

**CANADA: OUTLOOK FOR PRINCIPAL FIELD CROPS**

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This report is an update of Agriculture and Agri-Food Canada's (AAFC) December outlook report for the 2018-19 crop year and provides AAFC's preliminary look at the upcoming 2019-20 crop year. At the outset, it should be noted that this outlook report, and the outlook process in general, has been hampered by the unavailability of numerous US market related reports which is attributable to the US funding shutdown that began December 22. Almost all USDA statistical reports are suspended for the duration. As a result, Statistics Canada will not release its monthly international merchandise trade statistics until normal operations resume.

For 2018-19, the outlook incorporates the results of Statistics Canada's Farm Survey of crop production which was released on December 6, 2018. Averaged over all crops, yields are only marginally lower than the model-based estimates in September and the average for 2017-18. The production of all field crops is estimated at 92.7 million tonnes (Mt), slightly lower than last year, as lower production of pulse and special crops (P&SC) more-than offset higher production of grains and oilseeds (G&O). In total, for all field crops, carry-out stocks are expected to decrease to 14.3 Mt, which is more than a million tonnes lower than last year mostly due to lower inventories of wheat-ex-durum, barley and corn. Compared to the previous crop year, average prices for field crops in Canada for 2018-19 are expected to be supported by the relatively weak value of the Canadian dollar. China/US trade issues are expected to continue to be a major wild card for the grain markets.

For 2019-20, the area seeded to field crops in Canada is forecast to increase marginally from last year, mostly due to lower area allocated to summerfallow. The total area seeded to wheat plus coarse grains is expected to continue to be marginally higher than the total area seeded to oilseeds plus pulses and special crops. The area seeded to G&O is expected to increase slightly while the total area seeded to P&SC decreases significantly. In general, average yields are forecast to increase marginally compared to 2018-19 because excessive moisture conditions in some areas reduced yields last year. The production of G&O is forecast to increase by 3% to 88.7 Mt while the output of P&SC is expected to decrease by 4% to 6.4 Mt. Total field crop production is expected to increase by 3% to 95.1 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 -- thousand hectares --	Area Harvested	Yield t/ha	Production	Imports	Total Supply thousand tonnes	Exports	Total Domestic Use	Carry-out Stocks
Total Grains And Oilseeds									
2017-2018	27,149	26,337	3.26	85,794	2,422	102,495	45,303	43,172	14,019
2018-2019f	27,820	26,861	3.20	86,002	2,387	102,408	46,408	43,485	12,515
2019-2020f	28,305	27,165	3.26	88,657	1,997	103,169	46,555	42,940	13,674
Total Pulse And Special Crops									
2017-2018	3,927	3,897	1.90	7,419	211	8,373	5,363	1,347	1,663
2018-2019f	3,629	3,552	1.88	6,674	172	8,509	5,101	1,578	1,830
2019-2020f	3,360	3,310	1.95	6,440	160	8,430	5,310	1,615	1,505
All Principal Field Crops									
2017-2018	31,076	30,233	3.08	93,213	2,633	110,868	50,666	44,519	15,682
2018-2019f	31,449	30,413	3.05	92,676	2,559	110,917	51,509	45,063	14,345
2019-2020f	31,665	30,475	3.12	95,097	2,157	111,599	51,865	44,555	15,179

f: forecast by AAFC except for area, yield and production for 2018-2019 which are STC

Source: Statistics Canada and Agriculture and Agri-Food Canada

All Wheat

Durum

For 2018-19, Canadian durum production increased by 16% from 2017-18 to 5.745 million tonnes (Mt), according to Statistics Canada (STC), as a 19% increase in seeded area was partly offset by lower yields. Saskatchewan accounted for 80% of the total production, Alberta for 19.7%, and Manitoba for 0.3%.

The average grade quality of the Canadian durum crop is lower than the 2017-18 crop, with 85% grading No. 1 and 2, compared to 91%, but better than the past ten year average of 57%, based on preliminary survey data from the Canadian Grain Commission (CGC). The protein content averages 14.1%, versus 13.6% for 2017-18 and 12.9% for the past ten year average.

Total supply increased by 6%, as the higher production was partly offset by lower carry-in stocks. Exports are forecast to decrease by 4% based on weak export demand for the first five months of the crop year and expectations that the low prices will result in higher producer carry-out stocks and significantly lower seeded area for 2019-20.

Total domestic use is forecast to increase by 10% as the low prices will encourage more use of durum for feed. Carry-out stocks are forecast to rise by 35% to 2 Mt, 41% higher than the past five year average of 1.42 Mt.

World durum production increased by 1 Mt from 2017-18 to 38 Mt, according to the International Grains Council. The largest increases in production were for Algeria, Canada and the US, with smaller increases for Morocco and Tunisia. This was partly offset by decreases for the EU, Mexico, Australia, Turkey and Syria. Supply rose by only 0.8 Mt to 47.8 Mt because of lower carry-in stocks. Use is expected to increase by 0.2 Mt to 37.5 Mt as higher food use is partly offset by lower feed use. Carry-out stocks are forecast to increase by 0.5 Mt to 10.3 Mt. Durum production in the US increased to 2.1 Mt from 1.49 Mt.

The average crop year producer price for durum in Canada is forecast to fall from 2017-18 due to higher world, Canadian and US supply. Prices were stable from the beginning of August but fell in

mid-September, when STC increased the Canadian production estimate, to the lowest level since May 2014. There was some price improvement starting in December.

For 2019-20, the area seeded to durum is forecast to decrease by 25% from 2018-19 due to the lowest prices since 2013-14 and lower prices than for most classes of wheat, which will encourage a shift to wheat seeding. Production is forecast to decrease by 15% to 4.9 Mt as the lower area is partly offset by a return to trend yields from the below trend yields of 2018-19. Supply is expected to decrease by only 4% as the lower production is mostly offset by higher carry-in stocks. Exports are forecast to increase by 7% due stronger demand resulting from a decrease in world production. Carry-out stocks are forecast to fall by 25% to 1.5 Mt.

World durum production is forecast to fall by 1.3 Mt from 2018-19 to 36.7 Mt due to lower seeded area resulting from low prices, while supply decreases by 0.8 Mt to 47 Mt because of higher carry-in stocks. Use is expected to be stable at 37.5 Mt and carry out stocks are forecast to fall by 0.8 Mt to 9.5 Mt. US durum production is forecast to fall by 0.2 Mt to 1.9 Mt due to lower seeded area.

The average Canadian crop year producer price for durum is forecast to rise from 2018-19 due to lower world and Canadian supply.

Wheat (excluding durum)

For 2018-19, Canadian wheat production increased by 4% from 2017-18 to 26 Mt, according to STC, as an 8% increase in seeded area was mostly offset by lower yields.

Canada western hard red spring (CWRS) wheat accounts for 75% of the total wheat production at 19.61 Mt. Production for other classes of wheat: winter wheat (hard red, soft red and soft white): 2.51 Mt, Canada Prairie Spring (CPS) 1.59 Mt, Canada Northern Hard Red (CNHR) 1.06 Mt, Canada Western Soft White Spring (CWSWS) 0.47 Mt, Canada Western Extra Strong (CWES) 0.12 Mt, other

Canada western spring wheat 0.27 Mt and Canada eastern spring wheat (mostly CERS) 0.39 Mt.

The average grade quality of the CWRS crop is lower than for 2017-18, with 75% grading No. 1 and 2, compared to 92%, but better than the past ten year average of 71%, based on preliminary survey data from CGC. The protein content averages 13.6%, versus 13% for 2017-18 and 13.5% for the past ten year average.

Saskatchewan accounted for 37.8% of the total wheat production, Alberta for 34.1%, Manitoba for 17.9%, Ontario for 8.4%, Quebec for 1.1%, British Columbia for 0.4% and the Atlantic Provinces for 0.3%.

Total supply rose by only 2% because of lower carry-in stocks. Exports are forecast to rise by 7% because of strong demand for wheat in world markets and less competition from Australia, Russia, Ukraine and the EU. Total domestic use is forecast to increase by 2%. Carry-out stocks are forecast to fall by 15% to 4 Mt, 30% lower than the past five year average of 5.72 Mt. The exports forecast is 0.2 Mt higher and the carry-out stocks forecast is 0.2 Mt lower than in the December report because of strong exports for the first five months of the crop year.

World production of all wheat (including durum) decreased by 30 Mt to 733 Mt, according to the USDA. The EU and Russia accounted for most of the decrease in production, with smaller decreases for Australia, Ukraine, China and Turkey. The largest increase in production was for the US. Supply fell by 11 Mt to 1,013 Mt. Total use is expected to increase by 1 Mt to 745 Mt as growing use for food is mostly offset by lower feed consumption. Carry-out stocks are forecast to fall by 12 Mt to 268 Mt. However, China accounts for 144 Mt of the stocks, an increase of 12 Mt from 2017-18. Wheat stocks in China are generally not exported. Excluding China, world all wheat stocks are expected to fall by 24 Mt to 125 Mt.

In the US, all wheat production increased by 4 Mt to 51.3 Mt, according to the USDA. Supply rose by only 1.2 Mt to 85 Mt because of lower carry-in stocks. Domestic use is forecast to rise by 2 Mt and exports are expected to increase by 2.7 Mt. Carry-out stocks are forecast to fall by 3.4 Mt to 26.5 Mt.

The average crop year producer prices for wheat in Canada for 2018-19 are forecast to increase from 2017-18, because of the lower world supply and strong export demand. However, protein premiums are lower than for 2017-18 because of the larger supply of high protein wheat in North America. Producer prices for CWRS wheat fell in September, from the start of the crop year, but recovered in October. Prices of other classes of wheat also fell in September, but, in general, recovered in October or November. The recovery in prices was partly due to the weaker Canadian dollar.

For 2019-20, the area seeded to wheat in Canada is forecast to increase by 9% from 2017-18 as a 4% decrease for winter wheat is more than offset by a 10% increase for spring wheat. The spring wheat area is forecast to increase because of relatively good prices for wheat and a shift out of durum and winter wheat in Western Canada. Production is projected to rise by 8%. Supply is forecast to increase by 5% due to lower carry-in stocks. Exports are forecast to fall slightly due to higher world production. Carry-out stocks are forecast to increase by 37% to 5.5 Mt.

World all wheat (including durum) production is forecast to increase by 12 Mt to 745 Mt due to a higher seeded area. Supply is projected to be unchanged at 1,013 Mt due to lower carry in stocks. Total use is expected to increase by 8 Mt to 753 Mt because of growing use for food. Carry out stocks are forecast to fall by 8 Mt to 260 Mt. Excluding China, world all wheat stocks are expected to fall by 11 Mt to 114 Mt.

All wheat production in the US is expected to rise by 2.7 Mt to 54 Mt due to expected higher seeded area for spring wheat. Supply is forecast to fall by 0.7 Mt to 80.5 Mt. Domestic use is forecast to rise by 0.2 Mt and exports are forecast to increase by 0.4 Mt. Carry out stocks are forecast to decrease by 1.5 Mt to 25 Mt.

Average Canadian producer prices for wheat for the crop year are forecast to fall from 2018-19 because of the higher Canadian supply.

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Coarse Grains

Barley

For 2018-19, Canadian barley production increased by 6% from 2017-18 to 8.4 million tonnes (Mt) due to higher harvested area, despite a lower yield. Production in Western Canada averaged 8.0 Mt, of which 50% was in Alberta, 43% in Saskatchewan, 6% in Manitoba and 1% in British Columbia. Production in Eastern Canada averaged 0.4 Mt of which 41% was in Quebec, 27% in Ontario and 32% in the Maritimes.

Total Canadian supply decreased due to sharply lower carry-in stocks. Total domestic use is forecast to increase on higher feed and industrial use. Exports are forecast to decrease due to lower total supply. Carry-out stocks are forecast to decrease by 20% to 1.0 Mt or near record low levels. The average feed barley price for the crop year is forecast to be about 12% higher than last year.

Similar to feed barley, the quality of the malting barley crop is variable. The extensive summer heat increased the protein content of the crop and lowered the weight of the crop, depending on the date of maturity and area.

The Lethbridge spot feed barley prices to-date have been about 20% higher than last year and Prairie malt prices have been 10-15% higher than last year.

World barley stocks are historically low as nearly all of the world major producers and exporters had smaller crops and, in many cases, quality was also lower than normal. World prices for feed barley have been very strong compared to corn prices. Lower world supplies of malting barley, and especially quality malt, is also pushing these prices higher. In 2018-19, because of reduced supply of quality feed barley, relatively high prices of feed barley and the large amount of maize available worldwide, consuming countries will be looking for corn as the alternative to fodder. The average price of feed barley at Lethbridge for the crop year is expected to be \$255/t, about 12% higher than last year.

For 2019-20, seeded area is forecast to be higher than 2018-19 due to high barley prices and low

carry-in stocks. Production is forecast to increase by 6% to 8.9 Mt due to the higher area and an average total yield. Despite the lower carry-in stocks, total supply is forecast to increase by 3% to 10.0 Mt. Total domestic use is forecast to increase by 2% due to slightly higher feed use in cattle and hog production. Exports are forecast to increase slightly due to higher domestic supplies and a return to normal trade patterns. With a higher supply, barley carry-out stocks are forecast to increase by 10% to 1.3 Mt but it's still below the previous five-year averages. The Lethbridge cash feed barley price is forecast to decrease by 12% from 2018-19.

As a preliminary projection, at the end of November, the USDA projects a notable increase in area seeded to barley in the US. Total barley production in North America is expected to increase due to higher production, both in Canada and the US. However, due to the sharply lower carry-in stocks, total supply is forecast to increase only slightly. This implies that carry-out stocks will remain low and prices remain relatively strong, although lower than last year. World barley production, as well as supply, is expected to increase slightly for 2019-20 as some of the world's major producers, such as the EU and Australia, increase their barley production. Large corn carry-over stocks will provide pressure on coarse grain prices.

Corn

For 2018-19, corn production in Canada fell marginally to 13.9 Mt due to lower average yield. Adverse weather conditions led to a significant decline in average yields in Ontario, Quebec and Manitoba. Production in Eastern Canada averaged 12.5 Mt of which 70% was in Ontario, 29% in Quebec and 1% in the Maritimes. Production in Western Canada averaged 1.4 Mt with 89% in Manitoba, 9% in Alberta, 2% in Saskatchewan, and 0.2% in British Columbia.

Total supply decreased due to lower production and lower carry-in stocks. Imports are expected to increase due to lower corn supply in Eastern Canada and tight barley supply in Western Canada. Total domestic use is forecast to increase to a record of

14.5 Mt due to trend increases in ethanol production, industrial use and livestock feeding. Exports are forecast to decrease due to lower domestic supply and higher international competition. Carry-out stocks are forecast to decrease to 2.0 Mt, which is close to the previous five-year average. The 2018-19 corn price at Chatham is forecast by AAFC to average \$180/t, up 4% from last year, due to higher US corn prices, lower domestic supplies of quality corn and the weak Canadian dollar.

US corn production was about 14.6 billion bushels (bln bu). Production and supply were similar to last year. However, due to strong demand, carry-out stocks are expected to decrease but remain historically high at about 1.8 bln bu. The average US farm price is forecast by the USDA at US\$3.60/bu which is equivalent to C\$185/t.

For 2019-20, seeded area is forecast to increase by 6%, due to steady prices and continued good overall demand, especially for high quality corn. Production is forecast to increase 6% to 14.7 Mt on the higher area and higher average yields. Because of the expected decline in carry-in stocks and imports more than offsetting higher production, total supply is forecast to decrease marginally. Imports are expected to decrease due to higher production of corn and barley. Total domestic use is forecast to decrease slightly, as the lower feed, waste and dockage is expected to more than offset higher food and industrial use. Exports are forecast to increase due to higher production and back to normal crop quality. Carry-out stocks are forecast to be the same as last year at 2.0 Mt and remain below the previous five-year average. The nearby Chatham corn price is forecast to increase slightly due to a projected slightly higher US corn futures and the weak Canadian dollar.

The USDA expects US corn area to increase in 2019-20 due to lower soybean area. The latter is attributable to the on-going China/US trade issues. Carry-in stocks of corn in the US, for 2019-20, are about 20% lower than last year. This implies that the supply of corn in the US should be notably lower than 2018-19 which is expected to support corn prices. Higher corn production in other major exporting countries, such as Brazil and Argentina, could play an offsetting role to the US situation.

The overall smaller world corn crop will strengthen corn prices but a major price recovery is not expected unless a major producer(s) is impacted by a severe drought. However, US corn prices are expected to increase slightly so that the US farm price averages US\$3.80/bu which implies an average Chatham price of \$200/t.

Oats

For 2018-19, Canadian oat production decreased by 8% from 2017-18 to 3.4 Mt, due to lower harvested area and lower average yield. Production in Western Canada averaged 3.18 Mt of which 53% was in Saskatchewan, 22% in Manitoba, 22% in Alberta and 2% in British Columbia. Production in Eastern Canada averaged 0.27 Mt of which 63% was in Quebec, 25% in Ontario and 12% in the Maritimes.

Due to lower production, total supply decreased by 5% to 4.2 Mt despite higher carry-in stocks. Total domestic use is forecast to decrease by 17% due to significantly lower feed use. Oat grain and product exports are forecast to increase by 6%. Carry-out stocks are forecast to decrease by 17% to 0.7 Mt and remain largely below the previous three and five-year averages. The Canadian oat price, in relation to the US oat futures price, is forecast to increase due to a higher US oat futures price and continuing support from the low value of the Canadian dollar.

To-date for this crop year, Canadian oat exports to the US for oat grains and products have been above the previous five-year average. If achieved, oat grain exports to the US would be close to the five-year average. Oat products are moving to the US at a record pace. To date, there has been minimal trading activity on the December 2019 US oat futures contracts, despite a lower North American supply.

For 2019-20, seeded area is forecast to increase by 5% from 2018-19 due to good US oat futures price levels. Based on the 5 year average for abandonment and yield, Canadian oat production is forecast to increase slightly to 3.5 Mt but, due to lower carry-in stocks, supply is expected to decrease marginally. Total domestic use is forecast to decrease slightly due to lower feed, waste and dockage as food and industrial use remains flat. Exports of oat grain and products are forecast to be slightly lower than

2018-19 due to lower supplies. Carry-out stocks are forecast to remain unchanged from 2018-19, at 0.7 Mt, remaining below the previous three and five-year averages. The Canadian oat price is forecast to increase due to higher coarse grain prices in the US and the weak Canadian dollar.

As of the end of November, the USDA projected notable increases to the area seeded and production of oats in the US. However, due to the sharply lower beginning stocks, total supply is projected to only increase slightly. As a result, carry-out stocks of oats in the US will remain tight which will continue to support US oat prices. Ending stocks will climb by 27% and farm gate prices will move lower. With a forecast for a return to average yields and abandonment rates, the North American oat supply will expand for 2018-19. The situation for Canada remains positive and prices are expected to be similar to last crop year.

Canadian exports of oat grain and products to the US are expected to decrease from the 2018-19 level which has been the highest since the 2008-09 crop year. A bullish factor, which provides underlying support, is the forecast for the slightly higher average nearby US corn futures price.

Rye

For 2018-19, Canadian rye production decreased sharply from 2017-18 to 236 thousand tonnes (kt), due to significantly lower harvested area and lower yield. Production in Western Canada was 148.8 kt of which 47% was in Manitoba, 32% in Saskatchewan, 20% in Alberta and 1% in British Columbia. Production in Eastern Canada was 87.5 kt of which 77% was in Ontario, 20% in Quebec and 3% in the Maritimes.

Carry-in stocks are still much higher than the previous five-year average. Total supply decreased sharply due to the decrease in production and

carry-in stocks. Total domestic use is forecast to decrease by 43% largely due to sharply lower livestock feeding. Exports are forecast to decrease by 19% due to the lower total supply. Carry-out stocks are forecast to be about 38% lower than last year and 20% below the previous five-year average. Canadian rye prices are forecast to increase sharply given a forecast for a smaller North American rye crop supply.

The average price of rye, at Saskatoon, is expected to average \$210/t, almost 30% higher than last year.

For 2019-20, seeded area is forecast to increase by 25% to 170,000 hectares from 2018-19. Production is forecast to increase 17% due to the higher seeded area and a forecast for an average rate of abandonment and yield. Total supply is forecast to be unchanged at 342 kt, as expected decline in carry-in stocks will offset the increase in production. Total domestic use is forecast to decrease due to lower use in livestock feeding. Exports are forecast to increase due to a smaller US inventory. Rye carry-out stocks are forecast to decrease slightly to 64 kt. Canadian rye prices are forecast to decrease by 18% given a forecast of lower barley prices in Canada.

For the US there are some regions that continue to have dry soil moisture conditions and poor growth in forage and pasture. In 2019, similar to 2018, the average rate of abandonment will be influenced by the extent to which rye is cut for green feed. In the past few years, the US, the world's largest rye importer, also sharply increased its domestic rye grain production which led to an increase in the total North American supply.

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Canola

For 2018-19, canola supplies are forecast up slightly from last year, to a record 22.9 million tonnes (Mt), as high carry-in stocks more than offset the drop in production. Domestic processing of canola is forecast to decline to 9.2 Mt, versus the 9.3 Mt processed in 2017-18. This outlook is supported by the slight slowdown in the current crush pace compared to last year as reported by Statistics Canada.

Canola exports are forecast to rise to 11.0 Mt, up slightly from the 10.7 Mt for 2017-18. Exports through licensed facilities as of December 30, 2018 were 4.3 Mt versus 4.6 Mt a year ago, a drop of 7% mostly attributed to the rain-delayed harvest. Carry-out stocks are forecast to fall to 2.3 Mt, versus 2.5 Mt for 2017-18. Canola prices are estimated to range between \$495-535/t down from \$539/t in last year.

World canola-rapeseed production is estimated at 63.0 Mt by Oil World compared to 65.5 Mt in 2017-18 and the 63.2 Mt in 2016-17. Canada is the world's largest grower of canola at 20.3 Mt followed by the European Union at 19.6 Mt. India is a distant third, growing 6.3 Mt of canola-rapeseed, followed by China at 4.8 Mt. Australian rapeseed production fell by almost 40%, to 2.2 Mt due to drought. Ukrainian and Russian production are estimated at 3.0 Mt and 2.1 Mt, respectively. Production in other countries was 3.1 Mt up from slightly under 3.1 Mt.

World exports of canola-rapeseed is estimated at 16.6 Mt up slightly from the 16.2 Mt shipped around the world in 2017-18 but down from the 17.1 Mt exported in 2016-17. Canada is the world's largest exporter, accounting for slightly over two-thirds of the world trade in canola. Australia is forecast to export 1.6 Mt of canola, versus the 2.4 Mt shipped in 2017-18 and 3.5 Mt exported in 2016-17. Ukraine is forecast to export 2.3 Mt of rapeseed, similar to 2017-18. Exports from other countries are estimated at 1.4 Mt, vs 1.1 Mt for 2017-18 and 0.7 Mt in 2016-17.

For 2019-20, seeded area in Canada is forecast to increase by 1% to 9.4 million hectares (Mha), on a shift out of soybeans and lentils across Western Canada, expected steady yields and a projected slight strengthening of prices. The gains in area will be limited by competition from burdensome world soybean and palm oil supplies and continued large carry-out stocks. Harvested area is forecast at 9.3 Mha while yields are projected at 2.2 tonnes per hectare (t/ha). Production is forecast to rise to 20.5 Mt, versus the 20.3 Mt grown in 2018-19. Total supply is forecast marginally down to 22.9 Mt, as a lower carry-in stocks offsets the rise in output.

Exports are forecast up by 2% to 11.2 Mt on support by the slow but steady growth in world consumption of vegetable oils and high oil content oilseeds, with the rate of growth constrained by stiff competition from burdensome world supplies of oilseeds and oilseed co-products. Domestic crush is forecast to fall slightly to 9.1 Mt, due to competition from large world supplies of competing soybean oil and palm oil. Carry-out stocks are forecast unchanged at 2.3 Mt for a stocks-to-use ratio of 11% while canola prices are expected to rise slightly in the range of \$510-550/t.

Flaxseed

For 2018-19, supplies are estimated to fall to 0.63 Mt from 0.80 Mt for last year, due to the decline in production and a sharply decrease in carry-in stocks. Exports are forecast to fall to 0.40 Mt on steady world demand and disciplined farmer selling. Total domestic use is forecast to fall by 17% to 0.13 Mt on lower feed, waste and dockage. Carry-out stocks are forecast to decrease by 22% to 0.1 Mt while flaxseed prices are estimated at \$485-505/t, up from the average of \$463/t in 2017-18.

World supplies of flaxseed are forecast by Oil World to decline to a low of 2.99 Mt as lower opening stocks more than offset the slight increase in world production. Most of the growth in flaxseed (linseed) output occurred in the C.I.S states which produced nearly one-half of the world's flaxseed (linseed) crop. World crush of flaxseed is forecast to decline slightly to 2.2 Mt while other use holds steady at

about 0.5 Mt. Carry-out stocks are expected to tighten to 0.33 Mt, versus 0.38 Mt for 2017-18 and 0.49 Mt for 2016-17.

For 2019-20, seeded area for flaxseed in Canada is forecast to rise to 0.40 Mha, on support from higher prices. Production is forecast to rise by 25% to 0.62 Mt, assuming a steady abandonment in the harvested area and using the 5-year average historic yields. Supply is forecast to increase by 15% to 0.73 Mt as the rise in output more than offsets the slight drop in carry-in stocks.

Exports are forecast to increase by 50% from 2018-19, to 0.60 Mt on steady to stronger world consumption. Total domestic use is forecast to fall by 69% to 0.04 Mt, due to a significant drop in feed, waste and dockage. Carry-out stocks are forecast to tighten to 0.85 Mt. Flaxseed prices are forecast down slightly, to \$470-510/t for 2019-20.

Soybeans

For 2018-19, supplies are estimated at 8.3 Mt, down from last year's 8.6 Mt with the sharp drop in production moderated by higher carry-in stocks. Based on USDA's export inspection data, Canadian imports of US soybeans appear to be near seasonal normals compared to previous crop years. Exports are forecast at a record 5.5 Mt, up from 5.0 Mt in 2017-18 on large domestic supplies and the weaker value of Canadian dollars which supported local prices. Domestic processing of soybeans is forecast down by 4% from last year level to 1.9 Mt. Carry-out stocks are projected to decline sharply at 0.40 Mt. Soybean prices are forecast modestly lower at \$395/t- \$425/t versus \$434/t for 2017-18.

World production of soybeans is estimated at 365 Mt by Oil World, versus the USDA's Dec 2018 assessment of 369 Mt, compared to the 341 Mt grown in 2017 (Oil World). At the start of 2019 world attention is switching to monitoring weather developments and crops prospects in South America. Crop conditions appear to be near normal at this time but market watchers will be on the look out for a repeat of last year's Argentine drought which supported the March-May rally in soybean prices.

The US soybean supply situation remains bearish and the USDA's ending stock estimate, of almost 1.0 billion bushels (26 Mt) for 2018-19, appears to be on the low side given the slow pace of export inspections and sales up to December 31, 2018.

The main factors to watch for the rest of the crop year are: (1) China's buying pace, (2) potential developments in the US-China trade dispute (3) the length of the US government shutdown, (4) the US export sales and inspections pace, (5) South America growing and harvest conditions, (6) Canada-US exchange rate volatility and (7) US planting intentions.

For 2019-20, planted area in Canada is forecast to fall marginally to 2.48 Mha, due to a modest decline in Western Canada, as a result of concerns over dry growing conditions. Production is forecast to fall slightly to 7.0 Mt, versus 7.3 Mt in 2018-19 and the record 7.7 Mt grown in in 2017-18, assuming 5-year average yields.

Total supply is forecast to decrease by about 6% to 7.8 Mt as an estimated drop in carry-in stocks complements the drop in production. Imports of US soybeans are forecast steady with previous years at about 0.4 Mt, mostly for crushing. Similar to canola, the catchment areas for soybean processors located along the border extends into the northern regions of the US.

Exports are forecast at 5.0 Mt, making soybeans Canada's third largest exported crop, with shipments headed to a diverse group of countries. Domestic processing is forecast steady at 1.9 Mt as crushers strive to service the local market for soybean oil. Carry-out stocks are forecast down to 0.33 Mt versus 0.40 Mt estimated for 2018-19 and the 0.65 Mt carried out in 2017-18.

Soybean prices are forecast up slightly to \$405-445/t on support from a late in the crop year strengthening of US prices and a stable Canadian dollar-US dollar exchange rate.

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Dry peas

For 2018-19, Canadian dry pea exports for the August to November period were 1.1 million tonnes (Mt), marginally higher than for the same period last year. China imported the largest portion to-date at 0.8 Mt. The leading export market, after China, is the US and Bangladesh. Total Canadian dry pea exports for the crop year are forecast to fall to 2.7 Mt due to lower export demand from India.

Canadian dry pea supply is estimated to fall by 4% as lower production is partly offset by higher carry-in stocks. Despite lower supply, carry-out stocks are expected to be unchanged and continue to be supportive for prices throughout 2018-19. The average price is expected to be similar to slightly higher than 2017-18, mostly due to higher prices for green peas and similar prices for yellow peas despite the imposition by India, Canada's largest dry pea market, of a 50% duty on Indian dry pea imports. Green pea prices are expected to maintain a premium of \$80/t over yellow peas for the crop year, compared to the \$40/t premium green peas had to yellow peas last year.

US dry pea production is estimated by the USDA at 0.6 Mt, down marginally from 2017-18. This was largely due to lower seeded area, but was offset by higher yields. As a result, Canadian dry pea exports to the US are forecast at 0.3 Mt in 2018-19.

For 2019-20, seeded area is forecast to be relatively unchanged from 2018-19 at 1.46 Mha, because of good returns relative to other crops. Dry peas continue to be recognised as a beneficial part of a crop rotation plan. Production is expected to rise marginally to 3.6 Mt, with an expectation of trend yields. Supply is forecast to rise marginally to 4.3 Mt due to similar carry-in stocks. Despite the tariff in India, exports to other countries are expected to rise from 2018-19 and carry-out stocks are expected to fall. The average price is expected to be marginally lower than 2018-19, due to lower green pea prices and ample world supply.

Lentils

For 2018-19, Canadian lentil exports for the August to November period totalled 0.6 Mt, 15% more than the amount exported during the same period in 2017. India imported the largest portion to-date at 0.1 Mt. The leading export market, after India, is the United Arab Emirates, followed by Bangladesh and Mexico. Total Canadian lentil exports for 2018-19 are forecast to rise to 1.7 Mt, despite lentil import duties imposed by India. The supply of lentils in Canada is estimated to be marginally higher than last year as higher carry-in stocks was partly offset by the lower production. With the marginally higher supply and an increase in exports, this is expected to lead to lower but still burdensome carry-out stocks which will continue to pressure prices throughout 2018-19.

The overall average price range is forecast to fall sharply from last year to \$375 to 405/t. Weak prices for all lentil types have been offset by an above average grade distribution. As a result, there have been lower discounts for the lower grades for all green lentil types. Prices for No.1 large green lentils are expected to maintain a premium of \$100/t above the price of No.1 red lentils over the crop year, compared to a \$340/t premium in 2017-18.

US lentil production, mostly green types, is estimated at 0.4 Mt, up 18% from the previous year. Despite this, Canadian lentil exports to the US are forecast at a record 70 kt for 2018-19.

For 2019-20, area seeded in Canada is expected to fall 11% to 1.35 Mha, due to weak prices for the No.1 grades the previous year. Production is forecast to fall by 4% to 2.0 Mt. With lower carry-in stocks, supply is expected to fall to 2.8 Mt, the lowest since 2014-15. Exports are forecast to rise from 2018-19 to 1.8 Mt with a lower exportable supply. Carry-out stocks are expected to fall sharply. With the assumption of an average grade distribution and grade discounts, the overall lentil price is forecast to rise from 2018-19.

Dry beans

For 2018-19, exports are forecast to be marginally higher than last year. The EU and the US are forecast to remain the main markets for Canadian dry beans, with smaller volumes exported to Japan and Mexico. However, due to higher supply, carry-out stocks are expected to rise sharply from the previous year. The average Canadian dry bean price is forecast to rise, despite unchanged production in North America.

US total dry bean production (excluding chickpeas) is estimated by the USDA at 1.3 Mt, down marginally from 2017-18. US dry bean production was largely unchanged for most bean types with the exception of small red type production which increased sharply and pinto types, which decreased sharply. This and the favorable exchange rate is expected to continue to support Canadian dry bean prices for 2018-19.

For 2019-20, the area seeded is forecast to be relatively unchanged from 2018-19 because of favorable potential returns compared to other crops, particularly soybeans and corn. Production is expected to increase to 0.35 Mt due to lower expected abandonment. Supply is expected to rise to a record 0.5 Mt due to the higher carry-in stocks. Exports are forecast to be lower than 2018-19. Carry-out stocks are expected to rise. The average Canadian dry bean price is forecast to fall due to an expected increase in North American supply.

Chickpeas

For 2018-19, exports are forecast to fall sharply from 2017-18 due to reduced demand from the US and Turkey. The US and Pakistan have been the main markets for Canadian chickpeas to-date. Carry-out stocks are expected to rise to record levels. The average price is forecast to fall sharply, due to lower world demand and higher carry-out stocks.

US chickpea production is estimated by USDA at a record 0.4 Mt, up sharply from 2017-18, largely due to record area.

For 2019-20, the area seeded is forecast to fall from 2018-19 because of expectations for lower returns relative to other pulse crops. As a result, production is expected to decrease sharply to 130 kt. Supply is expected to decrease only marginally from last year

as the lower production is partly offset by large carry-in stocks. Exports are forecast to be higher than the previous year and carry-out stocks are expected to fall but remain burdensome. The average price is forecast to be higher than 2018-19 due to expectations for a decrease in world supply and therefore an increase in world demand.

Mustard seed

For 2018-19, exports are expected to be unchanged from 2017-18 at 112 kt but carry-out stocks are forecast to rise due to higher supply. The US and the EU are expected to remain the main export markets for Canadian mustard seed. As a result of the increase in stocks, the average price is forecast to fall sharply from the levels observed in 2017-18.

For 2019-20, the area seeded is expected to remain unchanged due to improved yields from the previous year. Production, however, is forecast to 180 kt due to similar expected yields. Supply is expected to be higher due to larger carry-in stocks and production. Exports are expected to be higher at 120 kt and carry-out stocks are forecast to increase and pressure prices. The average price is forecast to fall when compared to 2018-19.

Canary seed

For 2018-19, exports are expected to be lower than the previous year. The EU and Mexico are forecast to remain the main export markets, followed by South America. Carry-out stocks are expected to tighten. The average price is forecast to increase from the 2017-18 level.

For 2019-20, the area seeded is forecast to be higher than the previous year due to good potential returns compared to other crops. Production is expected to rise slightly as higher area seeded is partly offset by slightly lower yields; supply is also forecast to decrease. Exports are expected to be lower than in 2018-19 and carry-out stocks are expected to remain tight. The average price is forecast to be lower than the previous year.

Sunflower seed

For 2018-19, exports are forecast to be higher than the previous year but carry-out stocks are expected to rise. To-date, the US has remained Canada's main export market for sunflower seed. The average price

is forecast to fall from 2017-18 due to higher proportion of oilseed types grown in Canada this year.

For the US, sunflower seed production is estimated by the USDA to have fallen by 10% to below 0.9 Mt. 0.8 Mt of the US sunflower seed crop is estimated to be oilseed types, marginally lower than the previous year. US confectionery type production fell sharply this year to below 0.1 Mt.

For 2018-19, the global supply of sunflower seed is estimated by the USDA at record of nearly 56 Mt. This is higher than the record supply of last year, due to record production in Ukraine, Russia and the EU. World exports are expected to decrease by 8% to

2.3 Mt and domestic use is expected to rise to a record 50 Mt. Despite this, world carry out stocks are expected to rise sharply to a record high 3.6 Mt.

For 2019-20, the area seeded is projected to be relatively unchanged from 2018-19 due to expectations for good returns. Production is forecast to rise to 60 kt, assuming trend yields. Supply is also expected to increase. Exports are expected to rise as are carry-out stocks. The average price is forecast to be similar to 2018-19 with similar oil type prices, but higher confectionary type prices in Canada.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

January 24, 2019

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												
2017-2018	2,106	2,088	2.38	4,962	8	6,798	4,387	193	500	934	1,477	265
2018-2019f	2,503	2,456	2.34	5,745	10	7,232	4,200	200	649	1,032	2,000	215-245
2019-2020f	1,880	1,845	2.66	4,900	10	6,910	4,500	200	496	910	1,500	235-265
Wheat Except Durum												
2017-2018	7,020	6,895	3.63	25,022	75	30,125	17,480	3,119	4,051	7,949	4,696	240
2018-2019f	7,570	7,425	3.50	26,024	80	30,800	18,700	3,180	4,073	8,100	4,000	235-265
2019-2020f	8,260	8,040	3.50	28,100	80	32,180	18,500	3,250	4,103	8,180	5,500	230-260
All Wheat												
2017-2018	9,126	8,983	3.34	29,984	82	36,923	21,867	3,312	4,551	8,883	6,173	
2018-2019f	10,073	9,881	3.22	31,769	90	38,032	22,900	3,380	4,722	9,132	6,000	
2019-2020f	10,140	9,885	3.34	33,000	90	39,090	23,000	3,450	4,599	9,090	7,000	
Barley												
2017-2018	2,334	2,114	3.73	7,891	59	10,072	2,824	49	5,715	5,992	1,256	227
2018-2019f	2,628	2,395	3.50	8,380	65	9,701	2,450	86	5,940	6,251	1,000	240-270
2019-2020f	2,800	2,482	3.59	8,899	75	9,974	2,500	86	5,912	6,224	1,250	220-250
Corn												
2017-2018	1,447	1,406	10.02	14,095	1,663	18,256	1,830	5,146	8,847	14,009	2,417	174
2018-2019f	1,468	1,431	9.70	13,885	1,700	18,001	1,500	5,000	9,486	14,501	2,000	165-195
2019-2020f	1,560	1,505	9.75	14,674	1,300	17,974	1,600	5,250	9,108	14,374	2,000	170-200
Oats												
2017-2018	1,295	1,052	3.55	3,733	14	4,451	2,351	109	1,103	1,315	784	218
2018-2019f	1,235	1,005	3.42	3,436	20	4,241	2,500	125	860	1,091	650	225-255
2019-2020f	1,300	1,039	3.41	3,546	20	4,216	2,475	125	860	1,091	650	230-260
Rye												
2017-2018	144	101	3.38	342	1	507	195	58	138	207	104	162
2018-2019f	136	79	2.99	236	2	342	158	54	53	119	65	195-225
2019-2020f	170	96	2.87	276	2	342	180	55	30	98	64	160-190
Mixed Grains												
2017-2018	123	54	2.77	149	0	149	0	0	149	149	0	
2018-2019f	144	69	2.82	195	0	195	0	0	195	195	0	
2019-2020f	110	51	2.91	148	0	148	0	0	148	148	0	
Total Coarse Grains												
2017-2018	5,342	4,727	5.55	26,210	1,738	33,435	7,200	5,362	15,952	21,673	4,562	
2018-2019f	5,610	4,979	5.25	26,131	1,787	32,480	6,608	5,265	16,533	22,157	3,715	
2019-2020f	5,940	5,173	5.32	27,542	1,397	32,654	6,755	5,516	16,059	21,935	3,964	
Canola												
2017-2018	9,313	9,273	2.30	21,328	108	22,777	10,723	9,269	212	9,548	2,506	539
2018-2019f	9,232	9,120	2.23	20,343	100	22,948	11,000	9,200	397	9,648	2,300	495-535
2019-2020f	9,350	9,258	2.21	20,500	100	22,900	11,200	9,100	249	9,400	2,300	510-550
Flaxseed												
2017-2018	421	419	1.33	555	7	802	515	0	143	159	128	463
2018-2019f	347	342	1.44	493	10	631	400	0	115	131	100	485-505
2019-2020f	400	395	1.56	615	10	725	600	0	20	40	85	470-510
Soybeans												
2017-2018	2,947	2,935	2.63	7,717	487	8,559	4,998	1,969	679	2,909	651	434
2018-2019f	2,558	2,540	2.86	7,267	400	8,318	5,500	1,900	318	2,418	400	395-425
2019-2020f	2,475	2,454	2.85	7,000	400	7,800	5,000	1,900	375	2,475	325	405-445
Total Oilseeds												
2017-2018	12,681	12,627	2.34	29,600	602	32,138	16,236	11,238	1,034	12,616	3,285	
2018-2019f	12,137	12,001	2.34	28,102	510	31,897	16,900	11,100	830	12,197	2,800	
2019-2020f	12,225	12,107	2.32	28,115	510	31,425	16,800	11,000	644	11,915	2,710	
Total Grains And Oilseeds												
2017-2018	27,149	26,337	3.26	85,794	2,422	102,495	45,303	19,912	21,537	43,172	14,019	
2018-2019f	27,820	26,861	3.20	86,002	2,387	102,408	46,408	19,745	22,084	43,485	12,515	
2019-2020f	28,305	27,165	3.26	88,657	1,997	103,169	46,555	19,966	21,302	42,940	13,674	

(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)

f: forecast by AAFC except for area, yield and production for 2018-2019 which are STC

Source: Statistics Canada and Agriculture and Agri-Food Canada

CANADA: PULSES AND SPECIAL CROPS SUPPLY AND DISPOSITION

January 24, 2019

Grain and Crop Year (a)	Area Seeded ----- thousand ha -----	Area Harvested	Yield t/ha	Production	Imports (b)	Total Supply ----- thousand tonnes -----	Exports (b)	Total Domestic Use (c)	Carry-out Stocks	Stocks-to- Use Ratio %	Average Price (d) \$/t
Dry Peas											
2017-2018	1,656	1,642	2.50	4,112	12	4,424	3,083	691	650	17	265
2018-2019f	1,463	1,431	2.50	3,581	20	4,251	2,700	901	650	18	255-285
2019-2020f	1,460	1,435	2.51	3,600	15	4,265	2,800	935	530	14	245-275
Lentils											
2017-2018	1,783	1,774	1.44	2,559	35	2,908	1,537	495	876	43	475
2018-2019f	1,525	1,499	1.40	2,092	15	2,984	1,700	484	800	37	375-405
2019-2020f	1,350	1,335	1.50	2,000	20	2,820	1,800	485	535	23	390-420
Dry Beans											
2017-2018	135	131	2.45	322	86	409	351	23	35	9	760
2018-2019f	143	137	2.49	341	85	461	355	26	80	21	810-840
2019-2020f	145	143	2.41	345	80	505	350	25	130	35	800-830
Chickpeas											
2017-2018	68	68	1.49	102	48	151	116	34	1	1	950
2018-2019f	179	176	1.77	311	25	337	90	67	180	114	500-530
2019-2020f	75	74	1.76	130	18	328	100	68	160	95	520-550
Mustard Seed											
2017-2018	156	153	0.80	122	9	211	112	49	50	31	770
2018-2019f	204	197	0.88	173	5	228	112	46	70	44	670-700
2019-2020f	205	200	0.90	180	5	255	120	45	90	55	650-680
Canary Seed											
2017-2018	103	103	1.41	145	0	165	147	3	15	10	465
2018-2019f	86	85	1.39	118	0	133	125	3	5	4	480-510
2019-2020f	95	94	1.33	125	0	130	120	5	5	4	470-500
Sunflower Seed											
2017-2018	26	26	2.26	58	22	105	17	53	35	50	590
2018-2019f	29	27	2.13	57	22	114	19	50	45	65	560-590
2019-2020f	30	29	2.07	60	22	127	20	52	55	76	570-600
Total Pulses and Special Crops (c)											
2017-2018	3,927	3,897	1.90	7,419	211	8,373	5,363	1,347	1,663	25	
2018-2019f	3,629	3,552	1.88	6,674	172	8,509	5,101	1,578	1,830	27	
2019-2020f	3,360	3,310	1.95	6,440	160	8,430	5,310	1,615	1,505	22	

(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.

f: forecast by AAFC except for area, yield and production for 2018-2019 which are STC

Source: Statistics Canada and Agriculture and Agri-Food Canada