could continue to fall in 2019, especially in Saskatchewan, as farmers revert to spring wheat, barley, canola and to some extent pulses. FAS/Canada anticipates relatively poor MY 2018/19 soybean yields, higher seed costs and persistently low sub-surface soil moisture levels will drive soybean area planted down again in 2019, falling to 2.45 million hectares in MY 2019/20 (See GAIN Report CA18055 for more on conditions that drove area planted lower in 2018).

Agriculture and Agri-Food Canada's (AAFC) percent of average precipitation map for the winter season (November 1 to February 28) pointed to considerable moisture in soybean producing regions of Ontario, but only 40-85 percent of average levels across southern Manitoba, where yields fell 14 percent in MY 2018/19 largely on insufficient moisture during the growing season (Figure 5).

Figure 5: Percent of Average Precipitation (Winter Season)



Source: Agriculture and Agri-Food Canada

The soybean/corn ratio is a simple method used to predict relative changes in area planted to soybean and to corn. Using the November 2019 futures prices for soybeans ($9.54 USD/bu) and for corn ($4.02 USD/bu), the soybean-to-corn price ratio would be 2.37. 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.

With the ratio roughly neutral, agronomic factors have a greater influence. Just as soybean area is predicted to decline in Saskatchewan on dry soil conditions, Ontario area planted could rise on solid winter precipitation and an incentive to rotate out of corn to contain the spread of vomitoxin that affected the MY 2018/19 southern Ontario corn crop.

Soybean Exports

Total soybean exports have been trending upwards over the previous three marketing years, driven by strong demand from China, which has become Canada's single most important soybean customers (Table 9).

Table 9: Soybean Exports

Partner Country	Quantity			% Share			% Change 2018/17
	MY 2015/16	MY 2016/17	MY 2017/18	MY 2015/16	MY 2016/17	MY 2017/18	
World	4,235,946	4,592,331	4,924,691	100.00	100.00	100.00	7.24
China	1,287,239	2,004,985	1,725,034	30.39	43.66	35.03	- 13.96
Italy	190,053	169,383	454,087	4.49	3.69	9.22	168.08
Japan	361,616	355,160	365,219	8.54	7.73	7.42	2.83
Spain	36,999	150,282	305,502	0.87	3.27	6.20	103.29
Netherlands	343,152	304,484	235,874	8.10	6.63	4.79	- 22.53
U.S.A.	308,834	195,854	233,895	7.29	4.26	4.75	19.42

Source: Global Trade Atlas
Note: Imports are in Metric Tons (MT)

Soybean exports to China were up 230 percent from MY 2017/18 through the first half of MY 2018/19 (Table 10). Exports for the month of January 2019 were estimated at $435 million, more than the annual value of total Canadian soybean exports to China just four marketing years earlier. Exports to China for January 2019 were 66 percent of the value of total soybean exports in MY 2017/18 and equivalent to total exports in MY 2015/16. Canadian exportable supplies of soybeans, despite slightly lower MY 2018/19 production, have been bolstered by easy access to relatively inexpensive U.S. soybeans shipping across the Great Lakes (Table 12). Industry sources have not reported delays or interrupted access for Canadian soybeans destined for China to date.

Table 10: Soybean Exports to China (Metric Tons)

	Aug	Sep	Oct	Nov	Dec	Jan	Sum
MY 2017/18	2,833	64,217	402,723	532,031	346,917	1,957	1,350,678
MY 2018/19	1,614	126,509	888,194	1,419,692	783,245	1,230,000	4,449,254

Source: Global Trade Atlas

Soybean Imports

Soybean imports remained constant between MY 2017/18 and MY 2016/17 (Table 11). On an annual basis, 80 percent of Canada's imports come from the United States and 12 percent from India.

Table 11: Soybean Imports (Metric Tons)

Partner Country	Quantity			% Share			% Change 2018/17
	MY 2015/16	MY 2016/17	MY 2017/18	MY 2015/16	MY 2016/17	MY 2017/18	
World	286,252	486,207	487,082	100.00	100.00	100.00	0.18
U.S.A	223,927	396,102	404,115	78.23	81.47	82.97	2.02
India	29,309	57,822	71,683	10.24	11.89	14.72	23.97
China	3,904	3,623	7,229	1.36	0.75	1.48	99.53
Ethiopia	810	733	2,204	0.28	0.15	0.45	200.71

Source: Global Trade Atlas

However, soybean imports from the United States through the first four months of MY 2018/19 were up 218 percent from the same period in MY 2017/18 (Table 12). Nearly 75 percent of Canada's total imports were destined for Ontario, with the remainder going to Quebec, where Canada's crushing mills

are located; Canada's three major soybean processing plants are located in Ontario (Windsor and Hamilton) and Quebec (Bécancour). Total soybean processing capacity in Canada is roughly 10,000 MT per day. Less than 2 percent of soybean imports were destined for Manitoba, which has a "cold-pressed" soybean crushing facility that is not large enough to factor into crushing statistics.

Table 12: Soybean Imports from the United States (Metric Tons)

	August	September	October	November	Sum
3-yr average	26,645	16,012	32,942	25,464	101,063
MY 2017/18	41,400	34,678	45,202	42,167	163,447
MY 2018/19	82,412	94,039	132,659	210,523	519,633

Source: Global Trade Atlas

Soybean Ending Stocks

FAS/Canada predicts MY 2018/19 ending stocks to be almost 20 percent lower, driven by record high exports to China, at 325,000 MT.

Oilseed, Sunflower Seed

Oilseed, Sunflowerseed	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	26	26	27	29	0	30
Area Harvested	26	26	27	27	0	29
Beginning Stocks	16	25	15	35	0	39
Production	58	58	57	57	0	60
MY Imports	22	22	23	21	0	22
Total Supply	96	105	95	113	0	121
MY Exports	17	17	20	22	0	24
Food Use Dom. Cons.	9	9	9	9	0	9
Feed Waste Dom. Cons.	55	44	55	41	0	43
Total Dom. Cons.	64	53	64	50	0	52
Ending Stocks	15	35	11	41	0	46
Total Distribution	96	105	95	113	0	121
Yield	2.2308	2.2308	2.1111	2.1111	0	2.069
(1,000 HA), (1,000 MT), (MT/HA)						

The majority of Canada's sunflower production takes place in Manitoba (Table 13). In MY 2018/19, Manitoba, Saskatchewan and Alberta produced 50,200 MT, 3,500 MT and 3,600 MT, respectively.

FAS/Canada projects MY 2018/19 exports slightly higher, driven by strong exports to the United States, which typically accounts for 90 percent of Canada's total sunflower seed exports (Table 14). Canadian exports to the United States through the first five months of MY 2018/19 were up nearly 70 percent, as U.S. production for MY 2018/19 was lower. Sunflower production in the United States is concentrated

in North Dakota and South Dakota. Producers in both states had very high yields in MY 2016/17, pushing production higher, prices down, carryover stocks up, and a reduction in area planted in the United States for MY 2017/18. Area planted in the Dakotas was down again in MY 2018/19.

As there are no large scale crushing facilities in Manitoba, 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. The varieties of sunflowers grown in Manitoba are split roughly 50/50 between oilseed varieties and confectionary varieties.

Table 13: Sunflower Seed Planted by Province (Hectares)

	2016	2017	2018	% Change 2018/17
Canada	28,300	26,300	28,600	9%
Prairie provinces	28,300	26,300	28,000	6%
Manitoba	28,300	26,300	24,300	-8%
Saskatchewan			2,500	-
Alberta			1,200	-

Source: Statistics Canada

Table 14: Sunflower Seed Exports (Metric Tons)

Partner Country	Quantity			% Share			% Change 2018/17
	MY 2015/16	MY 2016/17	MY 2017/18	MY 2015/16	MY 2016/17	MY 2017/18	
World	28,577	17,784	17,436	100.00	100.00	100.00	- 1.96
U.S.A	26,051	15,890	15,244	91.16	89.35	87.42	- 4.07
Japan	227	485	718	0.79	2.73	4.12	48.04
Chile	717	529	406	2.51	2.97	2.33	- 23.24
Costa Rica	134	187	272	0.47	1.05	1.56	45.50

Source: Global Trade Atlas

Oilseed, Peanut

Oilseed, Peanut	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Beginning Stocks	5	8	2	9	0	9
Production	0	0	0	0	0	0
MY Imports	172	156	175	154	0	158
Total Supply	177	164	177	163	0	167
MY Exports	10	2	8	2	0	2
Crush	0	0	0	0	0	0
Food Use Dom. Cons.	165	153	166	152	0	156
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	165	153	166	152	0	156
Ending Stocks	2	9	3	9	0	9
Total Distribution	177	164	177	163	0	167
(1,000 HA), (1,000 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 as the top suppliers.

Oilseed Meals

FAS/Canada expects total oilseed meal production to increase by 5 percent in MY 2018/19 based on higher crushing rates.

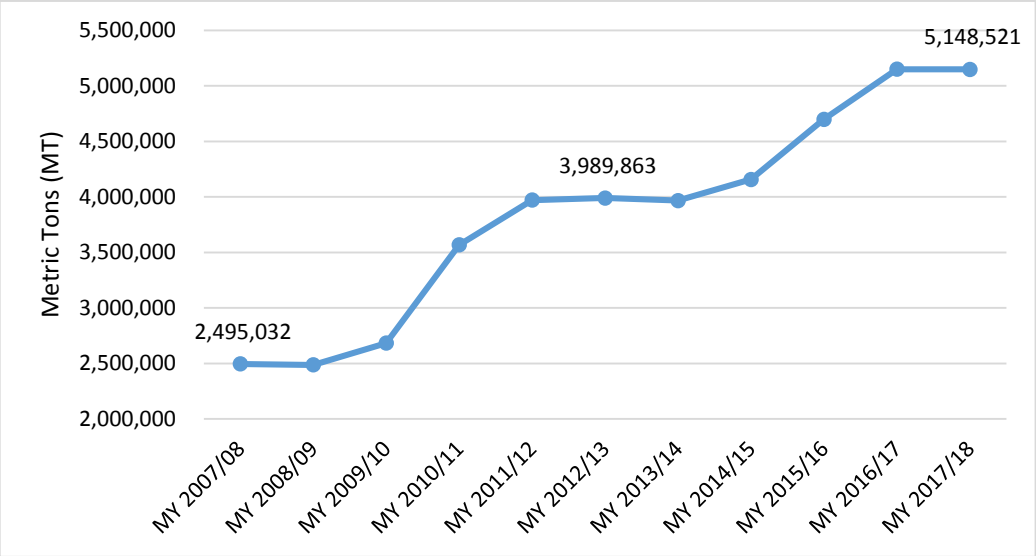
There are fourteen crushing facilities in Canada: eleven canola-crushing plants in the prairies as well as two in Ontario that crush canola and soybeans, and one plant in Quebec that crushes canola and soybeans. Total annual canola crushing capacity is 10.7 MMT and total annual soybean crushing capacity is 3.2 MMT. In MY 2017/18, operating rates for canola were 87 percent, which represented virtually full capacity after factoring in maintenance, repairs, and necessary downtime. Operating at 90 percent of capacity is generally as much as a plant can operate given repairs and other necessary downtime. While canola was operating at/near capacity in MY 2017/18, soybean crushing facilities, operating at 60 percent, entered MY 2018/19 with capacity for increased meal and oil output.

Meal, Rapeseed (Canola)

Meal, Rapeseed	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	9269	9269	9350	9450	0	9350
Extr. Rate, 999.9999	0.5555	0.5555	0.5652	0.5608	0	0.5567
Beginning Stocks	52	52	79	66	0	56
Production	5149	5149	5285	5300	0	5205
MY Imports	17	17	18	10	0	10
Total Supply	5218	5218	5382	5376	0	5271
MY Exports	4525	4546	4700	4700	0	4595
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	614	606	615	620	0	620
Total Dom. Cons.	614	606	615	620	0	620
Ending Stocks	79	66	67	56	0	56
Total Distribution	5218	5218	5382	5376	0	5271
(1,000 MT) ,(PERCENT)						

Over the last ten years, Canadian canola meal production averaged eight percent growth year-on-year (Figure 4). There was no growth in canola meal production between MY 2016/17 and MY 2017/18, as facilities approached the upper limits of their operating capacity. Based on the crush rate through the first half of MY 2018/19, canola meal production was on pace to go grow by 2 percent. Industry sources note that canola crushing facilities, operating at 87 percent capacity in MY 2017/18, could increase operations to approximately 90 percent, but likely no further on account maintenance and other requirements.

Figure 4: Canola Meal Production



Source: Statistics Canada

Prior to MY 2016/17, almost all Canadian canola meal, which is sold at a discount to soybean meal due to canola's lower protein content, was exported to U.S. dairy operations. However, Chinese demand for canola meal has been growing, and nearly 30 percent of Canada's canola meal exports went to China in MY 2017/18. Exports through the first half of MY 2018/19 reflected MY 2017/18 trade flows, with Canada sending 30 percent of total canola meal exports to China and 70 percent to the United States.

Table 15: Canola Meal Exports

Partner Country	Quantity			% Share			% Change 2018/17
	MY 2015/16	MY 2016/17	MY 2017/18	MY 2015/16	MY 2016/17	MY 2017/18	
World	4,091,935	4,649,641	4,517,900	100.00	100.00	100.00	- 2.83
U.S.A.	3,574,142	3,600,083	3,229,761	87.35	77.43	71.49	- 10.29
China	316,469	909,191	1,248,496	7.73	19.55	27.63	37.32
Mexico	18,937	30,589	20,614	0.46	0.66	0.46	- 32.61
Vietnam	18,945	13,581	7,346	0.46	0.29	0.16	- 45.91
Ireland	46,287	20,608	0	1.13	0.44	0.00	- 100.00
Thailand	106,728	72,590	0	2.61	1.56	0.00	- 100.00

Source: Global Trade Atlas

Meal, Soybean

Meal, Soybean	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1937	1937	2000	2200	0	2100
Extr. Rate, 999.9999	0.778	0.778	0.778	0.777	0	0.779
Beginning Stocks	21	44	43	38	0	48
Production	1507	1507	1555	1710	0	1635
MY Imports	1022	1023	980	1000	0	1000
Total Supply	2550	2574	2578	2748	0	2683
MY Exports	357	357	350	550	0	450
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2150	2179	2200	2150	0	2188
Total Dom. Cons.	2150	2179	2200	2150	0	2188
Ending Stocks	43	38	28	48	0	45
Total Distribution	2550	2574	2578	2748	0	2683
(1,000 MT), (PERCENT)						

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

Soybean meal production was 14 percent ahead of MY 2017/18 through the first half of MY 2018/19. Increased soybean crush in Canada has been supported by lower priced U.S. soybeans, record Ontario soybean production, and strong soybean meal demand from the European Union.

Table 16: Soybean Meal Production

Marketing Year (MY)	Metric Tons
2014/15	1,327,840
2015/16	1,504,059
2016/17	1,437,497
2017/18	1,506,678

Source: Canadian Oilseed Processors Association (COPA)

In previous three marketing years, the United States has accounted for 73 percent to 88 percent of Canada's total soybean meal exports (Table 17). While soybean meal exports to the United States were down at the start of MY 2018/19, exports to Europe were all well ahead of MY 2017/18, resulting in 96 percent growth in exports through the start of the marketing year.

Table 17: Table: Soybean Meal Exports (Metric Tons)

Partner Country	Quantity			% Share			% Change 2018/17
	MY 2015/16	MY 2016/17	MY 2017/18	MY 2015/16	MY 2016/17	MY 2017/18	
World	334,535	337,574	393,605	100.00	100.00	100.00	16.60
U.S.A	293,535	251,888	288,598	87.74	74.62	73.32	14.57
Ireland	21,991	30,195	75,569	6.57	8.94	19.20	150.27
U.K.	18,800	25,253	29,287	5.62	7.48	7.44	15.97

Source: Global Trade Atlas

Oils

Canola oil accounts for about 50 percent of the total vegetable oil consumed by Canadians. In general, only about 10 percent of the Canadian canola crop is consumed in Canada, as nearly 90 percent of Canadian canola complex is exported. High oleic canola varieties accounted for roughly 12 percent of the area seeded in Canada in MY 2017/18, but were estimated to represent close to one third of domestic crush. FAS/Canada expects soybean oil production to increase in MY 2018/19, while advantageous transportation differentials drives small volumes of imports from the United States.

Oil, Rapeseed (Canola)

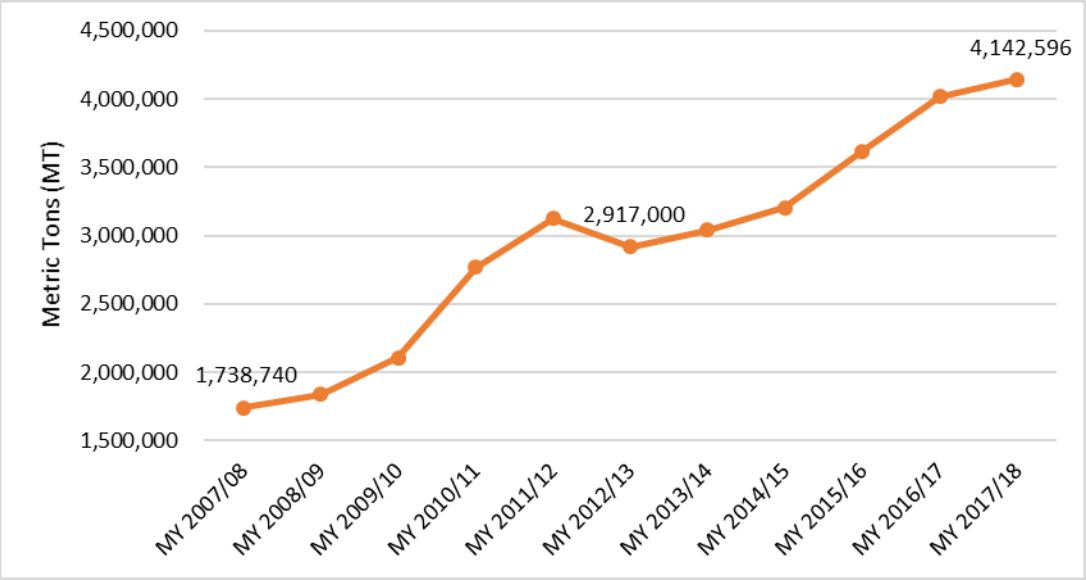
Oil, Rapeseed	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	9269	9269	9350	9450	0	9350
Extr. Rate, 999.9999	0.447	0.447	0.4396	0.4444	0	0.4481
Beginning Stocks	473	473	497	467	0	500
Production	4143	4143	4110	4200	0	4190
MY Imports	14	14	20	13	0	13
Total Supply	4630	4630	4627	4680	0	4703
MY Exports	3168	3168	3200	3190	0	3200
Industrial Dom. Cons.	325	325	330	330	0	330
Food Use Dom. Cons.	640	670	655	660	0	680
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	965	995	985	990	0	1010
Ending Stocks	497	467	442	500	0	493
Total Distribution	4630	4630	4627	4680	0	4703
(1,000 MT), (PERCENT)						

Domestic canola crush increased from 9.19 MMT to 9.27 MMT in MY 2017/18. FAS/Canada predicts that crush will increase again to 9.45 MMT in MY 2018/19, based on the crush pace relative to MY 2017/18. Crush rates are on pace to be 2.5 percent higher in MY 2018/19 as of the halfway point.

Canadian canola oil production is expected to increase over the longer-term in Canada, especially as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) trade agreement brings down tariff rates in key markets like Japan and Vietnam. As Japanese crushing equipment continues to age, export opportunities for canola oil are expected to grow, particularly in MY 2020/21 after the Summer Olympic Games wrap up, reducing the bolstered demand for Japanese food products driven by Olympic procurement requirements. For more information on projected Japanese oil trade dynamics, see FAS/Tokyo's 2018 Annual Oilseeds and Products Report GAIN JA8019.

Canada currently has 11 oilseed crushing plants located on the Prairies and focusing on canola. In MY 2017/18 canola crushing facilities were operating at 87 percent capacity. In MY 2018/19, these plants are projected to be operating at close to 90 percent capacity.

Figure 6: Canola Oil Production



Source: Statistics Canada

Table 18: Canola Oil Exports (Metric Tons)

Partner Country	Quantity			% Share			% Change 2018/17
	MY 2015/16	MY 2016/17	MY 2017/18	MY 2015/16	MY 2016/17	MY 2017/18	
World	2,767,476	3,133,384	3,167,651	100.00	100.00	100.00	1.09
U.S.A	1,772,814	1,961,315	1,871,873	64.06	62.59	59.09	- 4.56
China	557,687	800,382	868,886	20.15	25.54	27.43	8.56
South Korea	103,782	119,568	133,037	3.75	3.82	4.20	11.27
Chile	37,199	67,237	108,510	1.34	2.15	3.43	61.38

Source: Global Trade Atlas

Table 19: Canola Oil Exports by Country (Metric Tons)

	MY 2017/18 (Aug-Nov)	MY 2018/19 (Aug-Nov)	% Change
World	1,006,176	1,103,734	10
U.S.A	696,096	552,571	-21
China	166,274	418,917	152
South Korea	60,112	49,615	-17
Chile	34,242	50,714	48
Mexico	23,646	20,467	-13

Source: Global Trade Atlas

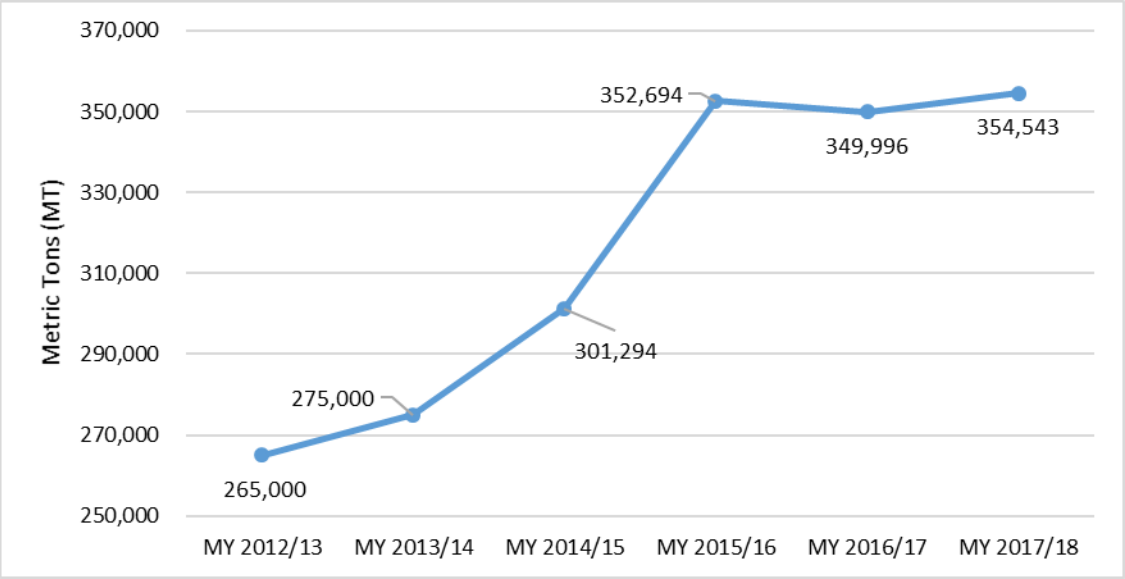
Canadian imports of Canola oil are less than 50,000 MT annually, compared with roughly 3.0 MMT of exports. Canola oil imports are primarily from the states of Illinois and Tennessee.

Oil, Soybean

Oil, Soybean	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
Canada	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1937	1937	2000	2200	0	2100
Extr. Rate, 999.9999	0.1833	0.1833	0.183	0.1818	0	0.1838
Beginning Stocks	7	7	8	7	0	8
Production	355	355	366	400	0	386
MY Imports	21	21	25	25	0	23
Total Supply	383	383	399	432	0	417
MY Exports	157	157	150	184	0	175
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	218	219	241	240	0	235
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	218	219	241	240	0	235
Ending Stocks	8	7	8	8	0	7
Total Distribution	383	383	399	432	0	417
(1,000 MT), (PERCENT)						

Canadian soybean oil production in MY 2017/18 was up nominally from MY 2016/17 (Figure 7), but has remained flat over the last three years on consistent soybean production and relatively flat demand from Canada's livestock sector. As soybean oil production in MY 2018/19 was up almost 20 percent through December 2018, FAS/Canada anticipates total MY 2018/19 soybean oil production to climb to 400,000 MT on a stronger crush rate, ample supplies and active soybean oil trade.

Figure 7: Soybean Oil Production



Source: Canadian Oilseed Processors Association (COPA)

The United States is virtually Canada's only trading partner for soybean oil. In MY 2017/18, South Korea accounted less than 5 percent of Canada's total exports, with the United States purchasing the remainder. Exports of soybean oil to and imports of soybean oil from the United Starts were strong for the start of MY 2018/19. Imports of soybean oil from the United States for the start of MY 2018/19 were up almost 23 percent.

Policy Developments

Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)

The Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) entered into force in late 2018, expanding Canadian access to CPTPP members for canola and soybean oil exports. Japan and Vietnam, which already have zero tariffs for canola seed/meal and soybean seed/meal, will reduce their tariffs on Canadian oils over five to seven years (Table 21).

Canada exported approximately $12.3 million of total canola oil (roughly 10,000 MT) to Japan in MY 2017/18 (Table 20). In MY 2017/18, 85 percent of Japanese crude canola imports were sourced from Australia (also a CPTPP member state), while 85 percent of Japanese refined canola oil came from Canada.

Table 20: Canada's Canola Oil Exports to Japan (Metric Tons)

Crude canola oil (HS 151411)			Refined canola oil (HS 151419)			Total canola oil		
2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
7,960	-	2,930	3,740	3,953	7,199	11,700	3,953	10,129

Source: Global Trade Atlas
Dates are displayed in marketing years (MY)

Under CPTPP, Japan's canola oil mark-up will be eliminated in six annual stages (Table 21). 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.

Table 21: 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

Canadian canola oil exports to Vietnam in MY 2017/18 rose 260 percent to 408 MT valued at approximately $450,000. Despite the small volume, industry sources view Vietnam as a high growth driven by strong economic growth, increasing consumption of a broader range of foods across a growing middle class, and transition to a diet higher in fats and oils.

Table 22: Canada's Canola Oil Exports to Vietnam (Metric Tons)

Crude canola oil (HS 151411)			Refined canola oil (HS 151419)			Total canola oil		
2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
-	-	-	150	113	408	150	113	408

The pre-CPTPP base rate tariff for canola oil entering Vietnam was 5 percent for bulk and 20 percent for bottled oil. Vietnam will eliminate all tariffs on canola oil by year 7 of CPTPP (Table 23).

Table 23: Vietnam Tariff Elimination Schedule for Canola Oil

	Tariff Rate							
	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Crude oil m(HS 151411)	5%	4%	3%	2%	1%	0%	0%	0%
Crude oil <1 kg bottle	20%	17.1%	14.2%	11.4%	8.5%	5.7%	2.8%	0%
Refined oil (HS 151419)	5%	4%	3%	2%	1%	0%	0%	0%
Refined oil <1 kg bottle	20%	17.1%	14.2%	11.4%	8.5%	5.7%	2.8%	0%

Source: Government of Canada

Clean Fuel Standard (CFS)

The Clean Fuel Standard (CFS) is part of the Government of Canada's emission reduction policy. The objective of the proposed regulations is to achieve 30 Megatons ($C0_2$ equivalents) of annual reductions in GHG emissions by 2030, contributing to Canada's effort to achieve its overall GHG mitigation target of 30 percent emission reduction below 2005 levels by 2030.

In December 2017, the federal government released its Regulatory Framework on the Clean Fuel Standard, moving Canada away from volumetric requirements and towards a carbon intensity approach. Canada originally planned to publish draft regulations mid-2018, but they delayed until December 2018.

For a detailed overview see GAIN report CA17055. The December update revealed that regulation will be developed in two phase (Table 24).

Table 24: CFS Development Phases

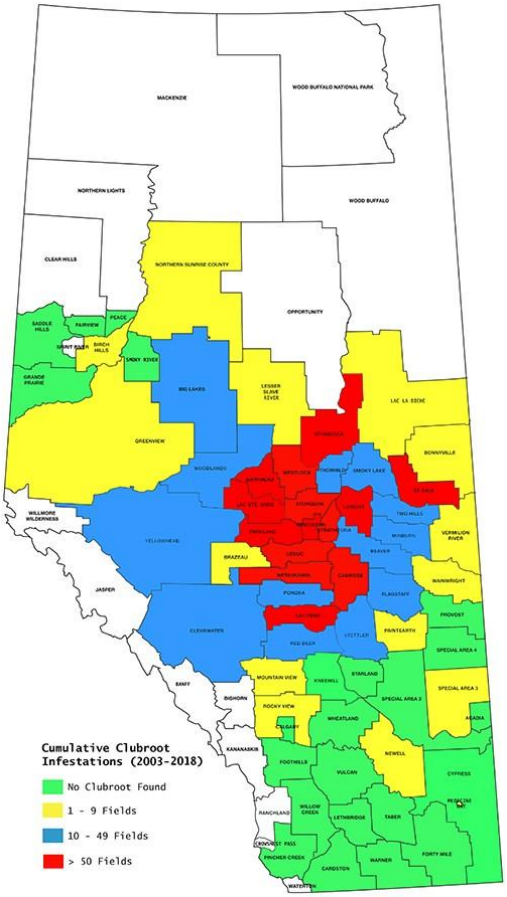
Fuel Type	Publish date	Final regulation date	Coming into force
Phase 1: Liquid	Spring 2019	2020	2022
Phase 2: Gaseous and Solid	Fall 2020	2021	2023

Source: Government of Canada

Comment on the Clean Fuel Standard regulatory framework closed in February 2019. Environment and Climate Change Canada (ECCC) will continue technical regulatory design consultations through the Clean Fuel Standard Technical Working Group and the Multi-stakeholder Consultative Committee.

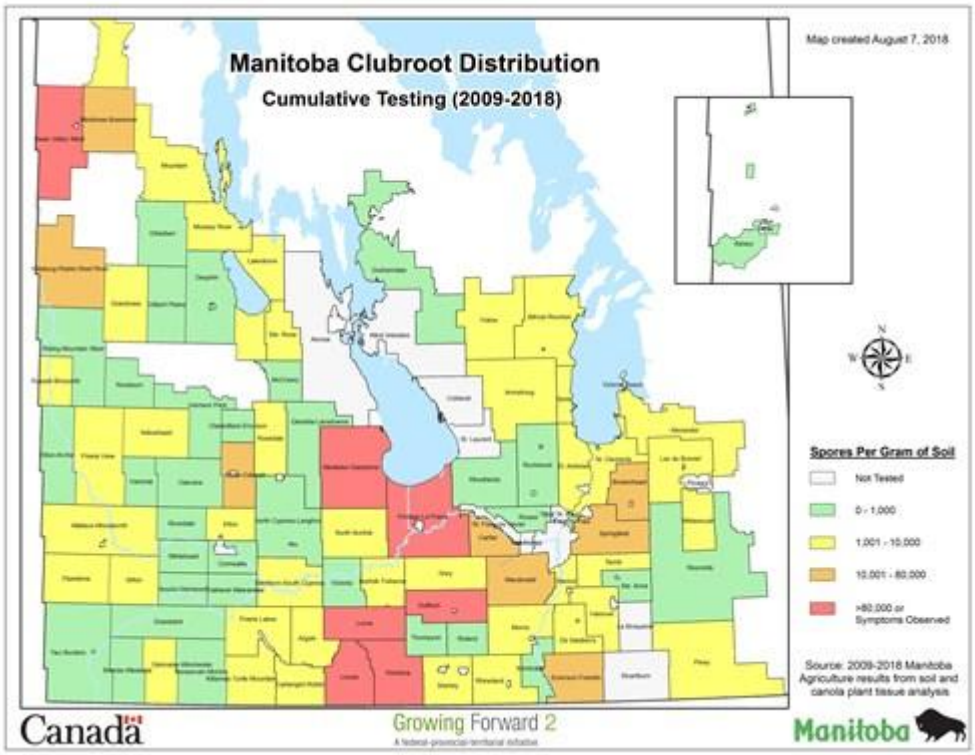
Appendix

Figure 8: Clubroot Distribution in Saskatchewan



Source: Canola Council of Canada (CCC)

Figure 9: Clubroot Distribution in Manitoba



Source: Canola Council of Canada (CCC)