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Canada

Grain and Feed Update

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Report Highlights:
Despite optimistic crop seeding intentions in the spring of 2011, very wet spring conditions made seeding very difficult in some areas of Canada. As a result, weather, more than market prices, dictated the planting decisions. Total wheat, barley, corn and oats production is forecast at 44.5 million metric tons (MMT), a marginal decrease from year 2010/2011 production level of 44.8 MMT. Production of wheat, barley, corn, and oats production in 2011/2012 is forecast at 22.4 MMT, 8.2 MMT, 11.2 MMT and 2.6 MMT, respectively. The late seeding has raised concerns for crop quality, especially in wheat and barley. Despite strong grain prices, exports will be limited by tight supplies.

Executive Summary:

- Wheat production in 2011/2012 is forecast at 22.5 million metric tons (MMT), representing a slight 3% decrease from 2010/2011 production levels.
- Exports of wheat are forecast to rise due to an anticipated improvement in the quality of wheat produced this growing season. Inclement weather in the fall of 2010 affected wheat quality and downgraded a large portion of the production to feed wheat.
- Exports of wheat in 2011/2012 are forecast at 17.0 MMT, a 3% increase over 2010/2012 expected export levels of 16.4 MMT.
- Barley production in 2011/2012 is forecast to increase to 8.2 MMT, nearly 8% above year 2010/2011 levels.
- Barley exports are forecast to fall to 1.0 MMT in 2011/2012 from 1.3 MMT in 2010/2011 due to tight supplies, a strong Canadian dollar, and a strong domestic demand.
- Corn production in 2011/2012 is forecast to decrease about 5% from year 2010/2011 levels due to an expected return to normal yields.
- Corn exports in 2011/2012 are forecast to continue to be above average but are expected to fall nearly 45% from the historic highs reached in 2010/2011. Corn exports in 2011/2012 are forecast at 1.0 MMT.
- Corn imports will remain at below average levels in 2011/2012 due to higher than average domestic supplies.
- Stocks of oats will be further drawn down in 2011/2012 due to a forecasted increase in oat production being unable to off-set the low carry-in stocks.

ALL WHEAT

Despite farmers reporting intentions to seed more area to wheat in 2011/2012, expectations were not realized due to extremely wet conditions in the spring of 2011. The provinces of Manitoba and Saskatchewan were especially hard-hit. Crop reports to date suggest that despite the wet and late start, the crops that were seeded are in good condition. Due to the late start, there are concerns that wheat quality may be impacted if there is an early frost.

Production for all wheat in 2011/2012 is forecast to be 22,440 thousand metric tons, a slight decrease of 3% from the previous year's levels. An increase in the area planted to winter wheat in the fall of 2010, in part to help soak up excess water, helped offset some of the decreases of spring and durum wheat.

Exports in 2011/2012 are expected to rise due to an expected increase in the supply of higher quality wheat. Exports of all wheat in 2011/2012 are forecast at 17.0 million metric tons (MMT), 5% below the 5 year average of 17.9 MMT. Inclement weather conditions in the fall of 2010 impacted the quality of the wheat. As a result, much of the wheat was downgraded to feed quality wheat. This, combined with a lower supply limited exports in 2010/2011. Wheat exports in 2010/2011 are expected be close to 16.4 MMT, levels similar to the 10-year average.

Domestic consumption of wheat is expected to fall in 2011/2012. Domestic consumption of wheat is forecast at 7.3 MMT, a drop of nearly 20% from 2010/2011 estimated levels of 9.1 MMT. Domestic consumption of wheat for feed purposes increased from average levels in 2010/2011 due to the increased availability of feed quality wheat.

Stocks are expected to be drawn down in 2011/2012 due to lowers supply and an increase in exports.

Policy Note: In the spring of 2011, the Canadian government announced its intention to remove the Canadian Wheat Board's monopoly control over the sale of wheat and barley for domestic consumption or export on August 1, 2012. There is currently a great deal of debate on what form the Canadian Wheat Board will take after this change takes effect. In discussion with Canadian grains producers, it seems unlikely that this will have a dramatic impact on planting decisions for the 2012/2013 marketing year as wheat is an established part of their rotation.

BARLEY:

Barley production is forecast to increase in 2011/2012 to 8.210 MMT, up nearly 8% from year 2010/2011. This is still below the expected production level suggested by seeding intentions published in June 2011. Reductions in barley production in Saskatchewan and Manitoba compared to 2010/2011 levels are likely to be partially offset by increases in barley production in Alberta which did not experience the same extreme degree of inclement weather that the other Prairie provinces did. An expected return to more normal yields will also help increase barley production. Seeding was completed a little later than normal and so there are concerns about crop quality if there is an early frost. This is an issue of particular concern to the malt industry who suffered of shortage of malt quality barley due to weather damaged crops in 2010/2011. A shortage of malt quality barley is likely to continue due to lower world production levels of malt quality barley expected in 2011/2012.

Exports in 2011/2012 are forecast to be 1.0 MMT, a more than 20% decrease from 2010/2011 estimated export levels of 1.260 MMT. Exports in 2011/2012, like exports in 2010/2011, will be limited due to tighter than normal supplies, as well as a high Canadian dollar and strong domestic demand.

Trends in domestic consumption levels are not expected to change significantly in 2011/2012.

Stocks in 2011/2012 are forecast to be drawn down significantly to 800 TMT as the forecasted increase in production will not be enough to off-set low carry-in stocks resulting from lower production levels (caused by inclement weather) in 2010/2011. Supplies in 2011/2012 are forecast to fall nearly 8% below 2010/2011 levels.

***Policy Note*:** In the spring of 2011, the Canadian government announced its intention to remove the Canadian Wheat Board's monopoly control over the sale of wheat and barley for domestic consumption or export on August 1, 2012. There is currently a great deal of debate on what form the Canadian Wheat Board will take after this change takes effect. In discussion with Canadian grains producers, this change is unlikely to have a significant impact on their planting decisions for the 2012/2013 crop year. Grain producers' decisions to plant barley depends more on how barley fits into their rotation and feed/market prices rather than marketing methods

CORN:

Seeding in Canada's major corn growing regions was off to a much better start than what producers experienced in the Canadian Prairies this past spring. Area harvested to corn in 2011/2012 is expected to be higher than in 2010/2011, however a result to average yields is likely. As a result, production is forecast at 11.2 MMT, about 5% lower than 2010/2011 levels.

Above-average production level for corn in 2011/2012 is forecast to continue to limit imports in 2011/2012 as it has in 2010/2011. Imports of corn for 2011/2012 are forecast to be 1.4 MMT, over 45% lower than the five year average. It is estimated that corn imports in 2010/2011 will fall to 1.21 MMT, down over 40% from 2009/2010 levels.

Exports of corn in 2011/2012 are forecast to fall from the record levels experienced in 2010/2011. Canadian corn exports in 2011/2012 are forecast at 1.0 MMT, close to half 2010/2011 estimated levels of 1.9 MMT. The significant jump in exports experienced in 2010/2011 is due to increased Canadian supplies resulting from high yields, combined with increased demand resulting from low U.S. stocks. The five year average for corn exports is 440 thousand metric tons. This trend towards higher than average Canadian corn exports is forecast to continue in 2011/2012 while U.S. corn production recovers and stocks are built up again.

Domestic consumption is expected to remain at relatively the same levels in 2011/2012 as those experienced in 2010/2011. There is no jump in corn usage for ethanol production expected as there is no new ethanol plants scheduled to be commissioned in the coming year. There is increased usage of dried and wet distiller's grain for use in feed. However, discussions with the feed industry suggest that there still is a significant amount of work to be done to know which ratios in feed generate the best results.

Stocks are forecast to be drawn down in 2011/2012 due to lower supplies resulting from a return to average yields, as strong exports.

OATS:

While June seeding intentions seemed to suggest that there would be a significant jump (30%) in oats production in 2011/2012, the wet and cold weather in the spring of 2011 limited producer's ability to seed area to oats. Oat production is forecast to rise to 2.6 MMT, a 13% increase from year 2010/2011 levels of 2.3 MMT.

Canada remains the primary oats supplier to the United States, and despite the strong Canadian dollar, tight supplies of oats world-wide will result in high prices due to strong demand. Canadian oat exports will be limited, however, by tight supplies due to low carry-in stocks forecasted to off-set any increase in production.

Trends in domestic consumption of oats in 2011/2012 are expected to remain similar to those in 2010/2011. Stocks will be drawn down in 2011/2012 due to low carry-out stocks in 2010/2011 resulting from low production levels caused by inclement weather in the spring of 2010/2011.

STATISTICAL TABLES:

Wheat Canada	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9,638	9,638	8,269	8,269	8,000	8,100
Beginning Stocks	6,547	6,547	7,829	7,829	6,196	6,000
Production	26,848	26,848	23,167	23,167	21,500	22,440
MY Imports	403	403	400	520	400	500
TY Imports	403	403	400	520	400	500
TY Imp. from U.S.	315	315	0	310	0	350
Total Supply	33,798	33,798	31,396	31,516	28,096	28,940
MY Exports	19,042	19,042	16,500	16,400	16,000	17,000
TY Exports	18,992	18,992	16,500	16,400	16,000	17,000
Feed and Residual	2,222	2,222	3,700	3,360	2,200	2,200
FSI Consumption	4,705	4,705	5,000	5,756	5,100	5,100
Total Consumption	6,927	6,927	8,700	9,116	7,300	7,300
Ending Stocks	7,829	7,829	6,196	6,000	4,796	4,640
Total Distribution	33,798	33,798	31,396	31,516	28,096	28,940
1000, HA, 1000 MT						

Statistical notes: HS codes for all wheat trade include 1001, 1101, 190219, 190230, 190240. The conversion factor for wheat products is 1.368.

Barley Canada	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,918	2,918	2,387	2,387	2,600	2,565
Beginning Stocks	2,843	2,843	2,583	2,583	1,113	1,200
Production	9,517	9,517	7,605	7,605	8,200	8,210
MY Imports	36	36	50	35	50	35
TY Imports	29	29	50	35	50	35
TY Imp. from U.S.	29	29	0	35	0	35
Total Supply	12,396	12,396	10,238	10,223	9,363	9,445
MY Exports	1,309	1,309	1,300	1,260	900	1,000
TY Exports	1,203	1,203	1,300	1,260	900	1,000
Feed and Residual	7,269	7,269	6,700	6,853	6,300	6,645
FSI Consumption	1,235	1,235	1,125	910	1,100	1,000
Total Consumption	8,504	8,504	7,825	7,763	7,400	7,645
Ending Stocks	2,583	2,583	1,113	1,200	1,063	800
Total Distribution	12,396	12,396	10,238	10,223	9,363	9,445
1000 HA, 1000 MT						

Statistical note: Trade numbers do not include products.

Corn Canada	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,142	1,142	1,203	1,203	1,215	1,230
Beginning Stocks	1,833	1,833	1,758	1,758	1,072	1,510
Production	9,561	9,561	11,714	11,714	11,300	11,200
MY Imports	2,099	2,099	800	1,210	1,400	1,400
TY Imports	1,961	1,961	800	1,210	1,400	1,400
TY Imp. from U.S.	1,959	1,959	0	900	0	1,300
Total Supply	13,493	13,493	14,272	14,682	13,772	14,110
MY Exports	129	129	1,600	1,900	500	1,000
TY Exports	184	184	1,600	1,900	500	1,000
Feed and Residual	6,996	6,996	7,000	6,660	7,500	7,000
FSI Consumption	4,610	4,610	4,600	4,612	4,700	4,700
Total Consumption	11,606	11,606	11,600	11,272	12,200	11,700
Ending Stocks	1,758	1,758	1,072	1,510	1,072	1,410
Total Distribution	13,493	13,493	14,272	14,682	13,772	14,110
1000 HA, 1000 MT						

Statistical note: Trade numbers do not include products

Oats Canada	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	980	948	841	841	1,050	900
Beginning Stocks	1,527	1,527	1,170	1,170	688	513
Production	2,906	2,906	2,298	2,298	2,900	2,600
MY Imports	16	16	20	20	15	15
TY Imports	21	21	20	20	15	15
TY Imp. from U.S.	20	20	0	20	0	15
Total Supply	4,449	4,449	3,488	3,488	3,603	3,128
MY Exports	1,526	1,526	1,350	1,525	1,450	1,200
TY Exports	1,539	1,539	1,400	1,525	1,450	1,200
Feed and Residual	1,043	1,043	800	800	800	800
FSI Consumption	710	710	650	650	675	653
Total Consumption	1,753	1,753	1,450	1,450	1,475	1,453
Ending Stocks	1,170	1,170	688	513	678	475
Total Distribution	4,449	4,449	3,488	3,488	3,603	3,128
1000 HA, 1000 MT						

Statistical note: Trade numbers do not include products