



CANADA: GRAINS AND OILSEEDS (G&O) OUTLOOK

January 17, 2012

For 2011-12, the total production of G&O in Canada rose by 5% from 2010-11 to nearly 66 million tonnes (Mt) but the supply 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 as slightly higher exports of wheat and oilseeds more-than offset lower exports of coarse grains. Total carry-out stocks are expected to decrease significantly to about 15% below the 5 year average. In general, prices for G&O are expected to remain historically high, similar to 2010-11

For 2012-13, the areas seeded to all crops are forecast to rise largely due to the expected decline in area in summerfallow, assuming that a major portion of the area which was too wet to seed in western Canada in 2011 will be seeded. Normal precipitation, abandonment and crop quality are assumed. For all crops, yields are expected to return to trend levels. Total production of G&O in Canada is forecast to increase by about 7% to 70.3 million tonnes Mt. Exports and total domestic use are forecast to increase slightly. Carry-out stocks are forecast to increase but remain below average. Prices are expected to decline, but remain historically high, under pressure by the strong Canadian dollar which is forecast to be near par with the US dollar. The main factors to watch are commodity prices and input costs, precipitation in Canada over the winter and spring 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 15% higher than for 2010-11 because of the lower world and US supply of durum. World durum production rose by 1 Mt to 35.9 Mt, but supply decreased by 1.6 Mt to 43.4 Mt. Use is expected to decrease and the carry-out stocks are forecast to fall by 0.5 Mt to a low level of 7 Mt.

For 2012-13, seeded area is forecast to increase by 19% from 2011-12 because of good prices, low carry-in stocks and drier soil conditions than for 2011-12. Production is expected to rise by 12% to 4.6 Mt, but the lower carry-in stocks will result in only a marginal increase in supply. Exports are forecast to remain at 3.5 Mt. Carry-out stocks are forecast to increase by 8% to 1.3 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. World durum production is forecast to increase to 37.8 Mt and the supply to 44.8 Mt. Although use is expected to increase, carry-out stocks are forecast to rise to 7.7 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, seed and feed uses. Carry-out stocks are forecast to fall by 2% to 5.5 Mt. The CWB PRO is 15% lower than for 2010-11 because of the higher world supply. The world production

of wheat (including durum) rose by 40 Mt from 2010-11 to 691 Mt and supply increased by 38 Mt to 891 Mt. Although use is expected to increase, carry-out stocks are forecast to rise by 10 Mt to 210 Mt.

For 2012-13, seeded area is forecast to increase by 11% from 2011-12 mostly because of drier soil conditions compared to 2011-12. More specifically, the seeded area for winter wheat increased by 22%, while the area for spring wheat is forecast to increase by 9%. Production is expected to increase by 4% to 21.9 Mt. Supply is forecast to rise by 3% because of lower carry-in stocks. Exports are expected to increase by 4% to 14.3 Mt because of the higher supply. Domestic use is forecast to decrease slightly as lower feed use is partly offset by higher food and industrial uses. Carry-out stocks are expected to increase by 4% to 5.7 Mt. The average price is forecast to decrease because of the higher world, US and Canadian supply, and the expected stronger Canadian dollar. World production of wheat (including durum) is forecast to decrease to 690 Mt, but the supply is expected to increase to 900 Mt. Use is expected to increase and carry-out stocks are forecast to rise slightly to 211 Mt.

BARLEY

For 2011-12, exports are forecast to decrease 11% to 1.8 Mt, due to the export of only malt barley and barley products as no feed barley exports are expected. Carry-out stocks are forecast to decrease 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 barley supply and below average world volumes of malting barley. The average in-store Lethbridge barley price is forecast to increase by 9% from 2010-11 low carry-out

stocks. Although, world barley production increased by 7% to 134.2 Mt, world carry-out stocks are expected to decrease slightly to 25.4 Mt.

For 2012-13, seeded area is forecast to increase 22% from 2011-12 due to higher prices and a recovery in production. Production is forecast to increase 16% to 9.0 Mt, but low carry-in stocks will limit the increase in supply. Exports are forecast to decrease by 11% due to higher world barley production and a return to more normal world malt barley supplies. Similar to 2011-12 no feed barley exports are expected. Carry-out stocks are forecast to increase by nearly 90% to 1.5 Mt. World malt barley prices are expected to decrease due to the recovery in world production and supply. Domestic feed barley prices are forecast to decrease from 2011-12 due to the recovery in supply and carry-out situation.

CORN

For 2011-12, exports are forecast to decrease dramatically to 0.5 Mt which is a return to more normal levels from the record high of 1.7 Mt in 2010-11. This is due to lower domestic supplies and very strong competition from Ukraine, Brazil and Argentina. Total domestic usage is forecast to increase by 2% to near record levels due to higher ethanol production, industrial use and feed use. Carry-out stocks are forecast to decrease slightly to 1.3 Mt. World corn carry-out stocks are forecast to be 5% higher than 2010-11 due to record world corn production. Prices remain historically high but have decreased due to record high world corn production and higher world coarse carry-out stocks.

For 2012-13, seeded area is forecast to increase by 5% from 2011-12 due to the good prices and lower area seeded to winter wheat because of wet fall conditions in Eastern Canada, especially Ontario. Production is forecast to increase 5% to 11.2 Mt due to the higher area and trend yields. Despite lower carry-in stocks there will be an increase of 6% increase in total supply. Imports are forecast to increase by 18% due to more historical levels. Exports are forecast to remain low due to a recovery in US corn production. Carry-out stocks are expected to increase by 40% to 1.8 Mt. Prices are forecast to decrease by about 10% due to a recovery in US corn and world coarse grain production.

OATS

For 2011-12, exports are forecast to increase to 2.0 Mt from 1.9 Mt, due to lower US production in 2011. Carry-out stocks are forecast to increase 4% and remain at the relatively low level of 0.8 Mt. Total domestic use is forecast to increase due to the slightly higher total supply. World oat production increased by 2.5 Mt to 22.5 Mt and supply increased by 5% to 26.4 Mt. Prices have decreased from last year's high levels due to the decline in corn values and higher world supply.

For 2012-13, seeded area is forecast to increase 27% from 2011-12 due to a recovery in production in the Eastern Prairie region which had suffered two years of very wet spring seeding conditions which limited oat seeding intentions. Production is forecast to increase 18% to 3.6 Mt due to the increase in seeded area but, due to low carry-in stocks, supply is forecast to increase by only 15%. Exports are forecast to increase by 5% to 2.1 Mt due to the continued trend of lower US oat production and trend increases in milling demand. Carry-out stocks are expected to increase by 50% to 1.2 Mt. Prices are forecast to fall by over 10% due to the recovery in Canadian oat production, US corn production and world coarse grain production.

RYE

For 2011-12, exports are forecast to decrease by 46% to 0.10 Mt from 0.19 Mt, due to lower production caused by poor seeding conditions in the fall of 2010. The US remains the world's largest rye importer with Canada as its largest supplier. Total domestic usage is forecast to decrease by 25% due to lower total supply. Carry-out stocks are forecast to decrease 27% to near historic lows of 0.03 Mt. Domestic prices have risen sharply this year and should

remain strong for the balance of the crop year. World rye production increased by 10% to 13.9 Mt but supply remained unchanged at 15.6 Mt. World carry-out stocks are expected to be low at 1.0 Mt.

For 2012-13, seeded area is forecast to increase by 23% from 2011-12 due to very favourable seeding conditions, in the fall, following the less-than ideal seeding conditions in the fall of 2009 and 2010, especially in Manitoba and Saskatchewan. Production is forecast to increase by 36% due to the recovery in seeded area and trend yields. Total supply is forecast to increase by 25% due to higher production but still remain well below the 10 year average. Exports are forecast to increase by 15% due to the higher total supply. Total domestic use is forecast to increase slightly as other coarse grains recover in production. Prices are forecast to decrease from 2011-12 due to lower the overall downturn in coarse grain prices but the continuing tight supply and carry-out situation will limit the decline.

CANOLA

For 2011-12, exports are forecast to increase by 14%, to a record 8.0 Mt on strong world demand and ample domestic supplies. Total domestic usage is forecast to rise by 6%, to a record 6.8Mt, as attractive crush margins allow processors to take advantage of expanded capacity. Carry-out stocks are forecast to fall to 1.3 Mt for a stocks-to-use ratio of 10%. Prices are forecast to ease slightly from the record highs set last year but are expected to remain well above the 5 year average.

For 2012-13, seeded area is forecast to increase by 5 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 6% to a record 15.0 Mt. However, supplies are forecast to rise only slightly due to significantly lower carry-in stocks. Exports are forecast to remain at 8.0 Mt, while domestic crush expands to 6.8 Mt. Carry-out stocks are forecast to rise by about 12% and are expected to support a steady crush and export pace prior to harvest. Prices are forecast to decline slightly under pressure from lower world soybean and palm oil prices, with support provided by strong world demand and possible tightening of world supplies following reports of hot and dry weather across key growing regions in Argentina.

FLAXSEED (excluding solin)

For 2011-12, exports are forecast to fall by 13% under 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, 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 slightly under pressure from lower US prices and the near-par Canadian dollar.

For 2012-13, area seeded is forecast to rise by 8%, due to attractive prices and lower input needs compared to competing crops. However, production is forecast to fall slightly due a return to trend yields. Supplies are forecast to fall moderately on the drop in output. Exports are forecast to remain strong on solid world demand for conventional and food-grade soybeans. Total domestic usage is forecast to rise marginally on a steady crush pace. Carry-out stocks are forecast to decline slightly but are expected to remain adequate. Prices are forecast to remain stable as the impact of lower world production, high US prices and a strong Canadian dollar cancel each other out.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION
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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
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	15	5,770	3,500	260	623	1,070	1,200	346*
2012-2013f	1,930	1,880	2.45	4,600	10	5,810	3,500	270	556	1,010	1,300	285-315**
Wheat Except Durum												
2010-2011	7,274	7,024	2.87	20,142	32	25,295	12,888	3,285	2,778	6,801	5,606	318
2011-2012f	7,112	6,953	3.03	21,089	20	26,715	13,700	3,410	3,293	7,515	5,500	271*
2012-2013f	7,860	7,570	2.89	21,900	20	27,420	14,300	3,500	3,110	7,420	5,700	240-270**
All Wheat												
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	35	32,485	17,200	3,670	3,916	8,585	6,700	
2012-2013f	9,790	9,450	2.80	26,500	30	33,230	17,800	3,770	3,666	8,430	7,000	
Barley												
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
2012-2013f	3,200	2,850	3.16	9,000	42	9,842	1,600	137	6,355	6,742	1,500	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	1,700	13,667	500	4,900	7,003	11,917	1,250	225-255
2012-2013f	1,275	1,250	8.96	11,200	2,000	14,450	500	5,000	7,186	12,200	1,750	200-230
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	2,000	55	820	986	800	205-235
2012-2013f	1,600	1,250	2.84	3,550	20	4,370	2,100	60	900	1,070	1,200	180-210
Rye												
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
2012-2013f	150	110	2.41	265	1	296	118	40	58	108	70	160-190
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	29,214	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	
2012-2013f	6,395	5,540	4.38	24,250	2,063	29,193	4,318	5,237	14,734	20,355	4,520	
Canola												
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
2012-2013f	8,000	7,865	1.91	15,000	125	16,425	8,000	6,800	126	6,975	1,450	515-555
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	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	400-440
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	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	
2012-2013f	9,970	9,788	2.00	19,570	330	21,600	10,925	8,200	431	8,910	1,765	
Total Grains and Oilseeds												
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	2,128	81,025	32,653	16,701	18,705	37,092	11,280	
2012-2013f	26,155	24,778	2.84	70,320	2,423	84,023	33,043	17,207	18,831	37,695	13,285	

(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)

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

f: forecast; Agriculture and Agri-Food Canada:

Source: Statistics Canada