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I welcome the opportunity to again participate in your Conference and to comment on the food grains outlook from a Canadian point of view. Although I will direct most of my comments to wheat, we look at all of the grains together and I will include some background on feedgrains and oilseeds. You might also find it useful if I added a few words about our views of the longer-term and the current priorities in our domestic grain programs.

#### Excellent Growing Conditions

When I spoke to you in November, 1979, I mentioned that farmers in the Canadian West had experienced most of the problems of growing grain in the northern regions of the continent that year. In 1981, the situation was nearly reversed. Following drought conditions in the Canadian West in 1980, the winter was mild and there was limited snow. So we started the 1981 growing season with reduced prospects again. We even had serious dust storms in parts of the West that reminded older people of the 1930's. Farmers went ahead and seeded an increased acreage based on the good market opportunities that prevailed for grains. Adequate and timely rains came throughout the season and it was not excessively hot. There was very little early frost and Western farmers enjoyed one of the best harvest conditions for years. The elements were not quite as kind to Eastern farmers where excessive moisture, particularly in recent weeks, is taking its toll. A considerable amount of our corn crop is still out in the field.

#### Record Harvest

Canadian production of wheat and feedgrains actually reached record levels in 1981. The total wheat crop was just over 24 million tonnes, about 3% over the previous record and 27% over 1980. To place this in context, we produce about one-third as much wheat as you do. Barley production was also a record as was rye and corn. You will appreciate that our corn production, while rising steadily, is still quite small, about 3% of yours. Our rapeseed crop, which we now call Canola, was the lowest since 1976. Incidentally, we consume a lot of Canola oil and feed

considerable quantities of Canola meal, in case you are not aware that this is used for food as well as feed. I have attached a table of the 1981 production of principal crops in Canada to the text for later circulation.

#### Crop of Excellent Quality

Our preliminary surveys of quality show relatively high grades and protein levels despite the above average yields. We expect that more than 80% of the 1981 wheat crop will grade #1 or #2 Canadian Western Red Springs, compared with about 50% in those grades last year. The share of durum falling in the top grades is also somewhat above the 1980 levels. We had similar results for the other grains due, of course, to the good growing season and particularly the excellent harvesting conditions. The overall protein level for wheat is quite good and somewhat above the 1980 crop. I do not think that you should be too concerned about greater competition due to the size of our crop and its good quality. The buyers seem to recognize the quality characteristics and pay a fair premium for our top wheats. We will seek the best possible prices for our producers and we hope that you will do the same.

#### The Outlook for Canadian Exports and Carryover

Since we have a record quantity of grain supplies in Western Canada and our transportation and handling system is working quite well, the Canadian Wheat Board has established an export target for Prairie grains, oilseeds and products of about 26 million tonnes. This is some 13% over our ~~previous~~ record set in 1979/80 and is in line with our longer-term objective of exporting 30 million tonnes by 1985. The Board has a heavy sales program already in place and the railways and handling systems have sufficient capacity to accommodate this movement. You will recognize that the establishment of export targets in Canada is always a gamble, given the variable growing conditions and winters that we experience but the whole system seems dedicated to achieving our export targets. Again, to keep our exports in context, 26 million tonnes represents about 15% of what I understand to be the anticipated volume of exports of similar U.S. grains and products. Our export target of 30 million tonnes of grains and products by 1985 is, of course, based on the expectation that world markets will continue to expand in line with longer-term trends and is designed to maintain our share of that growing trade. You will also be aware that our production and exports are not expanding as rapidly as your own since we do not have a comparable land resource or climate.

With respect to wheat, I believe that the current USDA export estimates for Canada, about 17.5 million tonnes, are reasonable. Even at that level, we will add somewhat to carry-over stocks, increasing to about 9.5 million tonnes. We understand that stocks in the U.S., as well as in other major exporting countries, are expected to decline somewhat in this crop year. Total Canadian wheat shipments to date are running behind last year, although overall grain exports are at comparable levels. The short Thunder Bay grain handlers' strike reduced throughput there but this situation has returned to normal and car unloadings are increasing rapidly. Shipments through the West Coast have been establishing records.

Since grain reserves form an important part of your domestic grain program and do have a significant impact on the market, I should point out that the carryover of wheat in Canada as a share of utilization, including exports, is normally around 50%. In some earlier years, we held back a much greater share through our quota system. I believe that your year end stocks represent about 30% of utilization and in the case of Australia and Argentina the share is much lower. Our carryover includes sufficient grain to keep our system going from the end of the crop year until the new crop is available, which accounts for some of the differences but we, like yourselves, believe that the management of stocks represents an important element in our programs for strengthening the markets when desirable.

With respect to other grains, our exports of barley and other feedgrains will also increase this crop year but oilseeds exports will likely remain steady. The carryover of feedgrains will be somewhat higher than a year ago but not burdensome and our stocks of oilseeds will be reduced to low levels.

#### Looking Towards Next Year

As is our normal practice, we will be developing recommended acreages and providing market guidance to Canadian producers by March 1. We hold our Outlook Conference in early December and we are always pleased to welcome Americans who are prepared to face our climate at that time of year. Based on our current thinking, I expect that the emphasis for 1982 will be similar to 1981, although an increase in Canola acreage will be needed. Although we are optimistic that there will be a fairly steady increase in Canadian grain production through the 1980's, we expect that wheat acreage will remain at about this year's level in the coming season. The Canadian Government reduced the initial payments for Western grains delivered to the Canadian Wheat Board for this crop year, which will be a factor influencing producers' planting intentions for wheat, barley and oats.

## International Outlook

Canadian estimates of the world crop situation and outlook are in line with USDA figures and those provided by the International Wheat Council. During the summer, we were not as optimistic about world wheat production and, hence, we had somewhat higher projections for trade and lower carryover figures. On the other hand, we did not anticipate such a large U.S. corn crop. It now appears that world utilization will be very close to production. There is considerable concern about softness of prices, particularly when the world supply and demand situation is not greatly different than that which prevailed in the previous crop year. It appears that prices in the international market may be reflecting the supply/demand situation within the U.S. to a greater extent than the more balanced situation in the world generally. Although wheat prices are currently lower than last year, we are optimistic that a modest recovery will occur through the winter months as the market recognizes the somewhat tighter physical situation than earlier projected.

## Co-operation and Co-ordination Essential

In 1979, I suggested to this Conference that we appeared to have entered a new phase of grain production and trade with much to be gained by greater consultation and co-ordination of our programs among the major exporting countries. At that time, we were expecting that the international wheat market would exceed 85 million tonnes by the mid-1980's, depending, of course, on the weather. We agree with the USDA estimate that world wheat trade will exceed 100 million tonnes in this crop year so we are working well above our earlier projected trend line.

In Canada, we are continuing to plan on the basis of a continuation of the basic trend towards greater production and trade. The program of replacing worn out boxcars with new hoppers is proceeding, with over half of the grain fleet having been modernized. We are also rebuilding most of the basic Prairie railway branch line system. The development of a major new grain terminal in Prince Rupert on the West Coast appears assured, with a consortium of grain companies taking the initiative with Federal and Provincial assistance. We face an immediate need to expand our capacity through the Rocky Mountains and eventually to the East as well. We believe that the international market must bear a substantial part of the cost of this expansion, since it appears evident that the world will require increased shipments of grain for a number of decades.

It is recognized that there will be major fluctuations in supply and possibly demand from one year to another and that market variability may increase. It must be discouraging for farmers who respond to these longer-term trends by producing larger harvests, to watch prices edge downward as a result of their efforts and the co-operation of the weather. We believe that early International Wheat Agreements worked quite well, not so much because of the provisions that they contained, but rather because the major exporters -- the U.S.A. and Canada at that time -- closely co-ordinated their systems within the parameters established by the IWA. Other grain trading countries supported these actions in the interest of adequate production and trade.

More recent attempts to develop similar agreements with greater flexibility have not been successful. Although efforts are continuing to find alternative approaches with even more flexibility, we continue to hold the view that close co-ordination among exporting countries will work to the benefit of our grain producers and the international community. We believe that programs which provide a sound basis for production should be encouraged in the interests of exporting and importing countries and, conversely, that any programs that depress incomes to grain farmers who receive their returns from the international market, should be discouraged. Consequently, we share your concern over the use of export subsidies by the EEC, which we consider lead to reduced incomes for Canadian grain farmers. We are also concerned at practices of other exporters that appear excessively competitive in circumstances when grain prices are clearly too low in relation to costs of production.

It should be possible for the major grain producing and trading countries to focus on problems of supply and inadequate producer returns and find ways that will reduce or eliminate them. We are continuing to encourage consultations among the exporting countries for this purpose and we are hopeful that policy meetings can be organized in the near future. The Minister responsible for the Canadian Wheat Board has met with your Secretary of Agriculture and was encouraged by the Secretary's positive attitude towards continuing this dialogue. More recently, the Canadian Minister met with the French Minister of Agriculture and received a favourable response to suggestions for greater co-operation in the grain sector. Once again, I can assure you that the Canadian Government is dedicated to closer working relationships among the exporting countries and with our customers to respond to the demands and challenges of the 1980's.

Production of Principal Crops in Canada

('000 tonnes)

	<u>1980</u>	<u>1981*</u>
Winter wheat	888	1,021
Spring wheat	16,367	20,546
Durum wheat	1,943	2,792
All wheat	19,158	24,360
Barley	11,259	13,317
Oats (for grain)	3,028	3,591
Rye (for grain)	448	959
Corn (for grain)	5,434	6,136
Rapeseed	2,483	1,782
Flaxseed	465	485

Source: Statistics Canada

\* September Forecast