

**The Impact of COVID-19 on the Grains and Oilseeds Sector****Derek Brewin**

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Email: derek.brewin@umanitoba.ca**Abstract**

While downstream distribution and demand is likely to be hampered by the labour and income effects of COVID-19, Canada is expected to produce over 88 million tonnes of grains and oilseeds in 2020. Canadians have valid concerns about delays related to their changing needs as millions move their purchases from food services to retail groceries, but they should not worry about our overall supply of calories. Despite some shortages, the supply chains for flour and cooking oil are not likely to be blocked for an extended period. Learning from the coordinated needs of the BSE crisis in the beef sector, the federal government developed Value Chain Roundtables in 2003, including one for grains. These roundtables bring together government and industry to tackle the issues that face each sector's major needs, including food safety, transportation infrastructure, and market access. A working group made up of various roundtable members was set up specifically to deal with COVID-19-related supply chain challenges. This gives both industry and government a venue to attack any choke point or breakdown within our agri-food supply chains – the exact response we need at this time. A pre-established forum for discussion of critical issues at these roundtables, assuming the right players are active and present, cannot hurt, but it would be useful for future planners and researchers if the federal government could clarify any positive impact they have.

Résumé

Bien que la distribution en aval ainsi que la demande soient probablement entravées par les effets de la COVID-19 sur le travail et le revenu, le Canada devrait produire plus de 88 millions de tonnes de céréales et d'oléagineux en 2020. Les Canadiens ont des préoccupations valides concernant les retards causés du fait que des millions d'entre eux ont déplacé leurs achats des services alimentaires vers les épiceries, mais ils ne devraient pas s'inquiéter de notre approvisionnement global en calories. Malgré certaines pénuries, les chaînes d'approvisionnement en farine et en huile de cuisson ne devraient pas être bloquées pendant une période prolongée. Tirant les leçons des besoins de coordination durant la crise de l'ESB dans le secteur de la viande bovine, le gouvernement fédéral a élaboré des tables rondes sur la chaîne de valeur en 2003, dont une pour les céréales. Ces tables rondes réunissent le gouvernement et l'industrie pour s'attaquer aux problèmes auxquels est confronté chaque secteur, notamment la sécurité alimentaire, les infrastructures de transport et l'accès aux marchés. Un groupe de travail composé de divers membres de la table ronde a été mis en place spécifiquement pour faire face aux défis de la chaîne d'approvisionnement liés à la COVID-19. Cela donne à l'industrie et au gouvernement un lieu pour adresser tout goulot

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d'étranglement ou panne au sein de nos chaînes d'approvisionnement agroalimentaire - la réponse exacte dont nous avons besoin en ce moment. Un forum préétabli pour discuter des questions critiques lors de ces tables rondes, en supposant que les bons acteurs sont actifs et présents, ne peut pas nuire, mais il serait utile pour les futurs planificateurs et chercheurs si le gouvernement fédéral pouvait clarifier tout impact positif qu'ils ont.

Overview

At the time of writing, April 14, 2020, most Canadian workers are at home. Only those deemed essential workers are still traveling to work, and many of them are working under new protocols to reduce the rate that COVID-19 spreads across Canada. The demand for retail groceries, and especially staples, has spiked as consumers assess the risks of supply chain breakdowns in basic food stuffs and replace food service consumption with home cooking (Mussell et al., 2020; Van Rosendaal, 2020). 26 days ago, Agriculture and Agri-Food Canada (AAFC) released their March 19th crop outlook. COVID-19 was mentioned in the discussion of canola and soybeans in terms of China's demand, but it was not forecasted to affect wheat, our largest crop in terms of production and exports. The report begins with the acknowledgement that the full effect of the COVID-19 outbreak will not be known for some time. The immediate effect of the falling Canadian dollar was an increase for Canadian grains and oilseeds prices relative to the world price, but this will be tempered by generally ample grains and oilseeds stocks worldwide (AAFC, 2020a).

One of the most important messages to get across to Canadians is that we are a long way away from a staple shortage in Canada. At the end of the 2019/20 crop year, AAFC expects 13.7 million tonnes of grains and oilseeds to be carried over. This is around 2.6% less than last year. Not counting some 1.2 million tonnes of high protein pulses and seeds and the whole horticulture supply, this carryover represents roughly 4000 calories per person per day for the upcoming year. And, in that year, we are expected to produce another 88 million tonnes of grains and oilseeds (AAFC, 2020a). Certainly, there are risks to the supply chain

from potential bottlenecks and breakdowns (Mussell et al., 2020), but there will be ample farm production and processing capacity to supply any surge in demand from Canadians (Van Rosendaal, 2020).

This is all occurring at the time of year when grain and oilseed farmers are making their seeding plans – with steady to improving future prices for both spring wheat and canola, there is not much expected change in area seeded or input applications of our two major field crops. While we face a whole spring and summer of weather and unknown macroeconomic effects that could drastically change returns, yields are expected to be similar to 2019.

Canadian grain farmers, by the nature of Canada's disperse arable land endowment, are natural practitioners of 'social distancing', but they are an older work force. In the last census, the average age of farmer operators increased to 55, and the 55-64 age group reached a record high of 21% (Statistics Canada, 2017). Recent evidence suggests that COVID-19 has been more lethal for older people (WHO, 2020).

Another potential concern on the farm is the increasing roll of hired trucking to move crops from the field to storage and to the elevator. Like farmers, truckers have been deemed part of the essential work force and have even been given special status in terms of protocols after travel to the United States and in terms of crossing the US/Canadian Border (Stockford, 2020). This could, however, increase their risk of catching the virus and tighten up the supply of truck drivers, increasing the costs of getting grain to market and causing potential delays within the supply chain.

Like farming, the elevation and railway sections of this supply chain are naturally labour extensive and that facilitates social distancing, but these firms rely on specialized skill sets at the elevators and on locomotives. Labour problems could hamper efficient grain movement. Regulators and industry are both concerned with potential bottlenecks between millers and

crushers and retail buyers of staple goods and between farm supplies and to export buyers (Kurbis, 2020).

Figure 1 shows weekly canola prices at various points in Canadian dollars per tonne starting in January 2015. There is no visible effect from COVID-19 starting in 2020. The growing wedge between Western Australia and Vancouver starting in early 2019 is due to China's ban on exports from two Canadian grain handling firms, and the modest wedge between Vancouver and farm delivery prices in Saskatoon over the last few months is more likely due to railway costs driven by recent railway line blockades and the CN Strike (Van Rosendaal, 2020). AAFC (2020a) notes that the world stocks of grains and oilseeds are expected to increase in the 2020/21 crop year, and that total exports from Canada to foreign buyers are expected to increase from last year to 45.8 million tonnes.

The remaining worry is any breakdown in the supply of food from processors and distributors to retail groceries (Reidy et al., 2020). In Canada, every effort is being made to prevent that. Thankfully, since the challenges of BSE led to beef supply chain working groups, the federal government has created Value Chain Round Tables for all of Canada's major supply chains, made up of industry, provincial, and federal staff who facilitate communication between firms in the sector and between industry and regulators (AAFC, 2018). On March 16th, an Industry-Government COVID-19 working group was set up with various members of these Roundtables (AAFC, 2020b). Although we hear of productive meetings from industry representatives and a particular focus on supply chain choke points like truckers with documentation difficulties and foreign workers (Kurbis, 2020), publishing some of the successes from these meetings would help reassure and inform the public and would relieve some anxiety. As well, this information would be valuable to industry and regulators when we face future crises and assess the usefulness of these Roundtables.

Conclusion

No one can predict all of the many ways in which COVID-19 could impact our agri-food supply chains, but Canada has massive advantages in terms of natural endowments to produce grains and oilseeds and to process these crops and transport them to consumers in Canada and around the world. Current estimates of grain and oilseed production and prices suggest a near-normal year for production. The roundtables started by the federal government to respond to past supply chain challenges seem to be appropriate vehicles for supply chain coordination within industry and between industry and the government. More details of their success would be helpful, but the current evidence is that we have a well-functioning grains and oilseeds sector and good governance – there is room for hope in the face of our unknown future.

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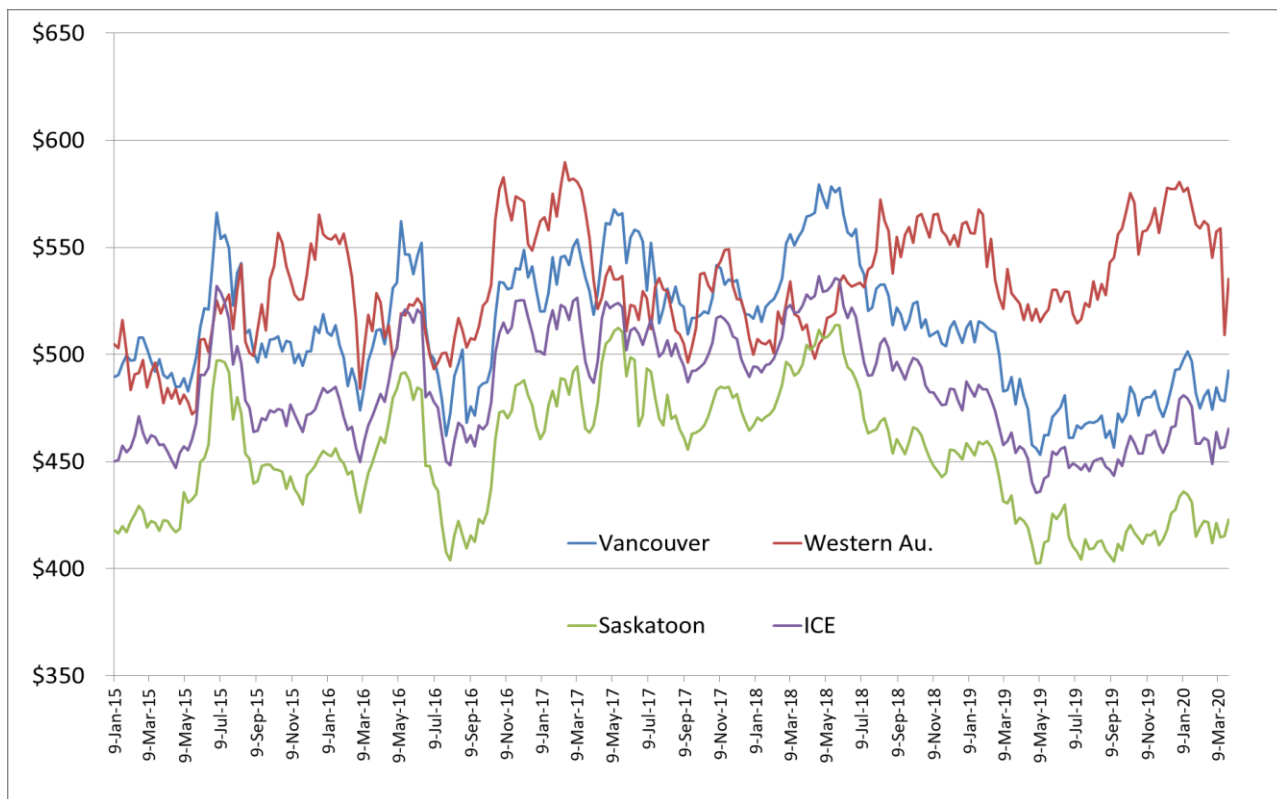


Figure 1. Canola prices, January 2015 to March 2020

Source: Leftfield Commodity Research