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CANADA: PULSE AND SPECIAL CROPS (P&SC) 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. Canadian producers are expected to increase the area seeded for the majority of all P&SC for 2012-13. The outlook assumes normal precipitation, abandonment, crop quality and trend yields. Soil moisture in Canada is mostly good.

The total area seeded to P&SC in Canada is forecast to rise by 21% to 2.8 million hectares. Producers intend to raise the areas seeded for all crops, except lentils and mustard seed. Average yields for 2012 are generally expected to increase from 2011. Total production is forecast to rise by 22% to 5.0 million tonnes (Mt), while total supply is expected to increase by 7% to 6.2 Mt. Exports are expected to increase by 10% to 4.1 Mt due to the higher exportable supply and increased world demand. Domestic use is expected to decrease assuming an average quality crop and grade distribution. Total carry-out stocks are expected to increase to 1.3 Mt, which is expected to pressure prices. Prices, averaged over all types, grades and markets, are forecast to be lower for most crops, with the exception of mustard seed. The main factors to watch are precipitation and seeding progress in western Canada, world crop conditions and exchange rates.

DRY PEAS

For **2012-13**, seeded area is forecast to increase by 42% from 2011-12 due to higher expected returns relative to other crops and lower carry-in stocks. Intended seeded area in Saskatchewan, the largest dry pea growing province, and Alberta increased by 46% and 30%, respectively. The expected strength in green pea types relative to yellow types in 2011-12 may encourage a rise in area seeded to green peas. No.1 green pea farm gate prices are forecast at a $15/t premium to No.1 yellow prices for 2012-13. Supply is forecast to increase significantly but will be partly offset by lower carry-in stocks.

Exports are expected to increase by about 10% to 2.3 Mt, due to increased exports to China and the Indian subcontinent (India, Pakistan and Bangladesh), Canada's largest dry pea export market. This area is expected to account for over 60% of Canada's pea exports, near the five-year average. Exports to the US are forecast to fall due to an increase in US production.

Carry-out stocks are expected to increase but remain tight. The higher expected production likely will not be enough to alleviate the tight supply. Supply is expected to be tight for the second year in a row and the average dry pea price for 2012-13 is forecast to be lower, but near the historical highs of 2011-12. For 2012-13, US dry pea area is forecast by the USDA at 0.3 Mha, up 68% from 2011-12. Assuming normal yields and abandonment, US dry pea production is forecast by AAFC at 0.5 Mt, nearly double the production from 2011-12.

For 2012-13, the pulse crop in India, is forecast at 17.0 Mt, down 5% from 2011-12 due to lower seeded area. In addition, domestic consumption of pulses in India is forecast to increase by 5% to about 20.0 Mt. As a result, imports are expected to increase to over 3.0 Mt. With the smaller Rabi pulse crop in India harvested in the February-March period of 2012, this is expected to increase the pace of Canadian dry pea exports to India for the remainder of the 2011-12 crop year and into the beginning of the 2012-13 crop year.

LENTILS

For **2012-13**, the area seeded is intended to fall by 4% due to lower returns compared to other crops. Seeded area in Saskatchewan, the largest lentil growing province, is expected to decrease by 3% while a 23% drop is expected in Alberta. The majority of the fall in total area is expected to be at the expense of the red lentil types because a premium is anticipated for large green lentil types over red lentils in 2012-13. Canadian farm gate prices for No.1 large green lentil types are forecast at a C$100/t premium over No. 1 red types in 2012-13.

However, supply is forecast to fall only marginally as record carry-in stocks will more than offset the lower production. Exports are forecast to increase from 2011-12 as Canada is expected to regain some of its export market share in the Indian subcontinent and maintain its market share in the Middle East, South America and the EU-27. Carry-out stocks are forecast to increase for the fourth consecutive year due to the large supply and lower expected

domestic use. The average price is forecast to decrease from 2011-12 due the burdensome carry-out stocks.
For 2012-13, US lentil area is forecast by the USDA at 0.2 Mha, up over 20% from 2011-12. US lentil production, mostly green types, is forecast by AAFC at 0.3 Mt, 30% above 2011-12.

DRY BEANS

For **2012-13**, the intended area seeded increased sharply from 2011-12 because of higher returns compared to other crops. Seeded area in Ontario increased by 18%, with white pea bean area increasing sharply and colored bean area decreasing, compared to 2011-12. In Manitoba, total dry bean seeded area more than doubled due to a sharp increase in white pea and colored bean area. As a result, total Canadian production and supply are expected to rise, especially for the larger classes of dry beans such as white pea and pinto types. Exports are forecast to increase due to the increased supply and carry-out stocks are expected to rise. The US and the EU-27 are forecast to remain the main markets for Canadian dry beans, with smaller volumes going to Japan and countries in Africa.

The USDA has forecast US dry bean area to increase by 38%, due to higher expected returns. Assuming normal yields and abandonment, US dry bean production is also expected to increase sharply to about 1.1 Mt. The majority of the increase in production is expected to occur in North Dakota, the largest US dry bean producing state. The average price for Canadian dry beans is forecast to decrease, but remain historically high, because of the higher US and Canadian supply.

CHICKPEAS

For **2012-13,** the area seeded is intended to increase sharply from 2011-12 because of the higher new crop potential returns compared to many alternative crops. Seeded area in Saskatchewan, the largest chickpea growing province, is forecast to rise sharply to 0.1 Mha. As a result, total Canadian production is expected to more than double to 0.2 Mt, the highest since 2007-08.

Record chickpea prices in October of 2011 helped entice some of the interest in seeding chickpeas in 2012-13. The price decrease in lentil prices, particularly red types, also provided further incentive to seed chickpeas. The burdensome supply of lentils has caused some farmers to look at including chickpeas in their pulse crop rotation. Supply is forecast to be higher than last year due to the rise in production. Exports are forecast to be higher and carry-out stocks are expected to rise. The EU-27, the US, the Middle East and the Indian subcontinent are forecast to remain the main markets for Canadian chickpeas. The average price is forecast to fall, but remain high from a historical perspective due to higher Canadian and world supply. US chickpea area is forecast by the USDA at 74 kha, up 38% from 2011-12. Assuming normal yields and abandonment, US chickpea production, is forecast by AAFC at 120 kt, up 24% from 2011-12.

MUSTARD SEED

For **2012-13**, the area seeded is intended to fall by 22%, to a record low 110 kha. This is largely due to lower expected returns compared to other crops, particularly, canola. Yields are expected to fall to normal from the highs of 2011. Production and supply are expected to fall significantly. The US and the EU-27 are the main markets for Canadian mustard seed. For 2012-13, exports to the EU-27 are expected to return to a more normal level. Carry-out stocks are forecast to fall sharply which will support prices which are forecast to increase compared to 2011-12.

CANARY SEED

For **2012-13**, the area seeded is forecast to rise despite lower returns relative to other crops and lower carry-in stocks. Production is expected to rise 18% due to increased area and trend yields. Due to extremely tight carry-in stocks, supply is forecast to fall by 13% and remain historically tight. Exports are expected to be limited due to the lower supply. The EU-27 and Mexico are forecast to remain the main markets for Canadian canary seed, with smaller volumes going to the US. Carry-out stocks are expected to continue to remain historically low. The average price is forecast to fall marginally, but remain near the historical high set in 2011-12.

SUNFLOWERSEED

For **2012-13**, the area seeded is expected to rise over 70% due higher expected returns relative to other crops and the excessive moisture conditions which reduced area in 2011-12. It is expected that area dedicated to confectionery and oilseed types will be similar this year. Total production is expected to increase but supply is expected to decrease due to low carry-in stocks. Exports of sunflower seed are forecast to decrease due to the limited supply. The US is forecast to remain the main market for Canadian sunflower seed, with smaller volumes going to the United Arab Emirates. The premium for confectionery types over oilseed is expected to be about C$110/t, near the long term average. The average Canadian price for all types is forecast to fall from 2011-12, due to an increase in sunflower seed supply in the US and Canada. For 2012-13, US sunflower seed area is forecast by the USDA to increase by 17% due to attractive new crop prices compared to alternative crops. US sunflower seed production is expected to increase by 24% to 1.1 Mt.

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CANADA: PULSES AND SPECIAL CROPS SUPPLY AND DISPOSITION

June 14, 2012

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Stocks-to-Use Ratio	Average Price (e)
	thousand ha		t/ha	----------------------------thousand metric tonnes---------------------------						%	$/t
Dry Peas											
2009-2010	1,522	1,487	2.27	3,379	55	3,880	2,178	802	900	30	185
2010-2011	1,396	1,322	2.28	3,018	33	3,951	3,012	404	535	16	250
2011-2012f	942	914	2.31	2,116	10	2,661	2,100	461	100	4	300-330
2012-2013f	1,340	1,300	2.23	2,900	20	3,020	2,300	470	250	9	255-285
Lentils											
2009-2010	971	963	1.57	1,510	9	1,551	1,387	120	44	3	645
2010-2011	1,408	1,336	1.46	1,947	29	2,020	1,105	165	750	59	440
2011-2012f	1,040	998	1.53	1,532	10	2,292	1,100	392	800	54	460-490
2012-2013f	996	965	1.50	1,450	15	2,265	1,200	215	850	60	425-455
Dry Beans											
2009-2010	121	114	1.96	224	55	287	256	26	5	2	705
2010-2011	136	127	2.00	254	55	314	240	44	30	11	655
2011-2012f	69	66	2.18	145	55	230	195	30	5	2	980-1010
2012-2013f	118	115	2.00	230	55	290	235	35	20	7	855-885
Chickpeas											
2009-2010	32	30	2.49	76	6	143	66	58	20	16	540
2010-2011	83	77	1.67	128	9	158	86	50	22	16	655
2011-2012f	51	50	1.83	91	8	121	50	56	15	14	795-825
2012-2013f	120	117	1.71	200	8	223	95	53	75	51	755-785
Mustard Seed											
2009-2010	212	208	1.00	208	0	253	128	45	80	46	510
2010-2011	194	186	1.00	187	1	267	124	19	125	88	570
2011-2012f	128	123	1.01	125	0	250	125	30	95	61	665-695
2012-2013f	110	106	0.99	105	0	200	120	20	60	43	675-705
Canary Seed											
2009-2010	128	121	1.62	196	0	279	181	17	81	41	395
2010-2011	158	152	1.01	154	0	235	179	15	41	21	560
2011-2012f	95	93	1.10	102	0	143	125	13	5	4	565-595
2012-2013f	111	108	1.11	120	0	125	105	10	10	9	560-590
Sunflower Seed											
2009-2010	65	64	1.60	102	26	150	49	59	42	39	505
2010-2011	55	51	1.32	68	33	142	46	68	29	26	630
2011-2012f	14	14	1.43	20	30	79	35	39	5	7	700-730
2012-2013f	24	23	1.52	35	27	67	30	32	5	8	695-725
Total Pulses and Special Crops (c)											
2009-2010	3,051	2,988	1.91	5,695	151	6,542	4,244	1,125	1,172		
2010-2011	3,430	3,251	1.77	5,755	159	7,086	4,791	764	1,532		
2011-2012f	2,338	2,259	1.83	4,130	113	5,775	3,730	1,020	1,025		
2012-2013f	2,819	2,734	1.84	5,040	125	6,190	4,085	835	1,270		

(a) August-July crop year.
(b) Excludes products.
(c) Includes Pulses (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed)
(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.
(e) Producer price, FOB plant. Average over all types, grades and markets.
f: forecast by Agriculture and Agri-Food Canada, June 14, 2012
Source: Statistics Canada and industry consultations.