

Manitoba's well-positioned supply chain enabled crops to become a bright spot during the pandemic

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Bottom Line

Primary agriculture, grain handling, and agri-food processing are important components of the Canadian and Manitoba economy.¹ They have proven to be shining lights in the pandemic economy. As noted in a January 7, 2021 [Western Producer article by Ed White](#), billions of dollars have been invested in inland grain terminals, railway networks, grain hopper cars, and port facilities since 2012. Combined with reduced movement demand for other goods during the pandemic, this has enabled the crops supply chain to rapidly move crops to domestic and export markets during the pandemic.

Canadian grain prices are strongly influenced by global trade and by substitution effects in usage markets.² Therefore, in order to understand grain supply and demand, the trade analyzes both global and local factors. Wheat, corn, soybeans and canola are some of the major globally traded crops that Canada produces.

Our review of the January 12 USDA reports – [WASDE](#) and [Oilseeds](#) - indicates a bullish grains and oilseed market for much of the remainder of the 2020/21 crop year. This translates into expectations of strong Manitoba corn, wheat, soybean and canola prices and movement throughout the first half of 2021. **This in turn means that Manitoba primary agriculture, grain handling, and agri-food processing will have greater cash flow available for inputs and equipment, helping support indirect and induced jobs in the province.**

Analysis

Manitoba crop farmers are currently [enjoying strong prices](#) supported by good rail movement. This price strength is due in part to the confluence of world supply and demand factors. The focus in this issue will be on corn, wheat, soybeans and canola.³

¹ Manitoba's food manufacturing sector is the largest manufacturing subsector, and grains are an important part of our exports.

² Changes in relative prices motivate users to switch from one crop to another.

³ For deeper analysis, please feel free to consult the January 12, 2021 [USDA WASDE Report](#), and [USDA FAS Oilseeds Report](#). For Canadian specific data, see [Agriculture Canada's Reports and Statistics Data for Principal Field Crops](#), relevant Statistics Canada Tables, or [Canadian Grain Commission Statistics](#), particularly Grain Statistics Weekly, and exports. See [Farm Credit Canada](#) (FCC) for some futures prices. For Manitoba specific prices, see [Manitoba Agriculture and Resource Development's Markets and Statistics](#) – particularly Grains and Oilseeds Prices. There are numerous private forecasters to choose from, depending on your needs and budget.

Corn markets tend to drive the overall crop complex, followed by soybeans (and its meal and oil complex). Wheat tends to move with corn, with room for factors particular to wheat markets. Similarly, rapeseed (generally called canola in Canada) tends to move with the soybean complex, with room for factors particular to canola markets.

Corn Analysis

China is projected (p) to have large import demand in 2020/21 (**Table 1**). China's corn stocks are kept high for domestic policy reasons, and so are not considered tradable.⁴ The major corn exporters - Argentina, Brazil, Ukraine, Russia and South Africa – tend not to have enough excess corn stocks to fill unforeseen demand. The largest corn exporter is usually the US. In 2020/21, due to large import demand from China, the US export program is projected to surge, tightening their s/u ratio, and supporting corn futures prices. **This world situation is supportive to corn prices.**

Table 1: World Corn Supply and Demand (MMT) – Source USDA WASDE January 12, 2021

Geographic Grouping	Marketing Year	Carry In	Production	Imports	Total Supply	Domestic Consumption	Exports	Carry Out	Stocks/ Use Ratio
World	2018/19	340.8	1,123.8	164.4	1,629.0	1,144.5	181.7	320.0	24%
	2019/20	320.0	1,116.4	165.2	1,601.6	1,133.5	170.0	303.0	23%
	2020/21P	303.0	1,133.9	176.3	1,613.2	1,153.1	183.6	283.8	21%
China	2018/19	222.5	257.2	4.5	484.2	274.0	0.0	210.2	77%
	2019/20	210.2	260.8	7.6	478.5	278.0	0.0	200.5	72%
	2020/21P	200.5	260.7	17.5	478.7	287.0	0.0	191.7	67%
World Ex-China	2018/19	118.2	866.6	159.9	1,144.8	870.5	181.7	109.9	10%
	2019/20	109.9	855.6	157.6	1,123.1	855.5	170.0	102.5	10%
	2020/21P	102.5	873.2	158.8	1,134.5	866.1	183.6	92.2	9%
Major Exporters ⁵	2018/19	16.2	211.0	2.3	229.5	108.0	111.5	10.0	5%
	2019/20	10.0	219.2	1.3	230.4	110.8	106.0	13.6	6%
	2020/21P	13.6	216.0	1.6	231.2	114.9	102.9	13.4	6%
USA	2018/19	54.4	364.3	0.7	419.3	310.5	52.5	56.4	16%
	2019/20	56.4	346.0	1.1	403.4	309.5	45.2	48.8	14%
	2020/21P	48.8	360.3	0.6	409.7	305.5	64.8	39.4	11%
Canada	2018/19	2.4	13.9	2.6	18.9	15.1	1.8	2.0	12%
	2019/20	2.0	13.4	1.8	17.2	14.0	0.7	2.6	17%
	2020/21P	2.6	13.6	1.7	17.8	14.8	1.0	2.0	13%

Canada's corn prices closely follow those of the US, with the majority of our corn used domestically. Corn prices affect wheat and coarse grain prices (such as barley) where relative pricing encourages substitution. Consider corn futures and Manitoba cash corn and barley prices (**Table 2**).⁶ The March 2021 corn futures contract (US\$/tonne) was up

⁴ It is useful to consider the world corn (and wheat) supply and demand (S&D) situations both with and excluding China.

⁵ The USDA definition for major corn exporters includes Argentina, Brazil, Russia, South Africa and Ukraine.

⁶ Source: January 15, 2021 [Grains and Oilseed Prices](#) report from Manitoba Agriculture & Resource Development.

37% on the year. Manitoba corn and barley net cash returns at Winnipeg elevators (CAN\$/tonne) have been rising, strengthened on the year by 37% and 29% respectively. **Given the projected tightness in the USA corn S&D for 2020/21, this is supportive of old crop corn futures. This offers support to old crop Manitoba corn and barley prices.**

Table 2: Cash and Futures Prices

Crop	Description	Current Week (\$/tonne)	Weekly Change (\$/tonne)	Year Ago (\$/tonne)	Y/Y % change (\$/tonne)
Farmer's net cash return at Wpg elevator (CDN\$/tonne)					
Corn	#2	\$240.93	\$4.33	\$176.37	37%
Barley	#1CW	\$225.06	\$5.97	\$174.99	29%
Wheat	Western Spring Wheat	\$267.86	\$12.49	\$243.98	10%
Wheat	Northern Hard Red	\$261.25	\$12.49	\$238.84	9%
Wheat	Red Winter	\$253.53	\$1.10	\$227.45	11%
Wheat	Special Purpose	\$245.42	\$5.14	\$195.46	26%
Soybeans		\$573.21	\$40.79	\$369.64	55%
Canola	#1CR	\$649.48	\$28.66	\$447.53	45%
Canola Meal	34%, Altona	\$461.00	\$27.00	\$299.00	54%
Futures Prices (CAD/T)					
Canola	1 Canada NCC Par Region	\$687.80	\$22.60	\$481.00	43%
Contract Futures Prices (US\$/Tonne)					
Mar-21	Soybeans	\$ 520.57	\$ 15.43	\$ 341.63	52%
Mar-21	Soy oil	\$ 922.90	\$ (38.37)	\$ 735.37	26%
Mar-21	Soymeal	\$ 510.45	\$ 26.01	\$ 331.26	54%
Mar-21	Corn	\$ 209.24	\$ 13.88	\$ 153.24	37%
Mar-21	Wheat SRW	\$ 248.21	\$ 13.50	\$ 209.62	18%
Mar-21	Kansas Wheat HRW	\$ 236.26	\$ 17.73	\$ 181.61	30%
Mar-21	MINN Wheat HRS	\$ 236.36	\$ 13.04	\$ 205.77	15%
Exchange Rate					
USD/CAD Exchange	15-Jan-21	\$1.273			

Wheat Analysis

China is projected to have strong wheat import demand in 2020/21 (**Table 3**). China maintains large wheat stocks for domestic food security reasons, and so Chinese wheat is rarely exported. The major wheat exporters – Argentina, Australia, Canada, EU27+UK, Russia and Ukraine – are projected to have tight s/u ratios in 2020/21. As noted in a recent [Bloomberg article](#), the Russian government is doubling its export tax on wheat to the equivalent of €50/Tonne from March 1 through June 2021, along with imposing an export quota. This will effectively pull Russian wheat off the world market for four months, forcing Egypt (one of the largest wheat importers) to turn to other suppliers. Russian corn and barley will face similar barriers.

The USDA WASDE is projecting Canada to have a sizeable wheat export program in 2020/21. Their projection is somewhat more aggressive than [Ag Canada's December 18 forecast](#) for 2020/21, but given the recent change in Russia's price regime, a bigger

Canadian wheat export program seems likely. **These factors are supportive of wheat prices, alongside support from the corn market.**

Table 3: Wheat Supply and Demand (MMT) – Source [USDA WASDE January 12, 2021](#)

Geographic Grouping	Marketing Year	Carry In	Production	Imports	Total Supply	Domestic Consumption	Exports	Carry Out	Stocks/Use Ratio
World	2018/19	287.0	730.9	171.2	1,189.0	734.7	173.7	283.2	31%
	2019/20	283.2	763.9	185.3	1,232.3	747.0	191.5	300.1	32%
	2020/21P	300.1	772.6	189.3	1,262.0	759.5	193.8	313.2	33%
World Ex-China	2018/19	155.8	599.5	168.0	923.3	609.7	172.7	143.4	18%
	2019/20	143.4	630.3	179.9	953.6	621.0	190.4	148.4	18%
	2020/21P	148.4	638.4	180.3	967.1	624.5	192.8	154.3	19%
Major Exporters ⁷	2018/19	42.9	302.8	7.3	353.0	194.8	120.8	37.5	12%
	2019/20	37.5	324.9	6.8	369.2	195.3	141.2	32.8	10%
	2020/21P	32.8	329.3	7.5	369.6	191.7	141.5	36.4	11%
USA	2018/19	29.9	51.3	3.7	84.9	30.0	25.5	29.4	53%
	2019/20	29.4	52.6	2.9	84.8	30.6	26.3	28.0	49%
	2020/21P	28.0	49.7	3.3	81.0	31.4	26.8	22.8	39%
Canada	2018/19	6.7	32.4	0.5	39.6	9.1	24.4	6.0	18%
	2019/20	6.0	32.7	0.7	39.4	9.3	24.6	5.5	16%
	2020/21P	5.5	35.2	0.5	41.1	9.6	26.5	5.0	14%

The March 2021 wheat futures contracts are showing strength versus last year: Chicago Soft Red Winter (SRW) is up 18%; Kansas Hard Red Winter (HRW) is up 30%; and Minnesota Hard Red Spring (HRS) is up 15%. **Expect to see further strengthening.**

Manitoba cash prices are up about 10% on the year, with the exception of special purpose wheat (up +26%), which will be sold for feed (**Table 2**). These prices are likely benefiting from strength in corn prices, Kansas wheat futures, and the changes in Russia’s wheat export regime. **The tail end of the old crop wheat crop is well positioned to maintain price strength.**

Soybean Analysis

China is the major importer of soybeans, but not a major producer of soybeans. The major soybean exporters (other than the USA) are Brazil, Argentina and Paraguay (**Table 4**). The USDA is projecting a massive US export program in 2020/21, due to a large US soybean production increase, and on the backs of reduced exports out of the other major exporters. If borne out, this sharp tighten of the US soybean S&D will see an s/u ratio of 3%. **Canada’s soybean exports (from Ontario, Quebec and Manitoba) are expected to benefit as well.**

Given the tightening of the US soybean S&D, it is not surprising that March’21 soybean futures (US\$/tonne) are up 52% on the year (**Table 2**), with soy meal futures up 54%.⁸

⁷ USDA notes Argentina, Australia, Canada, EU27+UK, Russia, & Ukraine as the major wheat exporters.

⁸ Since soy oil futures prices are up only 26% on the year (as of Jan 15, 2021), it seems that buyers are more interested in the meal component.

Table 4: Soybean Supply and Demand (MMT) – Source [USDA WASDE January 12, 2021](#)

Geographic Grouping	Marketing Year	Carry In	Production	Imports	Total Supply	Domestic Consumption	Exports	Carry Out	Stocks/Use Ratio
World	2018/19	98.9	361.0	145.5	605.4	343.8	148.8	112.8	23%
	2019/20	112.8	336.5	165.4	614.7	354.6	164.7	95.4	18%
	2020/21P	95.4	361.0	166.8	623.2	369.8	169.1	84.3	16%
World Ex-China	2018/19	75.8	345.1	62.9	483.8	241.8	148.7	93.3	24%
	2019/20	93.3	318.4	66.9	478.6	245.4	164.6	68.6	17%
	2020/21P	68.6	341.4	66.8	476.8	252.1	169.0	55.7	13%
Major Exporters	2018/19	57.0	186.3	6.6	249.9	96.5	91.6	61.7	33%
	2019/20	61.7	186.7	5.5	253.8	96.1	110.2	47.5	23%
	2020/21P	47.5	193.5	4.4	245.4	98.5	100.4	46.4	23%
USA	2018/19	11.9	120.5	0.4	132.8	60.4	47.7	24.7	23%
	2019/20	24.7	96.7	0.4	121.8	61.8	45.8	14.3	13%
	2020/21P	14.3	112.6	1.0	127.8	63.3	60.7	3.8	3%
Canada	2018/19	0.7	7.4	1.2	9.2	3.3	5.3	0.7	8%
	2019/20	0.7	6.1	0.3	7.1	2.5	3.9	0.7	11%
	2020/21P	0.7	6.4	0.6	7.6	2.9	4.2	0.5	7%

Cash prices for soybeans in Manitoba are up 55% on the year, sitting at CAN\$573.21/tonne on January 15, 2021. **Expect to see continued old crop strength in Manitoba soybean prices.**

Canola Analysis

The canola/rapeseed traded market is smaller than the soybean traded market. Canada supplies about 2/3 of world canola exports. When you look at the s/u ratios, they are tightening vs 2019/20 (**Table 5**). The canola complex (seed, meal and oil) markets trade in a tight relationship with the soybean complex.

Table 5: Canola/Rapeseed Supply and Demand (MMT) – Source [USDA WASDE January 12, 2021](#)

Geographic Grouping	Marketing Year	Carry In	Production	Imports	Total Supply	Domestic Consumption	Exports	Carry Out	Stocks/Use Ratio
World	2018/19	8.1	73.0	14.3	95.4	71.5	14.3	9.6	11%
	2019/20	9.6	69.2	15.5	94.4	71.4	15.9	7.0	8%
	2020/21P	7.0	68.9	15.4	91.4	70.8	15.5	5.1	6%
World Ex-China	2018/19	6.8	59.7	10.8	77.3	54.5	14.3	8.5	12%
	2019/20	8.5	55.7	13.0	77.2	55.4	15.9	5.8	8%
	2020/21P	5.8	55.7	12.9	74.4	55.1	15.5	3.9	5%
Canada	2018/19	2.6	20.7	0.1	23.5	9.9	9.2	4.4	23%
	2019/20	4.4	19.6	0.2	24.2	10.8	10.3	3.1	15%
	2020/21P	3.1	19.0	0.2	22.3	10.5	10.0	1.8	9%
Other	2018/19	1.7	10.9	4.1	16.7	10.0	5.0	1.7	12%
	2019/20	1.7	11.5	4.3	17.6	10.6	5.6	1.4	9%
	2020/21P	1.4	12.2	4.7	18.3	11.5	5.4	1.4	8%

Canada has a strong canola crush industry. A new Manitoba processing plant for food use of pea protein and canola protein has started active processing late in 2020, and this will add incremental support to the canola market.

When we look at canola futures, we see that they are up 43% for the year. Given that canola has a higher oil share than soybeans, and soy meal futures prices are exhibiting more strength than soy oil futures prices, it makes sense to see less strength in canola futures (**Table 2**). Manitoba cash canola prices (CAN\$649.48/tonne) are up 45% on the year, while canola meal prices at Altona at CAN\$461/tonne are up 54% on the year. **As we have noted for the other crops, we can expect to see price strength in old crop canola, from strength in the overall oilseed complex.**

Of these four crops, soybeans and canola prices are currently showing the greatest strength in old crop (2020/21) pricing. The 2021/22 outlook for Canadian and Manitoba crops will become clearer over the coming months, once planting intentions are solidified, and yield expectations are firmed up over June – August.

EDW Contacts for Assistance or Inquiries:

- **For Winnipeg businesses looking for help accessing government programs, please reach out to our Yes! Winnipeg Team** through our [Help us help you form](#) if you are not sure whom to contact on the YW team.
- For general inquires please email wpginfo@edwinnipeg.com.
- For Marketing & Communications Inquiries, please email: marketingandbranding@edwinnipeg.com.