



CANADA: GRAINS AND OILSEEDS OUTLOOK

May 30, 2006

Statistics Canada's (STC) survey of seeding intentions for 2006 indicated a significant increase, from 2005, in summerfallow, reflecting farmer uncertainty about seeding decisions at the time the survey was taken at the end of March. However, due to good moisture conditions and rising prices for spring wheat and canola over the past two months, Agriculture and Agri-Food Canada (AAFC) has increased the area forecast to be seeded to spring wheat, durum and canola from the STC intentions report. Also, AAFC has decreased the projected area seeded to corn from the STC report due to the removal of the anti-dumping/countervail duties on imports of corn from the US. It is assumed that precipitation will be normal for the growing and harvest periods, and that the abandonment rate and quality will be normal. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are good in most areas, although there are dry areas in northern Alberta and areas of excessive moisture in Manitoba and Saskatchewan.

The total production of grains and oilseeds in Canada is forecast by AAFC to decline by 6% from 2005-06, to 63 million tonnes (Mt), versus the 10-year average of about 60 Mt. Production is forecast to decline by 6%, to 47.9 Mt, in western Canada and by 5%, to 15.2 Mt, in eastern Canada. Total exports and total domestic use are expected to increase significantly and be 18% and 11% above the 10-year average, respectively. In general, wheat prices are expected to increase from 2005-06, while durum prices are expected to decrease. Prices for canola, feed barley and corn are expected to strengthen, but prices for soybeans and oats are forecast to decline. Prices will continue to be pressured by the strong Canadian dollar. The market outlook is very tentative due to the high degree of uncertainty regarding global supply and demand conditions. The major factors to watch are: weather and growing conditions in the major producing countries, import demand from China and India, EU export subsidies, increased demand for biofuel, ocean freight rates and the Canada/US exchange rate.

DURUM

For 2006-07, production is forecast to decline by 32% due to lower area seeded and yields. This is partly offset by higher carry-in stocks, much of which is lower quality durum. Supply is forecast to fall by 15% to 7.2 Mt, but remain about 10% above the 10-year average. Exports are expected to decrease by 11%, due to increased production in North Africa, the major importing region. Carry-out stocks are forecast to fall by 22%, but remain about 30% above the 10-year average. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) is below 2005-06 for most grades due to lower demand and the strong Canadian dollar. The discount of No.1 CWAD 11.5 durum to No.1 CWRS 11.5 wheat is projected at \$18/t, the largest on record.

WHEAT (ex-durum)

Production is forecast to rise by 8%, with the larger area only partly offset by lower expected yields. Supply is also expected to increase due to higher carry-in stocks. Exports are forecast to increase by 25% due to record production of 2.3 Mt in Ontario and increased supply of high quality wheat in western Canada. Wheat feeding is expected to decline, due to reduced supplies of feed wheat. Carry-out stocks are expected to decline by 10%, to a level close to the 10-year average. The CWB PRO for most grades/classes is up from 2005-06 due to higher world prices, which more than offset the strong Canadian dollar. However, the premiums for high protein No.1 CWRS are forecast to decrease due to the expected better quality of the 2006 Canadian crop.

BARLEY

Production is forecast to decrease by 10% due to lower area and yields. Supply is expected to decline by 11% because of lower carry-in stocks. Exports are forecast to decrease by 15%, as lower feed barley exports are only partially offset by higher exports of malting barley. Despite lower

exports and domestic feed use, carry-out stocks are expected to fall significantly as a result of lower supply. The average off-Board feed barley price (No.1 CW, in-store Lethbridge) is forecast to increase by \$20/t from 2005-06 to \$130/t. The CWB PRO for No. 1 CW feed barley for Pool A in 2006-07 is \$113/t, vs. \$117/t for Pool B in 2005-06. The CWB PRO for SS2R malting barley is \$161/t, down by \$9/t from 2005-06, pressured mainly by strong export competition from Australia.

CORN

Production is forecast to fall by 10% as a result of lower seeded area and yields. Imports are forecast to increase significantly, as a result of lower domestic supply and strong demand for ethanol production and animal feed. Carry-out stocks are forecast to drop by 22%. The average price at Chatham elevator is forecast to increase by \$20/t to \$120/t largely due to higher US corn prices.

OATS

Production is forecast to rise by 20% due to larger area and a return to normal abandonment rates. Supply is expected to increase as higher production more than offset lower carry-in stocks. Exports are forecast to rise marginally from 2005-06, as a result of strong US import demand. Feed use is expected to rise significantly, but carry-out stocks are projected to rise by about 20%. CBoT oat nearby futures prices are forecast to decrease by \$15/t from 2005-06 to \$125/t, narrowing the US price premium for oats over corn.

CANOLA

Production is forecast to decrease by 19% to 7.8 Mt because of lower area and yields. Supply is also expected to decrease significantly, but remain historically high, due to burdensome carry-in stocks. Exports and domestic crush are forecast to equal the record anticipated for 2005-06. Domestic crush is not expected to increase from 2005-06 due to constrained crush

capacity. Carry-out stocks are forecast to decrease significantly. Prices are expected to rise from the low of 2005-06, but will be pressured by lower US soyoil prices.

FLAXSEED (excluding solin)

Production is expected to rise marginally as higher area seeded more-than offsets the drop in yields. Supply is expected to rise sharply because of burdensome carry-in stocks resulting from high production in 2005-06 and low EU imports. Although exports and total domestic use are forecast to rise, carry-out stocks are expected to increase to 0.625 Mt, vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Production is forecast to decline by 2%, as lower yields more than offset the rise in area seeded. Supply is forecast to increase as a slight decline in domestic supply is more-than offset by higher imports. Exports are forecast to increase to a record high, while domestic crush increases slightly from 2005-06. Although carry-out stocks are forecast to decrease by 17%, prices are expected to continue to be pressured by low US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

May 30, 2006

| Grain and Crop Year (a) | Area Seeded thousand ha | Area Harvested thousand ha | Yield t/ha | Production | Imports (b) | Total Supply thousand metric tonnes | Exports (c) | Food & Industrial Use (e) | Feed, Waste & Dockage | Total Domestic Use (d) | Carry-out Stocks | Average Price (f) \$/t |
|----------------------------------|-------------------------------|----------------------------------|---------------|------------|-------------|---|-------------|---------------------------------|-----------------------------|------------------------------|---------------------|------------------------------|
| Durum | | | | | | | | | | | | |
| 2004-2005 | 2 230 | 2 141 | 2,32 | 4 962 | 1 | 6 752 | 3 218 | 254 | 536 | 1 013 | 2 521 | 201 |
| 2005-2006F | 2 341 | 2 297 | 2,58 | 5 915 | 1 | 8 436 | 4 100 | 255 | 701 | 1 136 | 3 200 | 179* |
| 2006-2007F | 1 840 | 1 800 | 2,22 | 4 000 | 1 | 7 201 | 3 700 | 260 | 541 | 1 001 | 2 500 | 174* |
| Wheat Except Durum | | | | | | | | | | | | |
| 2004-2005 | 8 169 | 7 722 | 2,71 | 20 898 | 13 | 25 203 | 11 593 | 2 845 | 4 521 | 8 138 | 5 471 | 190 |
| 2005-2006F | 7 753 | 7 530 | 2,77 | 20 860 | 15 | 26 347 | 12 000 | 2 870 | 4 380 | 8 147 | 6 200 | 186* |
| 2006-2007F | 8 950 | 8 700 | 2,59 | 22 500 | 10 | 28 710 | 15 000 | 3 150 | 4 100 | 8 110 | 5 600 | 192* |
| All Wheat | | | | | | | | | | | | |
| 2004-2005 | 10 399 | 9 862 | 2,62 | 25 860 | 14 | 31 955 | 14 812 | 3 099 | 5 056 | 9 151 | 7 992 | |
| 2005-2006F | 10 094 | 9 826 | 2,72 | 26 775 | 16 | 34 783 | 16 100 | 3 125 | 5 081 | 9 283 | 9 400 | |
| 2006-2007F | 10 790 | 10 500 | 2,52 | 26 500 | 11 | 35 911 | 18 700 | 3 410 | 4 641 | 9 111 | 8 100 | |
| Barley | | | | | | | | | | | | |
| 2004-2005 | 4 678 | 4 050 | 3,26 | 13 186 | 83 | 15 371 | 1 863 | 268 | 9 358 | 10 019 | 3 489 | 112 |
| 2005-2006F | 4 440 | 3 889 | 3,21 | 12 481 | 40 | 16 010 | 2 700 | 260 | 9 645 | 10 310 | 3 000 | 100-120 |
| 2006-2007F | 4 204 | 3 675 | 3,07 | 11 295 | 30 | 14 325 | 2 300 | 270 | 9 350 | 10 025 | 2 000 | 120-140 |
| Corn | | | | | | | | | | | | |
| 2004-2005 | 1 185 | 1 072 | 8,24 | 8 837 | 2 422 | 12 401 | 242 | 2 395 | 7 951 | 10 358 | 1 802 | 100 |
| 2005-2006F | 1 124 | 1 096 | 8,63 | 9 461 | 1 600 | 12 862 | 250 | 2 500 | 8 297 | 10 812 | 1 800 | 90-110 |
| 2006-2007F | 1 100 | 1 065 | 7,97 | 8 485 | 3 300 | 13 585 | 200 | 3 300 | 8 670 | 11 985 | 1 400 | 110-130 |
| Oats | | | | | | | | | | | | |
| 2004-2005 | 1 995 | 1 315 | 2,80 | 3 683 | 26 | 4 497 | 1 675 | 118 | 1 560 | 1 834 | 988 | 131 |
| 2005-2006F | 1 853 | 1 326 | 2,59 | 3 432 | 15 | 4 435 | 1 700 | 140 | 1 525 | 1 835 | 900 | 130-150 |
| 2006-2007F | 2 181 | 1 600 | 2,58 | 4 130 | 15 | 5 045 | 1 750 | 140 | 1 880 | 2 195 | 1 100 | 115-135 |
| Rye | | | | | | | | | | | | |
| 2004-2005 | 284 | 165 | 2,53 | 418 | 1 | 487 | 122 | 48 | 155 | 220 | 145 | 69 |
| 2005-2006F | 226 | 148 | 2,42 | 359 | 1 | 505 | 120 | 48 | 160 | 225 | 160 | 65-85 |
| 2006-2007F | 207 | 135 | 2,30 | 310 | 1 | 471 | 110 | 48 | 156 | 221 | 140 | 80-100 |
| Mixed Grains | | | | | | | | | | | | |
| 2004-2005 | 220 | 111 | 2,87 | 318 | 0 | 318 | 0 | 0 | 318 | 318 | 0 | |
| 2005-2006F | 209 | 109 | 2,78 | 303 | 0 | 303 | 0 | 0 | 303 | 303 | 0 | |
| 2006-2007F | 175 | 105 | 2,86 | 300 | 0 | 300 | 0 | 0 | 300 | 300 | 0 | |
| Total Coarse Grains | | | | | | | | | | | | |
| 2004-2005 | 8 362 | 6 713 | 3,94 | 26 442 | 2 531 | 33 074 | 3 902 | 2 828 | 19 342 | 22 749 | 6 424 | |
| 2005-2006F | 7 852 | 6 568 | 3,96 | 26 036 | 1 656 | 34 116 | 4 770 | 2 948 | 19 931 | 23 486 | 5 860 | |
| 2006-2007F | 7 867 | 6 580 | 3,73 | 24 520 | 3 346 | 33 726 | 4 360 | 3 758 | 20 356 | 24 726 | 4 640 | |
| Canola | | | | | | | | | | | | |
| 2004-2005 | 5 319 | 4 938 | 1,57 | 7 728 | 108 | 8 444 | 3 412 | 3 031 | 328 | 3 403 | 1 629 | 309 |
| 2005-2006F | 5 491 | 5 253 | 1,84 | 9 660 | 125 | 11 415 | 5 000 | 3 400 | 470 | 3 915 | 2 500 | 260-290 |
| 2006-2007F | 5 010 | 4 841 | 1,61 | 7 800 | 150 | 10 450 | 5 000 | 3 400 | 505 | 3 950 | 1 500 | 270-310 |
| Flaxseed | | | | | | | | | | | | |
| 2004-2005 | 728 | 528 | 0,98 | 517 | 39 | 648 | 468 | n/a | n/a | 151 | 30 | n/a |
| 2005-2006F | 842 | 803 | 1,35 | 1 082 | 40 | 1 152 | 475 | n/a | n/a | 227 | 450 | 265-285 |
| 2006-2007F | 909 | 883 | 1,25 | 1 100 | 20 | 1 570 | 700 | n/a | n/a | 245 | 625 | 225-265 |
| Soybeans | | | | | | | | | | | | |
| 2004-2005 | 1 229 | 1 178 | 2,59 | 3 048 | 393 | 3 581 | 1 122 | 1 610 | 457 | 2 190 | 270 | 248 |
| 2005-2006F | 1 176 | 1 169 | 2,70 | 3 161 | 300 | 3 731 | 1 250 | 1 600 | 461 | 2 181 | 300 | 210-230 |
| 2006-2007F | 1 271 | 1 244 | 2,50 | 3 110 | 350 | 3 760 | 1 350 | 1 650 | 410 | 2 160 | 250 | 195-235 |
| Total Oilseeds | | | | | | | | | | | | |
| 2004-2005 | 7 277 | 6 643 | 1,70 | 11 293 | 540 | 12 674 | 5 002 | 4 641 | 927 | 5 743 | 1 929 | |
| 2005-2006F | 7 510 | 7 225 | 1,92 | 13 904 | 465 | 16 298 | 6 725 | 5 000 | 931 | 6 323 | 3 250 | |
| 2006-2007F | 7 189 | 6 968 | 1,72 | 12 010 | 520 | 15 780 | 7 050 | 5 050 | 915 | 6 355 | 2 375 | |
| Total Grains And Oilseeds | | | | | | | | | | | | |
| 2004-2005 | 26 038 | 23 219 | 2,74 | 63 596 | 3 085 | 77 703 | 23 715 | 10 568 | 25 325 | 37 643 | 16 345 | |
| 2005-2006F | 25 456 | 23 620 | 2,82 | 66 715 | 2 137 | 85 196 | 27 595 | 11 073 | 25 942 | 39 091 | 18 510 | |
| 2006-2007F | 25 846 | 24 048 | 2,62 | 63 030 | 3 877 | 85 417 | 30 110 | 12 218 | 25 912 | 40 192 | 15 115 | |

(a) Crop year is August-July 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) Soybean food and industrial use is based on data from the Canadian Oilseed Processors Association. Totals 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).

* Canadian Wheat Board Pool Return Outlook – May 25, 2006

F: Forecast; Agriculture and Agri-Food Canada ---- May 30, 2006

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