

Drought-Reduced Prairie Crops Have Limited Impact in Some Markets

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While severe drought affected every crop grown in Western Canada, the price impact has generally been more muted where the Prairies have a smaller share of global production and exports, such as for faba beans, dry beans, and soybeans. Even so, these are important crops, with local conditions shaping values and marketing opportunities for farmers.

Faba Beans

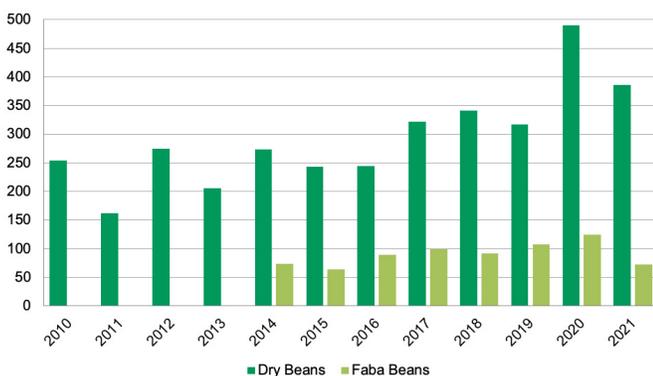
Early prospects were encouraging for Canadian faba bean production in 2021, with seeded area up 28% to the second highest on record, at 133,200 acres. However, final crop size fell to less than half of the 2020 level to just 57,000 tonnes after yields came in at only 18.2 bushels per acre (bu/ac).

Global faba bean prices tend to be driven more by production in Australia and Europe, with the Canadian crop being relatively small by comparison. Domestic values have been strong, however, helped by a robust pulse complex overall and high feed markets.

The lower supply hasn't caused a lag in exports so far, with shipments through November at 4,807 tonnes, essentially on par with this point last year. Most have gone to the United States (U.S.), although Egypt took a small amount as well. Export movement through the remainder of the season may be limited, however. Canadian prices are above global values, particularly as the Australian market trades lower on the backside of their harvest, which will keep most of our faba beans in North America.

Canadian faba bean area is likely to decline in 2022 as short supplies of most other crops creates an intense battle for acres. This means any improvement in yield may result in only a limited rebound in production. There are reasons to be optimistic about the longer-term prospects for faba beans on the Prairies, but it may require a return to a somewhat more "normal" environment to resume a growth trend.

Canada Dry Bean & Faba Bean Production



Source: LeftField Commodity Research

Dry Beans

Canadian dry bean production dipped by over 20% in 2021 to 385,869 tonnes, although this is still the second highest total in a decade. Lower seeded area was a contributing factor. While yields were down, they did not see the same kind of drop that most other crops did, partially due to better growing conditions in Ontario and a Manitoba harvest that held up reasonably well given the dryness.

U.S. production is roughly triple the size of Canada, making them much more important for market direction. The U.S. crop was also down from last year, which has supported prices. The overall North American balance sheet isn't as tight for dry beans as for many other crops, which is allowing prices to slip into mid-winter, particularly as export markets have started to quiet down. South American weather conditions are something to monitor going forward, as dry conditions in Argentina and southern Brazil could reduce their crop, which in turn might increase import demand from the U.S. and Canada.

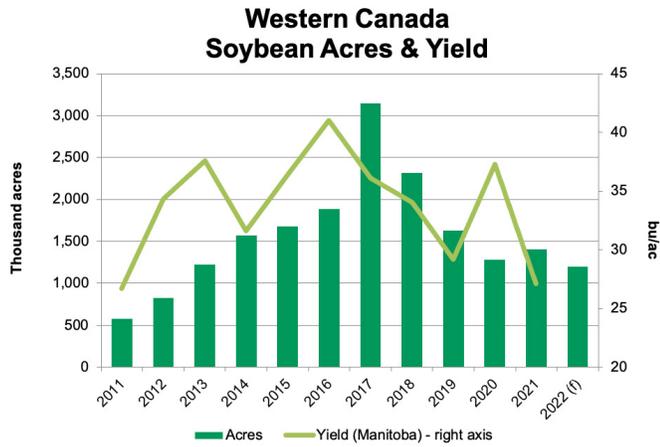
We anticipate dry bean acres to decline moderately in 2022 as high prices for other crops compete for acres, although plantings should still remain close to the 5-year average. This may be more than offset by a potential increase in U.S. acres, which could crimp exports and limit upside price potential if growing conditions are favourable.

Soybeans

Soybean production in Western Canada continues to slide from its 2017 peak. Seeded area rebounded slightly in 2021 to 1.4 million (M) acres across the Prairies, but the lowest yield in a decade left the crop at just 1.015 M tonnes, the lowest since 2012.

Canada is a minor player in global soybean markets, and Western Canadian production tends to be only 20-25% of our national total. In this sense, a short local crop has little effect on the bigger picture. However, it does impact regional prices and shipping opportunities for growers.

Tight local supplies tend to be supportive for basis levels in most crops that have futures markets. In the case of Prairie soybeans, the opposite effect can take place once the initial fall shipping period has passed and supplies dwindle to the point where it becomes difficult for exporters to put together a program. A stronger futures price would still lift values, but not to the same extent as would happen when supplies are larger and buyers are more active.



Source: LeftField Commodity Research

Intense competition for acres, particularly in those areas on the Prairies where most of the soybeans are grown, may eat into plantings in 2022, keeping them near 10 year lows. An improvement in yield could see production rebound, however, and potentially begin reversing the trend of declining regional supplies.

The broader soybean market is closely watching South American weather conditions, and the extent to which reduced production expectations might potentially affect U.S. export volumes. Chinese import demand remains somewhat of a wild card, given the assumption of large purchases. They take over 60% of total global imports, so even a modest swing higher or lower in actual buying relative to expectations will cause prices to respond. Soybeans will also benefit from strength in vegetable oil markets and the long-term tailwinds of increasing biofuel production.

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