



## CANADA: GRAINS AND OILSEEDS (G&O) OUTLOOK

June 14, 2012

**AAFC's outlook incorporates information from the Statistics Canada's (STC) March seeding intentions survey which was released on April 24, 2012, and the STC May 7 report on stocks of principal field crops at March 31, 2011 for the 2011-12 crop year. The outlook assumes normal precipitation, abandonment, crop quality and trend yields. 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 because of drier soil conditions compared to 2011-12, as abandonment returns to normal from the large scale-flood losses that occurred in western Canada in 2011. Average yields are expected to fall by about 2%, assuming growing conditions returns to trend. 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 4% 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, 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 intend to increase seeded area by 27% from 2011-12 mostly because of low carry-in stocks and soil conditions which are drier than for 2011-12. Most of the increase in intended area is for Saskatchewan, where significant area was not seeded last year because of excessive moisture. The intended seeded area also increased in Alberta, the only other province with significant durum production. Production is expected to rise by 17% to 4.9 Mt, as lower yields partly offset the increase in area, but supply is expected to increase by only 6% 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 increase by 8% to 1.3 Mt, which is 20% lower than the past 10-year average. The average price is forecast to decrease from 2011-12 because of the higher Canadian and US supply, and the expected stronger Canadian dollar.

US durum production is forecast to increase by 0.9 Mt to 2.3 Mt because

of a 62% 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 0.3 Mt to 3.8 Mt as the increase in production is mostly offset by lower carry-in stocks. Exports are expected to increase and carry-out stocks are forecast to increase by 0.1 Mt to 0.6 Mt.

World durum production is forecast to increase by 0.1 Mt to 36.6 Mt and the supply to remain at 43.9 Mt. Use is expected to be stable and carry-out stocks are forecast to be the same as for 2011-12 at 7.3 Mt.

### WHEAT (ex durum)

**For 2012-13**, producers intend to increase seeded area by 10% from 2011-12. More specifically, the area seeded to winter wheat increased by 22%, while the area seeded to spring wheat is expected to increase by 9%. The intended increase is for 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 92% of the wheat area. The intended seeded area declined slightly in Alberta, British Columbia and Quebec, but rose slightly in the Maritimes.

Canadian production is expected to increase by 3% to 21.8 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 be the same as for 2011-12 at 4.8 Mt, slightly lower than the past 10 year average. The average price is forecast to be similar to 2011-12, as support from the lower world supply is offset by the higher US supply and the expected stronger Canadian dollar.

US all wheat (including durum) production is forecast to increase by 6.4 Mt from 2011-12 to 60.8 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 4.1 Mt to 85.3 Mt. Domestic use and exports are forecast to increase, resulting in a 0.9 Mt drop in carry-out stocks to 20 Mt.

World all wheat production is forecast to decrease by 22 Mt to 672 Mt and the supply is expected to fall by 24 Mt to 868 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 10 Mt to 186 Mt.

### **BARLEY**

For **2012-13**, seeded area is intended to increase by 23% and harvested area is expected to increase by 21%. Production is forecast to increase by 19% and remain at trend levels. Total supply is forecast to increase by only 9% due to lower carry-in stocks. Domestic feed use is forecast to increase only slightly. Total exports are forecast to decrease slightly due to increased competition as larger world barley crops and malt supplies are expected. Carry-out stocks are forecast to double due to increased supply.

The in-store Lethbridge price for feed barley is forecast to decrease from 2011-12 due to the increase in total barley supply and a sharp decline in US corn prices. Lower US corn prices in 2012-13 could make US corn and DDGS imports more competitive against prairie barley. In the 2012-13 crop year, the CWB will market only the single grade of Select 2Row malt barley for its two pools, the Early and Harvest pools, which are six, and 12 months, respectively. Any grades other than Select will be handled through its cash-trading division. If a producer's

malt barley goes out-of-condition and gets de-selected they will have the opportunity to deliver the feed barley against a CWB spot feed barley contract.

There are ample old crop malt barley supplies in Australia and good new crop prospects forecast for Argentina, the EU and US. Although winter barley had suffered setbacks in the EU, larger spring barley area and good conditions will more than offset the winter crop's production decline. World carry-in barley stocks for 2012-13 are 4% lower than in 2011-12. Total world barley production and supply are forecast to increase slightly. Due to lower trade, world barley carry-out stocks are forecast to rise by 5%.

### **CORN**

For **2012-13**, seeded area is intended to increase by 18%, to a new Canadian record. The corn crop was seeded early and is generally off to a good start. Production is expected to increase by 19% based on trend yields. Imports are expected to decrease slightly due to the large production but stay below the previous five-year average. Total supply is forecast to increase by 16% 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. A 3% increase in total domestic use is forecast as industrial use grows at trend and there is only modest feed usage growth. Carry-out stocks are forecast to increase by almost 80% due to the increase in total supply.

The average Chatham elevator price is forecast to decrease sharply from 2011-12 due to the large Canadian and US crops, weak basis levels and strong Canadian dollar. US corn seeding got off to a very early start, which will support yields but the summer weather, especially during the critical pollination stage, will ultimately determine the final yield. The US corn market, as it moves to a "weather market", will be especially volatile given the low carry-in stocks and yield uncertainty.

Throughout 2011-12, the US has not been as price competitive on the world market as in the past and has lost market share to other corn competitors and feed wheat. Even the US's top export destination, Japan, has substituted Australian feed wheat for corn in feed rations. Ukraine is forecasting a large corn crop for 2012-13 and could overtake Argentina as the world's number two corn exporter. The USDA is projecting world corn production to increase by 9% but, with total usage increasing by only 6%, world corn carry-out stocks are expected to increase significantly.

### **OATS**

For **2012-13**, seeded area is intended to rise by 9% due to the recovery in seeded area on the prairies. Production is forecast to rise by 5% but total supply is forecast to decrease by 3% due to very low carry-in stocks. Total domestic use is forecast to increase by 3%. Exports are forecast to decrease by 9% due to the tighter Canadian supply and a 9% decrease in import demand in the US related to a 15% increase in expected seeded area in the US. The US oat crop was seeded early and is in good shape and US production is forecast to increase by about 40%. Carry-out stocks are forecast to increase by 10% but remain at very tight levels.

The price of oats is largely dictated by the price of US corn and has fallen with the expectation for a record large US corn crop in 2012. In the last half of May, the Chicago oat futures price fell by over 20% due to lower corn prices. The new crop oat harvest will pressure prices. The USDA forecasts the US farm price of oats to decrease to US\$2.70/bu for 2012-13 from US\$3.45/bu in 2011-12. A similar price decline is forecast for Canada.

The International Grains Council (IGC) is forecasting a 2% decrease in world oat production. Surprisingly, the US, the world's largest oat importer, along with Canada, may be the only major oat producer that will see a production increase for 2012-13. World total supply and usage is

forecast to decrease slightly which will create only a nominal decrease in carry-out stocks.

### **RYE**

For **2012-13**, seeded area is intended to increase by 18% due to good seeding conditions and a recovery in seedable area. Production is forecast to increase by 36% due to the increase in area. 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 increase due to the production recovery but remain very tight.

On average Canada produces only about 2% of the world's rye. However, Canada is expected to remain the world's largest rye exporter even though our production is much smaller than that of the EU or Russia, who account for about 75% of world production. The US and Japan remain Canada's largest export destinations for rye. The European countries export very little rye as it is used almost entirely by flax domestic market; on average disappearance is 35% food, 17% for industrial (ethanol production), 44% feed and 4% residual. Canadian rye prices are forecast to decrease from 2011-12 but the very tight supply situation will limit the losses when compared to other coarse grains.

World rye carry-in stocks are about 45% lower than they were in 2011-12 due to the only modest increase in the northern hemisphere's production and an increase in total use. The IGC is forecasting a slight increase in world supply, despite higher production, due to very low carry-in stocks. Total world use is forecast to remain unchanged from 2011-12 but carry-out stocks are forecast to decrease due to lower supply.

### **CANOLA**

For **2012-13**, seeded and harvested area are intended to increase by 8%, assuming normal abandonment. Canola is expected to surpass wheat ex-durum as the largest seeded crop in Canada. Seeding was well ahead of last year and slightly ahead of the normal pace. Moisture conditions are adequate across the key growing regions of the Canadian prairies and crop prospects are favourable based on a return to warm and dry weather. Production is forecast at a record 15.1 Mt, up 7% from 2011-12. However, supply is forecast to decrease slightly due to sharply lower carry-in stocks. The strong usage pace for 2011-12 supports claims that canola production for 2011-12 has been underestimated. Exports are forecast to fall marginally, to slightly under 8.4 Mt, while domestic crush remains strong at 6.7 Mt. Tight domestic supply will limit Canada's ability to service strong world demand. Carry-out stocks are forecast to remain at 0.6 Mt while prices rise marginally on higher US soybean and soyoil prices. For 2012-13, world oilseed, vegetable oil and protein meal prices are forecast to remain strong with US soybean and soyoil prices rising slightly.

### **FLAXSEED (excluding solin)**

For **2012-13**, seeded and harvested areas are expected to increase by 50% and 47%, respectively, mostly in Saskatchewan. Production is forecast to rise by 36%, to 0.5 Mt. Supply is forecast to increase by 7% on sharply lower carry-in stocks. Exports are forecast to rise slightly on steady world demand for vegetable oils. Total domestic use is forecast to ease by 10%, on reduced domestic capacity. Carry-out stocks are forecast to remain unchanged while prices ease slightly on higher world-wide oilseed and vegetable oil production and stable consumption. Prices are expected to rise marginally as increased Chinese demand partly offsets reduced buying by the EU-27.

### **SOYBEANS**

For **2012-13**, planted and harvested area are expected to rise by 4% and 2%, respectively. Abandonment is expected to be near normal although Ontario, Canada's largest soybean growing province, is suffering from warmer and dryer than normal weather. Soybean planting is complete across Ontario, Quebec and Manitoba.. Production and supply in Canada is forecast to decrease slightly. However, higher imports will partly offset the impact of lower carry-in stocks. Exports are forecast to decline only marginally in the face of solid world demand for conventional-crush and food-grade soybeans. Total domestic use is forecast to rise slightly on a steady crush pace supported by stable crush margins. Carry-out stocks are forecast to decline slightly. Prices are also forecasted to decrease as higher US prices are offset by a slight strengthening of the Canadian dollar and a widening of the Chicago-Chatham cash price spread.

For 2012-13, the USDA is forecasting the average US farm price of soybeans to increase by almost US\$1.00/bu, to US\$12.00 to US\$14.00/bu despite higher production and supply. While world prices are expected to be strong during the first half of 2012-13, they are expected to ease during the second half, on forecasts of a large US and South American crop, stable Chinese buying and a return to normal yields.

#### **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.gc.ca

[www.agr.gc.ca/gaod-dco](http://www.agr.gc.ca/gaod-dco)

L:\MAD\OUTLOOK\S&D\2012\May\May\_2012\_G&Oe.doc

# CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

June 14, 2012

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
-----thousand metric tonnes-----												
<b>Durum</b>												
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	516	976	1,200	339*
2012-2013f	2,064	2,010	2.44	4,900	20	6,120	3,800	270	551	1,020	1,300	275-305**
<b>Wheat Except Durum</b>												
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	3,572	7,832	4,800	284*
2012-2013f	7,845	7,610	2.86	21,800	30	26,630	14,400	3,510	3,110	7,430	4,800	270-300**
<b>All Wheat</b>												
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	4,087	8,807	6,000	
2012-2013f	9,909	9,620	2.78	26,700	50	32,750	18,200	3,780	3,661	8,450	6,100	
<b>Barley</b>												
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	3,225	2,850	3.23	9,200	42	10,042	1,800	137	6,255	6,642	1,600	175-205
<b>Corn</b>												
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	220-250
2012-2013f	1,441	1,420	8.94	12,700	900	15,000	1,000	5,000	6,486	11,500	2,500	165-195
<b>Oats</b>												
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	2,300	55	821	986	500	205-235
2012-2013f	1,373	1,100	2.86	3,150	20	3,670	2,100	58	851	1,020	550	160-190
<b>Rye</b>												
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	165-195
<b>Mixed Grains</b>												
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	
<b>Total Coarse Grains</b>												
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	4,729	5,030	13,568	18,968	2,720	
2012-2013f	6,353	5,560	4.60	25,550	963	29,233	5,064	5,235	13,859	19,479	4,690	
<b>Canola</b>												
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	570-610
2012-2013f	8,244	8,079	1.87	15,100	125	15,825	8,350	6,700	126	6,875	600	570-610
<b>Flaxseed</b>												
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	421	400	1.25	500	5	605	400	n/a	n/a	105	100	520-550
<b>Soybeans</b>												
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	2,800	1,450	203	1,798	225	435-465
2012-2013f	1,606	1,576	2.60	4,100	350	4,675	2,700	1,450	255	1,850	125	420-460
<b>Total Oilseeds</b>												
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	11,550	8,150	455	8,925	925	
2012-2013f	10,271	10,055	1.96	19,700	480	21,105	11,450	8,150	381	8,830	825	
<b>Total Grains and Oilseeds</b>												
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	33,979	16,890	18,110	36,700	9,645	
2012-2013f	26,532	25,235	2.85	71,950	1,493	83,088	34,714	17,165	17,901	36,759	11,615	

(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 - May 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,

June 14, 2012

Source: Statistics Canada