Agriculture and Agri-Food Canada / Agriculture et Agroalimentaire Canada

CANADA: GRAINS AND OILSEEDS OUTLOOK November 10, 2006

For 2006-07, the production of grains and oilseeds in Canada is estimated to decrease by 7% from 2005-06 to 62.3 million tonnes (Mt), slightly above the 10-year average of 60 Mt, based on Statistics Canada's (STC) "September Estimate of Production of Principal Field Crops". Yields are generally estimated to be near trend levels, although below 2005-06. Harvest in western Canada was completed well ahead of normal. A better-than normal grade distribution is estimated for all crops. In western Canada, production decreased by 9% from 2005-06, to 46.3 Mt due to lower yields. In eastern Canada, STC's production estimate for grains and oilseeds is 16 Mt but this could be revised downward in its December release because excess rain in some provinces has delayed the harvest of corn and soybeans.

Total supply of grains and oilseeds in Canada for 2006-07 is forecast to decrease by 1% from 2005-06, as lower production has more-than offset higher carry-in stocks. Exports are forecast to increase by 11%, mainly because of higher wheat exports. Total domestic use is expected to rise, partly due to increased use of corn and wheat for ethanol production. Carry-out stocks are expected to fall by 27%, with declines expected for all crops except for oats, flaxseed and soybeans. Canadian prices for all crops are expected to be higher than in 2005-06 due to strong prices in the US, except for flaxseed. The Canadian dollar is expected to continue to be strong. The major factors to watch are: the biofuel market, southern hemisphere crop development, ocean freight rates and exchange rates.

DURUM WHEAT

For 2006-07, production decreased by 40% from 2005-06, to 3.5 Mt, the lowest since 2001-02, as a result of lower seeded area and yields. The lower production is partly offset by the record 3.3 Mt carry-in stocks. Supply is down by 19%, but it remains above the 10-year average of 6.5 Mt. Exports are forecast to decline slightly, with lower demand from North Africa and the EU more than offset by increased exports to the US and other markets. Carry-out stocks are forecast to fall by 42% to1.9 Mt, slightly below the 10-year average. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) for No.1 CWAD 11.5% durum is $202/t I/S VC/SL, $21/t higher than for 2005-06. A discount of $9/t to No.1 CWRS 11.5% is forecast, vs. the 10-year average premium of $36/t.

WHEAT (excluding durum)

Production increased by 9% to 22.8 Mt, due to higher area. Supply is up by 11% to 29.2 Mt, 4 Mt above the 10-year average. The increased production is mainly due to the record 2.7 Mt Ontario crop, with western production up by 5%. Over 90% of the CWRS crop grades No.2 or better, with protein content higher than the previous 2 years. Exports are forecast to increase by 35%, due to improved CWRS quality, record Ontario production and reduced export competition. Domestic use is forecast to rise marginally, with increased industrial use for ethanol production partly offset by lower feed use. Carry-out stocks are forecast to fall below the 10-year average of 5.5 Mt. The CWB PRO was raised on Oct. 26 and is $9 to $47/t above 2005-06, depending on class, grade and protein content. The increases are greatest for lower quality wheat, narrowing the quality and protein premiums for No.1 CWRS, due to the larger and better quality US and Canadian HRS crops.

BARLEY

Production decreased by 20%, due to lower area and yields, resulting in a 16% decrease in supply. Exports are forecast to fall by 23%, as higher malting barley exports only partly offset lower feed barley exports. Despite lower exports and domestic use, carry-out stocks are forecast to fall sharply. The average off-Board feed barley price is projected to rise by $30/t. The CWB PRO for No. 1 CW feed barley for Pool A in 2006-07 is $170/t, vs. $131/t for 2005-06 Pool B. The PRO for SS2R malting barley is $200/t vs. $171/t for 2005-06, due to lower exportable supplies from major competitors and strong import demand from China and the US.

CORN

Production decreased by 7%, due mainly to lower yields. Domestic supply is down by 4%, as larger carry-in stocks partially offset the lower production. Imports are forecast to rise sharply, as a result of strong demand for ethanol production and less barley supply. Carry-out stocks are forecast to drop by 30%. The average Chatham price is forecast to rise by 30% from 2005-06, due to higher US prices and lower domestic supplies.

OATS

Production increased by 10%, due mainly to higher area. Supply is up by 5%, as lower carry-in stocks partly offset the higher production. Exports are forecast to rise, as a result of stronger US import demand and less competition from the EU. Feed use and carry-out stocks are expected to rise. The average Chicago Board of Trade (CBoT) nearby futures price is forecast to increase by over $15/t from 2005-06. The price premium for oats over corn at CBoT is expected to remain above the 5-year average.

CANOLA

Production decreased by 12%, largely because of lower yields. This is partly offset by burdensome carry-in stocks and as a result supply will remain historically high. Exports are forecast to fall marginally from the 2005-06 record to 5.3 Mt. Domestic crush is forecast to increase slightly, following the expansion of some processing plants, with many of the recently announced plants not expected to begin operation until 2007-08. Carry-out stocks are forecast to fall sharply, but will remain significantly above the 10-year average. Prices are expected to rise from the low level of 2005-06, supported by higher US soybean prices and increased EU demand for biofuels.

FLAXSEED (excluding solin)

Production decreased by 11% as lower yields more than offset higher harvested area. However, supply is up sharply as the decrease in production was more than offset by large carry-in stocks. Exports are expected to increase slightly, with carry-out stocks forecast to rise to a burdensome 0.5 Mt, vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Production increased by 4% due to higher area. Domestic supply is up by 10% due to higher production and carry-in stocks. As a result, imports are expected to fall by 56%. Exports are forecast to rise to a record high on the strength of market development efforts for edible soybeans. Domestic crush is expected to increase. Prices are forecast to rise due to higher US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

November 10, 2006

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f)
	thousand ha		*t/ha*	*thousand metric tonnes*								*$/t*
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	254	570	1,047	2,487	201
2005-2006	2,341	2,297	2.58	5,915	1	8,402	4,269	252	451	867	3,266	181*
2006-2007F	1,724	1,700	2.08	3,538	1	6,805	4,100	255	360	805	1,900	202**
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,845	4,525	8,175	5,435	190
2005-2006	7,753	7,530	2.77	20,860	23	26,318	11,498	2,797	4,648	8,343	6,477	181*
2006-2007F	8,953	8,850	2.57	22,751	19	29,247	15,500	3,200	4,295	8,347	5,400	211**
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,099	5,095	9,221	7,922	
2005-2006	10,094	9,826	2.72	26,775	23	34,720	15,768	3,049	5,099	9,209	9,743	
2006-2007F	10,677	10,550	2.49	26,289	20	36,052	19,600	3,455	4,655	9,152	7,300	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	268	9,417	10,073	3,435	112
2005-2006	4,440	3,889	3.21	12,481	46	15,962	2,974	155	9,204	9,700	3,289	110
2006-2007F	3,871	3,408	2.94	10,011	40	13,340	2,300	260	8,765	9,440	1,600	130-150
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,419	12,399	229	2,395	7,961	10,368	1,802	100
2005-2006	1,124	1,096	8.63	9,461	1,906	13,168	281	2,220	8,654	10,886	2,001	96
2006-2007F	1,122	1,100	8.02	8,823	2,600	13,424	200	3,000	8,809	11,824	1,400	115-135
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	118	1,574	1,848	974	131
2005-2006	1,853	1,326	2.59	3,432	20	4,427	1,877	80	1,431	1,678	872	144
2006-2007F	2,002	1,498	2.52	3,782	15	4,669	2,000	100	1,498	1,769	900	150-170
Rye												
2004-2005	284	165	2.53	418	1	462	122	48	145	210	130	68
2005-2006	226	148	2.42	359	1	490	123	48	132	197	170	81
2006-2007F	151	144	2.33	335	1	506	110	48	191	256	140	90-110
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	230	110	2.87	316	0	316	0	0	316	316	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,528	33,046	3,889	2,828	19,414	22,817	6,341	
2005-2006	7,852	6,568	3.96	26,036	1,973	34,350	5,255	2,503	19,723	22,764	6,331	
2006-2007F	7,375	6,260	3.72	23,267	2,656	32,254	4,610	3,408	19,578	23,604	4,040	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	375	3,446	1,587	309
2005-2006	5,491	5,283	1.83	9,660	140	11,386	5,412	3,423	492	3,956	2,019	278
2006-2007F	5,324	5,259	1.61	8,485	150	10,654	5,300	3,450	409	3,904	1,450	315-355
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	157	24	n/a
2005-2006	842	803	1.35	1,082	38	1,144	537	n/a	n/a	271	336	276
2006-2007F	838	829	1.16	959	20	1,315	550	n/a	n/a	265	500	245-285
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006	1,176	1,169	2.70	3,161	339	3,770	1,326	1,493	327	1,949	495	220
2006-2007F	1,240	1,232	2.67	3,293	150	3,938	1,350	1,550	338	1,988	600	215-255
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	n/a	n/a	5,792	1,880	
2005-2006	7,510	7,255	1.92	13,904	516	16,300	7,274	n/a	n/a	6,176	2,850	
2006-2007F	7,402	7,320	1.74	12,737	320	15,907	7,200	n/a	n/a	6,157	2,550	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,082	77,675	23,702	n/a	n/a	37,830	16,143	
2005-2006	25,456	23,650	2.82	66,715	2,512	85,370	28,297	n/a	n/a	38,149	18,924	
2006-2007F	25,454	24,130	2.58	62,293	2,996	84,213	31,410	n/a	n/a	38,913	13,890	

(a) Crop year is August-July 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. Totals 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.1 CW, I/S Saskatoon); 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 (PRO) – Sept. 28, 2006 ** CWB PRO -- Oct. 26, 2006

F: Forecast: Agriculture and Agri-Food Canada ----- November 10, 2006

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