



Fast Forward

Meeting Prairie farmers' marketing needs in
today's global trade environment



Prairie strong, worldwide

Introduction

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Market update

Wheat

- high quality, high volume crop in the major exporters (exception: the EU)
- major importers also increased production
- “minor” exporters
 - 2002 crop - above average, 39 per cent of world trade
 - 2003 crop - below average
- World wheat stocks down 73 MMT from 06/30/02 to 06/30/04



Market update (continued)

China:

- Imports of Canadian wheat vary greatly:
 - 5.173 million tonnes in 1994-95
 - 17 000 tonnes in 2000-01
- MOA signed on December 11, 2003 with COFCO:
 - sale of 500 000 tonnes of wheat in 2004
- Chinese imports of wheat forecast to increase

Market update (continued)

Durum

- North American crop large and very high-grade
- North Africa: large crop
- European crop down 700 000 tonnes
- 2003-04 international trade down 600 000 tonnes to 5.9 million tonnes
- Lowest demand in 8 years
- 70 per cent acceptance on Series A durum
- Challenge: limited markets for the high quality durum that we have in ample supply in '03-'04

Market update (continued)

Barley

- 2003-04 production in Canada and Australia returned to average levels after 2002 drought
- U.S. crop up to 6.3 million tonnes
- EU crop down
- reduced European supplies creates opportunities for Western Canada
- large U.S. corn crop / BSE pressuring domestic prices
- 4 GDCs on feed barley: over 600 000 tonnes committed so far

Market update (continued)

Malting barley

- Weaker global demand, particularly in Asia
- Some increased demand in Eastern Europe
- Improved crops in North America and Australia compared to 2002
- Weaker U.S. demand for six-row malting barley because of its own high quality crop



Market update (continued)

Malting barley:

- Exports (current 10-year average): 1.1 million tonnes
- Expected growth (CWB long-term forecast):
 - 1.7 million tonnes (2006)
 - 2 million tonnes (2011)
- Growth in demand:
 - Chinese demand to double
 - Latin American imports to increase by 50 per cent



Transportation

- Overall, export and sales targets will be met
 - over 16 million tonnes of wheat, durum and barley exports (8.7 million in 02-03)
 - 11 million tonnes of wheat
 - 3 to 3.5 million of durum
 - 2 million of barley (feed and designated)
 - 40 per cent of program exported by December
 - 85 per cent by May
- Record winter rail program - as high as 1.5 million tonnes
- Improvements since early December

Transportation (continued)



Grain movement in 2003-04

- early harvest
- average crop volumes after a poor crop in 2002
- high ocean freight rates on the West Coast
- new railway car allocation programs
- effect on producer cars
- CWB commitment

Producer Payment Options (PPOs)

Applicable grains	FPC	BPC	EPO	GDC
Wheat	<u>X</u>	<u>X</u>	<u>X</u>	
Durum	<u>X</u>		<u>X</u>	
Feed barley	<u>X</u>		<u>X</u>	<u>X</u>
Selected barley			<u>X</u>	

PPOs (continued)

Possible enhancements for the future:

- Adding more options to the EPO (expanding 80 per cent to all grains)
- Offering the BPC for longer periods
- Act of God clause for FPC and BPC

E-Services



- **Services**
 - E-advances
 - E-contracting
- **Effective date**
 - February 2004
- **Future enhancements**
 - PPOs on-line
 - Payment information on-line
 - Local weather information (soil moisture, rainfall-to-date)
 - Delivery info on-line

Market development

- Establishing and developing new markets is a CWB priority
- Work with customers at home and abroad to develop new demand for Prairie wheat, durum and barley
- Several key areas:
 - Hard white wheat
 - Gaining acceptance for malting barley varieties with improved agronomics
 - Extra-strong CWAD (Navigator)
 - Winter wheat and CPS red with better milling characteristics

Market Development Contract Program (MDCP)

Why MDCP?

- Encourage production of crops that keep Western Canada at the forefront of world trade in quality wheat, durum and barley
- Enable buyers to test the milling and end-use qualities of eligible varieties

Benefits to farmers:

- Premiums
- Storage payments
- Guaranteed acceptance and delivery opportunities

MDCP (continued)

Eligible crops and premiums for 2004-05:

- CPSR \$5 per tonne
 - 5700PR
- CWAD \$2.50 per tonne
 - AC Navigator (extra strong)
- CWXHWW \$7.50 per tonne
 - Snowbird
 - Kanata

MDCP (continued)

- CWRW \$10 per tonne
 - AC Bellatrix
 - AC Readymade
 - AC Tempest
 - CDC Buteo
 - CDC Osprey
 - McClintock
 - Norstar

Market development (continued)

State-of-the-art facilities through CIGI

▼ Malting Barley Technical Centre



- ▶ Pilot flour mill and bakery
- ▶ Pilot test bakery
- ▶ Pilot noodle plant
- ▶ Pilot pasta plant

Future trends



Ongoing market development efforts

- Food safety / HACCP
- Traceability
- Wheat Quality Assurance

Future trends (continued)

Branding

- Mr. Donut
- Danuta
- Warburton's
- Showa Sangyo flour
- Osaka Co-op spaghetti
- Okumoto Flour Mills



1CW

ナンバーワン・カナダ・ウェスタン・レッド・スプリング。「1CW」と略されるこの小麦は、硬質小麦の最高級銘柄のひとつです。ミスタードーナツが使っているのは、「1CW」をはじめ選りすぐった銘柄の、高品質な小麦だけ。こだわりの気持ちちは、麦の1粒にもしっかりと生きています。

ミスタードーナツのドーナツになるのは、カナダやアメリカ合衆国などの畑でのびと育った小麦たち。北米地域は、ドーナツやパンに選ばれる硬質小麦の一大生産地です。なかでもカナダ産の「1CW」は、カナダの規格等級に基づいた最高品質の硬質小麦。ミスタードーナツでは、オールドファッションやハニーデューなどに「1CW」を使っています。それはかのドーナツの原料となる小麦も、ハイグレードなものばかり。それぞれのドーナツに最適な銘柄を選び、その中でも優れた品質のものだけを使う。おいしいドーナツになれるのは、おいしい小麦だけ。これも、ミスタードーナツのこだわりです。

お客様の、おいしいに、安心に、笑顔に、まっすぐ。
そのすべてが、ミスタードーナツのポリシー。
<http://www.misterdonut.co.jp>

まっすぐ Quality  **Mister Donut**

Marketing and trade

U.S. trade challenge:

- Fighting 14.15 per cent tariffs on spring wheat
 - appeal of ITC ruling to a NAFTA panel
 - appeal of DOC ruling on CVD with governments of Saskatchewan, Alberta and Canada
 - possible appeal to a WTO panel
- Decisions expected in late 2004
- John Gillcrist, chairman of NAMA: *“As we have testified over and over, we are forced to pay higher, not lower, prices for Canadian wheat.”* Milling and Baking News, October 14, 2003

Marketing and trade (continued)

Roundup Ready wheat:

- Monsanto will not request support for variety registration at the spring meeting of the PRRCG
- Customers, farmers and farm groups still have serious concerns
- CWB's position has not changed:
 - approval process must include cost-benefit analysis
 - certain stringent conditions must be in place before unconfined release of GM wheat and barley can occur
 - other options (including legal avenue) remain open

Conclusion

Today's global grain trade is dynamic and fast-paced. To meet Prairie farmers' needs within this industry, the CWB must be flexible and innovative and must anticipate where events and trends are headed. Our policies and practices are based on our commitment to meet this challenge for the benefit of farmers, today and in the future.

QUESTIONS?



Prairie strong, worldwide

Example of branding

