



CANADA: GRAINS AND OILSEEDS (G&O) OUTLOOK 2011-12

June 7, 2011

Canadian producers are expected to increase the areas seeded to durum, wheat, barley, corn, oats, canola, flaxseed and soybeans, and significantly decrease the area in summer fallow, compared to last year. However, seeding progress in parts of Saskatchewan and Manitoba is currently well-behind schedule due to very wet soil conditions. A significant portion of the area which was intended to be seeded, as reported in Statistics Canada's (STC) March seeding intentions survey, may not be seeded or harvested. Thus, abandonment rates, relative to the intended area seeded, are expected to be above normal in many areas. In Eastern Canada, there are also some seeding delays because of wet weather. For the following outlook, AAFC has reduced the area harvested, relative to its May report, to account for the area which is not expected to enter into production. Normal precipitation, crop quality, and trend yields have been assumed for both western and eastern Canada.

Total production of G&O in Canada is forecast to increase by 7% to 66.1 million tonnes (Mt). Total supply is forecast to decrease slightly to 78.3 Mt, as the decrease in carry-in stocks more than offsets by the rise in production. Carry-in stocks are expected to drop to a record low level which will accentuate the impact of any issues which negatively affect area seeded/harvested or yields. Total exports are expected to be slightly lower than in 2010-11, domestic use increases marginally. Carry-out stocks are expected to decrease to a new record low level, 26% below the 10 year average. Prices are expected to remain historically high, although pressured by the strong Canadian dollar which is forecast to be stronger than the US dollar. AAFC's July S&D release will be based on the Statistics Canada Seeded Area Estimates which are scheduled for release on June 23.

DURUM

For 2011-12, harvested area is forecast to be 50% higher than last year. Production is expected to rise by 49% to 4.5 Mt. However, the lower carry-in stocks will result in a slight decrease in supply. Exports are forecast to increase from 2010-11 to 3.8 Mt because of expected higher world trade. Carry-out stocks are forecast to decrease to a very low level of 1.0 Mt. The CWB PRO is 19% higher than for 2010-11 because of the lower world and Canadian supply and carry-out stocks.

World durum production is forecast to rise by 1.7 Mt to 36.3 Mt, with Canada accounting for most of the increase. Supply is forecast to fall by 0.4 Mt to 44.3 Mt, as lower carry-in stocks more than offset the rise in production. Carry-out stocks are forecast to fall by 0.6 Mt to a lower than average level of 7.3 Mt.

WHEAT (ex durum)

For 2011-12, harvested area is forecast to be 5% higher than last year. Production is expected to increase by 4% to 21 Mt. Supply is forecast to rise by only 2% because of lower carry-in stocks. Exports are expected to increase by 5% to 14 Mt because of the expected return to normal quality and an expected increase in world trade. Domestic use is forecast to increase slightly. Carry-out

stocks are expected to decrease to 4.5 Mt. The CWB PRO is 1% higher than for 2010-11, because of the growing world use and expected decrease in US, Canadian and world carry-out stocks.

The world production of wheat (including durum) is forecast to rise by 15 Mt from 2010-11 to 663 Mt, due mainly to a recovery in production for Russia and Kazakhstan. United States production is expected to decrease by 4.5 Mt to 55.6 Mt, the lowest level since 2006-07. World supply is forecast to rise by only 1 Mt to 845 Mt because of sharply lower carry-in stocks. Use is forecast to rise, with increases in the food, feed and industrial markets. Therefore, carry-out stocks are forecast to fall by 4 Mt to 177 Mt.

BARLEY

For 2011-12, harvested area is expected to increase by 11% but have an abandonment rate slightly higher than trend. Production is forecast to increase by 13% as yields increase to trend levels. Total supply is forecast to decrease by 3% due to lower carry-in stocks. Domestic feed use is projected to increase due to the slight recovery in feed demand. Total exports are forecast to increase to 1.8 Mt while carry-out stocks fall by 32% to 0.8 Mt. The CWB malt barley PROs are about 30% higher

than 2010-11. Drought-like conditions will reduce malt prospects in the EU for 2011-12 and tighten the world malt barley supply. The US, China and Japan should remain Canada's largest export destinations for malt barley. The non-board price for feed barley is forecast to increase slightly from 2010-11. Australia and Ukraine are expected to displace Canada as a feed barley supplier to Saudi Arabia, the world largest feed barley importer. Canadian feed barley exports for 2011-12 are forecast to decrease as Russia and Ukraine re-enter the export market. Western Canada remains one of the world's highest priced feed barley markets due to strong domestic demand and the forecast for a strong Canadian dollar will challenge Canada's ability to export feed barley.

World carry-in stocks of barley for 2011-12 are 29% lower than for 2010-11. Total world barley production is forecast to rise by 9% for 2011-12. The US is expected to plant its second smallest barley crop on record as producers shift area to crops which are more profitable, such as corn, soybeans and wheat.

CORN

For 2011-12, harvested area is expected to increase by only 1% due to higher

rate of abandonment. Production is expected to decrease by 6% as yields fall back to trend after record yields in 2010 in Ontario and Quebec. Imports are expected to increase but stay below the previous five year average of 2.1 Mt. Total supply is forecast to decrease by 5% due to lower carry-in stocks and production. Exports are forecast to fall significantly from the record pace of 2010-11. The carry-out is forecast to decrease slightly due to the tighter supply and higher feed and industrial usage. The average Chatham elevator price is forecast to be similar to 2010-11 due to the strong Canadian dollar.

For 2011, the US is forecasting a record corn crop based on trend yields. US corn has been planted at a below normal pace due to wet, cool conditions, similar to those in western Canada. However, US and world supply is expected to remain very tight due to low carry-in stocks and high usage. The weak US dollar enables US corn to be more competitive in the export market. In addition, high US domestic usage through feeding and ethanol production, will keep prices strong for the 2011-12 crop year.

OATS

For **2011-12**, harvested area is expected to increase by 43% from last year. Production is forecast to increase by 46% but total supply is forecast to increase by only 16% due to the very low carry-in stocks. Exports are forecast to increase by 5% based on record low US oat acreage and a higher import forecast from USDA. The US remains the world's largest importer of oats. Carry-out stocks are forecast to increase by 41% to 0.95 Mt. US corn prices provide the main price discovery mechanism for oats and the strong forecasted corn prices will be supportive. Tight world coarse grain and corn supplies will be offset to some extent by a strong Canadian dollar and will translate into Canadian oat prices being similar to the 2010-11.

World oat carry-in stocks are expected to be significantly lower than 2010-11 due to low world production. For 2011-12, EU oat production was expected to recover but drought in its

northern "oat belt" are forecast to reduce yields and total oat production. As US oat production continues to decline it has relied on Canada to supply most of its oat imports. Although record low oat production is forecast for the US, Canadian oat exports are expected to be below the previous five year average as a corn has displaced oats in many US feed rations and milling demand has remained relatively flat.

RYE

For **2011-12**, harvest area is expected to be 6% lower than last year due to poor fall seeding conditions caused by excess moisture. Production is forecast to decrease by 5% as yields remain at trend levels and the rate of winter kill was normal. Total supply is forecast to decrease by 20% due to lower carry-in stocks and the lower forecasted production. Total domestic use is projected to decrease 6% due to the lower supply. In a trade relationship similar to oats, the US is the world's largest importer of rye with Canada supplying the majority of the product. Japan is Canada's second largest export destination for rye. Total exports are forecast to decrease by 39% while carry-out stocks remain unchanged.

World carry-in stocks of rye are about 38% lower than they were last year due to the sharp decrease in production in the northern hemisphere. Prices for rye in 2011-12 are forecast to be higher than 2010-11 due to the tight supplies and high corn prices.

CANOLA

For **2011-12**, harvested area is forecast to be about 12% higher than last year. Production is forecast to rise by 7% to a new record of 12.7 Mt. Supply is forecast to decrease by 5% as the decrease in carry-in stocks more than offsets the increase in production. Exports and total domestic use are forecast to decrease marginally as tight domestic supply limits Canada's ability to respond to strong world demand for seed, veg-oil and protein meal. Japan, China, Mexico and the US are forecast to remain the main markets for Canadian canola, with smaller volumes going to the United Arab Emirates and

Pakistan. World carry-in stocks are 32% lower than for 2010-11 due to lower production and increased crush. Prices are forecast to rise slightly due to higher world soybean, palm and crude oil prices.

FLAXSEED (excluding solin)

For **2011-12**, harvested area is forecast to be about 30% higher than last year. Production is forecast to rise by 48% to 0.63 Mt versus the 5 year average of 0.88 Mt. However, supply is forecast to rise slightly due to low carry-in stocks. Exports are forecast to decline slightly despite steady world demand due to constrained Canadian supplies. The EU-27 and the US will remain major customers for Canadian flaxseed. Total domestic use is forecast to rise due to increased feed, food and other use. Carry-out stocks are forecast to decrease and remain well below the 5 year average. Prices are forecast to rise slightly on support from higher world oilseed and vegetable oil prices.

SOYBEANS

For **2011-12**, harvested area is forecast to be about 2% higher than last year. Production is forecast to fall by 10% as yields return to trend from the record set in 2010-11. Supply is forecast to fall by 11%, due to lower production, and carry-in stocks. Exports are forecast to decline due to low supply in the face of strong world demand. The main buyers of Canadian soybeans are the EU-27, Japan, the US and China. Total domestic use is forecast to rise marginally on a steady crush pace. Carry-out stocks are forecast to fall by 33%, for a stocks-to-use ratio of 2.5%. World carry-in stocks are up 3% compared to 2010-11 due to higher supplies in China.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

June 7, 2011

Grain and Crop Year (a)	Area		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
	Seeded thousand ha	Harvested thousand ha										
Durum												
2009-2010	2,291	2,230	2.42	5,400	2	7,305	3,820	261	392	778	2,708	203
2010-2011f	1,275	1,244	2.43	3,025	35	5,767	3,700	260	408	867	1,200	294*
2011-2012f	2,044	1,870	2.41	4,500	10	5,710	3,800	270	441	910	1,000	351*
Wheat Except Durum												
2009-2010	7,775	7,408	2.90	21,448	115	26,207	14,661	3,291	2,376	6,424	5,121	218
2010-2011f	7,274	7,024	2.87	20,142	30	25,293	13,300	3,420	2,948	7,193	4,800	320*
2011-2012f	8,010	7,390	2.84	21,000	20	25,820	14,000	3,530	2,960	7,320	4,500	324*
All Wheat												
2009-2010	10,065	9,638	2.79	26,848	117	33,512	18,481	3,552	2,768	7,202	7,829	
2010-2011f	8,549	8,269	2.80	23,167	65	31,061	17,000	3,680	3,357	8,061	6,000	
2011-2012f	10,054	9,260	2.75	25,500	30	31,530	17,800	3,800	3,401	8,230	5,500	
Barley												
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	25	10,213	1,700	130	6,853	7,263	1,250	175-195
2011-2012f	3,170	2,650	3.25	8,600	35	9,885	1,800	135	6,870	7,285	800	180-210
Corn												
2009-2010	1,204	1,142	8.37	9,561	2,125	13,520	120	4,595	7,033	11,641	1,758	144
2010-2011f	1,214	1,203	9.74	11,715	1,000	14,473	1,800	4,600	6,659	11,273	1,400	210-230
2011-2012f	1,300	1,220	9.02	11,000	1,400	13,800	1,000	4,700	6,786	11,500	1,300	205-235
Oats												
2009-2010	1,510	948	3.07	2,906	17	4,450	2,075	60	1,045	1,205	1,170	167
2010-2011f	1,179	841	2.73	2,298	25	3,492	1,900	65	727	917	675	240-260
2011-2012f	1,642	1,200	2.79	3,350	20	4,045	2,000	70	910	1,095	950	235-265
Rye***												
2009-2010	168	115	2.43	281	1	404	128	40	86	137	139	143
2010-2011f	130	89	2.43	216	1	356	163	41	62	113	80	165-185
2011-2012f	122	85	2.41	205	1	286	100	40	57	106	80	170-200
Mixed Grains												
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	
Total Coarse Grains												
2009-2010	6,577	5,201	4.32	22,478	2,184	30,989	4,472	4,835	15,661	20,867	5,650	
2010-2011f	5,492	4,600	4.80	22,066	1,051	28,766	5,563	4,836	14,533	19,798	3,405	
2011-2012f	6,404	5,235	4.47	23,380	1,456	28,241	4,900	4,945	14,848	20,211	3,130	
Canola												
2009-2010	6,556	6,105	2.03	12,417	128	14,204	7,163	4,788	81	4,919	2,123	426
2010-2011f	6,806	6,514	1.82	11,866	250	14,239	7,100	6,000	391	6,439	700	540-580
2011-2012f	7,780	7,316	1.74	12,700	125	13,525	6,700	6,000	126	6,175	650	560-600
Flaxseed												
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	7	719	550	n/a	n/a	69	100	510-540**
2011-2012f	490	457	1.37	625	5	730	525	n/a	n/a	125	80	520-550
Soybeans												
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	150	4,795	2,800	1,400	300	1,845	150	425-465
2011-2012f	1,520	1,505	2.59	3,900	200	4,250	2,300	1,400	305	1,850	100	430-470
Total Oilseeds												
2009-2010	8,642	8,110	2.08	16,854	505	19,467	10,046	6,081	321	6,709	2,712	
2010-2011f	8,663	8,345	1.99	16,635	407	19,754	10,450	7,400	691	8,354	950	
2011-2012f	9,790	9,279	1.86	17,225	330	18,505	9,525	7,400	431	8,150	830	
Total Grains and Oilseeds												
2009-2010	25,284	22,949	2.88	66,180	2,807	83,967	32,999	14,468	18,750	34,778	16,191	
2010-2011f	22,704	21,214	2.92	61,868	1,523	79,581	33,013	15,916	18,581	36,213	10,355	
2011-2012f	26,248	23,774	2.78	66,105	1,816	78,276	32,225	16,145	18,680	36,591	9,460	

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

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

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

***Rye Area Seeded is an estimate from the previous fall and is before winterkill or abandonment due to poor stands.

f: forecast; Agriculture and Agri-Food Canada:

June 7, 2011

Source: Statistics Canada