



CANADA: GRAINS AND OILSEEDS OUTLOOK

February 14, 2006

For 2005-06, the Statistics Canada's estimate of stocks of Canadian grain at December 31, 2005 was close to expectations for grains and oilseeds (G&O) and has confirmed the burdensome supplies of durum wheat and canola in Canada. Despite a projected 14% increase in exports in 2005-06, AAFC forecasts that total G&O carry-out stocks will increase by 12% to a record 18.3 million tonnes (Mt). Prices are expected to decline for wheat and oilseeds, but be unchanged to slightly stronger for coarse grains.

For 2006-07, Canadian farmers are expected to increase the areas seeded to non-durum wheat, oats, barley and corn, while reducing areas of durum, canola, flaxseed and soybeans. Total G&O production is forecast by AAFC to decline by 3% due to lower yields, but total supply is projected to increase slightly due to the larger carry-in stocks. Exports are forecast to increase by 6% to 28.7 Mt, with carry-out stocks projected to fall by 12% to 16.1 Mt. Canadian wheat, canola and oat prices are forecast to decline, with barley and corn prices expected to strengthen. Prices will continue to be pressured by the strong Canadian dollar. The market outlook is very tentative due to the high degree of uncertainty regarding global supply and demand conditions. In addition, trade policy factors, such as the anti-dumping and countervail (AD/CV) duties currently in place on imports of unprocessed grain corn from the US, will also affect the outlook. The other major factors to watch are: import demand from China, EU export subsidies, ocean freight rates, and the Canada/US exchange rate.

WHEAT (ex durum)

For 2005-06, exports are forecast to rise by 8% from 2004-05 due to increased supplies of milling quality wheat. Feed use is expected to decline slightly but remain higher than normal. Carry out stocks are forecast to increase slightly. The Canadian Wheat Board (CWB) January Pool Return Outlook (PRO) has declined and is now below the 2004 05 final realized price.

For 2006-07, production is forecast to rise slightly, with increased seeded area largely offset by lower yields. Industrial use is expected to rise sharply as new ethanol plants come on-line in western Canada. Exports are forecast to increase significantly, assuming a normal quality crop. Carry-out stocks are projected to decline. CWB pool returns are projected by AAFC to decline slightly, although the price outlook has been supported by the poor condition of the US hard red winter wheat crop.

DURUM

For 2005-06, total supply reached a record 8.4 Mt. Exports are expected to increase by 15%, but carry out stocks are projected to rise by over 40% to a record 3.6 Mt. The CWB is not expected to be able to accept all deliveries offered by farmers. The CWB PRO is well below the 2004 05 final realized price.

For 2006-07, production is forecast to fall by over 20% due to a lower seeded area and yields. However, total supply will decline only slightly because of the larger carry-in stocks. Exports are forecast to decline by 5%, assuming normal yields in the EU and North Africa. Carry-out stocks are forecast to rise slightly. CWB pool returns are forecast by AAFC to be similar to 2005-06.

BARLEY

For 2005-06, exports are forecast to increase by 34%, driven mainly by higher exports of feed barley. Carry-out stocks are forecast to decrease by 11%, but will be high historically.

For 2006-07, production is forecast to rise slightly, as lower yields are more than offset by larger area but total supply is projected to rise only marginally due to lower carry-in stocks. Exports are expected to fall, as higher exports of malting barley only partially offset lower exports of feed barley. Carry-out stocks are projected to drop significantly

due to higher feed use. The average off-Board feed barley price is forecast to rise by \$15/t. CWB pool returns are forecast by AAFC to be similar to 2005-06 for Two-Row but decline for Six-Row designated barley.

OATS

For 2005-06, exports are forecast to increase due to less competition from the EU. Carry-out stocks are projected to decrease by 9%.

For 2006-07, production is forecast to rise by 17%, due to higher area. Exports are forecast to be flat at 1.7 Mt. Although feed use is expected to increase significantly, carry-out stocks are expected to rise by 11%. Chicago prices are forecast to decrease by C\$15/t from 2005-06 to \$125/t.

CORN

For 2005-06, imports are forecast to fall significantly, due to higher domestic supplies and the AD/CV duties. Carry-out stocks are expected to decline by 17%. While supported by the AD/CV duties, corn prices in eastern Canada are expected to be pressured by larger domestic supplies.

For 2006-07, the forecasts are very tentative, depending on the final AD/CV decision by the Canada Border Services Agency (CBSA), expected on March 15, 2006, and the final injury decision of the Canadian International Trade Tribunal by April 18, 2006. Corn production is forecast to fall by 5% as lower yields more than offset higher area. Imports are forecast to increase due to lower domestic supplies and higher demand for ethanol production. Carry-out stocks are forecast to drop by 33%. The average price at Chatham elevator is forecast to rise by 20% to \$120/t.

CANOLA

For 2005-06, total supply is expected to reach a record 11.4 Mt. Exports are forecast to increase by 32%, to 4.5 Mt, while domestic crush rises by 9%, to 3.3 Mt. Carry-out stocks are forecast to rise sharply to a record 3.0 Mt. Prices are expected to decline by about 15%.

For 2006-07, production is forecast to decline by 19% due to lower seeded area and yields. Total supply is expected to decline by about 4% as the

record carry-in stocks offset much of the decline in output. Exports and domestic crush are forecast to remain stable at a record high level. Carry-out stocks are forecast to decline by 10% but will be the second highest on record. Canola prices are forecast to decline slightly.

FLAXSEED (excluding solin)

For 2005-06, exports are forecast to rise sharply due to the significant increase in supply and high crude oil prices. Carry-out stocks are expected to rise sharply. The average price is forecast to decline from the above normal level in 2004-05. For 2006-07, production is forecast decline by 12% due to decreased seeded area and lower yields. Exports are forecast to remain stable at about 0.7 Mt while domestic usage remains stable. Carry-out stocks are projected to rise by 13%, while prices remain stable.

SOYBEANS

For 2005-06, total supply is expected to be a record 3.7 Mt. Exports are forecast at a record high 1.15 Mt, while the domestic crush is expected to be a near record 1.75 Mt. Carry-out stocks are expected to decline with prices falling under pressure from lower US prices and the rising Canadian dollar.

For 2006-07, production is forecast to fall due to lower seeded area and yields. Total supply is forecast to fall by only 4%, as higher imports largely offset the drop in output. Exports and domestic crush are forecast to remain stable at record high levels. Carry-out stocks are forecast to decline although prices are unchanged.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

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Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested	Yield t/ha	Production	Imports (b)	Total Supply thousand metric tonnes	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f) \$/t
Durum												
2004-2005	2 230	2 141	2,32	4 962	1	6 752	3 218	254	536	1 013	2 521	201
2005-2006F	2 341	2 297	2,58	5 915	1	8 436	3 700	255	681	1 136	3 600	180 *
2006-2007F	2 130	2 090	2,23	4 665	1	8 266	3 500	260	595	1 066	3 700	180 **
Wheat Except Durum												
2004-2005	8 169	7 722	2,71	20 898	13	25 203	11 593	2 845	4 521	8 138	5 471	190
2005-2006F	7 784	7 530	2,77	20 860	15	26 347	12 500	2 885	4 485	8 247	5 600	186 *
2006-2007F	8 693	8 460	2,60	22 000	15	27 615	14 500	3 150	4 160	8 115	5 000	180 **
All Wheat												
2004-2005	10 399	9 862	2,62	25 860	14	31 955	14 812	3 099	5 056	9 151	7 992	
2005-2006F	10 125	9 826	2,72	26 775	16	34 783	16 200	3 140	5 166	9 383	9 200	
2006-2007F	10 823	10 550	2,53	26 665	16	35 881	18 000	3 410	4 755	9 181	8 700	
Barley												
2004-2005	4 678	4 050	3,26	13 186	83	15 371	1 863	268	9 358	10 019	3 489	112
2005-2006F	4 440	3 889	3,21	12 481	35	16 005	2 500	260	9 740	10 405	3 100	100-120
2006-2007F	4 815	4 210	3,06	12 900	30	16 030	2 300	300	10 785	11 530	2 200	115-135
Corn												
2004-2005	1 185	1 072	8,24	8 837	2 422	12 401	242	2 395	7 951	10 358	1 802	101
2005-2006F	1 124	1 096	8,63	9 461	1 400	12 662	200	2 450	8 497	10 962	1 500	90-110
2006-2007F	1 170	1 130	7,96	9 000	1 900	12 400	150	3 050	8 185	11 250	1 000	110-130
Oats												
2004-2005	1 995	1 315	2,80	3 683	26	4 497	1 675	118	1 560	1 834	988	131
2005-2006F	1 853	1 326	2,59	3 432	15	4 435	1 700	140	1 525	1 835	900	130-150
2006-2007F	2 136	1 550	2,58	4 000	15	4 915	1 700	140	1 900	2 215	1 000	115-135
Rye												
2004-2005	284	165	2,53	418	1	487	122	48	155	220	145	69
2005-2006F	223	148	2,42	359	1	505	150	48	170	235	120	65-85
2006-2007F	207	150	2,33	350	1	471	150	48	176	241	80	75-95
Mixed Grains												
2004-2005	220	111	2,87	318	0	318	0	0	318	318	0	
2005-2006F	209	109	2,78	303	0	303	0	0	303	303	0	
2006-2007F	215	115	2,87	330	0	330	0	0	330	330	0	
Total Coarse Grains												
2004-2005	8 362	6 713	3,94	26 442	2 531	33 074	3 902	2 828	19 342	22 749	6 424	
2005-2006F	7 850	6 568	3,96	26 036	1 451	33 911	4 550	2 898	20 236	23 741	5 620	
2006-2007F	8 542	7 155	3,71	26 580	1 946	34 146	4 300	3 538	21 376	25 566	4 280	
Canola												
2004-2005	5 319	4 938	1,57	7 728	108	8 444	3 412	3 031	328	3 403	1 629	309
2005-2006F	5 491	5 253	1,84	9 660	150	11 440	4 500	3 300	595	3 940	3 000	245-285
2006-2007F	5 053	4 890	1,60	7 800	150	10 950	4 500	3 300	405	3 750	2 700	235-275
Flaxseed												
2004-2005	728	528	0,98	517	39	648	468	n/a	n/a	151	30	n/a
2005-2006F	842	803	1,35	1 082	30	1 142	700	n/a	n/a	242	200	260-300
2006-2007F	805	782	1,21	950	20	1 170	700	n/a	n/a	245	225	260-300
Soybeans												
2004-2005	1 229	1 178	2,59	3 048	393	3 581	1 122	1 610	457	2 190	270	248
2005-2006F	1 176	1 169	2,70	3 161	250	3 681	1 150	1 750	421	2 281	250	205-245
2006-2007F	1 144	1 125	2,53	2 850	450	3 550	1 150	1 750	400	2 250	150	205-245
Total Oilseeds												
2004-2005	7 277	6 643	1,70	11 293	540	12 674	5 002	n/a	n/a	5 743	1 929	
2005-2006F	7 510	7 225	1,92	13 904	430	16 263	6 350	n/a	n/a	6 463	3 450	
2006-2007F	7 002	6 797	1,71	11 600	620	15 670	6 350	n/a	n/a	6 245	3 075	
Total Grains And Oilseeds												
2004-2005	26 038	23 219	2,74	63 596	3 085	77 703	23 715	n/a	n/a	37 643	16 345	
2005-2006F	25 484	23 620	2,82	66 715	1 897	84 956	27 100	n/a	n/a	39 586	18 270	
2006-2007F	26 368	24 502	2,65	64 845	2 582	85 697	28 650	n/a	n/a	40 992	16 055	

(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 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. Total 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).

* Canadian Wheat Board Pool Return Outlook - January 26, 2006

** AAFC Forecast, February, 2006

F: Forecast; Agriculture and Agri-Food Canada - February 14, 2006

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