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CANADIAN WHEAT SITUATION AND OUTLOOK

[By J. S. Carmichael, Marketing and Trade Division, Agriculture Canada]

Perhaps I may take the opportunity even if listed as a discussant to tell you a little about the Canadian wheat industry.

In Canada, the main growing areas for grain are the three prairie provinces of Manitoba, Saskatchewan, and Alberta. Saskatchewan is the major wheat province. This year Saskatchewan grew 61 percent of total Canadian wheat, Alberta 21 percent, Manitoba 12 percent, Ontario 4 percent (soft wheat) for 98 percent or more of the total for Canada. Alberta is the main province for barley with about 50 percent of the total, with Saskatchewan about 30 percent. In Manitoba crops are more diversified, some sunflowers, canning crops and sugar beets being grown in the red River Valley. Ontario grows the bulk of the soft winter wheat and 90 percent or more of the Canadian corn for grain. Quebec grows some corn and other feed grains.

The Maritime areas grow small amounts of grain, particularly Prince Edward Island, but generally speaking the Maritime Provinces, British Columbia and Quebec are importers of grain from the prairie provinces. There is not a great deal of scope for bringing more land in Canada into production, except on a marginal basis.

All but about 3 or 4 percent of our wheat is planted in the spring in western Canada. Average annual rainfall in this area is about 15 inches. The wheat produced in the prairie area is largely of the hard red spring varieties. A small area of durum is planted and in recent years a small area of dual purpose or so-called utility wheat is also planted.

In 1973–74 probably an average year, protein content of the hard red spring varieties of 13–13.5 was most common, followed by 13.5 to 14, then 12.5 to 13 and 14–14.5. Prairie wheats are largely either bread wheats, or durums for pastas. Ontario soft wheat is used for cake mixes, and other pastry type products.

The largest acreages sown to wheat in Canada occurred in the period 1964–68. For this period average acreage was more than 29 million acres with one year, 1967 having more than 30 million. For the last 6 or 7 years we have been in the 23–24 million acre range, just about one-third of the U.S. acreage harvested in 1975. The decline in wheat acreage in the last years has been accompanied by some expansion in the area planted to barley and rapeseed.

Our yields on two occasions have exceeded 27 bushels an acre but for the last 5 years or so the average has been about 25, well below United States averages. The reason, of course, is that the U.S. production has a high proportion of winter wheat varieties while Canadian production is almost all of the low yielding spring varieties.

In production our biggest year was 1966, the only year we produced as much as 800 million bushels. For the last five years we have had 3 years when production was a little more than 500 million bushels and two years including the current one just over 600 million bushels—about 28 percent of U.S. production.

On five occasions we have had annual exports exceeding 500 million bushels, in 1963–64, 1965–66, and 1966–67 when the U.S.S.R. had special requirements which were more or less repeated in 1971–72, and 1972–73. For the last two years exports have been around the 400 million bushel mark (less than 400 million in 1974–75) and in 1975 cannot greatly exceed 400 million bushels. This is roughly one-third of what you export.

In domestic consumption we use only about 65 million for human food, but with 32 million bushels or so for seed, and something over 70 million for annual feed, waste, and dockage, our domestic utilization runs to about 175 million bushels a year.

Stocks of Canadian wheat in the last 10 years or so have had 2 distinct phases. For a period of 4 years stocks increased sharply to 1970–71 when our stocks exceeded 1 billion bushels equal to nearly 2 years production. This particular year was marked by a program of government incentives to reduce plantings to keep our supply more in line with world requirements. There followed 5 years of reduced production and almost steadily falling stocks. Our carryover in the past couple of years has been just about at the minimum level required to service domestic and export markets from the end of our crop year (July 31) until the new crop reaches export position, usually late in October.

Perhaps it is appropriate to make comments on this specific crop year. All wheat production has been estimated by Statistics Canada in September at 607 million bushels on average yields of 25.9 bushels an acre. With carryover at 288 million, supplies amounted to 894 million bushels, about 35 million more than last year. The year 1974 had been a very difficult year, with little seeding until near the end of May due to wet weather, which was followed by very dry weather in the growing season and destructive early frost. This current season was a little better generally, but a little late, and with difficult harvesting conditions as a result of continuous wet weather especially across the southern part of the prairies and particularly in Manitoba. Only 56 percent of the spring wheat is in the top 2 grades compared with 38 percent last year and 75 percent on an average year. Durum is largely 3 CW or 4 CW. The protein content is lower this year than normal.

Out of the total of 607 million bushels, durum wheat amounted to 91 million bushels, about 60 percent more than last year and our biggest durum crop on record. In Ontario, the soft winter wheat crop amounted to 23 million bushels, considerably more than we require domestically.

Exports of wheat were off to a better start this year. To the end of October spring wheat exports at 112 million bushels (not including flour) were 34 million ahead of last year and exports of durum amounted to another 13 million bushels. Last year we were hampered by strikes early in the crop year. We have sold this year 3.9 million tonnes (145 million bushels) to the U.S.S.R. alone, including 37 million bushels of durum.

To some extent it is difficult to forecast what will happen next year in Canada in planting of one grain without consideration of factors covering all grains, and summerfallow. Any sizable increase in plantings next year will depend on whether some decrease can be accomplished in the 27–28 million acres held in summerfallow in the last few years. Farmers appear to feel there is need for sizable summerfallow acreage particularly in the drier southern prairies to conserve moisture and permit weed control.

Canadian farmers, like United States farmers, in considering next year's planting program look at prospective returns from alternative crops. We believe that for next year Canadian farmers will feel that there is a tendency for more potential strength in the wheat market than in the barley or rapeseed markets. We would expect to see a 10–12 percent increase in wheat plantings to perhaps 26 million acres in wheat with some balancing reduction in rapeseed, possibly a small reduction in summerfallow, and possibly even a small reduction in feed grains. If we grew 26 million acres we would have available for export 475–500 million bushels which seems a reasonable goal for the 1976–77 crop year.

Anyone who comments specifically on prospective prices these days is likely to lose his credibility pretty fast. There was an interesting comment recently in a newsletter of the German industrialist Alfred Toepfer which has implications for prices: "One should certainly not disregard the experience of recent years which has made it very clear that the purely statistical view of the supply-demand situation has lost much of its meaning; external factors, rumours and speculation, government intervention, and often contradictory utterances by those in authority are much more frequently swaying the market this way or that". In spite of the wisdom of the above statement, I would go as far as to suggest that unless currently unforeseen demand factors intrude, prices should recover somewhat from the current weakness and remain firm for the next few months with no significant change until information on the size of next year's world crops begins to emerge. At present we are really working on a one year at a time basis. If next year shapes up as a year when world stocks will build up, prices will be softer by summer, but there could be price increases if a world crop larger than this year's does not seem to be forthcoming.

It was reasonable to expect that improvements in world supplies could have occurred in either one of the last two years. This did not happen, of course, due to weather conditions. In the years to come we may very well have a more volatile situation in wheat than has been the case up until a few years ago. New production areas in some countries may tend to be marginal. Probably even though the productive capacity is available and the wheat and rice which can be produced is capable of feeding the world for many years to come, producing countries such as Canada and the United States will not want to amass the size of stocks of a few years ago. There would be continued uncertainty of world supplies, at least until a world reserve plan is in position.

It appears to me that Canadian wheat production has been running below desirable levels the last few years and that world demand warrants some increase in Canadian production for a few years at least.

Thank you again for your kind invitation to be present at your Outlook Conference.