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CANADA: GRAINS AND OILSEEDS OUTLOOK — December 13, 2006

For 2006-07, the production of grains and oilseeds in Canada is estimated to decrease by 3% from 2005-06 to 64.4 million tonnes (Mt), 8% above the 10-year average of 60 Mt, based on Statistics Canada's November Production Estimates. Yields are estimated to be near trend, although below 2005-06. In western Canada, production decreased by 6% from 2005-06 to 48.0 Mt, but the grade distribution for all crops was better than normal. In eastern Canada, production increased by 3% to 16.4 Mt, but the rain delayed harvest has resulted in quality problems in the corn crop.

Record supplies of grains and oilseeds are expected for Canada for 2006-07, as the decline in production is more than offset by a 17% rise in carry-in stocks. Exports are forecast to increase by 13%, to a level not seen since 1994-95, mainly because of higher wheat shipments. Total domestic use is expected to rise, partly due to increased use of corn and wheat for ethanol production. Carry-out stocks are expected to fall by 21%, with declines expected for all crops except flaxseed and soybeans. Canadian prices for all crops, except flaxseed, are expected to be higher than in 2005-06 due to strong prices in the US. The Canadian dollar is expected to average stronger than in 2005-06. The major factors to watch are: the biofuel market, southern hemisphere crop development, ocean freight rates and exchange rates.

DURUM WHEAT

For 2006-07, production decreased by 35% from 2005-06 to 3.8 Mt, as a result of lower seeded area and yields. Supply is down by 16%, as record high carry-in stocks partly offset the lower production, but remains well above the 10-year average of 6.5 Mt. Over 80% of the crop grades No. 2 CWAD or better, with protein content near normal. Exports are forecast to be near record high, similar to 2005-06, with increased exports to the US and other markets offsetting lower demand from North Africa and the EU. Carry-out stocks are forecast to fall by about 40% to 2.0 Mt, near the 10-year average. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) for No.1 CWAD 11.5% durum is up by $2/t from October, at $204/t I/S VC/SL, $23/t above 2005-06. A discount of $7/t to No.1 CWRS 11.5% is forecast, vs. the 10-year average premium of $36/t.

WHEAT (excluding durum)

Production increased by 12% to 23.5 Mt, due to increased area. Supply rose by 14% to 30.0 Mt, 5.0 Mt above the 10-year average. In Ontario, production increased by 50% to 2.6 Mt, while production in western Canada rose by 9% to 20.6 Mt. Over 90% of the CWRS crop grades No.2 CWRS or better, but with slightly lower than normal protein content. Exports are forecast to increase by 35%, due to improved CWRS quality, record Ontario production and reduced export competition. Domestic use is forecast to be unchanged, with increased industrial use for ethanol production offsetting the reduced feed use. Carry-out stocks are forecast to fall by 6% but remain above the 10-year average of 5.5 Mt. The CWB PRO is unchanged from October, and is from $9/t to $47/t higher than 2005-06. The rise in prices is greatest for lower quality wheat, due to the increased production and better quality of the US and Canadian HRS crops.

BARLEY

Production decreased by 20%, due to lower area and yields, resulting in a 16% decrease in supply. Exports are forecast to fall by 23%, as higher malting barley exports only partly offset lower feed barley exports. Despite lower exports and domestic use, carry-out stocks are forecast to fall sharply. The average off-Board feed barley price is projected to rise by $35/t. The CWB PRO for No. 1 CW feed barley is $177/t for Pool A and $175/t for Pool B, up $47/t and $44/t, respectively, from 2005-06. The PRO for SS2R malting barley is $203/t vs. $171/t for 2005-06, due to lower exportable supplies from major competitors and strong import demand from China and the US.

CORN

Production decreased by 2%, due mainly to lower yields. Domestic supply is virtually unchanged, as larger carry-in stocks offset the lower production. Imports are forecast to rise by over 20%, as a result of strong demand for ethanol production and lower barley supply. Carry-out stocks are forecast to drop by 25%. The average Chatham corn price is forecast to rise by 35% from 2005-06, due to higher US corn prices.

OATS

Production increased by 5%, due to higher area. Supply is up slightly as lower carry-in stocks partly offset the higher production. Exports are forecast to rise, as a result of stronger US import demand and less competition from the EU. Feed use and carry-out stocks are expected to decline. The average Chicago Board of Trade (CBoT) nearby futures price is forecast to increase by over $25/t from 2005-06. The price premium for oats over corn at CBoT is expected to remain above the 5-year average.

CANOLA

Production decreased by 6%, due to lower harvested area and yields. Supply is down marginally, as record high carry-in stocks largely offset the decline in output. Exports are forecast to rise slightly, to a record 5.6 Mt, on support from the expanding EU biodiesel sector and reduced Australian production. Domestic crush is forecast to increase slightly, with many of the recently announced plant expansions not expected to begin operation until 2007-08. Carry-out stocks are forecast to fall, but will remain the third highest on record. Prices are expected to rise by over 30% from the low level of 2005-06, on support from rising biodiesel usage, higher world veg-oil prices and higher US soybean prices.

FLAXSEED (excluding solin)

Production fell by 4% as lower yields more than offset higher harvested area. However, supply is up sharply as lower production was more than offset by larger carry-in stocks. Exports are expected to increase, with carry-out stocks forecast to rise to a burdensome 0.5 Mt, vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Production rose by 12% to a record high 3.5 Mt, due to higher area and yields. Supply is up by 9% due to higher production and carry-in stocks. Imports are expected to fall by 70%. Exports are forecast to be record high because of large supplies. Domestic crush is expected to rise slightly. Prices are forecast to increase due to higher US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

December 13, 2006

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage(e)	Total Domestic Use (d)	Carry-out Stocks	Average Price (f)
	thousand ha		*t/ha*	*thousand metric tonnes*								*$/t*
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	254	570	1,047	2,487	201
2005-2006	2,341	2,297	2.58	5,915	1	8,402	4,269	248	455	867	3,266	181*
2006-2007F	1,760	1,738	2.20	3,821	1	7,088	4,250	255	393	838	2,000	204**
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,845	4,525	8,175	5,435	190
2005-2006	7,753	7,530	2.77	20,860	23	26,318	11,498	2,822	4,624	8,343	6,477	181*
2006-2007F	8,964	8,796	2.67	23,456	19	29,952	15,500	3,200	4,340	8,352	6,100	211**
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,099	5,095	9,221	7,922	
2005-2006	10,094	9,826	2.72	26,775	23	34,720	15,768	3,070	5,079	9,209	9,743	
2006-2007F	10,725	10,534	2.59	27,277	20	37,040	19,750	3,455	4,733	9,190	8,100	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	268	9,417	10,073	3,435	112
2005-2006	4,440	3,889	3.21	12,481	46	15,962	2,975	163	9,196	9,698	3,289	110
2006-2007F	3,861	3,362	2.98	10,005	40	13,333	2,300	260	8,758	9,433	1,600	135-155
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,419	12,399	230	2,395	7,961	10,368	1,802	100
2005-2006	1,124	1,096	8.63	9,461	1,906	13,168	242	2,220	8,693	10,925	2,001	96
2006-2007F	1,127	1,093	8.48	9,268	2,300	13,569	200	3,000	8,854	11,869	1,500	120-140
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	118	1,575	1,848	974	131
2005-2006	1,853	1,326	2.59	3,432	20	4,427	1,877	95	1,423	1,678	872	144
2006-2007F	1,923	1,431	2.52	3,602	15	4,489	2,000	100	1,418	1,689	800	160-180
Rye												
2004-2005	284	165	2.53	418	1	462	122	48	145	210	130	68
2005-2006	226	148	2.42	359	1	490	123	48	132	197	170	81
2006-2007F	201	130	2.33	302	1	473	110	48	178	243	120	90-110
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	245	107	2.72	291	0	291	0	0	291	291	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,528	33,046	3,889	2,828	19,416	22,816	6,341	
2005-2006	7,852	6,568	3.96	26,036	1,973	34,350	5,218	2,526	19,746	22,801	6,331	
2006-2007F	7,356	6,122	3.83	23,467	2,356	32,154	4,610	3,408	19,498	23,524	4,020	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	375	3,446	1,587	309
2005-2006	5,491	5,283	1.83	9,660	140	11,386	5,412	3,423	492	3,956	2,019	278
2006-2007F	5,373	5,322	1.71	9,105	150	11,274	5,600	3,475	404	3,924	1,750	350-390
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	157	24	n/a
2005-2006	842	803	1.35	1,082	38	1,144	537	n/a	n/a	272	336	276
2006-2007F	842	826	1.26	1,041	20	1,397	650	n/a	n/a	272	475	245-285
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,189	270	248
2005-2006	1,176	1,169	2.70	3,161	339	3,770	1,315	1,493	339	1,960	495	220
2006-2007F	1,238	1,226	2.88	3,533	100	4,128	1,400	1,600	503	2,228	500	215-255
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	4,641	832	5,792	1,881	
2005-2006	7,510	7,255	1.92	13,904	516	16,300	7,263	4,916	830	6,188	2,850	
2006-2007F	7,452	7,373	1.86	13,679	270	16,799	7,650	5,075	907	6,424	2,725	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,082	77,675	23,702	10,568	25,342	37,830	16,144	
2005-2006	25,456	23,650	2.82	66,715	2,512	85,370	28,248	10,511	25,655	38,198	18,924	
2006-2007F	25,533	24,030	2.68	64,423	2,646	85,993	32,010	11,938	25,138	39,138	14,845	

(a) Crop year is August-July 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. Totals 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.1 CW, I/S Saskatoon); 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 (PRO) – Sept. 28, 2006 ** CWB PRO -- Nov. 23, 2006

F: Forecast; Agriculture and Agri-Food Canada: December 13, 2006

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