



CANADA: GRAINS AND OILSEEDS OUTLOOK

March 27, 2006

For 2005-06, Canadian exports of grains and oilseeds (G&O) are forecast by AAFC to increase by 18% from 2004-05, to 27.9 million tonnes (Mt). However, G&O carry-out stocks are forecast to increase by 10% to a record 18.0 Mt, largely due to burdensome stocks of durum and canola. Prices are expected to decline from 2004-05 for wheat and oilseeds, increase for oats, and be similar for barley and corn.

For 2006-07, Canadian farmers are expected to increase the areas seeded to non-durum wheat, oats, barley and corn, while reducing areas of durum, canola, flaxseed and soybeans. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. Total G&O production is forecast by AAFC to decline by 3% due to lower trend yields, but total supply is projected to increase slightly due to the larger carry-in stocks. Exports are forecast to increase by 2% to 28.5 Mt, with carry-out stocks projected to fall by 11% to 16.1 Mt. The price changes for wheat and durum, compared to 2005-06, are mixed, depending on the grade and protein content. Prices for oilseeds and oats are forecast to decline, while prices for barley and corn are expected to strengthen. Prices will continue to be pressured by the strong Canadian dollar. The market outlook is very tentative due to the high degree of uncertainty regarding global supply and demand conditions. In addition, trade policy factors, such as the anti-dumping and countervail (AD/CV) duties currently in place on imports of unprocessed grain corn from the US, also affect the outlook. The other major factors to watch are: US winter wheat conditions, winterkill in Russia and Ukraine, import demand from China, EU export subsidies and the Canada/US exchange rate.

WHEAT (ex durum)

For 2005-06, exports are forecast to rise by 14% from 2004-05 due to increased supplies of milling quality wheat. Feed use is expected to decline slightly but remain higher than normal. Carry-out stocks are forecast to decline marginally. The Canadian Wheat Board (CWB) March Pool Return Outlook (PRO) has declined and is below the 2004-05 final realized price.

For 2006-07, production is forecast to rise by 8%, with increased seeded area partially offset by lower yields. Industrial use is expected to rise sharply, as new ethanol plants come on-line in western Canada. Exports are forecast to increase by 8%, assuming a normal quality crop. Carry-out stocks are projected to increase slightly. The CWB 2006-07 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$182/t, in-store Vancouver/ St. Lawrence (I/S VC/SL), \$4/t below 2005-06.

DURUM

For 2005-06, total supply reached a record 8.4 Mt. Exports are expected to increase by 24%, but carry out stocks are projected to rise by over 30% to a record 3.3 Mt. The CWB is not expected to be able to accept all deliveries offered by farmers. The CWB PRO is well below the 2004-05 final realized price.

For 2006-07, production is forecast to fall by 27% due to lower seeded area and yields. However, total supply will decline by only 10% because of the larger carry-in stocks. Exports are forecast to decline by 10%, assuming normal yields in the EU and North Africa. Carry-out stocks are forecast to fall by 12% to 2.9 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$176/t, I/S VC/SL, down \$1/t from 2005-06. The discount for No.1 CWAD 11.5% over No.1 CWRS 11.5% is projected at \$6/t, vs. \$9/t in 2005-06.

BARLEY

For 2005-06, exports are forecast to increase by 34%, due mainly to higher exports of feed barley. Carry-out stocks are forecast to decrease by 11%, but will be high historically.

For 2006-07, production is forecast to rise slightly, as lower yields are more than offset by larger area, but total supply is projected to rise only marginally

due to lower carry-in stocks. Exports are expected to fall, as higher exports of malting barley only partially offset lower exports of feed barley. Carry-out stocks are projected to drop significantly due to higher feed use. The average off-Board feed barley price is forecast to rise by \$15/t. The CWB 2006-07 PRO for 2-Row and 6 Row designated barley is lower than 2005-06.

OATS

For 2005-06, exports are forecast to increase due to less competition from the EU. Carry-out stocks are projected to decrease by 9%.

For 2006-07, production is forecast to rise by 17%, due to higher area. Exports are forecast to be flat at 1.7 Mt. Although feed use is expected to increase significantly, carry-out stocks are expected to rise by 11%. Chicago prices are forecast to decrease by C\$15/t from 2005-06 to \$125/t.

CORN

For 2005-06, imports are forecast to fall significantly, due to higher domestic supplies and the AD/CV duties. Carry-out stocks are expected to decline by 17%. Corn prices in eastern Canada are expected to be similar to 2004-05, as supports from the AD/CV duties are offset by higher domestic supply.

For 2006-07, the forecasts are very tentative, depending on the final injury decision of the Canadian International Trade Tribunal on April 18, 2006. Corn production is forecast to fall by 5%, as lower yields more than offset higher area. Imports are forecast to increase due to lower domestic supplies and higher demand for ethanol production. Carry-out stocks are forecast to drop by 33%. The average price at Chatham elevator is forecast to rise by 30% to \$130/t.

CANOLA

For 2005-06, total supply is expected to reach a record 11.4 Mt. Exports are forecast to increase by 32%, to 4.5 Mt, while domestic crush rises by 9%, to 3.3 Mt. Carry-out stocks are forecast to rise sharply to a record 3.0 Mt. Prices are expected to decline by about 15%.

For 2006-07, production is forecast to decline by 19% due to lower seeded area and yields. Total

supply is expected to decline by about 4%, as the record carry-in stocks offset much of the decline in output. Exports and domestic crush are forecast to remain stable at a record high level. Carry-out stocks are forecast to decline by 10% but will be the second highest on record. Canola prices are forecast to decline slightly.

FLAXSEED (excluding solin)

For 2005-06, exports are forecast to rise slightly, due to the significant increase in supply and high crude oil prices. Carry-out stocks are expected to rise sharply. The average price is forecast to decline from the above normal level in 2004-05. For 2006-07, production is forecast to decline by 12% due to lower seeded area and yields, but supply is forecast to increase by 19% due to high carry-in stocks. Exports are forecast to increase to 0.7 Mt, while domestic usage remains stable. Carry-out stocks are projected to rise by 6%, while prices decrease slightly.

SOYBEANS

For 2005-06, total supply is expected to be a record 3.7 Mt. Exports are forecast at a record high 1.15 Mt, while the domestic crush is expected to be a near record 1.75 Mt. Carry-out stocks are expected to decline with prices falling under pressure from lower US prices and the rising Canadian dollar.

For 2006-07, production is forecast to fall due to lower seeded area and yields. Total supply is forecast to fall by only 4%, as higher imports largely offset the drop in output. Exports and domestic crush are forecast to remain stable at record high levels. Carry-out stocks are forecast to decline although prices decline.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

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Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply thousand metric tonnes	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f) \$/t
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	254	536	1,013	2,521	201
2005-2006F	2,341	2,297	2.58	5,915	1	8,436	4,000	255	681	1,136	3,300	177*
2006-2007F	1,960	1,910	2.25	4,300	1	7,601	3,600	260	630	1,101	2,900	176*
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,845	4,521	8,138	5,471	190
2005-2006F	7,784	7,530	2.77	20,860	15	26,347	13,200	2,885	3,985	7,747	5,400	186*
2006-2007F	8,863	8,650	2.60	22,500	15	27,915	14,200	3,150	4,159	8,115	5,600	182*
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,099	5,056	9,151	7,992	
2005-2006F	10,125	9,826	2.72	26,775	16	34,783	17,200	3,140	4,666	8,883	8,700	
2006-2007F	10,823	10,560	2.54	26,800	16	35,516	17,800	3,410	4,789	9,216	8,500	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	268	9,358	10,019	3,489	112
2005-2006F	4,440	3,889	3.21	12,481	35	16,005	2,500	260	9,740	10,405	3,100	100-120
2006-2007F	4,815	4,210	3.06	12,900	30	16,030	2,300	300	10,785	11,530	2,200	115-135
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,422	12,401	242	2,395	7,951	10,358	1,802	100
2005-2006F	1,124	1,096	8.63	9,461	1,400	12,662	200	2,450	8,497	10,962	1,500	90-110
2006-2007F	1,170	1,130	7.96	9,000	1,900	12,400	150	3,050	8,185	11,250	1,000	120-140
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	118	1,560	1,834	988	131
2005-2006F	1,853	1,326	2.59	3,432	15	4,435	1,700	140	1,525	1,835	900	130-150
2006-2007F	2,136	1,550	2.58	4,000	15	4,915	1,700	140	1,900	2,215	1,000	115-135
Rye												
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	69
2005-2006F	223	148	2.42	359	1	505	150	48	170	235	120	65-85
2006-2007F	207	150	2.33	350	1	471	150	48	176	241	80	75-95
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006F	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	215	115	2.87	330	0	330	0	0	330	330	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,531	33,074	3,902	2,828	19,342	22,749	6,424	
2005-2006F	7,850	6,568	3.96	26,036	1,451	33,911	4,550	2,898	20,236	23,741	5,620	
2006-2007F	8,542	7,155	3.71	26,580	1,946	34,146	4,300	3,538	21,376	25,566	4,280	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	328	3,403	1,629	309
2005-2006F	5,491	5,253	1.84	9,660	125	11,415	4,500	3,300	570	3,915	3,000	250-290
2006-2007F	5,053	4,890	1.60	7,800	150	10,950	4,500	3,300	405	3,750	2,700	235-275
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	151	30	n/a
2005-2006F	842	803	1.35	1,082	35	1,147	500	n/a	n/a	247	400	255-295
2006-2007F	805	782	1.21	950	20	1,370	700	n/a	n/a	245	425	245-285
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006F	1,176	1,169	2.70	3,161	250	3,681	1,150	1,750	421	2,281	250	205-245
2006-2007F	1,144	1,125	2.53	2,850	450	3,550	1,150	1,750	400	2,250	150	195-235
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	n/a	n/a	5,743	1,929	
2005-2006F	7,510	7,225	1.92	13,904	410	16,243	6,150	n/a	n/a	6,443	3,650	
2006-2007F	7,002	6,797	1.71	11,600	620	15,870	6,350	n/a	n/a	6,245	3,275	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,085	77,703	23,715	n/a	n/a	37,643	16,345	
2005-2006F	25,484	23,620	2.82	66,715	1,877	84,936	27,900	n/a	n/a	39,066	17,970	
2006-2007F	26,367	24,512	2.65	64,980	2,582	85,532	28,450	n/a	n/a	41,027	16,055	

(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) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Soybean food and industrial use is based on data from the Canadian Oilseed Processors Association. Total excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* Canadian Wheat Board Pool Return Outlook - March 23, 2006