



## CANADA: GRAINS AND OILSEEDS (G&O) OUTLOOK

January 28, 2011

For 2010-11, total exports are forecast to be slightly lower than 2009-10 due to lower exports of wheat (ex-durum), canola, oats and flaxseed. Total domestic use is forecast to increase due to higher feed use of corn in eastern Canada, higher feed wheat use in western Canada and increased canola crush in western Canada. Total carry-out stocks are expected to be well-below the 10 year average. Grain prices are expected to average significantly higher than 2009-10, partly due to weather related production problems in many key exporting countries and strong demand from China.

For 2011-12, the areas seeded to all crops, except rye and mixed grains, are forecast to rise 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 2010 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 66.0 million tonnes (Mt). Total supply is forecast to decrease slightly to 79.6 Mt, as lower carry-in stocks largely offset the rise in production. Exports are forecast to drop slightly, while total domestic use increases marginally. Carry-out stocks are forecast to decrease slightly and remain below the 10 year 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: the strength of Chinese demand, growing conditions across South America, planting intentions for the United States and spring moisture conditions.

### DURUM

For 2010-11, exports are forecast to increase slightly to 3.9 Mt. Carry-out stocks are forecast to decrease by 63% to a historically low level. The CWB PRO is 49% higher than for 2009-10 because of the lower Canadian and world supply of durum. World durum production fell by 6.6 Mt to 34.4 Mt and supply decreased by 3.6 Mt to 44.7 Mt.

For 2011-12, seeded area is forecast to increase by 28% from 2010-11 because of sharply higher prices and low carry-in stocks. Production is expected to rise by 26% to 3.8 Mt, but the lower carry-in stocks will result in a 16% decrease in supply. Exports are forecast to decrease by 18% to 3.2 Mt due to the lower supply. Carry-out stocks are forecast to decrease by 20% to a very low 0.8 Mt. The CWB pool return is forecast to be slightly higher than for 2010-11 as support from the lower world and Canadian supply is partly offset by the expected stronger Canadian dollar. World durum production is forecast to increase to 36 Mt, but supply is forecast to fall by 1.8 Mt to 42.9 Mt.

### WHEAT (ex durum)

For 2010-11, exports are forecast to decrease by 7% to 13.6 Mt because of the lower supply and expected lower world trade. Domestic use is expected to increase because of increased demand for food, industrial and seed uses and the increased supply of feed wheat resulting from the late harvest. Carry-out stocks are forecast to fall to a historically low level. The CWB PRO is 44% higher than for 2009-10 due to support from the lower Canadian

and world supply, the export ban by Russia and the tight supply of high protein hard wheat. The world production of wheat (including durum) fell by 36.8 Mt from 2009-10 to 645.8 Mt and supply decreased by 5.9 Mt to 843.2 Mt.

For 2011-12, seeded area is forecast to increase by 5% from 2010-11 because of sharply higher prices. More specifically, the seeded area for winter wheat increased by 21%, while the spring wheat area is forecast to increase by 4%. Production is expected to increase by 5% to 21.1 Mt. Supply is forecast to rise only slightly because of lower carry-in stocks. Exports are expected to increase by 3% to 14 Mt because of the higher supply, an expected return to normal quality and an expected increase in world trade. Domestic use is forecast to increase slightly as lower feed use is more than offset by higher food and industrial use. Carry-out stocks are expected to decrease slightly to 4.4 Mt. The CWB pool return is forecast to be 6% lower than for 2010-11, because of the higher Canadian and world supply, expected improvement in the average quality of hard wheat in Canada and Australia, expected increased competition in world markets and the forecast stronger Canadian dollar. The world production of wheat (including durum) is forecast to rise by 24.2 Mt from 2010-11 to 670 Mt, while the supply is forecast to rise only slightly to 848 Mt because of sharply lower carry-in stocks.

### BARLEY

For 2010-11, exports are forecast to decrease by 16% to 1.8 Mt, due to much lower selection rates for designated barley.

Carry-out stocks are forecast to decrease 61% to a historically low level of 1.0 Mt. The CWB PRO for feed barley Pool A is 54% higher than for 2009-10 because of lower world production and strong prices for exports to Saudi Arabia. The CWB PRO for Select 2Row malting barley is 22% higher than 2009-10 because of low world production and the low world supply of malting barley. Non-board prices have increased in response to the low production.

For 2011-12, seeded area is forecast to increase 7% from 2010-11 because of higher prices and low carry-in stocks. Although production is forecast to increase 13%, to 8.6 Mt, supply is forecast to decrease by 6% due to low carry-in stocks. Exports are forecast to decrease 11% due to lower feed barley exports. Carry-out stocks are to decrease by 30% to a historically low 0.70 Mt. The CWB pool returns for feed and malt barley are forecast to be lower than for 2010-11 due to higher world supply and the stronger Canadian dollar. Non-board prices are forecast to remain unchanged from 2010-11 due to the tight supply situation.

### CORN

For 2010-11, exports are forecast to increase due to the major increase in corn production. Carry-out stocks are forecast to increase 42% to a historically high level of 2.5Mt. Total domestic usage is forecast to increase by 3% to near records levels due to increases in ethanol production, industrial use and feed. World corn carry-out stocks decreased by 14% from 2009-10 levels. Prices have increased sharply

due to lower US corn production and lower world coarse production and are nearing the records levels of 2008.

**For 2011-12**, seeded area is forecast to increase 3% from 2010-11 because of higher prices. Production is forecast to decrease 4% to 11.2 Mt due to lower than record yields from 2010-11. Higher carry-in stocks will result in a 1% increase in total supply. Imports are forecast to decrease by 5% due high domestic supply. Exports are forecast to decrease due to a recovery in US corn production and lower prices. Carry-out stocks are forecast to remain historically high. Prices are forecast to fall by 10% due to higher US corn production and world coarse grain production.

#### **OATS**

**For 2010-11**, exports are forecast to decrease by 13% to 1.8 Mt from 2.1 Mt, due to lower production in Canada and slower US demand. Carry-out stocks are forecast to decrease to a historically low level of 0.55 Mt. Total domestic usage is forecast to decrease by 6% to due to the low production and decrease in total supply of 22%. World oat production fell by 3.5 Mt to 20.8 Mt and supply decreased by 3.9 Mt to 24.9 Mt. Prices have increased sharply due to lower US corn production and lower world coarse production and are nearing the record levels of 2008.

**For 2011-12**, seeded area is forecast to increase 27% from 2010-11 because of higher prices and a recovery in oat production. Production is forecast to increase 35% to 3.1 Mt due to the large increase in seeded acreage. However, total supply is forecast to increase by only 5% due to low carry-in stocks. Exports are forecast to decrease slightly to 1.7 Mt due to slightly lower US milling and equine demand and higher US corn production. Carry-out stocks are to increase by 64% to 0.9 Mt. Prices are forecast to decrease by 10% due to higher oat and corn production in Canada and the US, respectively, and higher world coarse grain production.

#### **RYE**

**For 2010-11**, exports are forecast to decrease due to lower Canadian production caused by poor seeding conditions in the fall of 2009. Carry-out stocks are forecast to decrease 28% to 0.10 Mt. Total domestic usage is forecast to increase due to higher feeding rates related to low barley production.

**For 2011-12**, seeded area is forecast to decrease by 3% from 2010-11 due to wet seeding conditions in the fall of 2010, especially in Saskatchewan. Production is forecast to decrease by 5% due to the lower seeded area. Total supply is forecast to decrease by 14% due to lower carry-in stocks and lower production. Exports are forecast to decrease by 11% due to the lower total supply. Total domestic usage is forecast to decrease due mainly to lower feed usage as barley production recovers. Prices are forecast to remain unchanged from 2010-11 due to the very tight supply and carry-out situation.

#### **CANOLA**

**For 2010-11**, exports are forecast to decline by 7%, to 6.7 Mt as tight supplies limit the ability to respond to exceptionally strong world demand. Total domestic usage is forecast to rise by 31%, to a record 6.4 Mt, as attractive crush margins allow processors to take advantage of expanded capacity. Carry-out stocks are forecast to fall to a 7 year low of 1.1 Mt for a stocks-to-use ratio of 8%. Prices are forecast to rise sharply, and may exceed the record set in 2007-08 on strong world demand and tight world vegetable oil supplies.

**For 2011-12**, seeded area is forecast to increase by 10%, setting a new record, on support from strong prices and attractive expected yields. Production is forecast to rise by 9% to a record high 12.9 Mt, but supply is forecast to decrease marginally due to low carry-in stocks. Exports are forecast to rise by about 4%, while total domestic use declines slightly due to lower feed, waste and dockage. Prices are forecast to decline slightly under pressure from lower world soybean and palm oil prices, but returns will be supported by continued strong demand.

#### **FLAXSEED (excluding solin)**

**For 2010-11**, exports are forecast to decrease by 22%, due to tight supplies, although world demand remains strong. Total domestic use is forecast to fall by 36% due to high prices. Carry-out stocks are forecast at a very tight 50,000 t for a stocks to use ratio of 7%. Flaxseed prices are forecast to rise by about 25% due to tight supplies and strong world demand.

**For 2011-12**, seeded area is forecast to rise by 70% on support from high prices. Production is forecast to rise by 100% to a more normal 0.85 Mt. However, supplies are forecast to rise by only 26% due to low carry-in stocks. Exports are forecast to

rise slightly on steady world demand while total domestic use rises by 86%, but still remains below the 5 year average. Carry-out stocks are forecast to increase significantly but will remain historically low. Prices are expected to ease slightly due to the forecasted rise in world oilseed and vegetable oil production combined with steady demand.

#### **SOYBEANS**

**For 2010-11**, exports are forecast to rise by 23%, to a record 2.6 Mt, due to the combination of large supplies and strong world demand. Total domestic usage is forecast to rise by 15% due to an higher crush pace. Carry-out stocks are forecast to rise by 50%, to a historically high 0.45 Mt. Prices are forecast to rise by about 20% on support from high US prices with the gains muted by the strength of the Canadian dollar.

**For 2011-12**, planted area is forecast to rise by 5%, due to attractive prices. However, production is forecast to fall by 8% as yields return to trend from the record highs of 2010-11. Supply is forecast to fall by only 4%, as the drop in output is partially offset by higher carry-in stocks. Exports are forecast to decline marginally due to tight supplies as world demand remains strong. Total domestic usage is forecast to rise marginally as the crush pace remains steady. Carry-out stocks are forecast to fall by 22%, for a stocks-to-use ratio of 8%. Prices are forecast to fall by about 15% under pressure from increased world production, lower US prices and a slightly stronger Canadian dollar.

#### **FURTHER INFORMATION:**

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**CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION**

January 28, 2011

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
<b>Durum</b>												
2009-2010	2,291	2,230	2.42	5,400	2	7,305	3,820	262	391	778	2,708	203
2010-2011f	1,275	1,244	2.43	3,025	2	5,734	3,900	265	410	834	1,000	303*
2011-2012f	1,630	1,580	2.41	3,800	2	4,802	3,200	270	368	802	800	305f
<b>Wheat Except Durum</b>												
2009-2010	7,775	7,408	2.90	21,448	115	26,207	14,661	3,200	2,481	6,433	5,113	218
2010-2011f	7,274	7,024	2.87	20,142	30	25,285	13,600	3,370	3,023	7,185	4,500	315*
2011-2012f	7,660	7,380	2.86	21,100	30	25,630	14,000	3,460	2,970	7,230	4,400	295f
<b>All Wheat</b>												
2009-2010	10,065	9,638	2.79	26,848	117	33,512	18,481	3,463	2,871	7,210	7,820	
2010-2011f	8,549	8,269	2.80	23,167	32	31,019	17,500	3,635	3,433	8,019	5,500	
2011-2012f	9,290	8,960	2.78	24,900	32	30,432	17,200	3,730	3,338	8,032	5,200	
<b>Barley</b>												
2009-2010	3,506	2,918	3.26	9,517	42	12,402	2,149	141	7,284	7,671	2,583	153
2010-2011f	2,797	2,387	3.19	7,605	35	10,223	1,800	115	7,028	7,423	1,000	165-185
2011-2012f	3,000	2,650	3.25	8,600	35	9,635	1,600	105	6,950	7,335	700	160-190
<b>Corn</b>												
2009-2010	1,204	1,142	8.37	9,561	2,125	13,544	110	3,940	7,722	11,675	1,758	144
2010-2011f	1,214	1,203	9.74	11,715	1,900	15,373	800	4,200	7,859	12,073	2,500	185-205
2011-2012f	1,250	1,240	9.03	11,200	1,800	15,500	350	4,400	7,936	12,350	2,800	160-190
<b>Oats</b>												
2009-2010	1,510	948	3.07	2,906	17	4,450	2,075	56	1,048	1,205	1,170	167
2010-2011f	1,179	841	2.73	2,298	15	3,482	1,800	65	917	1,132	550	235-255
2011-2012f	1,500	1,100	2.82	3,100	15	3,665	1,700	75	890	1,065	900	205-235
<b>Rye</b>												
2009-2010	115	115	2.43	281	1	404	128	40	86	137	139	143
2010-2011f	93	89	2.43	216	1	356	112	37	97	144	100	155-175
2011-2012f	90	85	2.41	205	1	306	100	40	77	126	80	150-180
<b>Mixed Grains</b>												
2009-2010	189	78	2.75	213	0	213	0	0	213	213	0	
2010-2011f	172	80	2.92	233	0	233	0	0	233	233	0	
2011-2012f	170	80	2.81	225	0	225	0	0	225	225	0	
<b>Total Coarse Grains</b>												
2009-2010	6,524	5,201	4.32	22,478	2,184	31,013	4,462	4,177	16,354	20,901	5,650	
2010-2011f	5,455	4,600	4.80	22,066	1,951	29,666	4,512	4,417	16,133	21,004	4,150	
2011-2012f	6,010	5,155	4.53	23,330	1,851	29,331	3,750	4,620	16,078	21,101	4,480	
<b>Canola</b>												
2009-2010	6,556	6,105	2.03	12,417	128	14,206	7,163	4,788	83	4,921	2,123	426
2010-2011f	6,806	6,514	1.82	11,866	250	14,239	6,700	6,000	391	6,439	1,100	540-580
2011-2012f	7,500	7,368	1.75	12,900	125	14,125	7,000	6,000	226	6,275	850	500-540
<b>Flaxseed</b>												
2009-2010	692	623	1.49	930	6	1,165	772	n/a	n/a	104	289	424
2010-2011f	374	353	1.20	423	5	717	600	n/a	n/a	67	50	520-550**
2011-2012f	635	630	1.35	850	5	905	650	n/a	n/a	125	130	475-525
<b>Soybeans</b>												
2009-2010	1,394	1,382	2.54	3,507	371	4,098	2,111	1,293	240	1,687	300	359
2010-2011f	1,483	1,477	2.94	4,345	350	4,995	2,600	1,500	300	1,945	450	420-460
2011-2012f	1,550	1,542	2.59	4,000	350	4,800	2,500	1,500	305	1,950	350	380-420
<b>Total Oilseeds</b>												
2009-2010	8,642	8,110	2.08	16,854	505	19,469	10,045	6,081	323	6,711	2,712	
2010-2011f	8,663	8,345	1.99	16,635	605	19,952	9,900	7,500	691	8,452	1,600	
2011-2012f	9,685	9,540	1.86	17,750	480	19,830	10,150	7,500	531	8,350	1,330	
<b>Total Grains and Oilseeds</b>												
2009-2010	25,231	22,949	2.88	66,180	2,807	83,993	32,989	13,720	19,549	34,823	16,182	
2010-2011f	22,667	21,214	2.92	61,868	2,588	80,637	31,912	15,552	20,258	37,475	11,250	
2011-2012f	24,985	23,655	2.79	65,980	2,363	79,593	31,100	15,850	19,947	37,483	11,010	

(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 &amp; 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 Saskatoon); Soybeans (No. 2 cash, I/S Chatham).

\* Canadian Wheat Board - January 2011 Pool Return Outlook (PRO)

\*\*Flaxseed price location changed to I/S Saskatoon from I/S Thunder Bay

f: forecast; Agriculture and Agri-Food Canada:

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Source: Statistics Canada