



CANADA: GRAINS AND OILSEEDS OUTLOOK

NOVEMBER 15, 2007

Total production of grains and oilseeds (G&O) in Canada in 2007-08 is estimated at about 61 million tonnes (Mt), slightly lower than 2006-07 and slightly above the 10-year average. In western Canada, production is similar to last year at 45 Mt, with eastern Canada marginally lower than last year at 16 Mt. The supply of G&O in Canada for 2007-08 is expected to decrease by about 8% from last year due to lower carry-in stocks and production. Exports are forecast to fall by 14%, due mainly to lower exports of wheat. Domestic use is expected to rise due to increased use of corn and wheat for ethanol production. Prices for most crops are expected to be significantly higher than in 2006-07. The major factors to watch are: the Canada/US exchange rate, moisture conditions in the US winter wheat belt, southern hemisphere crop development, Asian demand, the bio-fuel market and ocean freight rates.

DURUM

For 2007-08, production is estimated to increase by only 6% from last year due to below normal yields resulting from hot dry weather in the major durum growing region. Crop quality is better than normal, with over 75% estimated to grade No.2 CWAD or better. Protein content averages 14.1%, well above the normal 12.8%. Supply has fallen by 27% from last year as a result of a sharp reduction in carry-in stocks. Exports are forecast to fall by 30% from the record 4.5 Mt in 2006-07. Carry-out stocks are projected to decline by 27% to the lowest level since 1997-98. The CWB Pool Return Outlook (PRO) is at a record level due to tight world stocks, with only Canada having significant exportable supplies.

WHEAT (ex-durum)

Supply is estimated to fall by 20%, as a result of decreased production and lower carry-in stocks. The grade distribution of the CWRS crop is poorer than in 2006, but better than normal, with almost 80% estimated to grade No.2 CWRS or better. Protein content of the CWRS crop averages 14.1%, vs. the normal 13.8%. Domestic consumption is expected to decline slightly because of reduced feed use, which more than offsets increased industrial use for ethanol production. Exports are forecast to fall by 26% as a result of the reduced supply and increased domestic demand. Carry-out stocks are forecast to fall by 29% to a modern-day low of 4.0 Mt. The CWB PRO is historically high due to the tight supply situation in the major exporting countries.

BARLEY

Production is estimated to increase by 23% to 11.8 Mt, close to the 10-year average, due to higher seeded area. However, supply is expected to only increase slightly due to significantly lower carry-in stocks. Crop quality is

slightly below average. Exports are forecast to rise sharply, while domestic use is expected to decrease slightly. Carry-out stocks are projected to decrease marginally. The average off-Board feed barley price (No.1 CW 1/S Lethbridge) is forecast to increase from 2006-07 due to strong export demand.

CORN

Production is estimated to increase by 17% to a record 10.6 Mt due to higher area seeded. Imports are forecast to decrease slightly from 2006-07 as a result of higher domestic supply. Food and industrial use is forecast to increase by 32%, mainly as a result of increased demand for ethanol production. Carry-out stocks are forecast to increase. The average price at Chatham elevator is forecast to increase slightly, as the support from higher US corn prices more than offsets the pressure from higher domestic supplies and the strength of the Canadian dollar.

OATS

Production is estimated to rise by 30% and reach a 32-year high, due to a higher area seeded and yields and a lower abandonment rate. Supply is expected to increase by 18% as the increase in production is partially offset by lower carry-in stocks. Despite the significant increase in supply, exports are forecast to be unchanged from 2006-07 due to the return of the EU to the export market. Carry-out stocks are forecast to rise significantly. The average price of oats is forecast to fall slightly from 2006-07.

CANOLA

Production is estimated at 8.9 Mt, 2% below last year due to lower yields. The average oil content is 42.8%, compared to 44.6% last year. Supply is expected to decrease from 2006-07 due to the decline in output and carry-in stocks. Exports are forecast to increase as a result of strong Asian edible-oil demand, the

growing EU biodiesel sector and the reduced output of US soybeans. Domestic crush is forecast to rise as new crushing capacity comes on line. Carry-out stocks are forecast to fall but will remain above the 10 year average. Prices are expected to rise significantly due to high world vegetable oil prices.

FLAXSEED (excluding solin)

Production is estimated to decrease by 37%, due to lower area seeded and reduced yields. The oil content for flaxseed is 44.5%, versus 45.9% for 2006-07. Supply is expected to decline as high carry-in stocks partly offset the drop in output. Exports are forecast to decline slightly as shipments to the EU fall moderately. Total domestic use is forecast to decline. Carry-out stocks are expected to drop significantly to about the 10 year average. Prices are forecast to rise sharply on support from strong world vegetable oil and crude oil prices.

SOYBEANS

Production is estimated to decrease by 20% due to lower area seeded and yields. Supply is also expected to fall. Imports of soybeans for crushing are projected to rise while exports, largely food-grade soybeans, are forecast to remain high. Domestic crush is expected to be close to 2006-07 levels. Prices are forecast to increase on support from sharply higher US soybean prices.

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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	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f) \$/t
Durum												
2005-2006	2,307	2,278	2.60	5,915	4	8,405	4,273	248	482	877	3,256	179
2006-2007	1,536	1,518	2.21	3,346	1	6,603	4,478	257	451	893	1,232	219*
2007-2008f	1,949	1,934	1.87	3,614	1	4,847	3,150	260	327	797	900	464**
Wheat Except Durum												
2005-2006	7,347	7,125	2.78	19,834	23	25,291	11,499	2,905	3,670	7,411	6,382	180
2006-2007	8,316	8,164	2.68	21,919	25	28,326	15,019	3,361	3,656	7,712	5,595	206*
2007-2008f	6,900	6,717	2.53	17,027	24	22,646	11,100	3,450	3,365	7,546	4,000	290**
All Wheat												
2005-2006	9,654	9,404	2.74	25,748	26	33,696	15,771	3,153	4,152	8,287	9,638	
2006-2007	9,852	9,682	2.61	25,265	26	34,929	19,497	3,617	4,107	8,605	6,827	
2007-2008f	8,849	8,651	2.39	20,641	25	27,494	14,250	3,710	3,692	8,344	4,900	
Barley												
2005-2006	4,143	3,634	3.21	11,678	46	15,159	2,975	167	8,404	8,894	3,289	110
2006-2007	3,690	3,223	2.97	9,573	43	12,905	1,975	166	8,889	9,438	1,492	165
2007-2008f	4,398	4,051	2.92	11,822	35	13,349	2,800	180	8,669	9,249	1,300	180-200
Corn												
2005-2006	1,113	1,085	8.60	9,332	1,903	13,036	254	2,280	8,489	10,781	2,001	96
2006-2007	1,093	1,061	8.47	8,990	2,000	12,991	314	2,965	8,353	11,333	1,343	138
2007-2008f	1,387	1,361	7.75	10,555	1,900	13,798	200	3,900	8,183	12,098	1,500	140-160
Oats												
2005-2006	1,768	1,271	2.58	3,283	20	4,277	1,877	79	1,278	1,529	872	144
2006-2007	2,064	1,537	2.51	3,852	18	4,741	2,307	87	1,610	1,879	556	193
2007-2008f	2,189	1,853	2.70	5,009	10	5,575	2,300	80	1,825	2,075	1,200	180-200
Rye												
2005-2006	208	136	2.43	330	1	461	132	48	114	179	150	81
2006-2007	276	164	2.34	383	1	534	160	48	179	244	130	96
2007-2008f	176	115	2.17	250	1	381	140	48	116	181	60	120-140
Mixed Grains												
2005-2006	214	114	2.78	316	0	316	0	0	316	316	0	
2006-2007	336	130	2.67	347	0	347	0	0	347	347	0	
2007-2008f	170	106	2.80	297	0	297	0	0	297	297	0	
Total Coarse Grains												
2005-2006	7,445	6,240	4.00	24,939	1,970	33,250	5,239	2,573	18,601	21,700	6,311	
2006-2007	7,458	6,114	3.79	23,145	2,062	31,517	4,756	3,266	19,378	23,240	3,521	
2007-2008f	8,319	7,486	3.73	27,932	1,946	33,399	5,440	4,208	19,089	23,899	4,060	
Canola												
2005-2006	5,370	5,175	1.83	9,483	140	11,209	5,409	3,423	330	3,794	2,007	278
2006-2007	5,283	5,238	1.72	9,000	203	11,211	5,435	3,579	332	3,956	1,820	370
2007-2008f	5,905	5,819	1.52	8,864	225	10,910	5,500	3,750	315	4,110	1,300	425-465
Flaxseed												
2005-2006	761	733	1.35	991	38	1,053	537	n/a	n/a	180	336	276
2006-2007	805	785	1.26	989	8	1,333	681	n/a	n/a	279	373	302
2007-2008f	528	524	1.19	625	10	1,008	650	n/a	n/a	183	175	420-460
Soybeans												
2005-2006	1,172	1,165	2.71	3,156	339	3,765	1,316	1,493	334	1,954	495	220
2006-2007	1,214	1,201	2.89	3,466	225	4,186	1,700	1,513	380	2,016	470	263
2007-2008f	1,180	1,169	2.38	2,785	400	3,656	1,600	1,500	281	1,881	175	300-340
Total Oilseeds												
2005-2006	7,303	7,073	1.93	13,630	517	16,027	7,262	4,916	665	5,928	2,838	
2006-2007	7,302	7,225	1.86	13,455	437	16,729	7,816	5,092	712	6,250	2,664	
2007-2008f	7,613	7,512	1.63	12,275	635	15,574	7,750	5,250	596	6,174	1,650	
Total Grains And Oilseeds												
2005-2006	24,402	22,717	2.83	64,317	2,512	82,974	28,271	10,642	23,418	35,915	18,787	
2006-2007	24,612	23,021	2.69	61,865	2,524	83,176	32,069	11,975	24,198	38,095	13,012	
2007-2008f	24,781	23,650	2.57	60,848	2,606	76,467	27,440	13,168	23,377	38,417	10,610	

(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 September Pool Return Outlook (PRO). ** CWB October PRO

f: forecast; Agriculture and Agri-Food Canada: November 15, 2007

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