



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

August 31, 2010

Total production of G&O in Canada is estimated by Statistics Canada at 60 million tonnes (Mt), an 8% decrease from last year. Supply is also forecast to decrease significantly despite high carry-in stocks and higher imports. The outlook assumes near-normal crop quality. Total exports are forecast to decrease due to lower exports of wheat (ex durum), canola, flaxseed, oats and barley. Total domestic use is forecast to increase slightly due to higher feed use of corn in eastern Canada and increased canola crush in western Canada. Total carry-out stocks are expected to fall by 25%, well below the 10 year average. Grain prices are expected to average significantly higher than the 2009-10 level, partly due to the market reaction to the weather-related production problems in the Black Sea region and the ban on exports of cereal grains in Russia. The Canadian dollar, vis-à-vis the US dollar, is assumed to remain near par, albeit slightly stronger than last year. The main factors to watch are harvesting conditions, temperatures and precipitation, exchange rates and the condition of the world crops.

### **DURUM**

Production is estimated at 3.1 Mt, down 42% from 2009-10, and the lowest since 2001-02, because of 42% lower seeded area. Area seeded decreased sharply because of sharply lower prices, burdensome carry-in stocks and excess moisture during seeding in some durum production areas. Durum is produced mostly in southern Saskatchewan, with a smaller area in southern Alberta.

The supply of durum wheat is estimated to decrease by 19% to 5.9 Mt as higher carry-in stocks partly offset the decrease in production. Exports are forecast to increase by 3% to 3.7 Mt, mainly because of increased imports from northern Africa where production fell. Carry-out stocks are forecast to decrease by 50% to a historically low level. The CWB PRO is 21% higher than for 2009-10 because of the forecast lower world production of durum. World durum production is expected to decrease by 5.5 Mt from 2009-10 to 35.4 Mt.

### **WHEAT (ex durum)**

Production is estimated at 19.5 Mt, down by 7% from 2009-10 because of lower seeded area. Hard red spring wheat is forecast to account for 76% of the total wheat production, the same as in 2009-10. Area seeded decreased because harvest delays in 2009-10 reduced the seeded area for winter wheat by a third and because of excess

moisture during seeding in most of western Canada which resulted in a lower spring wheat area. The decrease in spring wheat area was mostly in Saskatchewan, which is normally Canada's largest producer of spring wheat. However, for 2010-11 spring wheat production is estimated to be higher in Alberta.

The supply of wheat ex-durum is estimated to drop by 9% to 23.6 Mt as lower carry-in stocks compound the drop in production. Exports are forecast to decrease by 12% to 13 Mt because of the lower supply. Domestic use is expected to decrease marginally, with an increase for food, industrial and seed uses and a decrease for feed use. Carry-out stocks are forecast to fall to a historically low level. The CWB PRO is 21% higher than for 2009-10 due to support from the forecast lower Canadian and world production. The world production of wheat is forecast to decrease by 34 Mt from 2009-10 to 646 Mt. Adding to the price support is the export ban by the Russian government.

### **BARLEY**

Production is estimated to decrease by 11% although yields are expected to be above trend. Seeded area and harvested area decreased by 17% and 13%, respectively. The near record rainfall which fell on the Canadian prairies had a negative impact on area seeded to barley. The 2010-11 barley

crop is expected to be the second smallest in the past 30 years. Total world barley production is estimated to decrease by 12% from 2009-10.

The supply of barley is estimated to fall by 13% due to lower carry-in stocks and production. Domestic feed use is projected to decline significantly due to lower production, increased substitution in use with other grains and lower livestock numbers. Total exports of barley are forecast to increase as higher feed barley exports more than offset slightly lower exports of malting barley. Carry-out stocks are forecast to decrease significantly to a record low level. This, in addition to support from higher feed barley prices in the export market related to the drought in Russia and the Ukraine and production problems in France and Germany, will provide strong support for domestic barley prices. The average Lethbridge barley price is forecast to increase by \$10-20/t from 2009-10 to \$165/t. The CWB August PRO for Select Two Row malting barley is \$260/t, more than 20% from last year, mostly due to lower production in Canada and the EU.

### **CORN**

Production is estimated to increase by 13% because of better yields in Eastern Canada. Although seeded area was similar to last year, harvested area

is estimated to increase by 4% due to favourable weather.

Although the domestic supply of corn is estimated to increase by 10%, imports are also expected to increase because of strong demand for corn for ethanol and tight barley supplies in western Canada. Total domestic use is forecast to increase by 9% from 2009-10. Carry-out stocks are expected to increase by 12% due to the higher production. Despite the strong Canadian dollar, the average Chatham elevator price is forecast to increase due to the higher US corn prices.

The US is expecting a record corn crop but lower carry-in and carry-out stocks and higher demand have raised price expectations. The strong demand is coming from an increase in ethanol production and US exports, as corn replaces high priced wheat in world feed rations. The average US farm price of corn is forecast by the USDA to increase by 7% from 2009-10 to US\$3.80/bu.

#### **OATS**

Production is estimated to decrease by 15% from the 2009-10 level. Although seeded area is 23% lower than last year, harvested area is only estimated to decrease by 11%. This could be Canada's second lowest output in the past 20 years.

The supply of oats in Canada is estimated to be 20% below last year due to the lower production and lower carry-in stocks. Total exports, mostly to the US, are forecast to decrease by 19% due to the lower supply. Carry-out stocks are expected to decrease significantly due to low supply. Prices are forecast to increase by \$5-15/t from 2009-10.

The 2010 US oat crop is projected to have both the lowest harvested area and production on record. Lower milling demand and displacement of oats by corn in feed rations has reduced the forecast for US oat imports by 5% from 2009-10. The US farm price of oats is forecast by the USDA to increase by about 20% to

US\$2.45/bu. World oat production had been forecast to be 9% lower than 2009-10 based mostly on smaller crops in Canada, the EU and Russia.

#### **RYE**

Production is estimated to decrease by 17% from 2009-10 levels due to lower seeded and harvested area. The supply of rye is estimated to decrease by 12% and total domestic use is estimated to increase by 9%. Carry-out stocks are expected to decrease by 17% due to the large production drop. As was the case with winter wheat, seeding conditions during the fall of 2009 were not advantageous for rye. Prices are forecast to increase by \$10-20/t from 2009-10. World production in 2010-11 is forecast to decrease by 18% due mainly to the adverse weather suffered in the EU and Russia. World rye consumption is projected to decrease by 11% due to lower feed use in the EU and Russia and reduced human consumption.

#### **CANOLA**

Production is estimated at 10.9 Mt, down by 8% from 2009-10, and the lowest since 2007-08 as a result of the 11% drop in yields. Seeded area increased to a record high on support from attractive returns compared to competing crops. However, an unusually large portion of the area was abandoned due to excessive rain which, in combination with and cool growing-season temperatures, also reduced expected yields.

The supply of canola is estimated to decrease by 9%, to 12.2 Mt due to tighter carry-in stocks. Domestic crush is forecast to rise to a record 4.8 Mt. Despite higher crush capacity in western Canada, processing is expected to be constrained by regional tightness in supplies and by lower 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 to the lowest level since 2003-04. Canola prices are forecast to rise by about \$50/t on support from higher US soybean prices,

tighter Canadian supplies and strong world vegetable oil demand.

#### **FLAXSEED (excluding solin)**

Production is estimated at 0.57 Mt, down by 39% from 2009-10 due to a sharp drop in seeded area and yields.

The supply of flaxseed is estimated to decline by 18% as higher carry-in stocks partly offset the drop in output. Exports are forecast to decline by 15% under pressure from higher prices. Total domestic use is forecast to rise slightly while carry-out stocks fall. Prices are expected to be sharply higher on tight Canadian supplies and strong world usage.

#### **SOYBEANS**

Production is forecast at a record high 3.95 Mt, up by 13% from 2009-10. Area seeded rose by 5% on support from attractive returns while yields are expected to be well above the 5 year average.

The supply of soybeans is estimated to rise by 10% to a record 4.8 Mt due to sharply higher carry-in stocks and steady imports. Exports are forecast to rise to a record 2.5 Mt on support from the strong world demand for commercial and Identity Preserved soybeans. Total domestic use is forecast to rise slightly on support from a steady crush pace and increased feed, waste and dockage. Carry-out stocks are forecast to decline slightly, to 0.5 Mt, which is significantly above the 5 year average. Soybean prices are forecast to decline slightly due to lower US prices resulting from the near-record large crop and the continued near-par Canadian dollar.

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**CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION**

**August 31, 2010**

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (g) \$/t
<b>Durum</b>												
2008-2009	2,440	2,416	2.28	5,519	2	6,340	3,639	236	339	798	1,903	373
2009-2010p	2,291	2,230	2.42	5,400	2	7,305	3,600	245	529	905	2,800	199*
2010-2011f	1,325	1,277	2.44	3,122	2	5,924	3,700	250	409	824	1,400	241*
<b>Wheat Except Durum</b>												
2008-2009	7,752	7,616	3.03	23,092	23	26,703	14,966	3,080	3,205	7,092	4,644	302
2009-2010p	7,756	7,309	2.89	21,115	110	25,869	14,800	3,200	3,123	7,069	4,000	218*
2010-2011f	7,187	6,866	2.85	19,537	100	23,637	13,000	3,250	2,957	7,037	3,600	263*
<b>All Wheat</b>												
2008-2009	10,192	10,032	2.85	28,611	26	33,043	18,606	3,317	3,544	7,890	6,547	
2009-2010p	10,047	9,539	2.78	26,515	112	33,174	18,400	3,445	3,652	7,974	6,800	
2010-2011f	8,512	8,143	2.78	22,659	102	29,561	16,700	3,500	3,366	7,861	5,000	
<b>Barley</b>												
2008-2009	3,787	3,502	3.36	11,781	42	13,392	2,398	157	7,707	8,171	2,843	179
2009-2010p	3,506	2,918	3.26	9,517	35	12,395	2,000	214	7,601	8,095	2,300	153
2010-2011f	2,916	2,549	3.33	8,488	35	10,823	2,200	205	7,018	7,523	1,100	150-180
<b>Corn</b>												
2008-2009	1,204	1,169	9.06	10,592	1,863	13,912	327	4,120	7,594	11,728	1,857	167
2009-2010p	1,204	1,142	8.37	9,561	2,300	13,718	150	4,500	7,355	11,868	1,700	155
2010-2011f	1,200	1,187	9.12	10,823	2,500	15,023	200	4,700	8,209	12,923	1,900	140-170
<b>Oats</b>												
2008-2009	1,758	1,448	2.95	4,273	17	5,240	2,430	69	1,086	1,282	1,527	191
2009-2010p	1,510	948	2.95	2,798	15	4,340	2,100	75	980	1,165	1,075	165
2010-2011f	1,163	846	2.83	2,392	15	3,482	1,800	75	842	1,032	650	165-195
<b>Rye</b>												
2008-2009	168	132	2.40	316	1	352	78	42	97	152	123	155
2009-2010p	115	115	2.43	281	0	403	133	45	97	150	120	143
2010-2011f	91	91	2.55	232	1	353	112	45	90	141	100	140-170
<b>Mixed Grains</b>												
2008-2009	143	80	2.79	222	0	222	0	0	222	222	0	
2009-2010p	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	
<b>Total Coarse Grains</b>												
2008-2009	7,061	6,330	4.29	27,184	1,922	33,117	5,234	4,388	16,705	21,553	6,350	
2009-2010p	6,524	5,201	4.30	22,371	2,350	31,071	4,383	4,834	16,247	21,493	5,195	
2010-2011f	5,514	4,753	4.66	22,165	2,551	29,911	4,312	5,025	16,389	21,849	3,750	
<b>Canola</b>												
2008-2009	6,540	6,494	1.95	12,643	121	14,225	7,908	4,280	331	4,659	1,659	467
2009-2010p	6,556	6,105	1.94	11,825	150	13,634	7,400	4,788	345	5,134	1,100	426
2010-2011f	6,752	6,317	1.72	10,867	250	12,217	6,000	4,800	369	5,217	1,000	455-495
<b>Flaxseed</b>												
2008-2009	631	625	1.38	861	7	1,035	639	n/a	n/a	168	229	500
2009-2010p	692	623	1.49	930	6	1,165	650	n/a	n/a	140	375	424
2010-2011f	431	406	1.41	570	5	950	550	n/a	n/a	200	200	500-550
<b>Soybeans</b>												
2008-2009	1,202	1,195	2.79	3,336	350	3,807	1,888	1,280	274	1,699	220	413
2009-2010p	1,394	1,382	2.54	3,507	500	4,227	2,100	1,300	302	1,602	525	359
2010-2011f	1,462	1,448	2.73	3,951	350	4,826	2,500	1,400	281	1,826	500	330-370
<b>Total Oilseeds</b>												
2008-2009	8,373	8,315	2.03	16,840	477	19,067	10,435	5,560	605	6,526	2,107	
2009-2010p	8,642	8,110	2.01	16,262	656	19,025	10,150	6,088	647	6,875	2,000	
2010-2011f	8,645	8,171	1.88	15,389	605	17,994	9,050	6,200	650	7,244	1,700	
<b>Total Grains and Oilseeds</b>												
2008-2009	25,626	24,677	2.94	72,635	2,425	85,227	34,274	13,265	20,854	35,969	15,004	
2009-2010p	25,213	22,850	2.85	65,147	3,118	83,270	32,933	14,367	20,546	36,341	13,995	
2010-2011f	22,672	21,066	2.86	60,213	3,258	77,466	30,062	14,725	20,405	36,954	10,450	

(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 - August 2010 Pool Return Outlook (PRO)

p: preliminary

f: forecast; Agriculture and Agri-Food Canada:

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Source: Statistics Canada