CANADA: GRAINS AND OILSEEDS (G&O) OUTLOOK 2011-12

December 15, 2011

Total production of G&O in Canada, as estimated by Statistics Canada, rose by 5% from 2010-11 to nearly 66 million tonnes (Mt) because of higher seeded area and lower abandonment. Although the area in summerfallow increased slightly from last year, area seeded to G&O increased because of the significant decrease in the area seeded to pulse crops. The supply of G&O decreased marginally because of lower carry-in stocks. The quality of the crop has generally been average to above-average. Total exports are forecast to increase slightly as lower exports of coarse grain are more than offset by higher exports of wheat and oilseeds. Total carry-out stocks are expected to decrease significantly to a near-record low, about 15% below the 5 year average. In general, prices for G&O are expected to remain historically high, similar to 2010-11. The main factors to watch include the global financial situation, especially in the European Union, exchange rates and the condition of the world crops.

DURUM

For **2011-12**, production increased 38% from 2010-11 because of a 27% increase in seeded area and higher yields. The average quality of the durum crop is much better than for 2010-11 and better than normal. The lower carry-in stocks resulted in only marginal increase in supply. Exports are forecast to increase by 6% from 2010-11 to 3.5 Mt due mostly to stronger demand from the US and EU where the supply fell. Domestic feed use is expected to increase because of significant carry-in stocks of low quality durum. Carry-out stocks are forecast to decrease by 24% to a low level of 1.2 Mt. The CWB PRO is 17% higher than for 2010-11 because of the lower world and US supply.

World durum production rose by 1 Mt to 35.9 Mt. Supply fell by 1.6 Mt to 43.4 Mt, as lower carry-in stocks more than offset the rise in production. Use is expected to fall by 1.1 Mt to 36.4 Mt Carry-out stocks are forecast to fall by 0.5 Mt to a low level of 7 Mt.

WHEAT (ex durum)

For **2011-12,** production increased by 5% from 2011-12 to 21.1 Mt, as a 2% lower seeded area was more than offset by higher yields. The average quality of the wheat crop is much better than for 2010-11 and better than normal. Supply rose by 6% as higher carry-in stocks compounded the increase in production. 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 by 11% because of stronger demand in all markets, food, feed and industrial. Carry-out stocks are expected to decrease by 2% to 5.5 Mt. The CWB PRO is 14% lower than for 2010-11 because of the higher world supply.

The world production of wheat (including durum) rose by 37 Mt from 2010-11 to 689 Mt, due mainly to a recovery in production in Russia and Kazakhstan. Production in the US decreased by 5.7 Mt to 54.4 Mt, the lowest level since 2006-07. World supply rose by 35 Mt to 889 Mt, as lower carry-in stocks partly offset the increase in production. Use is expected to rise, with increases in the food, feed and industrial markets. Carry-out stocks are forecast to increase by 9 Mt to 209 Mt.

BARLEY

For **2011-12,** production increased by 2% from 2010-11 with higher than trend yields. Total supply decreases by 10% due to the small production increase but mainly from the low carry-in stocks. Domestic feed use is forecast to decrease slightly due to tight supply and lower feeder cattle numbers caused by Canada's shrinking breeding herd. Total barley exports are forecast to decrease by 11% while carry-out stocks are to fall by 44% to 0.8 Mt. The Lethbridge non-board price for feed barley is forecast to increase from 2010-11 to an average of $205/t due the tight domestic supplies. The November 2011 CWB 2011-12 feed barley Pool A PRO is $232/t and the malt barley PROs for 2Row and 6Row are currently at $318 and $304/t, respectively. Total world barley production is forecast to increase by 7% and carry-out stocks continue to tighten and are forecast to decrease by 19%. The world barley market has become two-sided with tight but ample stocks of feed barley but very tight malt barley stocks. The result has been that the 2011-12 world average malt barley price spread to feed barley has been about $73/t; this is more than double when compared to the same period in 2010-11. World feed barley prices have softened due to the downturn in US corn prices and strong competition from the Black Sea region and Australia in both feed barley and feed wheat. World barley trade is forecast to increase by 12% in 2011-12 due to the production increases in exporting countries and strong feed purchases from Saudi Arabia.

CORN

For **2011-12,** production decreased 9% compared to 2010-11 with near trend yields. Total supply decreases by 7% due to the lower production and below average carry-in stocks. Imports are forecast to increase to more historical levels due to the lower domestic supply. Total domestic use is forecast to increase marginally from 2010-11 as feed use is generally flat but industrial use is slightly higher due to ethanol production. Total exports are forecast to decrease to more historical levels with the tighter supply and very strong foreign competition. Carry-out stocks are forecast to decrease marginally due to the lower total supply. Prices for corn In-store Chatham elevator are forecast to remain near 2010-11 levels due to volatile US futures prices but improved basis values. Nearby US corn futures have fallen about US $30/t in the last month due to a very poor export program as the US price is consistently being under-cut on Argentina, Brazil and Ukraine, strong competition from feed wheat and the downturn in the equity and financial markets caused mainly by the Euro zone problems and the soft world economy. The loss of the US ethanol subsidies and tariffs, scheduled to be withdrawn at the end of the calendar year, is also not price supportive. World corn production is projected to increase by 3% for 2011-12 but tight beginning stocks and higher use will reduce ending stocks by 6%.

OATS

For **2011-12,** production increased 14% compared to 2010-11 with slightly higher than trend yields. Total supply increases by 3% due to the higher production but below average carry-in stocks. Total domestic use is forecast to remain essentially unchanged. Exports are forecast to increase by 3% despite record low oat production in the US. US demand for milling oats is expected to remain strong but demand for oats for feed continues to fall as oats are displaced by corn in equine rations. Carry-out stocks are forecast to increase by 4% to 0.8 Mt. Canadian prices are forecast to decrease from 2010-11 due to lower US prices and the downturn in the corn market. World oat production is forecast to be 13% higher than 2010-11 based mostly on larger crops in Canada, the EU and Russia. Due to the higher production; total supply is forecasted to increase by 4% even with very tight carry-in stocks. World oat trade is forecast to increase 11% due to the higher supply in exporting countries. World oat carry-out is forecast to remain unchanged from 2010-11.

RYE

For **2011-12**, production decreased 16% compared to 2010-11 with slightly above trend yields. Total supply is forecast to decrease by 36% to near record lows due to the drop in production combined with low carry-in stocks. Total domestic use is forecast to decrease by 25% due to the very low total supply. Exports will also decrease by 46% due to the tight supply. Carry-out stocks are forecast to decrease by 27% due to near record low levels. Prices are forecast to increase sharply from 2010-11 due to the very tight domestic supplies, strong barley prices, as well as a lack of high-quality world rye supplies. The strong pricing and favourable fall seeding conditions will have encouraged a rebound in Canadian rye seeded area. A forecast for another La Nina event this winter, although weaker, could provide the necessary snow cover to reduce winterkill for the coming year's rye crop. World production of rye is forecast to increase by 8% due mainly to a recovery in Russia. World rye consumption is projected to increase by 4% with increases in food and industrial use. World supply is expected to remain low and trade and carry-out stocks are forecast to fall significantly.

CANOLA

For **2011-12,** production was estimated at a record 14.2 Mt, up 11% from last year. Provincially, output was 7.0 Mt for Saskatchewan, 5.3 Mt for Alberta and 1.7 Mt for Manitoba.. Total supply of canola is forecast to increase by 6% to a record 16.1 Mt as the higher output exceeded the drop in carry-in stocks and imports. Domestic crush is forecast to rise slightly to a record 6.5 Mt, which is expected to produce about 2.9 Mt of canola oil and 4.2 Mt of canola meal. Exports are forecast to rise by almost 1.0 Mt, to a record 8.0 Mt, as world demand for vegetable oils remains strong. Japan, Mexico, China, the United Arab Emirates and the United States are forecast to be major importers of Canadian canola. Carry-out stocks are forecast to fall by 29%, to 1.3 Mt. Canola prices are forecast decrease slightly to an average of $560/t vs. $568/t for 2010-11.

FLAXSEED (excluding solin)

For 2011-12, production decreased to a 19 year low of 0.37 Mt, significantly below the 5 year average of 0.77 Mt. About 80% of the production is in Saskatchewan. Supply is forecast to fall by 21% due to lower production and lower carry-in stocks. Exports are forecast to fall from last year due to the lower supply and competition from increased production in Kazakhstan. Total domestic use is forecast to fall slightly and remain below the 10 year average. Carry-out stocks are forecast to be below the 5 year average while prices fall slightly under pressure from lower world oilseeds and vegetable oil prices.

SOYBEANS

For **2011-12,** production was estimated at 4.2 Mt, slightly below last year as lower yields more than offset the rise in harvested area. About 70% of Canada's soybeans were produced in Ontario, 19% in Quebec and 10% in Manitoba. Harvest in Ontario is virtually complete despite delays resulting from the wet fall. Supply is forecast to fall slightly on the decline in production and forecasted fall in imports, but remain the 2nd highest on record. Soybeans are forecast to be Canada's 4th largest exported crop, although shipments are expected to fall by 0.1 Mt on tight supplies and competition from large US and South American supplies. Domestic crush is forecast to fall slightly as crushers switch to canola because of attractive margins and high vegetable oil prices. Feed, waste and dockage is forecast to rise slightly. Carry-out stocks are forecast to be unchanged at 0.3 Mt while priced decline slightly under pressure from lower US soybean prices and the volatile exchange rates.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

December 15, 2011

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												
2009-2010	2,291	2,230	2.42	5,400	2	7,305	3,820	261	392	778	2,708	203
2010-2011	1,275	1,244	2.43	3,025	37	5,769	3,304	254	470	882	1,583	296
2011-2012f	1,625	1,590	2.62	4,172	15	5,770	3,500	260	612	1,070	1,200	346*
Wheat Except Durum												
2009-2010	7,775	7,408	2.90	21,448	115	26,207	14,662	3,299	2,376	6,424	5,121	218
2010-2011	7,274	7,024	2.87	20,142	32	25,295	12,888	3,285	2,778	6,801	5,606	314
2011-2012f	7,112	6,953	3.03	21,089	25	26,720	13,700	3,410	3,281	7,520	5,500	271*
All Wheat												
2009-2010	10,065	9,638	2.79	26,848	117	33,512	18,481	3,560	2,768	7,202	7,829	
2010-2011	8,549	8,269	2.80	23,167	68	31,064	16,192	3,539	3,248	7,683	7,189	
2011-2012f	8,737	8,544	2.96	25,261	40	32,490	17,200	3,670	3,893	8,590	6,700	
Barley												
2009-2010	3,506	2,918	3.26	9,517	42	12,402	2,149	141	7,283	7,670	2,583	153
2010-2011	2,797	2,387	3.19	7,605	43	10,231	2,014	136	6,415	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
Corn												
2009-2010	1,204	1,142	8.37	9,561	2,125	13,520	120	4,595	7,033	11,641	1,758	144
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	1,700	13,667	500	4,900	7,003	11,917	1,250	225-255
Oats												
2009-2010	1,510	980	2.97	2,906	17	4,450	2,075	60	1,041	1,205	1,170	167
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	2,000	55	820	986	800	215-245
Rye* **												
2009-2010	168	115	2.43	281	1	404	128	40	86	137	139	137
2010-2011	130	95	2.45	232	0	372	193	42	88	138	41	147
2011-2012f	122	79	2.47	195	1	237	103	40	55	104	30	170-200
Mixed Grains												
2009-2010	189	78	2.75	213	0	213	0	0	213	213	0	
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	
Total Coarse Grains												
2009-2010	6,577	5,233	4.30	22,478	2,185	30,989	4,473	4,835	15,657	20,867	5,650	
2010-2011f	5,492	4,671	4.77	22,264	1,300	29,214	5,829	4,974	14,529	19,856	3,529	
2011-2012f	5,323	4,735	4.61	21,815	1,763	27,107	4,403	5,131	14,324	19,824	2,880	
Canola												
2009-2010	6,556	6,105	2.11	12,889	128	14,676	7,098	4,788	475	5,315	2,263	426
2010-2011	6,806	6,514	1.96	12,773	224	15,260	7,004	6,310	61	6,427	1,828	568
2011-2012f	7,633	7,471	1.90	14,165	125	16,118	8,000	6,500	262	6,818	1,300	540-580
Flaxseed												
2009-2010	692	623	1.49	930	6	1,165	772	n/a	n/a	104	289	424
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	510-550
Soybeans												
2009-2010	1,394	1,382	2.54	3,507	371	4,098	2,111	1,293	240	1,687	300	359
2010-2011	1,483	1,477	2.94	4,345	263	4,908	2,803	1,448	193	1,803	301	447
2011-2012f	1,550	1,542	2.75	4,246	200	4,748	2,700	1,400	203	1,748	300	410-450
Total Oilseeds												
2009-2010	8,642	8,110	2.14	17,326	505	19,938	9,981	6,081	714	7,105	2,852	
2010-2011f	8,663	8,345	2.10	17,542	495	20,888	10,212	7,759	254	8,353	2,324	
2011-2012f	9,464	9,287	2.02	18,779	330	21,433	11,050	7,900	465	8,683	1,700	
Total Grains and Oilseeds												
2009-2010	25,284	22,981	2.90	66,652	2,808	84,440	32,935	14,476	19,139	35,174	16,331	
2010-2011	22,704	21,284	2.96	62,973	1,863	81,166	32,233	16,272	18,031	35,892	13,041	
2011-2012f	23,524	22,565	2.92	65,856	2,133	81,030	32,653	16,701	18,682	37,097	11,280	

(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 Saskatoon); Soybeans (No. 2 cash, I/S Chatham).

* Canadian Wheat Board - December 2011 Pool Return Outlook (PRO)

**Flaxseed price location changed to I/S Saskatoon from I/S Thunder Bay

***Rye Area Seeded is an estimate from the previous fall and is before winterkill or abandonment due to poor stands.

f: forecast; Agriculture and Agri-Food Canada: December 15, 2011

Source: Statistics Canada