

**Required Report:** Required - Public Distribution

**Date:** January 26, 2023

**Report Number:** CA2023-0003

## **Report Name:** Grain and Feed Update

**Country:** Canada

**Post:** Ottawa

**Report Category:** Grain and Feed

**Prepared By:** Erin Danielson

**Approved By:** Philip Hayes

### **Report Highlights:**

In the marketing year 2022/23, wheat production increased more than 50 percent from the previous year to 33.8 million metric tons on increased area planted and higher yields due to improved soil moisture. Wheat exports are forecast to increase year-over-year on larger domestic supplies and strong demand from China, Japan, Indonesia, and South America.

**Table 1: Production, Supply, and Demand of Wheat in Canada**

WHEAT	2020/2021		2021/2022		2022/2023	
Market Begin Year	Aug-20		Aug-21		Aug-22	
	USDA Official	Post	USDA Official	Post	USDA Official	Post
Area Harvested (1000 HA)	10,018	10,018	9,193	9,193	10,082	10,082
Beginning Stocks (1000 MT)	5,499	5,499	5,953	5,953	3,673	3,673
Production (1000 MT)	35,437	35,437	22,296	22,296	33,824	33,824
MY Imports (1000 MT)	546	544	552	549	600	550
TY Imports (1000 MT)	549	543	557	555	600	550
TY Imp. from U.S. (1000 MT)	319	319				
Total Supply (1000 MT)	41,482	41,480	28,801	28,798	38,097	38,047
MY Exports (1000 MT)	26,429	26,429	15,134	15,116	26,000	26,000
TY Exports (1000 MT)	27,723	27,722	15,007	14,990	26,000	26,000
Feed and Residual (1000 MT)	4,150	4,163	4,994	5,003	3,500	3,327
FSI Consumption (1000 MT)	4,950	4,935	5,000	5,006	5,050	5,120
Total Consumption (1000 MT)	9,100	9,098	9,994	10,009	8,550	8,447
Ending Stocks (1000 MT)	5,953	5,953	3,673	3,673	3,547	3,600
Total Distribution (1000 MT)	41,482	41,480	28,801	28,798	38,097	38,047
Yield (MT/HA)	3.54	3.54	2.43	2.43	3.36	3.35

**PRODUCTION - Marketing Year 2022/2023**

Total wheat production increased by more than 50 percent above marketing year (MY) 2021/22 production levels on a nine percent increase in area planted and improved soil moisture conditions putting yields in line with the three-year average of years 2018-2020, prior to the 2021 drought.

Final wheat production estimates published by Statistics Canada in December 2022 are three percent below the Government of Canada's previous forecast.

Non-durum and durum wheat grown in 2022 is of [high quality](#), resulting in lower feed-grade wheat supplies. For further details on wheat quality, see GAIN report [CA2022-0035](#).

**PRODUCTION - Marketing Year 2023/2024**

Prices of some fertilizers have eased, year-over-year, during the first three weeks of January. Any decrease in fertilizer supply caused by transportation or supply disruptions could cause fertilizer prices to rise.

The governments of [Saskatchewan](#) and [Alberta](#) anticipate continued pressure from grasshoppers in some wheat-growing areas. Severe and very severe pressure is expected North of Swift Current, Saskatchewan, and in patches of southern Alberta.

In April 2021, the Canadian government announced [label changes](#) for lambda-cyhalothrin-containing chemical products, such as Syngenta’s Matador and ADAMA Canada’s Silencer, two pesticides commonly applied to field crops. These two popular pesticides are registered to control grasshopper populations in wheat and are also used on other field crops. According to the decision, lambda-cyhalothrin cannot be used on crops destined for Canadian feed channels, effective April 2023.-However, these field crops are used for feed and food with producers oftentimes not knowing the end use when pesticides may be applied. Farmers are concerned that losing the use of lambda-cyhalothrin-containing pesticide products may affect their ability to protect wheat (and other crops) from pest-induced diminishment of quality and yield.

In November 2022, Syngenta and ADAMA voluntarily pulled their products from retail shelves. Crops treated with lambda-cyhalothrin can still be sold into human food channels but there is currently no product available on retail shelves<sup>1</sup>. Alternative products exist but lambda-cyhalothrin-containing products are among the top three pesticides of choice. Post is unaware of the supply or efficacy of alternative products.

Most analysts that Post spoke with stated that the inability of field crop farmers to access lambda-cyhalothrin-containing pesticides should not significantly affect planting decisions.

## DOMESTIC CONSUMPTION

**Table 2: Total Wheat Milled (‘000 MT), Marketing Year YTD (Aug. Nov.)**

	MY 2019/20	MY 2020/21	MY 2021/22	MY 2022/23
<b>Total wheat milled</b>	1,107	1,147	1,097	1,138
<b>Western red spring wheat milled</b>	797	792	753	740
<b>Western amber durum wheat milled</b>	76	79	73	72
<b>Other western wheat milled</b>	24	28	29	36
<b>Ontario winter wheat milled</b>	190	212	203	225
<b>Other eastern wheat milled</b>	20	36	38	64

Source: Statistics Canada; FAS Ottawa

Note: Figures do not add to totals because of rounding

Total wheat milled increased four percent year-to-date (YTD) November 2023 over the same period in MY 2021/23. This increase is due to an increase of wheat being milled in Eastern Canada.

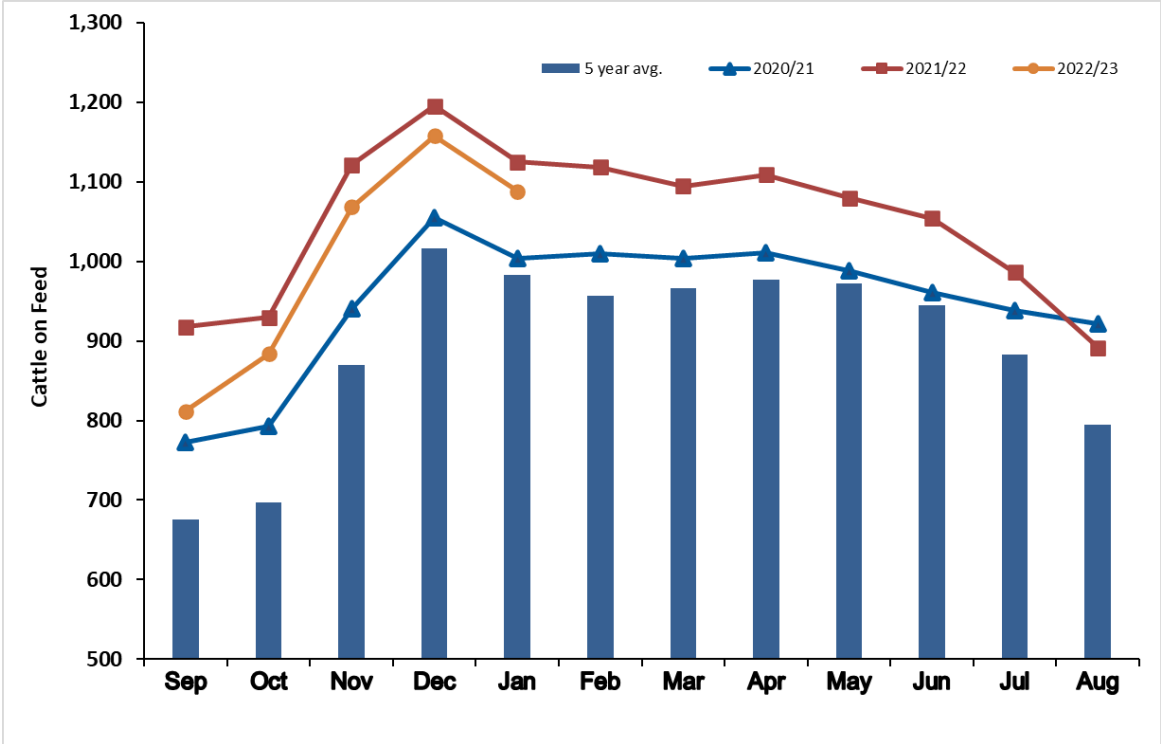
In December 2022, Statistics Canada’s Consumer Price Index showed that prices in the bakery and cereal products category were up nearly 15 percent year-over-year. Flour and flour-based mixes purchased at retail stores were up 22 percent.

---

<sup>1</sup> Syngenta Matador will continue to be available in eastern Canada for use on horticultural crops.

Feed demand in MY 2022/23 is forecast to be marginally lower than the previous year on reduced placements and increased marketings of cattle on feed in the prairie provinces.

**Graphic 1: Cattle on Feed at Alberta and Saskatchewan feedlots with >1,000 head capacity**



Source: CANFAX

## EXPORTS - MY 2022/23

**Table 3: Canadian wheat exports incl. durum, YTD (Aug. to Nov.)**

	Export volume, '000 tons			Market share			Change 2022/2021	
	08/2020 - 11/2020	08/2021 - 11/2021	08/2022 - 11/2022	08/2020 - 11/2020 % Share	08/2021 - 11/2021 % Share	08/2022 - 11/2022 % Share	Volume	Percent
<b>World</b>	8,781	5,560	8,266	100	100	100	2,705	49%
<b>China</b>	961	231	1,377	11.0	4.2	16.7	1,147	497%
<b>Italy</b>	699	257	653	8.0	4.6	7.9	397	155%
<b>United States</b>	577	587	604	6.6	10.6	7.3	17	3%
<b>Japan</b>	598	548	580	6.8	9.9	7.0	32	6%
<b>Peru</b>	726	360	505	8.3	6.5	6.1	144	40%
<b>Colombia</b>	411	274	485	4.7	4.9	5.9	210	77%
<b>Bangladesh</b>	423	250	473	4.8	4.5	5.7	222	89%
<b>Indonesia</b>	807	412	409	9.2	7.4	5.0	-3	-1%
<b>Ecuador</b>	213	361	276	2.4	6.5	3.3	-85	-23%
<b>Mexico</b>	246	146	266	2.8	2.6	3.2	119	81%

Source: Trade Data Monitor, LLC

Total wheat exports are forecast to rise on strong demand from China, Indonesia, South America, Japan, and Italy.

YTD November exports increased nearly 50 percent over the same period in MY 2021/22, driven by increased wheat supplies due to the improved conditions in MY 2022/23 and increased demand from China. Canada exported 525,000 metric tons (MT) of wheat to China in October 2022, the largest monthly volume in at least ten years.

Though not yet captured in the trade data, due to a two-month lag in reporting, [Japan](#) and Indonesia have also made large purchases of Canadian wheat this marketing year.

A Canadian Pacific (CP) Railway spokesperson publicly stated that CP is expected to take over the last of Kansas City Southern (KCS) shares by the end of Q1-2023, subject to final approvals from the U.S. Surface Transportation. Canadian associations representing field crops view the merger as a benefit to the industry because it will allow shipments to originate in Western Canada and terminate in Mexico, increasing efficiency and making Canadian agricultural products available in new areas. But shippers of U.S. agricultural chemicals have raised concerns that CP has overly restrictive requirements for shipping hazardous materials, making it more

difficult for them to access Canada using CP. [Take-aways](#) from industry’s testimony on the merger have been reported in the media.

## WHEAT IMPORTS – MY 2022/23

**Table 4: Canada wheat imports incl. durum, YTD (Aug. to Nov.)**

	Export volume, tons			Market share			Change 2022/2021	
	08/2020 - 11/2020	08/2021 11/2021	08/2022 - 11/2022	08/2020 - 11/2020 % Share	08/2021 - 11/2021 % Share	08/2022 11/2022 % Share	Volume	Percent
World	30,230	97,632	45,837	100	100	100	-51,795	-1
United States	30,180	97,632	45,668	99.8	100	99.6	-51,964	-1

Source: Trade Data Monitor, LLC

Wheat grain imports are projected to remain low. Some demand for feed wheat will be driven by the scarcity of feed grade wheat in a year of high-quality production, but freight rates will determine the level of feed wheat imported.

Feed wheat has represented an annual average of only 13 percent of total distribution over the past five years, and only 12 percent of feed wheat consumption was met by U.S. imports. Feed corn and barley are preferred over feed wheat. U.S. wheat is generally imported primarily for the purpose of feeding livestock, because of sufficient domestic supplies for other end uses. Also, under Canada’s varietal registration system, most wheat varieties commonly grown in the United States are unapproved in Canada and automatically receive a feed grade once imported into Canada regardless of quality.

As forecasted, Canadian demand for U.S. wheat products (e.g., flour, pasta) remained strong in the first four months of the marketing year. Post forecasts a return to historic levels as more Canadian wheat becomes available to domestic millers and processors.

Importation continues to be permitted for crop commodities impacted by the government’s label change for lambda-cyhalothrin at their currently established [MRLs](#), if applicable. However, it is still unclear what impact the April 2023 changes will have on imports into Canada.

## **Ending stocks**

MY 2022/23 storage stocks of wheat are projected to increase year-over-year, due to increased domestic supplies. However, pent up international and domestic demand will prevent total stocks from returning to historic averages.

Statistics Canada is scheduled to release December 31, 2022 storage stocks data in early February. The most recent storage stocks data is from July 31, 2022.

The agency reported that total stocks of wheat fell 38 percent year-over-year to 3.7 million MT as of July 31, 2022, largely because of lower total supplies. Commercial stocks were down 23 percent year-over-year to 2.7 million MT and on-farm stocks were down 60 percent to 970,100 MT. The decrease in total wheat stocks was driven by both wheat excluding durum (down 39.6 percent to 3.1 million MT) and durum (down 30.5 percent to 565,300 MT).

## **Attachments:**

No Attachments