



The Canadian Wheat Board

Grain trade forecast

to 2011-12

Over the last 25 years, the Canadian Wheat Board (CWB) has carried out regular internal long-term world and Canadian grain production and trade forecasting exercises for five and 10 years into the future. Having a view of long-term developments and likely future trends in grain production and trade is critical in the development of long-term CWB marketing strategies for wheat and barley, as well as market and product development.

The present report summarizes the CWB's projections of world grain production and trade in the years 2006-07 (hereinafter referred to as 2006) and 2011-12 (hereinafter referred to as 2011) – five and 10 years from 2001-02, compared to the 1997-98 to 2001-02 five-year average (hereinafter referred to as the base period). The detailed set of forecasts generated included both grain production and import

and export projections for wheat, durum wheat, feed barley, malting barley and corn for up to 55 different markets.

The projections were based on a framework of assumptions covering various macroeconomic factors and agricultural policy developments. More specifically, the analysis is based on factors such as population growth, economic climate, Gross Domestic Product (GDP), exchange rates, grain and oilseed prices, crude oil prices, U.S. agricultural policy, enlargement of the European Union (EU), environmental policy and international trade issues.

This forecast does not make assumptions regarding the possible impact that production and commercialization of genetically modified wheat would have on the global wheat market.

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The following summarizes the key findings of this forecast:

Wheat

- Global wheat production is forecast to rise to 676 million tonnes by 2011, an increase of 14 per cent or 86 million tonnes over the base period.
- World wheat trade (including flour and durum) will rise from 100.2 million tonnes in the base period to 107.2 million tonnes by 2006, and to 115.2 million tonnes by 2011, an increase of 15 per cent over the next ten years. The Asia-Pacific region accounts for nearly 50 per cent of the growth in global wheat trade.
- "Minor" exporting countries, including especially Russia, Ukraine and Kazakhstan, will increase their share of global wheat trade to 21 per cent in 2011 from 12 per cent in the base period.
- Canada's wheat exports are projected to remain essentially flat in the forecast period at 17.2 million tonnes by 2011 compared to 17.1 million tonnes in the base period. Strong global competition in the wheat market will keep pressure on prices, limiting increases in Canadian production and exports.
- The share of world wheat trade comprised of high-quality wheat is expected to stay steady at 13 per cent, benefiting Canada which typically captures about 50 per cent of trade in this segment of the world wheat market.

Durum wheat

- World trade in durum wheat is projected to increase by 13 per cent from six million tonnes in the base period to 7.6 million tonnes in 2011, driven by increased demand in North Africa and Latin America.
- Similar to the wheat market, non-traditional durum wheat exporting countries, such as Syria and Australia, are projected to increase exports. Market share among minor durum exporters is forecast to rise from 20 per cent in the base period to 31 per cent by 2011.
- Canada's exports of durum are projected to remain steady at 3.7 million tonnes over the forecast period, capturing just under 50 per cent of global trade.

Coarse grains

- World trade in corn is forecast to rise 23 per cent to 86.5 million tonnes by 2011 from 70.0 million tonnes in the base period, driven to a large degree by increased demand from Mexico. China is expected to shift from being a net exporter to a net importer of corn.
- World trade in barley is forecast to rise 30 per cent to 21.6 million tonnes by 2011. Of this, global malting barley trade is projected to rise sharply from four million tonnes in the base period to 6.4 million tonnes by 2011, a 60 per cent increase driven by rising demand in China.
- The minor exporters, in particular Russia and Ukraine, are forecast to increase their share of global feed barley trade to 52 per cent from 28 per cent in the base period.
- Canada's feed barley exports are forecast to remain below 500 000 tonnes, while malting barley exports are projected to rise 60 per cent to just over two million tonnes.

Macro-economic assumptions

Rising population, income growth and agricultural policies are the most significant drivers of change in import demand in the projection period. With respect to population growth, the U.S. Census Bureau International Database projects an increase of 737 million people

over the next ten years, with the global population reaching 6.89 billion by 2011. In comparison, the world's population grew by 790 million over the previous decade, 15 per cent or 53 million more than is forecast over the next ten years.

Population growth rate assumptions					
Region	Average annual growth		Population (in millions)		
	1991-2000	2001-2011	Mid-year 1991	Mid-year 2001	Mid-year 2011
Western Europe	0.35%	0.16%	375.1	387.3	393.2
Eastern Europe	-0.06%	-0.06%	121.3	120.2	119.4
CIS & Baltics	0.06%	0.07%	290.8	290.3	293.0
Africa	2.49%	1.99%	634.7	807.4	981.1
Middle East	2.27%	2.05%	209.4	262.8	322.0
Asia-Pacific	1.43%	1.12%	2 953.9	3 394.2	3 789.8
Latin America	1.65%	1.21%	404.5	474.2	533.8
North America	1.18%	0.98%	366.8	415.9	435.5
World	1.41%	1.15%	5 366.9	6 157.4	6 894.4

Macro-economic assumptions

With respect to GDP, robust growth in most developing and transition economies is expected, with Asia, Latin America, Africa and the Middle East all projected to experience growth rates of around 4.5 per cent annually. This compares with just under three per cent in Latin America and Africa over the last decade, and just under four per cent in the Middle East. In Asia, growth rates were in the double digits until the crash of 1997 at which point these economies slowed to a virtual stand-still. Healthy increases in GDP in these primarily importing regions are positive for global wheat import demand.¹

In Eastern Europe and the Commonwealth of Independent States (CIS)², GDP growth rates are forecast at over five per cent annually. This compares to negative average growth in the case of Eastern Europe, and 1.7 per cent annual growth experienced in the CIS over the last decade.

This level of growth should lead to greater investment in agriculture, higher grain output and better export capabilities. However, rising incomes will mean increased meat consumption leading to growth in livestock numbers and therefore higher domestic grain consumption, ultimately limiting export surpluses.

With respect to grain prices, production and trade forecasts are based on the assumption that increased global competition will keep wheat prices from rising relative to other crops. In fact, wheat is projected to lose value relative to soybeans over the next 10 years which will impact production decisions in the U.S., Argentina, Canada, the European Union (EU) and other countries where producers have the option to sow oilseeds versus wheat.



¹ GDP forecasts were drawn from FAPRI 2002, World Agricultural Outlook.

² The CIS includes the 12 former republics of the Former Soviet Union, excluding the three Baltic States of Estonia, Latvia, and Lithuania.

World grain production and use

World production of major grains

Million tonnes					
	1997-2001	2006	Projections		
	Average		Change from base	2011	Change from base
All Wheat	590	637	8%	676	15%
<i>Durum</i>	33	35	6%	37	12%
Coarse Grains	879	924	5%	986	12%
<i>Barley</i>	139	143	3%	151	9%
<i>Corn</i>	594	645	9%	695	17%
World	1 469	1 561	6%	1 662	13%

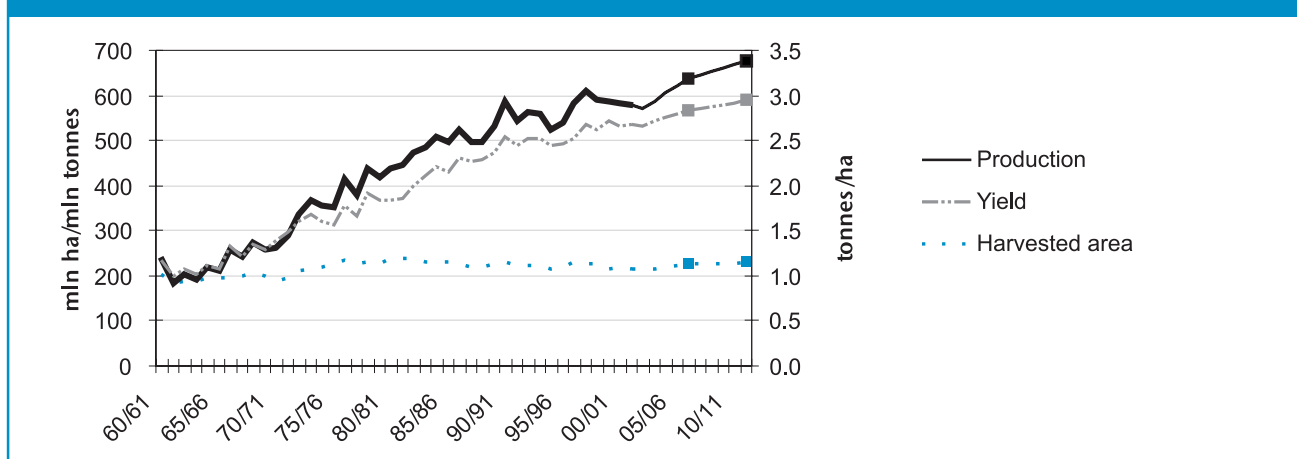
The CWB's Weather and Crop Surveillance unit developed long-term grain production forecasts based on certain assumptions about the future behaviour of crop prices, agronomic and technological developments and agricultural policy.

World wheat production is forecast to increase by 15 per cent from the base period, rising to 676 million tonnes in 2011, an increase of 86 million tonnes over 10 years driven primarily by increased yields as global area dedicated to wheat is forecast to remain relatively steady.¹ In comparison, world wheat output increased on average 95 million tonnes each decade over the last 40 years, rising from 200 million tonnes in 1961 to 580 million tonnes in 2001. However,

in the 1990s, output rose only 50 million tonnes or eight per cent, largely due to the fall in wheat output in the Former Soviet Union (FSU). Production in that region dropped from an average of 80 million tonnes in the 1980s to a low of 58 million tonnes in 1998-99, a 28 per cent drop.

But it is precisely these countries, in particular Russia and Ukraine, as well as Eastern Europe, which will experience some of the largest growth rates in coming years, accounting for 35 per cent of the increase in world wheat output. With large export potential in this region, these developments are expected to have a lasting impact on world wheat trade flows.

World wheat area, yield and production



¹ For the most part, trend yields have been employed to calculate production forecasts, however in some areas, yields have been adjusted to reflect changes in policies or circumstances, such as in the CIS where a decade of lower yields has recently been reversed.

World grain production and use

World coarse grain production is projected to grow by five per cent and 12 per cent in 2006 and 2011 respectively. U.S. corn production is expected to rise dramatically based on increased yields and larger area. Furthermore, countries such as Hungary, South Africa, Brazil and Argentina are also anticipated to experience corn production growth rates larger than two per cent annually over the next 10 years. Barley production is forecast to increase by a modest seven per cent by 2011. However, major production gains are expected in both Russia and Ukraine due to larger area and improved farm management.

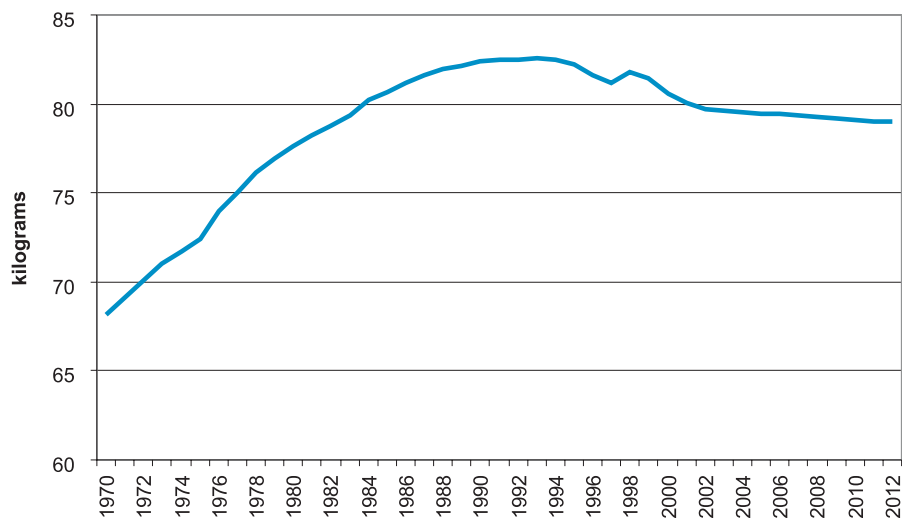
Wheat use

Current global per capita consumption of wheat as food at just above 80 kilograms (kg) is expected to drop to 79.1 kg per head by 2011. As incomes rise,

people tend to shift their diets toward greater intake of meat products and consequently less grain based products. In addition, rising GDP often means improved infrastructure in a given country, leading to reduced waste.

At 79.1 kg per capita, global consumption of wheat for food will reach 545 million tonnes by 2011 compared to 476 million tonnes in 2001-02. Coupled with a 14 per cent increase in feed use, forecast to rise to 124 million tonnes by 2011, global wheat consumption is projected to reach 669 million tonnes at the end of the forecast period, close to global wheat production of 676 million tonnes. In other words, increased world wheat output, as a result of improved yields, will be sufficient to meet expected increases in global demand.

Global per capita consumption of wheat as food



Canadian grain production

With increased competition in the global wheat sector, the CWB is not projecting wheat area in Canada to rise over the forecast period. With growing yields, a modest eight per cent increase in wheat production is projected, pushing output to 26.7 million tonnes by 2011.

And while growing competition on the international market will tend to pressure wheat prices, the CWB expects continued strong global demand for high-quality wheat will help to ensure healthy premiums for this segment of the market.

In addition, growing domestic demand for wheat, driven by the livestock and alternative fuels sectors such as ethanol, will provide an important alternative market outlet for Canadian wheat farmers. Durum wheat area and production are expected to decline marginally over the forecast period due to an anticipated increase in competition in the global market.

Barley production is expected to rise over the forecast period in response to increasing demand from the livestock industry, as well as from the malting sector.

Canadian production of major grains

Million tonnes					
	1997-2001 Average	2006	Projections		Change from base
			Change from base	2011	
Wheat	24.6	25.2	2%	26.7	8%
Durum	4.7	4.5	-3%	4.6	-1%
Barley	12.7	14.5	14%	15.4	21%
Corn	8.1	8.5	5%	9.0	11%
Canola	6.9	7.2	3%	7.5	8%
Flax	0.9	0.9	0%	1.0	6%
Oats	3.1	3.6	16%	3.8	21%
Major Grains	56.4	59.9	6%	63.4	12%

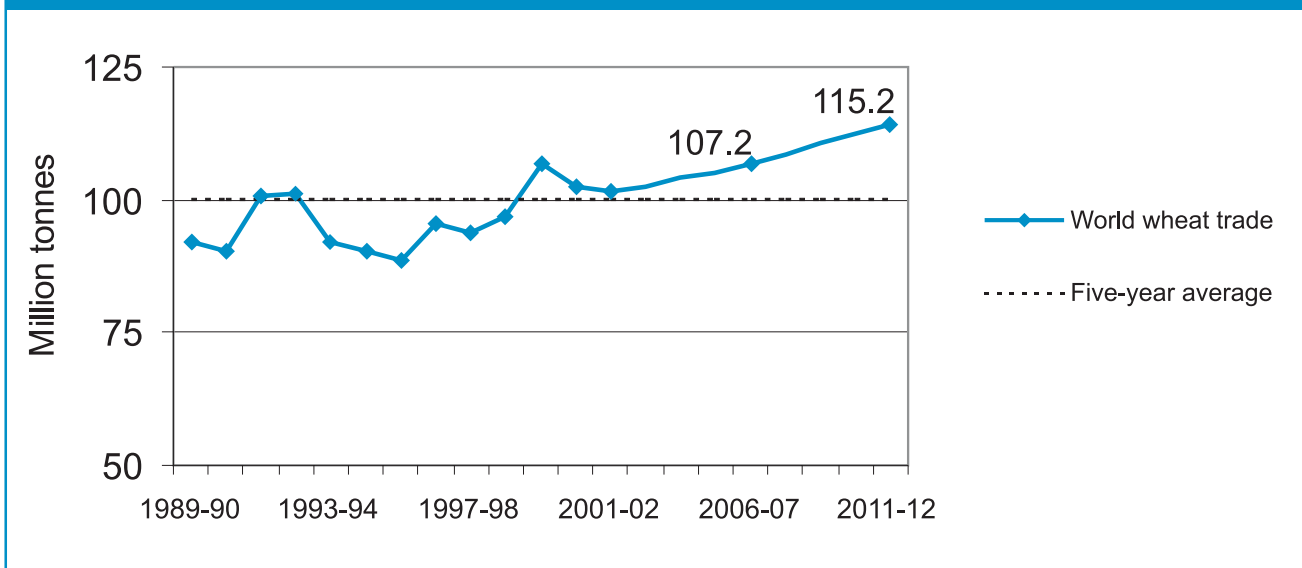
World wheat trade

World all wheat trade, including trade in flour and durum, but excluding that in further processed products, is forecast at 107.2 million tonnes in 2006 and 115.2 million tonnes in 2011, an increase of 15.1 million tonnes, or 15 per cent over the 10-year forecast period from

the base period average of 100.2 million tonnes. World wheat trade already reached 106.7 million tonnes in 1999-00, with strong demand from Iran and Russia in that year.



World wheat trade



Wheat importers

The Asia-Pacific market is expected to lead the way in terms of growth in wheat demand over the next decade, with total wheat imports projected to rise by 24 per cent. China and Indonesia account for the bulk of the increase. China's imports are projected to rise from one million tonnes in the base period to five million tonnes in 2011. In the late 1990s, China's government reduced price supports for wheat production, leading to a drop in output from its peak in 1997 of 123 million tonnes to levels of about 90 million tonnes in the last two years. The forecast anticipates a rebound in China's wheat production as yields rise in coming years, but not before demand catches up, leading to the re-emergence of China as an importer.

In Indonesia, rapid population growth, coupled with growing incomes and urbanization, are forecast to significantly increase wheat consumption. As a result, imports are projected to rise from 3.7 million tonnes to 5.3 million tonnes over the next 10 years.

After several years as an exporter, India is projected to return to its status as a net wheat importer near the end of the forecast period. This constitutes a major turnaround from the current market in which India is a net exporter of several million tonnes of wheat annually.

World wheat imports by region ¹				
Million tonnes	1997-2001		Projections	
	Average	2001-02	2006	2011
Western Europe	5.1	9.4	6.6	6.5
Eastern Europe	1.8	1.5	2.3	2.0
CIS and Baltics ²	5.1	3.9	4.5	4.2
Africa	25.0	24.9	26.7	29.4
Middle East	15.8	15.9	15.7	16.7
Asia-Pacific	27.6	26.1	30.5	35.0
Latin America	17.4	19.4	18.5	18.9
Others	2.4	2.5	2.4	2.5
Total	100.2	103.6	107.2	115.2

¹ Includes wheat, durum wheat, flour and semolina.

² Includes intra-trade among the countries of the CIS and Baltics.

Africa is the second largest growth region with a rise in wheat imports over the next 10 years projected at 17 per cent. Nigeria, West Africa and the remainder of the sub-Saharan Africa region experiencing rapid population growth, will lead demand.

In the Middle East, imports are forecast to rise by six per cent in spite of an anticipated drop in Iran's wheat imports due to higher domestic production. Both Africa and the Middle East will benefit from increased availability of low-cost wheat from the exporting countries surrounding the Black Sea (see next page).

In Latin America, higher imports projected for Mexico and Colombia, driven by population growth and rising incomes, will be partially offset by a lower import forecast in Brazil, where government policy has shifted radically since the CWB's last forecast toward promoting domestic wheat production.

With a dramatic increase in production in Russia, imports are projected to drop, reducing overall import demand from the CIS. In Eastern Europe, wheat production is also expected to expand, although freer trade in this region after accession to the EU is expected to increase trade flows. Generally speaking, trade in Europe between East and West is growing as tariff barriers are lowered and production in the East rises.



Wheat exporter summary

World wheat exports by country						
Million tonnes						
	1997-2001		Projections			
	Average		2006		2011	
Argentina	9.8	9.8%	11.6	10.9%	12.3	10.8%
Australia	16.2	16.2%	17.4	16.3%	18.2	15.9%
Canada	17.1	17.1%	16.4	15.4%	17.2	15.0%
EU	13.2	13.2%	13.5	12.6%	15.0	13.0%
U.S.	28.5	28.4%	26.0	24.3%	27.5	23.8%
Sub-Total	84.8	84.6%	84.9	79.2%	90.2	79.8%
Kazakhstan	3.1	3.1%	4.5	4.2%	5.0	4.4%
Russia	1.3	1.3%	5.4	5.0%	6.5	5.6%
Ukraine	2.7	2.7%	5.2	4.8%	6.2	5.4%
Others	8.3	8.3%	7.2	6.7%	7.3	6.3%
Sub-Total	15.4	15.4%	22.3	20.8%	25.0	21.7%
World Total	100.2	100.0%	107.2	100.0%	115.2	100.0%

"Minor" exporters

In terms of exporting countries and regions, there are some notable changes from the CWB's last forecast. The countries that are referred to as "minor" exporters were previously expected to capture only 15 per cent of global wheat trade by 2008, whereas the CWB's latest projections show the minor exporters with over 20 per cent of global trade in the forecast periods. These countries include Ukraine, Russia, Kazakhstan, Hungary and Syria, which are all projected to export at least one million tonnes annually by the end of the

forecast period. With the current improvement of agricultural infrastructure in these countries, the ability to export has been greatly improved. However, an expanding livestock sector will absorb significant quantities of grain, ultimately limiting the export surplus of these countries. As the majority of the increased flow of wheat from the minor exporters is projected to come from the Black Sea region, these developments constitute a significant shift in global wheat trade flows.

Traditional suppliers

Canada's wheat exports are projected to rise only marginally over the forecast period to 17.2 million tonnes by 2011, just above the base period average. Increased competition from the minor exporters and relative attractiveness of cropping alternatives in Canada will limit increases in wheat production and exports. In addition, more Canadian wheat is projected to be consumed by the domestic feed and alternative fuels sector. As a result, the CWB is projecting reduced exports of lower-grade Canadian wheat while high-quality exports are forecast to rise. Overall, Canada's share of global wheat trade is forecast to decrease.

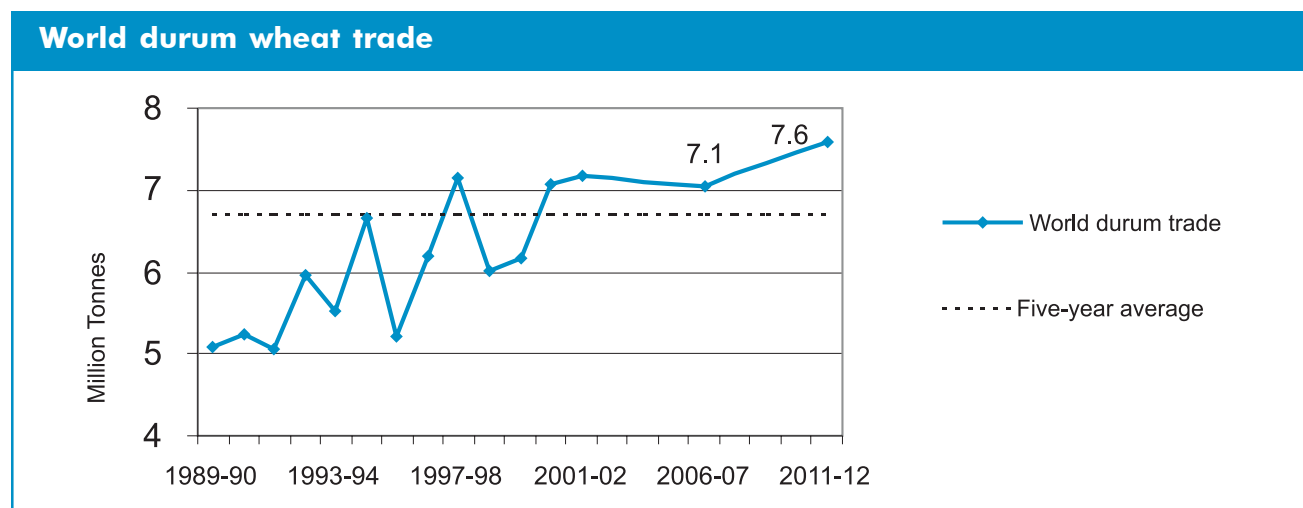
A similar scenario is facing the United States. U.S. soft red winter exports are projected to drop significantly, while exports of hard wheats are projected to rise. Australia's export prospects are helped by its proximity to Asia, the largest projected growth region. While the EU's share of global trade looks to be staying flat, the base period average is low due to the inclusion of the abnormally small export program in 2001-02 of under 10 million tonnes. Therefore, the EU is, in reality, losing market share as a result of increased competition from Eastern Europe in traditional EU markets. With a low cost of production, Argentina's market share is projected to grow as wheat remains an economically viable crop.

Quality segmentation

Canada is the world's largest source of high-quality wheat, accounting for over 50 per cent of world trade in this segment of the market. The CWB's analysis projects that global import demand for high-quality milling wheat will increase with total trade, retaining a similar share of trade in the forecast period as it has historically, i.e. 13 per cent. As a result, demand for the top grades of Canada Western Red Spring wheat are projected to remain strong in coming years.



Durum wheat trade



Durum wheat importers

World durum wheat trade is also projected to rise over the long term. Growth in North African durum wheat imports, which represent more than half of world import demand, will remain the major driver of increased trade. Consumption is forecast to rise in North Africa due to a growing population, with nearly 40 per cent of the inhabitants currently under 15 years of age.

Bread and couscous will remain, in large part, the staple foods in North Africa. In Latin America, durum import demand is forecast to rise by nearly 35 per cent due to steady population growth and limited production capabilities. Finally, demand in Western Europe is projected to fall in the forecast period as domestic production of quality durum in the EU rises.

World durum wheat imports by region¹

Thousand tonnes	1997-2001		Projections	
	Average	2001-02	2006	2011
Western Europe	1 335	1 725	1 150	1 100
Eastern Europe	140	50	110	115
CIS and Baltics ²	50	50	50	50
Africa	3 585	3 380	3 825	4 200
Middle East	220	250	250	300
Asia-Pacific	240	250	220	250
Latin America	735	675	895	945
Others	470	700	550	640
Total	6 775	7 080	7 050	7 600

¹ Includes durum wheat and semolina.

² Includes intra-trade among the countries of the CIS and Baltics.

Durum wheat exporters

Premiums for durum wheat over spring wheat are expected to come under pressure in the forecast period with growing competition from the minor durum wheat exporters, in particular Australia, Syria and Turkey, who are projected to increase market share at the expense of Canada and the U.S. Together, these three minor exporting countries are

forecast to account for 26 per cent of global durum trade by 2011 compared to 14 per cent in the base period. U.S. durum exports are projected to remain relatively steady over the forecast period. Canada is still projected to remain the largest player in the global durum market, accounting for almost 50 per cent of world trade in 2011.

World durum wheat exports by country

Thousand tonnes						
	1997-2001		Projections			
	Average		2006		2011	
Canada	3 730	55.5%	3 650	51.8%	3 650	48.0%
U.S.	1 075	16.0%	950	13.5%	1 000	13.2%
Syria	350	5.2%	650	9.2%	850	11.2%
Australia	300	4.5%	650	9.2%	800	10.5%
EU	370	5.5%	450	6.4%	450	5.9%
Turkey	325	4.8%	250	3.5%	400	5.3%
Mexico	360	5.4%	300	4.3%	310	4.1%
Others	210	3.1%	150	2.1%	140	1.8%
World Total	6 720	100.0%	7 050	100.0%	7 600	100.0%



World coarse grain and barley trade

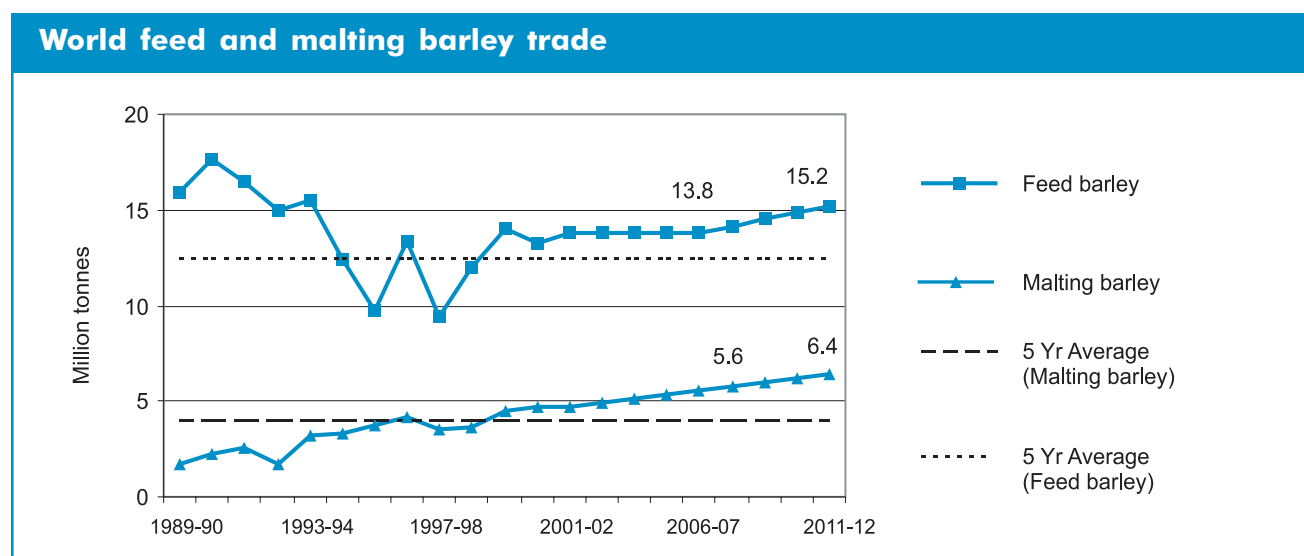
Coarse grain

World coarse grain trade is projected to rise 26 per cent over the next 10 years, increasing from 98 million tonnes in the base period to 123 million tonnes in 2011. Growth in global coarse grain trade has been limited in the last 20 years due to the disappearance of the FSU from the market in the early 1990s. Previously, this region was importing between seven and 17 million tonnes of corn annually, not to mention between two and five million tonnes of barley each year. As a result, global coarse grain trade in the 1990s averaged 95 million tonnes, only a small increase from 93 million tonnes in the 1980s. Given the drop in demand from the FSU, it is remarkable that there was any increase in coarse grain trade over the 1990s, reflecting the strong growth in demand from Latin America and Asia-Pacific, a trend that is expected to continue.

The current projections are a significant increase over the CWB's last long-term forecast, with more optimistic projections for the livestock industry in Asia-Pacific expected to support global demand for feed grains. As well, larger corn imports are expected from Mexico to satisfy tortilla demand among their burgeoning population.

Global corn trade is projected to realize a dramatic expansion in the forecast period, growing from 70 million tonnes to 86 million tonnes by 2011 due to large growth in demand in Asia and Latin America. China's livestock industry is expected to expand significantly over the next 10 years, pushing domestic consumption levels above production and transforming China into a net importer of six million tonnes of corn by 2011. In Latin America, corn imports, led by Mexico, are forecast to grow by 4.7 million tonnes, a growth rate of 31 per cent from the base period.

Barley importers



World coarse grain and barley trade

Barley importers

World barley trade in total is forecast to increase by five million tonnes to 21.6 million tonnes, an increase of 30 per cent from the base period, driven by growth in both feed and malting barley trade. Global feed barley trade is projected to rise from 12.5 million tonnes in the base period to 15.2 million tonnes by 2011, as rising incomes fuel growth in demand for livestock. Malting barley trade is forecast at 6.4 million tonnes in 2011, compared to four million tonnes in the base period.

In terms of feed barley, the growth in trade in absolute terms is driven almost exclusively by increasing demand in the Middle East and Africa. In particular, Saudi Arabia will remain the world's largest importer, taking more than a third of global feed barley imports, with the countries of Africa constituting the bulk of the additional growth.



World feed barley trade

Million tonnes	1997-2001	2001-02	Projections	
	Average		2006	2011
Western Europe	490	1 085	725	850
Eastern Europe	185	275	400	350
CIS and Baltics ¹	345	225	450	400
Africa	1 790	2 165	2 140	2 755
Middle East	7 725	8 050	8 100	8 900
Asia-Pacific	1 790	1 425	1 785	1 790
Latin America	65	25	50	50
Others	140	65	100	125
Total	12 530	13 315	13 750	15 220

¹ Includes intra-trade among the countries of the CIS and Baltics.

World coarse grain and barley trade

World malting barley imports by region

Thousand tonnes				
	1997-2001		Projections	
	Average	2001-02	2006	2011
Western Europe	85	65	140	140
Eastern Europe	260	225	275	275
CIS and Baltics ¹	210	200	325	250
Africa	160	180	260	275
Middle East	10	50	25	30
Asia-Pacific	2 065	2 450	3 050	3 655
Latin America	685	650	885	1 060
Others	560	650	615	690
Total	4 035	4 470	5 575	6 375

¹ Includes intra-trade among the countries of the CIS and Baltics.

Growth in malting barley import demand is driven largely by an expected increase in demand from China, almost doubling from a five-year average of 1.9 million tonnes to 3.4 million tonnes by 2011. The Chinese beer market has been expanding rapidly in terms of overall production, consumption and imports. China, the world's second-largest beer producer at about 230 million hectolitres per annum, is expected to surpass the U.S. in beer output in the next decade.

China's young population and increased level of personal disposable income are the major factors behind the increase in beer consumption. Malting barley imports are also forecast to increase by more than 50 per cent in Latin America, driven by population growth and increases in per capita beer consumption in countries like Mexico, Peru, Colombia and Brazil.

Barley exporters

World feed barley exports by country

Million tonnes						
	1997-2001		Projections			
	Average		2006		2011	
Australia	2.2	17.2%	1.7	12.7%	1.3	8.5%
Canada	0.5	3.7%	0.4	2.8%	0.4	2.5%
EU	5.4	42.4%	4.0	29.1%	4.7	30.7%
U.S.	0.8	6.3%	0.6	4.2%	0.6	4.0%
Russia	0.9	7.4%	2.2	16.0%	2.5	16.1%
Ukraine	1.2	9.3%	2.5	18.2%	2.9	18.7%
Others	1.5	11.5%	2.0	14.7%	2.6	17.2%
World Total	12.7	100.0%	13.7	100.0%	15.2	100.0%

World coarse grain and barley trade

Barley exporters

As in the case of global wheat trade, Russia and Ukraine are anticipated to grab a larger share of the global barley market as expanded production and improved logistics increase export capabilities. These two countries alone are forecast to increase their share of global feed barley trade to 35 per cent from 16 per cent in the base period. In Canada, demand from the malting sector is expected to keep barley plantings high,

which in some years will create feed barley surpluses. However, strong demand from the domestic livestock sector will absorb much of this barley. The EU will retain its position as the world's number one exporter of feed barley, however it will lose market share, dropping to 31 per cent due to the higher share of the minor exporting countries.

World malting barley exports by country						
Thousand tonnes						
	1997-2001		Projections			
	Average		2006		2011	
Australia	1 350	33.5%	1 875	34.1%	2 100	32.9%
Canada	1 144	28.4%	1 700	31.4%	2 025	32.2%
EU	1 081	26.8%	1 400	26.0%	1 500	25.1%
U.S.	186	4.6%	175	3.1%	190	3.0%
Others	274	6.8%	425	5.4%	560	6.8%
World Total	4 035	100.0%	5 575	100.0%	6 375	100.0%

In contrast to feed barley trade, malting barley trade is expected to remain firmly in the hands of the three major exporters - Australia, Canada and the EU, who cumulatively represent 90 per cent of global exports. Canada's malting barley exports are projected to grow by over 60 per cent during the outlook period, rising from 1.1 million tonnes in the base period to 1.7 million tonnes in 2006 and 2 million tonnes in 2011 respectively. While the forecast growth in global trade may seem exceptional, one has only to look at the last decade to see the increase in global

malting barley trade was also around 60 per cent. Malting barley selection rates in Canada are expected to grow to meet these forecasts, increasing mainly through development of new varieties.

In terms of barley malt, world trade is projected to rise from 5.3 million tonnes in the base period to 6.2 million tonnes (grain equivalent) by 2011. Canada is forecast to increase exports from 630 000 tonnes during the base period to 850 000 tonnes in 2011.

Comparisons to previous CWB long-term forecasts

If the current projections are compared to the CWB's previous ones, the earlier forecasts for global wheat trade were predicting more robust growth. Expectations for import demand in Latin America have fallen in the current forecast, as have those for demand in the CIS and Asia-Pacific. One of the most dramatic adjustments was a reduction in Pakistan's import forecast to virtually nothing from earlier forecasts of around five million tonnes. Increases in wheat production in Pakistan have made this country self-sufficient in recent years, moving them from being a big net importer to a small net exporter. In addition, the previous forecast had imports rising in Iran and Brazil,

while the latest forecast predicts that imports will drop in these two countries due to higher domestic output. However, Africa's trade forecast was revised upward to account for its strong population growth, increasing urbanization rate and higher than expected wheat imports over the most recent base period. European imports were also raised to reflect growing imports from the CIS and rising intra-trade among the countries of Eastern and Western Europe. China's import forecast is similar, previously forecast at four million tonnes in 2008, and now projected at five million tonnes in 2011.

CWB world wheat import forecast comparisons				
Million tonnes				
	CWB Projections			
	1995 2004-05	1998 2007-08	1999 ¹ 2008-09	2002 2011-12
Europe	4.5	5.4	5.9	8.5
CIS and Baltics	9.5	8.7	6.1	4.2
Africa	24.8	25.6	27.0	29.4
Middle East	16.2	16.9	16.6	16.7
Asia-Pacific	44.5	45.7	38.5	35.0
Latin America	22.3	19.5	20.3	18.9
Others	3.0	3.7	3.2	2.5
Total	124.8	125.5	117.5	115.2

¹ The 1999 forecasts did not include CIS intra-trade, whereas all other forecasts have intra-trade included. As a result, the 1999 figure has been adjusted to include intra-trade for comparison purposes.

From an exporter perspective, the most striking changes in the forecast include a drop in projected market share for the EU and the U.S. contrasted with higher than previously anticipated exports from Argentina and the minor exporters. In earlier forecasts, the production

and export potential of the minor exporters had not yet been demonstrated. Hence, demand was channeled to the traditional suppliers with the expectation that this would also be supportive of wheat prices.

Comparisons to previous CWB long-term forecasts

In the current outlook, increased competition is projected to reduce output within countries with a high cost of production and where attractive cropping alternatives exist. Canada and the U.S. will be particularly affected given both of these elements are present in these countries. However, despite the dramatic increase in competition, Canada will maintain its traditional export volume due to its ability to supply high-quality wheat.

In contrast, in Argentina, Eastern Europe and the CIS wheat is expected to remain an attractive crop, encouraging higher production. However, growing domestic use of wheat for feed, particularly in Eastern Europe and the CIS, will absorb some of the increased output, ultimately capping the growth in exportable surpluses from these countries. In the EU, environmental considerations will limit production increases in coming years, reducing exportable surpluses from earlier expectations.

CWB world wheat export forecast comparisons

Million tonnes				
	CWB Projections			
	1995 2004-05	1998 2007-08	1999 ¹ 2008-09	2002 2011-12
Argentina	7.5	11.5	10.1	12.3
Australia	14.5	16.5	18.2	18.2
Canada	26.0	22.0	18.8	17.2
EU	18.5	21.5	19.9	15.5
U.S.	45.0	36.8	32.7	28.0
Others	13.3	17.2	18.2	24.0
Total	124.8	125.5	117.9	115.2

¹ The 1999 forecasts did not include CIS intra-trade, whereas all other forecasts have intra-trade included. As a result, the 1999 figure has been adjusted to include intra-trade for comparison purposes.

As shown above, CWB projections for global wheat trade have generally been moving lower in subsequent CWB forecasts. This is not true of forecasts for durum and barley. After very conservative estimates in 1995, the forecasts were

subsequently raised and have since maintained a more consistent outlook than has been the case for trade in all wheat. In this forecast, the projections for durum and barley have hardly changed since the CWB's last forecast in 1999.

CWB trade forecast comparisons

Million tonnes				
	CWB Projections			
	1995 2004-05	1998 2007-08	1999 2008-09	2002 2011-12
Durum	6.1	8.0	7.4	7.6
Barley	17.6	20.1	21.7	21.6
Feed barley	13.9	15.5	15.2	15.2
Malting barley	3.8	4.6	6.5	6.4

Directional movement of Canadian grain and oilseed exports

The CWB projects Canada's total grain and oilseed exports at 24.5 million tonnes in 2006 and 25.8 million tonnes in 2011, up 2.6 and 3.9 million tonnes respectively from the base period.* However it is of note that the base period average is low as it includes the 2001-02 crop year during which Canada had a considerably smaller than average crop. If 2001-02 was excluded, the four-year average would total 24.4 million tonnes. In 1996-97, total Canadian grain and oilseeds exports reached almost 27 million tonnes. The current forecast

would suggest that there is adequate terminal elevator capacity to handle Canadian grain and oilseed exports over the next decade.

The share of movement via the different export routes is expected to remain fairly constant over the forecast years compared to the base period, with some shifting of movement from the East Coast to the West Coast as wheat exports to Europe fall and demand from Asia, particularly China, increases.



Directional movement of Canadian grain and oilseed exports¹

Million tonnes				
Export via	1997-01	2001-02	Projections	
	Average		2006	2011
West Coast	13.5	10.5	14.3	14.9
Eastern ²	5.3	6.2	6.0	6.2
U.S. Direct	2.7	3.1	3.7	4.1
Churchill	0.3	0.4	0.5	0.6
Total	21.9	20.2	24.5	25.8

1 Includes six major grains and oilseeds from Western Canada, plus Eastern Canadian wheat. It does not include Eastern Canadian corn and soybeans. Numbers are approximate.

2 Includes via Thunder Bay, St. Lawrence and Atlantic ports.

* Forecasts for oilseeds exports and exports of coarse grains other than barley were based partially on Agriculture and Agri-FoodCanada (AAFC) medium-term policy baseline projections and adjusted where CWB and AAFC assumptions were not consistent with one another.

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