CANADA: OUTLOOK FOR PRINCIPAL FIELD CROPS *May 24, 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) April 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, information has been incorporated from Statistics Canada's May 11 report on Stocks of Principal Field Crops in Canada which combines data collected from a survey of 11,600 Canadian farms conducted from March 2 to 29, as well as administrative data from the Canadian Grain Commission and grain elevators. Partly based on this information, carry-out stocks of field crops are expected to increase by about 7% from the preceding crop year to 16.2 million tonnes (Mt), largely due to higher supply. However, total exports of all field crops are also forecast to increase marginally, from the 2016-17 level, as a 7% increase in exports of grains and oilseeds more-than offsets a 34% decline in exports of pulses and special crops related to a decrease in trade with India. In general, abundant world supplies of grain have pressured world prices, but the weak Canadian dollar has provided strong support to prices in Canada.

For 2018-19, information from Statistics Canada's April 27 report on the March Seeding Intentions of Principal Field Crops has been incorporated. The area seeded to wheat and coarse grains is expected to increase and more-than offset the decrease in the area seeded to oilseeds, peas and lentils. The total area seeded to field crops in Canada in 2018-19 is expected to be marginally higher than 2017-18. For all crops, average or trend yields have been assumed despite dry conditions in parts of Western and Eastern Canada. AAFC is currently forecasting a slight decrease in total production and supply in Canada. Carry-out stocks are forecast to decrease, largely due to the increase in exports. World grain prices will continue to be pressured by an abundant supply of grain at the global level but the impact on grain prices in Canada will continue to be partly mitigated 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	1,620	99,747	42,147	43,271	14,328
2017-2018f	27,142	26,323	3.26	85,753	2,216	102,297	44,953	43,089	14,255
2018-2019f	27,418	26,484	3.21	84,963	1,505	100,724	45,558	42,206	12,960
Total Pulse And Special Crops									
2016-2017	4,520	4,379	2.01	8,788	287	9,412	7,138	1,526	748
2017-2018f	3,927	3,897	1.90	7,402	238	8,387	4,681	1,776	1,930
2018-2019f	3,730	3,672	1.95	7,150	185	9,265	5,120	1,950	2,195
All Principal Field Crops									
2016-2017	30,955	28,998	3.25	94,285	1,906	109,158	49,286	44,797	15,076
2017-2018f	31,069	30,220	3.08	93,155	2,454	110,684	49,634	44,865	16,185
2018-2019f	31,147	30,156	3.05	92,113	1,690	109,989	50,678	44,156	15,155

Source: Statistics Canada (STC); f: forecast by AAFC except for area, yield and production for 2017-18 and area seeded for 2018-19 which are STC.

Durum

For 2017-18, Canadian durum supply decreased by 23% from 2016-17. Exports are forecast to rise slightly to 4.6 million tonnes (Mt). The forecast for exports includes exports of 0.41 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. The exports, domestic use and carry-out stocks forecasts incorporate data from Statistics Canada's March 31 stocks report.

World durum production decreased by 2.9 Mt from 2016-17 to 37.3 Mt, while supply fell by 2.4 Mt to 47.1 Mt, according to the International Grains Council (IGC). Use is expected to decrease by 1.7 Mt to 37.9 Mt, as higher food use is more-than offset by lower feed use. Carry-out stocks are forecast at 9.2 Mt, a decrease of 0.6 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 the peak in mid-August 2017.

For 2018-19, the area seeded to durum in Canada is expected to increase by 11% from 2017-18. Production is forecast to increase by 19% to 5.9 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 5%, as the higher production is mostly offset by lower carry-in stocks. Exports are forecast to increase by 4% from 2017-18 because of the higher Canadian supply, Canada accounting for a higher share of total world supply and stronger demand from northern Africa. Carry-out stocks are forecast to rise by 15% to 1.5 Mt.

World durum production is forecast to increase by 1.2 Mt from 2017-18 to 38.5 Mt, while supply rises by only 0.6 Mt to 47.7 Mt because of lower carry-in stocks, according to IGC. Use is expected to increase by 0.9 Mt to 38.8 Mt because of higher food use and carry-out stocks are forecast to fall by 0.2 Mt to 9Mt. Durum production in the US is forecast to increase to 2.0 Mt from 1.49 Mt, but supply should be relatively stable because of lower carry-in stocks and lower imports.

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

The main factors to watch are crop production quantities in the Mediterranean region, where the harvest is in progress, 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.

Wheat (excluding durum)

For 2017-18, Canadian wheat supply rose by 5% from 2016-17. Exports are forecast to increase by 10% to 17.3 Mt, 0.1 Mt more than forecast in April. The exports forecast includes exports of 1.2 Mt which do not go through CGC licensed facilities and are not included in the CGC weekly export data, and exports of flour of 0.31 Mt. Domestic food use is forecast to increase slightly to 2.55 Mt while industrial use decreases by 11% to 0.65 Mt. Carry-out stocks are forecast to fall by 3% to 4.9 Mt, 0.1 Mt lower than in the April forecast and 14% lower than the past five-year average of 5.7 Mt. The exports, domestic use and carry-out stocks forecasts incorporate data from Statistics Canada's March 31 stocks report.

World all wheat (including durum) production increased by 8 Mt to 758 Mt, according to the USDA. Supply grew by 20 Mt to 1,014 Mt due to the higher production and higher carry-in stocks. Total use is

forecast to increase by 5 Mt to 744 Mt, as higher food use is mostly offset by lower feed use. Carry-out stocks are forecast to rise by 15 Mt to 270 Mt. However, China accounts for 127 Mt of the stocks, an increase of 15 Mt from 2016-17. Wheat stocks in China are generally not exported. Excluding China, world all wheat stocks are expected to fall by 1 Mt to 144 Mt.

All wheat production in the US decreased by 15.4 Mt to 47.4 Mt, according to the USDA. Supply fell by 8.9 Mt to 83.7 Mt. Domestic use is forecast to fall by 1.9 Mt and exports are forecast to decrease by 3.9 Mt. Carry-out stocks are forecast to fall by 3 Mt to 29.1 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. Prices stabilized in February until another drop occurred in late March, in line with the lower Minneapolis futures prices, but recovered in early April. Prices now are about $30 per tonne lower than the peak in early August 2017. In contrast, prices of lower protein wheat classes (HRW, SRW, CPS and SWS) have increased since August.

For 2018-19, the area seeded to wheat in Canada is expected to increase by 13% from 2017-18 as an 11% decrease for winter wheat is more-than offset by a 15% increase for spring wheat. Production is projected to rise by only 1.5% to 25.4 Mt due to a return to trend yields from the above trend yields of 2017-18. Supply is forecast to increase only slightly due to lower carry-in stocks. Exports are expected to increase by nearly 1% due to growing demand in world food markets. Carry-out stocks are forecast to be the same as for 2017-18 at 4.9 Mt.

World all wheat (including durum) production is forecast to decrease by 10 Mt to 748 Mt, according to USDA. Supply is projected to rise by 4 Mt 1,018 Mt. Total use is expected to increase by 10 Mt to 754 Mt because of growing use for food. Carry-out stocks are forecast to fall by 6 Mt to 264 Mt. However, excluding China, world all wheat stocks are expected to fall by 18 Mt to 126 Mt.

All wheat production in the US is forecast to rise by 2.2 Mt to 49.6 Mt, according to USDA. Supply is projected to fall by 1.3 Mt to 82.4 Mt. Domestic use is forecast to rise by 1.4 Mt and exports are forecast to increase by 0.4 Mt. Carry-out stocks are forecast to decrease by 3.1 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 for 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.

The main factors to watch are: the production volume of winter wheat in the US, the EU, Russia and Ukraine where the harvest will starting in June; and precipitation in the spring wheat growing areas of the US northern plains and Canadian Prairies which are drier than normal and need timely rains.

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

Barley

For 2017-18, total domestic use is forecast to increase 7% with higher feed and industrial use. Total barley exports are forecast to increase by 19% due to lower world barley supplies. Barley carry-out stocks are forecast to decrease by 51% to 1.1 million tonnes (Mt) and remain below the previous three and five-year averages. The Lethbridge in-store feed barley price is forecast to increase due to the tight total barley supplies and the decline in the supply of other domestic feed grain substitutes.

The Statistics Canada March 31 Stock Report confirmed lower stocks of Canadian barley with a decrease of 26%, the bulk of the decrease was on the Prairie Provinces where farm stocks were down 29% from 2017. Overall, total Canadian barley stocks are estimated to be lower than the previous three and five-year averages. In western Canada, farm stocks decreased in all three provinces. The higher feeding rate was due to the smaller forage crops across the Prairie Provinces and the cold winter.

In the first half of May, the Lethbridge barley price had traded into the low $260's/tonne (t) as road bans continued and the Prairies experienced cool, wet April weather which slowed pasture growth and did not allow for much seeding progress. World feed barley market prices continue to slowly edge higher and posted a crop year high in mid-April whereas the world malt prices have softened from the January highs which were in the US$270/t range. Currently the malt spread remains below the previous five-year average and is down to about US$30/t which is less than half of the level in January.

For 2018-19, seeded area is forecast to increase 5% from 2017-18, a slight rebound from record low seeded area. Production is forecast to increase to 8.0 Mt due to the higher area. Despite higher production, lower carry-in stocks will cause total supply to decrease by 10% to 9.2 Mt. Total domestic use is forecast to decrease by 4% due to lower feed use but only a slight increase in industrial use. Exports are forecast to decrease by 17% due to lower total supplies, higher world supplies and a return to normal trade patterns. Barley carry-out stocks are forecast to decrease by 24% and remain close to the previous five-year average. The Lethbridge cash feed barley price is forecast to increase from 2017-18.

The increase of 5% in Canadian barley area was due to lower year-to-year carry-in stocks, feed grain supplies and area competition from more profitable crops such as canola and wheat. The 2018 Canadian barley area is 5% and 6% below the previous three and five-year averages, respectively and is 15% lower than the previous 10-year average. Total barley seeded area and production have declined by about 53% and 50%, respectively, when compared to the 1996-97 crop year.

For 2018, the area seeded to barley in the Prairie Provinces is expected to increase by 5% and this will represent 94% of Canada's total barley area. Barley for feed use peaked in the late 1990's, at slightly over 10 Mt per crop year, but has declined by about 45% from those levels. The decline in area seeded and production is closely related to lower total livestock numbers. From a peak of nearly 15 million head in 2005, Canadian total cattle numbers have decreased by about 22% or 3.3 million head. Total hog numbers had its peak in 2004 but have fared much better declining by only 6% or 1.4 million head. Over the past few years, barley feed demand has been consistent as the cattle numbers have stabilized and there has been slow but steady growth in hog numbers for the same period. Malt barley continues to enjoy solid demand and remains competitive with many of the other cropping alternatives on the Canadian Prairies. Small by comparison, Eastern Canada is estimating only a slight increase in the area seeded to barley. In Quebec, the area is increasing as area seeded to mixed grain declines.

The USDA released its barley price projection for 2018-19 with a farm gate price of US$4.60/bushel (bu), this is an increase of US$0.10/bu or 2% from 2017-18. The price increase is in line given the USDA's projections for lower 2018 US barley

production and total supplies. However, feed use of barley is forecast to be flat and the vast majority of stocks are of malt quality. The US barley farm gate price is a malt quality based calculation so indications are for US malt prices will only increase marginally from last crop year. For 2018-19, world barley supplies are expected to increase slightly with little change in ending stocks or total trade.

Corn

For 2017-18, total domestic use is forecast to increase 6% due to increases to feeding, ethanol production and other industrial use such as starch. 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 decrease by 12% to 2.2 Mt. The nearby Chatham corn price is forecast to remain similar to last year as higher US corn futures prices are offset by pressure from the stronger Canadian dollar.

Statistics Canada estimated a 4% increase in total Canadian corn stocks from 2017 with much higher commercial stocks. Total corn stocks are 18% and 31% higher than the previous five and ten-year averages, respectively. Ontario's corn farm stocks are 34% higher than 2017 and 20% higher than the previous five-year average. Quebec's corn farm stocks are 2% higher than last year and are 18% higher than the previous five-year average. Manitoba's stocks are only 6% higher than 2017; however, as corn production increases, farm stocks showed the largest increase of 66% and are 135% higher than the previous five and 10-year averages, respectively.

In the past month, the nearby Chatham in-store price increased to a crop year high on the decline in the Canadian dollar and a general rally in the US corn futures. By the beginning of May, traders in the US were holding a large net long position due to delays in seeding in the Corn Belt and tighter world corn stocks. Canadian corn imports, mainly from the US, are running about 50% higher than the previous five-year average due to higher than average movement onto the Prairies. US corn-based DDGS are also moving into Canada at a rate nearly one-third higher than the previous average.

For 2018-19, seeded area is forecast to increase by 5% from 2017-18 due to steady prices and continued good overall demand. Production is forecast to increase 5% to 14.8 Mt due to the higher area and the assumption for average yields. Imports are forecast to decrease by 41% due to the higher domestic supply. Despite near record carry-in stocks and higher production, the lower imports will cause total supply to decrease by 1% to 17.8 Mt. Total domestic use is forecast to increase by 1% due to slight increases in ethanol production, industrial use and livestock feeding. Exports are forecast to decrease by 14% due to a slight drop in demand. Carry-out stocks are forecast to decrease by 2% but remain above the previous five-year average. The nearby Chatham corn price is forecast to increase due to a projected higher US corn futures and a near to unchanged Canadian dollar.

Area seeded to corn in Canada increased to a new all-time record area of 1.52 million hectares. The increase in area was in line with most market estimates as producers looked towards slightly higher new crop corn pricing, despite intentions in the US to reduce the area seeded to corn. All provinces are indicating that the corn area will increase or remain unchanged. Manitoba continues to rapidly expand its corn area which has increased by two thirds in the past three years. In the past three years Western Canada's corn area has averaged close to 13% of Canada's corn versus the previous 10-year of about 8%. The province of Ontario averages close to 60% of Canada's total corn area. So far this crop year very little corn has been seeded in Eastern Canada or the Maritimes due to spring storms and cool conditions and Manitoba continues to struggles with low soil moisture levels.

The USDA released its corn price projection for 2018-19 with a farm gate price of US$3.80/bu (bu). This is an increase of US$0.45/bu or 13% from 2017-18. The price increase is in line with the USDA's projections for lower corn production and a sharp decline of 23% in ending stocks. World corn production is projected to be higher for 2018 but a major increase in total use will cause ending stocks to decrease 18%.

Oats

For 2017-18, total domestic use 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 1% to the highest level in three years. Carry-out stocks are forecast to increase 39% to 0.98 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 weak Canadian dollar.

The Statistics Canada stock report estimated a 19.8% increase in total Canadian oat stocks when compared to 2017; oat stocks are 9% higher than the previous five-year average. For 2018, total Canadian oat stocks did not decline as much as stocks in the US which fell by 13%. Canada's largest oat-producing province is Saskatchewan which saw its farm stocks increase by 32% from 2017 to a level which is 21% higher than the previous five-year average. Manitoba farm stocks were 69% higher due to a sharp increase in production, whereas Alberta farm stocks were only 5% higher due to very dry growing conditions. Canadian commercial oats stocks increased by 5% but the commercials do not carry large quantities as most are held on farm. The US holds a much higher percentage as commercial stocks as their levels of commercial storage are larger.

The nearby Chicago oat futures declined further in April as traders rolled their long positions into the new crop July oat futures and the offsetting softened the market. The smaller than expected forecasts for Canadian oat area seemed to have little effect on spot prices. For Canada, the export of oat grain has been very close to the previous five-year average and oat product exports are moving above the previous five-year average and at a record pace.

For 2018-19, seeded area is forecast to decrease 2% from 2017-18 due to competition from other cropping choices. An average rate of abandonment and yield are forecast which will cause Canadian oat production to decrease by 6%. However, the 39% increase in carry-in stocks will allow total supply to increase by 1%. Total domestic use is forecast to remain unchanged due to flat feed use and human consumption. Oat grain and product exports are forecast to increase 3% due to tight US oat supplies. Carry-out stocks are forecast to decrease 3% to 0.95 Mt but remain above the previous five-year average. The Canadian oat price is forecast to increase due to higher US oat prices and the weak Canadian dollar.

The slight decrease in Canadian oat area was a surprise to most analysts as an increase was expected based on good new crop pricing and smaller pulse and special crop areas. This crop year, Canada's oat area is about in line with the previous three and five-year averages. However, it is about 4% lower than the previous 10-year average. Manitoba leads the way with an 11% increase in intended oat area whereas neighbouring Saskatchewan is expecting a 7% decrease. Eastern Canada had an 11-year high in oat area in 2015-16 but has since reduced its oat area and, for 2018-19, it is about 35% lower than 2015-16.

The smaller estimated area for Canadian oats did add some value to the US December oat futures contract along with slower than average oat seeding progress for Canada and the US. For 2018-19, North American oat supply should be about 7% lower when compared to 2017-18. The USDA is forecasting the 2018-19 farm gate price at US$2.85 bushel (bu). This is an increase of US$0.30/bu or 12% from 2017-18 and is much higher than the earlier February forecast of US$2.15/bu.

Rye

For 2017-18, total domestic use is forecast to decrease by 2% due to slightly lower rye feeding and trend industrial use. Exports are forecast to increase by 6% due to the continuing large total rye supply and good US export demand. Rye carry-out stocks are forecast to decrease by 2% to 0.16 Mt and remain well-above all short and medium term averages. Prices are forecast to increase in line with the general price increase in coarse grain prices.

The Statistics Canada stock report estimated a 6% decrease in total Canadian rye stocks when compared to 2017. However, stocks are still 76% and 72% higher than previous five and ten-year averages, respectively. The sharp increase in rye stocks is related to the large area and near record yields in

2016-17. Canadian stocks remain large as the rye market did not see an offsetting jump in exports to the US which also experienced a sharp increase in rye grain production. Western Canadian farm stocks decreased by 10% from 2017 and Saskatchewan was the only Canadian province to have higher stocks year-to-year. Similar to last crop year, rye feeding was much higher than previous averages due to lower prices and smaller supplies of feed barley and forages.

Canadian rye exports to the US continue to be very good. Since the beginning of the calendar year, they have been about 85% higher than the previous five-year average. To the end of March, it has allowed rye to "catch-up" and surpasses the previous average on a crop year basis as well. If the trend continues, exports of rye could be the highest since 2012-13. Despite the high exports, it may take several years of lower North American rye production to draw down the burdensome supplies.

For 2018-19, seeded area is forecast to decrease by 13% to 125,000 hectares 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 average rates of abandonment and yield. Due to high carry-in stocks, total supply is forecast to decrease by only 11% to 0.44 Mt. However, this level is well-above the previous five and 10-year averages. Total domestic use is forecast to decrease by 16% due to lower livestock feeding and flat industrial use. Exports are forecast to increase by 3% due to the good total supply and a smaller US inventory. Rye carry-out stocks are forecast to decrease by 19% to 0.13 Mt and remain well-above previous averages. Canadian rye prices are forecast to increase due to a smaller North American rye crop.

To the beginning of May, the rye crop is progressing well on existing moisture reserves and is generally in good shape. However, crops in Manitoba and Saskatchewan will need additional rainfall to promote growth. Moisture levels in Eastern Canada are good-to-excessive depending on the area. The moderate decrease in Canadian rye area was due to a later harvest on the Prairies which limited the available area. Canadian rye area and production has been shifting to Eastern Canada. For 2018-19 Western Canada reduced its area seeded by 28% whereas it increased by 12% in Eastern Canada.

For the fifth year in a row, Eastern Canada has increased the area seeded to rye and it now represents nearly 50% of the total area seeded to rye in Canada versus 15% five-to-ten years ago. The strong demand for rye grain, in the distiller and bakery industries, and the higher farm gate prices over the past few years, have encouraged the production of rye east of Manitoba.

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

Canola

For 2017-18, canola supplies are estimated at 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 to be the same as 2016-17 at 11.0 Mt. Farmer deliveries of canola into Canadian Grain Commission licensed facilities are running at 96% of last year's pace for the same time period. Commercial stocks are about 1.3 Mt, with 0.9 Mt located in primary elevators at the time of writing.

Carry-out stocks are forecast at 2.5 Mt, versus 1.3 Mt for 2016-17, which is expected to dampen any weather related mid-summer price rally. Canola prices are forecast at $520-550/t for 2017-18, slightly higher than last year.

For 2018-19, seeded area in Canada is forecast to decrease to 8.7 million hectares (Mha), versus 9.3 Mha last year, based on Statistic Canada's survey of farmer's seeding intentions. The decline in seeded area is concentrated in Saskatchewan and Alberta where seeded area is expected to decline by 0.54 Mha and 0.11 Mha, respectively, to 4.61 Mha and 2.69 Mha. The area seeded to canola is expected to remain stable in Manitoba at 1.28 Mha.

Weather conditions are creating some mild concern across Western Canada. Parts of Manitoba received near record low precipitation in April. Top and subsoil moisture remains below normal across much of Manitoba and into southeastern Saskatchewan. Seeding sprang into action across the southern prairies during the first week of May as temperatures warmed to a near seasonal normal. Seeding progress is expected to be rapid, based on current dry conditions, although reports suggest some farmers are delaying planting until it rains.

Production is forecast to fall to 19.2 Mt versus last year's record 21.3 Mt on the expected decline in harvested area, assuming 5-year average yields of 2.2 t/ha. Production in Manitoba is forecast at 2.8 Mt, Saskatchewan at 9.8 Mt while Alberta is expected to produce 6.4 Mt of canola.

Total supplies of canola are forecast to fall from last year, to 21.8 Mt, as the decline in output is moderated by higher carry-in stocks. Exports are forecast to remain unchanged at 11.0 Mt on a combination of steady to stronger world demand for Canadian canola and adequate domestic supplies. Any gains in exports will be limited by burdensome world oilseed and assorted co-product supplies, particularly soybeans and palm oil. Domestic crush is forecast to be unchanged at 9.1 Mt as the industry continues to operate at slightly below full capacity.

Carry-out stocks are forecast to rise to 1.5 Mt for a stocks-to-use ratio of 7%. Canola prices are forecast moderately lower, at $510-550/t, as the crop receives support from stable world oilseed and vegetable oil prices.

Flaxseed

For 2017-18, supplies are estimated to decrease to 0.81 Mt due to lower output and tighter carry-in stocks. The export estimate was revised from last month and is forecast to fall slightly to 0.45 Mt. Total domestic use is also revised and increases to 0.19 Mt on significantly higher feed, waste and dockage. Carry-out stocks are forecast to decrease to 0.17 Mt. Flaxseed prices are estimated at $445-475/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 0.62 Mt, assuming a steady abandonment and harvested area and using the five-year average historic yields. Supply is forecast to decrease slightly as the rise in output is more than offset by lower carry in stocks.

Exports are forecast to rise 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 fall slightly to 0.16 Mt with a stocks-to-use ratio of 26%. The midpoint of the flaxseed price range is expected to remain stable at $440-480/t.

Soybeans

For 2017-18, supplies are estimated at a record 8.6 Mt, versus last year's 7.5 Mt due to sharply higher production and increased imports. Exports are forecast at a record 4.6 Mt, up from 4.4 Mt in 2016-17 on ample domestic supplies, a wide basis and the low value of the Canadian dollar against the US dollar. China has been the major customer for Canadian soybeans for the crop year to-date.

Domestic processing of soybeans is forecast to rise marginally from last year to 1.85 Mt, on support from strengthening soymeal prices. Feed, waste and dockage was revised upward significantly from last month and is forecast at a record 0.88 Mt. Carry-out stocks are projected at 1.0 Mt, which while record large are not considered burdensome on prices. Soybean prices are forecast to fall to $430-460/t versus $454/t for 2016-17.

For the remainder of the crop year, the main factors to watch are: (1) North American temperature and moisture outlook, (2) the speed of US soybean plantings, (3) the impact on world trade from the proposed Chinese tariffs on US soybeans, (4) South American harvest and export pace, and (5) fluctuations in exchange rates.

For 2018-19, planted area is forecast to fall by 11%, to 2.6 Mha, the sharpest decline in soybean area in Canadian history and a reversal of the long-run trend of steadily increasing area in Canada. The decline results from a combination of factors: (1) attractive returns from competing crops such as wheat, (2) dry weather across Western Canada where most of the decline occurs, and (3) burdensome world soybean supplies which are weighing on prices.

Production is forecast to fall by 7%, to 7.2 Mt, as the decline in harvested area more than offsets a slight increase in yields based on a five year average. Total supply is forecast to decrease slightly to 8.6 Mt as the decline in output is more than offset by the sharp rise in carry-in stocks. Exports are forecast to rise to a record 5.3 Mt, with shipments headed 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 slightly to 0.88 Mt, the second highest level on record.

Soybean prices are forecast to increase slightly to $430-470/t on support from higher US prices and the discount of the Canadian dollar against the American greenback.

For 2018-19, the USDA projects that the area seeded to soybeans in the US will fall by 1%, to 89.0 million acres while the area harvested drops by 1.3 million acres to 88.2 million acres. The average projected yield of 48.5 bu/ac is based on a weather-adjusted trend model and assumes normal weather. US soybean production is forecast to fall to 4.28 bln bu, versus 4.39 bln bu last year, on a combination of lower area and lower yields. Soybean supplies, however, are projected to rise to a record 4.84 bln bu as the decline in output is more-than offset by the sharp rise in carry-in stocks. US crush is projected to rise marginally, while exports increase sharply, to 2.2 bln bu due to an increase in world consumption and seasonally tight world stocks. Ending stocks are projected to fall to 0.42 bln bu, versus 0.53 bln bu for 2017-18. This supports USDA's forecast for a stronger average farm price for soybeans of US$8.75-11.25/bu versus US$9.35/bu for 2017-18.

At the world level, the USDA is projecting that oilseed production will grow slightly in 2018-19. Soybean output is forecast to rise, with Argentina expected to rebound from the 2017-18 drought and offsetting the year-on-year decline in US production. Likewise, the output of canola-rapeseed and sunflower seed is forecast to continue expanding. The palm kernel crop is expected to grow in line with expanded palm oil production while peanut and cottonseed production is expected to decline.

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

Dry Peas

For 2017-18, Canada's exports are forecast to fall to 2.5 million tonnes (Mt), down sharply from the 2016-17 level, due to lower exports to India and Bangladesh. This has been partly offset by record exports to China and the US. Canadian exports to the US for the year-to-date (August-March) are higher than for the same period last year due to the smaller US dry pea crop. As a result of lower exports, carry-out stocks in Canada are expected to increase sharply to 0.9 Mt.

The average price is expected to be lower than 2016-17, due to lower yellow and green pea prices when compared to last year. Green dry peas prices are expected to maintain a crop year premium of $40/t over yellow dry peas, compared to the $6/t discount in 2016-17. During the month of April, Saskatchewan yellow pea farmgate prices rose $5/t and green pea farmgate prices rose $15/t.

For 2018-19, producer intentions indicate seeded area in Canada will decrease to 1.56 million hectares (Mha), down 5% from 2017-18. Although area is expected to be down, this would still be the fourth largest Canadian dry pea area on record. This is largely due to good returns relative to other crops and the continued recognition of the benefits of dry peas as part of crop rotation plan. By province, Saskatchewan is expected to account for 56% of the dry pea area, Alberta 40%, with the remainder seeded in Manitoba and British Columbia.

Production is forecast to fall by 6% to 3.85 Mt due to average yields and lower area seeded. Supply is forecast to increase to 4.8 Mt due to higher carry-in stocks. Exports are expected to be higher than 2017-18 at 2.6 Mt and carry-out stocks are forecast to increase for the third consecutive year. The average price is expected to decrease from 2017-18 due to increased domestic and world supply.

In the US, area seeded to dry peas for 2018-19 is forecast by the USDA to fall by 20% to 0.9 million acres (Mac). This is largely due to a reduction in area in North Dakota and Montana.

Lentils

For 2017-18, exports are forecast to fall significantly from 2016-17 to 1.4 Mt. The main markets continue to be the Turkey, the United Arab Emirates and India. Carry-out stocks are forecast to rise sharply to 0.9 Mt.

The average price of lentils in Canada is forecast to fall sharply from levels recorded for the previous year due to a sharp fall in import demand, particularly from India. Large green lentil prices are forecast to have a $340/t premium over red lentil prices for the entire crop year, compared to a record $590/t premium to red lentils in 2016-17. During the month of April, Saskatchewan large green lentil farmgate prices fell $85/t while red lentil farmgate prices were unchanged.

For 2018-19, the area seeded to lentils in Canada, based on producer intentions, is expected to fall by 8% to 1.6 Mha, due to the sharp decline in farmgate prices in November of 2017. By province, Saskatchewan is expected to account for 89% of the lentil area, with the remainder seeded in Alberta.

Production is forecast to fall to 2.5 Mt but supply is expected to increase to a record 3.45 Mt, mostly due to carry-in stocks. Exports are expected to rebound sharply to 1.8 Mt. Carry-out stocks are forecast to rise to 1.05 Mt. The average price is forecast to fall from 2017-18, with the assumption of an average grade distribution and with lower prices for No.1 red and green lentils grades.

In the US, the area seeded to lentils for 2018-19 is forecast by the USDA at 0.8 million acres (Mac), 28% lower than the record set in 2017-18, due to lower area seeded in Montana and North Dakota.

Dry Beans

For 2017-18, dry bean exports are forecast to increase along with the higher supply situation compared to the previous year. The US and the EU remain the main markets for Canadian dry beans, with smaller volumes exported to Japan and Angola. Larger North American supply is expected to continue to pressure US and Canadian dry bean

prices for 2017-18. To-date (August-April), Canadian white pea bean prices and black bean prices have both averaged over 20% lower, while pinto bean prices are 25% lower, than 2016-17 levels.

For 2018-19, the area seeded in Canada is forecast to fall by 27% from 2017-18 to 0.1 Mha because of lower returns from the previous year. By province, Ontario is expected to account for 47% of the dry bean area, Manitoba 31%, Alberta 19%, with the remainder in Quebec.

Production is expected to decrease to about 0.22 Mt and, despite higher carry-in stocks, supply is expected to fall sharply. Exports are forecast to fall and stocks are expected to decrease significantly. The average Canadian dry bean price is forecast to rise due to expectations for a large decrease in North American supply.

In the US, area seeded to dry beans is forecast by the USDA to decrease to 1.4 Mac as a fall in area seeded in North Dakota is only partly offset by higher area in Michigan and Minnesota.

Chickpeas

For 2017-18, Canadian chickpea exports are expected to increase sharply to140 thousand tonnes (kt), largely due to higher exports to the US, Turkey and Pakistan, Canada's three largest markets. Carry-out stocks are expected to be unchanged as the increase in export demand is offset by the increase in supply compared to the previous year. The average price is forecast to be higher, largely due to an average grade distribution compared to 2016-17.

For 2018-19, the area seeded is expected to more than double from 2017-18 due to increased potential for good returns relative to other pulse crops. By province, Saskatchewan is expected to account for 81% of the chickpea area, with the remainder seeded in Alberta.

Production is forecast to rise to 255 kt, the largest crop in 17 years, assuming a return to average yields compared to the previous year. Supply is forecast to rise sharply compared to 2017-18. Exports are forecast to be similar to the previous year due to the excess supply. Carry-out stocks are expected to increase significantly. The average price is forecast to be lower than 2017-18.

US chickpea area for 2018-19 is forecast by the USDA to rise to a record 0.67 Mac, up 7% from 2017-18. This is largely due to an expected rise in area in Montana.

Mustard Seed

For 2017-18, Canadian mustard exports are forecast at 125 kt, marginally higher than the previous year. The US and the EU remain the main export markets for Canadian mustard seed. Carry-out stocks are forecast to fall sharply. Prices are forecast to rise significantly due to tighter carry-out stocks. Canadian export shipments to the US and the EU have maintained an average pace despite smaller domestic supply.

For 2018-19, the area seeded is expected to rise due to higher prices from the previous year. Saskatchewan and Alberta account for 69% and 31% of the area seeded, respectively. Production is forecast to rise by nearly 40% to 170 kt due to higher expected area and trend yields. However, due to smaller carry-in stocks, supply is expected to be relatively unchanged. Exports are expected to remain unchanged and carry-out stocks are forecast to be similar to 2017-18. The average price is forecast to increase from 2017-18.

Canary Seed

For 2017-18, exports are expected to be similar to last year. The EU and Mexico are the main markets, followed by the South American region, mostly Brazil. The average price is forecast to fall from 2016-17.

For 2018-19, the intended area seeded is expected to fall due to less competitive returns relative to other crops. Production is expected to fall to 120 kt, the smallest crop in 16 years, despite yield forecasts similar to 2017-18. As a result, supply is forecast to tighten. Exports are expected to decrease and carry-out stocks are expected to remain unchanged. The average price is forecast to be similar to slightly lower than the 2017-18 level.

Sunflower Seed

For 2017-18, sunflower seed exports are forecast to be lower than the previous year at 16 kt due to lower import demand from the US. The US is the top export market, followed by Japan and Chile which import small volumes. Carry-out stocks are expected to rise.

The average price for sunflower seed in Canada is forecast to rise from 2016-17 due to higher confectionery sunflower seed prices.

For 2018-19, area seeded is expected to be lower than 2017-18 despite good returns compared to the previous year.

Production is forecast to fall sharply to 35 kt, assuming average yields. Supply is expected to fall marginally to 100 kt, a small decrease compared to 2017-18. Exports are forecast to rise by 25%and carry-out stocks are forecast to decrease. The average price is forecast to increase from 2017-18 due to expectations for lower North American sunflower seed supply.

The area seeded to sunflower in the US for 2018-19 is forecast by the USDA to fall below 1.4 million acres, down marginally from 2017-18. Higher area in seeded in North Dakota is expected to be partly offset by lower area in South Dakota. The area seeded to oil type varieties is expected to increase to above 1.2 million acres and the area seeded to confectionery type varieties is forecast to fall sharply to 0.15 million acres.

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

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

May 24, 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	2,469	2,333	3.33	7,762	11	8,873	4,534	174	2,084	2,461	1,878	275
2017-2018f	2,106	2,088	2.38	4,962	5	6,845	4,600	175	544	945	1,300	260-280
2018-2019f	2,338	2,293	2.57	5,900	5	7,205	4,800	180	506	905	1,500	245-275
Wheat Except Durum												
2016-2017	7,156	6,643	3.67	24,378	99	28,555	15,621	3,262	3,914	7,906	5,028	235
2017-2018f	7,020	6,895	3.63	25,022	70	30,120	17,300	3,200	3,899	7,920	4,900	230-250
2018-2019f	7,938	7,744	3.28	25,400	70	30,370	17,500	3,280	3,903	7,970	4,900	225-255
All Wheat												
2016-2017	9,625	8,976	3.58	32,140	110	37,428	20,155	3,436	5,998	10,367	6,906	
2017-2018f	9,126	8,983	3.34	29,984	75	36,965	21,900	3,375	4,443	8,865	6,200	
2018-2019f	10,276	10,037	3.12	31,300	75	37,575	22,300	3,460	4,409	8,875	6,400	
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	2,775	135	5,953	6,298	1,050	210-240
2018-2019f	2,452	2,160	3.70	8,000	100	9,150	2,300	136	5,699	6,050	800	215-245
Corn												
2016-2017	1,452	1,414	9.83	13,889	831	16,962	1,286	5,187	7,990	13,189	2,487	171
2017-2018f	1,447	1,406	10.02	14,095	1,350	17,932	1,750	5,200	8,769	13,982	2,200	155-185
2018-2019f	1,521	1,490	9.93	14,800	800	17,800	1,500	5,300	8,836	14,150	2,150	165-195
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	205-235
2018-2019f	1,274	1,025	3.41	3,500	20	4,495	2,400	180	854	1,145	950	225-255
Rye												
2016-2017	186	140	3.12	436	1	488	145	48	118	179	164	115
2017-2018f	144	97	3.34	324	1	488	153	49	113	175	160	135-165
2018-2019f	125	95	2.89	275	0	435	158	49	84	147	130	155-185
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	106	48	2.88	138	0	138	0	0	138	138	0	
Total Coarse Grains												
2016-2017	5,749	4,805	5.53	26,571	916	32,189	6,057	5,492	14,829	20,657	5,475	
2017-2018f	5,342	4,720	5.55	26,184	1,481	33,140	7,003	5,564	15,841	21,752	4,385	
2018-2019f	5,477	4,818	5.54	26,713	920	32,018	6,358	5,665	15,611	21,630	4,030	
Canola												
2016-2017	8,411	8,263	2.37	19,599	95	21,785	11,016	9,191	162	9,420	1,348	529
2017-2018f	9,307	9,266	2.30	21,313	100	22,761	11,000	9,100	110	9,261	2,500	520-550
2018-2019f	8,653	8,640	2.22	19,150	100	21,750	11,000	9,100	99	9,250	1,500	510-550
Flaxseed												
2016-2017	381	342	1.73	591	17	887	500	0	128	147	240	458
2017-2018f	421	419	1.33	555	10	805	450	0	167	185	170	445-475
2018-2019f	400	395	1.56	615	10	795	600	0	20	40	155	440-480
Soybeans												
2016-2017	2,269	2,232	2.96	6,597	482	7,459	4,419	1,832	546	2,680	359	454
2017-2018f	2,947	2,935	2.63	7,717	550	8,626	4,600	1,850	876	3,026	1,000	430-460
2018-2019f	2,611	2,595	2.77	7,185	400	8,585	5,300	1,900	310	2,410	875	430-470
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	12,620	2.34	29,585	660	32,192	16,050	10,950	1,153	12,472	3,670	
2018-2019f	11,664	11,630	2.32	26,950	510	31,130	16,900	11,000	429	11,700	2,530	
Total Grains And Oilseeds												
2016-2017	26,435	24,618	3.47	85,497	1,620	99,747	42,147	19,952	21,662	43,271	14,328	
2017-2018f	27,142	26,323	3.26	85,753	2,216	102,297	44,953	19,889	21,437	43,089	14,255	
2018-2019f	27,418	26,484	3.21	84,963	1,505	100,724	45,558	20,125	20,449	42,206	12,960	

(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 2017-18 and area seeded for 2018-19 which are STC.

CANADA: PULSES AND SPECIAL CROPS SUPPLY AND DISPOSITION

May 24, 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	1,733	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	1,021	900	26	240-270
2018-2019f	1,565	1,540	2.50	3,850	15	4,765	2,600	1,165	1,000	27	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	45	2,919	1,400	619	900	45	470-500
2018-2019f	1,639	1,615	1.55	2,500	50	3,450	1,800	600	1,050	44	420-450
Dry Beans											
2016-2017	133	120	2.07	249	91	355	337	16	2	1	885
2017-2018f	135	131	2.45	322	100	424	350	29	45	12	710-740
2018-2019f	99	97	2.27	220	80	345	315	25	5	1	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	1030-1060
2018-2019f	140	140	1.82	255	8	268	140	63	65	32	950-980
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	125	47	40	23	770-800
2018-2019f	177	172	0.99	170	2	212	125	47	40	23	790-820
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	90	90	1.33	120	0	125	120	0	5	4	440-470
Sunflower Seed											
2016-2017	28	28	1.84	51	29	95	18	52	25	36	565
2017-2018f	26	26	2.26	58	20	103	16	52	35	52	575-605
2018-2019f	18	18	1.94	35	30	100	20	50	30	43	585-615
Total Pulses and Special Crops (c)											
2016-2017	4,520	4,379	2.01	8,788	287	9,412	7,138	1,526	748	9	
2017-2018f	3,927	3,897	1.90	7,402	238	8,387	4,681	1,776	1,930	30	
2018-2019f	3,730	3,672	1.95	7,150	185	9,265	5,120	1,950	2,195	31	

(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 and area seeded for 2018-19 which are STC.