CANADA: OUTLOOK FOR PRINCIPAL FIELD CROPS — *January 25, 2018*

Market Analysis Group/Grains and Oilseeds Division
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This report is an update of Agriculture and Agri-Food Canada's (AAFC) December outlook report for the 2017-18 crop year and AAFC's preliminary perspective on the upcoming 2018-19 crop year. For most crops in Canada, the crop year starts on August 1 and ends on July 31, although for corn and soybeans, the crop year starts on September 1 and ends on August 31.

For 2017-18, Canadian farmers increased the production of canola, soybeans, oats and corn but decreased the output of wheat and barley compared to 2016. The production of all field crops is estimated at 93.1 million tonnes (Mt), similar to 2016-17. The production of grains and oilseeds (G&O) increased slightly but there was a significant decrease in the output of pulses and special crops (P&SC). Exports and domestic use are forecast to represent 46 and 39 percent, respectively, of total supply which includes production, imports and carry-in stocks. Total carry-out stocks for 2017-18 are expected to increase to 16.4 Mt which is about 15% above the 10-year average and will provide a minor cushion for the 2018-19 crop in the event of a short-fall in production. Compared to the previous crop year, average prices for field crops in Canada for 2017-18 have been pressured by the relative strength of the Canadian dollar.

For **2018-19**, the area seeded to field crops in Canada is forecast to increase marginally compared to 2017-18, partly due to lower area allocated to summerfallow. The area seeded to G&O is expected to increase slightly while the total area seeded to P&SC decreases significantly. In general, average yields are forecast to decrease marginally compared to 2017-18 but, for some crops, average yields are expected to increase because excessive moisture conditions in some areas reduced yields last year. The production of G&O is forecast to increase by 2% while the output of P&SC is expected to decrease by 20%. Total field crop production is expected to increase marginally from last year to 93.3 Mt. In general, world grain prices are expected to be pressured by abundant world grain supplies but grain prices in Canada will continue to be supported by the low value of the Canadian dollar.

Canada: Principal Field Crops Supply and Disposition

	Area Seeded	Area Harvested	Yield	Production	Imports	Total Supply	Exports	Total Domestic Use	Carry-out Stocks
	thousand hectares		*t/ha*	*thousand tonnes*					
Total Grains And Oilseeds									
2016-2017	25,651	24,187	3.48	84,220	1,704	98,515	42,199	42,432	13,883
2017-2018f	27,142	26,321	3.26	85,746	1,641	101,270	45,968	41,317	13,985
2018-2019f	28,175	27,233	3.21	87,335	1,090	102,410	46,928	41,707	13,775
Total Pulse And Special Crops									
2016-2017	4,609	4,489	1.97	8,827	287	9,446	7,138	1,469	838
2017-2018f	3,927	3,897	1.90	7,402	253	8,493	4,751	1,317	2,425
2018-2019f	3,086	3,034	1.96	5,940	222	8,587	5,125	1,302	2,160
All Principal Field Crops									
2016-2017	30,260	28,676	3.24	93,047	1,991	107,961	49,337	43,901	14,722
2017-2018f	31,069	30,218	3.08	93,148	1,894	109,763	50,719	42,634	16,410
2018-2019f	31,261	30,267	3.08	93,275	1,312	110,997	52,053	43,009	15,935

Source: Statistics Canada (STC),
f: forecast by AAFC except for area, yield and production for 2017-18 which are STC.

Durum

For 2017-18, supply decreased by 23% as higher carry-in stocks partly offset the 36% fall in production. Exports are forecast to rise by 4% to 4.7 million tonnes (Mt) because of the high quality of the Canadian durum and stronger demand from the US. The export forecast includes some exports (0.35 Mt) which are not included in the Canadian Grain Commission (CGC) weekly export data and exports of semolina of 0.04 Mt. Feed, waste and dockage is expected to fall sharply due to the lower supply and better quality of the 2017-18 crop. Carry-out stocks are forecast to fall by 36% to 1.2 Mt, 12% lower than the past five-year average of 1.36 Mt.

World durum production decreased by 2.5 Mt from 2016-17 to 37.7 Mt, while supply fell by 2.4 Mt to 47 Mt, according to the International Grains Council. Use is expected to decrease by 1.7 Mt to 38.4 Mt, as higher food use is more than offset by lower feed use. Carry-out stocks are forecast to fall by 0.8 Mt to 8.6 Mt.

Durum production in the US fell to 1.49 Mt from 2.83 Mt for 2016-17 due to a 20% decrease in seeded area and lower yields resulting from drought in the spring durum growing areas.

The average Canadian crop year producer price for durum is forecast to fall from 2016-17 as support from the lower world, Canadian and US durum supply is more than offset by the better average quality of the Canadian durum crop and the stronger Canadian dollar.

For 2018-19, the area seeded to durum is forecast to increase by 5% from 2017-18 due to low carry-in stocks, relatively good prices and a shift out of lentils. Production is forecast to increase by 15% to 5.7 Mt as the higher area is compounded by a return to trend yields from the below trend yields of 2017-18. Supply is expected to increase by only 1% as the higher production is mostly offset by lower carry-in stocks. Exports are forecast to be the same as for 2017-18 and carry-out stocks are forecast to rise by 17% to 1.4 Mt.

World durum production is forecast to increase by 0.7 Mt from 2017-18 to 38.4 Mt, while supply is unchanged at 47 Mt because of lower carry-in stocks. Use is expected to be stable at 38.4 Mt and carry out stocks are forecast to be unchanged at 8.6 Mt.

US durum production is forecast to increase to 2.3 Mt from 1.49 Mt, assuming a 4% increase in seeded area and a return to normal moisture conditions and trend yields. US winter durum seeded area fell by 41%, but the spring seeded area is expected to increase by 7%, resulting in an overall increase of 4%.

The average Canadian crop year producer price for durum is forecast to fall from 2017-18 due to higher Canadian and US supply and expectations for a stronger Canadian dollar.

Wheat (excluding durum)

For 2017-18, supply rose by 7% as higher carry-in stocks compounded the 4% rise in production. Exports are forecast to increase by 10% to 17.2 Mt because of increased supply of high quality hard red spring wheat and strong demand for that class of wheat in world markets, especially from the US. The exports forecast includes some exports (1.2 Mt) which are not included in the Canadian Grain Commission (CGC) weekly export data and exports of flour of 0.3 Mt. Domestic food use is forecast to increase slightly to 2.6 Mt while industrial use decreases slightly to 0.7 Mt. Carry-out stocks are forecast to rise marginally to 5 Mt, 10% lower than the past five-year average of 5.57 Mt.

World all wheat (including durum) production increased by 2 Mt to 757 Mt, according to USDA. Supply grew by 18 Mt to 1,010 Mt due to the higher production and higher carry-in stocks. Total use is forecast to increase by 3 Mt to 742 Mt, as higher food use is mostly offset by lower feed use. Carry-out stocks are forecast to rise by 15 Mt to 268 Mt.

All wheat production in the US decreased by 15.4 Mt to 47.4 Mt, according to USDA, as lower seeded area was compounded by higher abandonment and lower yields. Supply fell by 8.9 Mt to 83.7 Mt. Domestic use

is forecast to fall by 1.5 Mt and exports are forecast to decrease by 2.2 Mt. Carry-out stocks are forecast to decrease by 5.2 Mt to 26.9 Mt.

Canadian wheat prices are forecast to be similar to 2016-17 as pressure from the higher world and Canadian supply and the stronger Canadian dollar is offset by support from the lower US supply. However, prices of high protein wheat are forecast to be higher due to strong demand. There is strong demand for high protein wheat because of lower average protein content for US hard red winter wheat and for Canadian hard red spring wheat.

For 2018-19, the area seeded to wheat in Canada is forecast to increase by 4% from 2017-18 as an 11% decrease for winter wheat is more than offset by a 5% increase for spring wheat. The spring wheat area is forecast to increase because of relatively good prices for hard red spring wheat and a shift out of winter wheat and dry peas in Western Canada. Production is projected to fall by 3% due to a return to trend yields from the above trend yields of 2017-18. Supply is forecast to fall by 2%. Exports are forecast to be the same as for 2017-18 and carry-out stocks are forecast to decrease by 10% to 4.5 Mt.

World all wheat (including durum) production is forecast to decrease by 15 Mt to 742 Mt due to a slightly lower seeded area and assuming trend yields, which are lower than for 2017-18. Supply is projected to be unchanged at 1,010 Mt due to higher carry in stocks. Total use is expected to increase by 8 Mt to 750 Mt because of growing use for food. Carry out stocks are forecast to fall by 8 Mt to 260 Mt.

All wheat production in the US is expected to rise by 2.6 Mt to 50 Mt, due to a 0.7% higher seeded area, lower abandonment and higher yields, based on the assumption of improved moisture conditions in the spring wheat growing areas. The US winter wheat seeded area fell by 0.3%, but the spring wheat area is expected to increase by 4%, resulting in a 0.7% overall increase. Supply is forecast to fall by 3.2 Mt to 80.5 Mt. Domestic use is forecast to rise by 0.5 Mt and exports are forecast to decrease by 0.4 Mt. Carry out stocks are forecast to decrease by 3.4 Mt to 23.5 Mt.

Wheat prices in Canada for 2018-19 are forecast to be similar to 2017-18 as support from lower supply, in the US and Canada, is offset by a stronger Canadian dollar and a return to normal protein premiums, which are lower than they were for 2017-18.

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Coarse Grains

Barley

For 2017-18, total supply decreased marginally to 10.2 million tonnes (Mt) due to lower production, despite high carry-in stocks. Total domestic use is forecast to increase by 5% due to higher feed and industrial use. Total barley exports are forecast to increase by 5% due to the steady total supply and lower world supplies. Barley carry-out stocks are forecast to decrease by 27% to 1.6 Mt but will remain above the previous five-year average. The Lethbridge In-store feed barley price is forecast to increase due to the tight total barley supplies and the decline in the availability of other domestic feed grain substitutes.

Over the past month, the cash feed barley price at Lethbridge, Alberta increased $5-$6/tonne (t) as cold weather returned to the Canadian prairies. The price gain occurred in spite of the sharp increase in imports of both US corn and DDGS to the three Prairie Provinces during the fall. For this crop year, the differential between the spot price for feed barley, at the provincial level compared to Lethbridge, has narrowed moving westward. The basis for Manitoba basis is wider than the previous five-year average, Saskatchewan is average and Alberta is narrower than average.

In the US, barley production was 29% lower than in 2016 due to a smaller harvested area and lower total average yield. Similar to Canada, barley stocks in the US have decreased by 20% from 2016-17. The generally high-quality US barley stocks are lower than the previous short-to-medium term averages. Large world corn and feed supplies have kept world feed barley prices essentially unchanged since mid-September, despite lower supplies. Given the sharp decline in production, Australia has seen the highest price increase, averaging about US$40/t higher than last crop year. Argentina is the world's current price leader but with smaller supplies. However, world malt barley prices continue to slowly strengthen due to lower supplies in the key malt exporting countries of Australia and the EU. North American malt barley prices remain flat with high quality crops on both sides of the border and no shortage of malt quality stocks.

For 2018-19, seeded area is forecast to increase 7% from 2017-18 due to lower barley carry-in stocks. Production is forecast to increase 5% to 8.3 Mt due to the higher area and an average total yield. Despite the higher production, lower carry-in stocks will cause total supply to decrease by 2% to 10.0 Mt. Total domestic use is forecast to increase by 3% due to slightly higher feed use in cattle and hog production. Exports are forecast to decrease by 4% due to higher world supplies and a return to normal trade patterns. With a lower total supply, barley carry-out stocks are forecast to decrease by 19% to 1.3 Mt or below the previous three and five-year averages. The Lethbridge cash feed barley price is forecast to decrease slightly from 2017-18.

If early forecasts are correct then the total North American barley supply will expand for the 2018-19 crop year with a higher area. As a preliminary projection, at the end of November, the USDA projects an increase of 20% for seeded area and 35% for production. However, due to the sharply lower beginning stocks, total supply is forecasts to increase only so that ending stocks and prices remain flat. For a second year, malt barley contracting in the US barley states has been reduced as the inventory of high quality malting barley remains very high since there have been three successive years of outstanding selection rates.

World barley production, and supply, is expected to increase slightly for 2018-19 as some of the world's major producers, such as the EU and Australia, have increased their barley production. Large corn and feed wheat carry-over will provide a base for ample cereal supplies.

Corn

For 2017-18, total supply is forecast to increase by 4% to a record of 17.3 Mt. Total domestic use is forecast to increase by 2% due to trend increases in feeding, ethanol production and other industrial use such as starch. Exports are forecast to increase by 15% due to the higher Canadian total supply, lower world corn supply and continuing good demand from the western EU region. Carry-out stocks are forecast to increase by 19% to a record level. The nearby

Chatham corn price is forecast to remain similar to last year due to a slightly higher US corn futures being offset by a stronger Canadian dollar.

To-date for this crop year, the US corn futures have traded in a narrow US$0.20/bushel channel and in turn the nearby Chatham price has traded in a $10/t with a relatively stable Canadian dollar averaging about 1.26 per US dollar. Long-term seasonality would point to US corn price appreciation in the second half of the crop year with good demand across all use categories. However, the outlook is muted and gains will be minor as this is the fourth year of strong, stable world supplies. Lower Canadian feed barley supplies and competitive US domestic corn prices have encouraged a sharp increase in US corn imports to the three Prairie Provinces. For the August to November period, the Prairie's previous three-year average for corn imports has been about 187 thousand tonnes (kt). However, for 2017-18, this has increased by 37% to 257 kt. US corn-based DDGS imports have also increased by about 45% versus the previous three-year average.

The market reaction to the USDA January 2018 reports was muted for US corn prices. Although the USDA raised the US corn yield to a record level, the lower harvested area reduced production and total supply was largely unchanged. Despite higher projected total domestic use a lower year-to-year export projection will have the effect of increasing ending stocks. The Grain Stocks report confirmed the higher December 1 stock level and 2017 represents the single highest December 1 US corn stocks on record. Surprisingly, the USDA did project a higher farm gate which would point to a stronger US corn futures price in the second half of the crop year.

For 2018-19, seeded area is forecast to increase by 2% from 2017-18 due to steady prices and continued good overall demand. The crop year begins with carry-in stocks at record levels. Production is forecast to increase 3% to 14.5 Mt due to the higher area and the assumption for average yields. Due to record carry-in stocks and higher production, total supply will increases by 2%. Imports are forecast to decrease by 38% due to the higher domestic supply. Total domestic use is forecast to increase by 2% due to trend increases in ethanol production, industrial use and livestock feeding. Exports are forecast to increase by 7% due to higher supply and movement to the EU. Carry-out stocks are forecast to increase by 4% to 2.6 Mt and remain well-above the previous five-year average. The nearby Chatham corn price is forecast to increase slightly due to a projected slightly higher US corn futures and the weak Canadian dollar continues to be a bullish factor.

The USDA expects US corn area to increase slightly in 2018-19 despite a slightly higher soybean area and a recovery in the other smaller area coarse grains. Most of the extra area is coming out of lower projections for US cotton and wheat. Offsetting the increase in area seeded to corn in the US, most other major corn exporting countries and China are looking at smaller corn crops in 2018-19. The overall smaller world corn crop will strengthen corn prices but a major price recovery is not expected unless a major producer(s) is impacted by a severe drought.

Oats

For 2017-18, total supply increased by 7% as the higher production more than offsets the lower carry-in stocks. Total domestic use is forecast to decrease by 1% due to lower feed use and trend human consumption. Oat grain and product exports to the US are forecast to increase by a total of 3% to the highest level in nine years. Carry-out stocks are forecast to increase 32% to 0.9 Mt due to the higher total supply. The Canadian oat price is forecast to increase due to a higher forecasted US oat futures price and the continuing supportive Canadian dollar.

Spot oat pricing on the Canadian Prairies continues to see basis levels which are near the previous five-year average.

However, for the Manitoba #2CW price, this is a year-to-year decline. The impact of the USDA January 2018 reports was neutral as the market had already factored in the lower production and stock situation. Final US 2017 oat production was 24% lower than 2016. The Grain Stocks report showed that in the past year total US oat stocks have decreased by 12% from December 1, 2016 with the largest decrease being in off-farm stocks.

For 2018-19, seeded area is forecast to increase 2% from 2017-18 due to good US oat futures price levels

which will contribute to competitive pricing versus other cropping choices. With a return to an average rate of abandonment and yield, Canadian oat production is forecast to decrease by 1%. Despite higher area and lower production, the forecast for a 32% increase in carry-in stocks allow total supply to increase by 4%. Total domestic use is forecast to remain unchanged as feed use and human consumption remains flat. Exports of oat grain and products are forecast to decrease due to higher area seeded and production in the US. Carry-out stocks in Canada are forecast to increase to 1.2 Mt due to the higher supply and slightly lower disappearance. The Canadian oat price is forecast to decrease due to a lower oat futures price in the US and a slightly less-supportive Canadian dollar.

The new crop US oat futures prices are running near to slightly higher than at this time last year. Comparing market conditions year-to-year, the futures levels are generally higher but the Canadian dollar is weaker. The overall effect is that prices in Canada will be flat to slightly higher. The new crop price contracts on the Canadian Prairies are similar to last January.

As of the end of November, the USDA projected increases of 12% and 49% for seeded area and production, respectively. Due to the sharply lower beginning stocks, total supply is projected to decrease slightly. However, because of the large production increase, ending stocks will climb by 27% and oat farm gate prices will move lower. With a forecast for a return to average yields and abandonment rates, the North American oat supply will expand for 2018-19. The situation for Canada remains positive but prices are not expected to reach the level of last crop year.

Canadian exports of oat grain and product to the US are expected to decrease from the high of 2017-18 which had been the highest since the 2008-09 crop year. A bullish factor, which provides underlying support, is the forecast for the slightly higher average nearby US corn futures price.

Rye

For 2017-18, total supply is expected to increase by 4% to an 11-year high due to sharply higher carry-in stocks. Total domestic use is forecast to increase by 3% as rye for feed remains above average and industrial use remains on trend. Exports are forecast to decrease by 1% due to the continuing large North American total rye supply and trend demand. Rye carry-out stocks are forecast to increase by 11% to 0.18 Mt, this is a 12-year high and well above all short and medium term averages. Prices are forecast to increase slightly with the general price increase to the coarse grain complex.

The total supply of rye grain in North America remains higher than the previous three and five-year averages, despite lower 2017 production on both sides of the border. The Canadian rye price is highly correlated to rye production in North America because there is such a strong trade relationship with the US for rye grain. The US is the world's largest rye importer with Canada as the main supplier.

The USDA Annual Crop Production report indicated that for 2017, US rye producers had a sharp reduction in the area harvested of 31% for rye grain despite showing a year-to-year increase in seeded area. After two crop years of sharply higher rye production the US, it declined by 28% from 2016. Like Canada, the US holds large quantities of rye, and although production and total supply declined in 2017, it still has higher-than average ending stocks.

For 2018-19, seeded area is forecast to decrease by 13% to 125,000 hectares from 2017-18 which is below both the previous five and 10-year averages. Production is forecast to decrease 15% due to the lower seeded area and a forecast for an average rate of abandonment and yield. Continuing high carry-in stocks will partially offset the decrease in production and total supply is forecast to decrease by only 7% to 0.46 Mt and remain well above the previous five and 10-year averages. Total domestic use is forecast to decrease due to lower a lower rate of livestock feeding. Exports are forecast to increase by 7% due to the high supply in Canada and a smaller US inventory. Rye carry-out stocks are forecast to decrease by 17% to 0.15 Mt and still remain well above the previous averages. Canadian rye prices are forecast to increase slightly given a forecast for a smaller North American rye crop and the general recovery in coarse grain prices from 2017-18.

After the recovery in 2016-17, Canadian rye area, production and prices have been declining. In the last two years, the area seeded and the production of rye has decreased by about 25% and 34%, respectively. In the past few years the world's largest rye importer, the US, also sharply increased its domestic rye grain production which led to a large increase in the total North American supply. For the US there are some regions that continue to have dry soil moisture conditions and poor growth in forage and pasture. In 2018, similar to 2017, the average rate of abandonment may increase as rye is cut for green feed.

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Canola

For 2017-18, the supply of canola is forecast to rise by 4% compared to last year, to a record 22.8 million tonnes (Mt), as low carry-in stocks moderate the record large production. Also, in comparison with last year, the domestic processing of canola is forecast to decline to 9.1 Mt, marginally below the 9.19 Mt processed in 2016-17. This outlook is supported by the canola crush pace which is running slightly behind last year, at about 80% of capacity, according to the Canadian Oilseed Processors Association.

Crop year exports of canola are forecast to rise to a record 11.5 Mt, unchanged from last month, versus the 11.0 Mt shipped for 2016-17. Currently the pace of exports through licensed handling facilities is running about 11%, or slightly under 0.5 Mt, ahead of last year's pace on steady world demand. This pace is expected to continue with commercial stocks ranging between 1.2 Mt to 1.5 Mt based on weekly producer deliveries of between 0.4 Mt to 0.5 Mt per week.

Carry-out stocks are forecast to rise to 2.0 Mt, versus 1.3 Mt for 2016-17, which while not burdensome are expected to dampen any potential mid-summer weather rally for the upcoming crop year. Canola prices are forecast at $505/t to $535/t for 2017-18, declining slightly from last year.

At the world level, the growth in world canola-rapeseed production is largely matched by a similar rise in consumption. For 2017-18, canola-rapeseed production is estimated at 73.1 Mt. up from the 70.2 Mt grown a crop year earlier, according to the USDA. Most of the growth in output occurred in the European Union, which was up 1.6 Mt year-on-year, and in Canada, which was up 1.9 Mt based on USDA's estimate of a 21.5 Mt Canadian canola crop.

World trade is forecast to expand to 16.7 Mt, from 15.9 Mt last year, on a 0.4 Mt rise in exports from each of Canada and other countries. World consumption of canola is estimated to increase by 0.9 Mt, to 72.2 Mt, largely on an increase in use in the EU. Ending stocks are expected to rise to 6.1 Mt, compared to 5.4 Mt in 2016-17 and 6.6 Mt in 2015-16.

For 2018-19, seeded area in Canada is forecast to increase to 9.7 million hectares (Mha), due to a combination of attractive returns compared to alternative field crops and the strong sales pace for 2017-18.

Production is forecast to rise to a record of 21.7 Mt versus the previous record 21.3 Mt in 2017-18, as higher area seeded more-than offsets the decline in yields to the 5-year average of 2.3 t/ha. Total supply is forecast to increase to a record 23.8 Mt, as higher carry-in stocks complements the rise in output.

Exports are forecast to increase to a record 12.0 Mt, on support from a steadily growing world demand for vegetable oils and high oil content oilseeds combine with large available domestic supplies. The rise in exports will be limited by stiff competition from burdensome world oilseed and co-product supplies. Domestic crush is forecast to rise slightly to 9.3Mt, as the industry operates at near capacity in order to service the growing world demand for canola oil and canola meal.

Carry-out stocks are forecast to rise to 2.3 Mt for a stocks-to-use ratio of 10%. Canola prices are forecast to fall slightly to $510/t-$550/t. This is in line with an expected moderate strengthening of world vegetable oil prices.

Flaxseed

For 2017-18, supplies are estimated to decrease to 0.75 Mt due to the decline in production and tighter carry-in stocks compared to last year. Exports are forecast unchanged at 0.50 Mt on steady world demand and disciplined farmer selling. Total domestic use is forecast to fall sharply to 68,000 tonnes on significantly lower feed, waste and dockage. Carry-out stocks are forecast to decrease to 0.18 Mt. Flaxseed prices are estimated at $435-475/t, a slight decline from 2016-17.

World supplies of flaxseed are forecast by Oil World to decline to a 3-year low due to lower production of 2.5 Mt. Most of the fall in output occurred in the countries of the Former Soviet Union and in the US while carry-in stocks also declined following a slight increase in usage the preceding year. World crush of flaxseed is forecast to decline slightly to 2.2 Mt while other use holds steady at about 0.3 Mt. Carry-out stocks are expected to tighten to 0.34 Mt, versus 0.46 Mt for 2016-17 and 0.52 Mt for 2015-16.

For 2018-19, seeded area for flaxseed in Canada is forecast to decrease slightly to 0.40 Mha, as returns remain uncompetitive with alternate field crops. Production is forecast to rise to 0.60 Mt, assuming a steady abandonment and harvested area and using the 5-year average historic yields. Supply is forecast to increase slightly as the rise in output more than offsets the slight drop in carry-in stocks.

Exports are forecast to rise slightly from 2017-18 to 0.60 Mt on a strengthening in the world market. Total domestic use is forecast to fall sharply due to a drop in feed, waste and dockage while carry-out stocks are forecast to tighten to 0.15 Mt. Flaxseed prices are forecast to increase slightly, to $440-480/t for 2018-19.

Soybeans

For 2017-18, supplies are estimated at a record 8.3 Mt, up from last year's 7.4 Mt as the sharp rise in production was moderated by a marginal drop in carry-in stocks. Exports are forecast at a record 5.6 Mt, up from 4.5 Mt in 2016-17 on ample domestic supplies, a wide basis and the discount of the Canadian dollar against the US dollar. Domestic processing of soybeans is forecast to fall slightly from last year's level to 1.80 Mt, under pressure from weak soymeal prices. Carry-out stocks are projected at 0.38 Mt. Soybean prices are forecast to fall to $405/t- $435/t versus $454/t for 2016-17.

For the remainder of the crop year, the main factors to watch are: (1) US export sales and inspections pace, (2) South America growing conditions, (3) China's import demand, (4) US planting intentions and (5) changes in exchange rate values.

For 2018-19, planted area is forecast to rise by 2%, to a record 3.0 Mha, due to attractive returns in comparison to alternate crops. Production is forecast to rise slightly to a record 8.1 Mt based on 5-year average yields.

Total supply is forecast to increase by about 5% and set a new record of slightly over 8.7 Mt. This is expected to support record exports of 6.0 Mt to a diverse group of countries. Domestic processing is forecast to rise marginally to 1.9 Mt, slightly under the record pace set in 2015-16. Carry-out stocks are forecast to fall to 0.33 Mt from the 0.38 Mt anticipated for 2017-18.

Soybean prices are forecast to rally slightly to $415-455/t on support from strengthening US prices and a stable Canadian dollar-US dollar exchange rate.

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Dry peas

For 2017-18, Canadian dry pea exports for the August to November period were 1.1 million tonnes (Mt), 30% lower than for the same period last year. China imported the largest portion to-date at 0.6 Mt. The leading export market, after China, is India, followed by the US. Total Canadian dry pea exports for the crop year are forecast to fall to 2.4 Mt due to lower export demand from India.

Canadian dry pea supply is estimated to fall by 12% as lower production is only partly offset by higher carry-in stocks. Despite lower supply, carry-out stocks are expected to rise and continue to pressure prices throughout 2017-18. The average price is expected to fall from 2016-17, mostly due to sharply lower prices for yellow peas following the imposition by India, Canada's largest dry pea market, of a 50% duty on Indian dry pea imports. Green pea prices are expected to maintain a premium of $30/t over yellow peas for the crop year, compared to the $6/t discount green peas had to yellow peas last year.

US dry pea production is estimated by the USDA at 0.6 Mt, down nearly 50% from 2016-17. This was largely due to lower seeded area, high abandonment and below average yields. As a result, Canadian dry pea exports to the US are forecast to be a record 0.25 Mt in 2017-18.

For 2018-19, seeded area is forecast to decrease sharply from 2017-18 to 1.3 Mha, the lowest since 2011-12, because of lower returns relative to other crops. Nevertheless, dry peas continue to be recognised as a beneficial part of a crop rotation plan. Production is expected to fall by 22% to 3.2 Mt, with an expectation of trend yields. Supply, however, is forecast to remain relatively unchanged at 4.4 Mt due to the burdensome carry-in stocks. Despite the tariff in India, exports to other countries are expected to rise from 2017-18 and carry-out stocks are expected to fall but remain burdensome. The average price is expected to fall from 2017-18, due to high carry-out stocks and ample world supply.

Lentils

For 2017-18, Canadian lentil exports for the August to November period totalled 0.5 Mt, 54% less than the amount exported during the same period in 2016. India imported the largest portion to-date at 0.1 Mt. The leading export market after India is Turkey, followed by the United Arab Emirates. Total Canadian lentil exports for 2017-18 are forecast to fall to 1.6 Mt, largely due to lentil import duties imposed by India. The supply of lentils in Canada is estimated to be lower than last year as higher carry-in stocks only partly offset the lower production. Despite the lower supply, the decrease in exports is expected to lead to record carry-out stocks which will continue to pressure prices throughout 2017-18.

The overall average price range is forecast to fall sharply from last year to $500 to 530/t. Weak prices for all lentil types have been offset by an above average grade distribution. As a result, there have been lower discounts for the lower grades for all green lentil types. Prices for No.1 large green lentils are expected to maintain a premium of $400/t above the price of No.1 red lentils over the crop year, compared to a $590/t premium in 2016-17.

US lentil production, mostly green types, is estimated at 0.3 Mt, about half the production level of the previous year. As a result, Canadian lentil exports to the US are forecast at a record 50 kt for 2017-18.

For 2018-19, area seeded in Canada is expected to fall 27% to 1.3 Mha, due to weak prices for the No.1 grades the previous year and expectations for lower export demand. Production is forecast to fall by 22% to 2.0 Mt. With record carry-in stocks, supply is expected to rise marginally to 3.1 Mt. Exports are forecast to rise from 2017-18 to 1.8 Mt with a similar exportable supply. Carry-out stocks are expected to fall. With the assumption of an average grade distribution and grade discounts, the overall lentil price is forecast to fall from 2017-18.

Dry beans

For 2017-18, exports are forecast to be marginally higher than last year. The EU and the US are forecast to remain the main markets for Canadian dry beans, with smaller volumes exported to Mexico and Japan. However, due to higher supply, carry-out stocks are expected to be rise sharply from the previous year. The average Canadian dry bean price is forecast to fall due to higher supply in North America.

US total dry bean production (excluding chickpeas) is estimated by the USDA at 1.3 Mt, up 24% from 2016-17. US dry bean production increased significantly for most bean types with the exception of small red and dark red kidney types, which decreased. This is expected to continue to pressure US and Canadian dry bean prices for 2017-18.

For 2018-19, the area seeded is forecast to fall from 2017-18 because of lower potential returns compared to other crops, particularly soybeans and corn. However, production is expected to decrease to 0.28 Mt due to lower expected yields. Supply is expected to fall only marginally due to the higher carry-in stocks. Exports are forecast to be lower than 2017-18. Carry-out stocks are expected to remain unchanged. The average Canadian dry bean price is forecast to rise due to an expected decrease in North American supply.

Chickpeas

For 2017-18, exports are forecast to rise sharply from 2016-17. The US, Pakistan and Turkey have been the main markets for Canadian chickpeas to-date. Carry-out stocks are expected to remain tight. The average price is forecast to rise to record prices, due higher world demand and lower carry-out stocks.

US chickpea production is estimated by USDA at a record 0.3 Mt, up sharply from 2016-17, largely due to record area.

For 2018-19, the area seeded is forecast to rise from 2017-18 because of expectations for good returns relative to other pulse crops. As a result, production is expected to rise sharply to 145 kt. Supply is expected to rise by 28% from last year. Exports are forecast to be lower than the previous year and carry-out stocks are expected to rise sharply. The average price is forecast to be lower than 2017-18 due to expectations for an increase in world supply and therefore lower world demand.

Mustard seed

For 2017-18, exports are expected to be lower than 2016-17 at 120 kt but carry-out stocks are forecast to fall sharply due to the lower supply. The US and the EU are expected to remain the main export markets for Canadian mustard seed. As a result, of the tighter stocks, the average price is forecast to rise sharply from the levels observed in 2016-17.

For 2018-19, the area seeded is expected to fall marginally due to poor yields the previous year. Production, however, is forecast to rise sharply to 145 kt due to a return to average yields. Supply is expected to be lower due to much smaller carry-in stocks. Exports are expected to be higher at 125 kt and carry-out stocks are forecast to decrease and provide some support for prices. The average price is forecast to fall marginally compared to 2017-18.

Canary seed

For 2017-18, exports are expected to be lower than the previous year. The EU and Mexico are forecast to remain the main export markets, followed by South America. Carry-out stocks are expected to remain tight. The average price is forecast to decrease marginally from the 2016-17 level.

For 2018-19, the area seeded is forecast to be marginally higher than the previous year due to good potential returns compared to other crops. Production is expected to fall as higher area seeded is partly offset by slightly lower yields; supply is also forecast to decrease. Exports are expected to be lower than in 2017-18 and carry-out stocks are expected to remain very tight. The average price is forecast to be lower than the previous year.

Sunflower seed

For 2017-18, exports are forecast to be lower than the previous year and carry-out stocks are expected to rise. To-date, the US has remained Canada's main export market for sunflower seed. The average price is forecast to rise from 2016-17 due to higher

confectionery type prices and a smaller US sunflower seed supply.

For the US, sunflower seed production is estimated by the USDA to have fallen by 18% to nearly 1.0 Mt. 0.8 Mt of the US sunflower seed crop is estimated to be oilseed types, sharply lower than the previous year. US confectionery type production is slightly higher this year at 0.1 Mt.

For 2017-18, the global supply of sunflower seed is estimated by the USDA at 50 Mt. This is marginally lower than last year as lower production in Ukraine has more than offset increased production in the EU. As a result, world exports are expected to fall by 25% while domestic use is forecast to fall marginally to 46 Mt. World carry-out stocks are expected to fall to 2.1 Mt.

For 2018-19, the area seeded is projected to be unchanged from 2017-18 due to expectations for good returns. Production is forecast to fall to 45 kt, assuming trend yields. Supply is also expected to increase. Exports are expected to rise as are carry-out stocks. The average price is forecast to be similar to 2017-18 with similar oil type prices, but higher confectionary type prices in Canada.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

January 25, 2018

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (d)	Feed, Waste & Dockage	Total Domestic Use (e)	Carry-out Stocks	Average Price (g)
	------ *thousand ha* -------		*t/ha*	----------			*thousand tonnes*					*$/t*
Durum												
2016-2017	2,505	2,367	3.28	7,762	11	8,873	4,534	180	2,092	2,476	1,863	275
2017-2018f	2,106	2,088	2.38	4,962	10	6,835	4,700	180	540	935	1,200	255-285
2018-2019f	2,210	2,170	2.63	5,700	10	6,910	4,700	180	416	810	1,400	245-275
Wheat Except Durum												
2016-2017	6,915	6,511	3.68	23,967	99	28,144	15,623	3,285	3,536	7,548	4,973	235
2017-2018f	7,020	6,895	3.63	25,022	100	30,095	17,200	3,300	3,839	7,895	5,000	225-255
2018-2019f	7,300	7,140	3.40	24,300	100	29,400	17,200	3,300	3,634	7,700	4,500	225-255
All Wheat												
2016-2017	9,420	8,878	3.57	31,729	110	37,016	20,157	3,465	5,628	10,024	6,835	
2017-2018f	9,126	8,983	3.34	29,984	110	36,929	21,900	3,480	4,378	8,829	6,200	
2018-2019f	9,510	9,310	3.22	30,000	110	36,310	21,900	3,480	4,050	8,510	5,900	
Barley												
2016-2017	2,586	2,223	3.95	8,784	64	10,290	2,322	86	5,558	5,846	2,122	169
2017-2018f	2,334	2,114	3.73	7,891	150	10,163	2,450	135	5,818	6,163	1,550	205-235
2018-2019f	2,500	2,240	3.71	8,300	100	9,950	2,350	136	5,999	6,350	1,250	195-225
Corn												
2016-2017	1,345	1,325	9.96	13,193	916	16,351	1,301	5,633	7,211	12,863	2,187	171
2017-2018f	1,447	1,406	10.02	14,095	1,000	17,282	1,500	5,700	7,463	13,182	2,600	155-185
2018-2019f	1,475	1,450	10.00	14,500	500	17,600	1,600	5,800	7,584	13,400	2,600	160-190
Oats												
2016-2017	1,159	907	3.52	3,195	21	4,145	2,302	173	881	1,163	680	209
2017-2018f	1,295	1,049	3.55	3,724	20	4,424	2,375	185	854	1,149	900	215-245
2018-2019f	1,325	1,075	3.44	3,700	20	4,620	2,325	180	854	1,145	1,150	205-235
Rye												
2016-2017	164	129	3.22	415	1	467	145	48	98	159	163	115
2017-2018f	144	97	3.34	324	1	487	143	49	102	164	180	120-150
2018-2019f	125	95	2.89	275	0	455	153	49	89	152	150	125-155
Mixed Grains												
2016-2017	116	58	2.86	165	0	165	0	0	165	165	0	
2017-2018f	123	54	2.77	149	0	149	0	0	149	149	0	
2018-2019f	110	55	2.91	160	0	160	0	0	160	160	0	
Total Coarse Grains												
2016-2017	5,371	4,641	5.55	25,751	1,001	31,417	6,070	5,940	13,912	20,196	5,151	
2017-2018f	5,342	4,720	5.55	26,184	1,171	32,506	6,468	6,069	14,386	20,808	5,230	
2018-2019f	5,535	4,915	5.48	26,935	620	32,785	6,428	6,165	14,686	21,207	5,150	
Canola												
2016-2017	8,236	8,119	2.41	19,601	95	21,786	11,016	9,191	163	9,422	1,348	529
2017-2018f	9,307	9,266	2.30	21,313	100	22,761	11,500	9,100	110	9,261	2,000	505-535
2018-2019f	9,730	9,633	2.25	21,700	100	23,800	12,000	9,300	199	9,550	2,250	510-550
Flaxseed												
2016-2017	384	344	1.71	588	17	882	500	0	173	191	190	458
2017-2018f	421	417	1.31	548	10	748	500	0	48	68	180	435-475
2018-2019f	400	395	1.52	600	10	790	600	0	20	40	150	440-480
Soybeans												
2016-2017	2,240	2,205	2.97	6,552	482	7,414	4,455	1,832	465	2,600	360	454
2017-2018f	2,947	2,935	2.63	7,717	250	8,326	5,600	1,800	351	2,351	375	405-435
2018-2019f	3,000	2,980	2.72	8,100	250	8,725	6,000	1,900	300	2,400	325	415-455
Total Oilseeds												
2016-2017	10,861	10,668	2.51	26,741	594	30,081	15,972	11,024	801	12,212	1,897	
2017-2018f	12,674	12,618	2.34	29,578	360	31,835	17,600	10,900	509	11,680	2,555	
2018-2019f	13,130	13,008	2.34	30,400	360	33,315	18,600	11,200	519	11,990	2,725	
Total Grains And Oilseeds												
2016-2017	25,651	24,187	3.48	84,220	1,704	98,515	42,199	20,428	20,341	42,432	13,883	
2017-2018f	27,142	26,321	3.26	85,746	1,641	101,270	45,968	20,449	19,273	41,317	13,985	
2018-2019f	28,175	27,233	3.21	87,335	1,090	102,410	46,928	20,845	19,255	41,707	13,775	

(a) Crop year is August-July, except corn and soybeans, for which the crop year is September-August.
(b) Imports exclude products.
(c) Exports include grain products but exclude oilseed products.
(d) Food and Industrial use for soybeans is based on data from the Canadian Oilseed Processors Association.
(e) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use + Loss in Handling
(g) Crop year average prices: Wheat (No.1 CWRS, 13.5% protein) and Durum (No.1 CWAD, 13% protein), both are average Saskatchewan producer spot prices. Barley (No. 1 feed, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBOT nearby futures); Rye (No. 1 CW, cash, I/S Saskatoon); Canola (No. 1 Canada, cash, Track Vancouver); Flaxseed (No. 1 CW, cash, I/S Saskatoon); Soybeans (No. 2 CE, cash, I/S Chatham).
Source: Statistics Canada (STC), **f**: forecast by AAFC except for area, yield and production for 2017-2018 which are STC.

CANADA: PULSES AND SPECIAL CROPS SUPPLY AND DISPOSITION

January 25, 2018

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (c)	Carry-out Stocks	Stocks-to-Use Ratio	Average Price (d)
	thousand ha		*t/ha*	*thousand tonnes*						*%*	*$//t*
Dry Peas											
2016-2017	1,715	1,686	2.87	4,836	32	5,042	3,944	798	300	6	300
2017-2018f	1,656	1,642	2.50	4,112	8	4,421	2,400	821	1,200	37	230-260
2018-2019f	1,300	1,280	2.50	3,200	15	4,415	2,600	815	1,000	29	220-250
Lentils											
2016-2017	2,372	2,323	1.40	3,248	98	3,420	2,455	560	405	13	575
2017-2018f	1,783	1,774	1.44	2,559	50	3,014	1,600	364	1,050	53	490-520
2018-2019f	1,300	1,280	1.56	2,000	50	3,100	1,800	350	950	44	455-485
Dry Beans											
2016-2017	115	113	2.07	234	91	340	337	0	3	1	885
2017-2018f	135	131	2.45	322	110	435	340	30	65	18	710-740
2018-2019f	125	123	2.24	275	80	420	330	25	65	18	765-795
Chickpeas											
2016-2017	62	44	1.86	82	27	129	108	16	5	4	1,000
2017-2018f	68	68	1.35	92	55	152	140	7	5	3	1200-1230
2018-2019f	80	79	1.84	145	45	195	125	20	50	34	1000-1030
Mustard Seed											
2016-2017	212	201	1.17	236	10	251	124	47	80	47	660
2017-2018f	156	153	0.80	122	10	212	120	47	45	27	815-845
2018-2019f	150	146	0.99	145	2	192	125	42	25	15	810-840
Canary Seed											
2016-2017	105	95	1.48	140	0	160	153	2	5	3	485
2017-2018f	103	103	1.33	137	0	142	135	2	5	4	460-490
2018-2019f	105	101	1.29	130	0	135	125	5	5	4	440-470
Sunflower Seed											
2016-2017	28	28	1.84	51	29	105	18	47	40	62	565
2017-2018f	26	26	2.26	58	20	118	16	47	55	88	580-610
2018-2019f	26	25	1.80	45	30	130	20	45	65	100	585-615
Total Pulses and Special Crops (c)											
2016-2017	4,609	4,489	1.97	8,827	287	9,446	7,138	1,469	838	10	
2017-2018f	3,927	3,897	1.90	7,402	253	8,493	4,751	1,317	2,425	40	
2018-2019f	3,086	3,034	1.96	5,940	222	8,587	5,125	1,302	2,160	34	

(a) Crop year is August-July. Grains Include pulses (dry peas, lentils, dry beans, chick peas) and special crops (mustard seed, canary seed, sunflower seed).
(b) Imports and exports exclude products.
(c) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use + Loss in Handling
(d) Producer price, FOB plant, average over all types, grades and markets.
Source: Statistics Canada (STC) and industry consultations. **f:** forecast by AAFC except for area, yield and production for 2017-18 which are STC.