



RELEVANT ISSUES

The Canada Grains Act, Varietal Registration System, Sustainability

Changes to Canada's wheat grading system could make exporting to Canada more favorable and fetch better prices for certain Montana-grown agricultural products. As it stands, the Registration System allows Canadian buyers to pay Montana producers less than Canadian producers for the same product such as durum wheat.

The Canadian agriculture industry underwent a significant transformation when the Canadian Wheat Board was discontinued in 2012. The "Single-Desk" market that had been in place since 1935 was replaced with a free market. This change allowed Canadian producers to sell their commodities to whomever, for any price, but also exposed them to greater risks. Canadian corporatized farming also increased post-Wheat Board. In an effort to increase yield sizes and compete with larger corporate farms, some smaller farmers have made decisions that may degrade sustainability of agricultural lands in order to maximize near term output, removing prairie sloughs and wetlands and increasing the risk of flooding.

Ag-Processing Possibilities in Montana

North-central Montana is renowned for its high-quality malting barley as well as pulse crops such as peas and lentils. Presently, there is only one large-scale malting facility in Montana. Development of an additional specialty malting facility as well as a pulse fractionation facility, perhaps funded by FDI, present value-added opportunities for Montana agriculture.

SUMMARIZING THE IMPACT ON MONTANA

Canadian buyers will likely not import as much Montana product in the short term, given the exchange rate as well as reluctance from Montana producers to sell commodities such as wheat at lower prices. However, Montana's proximity to western Canada continues to present possibilities for expanded trade in addition to agri-tech and longer-term FDI opportunities.

One interviewee for this project hypothesized that if issues such as grading are mitigated, Canadian and Montana cross-border neighbors could look to each other to help fulfill long-term sales wherein producers must add draw area to meet contracted quantities, perhaps as a result of unanticipated adverse weather conditions.

Western Canada Export Industry Brief

AGRICULTURE PRODUCTS

OVERVIEW

Alberta, British Columbia, and Saskatchewan import a significant amount of Montana-grown agri-feed and agri-food products despite the fact that Canada is also a major producer of cereals, grains, and seed commodities. In 2014, drought conditions were a contributing factor to substandard barley crop yields on both sides of the border. As a result, Canadian feed-grade barley imports from Montana rose sharply in 2015. Additionally, Montana malt imports remain strong, due in part to malt-intensive craft brewing. Agri-products accounted for more than \$46.24M in merchandise imports into western Canada, ranking as the second most imported product classification in 2015.

OPPORTUNITY

Leveraging a long history of traditional agricultural exports, Montana is well positioned to export technology related to agriculture such as bio-pesticides and fungus-based technologies that make plants more drought tolerant. One Montana company is also helping to create new markets for Montana barley by increasing its protein content, making it a viable plant-based protein source for use in end products like fishmeal.

Top 5 Agriculture Product Imports Into Alberta, British Columbia, and Saskatchewan from Montana in 2015

Data provided by WISER, at <http://www.wisetrade.org>, from Statistics Canada, International Trade Division

			2013	2014	2015
RANK	HS CODE	PRODUCT	Imports (\$US)	Imports (\$US)	Imports (\$US)
1	110710	Malt, Not Roasted	\$14.57M	\$13.82M	\$11.74M
2	100390	Barley	\$522K	\$1.88M	\$10.15M
3	100199	Wheat and Meslin	\$3.36M	\$3.30M	\$6.24M
4	120510	Low Erucic Acid Rapeseed	\$6.64M	\$13.88M	\$5.97M
5	100890	Other Cereals	\$1.18M	\$3.12M	\$2.49M

RECENT INDUSTRY TRENDS

- Western Canadian pulse crop production is expected to reach record levels in 2016, which may correlate with a decrease in wheat production, possibly benefiting Montana wheat growers seeking export markets but perhaps negating the ability of pulse growers to achieve better Canadian market penetration.
- Corn acreage has increased substantially over the past few years in Canada, offsetting some small grain acreage and introducing disease pressures on other crops such as wheat and barley. Once rarely seen in places like Alberta, this trend may continue to grow with increased production of corn.
- Opportunities for selling into the cattle and hog feedlots in Alberta and Saskatchewan remain strong. Demand for "white fat" in pork (often a sign of higher quality and prized in Asian cultures) leads producers to finish hogs on barley rather than corn, which is advantageous for Montana.



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