USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 11/01/2010

GAIN Report Number: CA0043

Canada

Grain and Feed Update

Grain and Feed - November Quarterly - Canada

Approved By:
Robin Tilsworth

Prepared By:
Darlene Dessureault
Bradford Barrett

Report Highlights:
Record rains in 2010 resulted in a significant amount of cropland going unseeded in western Canada. As a result, production levels of wheat, barley and oats have fallen significantly for the 2010/11 crops. Preliminary production data from producer surveys conducted the first week of September estimate that production of wheat will fall to 22.2 million metric tons (MMT), barley will fall to 8.3 MMT, and oats will fall to 2.3 (MMT) in 2010, a combined 17 percent decrease from 2009/10 production for the crops. Canadian corn production is estimated to have increased over 13 percent to 10.9 MMT compared to the production of 2009/10 of 9.6 MMT due to favorable weather in Quebec and Ontario. Exports of wheat are expected to fall to 17.5 MMT due to strong world supplies, and a small domestic supply. Exports of barley are expected to grow to about 1.6 MMT in 2010/11 due to strong international prices, but will be limited by the small domestic supply and the strong Canadian dollar. Corn imports from the United States are expected to increase to 2.3 MMT in response to demand from ethanol plants.

Executive Summary:

- Preliminary data from farmer surveys conducted the first week of September estimate that total wheat production will fall 17 percent from 2009/10 levels to just over 22 million metric tons (MMT); this is 11 percent below the 5-year average and the lowest level since 2003.

- Canadian wheat exports will be limited by a number of factors: strong world stocks, below-average quality wheat, and a strong Canadian dollar. Wheat exports are expected to fall 8 percent to 17.5 MMT, 20 percent lower than the 10-year average of 19.5 MMT.

- Due to the late harvest, the quality of the wheat is still in question. A late frost has resulted in expectations that the quality of the spring wheat will be downgraded.

- An increase in the area seeded to winter wheat is likely in 2011/12. Due to the unfavorable weather conditions that have left fields very wet, planting winter wheat is being seen as an attractive option to help soak up the water.

- Barley production is expected to fall 13 percent from 2009/10 levels to 8.3 MMT as a result of a 17 percent drop in area seeded. Barley production is down to Canada's lowest levels since 2003, with a 20 percent drop from the 10-year average of 10.5 MMT.

- Lower world production has tightened worldwide barley stocks and pushed up international barley prices. As a result, domestic demand will compete with attractive export values for Canada's relatively small supply of barley. Supply and the strong Canadian dollar will be the limiting factors for Canadian barley exports. Barley exports are expected to increase by 21 percent in 2010/11 from 2009/10 levels to reach 1.6 MMT.

- Corn production rose in 2010/11 to 10.9 MMT due to better yields resulting from good growing conditions in Quebec and Ontario. This represents a 14 percent increase over 2009/10 levels and is a small increase from the 5-year average of 10.4 MMT.

- Imports of corn are expected to rise to 2.3 MMT from the previous year's level of 2.1 MMT as a result of steady demand for use in ethanol plants in eastern Canada and an increased demand from ethanol plants in western Canada which usually rely on wheat, but due to tight wheat supplies are shifting to corn.

- Preliminary production numbers suggest that oat production decreased nearly 20 percent in 2010/11 due to weather related production problems that reduced area seeded. Despite higher yields partially off-setting the lower area seeded, this is still the lowest production number in 20 years.

- Oat exports are expected to remain flat as they are limited by lower supplies, a strong Canadian dollar, and large stocks of oats held by companies in the United States.

ALL WHEAT

Highlights for 2010/11

Production fell in 2010/11 due to reduced area seeded resulting from record rains in 2010. Excess moisture during seeding in the spring of 2010 for most of western Canada resulted in seeded area falling 15 percent from year 2009/10 levels. Unexpected heavy rain this year meant that 7.9 million acres went unseeded, about 20 percent of all available cropland. Winter wheat seeded area was also lower due to harvest delays in 2009/10. Harvest was late again this year as farmers struggled through inclement weather to get their crops out of the field. Despite the weather, yields were relatively good and preliminary data from farmer surveys conducted the first week of September estimate that total wheat production will fall 17 percent from 2009/10 levels to just over 22 million metric tons (MMT). This is 11 percent below the 5-year average and the lowest level since 2003.

Canadian wheat exports will be limited by a number of factors: strong world stocks, below-average quality wheat, and a strong Canadian dollar. Total wheat exports are expected to fall 8 percent to 17.5 MMT, 20 percent lower than the 10-year average of 19.5 MMT. Strong world stocks, despite the drought in Russia and subsequent Russian export ban which caused wheat prices to rally, will limit price increases. In addition, the United States harvested a big wheat crop on top of already large stockpiles of wheat. Canada's ability to capitalize on additional sales due to Russia's decision to halt wheat exports is also limited by its small crop and the United State's production success. In the long run, however, Canada might make some market share gains due to its reputation as a reliable supply source while Russia recovers and rebuilds its supply as well as its relationship with buyers.

Due to the late harvest, the crop quality is still in question. A late frost has resulted in expectations that the quality of the spring wheat will be downgraded. The winter wheat and durum wheat are expected to be slightly above average in quality. With world demand being a little more forgiving on quality, export markets are expected to still be open to Canada's above average supply of feed quality wheat.

Domestic use is expected to increase a little over 10 percent with a demand for wheat for food, industrial and seed uses off-setting a marginal decrease in demand for feed wheat. An anticipated marginal decrease in livestock numbers in Canada in 2010/11 due to the industry continuing to restructure as well as demand for feed wheat being tempered by other cheaper feeds such as barley will result in a slight decrease in feed consumption. Demand from ethanol producers is expected to push up industrial use although prices may limit this trend. These ethanol producers also have the option of importing U.S. corn if it is cheaper. This will force competition between corn and wheat which will help keep wheat prices in check. Wheat-based ethanol plants can make the switch to corn easily, and corn feedstock has the added benefit of producing 10 percent more ethanol per ton of feedstock.

Overall, stocks will be drawn down in 2010/11 due to lower supplies.
Trade:

Canada has been very active with trade missions and is currently negotiating several free trade agreements that may facilitate wheat exports in the coming year. A recent trade mission to Asia resulted in Canadian wheat being exempt from Indonesia's new import pest testing requirements that would have delayed imports and added costs. Indonesia represented 8 percent of Canadian wheat exports in

2009/10, approximately 845,000 tons. Canada's free trade agreement with South Korea has slowed, however the Canada-Columbia free trade agreement has cleared most hurdles and is expected to take effect soon. The South Korean market is one that is attractive to the Canadian Wheat Board as it could be an outlet for above average feed quality wheat supplies.

Winter Wheat:

An increase in the area seeded to winter wheat is likely in 2011/12. Due to the unfavorable weather conditions that have left fields very wet, planting winter wheat is being seen as an attractive option to help soak up the water. In addition, Ducks Unlimited has put in place an incentive program to encourage the planting of winter wheat. Ducks Unlimited will pay incentives on about 100,000 acres on the Prairies, with 60,000 of those acres in Saskatchewan. The amount of area seeded to winter may be limited by the supply of certified winter wheat seed, and it may be more difficult to have satisfactory results due to large acreages of fields that are chemically fallowed since stubble is required to successfully grow winter wheat.

Highlights for 2009/10

The total wheat 2009/10 production estimate rose slightly to 26.8 MMT based on the most recent reporting by Statistics Canada. While it was a good production year it was still lower 6 percent than the previous season. Wheat exports came in at around 19 million tons, very close to the previous year's export levels. The majority of Canadian wheat was exported to the United States, Japan, and Sri Lanka, with over 2 million metric tons exported to the United States and over 1 million exported to Japan and Sri Lanka each. Imports also rose slightly due to lower production numbers and growing demand. Stocks were pushed up due to increased supplies.

DURUM WHEAT

Highlights for 2010/11

Preliminary data from Statistics Canada which was based on surveys taken the first week of September 2010 suggests that durum production has fallen dramatically compared to 2009/10 production levels. Durum production is estimated to be 3.0 million metric tons (MMT), which represents a 43 percent drop in production compared to the previous year's levels of 5.4 MMT. High carry-in stocks combined with inclement weather that resulted in less acreage being seeded, as well as lower prices due to high world stocks are the main reasons for this drop in production. Despite difficult weather conditions, preliminary reports are that durum yields are slightly above average, and so is durum quality.

Exports of durum are expected to increase 27 percent compared to 2009/10 levels due to increase exports to northern Africa, which, in the previous year, had reduced imports dramatically due to high domestic supplies. Japan is likely to remain a sure outlet for Canadian durum. In 2009/10, Japan imported approximately 120,000 tons of durum.

Durum stocks are expected to decrease significantly in 2010/11 due to lower production (supplies)

resulting from a drop in area seeded caused by wet weather in the spring, as well as an increase in exports (compared to year 2009/10 levels) in 2010/11. With an estimated 3.7 MMT of durum expected to be exported, this figure returns Canada to normal export levels as seen in the last 5 years.

Highlights for 2009/10

Production in 2009/10 of durum decreased marginally to 5.4 MMT, and remains significantly above the 5-year average. Marketing year 2009/10 was a challenging year for marketing Canadian durum. Exports of Canadian durum fell close to 22 percent in 2009/10 compared to 2008/09 year level of 2.9 MMT. Good crop conditions which resulted in high domestic production levels in northern Africa resulted in a reduced demand for Canadian durum. Morocco, Tunisia and Algeria are traditionally the largest-volume buyers of Canadian durum. The large domestic crop prompted the Algeria state grain import agency to halt durum imports in the short run and let the durum stocks come down. As a result, import demand from Algeria for Canadian durum dropped 34 percent, which represented 208 TMT. Sales into the European market also slowed due to high tariffs that were placed on durum wheat earlier in the year, but that were since removed. A strong Canadian dollar may have also contributed to a slowing of durum exports. A good durum harvest in the summer of 2009, combined with lower exports resulted in high carry-out stocks.

BARLEY

Highlights for 2010/11

Barley production is expected to fall 13 percent to 8.3 million metric tons (MMT) from 2009/10 production levels of 9.5 MMT. This represents a decrease of 17 percent and is the result of a decrease in area seeded by heavy rains in the spring that limited farmer's ability to seed. Higher yields helped off-set the drop in area seeded. Production is down to Canada's lowest levels since 2003, with a 20 percent drop from the 10-year average of 10.5 MMT.

Several factors will push up barley exports in 2010/11. Heat waves in Russia have caused lower-than-normal harvests, which resulted in a Russian export ban on grain. Heavy rain in Europe lowered barley production there as well. Lower world production has tightened worldwide barley stocks and pushed up international barley prices. As a result, domestic demand will compete with attractive export values for Canada's relatively small supply of barley. Barley is an attractive alternative to more expensive feed wheat and despite the fact that Canada's livestock numbers are expected to decrease again slightly in 2010/11 as the industry continues to downsize and restructure, the domestic demand for feed is estimated at 7 MMT. In terms of overseas markets, the production problems in Russia have opened the door for Canada to make some gains in markets previously supplied by the Black Sea exporters. The Canadian Wheat Board has stated its intention to be more aggressive on marketing barley as returns in overseas markets become more attractive than domestic market returns. The Canadian Wheat Board has made recent sales to the Middle-East and Japan, and China remains a growing market for both Canadian feed barley and Canadian malting barley. Supply and the strong Canadian dollar will be the limiting factors for Canadian barley exports. Barley exports are expected to increase to 21 percent in 2010/11 from 2009/10 levels to 1.6 MMT.
Due to aggressive barley exports and low supplies, stocks are expected to be drawn down to historical

lows at the end of 2010/11 (1.0 MMT).

Highlights for 2009/10

Barley production fell to 9.5 MMT, a 19 percent drop from the previous crop year's level, and 23 percent below the 10-year average. This drop is due to lower yields and higher abandonment rates resulting from poor weather conditions. Close to average carry-in stocks will help off-set the drop in production so that supplies will only decrease to 12.4 MMT, 7 percent lower than the previous crop year. Barley exports for marketing year 2009/10 were 1.3 MMT, a drop of a little over 10 percent from the previous year's level. High world supplies and lower prices that made it more attractive to sell to the domestic market are the main reasons for this drop. Domestic consumption of feed barley dropped again due to a decrease in livestock numbers as the Canadian industry continues to downsize and restructure. Lower supplies pulled stocks down to 2.6 MMT, still well above the 5-year average of 1.9 MMT.

CORN

Highlights for 2010/11

Corn production rose in 2010/11 to 10.9 MMT due to better yields resulting from good growing conditions in Quebec and Ontario. This represents a 14 percent increase over 2009/10 levels and is a small increase from the 5-year average of 10.4 MMT. Imports of corn are expected to rise to 2.3 MMT from the previous year's level of 2.1 MMT as a result of steady demand for use in ethanol plants in the eastern Canada and an increased demand for corn as feedstock for historically wheat-based ethanol plants in western Canada. This is in line with corn imports over the last 5 years which averaged 2.3 MMT. While there is an amble supple of feed wheat that could be used as feedstock, it may not be available close to the wheat-based ethanol plants due to uneven production conditions that plagued western Canada this summer. Importing corn is an attractive option for some plants that do not depend on wheat-derived co-products to guarantee profitability. Exports are estimated to increase to 350 thousand metric tons (TMT) in 2010/11. Domestic consumption of corn for feed use is also expected due to tighter supplies of barley, and increased demand for industrial uses. Stocks are expected increase due to increased supplies resulting from high yields.

Highlights for 2009/10

Corn production for 2009/10 was 9.6 MMT, close to 1 MMT below the 2008/09 crop. The reduction is due primarily to lower yields due to poor weather. Imports of corn rose slightly due to an increased demand for industrial use as more corn-based ethanol plants came on-line in 2010. Feed consumption of corn stayed relatively flat, reflecting the restructuring that is on-going in the Canadian hog industry. Stocks were drawn down due to decreased supplies and an increase in industrial use domestically. Carry-out stocks were 1.86 MMT.

OATS

Highlights for 2010/11

Preliminary production numbers suggest that oat production decreased nearly 20 percent in 2010/11 due

to weather related production problems that reduced area seeded. Despite higher yields being able to partially off-set the lower area seeded, this is still the lowest production number in 20 years. Exports will be limited by the lower supplies, a strong Canadian dollar, and large stocks of oats held by companies in the United States. For these reasons, exports are expected to remain flat in 2010/11. Lower production combined with lower carry-in stocks however means that producers will have more bargaining power after years of flush oats supplies which lowered prices. Domestic consumption of oats is expected to fall in 2010/11 due to higher prices. While the gluten-free market represents an exciting market for oats producers, some industry analysts warn that there is a limit to how far this market can grow due to the fact that gluten–free food remains costly to consumers. Stocks are expected to be drawn down in 2010/11 to 650,000 MT.

Highlights for 2009/10

Oat production fell to 2.9 MMT lower area planted and higher rates of abandonment caused by poor growing conditions. This drop in production reduce supplies to 4.5 MMT compared to the availability of over 5 MMT in the last several seasons. Despite this reduction in supplies, the oat market remained flush. Due to flush North American supplies, exports decreased to 1.5 MMT from 1.9 MMT in 2008/09. Lower supplies drew stocks down to 1.2 MMT.

STATISTICS

Production, Supply and Demand Estimates

All Wheat

Wheat Canada	2008/09		2009/10		2010/11	
	Market Year Begin: Aug 2008		Market Year Begin: Aug 2009		Market Year Begin: Aug 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10,032	10,032	9,638	9,539	8,120	8,143
Beginning Stocks	4,406	4,406	6,547	6,547	7,820	7,820
Production	28,611	28,611	26,848	26,848	22,200	22,205
MY Imports	378	385	403	431	400	380
TY Imports	387	394	403	429	400	380
TY Imp. from U.S.	301	309	315	342	0	380

Total Supply	33,395	33,402	33,798	33,826	30,420	30,405
MY Exports	18,812	18,876	19,023	19,023	17,500	17,500
TY Exports	18,674	18,879	18,974	18,974	17,500	17,500
Feed and Residual	3,304	3,504	2,250	3,027	3,000	3,000
FSI Consumption	4,732	4,475	4,705	3,956	4,750	4,750
Total Consumption	8,036	7,979	6,955	6,983	7,750	7,750
Ending Stocks	6,547	6,547	7,820	7,820	5,170	5,155
1000 HA, 1000 MT						

Statistical notes: HS codes for all wheat trade include 1001, 1101, 190219, 190230, 190240; conversion factor used for wheat products to grain equivalency is 1.368.

Wheat, Durum Canada	2008/09		2009/10		2010/11	
	Market Year Begin: Aug 2008		Market Year Begin: Aug 2009		Market Year Begin: Aug 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	2,416	0	2,230	0	1,277
Beginning Stocks	0	819	0	1,903	0	2,708
Production	0	5,519	0	5,400	0	3,044
MY Imports	0	2	0	2	0	2
TY Imports	0	3	0	3	0	2
TY Imp. from U.S.	0	3	0	3	0	2
Total Supply	0	5,521	0	7,305	0	5,754
MY Exports	0	3,682	0	2,918	0	3,700
TY Exports	0	3,603	0	2,999	0	3,700
Feed and Residual	0	323	0	788	0	409
FSI Consumption	0	432	0	891	0	415
Total Consumption	0	755	0	1,679	0	824
Ending Stocks	0	1,903	0	2,708	0	1,230
1000 HA, 1000 MT						

Barley

Barley Canada	2008/09		2009/10		2010/11	
	Market Year Begin: Aug 2008		Market Year Begin: Aug 2009		Market Year Begin: Aug 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,502	3,502	2,918	2,918	2,500	2,549
Beginning Stocks	1,568	1,568	2,843	2,843	2,583	2,583
Production	11,781	11,781	9,517	9,517	8,250	8,259
MY Imports	42	42	36	42	50	40
TY Imports	42	42	50	38	50	40
TY Imp. from U.S.	42	42	0	38	0	40
Total Supply	13,391	13,391	12,396	12,402	10,883	10,882
MY Exports	1,483	1,483	1,309	1,309	1,400	1,582
TY Exports	1,618	1,618	1,200	1,270	1,400	1,582

Feed and Residual	7,690	7,684	7,299	7,305	6,700	7,000
FSI Consumption	1,375	1,381	1,205	1,205	1,300	1,300
Total Consumption	9,065	9,065	8,504	8,510	8,000	8,300
Ending Stocks	2,843	2,843	2,583	2,583	1,483	1,000
1000 HA, 1000 MT						

Statistical note: Barley trade numbers do not include products; conversion factor used for grain equivalency of barley products (malt) is 1.338688.

Corn

Corn Canada	2008/09		2009/10		2010/11	
	Market Year Begin: Sep 2008		Market Year Begin: Sep 2009		Market Year Begin: Sep 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,169	1,169	1,142	1,142	1,200	1,187
Beginning Stocks	1,457	1,457	1,857	1,857	1,758	1,758
Production	10,592	10,592	9,561	9,561	11,000	10,865
MY Imports	1,843	1,859	2,200	2,118	1,800	2,300
TY Imports	1,844	1,859	2,200	2,115	1,800	2,300
TY Imp. from U.S.	1,845	1,861	0	2,115	0	2,300
Total Supply	13,892	13,908	13,618	13,536	14,558	14,923
MY Exports	372	372	150	129	300	350
TY Exports	366	365	150	130	300	350
Feed and Residual	7,533	7,594	7,710	7,753	8,200	8,000
FSI Consumption	4,130	4,085	4,000	3,896	4,300	4,650
Total Consumption	11,663	11,679	11,710	11,649	12,500	12,650
Ending Stocks	1,857	1,857	1,758	1,758	1,758	1,923
1000 HA, 1000 MT						

Statistical note: Corn exports and imports do not include products.

Oats

Oats Canada	2008/09		2009/10		2010/11	
	Market Year Begin: Aug 2008		Market Year Begin: Aug 2009		Market Year Begin: Aug 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,448	1,448	980	948	850	846
Beginning Stocks	950	950	1,527	1,527	1,170	1,170
Production	4,273	4,273	2,906	2,906	2,300	2,321
MY Imports	16	17	16	17	15	15
TY Imports	14	16	15	16	15	15
TY Imp. from U.S.	14	14	0	16	0	15
Total Supply	5,239	5,240	4,449	4,450	3,485	3,506
MY Exports	1,946	1,946	1,526	1,526	1,300	1,500
TY Exports	1,792	1,792	1,550	1,582	1,300	1,500

Feed and Residual	1,086	1,086	1,043	1,047	1,000	850
FSI Consumption	680	681	710	707	675	506
Total Consumption	1,766	1,767	1,753	1,754	1,675	1,356
Ending Stocks	1,527	1,527	1,170	1,170	510	650
Total Distribution	5,239	5,240	4,449	4,450	3,485	3,506
1000 HA, 1000 MT						

Statistical note: Oat exports and imports do not include products; conversion factor used for grain equivalency of oat products is: 1.823051.