Canadian producers hang on to wheat market share

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Facing increasing competition from abroad and major system reorganization at home, Canada has done a good job of hanging on to its share of the global wheat market.

That is a significant accomplishment, for as we leave behind the teens and head into the twenties of this still young century, Russia has come to dominate the market, pushing some once mighty players away from centre stage.

I dug into wheat export statistics to see what has happened over the past 10 years. To smooth out the data so that a year of drought or political upheaval would not throw off the comparisons, I took the averages of the most recent three years, 2017-18, 2018-19 and 2019-20 and compared them to the average of 2007-08, 2008-09 and 2009-10. I used United States Department of Agriculture all-wheat trade statistics that combine wheat and durum.

Over that period, the volume of global wheat trade rose by about 43 million tonnes or 32 percent.

Russia's production and exports rose spectacularly to become the king of the market.

From being almost a non-player entering the 21st century, Russia became a force by the latter three years of the first decade with a market share average of about 12 percent.

Russia has become a major force in global wheat markets, capturing almost 21 percent of the wheat market in the latest three years and exporting on average about 37 million tonnes. | REUTERS/ILYA NAYMUSHIN PHOTO

Back then some analysts were still reserved in their expectations of Russia, saying that the wheat-growing area in the country had volatile weather and the export system was decrepit and not up to the task of moving huge volumes.

But another decade on and Russia has proven a more muscular competitor than expected thanks in part to strong investment in infrastructure and a natural advantage from its proximity to expanding consumption markets.

In the latest three years, on average, Russia has captured almost 21 percent of the wheat market, exporting on average about 37 million tonnes.

Neighbouring Ukraine has also made great strides moving to a 10 percent market share from about six percent.

During this same period Canada's wheat industry successfully underwent an enormous transition.

The Canadian Wheat Board's single desk authority ended in 2012 and by 2015 its remaining assets were sold to G3, a joint venture of Saudi Arabian agriculture company SALIC and Bunge.

There was a major restructuring of grain-handing assets when Richardson, Glencore and Agrium bought out Viterra.

New players G3 and GrainsConnect joined established players building a host of new high throughput inland grain elevators.

Established players also enlarged their port terminals in Vancouver and G3 is expected to open in 2020 the first entirely new port terminal in Vancouver since the 1960s. The state of the art facility is expected to be able to handle up to eight million tonnes of grain annually.

These investments and farmers' increased productivity helped Canada maintain its share of the global wheat market even with the onslaught of competition from the Black Sea. Another factor is the persistent demand for the high quality hard wheat that Canada produces.

In the last three years, Canada had 13.23 percent of all wheat trade, almost unchanged from the 13.26 percent it had on average in the last three years of the previous decade.

Looking at volume exported, movement increased to an average of about 23.6 million tonnes from 18 million previously.

Looking back a decade, in the last three years of the 2000s Canada held 14.4 percent of the world market.

The European Union also held on to its market share with 14.12 percent on average in the last three years, down only slightly from 14.67 percent.

Argentina saw a modest improvement in market share, climbing to 7.4 percent from 5.7 percent. About half of its exports go to neighbouring Brazil.

The biggest loser was the United States, seeing its wheat market share fall from more than 21 percent at the end of the previous decade to about 14 percent in recent years.

Wheat acreage in the United States has been falling since the early 1980s and recently reached the lowest levels since record keeping began in the early 1900s.

Farmers have turned to soybeans and corn, which provide better returns and are more competitive on the global market.

Australia's market share has also fallen, declining to about six percent on average from a little more than nine percent. However, its export performance has suffered mostly due to the last three years of drought that slashed production. It has been forced to import wheat from Canada this year.

It is also interesting to note that global wheat trade grew much faster in the second decade of this century than it did in the first decade.

In the first decade, trade grew by only 10 million tonnes or eight percent, while in the second decade it grew by 43 million tonnes or about 32 percent.

The more recent stronger growth was led by Indonesia, the Philippines, North African countries and Turkey, all of which have enjoyed strong economic growth.

But while wheat trade growth has improved, it is still slower than trade growth in corn and soybeans.

Global trade in corn about doubled over the decade while soybean trade was five times bigger.

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Decade began with the wheat board and ended in chaos

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We roared into the 2010s raging about the Canadian Wheat Board as we rode atop a raging commodity bull market.

We stumble out of 2019 savaged by dreadful weather, struggles to break even and a suddenly harsh world environment.

And in the midst of it all, we saw farmers make some great profits, suffer some egregious problems, develop some awesome abilities, and cope with some growing challenges.

It's hard to look back on the last decade and find any single thread that ties it into a nice little package. Like all calendar-based decade measures, we're trying to force a false framework onto a fluid reality that isn't compelled to fit inside our expectations.

Still, it's a useful period to look back upon, to assess where we've come from and where we might be going.

Prairie farming and agriculture feel very different as we roll into 2020 from the place we were at the beginning of 2010. But what is that difference?

Fundamentally, I think the continued existence and passionate debate about the CWB kept alive a stream of prairie grain farmer thought and belief that the grain business could be operated as a hybrid government-farmer organism, rather than as a private sector business operating on the same basis as most other businesses.

When the Conservative government killed the CWB, that belief seemed to evaporate from western Canadian grain farming. For supporters of the monopoly, that was a sadness, but in retrospect, it feels like the move lanced a festering boil that was irritating everybody by being unresolved.

With that decisive resolution in 2012, everybody's been able to move on and accept a far more free-market focused grain business. It's gone pretty well, most would admit.

The transition was aided immensely by the commodity bull market, which lasted until 2015 and about which many apparently still believed until recently. Most farmers were making good profits and that makes everything seem ducky.

Meanwhile, farmers were hearing about and cautiously embracing the digital revolution in agriculture. That was easy with auto-steer, especially for aging farmers with touchy backs.

Some jumped into variable rate technology, or at least soil and yield mapping. Every machinery manufacturer started flogging big data services, often integrating the hardware so farmers didn't have a choice on whether or not to buy it.

Farmers began to custom-hire more and more services around the farm, as the cost of running and maintaining expensive equipment and systems seemed financially unwise. But that trend weakened as the reality of seldom-in-time custom delivery became apparent, and some services — especially spraying — returned to the farmer.

Mid-decade, the future looked so good. A voracious growing world population, which was getting richer and richer, would want more and more food that we in Western Canada were beautifully situated to provide.

There would be no problem moving 26 million tonnes of canola by 2025 (the industry goal) nor exporting $75 billion in agricultural and food goods by 2025 (the industry and government goal). Those were both much above current production at the time they were announced.

Then we pivoted into a very different second half of the decade.

Clubroot and herbicide-resistant weeds began to threaten the bounding gains in most crops' yields.

Droughts and other forms of yield-crushing weather became general.

And the ever-expanding world free trade zone suddenly reversed course. The signings of the Canada-European Union trade deal in 2016 and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership approval in 2018 marked high points in Canada's trade expansion efforts, but unfortunately might have also represented codas.

American voters elected Donald J. Trump as president and his administration took an antagonistic approach to trade, even threatening to tear up the North American Free Trade Agreement, upon which so much of western Canadian agriculture was built.

After pulling out of the TPP, Trump seemed to threaten the future of NAFTA, but in the end he has mellowed, but not before educating us in the extreme risk we take in being so exposed to one big market.

Canada switched its hopes and strategy to China, as a counterbalance to U.S. reliance. Then that went to hell, and China not only didn't grow in importance, but actually imposed a blockade against most Canadian agricultural goods over the Meng Wanzhou diplomatic dispute.

Adding to the anxiety over the U.S. and despair over China has come the disappointment with the EU trade deal.

There were many hopes, but now it looks like the Europeans agreed to a deal that gets more of their goods into Canada but allows that entity to still block most of Canada's products.

Farmers head into 2020 suffering bad production results and weak prices, with a hostile world trading environment threatening their ability to clear their crops. That's a bad end to a decidedly mixed decade.

Where will farmers go in the 2020s?

Who would have guessed where we've travelled since 2010? It's a fool's game to guess specific outcomes.

But here are some safe assumptions, based on decades of farmer progress:

- Science will advance and offer new wonders.
- Production will inexorably increase.
- Logistics will continue to be the weak and struggling link.
- Farmers will struggle to get ahead of the downward pressures on profitability.
- Farmers will adapt and most will survive.

Things seem tight and constrictive right now. But that means nothing.

In 2010, few of us would have predicted what happened this decade. We shouldn't assume we know any better about what the 2020s offer us.

I wish you all the best for 2020. Who knows what we'll get?

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