



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Minister

Ministre

Ottawa, Canada
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UNCLASSIFIED

FOR ACTION

CCM #: NXX-XXXXX

RDIMS #: XXXXXXXX

Date: 27.03.2019

BRIEFING NOTE FOR THE MINISTER

Subject: A more independent agriculture data system is necessary,
in order to help Canadian farmers avoid future loss due to the information gap.

Issue

The 2019 US government shutdown brought to light the danger of relying on a foreign agency to obtain data driving a major economic sector in Canada. Canadian Farmers and their families were left in uncertainty during the time of the year where future crop productions are made.

Background

- The 2019 US shutdown spanned from December 22, 2018 to January 25, 2019 and was the longest in US history, as well as the second US shutdown under the Donald Trump administration.
- As a result of the shutdown, the US department of agriculture (USDA) did not release its January 2019 World Agricultural Supply and Demand Estimate report.
- Canadian farmers rely on this monthly report to decide the type and quantity of seeds to buy, plan which crops they will grow, price their existing crops, and make general day-to-day marketing decisions.
- When the February WASDE report got released, there was still time before the deadline for decision, but the lack of data caused by the US shutdown still caused many uncertainty problems with the delay such as the change in seed price.
- Canadian farmers turned to private agencies to have data (**ANNEX A**)
- The China-US trade war benefitted Canadian farmers as US exports to China significantly dropped, thus this time reducing the impact of a lack of data (**ANNEX B**).

Considerations

Current available support from the government include the following:

- Advance Payments Program (APP) (**ANNEX C**)
- Agpal (**ANNEX D**)
- Market Intelligence Reports (**ANNEX E**)

Possible actions the farmers can currently take include the following:

- **Use AAFC's outlook report:**

The Department of Agriculture and Agri-Food Canada (AAFC) releases a monthly outlook report for Canadian principal field crops. These reports include detailed information on crop production yields and average prices for 2018, as well as the forecasts for 2019-2020. These outlook reports are published on the AAFC website, and is freely accessible to all. It is important to note, however, that the unavailability of the USDA statistical reports hindered a complete outlook to be created for the months of December 2018 and January 2019. (ANNEX G shows excerpts of the AAFC January outlook report and how to access it)

- **Develop their own data tracking method:**

An independent crop tracker could be implemented by individual farmers to collect annual or monthly crop yields and prices for their own farm, thus creating a financial summary for previous planting seasons. Although this method is time consuming, having immediate access to reliable data could be advantageous when challenges arise in the future.

The above solutions are feasible for the short-term, but to minimize future losses, actions toward setting long-term solutions need to take place.

Possible long-term solutions include the following:

- **International trade links:**

International trade communication enable Canadian agriculture to attract lots of foreign investors, thereby reducing the government's agricultural budgetary pressures and stabilizing farmer families long-term incomes.

- **Collect and analyze information independently:**

Information society improve the speed and accuracy of collecting information, thus analyzing the future market trend and the future planting plan are faster and more credible than before. Having own database can speed up the speed of access to information and greatly avoid the influence of international disputes.

- **Encourage or fund farmers:**

Government should mobilize farmers work together to address future risks

1. **Long -term international export and import contracts**

The AAFC and government should help farmers get large and long-term international trade orders and pay part of their contracts maintenance costs. Long-term contracts can ensure long- term planting plans for farmers, so the farmer families' incomes can be guaranteed.

2. **Farmers' transnational learning and communication**

The AAFC should create opportunities for farmers to learn from abroad. The purpose is not only to allow them to communicate technically to improve the quality and competitiveness of agricultural products, but also to let them understand the supply and demand environment of the international agricultural food market so that they can develop precise and detailed planting plans in the future.

Recommendation

With consideration to the cost and effect, speeding up the estimation seems to be the most practical idea. Farmers need to buy the seed now for the spring, but the uncertainty is a significant problem not only to the product market, but to the seed market. As the time left for purchasing seed decrease, there may be dramatic increase in the price of the seed.

The minister should ask the analyst to speed up the analysis as soon as possible.

- Farmer's family's income mainly depend on the products they made. Now the information gap creates huge problems. With the help of government, their income can be more stable therefore improve their lives.

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☐ I approve. ☐ Please discuss
with my staff.

☐ I do not approve.

Marie-Claude Bibeau, P.C., M.P.

ANNEX A

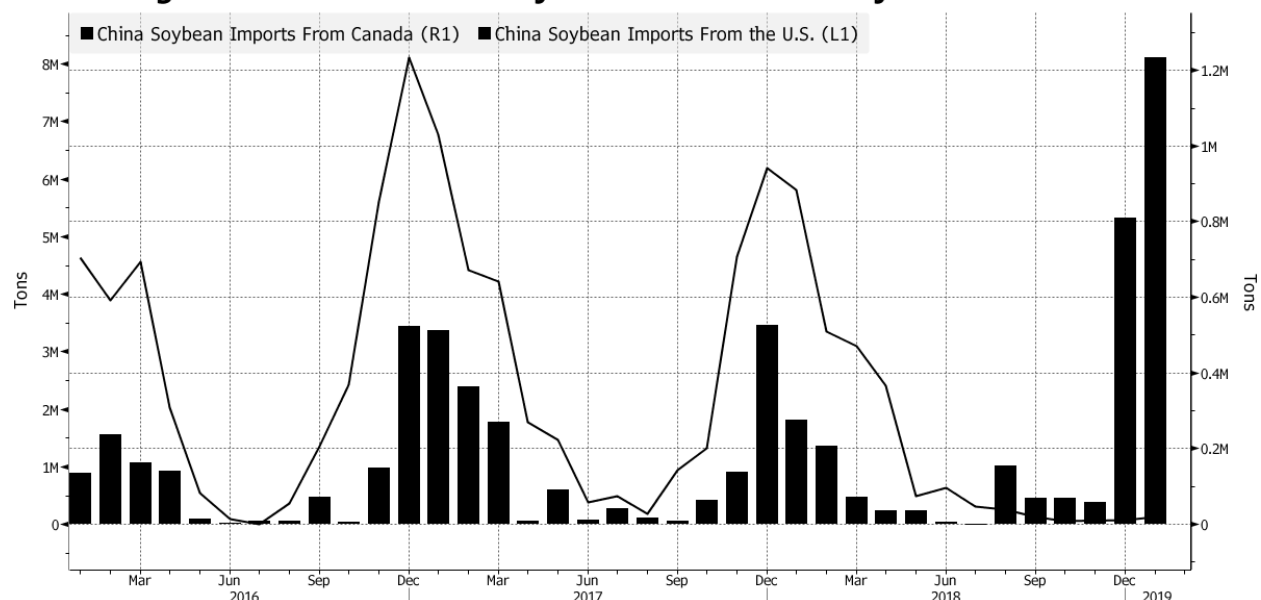
With the lack of WASDE report in January, farmers had to turn elsewhere to get their data. Private companies such as Gro Intelligence, Indigo Ag and Farmers Business developed alternative ways to collect data using for example computing power and sensors in agricultural machinery and were ready to step in when the January 2019 WASDE report did not get published. They are using these techniques to save on data collection and on money, so those methods of data collection have major flaws like being reliable only locally and are hard to use to forecast the global market. There is here an opportunity for the government of Canada to step in and provide extensive reports that Canadian farmers can use and farmers from other countries could rely on when there are shutdowns such as in the US. This information comes from the article “New crop data providers cash in on US shutdown” by Gregory Meyer and Emiko Terazono, written for the Financial Times on March 7, 2019.

ANNEX B

At the time of the US government shutdown, the US and China were in the middle of a trade war which significantly affected US exports to China, especially in the agricultural sector where the US is a major player and a major competitor to Canada in the Soybean export market. The following graph shows the monthly Chinese imports of soybeans by country (Canada or US) and the effect of the trade war is obvious, as Canada more than tripled its year-over-year exports of Soybeans to China in January 2019 compared to January 2018. This peculiar situation important to note because it compensated (and more) for the lack of data that stemmed from the US government shutdown. This information and graph comes from the article “The Latest Winner from the U.S.-China Trade Fight: Canada” by Albert Cang, written for Bloomberg on February 26, 2019.

Win for Canada

China bought a record amount of soybeans from the country last month



Source: General Administration of Customs of China

ANNEX C

The APP is a federal loan guarantee program by letting producers to easily access low-interest cash advances. In each program year, a farmer can receive up to \$400,000 in advance based on the value of their products, with up to 18 months to fully repay the loan; and the interest of the first \$100,000 will be paid by the government. This can help farmers to meet their financial needs, and more importantly, to sell their products based on the market condition instead of the need for cash flow.

ANNEX D

Agpal is a web-based discovery tool to help producers to find information about government programs, services, and research that specially apply to them. Farmers can use this web tool to look for services they are interested in, check for their eligibility, and reduce the information gap as much as possible.

ANNEX E

Market Intelligence report can be used to filter through reports on global opportunities and trends in agriculture industry. This web tool can allow producers to look for the attracting information, connecting trade collaborations, and developing potential global opportunities even in some tough times.

ANNEX F

Currently the shutdown has ended, but there is still large effect due to the shutdown. The farmers still need help from the government to minimize potential losses from unpredictable events in the future.

One direct option is that the government can give benefits to the farmers directly for the products affected by the shutdown. That option is fast and effective; however, that may cost a lot for Canadian government and may cause problem for other parts of the government because of the decrease in government spend on them.

Another useful option is increasing the speed for the government need for estimation. With the late data, the Canadian government need to forecast the data faster for the agriculture market to react. But the feasibility of that option is questionable, because the government need time for estimation, to increase the speed means that the agents needs to work overtime, which may cause the decrease in accuracy and other problems.

ANNEX G

The following image shows the AAFC webpage for Reports and Statistics Data for Canadian Principal Field Crops. The paths on the top show how this page can be accessed from the AAFC main webpage.

Reports and Statistics Data for Canadian Principal Field Crops

These reports and data provide timely market information and analysis on the situation and outlook for Canadian principal field crops, including grains, oilseeds, and some pulse and special crops.

Standard reports

[Canada: Outlook for Principal Field Crops, 2019-03-21](#)

[Canada: Outlook for Principal Field Crops, 2019-02-22](#)

[Canada: Outlook for Principal Field Crops, 2019-01-25](#)

NEW Agricultural Industry Market Information System

The Agricultural Industry Market Information System (AIMIS) is our new on-line database and information system which allows you to perform queries and to access data on screen or create downloadable files with alternative formats and data components.

AIMIS reports

The HTML view of the three most recent outlook reports are linked; PDF versions can be downloaded under each of the individual links.

Excerpts from the 2019-01-25 PDF report are shown below as reference:

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

January 24, 2019

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production thousand tonnes	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (d)	Feed, Waste & Dockage	Total Domestic Use (e)	Carry-out Stocks	Average Price (g) \$/t
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	4,215	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

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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