

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 11/04/2013

GAIN Report Number: CA13059

Canada

Grain and Feed Update

Fall 2013

Approved By:

Jeff Zimmerman

Prepared By:

Darlene Dessureault

Report Highlights:

Marketing year 2013/2014 is proving to be a good year for Canadian grains, oilseeds and livestock producers. Grains and oilseeds producers are enjoying a bumper crop, while livestock producers are happy to see lower feed prices due to increased feed grain supplies both in the domestic market and internationally. In marketing year 2013/2014 total wheat, barley, corn and oats production is expected to reach 58.9 MMT. Domestic consumption is forecast to increase slightly, while exports of wheat, barley and oats are forecast to increase 8 percent, 5 percent and 5 percent above the previous marketing year's export levels, respectively.

SUPPLY AND DEMAND COMMENTARY:**Production:**

In MY 2013/2014, total wheat, barley, corn and oats production is expected to reach 58.9 million metric tons (MMT), an increase of 15 percent over marketing year 2012/2013 production levels. This increase is due to an increase in area seeded combined with good weather and moisture conditions which has allowed for higher than average yields. Wheat production is expected to reach 33.1 MMT, the highest volume in twenty years. Barley production is expected to reach 9.4 MMT, an increase of 18 percent over the previous year's levels. Oats production is expected to jump 16 percent above marketing year 2012/2013 production levels to 3.3 MMT. Corn production is expected to remain unchanged from the previous year's level of 13.1 MMT. Total supply of wheat, barley, oats and corn is only expected to increase by 11 percent as the production increases are partially off-set by low carry-in stocks for wheat, barley and oats.

Consumption:

Feed: In 2013/2014, the abundant supply for feed grains, both domestically and internationally, is expected to have a lowering effect on prices which will be good news to livestock producers. Hogs and cattle in Quebec and Ontario are fed mostly corn and soybeans. Western Canadian farmers feed their livestock mostly barley, soybeans and feed wheat. Early reports on wheat quality suggest that wheat quality in terms of grade is near normal but that protein levels are below average. In particular, the spring wheat may have lower than average protein count and be downgraded to feed wheat. Despite the lower feed prices, the volume of grains being consumed domestically is not expected to increase significantly. With feed prices lower in the United States than in Canada, there will likely be a shift to increase in U.S. imports of Canadian feeder cattle rather than slaughter cattle in 2013/2014. However, cattle and hog numbers in Canada are already tight, so with lower feed costs and an increased demand for feeder cattle exports, there may be an effort on Canadian livestock producers to increase their livestock numbers, off-setting any decreases in feed consumption caused by the increased exports of feeder cattle.

Food, Seed, and Industrial Use: In 2013/2014, demand from the food, seed and industrial use side is expected to increase slightly. Canada's processed food industry remains strong and with a depreciating Canadian dollar, exports of the valued-added goods are expected to increase. Use of corn and wheat for ethanol production is expected to increase slightly in 2013/2014 as the domestic biofuels industry strives to reach a production capacity equivalent to the federal mandate of 5 percent of the national gasoline pool to be renewable (ethanol). Production capacity in 2013 is expected to reach 1,979 million litres and is forecast to grow to 2,006 million litres in 2014. This production level falls below the estimated federal requirement of 2,269 million litres for 2013 and 2014.

Trade:

In marketing year 2013/2014, exports of wheat are forecast to increase to 20.5 MMT, an 8 percent increase over the previous year level, and significantly higher than the 5 year average of 19.0 MMT. Barley exports are forecast to reach 1,470 thousand metric tons (TMT), a 5 percent increase from the previous year's level, but below the 5 year average of 1,669 TMT. While world demand remains strong, the need to rebuild domestic stocks, as well as a reduced demand for feed barley from the United States due to large domestic supplies of corn, is expected to restrict barley exports in 2013/2014. Increased supplies and steady demand from the United States food manufacturing industry is expected to result in a 5 percent increase in oats exports in 2013/2014. Oat exports are forecast to reach 1,700 TMT. Corn exports are expected to fall to more average levels in 2013/2014. This is due mainly to decreased demand from the United States.

The logistics of moving the large crop to export terminals has been the focus of much attention. While Canada does have a lot of on-farm grains storage capacity, it is being reported that some grains producers are having trouble finding adequate storage space. Unpriced or uncontracted crops may be the hardest to move early and may have to wait for several months. Nevertheless, railway officials report that the system is moving well and that the problem of the congestion due to the volume, the late harvest and limited numbers of cars will work itself out over time. There is also increased competition on the rail and may add to the challenge of getting the large crop to its export markets.

Corn imports in 2013/2014 are forecast to fall from 2012/2013 levels due to increased domestic supplies.

Stocks:

Stocks of wheat, barley, oats and corn will be pushed up in 2013/2014 due to significant increases in production over the previous year's levels. Wheat stocks are expected to rise significantly to reach 8,200 TMT due to the high production levels. Barley stocks will also increase and are expected to reach 1,460 TMT. Oats stocks will be pulled up in 2013/2014 but remain tight as the increase in production is partially offset by low-carry-in stocks and increased exports. Corn stocks are expected to rise significantly to reach a record level of 2.5 TMT.

POLICY:

Canada and the European Union Announce Agreement in Principle Reached in the Canada - European Union Comprehensive Economic and Trade Agreement: On October 18, Canada and the European Union announced that they had reached an agreement in principle in trade negotiations of the Canada-European Union Comprehensive Economic and Trade Agreement (CETA). The CETA is a large and complex pact with implications for nearly every sector of the Canadian economy. In agriculture, 95 percent of the tariffs will come down over the next seven years, and some increased access in dairy was given to gain increased access for Canadian pork and beef into the EU market. EU tariffs will be eliminated on grains, including oats, barley and rye, wheat, durum, canola oil, processed goods including food preparations and processed pulses and grains such as baked goods, pulse flour, meal and powder. It will likely take two years to ratify and begin the implementation of the agreement.

Information of the CETA can be found at the following URL address:

<http://actionplan.gc.ca/en/content/ceta-aecg/canada-eu-trade-agreement>

Consultations on Measures to Address Impact of Neonicotinoid Corn and Soybeans Underway:

The Pest Management Regulatory Agency (PMRA) of Health Canada has opened a 90 day consultation period to solicit input on proposed measures to mitigate risks to pollinators related to the use of neonicotinoid treated corn and soybean seed. The 90-day consultation period closes on December 12, 2013. The PMRA made the determination that it is necessary to implement measures to address the impact of neonicotinoid treated corn and soybean seed on bees and other pollinators. According to the PMRA's consultation document, the agency came to this conclusion after investigating high rates on pollinator mortality in the spring and summer of 2012, and again in 2013. PMRA states within its consultation document that bee health is a complex issue that goes beyond the incidences in 2012 and 2013 and involve a number of factors including parasite, disease and climate. They are also working with the United States Environmental Protection Agency. According to statistics published by the Canadian Association of Professional Apiculturists, increases in honey bee deaths in Canada were highest in Manitoba and Ontario highest, jumping from 16 percent, 12 percent, respectively, in winter 2011-2012 to 46.4 percent, 37.9 percent, respectively in winter 2012-2013.

The consultation document and information on how to participate in the consultative process can be found at the following URL address: <http://www.hc-sc.gc.ca/cps-spc/pest/part/consultations/ noi2013-01/ noi2013-01-eng.php>

Deadline Reminder for Crop Variety Registration Options Paper:

Agriculture and Agri-Food Canada (AAFC), the Canadian Food Inspection Agency (CFIA) and the Canadian Grain Commission (CGC) have collaborated on an options paper that describe the current crop variety registration system in Canada and outlines four potential options being considered to modernize and stream line the system. All members of the grain are encouraged to submit the comments on the initiatives presented. The deadline for comments is November 30th, 2013. The options paper is available at the following URL address: <http://www.agr.gc.ca/eng/about-us/public-opinion-and-consultations/crop-variety-registration-engagement/crop-variety-registration-in-canada-issues-and-options/?id=1374783569676>. Feedback on these options can be done through the *Crop Variety Registration in Canada Questionnaire* which is available at the following URL address: <http://agr.sondages-surveys.ca/surveys/AAFC/crop-variety-registration-engagement/?l=en>

New National, Multi-Stakeholder Commission for Cereals Formed: Following the changes to the Canadian Wheat Board in August of 2012, discussion began on the need for the formation of a national cereals commission that could bring together partners from all sectors of the cereals value chain, similar to what has been done with the formation of the Canola Council of Canada. Cereals Canada was recently incorporated and is being billed as an organization whose mandate is "to enhance domestic and international competitiveness of Canadian cereals for the benefits of Canadian members of the value chain". Canadian cereals that will be represented include wheat, barley, oats, rye and triticale. Three main stakeholder groups have been identified: (1) producers, (2) lifescience and seed companies, and (3) handlers, exporters and processors. Cereal specific lobby groups such as Alberta Barley, the Saskatchewan Barley Development Commission and the Prairie Oat Growers Association have issued press releases expressing support for the organization and have stated that they look forward to working together to advocate for Canadian agriculture.

STATISTICS:

Wheat Canada	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Aug 2011		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8,553	8,553	9,497	9,497	10,500	10,274
Beginning Stocks	7,360	7,360	5,932	5,932	5,057	5,057
Production	25,288	25,288	27,205	27,205	31,500	33,171
MY Imports	488	488	475	454	490	450
TY Imports	496	496	477	455	490	450
TY Imp. from U.S.	397	397	382	352	0	420
Total Supply	33,136	33,136	33,612	33,591	37,047	38,678
MY Exports	17,352	17,352	18,976	18,976	20,500	20,500
TY Exports	17,603	17,603	18,581	18,581	20,500	20,500
Feed and Residual	4,702	4,582	4,379	4,211	4,800	4,508
FSI Consumption	5,150	5,270	5,200	5,347	5,200	5,470
Total Consumption	9,852	9,852	9,579	9,558	10,000	9,978
Ending Stocks	5,932	5,932	5,057	5,057	6,547	8,200
Total Distribution	33,136	33,136	33,612	33,591	37,047	38,678
1000 HA, 1000 MT, MT/HA						

Barley Canada	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Aug 2011		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,402	2,402	2,751	2,751	2,600	2,556
Beginning Stocks	1,502	1,502	1,195	1,195	983	811
Production	7,892	7,892	8,012	8,012	9,000	9,433
MY Imports	16	16	25	19	25	16
TY Imports	6	6	25	19	25	16
TY Imp. from U.S.	5	5	0	9	0	6
Total Supply	9,410	9,410	9,232	9,226	10,008	10,260
MY Exports	1,299	1,299	1,434	1,433	1,400	1,470
TY Exports	1,437	1,437	1,500	1,305	1,400	1,470
Feed and Residual	5,707	5,707	5,695	5,858	5,900	6,050
FSI Consumption	1,209	1,209	1,120	1,124	1,200	1,280
Total Consumption	6,916	6,916	6,815	6,982	7,100	7,330
Ending Stocks	1,195	1,195	983	811	1,508	1,460
Total Distribution	9,410	9,410	9,232	9,226	10,008	10,260
1000 HA, 1000 MT, MT/HA						

Oats Canada	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Aug 2011		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,084	1,084	956	985	990	1,041

Beginning Stocks	733	733	810	810	511	511
Production	3,158	3,158	2,684	2,812	3,100	3,254
MY Imports	13	13	20	18	20	15
TY Imports	11	11	20	17	20	15
TY Imp. from U.S.	10	10	0	0	0	14
Total Supply	3,904	3,904	3,514	3,640	3,631	3,780
MY Exports	1,738	1,738	1,609	1,609	1,700	1,700
TY Exports	1,764	1,764	1,500	1,500	1,700	1,700
Feed and Residual	621	656	674	811	651	740
FSI Consumption	735	700	720	709	750	690
Total Consumption	1,356	1,356	1,394	1,520	1,401	1,430
Ending Stocks	810	810	511	511	530	650
Total Distribution	3,904	3,904	3,514	3,640	3,631	3,780
1000 HA, 1000 MT, MT/HA						

Corn Canada	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Sep 2011		Market Year Begin: Sep 2012		Market Year Begin: Sep 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,272	1,272	1,418	1,418	1,450	1,445
Beginning Stocks	1,263	1,263	1,365	1,365	1,325	1,545
Production	11,359	11,359	13,060	13,060	13,200	13,060
MY Imports	872	888	500	549	500	400
TY Imports	747	765	500	560	500	400
TY Imp. from U.S.	745	755	0	540	0	450
Total Supply	13,494	13,510	14,925	14,974	15,025	15,005
MY Exports	493	493	1,700	1,752	1,000	900
TY Exports	494	494	1,700	1,750	1,000	900
Feed and Residual	6,401	6,442	6,500	6,370	6,900	6,400
FSI Consumption	5,235	5,210	5,400	5,307	5,500	5,205
Total Consumption	11,636	11,652	11,900	11,677	12,400	11,605
Ending Stocks	1,365	1,365	1,325	1,545	1,625	2,500
Total Distribution	13,494	13,510	14,925	14,974	15,025	15,005
1000 HA, 1000 MT, MT/HA						