Interest high in hemp, but acres stable

BY ROBERT ARNASON
BRANDON BUREAU

Demand for hemp seed, hemp milk and hemp protein bars is booming in North America, but western Canadian hemp acreage is unlikely to expand in 2015.

Near bumper yields in 2013 and 2014 will cause a significant carry-over into 2015.

As a result, hemp processors aren’t contracting additional acres in 2015 because they need to consume the existing supply, said Clarence Shawluk, director of farm operations for Manitoba Harvest, a hemp foods manufacturer in Winnipeg.

“We want this to be a bit of a correction year so we can match our supply to demand,” Shawluk during Ag Days in Brandon.

He said Manitoba Harvest will contract 40,000 acres of hemp this year.

“It’s down a little bit from last year,” he said.

“We had a very large 2013 crop, and 2014 is shaping up to be a very good crop as well, from what growers are reporting to us.”

Prairie farmers planted 90,000 acres of hemp last year, but record June rain drowned out 5,000 to 15,000 acres in eastern Saskatchewan and Manitoba.

Many in the industry assumed that Canadian acreage would easily top 100,000 this year, given the strong demand for hemp food in the United States and Canada.

Barry Tomiski, chief operating officer of Hemp Oil Canada, said those predictions may be high.

“I don’t think the acres are going to increase substantially this year.”

Hemp Oil Canada, a Ste. Agathe, Man., company that sells hempseed, hemp milk and hemp protein bars to food manufacturers, will likely contract a similar number of acres to last year, Tomiski said.

“There’s a burger crop out there from this past year,” he said.

“The Alberta crop (was) extremely good. We’ve had reports of one acre-age that was irrigated that hit 3,000 pounds to the acre. That is an exceptional level of production. Normal on farm irrigation would be 1,800 to 2,200.”

Dryland hemp yields were also respectable last year. Shawluk said many farmers topped 1,000 lb. per acre, above the historical average of 800 to 1,000 lb. per acre.

“One of the (highest) I had in conventional production was 1,800 lb. per acre,” he said.

Chris Dasilva who farms near Dauphin, Man., and chairs Parkland Industrial Hemp Growers, said yields in the region were poor last year because the wet spring drenched many fields.

Still, hemp acres in the area will likely remain stable this year.

The co-operative is offering contracts to its members at 90 cents a lb. in 2014.

“We’re just talking to our buyers, trying to confirm acres and absolute volume,” Tomiski said.

They said most contracts for conventional hempseed were 70 to 75 cents per lb. in 2014.

“It’s prices are steady,” Tomiski said.

Canola grain buyers’ basis bids for wheat are confusing because they don’t first convert U.S. futures into Canadian currency.

The contract exists, but there is no trade.

Making a new contract work isn’t easy. Those pioneering it would face a lot of resistance as volume is small and liquidity is inadequate.

However, grain companies didn’t even try to make it work.

They stayed with the relative safe bet. MGEX spring wheat is established and has volume, but even it sometimes lacks adequate liquidity.

For now, MGEX remains the default North American hard spring wheat price setter.

And so grain companies operating in Canada must come up with a way to present honestly and transparently how their cash bids in Canadian currency relate to the MGEX futures.

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Canadian grain companies are trying to hide something, such as an outrageous profit margin and failure of the arbitrage that was supposed to balance Canadian and American grain prices following the end of the CWB monopoly.

It is a similar situation in Canadian Prairie Spring wheat, which uses the Chicago wheat contract as its starting point, and winter wheat, which uses the Kansas City contract.

There must be more clarity on how Canadian wheat buyers factor foreign exchange into their pricing so that their real basis becomes clear.

This would not be an issue if the MGEX Futures Canada milling wheat contract, which is priced in Canadian dollars per tonne, had gained traction.

Futures improve canola profitability over wheat

BY ED WHITE
WINNIPEG FREE PRESS

BRANDON — Farmers might take a friendlier look at seeding canola this spring after recent price action made the crop look relatively more profitable than wheat, says Informa Economics’ Chris Ferris.

Canola priced for 2015 had a significant per acre advantage over spring wheat last summer.

That was unusual because canola often is more profitable than wheat.

Canola’s advantage disappeared after August, raising ideas that wheat acres would increase.

But since Jan. 1, canola has held firm while spring wheat futures have fallen.

“We’ve been getting a bit of a bounce here,” Ferris told the Manitoba Canola Growers meeting during Manitoba Ag Days Jan. 20.

“Canola has been strengthening against spring wheat.”

Farmers keenly watch crop versus crop revenue comparisons as seeding approaches, with many throwing undeclared acreage into crops that appear to offer the best profit potential.

That looked bad for canola acreage recently.

Some profitability projections, including one from Manitoba Agriculture, showed canola as one of the worst crops to grow this year.

The department projected at the beginning of January that farmers would lose almost $20 per acre growing canola (including all costs), while they would make almost $11 on spring wheat.

However, wheat has now given up all the gains it had made in the October to December rally, while new crop canola futures are the strongest they have been since August.

Now canola again appears to offer farmers better returns.

“That’s because wheat has been falling,” said Ferris.

“That may encourage a bit more acres here for canola.”

Canola Triumphs

In recent months canola had lost much of its revenue advantage compared to spring wheat, but since the beginning of January canola has hardly regained the lead.

Comparative revenues after expenses, 2015 crop ($/acre)

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Source: John DePape | WP GRAPHIC

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Canola Triumphant tickets