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GAIN Report

Global Agricultural Information Network

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Canada

Grain and Feed Annual

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Report Highlights:

The open-market for western Canadian wheat and barley begins August 1, 2012. The Canadian industry is expected to adjust relatively quickly since the infrastructure already exists as western Canadian farmers were producing and marketing non-board grains as well as grains under the mandate of the Canadian Wheat Board. Unlike in 2011-2012, spring seeding conditions for the 2012-2013 crops look very favorable. Economics and crop rotations will be the deciding factors for Canadian farmers this spring. Total production of wheat, barley oats and corn is forecast to be 49.8 MMT, an increase of almost 7% over the previous year's total of 46.7 MMT. The expectation of good weather is forecast to result in average to above average quality grain.

Executive Summary:**2012-2013**

- 2012-2013 heralds a new era of wheat and barley marketing for western Canadian grain producers. For the first time in nearly 70 years, the western Canadian wheat and barley markets will be operating in an open-market environment due to the Canadian Wheat Board losing its single-desk authority and beginning its transition to a commercial entity on August 1, 2012.
- Unlike in 2011-2012, spring seeding conditions look very favorable. Economics and crop rotations will be the deciding factors for Canadian farmers this spring. There remains a great deal of uncertainty around what will happen in the new marketing environment as grain companies have been slow to offer contracts and producers continue to evaluate their options.
- Total wheat production in 2012-2013 is forecast at 26.1 million metric tons (MMT), 3% above the previous year's level, and 5% above the five-year average. The increase in area seeded is reflective of a return to more normal levels of area seeded to wheat after a high rate of acreage abandonment in 2011-2012 caused by difficult weather conditions.
- Barley and oats production is expected to rise in 2012-2013 due to a return to more normal levels of summer fallow. Barley production is forecast at 9.0 MMT, and oats production is forecast at 3.6 MMT, up 16% and an 18% over the previous year's levels, respectively.
- Strong corn prices and good weather conditions are forecast to result in a 5% increase in corn production in Ontario and Quebec in 2012-2013, compared to the previous year. Corn production is forecast at 11.2 MMT.
- Driven by increased supplies due to an increase in area seeded to wheat, exports in 2012-2013 are forecast to rise to over 18.0 MMT, export levels are 4% above 2011-2012 levels and marginally above the 5-year average for exports.
- While exports of barley and oats are forecast to rise in response to increased supply, they remain well below the 5-year average due to limited supplies. They are forecast at 1.15 MMT and 1.74 MMT, respectively.
- Corn imports in 2012-2013 are forecast to remain unchanged from year 2011-2012 levels due to forecast increases in production which will off-set the lower carry-in stocks. Corn imports for 2012-2013 are forecast at 1.2 MMT, close to normal imports levels.
- No farmer surveys regarding planting intentions were published at the time of this report. The Statistics Canada planting intentions survey is expected April 24, 2012.

2011-2012

- Despite a poor spring which caused a high rate of acreage abandonment for the second consecutive year, better weather during the growing season resulted in strong yields which pulled production levels of wheat, barley and oats higher than originally anticipated.
- While export levels for wheat, and oats are expected to increase above year 2010-2011 export levels, they will be limited by low carry-in stocks and keep them below the five-year average. Wheat and oat exports in 2011-2012 are expected to reach 17.4 MMT, and 1.7 MMT, respectively.
- Barley exports are expected to fall slightly in 2011-2012 due to marginal increases in production being unable to off-set the low carry-in stocks. Barley exports are expected to reach 1.08 MMT.
- Corn imports in 2011-2012 are expected to climb to more normal import levels of 1.2 MMT after higher than average domestic supplies had limited corn imports in 2010-2011.
- Corn exports are anticipated to fall to more normal levels due to reduced supplies.

2010-2011

- There is a minor change to the 2010-2011 production, supply and demand estimates since the Grain and Feed Quarterly submitted in January 2012.
- Based on recent grain and oilseed supply and disposition tables published by Agriculture and Agri-food Canada (March 15, 2012), Post has changed the carry-out stocks for 2010-2011 to reflect the change in the Agriculture and Agri-food Canada statistics. The carry-out stocks for 2010-2011 (and the carry-in stocks for 2011-2012) are now 7,176 TMT (changed from 7,189 TMT).

INTRODUCTION

Production Outlook (General):

2012-2013 heralds a new era of wheat and barley marketing for western Canadian grain producers. For the first time in nearly 70 years, the western Canadian wheat and barley markets will be operating in an open-market environment due to the Canadian Wheat Board (CWB) losing its single-desk authority and beginning its transition to a commercial entity on August 1, 2012. The Canadian industry is expected to adjust relatively quickly since the infrastructure already exists as western Canadian farmers were producing and marketing non-board grains as well as grains under the mandate of the CWB. Canadian grain companies have moved in to fill the void left by the CWB. Producers are not expected to make dramatically different seeding decisions for the coming year as a result of the open-market. There is also the expectation that Canadian producers are likely to deliver a portion of their wheat crop to the Canadian Wheat Board as a part of their risk mitigation strategy. In 2012-2013, economics and crop rotations will remain the dominating factors of Canadian producer's planting decisions. Total production of wheat, barley oats and corn is forecast to be 49.8 MMT, an increase of almost 7% over the previous year's total of 46.7 MMT. The expectation of good weather is forecast to result in average to above average quality grain.

ALL WHEAT

Production:

2012-2013: A new era of wheat marketing for western Canadian farmers begins on August 1, 2012 which marks the end of the CWB acting as sole marketing agent for western Canada's wheat and barley. Despite this new marketing freedom, no dramatic increases in wheat production are expected as producers will likely enter this new marketing environment with a certain degree of caution. This will be the first crop year in nearly 70 years that western wheat producers will be responsible for marketing their wheat crop and grain companies have been slow to offer contracts. For 2012-2013, Post forecasts area seeded and harvested to rise back to the five-year averages. With strong yields expected, Post forecasts production levels to increase to 26,100 thousand metric tons (TMT), 5% above the five-year average of 24,895 TMT. This increase is attributed mostly to a decrease in summer fallow compared to the previous two years where there were high rates of acreage abandonment due to extremely wet conditions in the spring.

Less than average snowfall over the winter means that producers will have drier seeding conditions than they have had the past two years (2010/11 and 2011/12). A potential early spring may favor canola over wheat as canola is one of the first crops that farmers are able to get into the ground as canola tends to have a higher tolerance for temperature variations that may result from an early planting. Wheat acres are facing strong competition from oilseed crops, particularly canola, as the economics strongly favor canola over wheat at this time.

2011-2012: The production outlook looked bleak at the beginning of spring in 2011-2012 as western Canadian producers, for the second consecutive year, faced difficult and wet seeding conditions. These conditions lead to the second largest rate of abandoned acreage in Western Canada since the 1970's. Despite area harvested being 10% below the five-year average, strong yields pulled production nearly 2% above the five-year average production levels to 25,261 TMT. Harvest quality reports are available from the Canada Grain Commission at the following URL address:

<http://www.grainscanada.gc.ca/wheat-ble/harvest-recolte/2011/hqww/hqww11-qrb011-1-eng.htm>

Consumption:

Total domestic consumption for 2012-2013 is forecast at 8,475 TMT, a 4% decrease from estimated 2011-2012 total domestic consumption levels of 8,837 TMT. This decrease is due to the increase in food, seed and industrial being unable to off-set the significant decrease in feed usage. Of note, total domestic consumption use forecast for 2012-2013 is 11% above the five year average of 7,613 TMT.

Domestic consumption of wheat for food, seed and industrial use 2012/2013 is forecast at 5,125 TMT, a slightly 1.3% increase over estimated 2011/2012 levels of 5,060 TMT. The five year food, seed and industrial use average is 4,511 TMT. This 13% increase over the 5-year average is due in part to an increased usage of wheat for renewable fuel production purposes. The mandate changes to the Canadian Wheat Board that will begin on August 1, 2012 have implications on the Canadian food processing industries. Security of supply was the advantage that the Canadian Wheat Board afforded the domestic industry as the CWB was the sole marketer of wheat and barley for domestic food purposes. The CWB acted as a full service supplier as it took care of logistics, dealt with intermediaries and could deliver the product on time. With this advantage being eliminated as of August 1, 2011, the domestic food industry is likely to maintain higher stocks to counter this new element of supply risk. Users of grain for food purposes will now have to negotiate supply and prices with several grain companies.

Domestic consumption of wheat for feed use is forecast at 3,350 MT, which represents an 11% decrease from 2011-2012 expected levels of 3,777 TMT. Wheat for feed use is forecast to return to more levels as high domestic supplies of feed quality wheat diminish. Difficult weather conditions in 2010-2011

had resulted in a large volume of wheat being downgraded to feed wheat quality. The five year average for wheat for feed use is 3,101 TMT.

Trade:

Imports:

Imports in 2012-2013 are forecast at 400 TMT, almost 3% higher than the five year average. Higher production forecasted will moderate Canadian demand for imported grain, however, the strong Canadian dollar will continue to make imported wheat products attractive.

Imports of wheat products, which account for more than 85% of total wheat imports, are 12% above pace in 2011-2012 compared to 2010-2011 levels and 8% above the five year average based on five months of trade data. However, increased domestic supplies compared to the previous year will moderate demand. Total imports for 2011-2012 are estimated to be 400 TMT, 3% higher than the 5 year average, but slightly below the imports levels from the previous year.

Exports:

Exports in 2012-2013 are forecast at 18,025 TMT, and represents a small increase from year 2011-2012 levels. The five-year average for exports is 18,009 TMT. This increase will be due to anticipated increases in production as area seeded to wheat is expected to rise to levels close to the five year average.

Lower wheat supplies due to low stocks have limited wheat exports in 2011-2012. Based on 5 months of trade data, wheat grain exports for 2011-2012 are slightly below pace compared to the five year average but are comparable to the previous year's pace. A 5% increase above the previous year's export levels for wheat grain exports levels is expected due to an increased supply of higher quality grain compared to the previous year, and a strong demand for hard wheat. Wheat products exports (grain equivalent), which account for approximately 16% of total wheat exports, are below pace which may be reflective of the effect of a stronger Canadian dollars. Total wheat exports expected for 2011-2012 is 17,400 TMT, which represents an increase of 5% over the previous year's export levels of 16,576 TMT.

While total volume of exports is not expected to be affected by the Canadian Wheat Board mandate changes in the near term, there is an expectation that a greater volume of grain will be going out through U.S. ports due to the transportation channels that currently exist and that may be exploited differently with the CWB's role in transportation being diminished. In addition, although the volume will likely not be significant, there is also the expectation that Western Canadian wheat producers close to the U.S. Canada border and close to U.S. grain elevators will arrange to deliver to U.S. grain elevators after August 1, 2011 in order to exercise their newly acquired right to do so.

Stocks:

Stocks in 2012-2013 are forecast to remain unchanged as the small increase in supplies and the decrease in feed use is offset by the forecasted increase in exports. Stocks in 2011-2012 are expected to be drawn down to 6,600 TMT due to the fact that 2011-2012 production was not high enough to off-set increases in exports and domestic feed consumption.

Based on recent grain and oilseed supply and disposition tables published by Agriculture and Agri-food Canada (March 15, 2012), Post has changed the carry-out stocks for 2010-2011 to reflect the change in the Agriculture and Agri-food Canada statistics. The carry-out stocks for 2010-2011 (and the carry-in stocks for 2011-2012) are now 7,176 TMT (changed from 7,189 TMT).

Policy:

The new marketing environment has prompted some producers to ponder more closely the varieties of wheat that they will be planting as there are indications that that producers are looking more closely at market demands for wheat varieties. Studies that compare how producers choose which wheat varieties to plant have suggested that due to the more regulated wheat marketing environment in Canada, Canadian producers choose varieties based on agronomic qualities rather than economic attributes (how these attributes translate into price). Their American counterparts on the other hand, focus on agronomics and economic attributes. While changes in behavior of choosing wheat will take time, Canadian farmers may begin putting additional pressure on the Canadian grain system to have less regulation around wheat varieties in order to have greater flexibility in choosing wheat varieties. It is unclear at this time how much control over transportation the CWB is interested in having as it negotiates its handling agreements with the grain companies. There will likely be more volatility as private traders will want to have things delivered at the same times. The CWB, as sole marketer, was very good at smoothing out the demand spikes.

Production, Supply and Demand Data Statistics:

Wheat Canada	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Aug 2010		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8,269	8,269	8,545	8,544		9,335
Beginning Stocks	7,829	7,829	7,176	7,176		6,600
Production	23,167	23,167	25,260	25,261		26,100
MY Imports	429	413	400	400		400

TY Imports	429	403	400	400		400
TY Imp. from U.S.	330	309	0	300		300
Total Supply	31,425	31,409	32,836	32,837		33,100
MY Exports	16,575	16,576	17,500	17,400		18,025
TY Exports	16,768	16,768	17,500	17,400		18,025
Feed and Residual	2,824	2,819	3,900	3,777		3,350
FSI Consumption	4,850	4,838	5,100	5,060		5,125
Total Consumption	7,674	7,657	9,000	8,837		8,475
Ending Stocks	7,176	7,176	6,336	6,600		6,600
Total Distribution	31,425	31,409	32,836	32,837		33,100
1000 HA, 1000 MT, MT/HA						

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

WHEAT, DURUM

Production:

2012/2013: On average, durum wheat production accounts for approximately 17% of total wheat production. Durum area harvested has decreased significantly in the last two years due to the wet spring conditions. Durum production is expected to rise above the five 5-year average production average of 4,194 TMT to 4,400 TMT. This represents a production increase of 5% above the average. Attractive canola prices and the marketing risks of durum may limit durum acres. Durum is viewed as a particularly volatile crop due to its small size and the fact that Canada is such a prominent supplier of the crop. Canadian durum producers are being advised to market their crop through the new version of the Canadian Wheat Board whose experience managing that risk and the pooling options may help to manage the risk associated with marketing durum.

2011-2012: Durum area harvested in 2011-2012 was 23% below the 5-year average but strong yields helped to pull production up to 4,172 TMT, only marginally below the five-year production average. Harvest quality reports are available from the Canada Grain Commission at the following URL address: <http://www.grainscanada.gc.ca/wheat-ble/harvest-recolte/2011/hqww/hqww11-qrbo11-1-eng.htm>

Consumption:

Domestic consumption of durum in 2012-2013 is forecast to fall to more normal levels of 920 TMT as the slight increase in durum for food, seed and industrial use will not be enough to offset the significant

forecasted decrease in durum use in feed. Durum for feed use is anticipated to drop to more average levels as there is less supply of feed grade durum.

Domestic consumption of durum in 2011-2012 is expected to be 1,075 TMT, an increase of nearly 18% above the previous year's level. This increase is being driven by an increased use of durum as feed which is the result of higher supplies of feed grade durum cause by weather related production issues.

Trade:

Exports in 2012-2013 will continue to limited by low supplies resulting from low carry-in stocks but are forecast to lift slightly from the previous year's levels due to slightly higher supplies. Exports in 2012-2013 are forecast at 3,330 TMT. Base on current trade data, exports in 2011-2012 are expected to remain flat due to limited supplies resulting from low carry-in stocks and low production due to weather-related production problems. The estimate for durum exports in 2011-2012 is 3,305 TMT.

Stocks:

Stocks in 2012-2013 will be pulled up as the forecasted increases in production and decreases in domestic consumption are able to off-set the slight anticipated increase in exports. Stocks in 2011-2013 are expected to be pulled down as the marginal increase in supplies due to increased production is not enough to off-set the very low carry-in stocks.

Policy:

There is some expectation in the industry that with the Canadian Wheat Board no longer acting as sole marketer of Western Canadian wheat and barley, more processing will take place in Canada. The speculation was that companies were hesitant to invest due to the fact that there was essentially one supplier of durum wheat. The announcement of the construction of a pasta and pulse processing plant in Regina, Saskatchewan has been held up as an example of the type of processing investment that will take place now that the CWB is no longer the sole marketer. Other industry sources, however, state that the pasta processing capacity in Canada is currently underutilized and that the true determining factors of whether or not investments in processing of wheat products will be made in Canada or elsewhere will be the transportation costs of getting these products to their markets.

Production, Supply and Demand Data Statistics:

Wheat, Durum Canada	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Aug 2010		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	1,244		1,590		1,790
Beginning Stocks	0	2,707		1,583		1,395
Production	0	3,025		4,172		4,400
MY Imports	0	37		20		20
TY Imports	0	37		20		20
TY Imp. from U.S.	0	36		20		20
Total Supply	0	5,769		5,775		5,815
MY Exports	0	3,304		3,305		3,330
TY Exports	0	3,300		3,305		3,330
Feed and Residual	0	470		637		476
FSI Consumption	0	412		438		444
Total Consumption	0	882		1,075		920
Ending Stocks	0	1,583		1,395		1,565
Total Distribution	0	5,769		5,775		5,815
1000 HA, 1000 MT, MT/HA						

Statistical note: Exports and imports for durum do not include products.

BARLEY

Production:

Barley production is forecast to rise in 2012-2013 to 9,000 TMT, up 16% from the previous year, but still close to 6% below the five-year average. Barley production increases will be supported by a return to more normal levels of summer fallow and the fact that barley is one of the higher returning crops in the rotation.

Barley production in 2011-2012 was 7,760 TMT. Barley also suffered some weather related production problems in the spring, although it was not as severe as wheat. Strong yields resulting from good weather later in the growing season resulted in higher than expected yields and helped pull barley

production up 2% above the previous year's level, despite less area harvested. Quality reports on the barley by the Canada Grains Commission are available at the following URL address:

<http://www.grainscanada.gc.ca/barley-orge/hqbm-mqro-eng.htm>

Consumption:

Total domestic consumption for barley in 2012-2013 is expected to increase a little less than 2% from the previous year to 7,492 TMT. This increase is mainly driven by a slight increase of barley in feed due to an increase in supplies. Barley for food, seed and industrial purposes is expected to remain relatively flat. Total domestic consumption of barley in 2011-2013 is expected to decrease 3% due to decreased supplies of feed barley, a warm winter, and lower cattle numbers.

Trade:

Barley exports in 2012-2013 are expected to rise 6% from the previous year's level in response to increased supplies. Barley exports are forecast at 1,150 TMT. This is still well below the 5-year average of 1,655 TMT, however barley exports remain limited by supplies.

Limited by supplies combined with a strong domestic demand, barley exports are expected to fall again in 2011-2012. Posts estimates that exports will fall to 1,080 TMT. This is 10% below the previous year's level and 35% below the five-year average.

Stocks:

Barley stocks are forecast to be pulled up in 2012-2013 due to increased production which will more than off-set the increases in exports and domestic consumption. Barley stocks in 2011-2012 are expected to be pulled down further to very low levels as a result of production not being high enough to off-set the low carry-in stocks.

Policy:

With the changes to the Canadian Wheat Board mandate, there are some developments expected in the way that malting barley is graded. There is consideration being given to expand the malting grades to include a third barley class which could result in more barley being selected as malting barley. This potential third class of barley is expected to meet the increasing demand for lower-quality from China and other countries. Often called fairly average quality malt barley, it is not top end but can be used to make beer. At this time only approximately 20% of the Canadian barley production is selected as malting barley.

Mandate changes of the CWB will also affect barley but not to the same extent that it will affect the wheat. This is due to the fact that a good percentage of the barley in Canada is used for domestic feed and was already outside the mandate of the Canadian Wheat Board. There is more volatility expected with feed barley now that Canadian farmers can act on unexpected feed barley export opportunities. This may result in some additional risk for feed lot operators. For Canadian maltsters, the elimination of the CWB as sole marketer of barley for feed use means that they lose the advantage of having a stable supply and will likely hold more stocks to manage supply risk.

Production, Supply and Demand Data Statistics:

Barley Canada	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Aug 2010		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,387	2,387	2,365	2,365		2,850
Beginning Stocks	2,583	2,583	1,441	1,441		800
Production	7,605	7,605	7,760	7,760		9,000
MY Imports	44	43	50	42		42
TY Imports	53	53	50	42		42
TY Imp. from U.S.	53	53	0	42		42
Total Supply	10,232	10,231	9,251	9,243		9,842
MY Exports	1,207	1,207	1,000	1,080		1,150
TY Exports	1,052	1,052	1,000	1,080		1,150
Feed and Residual	6,449	6,415	6,200	6,273		6,385
FSI Consumption	1,135	1,168	1,100	1,090		1,107
Total Consumption	7,584	7,583	7,300	7,363		7,492
Ending Stocks	1,441	1,441	951	800		1,200
Total Distribution	10,232	10,231	9,251	9,243		9,842

1000 HA, 1000 MT, MT/HA

Statistical note: Barley trade numbers do not include products.

CORN**Production:**

Strong corn prices and good weather conditions is forecast to result in a 5% increase in corn production in Ontario and Quebec in 2012-2013. Corn production is forecast at 11,200 TMT, 3% above the 5 year average of 10,858 TMT.

Corn production in 2011-2012 fell to 10,689 TMT, a decrease of nearly 9% from the previous year's levels. This decrease reflected a return to more normal production levels.

Consumption:

Total domestic consumption in 2012-2013 is forecast at 11,670 TMT, only marginally higher than the 5-year average. Feed use and corn for industrial, food and seed purposes are forecast to lift slightly from the previous year's level as the result of increased supplies. Feed use is forecast to decrease 16% from

the five-year average which is reflective of the structural changes going on in the livestock industry in recent years. Off-setting this decrease in feed usage is corn use for food, seed and industrial purposes. Corn use for feed, seed and industrial purposes is forecast to increase 24% from the five-year average which is reflective of the federal and provincial mandates that have come into effect and which require a 5% renewable fuel content in gasoline.

Total domestic consumption for corn in 2011-2012 is 11,392 TMT. This slight decrease from the previous year's levels is a result of slightly lower supplies. Expected feed use for 2011-2012 is 6,603 TMT, while expected corn use for food, seed and industrial purposes is 4,789 TMT.

Trade:

Imports:

Corn imports in 2012-2013 are forecast to remain unchanged from year 2011-2012 levels due to forecast increases in production which will off-set the lower carry-in stocks. Corn imports for 2012-2013 are forecast at 1,200 TMT.

Corn imports in 2011-2012 are expected to reach 1,200 TMT. While this is a 14% increase over year 2010-2011 import levels, it is also an import level that is close to normal. Higher than average domestic supplies in 2010-2011 had limited corn imports.

Exports:

Corn exports levels in 2012-2013 are expected to remain similar to levels expected in 2011-2012. Corn exports are forecast at 530 TMT. This represents a return to more normal levels of corn exports after the high levels experienced in 2010/2011 resulting from tight world supplies and a large domestic crop. Corn export levels in 2011-2013 are estimated to fall to 525 TMT, a return to normal levels after the highs experienced in 2010-2011.

Stocks:

A forecast 5% increase in production which will result in increased supplies will lift stocks in 2012-2013. Stocks in 2011-2012 are expected to be drawn down due to lower supplies resulting from lower carry-in stocks and lower production. Stocks are expected to fall to 1,250 TMT.

Production, Supply and Demand Data Statistics:

Corn Canada	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Sep 2010		Market Year Begin: Sep 2011		Market Year Begin: Sep 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,203	1,203	1,200	1,203		1,250
Beginning Stocks	1,758	1,758	1,278	1,278		1,250
Production	11,714	11,715	10,700	10,689		11,200
MY Imports	949	1,053	1,000	1,200		1,200
TY Imports	974	1,078	1,000	1,200		1,200
TY Imp. from U.S.	973	1,074	0	1,198		1,198
Total Supply	14,421	14,526	12,978	13,167		13,650
MY Exports	1,709	1,710	500	525		530
TY Exports	1,657	1,657	500	525		530
Feed and Residual	6,674	6,775	6,200	6,603		6,786
FSI Consumption	4,760	4,763	4,900	4,789		4,884
Total Consumption	11,434	11,538	11,100	11,392		11,670
Ending Stocks	1,278	1,278	1,378	1,250		1,450
Total Distribution	14,421	14,526	12,978	13,167		13,650

1000 HA, 1000 MT, MT/HA

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

OATS**Production:**

Oat production in 2012-2013 is forecast to increase due to a return to a more average levels of area seeded. Oat production is forecast at 3,550 TMT, an 18% increase above the previous year's level.

Oat production in 2011-2012 was 2,997 TMT, well below the 5-year average of 3,500 TMT. Oat production was higher than expected despite wet spring conditions, for the second consecutive year, which lead to high rate of acreage abandonment. Higher than expected yields due to favorable weather conditions during the growing season helped pull up production.

Consumption:

Domestic consumption of oats in 2012-2013 is expected to fall to 1,530 TMT. The small increase in supplies will help lift oats uses in feed slightly, however, not enough to off-set the decrease in use of oats in the milling industry. Domestic consumption of oats for feed use in 2012-2013 is forecast at 986 TMT, while oats for food, seed and industrial purposes is forecast at 544 TMT.

Domestic consumption of oats in 2011-2012 was affected by lower supplies resulting from low carry-in stocks and below average production levels which were affected by soggy spring conditions. Domestic consumption is expected to fall to 1,436 TMT, 25% below the five-year average. Tight supplies are expected to reduce feed usage to 821 TMT, down over 30% from the five year average, while food, seed and industrial usage is expected to fall to 615 TMT, 12% below the five-year average.

Trade:

A steady demand for milling oats and increased supplies will help support oats exports in 2012-2013. Oats exports are forecast to reach 1,740 TMT, a small 2% increase above year 2011-2012 export levels. Oat exports continue to be below the five year average as oats exports have been hit by a decreased demand for oats for feed as it was mostly used to feed horses. During economic slowdowns such as we are currently experiencing, luxury goods such as horses are among the first things that are given up.

Oat exports in 2011-2012 are expected to reach 1,700 TMT, due continued demand for milling oats. This remains far below the 5-year average of 1,864 TMT.

Stocks:

Higher production in 2012-2013 is forecast to offset the low carry-in stocks. Carry-out stocks are forecast at 950 TMT.

Increases in production in 2011-2012 are not expected to be enough to off-set the low carry-in stocks. Carry-out stocks are expected to be drawn down to 650 TMT, well below normal stock levels.

Production, Supply and Demand Data Statistics:

Oats Canada	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Aug 2010		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	906	906	1,030	1,030		1,250
Beginning Stocks	1,170	1,170	769	769		650
Production	2,480	2,480	3,000	2,997		3,550
MY Imports	24	24	15	20		20
TY Imports	18	18	15	20		20
TY Imp. from U.S.	18	18	0	20		20
Total Supply	3,674	3,674	3,784	3,786		4,220
MY Exports	1,376	1,376	1,750	1,700		1,740
TY Exports	1,497	1,497	1,700	1,700		1,740
Feed and Residual	779	779	700	821		986
FSI Consumption	750	750	700	615		544
Total Consumption	1,529	1,529	1,400	1,436		1,530
Ending Stocks	769	769	634	650		950
Total Distribution	3,674	3,674	3,784	3,786		4,220
1000 HA, 1000 MT, MT/HA						

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

PULSE CROPS – LENTILS, PEAS AND BEANS**Production:**

In 2012-2013, Canadian production of pulses (lentils, dry peas and dry beans) is forecast to increase over 9% from year 2011-2012 levels. The 15% decrease in lentils production is expected to be more than off-set by increases in peas and bean production. Increased production in peas and bean production are being driven by higher returns expected relative to other crops.

Trade:

In 2012-2013, exports of peas and beans are forecast to increase in response to higher supplies resulting from increased production. Exports of lentils are expected to remain steady. Exports of peas and beans are expected to fall in 2011-2012. Limited supply and lower demand from the Indian continent is pulling down pea exports. Decreased demand for bean from the EU is pulling down bean exports. In contrast, strong demand from the Middle East, South America, Africa and the EU is helping off-set the

decreased demand for lentils from the Indian subcontinent. Lentil exports are expected to rise in 2011-2013.

RECENT AND UPCOMING POLICY DEVELOPMENTS:

August 1, 2012: Part 2 of the Marketing Freedom for Grain Farmers Act Comes in Effect

A new era for wheat marketing begins on August 1, 2012 when part two of the *Marketing Freedom for Grain Farmers Act* comes into effect. The divisive Bill C-18, also known as the *Marketing Freedom for Grain Farmers Act (the Act)*, received royal assent and became law on December 15, 2011. It is a five-part piece of legislation that seeks to transition the Canadian Wheat Board from a state trading enterprise to a commercial entity within 5 years. Part 2 of the Act repeals the *Canadian Wheat Board Act* and replaces it with the *Canadian Wheat Board Interim Operations Act (CWB Interim Operations Act)*. The CWB's monopoly over the grain is eliminated and anyone can buy, sell and deliver any grain. As of August 1, 2012, the CWB will operate voluntary pools. While the single desk powers are eliminated, the CWB retains the government guarantees of initial payments (for producers who choose to participate in the pools) and the borrowing guarantees that existed in the previous CWB Act. The CWB loses its exclusive powers to direct/ship grain. With regards to the powers to direct/ship grain, there are some transitional provisions built into the Act. Section 46 of the *CWB Interim Operations Act* extends for a period of three months the CWB's powers to direct/ship grain that has been sold and delivered to the CWB *prior* to August 1, 2012. More on details on the Marketing Freedom for Grain Farmers Act can be found in FAS report CA, available at the following URL address:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Bill%20C-18%20-%20The%20Marketing%20Freedom%20for%20Grain%20Farmers%20Act%20Ottawa%20Canada%2011-03-2011.pdf>

Uncertainty Around Fed's Authority to Change CWB Mandate Resolved, Mostly

The Canadian grain industry had been moving cautiously towards forward price contracts for 2012-2013 wheat and barley crops, due in part to the uncertainty created by numerous court challenges regarding the validity of the federal government's ability to implement the new mandate changes to the Canadian Wheat Board. The most recent are two class action suits filed against the Canadian government. The first was filed by the Merchant Law Group for C\$ 15 billion and is only seeking compensation. The second, filed by supporters of the single desk-model of the Canadian Wheat Board (CWB) known as Friends of the Canadian Wheat Board, is a C\$ 17 billion class action suit against the Canadian federal government. The purpose of the class action suit is to seek compensation but also to restore the single-desk authority and restore producer control. Both cases are based on a federal court judge's declaration that Canada's Minister of Agriculture, Gerri Ritz, acted illegally when he did not follow the process laid out in the CWB Act on how any changes to the single desk authority must be made (the Canadian

government is appealing this judgment). Subsequent rulings in support of the legality of the government's right to make these changes have eliminated much of the uncertainty. In particular, a Manitoba court judge's well reasoned decision released in February to reject the request for an injunction of the *Marketing Freedom for Grain Farmers Act* cleared up much of the uncertainty plaguing the industry since the numerous court challenges began in early December.

Grain Sector Shakeup with Viterra Takeover

In early March, Viterra, Canada's largest grain company announced that it had received an unsolicited expression of interest from a third party. On March 20th, rumors of a friendly takeover of Viterra, which currently controls approximately 45 percent of the grain market in Canada, by Glencore International, was confirmed. Glencore International, a global commodities trading giant, is reported to have agreed to pay approximately \$6.1 billion dollars for the acquisition. Glencore will recoup about \$2.6 billion dollars of the purchase price by selling some of its Viterra assets (grain handling facilities, crop input and processing facilities) to two Canadian companies, James Richardson International, and Agrium. This is being done to ensure that the deal will pass the net benefits test which is a requirement under the Investment Canada Act for foreign acquisition of companies with assets over \$312 million. The legislation allows the federal Canadian government to step in and block the transaction if it is deemed not in the best interests of Canada. Competition on a regional basis would also be considered. For example, should Agrium acquire the majority of Viterra's farm centers and add them to their existing network, they will become the biggest retailer in Canada. If the deal goes through, Richardson, which currently controls 25% of the grain market, and Glencore would have no more than a 35% share each. Of note, Glencore and Agrium shareholders still have to vote on the acquisition.

Canada Grain Act Up for Review

Announced in the recent budget announcement, as part of the transition to a voluntary Canadian Wheat Board, the Canadian federal government will be allocating \$44 million dollars over two year to the Canadian Grain Commission to help it transition to a sustainable funding model. The Canada Grain Act, the act from which the Canadian Grain Commission derives its powers, will be undergoing a serious review with the objective of modernizing the Act to be more reflective of the times. The Canada Grains Act was enacted in 1912 and gives authority to the Canadian Grain Commission to regulate grain handling in Canada. The Grains Act establishes and maintains standards of quality for Canadian grain, regulates grain handling, and ensures a predictable commodity for domestic and export markets. The Act has not had a serious overhaul since 1912. The objective of the review is to reduce the programs, services and regulations to those that industry finds necessary. The Commission is trying to move to a cost recovery system but is facing stiff resistance from industry for whom the costs will increase significantly. At this time, the grading system and its link to the Canadian variety registration system (which is under the purview of the Canadian Food Inspection Agency) will not be part of the

discussion. Currently, grain not registered for use in Canada and not on the Canadian Grain Commission's designated varieties list is not eligible for the top grades and are downgraded to feed quality, regardless of quality. This affects point of purchase sales; however grain is able to come in from the U.S. on contract specification as long as it is kept separate and not mixed into the bulk handling system.

ADDITIONAL RESOURCES:

CANADIAN SEEDING INTENTIONS of Principle Field Crops

The Canadian seeding intentions will be available April 24, 2012 on the following Statistics Canada Website: <http://www5.statcan.gc.ca/bsolc/olc-cel/olc-cel?catno=22-002-XWE&lang=eng>

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