Agriculture and Agri-Food Canada    Agriculture et Agroalimentaire Canada

# CANADA: GRAINS AND OILSEEDS (G&O) OUTLOOK: 2010-11

**July 8, 2010**

**For 2010-11, Canadian producers increased the areas seeded to canola, soybeans, spring wheat, oats, and corn and decreased the areas seeded to durum, barley, rye and flaxseed from 2009-10, according to Statistics Canada's (STC) May seeding intentions survey, released on June 23, 2010. However, the actual areas seeded may differ significantly from the survey results because of the extreme wet conditions in Manitoba, Alberta and especially Saskatchewan in May and June. Excess moisture has prevented many producers from completing their seeding and, as well, fields which had already been seeded have been damaged. Abandonment is expected to be significantly *above* normal and average yields are forecast to be *below* normal due to extreme wet conditions and cool temperatures across western Canada. In Eastern Canada, abandonment and yields are forecast to be near normal. The outlook assumes near normal crop quality. The price forecasts assume that the Canadian dollar will be near par with the US dollar, based on the average of forecasts from the five major Canadian banks.**

**Total production of G&O in Canada is forecast to decrease by 13% from 2009-10 to 57 million tonnes (Mt). Supply is also forecast to decrease significantly despite high carry-in stocks. Total exports are forecast to decrease due to lower exports of wheat (ex durum), canola and flaxseed. Total domestic use is forecast to decrease significantly as lower feed use more than offsets higher food and industrial use. Total carry-out stocks are expected to fall by 30%, well-below the 10 year average. In general, grain prices are expected to decrease from the 2009-10 level but remain above historical averages. The main factors to watch in Canada are temperatures and precipitation, exchange rates and the condition of the world crops.**

## DURUM

Area seeded decreased by 38% from 2009-10 because of sharply lower prices, burdensome carry-in stocks and access moisture in some areas during seeding. Abandonment is expected to be higher than normal because of excess moisture in the durum production areas which are mostly in southern Saskatchewan and southern Alberta. Production is forecast to fall by 44% to 3.0 Mt, the lowest since 1988-89, but, due to higher carry-in stocks, supply would decrease by 19%. Exports are forecast to increase by 6% to 3.7 Mt, mainly because of increased imports from northern Africa where production is expected to fall. Carry-out stocks are forecast to decrease by 52% to a historically low level. The CWB PRO is 3% lower than for 2009-10 because of the continuing low world prices related to high world supply of durum and the strong Canadian dollar.

## WHEAT (ex durum)

Area seeded increased marginally as higher area for spring wheat more than offset sharply lower area for winter wheat. Abandonment is expected to be higher than normal in western Canada, especially in the main wheat producing province of Saskatchewan. Production is expected to decrease by 15% to 17.9 Mt. Hard red spring wheat is forecast to account for 76% of the total wheat production, the same as in 2009-10. Supply is forecast to drop by 14%. Exports are expected to decrease because of the lower supply which is also expected to result in sharply lower domestic feed use. Domestic food and industrial use is forecast to remain stable. Carry-out stocks are expected to decrease to a historically low level. The world supply of wheat is forecast to increase, as lower world production is more than offset by higher carry-in stocks, but the world supply of high protein wheat is expected to decrease, mostly because of the lower Canadian supply. The CWB PRO is 6% lower than for 2009-10, as support from the lower Canadian supply is more than offset by pressure from higher world supply and the expected stronger Canadian dollar.

## BARLEY

Area seeded fell by 7% and area harvested is expected to fall by 11% from 2009-10 levels. Production is forecast to decrease by 18% as yields fall slightly. This could be the smallest barley crop in nearly 50 years. Total supply is forecast to fall by 19% due to lower carry-in stocks and production. Domestic feed use is projected to decline due to lower livestock numbers. Total exports are forecast to decrease slightly due to lower supply while carry-out stocks fall significantly. Canada's exports of feed barley are expected to be minimal due to strong returns from the domestic market relative to the offshore market. International barley prices are expected to be supported by lower world production and by the removal of the intervention subsidies in the EU. The US and China are expected to continue to be the major export markets for Canadian malting barley exports. The CWB malt barley PROs are about 2% lower than 2009-10. The off-board price of feed barley is forecast to increase marginally from 2009-10.

**CORN**
Area seeded is similar to last year but production is expected to increase by 7% due to higher yields. Statistics Canada reports that about 65% of Canada's corn will be seeded to genetically modified (GM) varieties, this compares to 62% in 2009-10. Although domestic supply is expected to increase, imports are also forecast to increase due to increased demand for ethanol. Carry-out stocks are expected to decease by 6% due to the higher total domestic use. The average Chatham elevator price is forecast to increase slightly due to higher US corn prices and good demand.

The US corn crop is expected to be at a near-record level because of excellent growing conditions so far in the US Corn Belt. However, the USDA is forecasting lower US corn ending stocks for 2010-11 due to the continued increase in ethanol production. As a result, the USDA had raised its farm gate price projections for 2009-10 and 2010-11 to US $3.55/bu and US $3.60/bu, respectively.

**OATS**
Area seeded and harvested is similar to last year, but yields are expected to decrease. Production and supply are forecast to decrease significantly which is expected to result in a 15% decrease in exports to the US. This, in combination with forecasts that the US is expected to produce its second smallest oat crop, will strongly support oat prices in Canada. Canadian exports may also be negatively impacted by the weak value of the Euro which could increase competition for the US market from Sweden and Finland. Carry-out stocks are expected to decrease significantly. Prices are forecast to increase by $5-10/t from 2009-10. US oat futures contract prices have increased significantly recently due to expectations of very tight oat supplies in Canada and the US.

**RYE**
Area seeded decreased significantly and production is forecast to decrease by almost 50%. As with winter wheat, fall 2009 seeding conditions were not advantageous for rye. Due to extremely tight supply, exports and feed use are forecast to decrease significantly. Carry-out stocks are expected to decrease by 25%. Prices are forecast to increase by $5-10/t from 2009-10. At the world level, rye prices are expected to be supported by lower production, forecast to decrease by 13%, and strong demand from the bioethanol industry in the EU, most notably in Germany.

**CANOLA**
Area seeded increased by 10% to a record high because of anticipated attractive returns compared to competing crops. However, abandonment is expected to be sharply higher than normal. Yields are expected to be near trend, but crop development is highly variable, ranging from excellent to drowned out. Production is forecast to decline by 11% while supplies fall by almost 13% due to tighter carry-in stocks. Domestic crush is forecast to rise to a record 4.7 Mt, although the recently expanded crush sector operate at reduced capacity due to tight supplies and pressured crush margins. Exports are forecast to decline by almost 20%, despite strong world demand, due to reduced domestic supplies. Carry-out stocks are forecast to decline significantly. Canola prices are forecast to rise by about $20/t as support from tight supplies more than offsets pressure from lower US soyoil prices and the strong Canadian dollar.

**FLAXSEED (excluding solin)**
Area seeded decreased by 25% due to lower prices and the uncertainty surrounding export markets. Abandonment is forecast sharply higher than normal as the major growing region is centered in the rain belt in eastern Saskatchewan and western Manitoba. Production is forecast to decrease by about 45% while supplies decline by a more moderate 22% due to large carry-in supplies. Exports are forecast to decrease only slightly from 2009-10 as increased exports to China partly offset lower exports to the EU. Total domestic use is expected to rise and prices are forecast to increase due to tight carry-out stocks and steady demand.

**SOYBEANS**
Area seeded increased by 8% to a record high, as the crop continues to gain area in Quebec and Manitoba. In Ontario, Statistics Canada reports that 54% of the soybeans in Ontario are planted to GM varieties versus 49% for Quebec. Abandonment is forecast to be slightly higher than normal. Production is forecast to rise by 7%, making soybeans the 5th largest crop in Canada while supplies are forecast to rise by 10% on higher carry-in stocks. Exports of soybeans, both food-grade and crush, are forecast to rise on strong demand from US, China and the EU. Domestic use is forecast to rise on a steady crush pace. Carry-out stocks are forecast to rise slightly. Soybean prices are forecast to decline due to lower US prices and the near-par Canadian dollar.

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## CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

**July 8, 2010**

| Grain and Crop Year (a) | Area Seeded | Area Harvested | Yield | Production | Imports (b) | Total Supply | Exports (c) | Food & Industrial Use (e) | Feed, Waste & Dockage | Total Domestic Use (d) | Carry-out Stocks | Average Price (g) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *thousand ha* | | *t/ha* | *thousand metric tonnes* | | | | | | | | *$/t* |
| **Durum** | | | | | | | | | | | | |
| 2008-2009 | 2,440 | 2,416 | 2.28 | 5,519 | 2 | 6,340 | 3,639 | 236 | 339 | 798 | 1,903 | 373 |
| 2009-2010f | 2,291 | 2,230 | 2.42 | 5,400 | 2 | 7,305 | 3,500 | 250 | 515 | 905 | 2,900 | 195* |
| 2010-2011f | 1,412 | 1,300 | 2.31 | 3,000 | 2 | 5,902 | 3,700 | 250 | 387 | 802 | 1,400 | 187* |
| **Wheat Except Durum** | | | | | | | | | | | | |
| 2008-2009 | 7,752 | 7,616 | 3.03 | 23,092 | 23 | 26,703 | 14,966 | 3,080 | 3,205 | 7,092 | 4,644 | 302 |
| 2009-2010f | 7,756 | 7,309 | 2.89 | 21,115 | 104 | 25,863 | 14,400 | 3,250 | 3,191 | 7,263 | 4,200 | 217* |
| 2010-2011f | 7,812 | 6,590 | 2.72 | 17,900 | 50 | 22,150 | 12,200 | 3,250 | 2,260 | 6,350 | 3,600 | 203* |
| **All Wheat** | | | | | | | | | | | | |
| 2008-2009 | 10,192 | 10,032 | 2.85 | 28,611 | 26 | 33,043 | 18,606 | 3,317 | 3,544 | 7,890 | 6,547 | |
| 2009-2010f | 10,047 | 9,539 | 2.78 | 26,515 | 106 | 33,168 | 17,900 | 3,500 | 3,706 | 8,168 | 7,100 | |
| 2010-2011f | 9,224 | 7,890 | 2.65 | 20,900 | 52 | 28,052 | 15,900 | 3,500 | 2,647 | 7,152 | 5,000 | |
| **Barley** | | | | | | | | | | | | |
| 2008-2009 | 3,787 | 3,502 | 3.36 | 11,781 | 42 | 13,392 | 2,398 | 157 | 7,707 | 8,171 | 2,843 | 179 |
| 2009-2010f | 3,506 | 2,918 | 3.26 | 9,517 | 35 | 12,395 | 2,200 | 214 | 7,501 | 7,995 | 2,200 | 140-160 |
| 2010-2011f | 3,258 | 2,600 | 3.00 | 7,800 | 35 | 10,035 | 2,150 | 205 | 6,410 | 6,885 | 1,000 | 145-175 |
| **Corn** | | | | | | | | | | | | |
| 2008-2009 | 1,204 | 1,169 | 9.06 | 10,592 | 1,863 | 13,912 | 327 | 4,120 | 7,594 | 11,728 | 1,857 | 167 |
| 2009-2010f | 1,204 | 1,181 | 8.09 | 9,561 | 2,300 | 13,718 | 150 | 4,500 | 7,355 | 11,868 | 1,700 | 135-155 |
| 2010-2011f | 1,206 | 1,170 | 8.72 | 10,200 | 2,500 | 14,400 | 200 | 4,700 | 7,886 | 12,600 | 1,600 | 135-165 |
| **Oats** | | | | | | | | | | | | |
| 2008-2009 | 1,758 | 1,448 | 2.95 | 4,273 | 17 | 5,240 | 2,430 | 69 | 1,086 | 1,282 | 1,527 | 191 |
| 2009-2010f | 1,510 | 948 | 2.95 | 2,798 | 15 | 4,340 | 2,100 | 75 | 980 | 1,165 | 1,075 | 155-175 |
| 2010-2011f | 1,513 | 1,025 | 2.41 | 2,470 | 15 | 3,560 | 1,800 | 75 | 770 | 960 | 800 | 155-185 |
| **Rye** | | | | | | | | | | | | |
| 2008-2009 | 168 | 132 | 2.40 | 316 | 1 | 352 | 78 | 42 | 97 | 152 | 123 | 155 |
| 2009-2010f | 115 | 115 | 2.43 | 281 | 0 | 403 | 133 | 45 | 97 | 150 | 120 | 130-150 |
| 2010-2011f | 91 | 64 | 2.34 | 150 | 1 | 271 | 75 | 40 | 60 | 106 | 90 | 135-165 |
| **Mixed Grains** | | | | | | | | | | | | |
| 2008-2009 | 143 | 80 | 2.79 | 222 | 0 | 222 | 0 | 0 | 222 | 222 | 0 | |
| 2009-2010f | 189 | 78 | 2.75 | 213 | 0 | 213 | 0 | 0 | 213 | 213 | 0 | |
| 2010-2011f | 144 | 80 | 2.88 | 230 | 0 | 230 | 0 | 0 | 230 | 230 | 0 | |
| **Total Coarse Grains** | | | | | | | | | | | | |
| 2008-2009 | 7,061 | 6,330 | 4.29 | 27,184 | 1,922 | 33,117 | 5,234 | 4,388 | 16,705 | 21,553 | 6,350 | |
| 2009-2010f | 6,524 | 5,240 | 4.27 | 22,371 | 2,350 | 31,071 | 4,583 | 4,834 | 16,147 | 21,393 | 5,095 | |
| 2010-2011f | 6,212 | 4,939 | 4.22 | 20,850 | 2,551 | 28,496 | 4,225 | 5,020 | 15,356 | 20,781 | 3,490 | |
| **Canola** | | | | | | | | | | | | |
| 2008-2009 | 6,540 | 6,494 | 1.95 | 12,643 | 121 | 14,225 | 7,908 | 4,280 | 331 | 4,659 | 1,659 | 467 |
| 2009-2010f | 6,556 | 6,105 | 1.94 | 11,825 | 150 | 13,634 | 7,400 | 4,500 | 433 | 4,934 | 1,300 | 415-435 |
| 2010-2011f | 7,242 | 5,989 | 1.75 | 10,500 | 125 | 11,925 | 6,000 | 4,700 | 427 | 5,175 | 750 | 435-475 |
| **Flaxseed** | | | | | | | | | | | | |
| 2008-2009 | 631 | 625 | 1.38 | 861 | 7 | 1,035 | 639 | n/a | n/a | 168 | 229 | 500 |
| 2009-2010f | 692 | 623 | 1.49 | 930 | 6 | 1,165 | 650 | n/a | n/a | 140 | 375 | 340-380 |
| 2010-2011f | 520 | 400 | 1.33 | 530 | 5 | 910 | 550 | n/a | n/a | 210 | 150 | 385-425 |
| **Soybeans** | | | | | | | | | | | | |
| 2008-2009 | 1,202 | 1,195 | 2.79 | 3,336 | 350 | 3,807 | 1,888 | 1,280 | 274 | 1,699 | 220 | 413 |
| 2009-2010f | 1,394 | 1,382 | 2.54 | 3,504 | 500 | 4,224 | 2,100 | 1,300 | 299 | 1,599 | 525 | 340-360 |
| 2010-2011f | 1,507 | 1,464 | 2.57 | 3,765 | 350 | 4,640 | 2,350 | 1,300 | 295 | 1,740 | 550 | 300-340 |
| **Total Oilseeds** | | | | | | | | | | | | |
| 2008-2009 | 8,373 | 8,315 | 2.03 | 16,840 | 477 | 19,067 | 10,435 | 5,560 | 605 | 6,526 | 2,107 | |
| 2009-2010f | 8,642 | 8,110 | 2.00 | 16,259 | 656 | 19,022 | 10,150 | 5,800 | 732 | 6,672 | 2,200 | |
| 2010-2011f | 9,269 | 7,852 | 1.88 | 14,795 | 480 | 17,475 | 8,900 | 6,000 | 722 | 7,125 | 1,450 | |
| **Total Grains and Oilseeds** | | | | | | | | | | | | |
| 2008-2009 | 25,626 | 24,677 | 2.94 | 72,635 | 2,425 | 85,227 | 34,274 | 13,265 | 20,854 | 35,969 | 15,004 | |
| 2009-2010f | 25,213 | 22,889 | 2.85 | 65,144 | 3,112 | 83,261 | 32,633 | 14,134 | 20,585 | 36,233 | 14,395 | |
| 2010-2011f | 24,705 | 20,681 | 2.73 | 56,545 | 3,083 | 74,023 | 29,025 | 14,520 | 18,725 | 35,058 | 9,940 | |

(a) Crop year is August-July except corn and soybeans which are September-August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, durum, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Soybean food and industrial use is based on data from the Canadian Oilseed Processors Association. Total excludes flaxseed due to data confidentiality.

(g) Crop year average prices: No.1 CWRS 12.5% protein and No.1 CWAD 12.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, ICE Futures Canada, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No. 1 CW I/S Saskatoon); Canola (No. 1 Canada, ICE Futures Canada, cash, I/S Vancouver); Flaxseed (No. 1 CW, ICE Futures Canada, cash, I/S Thunder Bay); Soybeans (No. 2 cash, I/S Chatham).

* Canadian Wheat Board - June 2010 Pool Return Outlook (PRO)

f: forecast; Agriculture and Agri-Food Canada: July 8, 2010

Source: Statistics Canada