



CANADA: GRAINS AND OILSEEDS OUTLOOK

September 20, 2005

Statistics Canada's "Stocks of Canadian Grain at July 31, 2005" report indicated that carry-in stocks of the major Canadian grains and oilseeds (G&O) for 2005-06 are almost 50% higher than for 2004-05. As a result, the total supply of G&O for 2005-06 is about 4% above last year, although production is estimated to decrease to 62 million tonnes (Mt) from 64 Mt last year.

The pace of harvest in western Canada is behind normal due to untimely rains, particularly in Saskatchewan and Alberta, where harvest progress is well behind normal. The delay caused by rain may reduce the quality of the crop, but the average quality of the crop in western Canada is expected to be better than last year's poor quality crop. Protein levels are expected to be below average which is a negative factor for wheat and durum but is positive for malting barley selection rates.

Generally, world prices for G&O are forecast to decline and prices in Canada will be further 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 exchange rates.

WHEAT (ex-durum)

For 2005-06, carry-in stocks increased by 27% from 2004-05, to 5.5 Mt. A significant portion of which is stored on-farm because low feed wheat prices discouraged farmers from marketing all of their low quality wheat in 2004-05. Total supply for 2005-06 is down only marginally, despite an estimated 6% decline in production. Feed use is forecast to remain higher than normal because of the large supplies of low quality wheat carried over from 2004-05. Exports are forecast to rise by 14%, assuming increased supplies of high quality wheat. Carry-out stocks are forecast to decline by 18%. The Canadian Wheat Board (CWB) August Pool Return Outlook (PRO) is below 2004-05 for high quality wheat, but flat to slightly higher for lower quality wheat.

DURUM

Carry-in stocks increased by about 40% from 2004-05 to 2.5 Mt, with 1.0 Mt on-farm. Production is estimated to rise slightly, so that total supply is expected to rise by 13% to a record 7.6 Mt. Exports are forecast to increase, assuming adequate supplies of good quality durum, mainly due to increased import demand resulting from reduced production in North Africa and southern Europe. However, carry-out stocks are projected to rise for the 4th consecutive year, to a record 3.0 Mt. The CWB 2005-06 PRO is below 2004-05 for all grades, due to higher North American supplies.

BARLEY

Carry-in stocks increased by about 66% from 2004-05 to 3.5 Mt, as a result of large production of low-quality barley and lower exports in 2004-05. Although production is estimated to fall from 2004-05, total supply is up by 3%. Exports are expected to rise significantly, due to higher exportable supplies of malting barley in Canada and less competition in overseas markets. Carry-out stocks are expected to drop significantly. The off-Board feed barley price is forecast to rise

slightly. Malting barley export prices will be pressured by the strength in Canadian dollar and improved world supplies, with the CWB PRO for Special Select 2-Row down by \$6/t from 2004-05 to \$172/t.

OATS

Carry-in stocks increased by 25% due to higher supplies in 2004-05. Production is estimated to increase slightly, as higher harvested area more than offsets lower yields. Total supply is, therefore, expected to rise by 5%. Exports are expected to increase slightly from 2004-05 due to improved crop quality but will be pressured by high EU export subsidies on oats. Carry-out stocks are expected to decrease. Feed oats prices are forecast to be similar to 2004-05, with a reduced premium for milling oats.

CORN

Carry-in stocks, as estimated by AAFC, are marginally below 2004-05 due to lower supplies in 2004-05. Production in 2005-06 is estimated to decline by 6%, due mainly to lower yields. This is expected to result in a significant increase in US corn imports, mainly to eastern Canada. Shipments of feed wheat and barley from western to eastern Canada are expected to decrease. Feed use is forecast to decline slightly. Food and industrial use is forecast to rise slightly, driven by higher ethanol production. The average Chatham price is forecast to increase due to tight supplies and a stronger Chicago-Chatham spread.

CANOLA

Carry-in stocks nearly tripled from 2004-05 to 1.6 Mt due to increased supply. Production is estimated to rise by 8%, with total supply expected to increase by 20%. Domestic crush and exports are forecast to rise by only 6% and 11% respectively, due to large supplies of palm oil and soybeans in competing countries. Carry-out stocks are forecast to increase sharply, to a record 2.5 Mt. The average price is forecast to

decrease due to pressure from burdensome carry-out stocks, low US soybean prices and the high Canadian dollar.

FLAXSEED (excluding solin)

Carry-in stocks decreased by 68% to a record low due to the sharp drop in output and strong pace of exports. Production is estimated to increase by 102% to the highest level since 1998-99, due to a sharp rise in seeded area and expected yields. Total supply is expected to rise by 69%. Exports are forecast to increase sharply due to strong EU demand, increased domestic supply and sharply higher crude oil prices. 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

Carry-in stocks, as estimated by AAFC, are significantly higher than 2004-05 mainly because production was a record high. As a result, domestic supply is expected to increase by about 7% despite a slight decrease in production. Total domestic use is expected to rise by 5%, to a near record level. Exports are forecast to remain stable at a record high 1.0 Mt, despite competition from large US and South American supplies. The average Chatham price is forecast to decrease due to lower US soybean prices.

FURTHER INFORMATION:

Wheat.....Glenn Lennox.... (204) 983-8465

E-mail.....lennoxg@agr.gc.ca

Coarse Grains.....Joe Wang 983-8461

E-mail.....wangjz@agr.gc.ca

Oilseeds.....Chris Beckman984-4929

E-mail.....beckmac@agr.gc.ca

Fred Oleson, Chief983-0807

E-mail.....olesonf@agr.gc.ca

www.agr.gc.ca/mad-dam/

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

September 20, 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	219	683	1,789	224.21
2004-2005P	2,230	2,141	2.32	4,962	1	6,752	3,218	240	555	1,013	2,521	199 *
2005-2006F	2,280	2,232	2.28	5,083	1	7,605	3,600	250	565	1,005	3,000	191 **
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,299	2,775	3,223	6,805	4,291	206.03
2004-2005P	8,169	7,722	2.71	20,898	13	25,203	11,586	2,718	4,641	8,145	5,471	187 *
2005-2006F	7,742	7,530	2.61	19,633	10	25,114	13,200	2,750	3,775	7,414	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	14,805	2,958	5,197	9,158	7,992	
2005-2006F	10,022	9,762	2.53	24,716	11	32,719	16,800	3,000	4,340	8,419	7,500	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,579	9,291	2,102	135.8
2004-2005P	4,678	4,050	3.26	13,186	82	15,371	1,862	213	9,400	10,019	3,489	112.15
2005-2006F	4,520	3,915	3.16	12,358	30	15,877	2,500	360	10,127	10,877	2,500	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	100.68
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	26	4,497	1,672	91	1,575	1,837	988	130.68
2005-2006F	1,955	1,418	2.63	3,731	15	4,734	1,700	170	1,794	2,134	900	120-140
Rye												
2003-2004	246	147	2.22	327	0	352	172	47	47	112	68	104.44
2004-2005P	284	165	2.53	418	1	487	122	48	155	220	145	70-80
2005-2006F	218	159	2.39	380	1	526	150	48	161	226	150	70-90
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384		
2004-2005P	220	111	2.87	318	0	318	0	0	318	318		
2005-2006F	219	120	2.62	314	0	314	0	0	314	314		
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,613	4,520	2,899	19,482	22,993	4,101	
2004-2005P	8,362	6,713	3.94	26,441	2,509	33,051	3,806	3,003	19,912	23,522	5,722	
2005-2006F	8,031	6,684	3.75	25,080	2,846	33,648	4,500	3,278	20,728	24,598	4,550	
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	108	8,444	3,412	3,031	327	3,403	1,629	309.15
2005-2006F	5,485	5,214	1.60	8,325	150	10,104	3,800	3,200	559	3,804	2,500	270-310
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	39	648	468	n/a	n/a	151	30	n/a
2005-2006F	844	809	1.29	1,044	20	1,094	700	n/a	n/a	244	150	310-350
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	220-260
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	596	12,731	4,880	n/a	n/a	5,747	2,104	
2005-2006F	7,506	7,181	1.72	12,332	420	14,855	5,500	n/a	n/a	6,355	3,000	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,719	25,523	n/a	n/a	36,174	11,022	
2004-2005P	26,038	23,219	2.74	63,595	3,119	77,736	23,491	n/a	n/a	38,427	15,818	
2005-2006F	25,559	23,627	2.63	62,128	3,277	81,223	26,800	n/a	n/a	39,373	15,050	

(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 – September 20, 2005

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