CANADA: GRAINS AND OILSEEDS (G&O) OUTLOOK

July 16, 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. Trend yields are assumed. Soil moisture in Canada is mostly good. In general, harvest is expected to be earlier than usual due to favorable conditions during seeding.

For 2012-13, Canadian producers intend to increase the areas seeded to all grains and oilseeds and reduce significantly the area in summer fallow compared to 2011-12, as abandonment returns 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 13% below the 10-year average. Prices are forecast to remain high, relative to historical levels, but are expected to decline moderately from the previous year, due to increased global supply. The main factors to watch are US and world crop conditions, moisture conditions in Canada 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. Most of the increase in area was in Saskatchewan, where significant area was not seeded last year because of excessive moisture. The seeded area also increased in Alberta, the only other province with significant durum production. Production is expected to rise by 10% to 4.6 Mt, as lower yields partly offset the increase in area, but supply is expected to increase by only 2% due to lower carry-in stocks. Exports are forecast to increase by 6% to 3.8 Mt because of the higher Canadian supply, lower production in the EU and higher world trade. Carry-out stocks are forecast to decrease by 8% to 1.1 Mt, which is 30% 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 0.86 Mt to 2.23 Mt because of a 61% higher seeded area, due mostly to drier soil conditions compared to the excessive moisture that was experienced in 2011-12. US durum is produced mainly in North Dakota and Montana, just south of the Canadian growing areas. Supply is forecast to rise by 0.67 Mt to 4 Mt as the increase in production is partly offset by lower carry-in stocks. Carry-out stocks are forecast to increase by 0.4 Mt to 1.1 Mt.

World durum production is forecast to decrease by 0.4 Mt to 36.3 Mt and the supply to decrease by 0.2 Mt to 43.9 Mt. Use is expected to decrease marginally and carry-out stocks are forecast to decrease by 0.1 Mt 7.4 Mt.

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%. Most of the increase was in Saskatchewan and Manitoba, where large areas were not seeded last year because of excessive moisture. The wheat area fell sharply in Ontario because of excessive moisture during seeding last fall for winter wheat, which accounts for 90% of the wheat area. The seeded area declined in Alberta and the Maritimes, and increased in British Columbia and Quebec. 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 3% to 21.7 Mt, as the higher seeded area is partly offset by lower yields. Supply is forecast to fall marginally from 2011-12 because of lower carry-in stocks. Exports are expected to increase by 2% to 14.4 Mt due to growing demand for wheat in the food market. 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 decrease by 2% to 4.7 Mt, 5% 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 6.1 Mt from 2011-12 to 60.5 Mt. Hard red winter wheat production is expected to increase significantly, while hard red spring wheat production increases slightly, and soft red winter and white wheat production decreases. Supply is forecast to increase by 3 Mt to 84 Mt. Domestic use and exports are forecast to increase, resulting in a 2.1 Mt drop in carry-out stocks to 18.1 Mt.

World all wheat production is forecast to decrease by 29 Mt to 665 Mt and the supply is expected to fall by 29 Mt to 863 Mt. Total use is forecast to decrease as higher food and industrial use is more than offset by lower feed use because of the expected higher coarse grains supply. Carry-out stocks are forecast to fall by 15 Mt to 182 Mt.

BARLEY

For **2012-13**, seeded area increased by 14%, similar to the expected increase in harvested area. Production is forecast to increase by 10% but supply is forecast to increase by only 2% due to lower carry-in stocks. Domestic feed use is projected to increase only slightly due to flat livestock demand and production. Total exports are forecast to decrease slightly due to increased global supply. Due to the recovery in production, along with relatively flat total domestic use, carry-out stocks are forecast to rise by 25%.

The in-store Lethbridge price for feed barley is forecast to decrease from 2011-12 due to the slight increase in total barley supply, a US barley crop that is in good shape and US corn prices that are lower than 2011-12. Price forecasts have reacted to the very bullish weather change in the US corn market but until the corn crop is finished pollinating, the all-important US national corn yield forecast will be up in the air.

Area seeded to barley in the US is estimated by the USDA at 3.68 million acres or 42% higher than in 2011. The rate of barley harvesting for grain in the US averages about 88%, similar to Canada. However, in the US about 75% of the barley is selected for malt vs. 25% in Canada. World barley prices have moved higher at the end of June with the report that Ukraine was forecasting a nearly 30% decrease in 2012 barley production. Russian exportable stocks are also forecast to be tight as drought like conditions reduced yields.

CORN

For **2012-13**, seeded area increased by 21% with record area set for Canada, Ontario and Manitoba. Production and supply are forecast to increase significantly. Imports are expected to decrease slightly and stay below the previous five-year average. Exports are forecast to increase substantially with the larger total supply and lower Canadian basis values. Total domestic use is forecast to increase slightly due to higher industrial use and modest growth in feed use. Carry-out stocks are forecast to almost double.

The average Chatham elevator price is forecast to decrease from 2011-12 due to increased production in the US and Canada, weak basis levels and the strong Canadian dollar. Area seeded in the US for 2012 is forecast by the USDA to increase by 5% from 2011 to 96.4 million acres. To put this into perspective, and based on trend increases to total use and exports, a yield of just 146 bu/acre still has increased the projected ending stocks by 31%. A continuation of hot and dry weather in the US Corn Belt will reduce average yields and support prices. In the past few weeks the USDA has been consistently lowering the condition ratings for corn and this in-turn has caused a strong bullish reaction in the market. The US corn market is in full “weather market” mode and it will be difficult to access where the market price will settle until the US corn has completed pollination and a more accurate yield estimate can be made in a month or so.

OATS

For **2012-13**, area seeded decreased marginally as producers continue to struggle in the prairie oat belt with wet field conditions. Production is forecast to decrease by 3% but supply is expected to fall by 8% due to very low carry-in stocks. Total domestic use is forecast to decrease by 2%. Exports are forecast to decrease by 5% due to the tighter Canadian supply and a 15% increase in seeded area in the US. The US oat crop was seeded early and production is forecast by the USDA to increase by almost 40%. Carry-out stocks are forecast to decrease to a near record low.

The expectation that the US would see a record corn crop in 2012 is not going to be realized and the price increases in US corn has helped oats recover some previous price losses. However, the US oat crop is in good condition. Over the next few months the Chicago based oat price will be strongly influenced by the forecast for another small Canadian oat crop, a larger US oat crop harvested ahead of schedule and the uncertainty surrounding the US corn crop.

Area seeded to oats in the US is estimated by the USDA at 2.75 million acres, 10% higher than in 2011. The rate of oat harvesting for grain in the US averages about 40% vs. 75% in Canada, based on total seeded area.

RYE

For **2012-13**, seeded area increased by 18% due to good seeding conditions. Production is forecast to increase by 36% but total supply is forecast to increase by only 16% due to 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 rise slightly, due to higher production, but remain very tight.

The price of rye is forecast to remain unchanged from 2011-12 as the very tight supply situation will limit the losses when compared to other coarse grains. Food and industrial use, mainly alcohol production, is expected to increase due to increased supply.

Area seeded to rye in the US is forecast by the USDA at 1.25 million acres, 1% lower than in 2011. The rate of rye harvesting for grain averages about only 20% in the US vs. about 60% in Canada, based on total seeded area.

CANOLA
For 2012-13, producers increased seeded area by 13% from 2011-12, setting a new record, because of high prices compared to alternative crops and near-ideal seeding conditions. Canola has surpassed non-durum wheat as the largest seeded crop in Canada. Most of the increase in area was in Saskatchewan where a significant area went unseeded last year due to excessive moisture. Some area may have also come from ripped up pastures and hay fields. Seeded area also increased in Alberta and Manitoba on previously flooded out crop land along with an increase in total crop area.

Production is forecast to increase to a new record of 15.7 Mt, up 11% from 2011-12. However, total supply is forecast to rise by only 3% as lower carry-in stocks offsets most of the rise in output. Based on the current rate of usage for 2011-12, carry-out may fall below the forecast of 0.6 Mt, which would increase the degree of uncertainty over the forecast for supply for 2012-13.

Exports are forecast to rise by 4% to a record 8.8 Mt on strong world demand for vegetable oils and high oil content oilseeds. Domestic processing of canola is also forecast to rise by 3%, setting a new record, on support from attractive crush margins and news of further expansion of the domestic canola crush industry. Carry-out stocks are forecast to be very tight, at pipeline levels, of 0.6 Mt based on the expected rate of use.

Canola prices are forecast to remain stable at C$580-620 a tonne, matching the 2011-12 record high. Prices are supported by the USDA forecasted soy oil price of 52.5 to 56.5 cents a pound and a soymeal price of US$365 to 395 an imperial ton.

FLAXSEED (excluding solin)
For 2012-13, area seeded increased by over 50%, most of which was in Saskatchewan where seeded area increased by 58% to 0.34 million hectares. Seeded area also rose in Manitoba and Alberta. Total production is forecast to rise by 43%. 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 which is supported by high world vegetable oil prices. Total domestic use is forecast to fall by one third due to reduced domestic capacity. Carry-out stocks are forecast to be unchanged. Prices are also forecast to be steady on 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. Production is forecast at a record 4.75 Mt, up 12% from last year. Supplies are forecast to rise by 11%, also a record, as slightly higher carry-in stocks complement the rise in output. Exports are forecast to rise by 0.5 Mt, to a record 3.1 Mt, making soybeans the 4th largest exported crop in Canada. Domestic crush is forecast unchanged from last year. Carry-out stocks are forecast to rise slightly. Prices are forecast to rise on support from higher US prices, this gain is expected to be partly offset by a widening of the cash-price spread between Chatham and Chicago.

FURTHER INFORMATION:

Wheat .. Stan Skrypetz ... (204) 983-8972
Email.stan.skrypetz@agr.gc.ca

Coarse Grains .. John Pauch .. 983-2484
E-mail....john.pauch@agr.gc.ca

Oilseeds … Chris Beckman .. 984-4929
Email.....chris.beckman@agr.gc.ca

Chief … Fred Oleson …. 983-0807
E-mail.....fred.oleson@agr.g.ca

www.agr.gc.ca/gaod-dco

L:\MAD\OUTLOOK\S&D\2012\July\July_2012_G&Oe.doc

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

July 16, 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	342*
2012-2013f	1,906	1,860	2.47	4,600	20	5,820	3,800	265	462	920	1,100	300-330**
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	289*
2012-2013f	7,787	7,560	2.87	21,700	40	26,540	14,400	3,510	3,109	7,440	4,700	285-315**
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	9,420	2.79	26,300	60	32,360	18,200	3,775	3,571	8,360	5,800	
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	1,900	136	6,168	6,539	800	205-235
2012-2013f	2,981	2,650	3.23	8,550	42	9,392	1,800	137	6,205	6,592	1,000	190-220
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	1,000	12,967	375	4,800	6,378	11,192	1,400	225-255
2012-2013f	1,472	1,450	8.93	12,950	800	15,150	1,000	5,000	6,436	11,450	2,700	195-225
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	2,200	55	821	986	600	210-240
2012-2013f	1,244	1,000	2.85	2,850	20	3,470	2,100	58	801	970	400	210-240
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	175-205
2012-2013f	144	110	2.41	265	1	286	164	40	32	82	40	175-205
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	1,063	26,417	4,629	5,030	13,568	18,968	2,820	
2012-2013f	5,963	5,280	4.70	24,820	863	28,503	5,064	5,235	13,679	19,299	4,140	
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	6,700	252	7,008	600	580-620
2012-2013f	8,605	8,433	1.86	15,700	125	16,425	8,750	6,900	126	7,075	600	580-620
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	350	n/a	n/a	119	100	520-550
2012-2013f	433	411	1.28	525	5	630	450	n/a	n/a	80	100	520-550
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	1,450	228	1,823	400	435-465
2012-2013f	1,747	1,723	2.76	4,749	225	5,374	3,100	1,450	229	1,824	450	450-480
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	11,350	8,150	480	8,950	1,100	
2012-2013f	10,784	10,567	1.98	20,974	355	22,429	12,300	8,350	355	8,979	1,150	
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	1,540	80,324	33,679	16,890	18,156	36,725	9,920	
2012-2013f	26,440	25,267	2.85	72,094	1,278	83,292	35,564	17,360	17,605	36,638	11,090	

(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 - June 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, July 16, 2012

Source: Statistics Canada