

Wheat's Up

Alberta Wheat
COMMISSION



Chair's Message

Kevin Auch, Chair | Alberta Wheat Commission Board of Directors

I can't believe it's been five years! We've come from being a fledgling entity to a powerhouse organization in a very short time. But then, when I think about the team of directors, staff and regional representatives who've worked together diligently and effectively, this is not surprising.

In our first strategic planning session we listed all the "dream big stretch goals" that we hoped to see the Alberta Wheat Commission (AWC) achieve. At the time, things like making AWC the "go to organization in agriculture" seemed out of reach, especially for such a new organization. I'm proud of the dedicated individuals who have worked together to make AWC the respected and effective organization that it is today.

The Team Alberta initiatives that we're a part of have given Alberta farmers a strong voice with our political decision makers. Federal and provincial governments, as well as our industry partners, have come to know that they can rely on AWC to be a reliable, objective leader in our industry. We aren't afraid to advocate for what's best for our members and we diligently and unabashedly work toward making our industry better for everyone. When the government proposes legislation that affects our members, AWC is there

to advocate on farmers' behalf, whether it's lobbying on Bill 6 in Alberta, or testifying before the federal transportation Bill C-49 parliamentary committee in Ottawa.

It has been my honour and privilege to have served, and I'd like to thank the directors of AWC, who have put their trust in me to lead the organization as chair these past two years, as well as the regional reps who have served on committees, and have helped connect us to the members we serve. None of this would have been possible without the hard work of our general manager Tom Steve, and our dedicated management team who do such a great job of taking the initiative on so many issues which has helped to set AWC apart as an exceptional organization. I'm proud of all that AWC has accomplished over the past five years, and I'm going to miss being a director and chair of an organization that is able to get things done on behalf of farmers. I'm confident that AWC will continue to meet new challenges to help ensure that the wheat farmers of Alberta can remain profitable and viable into the future.

Thank you all so much for allowing me to have been part of the Alberta Wheat Commission.



General Manager's Message

Single Management Team for Wheat and Barley Examined

Tom Steve, General Manager | Alberta Wheat Commission

The Alberta Wheat Commission (AWC), in partnership with Alberta Barley, is in the midst of a pilot project to assess the feasibility of moving to a single management team to serve both commissions.

In late September, Alberta Barley appointed me as their Interim General Manager following the departure of Rob Davies. Since then, we have been working to bring the AWC and Alberta Barley teams together. We have created an interim operating structure that will remain in place until the boards of the commissions determine if the arrangement should be made permanent.

Why does this make sense and why now?

First, the two commissions have been sharing office space and staff since 2013. Our finance, human resources and administrative functions are already combined. Staff of GrainsWest magazine

are also shared. This model has reduced overlap and created efficiencies for wheat and barley producers for a number of years.

Second, in an environment where many farmers grow both crops, we must constantly strive to deliver services that reduce costs and deliver maximum profitability to those who pay the bills. We have already proven that some services and programs can be delivered by shared staff, so this project is the next logical step in the evolution of the commissions' working relationship.

Of course it all sounds good in theory, but how will it work in practice? In my view the project can and will succeed but there are still many details to be worked out. Certain functions like policy and communications aren't specific to wheat or barley but others such as research and market development differ substantially between the two crops.

I am leading this project and so far I am impressed at how quickly staff have rallied around it. My two boards at AWC and Alberta Barley are also fully supportive and agreed to embark on this journey knowing there may be a few bumps in the road.

Our tentative timeline for making a decision on whether to pursue a single management team is late January - early February, although we have reserved the right to extend the pilot to ensure we get it right.

Is consolidation of crop commissions the way of the future? Only time will tell, but at AWC and Alberta Barley we are determined to take a leadership role in finding out.





Geoff Backman, Business Development and Markets Manager |
Alberta Wheat Commission

It's been an exciting year to grow Canadian Western Red Spring wheat (CWRS). After a five-year trend of decreasing prices, the drought through July and August of 2017 had the markets ready to write off the crop in much of the southern Prairie Provinces. This drove the Minneapolis futures to highs that haven't been seen since 2014 and allowed Canadian producers to forward contract prices greater than \$8.50 per bushel for a number 1 grade with 13.5 percent protein CWRS! Those who seized the market opportunity were glad they did, as harvest found more bushels than expected which led to harvest prices under \$7.00. To see representative price history and charts for your area, check out the Price and Data Quotes website (www.pdqinfo.ca).



Now that there are bushels available, end users are turning attention to quality. Early indications suggest that the 2017-18 crop is one of the highest quality on record.

The Canadian International Grains Institute (CIGI) and the Canadian Grain Commission (CGC) collected harvest samples, which suggest that over 80 percent of the CWRS crop is of number 1 quality. Grading officials suggested that growing a crop of this quality was a "once in a lifetime" event.

With respect to protein, early reports suggest that the new crop protein is lower than expected. Since this summer, the discounts for protein have reportedly widened from \$0.02 per tenth of a percent, to \$0.08 per tenth.



Similarly, protein premiums have reportedly narrowed from \$0.01 to \$0.04 per tenth. This suggests that the harvest provided more wheat with protein below 13 percent than end users need. To those farmers who grew a higher protein crop, this year you can expect to be offered a good basis.

Because of the value of protein this year, it's worth your time to get a good idea of what your protein content is. Producers should take representative samples to several locations or send a sample into a lab for testing in order to get a good idea of their crops protein. There may also be value in looking beyond your traditional delivery points, as the extra protein may more than cover the cost of additional trucking.

A New Era of Farm Safety in Alberta

Sam Green, Policy Analyst | Alberta Wheat Commission and Alberta Barley

A little over two years ago, in November 2015, the Government of Alberta announced *Bill 6: The Enhanced Protection for Farm and Ranch Workers Act*. In response, Alberta's Agriculture industry—with groups like AWC at the forefront—coalesced in an unprecedented act of cooperation to form the AgCoalition.

This new organization, representing nearly 95 percent of Alberta's agriculture industry across 29 commodity groups, advocated on behalf of Alberta's farmers and ranchers in ensuring the new legislation considered the unique nature of farming and ranching. This work, although still ongoing, is ramping down as the government begins to finalize the legislation and its pursuant regulations in light of the recommendations made at the Technical Working Group (TWG) consultation sessions. The AgCoalition continues to advocate on the industry's behalf as these final decisions are being made.

But the story doesn't end there. Despite the proud moments and laudable successes of the AgCoalition in advocating on behalf of the industry, much work remains to be done in improving farm safety in Alberta. Bill 6, as flawed, overreaching, and ill-thought-out as it may have been, did push farm safety into the limelight and spur a bout of introspection about the industry's approach.



The end result of this self-reflection was the conclusion that we, as an industry, can do better. Farm safety is an important issue, and it is an issue best addressed by Alberta's farmers and ranchers themselves.

On this basis, the industry has once again chosen to work cooperatively, and has created a producer led provincial farm safety organization, the AgSafe Alberta Farm and Ranch Safety Society.

The AgSafe Alberta Society, thanks to a genesis founded in cooperation, introspection, and a dedication to protecting farm and ranch workers, holds immense potential. The society held its inaugural board meeting on November 13, 2017, which saw Kent Erickson, representing AWC, and Erna Ference, representing Alberta Chicken Producers, elected as Chair and Vice-Chair of the board. The 10-member board itself includes representatives from the major crop and livestock groups in Alberta, again reflecting a collaborative approach.

The society is poised to hit the ground running, with a large body of work already in place thanks to the efforts of AgSafe Alberta, led by Donna Trottier. AgSafe Alberta has developed, through funding granted under Growing Forward II and administered by the Alberta Wheat Commission, a series of farm safety management tools, resources, and programs. These will be absorbed by the society as the mandate of AgSafe Alberta comes to an end. The society, as the new administrator of this work, will continue development and administration of these programs while also working to find new and innovative ways of improving safety on Alberta's farms and ranches.

A new era of farm safety is upon us, and the AgSafe Alberta Society is ready to lead the charge. We look forward to seeing the impact that this important work will have on the safety of our farms and ranches for years to come.

Don't Hope for the Best, Invest in a Test

Sarah Foster, Executive Director | 20/20 Seed Labs

20/20 Seed Labs Inc.
never stop growing

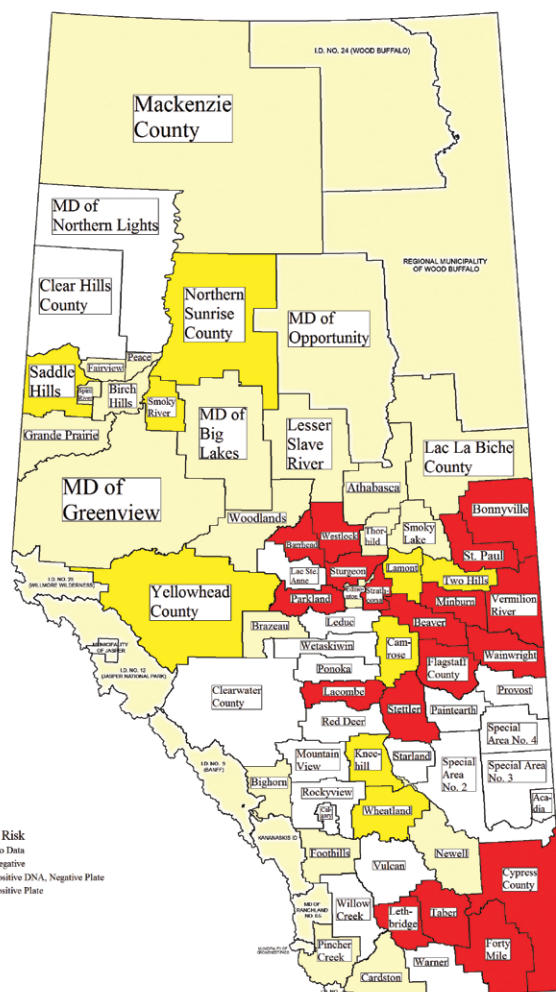
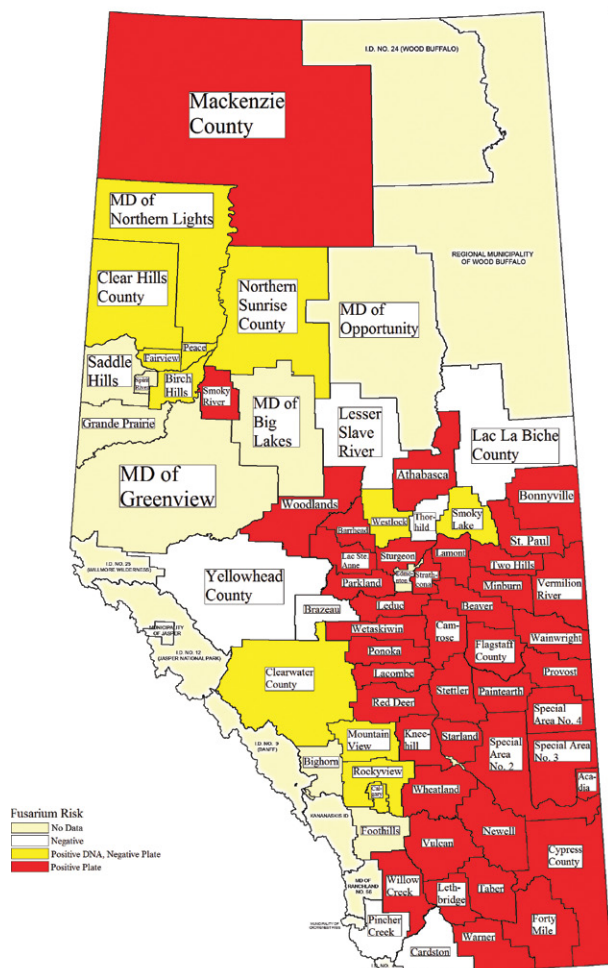


Testing your seed for performance and quality should always be a priority as soon after harvest as possible. Environmental conditions play a huge roll in maturity, disease pressures and harvest, and every year has its challenges. Using an accredited seed testing laboratory is the first stage in your line of defense to determine whether your seed is sound.

The growing season in 2016 compared to 2017 was certainly a difficult year. Disease levels were extremely high and germination was typically poor. This year most parts of the Prairies are reporting good quality, however leaving your seed testing chores until later in the year is not always the best management practice. There are three tests that are key to establishing longevity in storage, and are also used as a bench mark for field germination in the spring.

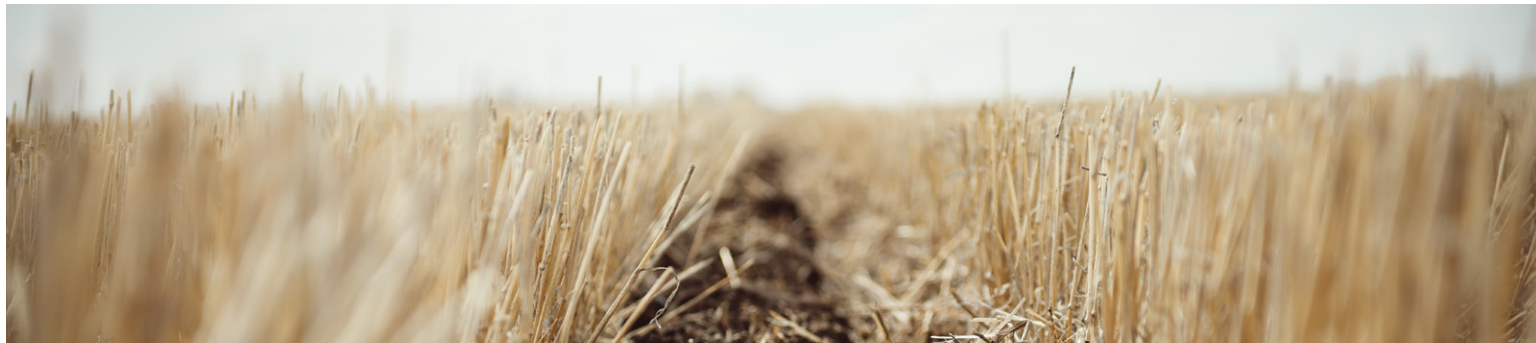
- 1) The first is a germination profile, usually taking about seven days to complete. As long as there are no complications or hidden detriments this will be your most stable and accurate result. A minimum germination required by the Canada Seeds Act is 85 percent however we expect those numbers to be much higher because 85 percent is on the low end and often the germination will drop quite quickly in storage at this level.

20/20 Seed Labs Inc.
never stop growing



- 2) Our second recommendation is a vigour, which will uncover any imperfections with the seed. Usually a combination of stresses such as cold temperatures and high moisture are imposed on the seed during testing. The influence of abiotic stress will reveal the seed's true ability to grow under stressful conditions, at the same time any seedling defects noted will indicate poor seed quality. This is where a high germination result is most beneficial because a high vigour will typically follow. We prefer to see a 95 percent germination with a 90 percent vigour, these numbers will predict seedling establishment very closely.
- 3) A Fungal screen is a comprehensive diagnosis of potentially devastating seed-borne pathogens that are detected on the seed. There are a dozen or more pathogens that are considered significant leading to economical losses. Seed rots and seedling blights at the top of list are *Fusarium graminearum*. This is followed closely by *Bipolaris sorokiniana*. There are three more categories in the group, which are classified as pathogenic, saprophytic and storage molds. We recommend diagnosing why seed may have performed poorly in the field as these pathogens do affect seed quality and integrity.

These three simple steps protect your most valuable asset. Our seed testing professionals will assist clients and enable them to understand the results as well as make choices with respect to further analysis, seed treatments and seeding.



Class Action: 29 Wheat Varieties on the Move

Geoff Geddes | Freelance writer and editor specializing in agriculture

If it's true that the only constant is change, then the latest reclassification of 29 long-standing wheat varieties is right on schedule. Effective August 1, 2018, the new Canada Northern Hard Red (CNHR) class will include 25 varieties originally registered as hard red spring varieties in the Canada Western Red Spring (CWRS) class and four Canada Prairie Spring (CPSR) varieties formerly in the Canada Prairie Spring Red (CPSR) class.

It's an anxious time for many producers, but delving into the details of the change may alleviate some stress come moving day.

"The varieties being moved are useful for some markets but don't meet the stringent requirements of the CWRS class," said Wade Sobkowich, Executive Director of the Western Grain Elevator Association.



"Creating this new class will allow all varieties to be registered and have a home regardless of their quality, disease resistance and agronomic characteristics."

While the main reason cited for the change was concern over gluten strength, primarily for Harvest, Lillian and Unity, that concern isn't shared by all.

"According to the Canadian Grain Commission (CGC), there was a perception among their customers that the gluten strength in Canadian wheat shipments was declining," said Tom Steve, General Manager of the Alberta Wheat Commission. "From our perspective, the issue was largely environmental due to wet conditions in certain areas of the prairies. In addition, the gradual decline in acres of those varieties had largely corrected the problem."

Sticker shock?

Change of any kind sparks uncertainty, and this move is no exception.

"Typically, CPSR varieties are valued at a lower price than CWRS wheat," said Steve. "The big unknown is how grain companies will price into the new CNHR class. If they price based on AC Foremost rather than Harvest, farmers who continue to grow Harvest in 2018 may be in for a shock."

Devilish details

Though many of the varieties changing class are older and rarely used today, some bear closer scrutiny.

"Within the hard reds, Lillian, Harvest and Unity still have some acres in Western Canada," said Trent Whiting, marketing representative with SeCan.

Of the three, Lillian is the only unique one as it's a semi-solid stem. It has very high protein and is grown mostly by producers in the southern regions of Alberta and Saskatchewan concerned about wheat stem sawfly or going after a protein-focused market.

"Unity was a check in registration trials and offers good yield and solid grade retention," said Whiting. "It does tend to have lower gluten strength, however, and its standability is a real weakness. Fortunately there are two or three

generations of newer varieties, so we have lots of viable alternatives with good straw strength and reasonable yield."

The most popular of the 29 is Harvest. Grown across the prairies, it matures fairly early, has relatively short straw and features good grade retention and adaptability.

"AC Eatonia is another semi-solid stem but is an older variety rarely seen in production now," said Whiting. "Alvena, an early maturing variety with good grade retention, sees little use as it's a taller crop at a time when the trend is towards short, strong straw. While Alikat performed well on acid soils, the uptake on it has been limited."

CDC Osler is one of the newer varieties on the list. It's similar to CDC Go but with different parentage and is used sparingly in Western Canada; in Whiting's words, "it never really took off".

Kane sparked a lot of interest in Manitoba 10 years ago due to its strong disease package. It has since been overtaken by the newer genetics of varieties like Carberry.

Though it hasn't generated a huge following, 5603HR is a relatively new variety and offers fusarium resistance.

As for the rest, they account for less than 10 per cent of acres on the prairies combined. Given the limited acres, Whiting said it was likely "time to move on from them anyway".

Class struggle

"Our main concerns are with Harvest, Lillian, Unity and AC Foremost," said Steve. "They're the ones most commonly grown today, and we believe producers should know the implications of moving to a new class as they could see a reduction in value."

Of greatest concern to Steve is Harvest due to its popularity in Alberta.

"A number of farmers are still growing it this year, so if there's a potential price discount on the way, they should consider moving to something else."

Staying informed of market developments has always been critical for producers, and never more so than today.

"It's imperative for farmers growing a variety this spring to know what they have, check the list on the CGC website and learn where their variety will be after the move," said Whiting. "In all cases there are varieties remaining in their current class which are potential replacements for the ones being moved."

One thing that everyone affected by the reclassification agrees on is the need for awareness and a serious weighing of options going forward. Regardless of where they stand on the subject, August 1, 2018 is bound to be a moving experience for all concerned.

Insurance on CNHR Class Wheat

Geoff Backman, Business Development and Markets Manager | Alberta Wheat Commission



When producers are planting wheat this year, they will want to double-check their varieties. On August 1, 2018 a number of Canadian Western Red Spring (CWRS) and Canadian Prairie Red Spring (CPSR) varieties will be reclassified as Canadian Northern Hard Red (CNHR) or Canadian Western Special Purpose (CWSP). While there have been discussions regarding how these changes could impact producers' movement and pricing, there has been minimal discussion on changes to insurance. When reached for comment, Agricultural Financial Services Corporation (AFSC) was already planning to provide a smooth transition and address producers' concerns.

These variety reclassifications are occurring because the Canadian Grain Commission (CGC) is concerned that the CWRS and CPSR classes are no longer exhibiting the expected high quality standards in recent harvests. In reaction to end user concerns, the CGC has begun a "Grain Modernization Program" which is discussed in depth in the article "Class Action: 29 Wheat Varieties on the Move" on page 4. This process is ongoing, with an expected completion in 2019, and additional varieties could be reclassified if they are found to no longer be providing the high quality standards expected from millers and bakers.

Jesse Cole, Research Analyst with AFSC noted that, "the selection will be somewhat automatic for clients as they report at the variety level and the varieties are associated with insured classes." While producers should be aware if their variety is scheduled to be reclassified, systems are in place to notify producers if they accidentally miss label their variety as CWRS than CNHR.

Producers growing reclassified varieties will not be required to start a new farm yield average.

"Yields will be calculated using any insurance history a producer has for the varieties back to 2000. If a client has (previously) grown CNHR or CWSP varieties, those yields will transfer over for the years it was grown," says Cole.

This history will allow producers who previously grew varieties in the CNHR class to insure with a personal average rather than an area average. Should a producer elect to continue to produce a variety being moved into the CNHR class (such as Foremost, Lillian, or Unity), they will not have to start over on their insured averages.

Cole was asked about how the changes would impact producers' personal yield averages for CWRS and CPSR.

"We aren't touching the existing yields in the HRS or CPS categories so there will be no surprises with their insurance (yields) on the existing classes."

Producers can expect that any changes in their average farm yields for CWRS and CPSR will only be due to recent production history, and not due to any varieties changing wheat class.

Taking insurance from AFSC on CNHR will be a very familiar process for producers. A spring insured price for CNHR varieties will be calculated using the same standard method used to calculate the price of all wheats, and provided to producers when they are applying.

"Benefits and endorsements (will be offered on the new classes) such as variable price benefit, spring price endorsement, hail endorsement, reseeding benefit, and unseeded acres."

Insurance will also be offered for different end uses. These include pedigreed, commercial, organic, and silage/greenfeed. Insured varieties of the CNHR class will not have a high protein insurance option.

When calculating the fall price for wheat varieties, AFSC will use the reported prices for CWRS and CPSR (reported by the PDQ website, www.pdqinfo.ca) with an adjustment applied dependent on observed market conditions.

"(There will be) no reinvention of the wheel on the price side. The goal is to try and make the new classes as close to what clients would have experienced with existing insurance for the other wheats."

Annual General Meeting

Wednesday, January 31, 2018
10:15 am - 11:15 am
Edmonton Expo Centre at Northlands - Hall F

Hear about AWC's year in review and celebrate our fifth anniversary

Open to the general public

albertawheat.com



The Research Plot: New CAP Program will commence April 1, 2008

Laura Anderson, Interim Research Manager | Alberta Wheat Commission

In July of 2017, Lawrence MacAulay, Minister of Agriculture and Agri-Food unveiled the new federal, provincial, territorial (FPT), agricultural policy framework known as the Canadian Agricultural Partnership (CAP) program. CAP is the successor to the Growing Forward I and II initiative, an agriculture policy framework introduced by the Conservative government in 2008. The CAP program funding is worth \$3 billion and will commence April 1, 2018 and run for five years. Its focus is aimed at strengthening the agricultural sector by supporting innovation in six priority areas.



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**Science, Research
and Innovation**

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**Markets and
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**Environmental
Sustainability and
Climate Change**

04

**Value-added
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Agri-Food Processing**

05

Public Trust

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Risk Management

There are a number of federal programs that are funded through CAP including the AgriScience program. AgriScience is designed to increase research and innovation by supporting pre-commercialization activities that benefit the agricultural sector such as breeding and variety development. This program accepts applications for both individual projects and project clusters. Cluster submissions will represent various crop groups across Canada and will be made up of a number of research projects that will impact that given industry. AWC has been actively involved in Cluster decisions throughout 2017 and will again be a financial contributor to the Canadian National Wheat Cluster (CNWC), formally the National Wheat Improvement Program 2013-2018, as well as the new Integrated Crop Agronomy Cluster (ICAC).

AWC is working with the Western Grains Research Foundation (WGRF) and other industry organizations from across Canada to shape the ICAC submission. This Cluster aims to fill the gap in the area of multi-crop, cross-commodity agronomic research and includes projects under the themes of disease, weed and insect surveillance and management, soil health, cropping systems and rotation studies. One project of particular interest to Canadian wheat farmers is focused on developing a risk model for Fusarium Head Blight in Canada. This project involves of a collaborative approach between a number of wheat researchers and their teams to determine the prevalence, population structure, and crop sequence effects of Fusarium in Canadian cereals. AWC plans to contribute \$1.75 million over the five year duration of this cluster.

With AWC's shift to a single wheat check-off and the end to the Western Canadian Deduction (WCD) on July 31, 2017, the responsibility for funding the core wheat breeding agreements and the CNWC will shift from WGRF

to the provincial crop commissions in western Canada. AWC, Saskatchewan Wheat Development Commission (SWDC), and Manitoba Wheat and Barley Growers Association (MWBGA) have partnered to form the Canadian Wheat Research Coalition (CWRC) in August of 2017. The commissions signed a Memorandum of Understanding (MoU) that outlines their agreement in setting variety development priorities and funding commitments that meet the needs of western Canadian wheat farmers. This federal, not-for-profit corporation will facilitate long term investments that aim to increase the profitability and competitiveness for Canadian wheat and its producers. With this, the CWRC will be the lead applicant to the Wheat Cluster, and will continue to engage WGRF as a key player and administrative service provider through the transition.

The members of the CWRC as well as other funding organizations from across Canada have been working to build the 2018 Cluster submission to CAP funding. These organizations consist of Canadian Field Crop Research Alliance (CFCRA), Ducks Unlimited Canada (DUC), Saskatchewan Winter Cereals Commission (SWCC), Winter Cereals Manitoba Inc. (WCMI) and WGRF. Research priorities for the renewed cluster include new variety and germplasm development in all Canadian wheat classes. Breeding priorities include cultivar development to enhance the competitiveness and sustainability of wheat, pre-breeding for future resistance to diseases and insects, disease and insect resistance breeding to protect grain yield and quality, and crop management to capture the genetic potential and minimize environmental footprint in wheat production. AWC plans to contribute \$2.5 million over the five year duration of this cluster.

Wheat Outlook – Dec, 2017

Greg Kostal | Kostal Ag Consulting

DURUM: While a 5 million metric tonnes (MMT) 2017 Canada durum crop size is manageable, the durum market has changed in the last 5 years with much of it having to do with extreme price volatility and persistence of relatively high price. Whether it was adverse yield or quality fear, most durum growers should relate to boom-to-bust pricing during this time. This has encouraged production expansion in non traditional origins like Former Soviet Union (FSU), has motivated users into successfully lowering core quality requirements, and has incentivized multi-origin blending. More importers will now buy using a combination of Canada Grain Commission (CGC) specifications and their own desired attributes. Example, a traditional Algeria spec is 3 Canada Western Amber Durum (CWAD) but with minimum 60% Hard Vitreous Kernel (HVK) and maximum 2 parts per million (ppm) vomitoxin, Tunisia is 3 CWAD but with min 70% HVK.

The United States (US), Japan and domestic millers require high quality. Yet, much of the value we see at the elevator is based on blend-buying with either the grain buyer trying to buy sufficient quantities of high and low quality at right price to blend before shipping, or the importer buying higher quality to blend with lower quality durum from another country. High quality from 2017 crop offers greater flexibility to create desired market specification, while a greater source of origins dilutes the need for buyers to come to Canada.

We're keeping an eye on Country of Origin Labeling developments in Italy. Some want the origin of durum to be printed on pasta boxes. That isn't a deal breaker, but should it be deployed, it would add another layer of complexity and cost to potential imports. Glyphosate residue is another topic that periodically surfaces too.

Summary: With durum price still relatively rich versus commodity peers, high quality North America crop enabling superb blending capability, ongoing ability to find supply elsewhere that needn't have Canadian origin exclusive pricing and ideas that 2018 North American durum crop size is likely to increase, price trends flat. Best chance of an uptrend requires fear that 2018 yield/quality might go awry. In meantime, story repeats where \$8ish per bushel for a high quality periodically flashes then retreats, where time marches further along calendar, then same \$8 per bushel repeats just in a more distant delivery month.

SPRING WHEAT: Little has changed in past 2-3 months because to change the trend, adversity is required somewhere, but such an event isn't happening. Next opportunity for adversity resides with US Hard Red Winter (HRW) wheat crop, yet if that happens, outcome would be seen via tighter winter to spring wheat spreads and be price-negative to protein. Of course there is no evidence of adversity with just as good of a chance for good yields.

Following a record sized Russia wheat crop of around 83-85 MMT and even after exporting as much wheat as logistics will allow, Russia will end up with a 10+ MMT larger than normal carryout. This offers supply cushion for 2018 crop yield and inflates odds that sell-aggression will persist right through and past summer 2018. Russian HRW 12.5% wheat port price has pretty much hugged a US \$180-200 per tonne range for past 3 years. And you know relative abundance is place because port prices have leaked about US \$8 to \$190 per tonne in past 1-2 months, extending well beyond aggression that typically capitulates in summer.

There isn't a shortage of spring wheat rather a shortage of market ready protein supply. The elevator Hard Red Spring wheat grid has been about creating the right protein blend at right price and creating market ready 13-13.8% protein. As such, lofty high protein bids to farmers lug blend-down value not raw-consumptive-value. Manufacture market readiness by incentivizing overweight deliveries from those who have protein, and



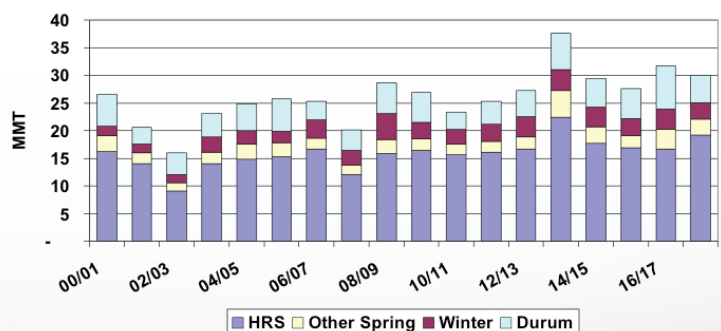
incentivize underweight deliveries from those that don't. In the Canadian Wheat Board (CWB) era, premiums would've partly subsidized the discounts (or vice-versa) into a pro-rated pool price without being as transparent as what is occurring today. It'd be a crop year average not a spike.

With Statistics Canada pegging Canada's all wheat crop at 30 MMT and barley at 7.8 MMT, wheat will be called upon to provide modest domestic feeding inclusion. It is estimated that about 1.5 MMT of barley feedstock displacing needs to occur each year. Since supply of mid/low quality wheat is abundant and in our back yard, outside of Southern Alberta where it's incrementally easier to import corn volume with train than barley by truck, wheat should retain feeding popularity.

Summary: The core outlook for wheat remains a grind, one where futures can have a random 50 cts/bu pop anytime for any reason. These should fail because FSU and Europe still has too much wheat to void supply-push dominance. Elevator price change seems to be more about local basis (thirst to handle grain) and protein premiums/discounts than currency and futures movement. Yet as time marches on, the opportunity for spring wheat protein to retain lofty cash value likely flounders no later than when consumers can anticipate access to the 2018 US HRW wheat crop.

There is no magic pill to fix the global wheat situation until yield adversity occurs. Opportunity resides in (1) selling local cash basis specials and higher protein when latter can be married with about 8 cts/bu per tenth percent local protein premium, (2) buying distressed low protein and high quality CWRS when price is a pinch above feed value.

Canada Wheat Production



New Crop Mission Report: Latin America

Geoff Backman, Business Development and Markets Manager | Alberta Wheat Commission

The 2017 New Crop Mission to Latin America completed on November 23, 2017. This is one of several missions that takes place each year, with other destinations including Asia, Europe, Mid-East North Africa and West Africa – and one mission in Canada for domestic sales. These meetings are a service provided by Canadian farmers to their end users. Our experts on wheat arrive once a year to give an overview of what end users can expect from the crop. Unlike other missions from other countries, which visit much more frequently and often look for personal meetings in offices, this meeting is treated like an event. Turnout by industry was strong, with 60 to 99 percent of importers, millers, and end users in attendance. This turnout was afforded through the full value chain approach. It was clear that there are strong professional connections between the Canadian International Grains Institute (CIGI) and end users developed through training events, between exporters and their importing counterparts, and inter-governmental connections between the Canadian Grain Commission and their contacts within the regional embassies.

This two-week tour visited Chile, Peru, Columbia, Ecuador, and Mexico to present details of the 2017-18 wheat crop, and included:

- Cereals Canada's Daniel Ramage, who ran the presentations as Master of Ceremonies and moderator.
- AWC chair Kevin Auch, who promoted his sustainable and progressive farming practices and mentality as a business owner.
- Richardson merchant Tracy Kowal, who presented on the current trends in Canadian and global wheat markets.
- CGC's Derek Bunkowsky, who reported the exceptionally high quality parameters and grade of this year's crop, including the low presence of disease.
- CIGI professionals Kristina Pizzi, Norbert Cabral, and Yulia Borsuk, who presented the exceptional dough characteristics, milling efficiency, and excellent baking characteristics.
- CGC commissioner Lonny McKauge, who provided closing comments.
- CIGI's Dean Diaz provided facilitation and organization to ensure all parts of the mission ran smoothly.
- CGC's Dr. Stephan Wagener and AWC's Geoff Backman, who were present as observers.

These meetings also presented an opportunity for end users to pose questions to the value chain. Questions proposed included:

- Can we get more Canadian wheat for a lower price?
- How often are chemicals applied to wheat?
- Expected total production for 2017-18, and left over stocks from 2016-17?
- What is the status of other destinations for Canadian exports?
- Are GMO varieties being introduced into the Canadian market?



Despite the similar questions in multiple countries, the imported classes of wheat and business challenges voiced by importers were dependent on if the country grew wheat, and their proximity to other major wheat exporters. Chile and Mexico were the first and last countries on the New Crop Mission, and annual imports of Canadian wheat depend on the state of the local crops. Chile produces some milling wheat in the regions just south of Santiago, but yields are not enough to support the local demand. Their close proximity to Argentina, their neighbour to the East of the Andes mountain range, makes them the preference for wheat imports. However, Argentina produces a single class of milling wheat with variable yearly quality. Mexico is also importing wheat from Argentina, and other sources. However, comments from importers made it clear that they view Canadian wheat as a different commodity than other wheats due to the quality. Over the last ten years, Mexico has expanded the number of countries they source wheat from, but Canada has retained its market share.

The other stops of Peru, Columbia, and Ecuador are countries with rich agricultural production, but are entirely dependent on imports of milling wheat. These countries are also very price sensitive, often due to the internal cost of transport. The cost of transporting wheat from Canada to a local port can often be as expensive as the trucking costs from the port to the mill. Total annual imports of Canadian wheat to these countries depended heavily on the cost and quality of other exporting nations.

No matter the destination, the 2017 Latin America New Crop Mission was met with an overwhelming message that the Canadian value chain is producing a high quality product that is recognized as more than just wheat.



Canadian wheat is a staple for the region that represents stability, consistency, profitability, sustainability, and quality. This reputation is the result of many years of locating and educating the individuals that make the decisions for which wheat to import.

The New Crop Mission is another successful initiative supported by the Canadian farmer to continue to build their export market and continue to expand the future profitability of Canadian agriculture.





Policy Points

Bill C-49 – The Transportation Modernization Act Delayed in the Senate

Shannon Sereda, Government Relations and Policy Manager | Alberta Wheat Commission



2017 was shaping up to be a significant year in grain by rail for western Canadian shippers and farmers alike. The announcement and near passage of the *Transportation Modernization Act* (Bill C-49) would have been paramount in moving toward a more responsive, competitive and accountable rail system in Canada.

Despite the efforts of the Alberta Wheat Commission (AWC), and other stakeholders, Bill C-49 will likely not come into effect until the first quarter of 2018 – while shippers and farmers are left vulnerable as rail performance continued to diminish in the latter part of 2017.

Bill C-49 was announced in May of 2017. This historic piece of legislation has the potential to provide for a more transparent, balanced, efficient and reliable transportation system. For the grain by rail sector, the omnibus bill aims to make permanent many of the provisions enacted through Bill C-30, the Fair Rail for Grain Farmers Act, that was adopted as an emergency measure during the grain shipping crisis of 2013 -14 – which sunset on August 1, 2017 – despite advocating for an extension of these provisions.

Nonetheless, AWC's members and our sector counterparts were pleased to see the inclusion of many of these provisions in Bill C-49 including: shippers' ability to seek reciprocal financial penalties, a clear definition of adequate and suitable service and enhanced interswitching – all measures that AWC has long advocated for.

Since no piece of legislation is perfect, Bill C-49 too was not without its challenges. For instance, the 1200 km Long Haul interswitching (LHIS) provision that was introduced in the legislation seems somewhat misaligned with the intent of this mechanism. The previous interswitching provision under Bill C-30 allowed shippers to access any interchange within 160 kilometers without the need to obtain a permit from the Canada Transportation Agency (CTA). But the LHIS provision in Bill C-49 requires shippers to seek permission from the originating carrier to obtain an order from the CTA to access an interchange. Additionally, shippers can only access the interchange closest to them, regardless of whether it services the appropriate corridor (in the right direction), can accommodate the size of the carload, or is serviced by the right rail company who runs the full distance of the shipment.

In order to address these challenges, AWC Chair Kevin Auch appeared before the House of Commons Transport Committee in September to advocate for consideration of a number of amendments put forward by the Crop Logistics Working Group (CLWG).

Nonetheless, with the sun setting of Bill C-30 provisions in August, winter conditions inevitable, and railroad order fulfillments only at an average of roughly 50-60 per cent through the last weeks of 2017, AWC worked to try to influence the Senate to pass Bill C-49 prior to the New Year.



AWC wanted to see provisions in place to mitigate the costs passed down to farmers of mounting rail delays. AWC business development and markets manager Geoff Backman's analysis predicts that these delays will continue in a downward trend into 2018.

With politics at play, Auch said in a December 14, 2017 Calgary Herald article, "we aren't interested in laying blame, but in seeing the considerable remainder of the province's six to seven million tonnes of wheat moved."

The Senate is not scheduled to be back in session until January 31. Barring a commitment to return early, the committee meetings will likely not resume until February and could take an estimated three to six weeks to fully study the Bill prior to a third reading, although we have learned that there is some commitment from the senate to expedite this process.

So what's next? AWC will continue to keep in close contact with officials in Minister Garneau's office into 2018 to ensure that they are made aware first-hand of the challenges faced by our farmers across Alberta and to encourage them to consider all avenues, in the absence of existing legislation, to ensure accountability from the railroads and mitigate risks to grain shippers. AWC has received preliminary notification to appear before the Senate committee which will likely take place into February 2018. We will be closely monitoring and encouraging the Senate to consider a timely passing of the legislation so measures such as reciprocal penalties within service level agreements can serve to penalize railways for these ongoing issues.



TEAMALBERTA

TEAM ALBERTA

ADVANCING ALBERTA'S CROPPING
SECTOR TO 2025 AND BEYOND

CANADA'S AGRI-FOOD VISION FOR 2025

To increase agri-food exports to at least \$75 billion by 2025

The Alberta cropping sector can help to accomplish the goals set out in Budget 2017

BUILDING OUR PATH TOWARD GLOBAL COMPETITIVENESS



Access to innovative farming tools

Continuous and aggressive investment and adoption of new innovation in agriculture, driven by constant support for rigorous scientific research will be key to unleashing the economic potential of the Canadian agriculture sector and retaining competitiveness including:

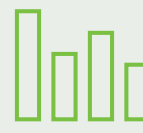
- A regulatory system that is timely, and effective, ensuring objective science and risk based decisions.
- Recognize the impact at the farm gate of pesticide revaluations and regulations that impede accessibility to modern and innovative tools such as new breeding techniques, pesticides and fertilizers.
- Understanding that these tools allow farmers to be more efficient, grow more with less, and operate in a sustainable manner while keeping the cost of their food affordable for Canadians.



Improved access to key markets

Alberta grain farmers, like most of Canada's agricultural sector, rely on export markets. For our farmers to stay competitive globally we need the federal government's support for:

- The quick passage of Bill C-49 to help pave the way for a more reliable rail system in Canada to get our grain to port.
- Multi-lateral agreements like NAFTA, TPP and bi-lateral pacts with countries like China are key to levelling the playing field between us and our competitors.
- A trade agenda that resolves non-tariff barriers and attempts harmonization of biotech, pesticides and phytosanitary regulation which restrict access to foreign markets.



Tools that support the variable nature of farming

Our farmers operate in an environment of thin margins and high capital requirements while being at the mercy of markets and weather. This causes variability in their income year over year. We rely on tools such as:

- The ability to deliver grain when the best market opportunity allows rather than according to the tax year with tools such as cash ticket deferrals.
- Use of tax planning tools such as private corporations, Tax on Split Income, passive income and capital gains exemptions.

Team Alberta Outreach Trip to Ottawa

In mid-November of 2017 Team Alberta headed back to Ottawa for the second outreach trip of the year. Building on the momentum and success of our past trips, continued presence in Ottawa is beneficial in building and maintaining key relationships in order for the Alberta Wheat Commission, and our partner commissions, to effectively influence policy outcomes in the interest of our members.

Along with building and maintaining these imperative relationships, in November our team presented core messaging surrounding the needs of Alberta's cropping sector with respect to contributing to the Government of Canada's vision, as announced in Budget 2017, to achieve a growth of agriculture and agri-food exports to \$75 billion by 2025. The infographic depicts our core messaging to this end.

THE ALBERTA CROPPING SECTOR IS WELL ON TRACK TO CONTRIBUTE TO THE GOAL OF THE FEDERAL GOVERNMENT...

With the federal government's support in ensuring that farmers have these tools it will ensure the growth and competitiveness of our sector and the **sustainability of the Canadian family farm to 2025 and beyond.**

OUR CONTRIBUTION TO THE CANADIAN ECONOMY

Alberta has one of the world's most productive agricultural economies **A TOTAL FARM AREA OF 50.5 million acres**; producing approximately 20 million tonnes of barley, canola, pulses and wheat every year.

Over the past 10 years, Alberta exports of unprocessed agricultural products **rose 158% to \$5.5 billion.**

Alberta has an expanded value-added agricultural products sector. In 2015, sales of Alberta's processed food and beverage (agri-food) industry reached a record **\$14.6 billion** making it Alberta's top manufacturing industry on a revenue basis.

The grain and oilseed milling sub-sector in Alberta exported **\$1 billion in 2015, a 90% increase from 2005.**

Alberta farm cash receipts **totaled \$13.5 billion** accounting for **19.7%** of national crop receipts.

Cropping sector in Alberta employs **20,500**, up **10%** from 2015

Alberta cropping sector exports totaled **\$3.9 billion** with total national agri-food export total of **\$56 billion** to key markets such as the US, China, the EU, Japan, Indonesia, Mexico, India

Farmer dollars collected by Team Alberta were invested in over **\$5.2 million** of agricultural research in 2016.

TEAM ALBERTA

Team Alberta is a collaborative initiative led by the province's four crop commissions. Our commissions are producer elected, directed and funded organizations established to represent the interests of our producers across the province.



**Alberta
Barley**



Alberta Barley and Wheat Commissions:
Shannon Sereda, Policy Manager
ssereda@albertawheatbarley.com | 403-219-6263

Alberta Pulse Growers Commission:
Nevin Rosaasen, Policy and Program Specialist
nrosaasen@pulse.ab.ca | 780-986-9398

Alberta Canola Producers Commission:
Karla Bergstrom, Policy Analyst
Karla@albertacanola.com | 780.454.0844



Contact Us

The Alberta Wheat Commission newsletter is published four times per year.

Alberta Wheat Commission
#200, 6815 8th St. NE, Calgary, AB T2E 7H7
P. 403.717.3711 | T. 1.855.917.3711
E. info@albertawheat.com | W. albertawheat.com

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Upcoming Events

Event

| | | |
|--|---|------------------------------|
| January 18, 2018 | Peace Agronomy Update | Dunvagan Motor Inn, Fairview |
| Register by calling or emailing Nora at 780-836-3354 or nora@npara.ca | | |
| January 25, 2018 | Durum Summit | Living Sky Casino, Saskatoon |
| January 30 – February 1, 2018 | FarmTech | Northlands, Edmonton |
| January 31, 2018 | Alberta Wheat Commission AGM 10:15 a.m. - 11:15 a.m. | Hall F, Northlands, Edmonton |
| February 27 – 28, 2018 | Herbicide Resistance Summit | The TCU Place, Saskatoon |



Visit albertawheat.com for more information on upcoming events, and to learn about the great work our team is doing.

Cleaning House

AWC recently cleaned up our mailing list to cut back on members receiving duplicate copies of Wheat's up. Please contact us at info@albertawheat.com or 403-219-7902 if you are still receiving multiple copies, or if you or someone you know did not receive a copy.

