



## CANADA: GRAINS AND OILSEEDS OUTLOOK

March 12, 2007

For 2006-07, the supply of grains and oilseeds (G&O) in Canada reached a record as high carry-in stocks more-than offset lower production. Exports are forecast to increase by 14% mainly because of higher exports of wheat. Total domestic use is expected to rise, partly due to increased use of corn and wheat for ethanol production. Carry-out stocks of G&O are forecast to be significantly lower than last year. Canadian prices for all crops are expected to be higher than in 2005-06 due to strong prices in the US. The Canadian dollar is expected to average stronger than in 2005-06.

For 2007-08, area seeded to canola, durum, barley, corn and oats is forecast to increase, but area seeded to wheat ex-durum, flaxseed, and soybeans is forecast to decrease, as is the area in summer fallow. Due to higher area and yields, production of G&O is forecast to increase to 67.2 million tonnes (Mt) from 64.4 Mt for 2006-07. However, the total supply is forecast to decline due to lower carry-in stocks. Although exports are projected to decline, food and industrial use is forecast to increase significantly due to the strong demand for biofuel. Carry-out stocks are forecast to decrease slightly. World and Canadian wheat prices are expected to increase, despite a return to normal growing conditions in the US and Australia. World and Canadian prices for corn and oilseeds are expected to increase on support from the growing biofuel sector in the United States (US) and the European Union (EU). Canadian feed barley and oat prices are forecast to decline, mainly due to higher domestic production. The main factors to watch are: the condition of the US winter wheat crop, weather conditions, especially precipitation, during the seeding and growing periods in Canada, petroleum prices, exchange rates, and growing conditions in the major importing and exporting countries.

### DURUM

For 2006-07, exports are forecast to reach a record of 4.4 Mt, slightly above 2005-06, mainly due to reduced competition from other exporters, such as the US, the EU and Australia. Carry-out stocks are forecast to fall sharply, to slightly below the 10-year average. The CWB Pool Return Outlook (PRO) for No.1 CWAD 11.5% is 19% above 2005-06, due to declining exporter stocks.

For 2007-08, production is forecast to increase by 20% to a level close to the 10-year average, but supply is expected to fall by 8% due to smaller carry-in stocks. Exports are forecast to fall by 9% to 4.0 Mt, due to reduced supply and increased competition from the US and Australia. Carry-out stocks are forecast to decline by 16%. The CWB PRO for No.1 CWAD 11.5% is 6% higher than for 2006-07 due to tighter world supplies and higher import demand. The premium to CWRs wheat is expected to return to a near-normal \$17/t.

### WHEAT (ex durum)

For 2006-07, exports are forecast to increase by a third from the below normal levels of the previous two years. Domestic use is forecast to increase marginally, with increased industrial use for ethanol production more than offsetting lower feed use. Carry-out stocks are forecast to decline by 4% to 6.2 Mt, but remain about 0.7 Mt above the 10-year average. CWB pool returns are sharply higher than for 2005-06 due to the tight major exporter supply situation.

For 2007-08, production is forecast to decline by almost 15%, as farmers shift area into durum wheat, canola and barley. Industrial use is expected to increase as new ethanol plants come on-line in western Canada, with total domestic use reaching a record 8.8 Mt. Exports are forecast to decline by 18% due to reduced supply and increased domestic demand. Carry-out stocks are projected to fall by about 20%. The CWB PRO for No.1 CWRs 11.5% is \$210/t I/S VC/SL, marginally higher than 2006-07, due to tighter world supplies and increased demand from major importers.

### BARLEY

For 2006-07, exports are forecast to decrease significantly due to lower exports of feed barley. Carry-out stocks are forecast to decrease to the second lowest in recent history. Off-Board feed barley prices are expected to average significantly higher than 2005-06, due to high corn prices in the

US and low supplies of barley in Canada.

For 2007-08, production is forecast to increase by 31% due to higher area seeded and yields. Total supply is also forecast to rise sharply. Exports, feed use and food use are expected to increase due to increased supply. Carry-out stocks are expected to increase significantly. The average off-Board feed barley price is forecast to fall by 6%, as the pressure from higher production in Canada and Australia more than offsets the support from higher corn prices. The CWB February PRO for feed barley Pool A is \$182/t vs. \$190/t for the 2006-07 Pool B and \$240/t for Special Select two-row designated barley vs. \$205/t for 2006-07.

### OATS

For 2006-07, exports are forecast to reach record high, due to low US production and reduced exportable supplies from the EU. As a result, carry-out stocks are forecast to fall significantly. For 2007-08, production is forecast to increase by 15%, due to higher area and yields. Total supply is also expected to increase, as higher production more than offsets lower carry-in stocks. Exports are forecast to decrease by 10%. Carry-out stocks are expected to rise significantly. Higher oat production in Canada is expected to decrease the premium for oats relative to corn in the US. The nearby oat futures contract on the CBoT is forecast to decrease to C\$170/t from \$190/t expected for 2006-07.

### CORN

For 2006-07, imports are forecast to increase by 10%, due to low domestic supplies and strong demand for ethanol production. Due to high corn prices, feed use is expected to decrease slightly. Carry-out stocks are expected to decline by 15%. For 2007-08, production is forecast to increase by 20% to a record high, due to higher area and yields. Imports are forecast to decline due to increased domestic corn supply in eastern Canada and higher barley supply in western Canada. Carry-out stocks are forecast to increase slightly. The average price at Chatham elevator is forecast to rise by \$15/t to \$160/t.

### CANOLA

For 2006-07, exports are forecast to increase by 4%, to 5.7 Mt, while domestic crush is forecast to increase marginally to 3.5 Mt. Carry-out stocks are forecast to decrease and the average price is expected to increase by 33% to \$370/t.

For 2007-08, production is forecast to increase by 10% due to higher seeded area which more than offsets lower yields. Total supply is expected to increase by 5% as the rise in production more than offsets the decline in carry-in stocks. Exports and domestic crush are forecast to increase to record levels. Carry-out stocks are forecast to be unchanged from 2006-07. Canola prices are forecast to rise by about 5% to \$390/t.

### FLAXSEED (excluding solin)

For 2006-07, exports are forecast to rise sharply, due to increased supply and high crude oil prices. Carry-out stocks are expected to rise. The average price is forecast to increase by 5% from 2005-06. For 2007-08, production is forecast decline by 42% due to a sharp decrease in seeded area and slightly lower yields. Exports are forecast to remain stable while domestic use decreases slightly. Carry-out stocks are projected to decrease significantly and prices are forecast to increase by 10% from 2006-07.

### SOYBEANS

For 2006-07, exports are forecast at a record high of 1.6 Mt, while the domestic crush is expected to be a near-record 1.5 Mt. Carry-out stocks are expected to rise and the Chatham price is expected to average 20% higher than 2005-06 on support from higher US prices.

For 2007-08, production is forecast to decrease due to lower area and yields. Total supply is forecast to fall by 8%, as higher carry-in stocks partly offset the decrease in production. Exports and domestic crush are forecast to rise to record highs. Carry-out stocks are forecast to fall, while the average Chatham price increases by 11% due to higher US prices.

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## CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

March 12, 2007

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) <sup>1</sup>	Feed, Waste & Dockage <sup>1</sup>	Total Domestic Use (d)	Carry-out Stocks	Average Price (f) \$/t
-----thousand metric tonnes-----												
<b>Durum</b>												
2005-2006	2,341	2,297	2.58	5,915	4	8,405	4,269	249	454	870	3,266	179
2006-2007f	1,760	1,738	2.20	3,821	1	7,088	4,400	250	338	788	1,900	214*
2007-2008f	2,075	2,050	2.24	4,600	1	6,501	4,000	250	441	901	1,600	227*
<b>Wheat Except Durum</b>												
2005-2006	7,753	7,530	2.77	20,860	23	26,318	11,499	2,877	4,605	8,378	6,442	180
2006-2007f	8,964	8,796	2.67	23,456	23	29,921	15,200	3,200	4,550	8,521	6,200	209*
2007-2008f	7,750	7,525	2.67	20,100	14	26,314	12,500	3,700	4,250	8,814	5,000	210*
<b>All Wheat</b>												
2005-2006	10,094	9,826	2.72	26,775	26	34,723	15,768	3,126	5,059	9,247	9,708	
2006-2007f	10,725	10,534	2.59	27,277	24	37,009	19,600	3,450	4,888	9,309	8,100	
2007-2008f	9,825	9,575	2.58	24,700	15	32,815	16,500	3,950	4,691	9,715	6,600	
<b>Barley</b>												
2005-2006	4,440	3,889	3.21	12,481	46	15,962	2,975	167	9,192	9,698	3,289	110
2006-2007f	3,861	3,362	2.98	10,005	40	13,333	2,300	260	8,858	9,533	1,500	150-170
2007-2008f	4,780	4,270	3.07	13,100	35	14,635	2,400	300	9,030	9,735	2,500	140-160
<b>Corn</b>												
2005-2006	1,124	1,096	8.63	9,461	1,905	13,167	242	2,220	8,692	10,924	2,001	96
2006-2007f	1,127	1,093	8.48	9,268	2,100	13,369	150	2,900	8,604	11,519	1,700	135-155
2007-2008f	1,350	1,300	8.54	11,100	1,800	14,600	200	3,900	8,685	12,600	1,800	150-170
<b>Oats</b>												
2005-2006	1,853	1,326	2.59	3,432	20	4,427	1,877	79	1,439	1,678	872	144
2006-2007f	1,923	1,431	2.52	3,602	15	4,489	2,100	75	1,543	1,789	600	180-200
2007-2008f	2,160	1,590	2.62	4,160	10	4,770	1,900	70	1,625	1,870	1,000	160-180
<b>Rye</b>												
2005-2006	226	148	2.42	359	1	490	123	48	132	197	170	81
2006-2007f	201	130	2.33	302	1	473	110	48	178	243	120	100-120
2007-2008f	170	120	2.25	270	1	391	110	48	116	181	100	90-110
<b>Mixed Grains</b>												
2005-2006	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007f	245	107	2.72	291	0	291	0	0	291	291	0	
2007-2008f	225	120	2.88	345	0	345	0	0	345	345	0	
<b>Total Coarse Grains</b>												
2005-2006	7,852	6,568	3.96	26,036	1,972	34,349	5,218	2,514	19,757	22,800	6,331	
2006-2007f	7,356	6,122	3.83	23,467	2,156	31,954	4,660	3,283	19,473	23,374	3,920	
2007-2008f	8,685	7,400	3.92	28,975	1,846	34,741	4,610	4,318	19,801	24,731	5,400	
<b>Canola</b>												
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	5,373	5,322	1.71	9,105	150	11,274	5,650	3,475	404	3,924	1,700	350-390
2007-2008f	6,125	6,030	1.66	10,000	150	11,850	6,000	3,700	405	4,150	1,700	370-410
<b>Flaxseed</b>												
2005-2006	842	803	1.35	1,082	38	1,144	537	n/a	n/a	272	336	276
2006-2007f	842	826	1.26	1,041	20	1,397	650	n/a	n/a	297	450	270-310
2007-2008f	520	495	1.21	600	20	1,070	650	n/a	n/a	245	175	300-340
<b>Soybeans</b>												
2005-2006	1,176	1,169	2.70	3,161	339	3,770	1,315	1,493	339	1,960	495	220
2006-2007f	1,238	1,226	2.88	3,533	250	4,278	1,600	1,475	503	2,103	575	245-285
2007-2008f	1,210	1,196	2.47	2,950	400	3,925	1,700	1,550	355	2,005	220	275-315
<b>Total Oilseeds</b>												
2005-2006	7,510	7,255	1.92	13,904	516	16,300	7,263	4,916	830	6,188	2,850	
2006-2007f	7,452	7,373	1.86	13,679	420	16,949	7,900	4,950	907	6,324	2,725	
2007-2008f	7,855	7,721	1.75	13,550	570	16,845	8,350	5,250	760	6,400	2,095	
<b>Total Grains And Oilseeds</b>												
2005-2006	25,456	23,650	2.82	66,715	2,514	85,372	28,249	10,555	25,646	38,235	18,889	
2006-2007f	25,533	24,030	2.68	64,423	2,600	85,912	32,160	11,683	25,268	39,007	14,745	
2007-2008f	26,365	24,696	2.72	67,225	2,431	84,401	29,460	13,518	25,252	40,846	14,095	

<sup>1</sup> Excludes flaxseed

(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 &amp; 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 – Feb. 2007

f: forecast; Agriculture and Agri-Food Canada: March 12, 2007

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