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Canada

LOCK-UP REPORT

Grain and Feed - October 31 Lock-up Report

Approved By:

Robin Tilsworth

Prepared By:

Mariano Beillard

Report Highlights:

Canadian grains production for 2009/10 is forecast to dip by over 15 percent from the preceding year. Due to unfavorable weather conditions throughout 2009 yields are reduced. The 2009/10 wheat (except durum) exports are forecast to fall by 9 percent to 13.5 MMT because of lower supply. Durum wheat exports are, however, expected to increase by roughly 7 percent to 4 MMT, despite a fall in production. Barley exports for 2009/10 are expected to drop to 1.45 MMT, a decrease of 2 percent from 2008/09 due to increased world barley and corn supplies as well as the stronger Canadian dollar. Imports of corn in 2009/10 are expected to return to average import levels of 2 MMT, primarily the result of reduced domestic supplies. Post forecasts oat exports to fall to about 1.6 MMT in 2009/10 due to a slack in demand.

Post:
Ottawa

Commodities:

Wheat

Barley

Corn

Oats

Executive Summary:

Post estimates Canadian wheat, barley, corn, and oats production for MY2009/10 to fall to approximately 46 million metric tons (MMT), down 16 percent from the 2008/09 levels of 55.2 MMT. With the exception of spring wheat in Manitoba, Canadian prairie farmers report decreases in all major grains when compared to the previous year. Weather-induced higher abandonment rates and lower yields are the main factors contributing to the decrease. Wheat (except durum) production is forecast to drop by 15 percent from 2008/09 levels to roughly 19.5 MMT. This drop should cause wheat (except durum) exports to drop by around 9 percent to 13.5 MMT. Barley production for 2009/10 is estimated to decrease 22 percent from 2008/09 levels to about 9.2 MMT as a result of lower yields and reduced harvested area. Corn production is forecast to drop 8 percent to 9.75 MMT. Oats production previously forecast at roughly 2.8 MMT in 2009/10 remains largely unchanged, but nonetheless represents a steep decline of 34 percent from 2008/09 levels.

Author Defined:

All Wheat

Highlights for 2009/10

Agriculture Canada published its latest Grains and Oilseeds Outlook for the 2009/10 crop year on October 8, 2009, and released its most recent revision to the Cereals and Oilseeds Review on September 24, 2009. Statistics Canada also released on October 2, 2009, its September Estimate of Production of Principal Field Crops. The production estimates for the 2009/10 crop year in the October reports are based on Statistics Canada's survey of 14,000 Canadian farmers in early September 2009. Production data are preliminary and are subject to revision once final data are received from the November 2009 survey.

Post forecasts all wheat (includes durum) production to reach 24.35 MMT in MY2009/10, down 15 percent from 28.6 MMT in 2008/09. Unfavorable weather conditions led to late germination in spring 2009 only to be followed by less than then desirable growing conditions during the summer. The net effect has been to hold back crop advancement, which has required more time to bring the crop in. While seeded area for wheat (except durum) was up 3 percent compared to 2008/09, weather-induced higher crop abandonment and lower yields will likely offset increases from additional seeding. Wheat (except durum) production forecast at 19.3 MMT is down from 23.1 MMT in 2008/09. Durum wheat production at about 5.1 MMT is down 8 percent from 2008/09. Canada anticipates that the overall drop in all wheat production will be partially offset by the large carry-in stocks (6.5 MMT). However, this year's large carry-in stocks will be unable to fully compensate for weather-induced declines in production.

The Canadian Wheat Board (CWB) indicates that western Canada's harvest this year has been slowed because of prolonged wintry conditions to its slowest pace in 5 years. As of October 20, an estimated 10 percent of the spring wheat and 5 percent of durum wheat still remains to be harvested. The 2009/10 wheat (except durum) exports are forecast to fall by 9 percent to 13.5 MMT because of lower supply. Durum wheat exports are, however, expected to increase by roughly 7 percent to 4 MMT, despite a fall in production. Durum wheat exports are expected to benefit from lower EU production combined with large Canadian supplies resulting from higher carry-in stocks. Nevertheless any further strengthening of the Canadian dollar may ultimately impact demand from overseas.

Feed wheat consumption in 2009/10 is expected to increase by 3 percent to 3.2 MMT, as a result of continued strong demand for lean cow trim beef for grinding and poor pasture conditions. Yet it is unclear that this growth can be sustained since earlier this year numerous Canadian livestock producers, fretting over the possibility of continued high feed costs, took advantage of a federal tax deferral program that allowed them to sell off cattle while deferring tax payments for two years. Statistics Canada reports that cattle inventories are down 2.3 percent as of July 1. As a result the feed number should be interpreted with caution as including "loss and waste" as well as feed wheat. Ending stocks in 2009/10 are forecast to fall to 5.6 MMT, down from 6.5 MMT in 2008/09.

Barley

Highlights for 2009/2010

Post forecasts barley production in MY2009/10 to fall to about 9.2 MMT, a 22 percent drop from the previous crop year, and 19 percent below the 10-year average. Poor weather conditions led to significantly lower yields and harvest areas. Supply is forecast to decrease by approximately 10 percent as higher carry-in stocks partly offset the drop in production. Feed barley use will decline as livestock numbers fall. Barley exports for 2009/10 are expected to drop to 1.45 MMT, a decrease of 2 percent from 2008/09 due to increased world barley and corn supplies as well as the stronger Canadian dollar. Canadian barley production is forecast to fall as a result of decreased U.S. demand for feed barley which is being offset by higher domestic (United States) supplies of feed corn. Canadian consumption of feed barley is forecast to decrease to 7.4 MMT in 2009/10 due to lower supplies, higher prices, and an anticipated decrease in overall livestock numbers as the Canadian livestock industry continues to downsize and restructure. Anticipated lower supplies will pull stocks down to well below the five-year average. Ending stocks for 2009/10 are forecast at 1.8 MMT.

Highlights for 2008/09

Barley exports in MY2008/09 fell short of initial expectations. Exports reached 1.5 MMT, well below the 2007/08 level of 3.0 MMT. The drop in Canadian barley exports is due to lower U.S. demand for feed barley. The combination of ample supplies and lower exports, and ensuing lower prices, led to a nearly 17.5 percent increase in Canadian domestic feed barley use of 7.7 MMT. In 2008/09 domestic demand for feed barley spiked due to poor weather conditions in western Canada when livestock producers scrambled to secure feed for their herds. Livestock producers also indicate that U.S. Country-of-Origin Labeling (COOL) requirements have slowed cross border trade, forcing greater number of cattle to remain on the Canadian side of the border, driving up domestic feed barley demand. Ending stocks surpassed 2.8 MMT, close to the five-year average of 2.4 MMT.

CORN

Highlights for 2009/10

The area seeded to corn in MY2009/10 increased marginally to about 1.2 million hectares, but lower yields due to poor weather may likely decrease production by 8 percent to 9.7 MMT compared to 2008/09 level of 10.6 MMT. Imports of corn are expected to return to average import levels of 2 MMT, primarily the result of reduced domestic supplies. Food and industrial use, including ethanol production, along with feed, waste, and dockage, is forecast to rise slightly in 2009/10.

Industrial demand for corn for ethanol remains strong. Ethanol plants in Ontario will continue to drive Canadian industrial demand for corn. Industrial demand for corn is forecast to reach 4.3 MMT well above the five-year average of 2.7 MMT. Like feed wheat consumption, feed corn consumption will show a slight increase in 2009/10 compared to the previous year. Feed use of corn is expected to increase to almost 7.6 MMT in 2009/10, slightly changed from the 2008/09 levels of 7.45 MMT. It is unclear if feed corn usage will grow in the future since its utilization is linked to the health of the Canadian hog industry – herd size continues to decline. For now, high domestic supplies (and the ensuing lower prices) along with greater number of hogs being fed in Canada due to U.S. COOL regulations continues to keep forecasted feed corn consumption numbers for 2009/10 close to the five-year average.

Canadian corn exports are forecast to fall as a result of greater U.S. supplies. Ending stocks are forecast to decrease by 25 percent from the 2008/09 level of 1.8 MMT to 1.4 MMT. The Chatham elevator price is expected to fall pressured by lower U.S. corn prices and the stronger Canadian dollar.

Highlights for 2008/09

Corn imports in MY2008/09 at 1.7 MMT were significantly lower than the 10-year average level of 2.4 MMT. The drop in demand is due to the greater availability of domestic corn and barley for feed purposes and ample local supplies of corn for industrial usage. Corn imports in 2008/09 fell 46 percent compared to the 2007/08 level of 3.2 MMT. While feed wheat and feed barley consumption increased in 2008/09 compared to the previous year, feed corn fell to 7.5 MMT or over 2.7 MMT compared to 2007/08 levels. Post forecasts that as the Canadian hog industry restructures (downsizes), its demand for feed corn will further slow. Ending stocks in 2008/09 are estimated at over 1.8 MMT.

OATS

Highlights for 2009/10

Post forecasts oats production to decrease by over 1.4 MMT to about 2.8 MMT, representing a 34 percent drop in MY2009/10 compared to 2008/09. The drop in production is attributed to a combination of lower seeded and harvested area (1.5 million hectares seeded, 1.0 million hectares harvested in 2009/10 versus 1.7 million hectares seeded and 1.4 million hectares harvested in 2008/09), lower yields, and higher rates of abandonment caused by poor growing conditions. The 2009/10 drop in production will be offset by higher carry-in stocks (1.5 MMT), but supplies should still fall by about 17 percent from 5.2 MMT (2008/09) to 4.3 MMT in 2009/10. Post forecasts oat exports to fall to about 1.6 MMT in 2009/10 while ending stocks are anticipated to decline to 1.1 MMT. A strong Canadian dollar combined with lower U.S. coarse grain prices should contribute to drive down oats prices by roughly 20 percent through 2009/10.

Highlights for 2008/09

In MY 2008/09, Canadian oats production fell 9 percent to 4.3 MMT compared to the previous 2007/08 level of 4.7 MMT. As a result oats exports decreased to 1.9 MMT, representing a drop of nearly 18 percent from the previous year's export volume of 2.4 MMT. Already abundant supplies combined with low prices resulted in a standoff between producers and buyers that suppressed exports in 2008/09. Canadian oats producers sought to restrict supplies in order to drive up prices. However, buyers were able to hold off on purchases given adequate stockpiles. Post estimates that decrease exports were responsible for the high level of ending stocks (1.5 MMT) in 2008/09.

Useful Resources:

Field Crop Reporting Series:

<http://www.statcan.gc.ca/bsolc/olc-cel/olc-cel?catno=22-002-XFB&lang=eng>

Agriculture and Agri-Food Canada, Market Analysis Division:

http://www.agr.gc.ca/pol/mad-dam/index_e.php

Canadian Wheat Board:

www.CWB.ca

Find FAS on the World Wide Web

Visit our headquarters' home page at <http://www.fas.usda.gov> for a complete listing of FAS' worldwide agricultural reporting.

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	
	USDA Official Data	New Post Data	USDA Official Data	New Post Data	USDA Official Data	October Data
All data in 1,000 metric tons						
Area Harvested	8,640	8,636	10,030	10,032	9,800	9,820
Beginning Stocks	6,865	6,865	4,406	4,406	6,556	6,556
Production	20,054	20,054	28,611	28,611	24,500	24,350
MY Imports	390	388	378	394	400	350
TY Imports	387	380	387	403	400	355
TY Imp. From U.S.	302	293	0	318	0	275
Total Supply	27,309	27,307	33,395	33,411	31,456	31,256
MY Exports	16,116	16,035	18,812	18,720	18,500	17,500
TY Exports	16,561	16,478	18,583	18,517	18,500	17,000
Feed Consumption	2,167	2,403	3,207	3,118	2,200	3,200
FSI Consumption	4,620	4,463	4,820	5,017	4,900	4,956
Total Consumption	6,767	6,866	8,027	8,135	7,100	8,156
Ending Stocks	4,406	4,406	6,556	6,556	5,856	5,600
Total Distribution	27,309	27,307	33,395	33,411	31,456	31,256

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.

CORN Canada	2007		2008		2009	
	2007/2008		2008/2009		2009/2010	
	Market Year Begin: Sep 2007		Market Year Begin: Sep 2008		Market Year Begin: Sep 2009	
	USDA Official Data	New Post Data	USDA Official Data	New Post Data	USDA Official Data	October Data
All data in 1,000 metric tons						
Area Harvested	1,370	1,369	1,169	1,169	1,200	1,181
Beginning Stocks	1,337	1,337	1,457	1,457	1,857	1,857
Production	11,649	11,649	10,592	10,592	9,700	9,750
MY Imports	3,182	3,182	1,800	1,722	2,000	2,000
TY Imports	3,117	3,080	1,800	1,817	2,000	2,110
TY Imp. From U.S.	3,081	3,073	0	1,817	0	2,110
Total Supply	16,168	16,168	13,849	13,771	13,557	13,607
MY Exports	942	910	375	331	300	300
TY Exports	944	949	375	209	300	189
Feed Consumption	10,184	10,218	7,517	7,450	7,500	7,592
FSI Consumption	3,585	3,583	4,100	4,133	4,300	4,315
Total Consumption	13,769	13,801	11,617	11,583	11,800	11,907
Ending Stocks	1,457	1,457	1,857	1,857	1,457	1,400
Total Distribution	16,168	16,168	13,849	13,771	13,557	13,607

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

OATS 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	
	USDA Official Data	New Post Data	USDA Official Data	New Post Data	USDA Official Data	October Data
All data in 1,000 metric tons						
Area Harvested	1,820	1,816	1,448	1,448	1,040	1,041
Beginning Stocks	556	556	950	950	1,527	1,527
Production	4,696	4,696	4,273	4,273	2,900	2,800
MY Imports	17	17	16	17	15	15
TY Imports	17	17	25	15	15	13
TY Imp. From U.S.	17	17	0	14	0	12
Total Supply	5,269	5,269	5,239	5,240	4,442	4,342
MY Exports	2,386	2,384	1,942	1,942	1,700	1,600
TY Exports	2,321	2,319	1,900	1,838	1,700	1,500
Feed Consumption	1,293	1,298	1,110	1,107	900	1,077
FSI Consumption	640	637	660	664	650	565
Total Consumption	1,933	1,935	1,770	1,771	1,550	1,642
Ending Stocks	950	950	1,527	1,527	1,192	1,100
Total Distribution	5,269	5,269	5,239	5,240	4,442	4,342

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

BARLEY 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	
	USDA Official Data	New Post Data	USDA Official Data	New Post Data	USDA Official Data	October Data
All data in 1,000 metric tons						
Area Harvested	4,000	3,998	3,501	3,502	3,000	2,989
Beginning Stocks	1,491	1,491	1,568	1,568	2,843	2,843
Production	10,984	10,984	11,781	11,781	9,200	9,165
MY Imports	55	58	42	43	50	35
TY Imports	53	55	75	55	50	45
TY Imp. from U.S.	53	57	0	54	0	44
Total Supply	12,530	12,533	13,391	13,392	12,093	12,043
MY Exports	3,046	3,040	1,483	1,482	1,500	1,450
TY Exports	2,947	2,947	1,600	1,658	1,500	1,600
Feed Consumption	6,616	6,565	7,715	7,713	6,800	7,413
FSI Consumption	1,300	1,360	1,350	1,354	1,350	1,380
Total Consumption	7,916	7,925	9,065	9,067	8,150	8,793
Ending Stocks	1,568	1,568	2,843	2,843	2,443	1,800
Total Distribution	12,530	12,533	13,391	13,392	12,093	12,043

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

