Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

CANADA: GRAINS AND OILSEEDS (G&O) OUTLOOK **May 24, 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 adequate-to-good, but there are some dry areas, especially in Manitoba and Ontario.

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. 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 71.9 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 carryout is expected to be 10% 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 8% due to low carry-in stocks. Exports are forecast to increase by 6% to 3.7 Mt because of the higher Canadian supply, lower production in the EU and higher world demand. Carry-out stocks are forecast to increase significantly 1.5 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 world, Canadian and US supply, and the expected stronger Canadian dollar.

US durum production is forecast to increase by 0.86 Mt to 2.23 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. World durum production is forecast to increase by 0.5 Mt to 37 Mt and the supply to increase by 0.4 Mt to 44.3 Mt. Although use is expected to increase, carry-out stocks are forecast to rise by 0.2 Mt to 7.5 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 21.7 Mt, as the higher seeded area is partly offset by lower yields. Supply is forecast to be virtually unchanged from 2011-12 because of lower carry-in stocks. Exports are expected to increase by 3% to 14.3 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 5 Mt, slightly higher than the past 10 year average. The average price is forecast to decrease because of the higher US supply and the expected stronger Canadian dollar.

US all wheat (including durum) production is forecast to increase by 6.7 Mt from 2011-12 to 61.1 Mt, while supply increases by 4.1 Mt to 85.3 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. World all wheat production is forecast to decrease by 17 Mt to 678 Mt and the supply is expected to fall by 16 Mt to 875 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 9 Mt to 188 Mt.

BARLEY

For **2012-13**, seeded and harvested areas are intended to increase by 23% and 21%, respectively. Production is forecast to increase by 19% as yields remain at trend levels. Total supply is forecast to increase by only 10% 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 remain unchanged. Due to higher supply and relatively flat total domestic use, carry-out stocks are forecast to nearly double.

The Lethbridge price for feed barley is forecast to decrease from 2011-12 due to the increased total supply in Canada and a sharp decrease in average US corn prices. The supply of US corn and world barley are expected to increase. Starting August 1st, the open market will market domestic and export feed barley and 2Row and 6Row malt barley. There is also industry interest in developing an export market for a low-mid quality malt barley that would move to more price conscious countries such as China. For 2012-13, the CWB will market only 2Row malting barley. The producer's deferred delivery contract (DDC) and deduction costs must be locked in by a CWB grain-handling partner.

Area seeded to barley in the US is expected to increase by 30% due to strong prices for old crop domestic malt barley. World carry-in stocks of barley are 7% lower than in 2011-12 but total world barley production and total supply are forecast to increase by 4% and 2%, respectively.

CORN

For **2012-13**, seeded area is intended to increase by 18% to a record level due to higher area in Ontario and Quebec. Average yields are expected to increase. Production and supply are forecast to increase by 19% and 16% respectively. Imports are expected to fall slightly and stay below the previous five-year average. Exports are forecast to increase substantially due to the significant increase in supply. Total domestic use is forecast to increase by only 4% as industrial use grows at trend and there is only modest feed usage growth. Carry-out stocks are forecast to increase to 2.5 Mt from 1.5 Mt due to the increase in 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.

For 2012, the USDA is forecasting a significant increase in area seeded to corn and trend yields. In addition, US corn is being planted at a fast pace due to favourable conditions, similar to those in eastern Canada. Even if average yields are significantly lower than currently expected, US stocks are expected to increase significantly. As a result, US corn prices are expected to decrease substantially which is anticipated to have negative price affects across all feedgrain prices, including feed wheat. The weaker US dollar will make US corn more competitive on world markets but the US continues to lose market share to Argentina, Brazil and Ukraine which have been rapidly increasing production in response to good prices and demand. The forecast for slightly reduced world wheat production and lower feed wheat usage is a positive factor for corn. World total corn supply is expected to increase to a new record in excess of one billion tonnes. The large supply and softer prices will encourage use but world carry-out stocks will still increase by 5%.

OATS

For **2012-13**, seeded area is intended to rise by 9%. Production is forecast to rise by 5% but total supply is forecast to decrease slightly due to very low carry-in stocks. Total domestic use is expected to decrease by 2%. Exports are also forecast to decrease due to the tight Canadian supply and higher oat production forecast for the US. Although US oat area is forecast to increase, it is the second smallest US crop on record. Carry-out stocks in Canada are forecast to increase by 10% but to stay at tight levels.

The price of oats is highly correlated to the price of US corn. Canadian oat prices are forecast to decrease from 2011-12 due to lower prices for US oats and US corn. However, tight supply in Canada will provide positive support for Canadian oat prices. Canada's oat and oat products exports, which rely almost entirely on the US market, are negatively impacted by the continuing strong Canadian dollar. On average, Canada exports 65-70% of our yearly oat production. World oat carry-in stocks are expected to be unchanged from 2011-12 but world oat production is expected to increase.

RYE

For **2012-13**, seeded area is intended to increase by 18% due to very good fall seeding conditions and a recovery in seedable area. Production is forecast to increase by 36% but 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. Exports, albeit marginally, and carry-out stocks are expected to increase due to higher supply.

Canadian rye prices are forecast to decrease from 2011-12 but the very tight supply situation the will limit the losses when compared to other coarse grains. The continuing strong Canadian dollar is a negative factor when considering Canadian rye exports. Canadian rye is very much like oats in that the US remains its largest export destination, with Japan a distant second. 2012-13 world carry-in stocks of rye are about 50% lower (a four-year low) than 2011-12 due to the only modest increase in the northern hemisphere's production and an increase in total use. World rye production is expected to increase again this coming crop year.

CANOLA

For 2012-13, producers intend to increase seeded area by 8%, which would be the 6th year of record highs, and result in Canola surpassing wheat ex-durum as the largest crop in Canada. The largest gain is expected to occur in Manitoba, up 19%, to a record 1.3 million hectares (MHa), as previously rained-out land returns to production. In Saskatchewan, canola area is expected to rise by 10%, to a record 4.4 MHa. In Alberta, canola area is expected to be unchanged, at 2.5 MHa. In Ontario, Quebec and British Columbia, production is forecast to increase by 7% to a record 15.1 Mt. Supply is expected to decrease slightly due to sharply lower carry-in stocks. Exports are forecast to decrease slightly to just under 8.4 Mt, while domestic crush remains at 6.7 Mt. Carryout stocks are forecast to remain stable while prices are unchanged on support from higher US soybean and soyoil prices. For 2012-13, the USDA is forecasting US soyoil prices to rise by 1 cent a pound, to US52.5-56.5 cents a pound on slightly lower production, slightly higher domestic disappearance and exports and tighter carry-out stocks.

FLAXSEED (excluding solin)

For 2012-13, producers intend to increase seeded area by 50%, most of which is in Saskatchewan. Assuming trend yields, production is forecast to rise by slightly over one-third, 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%, partly in response to a devastating fire at a large scale regional processor. 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 remain steady on higher US farm gate prices for soybeans and soyoil and steady EU-27 and Chinese demand.

SOYBEANS

For 2012-13, producers intend to increase planted area by 4% with Manitoba replacing Quebec as the second largest soybean producing province. Ontario remains the largest soybean growing province with 62% of the national area. Production is forecast to decrease slightly on lower yields. Supply is also forecast to fall as carry-in stocks remain relatively steady. Exports are forecast to decline slightly on limited domestic supply 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 while prices are unchanged 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 US soybean prices to rise by almost US$1.00/bu, to US$12.00 to US$14.00/bu despite higher production and supplies. Prices are supported by strong domestic crush and exports in response to strong Chinese demand and drought-reduced South American supplies. US carry-out stocks are forecast to fall by about 31%, to 0.15 mln bu and are likely to decline further if any production problems develop during the 2012-13 crop year.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

May 24, 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	3,500	260	516	976	1,300	339*
2012-2013f	2,064	2,010	2.44	4,900	20	6,220	3,700	270	551	1,020	1,500	275-305**
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	13,900	3,450	3,572	7,832	5,000	283*
2012-2013f	7,845	7,570	2.87	21,700	30	26,730	14,300	3,510	3,110	7,430	5,000	260-290**
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	17,400	3,710	4,087	8,807	6,300	
2012-2013f	9,909	9,580	2.78	26,600	50	32,950	18,000	3,780	3,661	8,450	6,500	
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	1,800	136	6,168	6,539	900	200-230
2012-2013f	3,225	2,850	3.23	9,200	42	10,142	1,800	137	6,355	6,742	1,600	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	1,100	13,067	375	4,800	6,378	11,192	1,500	225-255
2012-2013f	1,441	1,420	8.94	12,700	900	15,100	1,000	5,000	6,586	11,600	2,500	165-195
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	2,250	55	871	1,036	500	205-235
2012-2013f	1,373	1,100	2.86	3,150	20	3,670	2,100	58	851	1,020	550	160-185
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	165-195
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	29,215	5,829	4,983	14,510	19,846	3,539	
2011-2012f	5,323	4,735	4.61	21,815	1,163	26,517	4,579	5,030	13,618	19,018	2,920	
2012-2013f	6,353	5,560	4.60	25,550	963	29,433	5,064	5,235	14,059	19,679	4,690	
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	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
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	421	400	1.25	500	5	605	400	n/a	n/a	105	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	2,800	1,450	203	1,798	225	430-460
2012-2013f	1,606	1,576	2.60	4,100	350	4,675	2,700	1,450	255	1,850	125	420-460
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	11,550	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	
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	1,640	80,424	33,529	16,890	18,160	36,750	10,145	
2012-2013f	26,532	25,195	2.85	71,850	1,493	83,488	34,514	17,165	18,101	36,959	12,015	

(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 - April 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, May 24, 2012

Source: Statistics Canada