



CANADA: GRAINS AND OILSEEDS OUTLOOK

July 31, 2002

Total production of grains and oilseeds in Canada is forecast by AAFC to decrease to 50.6 million tonnes (Mt), from 50.9 Mt in 2001-02 vs. the 10-year average of 59.7 Mt, based on Statistics Canada's (STC) June 28 area seeded estimates. Due to a continuation of drought in major portions of Saskatchewan and Alberta, AAFC has reduced its forecast yields in western Canada from the July 5 report. 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. The supply of grains and oilseeds is forecast to fall sharply, due to low carry-in stocks and a decrease in corn imports. Total exports are forecast to fall to a modern day low of 18.8 Mt, as lower wheat, barley, canola and flax exports more than offset higher exports of durum, corn, oats and soybeans.

For 2002-03, US wheat prices (excluding durum) are expected to increase significantly 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 due to lower ending stocks. Oilseed prices are expected to increase due to higher edible oil prices, despite burdensome world oilseed supplies. In Canada, the prices for grains and oilseeds are expected to increase, except for durum and oats, although prices will, in general, be pressured by the expected appreciation of the Canadian dollar relative to the US dollar. 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 Canada/US exchange rate.

WHEAT (ex-durum)

Production for 2002-03 is forecast to fall by 16%, from 2001-02 to 14.9 Mt, due to a 7% reduction in seeded area and 10% lower yields. Due to smaller carry-in stocks, total supplies are forecast to decline by 19%. Exports are projected to decline by 28%, to a record low of 8.7 Mt, well below the 10.4 Mt exported in 1988-89, the previous modern-day. Feed use in 2002-03 is expected to decline by 9% but remain high as a result of strong hog feed demand. Carry-out stocks are forecast to fall by 20% from 2001-02, to an historically low level of 4.0 Mt. The Canadian Wheat Board (CWB) July Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$216/t, in-store Vancouver/St. Lawrence, vs. \$203/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 57% from 2001-02 to 4.7 Mt, vs. the 5-year average of 5 Mt, due to a larger area seeded and improved yields. This will be partly offset by a 50% drop in carry-in stocks, so that supplies will be slightly higher than 2001-02. Exports are forecast to rise from 2001-02, due to strong competition from other exporters. Domestic use is expected to rise marginally due to increased feed use. Carry-out stocks are projected to increase by 10%, to 1.6 Mt, vs. the 5-year average of 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$228/t I/S VC/SL, vs. \$255/t for 2001-02. The premium over No.1 CWRS 11.5% is forecast at \$12/t, vs. \$52/t for 2001-02.

BARLEY

Barley production is forecast to decrease from 2001-02 due to lower yields and a high rate of abandonment related to crop failure in many areas and strong demand for fodder. Lower barley supplies are

expected to result in reduced feed use. Malting barley exports are forecast to decrease, and feed barley exports are projected to remain extremely low as a result of short supplies and strong domestic demand. Carry-out stocks are forecast to be lower than 2001-02, and off-Board feed barley prices are expected to increase. The CWB PRO for No.1 CW Feed Barley is \$168/t vs. \$180/t for 2001-02 and the PRO for Special Select Two Row Designated Barley is \$207/t vs. \$212/t for 2001-02.

OATS

Production is forecast to rise from 2001-02 due to higher seeded area. The rate of abandonment is expected to remain high due to strong demand for fodder and crop failure in many areas. Exports and carry-out stocks are forecast to increase due to higher supplies. Prices are forecast to remain high at \$145-175/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, largely due to higher yields. Imports are expected to fall but remain historically high. Imports into western Canada will increase from 2001-02 due to reduced barley production, while imports into eastern Canada are forecast to fall. Feed use is expected to increase, primarily as a result of the lower supplies of barley in western Canada. Chatham corn prices are forecast to rise to \$120-150/t due to higher US corn prices.

CANOLA

Production is expected to decrease from 2001-02 as sharply lower yields, combined with increased abandonment due to the drought, more than offset the impact of higher seeded area. Exports are projected to decline significantly due to tight supplies. Carry-out stocks are forecast to

fall by 60%, to pipeline levels. Prices are expected to rise sharply to \$400-430/t, due to higher soyoil and palmoil prices and lower supplies.

FLAXSEED (excluding solin)

Production is expected to remain stable as lower yields offset a rise in harvested area. Supplies are forecast to decrease, due to sharply lower carry-in stocks. Exports and total domestic use are forecast to decline slightly from 2001-02. Carry-out stocks are expected to decline by 35%, supporting the price outlook of \$375-405/t.

SOYBEANS

Production is forecast to rise significantly, due to the return to near-normal yields, following the sharply lower yields of 2001-02 which more than offsets 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 increase to \$260-290/t due to higher US soybean prices, which is expected to more than offset the widening of the Chicago cash-Chatham basis and the appreciation of the Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

July 31, 2002

Grain and Crop Year (a)	Harvested		Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry- Stocks	Average Price (e) \$/t
	Area 000 ha	Yield t/ha									
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	3,500	260	442	952	1,450	255 *
2002-2003f	2,440	1.93	4,710	10	6,170	3,600	265	475	970	1,600	228 *
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	12,000	2,785	3,860	7,476	5,000	203 *
2002-2003f	8,050	1.85	14,930	10	19,940	8,700	2,840	3,510	7,240	4,000	216 *
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	15,500	3,045	4,302	8,428	6,450	
2002-2003f	10,490	1.87	19,640	20	26,110	12,300	3,105	3,985	8,210	5,600	
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	105	13,736	1,725	330	9,326	10,111	1,900	155-160
2002-2003f	4,199	2.55	10,690	100	12,690	1,350	330	8,745	9,540	1,800	160-190
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	200	2,200	9,166	11,400	850	125-135
2002-2003f	1,275	7.16	9,135	2,775	12,760	250	2,250	9,351	11,635	875	120-150
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	1,350	150	1,606	1,939	375	195-205
2002-2003f	1,513	2.25	3,405	5	3,785	1,500	150	1,527	1,860	425	145-175
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	2.00	180	5	220	45	62	64	145	30	
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	2.75	440	0	440	0	0	440	440	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	3,420	30,537	3,340	2,742	20,609	24,037	3,160	
2002-2003f	7,237	3.30	23,850	2,885	29,895	3,145	2,792	20,127	23,620	3,130	
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	3,623	1.08	3,900	250	5,150	2,050	2,250	415	2,700	400	400-430
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	600	n/a	n/a	224	155	315-325
2002-2003f	678	1.05	710	10	875	575	n/a	n/a	200	100	375-405
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	260-270
2002-2003f	1,024	2.47	2,525	400	3,075	800	1,700	405	2,175	100	260-290
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	3,550	4,000	809	5,148	1,305	
2002-2003f	5,325	1.34	7,135	660	9,100	3,425	3,950	820	5,075	600	
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	4,750	70,918	22,390	9,787	25,720	37,613	10,915	
2002-2003f	23,052	2.20	50,625	3,565	65,105	18,870	9,847	24,932	36,905	9,330	

(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 31, 2002

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