



CANADA: GRAINS AND OILSEEDS OUTLOOK

AUGUST 28, 2002

Total production of grains and oilseeds in Canada is estimated to decrease sharply to 41.8 million tonnes (Mt) from 50.4 Mt in 2001-02, based on Statistics Canada's (STC) July 31 production estimates, vs. the 10-year average of 59.7 Mt. Due to one of the worst droughts on record across the central and northern regions of Saskatchewan and Alberta, crop abandonment is sharply higher and yields significantly lower than normal in western Canada. In eastern Canada, where most of the corn and soybeans are grown, crop conditions are better than last year and yields are expected to increase from the lows of 2001-02. Carry-in stocks are also significantly lower in Canada, resulting in a sharp decline in domestic supplies for 2002-03. Consequently, wheat exports are projected to fall to the lowest level in almost half a century, while corn imports are forecast to increase to a record high level. Total exports of grains and oilseeds are forecast to fall to a modern day low of about 16 Mt, as lower wheat, barley and canola exports more than offset higher exports of durum, corn, oats and soybeans.

For 2002-03, US and world grain and oilseed prices are expected to increase significantly from the 2001-02 level, due to lower US and world ending stocks. In Canada, the prices for grains and oilseeds are also expected to increase. The major factors to watch are: the extent of drought in the major importing and exporting regions of the world, the size and aggressiveness of the EU export program, the competitiveness of non-traditional exporters of wheat and coarse grains, the expected increase in South America's soybean production, uncertainty regarding China's import policy on GMO products, and the Canada/US exchange rate.

WHEAT (ex-durum)

Production for 2002-03 is estimated by STC to fall by 5.8 Mt, or 33%, to 11.8 Mt, the lowest since 1970-71. With 25% lower carry-in stocks, total supplies are forecast to decline by 7.5 Mt. Exports are projected to drop by 45%, to only 6.5 Mt, the lowest since 1956-57. Feed use in 2002-03 is expected to decline due to reduced supply and high prices. Carry-out stocks are forecast to fall by 30% from 2001-02, to an historically low level of 3.5 Mt. The Canadian Wheat Board (CWB) August Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$251/t, in-store Vancouver/St. Lawrence (I/S VC/SL), vs. \$203/t for 2001-02. Ontario winter wheat production is forecast to rise by 10%, to 1.16 Mt, due to lower abandonment. The Ontario Wheat Producers' Marketing Board projected pool returns for No.1 CEWW wheat are \$195-205/t, terminal or processor position, an increase of 44% from 2001-02.

DURUM

Production, concentrated on the southern Prairies, is forecast to increase by 23% from the drought-reduced 2001-02 crop, to 3.7 Mt, but remain well below the 5-year average of 4.7 Mt. This will be more than offset by a 50% drop in carry-in stocks, so that supplies will be 13% lower than in 2001-02. Exports are forecast to rise slightly from 2001-02, due to less competition from the US and Australia. Carry-out stocks are projected to fall by almost 50%, to 0.75 Mt, vs. the 5-year average of 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$263/t, I/S VC/SL, vs. \$255/t for 2001-02. The premium over No.1 CWRS 11.5% is forecast at \$12/t, vs. \$52/t for 2001-02.

BARLEY

Barley production is forecast to fall to the lowest level since 1968. Average yields are the lowest in 30 years and the rate of abandonment is the highest on record due to widespread crop failure and a shortage

of fodder. Feed use is expected to decline due to lower barley supplies. Malting barley exports are forecast to fall to a ten year low due to low barley supplies and high domestic feed grain prices. Feed barley exports are projected to be negligible. Carry-out stocks are forecast to decline to the lowest level of modern times. Off-Board feed barley prices are expected to increase as a result of the shortage of barley supplies and stronger US corn prices. The CWB PRO for No.1 CW Feed Barley is \$181/t vs. \$180/t for 2001-02 and the PRO for Special Select Two Row Designated Barley is \$222/t vs. \$212/t for 2001-02.

OATS

Production is forecast to rise from 2001-02 due to higher seeded area. However, the rate of abandonment is expected to reach the highest level on record due to strong demand for fodder and crop failure in many areas. Supplies are expected to decrease because of lower carry-in stocks. Exports are forecast to increase slightly due to higher production in the eastern Prairies, which is an oat exporting region. Carry-out stocks are expected to remain very low and prices are forecast to be similar to 2001-02, at \$185-215/t.

CORN

Corn production is forecast to rise due to higher yields in Ontario. Imports are expected to set a new record of 5.5 Mt. Imports into western Canada are projected to double due to the sharply lower barley production, while imports into eastern Canada are forecast to decline slightly. Feed use is expected to rise, especially in western Canada. Chatham corn prices are forecast to climb to \$140-170/t due to higher US corn prices.

CANOLA

Production is expected to decrease sharply from 2001-02, to 3.2 Mt, due to an unusually high abandonment and a 23% decline in yields. Despite stable carry-in

stocks, total supplies are expected to decline by 28%. Exports are forecast to decrease by 28%, to the lowest level since 1987-88. Domestic crush is expected to fall by 13% to 2 Mt, the lowest level since 1992-93. Carry-out stocks are forecast to fall by 65%, to historically very low levels. Prices are expected to rise sharply to \$410-440/t, due to higher soyoil and palmoil prices and lower world canola supplies.

FLAXSEED (excluding solin)

Production is expected to decrease marginally as lower yields more than offset a rise in harvested area. Supplies are forecast to decrease, due to sharply lower carry-in stocks. Exports are forecast to be similar to 2001-02 due to strong EU demand. Total domestic use is forecast to decline slightly from 2001-02. Carry-out stocks are expected to decline by 53% and prices are expected to rise to \$375-405/t.

SOYBEANS

Production is forecast to rise sharply to 2.5 Mt, due to an increase in yields to 2.6 t/ha vs. 1.5 t/ha for 2001-02, more than offsetting the 10% drop in harvested area. Imports are forecast to fall by 60%. Exports are expected to rise sharply, to 0.8 Mt, which is near the 5-year average, following the major drop in 2001-02. Domestic crush is projected to be unchanged at a near-record high 1.7 Mt. Chatham soybean prices are forecast to increase to \$300-330/t due to higher US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

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Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes-----											
Durum											
2000-2001	2,614	2.16	5,647	10	7,432	3,486	255	596	1,065	2,882	242.61
2001-2002f	2,036	1.47	2,987	12	5,881	3,470	260	451	961	1,450	255 *
2002-2003f	2,266	1.62	3,680	10	5,140	3,600	265	295	790	750	263 **
Wheat Except Durum											
2000-2001	8,349	2.53	21,157	50	27,171	13,263	2,760	3,619	7,272	6,636	182.41
2001-2002f	8,550	2.06	17,581	85	24,302	11,750	2,785	3,937	7,552	5,000	203 *
2002-2003f	6,668	1.76	11,768	100	16,868	6,500	2,700	3,278	6,868	3,500	251 **
All Wheat											
2000-2001	10,963	2.44	26,804	60	34,604	16,749	3,015	4,215	8,337	9,518	
2001-2002f	10,585	1.94	20,568	97	30,183	15,220	3,045	4,388	8,513	6,450	
2002-2003f	8,935	1.73	15,448	110	22,008	10,100	2,965	3,573	7,658	4,250	
Barley											
2000-2001	4,551	2.96	13,468	40	16,346	2,639	359	10,444	11,240	2,466	128.85
2001-2002f	4,150	2.61	10,846	100	13,412	1,750	330	9,177	9,962	1,700	158.60
2002-2003f	3,606	2.19	7,883	200	9,783	1,000	330	6,773	7,583	1,200	175-205
Corn											
2000-2001	1,088	6.27	6,827	2,872	11,251	104	2,145	8,088	10,267	880	120.04
2001-2002f	1,267	6.62	8,385	3,500	12,765	200	2,200	9,481	11,715	850	130-135
2002-2003f	1,244	6.80	8,460	5,500	14,810	400	2,250	11,276	13,560	850	140-170
Oats											
2000-2001	1,299	2.61	3,389	8	4,519	1,759	111	1,620	1,906	854	114.49
2001-2002f	1,238	2.17	2,691	55	3,600	1,300	150	1,592	1,925	375	201.76
2002-2003f	1,478	2.05	3,027	5	3,406	1,400	150	1,313	1,656	350	185-215
Rye											
2000-2001	115	2.27	260	5	426	89	68	175	260	77	
2001-2002f	123	1.85	228	4	308	65	62	107	183	60	
2002-2003f	72	1.85	132	5	198	40	45	54	118	40	
Mixed Grains											
2000-2001	128	2.98	382	0	382	0	0	382	382	0	
2001-2002f	159	2.80	447	0	447	0	0	447	447	0	
2002-2003f	134	2.89	388	0	388	0	0	388	388	0	
Total Coarse Grains											
2000-2001	7,181	3.39	24,327	2,925	32,924	4,592	2,683	20,709	24,056	4,277	
2001-2002f	6,937	3.26	22,596	3,659	30,531	3,315	2,742	20,804	24,232	2,985	
2002-2003f	6,534	3.04	19,890	5,710	28,585	2,840	2,775	19,804	23,305	2,440	
Canola											
2000-2001	4,816	1.48	7,126	224	9,507	4,838	3,013	606	3,651	1,018	290.70
2001-2002f	3,758	1.31	4,925	250	6,193	2,511	2,293	343	2,682	1,000	357.45
2002-2003f	3,202	1.01	3,238	250	4,488	1,800	2,000	290	2,338	350	410-440
Flaxseed Except Solin											
2000-2001	591	1.17	693	11	1,090	613	n/a	n/a	218	259	261.03
2001-2002f	671	1.07	715	25	999	605	n/a	n/a	234	160	319.77
2002-2003f	674	1.05	709	25	894	600	n/a	n/a	219	75	375-405
Soybeans											
2000-2001	1,061	2.55	2,703	431	3,386	747	1,697	693	2,459	180	256.09
2001-2002f	1,070	1.50	1,605	1,000	2,785	450	1,694	421	2,185	150	260-270
2002-2003f	965	2.63	2,540	400	3,090	800	1,700	420	2,190	100	300-330
Total Oilseeds											
2000-2001	6,468	1.63	10,522	666	13,983	6,199	4,710	1,299	6,328	1,457	
2001-2002f	5,499	1.32	7,245	1,275	9,977	3,566	3,987	765	5,101	1,310	
2002-2003f	4,841	1.34	6,487	675	8,472	3,200	3,700	710	4,747	525	
Total Grains And Oilseeds											
2000-2001	24,612	2.51	61,653	3,651	81,511	27,540	10,408	26,223	38,720	15,252	
2001-2002f	23,021	2.19	50,408	5,031	70,691	22,101	9,774	25,956	37,845	10,745	
2002-2003f	20,309	2.06	41,825	6,495	59,065	16,140	9,440	24,087	35,710	7,215	

- (a) August - July crop year 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) Includes seed use.
 (e) Crop year average prices: **Wheat:** No.1 CWRS and **Durum:** No.1 CWAD - (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);
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).

*July 2002 CWB Pool Return Outlook (PRO) **August 2002 CWB PRO. Prices for No.1 CWRS and No.1 CWAD with 11.5% protein for 2000-01 to 2002-03. This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, August 28, 2002

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