



CANADA: GRAINS AND OILSEEDS OUTLOOK

June 28, 2005

Statistics Canada (STC) estimates that Canadian farmers seeded about 26 million hectares (mln ha) of grains and oilseeds in the spring of 2005, unchanged from the previous year. Area has shifted from non-durum wheat, barley, corn, soybeans and summerfallow into durum, oats, flaxseed and canola. Based on these STC estimates, Agriculture and Agri-Food Canada (AAFC) forecasts that total production of grains and oilseeds in Canada in 2005 will decline by 5% from 2004, to 60 million tonnes (Mt). Western Canadian production is forecast at 45.7 Mt, down 5%. The decline is due to expectations of lower yields compared to the above-normal levels achieved for most crops in 2004, as well as increased levels of abandonment in parts of western Canada due to excess moisture. Trend yields and normal crop quality have been assumed for both western and eastern Canada. In parts of the Prairies, seeding was not completed due to wet conditions, with an estimated 0.6 to 0.8 mln ha (2-3%) not seeded. As the STC survey was completed by June 3, at which time most farmers would have expected to complete seeding all intended area, the STC seeded area estimate may be high, and could be reduced in the STC August 26 production estimate. Precipitation since April 1 has been average to well-above average across western Canada.

Despite lower production, total grain and oilseed supplies for 2005-06 are expected to rise by 2% due to larger carry-in stocks. Total Canadian exports of grains and oilseeds are forecast to increase by 10%, due to higher supply and better quality, particularly for wheat and canola. Canadian prices for all grains and oilseeds will remain pressured by lower world prices and the relatively strong Canadian dollar, although the oilseed price outlook has strengthened since last month. Factors to watch are: Chinese import demand, growing conditions in the major grain trading regions, EU grain export subsidy levels, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, production is forecast to fall by 9% due to lower seeded area, increased abandonment and a return to lower trend yields. This, however, will be largely offset by higher carry-in stocks, with supply expected to decline by only 4%. The carry-in stocks are expected to largely consist of low quality wheat due to the poor quality of the 2004 crop, so that wheat feeding in 2005-06 is expected to remain historically high. Assuming normal weather this summer, the 2005 crop quality should return to normal, increasing supplies of high quality wheat. As a result, exports are forecast to rise by 1 Mt, with carry-out stocks expected to fall by about 19%. The Canadian Wheat Board (CWB) June Pool Return Outlook (PRO) for No.1 CWRS wheat was raised slightly from May, but remains lower than for 2004-05, due to expected higher supply, with projected returns for lower quality wheat unchanged to slightly higher than last year.

DURUM

Production is forecast to decline by 3%, with increased area more than offset by lower yields and higher abandonment. Total supply is forecast to rise by 10%, however, due to a 48% increase in carry-in stocks to a record 2.65 Mt. Exports are expected to rise by 9% due to larger supplies of high quality durum and increased export demand resulting from dryness in the Mediterranean region. However, carry-out stocks are projected to increase by a further 17%, to 3.1 Mt. The CWB PRO for 2005-06 is up slightly from last month, but remains below 2004-05, largely due to the increased supply in North America.

BARLEY

Production is forecast to decrease by 7% due to lower seeded area and yields. Total supply, however, is projected to increase slightly, due to higher carry-in stocks resulting from the large production of low-quality barley in 2004-05. Exports are

expected to increase by 25%, due to higher supplies of malting quality barley and less competition in overseas feed markets. Carry-out stocks are expected to decrease by 16%. The average off-Board price of feed barley is forecast to be the same as 2004-05. Malting barley prices will be pressured by higher world production, with the CWB PRO for Special Select 2-row down by \$6/t from 2004-05 to \$174/t.

OATS

Production is expected to decline by 3%, as lower yields more than offset higher area. Total supply, however, is expected to rise by 4% as higher carry-in stocks more than offset the lower production. Carry-in stocks are forecast to rise due to below-normal exports in 2004-05 related to the poor quality of the crop and the weakness in US demand. Exports are forecast to rise by 0.2 Mt due to larger supplies and improved crop quality. Carry-out stocks are expected to return to a near-normal level. Oat prices are forecast to decline, with a smaller premium for milling oats.

CORN

Production is expected to decline by 5% due to lower seeded area and yields. This is expected to be partly offset by a 13% increase in imports, following lower corn production in eastern Canada and lower feed wheat and barley production in western Canada. Food and industrial use is forecast to rise, due to increased ethanol production. Prices are expected to remain pressured by low US corn prices.

CANOLA

Production is forecast to decline slightly, with a 9% rise in harvested area more than offset by lower yields. Total supply is forecast to rise sharply, to the 3rd highest level on record, because of burdensome carry-in stocks. Domestic crush and exports for 2004-05 remain pressured by sharply higher world oilseed supply. In 2005-06, domestic crush and exports are forecast to increase slightly but will remain

pressured by large world soybean and palm oil supplies. Carry-out stocks are projected to rise to slightly under the record high set in 1999-00. Prices are projected to increase slightly due to higher world soybean and soyoil prices.

FLAXSEED (excluding solin)

Production is forecast to rise sharply due to a 19% rise in seeded area, lower abandonment and higher yields. Total supply is expected to rise at a slower pace as low carry-in stocks moderate the higher output. Exports are projected to return to near normal levels as a result of increased supplies, stable EU and US demand, high crude oil prices and lower flaxseed prices. Total domestic use is forecast to rise to normal in 2005-06. Carry-out stocks are forecast to double but are not expected to be burdensome. Prices are forecast to decline to historically normal levels.

SOYBEANS

Production is forecast to decline slightly as a rise in projected harvested area is offset by lower yields. Supplies are expected to rise to a record 3.7 Mt as higher carry-in stocks more than offset the drop in output and imports. Domestic crush is forecast to increase on support from stronger crush margins while exports are expected to maintain the record pace of 1.0 Mt. Carry-out stocks are projected to fall, but remain historically high. Prices are forecast to rise slightly due to higher US prices.

FURTHER INFORMATION:

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

June 28, 2005

Grain and Crop (a)	Area -----000 ha----- Seeded Harvested		Yield t/ha	Production	Imports (b)	Total Supply	Exports (c.)	Food and Ind. Use (e)	Feed, Waste & Dockage	Total Dom- estic Use	Carry-out Stocks	Average Price (f) \$/t
----- thousand metric tonnes-----												
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005f	2,230	2,141	2.32	4,962	1	6,751	3,200	255	426	901	2,650	202 *
2005-2006f	2,280	2,175	2.21	4,800	1	7,451	3,500	260	391	851	3,100	195 **
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005f	8,111	7,722	2.71	20,898	11	25,201	11,650	2,770	4,691	8,251	5,300	186 *
2005-2006f	7,943	7,475	2.54	19,000	10	24,310	12,700	2,800	3,700	7,310	4,300	184 **
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005f	10,340	9,862	2.62	25,860	12	31,953	14,850	3,025	5,117	9,153	7,950	
2005-2006f	10,223	9,650	2.47	23,800	11	31,761	16,200	3,060	4,091	8,161	7,400	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,579	9,291	2,102	135.80
2004-2005f	4,678	4,050	3.26	13,186	100	15,388	2,000	300	9,553	10,288	3,100	105-115
2005-2006f	4,580	3,990	3.09	12,320	30	15,450	2,500	380	9,565	10,350	2,600	100-120
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	346	2,415	8,890	11,317	1,143	137.18
2004-2005f	1,185	1,072	8.24	8,836	2,400	12,378	150	2,650	8,463	11,128	1,100	95-105
2005-2006f	1,121	1,090	7.71	8,400	2,700	12,200	150	2,700	8,435	11,150	900	90-110
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005f	1,995	1,315	2.80	3,683	25	4,496	1,500	130	1,574	1,896	1,100	125-135
2005-2006f	2,019	1,395	2.55	3,560	15	4,675	1,700	170	1,710	2,075	900	110-130
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	60	125	60	104.44
2004-2005f	284	165	2.53	418	1	479	230	48	109	174	75	70-80
2005-2006f	228	150	2.17	325	1	401	160	48	116	181	60	65-85
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	215	120	2.83	340	0	340	0	0	340	340	0	
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,618	4,519	2,899	19,495	23,006	4,093	
2004-2005f	8,362	6,713	3.94	26,441	2,526	33,060	3,880	3,128	20,018	23,805	5,375	
2005-2006f	8,163	6,745	3.70	24,945	2,746	33,066	4,510	3,298	20,166	24,096	4,460	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390 ¹	113	3,545	609	387.04
2004-2005f	5,319	4,938	1.57	7,728	150	8,487	3,300	3,000 ¹	417	3,462	1,725	300-320
2005-2006f	5,593	5,370	1.40	7,500	150	9,375	3,500	3,200 ¹	530	3,775	2,100	300-340
Flaxseed												
2003-2004	745	728	1.04	754	20	903	609	n/a	n/a	202	93	382.13
2004-2005f	728	528	.98	517	40	650	450	n/a	n/a	140	60	475-525
2005-2006f	868	830	1.20	1,000	20	1,080	700	n/a	n/a	255	125	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ¹	319	1,947	140	395.04
2004-2005f	1,229	1,178	2.59	3,048	450	3,638	1,000	1,500 ¹	488	2,113	525	225-265
2005-2006f	1,207	1,200	2.46	2,950	250	3,725	1,000	1,750 ¹	465	2,325	400	240-280
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	850	11,811	5,277	n/a	n/a	5,693	841	
2004-2005f	7,277	6,643	1.70	11,293	640	12,774	4,750	n/a	n/a	5,715	2,310	
2005-2006f	7,668	7,400	1.55	11,450	420	14,180	5,200	n/a	n/a	6,355	2,625	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,724	25,523	n/a	n/a	36,187	11,014	
2004-2005f	26,038	23,219	2.74	63,595	3,178	77,787	23,480	n/a	n/a	38,672	15,635	
2005-2006f	26,053	23,795	2.53	60,195	3,177	79,007	25,910	n/a	n/a	38,612	14,485	

(a) August - July crop year 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 = F&I + FWD + Seed Use

(e) Industrial use 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.2 Canada, Elevator bids at select western delivery points); 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).

* CWB Pool Return Outlook (PRO) - May 26, 2005

** CWB PRO - June 23, 2005

^{1/} Source for *Food and Industrial Use* is based on data from the Canadian Oilseed Processors Association.

f: forecast - Agriculture and Agri-Food Canada - June 28, 2005

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