

AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Policy Branch - Market Analysis Division - Winnipeg, Manitoba

CANADIAN GRAINS AND OILSEEDS OUTLOOK July 4, 2000

Production of grains and oilseeds in Canada for 2000-01 is forecast by AAFC to decline by 4%, to 64 million tonnes (Mt), based on the Statistics Canada's June 29 survey of area seeded. Farmers in western Canada have increased the area seeded to durum wheat, barley and special crops, and reduced the area of spring wheat, canola, flaxseed and summer fallow. In eastern Canada, areas of both corn and soybeans have increased from 1999, with barley, canola, mixed grain and dry bean areas declining.

In western Canada, seeding of the 2000 crop was completed about two weeks ahead of normal, but cool temperatures since mid-May have slowed crop development, which is now near normal. Soil moisture is adequate across Manitoba, most of Saskatchewan and northern Alberta, but southern Alberta and west-central Saskatchewan will require significant rainfall over the next few weeks to achieve normal yields. However, AAFC production forecasts for western Canada assume normal yields, which in general are lower than the high levels of 1999. In eastern Canada, above-normal rainfall and below-normal temperatures seriously delayed seeding which may contribute to increased disease pressure, particularly for wheat. Corn and soybean yields are expected to be below normal, due to late seeding.

Total exports of grains and oilseeds are forecast to decline marginally, to 28.3 Mt, with a decrease in spring wheat and corn exports partially offset by increases in exports of durum, barley, canola and flaxseed. Canadian spring wheat prices are expected to be higher than in 1999-00, while durum prices are expected to decline. Coarse grain prices are forecast to be similar to or slightly lower than 1999-00, while oilseed prices are projected to decline to the lowest level since 1991-92.

WHEAT (ex-durum)

Canadian production is forecast to fall by 10%, due to a combination of a smaller harvested area and a decline in yields. With larger carry-in stocks, supplies will decline by about 6%. Feed use is expected to decline slightly, assuming normal crop quality and larger supplies of barley. Due to reduced supplies, exports are forecast to fall by 7%, to the 2nd lowest level since 1988-89. Carry-out stocks are forecast to fall to near-pipeline levels. The June Canadian Wheat Board (CWB) 2000-01 Pool Return Outlook (PRO) for No.1 CWRS is unchanged from May, at \$169-199/t in-store Vancouver/St. Lawrence, with the midpoint \$15/t above 1999-00. Ontario wheat production is forecast to decline by 10% to 1.35 Mt, due to a smaller harvested area and a return to normal yields. The Ontario Wheat Producers' Marketing Board's Estimated Pool Return for No.1 CEWW wheat is \$115-125/t, terminal or processor position, about \$10/t higher than 1999-00.

DURUM

Production is forecast to rise by 28% from the below normal 1999 level, due to a 47% increase in area. Supplies are expected to increase by 14%, to a record 7.1 Mt. Exports are projected to increase, due to strong demand resulting from drought in North Africa, but will be limited by increased competition from other exporters. As a result, carry-out stocks are projected to increase. The June CWB PRO for No.1 CWAD is unchanged, at \$180-210/t, with the midpoint \$10/t below 1999-00.

BARLEY

Production is forecast to increase by 10%, because of a higher harvested area. Due to increased supplies, exports of feed barley are expected to rise significantly, although remaining at an

historically low level. For malting barley, exports of two-row are also forecast to increase but exports of six-row will depend on the size and quality of the US barley crop. Domestic use is also forecast to increase due to larger supplies, lower prices and increased livestock numbers. Carry-out stocks are expected to increase slightly, and off-Board feed barley prices are forecast to decrease. The June CWB PRO for No.1 CW feed barley is \$119-149/t, \$3/t above May, with the midpoint \$1/t below 1999-00. Six-row malting barley prices are expected to decrease from 1999-00 largely due to higher supplies in the US. The CWB PRO for Special Select (SS) 2-Row Designated Barley is \$171-201/t, up \$6/t from May, with the midpoint \$1/t below 1999-00. The discount for SS 6-Row is \$23/t versus \$5/t for 1999-00.

OATS

Harvested area is expected to be relatively unchanged, and production and supply are forecast to decrease slightly from 1999-00. Total exports to the US are expected to remain strong due to a continuation of low oat production in the US. Although carry-out stocks are forecast to decrease slightly, the average WCE cash price is expected to remain similar to 1999-00.

CORN

Harvested area is up by 3% from 1999-00, but, due to lower yields, production and domestic supplies are forecast to decrease considerably. This is expected to increase imports and reduce exports. Domestic use is forecast to rise due to increased ethanol production in Ontario and Quebec, while livestock feed demand remains similar to 1999-00. The Chatham corn price is expected to remain similar to 1999-00, as pressure from a slightly lower Chicago corn price and appreciation of the Canadian dollar are offset by the increase in the Chicago-Chatham basis caused by the increase in net imports.

CANOLA

Production is forecast to decrease by 19%, due to a 12% reduction in harvested area to the lowest level since 1997-98, combined with an expected decline in yields. However, supplies are forecast to be similar to last year, due to the record high carry-in stocks. Domestic crush is expected to increase. Exports are also expected to increase due to reduced export competition from the EU and Australia, but are sensitive to Chinese demand, which is highly uncertain at this time. Carry-out stocks are forecast to remain burdensome, although lower than 1999-00. Prices are expected to decrease due to abundant world supplies of soybean oil, palm oil and rapeseed/canola.

FLAXSEED (excluding solin)

Production is forecast to decrease significantly due to lower harvested area but supplies are forecast to increase slightly due to higher carry-in stocks. Exports to the EU are forecast to return to normal levels from the low of 1999-00. Average prices are forecast to decrease by about 5%, due to high supplies and generally lower prices for oilseeds.

SOYBEANS

Production is expected to decline marginally due to lower yields. Supplies of soybeans are forecast to be a record high due to the high pace of imports for crushing. Domestic crushing and exports are expected to remain at record highs, but carry-out stocks are forecast to rise marginally. Prices are expected to decline by about 10% due to lower US soybean prices.

FURTHER INFORMATION:

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CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS JULY 4, 2000

Grain and Crop Year (a)	Harvested			Production	Imports (b)	Total			Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Ending Stocks	Average Price (e) \$/t
	Area		Yield			Supply	Exports (c)						
	000 ha	t/ha					thousand	metric tonnes					
000	000	000	000	000	000	000	000	000	000	000	000	000	
Durum													
1998-1999		2,914	2.07	6,042	3	6,802	3,851	182	651	1,003	1,948	201	
1999-2000f		1,760	2.42	4,259	10	6,217	3,600	185	582	1,017	1,600	205 *	
2000-2001f		2,585	2.11	5,460	1	7,061	4,000	190	671	1,061	2,000	180-210 *	
Wheat Except Durum													
1998-1999		7,764	2.32	18,034	77	23,363	10,872	2,660	3,417	6,904	5,587	184	
1999-2000f		8,604	2.63	22,591	10	28,188	14,900	2,650	3,723	7,188	6,100	169 *	
2000-2001f		8,285	2.44	20,250	10	26,360	13,800	2,700	3,595	7,160	5,400	169-199 *	
All Wheat													
1998-1999		10,678	2.25	24,076	80	30,165	14,723	2,842	4,068	7,907	7,535		
1999-2000f		10,364	2.59	26,850	20	34,405	18,500	2,835	4,305	8,205	7,700		
2000-2001f		10,870	2.37	25,710	11	33,421	17,800	2,890	4,266	8,221	7,400		
Barley													
1998-1999		4,272	2.98	12,709	55	15,223	1,695	375	10,034	10,791	2,737	117	
1999-2000f		4,069	3.24	13,196	30	15,963	2,550	410	10,198	11,063	2,350	108-112	
2000-2001f		4,680	3.09	14,480	15	16,845	3,000	460	10,480	11,345	2,500	90-120	
Corn													
1998-1999		1,118	8.01	8,952	893	10,737	830	1,845	7,147	9,023	885	110	
1999-2000f		1,140	7.97	9,095	1,050	11,030	650	2,000	7,249	9,280	1,100	100-110	
2000-2001f		1,170	7.22	8,455	1,150	10,705	400	2,100	7,324	9,455	850	90-120	
Oats													
1998-1999		1,592	2.49	3,958	3	4,807	1,491	226	1,815	2,228	1,088	132	
1999-2000f		1,398	2.60	3,641	4	4,733	1,500	220	1,803	2,183	1,050	124-128	
2000-2001f		1,405	2.57	3,605	3	4,658	1,500	225	1,818	2,208	950	110-140	
Rye													
1998-1999		204	1.96	398	0	462	80	57	139	215	166		
1999-2000f		169	2.29	387	4	557	90	65	184	267	200		
2000-2001f		120	2.14	260	1	461	90	65	163	246	125		
Mixed Grains													
1998-1999		198	2.77	548	0	548	0	0	548	548	0		
1999-2000f		153	2.92	447	0	447	0	0	447	447	0		
2000-2001f		170	2.76	470	0	470	0	0	470	470	0		
Total Coarse Grains													
1998-1999		7,384	3.60	26,565	952	31,777	4,096	2,503	19,682	22,805	4,876		
1999-2000f		6,929	3.86	26,766	1,088	32,730	4,790	2,695	19,881	23,240	4,700		
2000-2001f		7,545	3.61	27,270	1,169	33,139	4,990	2,850	20,255	23,724	4,425		
Canola													
1998-1999		5,421	1.41	7,643	157	8,163	3,900	3,063	382	3,631	633	373	
1999-2000f		5,564	1.58	8,798	130	9,561	3,800	2,900	619	3,561	2,200	280-290	
2000-2001f		4,885	1.45	7,100	250	9,550	4,000	3,100	510	3,650	1,900	255-295	
Flaxseed													
1998-1999		874	1.24	1,081	6	1,128	720	n/a	n/a	247	161	313	
1999-2000f		793	1.32	1,049	2	1,212	450	n/a	n/a	262	500	230-240	
2000-2001f		575	1.35	775	5	1,280	600	n/a	n/a	255	425	205-245	
Soybeans													
1998-1999		980	2.79	2,737	254	3,179	868	1,576	396	2,069	242	266	
1999-2000f		999	2.77	2,766	450	3,458	900	1,800	397	2,263	295	250-270	
2000-2001f		1,080	2.55	2,750	450	3,495	900	1,800	425	2,295	300	220-260	
Total Oilseeds													
1998-1999		7,275	1.58	11,461	417	12,470	5,488	4,639	778	5,946	1,036		
1999-2000f		7,357	1.71	12,613	582	14,231	5,150	4,700	1,016	6,086	2,995		
2000-2001f		6,539	1.62	10,625	705	14,325	5,500	4,900	935	6,200	2,625		
Total Grains And Oilseeds													
1998-1999		25,336	2.45	62,102	1,448	74,411	24,307	9,983	24,528	36,658	13,447		
1999-2000f		24,649	2.69	66,229	1,690	81,366	28,440	10,230	25,202	37,531	15,395		
2000-2001f		24,954	2.55	63,605	1,885	80,885	28,290	10,640	25,456	38,145	14,450		

- (a) Aug.-July crop year except corn and soybeans which are Sept. - Aug.
- (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: No.1 CWRS and 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 (No. 3 CW, WCE cash Track Minneapolis); 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).

* - CWB Pool Return Outlook: June 2000.

f - Agriculture and Agri-Food Canada forecast July 2000.

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