



CANADA: GRAINS AND OILSEEDS OUTLOOK

September 20, 2006

For 2006-07, the production of grains and oilseeds in Canada is estimated to decrease to 61.7 million tonnes (Mt), from 66.7 Mt in 2005-06, vs. the 10-year average of 60 Mt, based on Statistics Canada's (STC) "*July 31 Estimate of Production of Principal Field Crops*". On average, yields are estimated to be about 9% below 2005-06. Harvest in western Canada is almost complete, ahead of 2005-06 and ahead of normal. Quality of all crops is expected to be above average, with a better than normal grade distribution. In western Canada, production is estimated to decrease by 10% from 2005-06, to 45.6 Mt as lower yields more-than offset higher harvested area. In eastern Canada, production is estimated to rise by 1% to 16.1 Mt due to higher yields.

This report incorporates STC's carry-out stock estimates for 2005-06 and final export data for 2005-06, except for corn and soybeans. Total domestic supply of grains and oilseeds in Canada for 2006-07 is forecast to decrease by 2% from 2005-06, as lower production more than offsets the higher carry-in stocks. Exports and total domestic use are forecast to increase. Carry-out stocks are expected to decrease by 23% to near-normal levels. Prices in Canada for all crops will continue to be pressured by the strong Canadian dollar but are expected to be higher than in 2005-06, except for flaxseed and soybeans. The major factors to watch are: US and Canadian corn and soybean crop development and harvest conditions, the biofuel market, ocean freight rates and exchange rates.

DURUM WHEAT

For 2006-07, supply decreased by 20%, but remains above the 10-year average of 6.5 Mt. The record 3.3 Mt carry-in stocks have been more than offset by a 42% drop in production. Exports are forecast to decrease by over 10% due to lower demand from North Africa and the EU. Carry-out stocks are forecast to fall by 38%, but remain slightly above the 10-year average. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) for durum is increasing due to the lower production estimates for North America, and is now 4% higher than 2005-06. However, the projected discount of No.1 CWAD 11.5 to No.1 CWRs 11.5 is a record \$12/t.

WHEAT (excluding durum)

Supply increased by 10% to the highest level since 1996-97, due to a 19% increase in carry-in stocks and an 8% increase in production. Exports are forecast to increase by over 30%, due to larger supplies of good quality wheat in western Canada, record Ontario production of 2.7 Mt and reduced competition from other exporters. Domestic consumption is forecast to decline slightly, with increased industrial use for ethanol production more than offset by lower feed use because of the much-improved quality of the CWRs wheat crop. Carry-out stocks are forecast to decline by 11% but remain above the 10-year average of 5.5 Mt. The CWB PRO is well above 2005-06 for all classes and grades of wheat.

BARLEY

Supply decreased by 15% due to an 18% decrease in production related to lower area and yields. Exports are forecast to decrease by 28%, 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 forecast to fall significantly. The average off-Board feed barley price (No.1 CW, in-store Lethbridge) is forecast to increase by \$10/t from 2005-06. The CWB PRO for No. 1 CW feed barley for Pool A in 2006-07 is \$129/t, vs. \$127/t for Pool B in 2005-06. The CWB PRO for SS2R malting barley is \$179/t vs. \$171/t for 2005-06, due to lower expected exportable supply in Australia and strong US import demand.

CORN

Domestic supply is forecast to decrease by 3%, as lower production more than offsets higher carry-in stocks. As a result, imports are forecast to rise significantly from 2005-06 due to strong demand for ethanol and animal feed. Carry-out stocks are forecast to drop by 25%. The average price at Chatham elevator is forecast to rise by 15% due to higher US corn prices.

OATS

Supply increased by 5% as the 10% increase in production was partly offset by lower carry-in stocks. Exports are forecast to rise by 2% from 2005-06, as a result of strong US import demand and less competition from the EU. Feed use is expected to rise slightly. Carry-out stocks are projected to increase. The average Chicago Board of Trade nearby futures price for oats is forecast to remain similar to 2005-06, narrowing the US price premium for oats over corn.

CANOLA

Supply decreased by 11% as the 17% decrease in production was partly offset by burdensome carry-in stocks. Supply remains historically high. Exports are forecast to fall slightly from the 2005-06 record of 5.4 Mt. Domestic crush is forecast to increase slightly, following the expansion of some processing

plants, with many of the recently announced plants not expected to begin operations until 2007-08. Carry-out stocks are forecast to fall sharply, but will remain significantly above the 10 year average. Prices are expected to rise from the low of 2005-06, but remain under pressure from low US soybean prices.

FLAXSEED (excluding solin)

Supply increased sharply as the 10% decrease in production was more than offset by burdensome carry-in stocks. Higher exports are expected to be offset by lower domestic use. Carry-out stocks are expected to increase to a burdensome 0.53 Mt vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Supply is forecast to increase as higher production and carry-in stocks more than offset the expected decrease in imports. Exports are forecast to increase to a record high on the strength of market development efforts for edible soybeans. Domestic crush is expected to increase slightly. Prices are expected to decline under pressure from higher carry-out stocks and lower US soybean prices.

FURTHER INFORMATION:

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

September 20, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	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) \$/t
-----thousand metric tonnes-----												
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	254	570	1,047	2,487	201
2005-2006	2,341	2,297	2.58	5,915	1	8,402	4,268	252	452	868	3,266	181*
2006-2007F	1,724	1,706	2.00	3,418	1	6,685	3,800	255	440	885	2,000	189**
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,845	4,525	8,175	5,435	190
2005-2006	7,753	7,530	2.77	20,860	23	26,318	11,486	2,797	4,654	8,355	6,477	183*
2006-2007F	8,953	8,825	2.55	22,507	19	29,003	15,000	3,100	4,260	8,203	5,800	201**
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,099	5,095	9,221	7,922	
2005-2006	10,094	9,826	2.72	26,775	23	34,720	15,754	3,049	5,106	9,223	9,743	
2006-2007F	10,677	10,531	2.46	25,925	20	35,688	18,800	3,355	4,700	9,088	7,800	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	268	9,417	10,073	3,435	112
2005-2006	4,440	3,889	3.21	12,481	46	15,962	2,978	155	9,181	9,695	3,289	110
2006-2007F	3,868	3,435	2.99	10,287	40	13,616	2,150	260	8,991	9,666	1,800	110-130
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,419	12,399	229	2,395	7,961	10,368	1,802	100
2005-2006P	1,124	1,096	8.63	9,461	1,800	13,062	275	2,600	8,172	10,787	2,000	96
2006-2007F	1,132	1,110	8.07	8,960	2,500	13,460	200	3,300	8,445	11,760	1,500	100-120
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	118	1,574	1,848	974	131
2005-2006	1,853	1,326	2.59	3,432	20	4,426	1,857	80	1,435	1,698	872	144
2006-2007F	2,002	1,521	2.48	3,776	15	4,663	1,900	100	1,492	1,763	1,000	135-155
Rye												
2004-2005	284	165	2.53	418	1	462	122	48	145	210	130	68
2005-2006	226	148	2.42	359	1	490	123	48	132	197	170	81
2006-2007F	149	138	2.29	316	1	487	110	48	172	237	140	80-100
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	232	113	2.80	316	0	316	0	0	316	316	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,528	33,046	3,889	2,828	19,415	22,817	6,341	
2005-2006P	7,852	6,568	3.96	26,036	1,867	34,243	5,233	2,883	19,223	22,680	6,330	
2006-2007F	7,383	6,317	3.74	23,655	2,556	32,541	4,360	3,708	19,415	23,741	4,440	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	375	3,446	1,587	309
2005-2006	5,491	5,283	1.83	9,660	140	11,386	5,409	3,423	494	3,958	2,019	278
2006-2007F	5,323	5,239	1.52	7,977	150	10,146	5,000	3,450	401	3,896	1,250	285-315
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	157	24	n/a
2005-2006	842	803	1.35	1,082	38	1,144	525	n/a	n/a	285	334	276
2006-2007F	838	833	1.17	978	20	1,332	550	n/a	n/a	257	525	245-285
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006P	1,176	1,169	2.70	3,161	350	3,781	1,250	1,458	461	2,039	492	220
2006-2007F	1,213	1,211	2.61	3,163	250	3,906	1,350	1,550	356	2,006	550	185-225
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	n/a	n/a	5,792	1,880	
2005-2006P	7,510	7,255	1.92	13,904	527	16,311	7,183	n/a	n/a	6,282	2,846	
2006-2007F	7,373	7,283	1.66	12,118	420	15,384	6,900	n/a	n/a	6,159	2,325	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,082	77,675	23,702	n/a	n/a	37,831	16,143	
2005-2006P	25,456	23,650	2.82	66,715	2,417	85,275	28,170	n/a	n/a	38,185	18,919	
2006-2007F	25,433	24,131	2.56	61,698	2,996	83,614	30,060	n/a	n/a	38,988	14,565	

(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.1 CW, I/S Saskatoon); 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 – July 27, 2006

** Canadian Wheat Board Pool Return Outlook – August 24, 2006

P: Preliminary estimates

F: Forecast: Agriculture and Agri-Food Canada ----- September 20, 2006

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