Agriculture and Agri-Food Canada / Agriculture et Agroalimentaire Canada

CANADA: GRAINS AND OILSEEDS (G&O) OUTLOOK

August 13, 2012

AAFC's outlook incorporates information from the Statistics Canada's (STC) June Estimates of Principal Field Crop Areas and the STC May 7 report on stocks of field crops at March 31, 2011 for the 2011-12 crop year. The outlook assumes normal precipitation, abandonment and crop quality in western Canada. Trend yields are assumed. In general, harvest it is expected to be completed earlier than usual due to early seeding. In Eastern Canada, below average yields are forecast due to dry growing conditions.

For 2012-13, Canadian producers increased the areas seeded to all grains and oilseeds and reduced significantly the area in summerfallow compared to 2011-12, as abandonment returned to normal following the large scale-flood losses that occurred in western Canada in 2011. On average, yields are expected to fall by about 2% and total production of G&O in Canada is forecast to increase by 9% to 72 million tonnes (Mt). However, supply is expected to increase by only 3% due to lower carry-in stocks. Exports, total domestic use and carryout stocks are also forecast to increase but carry-out stocks are expected to be 22% below the 10-year average. Prices are forecast to remain high, due in large part to the drought conditions in the US. The main factors to watch are crop conditions in the US for corn and soybeans and the Canada-US exchange rate.

DURUM

For 2012-13, producers increased seeded area by 17% from 2011-12 mostly because of low carry-in stocks and soil conditions which were drier than for 2011-12. Production is expected to rise by 13% to 4.7 Mt, as lower yields partly offset the increase in area, but supply is expected to increase by only 3% due to lower carry-in stocks. Exports are forecast to increase by 6% to 3.8 Mt because of the higher Canadian supply and lower production in the EU. Carry-out stocks are forecast to be the same as for 2011-12 at 1.2 Mt, which is 27% lower than the past five year average. The average price is forecast to decrease from 2011-12 because of the higher Canadian and US supply.

US durum production is forecast to increase by 0.97 Mt to 2.34 Mt because of a 61% higher seeded area, due mostly to drier soil conditions compared to 2011-12. Supply is forecast to rise by 0.78 Mt to 4.13 Mt as the increase in production is partly offset by lower carry-in stocks.
EU durum production is forecast to decrease by 0.6 Mt to 7.6 Mt. Supply is forecast to fall by 0.6 Mt to 9.9 Mt.

World durum production is forecast to decrease by 1.4 Mt to 35.3 Mt, as higher production for the US, Canada and Algeria is more than offset by lower production for Kazakhstan, Morocco and the EU. Supply is forecast to decrease by 1.4 Mt to 42.7 Mt. Use is expected to decrease by 0.8 Mt and carry-out stocks are forecast to decrease by 0.5 Mt 6.9 Mt. The supply for the three major exporters, Canada, US and EU, is forecast to be nearly the same as for 2011-12.

WHEAT (ex durum)

For 2012-13, producers increased the seeded area by 9% from 2011-12. More specifically, the area seeded to winter wheat increased by 22%, while the area seeded to spring wheat increased by 8%. For spring wheat, the seeded area increased for hard red spring, Prairie spring, soft white spring and for the general purpose class, but decreased sharply for extra strong wheat. Hard red spring wheat accounted for 90% of the spring wheat seeded area, slightly less than the 92% for 2011-12.

Canadian production is expected to increase by 4% to 22 Mt, as the higher seeded area is partly offset by lower yields. Supply is forecast to rise only marginally from 2011-12 because of lower carry-in stocks. Exports are expected to increase by 3% to 14.5 Mt due to growing demand for wheat in the food market and lower production in some other exporting countries especially Australia, Argentina, Kazakhstan, Russia and Ukraine. Domestic use is forecast to decrease by 5% as higher food and industrial uses are more than offset by lower feed use. For 2011-12, feed use was supported by large carry-in of low quality wheat which won't be available for 2012-13. Carry-out stocks are expected to be the same as for 2011-12 at 4.8 Mt, 2% lower than the past five year average. The average price is forecast to increase from 2011-12 due to the lower world supply.

US all wheat (including durum) production is forecast to increase by 7.3 Mt from 2011-12 to 61.7 Mt. Hard red winter wheat production is expected to increase by 30%, while hard red spring wheat production increases by 16%, and soft red winter and white wheat production decreases by 5% and 13% respectively. Supply is forecast to increase by 4.5 Mt to 85.5 Mt. Domestic use and exports are forecast to increase, resulting in a 1.2 Mt drop in carry-out stocks to 19 Mt.

World all wheat production is forecast to decrease by 32 Mt to 663 Mt and the supply is expected to fall by 29 Mt to 860 Mt. Total use is forecast to decrease as higher food and industrial use is more than offset by lower feed use. Carry-out stocks are forecast to fall by 20 Mt to 177 Mt.

BARLEY
For **2012-13**, seeded area is forecast to increase by 14% and harvested area is expected to increase by 12%. Production is forecast to increase by 10% as remain at trend levels. Total supply is forecast to increase by only 1% due to lower carry-in stocks. Domestic feed use is projected to decrease only slightly due to flat livestock demand and production. Total exports are forecast to decrease slightly as larger world malt supplies are expected. Due to higher production, along with relatively flat total domestic use, carry-out stocks are forecast to increase by 43%.

The In-store Lethbridge price for feed barley is forecast to increase from 2011-12 due to the flat total barley supply and US corn prices higher than 2011-12. Canadian barley prices have been supported by higher corn prices in the US related to drought conditions in a large portion of the US Corn Belt.

The US barley harvest is underway, ahead of average, and is in good condition. The “barley states” located in the northern tier of the US have largely escaped the worst conditions of the current drought. In general world barley prices have moved higher at the end of July but the very tight spread between feed and malt barley remain. Currently there is only a slight premium for malt barley.

CORN
For **2012-13**, seeded area is forecast to increase by 21%, a new Canadian record. Production is forecast to increase by 21% based on lower than trend yields. Imports are expected to decrease slightly due to the large production and stay below the previous five-year average. Total supply is forecast to increase due to the large increases in area and production. Exports are forecast to increase substantially with the larger total supply and softer Canadian basis values. There is a forecast for a 1% increase in total domestic use as industrial use grows at trend and flat feed usage growth. Carry-out is forecast to increase due to the increase in total supply and flat usage.

The average Chatham elevator price is forecast to remain strong despite the larger Canadian crop, weak basis levels and the strong Canadian dollar. Recently the Canadian corn prices have been moving upwards with US prices. Similar to the US Corn Belt, Ontario is showing signs of suffering from severe moisture stress in most of the province with poor pollination noted on sandy or clay soils, corn conditions are also dry in Quebec and the Maritimes.

The US corn export prices have increased sharply in the past month prompting corn imports from Brazil. Smithfield Foods, the largest hog producer in the US and world, announced they will be importing Brazilian corn to the Eastern US.

OATS
For **2012-13**, seeded area is forecast to decrease by 1% as producers responded to low price signals early in the season. Production is forecast to decrease by 5% and total supply is forecast to decrease by 8% due to very low carry-in stocks and lower production. Total domestic use is forecast to decrease by 2%. Exports are forecast to decrease by 7% due to the tighter Canadian supply and a forecasted 20% increase in US production. The US oat crop was seeded early and harvesting is ahead of the 5-year average. Carry-out stocks are forecast to decrease by 25% and would be at near record low levels.

In the past month US oat futures prices have rebounded with the sharp increase in US corn prices. Canadian 2012-13 oat prices are forecast to be higher than 2011-12. US oat harvest has progressed to over 90% complete which is well ahead of the previous 5-year average. However, harvest in the large “oat states” of Minnesota and North Dakota is only about 3/4 complete and are in good shape. The USDA in their August WASDE report increased the US farm gate price for oats from US $3.50/bus to US $4.00/bus.

For 2012-13, world oat production remains flat when compared to 2011-12 with only a slight decrease in total supply due to tight carry in stocks. Carry-out stocks are forecast to decrease by 12%. The year-to-year oat trade between Canada and the US, on average, represents about 90% of the world market.

RYE
For **2012-13**, seeded area is forecast to increase by 18% and production is forecast to increase by 36% due mainly to the increase in area and trend yields. Most prairie rye has reached maturity and the harvest is underway with good yields expected. Total supply is forecast to increase by only 16% due to the higher production but very low carry-in stocks. Total domestic use is forecast to increase by 13% but remain well below average due to the overall tight supply. Total exports are forecast to increase slightly from 2011-12 as stocks are rebuilt. Carry-out stocks are forecast to increase due to the modest production recovery but remain very tight.

The in-store Saskatoon rye price is forecast to remain unchanged from 2011-12 as the very tight supply situation will support the rye market. 2012-13 world rye production is forecast to increase by 8% with a larger EU crop but very tight carry in stocks will reduce total supply by 2%.

Total usage is forecast to increase by 5% along with a slight decline in ending stocks.

CANOLA

For 2012-13, producers increased seeded area by 13% from 2011-12, setting a new record, on near-ideal seeding conditions and high prices compared to alternative crops. Crop conditions at the time of writing were good across western Canada and rated at 75% good or excellent for Saskatchewan and 95% good or excellent for Alberta. Early swathing has started in Manitoba.

Production is forecast to increase to a new record of 15.7 Mt, up 11% from 2011-12, based on trend yields of 1.86 tonne per hectare. However, total supply is forecast to rise by only 3% as lower carry-in stocks offsets most of the rise in output. The estimate for feed, waste and dockage is n/a indicating that 2011-12 carry-in stocks or production may have been under estimated.

For 2012-13, exports are forecast to rise slightly to a record 8.8 Mt on support from strong world demand for oilseeds. Domestic processing of canola is also forecast to rise by 3%, setting a new record, on the continuation of attractive crush margins and reports of further expansion of the domestic canola crush industry. Carry-out stocks are forecast to be very tight, based on the expected rate of use.

Canola prices are forecast to increase, with the midpoint of the 2012-13 price forecast $50/t above the 2011-12. The price outlook has strengthened since the July release of the G&O outlook as the US drought has intensified. Price volatility is significantly higher than normal as the outlook of the US soybean and soyoil production, remains highly uncertain. World demand for vegetable oil and protein meal remains strong, despite higher prices. In its August WASDE report, the USDA forecasts a soyoil price range of US 55 to 57 cents/lb with soymeal prices ranging from US$460 to 490/short ton.

FLAXSEED (excluding solin)

For 2012-13, area seeded increased by over 50%, mostly in Saskatchewan. Total production is forecast to rise by 43% to 0.53 Mt, assuming trend yields of 1.28 t/ha. Total supply is forecast to rise by only 11% due to the sharp drop in carry in stocks. Exports are forecast to rise due to steady US and Chinese demand supported by high world vegetable oil prices. Total domestic use is forecast to fall by one third due to a reduction in domestic capacity. Carry-out stocks are forecast to be unchanged while prices decline slightly, with losses moderated by support from high world vegetable oil, protein meal and oilseed prices.

SOYBEANS

For 2012-13, area seeded increased to a new record, 13% higher than 2011, in response to high prices. Soybean area increased by 52% in Manitoba and by 9% in Ontario but declined slightly in Quebec. At the time of writing, the crop in eastern Canada is being stressed by hot and dry weather but it is too early to assess the impact on expected yields. In Manitoba, the soybean crop is in good shape as it begins setting pods.

Production is forecast at a record 4.75 Mt, up 12% from last year, assuming trend yields of 2.76 t/ha.. Supplies are forecast to rise by 11%, also a record, due to higher carry-in stocks and the rise in output. Exports are forecast to rise by 0.7 Mt, to a record 3.3 Mt, making soybeans the fourth largest exported crop in Canada. Domestic crush is forecast to rise slightly from last year. Carry-out stocks are forecast to decline slightly on strong demand.

The average price of soybeans at Chatham is forecast to rise sharply for 2012-13 due to higher US prices. While the US soybean price outlook has strengthened significantly since the July release of the G&O outlook, it is expected to be partly offset by the widening of the cash price spread between Chatham and Chicago. In its August WASDE report, the USDA forecast the average on-farm price of soybeans at US$15 to 17/bu for 2012-13, versus the current CME nearby contract bids of over US$16.50/bu.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

August 13, 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	3,600	260	531	976	1,200	350*
2012-2013f	1,906	1,870	2.51	4,700	20	5,920	3,800	265	466	920	1,200	305-335**
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	50	26,732	14,100	3,450	3,578	7,832	4,800	292*
2012-2013f	7,787	7,590	2.90	22,000	40	26,840	14,500	3,510	3,209	7,540	4,800	305-335**
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	70	32,507	17,700	3,710	4,108	8,807	6,000	
2012-2013f	9,693	9,460	2.82	26,700	60	32,760	18,300	3,775	3,675	8,460	6,000	
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	2,000	136	6,168	6,539	700	225
2012-2013f	2,981	2,650	3.23	8,550	42	9,292	1,800	137	6,105	6,492	1,000	205-235
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	900	12,867	375	4,800	6,378	11,192	1,300	240-250
2012-2013f	1,472	1,450	8.34	12,100	800	14,200	1,200	4,850	6,336	11,200	1,800	260-300
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	2,250	55	771	936	600	227
2012-2013f	1,244	1,000	2.85	2,850	20	3,470	2,100	58	751	920	450	225-255
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	154	39	23	73	20	183
2012-2013f	144	110	2.41	265	1	286	164	40	32	82	40	170-200
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	122	70	2.93	205	0	205	0	0	205	205	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	963	26,317	4,779	5,030	13,518	18,918	2,620	
2012-2013f	5,963	5,280	4.54	23,970	863	27,453	5,264	5,085	13,429	18,899	3,290	
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	8,693	6,727	n/a	6,715	600	601
2012-2013f	8,605	8,433	1.86	15,700	125	16,425	8,750	6,900	126	7,075	600	630-670
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	7	569	330	n/a	n/a	119	120	525
2012-2013f	433	411	1.28	525	5	650	450	n/a	n/a	80	120	500-540
Soybeans												
2010-2011	1,483	1,477	2.94	4,345	266	4,912	2,757	1,448	243	1,853	301	447
2011-2012f	1,550	1,542	2.75	4,246	275	4,823	2,600	1,390	228	1,763	460	460-470
2012-2013f	1,747	1,723	2.76	4,750	225	5,435	3,300	1,450	230	1,825	310	560-600
Total Oilseeds												
2010-2011	8,663	8,345	2.10	17,542	498	20,892	10,266	7,759	314	8,413	2,214	
2011-2012f	9,464	9,287	2.02	18,779	407	21,400	11,623	8,117	228	8,597	1,180	
2012-2013f	10,784	10,567	1.98	20,975	355	22,510	12,500	8,350	356	8,980	1,030	
Total Grains and Oilseeds												
2010-2011	22,704	21,284	2.96	62,973	1,867	81,170	32,287	16,341	18,026	35,955	12,928	
2011-2012f	23,524	22,565	2.92	65,856	1,440	80,224	34,102	16,857	17,854	36,322	9,800	
2012-2013f	26,440	25,307	2.83	71,645	1,278	82,723	36,064	17,210	17,460	36,339	10,320	

(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 - July 2012 Pool Return Outlook (PRO)

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

f: forecast by Agriculture and Agri-Food Canada, August 13, 2012

Source: Statistics Canada