Agriculture and Agri-Food Canada Agriculture et Agroalimentaire Canada

CANADA: GRAINS AND OILSEEDS (G&O) OUTLOOK **April 12, 2012**

For 2011-12, the total production of G&O in Canada increased by 5% from 2010-11 to nearly 66 million tonnes (Mt), but lower carry-in stocks resulted in the total supply decreasing marginally. The quality of the crop was average to above average. Total exports are forecast to increase as higher exports of wheat and oilseeds more-than offset lower exports of coarse grains. Total carryout stocks are expected to decrease significantly to well below the 5 year average. Prices for G&O are expected to remain historically high.

For 2012-13, the all crops seeded area is forecast to rise due to the expected decline in the summerfallow area. Soil moisture in western Canada ranges from good to dry, while soil moisture is generally good in eastern Canada. In general, yields are expected to decrease to trend levels. Total production of G&O in Canada is forecast to increase by 7% to 70.7 million tonnes (Mt). Normal precipitation, abandonment and crop quality are assumed. Exports and total domestic use are forecast to increase slightly. Carryout stocks are forecast to increase but remain below normal. Prices are forecast to remain historically high, but are expected to decline slightly, due in part to a strong Canadian dollar. The main factors to watch are US and world crop conditions, moisture conditions in Canada and the Canada-US exchange rate.

DURUM

For 2011-12, exports are forecast to increase by 6% to 3.5 Mt. Carry-out stocks are forecast to decrease by 24% to a low level of 1.2 Mt. The CWB PRO is 12% higher than for 2010-11 because of the lower world and US durum supply. World durum production rose by 1.5 Mt to 36.4 Mt, but supply decreased by 1.2 Mt to 43.8 Mt. Use is expected to decrease and the carry-out stocks are forecast to fall by 0.2 Mt to 7.2 Mt.

For 2012-13, seeded area is forecast to increase by 13% from 2011-12 mostly because of low carry-in stocks and drier soil conditions than for 2011-12. Production is expected to rise by 5% to 4.4 Mt, but the lower carry-in stocks will result in a 3% decrease in supply. Exports are forecast to remain at 3.5 Mt and carry-out stocks are forecast to remain at a low 1.2 Mt. The average price is forecast to decrease from 2011-12 because of the higher world and US supply, and the expected stronger Canadian dollar. US supply is forecast to rise by 0.3 Mt to 3.8 Mt as a sharp increase in production, attributable to a 62% increase in seeded area, is partly offset by lower carry-in stocks. World durum production is forecast to increase to 37 Mt and the supply to 44.2 Mt. Although use is expected to increase, carry-out stocks are forecast to rise to 7.5 Mt.

WHEAT (ex durum)

For 2011-12, exports are forecast to increase by 6% to 13.7 Mt because of the higher quality of the 2011-12 crop and strong demand for hard wheat. Domestic use is expected to increase because of stronger demand for food, industrial and seed uses, and large carry-in stocks of low quality wheat which promote feed use. Carry-out stocks are forecast to fall by 5% to 5.3 Mt. The CWB PRO is 11% lower than for 2010-11 because of the higher Canadian and world supply. The world production of wheat (including durum) rose by 42 Mt from 2010-11 to 694 Mt and supply increased by 39 Mt to 893 Mt. Although use is expected to increase, carry-out stocks are forecast to rise by 7 Mt to 206 Mt.

For 2012-13, seeded area is forecast to increase by 10% from 2011-12 mostly because of drier soil conditions compared to 2011-12. More specifically, the area seeded to winter wheat increased by 22%, while the area seeded to spring wheat is forecast to increase by 9%. Production is expected to increase by 3% to 21.7 Mt. Supply is forecast to rise only slightly because of lower carry-in stocks. Exports are expected to increase by 4% to 14.3 Mt due to growing demand for wheat. Domestic use is forecast to decrease by 4% as higher food and industrial uses are more than offset by lower feed use. Carry-out stocks are expected to remain at 5.3 Mt. The average price is forecast to decrease because of the higher US and Canadian supply, and the expected stronger Canadian dollar. US production is forecast to increase by 3.6 Mt to 58 Mt, while supply increases by 1.7 Mt to 82.9 Mt. World production of wheat (including durum) is forecast to decrease to 681 Mt and the supply is expected to decrease to 887 Mt. Use is forecast to decrease because of lower demand in the feed market resulting from the expected higher coarse grains supply. Carry-out stocks are forecast to fall slightly to 204 Mt.

BARLEY

For **2011-12**, exports are forecast to decrease 11% to 1.8 Mt, based on exports of only malt barley grain and barley products, and no feed barley. Feed use is forecast to decrease by 2% due to slightly lower cattle numbers and the warmer than normal winter. Carryout stocks are forecast to decrease 44% to a historically low level of 0.8 Mt. The CWB PRO for Select 2Row barley is 26% higher than 2010-11 due to the low world total barley supply and below average world volumes of malting barley. The In-store Lethbridge barley price is forecast to increase in response to the lower total supply, near steady feed demand and lower DDGS imports from the US. The USDA released their March 1st Stock Report on March 31st and it showed US barley stocks to be 32% lower than the in 2011. World 2011-12 barley production increased by 8% to 134.6 Mt and carry-out stocks decreased by 6% to 27.5 Mt.

For 2012-13, seeded area is forecast to increase 22% from 2011-12 in response to good prices and a recovery in seeded area. Production is forecast to increase 16% to 9.0 Mt, but low carry-in stocks will result in only a 7% increase in total supply. Exports are forecast to remain unchanged due to higher projected US area and a return to higher world malt barley supplies. Carryout stocks are forecast to remain tighter than historical averages but increase by nearly 50% to 1.2 Mt. The new CWB barley program for 2012-13 will include only 2Row malt barley but as with wheat and durum, there will be a six and a 12-month pool available. Domestic feed barley prices are forecast to decrease from 2011-12 due to the recovery in supply and carryout situation. Trading volumes for both ICE feed barley futures contracts remain low as domestic trade remains hand-to-mouth. The USDA is projecting US 2012 barley area to increase by 30% and the majority of this would go to their domestic malt barley market. World barley production is projected to increase by 5% but with low carry in stocks and trend usage, carryout will increase by only 4%. World malt barley prices are expected to decrease due to the modest recovery in world production and supplies.

CORN

For 2011-12, exports are forecast to decrease dramatically to 0.35 Mt, which is below the previous ten-year average. Total domestic use is forecast to remain unchanged at near records levels due to increases in ethanol and starch production but lower feed use. Lower than average imports will see carry-out stocks decrease slightly to 1.1 Mt. Domestic prices remain in the high range due to better basis levels than in 2010-11. The USDA March 1st Stock Report showed US corn stocks to be below average trade expectations and this sent the nearby May futures contract limit up. World corn carryout stocks are expected to decrease by 4% from 2010-11 due to higher total use.

For 2012-13, seeded area is forecast to increase 9% from 2011-12 and would be the second highest on record. Production is forecast to increase 9% to 11.6 Mt due to the higher area and trend yields. Imports are forecast to decrease due to the higher production and domestic supply. Lower carry-in stocks will result in a 5% increase in total supply. Exports are forecast to decrease to 0.3 Mt due to a recovery in US corn production and lower prices. Carryout stocks are to increase by 32% to 1.45 Mt. The USDA released their Prospective Plantings report on March 31st and it showed the highest US seeded corn area since 1937. This is a 4.3% increase in area and was about 1.0 million acres above the average trade estimate. The market will now focus on corn seeding pace and more importantly, yield projections. The last two years US corn has averaged only 150 bus/acre; given its current supply and disposition for 2011-12 another 150 bus/acre yield for 2012-13 still has the potential to increase US ending stocks by 50 percent given the large area increase. Moreover, a yield of 156 bus/acre would effectively double ending stocks assuming current trend increases to US total domestic use and exports. The USDA had projected a yield of 164 bus/acre but was widely discounted in the trade as being too high based on short-term trends.

OATS

For 2011-12, exports are forecast to increase by 11% to 2.2 Mt from 1.9 Mt, due to good US milling demand and a record small US oat crop. Total domestic usage is forecast to increase by 2% to due to trend demand increases. Carryout stocks are forecast to decrease 15% to 0.65 Mt due to the higher export pace. The USDA March 1st Stock Report showed US oat stocks to be 16% lower than 2011 which was price supportive. Since the beginning of the year, the nearby oat futures contract has gained nearly US $0.60/bus or US $40.00/t. World oat production increased by 3.6 Mt to 23.2 Mt and supply increased by 11% to 27.3 Mt.

For 2012-13, seeded area is forecast to increase 27% from 2011-12 due to a recovery in production on the Eastern Prairies. This intended area is similar to last spring's before wet conditions reduced the total hectares seeded. Production is forecast to increase 18% to 3.6 Mt due to the increase in seeded acreage and trend yields. The higher production but low carry-in stocks will result in an 11% increase in total supply. Exports are forecast to increase by 2% to 2.2 Mt due to the continued trends of lower US oat production and population based increases in US milling demand. Carryout stocks are to increase by 54% to 0.95 Mt. The USDA is projecting US 2012 oat area to increase by 15% and the majority of this would go to their milling market. Prices are forecast to decrease due to the increase in US oat and corn production and Canadian oat production and world coarse grain production.

RYE

For 2011-12, exports are forecast to decrease by 26% to 0.14 Mt from 0.19 Mt due to lower production and total supply. The export pace has slowed due to the very tight supplies.

As with Canadian oats, the US remains the world's largest rye importer with Canada as its largest supplier. Japan is our second largest rye customer where it is used almost exclusively as a feed and is considered a substitute for corn. Total domestic use is forecast to decrease by 27% due to a 34% lower supply. Carryout stocks are forecast to decrease 80% to near historic lows of 0.01 Mt. Domestic prices have remained strong throughout the crop year. World rye production increased by 5.0% to 13.5 Mt but the total supply decreased by 3% to 15.2 Mt due to low carry-in stocks. World carryout stocks remain very tight at 0.9 Mt.

For 2012-13, seeded area is forecast to increase by 23% from 2011-12 due to very favourable fall seeding conditions. Production is forecast to increase by 36% due to the recovery in seeded area and trend yields. Total supply is forecast to increase by 12% due to higher production but remain well below the 10-year average. Exports are forecast to remain unchanged due to the continuing tight supply. Total domestic use is forecast to remain unchanged due to the tight supply. Carry-out stocks will ease to 0.04 Mt but remain well below the previous ten-year average. Despite bearish coarse grain fundamentals, rye prices will decrease only slightly from 2011-12 due to the continuing tight supply and carry-out situation.

CANOLA

For 2011-12, record high canola exports are forecast, up 18% to 8.4 Mt, on strong Chinese buying, diversion of Australian and Former Soviet Union rapeseed to the EU-27 due to that region's production problems and Canadian supplies large enough to meet demand. Total domestic use is also forecast to be record high, up 7%, to 6.9 Mt, on expanded crush capacity and attractive crush margins. Carry-out stocks are forecast to fall to a tight 0.7 Mt for a stocks-to-use ratio of 5%. Record high prices are forecast on high world soybean and soyoil prices, strong US and Chinese canola seed, canola oil and canola meal import buying and tighter world canola/rapeseed and soybean supplies.

For 2012-13, seeded area is forecast to increase by 8% to a record high, surpassing wheat ex-durum as the largest seeded area crop in Canada. The gain is supported by historically strong prices and expected attractive yields. Production is forecast to rise by 9% to a record 15.4 Mt. However, supply is expected to increase only slightly due to very low carry-in stocks. Exports are forecast to remain at 8.4 Mt, while domestic crush expands to 6.8 Mt. Carryout stocks are forecast to rise by about 21% and are expected to support a steady crush and export pace. Prices are forecast to decline under pressure from lower world soybean and palm oil prices, with support provided by strong world demand and possible tightening of world supplies following lowered production forecasts for South American soybeans.

FLAXSEED (excluding solin)

For 2011-12, exports are forecast to fall by 13% due to tight supplies and competition from increased Black Sea supplies. Total domestic use is forecast to fall by 5% under pressure from high prices. Carry-out stocks are forecast at 0.1 Mt for a stocks-to-use ratio of 21%. Flaxseed prices are forecast to fall slightly on reduced exports to the EU-27.

For 2012-13, seeded area is forecast to rise by 10% but, due to lower average yields, production is forecast to rise only marginally. Supply is forecast to decline by 16% due to sharply lower carry-in stocks. Exports are forecast to fall slightly on weaker world demand. Total domestic use is forecast to fall by 27%, well-below the 5 year average. Carry-out stocks are forecast to decrease and will remain historically low. Prices are expected to ease slightly due to the rise in world oilseed and vegetable oil production combined with steady demand.

SOYBEANS

For 2011-12, exports are forecast to fall slightly from last year's record, to 2.7 Mt, leaving soybeans as Canada's 4th largest exported crop. Total domestic usage is forecast to fall by 3% on a slower crush pace. Carry-out stocks are forecast to remain unchanged at 0.3 Mt. Prices are forecast to moderate marginally as pressure from lower US prices and the near-par Canadian dollar is partly offset by higher world prices resulting from the drought-reduced South American production.

For 2012-13, planted area is forecast to rise by 7%, due to attractive prices and lower fertilizer requirements compared to competing crops. However, production is forecast to decrease slightly on lower yields. Consequently, supply is forecast to fall as carry-in stocks remain steady. Exports are forecast to remain strong on solid world demand for conventional-crush and food-grade soybeans. Total domestic use is forecast to rise slightly on a steady crush which is supported by attractive crush margins. Carry-out stocks are forecast to decline slightly but are not expected to become excessively tight. Prices are forecast to decline on higher US production and the strong Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

April 12, 2012

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												
2010-2011	1,275	1,244	2.43	3,025	37	5,769	3,304	254	470	882	1,583	300
2011-2012f	1,625	1,590	2.62	4,172	20	5,776	3,500	260	637	1,076	1,200	336*
2012-2013f	1,840	1,790	2.46	4,400	20	5,620	3,500	265	476	920	1,200	275-305**
Wheat Except Durum												
2010-2011	7,274	7,024	2.87	20,142	32	25,295	12,888	3,345	2,733	6,815	5,592	318
2011-2012f	7,112	6,953	3.03	21,089	20	26,702	13,700	3,450	3,442	7,702	5,300	283*
2012-2013f	7,840	7,545	2.88	21,700	20	27,020	14,300	3,510	3,100	7,420	5,300	260-290**
All Wheat												
2010-2011	8,549	8,269	2.80	23,167	68	31,064	16,192	3,599	3,203	7,696	7,176	
2011-2012f	8,737	8,544	2.96	25,261	40	32,477	17,200	3,710	4,078	8,777	6,500	
2012-2013f	9,680	9,335	2.80	26,100	40	32,640	17,800	3,775	3,576	8,340	6,500	
Barley												
2010-2011	2,797	2,387	3.19	7,605	43	10,231	2,014	144	6,406	6,776	1,441	188
2011-2012f	2,619	2,365	3.28	7,756	42	9,239	1,800	136	6,268	6,639	800	190-220
2012-2013f	3,200	2,850	3.16	9,000	42	9,842	1,800	137	6,455	6,842	1,200	175-205
Corn												
2010-2011	1,214	1,203	9.74	11,715	1,233	14,705	1,688	4,750	6,976	11,739	1,278	236
2011-2012f	1,218	1,202	8.89	10,689	1,200	13,167	350	5,100	6,603	11,717	1,100	225-255
2012-2013f	1,325	1,300	8.92	11,600	1,100	13,800	300	5,200	6,836	12,050	1,450	190-220
Oats												
2010-2011	1,179	906	2.74	2,480	25	3,674	1,935	47	817	970	769	244
2011-2012f	1,258	1,030	2.91	2,997	20	3,786	2,150	55	821	986	650	205-235
2012-2013f	1,600	1,250	2.84	3,550	20	4,220	2,200	58	901	1,070	950	180-210
Rye												
2010-2011	130	95	2.45	232	0	372	193	42	79	129	51	147
2011-2012f	122	79	2.47	195	1	247	143	39	44	94	10	175-205
2012-2013f	150	110	2.41	265	1	276	143	40	43	93	40	165-195
Mixed Grains												
2010-2011	172	80	2.92	233	0	233	0	0	233	233	0	
2011-2012f	106	60	2.98	179	0	179	0	0	179	179	0	
2012-2013f	170	80	2.94	235	0	235	0	0	235	235	0	
Total Coarse Grains												
2010-2011	5,492	4,671	4.77	22,264	1,300	29,215	5,829	4,983	14,510	19,846	3,539	
2011-2012f	5,323	4,735	4.61	21,815	1,263	26,617	4,443	5,330	13,914	19,614	2,560	
2012-2013f	6,445	5,590	4.41	24,650	1,163	28,373	4,443	5,435	14,470	20,290	3,640	
Canola												
2010-2011	6,806	6,514	1.96	12,773	224	15,260	7,105	6,310	71	6,437	1,718	568
2011-2012f	7,633	7,471	1.90	14,165	125	16,008	8,400	6,600	252	6,908	700	560-600
2012-2013f	8,250	8,050	1.91	15,400	125	16,225	8,400	6,800	126	6,975	850	530-570
Flaxseed												
2010-2011	374	353	1.20	423	8	720	404	n/a	n/a	123	194	530**
2011-2012f	281	273	1.35	368	5	567	350	n/a	n/a	117	100	495-535
2012-2013f	310	295	1.26	370	5	475	325	n/a	n/a	85	65	480-520
Soybeans												
2010-2011	1,483	1,477	2.94	4,345	266	4,911	2,803	1,448	197	1,807	301	447
2011-2012f	1,550	1,542	2.75	4,246	200	4,748	2,700	1,400	203	1,748	300	425-465
2012-2013f	1,660	1,629	2.58	4,200	200	4,700	2,600	1,400	305	1,850	250	400-440
Total Oilseeds												
2010-2011	8,663	8,345	2.10	17,542	498	20,892	10,312	7,759	267	8,366	2,214	
2011-2012f	9,464	9,287	2.02	18,779	330	21,323	11,450	8,000	455	8,773	1,100	
2012-2013f	10,220	9,974	2.00	19,970	330	21,400	11,325	8,200	431	8,910	1,165	
Total Grains and Oilseeds												
2010-2011	22,704	21,284	2.96	62,973	1,867	81,170	32,333	16,341	17,980	35,909	12,928	
2011-2012f	23,524	22,565	2.92	65,856	1,633	80,417	33,093	17,040	18,447	37,164	10,160	
2012-2013f	26,345	24,899	2.84	70,720	1,533	82,413	33,568	17,410	18,477	37,540	11,305	

(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, Track Vancouver); Flaxseed (No. 1 CW, ICE Futures Canada, cash, I/S Saskatoon); Soybeans (No. 2 cash, I/S Chatham).

* Canadian Wheat Board - March 2012 Pool Return Outlook (PRO)

** Forecast for No.1 CWRS 12.5% protein and No.1 CWAD 12.5% protein I/S St. Lawrence/Vancouver.

f: forecast by Agriculture and Agri-Food Canada, April 12, 2012

Source: Statistics Canada