



CANADA: GRAINS AND OILSEEDS OUTLOOK

August 11, 2005

The area seeded to grains and oilseeds (G&O) in 2005-06 is estimated to have declined by about 0.6 million hectares (Mha) from 2004-05, to 25.5 Mha, as many fields were unseeded in eastern Manitoba because of excessive rain in May and June. Although abandonment is expected to be higher than normal in this region, normal abandonment is assumed in other regions, and total Canadian harvested area is forecast to rise marginally, to 23.4 Mha. Yields in Saskatchewan are forecast to be above-trend due to higher than normal precipitation. Growing conditions are mixed across Canada, with crop development ahead of normal across the western prairies but behind normal in eastern Manitoba. In eastern Canada, yields are expected to be below trend due to hot temperatures and a lack of moisture.

Production of G&O is forecast to decline by 2% from 2004-05, to 62 million tonnes (Mt), as lower expected wheat and coarse grain output more than offsets a rise in oilseed production. Despite lower production, the total supply of G&O for 2005-06 is forecast to rise by 5% to the highest levels since 2001-02, due to the largest carry-in stocks in over a decade. Assuming normal growing and harvest conditions, quality is expected to return to normal for 2005-06. As a result, total Canadian exports of G&O are forecast to rise by 15%. Canadian prices will remain pressured by low world prices and by burdensome world stocks. Factors to watch are: weather conditions across the US and Canada, the severity of disease and insect outbreaks, crude oil prices and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, production is forecast to fall by 7%, due to the lower seeded area, with yields expected to be well above normal for the second year in a row. Supplies are projected to decline only marginally, due to the sharp rise in carry-in stocks, which are expected to be largely of feed quality because of the poor quality of the 2004 crop.

Consequently, feed usage is forecast to remain historically high for 2005-06. Assuming normal quality, exports are forecast to rise by 15% while carry-out stocks fall by 18%. The Canadian Wheat Board (CWB) July Pool Return Outlook (PRO) for No.1 CWRS wheat was unchanged from June, remaining \$3/t below 2004-05.

DURUM

Production is forecast to rise slightly due to increased seeded area and reduced abandonment. Carry-in stocks are expected to increase by about 50% to a record 2.7 Mt, with total supply rising by 16% to a record 7.8 Mt.

Exports are expected to increase by 16% due to increased supplies of high quality durum and increased export demand due to dryness in North Africa and southern Europe. However, carry-out stocks are projected to rise by a further 19%, to 3.2 Mt. The CWB PRO for 2005-06 declined slightly from June, and remains below 2004-05, due to burdensome North American supplies.

BARLEY

Production is forecast to increase marginally as higher yields more than offset lower harvested area. Total supply is projected to increase by 6%, due to higher carry-in stocks resulting from the large production of low-quality barley in 2004-05. Exports are expected to rise by 35%, due to higher exportable supplies of malting quality barley and

less competition in overseas feed barley markets. Carry-out stocks are expected to remain burdensome. The off-Board feed barley price is forecast to average \$115/t I/S Lethbridge, slightly above 2004-05. Malting barley prices will be pressured by higher world production, with the CWB PRO for SS 2-row down by \$5/t from 2004-05 to \$173/t.

OATS

Production is forecast to decrease marginally as lower yields more than offset higher area. Total supply, however, is expected to rise by 5%, due to higher carry-in stocks, which resulted from below-normal exports in 2004-05 related to the poor crop quality. Exports are forecast to rise by 0.2 Mt due to larger supplies and improved crop quality. Carry-out stocks are expected to decrease. Oat prices are forecast to decline, with a smaller premium for milling oats.

CORN

Production is forecast to decline by 8% as lower yields in Ontario more than offset higher harvested area. This is expected to be partly offset by a 17% increase in corn imports, partly due to lower imports of feed wheat and barley from western Canada. Food and industrial use is forecast to rise, due to increased ethanol production. Prices are expected to rise by about \$10/t from 2004-05 to average \$110/t at the Chatham elevator.

CANOLA

Production is forecast to increase significantly due to increased harvested area and yields. Carry-in stocks are expected to be sharply higher, so that total supply increases to a record 10.1 Mt. Domestic crush and exports are forecast to increase slightly but will be pressured by large world supplies of

soybean and palm oil. Carry-out stocks are projected at a record 2.8 Mt. Prices are projected to decrease marginally due to higher world canola/rapeseed supplies.

FLAXSEED (excluding solin)

Production is forecast to rise sharply due to higher harvested area and supplies are expected to rise by about 75% from the frost-reduced level of 2004-05. Exports are projected to increase as a result of increased supplies, stable EU and US demand, high crude oil prices and lower flaxseed prices. Total domestic use is forecast to rise slightly. Carry-out stocks are forecast to almost triple but remain within historical norms. Prices are forecast to decline to historically normal levels.

SOYBEANS

Production is forecast to decrease slightly as a higher harvested area is more than offset by lower yields in Ontario. However, domestic supplies are expected to increase due to high carry-in stocks. Imports are therefore forecast to decline. Domestic crush is forecast to increase on support from stronger crush margins while exports are projected to remain unchanged from 2004-05. Carry-out stocks are expected to fall, but remain above average. Prices are forecast to rise slightly due to higher US prices.

FURTHER INFORMATION:

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

August 11, 2005

Grain and Crop Year (a)	Area Seeded -----000 ha-----	Harvested	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c.)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
----- thousand metric tonnes-----												
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005p	2,230	2,141	2.32	4,962	1	6,751	3,170	255	406	881	2,700	199 *
2005-2006f	2,280	2,250	2.27	5,100	1	7,801	3,600	260	541	1,001	3,200	194 *
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005p	8,169	7,722	2.71	20,898	12	25,202	11,400	2,770	4,762	8,302	5,500	187 *
2005-2006f	7,750	7,320	2.65	19,400	10	24,910	13,100	2,800	3,700	7,310	4,500	184 *
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005p	10,399	9,862	2.62	25,860	13	31,954	14,570	3,025	5,168	9,184	8,200	
2005-2006f	10,030	9,570	2.56	24,500	11	32,711	16,700	3,060	4,241	8,311	7,700	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,579	9,291	2,102	135.80
2004-2005p	4,678	4,050	3.26	13,186	100	15,388	2,000	300	9,553	10,288	3,100	112.30
2005-2006f	4,500	4,010	3.29	13,200	30	16,330	2,700	380	9,845	10,630	3,000	105-125
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	346	2,415	8,890	11,317	1,143	137.18
2004-2005p	1,185	1,072	8.24	8,836	2,400	12,378	150	2,650	8,463	11,128	1,100	100-105
2005-2006f	1,110	1,090	7.43	8,100	2,800	12,000	150	2,700	8,235	10,950	900	100-120
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005p	1,995	1,315	2.80	3,683	25	4,496	1,500	130	1,574	1,896	1,100	129.8
2005-2006f	1,960	1,350	2.67	3,600	15	4,715	1,700	170	1,750	2,115	900	115-135
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	60	125	60	104.44
2004-2005p	284	165	2.53	418	1	479	230	48	109	174	75	70-80
2005-2006f	210	150	2.13	320	1	396	160	48	111	176	60	70-90
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005p	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	210	120	2.83	340	0	340	0	0	340	340	0	
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,618	4,519	2,899	19,495	23,006	4,093	
2004-2005p	8,362	6,713	3.94	26,441	2,526	33,060	3,880	3,128	20,018	23,805	5,375	
2005-2006f	7,990	6,720	3.80	25,560	2,846	33,781	4,710	3,298	20,281	24,211	4,860	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390	113	3,545	609	387.04
2004-2005p	5,319	4,938	1.57	7,728	150	8,487	3,298	3,000	419	3,464	1,725	309.15
2005-2006f	5,410	5,130	1.60	8,200	150	10,075	3,500	3,200	530	3,825	2,750	280-320
Flaxseed												
2003-2004	745	728	1.04	754	20	903	609	n/a	n/a	202	93	382.13
2004-2005p	728	528	0.98	517	40	650	412	n/a	n/a	177	60	n/a
2005-2006f	840	780	1.35	1,050	20	1,130	700	n/a	n/a	255	175	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ^{1/}	319	1,947	140	395.04
2004-2005p	1,229	1,178	2.59	3,048	450	3,638	1,000	1,580 ^{1/}	488	2,193	445	245-255
2005-2006f	1,195	1,183	2.43	2,875	250	3,570	1,000	1,750 ^{1/}	460	2,320	250	240-280
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	850	11,811	5,277	n/a	n/a	5,693	841	
2004-2005p	7,277	6,643	1.70	11,293	640	12,774	4,710	n/a	n/a	5,835	2,230	
2005-2006f	7,445	7,093	1.71	12,125	420	14,775	5,200	n/a	n/a	6,400	3,175	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,724	25,523	n/a	n/a	36,187	11,014	
2004-2005p	26,038	23,219	2.74	63,595	3,179	77,788	23,160	n/a	n/a	38,823	15,805	
2005-2006f	25,465	23,383	2.66	62,185	3,277	81,267	26,610	n/a	n/a	38,922	15,735	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW ,WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - July 28, 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

p: preliminary

f: forecast - Agriculture and Agri-Food Canada - August 11, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007