



CANADA: GRAINS AND OILSEEDS OUTLOOK

September 17, 2007

Total production of grains and oilseeds (G&O) in Canada in 2007-08 is estimated at about 61 million tonnes (Mt), slightly lower than 2006-07 and slightly above the 10-year average. Yields for most crops are estimated to be near average despite the hot and dry weather in western and eastern Canada in July. Harvest is well underway and nearly complete in some regions. The quality of all crops is expected to be near average with a better than normal grade distribution. Protein levels in wheat and barley are expected to be above average, while the oil content of the canola and flaxseed crops may be below normal. In western Canada, production is estimated to be similar to last year at 45 Mt but in eastern Canada it is estimated to be marginally lower than last year at 16 Mt.

Statistics Canada's September 11 estimates of grain stocks in Canada at July 31, 2007 confirmed AAFC's earlier forecasts that ending stocks of G&O for 2006-07 were significantly lower than 2005-06. Due to lower carry-in stocks and lower production, the supply of G&O in Canada for 2007-08 is expected to decrease by about 8% from last year. Exports are forecast to decrease by 14%, due mainly to lower shipments of wheat, but domestic use is expected to increase due to increased use of corn and wheat for ethanol production. Prices for most crops are expected to be higher than in 2006-07 but they 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 estimated to increase by only 6% from last year due to hot dry weather in the major durum growing region of southern Saskatchewan. Supply has fallen by 28% from last year due to the sharp reduction in carry-in stocks. As a result, exports are forecast to fall by 26% from the record 4.5 Mt in 2006-07. Carry-out stocks are projected to fall by 46% to a modern-day low of 0.7 Mt. The August CWB Pool Return Outlook (PRO) for No.1 CWAD 11.5% protein is at a record high, \$47/t above the July PRO, due to the low production outlook for Canada and quality problems in Europe.

WHEAT (ex-durum)

Production and supply are estimated to fall by 23 and 21%, respectively. However, 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 29% as a result of the reduced supply and increased domestic demand. Carry-out stocks are forecast to decline by 29% to a modern-day low of 4.0 Mt. The August CWB PRO is \$21/t higher than the July PRO due to the tightening world supply situation, with lower than earlier expected production in all major wheat producing countries.

BARLEY

Production is estimated to increase by 24% to 11.8 Mt, close to the 10-year average, due to higher seeded area. However, supply is expected to only increase slightly due to significantly lower carry-in stocks. Exports are forecast to rise sharply, while domestic use is expected to decrease slightly. Carry-out stocks are projected to decrease marginally. The average off-Board feed barley price (No.1 CW I/S

Lethbridge) is forecast to increase from 2006-07 due to strong export demand.

CORN

Production is estimated to increase by 18% to a record 10.6 Mt due to higher area seeded. Imports are forecast to decrease 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 demand for ethanol production. Carry-out stocks are forecast to be the same as 2006-07. The average price at Chatham elevator is forecast to increase slightly, as the support from higher US corn prices more than offsets the pressure from higher domestic supplies and the strength of the Canadian dollar.

OATS

Production is estimated to rise by 32% and reach a 32-year high, due to a higher area seeded and yields and a lower abandonment rate. Supply is expected to increase by 19% as the increase in production is partially offset by lower carry-in stocks. Despite the significant increase in supply, exports are forecast to be unchanged from 2006-07 due to the return of the EU to the export market. Carry-out stocks are forecast to rise significantly. The average price of oats is forecast to decrease from 2006-07.

CANOLA

Production is estimated to increase by 3% to 9.2 Mt, due to higher area seeded. Supply is expected to be unchanged from 2006-07 as the higher output is offset by lower carry-in stocks. Exports are forecast to increase to a record high as a result of the strong Asian demand for edible oils, the growing EU biodiesel sector and the reduced US soybean output. Domestic crush is forecast to rise slightly to meet

the growing demand for high-oleic canola oil for low trans-fat food products. Carry-out stocks are forecast to fall but will remain above the 10 year average. Prices are expected to rise significantly due to high world vegetable oil prices.

FLAXSEED (excluding solin)

Production is estimated to decrease by 35%, due to lower area seeded. Supply is expected to decline moderately as high carry-in stocks partly offset the drop in output. Exports are forecast to decline slightly as shipments to the EU fall moderately. Total domestic use is forecast to decline. Carry-out stocks are expected to drop significantly to about the 10 year average. Prices are forecast to rise sharply on support from strong world vegetable oil and crude oil prices.

SOYBEANS

Production is estimated to decrease by 18% due to lower area seeded and yields. Supply is also expected to fall. Imports of soybeans for crushing are projected to rise while exports, largely food-grade soybeans, are forecast to remain at a record high level. Domestic crush is expected to be close to 2006-07 levels. Prices are forecast to increase on support from sharply higher US soybean prices.

FOR FURTHER INFORMATION:

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

September 17, 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
-----thousand metric tonnes-----												
Durum												
2005-2006	2,307	2,278	2.60	5,915	4	8,405	4,273	248	482	877	3,256	179
2006-2007	1,536	1,518	2.21	3,346	1	6,603	4,478	257	451	893	1,232	215*
2007-2008f	1,949	1,904	1.86	3,549	1	4,782	3,300	260	302	782	700	313**
Wheat Except Durum												
2005-2006	7,347	7,125	2.78	19,834	23	25,291	11,499	2,905	3,670	7,411	6,382	180
2006-2007	8,316	8,164	2.68	21,919	25	28,326	15,019	3,273	3,744	7,712	5,595	207*
2007-2008f	6,900	6,710	2.50	16,773	24	22,392	10,600	3,500	3,513	7,792	4,000	248**
All Wheat												
2005-2006	9,654	9,404	2.74	25,748	26	33,696	15,771	3,153	4,152	8,287	9,638	
2006-2007	9,852	9,682	2.61	25,265	26	34,929	19,497	3,530	4,195	8,605	6,827	
2007-2008f	8,849	8,614	2.36	20,322	25	27,174	13,900	3,760	3,815	8,574	4,700	
Barley												
2005-2006	4,143	3,634	3.21	11,678	46	15,159	2,975	167	8,404	8,894	3,289	110
2006-2007	3,690	3,223	2.97	9,573	43	12,905	1,975	167	8,889	9,438	1,492	165
2007-2008f	4,398	4,009	2.96	11,848	35	13,375	2,700	180	8,694	9,275	1,400	160-180
Corn												
2005-2006	1,113	1,085	8.63	9,361	1,905	13,067	242	2,280	8,532	10,824	2,001	96
2006-2007	1,093	1,061	8.47	8,990	2,100	13,091	300	2,900	8,276	11,191	1,600	138
2007-2008f	1,387	1,373	7.73	10,612	2,000	14,212	200	3,900	8,497	12,412	1,600	140-160
Oats												
2005-2006	1,768	1,271	2.58	3,283	20	4,277	1,874	79	1,281	1,532	872	144
2006-2007	2,064	1,537	2.51	3,852	18	4,741	2,307	81	1,616	1,879	556	193
2007-2008f	2,182	1,872	2.72	5,087	10	5,653	2,300	80	1,903	2,153	1,200	150-170
Rye												
2005-2006	208	136	2.43	330	1	461	132	48	114	179	150	81
2006-2007	276	164	2.34	383	1	534	160	48	179	244	130	97
2007-2008f	176	123	2.25	277	1	408	140	48	143	208	60	90-110
Mixed Grains												
2005-2006	214	114	2.78	316	0	316	0	0	316	316	0	
2006-2007	336	130	2.67	347	0	347	0	0	347	347	0	
2007-2008f	170	105	2.85	299	0	299	0	0	299	299	0	
Total Coarse Grains												
2005-2006	7,445	6,240	4.00	24,968	1,972	33,281	5,224	2,573	18,647	21,746	6,311	
2006-2007	7,458	6,114	3.79	23,145	2,162	31,617	4,742	3,196	19,306	23,098	3,778	
2007-2008f	8,312	7,481	3.76	28,122	2,046	33,946	5,340	4,208	19,536	24,346	4,260	
Canola												
2005-2006	5,370	5,175	1.83	9,483	140	11,209	5,409	3,423	330	3,794	2,007	278
2006-2007	5,283	5,238	1.72	9,000	203	11,211	5,435	3,579	332	3,956	1,820	370
2007-2008f	5,903	5,797	1.59	9,242	150	11,212	5,800	3,600	397	4,042	1,370	405-445
Flaxseed												
2005-2006	761	733	1.35	991	38	1,053	537	n/a	n/a	180	336	276
2006-2007	805	785	1.26	989	8	1,333	681	n/a	n/a	279	373	302
2007-2008f	528	516	1.24	642	10	1,025	650	n/a	n/a	175	200	365-405
Soybeans												
2005-2006	1,172	1,165	2.71	3,156	339	3,761	1,316	1,493	338	1,959	486	220
2006-2007	1,214	1,201	2.89	3,466	240	4,191	1,600	1,535	511	2,171	420	263
2007-2008f	1,180	1,166	2.44	2,848	400	3,669	1,600	1,550	278	1,928	141	300-340
Total Oilseeds												
2005-2006	7,303	7,073	1.93	13,630	517	16,023	7,262	4,916	668	5,933	2,828	
2006-2007	7,302	7,225	1.86	13,455	452	16,735	7,716	5,114	843	6,405	2,613	
2007-2008f	7,611	7,479	1.70	12,733	560	15,906	8,050	5,150	675	6,145	1,711	
Total Grains And Oilseeds												
2005-2006	24,402	22,717	2.83	64,346	2,515	83,000	28,256	10,642	23,467	35,967	18,778	
2006-2007	24,612	23,021	2.69	61,865	2,639	83,281	31,955	11,839	24,344	38,108	13,219	
2007-2008f	24,772	23,574	2.60	61,177	2,631	77,026	27,290	13,118	24,026	39,065	10,671	

(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) ** CWB August 2007 PRO.

f: forecast; Agriculture and Agri-Food Canada: September 17, 2007

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