

Manitoba Ag Update

HOGS

- Expansion continues to be a focus in the hog industry. Hylife Foods Manitoba announced a \$90-million expansion to its Neepawa plant, a result of Canada and China signing off on 56 trade deals expanding export potential to China.
- Maple Leaf has also announced a \$35-million expansion of its bacon processing plant in Winnipeg.
- The ninth case of PEDv has been confirmed in Manitoba as of September 15.

CATTLE

- Manitoba livestock auction marts have opened for the season, experiencing low-moderate volumes of head moving through. Volumes will begin to increase as harvest nears completion and fall feeding begins.

DAIRY

- Quota exchange clearing price as of September 1, 2016 was \$27,851 per kg.
- Quota credit exchange clearing price as of August 22, 2016 was \$4.75 per kg of credit.
- Due to an increase in demand for Canadian industrial milk, a 2.0% increase in quota was issued by Dairy Farmers of Manitoba beginning September 1, 2016.

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Manitoba Harvest Update

- Harvest progress in Manitoba is approximately 60% complete, with cereals near 70% complete and canola near 35% complete.
- Variable weather conditions across the province, and excess moisture in particular, have made for a challenging cropping season for many producers.
- Quality concerns may be an issue for some wheat and barley producers this year. The recent wet weather has forced harvesting at higher moisture levels than normal, forcing the crop to be put under aeration.
- Soybean harvest has begun.
- Corn silage is in progress in parts of the province.
- Seeding continues for winter wheat and fall rye, with some early seeded fields seeing emergence.
- Yield estimates for cereals and canola vary in range, dependent on soil moisture conditions seen throughout the season. Average yields are expected in the province overall.

From Driverless Cars to Driverless Tractors



Case IH has unveiled its autonomous tractor concept, the Case IH robot Magnum. While not in full production, it generated much interest at the U.S. Farm Progress Show, leaving many with interesting thoughts about what farms could look like in the future.

Source: <http://www.agriculture.com/news/machinery/case-ih-unveils-autonomous-concept-tractor>

AgriNews is a quarterly publication featuring agricultural news, analysis and commentary.

Credit Union Central of Manitoba has commissioned MNP to provide industry expertise, market knowledge and professional insight that we expect will make AgriNews a valuable tool for credit unions and their members.

World Market Update

WHEAT

- Quality issues in U.S. hard red spring wheat and Canadian wheat crops have the potential to garner premiums for higher quality milling wheat.
- Overall global supplies for 2016/17 are expected to remain high, pressuring wheat prices down further.

CORN

- Corn supply for 2016/17 is projected to reach record highs. The September edition of the USDA WASDE reported revised yield expectation down slightly from the previous month's report, to 174.4 bushels per acre. If this estimate is realized, it will be another year of record high yields for the U.S.

SOYBEANS

- The U.S. is expecting another record-breaking soybean crop — 4.20 billion bushels — with an average yield of 50.6 bushels per acre.
- Soybean price is down approximately \$2.61 per bushel from the early summer weather premium highs. Despite record production, pricing is expected to hold relatively strong, on increasing demand and export expectations in the U.S.

CANOLA

- Current canola pricing has decreased, as seasonal inventories increase as harvest progresses, combined with a decrease in the price of soybeans (a commodity canola trends follow closely).
- Statistics Canada estimates 17 million tonnes of canola production for 2016/17, similar to 2015. Forward pricing outlook remains positive, despite the recent drop in pricing, as canola continues to be a competitive crop for Canada with steady demand and a low Canadian dollar contributing to its competitiveness in the market.

- The requirement of 1% dockage in Canadian canola shipments to China, which was set to come into effect on September 1, has now been postponed. This restriction has created much unrest in the market as it presents challenges during screening and would inherently slow the logistical process in export shipments. The postponement follows news of China and Canada reaching a near settlement agreement regarding not only dockage considerations, but other blackleg concerns expressed by China.

HOGS

- The U.S. hog market has continued to decline through the summer, following the bear pattern that analysts have been forecasting. The supply of U.S. hogs remains abundant and forecasts of increasing supply are anticipated as finished weights increase through the fall.
- Hog pricing has faced much downward pressure on the availability of supply, as U.S. lean hog futures have dropped approximately \$15.85/cwt since June — pushing cash prices lower at a similar rate.

CATTLE

- Cattle pricing is feeling pressure similar to hogs. A steady Canadian cow herd, reduced feeder exports, and heavier finished weights have provided more supply. This supply is not being offset with higher demand expectations, on either the consumer or export side, to stimulate feeder bids and stronger futures pricing into 2017.
- Alberta-fed cattle prices for the week ending September 9 dropped \$5.00/cwt, bringing prices to their lowest point seen in 2016. Pricing outlook into the fall is not seeing much upside as feedlot buyers are cautious in managing margins with the fall run approaching.

Trade Negotiations Update

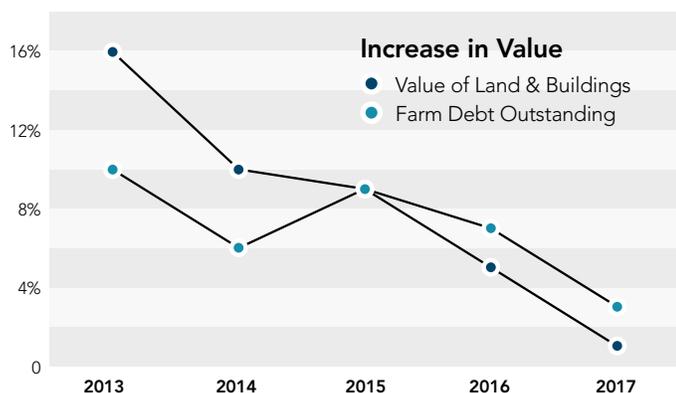
TPP (Trans-Pacific Partnership)

- To date, no member countries have completed ratification of the agreement. Chile may be closest, as they expect it to pass through their Congress by the end of 2016.
- 85 per cent of the total GDP of the twelve participants is required for the agreement to move forward.
- Canada has extended its deadline for written submissions on TPP to October 31, 2016.

CETA (Comprehensive Economic & Trade Agreement)

- Signing and final approval of CETA is planned for October. Some EU member countries have expressed concern and discontent with the agreement and are proposing amendments, so there is much speculation whether final approval will even take place.
- If approval and signing does take place, enforcement of the deal is still dependent on the approval of our Parliament and individual Provinces, as well as ratification by each EU member state.

Gross Hog Margin Quarterly Comparison	Q1			Q2			Q3	Q4
	Projected	Actual	Difference	Projected	Actual	Difference	Updated	Updated
Revenue	\$161.20	\$160.77	\$ (0.43)	\$189.07	\$182.77	\$ (6.30)	\$184.60	\$132.53
Production Expenses								
Feed	\$105.47	\$103.97	\$ (1.50)	\$104.65	\$112.63	\$ 7.98	\$106.27	\$101.07
Vet	2.75	2.75	–	2.75	2.75	–	2.75	2.75
Total	\$108.22	\$106.72	\$ (1.50)	\$107.40	\$115.38	\$ 7.98	\$109.02	\$103.82
Gross Margin	\$ 52.98	\$ 54.05	\$ 1.07	\$ 81.67	\$ 67.39	\$ (14.28)	\$ 75.58	\$ 28.71



Farm Asset and Debt Outlook

Farm Credit Canada (FCC) recently released its Outlook for Farm Assets and Debt for 2016–17. An interesting point is the rate at which land and buildings increased and the pace at which debt followed. During years of higher cash receipts, debt increased at a lower rate. In 2015, when grain prices began to decline, debt began to increase at a higher rate than asset value. The end result is asset value is not increasing at the rate at which farm debt is increasing.

Source: FCC Ag Economics Outlook for Farm Assets and Debt 2016–17
<https://www.fcc-fac.ca/fcc/about-fcc/corporate-profile/reports/farm-assets-report/outlook-for-farm-assets-and-debt-2016-17.pdf>

Mergers in Ag

In less than a year the, ag industry has seen major consolidations of ag-related companies:

- **Bayer** and **Monsanto** have announced the merger of their entities, encompassing seed and chemical products in ag.
- **PotashCorp** of Saskatchewan Inc. and Canada’s **Agrium Inc.** will form one of the largest crop nutrient providers for potash and nitrogen in North America.
- **Syngenta** and **ChemChina**
- **Dow Chemical** and **DuPont**

What does this mean for producers? In the short term, not much changes as time is required to restructure. In the long term, producers may see positive results in research advancement, as larger companies pool budgets and resources to work toward a common goal. The downside for producers is that consolidation tends to lead to lower market competition and inherently higher prices.

Diesel Fuel Price Outlook

- Producers this year should be feeling some relief from lower diesel prices. At 98.1 cents per litre, average diesel price in Winnipeg for August 2016 was 8.8 cents per litre lower than the same time in 2015.
- Changes to prices may come as a result of increases in demand during winter or as a result of technical trade.

Disclaimer

MNP has provided this market commentary based on generally available industry information to highlight specific current issues and events. Although this industry information is generally believed to be accurate, MNP is not able to validate its accuracy in many cases. This commentary does not attempt to deal with all market issues and because the expected impacts are forward looking, actual results may be different than expected.

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