



CANADA: GRAINS AND OILSEEDS OUTLOOK

August 31, 2005

For 2005-06, Canadian grain and oilseed production is estimated by AAFC to decrease to 62.1 million tonnes (Mt), from 63.6 Mt in 2004-05, largely based on Statistics Canada's (STC) "July 31 Estimate of Production of Principal Field Crops". Hot and dry weather experienced during August, after the survey was taken, may result in actual yields being lower than expected by farmers at the end of July. Production in western Canada is estimated to decrease by 1% from 2004-05, to 47.7 Mt, with lower yields more than offsetting a larger harvested area. In eastern Canada, production is estimated to be down by 6%, to 14.4 Mt. Crop development is near normal in western Canada, but in eastern Canada crops are stressed by hot and dry conditions. Harvesting in western Canada is about 15% complete, slightly behind average. The quality of all crops is expected to be near normal, although wheat protein levels may be below average due to above normal yields.

Total supply of grains and oilseeds in Canada for 2005-06 is forecast to increase, to a near record level, due to sharply higher carry-in stocks. Exports are forecast to increase by 15% to about 27 Mt on support from improved quality. Total domestic usage is also forecast to increase but carry-out stocks will remain historically high. Generally, world prices are forecast to decline for wheat, but remain stable or rise slightly for corn and soybeans. Prices in Canada will continue to be pressured by the strong Canadian dollar. The major factors to watch are: harvest conditions in Canada and the US, import demand from China, EU export policy, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, production is estimated to fall by 6%, due to lower area and yields. Although yields are slightly below last year, they are 10% above the 10-year average. Total supply is forecast to decline only marginally, due to higher carry-in stocks. These stocks are estimated to be mainly of low quality and as a result feed use is forecast to remain high, although down sharply from 2004-05. Exports are forecast to rise by 16% due to larger supplies of good quality wheat. Carry-out stocks are forecast to decline to a historically low level. The Canadian Wheat Board (CWB) August Pool Return Outlook (PRO) for Canada Western Red Spring wheat is below 2004-05 for high quality wheat, but unchanged to slightly higher for lower grades. Protein premiums have declined from last year, due to larger supplies of high quality spring wheat.

DURUM

Production is estimated to rise slightly due to higher seeded area and reduced abandonment. Although yields are lower than in 2004-05, they are 12% above the 10-year average. With record carry-in stocks, total supply is expected to rise by 15% to a record 7.8 Mt. Exports are expected to increase by 14% due to increased supplies of high quality durum and increased demand from major importers due to dryness in North Africa and southern Europe. However, carry-out stocks are projected to rise by 19% to a burdensome 3.2 Mt. The CWB 2005-06 PRO is below 2004-05 for all grades, due to higher North American supplies.

BARLEY

Production is estimated to fall by 6% from 2004-05, due to lower yields and harvested area. Total supply, however, is projected to increase slightly as lower production is more than offset by higher carry-in stocks resulting from the large production of low-quality barley in 2004-05. Exports are expected to rise by 25%, due to higher exportable

supplies of malting quality barley and less competition in overseas feed barley markets. Carry-out stocks are expected to drop significantly to near normal level. The off-Board feed barley price is forecast to rise slightly. Malting barley prices will be pressured by higher world production, with the CWB PRO for Special Select 2-Row down by \$6/t from 2004-05 to \$172/t.

OATS

Production is estimated to increase slightly, as higher harvested area more than offsets lower yields. Total supply is expected to rise by 8%, 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 13% due to larger supply and improved crop quality. Carry-out stocks are expected to decrease. Feed oats prices are forecast to be similar to 2004-05, with reduced premium for milling oats.

CORN

Production is estimated to decline by 6% due mainly to lower yields. This is expected to result in a 17% increase in corn imports, mainly from the US to eastern Canada. Shipments of feed wheat and barley from western to eastern Canada are expected to decrease. Food and industrial use is forecast to rise, due to higher ethanol production. Prices are expected to rise due to higher Chicago corn prices and strengthening Chicago-Chatham spreads.

CANOLA

Production is estimated to rise by 8%, with total supply expected to increase by 18% due to higher carry-in stocks. Crop quality is expected to be slightly below normal due to stress from heat and excessive moisture and premature ripening. Despite burdensome supplies, domestic crush and exports are forecast to rise by only 6% and 3% respectively, due to competition from large

supplies of palm oil and soybeans in competing countries. Carry-out stocks are forecast to increase sharply, to a record 2.7 Mt. The average price is forecast to decrease under pressure from historically low US soybean prices, the high Canadian dollar and the burdensome carry-out stocks.

FLAXSEED (excluding solin)

Production is estimated to increase by 102% to the highest level since 1998-99, due to a sharp rise in seeded area. Total supply is expected to rise by 68%. Exports are forecast to increase sharply due to strong EU demand and higher supply. Carry-out stocks are expected to rise sharply, but are not considered to be burdensome. The average 2005-06 price is expected to decline.

SOYBEANS

Production is estimated to fall by 3%, due to lower seeded area and yields. Despite lower imports, total supply is expected to rise slightly due to higher carry-in stocks. Domestic use is expected to rise by 5%, to a near record level. Exports are forecast to remain stable despite competition from large US and South American supplies. The average Chatham price is forecast to rise, due to stronger world soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

August 31, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f)
	Seeded	Harvested										
-----000 ha-----												
----- 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	2,232	2.28	5,083	1	7,784	3,600	260	524	984	3,200	191 **
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	13	25,203	11,400	2,770	4,763	8,303	5,500	187 *
2005-2006F	7,742	7,530	2.61	19,633	10	25,143	13,200	2,800	3,833	7,443	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	10,339	9,862	2.62	25,860	14	31,955	14,570	3,025	5,169	9,185	8,200	
2005-2006F	10,022	9,762	2.53	24,716	11	32,927	16,800	3,060	4,357	8,427	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	112.15
2005-2006F	4,520	3,915	3.16	12,358	30	15,488	2,500	380	10,003	10,788	2,200	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	100.00
2005-2006F	1,121	1,072	7.74	8,297	2,800	12,197	150	2,700	8,332	11,047	1,000	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	130.68
2005-2006F	1,955	1,418	2.63	3,731	15	4,846	1,700	170	1,781	2,146	1,000	120-140
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	218	159	2.39	380	1	456	200	48	111	176	80	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	219	120	2.62	314	0	314	0	0	314	314	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	8,031	6,684	3.75	25,080	2,846	33,301	4,550	3,298	20,541	24,471	4,280	
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	3,410	3,031	419	3,502	1,575	309.15
2005-2006F	5,485	5,214	1.60	8,325	150	10,050	3,500	3,200	605	3,850	2,700	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	.98	517	40	650	465	n/a	n/a	160	25	n/a
2005-2006F	844	809	1.29	1,044	20	1,089	700	n/a	n/a	239	150	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	248
2005-2006F	1,176	1,158	2.56	2,963	250	3,657	1,000	1,750 ^{1/}	447	2,307	350	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	4,875	n/a	n/a	5,855	2,045	
2005-2006F	7,506	7,181	1.72	12,332	420	14,796	5,200	n/a	n/a	6,396	3,200	
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	3,180	77,789	23,325	n/a	n/a	38,844	15,620	
2005-2006F	25,559	23,627	2.63	62,128	3,277	81,024	26,550	n/a	n/a	39,294	15,180	

(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 ** CWB Pool Return Outlook (PRO) - August 25, 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 31, 2005

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