Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

CANADA: GRAINS AND OILSEEDS (G&O) OUTLOOK **February 15, 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 total 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 70.1 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 12% higher than for 2010-11 because of the lower world and US durum supply. 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 0.6 Mt to a low level of 6.9 Mt.

For 2012-13, seeded area is forecast to increase by 16% from 2011-12 mostly because of low carry-in stocks and drier soil conditions than for 2011-12. Production is expected to rise by 8% to 4.5 Mt, but the lower carry-in stocks will result in a marginal decrease in supply. Exports are forecast to remain at 3.5 Mt and carry-out stocks are forecast to remain at a low 1.2 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 37.5 Mt and the supply to 44.4 Mt. Although use is expected to increase, carry-out stocks are forecast to rise to 7.5 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 and seed uses, and large carry-in stocks of low quality wheat which promote feed use. Carry-out stocks are forecast to fall by 5% to 5.3 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 41 Mt from 2010-11 to 693 Mt and supply increased by 40 Mt to 894 Mt. Although use is expected to increase, carry-out stocks are forecast to rise by 12 Mt to 213 Mt.

For 2012-13, seeded area is forecast to increase by 10% 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 3% to 21.8 Mt. Supply is forecast to rise by 2% 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 remain at 5.3 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 685 Mt, but the supply is expected to increase to 898 Mt. Use is expected to increase and carry-out stocks are forecast to fall slightly to 210 Mt.

BARLEY

For 2011-12, exports are forecast to decrease 11% to 1.8 Mt, as exports were limited to only malt barley and barley products; no feed barley exports are expected. Feed use is forecast to decrease by 2% due to slightly lower cattle numbers and a continuing warmer than normal winter. Carry-out stocks are forecast to decrease 44% 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 total barley supply and below average world volumes of malting barley. The In-store Lethbridge barley price is forecast to increase by 9% in response to the lower total supply, near steady feed demand and lower DDGS imports from the US. World 2011-12 barley production increased by 8% to 133.6 Mt and carry-out stocks decreased by 9% to 26.0 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 result in only a 7% increase in total supply. Exports are forecast to remain unchanged due to continued growth in malt barley usage, although a return to more normal world malt barley supplies which will increase export competition. Similar to 2011-12 no feed barley exports are expected. Carry-out stocks are forecast to remain tight but increase by nearly 50% to 1.2 Mt. World malt barley prices are expected to decrease due to the recovery in world production and supplies. Domestic feed barley prices are forecast to decrease from 2011-12 due to the recovery in supply and carry-out situation. Near the end of January 2012 a new Canadian barley futures contract was introduced to replace the current Western Barley contract. The most notable difference compare to the present Western Barley contract is the delivery point. Currently, the delivery point is the Lethbridge area of southern Alberta but the new contract will be free-on-board at elevator in Eastern Saskatchewan, with additional delivery points across the prairies.

CORN

For 2011-12, exports are forecast to decrease dramatically to 0.4 Mt which is a return to more traditional 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. US corn exports have been below average to date due to the strong competition. Total domestic usage is forecast to remain unchanged at near records levels due to increases in ethanol production and industrial use but lower feed usage, while up from the previous year, lower than average imports will see carry-out stocks decrease slightly to 1.3 Mt. World corn carry-out stocks are to remain unchanged from 2010-11 due to higher total usage but record world corn production. Prices remain in the high range but have decreased due to record high world corn production but only slightly tighter world coarse grain carry-out stocks.

For 2012-13, seeded area is forecast to increase 5% from 2011-12 due to the good prices and lower winter wheat area because of the 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. Imports are forecast to remain unchanged due to the higher production. Despite lower carry-in stocks there will be an increase of 4% increase in total supply. Exports are forecast to remain unchanged at 0.4 Mt due to a recovery in US corn production and lower prices. Carry-out stocks are to increase by 16% to 1.5 Mt. The market is beginning to focus on US corn seeding intentions with the first major projection coming from the USDA at their Agricultural Outlook Forum at the end of February. Prices are forecast to decrease to a recovery in US corn and world coarse grain production.

OATS

For 2011-12, exports are forecast to increase by 11% to 2.2 Mt from 1.9 Mt, due to lower US production in 2011. Total domestic usage is forecast to increase by 4% to due to an increase in feed usage Carry-out stocks are forecast to decrease 19% to 0.63 Mt due to the higher export pace and feed usage. World oat production increased by 3.0 Mt to 22.6 Mt and supply increased by 9% to 26.8 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. Although the increase appears large, it is actually slightly below the seeding intentions for the spring of 2011 before the wet conditions reduced total acres. Production is forecast to increase 18% to 3.6 Mt due to the increase in seeded acreage and trend yields. The higher production but low carry-in stocks will result in an 11% increase in total supply. Exports are forecast to increase by 2% to 2.2 Mt due to the continued trend of lower US oat production and trend increases in milling demand. Carry-out stocks are to increase by 52% to 0.95 Mt. Prices are forecast to decrease 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 26% to 0.14 Mt from 0.19 Mt, due to lower production and total supply. The export pace remains strong despite the very tight supplies. The US remains the world's largest rye importer with Canada as its largest supplier. There is a forecasted 34% decrease in total supply. Total domestic usage is forecast to decrease by 27% due to lower total supply. Carry-out stocks are forecast to decrease 80% to near historic lows of 0.01 Mt. Domestic prices have risen sharply this year and should remain strong for the balance of the crop year. World rye production increased by 7.0% to 13.8 Mt but supply remained unchanged at 15.4 Mt. World carry-out stocks are at tight level of 1.0 Mt.

For 2012-13, seeded area is forecast to increase by 23% from 2011-12 due to very favourable fall seeding conditions. Production is forecast to increase by 36% due to the recovery in seeded area and trend yields. Total supply is forecast to increase by 12% due to higher production but still remain well below the 10 year average. Exports are forecast to remain unchanged due to the tight supply. Total domestic usage is forecast to remain unchanged even with the increase in production. The continuing tight supply and carry-out situation will allow prices to decrease only slightly from 2011-12.

CANOLA

For 2011-12, exports are forecast to increase by 14%, to a record 8.1 Mt on strong world demand, a Chinese suspension of Indian rapeseed imports and ample domestic supplies. Total domestic usage is forecast to rise by 6%, to a record 6.8 Mt, 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

Feb. 15, 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*				--					*$/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	633	1,076	1,200	336*
2012-2013f	1,880	1,830	2.46	4,500	20	5,720	3,500	270	566	1,020	1,200	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	20	26,702	13,700	3,450	3,442	7,702	5,300	271*
2012-2013f	7,840	7,545	2.89	21,800	20	27,120	14,300	3,510	3,200	7,520	5,300	245-275**
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	40	32,477	17,200	3,710	4,074	8,777	6,500	
2012-2013f	9,720	9,375	2.81	26,300	40	32,840	17,800	3,780	3,766	8,540	6,500	
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	1,800	137	6,455	6,842	1,200	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	1,400	13,367	400	5,100	6,603	11,717	1,250	225-255
2012-2013f	1,275	1,250	8.96	11,200	1,400	13,850	400	5,200	6,786	12,000	1,450	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	2,150	55	846	1,011	625	205-235
2012-2013f	1,600	1,250	2.84	3,550	20	4,195	2,200	58	876	1,045	950	180-210
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	143	39	44	94	10	175-205
2012-2013f	150	110	2.41	265	1	276	143	40	43	93	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	4,974	14,519	19,846	3,539	
2011-2012f	5,323	4,735	4.61	21,815	1,463	26,817	4,493	5,330	13,939	19,639	2,685	
2012-2013f	6,395	5,540	4.38	24,250	1,463	28,398	4,543	5,435	14,395	20,215	3,640	
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	8,100	6,500	252	6,808	1,100	540-580
2012-2013f	8,000	7,865	1.91	15,000	125	16,225	8,000	6,800	126	6,975	1,250	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	266	4,911	2,803	1,448	197	1,807	301	447
2011-2012f	1,550	1,542	2.75	4,246	200	4,748	2,700	1,400	203	1,748	300	405-445
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	498	20,892	10,312	7,759	267	8,366	2,214	
2011-2012f	9,464	9,287	2.02	18,779	330	21,323	11,150	7,900	455	8,673	1,500	
2012-2013f	9,970	9,788	2.00	19,570	330	21,400	10,925	8,200	431	8,910	1,565	
Total Grains and Oilseeds												
2010-2011	22,704	21,284	2.96	62,973	1,867	81,170	32,333	16,332	17,989	35,909	12,928	
2011-2012f	23,524	22,565	2.92	65,856	1,833	80,617	32,843	16,940	18,468	37,089	10,685	
2012-2013f	26,085	24,703	2.84	70,120	1,833	82,638	33,268	17,415	18,592	37,665	11,705	

(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 - January 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; Agriculture and Agri-Food Canada   Feb. 15, 2012

Source: Statistics Canada