



Bi-weekly Bulletin

January 13, 2003 Volume 16 Number 1

WORLD AND CANADIAN MARKET OUTLOOK FOR GRAINS AND OILSEEDS IN 2003-2004

World wheat prices are expected to decrease in 2003-2004, assuming a return to normal growing conditions and higher production in the United States (US), Canada and Australia. World coarse grain and oilseed prices are also expected to decrease, largely due to increased supplies and lower corn and soybean prices in the US. For most of the major crops, domestic support programs in the US and the European Union (EU) are expected to continue to encourage high production which will also pressure prices downward.

In Canada, area seeded to grains and oilseeds is expected to increase while the area in summerfallow is forecast to decrease significantly due to the high prices in 2002-2003. In general, in western Canada, it has been assumed that an increased proportion of the area seeded will be harvested for grain. Total production of grains and oilseeds is expected to increase from about 42 million tonnes (Mt) to 62 Mt, largely due to higher production in western Canada which was seriously impacted by drought in 2001-2002 and 2002-2003. Total exports of grains and oilseeds are projected to rise in 2002-2003 and imports, particularly of US corn, are forecast to decrease considerably. Prices for grains and oilseeds are expected to decrease from the drought-related highs of 2002-2003. Prices will also be pressured by any appreciation of the Canadian dollar relative to the US dollar.

The market outlook for 2003-2004 is very tentative at the present time since there is a high degree of uncertainty regarding global supply and demand conditions. Normal weather patterns have been assumed. World, and Canadian, stocks of wheat and coarse grains are low, and serious weather problems in any of the major importing or exporting countries could significantly alter the outlook. In Canada, due to extremely low subsoil moisture conditions in Saskatchewan and Alberta, and low carry-in stocks, precipitation patterns will be one of the major factors to watch.

WHEAT

World wheat area harvested for 2003-2004 is forecast by Agriculture and Agri-Food Canada (AAFC) to increase by about 3% to 219 million hectares (Mha), just slightly below the 10-year average, largely due to higher area in North America and Australia.

Area seeded will be supported by strong prices for wheat in 2002-2003. The rate of abandonment is expected to decrease significantly from the drought afflicted crops of 2002-2003. Assuming normal growing conditions and average yields, **production** is forecast to rise by 6% to about 600 Mt, the highest since 1997-1998, due to higher yields

in Canada, Australia and the US from the drought-reduced crops of 2002-2003. Supplies will be up marginally with lower carry-in stocks largely offsetting the higher production.

World wheat **consumption** is projected to decrease from 2002-2003 due to reduced feed use resulting from increased supplies of coarse grain. Human food use of wheat is expected to increase marginally to about 482 Mt, because of rising world population and continued recovery in the East Asian economies, while the use of wheat for animal feed is expected to decline slightly, to about 115 Mt. World **trade** is expected to be similar to both 2002-2003 and the 10-year average at 105 Mt. Non-traditional exporters,

such as Russia and the Ukraine, which are expected to export 9.5 and 9.0 Mt, respectively in 2002-2003, are expected to continue to play an important role in the wheat market. World **carry-out stocks** are projected to increase slightly to 178 Mt, well below the 5-year average of 197 Mt.

US seeded area is expected to be up by 6% for 2003-2004, to 25.8 Mha due to the strong wheat prices in 2002-2003. Program payments under the *Farm Security and Rural Investment Act* (FSRIA) are expected to support higher production. The loan rate increased from US\$2.58 per bushel (/bu) in 2002-2003 to US\$2.80/bu for 2003-2004 but is expected to be below farm prices. Harvested area is forecast to rise by 18% to

22.1 Mha, due to lower abandonment of winter wheat, assuming normal winterkill. Production is forecast by AAFC to increase by 36%, to 60 Mt (about 2.2 billion bushels), assuming a trend yield of 40.2 bushels per acre (bu/ac). However, total wheat supplies are expected to increase by only 10% due to low carry-in stocks. The winter wheat crop is currently in much better condition than at this date a year ago. However, subsoil moisture remains below normal in parts of the major US Hard Red Winter (HRW) wheat growing regions so that timely rains will be needed this spring to achieve normal yields.

EU wheat area is forecast to decline by 4% from 2002-2003, due to low prices which were partly a result of near-record imports of wheat from Eastern Europe and the Former Soviet Union (FSU). Assuming a trend yield of 5.98 tonnes per hectare (t/ha), production is forecast to decline by just 1%, to 102 Mt. Carry-in stocks are forecast to decline by 7%, and as a result EU wheat supplies are expected to decrease by 2% for 2003-2004.

DURUM

World

Durum **production** is forecast to rise by 7%, to about 34 Mt, largely due to increased production in Canada, Australia and the US. The increased production will be partly offset by lower carry-in stocks, and world **supplies** are expected to be up by 4% at 36 Mt. **Trade** is forecast to decline by 6%, to 6.9 Mt, assuming normal growing conditions in North Africa, the major durum importing region. World **carry-out stocks** are forecast to increase by 47%, to 3.1 Mt, but remain below the 5-year average of 3.7 Mt.

PRICES: WHEAT AND DURUM

Although world wheat stocks are expected to rise only slightly, stocks in the five major wheat exporting countries, Canada, the US, the EU, Australia and Argentina, are forecast to increase by more than 40% by the end of 2003-2004, to about 38 Mt. EU carry-out stocks are expected to rise by 7% to 11 Mt. US stocks are forecast to increase by 57%, to about 15 Mt, and the US stock-to-use ratio will rise to 25%, from 16% in 2002-2003. Stocks in non-traditional exporting countries such as Russia, Ukraine and India are also forecast to rise in 2003-2004, with total FSU stocks forecast to rise by 6%, to 22 Mt, the highest since 1993-1994. As a result, wheat prices will come under strong pressure in 2003-2004.

US Hard Winter Ordinary (HWO) **wheat prices**, free on board (FOB) US Gulf, are forecast to decline to about US\$130-150 per tonne (t) for 2003-2004 (for the Canadian August-July crop year), compared to an estimated US\$170-180/t for 2002-2003, and US\$130/t in 2001-2002. The price for US Dark Northern Spring wheat with 14% protein (DNS 14), FOB Pacific Northwest, is forecast at US\$145-165/t, down by about US\$35/t from 2002-2003. Premiums for spring wheat on the Minneapolis Grain Exchange versus HRW wheat on the Kansas City Board of Trade are forecast to decrease, assuming an increase in US and Canadian spring wheat production in 2003-2004. Protein premiums are expected to rise, however, assuming a return to normal protein levels in the US and Canadian spring wheat crops from the higher than normal levels of 2002-2003. High protein Canada Western Red Spring (CWRS) wheat is generally priced competitively with US DNS 14 wheat, while lower protein CWRS and Canada Prairie

Spring (CPS) wheat are usually priced competitively with US HWO.

World **durum prices** are expected to decline in 2003-2004, due to larger world supplies and rising stocks. Supplies in the major exporting countries are expected to rise by 5%, to about 18 Mt, but remain below the 10-year average of 19 Mt. World import demand is expected to decline due to increased production in North Africa, the EU, and the US. The US No.3 Hard Amber Durum (HAD) price, FOB St. Lawrence, is forecast at US\$155-175/t (August-July), versus US\$205-215/t in 2002-2003.

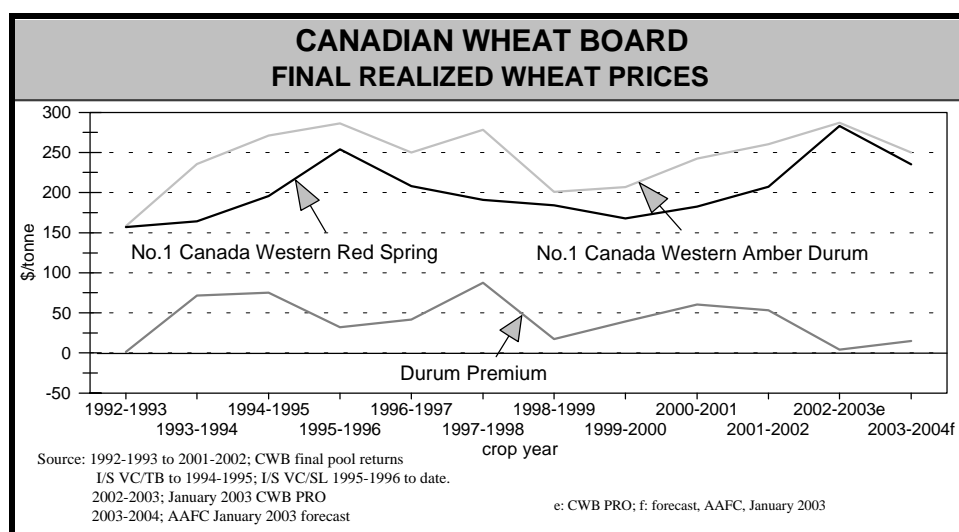
Export subsidies are not expected to be a significant factor in the world wheat market in 2003-2004. The US has not used the Export Enhancement Program since June of 1995, and continues to make use of credit and food aid programs to stimulate exports, with loan deficiency payments (LDP) used to support farm prices. With declining world prices, EU subsidies are not expected to be high. The value of the *euro* against the US dollar will be a major factor in determining the need for export subsidies.

The average US **wheat LDP** for 2002-2003 to-date on 5% of the crop has been US\$0.14/bu versus US\$0.24/bu in 2001-2002 on 35% of the crop. LDP are expected to increase in 2003-2004, due to lower average farm prices.

CANADA

Non-durum wheat harvested area is expected to increase by over 30% in 2003, due to a 7% increase in seeded area and a sharp drop in abandonment compared to the drought-ravaged 2002 crop. **Production** is forecast to increase by 73%, to 20.8 Mt, assuming yields return to a near-normal level of about 36 bu/ac., from the drought-reduced 28 bu/ac. in 2002. The larger production will be partly offset by lower carry-in stocks, and **supplies** are forecast to rise by 43%. **Domestic use** is projected to decline by 2%, due to reduced feed use, assuming a return to normal quality in the 2003 crop. **Exports** are expected to nearly double, to 12.2 Mt, but remain below the 5-year average of 13.5 Mt. **Carry-out stocks** are projected to increase by 43%, to 5.0 Mt, versus the 5-year average of 5.7 Mt.

Durum seeded area is projected to decrease slightly due to lower premiums over spring wheat in 2002-2003, but harvested area is forecast to increase by 10% due to



lower abandonment. **Production** is forecast to rise by 34%, to 5.0 Mt, assuming a return to near-normal yields. This will be partly offset by the 48% lower carry-in stocks so that durum **supplies** rise by only 11%, to 5.9 Mt, which remains below the 5-year average of 6.5 Mt. Despite larger supplies, **exports** are projected to rise only slightly, to 3.5 Mt, since world import demand is expected to soften, resulting in increased competition for export markets. **Carry-out stocks** are forecast rise to 1.4 Mt, from 1.0 Mt in 2002-2003, but remain well below the 5-year average of 1.8 Mt.

Ontario winter wheat seeded area is estimated by Statistics Canada at a record 0.4 Mha, an increase of 67% from 2002-2003, due to high wheat prices in the fall of 2002. Production is forecast to rise by 68%, to a record 1.9 Mt. The Ontario Wheat Producers' Marketing Board's 2003-2004 pool returns for No.1 or 2 Canada Eastern White Winter wheat are forecast by AAFC at \$150-160/t, terminal or processor position, versus about \$190/t in 2002-2003.

AAFC forecasts the 2003-2004 Canadian Wheat Board (CWB) pool returns for No.1

CWRS wheat with 11.5% protein at \$235/t, in-store Vancouver or St. Lawrence (I/S VC/SL), \$48/t below the 2002-2003 CWB December Pool Return Outlook (PRO). However, protein premiums are expected to rise and pool returns for No.1 CWRS with 13.5% protein are expected to decrease by only \$31/t, to \$255/t I/S VC/SL. Pool returns for No.1 Canada Western Amber Durum 11.5% protein are forecast by AAFC at \$250/t I/S VC/SL, compared to the 2002-2003 CWB PRO of \$287/t. The durum premium over spring wheat is projected at \$15/t, compared to \$4/t in 2002-2003.

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COARSE GRAINS

World production of coarse grains is expected to increase by 4% due to increased corn production in the US, as well as

increased production of barley in Canada and Australia. Supply is expected to increase marginally as higher production is partially offset by lower carry-in stocks. World **consumption** is forecast to increase due to increased supplies, continued strong livestock feed demand, lower wheat feeding, and increased use of corn for ethanol production.

For **US corn, area seeded** is expected to increase from 2002-2003. **Production** is expected to increase by 15%, to 10.4 billion bushels, as area seeded is expected to increase due to reasonably strong prices. The average yield is forecast at 140 bu/ac., considerably higher than the drought-related yield of 128 bu/ac. in 2002-2003. Lower carry-in stocks are expected to partially offset the increase in production, and **supplies** are expected to increase from 2002-2003. **Domestic use** is forecast to increase, as feed and industrial use is projected to expand, and ethanol production is expected to continue to grow as new plants begin production. **Exports** are forecast to increase from 2002-2003 due to increased supplies, although competition from China is expected to remain strong as they still possess large

WORLD: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

	Area (Mha)	Yield (t/ha)	Production million tonnes	Total Supply	Trade	Use	Carry-out Stocks	Stocks-to- use Ratio (%)	World Prices ^{1/} (US\$/t)
WHEAT									
1999-2000	216	2.71	586	792	113	585	207	35	110
2000-2001	219	2.66	584	791	103	587	204	35	127
2001-2002	215	2.69	579	784	110	585	199	34	127
2002-2003e	213	2.66	568	766	106	596	172	29	170-180
2003-2004f	219	2.74	600	772	105	595	178	29	130-150
COARSE GRAINS									
1999-2000	300	2.92	877	1,092	104	882	210	23	88
2000-2001	297	2.90	860	1,070	103	881	189	21	91
2001-2002	300	2.96	888	1,076	102	902	174	19	94
2002-2003e	296	2.91	860	1,035	100	891	144	16	105-115
2003-2004f	301	2.97	897	1,041	101	900	141	16	90-110
OILSEEDS ^{2/}									
1999-2000	191	1.60	306	338	65	304	35	10	174
2000-2001	188	1.65	315	350	74	314	36	11	175
2001-2002	193	1.68	325	360	73	323	37	11	175
2002-2003e	195	1.65	324	361	74	327	34	10	195-205
2003-2004f	199	1.69	338	372	75	337	35	10	180-200

Note: numbers may not add due to rounding

^{1/} Wheat: Hard Winter Ordinary, US Gulf; June-May crop year.

Coarse Grains: US Gulf No.3 Yellow Corn; September-August crop year.

Oilseeds: Chicago Cash No.1 Yellow Soybeans; September-August crop year.

^{2/} The 8 major oilseeds are soybeans, cottonseed, peanuts (whole), sunflowerseed, canola/rapeseed, copra, palm kernels and flaxseed.

e: estimate; USDA (FAS)-January 2003 and AAFC; f: forecast, AAFC, January 2003.

Source: USDA, Oil World

stockpiles of corn. **Carry-out stocks** are expected to increase, with the stocks-to-use ratio increasing from 9% to 13%. Program payments under the FSRIA are expected to support corn production in 2003-2004, although farm prices are expected to be above the loan rate of US\$1.98/bu.

In **China**, **corn production** is forecast to remain similar to 2002-2003, at 125 Mt. **Total supply** is expected to decrease as a result of lower carry-in stocks, which have gradually been reduced over the past few years. However, carry-in stocks remain very large and will allow China to continue to be a major player in Asian export markets. **Domestic use** is forecast to increase as a result of increased livestock production, consistent with the trend of the past several years. China's **corn exports** are forecast to remain similar to 2002-2003, as China has been able to continue its export program despite earlier thoughts that China would have difficulty being competitive in the export market after joining the World Trade Organization and eliminating subsidies. **Carry-out stocks** are forecast to continue to decline but remain large, falling by 9 Mt to about 49 Mt in 2003-2004.

World **barley production** is expected to be 7% higher than 2002-2003, mainly due to increased production in Canada and Australia. Both countries are forecast to achieve higher yields and have slightly increased area seeded, as they recover from drought and begin to rebuild stocks. Russia and Ukraine are also expected to compete with the EU in export markets, however, it is uncertain whether those two Baltic countries will be able to sustain the high levels of production they observed over the past two years, when very good growing conditions were received. **Demand** is expected to remain stable, with the increase in production allowing for increased feed consumption. **Carry-out stocks** are expected to rise as a result of the significant increase in production.

In the **EU**, **barley production** is expected to increase slightly from 2002-2003 to 49 Mt, due to a slight increase in seeded area. Good returns for malting barley are expected to support area seeded to barley, but a factor that may have offset some of this support for barley area in the EU has been Black Sea feed barley and feed wheat production. Exports from the Black Sea have been competitive into traditional EU markets and may discourage some EU farmers from planting the crop. Weather conditions in the

spring may be a factor in determining how much barley is planted to spring varieties. Higher **carry-in stocks**, and steady to higher barley production is forecast to result in increased **supplies**. Domestic consumption is projected to increase due to reduced supplies of feed wheat, while **exports** face increased competition from Australia as well as Canada, especially in malting barley markets. **Carry-out stocks** are forecast to remain near 2002-2003 levels. EU barley subsidies are not expected to play a major role in the world barley market in 2003-2004.

In **Australia**, the supply of **barley** is expected to increase sharply from 2002-2003 as that country recovers from drought, and it is forecast to pressure malting barley prices as it enters the market.

PRICES

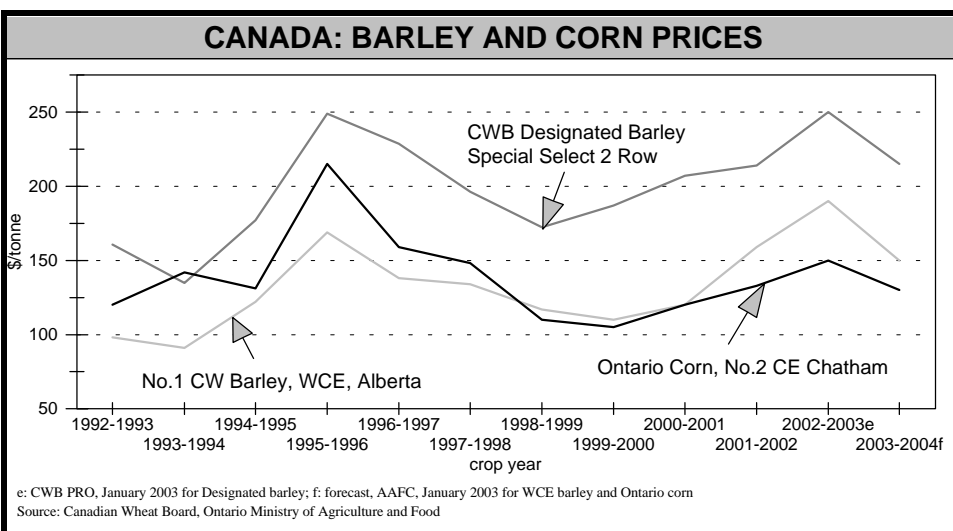
The average **farm price of US corn** is forecast to decrease to about US\$2.10/bu, compared to the current United States Department of Agriculture forecast of US\$2.35/bu for 2002-2003. The nearby Chicago futures price is expected to decrease to US\$2.25/bu from US\$2.50/bu expected for 2002-2003. This will cause **US Gulf and Pacific Northwest (PNW)** corn prices to decrease and pressure international coarse grain prices, including feed barley. The average US PNW **feed barley** price is forecast to decrease from US\$125/t in 2002-2003 to US\$115/t in 2003-2004.

The average LDP to-date on corn for 2002-2003 has decreased to US\$0.08/bu on 0.02% of the crop from US\$0.15/bu for 2001-2002 on 78% of the crop. For 2003-2004, LDP are expected to increase due to lower market prices.

CANADA

Production of coarse grains is forecast to increase due to higher yields and increased area seeded. Production of coarse grains is expected to be particularly attractive in Alberta, and also in Saskatchewan. The shortage of hay, dry soil conditions in Alberta, relatively low input costs, drought tolerance of coarse grains, and the competitive prices, all are factors that support coarse grain production in those provinces. **Supplies** are forecast to increase by 13% despite a 17% decrease in carry-in stocks. **Net exports** are forecast to increase significantly as barley exports increase and corn imports fall due to higher barley production.

For **barley**, **Canadian production** is forecast to increase significantly. Farmers are forecast to increase seeded area by 3% due to the strong demand for feed and forage, concerns that the soil may remain dry, and strong prices for two-row malting barley. Average yields and the percentage that is harvested for grain are expected to increase considerably. The amount of barley that is harvested for fodder is expected to be well above historical percentages, but not nearly as high as in 2002-2003 when drought devastated crops and left many farmers few options. Average yields are expected to increase by 14%, but remain below trend due to the dry soil conditions. **Supply** is expected to increase by about 50% from 2002-2003 to 14 Mt, despite lower carry-in stocks. **Domestic use** of feed barley is expected to rise as a result of the increased supplies and higher feed demand, with hog production forecast to continue to increase, and cattle inventories expected to begin to rebuild. Imports of US corn are forecast to fall to historical levels, with Manitoba being



the only western province forecast to import noteworthy amounts of corn. **Exports** of feed barley are projected to be insignificant, due to strong domestic demand and competitive offshore markets. Exports of malting barley are expected to increase to normal levels as a result of the increased production and improved quality. **Carry-out stocks** are expected to increase, from 1.3 Mt to 2.0 Mt as production is projected to exceed consumption.

Off-Board feed barley prices are forecast at \$135-165/t (I/S Lethbridge), versus \$175-205/t for 2002-2003, as the increase in domestic supplies pressures prices. The CWB final pool return for 2003-2004 for **No.1 CW feed barley** is forecast by AAFC to decrease by \$17/t from the December 2002 PRO to \$165/t I/S VC/SL. The pool return for **Special Select Two-Row designated barley** is forecast to decrease from 2002-2003, to \$200-230/t, due to increased world supplies, but remain strong until mid-way through the marketing year when exports to offshore markets are pressured by the availability of Australian new crop supplies. The premium for two-row malting barley over six-row is expected to remain similar to 2002-2003, consistent with the historical spread.

For **oats**, Canadian **production** is forecast to increase sharply from 2002-2003. **Exports** are forecast to increase considerably as a result of the increase in production and improved quality, and **carry-out stocks** are projected to increase from the record low of 2002-2003. **Oat prices** are expected to decline sharply from current levels, with Canadian oats filling requirements by mills in Canada and the US, preventing EU oats from entering those markets. US production is expected to continue to decline, consistent with the long term trend, as relatively strong returns for soybeans and corn are expected to draw area away from oats. Production in the EU is forecast to fall from 2002-2003, when very good crops and generally favourable quality were attained. Export subsidies are not expected to be a significant factor in the world oat market. However, if both the EU and Canada produce exceptionally large crops of oats then the EU may resort to using subsidies. Oat prices are likely to be priced competitively with US corn and the spread between corn and oats is forecast to decrease. Chicago futures prices are expected to decrease by about US\$0.60/bu to US\$1.20-1.60/bu in 2003-2004, suggesting a decline in Canadian on-farm prices of about a dollar a bushel in most parts of the prairies.

For **corn**, Canadian **production** is forecast to be marginally lower than in 2002-2003. Area seeded to corn is expected to fall because area seeded to winter wheat in Ontario increased dramatically. Yields are expected to increase from 2002-2003, when hot and dry conditions were reported in localized parts of eastern Canada. **Imports** into eastern Canada are forecast to remain strong at about 1.5 Mt, while imports into western Canada are expected to fall dramatically to about 0.5 Mt, as increased supplies of wheat and barley are forecast to reduce the need for corn imports. However, some corn imports are expected since the commodity is used in hog feed rations. **Exports** are expected to decline marginally, as demand from the US is forecast to fall. **Domestic use** is forecast to decrease since lower use in western Canada is forecast to more than offset increased use in eastern Canada. The **Chatham elevator corn price** is expected to decline slightly to \$115-145/t, based on weaker US corn prices. The Chatham-Chicago basis is forecast to remain similar to 2002-2003 based on projections for continued strong demand for imports in eastern Canada.

For **rye**, **production** is forecast to increase dramatically. Increased area, combined with higher yields and an increase in the percentage harvested for grain, is expected to result in production of about 0.37 Mt, compared with 0.13 Mt in 2002-2003. **Feed use, industrial use and exports**, are forecast to increase due to increased supplies. **Prices** for rye are expected to decline considerably based on lower prices for all coarse grains. In general, rye is forecast to be priced competitively with other coarse grains based on its feed value, however, some premiums are expected to be offered for rye in Manitoba, and perhaps

Alberta, to attract quality supplies for the food market.

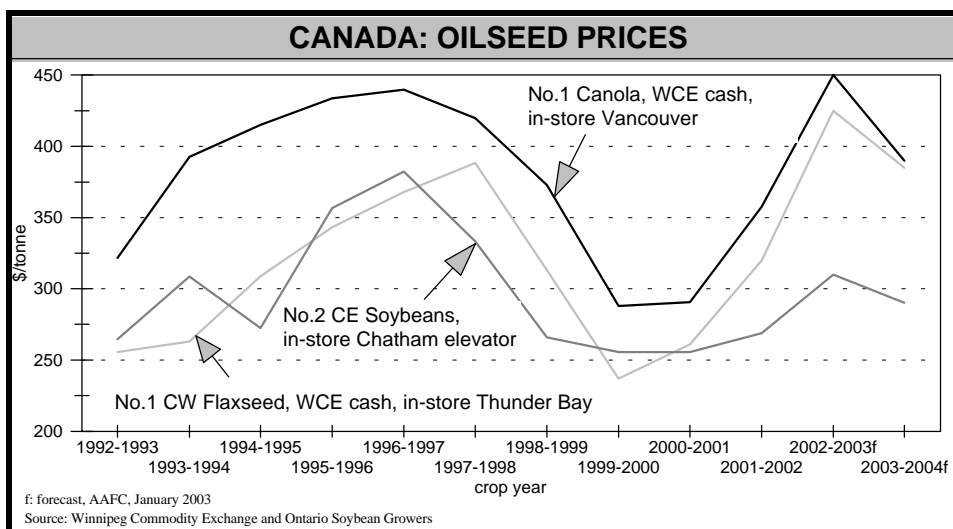
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OILSEEDS

World **production** of the eight major oilseeds is forecast to increase to a record 338 Mt in 2003-2004. This is due largely to higher soybean plantings in South America, and higher yields in North America and Australia, as these areas recover from the 2002-2003 drought. Oilseed **use** is forecast at a record 337 Mt, as vegoil consumption in China, India and the FSU-12 continues to increase. **Trade** is expected to increase marginally, to 75 Mt, and **carry-out stocks** are forecast at 35 Mt, up from 34 Mt in 2002-2003.

World **soybean production** is forecast to increase to 198 Mt from 191 Mt expected from 2002-2003, as Brazil, Argentina and Paraguay, continue to increase the area seeded to soybeans, to be harvested in May 2004. For the first time, the combined soybean production of Brazil and Argentina is expected to exceed that of the US. The devaluation of the Brazilian *real* and the Argentine *peso* has enabled these countries to compete more effectively in the export markets for soybeans. In the US, production is expected to increase slightly as higher yields more than offset the decrease in area seeded caused by the lower loan rate for soybeans under the FSRIA. Despite, lower carry-in stocks, US soybeans supplies are



expected to increase which will pressure prices downward.

World **soybean crush** is forecast at a record 170 Mt, as Brazil and Argentina continue to expand processing capacity as domestic policies continue to encourage value-added activities. China's soybean crush, forecast at 24 Mt for 2003-2004, has doubled during the past five years and, at the current rate of expansion, could double again within a few years. World soybean **carry-out stocks** are forecast to increase slightly to 31 Mt.

World **canola/rapeseed production** is forecast to increase by 12%, to 36 Mt, following a year during which crop yields in Canada and Australia were decimated by record drought conditions. Less-than-favourable weather conditions also affected rapeseed yields and quality in some regions of the EU. Area seeded to canola/rapeseed is projected to increase due to higher prices in 2001-2002, as buyers continue to compete for limited supplies of canola/rapeseed.

World **canola/rapeseed crush** is forecast at 34 Mt, up from 30 Mt in 2002-2003 due to increased production. Carry-out stocks are forecast at 2.5 Mt, up from 1.4 Mt in 2002-2003.

World **flaxseed** production is forecast to increase marginally as farmers plant more flaxseed in response to favourable prices. In Canada, which is the single largest producer and exporter of flaxseed, yields are also expected to return to normal levels.

PROTEIN MEAL AND EDIBLE OIL

Soymeal production, which represents 70% of world protein meal production, is forecast at 134 Mt, up from 131 Mt in 2002-2003, due to higher crush in the US, Brazil, Argentina and China. **Demand** for soymeal is expected to be stable as a ban on animal meal in livestock rations remains in the EU, which is an important export market for protein meal. However, increased soymeal production will pressure **prices**.

Edible oil production is forecast to increase to 94 Mt, up from 92 Mt in 2002-2003, due to a combination of slightly higher palmoil production and increased crushing of soybeans and canola/rapeseed. **Demand** for edible oils is expected to remain strong,

particularly in major vegoil consuming countries such as China and India. China's demand for vegoil is likely to be satisfied internally with increased oilseed crushing and higher imports of oilseeds. **Palmoil** production in Malaysia has peaked in terms of year-to-year increases, supplies are expected to be less burdensome, which will be supportive for vegoil **prices**.

US PRICES

Higher **US soybean** carry-out stocks are expected to pressure oilseed prices, from an estimated average farm price of US\$5.45/bu for soybeans in 2002-2003, to US\$5.10/bu in 2003-2004. As well, **soymeal** prices are forecast to average US\$155/short ton (st), down from US\$170/st. World vegoil prices are expected to remain strong, with **US soyoil** prices forecast to average US\$0.22 per pound (lb), similar to 2002-2003.

The average LDP on soybeans to date for 2002-2003 has been US\$0.07/bu on 8% of the crop compared to US\$1.23/bu on 89% of the crop for 2001-2002. Due to lower farm prices, LDP are expected to increase in 2003-2004.

CANADA

For **canola**, seeded area is forecast to increase by 12% to 4.4 Mha due to high prices in 2002-2003. Increased production, forecast at 5.8 Mt from 3.6 Mt in 2002-2003, is forecast to more than offset the decrease in carry-in stocks, and supplies are expected to increase. Domestic crush and exports are expected to increase significantly due to the increased supplies. Carry-out stocks are expected to increase and prices are forecast at \$375-405/t, down from \$450/t expected for 2002-2003.

For **flaxseed**, seeded area is forecast to increase by 5% to 0.7 Mha due to attractive prices in 2002-2003. Due to higher yields, production is forecast at 0.9 Mt, up from 0.7 Mt in 2002-2003. Increased production is expected to more than offset the decrease in carry-in stocks and, as a result, supplies are expected to increase significantly. Exports are forecast to increase to 0.7 Mt from 0.6 Mt in 2002-2003. Carry-out stocks are expected to remain at a historically low level, and prices are forecast at \$370-400/t, down from \$425/t expected for 2002-2003.

For **soybeans**, seeded area is forecast to decrease due largely to increased winter wheat plantings in Ontario. However, normal yields are expected to more than offset lower seeded area and soybean production is forecast at 2.8 Mt, up from 2.3 Mt in 2002-2003. Supplies are expected to increase modestly due to lower imports, and exports are expected to increase to 0.7 Mt, from 0.5 Mt in 2002-2003. Domestic processing is forecast to remain stable because of ample supplies and reasonable crush margins. Prices are expected to decline to \$295-325/t, I/S Chatham, from \$310/t expected for 2002-2003, largely due to lower US soybean prices.

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Electronic version available at
www.agr.gc.ca/mad-dam/

ISSN 1207-621X
AAFC No. 2081/E

Bi-weekly Bulletin is published by the:
Market Analysis Division,
Marketing Policy Directorate,
Strategic Policy Branch,
Agriculture and Agri-Food Canada,
500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
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Issued also in French under title:
Le Bulletin bimensuel
ISSN 1207-6228
AAFC No. 2081/F

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