



# Bi-weekly Bulletin

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## WORLD AND CANADIAN OUTLOOK FOR GRAINS AND OILSEEDS IN 2005-2006

World wheat and oilseed prices are expected to decrease in 2005-2006 due to increased supplies, relative to demand, in the world and the United States (US). However, world coarse grain prices are expected to increase, largely due to lower production 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 production, which will pressure prices.

In western Canada, the area seeded to all wheat is expected to increase slightly as higher area seeded to spring wheat more-than offsets lower winter wheat area. The area seeded to coarse grains is expected to decrease slightly as lower barley and rye area more-than offsets higher oats area. The area seeded to oilseeds is expected to decrease marginally as lower canola area more-than offsets higher area seeded to flaxseed. Summerfallow area is expected to continue to decrease. In eastern Canada, marginal increases in the area seeded to corn and soybeans are expected to more-than offset lower area seeded to wheat.

Total Canadian production of grains and oilseeds is expected to decrease from about 64 million tonnes (Mt) to 61 Mt, largely due to lower expected yields in western Canada. Total exports of grains and oilseeds are projected to increase. Prices for wheat, durum and soybeans are expected to decrease, partly due to appreciation of the Canadian dollar relative to the US dollar, while coarse grain prices are generally expected to increase slightly.

The market outlook is tentative due to the high degree of uncertainty regarding global supply and demand conditions. Normal weather patterns have been assumed. Unusual weather conditions in any of the major importing or exporting countries could significantly alter the outlook. Exchange rates and ocean freight rates will be factors to watch in 2005-2006.

### WHEAT

World wheat (including durum) area harvested for 2005-2006 is forecast by Agriculture and Agri-Food Canada (AAFC) to be relatively unchanged at 217 million hectares (Mha), close to the 5-year average, with a higher area in Canada, Australia, Ukraine and Iran offset by reduced area in the EU-25, Pakistan and India. Assuming normal growing conditions and average yields, production is forecast to decline by 8 Mt from the record 621 Mt produced in 2004-2005, to 613 Mt, largely due to lower yields in the EU-25 and Canada, from the above-normal crops of 2004-2005. Supplies will increase slightly, with higher carry-in stocks more than offsetting the lower production.

World wheat consumption is projected to decrease slightly from 2004-2005, mainly due to reduced feed use. Human food use of wheat is expected to be slightly above the 5-year average at 495 Mt,

while the use of wheat for animal feed is expected to decline by 2%, to about 107 Mt, due to reduced production of lower-quality wheat. World trade is expected to decrease marginally, to 105 Mt, versus the 5-year average of 109 Mt. Increased imports by China are expected to be offset by reduced imports in a number of other importing countries. World carry-out stocks are projected to increase by 7%, to 156 Mt, but remain well below the 5-year average of 183 Mt. Major exporter stocks, however, are forecast to rise by 8%, to 52 Mt, the highest since 2001-2002.

US winter wheat seeded area has decreased by 4% for 2005-2006, to 16.8 Mha, with most of the decline in soft red winter (SRW) wheat, due to wet seeding conditions that prevented all area from being planted. SRW wheat area is down by 19%, while hard red winter (HRW) is down by 1%, with soft white winter wheat 4% higher than last year. The seeded area of spring wheat

is forecast by AAFC to rise marginally, while durum area is expected to decline by 3%. Program payments under the Farm Security and Rural Investment Act (FSRIA) are expected to support higher area. Assuming normal abandonment, harvested area of all wheat is forecast to decrease by 2%, to 19.9 Mha. Production is forecast by AAFC to decrease marginally, to 58 Mt {about 2.13 billion bushels (Gbu)}, assuming a trend yield of 43 bushels per acre (bu/ac). The SRW and HRW wheat crops are currently in above average condition, and above-trend yields are a possibility. Total wheat supplies are expected to increase marginally due to higher carry-in stocks.

EU-25 wheat production is forecast to fall by 5% from the record 2004-2005 crop, to 129 Mt, but remain well above the 5-year average of 121 Mt. Carry-in stocks are forecast to more than double, to 19.3 Mt. Exports are forecast to increase slightly, due to reduced export

competition, particularly from US SRW wheat, and the reintroduction of export subsidies. EU wheat carry-out stocks are expected to increase by 9%, to 21 Mt, the highest since the early 1990s.

## DURUM

### World

Durum production is forecast to decline by 8%, to 37 Mt, with decreased production in all major exporting countries, particularly Canada and the EU-25. Changes to durum payments under the new EU Common Agriculture Policy are expected to discourage durum production. Production in North Africa, the major durum importing region, is expected to decline by about 1 Mt, although that crop is currently in very good condition. The decreased production will be partly offset by higher major-exporter carry-in stocks, and world supplies (including major-exporter stocks only) are expected to be down by 4% at 41 Mt. Trade is forecast to increase by 10%, to 6.8 Mt, assuming a return to lower normal yields and increased import demand from North Africa, the major durum importing region. Carry-out stocks in the major exporting countries are forecast to fall by 14%, to 3.8 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 8% by the end of 2005-2006. EU carry-out stocks are expected to rise by 9% to 21 Mt. US stocks are forecast to increase by 7% to about 17 Mt, and the US stock-to-use ratio will rise to 29%, from 27% in 2004-2005. As a result, world wheat prices are expected to decline in 2005-2006.

US Hard Winter Ordinary (HWO) wheat prices, free on board (FOB) US Gulf, are forecast to decline to about US\$140-150 per tonne (t) for 2005-2006 (for the Canadian August-July crop year), compared to an estimated US\$150-160/t for 2004-2005, and US\$161/t in 2003-2004. The price for US Dark Northern Spring wheat with 14% protein (DNS 14), FOB Pacific Northwest, is forecast at US\$160-170/t, down by about US\$10/t from 2004-2005. Premiums for spring wheat on the Minneapolis Grain Exchange versus HRW wheat on the Kansas City Board of Trade are forecast to be similar to 2004-2005, with a decrease in US and Canadian spring wheat production offset by improved quality in the Canadian CWRS crop. Protein premiums are expected to decline, assuming a return to normal protein levels in the US and Canadian spring wheat crops from the below-normal levels of 2004-2005. 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 only slightly in 2005-2006, with the premium to common wheat rising due to lower stocks in the major exporting countries. Supplies in the major exporting countries are expected to fall by 6%, to 20 Mt, versus the 5-year average of 19 Mt. World import demand is expected to increase, assuming decreased production in North Africa and the EU. The US No.3 Hard Amber Durum (HAD) price, FOB Gulf, is forecast at US\$180-190/t (August-July), versus US\$185-195/t in 2004-2005.

Export subsidies may become a factor in the world wheat market in 2005-2006. The US is expected to only use credit

and food aid programs to stimulate exports, with loan deficiency payments (LDP) used to support farm prices. However, due to rising stocks, the EU is expected to reintroduce export subsidies. The value of the euro against the US dollar and crop conditions in the spring of 2005 will be major factors in determining the need for export subsidies.

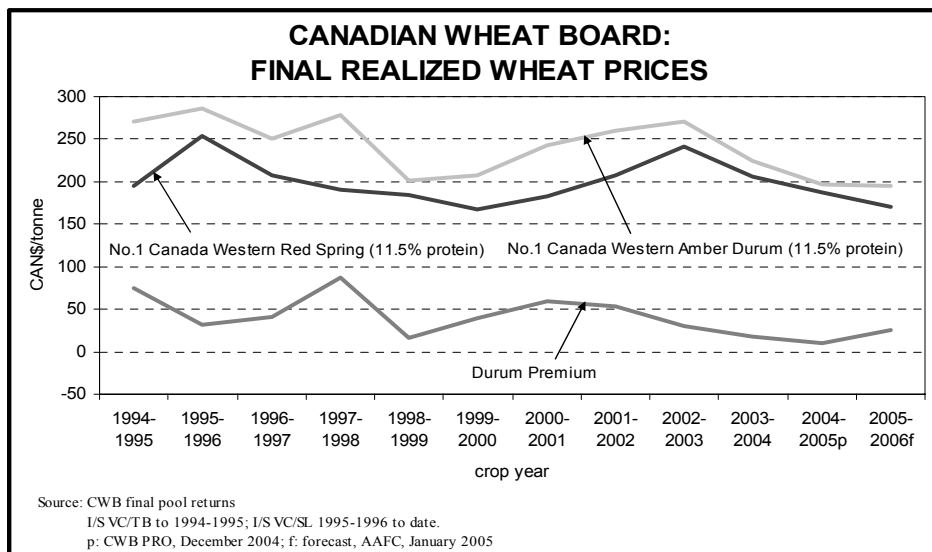
Continuing high ocean freight rates will tend to dampen demand in importing countries, and give an advantage to exporters located closer to the major import markets.

## CANADA

**Non-durum wheat** seeded area is expected to increase by 4% in 2005, due to relatively better expected wheat prices and low stocks compared to canola. Production is forecast to decrease by 5%, however, to 19.9 Mt, assuming a return to a lower trend yield of 36 bu/ac. The smaller production will be partly offset by higher carry-in stocks, and supplies are forecast to be down only 2%.. Domestic use is projected to decrease by over 10%, due to less feed use, assuming a return to a normal quality in the 2005 crop. Exports are forecast to increase by 6%, to 13.3 Mt, due to increased supplies of good quality CWRS wheat. Carry-out stocks are projected to decline by 6% to 4.5 Mt.

**Durum** seeded area is projected to be relatively unchanged, as large stocks and poor delivery opportunities offset the somewhat more attractive expected price compared to CWRS wheat. Assuming lower yields, production is forecast to fall by 10%, to 4.5 Mt. This will be more than offset by higher carry-in stocks, and supplies are forecast to rise marginally, to 6.8 Mt, the highest since 2000-2001. Exports are projected to rise by 3%, to 3.4 Mt, due to slightly stronger world import demand. Carry-out stocks are forecast to rise by a further 9%, to 2.5 Mt.

Canadian Wheat Board pool returns are forecast to decline due to the lower world prices and an expected appreciation of the Canadian dollar. Returns for No.1 CWRS wheat with 11.5% protein are forecast to decline by 9% from 2004-2005, to \$170/t in-store Vancouver or St. Lawrence. Due to lower expected protein premiums, pool returns for No.1 CWRS 13.5% are expected to fall by 11%, to \$180/t. Durum pool returns are projected to decline only slightly, with No.1 CWAD 11.5% at \$195/t, \$2/t lower than in 2004-2005, and with the premium over No.1 CWRS 11.5% rising to \$27/t, from \$10/t in 2004-2005.



Ontario winter wheat seeded area has declined by 5%, to 0.3 Mha, due to lower wheat prices and a late soybean harvest. Production is forecast by AAFC to decline by 5%, to 1.4 Mt, with exports down marginally at 0.5 Mt in 2005-2006.

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## COARSE GRAINS

World coarse grains production in 2005-2006 is forecast to decrease by 2% from 2004-2005 due to lower corn production in the US, decreased barley production in the EU-25 and less coarse grains production in Ukraine, although production is expected to increase in China and Australia. Supply is projected to increase marginally as lower production is more than offset by higher carry-in stocks. World consumption is forecast to continue the upward trend, driven by strong demand for animal feed and industrial use. World trade is

expected to increase marginally due to higher import demand from the developing economies and the EU, and more adequate export supplies in Australia and Canada.

### Corn

For US corn, area seeded is expected to increase from 81 million acres (Mac) in 2004-2005 to 82 Mac because of higher expected returns from corn, compared to other crops. Average yields are projected to return to trend level of 145 bu/ac, from the new record of 160 bu/ac set in 2004-2005. Production is, therefore, forecast to decrease by 8% to 10.8 Gbu. Total supplies are expected to increase slightly due to higher carry-in stocks. Domestic use is forecast to decline marginally, as decreased demand for animal feed more than offsets increased use in ethanol production. Exports are forecast to decrease slightly, to 1.90 Gbu, from 1.95 Gbu estimated for 2004-2005, due mainly to stronger competition from other major exporters, including China, in Asian markets. Carry-out stocks are expected to decline slightly to 1.93 Gbu. Program payments under the FSRIA are expected to continue to support corn

production, although farm prices are forecast at US\$2.00/bu, above the loan rate of US\$1.95/bu.

In China, corn production is forecast to continue to increase from 2004-2005. High productivity and strong domestic prices have been boosting returns from corn and drawing more area seeded to corn, at the expense of wheat and other crops. Total supplies are expected to continue the downward trend, but at a slower pace. Domestic use is forecast to increase further as a result of increasing demand for hog and poultry feed and the ethanol production in Northeast and Northern China. More adequate domestic supplies and higher expected export prices are expected to encourage China's corn export programs, which are solely implemented by COFCO and Jilin Grain Group. Corn exports are therefore projected to increase from 4.1 Mt in 2004-2005 to 4.5 Mt, but still significantly lower than the record of 15.3 Mt set in 2002-03. The major markets for China are concentrated in the neighbouring Asian countries, especially South Korea. Meanwhile, China is likely to increase its corn imports from 0.2 Mt in 2004-2005. It makes more sense to source corn from

## 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 <sup>1/</sup> (US\$/t)
<b>WHEAT</b>									
2001-2002	215	2.70	581	787	111	585	202	34	127
2002-2003	214	2.65	567	769	110	601	168	28	161
2003-2004	211	2.62	553	720	106	589	131	22	159
2004-2005e	217	2.86	621	752	107	607	145	24	150-160
2005-2006f	217	2.83	613	758	105	602	156	26	140-150
<b>COARSE GRAINS</b>									
2001-2002	301	2.96	891	1099	102	905	195	22	94
2002-2003	292	2.98	872	1067	105	901	166	18	109
2003-2004	303	2.99	906	1072	102	942	132	14	116
2004-2005e	302	3.30	996	1128	101	969	159	16	90-100
2005-2006f	315	3.10	977	1135	102	985	150	15	95-105
<b>OILSEEDS <sup>2/</sup></b>									
2001-2002	193	1.68	325	363	63	326	39	12	174
2002-2003	193	1.71	330	369	71	324	45	14	232
2003-2004	191	1.76	337	382	67	339	43	13	294
2004-2005e	213	1.83	390	403	74	337	66	20	186
2005-2006f	219	1.80	394	460	77	389	71	18	175

Note: numbers may not add due to rounding

<sup>1/</sup> 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.

<sup>2/</sup> The 8 major oilseeds are soybeans, cottonseed, peanuts (whole), sunflowerseed, canola/rapeseed, copra, palm kernels and flaxseed.

e: estimate; USDA (FAS)-January 2005 and AAFC; f: forecast, AAFC, January 2005.

Source: USDA, Oil World

overseas to serve the fast growing Southern and Eastern China markets, given the tightening rail car supplies and skyrocketing freight rates. Carry-out stocks are forecast to continue to decline, but at a slower pace.

### Barley

**World** barley production is expected to decrease from 151 Mt in 2004-2005 to 145 Mt, as lower production in Europe and North America more than offsets higher production in Australia. After two consecutive years of good harvesting, barley production in North Africa is expected to decrease. World barley supplies are projected to remain virtually unchanged from 2004-2005 at 172 Mt, as larger carry-in stocks offset lower production. However, world trade is forecast to decrease slightly due mainly to reduced exportable supplies in Europe. Strong import demand for feed barley in the Middle East and North Africa and higher import demand for malting barley in China and, to a lesser degree, in the US are expected to drive world barley prices up. Government water conservative programs in Saudi Arabia are expected to reduce irrigation of locally grown forage crops. This could have the potential of raising Saudi's barley imports further. World carry-out stocks are expected to drop by 1 Mt from 2004-2005.

In **Europe**, barley production in the EU-25 is expected to decrease by 9% to 56 Mt due to a return of yields from 2004-2005's record high to a more normal level and decreased area seeded to barley. Barley production in the FSU and eastern Europe is forecast to drop slightly, from 37.2 Mt in 2004-2005 to 35.5 Mt. Lower production in Europe is expected to more than offset higher carry-in stocks of 13.2 Mt for 2005-2006 versus 8.3 Mt for 2004-2005. As a result, barley supplies in Europe are forecast to decrease. Demand in Europe is expected to remain at levels close to 2004-2005. In world feed barley market, the EU-25 and, to a lesser degree, the Black Sea countries are expected to face intensive competition in the Middle East and North African markets and exports from the EU are forecast to decrease. In the malting barley market, the EU's export share is expected to drop significantly, as the size and quality of the malting barley crop in Australia and Canada return to more normal levels. EU export subsidies for barley are expected to play a more important role for EU to compete with other exporters, especially Ukraine and Russia.

In **Australia**, barley production is expected to increase to 8 Mt from 6.2 Mt estimated by the Australian Bureau of

Agricultural and Resource Economics for the drought-affected 2004-2005. With steady growth in domestic demand for animal feed and industrial use, barley exports from Australia are projected to recover partially from 2004-2005, to 4.5 Mt, in comparison to 3.2 Mt estimated for 2004-2005 and the five year average of 3.9 Mt. Increased exportable supplies in Australia are expected to depress world barley prices in 2005-2006.

### PRICES

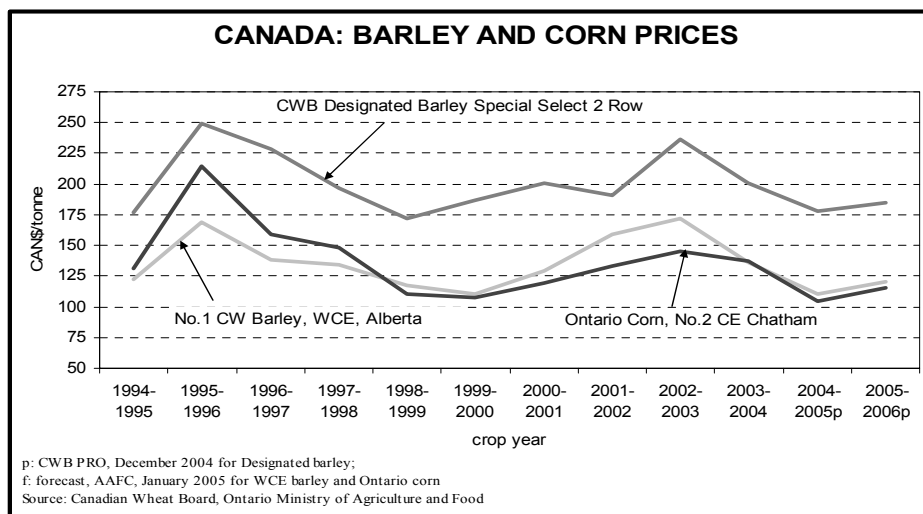
The average farm price for **US corn** is forecast to increase to about US\$2.00/bu, compared to the current United States Department of Agriculture forecast of US\$1.95/bu for 2004-2005. The nearby Chicago futures price is expected to increase to US\$2.20/bu from US\$2.15/bu expected for 2004-2005. This will cause US Gulf and Pacific Northwest (PNW) corn prices to increase and will support international coarse grain prices in general. The average LDP to-date on corn for 2004-2005 has increased to US\$0.29/bu on nearly 50% of the crop from US\$0.05/bu on 8.6% of the crop for 2004-2005. For 2005-2006, LDPs are expected to be lower than in 2004-2005, but remain high, historically. The average **US PNW feed barley** price is forecast to increase to US\$120/t from US\$115/t forecast for 2004-2005. EU barley prices are expected to rise to US\$135/t from US\$130/t estimated for 2004-2005, as decreased production in both the EU-25 and the Black Sea countries puts less pressure on prices in Europe. Prices in Australia are forecast to decrease from 2004-2005 as a result of higher production.

### CANADA

Area harvested for coarse grains is expected to increase by 5% from 2004-2005 as abandonment rates decrease to more normal levels despite lower seeded

area. Production is forecast to decrease by about 2% to 25.9 Mt due to lower yields, while total supplies are expected to increase by 2% as a result of significantly higher carry-in stocks. Domestic consumption is projected to rise by 2% due mainly to higher feed use for coarse grains, in replacement of wheat. Exports are forecast to increase significantly as a result of stronger import demand and improvement in crop quality. Carry-out stocks are expected to decline sharply, from 5.2 Mt in 2004-2005 to 4.4 Mt.

For **barley**, Canadian production is forecast to decrease by 8% from 2004-2005. Farmers are expected to reduce area seeded to barley by 4% due to large carry-in stocks and low expected prices, relative to other grains and oil seeds. Average yields are expected to decrease from 3.3 t/ha to about 3.0 t/ha. Supplies are projected to increase from 2004-2005 to 15.4 Mt, as large carry-in stocks more than offset lower production. Domestic use of feed barley, mainly in western Canada, is expected to rise from 2004-2005 due to increased supplies of barley and less availability of feed wheat. Imports of US corn, mainly destined for eastern Canada, are forecast to increase slightly from 2004-2005, but still significantly lower than the average for the last five years. Exports of feed barley are projected to remain low, due to stronger domestic demand, lower overseas prices and more competition in major importing markets. The quality of the 2004-2005 barley crops is much below normal and the selection rate for malting barley is estimated to have dropped sharply, due to sprout and frost damage and high screenings. Exports of malting barley for 2005-2006 are expected to increase to 1.1 Mt from an estimated 0.6 Mt in 2004-2005. Import demand is expected to improve in the US for six-row designated barley and remain strong in China for two-row varieties.



Carry-out stocks are expected to fall to 2.4 Mt, from 3.2 Mt in 2004-2005.

Off-Board feed barley prices are forecast to average \$120/t (I/S Lethbridge), \$10/t higher than for 2004-2005, as a result of stronger domestic demand for feed and larger barley exports. Higher US farm prices for corn are also expected to support feed barley prices in western Canada. For Pool A, the 2005-2006 CWB final pool return for No.1 CW feed barley is forecast by AAFC at \$125/t, compared to the Dec. 2004 PRO of \$117/t I/S VC/SL for 2004-2005. The pool return for Special Select Two-Row designated barley is forecast to increase to \$185/t from \$178/t for 2004-2005. The pool return for Special Select Six-Row designated barley is projected to increase to \$172/t from \$162/t for 2004-2005. The discount for six-row malting barley over two-row is expected to be lower than in 2004-2005 as two-row prices are pressured more by overseas competition than six-row prices by competition in North America.

For **oats**, Canadian production is forecast to increase by 7% from 2004-2005, to 4.0 Mt. Exports are forecast to increase as a result of higher exportable supplies, more normal crop quality in Canada and stronger import demand from the US. Carry-out stocks are projected to increase from 2004-2005 and remain high historically. The average oat price in western Canada is expected to remain unchanged from 2004-2005 at \$130/t. US production is expected to decline slightly from 2004-2005, consistent with the long-term trend. However, total US supplies are projected to decrease by 8% from 2004-2005 as a result of lower carry-in stocks and a smaller crop. Production in the EU is forecast to increase slightly from 2004-2005. Export subsidies could be higher than in 2004-2005, due to a larger oat crop in both Canada and Scandinavia, a strong Euro and high ocean freight rates. Chicago futures prices are expected to increase marginally from 2004-2005 to US\$1.60/bu in 2005-2006, suggesting an average on-farm price of about \$120/t in Manitoba and \$105/t in Saskatchewan. Oats are expected to be priced competitively with US corn and the spread between CBoT corn and oats, on a per tonne basis, is forecast at US\$20/t, in favour of oats.

For **corn**, Canadian production is forecast to be marginally higher than 2004-2005. Area seeded to corn is projected virtually unchanged from 2004-2005. However, harvested area is expected to increase by 8%, based on trend retention rates. Yields are expected to decrease by 7%, from 131

bu/ac in 2004-2005 to 122bu/ac. Total supplies are forecast to decrease slightly, due to lower carry-in stocks. Corn imports from the US are forecast to increase from 2.1 Mt estimated for 2004-2005 to 2.2 Mt, with 1.75 Mt for eastern Canada and 0.45 Mt for western Canada. Domestic use is expected to increase marginally from 2004-2005. The Chatham elevator corn price is forecast to average \$115/t, \$10 higher than estimated for 2004-2005, due to higher US prices, despite a stronger Canadian dollar. The Chatham-Chicago basis is forecast to strengthen from 2004-2005 when the spread has been pressured by record US production.

For **rye**, production is forecast to increase by 3% from 2004-2005 to 0.43 Mt. Although area seeded to rye is expected to decrease sharply, area harvested for grain is projected to increase significantly. Yields are expected to drop from 40bu/ac to trend level of 34bu/ac. Feed use is forecast to increase, due to increased supplies, while industrial use and exports are forecast to remain unchanged from 2004-2005. The on-farm price for rye is forecast at \$75-95/t across the Prairies, similar to 2004-2005, based on the general trend for coarse grain prices in Canada. Rye is usually priced competitively with barley 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 slightly from 2004-2005 to a record 394 Mt in 2005-2006. This is due largely to higher soybean plantings in South America, and a continuation of high supplies in the US. Oilseed use is forecast at a record 389 Mt, on support from increased vegoil and protein meal consumption in China and India. Trade is expected to rise to 77 Mt, with forecast carry-out stocks at 71 Mt, up from 66 Mt in 2004-2005.

World demand for oilseeds and oilseed products is expected to continue growing and in the process setting new records on support from increased world demand for protein and fats. Vegetable oils (vegoils) are the major source of dietary fats for humans with worldwide

per capita consumption expected to be about 20 kilograms per year.

World **soybean** production is forecast to increase marginally to 232 Mt from the 231 Mt expected for 2004-2005. World soybean crush is forecast at a record 185 Mt, as China and Brazil continue to expand processing capacity. China's soybean crush, forecast at 30 Mt for 2005-2006, has increased sharply during the past five years but future expansion is expected to slow down due to pressured crush margins. World soybean carry-out stocks are forecast to decrease slightly to 58 Mt.

In the US, soybean production is expected to fall to about 3 Gbu, as yields return to normal, although the impact of the recently discovered Asian Rust Fungus remains unknown. Seeded area is expected to be marginally lower, due to low market prices compared to corn and wheat, uncertainty over disease and burdensome carry-in stocks. As a result, US soybean supplies are expected to increase, which will pressure world prices. US soybean exports are expected to increase marginally due to high supplies and the weak US dollar.

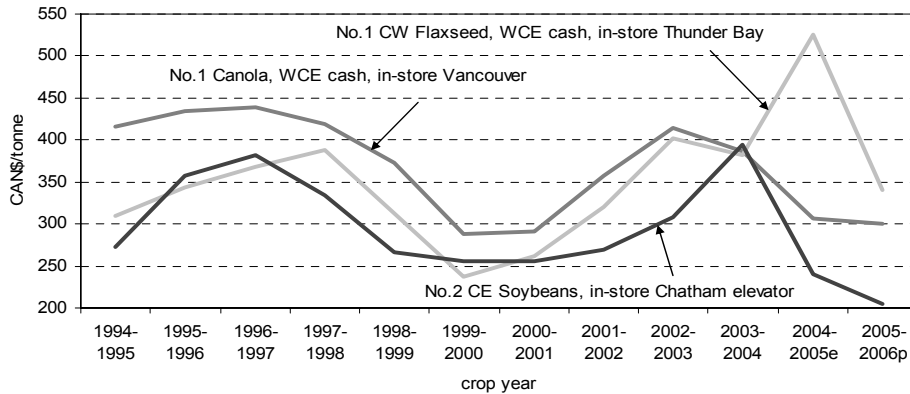
In South America, Brazil, Argentina and Paraguay are expected to continue to increase the area seeded to soybeans, which will be harvested from March to May, slightly ahead of the North American seeding period. The combined soybean production of Brazil and Argentina is expected to be about 35% above that of the US.

Chinese import demand is expected to rise marginally to about 23 Mt. Concurrently, continued high ocean freight rates are expected to pressure South American exports of soybeans due to its greater distance from the European and Asian markets.

World **canola/rapeseed** production is forecast to decrease by 5%, to 41 Mt due to an expected decrease in area in Canada and Australia as a result of lower returns per hectare compared to wheat or special crops. World trade is expected to remain unchanged at about 6 Mt largely due to slightly higher Canadian exports. Total world canola/rapeseed crush is forecast to rise to 40 Mt in 2005-2006 despite weaker than normal crush margins. Carry-out stocks are expected to fall marginally to 2.5 Mt.

World **flaxseed** production is forecast to increase, largely due to higher production in Canada, which is the largest producer and exporter of flaxseed. Area seeded is forecast to increase significantly in Canada, in response to sharply higher

## CANADA: OILSEED PRICES



e: estimate, AAFC, January 2005  
f: forecast, AAFC, January 2005  
Source: Winnipeg Commodity Exchange and Ontario Soybean Growers

prices in 2004-2005, and average yields are expected to increase, assuming normal growing conditions in 2005-2006.

### PROTEIN MEAL AND EDIBLE OIL

Soymeal production, which represents 70% of world protein meal production, is forecast to increase to 144 Mt from 142 Mt in 2004-2005, due to higher crush in the US, Brazil, Argentina and China. Demand for soymeal is expected to increase on support from the ongoing ban on animal meal in US livestock rations, the growth in Asian industrial livestock and aquaculture production, the devaluation of the US dollar against the Euro and possibly the Chinese renminbi. However, soymeal prices are expected to decline slightly from the already low 2004-2005 level.

Edible oil production is forecast to increase to 108 Mt from 106 Mt in 2004-2005, due to slightly higher palm oil production and increased soybean and canola/rapeseed crushing. Demand for edible oils is expected to remain strong, particularly in China and India. Chinese demand for vegoils is forecast to grow slightly and will be met through increased crush and increased oilseed, palm oil, soyoil and canola/rape oil imports.

Palm oil production in Malaysia is expected to grow at a moderate pace due to the maturation of the palm oil trees and a slowdown in the planting and replanting of palm trees, which will be supportive for vegoil prices.

### US PRICES

The US on-farm price of soybeans is forecast to fall to US\$4.85/bu from

US\$5.10/bu for 2004-2005, due to the expected growth in US supplies and record high South American production. Soymeal prices are forecast to increase, although still remaining weak, to US\$175/short ton (st) from US\$158/st in 2004-2005. World vegoil prices are expected to remain weak. The US soyoil price is forecast to average US\$0.22 per pound (lb) vs. US\$0.225/lb for 2004-2005. For 2005-2006, US program payouts are expected to increase as prices remain below the US\$5.80/bu target price and US\$5.00/bu loan rate.

### CANADA

For **canola**, seeded area is forecast to decrease by 1% to 5.0 Mha due to low prices relative to wheat. Production is forecast to decline to 6.9 Mt from 7.7 Mt in 2004-2005. Supplies are projected to rise slightly, as the second largest carry-in on record more than offsets the lower production. Domestic crush is forecast to decrease slightly while exports are expected to be unchanged due to competition from burdensome world supplies. Carry-out stocks are expected to decrease marginally to 1.45 Mt, while prices are forecast to remain unchanged at \$300/t.

For **flaxseed**, seeded area is forecast to increase by 37% due to high prices in 2004-2005. As a result of higher yields, production is forecast to increase significantly to 1.2 Mt from 0.5 Mt in 2004-2005. Supplies are projected to rise to 1.3 Mt. Exports are expected to rise to 0.7 Mt, while total domestic use increases. Carry-out stocks are expected to rise sharply to 0.3 Mt from 0.05 Mt in 2004-2005, with prices

forecast to fall to \$340/t from \$525/t expected for 2004-2005.

For **soybeans**, seeded area is forecast to increase to a record large 1.2 Mha due to better expected financial returns compared to wheat and lower input costs than for corn. Average yields are expected to return to normal and production is forecast to decrease to 3.0 Mt, from the record 3.05 Mt in 2004-2005. Supplies are expected to increase. Exports are expected to increase to 0.9 Mt. Domestic processing is forecast to remain stable at a near record high pace because of ample supplies and reasonable crush margins. Prices are expected to decline to \$205/t, I/S Chatham, from \$230/t expected for 2004-2005, due to lower US soybean prices.

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## **WORLD AND CANADIAN OUTLOOK FOR PULSE AND SPECIAL CROPS IN 2005-2006**

For 2005-2006, total area seeded to pulse and special crops in Canada is forecast to decrease by 5%, from 2004-2005, as increases for dry beans, sunflower seed and chickpeas are more than offset by decreases for mustard seed, lentils and canary seed. Seeded areas for dry peas and buckwheat are expected to be similar to 2004-2005. It is assumed that precipitation will be normal for the winter, spring and summer. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. It has been assumed that the abandonment rate and average quality will be normal.

Total production in Canada is forecast to decrease by 10%, from 2004-2005, to 4.69 Mt. Total supply is expected to increase by 2% to 5.95 Mt due to higher carry-in stocks. Exports and domestic use are forecast to increase due to the higher supply and stronger demand. Carry-out stocks are expected to decrease. Average prices, over all types, grades and markets, are forecast to increase for lentils, chickpeas and mustard seed, decrease for dry beans and sunflower seed, and be the same for dry peas, canary seed and buckwheat. However, prices are expected to be very sensitive to any production problems. The main factor to watch will be precipitation during the spring and summer in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in major producing regions, especially United States, European Union, Australia, Turkey, India and Mexico.

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### **DRY PEAS**

World production is forecast to decrease by 4%, from 2004-2005, to 11.7 Mt, but supply is expected to increase by 3% to 12.9 Mt.

Canadian seeded area is forecast to be similar to 2004-2005. Although potential returns for dry peas are as good as, or better than for most alternative crops, higher carry-in stocks are expected to discourage increased area. Production is forecast to decrease by 14% to 2.88 Mt due to lower trend yields, but supply is expected to rise slightly due to higher carry-in stocks. Exports and domestic use are forecast to increase due to expected stronger demand. Carry-out stocks are forecast to decrease, with a stocks-to-use ratio (s/u) of 20%.

The pressure from higher supply is expected to be offset by stronger demand. Therefore, the average price of dry peas, over all grades, types and markets, is forecast to be the same as in 2004-2005.

### **LENTILS**

World production is forecast to decrease by 8% to 3.5 Mt, but supply is expected to remain stable at 3.9 Mt.

Canadian seeded area is forecast to decrease by 5%, because of sharply higher carry-in stocks. Production is forecast to decrease by 13% to 840,000 t, due to the decrease in seeded area and lower trend yields. Supply is expected to remain stable as higher carry-in stocks offset the decrease in production. Exports are forecast to increase due to higher demand, but carry-out stocks are also expected to increase, with an s/u of 23%. The average price of lentils over all grades and types is forecast to increase, as pressure from higher world supply is more than offset by a return to higher normal quality.

### **DRY BEANS**

World production is forecast to increase slightly, but total supply is expected to decrease slightly. However, world production includes many classes of dry beans, most of which do not have any influence on prices of the classes of dry beans produced in Canada. The most important influence on Canadian dry bean prices is US production, which is expected to increase by 47% to 1.15 Mt because of higher seeded area and higher yields. However, US supply is expected to increase by only 16% to 1.22 Mt, due to lower carry-in stocks.

Although prices for most classes of dry beans are attractive, Canadian seeded area is forecast to increase by only 15% due to limited seed supply and the discouragement of some producers in Manitoba because of the poor crop in 2004-2005. Production is forecast to increase by 55% to 340,000 t due to the higher seeded area, lower abandonment and higher yields, but supply is forecast to increase by only 33% due to lower carry-in stocks. Exports are expected to increase due to the higher supply. Carry-out stocks are forecast to increase slightly, with an s/u of 6%. The average price, over all classes and grades, is forecast to decrease because of the higher supply.

### **CHICKPEAS**

World production is forecast to increase by 3% to 8.25 Mt, but supply is expected to decrease marginally to 8.35 Mt.

Canadian seeded area is forecast to increase by 15%, as prices for the kabuli type are attractive. Production is forecast to increase by 18% to 60,000 t, because of the higher seeded area and lower abandonment, but supply is expected to decrease slightly due to lower carry-in stocks. Exports are forecast to remain

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stable and carry-out stocks are expected to remain low. The average price, over all types, grades and sizes, is forecast to rise, assuming a higher normal quality.

### MUSTARD SEED

World mustard seed trade is dominated by Canada. Canadian seeded area is forecast to decrease by 25% because of burdensome carry-in stocks. Production is forecast to decrease by 39% to 185,000 t, because of the lower seeded area and lower trend yields, but supply is forecast to decrease by only 14%, due to

higher carry-in stocks. Exports are expected to increase and carry-out stocks are forecast to decrease, with an s/u ratio of 38%. The average price, over all types and grades, is forecast to increase due to the lower supply.

### CANARY SEED

World canary seed production is expected to decrease by 22% to 265,000 t, mainly because of lower production in Canada, but supply is expected to increase marginally to 415,000 t, due to higher carry-in stocks.

Canadian seeded area is forecast to decrease by 25% because of burdensome carry-in stocks. Production is forecast to fall by 18% to 245,000 t, as the decrease in seeded area is partly offset by lower abandonment. Supply is forecast to increase slightly due to higher carry-in stocks. Exports are expected to increase and carry-out stocks are forecast to increase, with an s/u ratio of 64%. The average price is forecast to remain stable, in line with the relatively stable supply.

### SUNFLOWER SEED

World sunflower production and supply are forecast to increase slightly to 25.7 Mt and 26.9 Mt, respectively. US production is expected to increase by 40% to 1.3 Mt and supply is forecast to increase by 26% to 1.37 Mt.

Canadian seeded area is forecast to increase by 15%. Although potential returns are better than for most other crops, many producers are expected to be discouraged by the poor crop in 2004-2005. Production is forecast to nearly triple to 140,000 t, due to the higher seeded area and a return to normal abandonment and higher trend yields. Supply is forecast to increase by only 54% due to lower carry-in stocks. Exports and domestic use are expected to increase. Carry-out stocks are expected to rise slightly, with a s/u of 7%. The average price, over both types and all grades, is forecast to decrease due to the higher supply in US and Canada.

### BUCKWHEAT

Canadian production and supply are forecast to increase, but remain small, with a stable seeded area, lower abandonment and higher trend yields. World supply is expected to decrease by 5% to 2.8 Mt. The average price, over all grades and markets, is forecast to be the same as in 2004-2005 as support for lower world supply is offset by higher Canadian supply.

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### WORLD: DRY PEAS SUPPLY AND DISPOSITION

	2001	2002	2003	2004	2005
<i>crop year</i>	-2002	-2003	-2004	-2005f	-2006f
Harvested Area (kha)	6,350	6,290	6,510	6,760	6,800
Yield (t/ha)	1.66	1.59	1.56	1.80	1.72
.....thousand tonnes.....					
Carry-in Stocks	500	500	500	400	1,200
Production	<u>10,540</u>	<u>10,020</u>	<u>10,170</u>	<u>12,160</u>	<u>11,680</u>
<b>Total Supply</b>	<b>11,040</b>	<b>10,520</b>	<b>10,670</b>	<b>12,560</b>	<b>12,880</b>
Total Use	10,540	10,020	10,270	11,360	11,680
Carry-out Stocks	500	500	400	1,200	1,200

### WORLD: LENTILS SUPPLY AND DISPOSITION

	2001	2002	2003	2004	2005
<i>crop year</i>	-2002	-2003	-2004	-2005f	-2006f
Harvested Area (kha)	3,955	3,695	3,735	4,075	3,950
Yield (t/ha)	0.79	0.82	0.82	0.93	0.88
.....thousand tonnes.....					
Carry-in Stocks	500	500	100	100	400
Production	<u>3,255</u>	<u>2,905</u>	<u>3,065</u>	<u>3,790</u>	<u>3,490</u>
<b>Total Supply</b>	<b>3,755</b>	<b>3,405</b>	<b>3,165</b>	<b>3,890</b>	<b>3,890</b>
Total Use	3,255	3,305	3,065	3,490	3,540
Carry-out Stocks	500	100	100	400	350

### CANADA AND US: DRY BEANS SUPPLY AND DISPOSITION

	2001	2002	2003	2004	2005
<i>crop year</i>	-2002	-2003	-2004	-2005f	-2006f
Harvested Area (kha)	702	731	695	602	810
Yield (t/ha)	1.59	2.37	1.95	1.66	1.84
.....thousand tonnes.....					
Carry-in Stocks	324	125	330	300	80
Production	<u>1,113</u>	<u>1,736</u>	<u>1,357</u>	<u>1,000</u>	<u>1,490</u>
<b>Total Supply</b>	<b>1,437</b>	<b>1,861</b>	<b>1,687</b>	<b>1,300</b>	<b>1,570</b>
Total Use	1,312	1,531	1,387	1,220	1,360
Carry-out Stocks	125	330	300	80	210

f: forecast, AAFC, January 2005

Source: FAO, USDA, UNIP, Pulse Australia, Statistics Canada, AAFC