

**CANADA: OUTLOOK FOR PRINCIPAL FIELD CROPS****March 22, 2018****Market Analysis Group/Grains and Oilseeds Division
Sector Development and Analysis Directorate/Market and Industry Services Branch****Director: Steve Lavergne****Deputy Director: Fred Oleson**

This report is an update of Agriculture and Agri-Food Canada's (AAFC) February outlook report for the 2017-18 crop year and AAFC's 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, total domestic use is forecast to represent slightly less-than 40% of total supply and reach almost 43million tonnes (Mt), of which 97% are grains and oilseeds (G&O) and 3% are pulses and special crops (P&SC). On the other hand, total exports are expected to be slightly more-than 45% of total supply and reach about 51 Mt, of which about 90% are G&O and 10% are P&SC. Compared to 2016-17, exports of G&O are expected to be about 10% higher while exports of P&SC are forecast to decrease by about 35% due to lower exports of dry peas and lentils. Carry-out stocks are forecast to reach 16.3 Mt, about 15% of total supply, which is significantly higher than the 10-year average. In general, world grain prices are expected to be pressured downward by abundant supplies of grain at the global level.

For 2018-19, expected prices, input costs, delivery opportunities and moisture conditions are expected to play a crucial role in determining actual seeding decisions in the spring. However, based on current market conditions and historical trends, the area seeded to field crops in Canada is currently forecast by AAFC to increase slightly compared to 2017-18. Average yields for G&O are expected to decrease slightly while average yields for P&SC increase modestly. 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	26,435	24,618	3.47	85,497	1,640	99,767	42,146	43,664	13,957
2017-2018f	27,142	26,321	3.26	85,746	1,851	101,553	46,318	41,325	13,910
2018-2019f	28,175	27,316	3.20	87,335	1,190	102,436	46,928	41,632	13,875
Total Pulse And Special Crops									
2016-2017	4,520	4,379	2.01	8,788	287	9,422	7,138	1,521	763
2017-2018f	3,927	3,897	1.90	7,402	253	8,417	4,571	1,476	2,370
2018-2019f	3,086	3,034	1.96	5,940	222	8,532	5,135	1,347	2,050
All Principal Field Crops									
2016-2017	30,955	28,998	3.25	94,285	1,926	109,189	49,284	45,185	14,719
2017-2018f	31,069	30,218	3.08	93,148	2,104	109,970	50,889	42,801	16,280
2018-2019f	31,261	30,350	3.07	93,275	1,412	110,968	52,063	42,979	15,925

Source: Statistics Canada (STC),

f: forecast by AAFC except for area, yield and production for 2017-18 which are STC.

All Wheat

Durum

For 2017-18, Canadian supply decreased by 23% as higher carry-in stocks partly offset the 36% fall in production. Exports are forecast to rise slightly to 4.6 million tonnes (Mt) as stronger demand from the US is mostly offset by weaker demand from the EU. The forecast for exports includes exports of 0.35 Mt which do not go through Canadian Grain Commission (CGC) licensed facilities and are not included in the 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 the much better average quality of the 2017-18 crop compared to the previous year. Carry-out stocks are forecast to fall by 30% to 1.30 Mt, 4% lower than the past five-year average of 1.36 Mt.

World durum production decreased by 2.7 Mt from 2016-17 to 37.5 Mt, while supply fell by 2.2 Mt to 47.3 Mt, according to the International Grains Council. Use is expected to decrease by 1.3 Mt to 38.3 Mt, as higher food use is more-than offset by lower feed use. Carry-out stocks are forecast at 9 Mt, a decrease of 0.8 Mt. Durum production in the US fell to 1.49 Mt from 2.83 Mt for 2016-17.

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.

Durum prices have been trending downwards from the beginning of the crop year until levelling off in March. Prices have fallen by about \$30/tonne (t) since August 2017. The main factors to watch are crop production quantities in the Mediterranean region, where the harvest starts in April, and precipitation in the spring durum growing areas of the US northern plains and Canadian Prairies which are drier than normal and need timely rains.

For 2018-19, the area seeded to durum in Canada is forecast to increase by 5% from 2017-18 due to lower 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 lower than trend yields of 2017-18, which resulted from below normal precipitation in the durum growing areas. Supply is expected to increase by 3% as the higher production is mostly offset by lower carry-in stocks. Exports are forecast to increase by 2% from 2017-18 and carry-out stocks are forecast to rise by 15% to 1.5 Mt.

World durum production is forecast to increase by 0.5 Mt from 2017-18 to 38 Mt, while supply falls by 0.3 Mt to 47 Mt because of lower carry-in stocks. Use is expected to be stable at 38.3 Mt and carry out stocks are forecast to fall by 0.3Mt to 8.7 Mt.

US durum production is forecast to increase to 2.3 Mt from 1.5 Mt, assuming a 4% increase in seeded area and a return to normal moisture conditions and trend yields.

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

Wheat (excluding durum)

For 2017-18, Canadian supply rose by 5% as higher carry-in stocks compounded the 3% 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 exports of 0.9 Mt which do not go through CGC licensed facilities and are not included in the CGC weekly export data, and exports of flour of 0.32 Mt. Domestic food use is forecast to increase slightly to 2.55 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 5.7 Mt.

World all wheat (including durum) production increased by 8 Mt to 759 Mt, according to the USDA. Supply grew by 19 Mt to 1,011 Mt due to the higher production and higher carry-in stocks. Total use is forecast to increase by 3 Mt to 743 Mt, as higher food

use is mostly offset by lower feed use. Carry-out stocks are forecast to rise by 16 Mt to 269 Mt.

All wheat production in the US decreased by 15.4 Mt to 47.4 Mt, according to USDA. Supply fell by 8.9 Mt to 83.7 Mt. Domestic use is forecast to fall by 1.4 Mt and exports are forecast to decrease by 3.5 Mt. Carry-out stocks are forecast to decrease by 4 Mt to 28.1 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 stronger demand.

Prices of high protein wheat, (CWRS 13.5 and CNHR 13.5) trended downward during harvest but recovered in November. Another downward trend started in December but prices stabilized in February. Prices now are about \$35/t lower from the peak in August 2017. In contrast, prices of lower protein wheat classes (HRW, SRW, CPS and SWS) have increased since August.

Since January US wheat futures prices have been mostly driven by concern for the US hard red winter wheat crop because of drought in the US southern plains. This concern will spread to hard red spring wheat production because of dry conditions in parts of the US northern plains and parts of the Canadian Prairies. Rains would help to prevent further deterioration of the hard red winter wheat crop and timely rains will be needed for the hard red spring wheat crop.

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% to 24.3 Mt 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 18 Mt to 741 Mt due to a slightly lower seeded area and assuming trend yields, which are lower than for 2017-18. Supply is projected to fall by only 1 Mt to 1,010 Mt due to higher carry in stocks. Total use is expected to increase by 9 Mt to 752 Mt because of growing use for food. Carry out stocks are forecast to fall by 11 Mt to 258 Mt.

All wheat production in the US is expected to rise by 2.6 Mt to 50 Mt. The seeded area is projected to increase by 1.1%, while the harvested area rises by 2.4% and average yields increase by 2.4%. The US winter wheat seeded area fell by 0.3%, but the spring wheat area (including durum) is expected to increase by 4%. Supply is forecast to fall by 1.8 Mt to 81.9 Mt. Domestic use is forecast to rise by 0.3 Mt and exports are forecast to be the same as for 2017-18. Carry out stocks are forecast to decrease by 2.1 Mt to 26 Mt.

The prices for high protein wheat 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 return to normal protein premiums, which are lower than for 2017-18. However, the prices for lower protein wheat are forecast to increase slightly.

Stan Skrypetz: Wheat Analyst
stan.skrypetz@agr.gc.ca

Barley

For 2017-18, total domestic use of barley is forecast to remain unchanged but exports are expected to rise by 16% due to stronger import demand related to lower world barley supplies. Carry-out stocks are forecast to fall by 27% to 1.6 million tonnes (Mt) and remain near the previous three and five-year averages. The Lethbridge In-store feed barley price is forecast to increase due to tight domestic supply and decline in the supply of other domestic feed grain substitutes.

The Lethbridge barley price, October to mid-February had traded in the \$210-220/t range. However, in March the market jumped close to \$20/t to a crop year high. The seasonal upturn is related to late winter snows and continuing strong barley exports, mainly to China. In addition, the US\$0.30/bushel (bu) increase in the old-crop US corn futures price has provided strong support for North American and world coarse grain prices.

Due to strong supply in North America, the price of domestic malt barley price has not increased to the same extent as feed barley. The premium for malting barley relative to feed barley has narrowed. It is now near the five-year average of US\$38-40/t. To-date for this crop year, the world feed barley price has been trading at a premium of over US\$30/t to the average world corn price. The previous five-year average for this spread has been about US\$13/t. Generally, the world feed barley price tops out by the end of February so this recent price rally may deteriorate. Despite the softer market conditions, the average world malt premium still remains above the previous five-year average. However, for the first couple of months, the premium was about US\$80/t and now it has fallen to below US\$30/t.

For 2018-19, seeded area is forecast to increase 7% from 2017-18, rebounding from record low seeded area. Production is forecast to increase 5% to 8.3 Mt due to the higher area and an average yield. Despite higher production, lower carry-in stocks will cause total supply to decrease by 2% to about 10 Mt. Exports are forecast to decrease by 13% due to higher world supplies and a return to normal trade

patterns. Barley carry-out stocks are forecast to increase by 6% and remain close to the previous five-year average. The Lethbridge cash feed barley price is forecast to decrease from 2017-18 due to larger North American and world barley supplies. However, there are projections for lower overall livestock prices for cattle, hogs and poultry which will reduce the decent feeding margins achieved in 2017-18.

Similar to the last couple of years, the US has again reduced the number and size of malt barley contracts as their malt quality inventory continues to remain very high. So far, Canadian new crop malt barley prices are only slightly higher than 17-18 as the barley inventory is also of high quality.

For 2018-19, the International Grains Council (IGC) is forecasting a slight increase in world harvested area. Assuming average yields, this should increase world barley production and reduce prices for both feed and malt barley despite higher world corn prices. If corn prices remained stable, a return to average spreads for feed barley to corn would reduce the world feed barley price by US\$20/t.

Corn

For 2017-18, exports are forecast to increase by 36% 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 5% or 2.3 Mt or a new record level. The average nearby Chatham corn price is forecast to be similar to last year due to higher US corn futures while being offset by a stronger Canadian dollar.

The nearby Chatham corn price benefitted from the US\$0.30/bu run-up in the US corn futures as fund money entered that market on the long side. In addition, logistical problems at the Pacific Northwest and Gulf ports and the softer Canadian dollar added some extra value to the basis. The spot price increased to a crop year high and traded above \$170/t into the beginning of March. The nearby basis level has been very flat this year, trading within a \$6/t range and averaging near \$26/t.

The pace of Canadian corn exports has been ahead of the previous five-year average, with the major destination being the US and, in the last two export months, movement has started to the western EU countries of Portugal and Spain. In the 2012-13 crop year, Canada began to shift its export focus from the Middle East to the EU. At this time Ukraine, Argentina and Brazil rapidly increased market share in the Middle East through price and logistical advantages. For example, in 2016-17, the western EU region accounted for nearly half of all of Canada's corn exports.

For 2018-19, seeded area is forecast to increase by 2% from 2017-18 due to steady prices and continued good overall demand. Production is forecast to increase 3% to 14.5 Mt due to the higher area and trend yields. A 50% decrease in imports is forecast due to the higher domestic supply. Despite record carry-in stocks and higher production, total supply is forecast to decrease slightly. Total domestic usage is forecast to increase due to slight increases in ethanol production, industrial use and livestock feeding. Exports are forecast to decrease by nearly 10% due to a drop in demand. Carry-out stocks are forecast to decrease to 2.1 Mt but remain above the previous five-year average. The nearby Chatham corn price is forecast to increase slightly due to a projected higher US corn futures and weak Canadian dollar.

The Chatham corn price is forecast to increase due to a higher average US corn future. Since the beginning of 2018, the new-crop Chatham price increased from \$4.50/bu to \$4.70/bu. These values are very similar to the same period last year.

For 2018, the USDA is forecasting a continuation of large supplies of US corn based on trend yields. However, due to the lower US ending stocks and overall lower world corn production, a slight increase in corn prices is expected.

Oats

For 2017-18, total domestic usage is forecast to decrease by 5% 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 three years. Carry-out stocks are forecast to increase by almost 40% 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.

After falling to crop year lows at the beginning of December, the US oat futures have posted solid gains but did not rise above US\$2.70/bu. The stronger futures price, combined with a \$0.04/bu decline in the Canadian dollar since the beginning of February, has allowed spot Prairies oat prices to move higher. However, based on long-term seasonality, oat prices are expected to decrease until the start of the new US cereal crop year on June 1st.

Canadian oat grain exports having been moving well and are on pace with 2016-17 and the previous five-year average. Over the past 10 years, the US remains the core destination for Canadian oat grain exports, averaging about 95% per year. Exports to Japan, the second market, account for less-than 2% of total exports. Mexico is the third market, coming in at about 1.5% and a large number of other countries make up the remainder. However, in January about 39,000 tonnes were exported to Mexico which represented the largest single sale to Mexico in the last 10 years. Canada's oat industry has been actively working to grow the industry and expand the number of higher volume export locations.

For 2018-19, seeded area is forecast to increase 2% from 2017-18 due to good US oat futures levels, which will contribute to competitive pricing versus other cropping choices. With a forecast for a return to an average rate of abandonment and yield, Canadian oat production is forecast to decrease by 1%. Despite lower production, the major increase in carry-in stocks will allow total supply to increase by 6%. Total domestic usage is forecast to increase by 2% due to higher feed use as human consumption remains flat. Oat grain and product exports are forecast to remain unchanged due to higher projected US oat area and production. Carry-out stocks are forecast to increase 23% to 1.2 Mt or above the previous five-year average due to the higher supply and slightly lower disappearance. The Canadian oat price is forecast to decrease due to a lower US oat futures price and a less supportive Canadian dollar.

For the Canadian Prairies, new crop oat pricing has been lower than for the same period last crop year despite higher average futures levels. For the same period last year, the Canadian dollar was much more supportive than the current average exchange rate to the US dollar.

Canadian exports of oat grain are forecast to remain flat based on the long-standing US oat trade relationship. The large old crop sale to Mexico is encouraging and countries like China have been increasing their oat imports and are considered a growth opportunity. Australia has been increasing its oat export program and will be a strong competitor for the Chinese business going forward.

Similar to Canada, area seeded to oats in the US is expected to increase and, based on average yields and abandonment, this would increase oat production in the US. A decline is expected for the US oat futures prices for the 2018-19. However, the higher average US corn futures will provide underlying support for oats and should help temper the overall decline.

Rye

For 2017-18, total domestic use is forecast to decrease by 9% due to lower rye feeding and trend industrial use. 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 10% to 0.18 Mt, to a 12-year high and well above all short and medium term averages. Prices are forecast to increase with the general price increase to the coarse grain complex.

Canadian rye grain exports have been just above the previous five-year average although total supply is sharply higher than the previous averages. The US is the major market for Canadian exports of rye grain. The export concentration to the US has been increasing, as the five and three-year averages are 95% and 97%, respectively. Strong spirit demand and to a lesser extent brewing demand from the US has meant only container sized loads have left Canada for other off-shore locations. There are other

consistent customers such as Japan, South Africa and South Korea. However, on an annual basis, each of these countries account for less-than 2% of total exports.

For 2018-19, seeded area is forecast to decrease by 13% to 125,000 hectares from 2017-18, this is below both the previous five and ten-year averages. Production is forecast to decrease by 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 remains well-above the previous five and ten-year averages. Total domestic use is forecast to decrease by 7% due to lower livestock feeding and flat industrial use. Exports are forecast to increase by 7% due to the good total supply and a smaller US inventory. Rye carry-out stocks are forecast to decrease by 17% to 0.15 Mt and remain well above the previous averages. Canadian rye prices are forecast to increase due to a smaller North American rye crop.

This year's crop generally had little snow cover over the winter. Although late winter heavy snows did provide cover and much needed moisture, the extent of the benefits will not be known until the rye crop breaks dormancy and begins spring growth. The current spring forecast indicates below normal temperatures for the Prairies and normal for Eastern Canada (Ontario and Quebec); however above normal precipitation for all both the Prairies and Eastern Canada. This combination of spring conditions would be conducive for growth. The size of the 2018 US rye crop will not be known until the USDA Acreage report is released at the end of June as rye is not included in the March Plantings report. In addition, the USDA will post the June 1 Grain Stocks report and provide the beginning stocks for 2018-19 US rye.

John Pauch: Coarse Grain Analyst
john.pauch@agr.gc.ca

Canola

For 2017-18, canola supplies are forecast to increase by 4% to a record 22.8 million tonnes (Mt) as the record production is moderated by lower carry-in stocks. Domestic processing is forecast to decline marginally to 9.1 Mt as evidenced by the slowdown in the crush pace to-date for the crop year.

Exports are forecast at a record 11.5 Mt, versus 11.0 Mt shipped for 2016-17, despite farmer deliveries into Canadian Grain Commission licensed facilities running 6% behind last year. The export pace slackened during the extended cold spell across Western Canada which ran from mid-December, through January, and extended into February 2018. Commercial stocks are hovering around 1.5 Mt.

Carry-out stocks are forecast to rise to 2.0 Mt, versus 1.3 Mt for 2016-17, which, while not burdensome, may dampen any potential mid-summer weather rally for the upcoming crop year. Canola prices are forecast at \$515 to \$545/t for 2017-18, about even with last year.

For 2018-19, seeded area in Canada is forecast to increase to 9.7 million hectares (Mha). This is due to attractive expected returns compared to alternative field crops and the strong marketing 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 compared 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 due to increased supply and strong world demand for vegetable oils and high oil content oilseeds. The rise in exports will be limited by stiff competition from the burdensome world supply of oilseeds and co-products. Domestic crush is forecast to rise slightly to 9.3Mt, as the industry operates at near capacity to service the expanding 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 remain relatively stable at \$510 to \$550/t, on support from stable world vegetable oil prices.

Flaxseed

For 2017-18, supplies are estimated to decrease to 0.80 Mt due to lower output and tighter carry-in stocks. Exports are forecast steady at 0.50 Mt while total domestic use falls sharply to 68,000 tonnes on significantly lower feed, waste and dockage. Carry-out stocks are forecast to decrease to 0.23 Mt. Flaxseed prices are estimated at \$445 to 475/t, marginally up from 2016-17.

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 to 0.60 Mt while total domestic use falls sharply due to a drop in feed, waste and dockage. Carry-out stocks are forecast to tighten to 0.20 Mt. Flaxseed prices are forecast to remain stable at \$440 to \$480/t.

European crushing of flaxseed is shifting eastwards, according to Oil World, as Kazakhstan and Russia increase their domestic crush pace at the expense of traditional EU crushers. As well, Belarus is also expected to expand its flaxseed processing capacity. A combination of factors, such as high Turkish import taxes on CIS flaxseed, logistics challenges in Russia and Kazakhstan and higher EU prices are supporting the expansion of crush in the Black Sea Region. Looking forward, this eastwards shift in flaxseed processing will accelerate the loss of the EU as a market for Canadian flaxseed. China and the US are expected to remain the largest buyers of Canada's flaxseed.

Soybeans

For 2017-18, supply is estimated at a record 8.3 Mt, up from last year's 7.5 Mt due to sharply higher production. Exports are forecast at a record 5.6 Mt, up from 4.4 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 marginally from last year 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 \$420 to \$450/t versus \$454/t for 2016-17.

For the remainder of the crop year, the main factors to watch are: (1) South American yields, (2) USDA planted area and production estimates, (3) US export sales and inspections pace, and (4) fluctuations 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 due to higher area and higher average yields, which are based on a 5-year average.

Total supply is forecast to increase by about 5% and set a new record of slightly over 8.7 Mt. In turn, 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 down slightly to \$415 to 455/t under pressure from pressured US prices and a stable Canadian dollar-US dollar exchange rate.

For 2018-19, the USDA forecasts US soybean production to decline by 2%, to 4.88 bln bu, due to a marginal decline in planted area, a 0.3 million (mln) acre increase in abandonment and a 0.6 bu/ac decline in yields from 2017-18. Supplies of soybeans are forecast to rise to a record 4.88 bln bu as the drop in output is more-than offset by a sharp rise in carry-in stocks and stable imports. Domestic processing is forecast to rise by 30 mln bu, to 1.98 bln bu, on stronger demand for soymeal while exports increase

by 200 mln bu, to 2.3 bln bu, on a combination of rising world demand and anticipated production shortfall in the South American harvest. Ending stocks are forecast to tighten up slightly for the 2018-19 crop year while the average farm gate price decline by 5 cents/bu, to US\$9.25/bu, under pressure from the strong US dollar.

Over the long run, the USDA is forecasting US soybean plantings to exceed corn, at 91 to 92 million acres, as growing world and domestic demand supports prices and generates higher producer returns compared to corn and wheat. The growth in world demand will be driven by China, which is projected to import 143 Mt of soybeans by 2026-27, or about 36% of the approximately 400 Mt of soybeans grown world-wide. The US is projected to respond to this growth in demand by producing 4.8 billion bushels (about 131 Mt) of soybeans compared to the 4.4 billion bushels grown in 2017-18.

At the world level, world trade in soybeans is projected to expand by 30%, to 205 Mt, of which about 70% will be heading to China. Three countries, Brazil, the US and Argentina, are projected to account for about 87% of the world exports in soybeans over the next 10 years. Brazil is projected to capture most of this expansion as soybean shipments rise by 45%, to about 96 Mt. The US is projected to export to 68 Mt by 2027-28 resulting in a decrease in market share from 40%, to 33% of world soybean trade. Argentine soybean exports are forecast to rise by 62%, to 14.1 Mt, mostly to China, despite the continuation of differential export taxes which favour the domestic processing of soybeans over exports of the raw seed. The USDA projects Canadian exports of soybeans to rise to 8.1 Mt by 2027-28 from 6.1 Mt in 2018-19.

World trade in soymeal trade is forecast to rise by 18% to 82 Mt, about 40% of the world trade in raw soybeans, by 2027-28 on support from continued growth in livestock production and movement towards modern feed rations. Many countries are constrained in their ability to increase domestic oilseed production, thus rely on the international marketplace. The EU is projected to remain the world's largest importer, at about 20 Mt per year, while Southeast Asia, North Africa, the Middle East

and Latin America are projected to increase soy meal imports.

World import demand for soy oil is also projected to grow by 27%, to slightly over 15 Mt by 2026-27, due to rising food and industrial use. Growth in world trade in soy oil is expected to be constrained by palm oil, of which production is projected to rise to about 80 Mt by 2026-27, according to the OECD-FAO. Argentina, Brazil, the US and the EU account for 80% of the world's exports of soy oil and by 2027-28, Argentina, Brazil and the US are projected to account for 48%, 18% and 8% of the world's exports in soy oil.

Over the medium term, gains in US prices for all oilseeds, protein meals and vegetable oils are projected to be muted compared to world prices due

to the strength of the US dollar. The US farmgate price for soybeans rises slowly and steadily from the US\$9.30/bu projected for 2017-18, to US\$9.80/bu for 2027-28. By contrast, the modern day low price for soybean prices at the farm-gate was set in 2015-16 at US\$9.23/bu versus the modern day high of US\$14.42/bu, which occurred in 2012-13. Over the next decade soy meal prices are projected to rise from US\$320/st in 2017-18 to US\$350/st in 2027-28. US soy oil prices are forecast to rise by US 4.7 cents/lb from 44.5 cents/lb to 49.2 cents/lb over the next 10 years.

Chris Beckman: Oilseeds Analyst
Chris.beckman@agr.gc.ca

Dry Peas

For 2017-18, exports are forecast to fall to 2.5 million tonnes (Mt), with China, India and the US ranking as Canada's top three markets. Canadian dry pea exports to India are expected to fall sharply to 275 thousand tonnes (kt). Through August to January of this crop year, Canadian dry pea exports total 1.4 Mt, down 35% from this same period in 2016-17. Carry-out stocks are expected to rise sharply due a lack of export demand, despite lower supply. The average price is expected to fall from 2016-17, as lower yellow and green pea prices more than offset higher feed pea prices.

During the month of February, the on-farm price of yellow peas in Saskatchewan fell by \$5/t, while the price of green peas was unchanged. Monthly dry pea exports have continued at a weak pace. Yellow pea supplies continue to be ample. Indications are that there will be another large winter pulse crop in India. If a higher than average pulse crop in India is realized, Canadian dry pea export demand is expected to remain below normal through the remainder of the crop year. Supporting prices is the continued weakness of the Canadian dollar against the US dollar. Green dry peas prices are expected to maintain a C\$35/t premium over yellow peas, compared to the C\$6/t discount green peas had to yellow peas in 2016-17.

US dry pea production is estimated by the USDA at a record of nearly 0.6 Mt, down nearly 50% from 2016-17. This is largely due to a sharp fall in North Dakota area and below average yields. As a result, Canadian exports to the US are forecast to be higher than the previous year. For 2017-18 to-date (August to January), Canadian dry pea exports to the US totaled 166 Kt.

For 2018-19, seeded area is forecast to fall 21% from 2017-18 to 1.3 Mha because of lower returns relative to other crops and below average export demand. Production is forecast to fall by 22% to 3.2 Mt, with trend yields and lower area. However, supply is expected to fall only marginally due to higher carry-in stocks. Exports are expected to be similar to the current crop year but carry-out stocks

are expected to fall. The average price is expected to be lower than in 2017-18.

Lentils

For 2017-18, exports are forecast to fall sharply to 1.3 Mt. India, Turkey and United Arab Emirates are currently the top three export markets. Through August to January of this crop year, Canadian lentil exports total over 0.7 Mt, down 56% from this same period in 2016-17.

Carry-out stocks are forecast to increase to high levels. The overall average price is forecast to fall sharply due to large carry-out stocks.

During the month of February, the on-farm price of large green lentils was unchanged and the price of red lentils fell by C\$5/t in Saskatchewan. This was largely due to expectations of a large increase in pulse production for the winter crop in India. Large green lentil prices are forecast to maintain a \$375/t premium over red lentil prices, below the record premium from 2016-17.

For 2017-18, US lentil production, mostly green types, is estimated by the USDA at 0.34 Mt, down 42% from 2016-17. As a result, Canadian lentil exports to the US to-date (August to January) are higher than last year at this time.

For 2018-19, area seeded in Canada is expected to fall to 1.3 Mha, due to lower returns relative to other crops. A higher yield is forecast but production is still expected to fall by 22% to 2.0 Mt. However, supply is expected to rise marginally to 3.1 Mt with large carry-in stocks. Exports are forecast to be higher at 1.8 Mt as markets adjust to the lack of export demand from India. Carry-out stocks are expected to fall. The average price is forecast to decrease from 2017-18 with the assumption of an average grade distribution and discounts for lower grades.

Dry Beans

For 2017-18, exports are expected to be higher than for 2016-17 due to an increase in supply. The EU and the US are forecast to remain the main markets

for Canadian dry beans, with smaller volumes exported to Japan and Angola. However, Canadian carry-out stocks are still expected to increase. The average Canadian dry bean price is forecast to fall, due to increased carry-out stocks in North America. To date (August-February), Canadian white pea bean prices are 20% lower, pinto bean prices are 25% lower and black bean prices are 17% lower than realised in 2016-17.

US total dry bean production (excluding chickpeas) is estimated by the USDA at 1.3 Mt, an increase of 24% from 2016-17. US dry bean production rose for all bean types, with the exception of dark red kidney and small red beans, 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 decrease from 2017-18 to 125 thousand hectares (kha) because of lower returns compared to other crops. Production is expected to decrease to 275 Kt due to lower expected yields and area. Supply is expected to fall marginally with lower production offsetting large carry-in stocks. Exports are forecast to be slightly lower with steady demand from the EU and the US. As a result, carry-out stocks are forecast to fall marginally. However, the average Canadian dry bean price is forecast to rise due to expectations for decreased supply in North America.

Chickpeas

For 2017-18, exports are expected to rise sharply from 2016-17, due to increased import demand from Pakistan, Turkey and the US. As a result, carry-out stocks are expected to remain tight. The average price is expected to be higher than last year, due to the world shortfall of quality chickpeas.

US chickpea production is estimated by USDA at a record 313 Kt, a 27% increase from 2016-17.

For 2018-19, the area seeded is expected to rise from 2017-18 because of lower carry-in stocks and the potential for good returns. As a result, production is expected to rise to 145 Kt. Supply is forecast to rise sharply from 2017-18 despite the lower carry-in stocks. Exports are forecast to be lower but carry-out stocks are expected to rise. The average price is

forecast to be lower, due to expectations of larger world supply.

Mustard Seed

For 2017-18, exports are forecast to be slightly lower at 120 Kt, and carry-out stocks are forecast to fall. The US and the EU are the main export markets to date for Canadian mustard seed. The average price is forecast to rise sharply from the previous year due to the lower supply and expectations for lower Canadian carry-out stocks.

For 2018-19, the area seeded is forecast to be similar to the previous year due to expectations of similar returns based on new crop contracts. Production is forecast to rise to 145 Kt with marginally lower area but higher yields when compared to the previous year. However, supply is expected to fall by 10% due to lower carry-in stocks. Exports are expected to be higher and, as a result, carry-out stocks are forecast to tighten. The average price is forecast to be slightly higher than 2017-18.

Canary Seed

For 2017-18, exports are expected to be similar to 2016-17 largely due to steady demand from the EU and Mexico, the top two export markets. Carry-out stocks are expected to tighten. The average price is forecast to fall from 2016-17.

For 2018-19, the area seeded is forecast to be relatively unchanged due to competitive returns relative to other crops. Production is expected to fall assuming lower yields and higher abandonment than 2017-18. Supply is forecast to fall sharply to 135 Kt. Exports are expected to be lower than 2017-18, and carry-out stocks are expected to remain unchanged. The average price is expected to be lower than the 2017-18 level.

Sunflower Seed

For 2017-18, exports are forecast to be marginally lower than last year due to reduced US demand. Carry-out stocks are forecast to rise as a result. The US remains Canada's main export market for sunflower seed. The average price is forecast to rise from 2016-17 as higher confectionery sunflower seed prices more-than offset lower oil type sunflower seed prices.

For the US, sunflower seed production is estimated by the USDA to have decreased by 18% to 1.0 Mt. With smaller US confectionery crop for the second consecutive year, this has supported Canadian confectionery sunflower seed prices.

The world supply of sunflower seed is estimated by the USDA at 51 Mt. This is 3% lower than last year, due to lower production in Ukraine. World exports are expected to fall by 15%, with domestic use expected to fall marginally to 46 Mt. Global carry-out stocks are expected to fall to 2.1 Mt, and be somewhat positive for world sunflower oilseed prices.

For 2018-19, area seeded is anticipated to be unchanged from 2017-18 due to expectations of good returns. Production is forecast to fall to 45 Kt and supply is expected to rise to 130 Kt. Although exports are expected to increase, carry-out stocks are forecast to increase further. The average price is forecast to rise from 2017-18 as stronger prices for confectionery sunflowers in Canada and the US combines with similar prices for oil types.

Bobby Morgan: Pulse and Special Crop Analyst
Bobby.Morgan@agr.gc.ca

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

March 22, 2018

Grain and Crop Year (a)	Area	Area	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) \$/t
	Seeded	Harvested										
Durum												
2016-2017	2,469	2,333	3.33	7,762	11	8,873	4,534	179	2,093	2,476	1,863	275
2017-2018f	2,106	2,088	2.38	4,962	10	6,835	4,600	180	540	935	1,300	255-285
2018-2019f	2,210	2,170	2.63	5,700	10	7,010	4,700	180	416	810	1,500	245-275
Wheat Except Durum												
2016-2017	7,156	6,643	3.67	24,378	99	28,555	15,621	3,269	3,963	7,961	4,973	235
2017-2018f	7,020	6,895	3.63	25,022	100	30,095	17,200	3,250	3,889	7,895	5,000	225-255
2018-2019f	7,300	7,140	3.40	24,300	100	29,400	17,200	3,290	3,654	7,700	4,500	225-255
All Wheat												
2016-2017	9,625	8,976	3.58	32,140	110	37,428	20,155	3,448	6,056	10,438	6,835	
2017-2018f	9,126	8,983	3.34	29,984	110	36,929	21,800	3,430	4,428	8,829	6,300	
2018-2019f	9,510	9,310	3.22	30,000	110	36,410	21,900	3,470	4,070	8,510	6,000	
Barley												
2016-2017	2,702	2,266	3.90	8,839	64	10,346	2,322	86	5,614	5,902	2,122	169
2017-2018f	2,334	2,114	3.73	7,891	110	10,123	2,700	135	5,528	5,873	1,550	205-235
2018-2019f	2,500	2,240	3.71	8,300	100	9,950	2,350	136	5,599	5,950	1,650	195-225
Corn												
2016-2017	1,452	1,414	9.83	13,889	851	16,982	1,285	5,187	8,307	13,510	2,187	171
2017-2018f	1,447	1,406	10.02	14,095	1,250	17,532	1,750	5,200	8,263	13,482	2,300	155-185
2018-2019f	1,475	1,450	10.00	14,500	600	17,400	1,600	5,300	8,384	13,700	2,100	160-190
Oats												
2016-2017	1,232	925	3.49	3,231	21	4,219	2,304	172	932	1,212	703	209
2017-2018f	1,295	1,049	3.55	3,724	20	4,447	2,325	180	857	1,147	975	215-245
2018-2019f	1,325	1,075	3.44	3,700	20	4,695	2,325	180	879	1,170	1,200	200-230
Rye												
2016-2017	186	140	3.12	436	1	488	145	48	119	180	163	115
2017-2018f	144	97	3.34	324	1	487	143	49	102	164	180	130-160
2018-2019f	125	95	2.89	275	0	455	153	49	89	152	150	145-175
Mixed Grains												
2016-2017	177	62	2.83	175	0	175	0	0	175	175	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	5,749	4,805	5.53	26,571	936	32,209	6,056	5,493	15,147	20,979	5,174	
2017-2018f	5,342	4,720	5.55	26,184	1,381	32,739	6,918	5,564	14,899	20,816	5,005	
2018-2019f	5,535	4,915	5.48	26,935	720	32,660	6,428	5,665	15,111	21,132	5,100	
Canola												
2016-2017	8,411	8,263	2.37	19,599	95	21,785	11,016	9,191	162	9,421	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	515-545
2018-2019f	9,730	9,716	2.23	21,700	100	23,800	12,000	9,300	199	9,550	2,250	510-550
Flaxseed												
2016-2017	381	342	1.73	591	17	887	500	0	128	146	240	458
2017-2018f	421	417	1.31	548	10	798	500	0	48	68	230	445-475
2018-2019f	400	395	1.52	600	10	840	600	0	20	40	200	440-480
Soybeans												
2016-2017	2,269	2,232	2.96	6,597	482	7,459	4,418	1,832	546	2,681	359	454
2017-2018f	2,947	2,935	2.63	7,717	250	8,326	5,600	1,800	351	2,351	375	420-450
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	11,061	10,837	2.47	26,787	594	30,130	15,935	11,024	836	12,248	1,947	
2017-2018f	12,674	12,618	2.34	29,578	360	31,885	17,600	10,900	509	11,680	2,605	
2018-2019f	13,130	13,091	2.32	30,400	360	33,365	18,600	11,200	519	11,990	2,775	
Total Grains And Oilseeds												
2016-2017	26,435	24,618	3.47	85,497	1,640	99,767	42,146	19,964	22,040	43,664	13,957	
2017-2018f	27,142	26,321	3.26	85,746	1,851	101,553	46,318	19,894	19,836	41,325	13,910	
2018-2019f	28,175	27,316	3.20	87,335	1,190	102,436	46,928	20,335	19,700	41,632	13,875	

(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

March 22, 2018

Grain and Crop Year (a)	Area	Area	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total	Carry-out Stocks	Stocks-to- Use Ratio %	Average Price (d) \$/t
	Seeded	Harvested						Domestic Use (c)			
----- thousand ha -----											
Dry Peas											
2016-2017	1,733	1,677	2.88	4,836	32	5,042	3,944	798	301	6	300
2017-2018f	1,656	1,642	2.50	4,112	8	4,421	2,500	821	1,100	33	240-270
2018-2019f	1,300	1,280	2.50	3,200	15	4,315	2,600	815	900	26	220-250
Lentils											
2016-2017	2,254	2,221	1.44	3,194	98	3,365	2,455	595	315	10	575
2017-2018f	1,783	1,774	1.44	2,559	50	2,924	1,300	524	1,100	60	480-510
2018-2019f	1,300	1,280	1.56	2,000	50	3,150	1,800	400	950	43	455-485
Dry Beans											
2016-2017	133	120	2.07	249	91	355	337	16	2	1	885
2017-2018f	135	131	2.45	322	110	434	345	29	60	16	710-740
2018-2019f	125	123	2.24	275	80	415	335	25	55	15	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	1120-1150
2018-2019f	80	79	1.84	145	45	195	125	20	50	34	1000-1030
Mustard Seed											
2016-2017	206	195	1.21	236	10	251	124	47	80	47	660
2017-2018f	156	153	0.80	122	10	212	120	47	45	27	790-820
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	175	153	2	20	13	485
2017-2018f	103	103	1.33	137	0	157	150	2	5	3	450-480
2018-2019f	105	101	1.29	130	0	135	130	0	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	575-605
2018-2019f	26	25	1.80	45	30	130	20	45	65	100	585-615
Total Pulses and Special Crops (c)											
2016-2017	4,520	4,379	2.01	8,788	287	9,422	7,138	1,521	763	9	
2017-2018f	3,927	3,897	1.90	7,402	253	8,417	4,571	1,476	2,370	39	
2018-2019f	3,086	3,034	1.96	5,940	222	8,532	5,135	1,347	2,050	32	

(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.