



CANADA: GRAINS AND OILSEEDS OUTLOOK

September 1st, 2006

For 2006-07, the production of grains and oilseeds in Canada is estimated to decrease to 61.7 million tonnes (Mt), from 66.7 Mt in 2005-06, vs. the 10-year average of 60 Mt, based on Statistics Canada's (STC) "July 31 Estimate of Production of Principal Field Crops". On average, yields are estimated to be about 9% below 2005-06. Harvest progress is ahead of 2005-06 and ahead of normal. Quality of all crops is expected to be above average, with a better than normal grade distribution. In western Canada, production is estimated to decrease by 10% from 2005-06, to 45.6 Mt as lower yields more-than offset higher harvested area. In eastern Canada, production is estimated to rise by 1% to 16.1 Mt due to higher yields.

Total domestic supply of grains and oilseeds in Canada is forecast to decrease by 2% from 2005-06, as lower production more than offsets the higher carry-in stocks. Exports and total domestic use are forecast to increase. Carry-out stocks are expected to decrease by about 25% to near-normal levels. Prices in Canada for all crops will continue to be pressured by the strong Canadian dollar but are expected to be higher than in 2005-06, except for flaxseed and soybeans. The major factors to watch are: US and Canadian crop development and harvest conditions, the biofuel market, ocean freight rates and exchange rates.

DURUM

Production is forecast to fall by 42% due to lower area and yields. However, supply is expected to decrease by only 20% due to the record 3.3 Mt carry-in stocks. Exports are forecast to decrease due to lower demand from North Africa and the EU, which will be partly offset by higher imports from the US. Carry-out stocks are forecast to fall but remain slightly above the 10-year average.

The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) is rising from earlier expectations due to the declining production prospects for North America, and is now 4% higher than 2005-06. The discount of No.1 CWAD 11.5 to No.1 CWRS 11.5 is projected at a record \$12/t.

WHEAT (excluding durum)

For 2006-07, production is forecast to increase by 8%, as increased area harvested more-than offsets the lower yields. Supply is expected to rise by 10%, supported by higher carry-in stocks. Exports are forecast to increase by 30%, due to increased supplies of good quality wheat in western Canada, record Ontario production of 2.7 Mt and reduced competition from other exporters. Industrial use is expected to rise due to increased ethanol production but feed use is forecast to decrease because of the improved quality of the wheat crop. Carry-out stocks are expected to decline by 11%. The CWB PRO for high protein Nos. 1 and 2 CWRS was lowered from the previous month, due to falling protein premiums resulting from the good quality of the US and Canadian crops, but returns are expected to be well above 2005-06 for all grades.

BARLEY

Production is forecast to decrease by 18%, due to lower area and yields. Supply is expected to fall by 15%. Exports are forecast to decrease by 14%, as lower feed barley exports are only partially offset by higher exports of malting barley. Despite lower exports and domestic feed use, carry-out stocks are forecast to fall significantly. The average off-Board

feed barley price (No.1 CW, in-store Lethbridge) is forecast to increase by \$20/t from 2005-06. The CWB PRO for No. 1 CW feed barley for Pool A in 2006-07 is \$129/t, vs. \$127/t for Pool B in 2005-06. The CWB PRO for SS2R malting barley is \$179/t vs. \$171/t for 2005-06, due to lower expected exportable supply in Australia and strong import demand from the US.

CORN

Production is forecast to decrease by 5% due to lower yields. Imports are forecast to increase significantly from 2005-06, as a result of lower domestic supply, and strong demand for animal feed and ethanol. Carry-out stocks are forecast to drop by 25%. The average price at Chatham elevator is forecast to increase by about 20% due to higher US corn prices.

OATS

Production is forecast to increase by 10% due to higher harvested area. Supply is expected to increase, as higher production more than offsets lower carry-in stocks. Exports are forecast to rise slightly from 2005-06, as a result of strong US import demand. Feed use is expected to rise by 9%. Carry-out stocks are projected to be the same as 2005-06. The average Chicago Board of Trade oat nearby futures price is forecast to remain unchanged from 2005-06, narrowing the US price premium for oats over corn.

CANOLA

Production is forecast to decrease by 17% to 8.0 Mt, as yields are pressured by hot and dry weather. Supply is expected to decrease by 10%, but remain historically high, due to burdensome carry-in stocks. Exports are forecast to decline slightly from 2005-06 record of 5.4 Mt as a result of lower supplies. Domestic crush is forecast to rise slightly following the expansion of some processing plants, with many of the recently announced plants not expected to begin operations 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 of 2005-06, but remain under pressure from low US soybean prices.

FLAXSEED (excluding solin)

Production is forecast to decrease by 10% due to lower yields. However, supplies are expected to rise sharply because of burdensome carry-in stocks caused by the high production in 2005-06. Although exports and total domestic use are forecast to rise, carry-out stocks are expected to increase to a burdensome 0.78 Mt vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Production is forecast to be similar to 2005-06 as higher area is offset by lower yields. Supply is forecast to increase, as higher carry-in stocks more-than offset lower imports. Exports are forecast to increase to a record high on strength of market development efforts for edible soybeans. Domestic crush is expected to increase slightly. Prices are expected to decline under pressure from higher carry-out stocks and lower US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox (204) 983-8465
E-mail..... lennoxg@agr.gc.ca
Coarse Grains...Bobby Morgan.984-0680
E-mail..... morganb@agr.gc.ca
Oilseeds...Chris Beckman.....984-4929
E-mail.....beckmac@agr.gc.ca
Fred Oleson, Chief983-0807
E-mailolesonf@agr.gc.ca

www.agr.gc.ca/mad-dam

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION
September 1st, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f) \$/t
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	254	536	1,013	2,521	201
2005-2006P	2,341	2,297	2.58	5,915	1	8,436	4,100	255	621	1,036	3,300	181*
2006-2007F	1,724	1,706	2.00	3,418	1	6,719	3,800	260	469	919	2,000	189**
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,845	4,521	8,138	5,471	190
2005-2006P	7,753	7,530	2.77	20,860	20	26,352	11,500	2,870	4,585	8,352	6,500	183*
2006-2007F	8,953	8,825	2.55	22,507	19	29,026	15,000	3,100	4,280	8,226	5,800	201**
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,099	5,056	9,151	7,992	
2005-2006P	10,094	9,826	2.72	26,775	21	34,788	15,600	3,125	5,206	9,388	9,800	
2006-2007F	10,677	10,531	2.46	25,925	20	35,745	18,800	3,360	4,749	9,145	7,800	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	258	9,358	10,019	3,489	112
2005-2006P	4,440	3,889	3.21	12,481	44	16,014	2,500	240	9,459	10,114	3,400	110
2006-2007F	3,868	3,435	2.99	10,287	30	13,717	2,150	290	9,062	9,767	1,800	120-140
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
2005-2006P	1,124	1,096	8.63	9,461	1,800	13,062	275	2,600	8,172	10,787	2,000	95-100
2006-2007F	1,132	1,110	8.07	8,960	2,500	13,460	200	3,300	8,445	11,760	1,500	110-130
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	118	1,560	1,834	988	131
2005-2006P	1,853	1,326	2.59	3,432	19	4,439	1,700	140	1,529	1,839	900	144
2006-2007F	2,002	1,521	2.48	3,776	10	4,686	1,800	140	1,671	1,986	900	135-155
Rye												
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	68
2005-2006P	226	148	2.42	359	1	505	123	48	157	222	160	81
2006-2007F	149	138	2.29	316	1	477	110	48	162	227	140	80-100
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006P	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	232	113	2.80	316	0	316	0	0	316	316	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,528	33,071	3,889	2,818	19,352	22,759	6,424	
2005-2006P	7,852	6,568	3.96	26,036	1,864	34,324	4,598	3,028	19,621	23,266	6,460	
2006-2007F	7,383	6,317	3.74	23,655	2,541	32,656	4,260	3,778	19,656	24,056	4,340	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	328	3,403	1,629	309
2005-2006P	5,491	5,283	1.83	9,660	125	11,415	5,350	3,423	447	3,915	2,150	278
2006-2007F	5,323	5,239	1.52	7,977	150	10,277	5,000	3,450	482	3,977	1,300	285-315
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	151	30	n/a
2005-2006P	842	803	1.35	1,082	40	1,152	450	n/a	n/a	177	525	276
2006-2007F	838	833	1.17	978	20	1,523	550	n/a	n/a	198	775	240-280
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006P	1,176	1,169	2.70	3,161	300	3,731	1,250	1,458	461	2,039	442	215-225
2006-2007F	1,213	1,211	2.61	3,163	250	3,856	1,350	1,550	356	2,006	500	190-230
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	n/a	n/a	5,743	1,929	
2005-2006P	7,510	7,255	1.92	13,904	465	16,298	7,050	n/a	n/a	6,130	3,118	
2006-2007F	7,373	7,283	1.66	12,118	420	15,656	6,900	n/a	n/a	6,181	2,575	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,082	77,700	23,702	n/a	n/a	37,653	16,345	
2005-2006P	25,456	23,650	2.82	66,715	2,350	85,410	27,248	n/a	n/a	38,784	19,378	
2006-2007F	25,433	24,131	2.56	61,698	2,981	84,057	29,960	n/a	n/a	39,382	14,715	

(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 – July 27, 2006

** Canadian Wheat Board Pool Return Outlook – August 24, 2006

P: Preliminary estimates

F: Forecast: Agriculture and Agri-Food Canada ----- September 1st, 2006

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