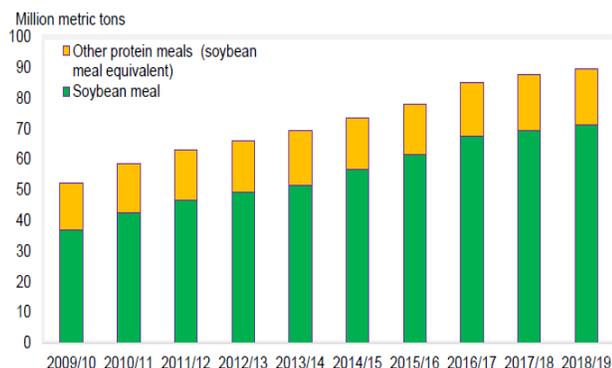


China – Soybean Imports

For China, USDA lowered its forecast of 2018/19 soybean imports to 90 million metric tons based on a greater availability of domestic supplies and lower expected use. This year’s domestic production of soybeans in China is expected to be 16 mmt as revisions to the historical data series resulted in a higher level of area sown to the crop. The production change then allows for a larger reduction between 2018/19 beginning stocks and the season-ending stocks, which are seen tightening from 23.5 million tons to 19.8 million. Auctions of domestically produced soybeans from China’s state reserves have been more active than usual this fall, which will help to offset a tighter level of imported supplies.

Growth in China's soybean meal consumption expected to slow



Source: USDA, Foreign Agricultural Service, PS&D Online.

In this issue:

- China: Soybean Export Page 1 & 2
- US Cattle on Feed Page 1
- Argentina Soybean Production Page 2
- Australian Canola Production Page 2
- Canadian Wheat Outlook Page 3
- Canadian Canola Outlook Page 4 & 5
- Canadian Flax Outlook Page 5

U.S. Cattle on Feed

USDA released the results of its latest surveys covering the number of cattle on feed in feedlots with +1000 head capacity. Feedlot operators placed 2.248 million head of cattle on feed in October, 6.1% less than a year ago. In the last two months placements have declined 244k head vs. year ago. The total supply of cattle on feed as of November 1 was estimated at 11.692 million head, 3.2% higher than a year ago. The inventory of cattle that have been on feed over 150 days is estimated at 2.085 million head, 18.5% higher than a year ago while the inventory of +120day cattle is estimated at 3.825 million head, 10.1% higher than last year. Feedlots placed 145k fewer cattle in October 2018 than in October 2017. Most of the decline came in the 600-800 lb. category, fed cattle that would normally come to market in February and March.

October feedlot marketing at 1.887 million head was 4.8% higher than a year ago. Analysts on average were expecting marketing to increase by 4.2%. There was one extra marketing day in October, which accounts for much of the increase in marketing vs. last year. The marketing rate was predictably higher and at 16.6% it was about the same as both in 2016 and 2017. The ratio of marketing vs. the +90day supply was 33% compared to 34.1% last year and 34.3% five year average.

U.S. ALL CATTLE ON FEED: 1,000+ CAPACITY FEEDLOTS

Source: USDA/NAASS. Analyst Estimates from Urner Barry

	Number, Thousand Head			Current Year as % of Year Prior		
	2016	2017	2018	Actual	Estimates	Difference
Placed on Feed During Oct	2,171	2,393	2,248	93.9	99.1	-5.2
Fed Cattle Marketed in Oct	1,705	1,801	1,887	104.8	104.2	0.6
On Feed November 1	10,665	11,332	11,692	103.2	104.3	-1.1

China – Soybean Imports/Argentina Soybean Production/Australian Canola

Also, the 2018/19 soybean crush in China is expected lower as data revisions for historical feed consumption of grains and protein meal connote a reduced need for soybean meal this year. Rapidly rising costs of soybean meal in China are encouraging feed compounders to substitute as many other proteins as possible. China is facilitating the substitution by recently ending a ban on imports of Indian rapeseed meal. Higher costs for soybean meal could moderate the overall protein level of feed rations, as well. Even with a moderately reduced use of soybean meal in 2018/19, USDA forecasts the soybean-meal equivalent of China's oilseed meals consumption to expand by 2 percent.

For China's vegetable oil market, the subsequent loss of soybean oil supplies from a reduced crush may be countered by an expansion of palm oil imports (by 200,000 tons to 5.6 million). Total consumption of vegetable oils in China is expected to increase by 2.7 percent in 2018/19. The current pace of China's soybean crushers has been sustained by a record volume of trade from Brazil. In the September-October period, Brazilian soybean exports normally fall toward a seasonal low as they are eclipsed by U.S. new-crop shipments. A starkly different trade pattern prevails this year, however. Shipments from Brazil for the 2 months totaled nearly 10 million tons—its highest level ever and up 47 percent over a year earlier. China accounted for nearly all of those shipments. Exports from Brazil may also be facilitated by an earlier delivery of new crop supplies. An accelerated planting pace in Brazil (about 60 percent was completed by early November) could make an even larger volume of the 2018/19 crop ready for harvesting by early January. The possibility of a quicker upswing in soybean trade contributed to USDA raising its forecast of Brazil's 2018/19 exports this month by 2 million tons to a record 77 million. Soybean inventories in the country could tighten by next October provided there is no further change in Brazil's expected domestic crop production.

Smaller Argentine Crop Gain May Spur Soybean Imports

Global soybean production for 2018/19 is forecast down to 367.5 million. Lower expected soybean crops

For Argentina and the United States are partly offset by yield gains for India and Ukraine and a higher area for China. In Argentina, farmers may view corn as a more profitable crop than soybeans this year, even with a recent increase in export taxes. USDA trimmed its forecast of the 2018/19 Argentine soybean area to 18.5 million. Due to lower abandonment, however, this year's harvested area would still be well above the 2017/18 level of 16.3 million hectares. A lower 2018/19 area is then seen reducing the Argentine new-crop production forecast to 55.5 million. As with Brazil, an extended U.S. absence in China's import market may help Argentine soybean suppliers to command a larger market share throughout the second half of 2018/19. Yet, a possibly smaller increase for the 2018/19 Argentine crop may also encourage domestic processors to extend their purchasing of soybean imports from the United States and Paraguay. These supplies would still be needed to restore the Argentine crush to its former level prior to the 2017/18 drought. Amazingly, Argentina (the third-largest soybean producer globally) would become the world's fourth-largest import market in 2018/19 with its purchases totaling 4.2 million tons. Prospects for such rerouting of international trade become even more likely if China soon approves the importation of Argentine soybean meal.

Drought Slashes Australian Canola Production

In Australia, the expected 2018/19 production of canola is lowered to 2.6 million. Canola yields have been devastated by extreme drought in southeastern Australia. A lower level of harvested area is expected, also, as poor conditions force some of the crop to be abandoned for use as silage or pasture. The reduction in the overall yield is less acute due to more favorable conditions in West Australia, which accounts for about 55 percent of total canola area. Consequently, Australia would harvest its smallest canola crop in 8 years. All of the crop reduction is expected to lower Australian exports in 2018/19—by 300,000 tons to 2.2 million.

Canadian Wheat Outlook

Wheat

For 2018-19, Canadian wheat production is estimated by Stats Canada to increase by 1% from 2017-18 to 25.3 Mt as an 8% increase in seeded area was mostly offset by lower yields, resulting from below normal precipitation in most wheat growing areas.

Canada western hard red spring (CWRS) wheat accounts for 75% of the total wheat production at 18.93 Mt. Production for other classes of wheat: winter wheat (hard red, soft red and soft white): 2.39 Mt, Canada Prairie spring (CPS) 1.76 Mt, Canada Northern Hard Red (CNHR) 1 Mt, Canada western soft white spring (CWSWS) 0.48 Mt, Canada western extra strong (CWES) 0.12 Mt, other Canada western spring 0.23 Mt and Canada eastern spring wheat (mostly CERS) 0.39 Mt.

Saskatchewan and Alberta account for 36.5% of the total wheat production, respectively, Manitoba for 16.8%. Ontario accounts for 8.5%, Quebec for 1.1%, British Columbia for 0.3% and, for the Atlantic Provinces, 0.3%.

Total supply is estimated to decrease marginally because of lower carry-in stocks. Exports are forecast to rise by 3% because of strong demand for wheat in world markets and less competition from Australia, Russia and Ukraine. Wheat exports were strong during the first three months of the crop year. Total domestic use is forecast to increase by 2%. Carry-out stocks are forecast to fall by 15% to 4 Mt, 30% lower than the past five year average of 5.72 Mt.

World production of all wheat (including durum) decreased by 29 Mt to 734 Mt, according to the USDA. The EU and Russia accounted for most of the decrease in production, with smaller decreases for Australia and Ukraine. The largest increase in production was for the US. Supply fell by 11 Mt to 1,013 Mt. Total use is expected to increase by 1 Mt to 746 Mt because of growing use for food. Carry-out stocks are forecast to fall by 13 Mt to 267 Mt. However, China accounts for 144 Mt of the stocks, an increase of 12 Mt from 2017-18. Wheat stocks in China are generally not exported. Excluding China, world all wheat stocks are expected to fall by 24 Mt to 123 Mt.

In the US, all wheat production increased by 4 Mt to 51.3 Mt, according to the USDA. Supply rose by only 1.2 Mt to 85 Mt because of lower carry-in stocks. Domestic use is forecast to rise by 2 Mt and exports are expected to increase by 3.4 Mt. Carry-out stocks are forecast to decrease by 4.1 Mt to 25.8 Mt.

The average crop year prices for various types of wheat in Canada for 2018-19 are forecast to increase from 2017-18, because of the lower world supply and strong export demand. However, protein premiums are lower than for 2017-18 because the protein content for US hard red winter wheat is higher and the production for US hard red spring wheat increased. Market prices for CWRS wheat fell in September, from the start of the crop year, but recovered in October. Prices of other classes of wheat fell in September and have been stable since then.

Wheat Except Durum [a]: November, 2018			
	2016-2017	2017-2018	2018-2019[f]
Area seeded (kha)	7,156	7,020	7,560
Area harvested (kha)	6,643	6,895	7,375
Yield	3.67	3.63	3.43
Production (kt)	24,378	25,022	25,305
Imports (b)	99	75	80
Total supply (kt)	28,555	30,125	30,080
Exports (kt)	15,621	17,480	18,000
Food and Industrial Use (kt)	3,262	3,119	3,180
Feed, Waste & Dockage (kt)	3,914	4,051	4,053
Total Domestic Use (kt)	7,905	7,949	8,080
Carry-out Stocks (kt)	5,028	4,696	4,000
Average Price (\$/t)	235	240	230-260
[a] Crop year is August-July.			
[b] Imports exclude products.			
[c] Exports include grain products, while excluding oilseed products.			
[d] Food and Industrial Use for soybeans is based on data from the Canadian Oilseed Processors Association. Total number excludes flaxseed food and industrial use due to data confidentiality.			
[e] Total domestic use equals Food and industrial use plus Feed waste and dockage plus Seed use plus Loss in handling			
[g] Crop year average prices: Wheat (No.1 CWRS, 13.5% protein) and Durum (No.1 CWAD, 13% protein), both are average Saskatchewan producer spot prices and are not comparable to CWB pool returns for previous years.			
kha: kilohectares / t/ha:tonnes per hectare			
kt: kilotonnes / \$/t:dollars per tonne			
f: forecasts by AAFC. For 2018-19, area, yield and production are from the STC survey but imports and dispositions are forecast by AAFC.			
Source: Statistics Canada (STC) and Agriculture and Agri-Food Canada (AAFC)			

Canadian Canola Outlook

For 2018-19, production is expected to decrease slightly from last year to 21.0 million tonnes (Mt) based on Statistics Canada’s mid-harvest, satellite-based estimate.

After an earlier than normal start to the growing season and a generally hot and dry growing season, the canola harvest was delayed by an extended period of rainfall in September and early October. A return to sunny and drier conditions in late October allowed the harvest of most of the crop although AAFC estimates that 8%, or 1.8 Mt, of the crop remained in the field by early November.

With the provinces wrapping up their seasonal crop reporting activities, it is unknown at this time how much canola will be harvested before winter sets in, how much will be harvested overwinter or early next spring or how much will be lost. The industry reaction to this uncertainty is muted as supplies are expected to remain adequate. As the last provincial crop reports draw to a close, Manitoba reported that it harvested 99% of its crop, Saskatchewan 90% and Alberta managed to get 92% of its crop off.

The supply of canola, including the portion that remains unharvested, is estimated at a record 23.5 Mt based on a sharp rise in carry-in stocks. By comparison, the supply was 22.8 Mt in 2017-18 and the 5 year average was 21.7 Mt.

The total disposition of canola in Canada is forecast to raise slightly despite pressure from burdensome world oilseed and vegetable oil supplies. The movement of canola got off to a slow start due to the delayed harvest. As of October 28, producers delivered 5.04 Mt of canola into the licensed grain handling system versus 5.3 Mt for the same period a year ago.

Canadian exports of canola are forecast to rise by 5%, to 11.5 Mt, based on strong world demand for canola. For the crop year to Nov. 1, Canada exported 2.3 Mt of canola through the licensed terminals, compared to 2.4 Mt this time last year. Additional small volumes of canola were likely exported directly to the US by truck outside of the licensed grain handling system, based on previous year’s practice.

Canadian exports of canola by country of destination remain unchanged from last month. China is forecast to import 4.5 Mt of canola, slightly above the 4.3 Mt imported last year and the 5 year average of 4.1 Mt. This forecast is sensitive to the trade frictions currently occurring between the United States and China. Japan is forecast to import 2.6 Mt, which is a slight increase over 2017-18 and slightly above the 5 year average. Mexico is expected to import 1.5 Mt, similar to past years.

Import volumes by other countries are forecast to remain stable or increase slightly from past years. Based on industry reports, Canada may ship between 0.5 Mt to 1.0 Mt of canola into eastern Australia for processing as drought has reduced canola production there by 1.0 Mt.

Canola [a]: November, 2018			
	2016-2017	2017-2018	2018-2019[f]
Area seeded (kha)	8,411	9,313	9,203
Area harvested (kha)	8,263	9,273	9,189
Yield (t/ha)	2.37	2.3	2.29
Production (kt)	19,599	21,328	20,999
Imports (kt) [b]	95	108	100
Total supply (kt)	21,785	22,778	23,605
Exports (kt) [c]	11,016	10,723	11,500
Food and Industrial Use (kt) [d]	9,191	9,269	9,200
Feed, Waste & Dockage (kt)	167	212	239
Total Domestic Use (kt) [e]	9,426	9,548	9,490
Carry-out Stocks (kt)	1,342	2,506	2,615
Average Price (\$/t) [g]	529	539	500-540
Crop year is August-July.			
[b] Imports exclude products.			
[c] Exports include grain products, while excluding oilseed products.			
[d] Food and Industrial Use for soybeans is based on data from the Canadian Oilseed Processors Association. Total number excludes flaxseed food and industrial use due to data confidentiality.			
[e] Total domestic use equals Food and industrial use plus Feed waste and dockage plus Seed use plus Loss in handling			
[g] Specification of crops for crop year average prices: Canola (No.1 Canada, cash, Track Vancouver)			
kha: kilohectares			
kt: kilotonnes			
Source: Statistics Canada (STC) and Agriculture and Agri-Food Canada (AAFC)			

Canola/Flax Outlook

Canada is forecast to export 3.1 Mt of canola oil and 4.7 Mt of canola meal to the US and China, respectively, the major customers for those commodities.

Carry-out stocks of canola are estimated at 2.5 Mt, for a stocks-to-use ratio of 12%. Canola prices are forecast to decline marginally, to \$500-540/t, as pressure from lower world soybean and soy oil prices is mostly offset by the low value of Canadian dollar versus US dollar.

The major uncertainties affecting the canola outlook are:

- (1) possible side effects of the US-Chinese trade dispute, which includes significant tariffs on US soybeans,
- (2) the quantity and quality of canola that remains unharvested in the field and
- (3) the Canada/US exchange rate.

Meanwhile, if Canada's canola harvest remains incomplete, supplies could be up to 8% tighter than estimated, resulting in a similar tightening of carry-out stocks and higher domestic prices. In regards to the exchange rate, after several years of stability, change rates could move either way depending on whether the US-China trade dispute intensifies or if Canada and the US raise interest rates at different speeds going forward.

Flax

For 2018-19, flaxseed production is estimated at 0.51 Mt on a harvested area of 0.35 million hectares (mln ha) and yields of 1.5 t/ha. Total supplies of flaxseed are forecast to fall by nearly 20%, to 0.65 Mt, as a decline in carry-in stocks supplements the drop in production. Exports are forecast at 0.40 Mt while total domestic use falls to 0.12 Mt on a drop in feed, waste and dockage. Carry-out stocks are forecast to fall to 0.13 Mt for a stocks-to-use ratio of 24%. The average flaxseed price is expected to rise slightly to \$455-495/t.

At the world level, Oil World estimates flaxseed (linseed) production at 2.69 Mt which is a slight rise from the 2.59 Mt grown in 2017-18. The world's largest grower of flaxseed is Kazakhstan where production is estimated at 0.70 Mt, followed by Russia with a production of 0.60 Mt. World crushing of flaxseed is steady with last year at 2.3 Mt with the EU and China each expected to crush one-third of the world's crop. Most of the processing of the remaining third is distributed among four other countries.

World trade in flaxseed is estimated at 1.6 Mt, similar to 2017-18, with the EU and China the major importers and Russia, Kazakhstan and Canada the major exporters. Carry-out stocks are forecast to remain stable at slightly under 0.1 Mt.

Flaxseed (excluding solin) [a]: November, 2018			
	2016-2017	2017-2018	2018-2019[f]
Area seeded (kha)	381	421	358
Area harvested (kha)	342	419	353
Yield (t/ha)	1.73	1.33	1.45
Production (kt)	591	555	511
Imports (kt) [b]	17	7	10
Total supply (kt)	887	802	649
Exports (kt) [c]	500	515	400
Food and Industrial Use (kt) [d]	0	0	0
Feed, Waste & Dockage (kt)	128	143	108
Total Domestic Use (kt) [e]	147	159	124
Carry-out Stocks (kt)	240	128	125
Average Price (\$/t) [g]	458	463	455-495
[a] Crop year is August-July.			
[b] Imports exclude products.			
[c] Exports include grain products, while excluding oilseed products.			
[d] Food and Industrial Use for soybeans is based on data from the Canadian Oilseed Processors Association. Total number excludes flaxseed food and industrial use due to data confidentiality.			
[e] Total domestic use equals Food and industrial use plus Feed waste and dockage plus Seed use plus Loss in handling			
[g] Specification of crops for crop year average prices: Flaxseed (No.1 Canada Western, cash, in-store Saskatoon)			
kha: kilohectares			
t/ha: tonnes per hectare			
kt: kilotonnes			
\$/t: dollars per tonne			
f: forecasts by AAFC. For 2018-19, area, yield and production are from the STC survey but imports and dispositions are forecast by AAFC.			
Source: Statistics Canada			