



CANADA: GRAINS AND OILSEEDS OUTLOOK

January 28, 2010

For 2009-10, prices for grains and oilseeds (G&O) in Canada have fallen sharply from 2008-09 under pressure from the increased supply, world economic slowdown and the rising Canadian dollar. Canadian exports are forecast to fall by almost 10% while total domestic use rises. Carry-out stocks are forecast to fall from 2008-09.

For 2010-11, the areas seeded to durum, barley and flaxseed, and the summerfallow area, are expected to decline while the areas seeded to corn, oats and soybeans rise. Wheat and canola areas are relatively unchanged. 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 fall marginally to 65.1 million tonnes (Mt). Total supply is forecast to decrease slightly to 81.9 Mt, as lower carry-in stocks more than offset the rise in production. Exports and total domestic use are forecast to increase marginally. Carry-out stocks are forecast to fall to below the 10 year average. Prices are expected to rise slightly. The main factors to watch are: the exchange rate, uncertainty over the US 2009-10 corn crop, condition of the winter wheat and South American crops, 2010-11 seeding intentions and spring soil moisture conditions.

DURUM

For **2009-10**, exports are forecast to increase by 2% from 2008-09 to 3.7 Mt due to lower production in the EU and larger Canadian carry-in stocks. Carry-out stocks are forecast to rise by 42% to 2.7 Mt. The CWB Pool Return Outlook (PRO) is 46% lower than for 2008-09, due to pressure from higher world and Canadian supply.

For **2010-11**, seeded area is forecast to decrease by 20% from 2009-10 because of sharply lower prices and burdensome carry-in stocks. Production is expected to fall by 24% to 4.1 Mt, but the higher carry-in stocks will result in only a 7% decrease in supply. Exports are forecast to increase by 5% to 3.9 Mt, due to the lower world supply. Carry-out stocks are forecast to decrease by 26% to 2.0 Mt. The CWB pool return is forecast to be 8% higher than for 2009-10 because of support from the lower world and Canadian supply.

WHEAT (ex durum)

For **2009-10**, exports are expected to decrease by 4% from 2008-09 to 14.3 Mt because of the expected drop in world trade and lower Canadian supply. Carry-out stocks are forecast to decrease by 8% to 4.3 Mt. The CWB PRO is 26% lower than for 2008-09 due to pressure from higher world supply.

For **2010-11**, seeded area is forecast to increase marginally from 2009-10. Production is expected to decrease by 2% to 20.6 Mt because of lower yields. Supply is forecast to drop by 4% because of lower carry-in stocks. Exports are expected to decrease by 2% to 14 Mt because of the lower supply. The lower supply is also expected to result in lower domestic feed use, although domestic food and industrial use are forecast to increase slightly. Carry-out stocks are expected to decrease by 7% to a historically low 4 Mt. The CWB pool return is forecast to be only marginally higher than for 2009-10, as support from the lower Canadian supply is mostly offset by the expected stronger Canadian dollar.

BARLEY

For **2009-10**, exports are forecast to decline marginally, due to strong competition in the world malt barley market. Carry-out stocks are forecast to fall by 23%, slightly below the 10 year average. The off-Board price of feed barley is forecast to fall by about \$25/t from last year.

For **2010-11**, seeded area is forecast to fall by 3% with production down marginally. Total supply is forecast to fall by 6% due to tighter carry-in stocks. Domestic feed use is expected to decrease due to lower livestock numbers and competition from dried distillers grain. Total exports are forecast to remain steady at 2.3 Mt. Carry-out stocks are expected to fall by 5% to 2.1 Mt. The off-Board price of feed barley is forecast to rise slightly from 2009-10.

CORN

For **2009-10**, imports are forecast to increase due to strong demand from the ethanol sector. Carry-out stocks are expected to decrease by about 25%. Corn prices are forecast to fall under pressure from lower US corn prices. For **2010-11**, seeded area is forecast to rise by 6% with production expected to rise by 15%. Imports are forecast to remain steady. Supply is forecast to rise by 7% while carry-out stocks rise slightly. The average Chatham elevator price is forecast to rise by \$10/t from 2009-10.

OATS

For **2009-10**, exports are forecast to decrease by about 20% as a result of weak US import demand. Carry-out stocks are forecast to decrease by 35% because of tighter supplies. The average nearby CBoT oats futures price is forecast to fall by about 13% from 2008-09. For **2010-11**, area seeded to oats is forecast to rise by 25%. Production is forecast to rise by 38% but tighter carry-in stocks will result in supply rising by only 12%. Exports are forecast to increase by 14%, while carry-out rises by about 0.2 Mt. Prices are forecast to decrease by \$10/t from 2009-10.

CANOLA

For **2009-10**, exports are projected to be the second highest on record, although down 18% from the record set in 2008-09. Domestic crush is forecast to rise due to increased domestic crushing capacity. Carry-out stocks are forecast to be similar to the previous year, with the average price declining about 10%. For **2010-11**, seeded area is projected to increase marginally from 2009-10, but production and supply are forecast to decline by 4% due to lower yields. Domestic crush is forecast to rise to a record 5.5 Mt due to expanded crush capacity and increased

demand for oil and meal. Exports, however, are expected to decline due to the increased domestic use. Carry-out stocks are forecast to decline sharply, with prices expected to increase as a result of stronger world vegoil prices and larger canola oil premiums.

FLAXSEED (excluding solin)

For **2009-10**, exports are forecast to drop sharply due to the continuing EU restrictions on imports of Canadian flaxseed resulting from the detection of GMO material. As a result, carry-out stocks are projected to increase significantly. The average price is forecast to fall by 30% as a result of weak demand and large stocks. For **2010-11**, seeded area is expected to drop sharply due to lower prices, large stocks and uncertainty of markets. Production is forecast to decline by 30%. Exports are forecast to recover, assuming the problems with access to the EU are resolved, while carry-out stocks fall by 35%. Prices are forecast to increase by almost 30% due to declining stocks.

SOYBEANS

For **2009-10**, exports are forecast to increase due to higher domestic supplies. Carry-out stocks are expected to increase sharply, with the average price down by over 10%. For **2010-11**, seeded area is forecast to rise by 4%, with production increasing by 5%. Domestic supply is forecast to increase by 7% due to larger carry-in stocks, with imports declining as a result. Both exports and domestic use are forecast to rise. Carry-out stocks are forecast to decrease. The average Chatham price is projected to decline, as a result of lower US prices and the stronger Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

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Grain and Crop Year (a)	Area	Area	Yield t/ha	Production	Imports	Total	Exports (c)	Food &	Feed,	Total	Carry-out Stocks	Average Price (g) \$/t
	Seeded	Harvested			(b)	Supply		Industrial	Waste &	Domestic		
	thousand ha	thousand ha						Use (e)	Dockage	Use (d)		
Durum												
2008-2009f	2,440	2,416	2.28	5,519	2	6,340	3,639	230	354	804	1,897	373
2009-2010f	2,291	2,230	2.42	5,400	2	7,299	3,700	250	469	899	2,700	200*
2010-2011f	1,830	1,790	2.29	4,100	2	6,802	3,900	260	432	902	2,000	215**
Wheat Except Durum												
2008-2009f	7,752	7,616	3.03	23,092	23	26,703	14,966	3,540	2,710	7,077	4,659	302
2009-2010f	7,756	7,309	2.89	21,115	100	25,874	14,300	3,700	2,744	7,274	4,300	224*
2010-2011f	7,800	7,500	2.75	20,600	50	24,950	14,000	3,800	2,320	6,950	4,000	225**
All Wheat												
2008-2009f	10,192	10,032	2.85	28,611	26	33,043	18,606	3,770	3,063	7,881	6,556	
2009-2010f	10,047	9,539	2.78	26,515	102	33,172	18,000	3,950	3,212	8,172	7,000	
2010-2011f	9,630	9,290	2.66	24,700	52	31,752	17,900	4,060	2,752	7,852	6,000	
Barley												
2008-2009f	3,787	3,502	3.36	11,781	42	13,392	2,378	157	7,704	8,171	2,843	179
2009-2010f	3,506	2,918	3.26	9,518	35	12,396	2,300	190	7,380	7,896	2,200	140-170
2010-2011f	3,400	3,000	3.15	9,450	35	11,685	2,300	190	6,770	7,285	2,100	150-180
Corn												
2008-2009f	1,204	1,169	9.06	10,592	1,863	13,912	327	4,120	7,594	11,728	1,857	167
2009-2010f	1,231	1,181	8.09	9,561	2,000	13,418	300	4,300	7,403	11,718	1,400	130-160
2010-2011f	1,300	1,260	8.73	11,000	2,000	14,400	300	4,500	8,085	12,600	1,500	140-170
Oats												
2008-2009f	1,758	1,448	2.95	4,273	17	5,240	2,430	63	1,088	1,282	1,527	191
2009-2010f	1,510	948	2.95	2,798	15	4,340	2,000	90	1,075	1,340	1,000	160-190
2010-2011f	1,875	1,425	2.70	3,850	15	4,865	2,200	90	1,200	1,465	1,200	150-180
Rye												
2008-2009f	168	132	2.40	316	1	352	78	39	94	147	128	155
2009-2010f	115	115	2.43	281	0	408	133	45	95	155	120	125-155
2010-2011f	165	120	2.33	280	1	401	140	45	101	161	100	135-165
Mixed Grains												
2008-2009f	143	80	2.79	222	0	222	0	0	222	222	0	
2009-2010f	189	78	2.75	213	0	213	0	0	213	213	0	
2010-2011f	170	75	2.87	215	0	215	0	0	215	215	0	
Total Coarse Grains												
2008-2009f	7,061	6,330	4.29	27,184	1,922	33,117	5,213	4,380	16,702	21,548	6,355	
2009-2010f	6,551	5,240	4.27	22,371	2,050	30,776	4,733	4,625	16,168	21,323	4,720	
2010-2011f	6,910	5,880	4.22	24,795	2,051	31,566	4,940	4,825	16,371	21,726	4,900	
Canola												
2008-2009f	6,540	6,494	1.95	12,643	114	14,219	7,908	4,280	323	4,650	1,661	467
2009-2010f	6,556	6,105	1.94	11,825	125	13,611	6,500	5,000	412	5,461	1,650	400-450
2010-2011f	6,600	6,480	1.74	11,300	125	13,075	6,300	5,500	426	5,975	800	400-500
Flaxseed												
2008-2009f	631	625	1.38	861	6	1,035	603	n/a	n/a	205	227	500
2009-2010f	692	623	1.49	930	5	1,162	450	n/a	n/a	212	500	325-375
2010-2011f	495	475	1.32	625	5	1,130	600	n/a	n/a	205	325	400-500
Soybeans												
2008-2009f	1,202	1,195	2.79	3,336	355	3,812	1,870	1,280	296	1,722	220	413
2009-2010f	1,394	1,382	2.54	3,504	375	4,099	2,000	1,275	353	1,774	325	340-390
2010-2011f	1,445	1,425	2.58	3,675	350	4,350	2,100	1,450	355	1,950	300	300-400
Total Oilseeds												
2008-2009f	8,373	8,315	2.03	16,840	476	19,065	10,381	5,560	618	6,576	2,108	
2009-2010f	8,642	8,110	2.00	16,259	505	18,872	8,950	6,275	765	7,447	2,475	
2010-2011f	8,540	8,380	1.86	15,600	480	18,555	9,000	6,950	781	8,130	1,425	
Total Grains and Oilseeds												
2008-2009f	25,626	24,677	2.94	72,635	2,423	85,225	34,200	13,710	20,383	36,006	15,019	
2009-2010f	25,240	22,889	2.85	65,145	2,657	82,820	31,683	14,850	20,145	36,942	14,195	
2010-2011f	25,080	23,550	2.76	65,095	2,583	81,873	31,840	15,835	19,904	37,708	12,325	

(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, I/S Vancouver); Flaxseed (No. 1 CW, ICE Futures Canada, cash, I/S Thunder Bay); Soybeans (No. 2 cash, I/S Chatham).

* Canadian Wheat Board - January 2010 Pool Return Outlook (PRO)

** Agriculture and Agri-food Canada pool return forecast

f: forecast; Agriculture and Agri-Food Canada:

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Source: Statistics Canada