



## CANADA: GRAINS AND OILSEEDS OUTLOOK

December 9, 2005

For 2005-06, Canadian grain and oilseed (G&O) production is estimated by Statistics Canada to increase to 66.7 million tonnes (Mt), versus 63.6 Mt in 2004-05 and the 10-year average of 59.2 Mt. Production in western Canada increased by 5% from 2004-05, to 50.8 Mt, as a result of higher yields and a larger harvested area. The quality of the wheat and barley crops has been reduced by the wet harvest conditions, with a below-normal proportion in the top grades. Oilseed quality, however, is good. In eastern Canada, production increased by 3% to 15.9 Mt, due to increased harvested area and above-average yields. For 2005-06, the total supply of grains and oilseeds in Canada has risen to a record 85.3 Mt, from 77.7 Mt in 2004-05, because of higher production and significantly larger carry-in stocks. Exports are forecast to increase by 16% to 27.6 Mt due to increased supply and improved quality. Total domestic usage is also forecast to increase but carry-out stocks are forecast to rise by 10% to a historically high 17.9 Mt. World wheat prices are forecast to increase slightly from 2004-05, while soybean and corn prices are expected to decline. Prices in Canada will continue to be pressured by the strong Canadian dollar. The major factors to watch are: import demand from China, EU export subsidies, ocean freight rates, the Canadian trade investigations into imports of US corn, and the Canada/US exchange rate.

### WHEAT (ex-durum)

For 2005-06, production is unchanged from the previous year, remaining about 5% above the 10-year average. Despite a decline in area, yield reached a record 2.77 t/ha (41 bu/ac), 18% above the 10-year average. Total supply is up by 5%, due to larger carry-in stocks. The percent of the crop falling into the top grades is estimated to be lower than normal, although better than in 2004-05, and the carry-in stocks are also estimated to be mainly of lower grades. As a result of increased supplies of milling quality wheat, exports are forecast to rise by 14%. Much of the lower quality wheat is expected to be absorbed by the domestic feed industry. Carry-out stocks are forecast to decline marginally. The Canadian Wheat Board (CWB) November Pool Return Outlook (PRO) rose for the 4<sup>th</sup> consecutive month and is now above 2004-05 for most grades and classes. Protein premiums are forecast to decline slightly from last year, but remain above the previous 3 years.

### DURUM

Production increased by 19%, to a near-record 5.9 Mt, as a result of a record yield of 2.58 t/ha (38 bu/ac), 27% above the 10-year average. Total supply is up by 25% at a record 8.4 Mt. Exports are expected to increase by 15% due to dryness in North Africa and southern Europe, as well as reduced area in the EU resulting from policy changes. However, further growth in durum export potential is limited at this time. Carry-out stocks are projected to rise by almost 40% to a record 3.5 Mt, about three-quarters of a normal crop over the past decade. Farm-held stocks are forecast to double, to a record 2.0 Mt. The CWB accepted only 50% of the durum offered in Delivery Series A, and it is unlikely that all durum offered in the B and C Series will be accepted. The CWB 2005-06 November PRO is well below 2004-05 for all grades, due to the larger supplies in both the US and Canada. For the first time since 1990-91, pool returns for durum are expected to be below those for similar quality CWRS wheat.

### BARLEY

Production decreased by 5% from 2004-05, as a result of lower area and yields. Total supply, however, is up by 4% due to high carry-in stocks resulted from the large production of low-quality barley in 2004-05. The quality of the 2005-06 crop is estimated to be below normal. Exports are forecast to rise by 29% due to higher feed barley exports. Carry-out stocks are expected to drop significantly. The off-Board feed barley price is forecast to decline marginally. Malting barley prices will be pressured by higher world production, with the CWB PRO for Special Select 2-Row down by \$7/t from 2004-05 to \$172/t.

### OATS

Production decreased by 7% due to lower yields. Total supply is down marginally, as lower production more than offsets higher carry-in stocks. Exports are forecast to decrease slightly because of lower US import demand. Carry-out stocks are expected to decrease. Feed oat prices are forecast to be \$5/t higher than in 2004-05.

### CORN

Production increased by 7% because of higher yields and harvested area. Since carry-in stocks are significantly higher than for 2004-05, domestic supply is up by 13%. Corn imports, mainly from the US into eastern Canada, are expected to decrease by 26%. Industrial Use is forecast to rise, as a result of increased ethanol production. Canadian prices are expected to be similar to 2004-05, as stronger domestic demand offsets lower US corn prices and the strong Canadian dollar.

### CANOLA

Production increased by 25% to a record 9.7 Mt, due to higher area and significantly higher yields which resulted from ideal growing conditions across the western prairies. Total supply is expected to increase by 35% because of sharply higher carry-in stocks. Crop quality and oil content is

significantly above normal. Domestic crush is expected to increase by 9% due to lower canola prices. Exports are forecast to rise by 32% because of decreased competition from the EU-25. Carry-out stocks are forecast to increase sharply, to a record 3.0 Mt. The average price is forecast to fall, under pressure from burdensome carry-out stocks in Canada and from low soyoil prices in the US.

### FLAXSEED (excluding solin)

Production more than doubled to 1.1 Mt, reaching the highest level since 1998-99, due to significantly higher seeded area and sharply higher yields. Total supply is expected to rise by 75%. Exports are forecast to increase sharply on support from high domestic supplies, steady EU demand and higher crude oil prices. Carry-out stocks are expected to rise sharply, but are not be burdensome. The average price is expected to decline.

### SOYBEANS

Production increased by 4% to a record 3.2 Mt due to higher yields. Domestic supply is estimated to increase by 6% and imports are forecast to decrease. Domestic use is expected to rise to near record levels. Exports are forecast to increase to a record high because of strong exports of edible soybeans. The average Chatham price is forecast to fall, as a result of weaker world soybean prices and the strong Canadian dollar.

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# CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

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Grain and Crop Year	Area		Yield	Production	Imports	Total	Exports	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out	Average Price (f)
(a)	Seeded	Harvested	t/ha		(b)	Supply	(c)				Stocks	\$/t
	-----000 ha-----						thousand metric tonnes					
<b>Durum</b>												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	219	683	1,789	224.21
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	257	533	1,013	2,521	201.10
2005-2006f	2,341	2,297	2.58	5,915	1	8,436	3,700	260	778	1,236	3,500	183 *
<b>Wheat Except Durum</b>												
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
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,791	4,574	8,138	5,471	189.99
2005-2006f	7,784	7,530	2.77	20,860	15	26,347	13,200	2,800	4,070	7,747	5,400	194 *
<b>All Wheat</b>												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005	10,339	9,862	2.62	25,860	14	31,955	14,812	3,048	5,107	9,151	7,992	
2005-2006f	10,125	9,826	2.72	26,775	16	34,783	16,900	3,060	4,848	8,983	8,900	
<b>Barley</b>												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,456	287	8,579	9,280	2,102	135.80
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	263	9,362	10,019	3,489	112.15
2005-2006f	4,440	3,889	3.21	12,481	30	16,000	2,400	360	9,850	10,600	3,000	100-120
<b>Corn</b>												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	353	2,415	8,882	11,310	1,143	137.18
2004-2005	1,185	1,072	8.24	8,837	2,422	12,401	242	2,395	7,951	10,358	1,802	100.68
2005-2006f	1,124	1,096	8.63	9,461	1,800	13,062	200	2,450	8,897	11,362	1,500	90-110
<b>Oats</b>												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	110	1,568	1,834	988	130.68
2005-2006f	1,853	1,326	2.59	3,432	15	4,435	1,600	140	1,575	1,885	950	125-145
<b>Rye</b>												
2003-2004	246	147	2.22	327	0	352	172	47	47	112	68	104.44
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	70-80
2005-2006f	223	148	2.42	359	1	505	150	48	170	235	120	65-85
<b>Mixed Grains</b>												
2003-2004	241	135	2.84	384	0	384	0	0	384	384		
2004-2005	220	111	2.87	318	0	318	0	0	318	318		
2005-2006f	209	109	2.78	303	0	303	0	0	303	303		
<b>Total Coarse Grains</b>												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,613	4,538	2,889	19,474	22,975	4,101	
2004-2005	8,362	6,713	3.94	26,442	2,531	33,074	3,901	2,817	19,354	22,749	6,424	
2005-2006f	7,850	6,568	3.96	26,036	1,846	34,306	4,350	2,998	20,796	24,386	5,570	
<b>Canola</b>												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390	113	3,545	609	387.04
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	328	3,403	1,629	309.15
2005-2006f	5,491	5,253	1.84	9,660	150	11,440	4,500	3,300	595	3,940	3,000	245-285
<b>Flaxseed</b>												
2003-2004	745	728	1.04	754	20	903	609	n/a	n/a	202	93	382.13
2004-2005	728	528	0.98	517	38	648	468	n/a	n/a	150	30	n/a
2005-2006f	842	803	1.35	1,082	20	1,132	700	n/a	n/a	232	200	275-315
<b>Soybeans</b>												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 <sup>1/</sup>	319	1,947	140	395.04
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610 <sup>1/</sup>	457	2,190	270	248
2005-2006f	1,176	1,169	2.70	3,161	250	3,681	1,150	1,750 <sup>1/</sup>	421	2,281	250	205-245
<b>Total Oilseeds</b>												
2003-2004	6,531	6,464	1.52	9,794	850	11,811	5,277	n/a	n/a	5,693	841	
2004-2005	7,277	6,643	1.70	11,293	539	12,673	5,002	n/a	n/a	5,743	1,929	
2005-2006f	7,510	7,225	1.92	13,904	420	16,253	6,350	n/a	n/a	6,453	3,450	
<b>Total Grains And Oilseeds</b>												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,719	25,541	n/a	n/a	36,156	11,022	
2004-2005	26,038	23,219	2.74	63,596	3,084	77,702	23,715	n/a	n/a	37,643	16,345	
2005-2006f	25,484	23,620	2.82	66,715	2,282	85,341	27,600	n/a	n/a	39,821	17,920	

(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) - November 26, 2005

<sup>1/</sup> Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

F: forecast - Agriculture and Agri-Food Canada - December 9, 2005

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