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Canada

Grain and Feed Update

Grain and Feed - January 31 Lock-up Report

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Report Highlights:
Due to favorable conditions during the harvest season the forecasts for Canada's 2009/2010 grain crops increased but the crops, the total of 48.4 MMT for wheat, barley, corn and oats, are still down about 7 MMT compared to the previous year. Total wheat (excluding durum) is estimated at 26.5 MMT with exports totaling 18.5 MMT. Barley production dropped almost 20 percent to 9.5 MMT due to reduced area and weather induced lower yields. Exports are forecast to remain flat at about 1.5 MMT with lower U.S. demand expected to be offset by increased demand from China. Corn also suffered from lower yields with production forecast at 9.56 MMT in 2009/2010 and imports are forecast flat at 1.8 MMT. Canadian growers responded to the oversupply of oats by reducing acreage and production to 2.8 MMT. The flush international market is forecast to curb oat exports to 1.6 MMT, or down almost18 percent in 2009/2010.

Post: Commodities:
Ottawa Wheat , Barley, Corn, Oats

Executive Summary:
Based on new data from Statistics Canada Post revised the wheat (excluding durum) 2009/2010 production estimate up to 26.5 MMT off 9.5 million hectares. Exports are currently forecast to decrease to 18.5 MMT in 2009/2010 due in part to lower supplies and slightly lower world demand.

Barley production is estimated to have fallen 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. Barley exports for marketing year 2009/2010 barley are forecast at 1.5 MMT, nearly the same as the previous year's level.

Corn production in 2009/2010 is forecast at 9.56 MMT. Imports of corn are expected to remain flat at 1.8 MMT. Feed consumption of corn is expected to drop slightly, reflecting the downsizing and restructuring that is on-going in the Canadian hog industry.

Oats production is estimated to have fallen to 2.8 MMT due to lower area planted and higher rates of abandonment caused by poor growing conditions. Despite this reduction in supplies, the oats market remains flush and exports are expected to decrease further from about 1.9 MMT in 2008/2009 to 1.6 MMT in 2009/2010.

Agriculture Canada published the final production report for 2009 on December 3, 2009 and its latest Cereals and Oilseeds Review on December 18, 2009. The production estimates for the 2009/2010 crop year in these reports are mainly based on Statistics Canada's annual November Farm Survey of 27,900 farmers conducted from October 23, 2009 to November 16, 2009. Prairie farmers reported harvesting a smaller area of the major grains and oilseeds. The 2009 growing season was difficult for many Prairie farmer. Prolonged cool temperatures and a late frost in the spring negatively impacted seeding progression. As well, dryness in many western areas and excess moisture and flooding in eastern regions delayed crop emergence. Throughout the summer, cool conditions slowed crop development, leading to frost threats as harvest approached. However, sunny and dry weather in September allowed most crops to reach maturity with a substantial improvement in yield and quality. After rain and snow throughout much of October, November brought unseasonably warm weather, allowing farmers to finish harvesting most crops and to complete fall field work. Feed grain production was down in all three Prairie Provinces as a result of declines in production of barley, oats and dry peas.

WHEAT

Highlights for 2009/2010

Post revised the wheat (excluding durum) 2009/2010 production forecast up to 26.5 MMT off 9.5 million hectares based on the most recent reporting by Statistics Canada. The increase in the production level, compared with Post's previous forecast, is due to improved weather conditions in the fall which permitted a more successful harvest. Nevertheless, forecasted production levels in 2009/2010 continue to represent a drop in production from the previous year. This drop in production is due to a combination of factors including lower seeding rates due to the large carry-in stocks resulting from a bumper wheat crop the previous crop year and strong world wheat supplies, combined with lower yields and higher abandonment rates due to weather-related poor growing conditions. The drop in production is partially off-set by the large carry-in stocks, resulting in total supplies of 33.4 MMT, or about the same level as the previous crop year.

Exports are currently forecast to decrease slightly to 18.5 MMT in 2009/2010 due in part to lower supplies and slightly lower world demand. Meanwhile the Canadian Wheat Board has set a target of 18.7 MMT based on expected demand for high quality/high protein Canadian wheat. Strong competition is expected to affect Canadian exports as world supplies remain high due to large carry-over stocks from the previous crop year. Feed wheat consumption in 2009/2010 is expected to drop back to about 2.5 MMT after a surge the previous year due in part to a shortage in forage that year. Ending stocks in 2009/2010 are expected to total close to 7.0 MMT, on par with the 5-year average.

The November farmer survey and other reports prompted some adjustments in Statistics Canada's final report for 2009. Canadian farmers harvest 26.5 million metric tons of wheat (excluding durum). This was a 7.3 percent decrease from 2008, but above the five-year average of about 20 million metric tons. Harvested area of non-durum wheat was down about 5 percent 2008 and yields were only slightly below the record high of 2.8 metric tons per hectare set in 2008. The late harvest aided by warmer fall weather prompted the increase compared to earlier forecasts. Prairie durum wheat production decreased 2.2 percent from 2008 to 5.4 million metric tons. Production was well above the five-year average of 4.7 million metric tons but still significantly below the record high production of 6 million metric tons set in 1998. Yield increased 5.8 percent from 2008 to 36.0 bushels per acre.

Highlights for 2008/2009

Wheat exports in 2008/2009 are currently estimated at 18.7 MMT, 11 percent higher than the previous crop year. Low 2008/2009 carry-in stocks, due to a small 2007 crop and high exports in 2007/2008, were off-set by a large, good quality 2008 crop and made ambitious exports of 18.7 MMT possible. This higher pace of exports in 2008/2009 of the large wheat crop was aided by the fact that the recession led to grain facing less competition in rail transportation. Wheat for use in feed consumption increased substantially from the previous crop year at 3.1 MMT. The main reason for the increased feed consumption of wheat was due to poor forage conditions spurring demand for other feed sources. Reflecting the large crop increase carry-out stocks are estimated at almost 6.6 MMT, up significantly from the previous year level of 4.4 MMT.

BARLEY

Highlights for 2009/2010

Barley production is expected to fall 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 11.9 MMT, 11 percent lower than the previous crop year. Barley exports for marketing year 2009/2010 are forecast at 1.5 MMT, the same as the previous year's level. Initially, post anticipated a decrease due to lower domestic supplies and the demand for feed barley from the United States remaining low due to higher U.S. supplies of corn. However, an increase in demand from China is likely to drive Canadian barley exports higher than originally anticipated. Domestic consumption of feed barley is expected to decrease slightly to 7.4 MMT in 2009/2010 due to lower supplies, higher prices, and an anticipated decrease in livestock numbers as the Canadian industry continues to downsize and restructure. Anticipated lower supplies will pull stocks down to well below the five year average. Carry-out stocks are forecast at 1.7 MMT.

Highlights for 2008/2009

Barley exports in 2008/2009 marketing year fell short of initial expectations. Barley exports are estimated at 2.3 MMT, significantly short of the previous year's level of 3 MMT. This drop in exports is due to a drop in demand for feed barley by the United States. Canadian feed use jumped 17 percent as poor weather conditions hurt forage production, leaving livestock producers in western Canada to seek out additional feed grains. Feed consumption of barley is estimated to have reached almost 7.7 MMT in 2008/2009. Carry-out stocks are forecast at 2.3 MMT, on par with the 5-year average of 2.4 MM.

CORN

Highlights for 2009/2010

Based on the Stats Canada data the estimate for corn production at 9.5 MMT is about 1 MMT below the 2008/2009 crop. The reduction is due primarily to lower yields due to poor weather. Imports of corn are expected to remain flat at 1.8 MMT. Feed consumption of corn is expected to drop slightly to 7.5 MMT, reflecting the downsizing and restructuring that is on-going in the Canadian hog industry. Corn for industrial usage is expected to increase as several corn ethanol plants in Ontario come on-line in 2010. Carry-out stocks, at 1.1 MMT, are forecast significantly lower than the previous year's level of almost 1.9 MMT.

Highlights for 2008-2009

Corn imports in 2008/2009 are estimated at 1.86 MMT, higher than originally estimated, but still significantly lower than the 10-year average of 2.4 MMT due to the availability of domestic corn and barley for feed purposes, and ample supplies of Canadian corn for industrial usage. In 2008/2009 corn for feed purposes is estimated to have fallen to 7.6 MMT from 10.2 MMT in 2007/2008, representing a return to more average consumption levels. Due to a stable demand from ethanol plants located in the province of Ontario, the domestic consumption of corn for industrial purposes remains significantly above the 5-year average of 2.7 MMT at 4.1 MMT. Carry-out stocks are forecast at 1.85 MMT.

OATS

Highlights for 2009/2010

Oats production is estimated to have fallen to 2.8 MMT due to lower area planted and higher rates of abandonment caused by poor growing conditions. This drop in production is expected to reduce supplies to 4.3 MMT compared to the availability of over 5 MMT in the last several seasons. Despite this reduction in supplies, the oats market remains flush and exports are expected to decrease further from about 1.9 MMT in 2008/2009 to 1.6 MMT. Expected lower supplies will draw down stocks, resulting in carry-out stocks for 2009/10 being forecast at 1.1 MMT.

Highlights for 2008/2009

In 2008/2009, oats exports are currently estimated to have decreased to about 1.9 MMT, which

represents a nearly 19 percent decrease from the previous year's oat export level. High supplies and low prices resulted in a standoff that suppressed exports. Producers continued to hold onto supplies as they held out for a higher price, but buyers had adequate supplies. This decreased exports resulted in higher carry-out stocks which are estimated at 1.5 MMT.

WHEAT Canada	2007		2008		2009	
	2007/2008		2008/2009		2009/2010	
	Market Year Begin: Aug 2007		Market Year Begin: Aug 2008		Market Year Begin: Aug 2009	
All data in 1,000 hectares, 1,000 metric tons	USDA Official Data	USDA Official Data	USDA Official Data	USDA Official Data	USDA Official Data	USDA Official Data
Area Harvested	8,640	8,636	10,032	10,032	9,500	9,539
Beginning Stocks	6,865	6,865	4,406	4,406	6,556	6,556
Production	20,054	20,054	28,611	28,611	26,500	26,515
MY Imports	390	388	378	394	400	300
TY Imports	387	380	387	403	400	300
TY Imp. from U.S.	302	293	301	318	0	250
Total Supply	27,309	27,307	33,395	33,411	33,456	33,371
MY Exports	16,116	16,035	18,812	18,720	18,500	18,500
TY Exports	16,561	16,478	18,583	18,517	18,500	18,500
Feed and Residual	2,167	2,403	3,207	3,118	2,400	2,500
FSI Consumption	4,620	4,463	4,820	5,017	4,900	5,400
Total Consumption	6,787	6,866	8,027	8,135	7,300	7,900
Ending Stocks	4,406	4,406	6,556	6,556	7,656	6,971
Total Distribution	27,309	27,307	33,395	33,411	33,456	33,371

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.

BARLEY Canada	2007	2008	2009
	2007/2008	2008/2009	2009/2010
	Market Year	Market Year	Market Year

All data in 1,000 hectares, 1,000 metric tons	Begin: Aug 2007		Begin: Aug 2008		Begin: Aug 2009	
	USDA Official Data	New Post Data	USDA Official Data	New Post Data	USDA Official Data	New Post Data
Area Harvested	3,998	3,998	3,502	3,502	2,920	2,918
Beginning Stocks	1,491	1,491	1,568	1,568	2,843	2,340
Production	10,984	10,984	11,781	11,781	9,520	9,517
MY Imports	55	58	42	68	50	47
TY Imports	53	55	42	55	50	45
TY Imp. from U.S.	53	57	42	54	0	45
Total Supply	12,530	12,533	13,391	13,417	12,413	11,904
MY Exports	3,046	3,040	1,483	2,342	1,500	1,500
TY Exports	2,947	2,947	1,618	2,342	1,500	1,500
Feed and Residual	6,616	6,565	7,715	7,685	7,100	7,400
FSI Consumption	1,300	1,360	1,350	1,050	1,350	1,300
Total Consumption	7,916	7,925	9,065	8,735	8,450	8,700
Ending Stocks	1,568	1,568	2,843	2,340	2,463	1,704
Total Distribution	12,530	12,533	13,391	13,417	12,413	11,904

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

CORN Canada All data in 1,000 hectares, 1,000 metric tons	2007 2007/2008 Market Year Begin: Sept 2007		2008 2008/2009 Market Year Begin: Sept 2008		2009 2009/2010 Market Year Begin: Sept 2009	
	USDA Official Data	New Post Data	USDA Official Data	New Post Data	USDA Official Data	New Post Data
Area Harvested	1,370	1,369	1,169	1,169	1,400	1,142
Beginning Stocks	1,337	1,337	1,457	1,457	1,857	1,853
Production	11,649	11,649	10,592	10,592	9,560	9,561
MY Imports	3,182	3,182	1,843	1,862	2,000	1,800
TY Imports	3,117	3,080	1,844	1,862	2,000	1,800
TY Imp. from U.S.	3,081	3,073	1,844	1,862	0	1,800
Total Supply	16,168	16,168	13,892	13,911	13,417	13,214
MY Exports	942	910	372	331	300	300
TY Exports	944	949	366	327	300	300
Feed and Residual	10,184	10,218	7,533	7,594	7,500	7,500
FSI Consumption	3,585	3,583	4,130	4,133	4,300	4,300
Total Consumption	13,769	13,801	11,663	11,727	11,800	11,900
Ending Stocks	1,457	1,457	1,857	1,853	1,317	1,114
Total Distribution	16,168	16,168	13,892	13,911	13,417	13,214

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

OATS Canada	2007 2007/2008 Market Year	2008 2008/2009 Market Year	2009 2009/2010 Market Year

All data in 1,000 hectares, 1,000 metric tons	Begin: Aug 2007		Begin: Aug 2008		Begin: Aug 2009	
	USDA Official Data	New Post Data	USDA Official Data	New Post Data	USDA Official Data	New Post Data
Area Harvested	1,816	1,816	1,448	1,448	950	948
Beginning Stocks	556	556	950	950	1,527	1,527
Production	4,696	4,696	4,273	4,273	2,800	2,798
MY Imports	17	17	16	17	15	15
TY Imports	17	17	14	15	15	15
TY Imp. from U.S.	17	17	14	14	0	15
Total Supply	5,269	5,269	5,239	5,240	4,342	4,340
MY Exports	2,386	2,384	1,942	1,942	1,700	1,600
TY Exports	2,321	2,319	1,789	1,888	1,700	1,550
Feed and Residual	1,293	1,298	1,110	1,107	900	1,050
FSI Consumption	640	637	660	664	650	600
Total Consumption	1,933	1,935	1,770	1,771	1,550	1,650
Ending Stocks	950	950	1,527	1,527	1,092	1,090
Total Distribution	5,269	5,269	5,239	5,240	4,342	4,340

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