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Mustard Seed Nov. 2016

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It was a long, drawn out harvest this year, but the final SAF crop report states that Saskatchewan mustard seed was 99% harvested as of November 21st. This means that the full effect of both the increased area seeded to mustard seed and the better yield this year will be realized in the production number for this crop year.

Canadian Mustardseed Balance Sheet				
	2013/14	2014/15	2015/16	F2016/16
Area Seeded ('000 ac.)	366	499	346	524
Area Harvested	361	482	329	511
Yield (bu/aca)	18.91	18.02	16.59	20.13
Production ('000 mt)	155	197	123	233
Imports	2	1	2	0
Total Supply	**193**	**208**	**160**	**238**
Exports	**138**	**126**	**115**	**125**
Total Domestic Use	45	48	40	45
Carry-out Stocks	10	34	**5**	**68**
Stock-Use Ratio	5.5%	19.5%	**3.2%**	**40.2%**

Merc., Nov.'16

Specifically, acreage seeded to mustard seed increased by 51% over last crop year, yield is ~ 21% better, and at 233,000 mt, the resulting 2016/`17 production is almost 90% higher than it was for 2015/'16. But due to the small ending stocks, supply this year is 'only' 49% higher than last year.

SK Mustardseed Quality				
	#1 CAN	#2 CAN	#3CAN	Sample
2006	84	15	1	0
2007	73	25	2	0
2008	83	14	3	0
2009	88	10	2	0
2010	64	23	8	5
2011	82	16	2	0
2012	84	12	3	1
2013	86	13	1	0
2014	56	30	12	2
2015	80	18	2	0
10 yr avg.	78	18	4	1
2016	**64**	**29**	**6**	**1**

Source: SAF, Nov. 21/'16

Quality took a bit of a toll this fall, albeit certainly not to the degree that cereals and pulses suffered downgrades. This year the #1 grade mustard seed pool is 14% smaller than 'normal', but most of that shortfall shows up in the # 2 category. Hence 93% of this year's mustard seed still grades in the top 2 grades compared to the 96% 10 year average. This outcome will not be disruptive to export marketing, and there will be more than sufficient supply to meet the anticipated mustard seed export demand.

Mercantile is projecting total mustard seed exports of 125,000 mt, up 9% from last crop year. Note that Agriculture and Agri-Food Canada is only projecting 115k mt of exports for this crop year. But Canada should be able to recapture some of the market share lost last year due to low supplies.

Mustard Seed Exports by Destination					
Country (MT)	2013	2014	2015	YTD Oct. 31, 2016	2016 prorated
World	133,374	129,425	120,225	93,102	111,722
United States	60,868	62,552	67,553	56,588	67,906
Belgium	18,394	17,942	20,102	12,483	14,980
France	4,727	4,873	2,443	5,078	6,094
Japan	5,903	5,187	5,586	4,187	5,024
Senegal	1,942	3,049	3,282	2,416	2,899
Thailand	757	1,785	2,034	2,332	2,798
Korea, South	1,487	1,661	2,390	784	940
Brazil	1,040	1,470	789	727	872
Netherlands	8,005	7,582	2,906	1,059	1,271
Ecuador	295	581	893	593	712
Australia	820	1,158	946	758	910
Peru	479	635	668	447	536
Germany	17,447	11,417	2,099	612	734
Guatemala	261	395	310	428	514
Morocco	408	515	497	576	691
Bolivia	600	420	700	751	901
Greece	766	556	464	397	476
Venezuela	1,714	768	250	470	564
Switzerland	1,952	948	1,598	570	684
United Kingdom	696	494	474	412	494
El Salvador	133	133	152	133	160
Poland	1,663	906	540	322	387
South Africa	129	318	255	145	174
Finland	425	280	121	89	107
Chile	66	290	212	84	101
Other	2,395	3,510	2,961	661	793
% exports to USA	0.46	0.48	0.56		0.61
% exports to N. Eur.	0.38	0.33	0.25		0.22
% exports to Japan	0.04	0.04	0.05		0.04

Source: based on StatsCan data; note thet data is based on calendar year, not crop year

For example, total 2016 exports (prorated calendar year; latest data available) were 7% below those in 2015 and a full 30% below 2013 exports. Looking at the various countries, exports to the U.S. were 1% higher in 2016 than in 2015, but 7% lower than in 2013. Some of these variations are directly related to mustard seed acres in the U.S. In addition, export tonnage to Northern Europe was down 33% in 2016 relative to 2015, and down 61% relative to 2013. Especially some of the more recent drop is related to supply problems from Canada, but the other side of the story is increasing mustard seed production and supply from Black Sea countries, and especially Russia. Russian mustard seed production is very variable, but it increased by 26,000 mt (or 55%) from 2000 to 2015. Ukrainian mustard seed production is even more variable, but increased by 71,000 mt, or nine-fold. This means that in years of low supply, we are giving openings to Eastern European suppliers into our 'traditional' markets in northern Europe.

One positive piece of news is that a 'grocery' boat (a vessel loaded with relatively small tonnages of multiple commodities) that loaded in Thunder Bay carried 2,800- mt of mustard seed for Europe. Not a big tonnage, but a start.

Meanwhile mustard seed bids have remained firm, but this seems primarily related to farmers holding on to the product rather than selling their overages during harvest. However, our balance sheet shows that there is no shortage of product, and supply pressure will likely catch up with firm prices. Brown mustard seed may be the exception to this because of lower production and limited farm supplies.