



CANADA: GRAINS AND OILSEEDS OUTLOOK

June 27, 2006

Statistics Canada (STC) estimates that the areas seeded to non-durum wheat, oats, corn, mixed grains, flaxseed and soybeans have increased for 2006, while areas for durum wheat, barley, canola, rye and summerfallow have decreased. Crop development and condition is, in general, normal. It is assumed that precipitation will be normal for the growing and harvest periods and that quality will be normal. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are good in most areas, although there are areas which are too dry and other areas which have excessive moisture. The abandonment rate is expected to be normal. However, in north-eastern Saskatchewan it is estimated that more than 400,000 hectares will not be seeded this year due to excessive moisture, and the AAFC harvested area projections have been adjusted accordingly.

AAFC forecasts that total production of grains and oilseeds in Canada will decline by 6% from 2005-06, to 63 million tonnes (Mt), above the 10-year average of about 60 Mt. In western Canada, production is forecast to decline by 7%, to 47.3 Mt, with eastern Canadian production down by 2%, at 15.5 Mt. Exports and domestic use are expected to increase in 2006-07. Non-durum wheat, canola, feed barley and corn prices are expected to increase from 2005-06, while durum, oat, flaxseed and soybean prices are expected to decrease. Prices will continue to be pressured by the strong Canadian dollar. The major factors to watch are: growing conditions in the US corn belt, US and Canadian spring wheat crop conditions, the biofuel market, ocean freight rates and the Canada/US exchange rate.

DURUM

For 2006-07, production is forecast to decrease by 35% due to lower area seeded and yields. This is partly offset by higher carry-in stocks. Supply is forecast to fall by 16% to 7.1 Mt, but remain 8% above the 10-year average. Exports are expected to decrease by 9%, due to increased production in North Africa and the EU, the major importing regions. Carry-out stocks are forecast to fall by 27%, but remain 22% above the 10-year average. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) is below 2005-06 for most grades due to lower demand and the strong Canadian dollar. The discount of No. 1 CWAD 11.5 durum to No. 1 CWRS 11.5 wheat is projected at \$17/t, the largest on record.

WHEAT (ex-durum)

Production is forecast to increase by 8%, with the larger harvested area only partly offset by lower expected trend yields. Higher carry-in stocks will also contribute to increased supply. Exports are forecast to increase by 25% due to record production of 2.4 Mt in Ontario and increased supply of high quality wheat in western Canada. Wheat feeding is expected to decline, due to reduced supplies of feed wheat. Carry-out stocks are expected to decline by 10%, to a level close to the 10-year average. The CWB PRO for most grades/classes is up from 2005-06 due to higher world prices, which more than offset the strong Canadian dollar. However, the premiums for high protein No. 1 CWRS are forecast to decrease due to the expected better quality of the 2006 Canadian and US HRS crops.

BARLEY

Production is forecast to decrease by 12% due to lower area and yields. Lower carry-in stocks will also contribute to a 13% decrease in supply. Exports are forecast to decrease by 19%, 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 to \$130/t. The CWB PRO for No. 1 CW feed barley for Pool A in 2006-07 is \$113/t, vs. \$122/t for Pool B in 2005-06. The CWB PRO for SS2R malting barley is \$161/t vs. \$170/t for 2005-06, due to strong export competition from Australia.

CORN

Production is forecast to decrease by 6% as a result of 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 22%. The average price at Chatham elevator is forecast to increase by \$20/t due to higher US corn prices.

OATS

Production is forecast to increase by 17% due to larger area and a return to normal abandonment rates. Supply is expected to increase as higher production more than offsets lower carry-in stocks. Exports are forecast to rise marginally from 2005-06, as a result of strong US import demand. Although feed use is expected to rise significantly, carry-out stocks are projected to rise by 22%. Chicago Board of Trade oat nearby futures prices are forecast to decrease by Cdn\$15/t from 2005-06 to Cdn\$125/t, narrowing the US price premium for oats over corn.

CANOLA

Production is forecast to decrease by 16% to 8.1 Mt because of slightly lower area and yields. Supply is expected to decrease by 6%, but remain historically high, due to burdensome carry-in stocks. Exports are forecast to remain at the record setting pace of 2005-06 largely due to reduced competition from the EU-25 and increased European bio-diesel production. Domestic crush is forecast to rise slightly following expansions to some processing plants. Carry-out stocks are forecast to fall but will remain significantly above the 10 year average. Prices are expected to rise from

the low of 2005-06, but will be pressured by lower US soyoil prices.

FLAXSEED (excluding solin)

Production is forecast to decrease by 6% due to lower yields. Supply is expected to rise sharply because of burdensome carry-in stocks resulting from high production in 2005-06 and low EU imports. Although exports and total domestic use are forecast to rise, carry-out stocks are expected to increase to a burdensome 0.75 Mt vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Production is forecast to decrease by 6%, as lower yields more than offset the rise in area. Supply is forecast to decrease as reduced output more than offsets the projected rise in imports and carry-in stocks. Exports are forecast to increase to a record high, while domestic crush increases slightly from 2005-06. Although carry-out stocks are forecast to fall, prices are expected to pressure by lower US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

June 27, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested	Yield t/ha	Production	Imports (b)	Total Supply thousand metric tonnes	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
2005-2006F	2,341	2,297	2.58	5,915	1	8,436	4,050	255	671	1,086	3,300	179*
2006-2007F	1,725	1,710	2.24	3,825	1	7,126	3,700	260	566	1,026	2,400	175**
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
2005-2006F	7,753	7,530	2.77	20,860	19	26,351	12,000	2,870	4,385	8,151	6,200	186*
2006-2007F	9,025	8,700	2.58	22,475	10	28,685	15,000	3,100	4,125	8,085	5,600	192**
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	
2005-2006F	10,094	9,826	2.72	26,775	20	34,787	16,050	3,125	5,056	9,237	9,500	
2006-2007F	10,750	10,410	2.53	26,300	11	35,811	18,700	3,360	4,691	9,111	8,000	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	268	9,358	10,019	3,489	112
2005-2006F	4,440	3,889	3.21	12,481	45	16,015	2,700	260	9,650	10,315	3,000	105-115
2006-2007F	4,090	3,510	3.11	10,930	30	13,960	2,200	270	9,085	9,760	2,000	120-140
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,422	12,401	242	2,395	7,951	10,358	1,802	100
2005-2006F	1,124	1,096	8.63	9,461	1,600	12,862	250	2,500	8,297	10,812	1,800	90-110
2006-2007F	1,135	1,105	8.01	8,855	2,900	13,555	200	3,300	8,640	11,955	1,400	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
2005-2006F	1,853	1,326	2.59	3,432	15	4,435	1,700	140	1,525	1,835	900	135-145
2006-2007F	2,205	1,555	2.57	4,000	10	4,910	1,750	140	1,745	2,060	1,100	115-135
Rye												
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	69
2005-2006F	226	148	2.42	359	1	505	120	48	160	225	160	70-80
2006-2007F	205	134	2.24	300	1	461	110	48	156	221	130	80-100
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006F	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	230	121	2.85	345	0	345	0	0	345	345	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,531	33,074	3,902	2,828	19,342	22,749	6,424	
2005-2006F	7,852	6,568	3.96	26,036	1,661	34,121	4,770	2,948	19,936	23,491	5,860	
2006-2007F	7,865	6,425	3.80	24,430	2,941	33,231	4,260	3,758	19,971	24,341	4,630	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	328	3,403	1,629	309
2005-2006F	5,491	5,283	1.83	9,660	125	11,415	5,000	3,400	470	3,915	2,500	270-290
2006-2007F	5,420	5,156	1.58	8,125	150	10,775	5,000	3,450	480	3,975	1,800	270-310
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	151	30	n/a
2005-2006F	842	803	1.35	1,082	40	1,152	425	n/a	n/a	227	500	275-285
2006-2007F	858	800	1.26	1,010	20	1,530	550	n/a	n/a	230	750	225-265
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006F	1,176	1,169	2.70	3,161	300	3,731	1,250	1,600	461	2,181	300	215-225
2006-2007F	1,210	1,197	2.48	2,970	350	3,620	1,350	1,650	270	2,020	250	195-235
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	4,641	927	5,743	1,929	
2005-2006F	7,510	7,255	1.92	13,904	465	16,298	6,675	5,000	931	6,323	3,300	
2006-2007F	7,487	7,154	1.69	12,105	520	15,925	6,900	5,100	750	6,225	2,800	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,085	77,703	23,715	10,568	25,325	37,643	16,345	
2005-2006F	25,456	23,650	2.82	66,715	2,146	85,206	27,495	11,073	25,923	39,050	18,660	
2006-2007F	26,103	23,989	2.62	62,835	3,472	84,967	29,860	12,218	25,412	39,677	15,430	

(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.2 Canada, Elevator bids at select western delivery points); 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 - June 25, 2006

** CWB PRO - June 22, 2006

F: Forecast; Agriculture and Agri-Food Canada ----- June 27, 2006

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