



CANADA: GRAINS AND OILSEEDS (G&O) OUTLOOK

September 18, 2012

AAFC's outlook incorporates information from Statistics Canada's (STC) July 31 estimates of Principal Field Crop Production, released on August 22, and the STC estimates of Stocks of Principal Field Crops, released on September 7, 2012. AAFC's outlook assumes normal crop quality. In general, harvest has been completed much earlier than usual in western Canada due to early seeding. In Eastern Canada, corn and soybeans are also expected to be harvested ahead of normal.

Total production of G&O in Canada is forecast to increase by 9% to 72 million tonnes (Mt) as significantly higher seeded area has more than offset the slightly lower average yields. However, supply is expected to increase by only 3% due to lower carry-in stocks. Exports and total domestic use are also forecast to increase. Carry-out stocks are expected to increase slightly but remain 16% below the 10-year average. Prices are forecast to remain high due, in large part, to significantly lower production in the US and the Black Sea region following very dry growing conditions. The main factors to watch are crop conditions in the US for corn and soybeans, Russia policy on exports and the Canada-US exchange rate.

DURUM

For 2012-13, production is estimated at 4.27 Mt, up 2% from 2011-12, as a 16% higher seeded area is mostly offset by higher abandonment and lower yields. However, the lower carry-in stocks will result in a 1% decrease in supply. Exports are forecast to increase by 6% to 3.8 Mt because of lower production in the EU, Morocco and Kazakhstan, which should increase demand for Canadian durum. Carry-out stocks are forecast to decrease by 24% to 1.1 Mt, which is 35% lower than the past five year average and the lowest since 2007-08.

US durum production is estimated to increase by 0.97 Mt to 2.34 Mt due to a 61% increase in seeded area. Supply is estimated to rise by 0.78 Mt to 4.13 Mt as the increase in production is partly offset by lower carry-in stocks. EU durum production is estimated to decrease by 0.2 Mt to 8 Mt, while supply falls by 0.3 Mt to 10.2 Mt.

World durum production is forecast to decrease by 1.6 Mt to 35.1 Mt, as higher production for the US, Canada and Algeria is more than offset by lower production for Kazakhstan, Morocco and the EU. Supply is forecast to decrease by 1.6 Mt to

42.5 Mt. Use is expected to decrease by 1 Mt and carry-out stocks are forecast to decrease by 0.6 Mt to 6.8 Mt. The supply for the three major exporters, Canada, US and the EU, is estimated to increase by 0.1 Mt to 19.8 Mt. The average world durum prices are expected to be similar to 2011-12 as support from the lower world supply is offset by lower world use and by the higher US supply.

WHEAT (ex durum)

For 2012-13, production is estimated at 22.74 Mt, 8% more than for 2011-12, as a 9% higher seeded area is partly offset by marginally lower yields. Spring wheat production is estimated to increase by 6% to 19.05 Mt and winter wheat by 20% to 3.68 Mt. More winter wheat was produced in western Canada than in eastern Canada. Western Canada produces hard red winter wheat, while most of the production in eastern Canada is soft red winter wheat. For spring wheat, production is expected to increase for hard red spring, Canada Prairie spring, soft white spring and the general purpose class, but decrease sharply for extra strong wheat. Hard red spring wheat is expected to account for 88% of the spring wheat production, slightly less than the 90% for 2011-12.

Canadian supply is estimated to rise by only 2% from 2011-12 because of lower carry-in stocks. Exports are expected to increase by 5% to 14.8 Mt due to growing demand for wheat in the food market and lower production in some other exporting countries, especially Australia, Argentina, Kazakhstan, Russia and Ukraine. Domestic use is forecast to decrease slightly as higher food and industrial use is 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 forecast to increase by 1% to 4.5 Mt, 4% lower than the past five-year average.

US all wheat (including durum) production is estimated to increase by 7.3 Mt from 2011-12 to 61.7 Mt. Hard red winter wheat production is estimated to increase by 30%, while hard red spring wheat production increases by 16%, and soft red winter and white wheat production decreases by 5% and 13%, respectively. Supply is estimated to increase by 4.5 Mt to 85.5 Mt. Domestic use and exports are forecast to increase, resulting in a 1.2 Mt drop in carry-out stocks to 19 Mt.

World all wheat production is forecast to decrease by 36 Mt to 659 Mt and the

supply is expected to fall by 36 Mt to 857 Mt. Total use is forecast to decrease as higher food and industrial use is more than offset by lower feed use. Carry-out stocks are forecast to fall by 22 Mt to 177 Mt. The average world wheat prices are expected to increase from 2011-12 because of the lower world supply.

BARLEY

For **2012-13**, production is estimated to increase by 23% due to a record average Canadian yield, based on a record yield in Alberta. Total supply is also estimated to rise significantly. Feed use is forecast to increase slightly due to flat livestock production and less wheat feeding. Total exports are forecast to increase, as world supply is slightly lower than 2011-12. In Canada, due to the recovery in supply, and relatively flat total domestic use, carry-out stocks are forecast to double.

The average price of feed barley, in-store Lethbridge, is forecast to remain unchanged from 2011-12 as the impact of the large increase in total barley production in Canada and the US offsets the impact of higher corn prices in the US. In August, after several years of review, Health Canada approved the health claim linking the consumption of barley beta-glucan soluble fiber to reduced blood cholesterol. This designation gives manufacturers and retailers the right to label and advertise that barley fibre helps reduce cholesterol, which is a risk factor for heart disease. Oats have benefited for many years from its beta-glucan designation which created a new source of demand.

The US barley harvest was completed well-ahead of the previous five-year average. World barley prices have moved higher since the end of June and spreads remain tight between feed and malt barley. The world supply and use of barley are both expected to decrease so that the International Grains Council (IGC) is forecasting 2012-13 world barley ending stocks to be only marginally lower than 2011-12.

CORN

For **2012-13**, production is estimated to increase by only 9% due to low yields, mainly in Ontario. Imports are expected to decrease slightly due to the larger production and remain below the previous five-year average. Total supply is forecast to increase by 7% mostly due to the large increase in production. Exports are forecast to increase due to higher exports of feed corn related to increased supply and softer Canadian basis values. Total domestic use is forecast to decrease only marginally, despite the significant increase in supply, as high grain prices constrain use by the livestock sector. Carry-out stocks are forecast to increase due to the increase in total supply and relatively flat usage.

The average Chatham elevator price is forecast to increase from 2011-12 due to the sharp increase in US corn prices related to the drought. Ontario suffered from severe moisture stress in many parts of the province with poor pollination noted on lighter soils but growing conditions for corn were better in Quebec and Manitoba, where area seeded and production reached a record level.

Due to drought in July and August in most of the US Corn Belt, the average US corn yield is currently estimated at 123 bu/ac versus a forecast of 166 bu/ac in the early spring. Due to the high variability of actual yields in the US, there continues to be a major degree of uncertainty as to the eventual level of production. Since the beginning of August, US corn futures have been very flat, trading in a narrow price range.

OATS

For **2012-13**, production is estimated to be similar to last year but supply will increase slightly due to higher carry-in stocks. Total domestic use is forecast to decrease by 5%. Exports are forecast to increase by 4% due to the strong price signals and good US demand. Carry-out stocks are forecast to fall by 6%.

Canadian 2012-13 oat prices are forecast to be higher than 2011-12. Since mid-June, US oat futures prices have increased by 35% whereas US corn futures rose by about 50% over the same period. The US oat crop was seeded early and harvesting was completed well ahead of the five-year average. US oat futures have been trading in a narrow price range, similar to corn, and may continue to do so throughout much of the fall period because US end-user supplies are currently good.

World oat production is forecast, by the IGC, to be slightly below 2011-12. With no change to total usage, world carryout stocks are forecast to decrease by 12% due to the decrease in production. World oat trade remains steady due to the well-defined relationship between Canada and the US in the oat market.

RYE

For **2012-13**, production is estimated to increase by nearly 50% due to the increase in area seeded. As a result, supply is forecast to rise significantly. Total domestic use is forecast to increase by about 40% but remain well below average due to the overall tight supply. Total exports are forecast to increase marginally. Carry-out stocks are forecast to increase, but remain historically low, due to higher supply.

The price of rye, in-store Saskatoon, is forecast to increase from 2011-12 due to the tight domestic supply situation and strong US corn prices. Average yields for rye on the prairies were good for 2012. Fall seeding for the 2013 crop is underway with generally good conditions across the prairies. Area seeded to rye is expected to increase, and be near the 10-year average, due to strong prices and good seeding conditions.

World rye production and supply are forecast to increase by 7% from 2011-12 due to a larger EU crop. World total use is forecast to increase slightly and carry-out stocks are expected to fall slightly. World trade in rye remains relatively low because most of the rye produced is used domestically.

CANOLA

For 2012-13, production is estimated at a record 15.4 Mt, up 6% from 2011-12, as a higher seeded area is partly offset by higher abandonment and by lower yields. In western Canada, yields are lower than expected as heat stress during July and above normal disease pressure resulted in incomplete filling of pods. Supplies are expected to decline as carry-in stocks drop to the lowest level since 2003-04 and imports rise marginally. Exports are forecast to rise slightly from 2011-12 to a record 8.8 Mt on support from strong world oilseed demand. Domestic processing of canola is forecast to fall by 4% as lower domestic supplies prevent crushers from responding to continued attractive crush margins and expanded processing capacity. Carry-out stocks are forecast to be very tight, similar to last year and well below the 5-year average of 1.8 Mt.

Producer deliveries are expected to be heavily weighted to the first half of the crop year on near-record prices and the inversion of the ICE contract prices for nearby over deferred. Canola prices increased significantly during the summer resulting in an upward revision of the forecast for the crop-year price.

FLAXSEED (excluding solin)

For 2012-13, total production is forecast to rise by nearly 50% to 0.55 Mt due to higher seeded area and

steady yields. Total supply is forecast to rise by 21% as significantly lower carry-in stocks moderate the rise in output. Exports are forecast to rise on steady US and Chinese import demand and a significant price advantage compared to canola. Total domestic use is forecast to remain steady following the sharp decline in 2011-12 caused by the reduction in domestic capacity. Carry-out stocks are forecast to be unchanged, while prices decline marginally, with losses moderated by high world vegetable oil, protein meal and oilseed prices.

SOYBEANS

For 2012-13, production is estimated at a record 4.4 Mt, up 4% from 2011-12, as the significant rise in planted area was moderated by lower yields resulting from the hot and dry summer weather across key growing regions of Ontario. Total supply is forecast to rise slightly, also setting a record, as lower carry-in stocks and reduced imports partly offset the rise in output. Exports are forecast to rise marginally to a record 2.9 Mt, making soybeans the fourth largest exported crop in Canada. Domestic crush is forecast to rise slightly from last year on stable Canadian demand for soyoil. Carry-out stocks are forecast to decline slightly on strong world demand and tight supply in the US.

Moisture from Hurricane Isaac across the eastern half of the US drought area has stopped the deterioration of the US

soybean crop. Industry analysts are turning their attention to planting intentions for Brazil and Argentina where soybean area is expected to rise.

The average price of soybeans at Chatham is forecast to rise sharply, to a record high for 2012-13, on support from higher US prices. The US soybean price outlook strengthened significantly over the growing season on sharply reduced production estimates following the worst US drought in recent memory. In its September release of the WASDE, the USDA continues to forecast strong prices for soyoil and soymeal for 2012-13. Specifically, the USDA is forecasting on-farm soybean prices of US\$15.00/bu to US\$17.00/bu while the prices of soymeal and soyoil are forecast to average US\$500.00/st and US\$56.00 cents/lb, respectively.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

September 18, 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
Durum												
2010-2011	1,275	1,244	2.43	3,025	37	5,769	3,304	254	470	882	1,583	300
2011-2012p	1,625	1,590	2.62	4,172	17	5,773	3,586	232	335	749	1,438	350*
2012-2013f	1,882	1,817	2.35	4,273	20	5,731	3,800	260	387	831	1,100	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
2011-2012p	7,112	6,953	3.03	21,089	61	26,743	14,149	3,182	4,185	8,152	4,442	292*
2012-2013f	7,756	7,535	3.02	22,740	60	27,242	14,800	3,400	3,722	7,942	4,500	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	
2011-2012p	8,737	8,544	2.96	25,261	78	32,515	17,735	3,414	4,520	8,901	5,879	
2012-2013f	9,638	9,352	2.89	27,013	80	32,972	18,600	3,660	4,108	8,772	5,600	
Barley												
2010-2011	2,797	2,387	3.19	7,605	43	10,231	2,017	197	6,351	6,773	1,441	188
2011-2012p	2,619	2,365	3.28	7,756	14	9,211	1,995	138	5,599	5,994	1,222	225
2012-2013f	2,991	2,732	3.48	9,508	20	10,750	2,200	140	5,749	6,150	2,400	210-240
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
2011-2012p	1,218	1,202	8.89	10,689	900	12,867	375	4,800	6,378	11,192	1,300	250
2012-2013f	1,440	1,400	8.36	11,703	800	13,803	1,200	4,700	6,389	11,103	1,500	260-300
Oats												
2010-2011	1,179	906	2.74	2,480	25	3,674	1,935	47	817	970	769	244
2011-2012p	1,258	1,030	2.91	2,997	12	3,778	2,244	26	590	718	817	227
2012-2013f	1,206	991	3.02	2,994	15	3,826	2,300	30	615	751	775	240-270
Rye												
2010-2011	130	95	2.45	232	0	372	193	42	79	129	51	147
2011-2012p	122	79	2.66	210	0	261	175	25	30	66	20	183
2012-2013f	144	122	2.56	312	1	334	180	34	48	94	60	175-205
Mixed Grains												
2010-2011	172	80	2.92	233	0	233	0	0	233	233	0	
2011-2012p	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	5,833	5,035	14,454	19,843	3,539	
2011-2012p	5,323	4,735	4.61	21,831	926	26,296	4,789	4,988	12,776	18,148	3,359	
2012-2013f	5,902	5,315	4.65	24,722	836	28,917	5,880	4,904	13,006	18,302	4,735	
Canola												
2010-2011	6,806	6,514	1.96	12,773	224	15,685	7,105	6,310	16	6,382	2,198	568
2011-2012p	7,633	7,471	1.94	14,493	92	16,784	8,729	6,999	205	7,267	788	601
2012-2013f	8,635	8,380	1.84	15,410	125	16,322	8,800	6,700	86	6,847	675	630-670
Flaxseed												
2010-2011	374	353	1.20	423	8	720	404	n/a	n/a	123	194	530**
2011-2012p	281	273	1.35	368	9	571	410	n/a	n/a	20	141	525
2012-2013f	425	403	1.36	547	5	692	525	n/a	n/a	27	140	500-540
Soybeans												
2010-2011	1,483	1,477	2.94	4,345	266	4,912	2,757	1,448	243	1,853	301	447
2011-2012p	1,550	1,542	2.75	4,246	275	4,823	2,800	1,390	228	1,763	260	478
2012-2013f	1,736	1,728	2.55	4,405	225	4,890	2,900	1,400	220	1,765	225	600-640
Total Oilseeds												
2010-2011	8,663	8,345	2.10	17,542	498	21,317	10,266	7,759	259	8,358	2,694	
2011-2012p	9,464	9,287	2.06	19,108	376	22,178	11,939	8,389	228	9,050	1,189	
2012-2013f	10,796	10,511	1.94	20,361	355	21,905	12,225	8,100	307	8,640	1,040	
Total Grains and Oilseeds												
2010-2011	22,704	21,284	2.96	62,973	1,867	81,595	32,290	16,393	17,916	35,897	13,408	
2011-2012p	23,524	22,565	2.93	66,200	1,380	80,989	34,463	16,791	17,524	36,099	10,426	
2012-2013f	26,336	25,178	2.86	72,097	1,271	83,794	36,705	16,664	17,420	35,714	11,375	

(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 - August 2012 Pool Return Outlook (PRO) No. 1 CWRS 12.5% protein and No. 1 CWAD 12.5% protein, I/S St. Lawrence/Vancouver

** Forecast for No.1 CWRS 13.5% protein and No.1 CWAD 13% protein average Saskatchewan producer spot prices. Not comparable with previous years.

f: forecast by Agriculture and Agri-Food Canada,

September 18, 2012

p: preliminary

Source: Statistics Canada