CANADA: OUTLOOK FOR PRINCIPAL FIELD CROPS

February 16, 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) January 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 crop years prior to 2017-18, the estimates for some of the supply and demand components have been revised by Statistics Canada due to intercensal revisions to survey data for years 2012 to 2016.

For 2017-18, information has been incorporated from Statistics Canada's survey on Stocks of Principal Field Crops, as of December 31st, which was released on February 5, 2018. The survey of 9,064 Canadian farms was conducted during January 3 to 15, 2018. Stocks of principal field crops were slightly higher than last year at the same time. Total stocks of canola, corn for grain, soybeans, oats, lentils and dry peas were higher but total stocks for wheat and barley were down at the end of 2017. In total, carry-out stocks of field crops for 2017-18 are estimated by AAFC at 16.1 Mt, almost 10 percent higher than the previous crop year.

For 2018-19, expected prices, input costs, delivery opportunities and moisture conditions are expected to play a crucial role in determining actual seeding decisions in the spring. However, based on current market conditions and historical trends, the area seeded to field crops in Canada is currently forecast by AAFC to increase slightly compared to 2017-18. Average yields for grains and oilseeds (G&O) are expected to decrease slightly while average yields for pulses and special crops (P&SC) increase modestly. The production of G&O is forecast to increase by 2% while the output of P&SC is expected to decrease by 20%. Total field crop production is expected to increase marginally from last year to 93.3 Mt. In general, world grain prices are expected to be pressured by abundant world grain supplies but grain prices in Canada will continue to be supported by the low value of the Canadian dollar.

Canada: Principal Field Crops Supply and Disposition

	Area Seeded	Area Harvested	Yield	Production	Imports	Total Supply	Exports	Total Domestic Use	Carry-out Stocks
	thousand hectares		*t/ha*	*thousand tonnes*					
Total Grains And Oilseeds									
2016-2017	26,435	24,618	3.47	85,497	1,640	99,767	42,146	43,664	13,957
2017-2018f	27,142	26,321	3.26	85,746	1,716	101,418	46,268	41,190	13,960
2018-2019f	28,175	27,316	3.20	87,335	1,190	102,486	46,928	41,432	14,125
Total Pulse And Special Crops									
2016-2017	4,520	4,379	2.01	8,788	287	9,422	7,138	1,521	763
2017-2018f	3,927	3,897	1.90	7,402	253	8,417	4,771	1,476	2,170
2018-2019f	3,086	3,034	1.96	5,940	222	8,332	5,135	1,347	1,850
All Principal Field Crops									
2016-2017	30,955	28,998	3.25	94,285	1,926	109,189	49,284	45,185	14,719
2017-2018f	31,069	30,218	3.08	93,148	1,969	109,835	51,039	42,666	16,130
2018-2019f	31,261	30,350	3.07	93,275	1,412	110,818	52,063	42,779	15,975

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

Durum

For 2017-18, Canadian supply decreased by 23% as higher carry-in stocks partly offset the 36% fall in production. Exports are forecast to rise slightly to 4.6 million tonnes (Mt) as stronger demand from the US is mostly offset by weaker demand from the EU. The forecast for exports includes exports of 0.35 Mt which do not go through Canadian Grain Commission (CGC) licensed facilities and are not included in the CGC weekly export data, and exports of semolina of 0.04 Mt. Feed, waste and dockage is expected to fall sharply due to the lower supply and the much better 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.

For 2017-18, the forecast for exports, domestic use and carry-out stocks was revised based on data from Statistics Canada's stocks report. Durum stocks as of December 31, 2017, with December 31, 2016 stocks in brackets, were: 4.825 Mt (6.14 Mt) of which 4.13 Mt (5.25 Mt) were on-farm and 0.695 Mt (0.89 Mt) in commercial positions. Implied use for Aug.-Dec. 2017, with Aug.-Dec. 2016 in brackets: exports 1.776 Mt (1.714 Mt) and domestic use 0.224 Mt (1.009 Mt).

World durum production decreased by 2.5 Mt from 2016-17 to 37.7 Mt, while supply fell by 2.4 Mt to 47 Mt, according to the International Grains Council. Use is expected to decrease by 1.7 Mt to 38.4 Mt, as higher food use is more than offset by lower feed use. Carry-out stocks are forecast to fall by 0.8 Mt to 8.6 Mt. Durum production in the US fell to 1.49 Mt from 2.83 Mt for 2016-17.

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

For 2018-19, the area seeded to durum in Canada is forecast to increase by 5% from 2017-18 due to lower carry-in stocks, relatively good prices and a shift out of lentils. Production is forecast to increase by 15% to 5.7 Mt as the higher area is compounded by a return to trend yields from the below trend yields of 2017-18, which resulted from below normal precipitation in the durum growing areas. Supply is expected to increase by 3% as the higher production is mostly offset by lower carry-in stocks. Exports are forecast to increase by 2% from 2017-18 and carry-out stocks are forecast to rise by 15% to 1.5 Mt.

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

US durum production is forecast to increase to 2.3 Mt from 1.5 Mt, assuming a 4% increase in seeded area and a return to normal moisture conditions and trend yields. US winter durum seeded area fell by 41%, but the spring seeded area is expected to increase by 7%, resulting in an overall increase of 4%.

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

Wheat (excluding durum)

For 2017-18, Canadian supply rose by 5% as higher carry-in stocks compounded the 3% rise in production. Exports are forecast to increase by 10% to 17.2 Mt because of increased supply of high quality hard red spring wheat and strong demand for that class of wheat in world markets, especially from the US. The exports forecast includes exports of 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 0.3 Mt. Domestic food use is forecast to increase slightly to 2.55 Mt while industrial use decreases slightly to 0.7 Mt. Carry-out stocks are forecast to rise marginally to 5 Mt, 10% lower than the past five-year average of 57 Mt.

The forecast for 2017-18 exports, domestic use and carry-out stocks was revised based on data from Statistics Canada's stocks report. December 31, 2017 wheat stocks, with December 31, 2016 stocks in brackets, were: 18.73 Mt (17.96 Mt) of which 15.18 Mt (15.11 Mt) were on farms and 3.55 Mt (2.85 Mt) in commercial positions. The implied use for Aug.-Dec. 2017, with Aug.-Dec. 2016 in brackets was: exports 6.85 Mt (6.21 Mt) and domestic use 4.45 Mt (4.35 Mt).

World all wheat (including durum) production increased by 8 Mt to 758 Mt, according to the USDA. Supply grew by 19 Mt to 1,011 Mt due to the higher production and higher carry-in stocks. Total use is forecast to increase by 6 Mt to 745 Mt, as higher food use is mostly offset by lower feed use. Carry-out stocks are forecast to rise by 13 Mt to 266 Mt.

All wheat production in the US decreased by 15.4 Mt to 47.4 Mt, according to USDA, as lower seeded area was compounded by higher abandonment and lower yields. Supply fell by 8.9 Mt to 83.7 Mt. Domestic use is forecast to fall by 1.4 Mt and exports are forecast to decrease by 2.8 Mt. Carry-out stocks are forecast to decrease by 4.6 Mt to 27.5 Mt.

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

For 2018-19, the area seeded to wheat in Canada is forecast to increase by 4% from 2017-18 as an 11% decrease for winter wheat is more than offset by a 5% increase for spring wheat. The spring wheat area is forecast to increase because of relatively good prices for hard red spring wheat and a shift out of winter wheat and dry peas in Western Canada. Production is projected to fall by 3% to 24.3 Mt due to a return to trend yields from the above trend yields of 2017-18. Supply is forecast to fall by 2%. Exports are forecast to be the same as for 2017-18 and carry-out stocks are forecast to decrease by 10% to 4.5 Mt.

World all wheat (including durum) production is forecast to decrease by 16 Mt to 742 Mt due to a slightly lower seeded area and assuming trend yields, which are lower than for 2017-18. Supply is projected to fall by 3 Mt 1,008 Mt due to higher carry in stocks. Total use is expected to increase by 7 Mt to 752 Mt because of growing use for food. Carry out stocks are forecast to fall by 10 Mt to 256 Mt.

All wheat production in the US is expected to rise by 2.1 Mt to 49.5 Mt, due to a 0.7% higher seeded area, lower abandonment and higher yields, based on the assumption of improved moisture conditions in the spring wheat growing areas. The US winter wheat seeded area fell by 0.3%, but the spring wheat area is expected to increase by 4%, resulting in a 0.7% overall increase. Supply is forecast to fall by 3.2 Mt to 80.5 Mt. Domestic use is forecast to rise by 0.2 Mt and exports are forecast to increase by 0.2 Mt. Carry out stocks are forecast to decrease by 2.9 Mt to 24 Mt.

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

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

Barley

For 2017-18, total domestic use is forecast to remain unchanged as lower feed use is offset by higher industrial use. Total barley exports are forecast to increase by 14% due to steady total supply and lower world supplies. Barley carry-out stocks are forecast to decrease by 25% to 1.6 Mt and remain slightly above 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.

As of December 31, Canadian barley stocks were 6% lower than 2016 although they were still 2% higher than the previous five-year average. Commercial stocks increased by nearly 50% from 2016 indicating a faster pace into the elevator and end-user system. For the main barley-producing region, the Prairie Provinces, on-farm stocks are down 8% from last year but are still 3% higher than the previous five-year average. Manitoba showed the largest year-to-year decline as corn production continues to expand in that province.

For the past two months the Lethbridge cash barley price has been hovering around $220/ tonne (t) after starting the crop year below $200/t. The feed use of barley to-date is behind last years' pace due to the very tight price spread between feed barley and wheat and higher than average imports of US corn and DDGS entering the Prairie feedlot system.

World FOB feed barley prices strengthened with the higher US corn futures prices and a softer US dollar. Argentina remains the feed price leader whereas prices from Australia continue to strengthen for feed and malt. To-date the world average malt price continues to strengthen to spread levels not seen since the 2010-11 crop year. There were malt price spikes in the fall of 2014 and the fall of 2016 but these were short lived. For North America, the higher than average supply of malt quality barley has limited the upside for prices.

For 2018-19, seeded area is forecast to increase 7% from 2017-18, rebounding from record low seeded area. Production is forecast to increase 5% to 8.3 Mt due to the higher area and a forecasted average total yield. Despite higher production, lower carry-in stocks will cause total supply to decrease by 1% to 10.0 Mt. Total domestic use is forecast to increase by 1% due to higher feed and industrial use. Exports are forecast to decrease by 11% due to higher world supplies and a return to normal trade patterns. Barley carry-out stocks are forecast to increase by 6% and remain close to the previous five-year average. The Lethbridge cash feed barley price is forecast to decrease from 2017-18.

Higher barley area and production for 2018-19 is expected at the world level. For North America, high supplies of malt quality barley will weigh on prices domestically and greater world supplies of feed and malt will weigh on prices.

Corn

For 2017-18, total domestic use in Canada is expected to decrease marginally. Exports are forecast to increase by 36% due to increased supply, lower world corn supply and continuing good demand from the western EU region. Carry-out stocks are forecast to increase by 5% to 2.3 Mt or a new record level. The nearby Chatham corn price is forecast to remain similar to last year due to higher US corn futures while being offset by a stronger Canadian dollar.

The total supply of corn in Canada increased in 2017 due to higher production and higher imports. Total corn stocks, which were estimated to be 5% higher than 2016, are at a new record high level. Total commercial and on-farm corn stocks are 12% to 20% higher, respectively, compared to the previous three to 10-year averages. Canada's corn crop continues to increase across all regions. The heart of the "Canadian Corn Belt" is still Ontario and Quebec but both the Maritimes and the Prairie provinces, specifically Alberta and Manitoba, continue to expand in area and usage.

The nearby Chatham corn price posted some gains, despite a strengthening Canadian dollar. The nearby basis level had weakened but the increase in the US futures price more than offset the decline. The

nearby US corn futures had recovered by about US $0.15/bushel (bu) with a lower US dollar, good domestic feed and ethanol demand and weather problems for the South American corn crop providing underlying support. Over the past month, the world average FOB corn price has increased about US $5/t and similar to feed barley. Argentina has been the price leader so far this crop year.

For 2018-19, seeded area is forecast to increase by 2% from 2017-18 due to steady prices and continued good overall demand. Production is forecast to increase 3% to 14.5 Mt due to the higher area and average yields. Imports are forecast to decrease by 45% due to the higher domestic supply. With carry-in stocks at record levels and higher production, total supply is forecast to remain unchanged at 17.4 Mt. Total domestic use is forecast to increase due to slight increases in ethanol production, industrial use and livestock feeding. Exports are forecast to decrease by 9% due to a slight drop in demand. Carry-out stocks are expected to remain unchanged at the record level of 2.3 Mt, well-above the previous three and five-year averages. The nearby Chatham corn price is forecast to increase slightly due to a projected slightly higher US corn futures and the weak Canadian dollar continues to be supportive.

Similar to the start of 2017-18, an abundant supply of corn is expected for North America and the world. The Chatham corn price is forecast to appreciate with a forecasted increase to the projected US corn futures albeit with an offsetting stronger Canadian dollar. Currently for the new crop Chatham market, the weak Canadian dollar continues to provide good new crop corn pricing opportunities. Since the beginning of the calendar year, the basis for the new crop has been at a slight premium to the spot price and there is a good margin in the December 2018 US corn futures contract.

Although it is early, the US National Oceanic and Atmospheric Administration (NOAA) is forecasting normal to above normal temperatures and normal precipitation for the US Corn Belt for the critical June to August period. The US Corn Belt may be setting up for relatively benign summer conditions which could translate into at least trend yields and a fifth straight “good” US corn crop.

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 nine 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 continuing supportive Canadian dollar.

Oat yields for 2017 set a new record and total supply is at an eight-year high. Lower feed use and only slightly higher exports contributed to the increase in stocks. For 2017, farm stocks were the source for the increase as commercial stocks remain unchanged from year-to-year.

In Eastern Canada 2017-18 oat area and production had decreased for a second year and fell below the previous five-year average. The three Prairie Provinces hold over 85% of Canada’s oat stocks on the farm with Saskatchewan having the greatest share at 53% of total oat stocks. Alberta’s farm stocks, due to droughty conditions, are un**c**hanged from 2016. Despite the decrease in US oat production in 2017, the supply of oats in North America, as of the month of December, is 6% higher than it was in 2016 and the previous three year average.

In January, US oat futures prices stabilized. Trading volumes had picked up for the nearby contract but open interest continues to decline and activity has moved to the May 2018 contract. Prices were flat in January but the nearby oat futures generally recover and regain strength into mid-March before declining into the end of the US cereal crop year on May 31.

For 2018-19, seeded area is forecast to increase 2% from 2017-18 due good US oat futures levels which will contribute to competitive pricing versus other cropping choices. With a forecast for a return to an average rate of abandonment and yield, Canadian oat production is forecast to decrease by 1%. Despite lower production, the forecast for a 39% increase in

carry-in stocks allow total supply to increase by 6%. Total domestic use is forecast to increase by 2% due to higher feed use and human consumption remains flat. Oat grain and product exports are forecast to remain unchanged due to higher projected US oat area and production. Carry-out stocks are forecast to increase 23% to 1.2 Mt or above the previous five-year average due to the higher supply and slightly lower disappearance. The Canadian oat price is forecast to decrease due to a lower US oat futures price and a slightly less supportive Canadian dollar.

The Canadian oat price is forecast to decrease following the lower US oat futures price and a stronger Canadian dollar than last crop year. Based on estimates for a higher 2018 North American oat area and given normal production conditions, higher supply will limit the US oat futures' upside potential.

Rye

For 2017-18, total domestic use is forecast to decrease by 9% due to lower rye feeding and trend industrial use. Exports are forecast to decrease by 1% due to the continuing large North American total rye supply and trend demand. Rye carry-out stocks are forecast to increase by 10% to 0.18 Mt, this is a 12-year high and well above all short and medium term averages. Prices are forecast to increase slightly with the general price increase to the coarse grain complex.

Farm and commercial rye stocks are estimated to be only 5% higher than in 2016. However, Canadian rye stocks remain very high and are 64 to 72% higher than the previous three, five and ten-year averages. The province of Saskatchewan had a good rye crop as it missed the worst of the drought-like conditions experienced last summer. Saskatchewan's farm stocks are 22% higher than 2016 and it has about 60% of all farm stocks. However, the large North American supply of rye grain continues to drag on Canadian exports to the world's largest rye import market, the US.

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

Canadian rye prices are forecast to increase from 2017-18, given estimates for smaller North American production. Demand remains strong for rye grain from the domestic and international beer and spirits industries. The Canadian rye price is highly responsive to the annual total for North American rye grain production and a reduction in burdensome supplies will help provide the catalyst for a price recovery.

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

Canola

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

Exports are forecast at a record 11.5 Mt, versus 11.0 Mt, shipped for 2016-17, with the current pace through Canadian Grain Commission licensed facilities running 3% ahead of last year's pace. The industry was able to maintain the export pace during an extended cold spell across Western Canada that started in mid-December, was mostly unbroken through January, and is extending into February 2018. Commercial stocks are hovering around 1.4 Mt.

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

For 2018-19, seeded area in Canada is forecast to increase to 9.7 million hectares (Mha). This is due to attractive expected returns, compared to alternative field crops, and the strong pace of sales for 2017-18. Production is forecast to rise to a record of 21.7 Mt versus the previous record 21.3 Mt in 2017-18, as higher area seeded more-than offsets the decline in yields compared to the 5-year average of 2.3 t/ha.

Total supply is forecast to increase to a record 23.8 Mt, as higher carry-in stocks complements the rise in output. Exports are forecast to increase to a record 12.0 Mt due to increased supply and strong world demand for vegetable oils and high oil content oilseeds. The rise in exports will be limited by stiff competition from the burdensome world supply of oilseeds and co-products. Domestic crush is forecast to rise slightly to 9.3Mt, as the industry operates at near capacity to service the expanding world demand for canola oil and canola meal.

Carry-out stocks are forecast to rise to 2.3 Mt for a stocks-to-use ratio of 10%. Canola prices are forecast to fall slightly to $510 to $550/t, in line with marginally lower world vegetable oil prices.

Flaxseed

For 2017-18, supplies are estimated to decrease to 0.80 Mt due to lower output and tighter carry-in stocks. Exports are forecast steady at 0.50 Mt while total domestic use falls sharply to 68,000 tonnes on significantly lower feed, waste and dockage. Carry-out stocks are forecast to decrease to 0.23 Mt. Flaxseed prices are estimated at $440 to 470/t, a slight decline from 2016-17.

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

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

Soybeans

For 2017-18, supply is estimated at a record 8.3 Mt, up from last year's 7.5 Mt due to sharply higher production. Exports are forecast at a record 5.6 Mt, up from 4.4 Mt in 2016-17 on ample domestic supplies, a wide basis and the discount of the Canadian dollar against the US dollar. Domestic processing of soybeans is forecast to fall marginally from last year to 1.80 Mt, under pressure from weak soymeal prices. Carry-out stocks are projected at 0.38 Mt. Soybean prices are forecast to fall to $410 to $440/t versus $454/t for 2016-17.

For the remainder of the crop year, the main factors to watch are: (1) South American yields, (2) USDA Agricultural Outlook Forum planted area and production estimates, (3) US export sales and

inspections pace, and (4) fluctuations in exchange rate values.

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

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

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

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

Dry Peas

For 2017-18, exports are expected to fall to 2.5 million tonnes (Mt) as lower exports to India and Bangladesh have more-than offset higher exports to China. Canadian dry pea exports to India are forecast to fall to 0.3 Mt. Carry-out stocks are forecast to increase substantially despite the lower supply. The average price is expected to fall from 2016-17 levels, largely due to lower yellow pea prices.

During the month of January, the on-farm price of yellow peas in Saskatchewan decreased by $5/t while the green pea price fell by $20/t. This was largely due to continued lower export demand and early indications that the seeded area for the winter pulse crop in India is expected to reach a record. Green dry peas prices are expected to maintain a $30/t premium over yellow dry peas, compared to the $6/t discount that yellow peas had over green peas in 2016-17.

US dry pea production is estimated by the USDA at 0.6 Mt, a decrease of nearly 50% from 2016-17. This was largely due to a decrease in seeded area and below average yields. Canadian dry pea exports to the US are moving at an above average pace, as evidenced by record export demand from the August-December period of 2017.

For 2018-19, seeded area is forecast to fall by 22% from 2017-18 to 1.3 million hectares (Mha) because of higher expected returns for other crops. Production is forecast to decrease sharply to 3.2 Mt but supply is expected to be similar to 2017-18 due to higher carry-in stocks. Exports are expected to rise from 2017-18. Carry-out stocks are expected to decrease but remain burdensome. The average price is expected to decrease from 2017-18, due to increased global supply and high domestic stocks.

Lentils

For 2017-18, exports are forecast to decrease to 1.5 Mt due to reduced import demand from India, Canada's top export destination. As a result, carry-out stocks are expected to rise sharply. The overall average price is forecast to fall from 2016-17 due to the expected increase in Canadian carry-out stocks and reduced export demand.

During the month of January, the on-farm price of large green and red lentils in Saskatchewan was unchanged. Prices have been pressured throughout the crop year by reduced export demand. Prices for No.1 large green lentils are expected to maintain a premium of $400/t over No.1 red lentil prices, compared to a $590/t premium in 2016-17.

For 2017-18, US lentil production, mostly green types, is estimated at 0.3 Mt, down sharply from 2016-17. Canada is a minor exporter to the US. Canadian lentil exports to the US are expected to be higher than 2016-17, at 50 kt.

For 2018-19, area seeded in Canada is forecast to decrease by 27% to 1.3 Mha due to lower prices and lower export demand. However, due to higher average yields, production is forecast to decrease by 22% to 2.0 Mt. Supply is expected to be relatively unchanged at about 3.0 Mt because of higher carry-in stocks. Exports are expected to be higher than 2017-18 at 1.8 Mt. Carry-out stocks are forecast to decrease but remain burdensome. With the assumption of an average grade distribution and discounts, the overall lentil price is forecast to decrease from 2017-18 due the large carry-out stocks and expectations for larger global lentil supply.

Dry Beans

For 2017-18, exports are forecast to be higher than 2016-17. The EU and the US remain the top two export markets. Carry-out stocks are also forecast to increase from 2016-17. The average Canadian dry bean price is expected to decrease due to larger supply in North America. To-date, Canadian white pea bean prices are 15% lower, pinto beans are 25% lower and black beans are over 17% lower than last year.

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

For 2018-19, the area seeded is forecast to fall from 2017-18 to 0.125 Mha due to lower potential returns compared to other crops, particularly soybeans. Production is forecast to fall to 0.28 Mt due to lower expected yields. Supply is expected to decrease marginally, despite higher carry-in stocks. Exports are expected to be lower than 2017-18 due to the smaller supply and carry-out stocks are expected to decrease. The average Canadian dry bean price is forecast to increase due to expectations for lower North American supply.

Chickpeas

For 2017-18, exports are forecast to increase from 2016-17, largely due to increased demand from the US and Pakistan. Carry-out stocks are expected to remain tight. The average price is forecast to rise to an extremely high level due to strong world demand and lower world supply.

US chickpea production is estimated by USDA at 0.3 Mt, up sharply from 2016-17, due to record area. Despite this, Canadian chickpea exports to the US are forecast to rise marginally to 45 kt in 2017-18.

For 2018-19, the area seeded is forecast to increase from 2017-18, largely due to extremely high prices compared to other crops. As a result, production is expected to rise sharply to 145 kt. Supply is expected to rise 28% from last year due to lower carry-in stocks. Exports are expected to be lower than last year due to an expected increase in world supply and carry-out stocks are expected to rise sharply. The average price is forecast to decrease due to higher expected world supply.

Mustard Seed

For 2017-18, exports are forecast to be marginally lower than last year at 120 kt but carry-out stocks are expected to decrease significantly. The US and the EU currently account for over 80% of Canada's total exports to-date for Canadian mustard seed. The average price is expected to increase, due to the lower supply in Canada.

For 2018-19, the area seeded is forecast to decrease marginally, despite solid returns in 2017-18, but production is expected to rise by 19% to 145 kt due higher expected yields. Supply is forecast to decrease, due to lower carry-in stocks. Exports are expected to rise to 125 kt and carry-out stocks are expected to decrease. The average price is expected to decrease compared to 2017-18 due to increased world supply.

Canary Seed

For 2017-18, exports are forecast to be similar to last year. The EU and Mexico currently account for almost 60% of the total Canadian canary seed export market. Carry-out stocks are forecast to decrease. The average price is forecast to decrease slightly to an average of $465/t from $485/t last year for 2016-17.

For 2018-19, the area seeded is expected to increase marginally due to higher returns relative to other crops. Production is forecast to decrease due to lower yields compared to last year. Supply is expected to decrease to 135 kt. Exports are expected to fall due to lower supply and carry-out stocks are forecast to remain unchanged. The average price is forecast to be lower than the 2017-18 level.

Sunflower Seed

For 2017-18, exports are expected to be lower than the previous year and carry-out stocks are forecast to rise. The US is Canada's main export market for sunflower seed and accounts for 90% of Canada's total exports. The average price is expected to rise from 2016-17 due to smaller North American sunflower seed supply.

For the US, sunflower seed production is estimated by the USDA to have decreased by 18% to 1.0 Mt. About 0.8 Mt of the US sunflower seed crop is estimated to be oilseed types, significantly lower than last year. US confectionery type production was slightly higher this year at 0.1 Mt.

The global supply of sunflower seed is estimated by the USDA at 50 Mt. This is lower than last year due to reduced production in Ukraine. As a result, world exports are expected to decrease by 25% while domestic use is forecast to fall to 46 Mt. World carry-out stocks are expected to decrease to 2.1 Mt and has been supportive for world sunflower seed prices.

For 2018-19, the area seeded is forecast to remain unchanged from 2017-18 due to expectations for good returns relative to other crops. Production is forecast to fall to 45 kt due to lower yields. However, supply is expected to increase due to higher imports. Exports and carry-out stocks are expected to rise. The average price in Canada is forecast to be higher than in 2017-18 as the prices for confectionary type varieties increase marginally although prices for oil type varieties remain relatively unchanged.

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

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

February 16, 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	179	2,093	2,476	1,863	275
2017-2018f	2,106	2,088	2.38	4,962	10	6,835	4,600	180	540	935	1,300	255-285
2018-2019f	2,210	2,170	2.63	5,700	10	7,010	4,700	180	416	810	1,500	245-275
Wheat Except Durum												
2016-2017	7,156	6,643	3.67	24,378	99	28,555	15,621	3,269	3,963	7,961	4,973	235
2017-2018f	7,020	6,895	3.63	25,022	100	30,095	17,200	3,250	3,889	7,895	5,000	225-255
2018-2019f	7,300	7,140	3.40	24,300	100	29,400	17,200	3,290	3,654	7,700	4,500	225-255
All Wheat												
2016-2017	9,625	8,976	3.58	32,140	110	37,428	20,155	3,448	6,056	10,438	6,835	
2017-2018f	9,126	8,983	3.34	29,984	110	36,929	21,800	3,430	4,428	8,829	6,300	
2018-2019f	9,510	9,310	3.22	30,000	110	36,410	21,900	3,470	4,070	8,510	6,000	
Barley												
2016-2017	2,702	2,266	3.90	8,839	64	10,346	2,322	86	5,614	5,902	2,122	169
2017-2018f	2,334	2,114	3.73	7,891	125	10,138	2,650	135	5,543	5,888	1,600	205-235
2018-2019f	2,500	2,240	3.71	8,300	100	10,000	2,350	136	5,599	5,950	1,700	195-225
Corn												
2016-2017	1,452	1,414	9.83	13,889	851	16,982	1,285	5,187	8,307	13,510	2,187	171
2017-2018f	1,447	1,406	10.02	14,095	1,100	17,382	1,750	5,200	8,113	13,332	2,300	155-185
2018-2019f	1,475	1,450	10.00	14,500	600	17,400	1,600	5,300	8,184	13,500	2,300	160-190
Oats												
2016-2017	1,232	925	3.49	3,231	21	4,219	2,304	172	932	1,212	703	209
2017-2018f	1,295	1,049	3.55	3,724	20	4,447	2,325	180	857	1,147	975	215-245
2018-2019f	1,325	1,075	3.44	3,700	20	4,695	2,325	180	879	1,170	1,200	205-235
Rye												
2016-2017	186	140	3.12	436	1	488	145	48	119	180	163	115
2017-2018f	144	97	3.34	324	1	487	143	49	102	164	180	120-150
2018-2019f	125	95	2.89	275	0	455	153	49	89	152	150	125-155
Mixed Grains												
2016-2017	177	62	2.83	175	0	175	0	0	175	175	0	
2017-2018f	123	54	2.77	149	0	149	0	0	149	149	0	
2018-2019f	110	55	2.91	160	0	160	0	0	160	160	0	
Total Coarse Grains												
2016-2017	5,749	4,805	5.53	26,571	936	32,209	6,056	5,493	15,147	20,979	5,174	
2017-2018f	5,342	4,720	5.55	26,184	1,246	32,604	6,868	5,564	14,764	20,681	5,055	
2018-2019f	5,535	4,915	5.48	26,935	720	32,710	6,428	5,665	14,911	20,932	5,350	
Canola												
2016-2017	8,411	8,263	2.37	19,599	95	21,785	11,016	9,191	162	9,421	1,348	529
2017-2018f	9,307	9,266	2.30	21,313	100	22,761	11,500	9,100	110	9,261	2,000	505-535
2018-2019f	9,730	9,716	2.23	21,700	100	23,800	12,000	9,300	199	9,550	2,250	510-550
Flaxseed												
2016-2017	381	342	1.73	591	17	887	500	0	128	146	240	458
2017-2018f	421	417	1.31	548	10	798	500	0	48	68	230	440-470
2018-2019f	400	395	1.52	600	10	840	600	0	20	40	200	440-480
Soybeans												
2016-2017	2,269	2,232	2.96	6,597	482	7,459	4,418	1,832	546	2,681	359	454
2017-2018f	2,947	2,935	2.63	7,717	250	8,326	5,600	1,800	351	2,351	375	410-440
2018-2019f	3,000	2,980	2.72	8,100	250	8,725	6,000	1,900	300	2,400	325	415-455
Total Oilseeds												
2016-2017	11,061	10,837	2.47	26,787	594	30,130	15,935	11,024	836	12,248	1,947	
2017-2018f	12,674	12,618	2.34	29,578	360	31,885	17,600	10,900	509	11,680	2,605	
2018-2019f	13,130	13,091	2.32	30,400	360	33,365	18,600	11,200	519	11,990	2,775	
Total Grains And Oilseeds												
2016-2017	26,435	24,618	3.47	85,497	1,640	99,767	42,146	19,964	22,040	43,664	13,957	
2017-2018f	27,142	26,321	3.26	85,746	1,716	101,418	46,268	19,894	19,701	41,190	13,960	
2018-2019f	28,175	27,316	3.20	87,335	1,190	102,486	46,928	20,335	19,500	41,432	14,125	

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

CANADA: PULSES AND SPECIAL CROPS SUPPLY AND DISPOSITION

February 16, 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	821	1,100	33	240-270
2018-2019f	1,300	1,280	2.50	3,200	15	4,315	2,600	815	900	26	220-250
Lentils											
2016-2017	2,254	2,221	1.44	3,194	98	3,365	2,455	595	315	10	575
2017-2018f	1,783	1,774	1.44	2,559	50	2,924	1,500	524	900	44	480-510
2018-2019f	1,300	1,280	1.56	2,000	50	2,950	1,800	400	750	34	455-485
Dry Beans											
2016-2017	133	120	2.07	249	91	355	337	16	2	1	885
2017-2018f	135	131	2.45	322	110	434	345	29	60	16	710-740
2018-2019f	125	123	2.24	275	80	415	335	25	55	15	765-795
Chickpeas											
2016-2017	62	44	1.86	82	27	129	108	16	5	4	1,000
2017-2018f	68	68	1.35	92	55	152	140	7	5	3	1170-1200
2018-2019f	80	79	1.84	145	45	195	125	20	50	34	1000-1030
Mustard Seed											
2016-2017	206	195	1.21	236	10	251	124	47	80	47	660
2017-2018f	156	153	0.80	122	10	212	120	47	45	27	815-845
2018-2019f	150	146	0.99	145	2	192	125	42	25	15	810-840
Canary Seed											
2016-2017	105	95	1.48	140	0	175	153	2	20	13	485
2017-2018f	103	103	1.33	137	0	157	150	2	5	3	450-480
2018-2019f	105	101	1.29	130	0	135	130	0	5	4	440-470
Sunflower Seed											
2016-2017	28	28	1.84	51	29	105	18	47	40	62	565
2017-2018f	26	26	2.26	58	20	118	16	47	55	88	575-605
2018-2019f	26	25	1.80	45	30	130	20	45	65	100	585-615
Total Pulses and Special Crops (c)											
2016-2017	4,520	4,379	2.01	8,788	287	9,422	7,138	1,521	763	9	
2017-2018f	3,927	3,897	1.90	7,402	253	8,417	4,771	1,476	2,170	35	
2018-2019f	3,086	3,034	1.96	5,940	222	8,332	5,135	1,347	1,850	29	

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