



## CANADA: GRAINS AND OILSEEDS OUTLOOK

October 12, 2006

For 2006-07, the production of grains and oilseeds in Canada is estimated to decrease by 7% from 2005-06 to 62.3 million tonnes (Mt), slightly above the 10-year average of 60 Mt, based on Statistics Canada's (STC) "*September Estimate of Production of Principal Field Crops*". Yields are generally estimated to be near trend levels, although below 2005-06. Harvest in western Canada is nearly complete, well ahead of normal. All crops are expected to have a better than normal grade distribution. In western Canada, production has decreased by 9%, to 46.3 Mt due to lower yields. In eastern Canada, production is marginally above last year at 16.0 Mt.

Total supply of grains and oilseeds in Canada for 2006-07 is forecast to decrease by 1% from 2005-06, as the lower production more than offsets higher carry-in stocks. Exports are forecast to increase by 9%, mainly because of higher wheat exports. Total domestic use is expected to rise, partly due to increased use of corn and wheat for ethanol production. Carry-out stocks are expected to fall by 25%, with declines expected for all crops except for oats, flaxseed and soybeans. Canadian prices in 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: southern hemisphere crop development, the biofuel market, ocean freight rates and exchange rates.

### DURUM WHEAT

For 2006-07, production has fallen by 40% from 2005-06, to 3.5 Mt, the lowest since 2001-02, as a result of lower seeded area and yields. The lower production is partly offset by the record 3.3 Mt carry-in stocks. Supply is down by 19%, but it remains above the 10-year average of 6.5 Mt. Exports are forecast to decrease by 9% due to lower demand from North Africa and the EU, which will be only partly offset by increased exports to the US. Carry-out stocks are forecast to fall by 39% to the 10-year average of 2.0 Mt. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) for durum was raised on Sept. 28 due to tighter North American supply estimates. No.1 CWAD 11.5% returns are now expected to be \$16/t higher than for 2005-06, and close to those for No.1 CWRS 11.5%.

### WHEAT (excluding durum)

Production has risen by 9% to 22.8 Mt, due to increased area. Supply is up by 11% to 29.2 Mt, 4 Mt above the 10-year average. The increased production is mainly due to the record 2.7 Mt Ontario crop, with western production up by 5%. Over 90% of the CWRS crop grades No.2 or better, with protein content higher than the previous 2 years. Exports are forecast to increase by 35%, due to improved CWRS quality, record Ontario production and reduced export competition. Domestic use is forecast to rise slightly, with increased industrial use for ethanol production partly offset by lower feed use. Carry-out stocks are forecast to fall below the 10-year average of 5.5 Mt. The CWB PRO is above 2005-06 for all classes and grades, although it was lowered for high protein CWRS wheat and raised for lower quality wheat on Sept. 28. The larger than expected production and above-average quality of the North American spring wheat crop has pressured quality/protein premiums.

### BARLEY

Production has fallen by 20%, due to lower area and yields, with supply down by 16%. Exports are forecast to fall by 28%, with higher malting barley exports only partly offsetting lower exports of feed barley. Despite lower exports and domestic use, ending stocks are forecast to fall sharply. The average off-Board feed barley price is projected to rise by \$20/t. The CWB PRO for No. 1 CW feed barley for Pool A is \$142/t, vs. \$131/t for 2005-06 Pool B. The PRO for SS2R malting barley is \$189/t vs. \$171/t for 2005-06, due to lower exportable supplies from major competitors and strong import demand from the US.

### CORN

Production has fallen by 7%, due to lower yields. Domestic supply has decreased by 4%, as larger carry-in stocks partially offset the lower production. Imports are forecast to rise sharply, due to strong demand for ethanol production and animal feed. Carry-out stocks are forecast to drop by 30%. The average Chatham price is forecast to rise by 15% due to higher US prices and lower domestic supplies.

### OATS

Production has risen by 10%, mainly due to a larger area. Supply has increased by 5%, as lower carry-in stocks partly offset the higher production. Exports are forecast to rise slightly, as a result of stronger US import demand and less competition from the EU. Feed use and carry-out stocks are expected to rise. The average Chicago Board of Trade nearby futures price is forecast to increase slightly. The price premium of oats over corn is expected to be lower than in 2005-06.

### CANOLA

Production has decreased by 12%, largely because of lower yields. This is partly offset by burdensome carry-in stocks and as a result supply will remain historically high. Exports are forecast to fall marginally from the 2005-06 record to 5.2 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 level of 2005-06, but remain under pressure from low US soybean prices.

### FLAXSEED (excluding solin)

Production has fallen by 11% as lower yields more than offset higher harvested area. However, supply has increased sharply as the decrease in production was more than offset by large carry-in stocks. Exports are expected to increase slightly, with carry-out stocks forecast to rise to a burdensome 0.5 Mt, vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

### SOYBEANS

Production has risen by 4% due to higher area. Domestic supply has increased by 10% due to higher production and carry-in stocks. As a result, imports are projected to fall by 56%. 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 forecast to decline under pressure from higher carry-out stocks and lower US soybean prices.

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**CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION**

**October 12, 2006**

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested	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
<b>Durum</b>												
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	4,269	252	451	867	3,266	181*
2006-2007F	1,724	1,700	2.08	3,538	1	6,805	3,900	255	460	905	2,000	197*
<b>Wheat Except Durum</b>												
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	11,498	2,797	4,648	8,343	6,477	181*
2006-2007F	8,953	8,850	2.57	22,751	19	29,247	15,500	3,200	4,295	8,347	5,400	198*
<b>All Wheat</b>												
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	15,768	3,049	5,099	9,209	9,743	
2006-2007F	10,677	10,550	2.49	26,289	20	36,052	19,400	3,455	4,755	9,252	7,400	
<b>Barley</b>												
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	2,973	155	9,204	9,700	3,289	110
2006-2007F	3,871	3,408	2.94	10,011	40	13,340	2,150	260	8,915	9,590	1,600	120-140
<b>Corn</b>												
2004-2005	1,185	1,072	8.24	8,837	2,419	12,399	229	2,395	7,961	10,368	1,802	100
2005-2006	1,124	1,096	8.63	9,461	1,906	13,168	281	2,220	8,654	10,886	2,001	96
2006-2007F	1,122	1,100	8.02	8,823	2,600	13,424	200	3,000	8,809	11,824	1,400	100-120
<b>Oats</b>												
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	4,427	1,877	80	1,431	1,678	872	144
2006-2007F	2,002	1,498	2.52	3,782	15	4,669	1,900	100	1,498	1,769	1,000	140-160
<b>Rye</b>												
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	151	144	2.33	335	1	506	110	48	191	256	140	85-105
<b>Mixed Grains</b>												
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	230	110	2.87	316	0	316	0	0	316	316	0	
<b>Total Coarse Grains</b>												
2004-2005	8,362	6,713	3.94	26,442	2,528	33,046	3,889	2,828	19,414	22,817	6,341	
2005-2006	7,852	6,568	3.96	26,036	1,973	34,350	5,255	2,503	19,723	22,764	6,331	
2006-2007F	7,375	6,260	3.72	23,267	2,656	32,254	4,360	3,408	19,728	23,754	4,140	
<b>Canola</b>												
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	5,412	3,423	492	3,956	2,019	278
2006-2007F	5,324	5,259	1.61	8,485	150	10,654	5,200	3,450	409	3,904	1,550	285-315
<b>Flaxseed</b>												
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	537	n/a	n/a	271	336	276
2006-2007F	838	829	1.16	959	20	1,315	550	n/a	n/a	265	500	245-285
<b>Soybeans</b>												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006	1,176	1,169	2.70	3,161	339	3,770	1,326	1,493	327	1,949	495	220
2006-2007F	1,240	1,232	2.67	3,293	150	3,938	1,350	1,550	338	1,988	600	185-225
<b>Total Oilseeds</b>												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	n/a	n/a	5,792	1,880	
2005-2006	7,510	7,255	1.92	13,904	516	16,300	7,274	n/a	n/a	6,176	2,850	
2006-2007F	7,402	7,320	1.74	12,737	320	15,907	7,100	n/a	n/a	6,157	2,650	
<b>Total Grains And Oilseeds</b>												
2004-2005	26,038	23,219	2.74	63,596	3,082	77,675	23,702	n/a	n/a	37,830	16,143	
2005-2006	25,456	23,650	2.82	66,715	2,512	85,370	28,296	n/a	n/a	38,149	18,924	
2006-2007F	25,454	24,130	2.58	62,293	2,996	84,213	30,860	n/a	n/a	39,163	14,190	

(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 – September 28, 2006

F: Forecast: Agriculture and Agri-Food Canada ----- October 12, 2006

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