



CANADA: GRAINS AND OILSEEDS OUTLOOK

July 5, 2002

In its June 28, 2002 seeded area report, Statistics Canada (STC) revised its estimates of seeded area for 2001-02 based on the 2001 Agricultural Census. Consequently, the estimates of area harvested, yield and production for 2001-02 were adjusted by AAFC. STC also released its estimates of area seeded for 2002-03 based on a survey conducted during May 24 to June 4. For 2002, in western Canada, the areas seeded to durum wheat, coarse grains and oilseeds increased while the areas seeded to spring wheat, pulse and special crops decreased, as did summerfallow. In eastern Canada, the areas seeded to wheat increased while corn and soybean area decreased from 2001-02. Due to a continuation of dry conditions in parts of Saskatchewan and Alberta, AAFC continues to forecast below average yields in western Canada. In eastern Canada, where most of the corn and soybeans are grown, moisture conditions are generally good and yields are expected to increase from the lows of 2001-02.

Total production of grains and oilseeds in Canada is forecast by AAFC to increase to 56.8 million tonnes (Mt) from 50.9 Mt in 2001-02 vs. the 10-year average of 59.7 Mt. However, the supply of grains and oilseeds is forecast to decrease slightly, due to low carry-in stocks and a significant decrease in corn imports. Total exports are forecast to decrease slightly to 21.6 Mt, as lower wheat exports more than offset higher exports of coarse grains and oilseeds. In Canada, wheat and coarse grain prices are expected to fall while oilseed prices rise slightly, or remain stable. Prices will be pressured by the expected appreciation of the Canadian dollar relative to the US dollar.

For 2002-03, US wheat prices (excluding durum) are expected to increase marginally from the 2001-02 level due to lower US and world ending stocks. Durum prices are expected to fall due to larger world supplies and rising stocks. US corn prices are expected to increase slightly due to lower ending stocks. Oilseed prices are expected to increase slightly due to higher edible oil prices, despite burdensome world oilseed supplies. The major factors to watch are: growing conditions in the major importing and exporting regions, the aggressiveness of the EU with export subsidies, China's policy on imports of GMO products and the depreciation of the US dollar.

WHEAT (ex-durum)

Production is forecast to decline by 4% for 2002-03, with slightly higher yields partly offsetting the 7% lower seeded area. Due to lower carry-in stocks, total supplies are forecast to decline by 10%. Exports are projected to decline by 19%, to 10.0 Mt, even lower than in 1988-89, and well below the 10-year average of 16 Mt. Feed use is expected to rise slightly, due to strong hog feed demand, assuming that a return to a normal grade distribution provides increased supplies of lower quality wheat. Carry-out stocks are forecast to decline by 4% from 2001-02, to an historically low level of 4.8 Mt. The Canadian Wheat Board (CWB) June Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$187/t, in-store Vancouver/St. Lawrence, vs. \$199/t for 2001-02. Ontario winter wheat production is forecast to rise by 7% to 1.1 Mt, due to lower abandonment.

DURUM

Production is forecast to increase by 66%, to 5.0 Mt, equal to the 5-year average, due to larger area seeded and improved yields. This will be partly offset by a 50% drop in carry-in stocks, so that supplies will be 10% higher than 2001-02. Exports are forecast to be unchanged from 2001-02, due to strong competition from other exporters. Domestic use is expected to rise by 24% due to increased feed use. Carry-out stocks are projected to increase by 24%, to 1.8 Mt, which is equal to the 5-year average. The CWB PRO for No.1 CWAD 11.5% protein is \$227/t I/S VC/SL, vs. \$254/t for 2001-02. The premium over No.1 CWRS 11.5% is forecast at \$40/t vs. \$55/t for 2001-02.

BARLEY

Barley production is forecast to increase due to higher seeded area and higher yields. Abandonment is forecast to remain above the five year average due to strong demand for fodder. Increased barley supplies are expected

to result in higher feed use. Malting barley exports are forecast to increase slightly but feed barley exports are projected to remain low. However, barley exports will depend on the relationship between domestic prices and export prices. Carry-out stocks are forecast to be slightly higher than in 2001-02, and off-Board feed barley prices are expected to decrease slightly. The CWB PRO for No.1 CW Feed Barley is \$136/t vs. \$177/t for 2001-02. The CWB PRO for Special Select Two Row Designated Barley is \$175/t vs. \$212/t for 2001-02.

OATS

Production is forecast to rise sharply, mainly due to higher seeded area. The abandonment rate is expected to remain high due to strong demand for fodder. Exports and carry-out stocks are forecast to increase due to higher supplies. Prices are forecast to fall sharply to \$130-160/t, due to higher production in Canada, the US, and the EU. Oats are expected to be priced competitively with other feed grains.

CORN

Corn production is forecast to rise considerably, largely due to higher yields. Imports are expected to fall due to higher barley production in western Canada and higher corn production in eastern Canada. Feed use of corn is expected to decline, primarily as a result of the larger supplies of barley in western Canada. Carry-out stocks are forecast to remain stable. Chatham corn prices are forecast to fall slightly to \$110-140/t, despite higher US prices, mainly due to larger domestic corn supplies.

CANOLA

Production is expected to increase as the impact of higher seeded area more than offsets lower yields. Domestic crush and exports are both projected to rise, supported by higher world vegetable oil prices and slightly higher supplies.

Carry-out stocks are forecast to fall by 30%, to the lowest level in four years, but remain adequate. Prices are expected to rise to \$360-390/t, due to higher soybean and palmoil prices and dry conditions across major canola growing regions in western Canada.

FLAXSEED (excluding solin)

Production is expected to increase by 10% due to higher yields and seeded area. Supplies are forecast to decrease, due to a sharp decline in carry-in stocks. Exports are forecast to decline from 2001-02, while total domestic usage falls slightly. Carry-out stocks are expected to decline by 8%, supporting the price outlook of \$340-370/t.

SOYBEANS

Production is forecast to rise significantly to near-record highs, due to a return to normal yields following the sharply lower yields of 2001-02, despite the drop in harvested area. Imports are expected to fall significantly, moderating the rise in supplies. Exports are expected to rise sharply, to near the 5-year average, following the major decline in 2001-02. Domestic crush is forecast to remain unchanged at near-record high volumes. Prices are forecast to remain stable, at \$250-280/t, as support from higher US soybean prices is offset by the higher Canadian dollar and the widening basis related to increased domestic supply.

FURTHER INFORMATION:

WheatGlenn Lennox....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains..Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca
www.agr.gc.ca/mad-dam/
L:\MAD\OUTLOOK\S&D\2002\Jul2002\Jul2002e.wpd

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

July 5, 2002

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-Stocks	Average Price (e) \$/t
----- thousand metric tonnes-----											
Durum											
2000-2001	2,614	2.16	5,647	10	7,432	3,486	255	596	1,065	2,882	242.61
2001-2002f	2,060	1.46	3,010	10	5,902	3,600	260	342	852	1,450	254 *
2002-2003f	2,445	2.04	5,000	10	6,460	3,600	265	565	1,060	1,800	227 **
Wheat Except Durum											
2000-2001	8,349	2.53	21,157	50	27,171	13,263	2,760	3,619	7,272	6,636	182.41
2001-2002f	8,596	2.07	17,780	60	24,476	12,400	2,785	3,460	7,076	5,000	199 *
2002-2003f	8,050	2.12	17,045	10	22,055	10,000	2,840	3,525	7,255	4,800	187 **
All Wheat											
2000-2001	10,963	2.44	26,804	60	34,604	16,749	3,015	4,215	8,337	9,518	
2001-2002f	10,656	1.95	20,790	70	30,378	16,000	3,045	3,802	7,928	6,450	
2002-2003f	10,495	2.10	22,045	20	28,515	13,600	3,105	4,090	8,315	6,600	
Barley											
2000-2001	4,551	2.96	13,468	40	16,346	2,639	359	10,444	11,240	2,466	128.85
2001-2002f	4,208	2.65	11,165	110	13,741	1,700	330	9,356	10,141	1,900	150-160
2002-2003f	4,540	2.79	12,655	70	14,625	1,900	330	9,930	10,725	2,000	135-165
Corn											
2000-2001	1,088	6.27	6,827	2,872	11,251	104	2,145	8,088	10,267	880	120.04
2001-2002f	1,260	6.60	8,320	3,250	12,450	175	2,200	9,191	11,425	850	125-135
2002-2003f	1,275	7.16	9,135	1,600	11,585	250	2,250	8,201	10,485	850	110-140
Oats											
2000-2001	1,299	2.61	3,389	8	4,519	1,759	111	1,620	1,906	854	114.49
2001-2002f	1,260	2.18	2,750	60	3,664	1,450	150	1,506	1,839	375	195-205
2002-2003f	1,625	2.30	3,730	5	4,110	1,700	150	1,537	1,860	550	130-160
Rye											
2000-2001	115	2.27	260	5	426	89	68	175	260	77	
2001-2002f	102	1.91	195	5	277	65	62	101	177	35	
2002-2003f	90	2.11	190	5	230	50	62	64	145	35	
Mixed Grains											
2000-2001	128	2.98	382	0	382	0	0	382	382	0	
2001-2002f	145	2.83	410	0	410	0	0	410	410	0	
2002-2003f	160	2.81	450	0	450	0	0	450	450	0	
Total Coarse Grains											
2000-2001	7,181	3.39	24,327	2,925	32,924	4,592	2,683	20,709	24,056	4,277	
2001-2002f	6,975	3.27	22,840	3,425	30,542	3,390	2,742	20,564	23,992	3,160	
2002-2003f	7,690	3.40	26,160	1,680	31,000	3,900	2,792	20,182	23,665	3,435	
Canola											
2000-2001	4,816	1.48	7,126	224	9,507	4,838	3,013	606	3,651	1,018	290.70
2001-2002f	3,758	1.32	4,971	250	6,239	2,500	2,300	394	2,739	1,000	350-360
2002-2003f	3,978	1.28	5,110	250	6,360	2,700	2,500	415	2,960	700	360-390
Flaxseed											
2000-2001	591	1.17	693	11	1,090	613	n/a	n/a	218	259	261.03
2001-2002f	671	1.06	710	10	979	625	n/a	n/a	224	130	305-325
2002-2003f	678	1.15	780	10	920	600	n/a	n/a	200	120	340-370
Soybeans											
2000-2001	1,061	2.55	2,703	431	3,386	747	1,697	693	2,459	180	256.09
2001-2002f	1,070	1.50	1,605	1,000	2,785	450	1,700	415	2,185	150	255-275
2002-2003f	1,024	2.67	2,735	300	3,185	800	1,700	440	2,210	175	250-280
Total Oilseeds											
2000-2001	6,468	1.63	10,522	666	13,983	6,199	4,710	1,299	6,328	1,457	
2001-2002f	5,499	1.33	7,286	1,260	10,003	3,575	4,000	809	5,148	1,280	
2002-2003f	5,680	1.52	8,625	560	10,465	4,100	4,200	855	5,370	995	
TOTAL GRAINS AND OILSEEDS											
2000-2001	24,612	2.51	61,653	3,651	81,511	27,540	10,408	26,223	38,720	15,252	
2001-2002f	23,130	2.20	50,916	4,755	70,923	22,965	9,787	25,175	37,068	10,890	
2002-2003f	23,865	2.38	56,830	2,260	69,980	21,600	10,097	25,127	37,350	11,030	

(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) Includes seed use.

(e) Crop year average prices: **Wheat**: No.1 CWRS and **Durum**: No.1 CWAD - (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);

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 PRO May/02 ** June/02. Prices for No.1 CWRS and No.1 CWAD with 11.5% protein for 2000-01 to 2002-03. This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, July 5, 2002

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