



CANADA: GRAINS AND OILSEEDS OUTLOOK

August 7, 2007

AAFC forecasts total production of grains and oilseeds in Canada to be marginally higher than 2006-07, at 62 million tonnes (Mt), slightly above the 10-year average. The crops started off well in the spring due to good soil moisture, but conditions deteriorated in July as abnormally hot and dry weather spread across much of both western and eastern Canada. Yields for most crops are expected to be near average, but these could decline significantly if the hot and dry weather continues into August. Crop development, while variable due to delayed seeding in some areas, is generally ahead of normal, with harvesting beginning in winter wheat and barley. Quality of all crops is expected to be above average due to the hot, dry weather, with a better than normal grade distribution, although test weights may be light. Protein levels in wheat and barley are expected to be above average, while canola and flaxseed oil content may be below normal.

In western Canada, production is forecast to be up by 2% from last year at 46 Mt, while output in eastern Canada is projected at 16 Mt, also 2% higher than in 2006-07. Domestic use is expected to rise in 2007-08, largely due to increased ethanol production from corn and wheat. Exports are forecast to decrease by 11%, due mainly to lower shipments of wheat. Prices for most crops are expected to be higher than in 2006-07, except for barley and oats, but will continue to be pressured by the strong Canadian dollar. The major factors to watch are: US and Canadian crop development and harvest conditions, the bio-fuel market, ocean freight rates and the Canada/US exchange rate.

DURUM

For 2007-08, production is forecast to increase by 17%, but remain well below the 10-year average of 4.6 Mt. This latest forecast is 0.5 Mt lower than projected a month ago, due to hot dry weather in the major durum growing region of southern Saskatchewan. Supply is expected to fall by more than 20%, as sharply lower carry-in stocks more than offset the increased production. As a result, exports are forecast to decline by more than 20% from the record 4.4 Mt shipped in 2006-07. Carry-out stocks are projected to fall by a further 31% to 0.9 Mt, the lowest since 1997-98. The July CWB Pool Return Outlook (PRO) for No.1 CWAD 11.5% protein has been raised by \$39/t from the previous month, to the highest level since 2002-03, due to the declining production outlook in the major exporting countries, particularly Canada.

WHEAT (ex-durum)

Production is forecast to fall by almost 20%, to the lowest level since 2002-03. The decline is greatest in eastern Canada, with production falling by 43% to 1.6 Mt, due to a much smaller area and below trend yields of winter wheat in Ontario. Western wheat production is expected to be down by 16%, at 16.1 Mt. Canadian supply is projected to fall by 18%. Domestic consumption is expected to rise slightly, due to increased industrial use as new ethanol plants begin operation in western Canada. Exports are forecast to fall by 25% as a result of the reduced supply and increased domestic demand. Carry-out stocks are forecast to decline by 28%, equalling the modern-day low of 4.1 Mt set in 2002-03. The July CWB PRO for No.1 CWRS 11.5% protein is \$9/t higher than projected in June, and \$20/t above 2006-07 returns, due to the tightening world supply situation.

BARLEY

Production is forecast to increase by 25% to 12.0 Mt, close to the 10-year average,

due to a larger seeded area. Supply is expected to increase by 5% due to significantly lower carry-in stocks. Exports are forecast to rise sharply, while domestic use is expected to be marginally higher. Carry-out stocks are projected to decrease by 13%. The average off-Board feed barley price (No. 1 CW 1/S Lethbridge) is forecast to remain at a historically high level, but average marginally lower than in 2006-07, as the increased supply and strength of the Canadian dollar is expected to more than offset the support of slightly higher US corn prices.

CORN

Production is forecast to increase by 22% to a record 11 Mt, as a result of increased area. Imports are forecast to decrease significantly from 2006-07 as a result of higher domestic supply. Food and industrial use is forecast to increase by 34%, mainly as a result of increased ethanol production. Carry-out stocks are forecast to rise slightly. The average price at Chatham elevator is forecast to decrease slightly, due to increased domestic supply and the stronger Canadian dollar.

OATS

Production is forecast to rise by 9% due mainly to the larger seeded area. Supply is expected to increase only marginally as the increase in production is largely offset by lower carry-in stocks. Exports are forecast to decrease marginally from 2006-07, as a result of strong competition from the EU. Carry-out stocks are forecast to rise by 27%. The Chicago Board of Trade futures price for oats is forecast to decrease.

CANOLA

Production is forecast to increase by 12% to 9.5 Mt, due to the increase in area, although yields are being pressured by hot and dry weather. Supply is expected to increase by only 3%, as the higher output is partly offset by lower carry-in stocks. Exports are forecast to increase to a record

high as a result of ample supplies, tighter supplies in competing exporting countries and strong world demand. Domestic crush is forecast to rise slightly, as some of the crushing plants under construction are expected to begin operation in 2007-08. Carry-out stocks are forecast to fall, but will remain above the 10 year average. Prices are expected to rise on support from high world veg-oil prices.

FLAXSEED (excluding solin)

Production is forecast to decrease by 38%, due to lower seeded area. Supply is expected to decline more moderately as unusually high carry-in stocks partly offset the drop in output. Exports are forecast to remain stable while total domestic use drops. Carry-out stocks are expected to decrease significantly but will remain close to the 10 year average. Prices are forecast to rise due to strong world veg-oil and crude oil prices.

SOYBEANS

Production is forecast to decrease by 14%, because of a decline in area and yields. Supply is forecast to decrease due to the reduced output and lower carry-in stocks. Imports of soybeans for crushing are projected to rise as a result of lower domestic supplies. Exports of largely food-grade soybeans are forecast to increase moderately to a record high. Domestic crush is expected to rise slightly from 2006-07. Prices are expected to increase due to higher US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

August 3, 2007

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
Durum												
2005-2006	2,341	2,297	2.58	5,915	4	8,405	4,273	248	451	867	3,266	179
2006-2007	1,536	1,518	2.21	3,346	1	6,613	4,400	250	473	913	1,300	215*
2007-2008f	1,949	1,930	2.02	3,900	1	5,201	3,400	250	431	901	900	266*
Wheat Except Durum												
2005-2006	7,753	7,530	2.77	20,860	23	26,318	11,499	2,877	4,605	8,378	6,442	180
2006-2007	8,316	8,166	2.68	21,919	25	28,386	14,675	3,100	4,225	8,011	5,700	207*
2007-2008f	6,900	6,690	2.65	17,700	24	23,424	11,000	3,300	4,245	8,324	4,100	227*
All Wheat												
2005-2006	10,094	9,826	2.72	26,775	26	34,723	15,771	3,125	5,056	9,244	9,708	
2006-2007	9,852	9,683	2.61	25,265	26	34,999	19,075	3,350	4,698	8,924	7,000	
2007-2008f	8,849	8,620	2.51	21,600	25	28,625	14,400	3,550	4,676	9,225	5,000	
Barley												
2005-2006	4,440	3,889	3.21	12,481	46	15,962	2,975	167	9,192	9,698	3,289	110
2006-2007	3,690	3,292	2.91	9,573	45	12,907	1,900	230	8,892	9,507	1,500	165
2007-2008f	4,396	3,924	3.06	12,000	35	13,535	2,700	300	8,835	9,535	1,300	150-170
Corn												
2005-2006	1,124	1,096	8.54	9,361	1,905	13,067	242	2,280	8,532	10,824	2,001	96
2006-2007	1,093	1,062	8.47	8,990	2,100	13,091	300	2,900	8,276	11,191	1,600	137
2007-2008f	1,406	1,357	8.11	11,000	1,700	14,300	200	3,900	8,485	12,400	1,700	140-160
Oats												
2005-2006	1,853	1,326	2.59	3,432	20	4,427	1,877	79	1,439	1,678	872	144
2006-2007	2,064	1,537	2.51	3,852	20	4,744	2,300	70	1,633	1,894	550	193
2007-2008f	2,182	1,623	2.59	4,200	10	4,760	2,200	80	1,605	1,860	700	160-180
Rye												
2005-2006	226	148	2.42	359	1	490	132	48	143	208	150	81
2006-2007	274	166	2.31	383	1	534	160	48	179	244	130	97
2007-2008f	170	106	2.26	240	1	371	140	48	116	181	50	90-110
Mixed Grains												
2005-2006	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007	336	130	2.67	347	0	347	0	0	347	347	0	
2007-2008f	167	101	2.87	290	0	290	0	0	290	290	0	
Total Coarse Grains												
2005-2006	7,852	6,568	3.95	25,936	1,972	34,249	5,227	2,573	19,608	22,711	6,311	
2006-2007	7,456	6,186	3.74	23,145	2,166	31,622	4,660	3,248	19,325	23,182	3,780	
2007-2008f	8,321	7,111	3.90	27,730	1,746	33,256	5,240	4,328	19,331	24,266	3,750	
Canola												
2005-2006	5,491	5,283	1.83	9,660	140	11,386	5,409	3,423	495	3,959	2,019	278
2006-2007	5,027	5,149	1.65	8,513	175	10,707	5,450	3,400	437	3,882	1,375	370
2007-2008f	5,903	5,811	1.63	9,500	150	11,025	5,900	3,700	380	4,125	1,000	390-430
Flaxseed												
2005-2006	842	803	1.35	1,082	38	1,144	537	n/a	n/a	272	336	276
2006-2007	805	785	1.26	989	10	1,335	650	n/a	n/a	285	400	302
2007-2008f	528	502	1.23	615	20	1,035	650	n/a	n/a	185	200	360-400
Soybeans												
2005-2006	1,176	1,169	2.70	3,161	339	3,771	1,316	1,493	338	1,959	495	220
2006-2007	1,214	1,201	2.89	3,466	250	4,211	1,600	1,525	511	2,161	450	262
2007-2008f	1,180	1,170	2.56	3,000	400	3,850	1,700	1,550	350	2,000	150	260-280
Total Oilseeds												
2005-2006	7,510	7,255	1.92	13,904	517	16,301	7,261	4,916	832	6,189	2,850	
2006-2007	7,046	7,136	1.82	12,967	435	16,252	7,700	4,925	948	6,328	2,224	
2007-2008f	7,611	7,483	1.75	13,115	570	15,909	8,250	5,250	730	6,310	1,349	
Total Grains And Oilseeds												
2005-2006	25,456	23,650	2.82	66,615	2,515	85,273	28,259	10,614	25,496	38,145	18,869	
2006-2007	24,354	23,005	2.67	61,377	2,627	82,873	31,435	11,523	24,971	38,434	13,004	
2007-2008f	24,780	23,214	2.69	62,445	2,341	77,790	27,890	13,128	24,737	39,801	10,099	

(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 July Pool Return Outlook (PRO)

f: forecast; Agriculture and Agri-Food Canada: August 3, 2007

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