



CANADA: GRAINS AND OILSEEDS OUTLOOK

March 6, 2008

For **2007-08**, record or near-record prices are projected in Canada for all crops, due to strong international prices. Canadian exports of grains and oilseeds (G&O) are forecast to fall by more than 10%, mainly due to lower exports of wheat. Total domestic use is expected to decline slightly, with reduced feed use more than offsetting increased food and industrial use. Carry-out stocks of G&O are forecast to fall to the lowest level in over 30 years.

For **2008-09**, the areas seeded to wheat, durum, canola, flaxseed and soybeans are forecast to increase while the areas of oats, corn, and summerfallow are forecast to decrease. It is assumed that precipitation will be normal for the growing and harvest periods, and that the abandonment rate and quality will be normal. Trend yields are assumed for both western and eastern Canada. Due to higher area and yields, production of G&O in Canada is forecast to increase to about 65 million tonnes (Mt) from 60 Mt for 2007-08. Exports are projected to increase due to increased supply. Domestic use is forecast to increase as sharply higher food and industrial use, due to strong demand for biofuel, more than offsets lower feed use. Carry-out stocks are forecast to increase slightly but remain historically very low. World and Canadian prices for G&O are expected to remain historically strong, despite higher production, due to strong demand and low carry-in stocks. The main factors to watch are: the condition of the US winter wheat crop, weather conditions during seeding, petroleum and fertilizer prices, exchange rates, money market activity, and growing conditions in the major importing and exporting countries.

DURUM

For **2007-08**, exports are forecast to fall by almost 30%, due to lower production. Carry-out stocks are projected to decline to a historically low 0.8 Mt. The CWB Pool Return Outlook (PRO) for 2007-08 is at a record high level, due to tight supplies in all major exporting countries.

For **2008-09**, area is forecast to increase by 22% to a level slightly above the 10-year average.

Assuming normal yields, production will rise by over 40%, but the low carry-in stocks will limit the increase in supply to less than 25%. Exports are forecast to recover by more than 30%, to 4.2 Mt, due to the larger supply. The CWB PRO is about 12% lower than for 2007-08 due to more abundant Canadian and world supplies.

WHEAT (ex durum)

For **2007-08**, exports are expected to decline sharply as a result of a 22% drop in supply and increased domestic consumption for food and industrial use. Carry-out stocks are forecast to fall to a modern day low of 3.5 Mt. Record high CWB pool returns are projected due to the tight supply situation facing major exporters.

For **2008-09**, seeded area is expected to increase, with production up by over 20%. Total domestic use is forecast to increase only slightly, with greater industrial use partly offset by reduced feed use. Exports are forecast to increase slightly, largely due to the expected record large Ontario crop. The CWB PRO is relatively unchanged from 2007-08 for high protein No.1 and 2 CWRS, but the discounts for lower quality wheat are projected to increase.

BARLEY

For **2007-08**, exports are forecast to rise sharply, as a result of higher exports of feed barley. Carry-out stocks are forecast to decrease to the lowest in recent history. Off-Board feed barley prices are expected to reach the highest level in at least 25 years.

For **2008-09**, although area seeded to barley is expected to be similar to 2007-08, production is forecast to rise by 10% due to higher yields. Total supply is forecast to rise by 7%. Domestic feed use is expected to increase due to lower prices. Total exports are forecast to decrease due to lower

exports of feed barley. Carry-out stocks are expected to rise slightly but remain historically low. The off-Board price of feed barley is forecast to remain strong, but slightly lower than for 2007-08. For Feed Barley Pool A, the CWB February PRO is \$235/t vs. \$269/t for 2007-08 and \$360/t for Special Select two-row designated barley vs. \$290/t for 2007-08.

OATS

For **2007-08**, exports are forecast to be near record, as a result of strong import demand from the US. Carry-out stocks are forecast to increase significantly, following larger supplies.

For **2008-09**, area seeded to oats is forecast to decrease by 8% and production is expected to drop by 15%. Exports are forecast to decrease slightly. Carry-out stocks are expected to drop sharply. The average nearby CBoT oats futures price is forecast to be the same as 2007-08.

CORN

For **2007-08**, imports are forecast to increase marginally. Imports into western Canada are expected to increase relative to imports into eastern Canada. Corn exports from eastern Canada are forecast to rise sharply, due to higher production. Carry-out stocks are expected to rise significantly.

For **2008-09**, area seeded and production of corn are expected to decrease substantially. Imports are forecast to increase by 24% due to lower domestic supply and strong demand. Feed use in Canada is expected to decrease, due mainly to larger barley supplies and lower corn imports in western Canada. Carry-out stocks are forecast to drop sharply. The average Chatham elevator price is forecast to rise by \$25/t from 2007-08 to reach the highest in 13 years.

CANOLA

For **2007-08**, exports are forecast to increase slightly to 5.5 Mt, while domestic crush increases marginally to 3.85 Mt. Carry-out stocks are forecast to decrease significantly while the average price rises by 49% to \$550/t.

For **2008-09**, seeded area is expected to increase marginally but production is forecast to rise by 8% due to higher yields. Total supply is expected to

decrease slightly due to the sharp drop in carry-in stocks. Exports and domestic crush are forecast to increase to record levels on support from strong world food and biofuel demand. Although carry-out stocks are forecast to fall sharply, average canola prices in Canada are expected to be unchanged from 2007-08 due to high international prices for vegetable oil.

FLAXSEED (excluding solin)

For **2007-08**, exports are forecast to rise slightly, while carry-out stocks fall by 64%. The average price is forecast to increase by 92% from 2006-07. For **2008-09**, seeded area is forecast to rise by 37% and production is expected to increase by 36% due to higher yields. Exports are forecast to decline slightly while carry-out stocks rise by 37%. Prices are forecast to decline from 2007-08.

SOYBEANS

For **2007-08**, exports are forecast to decline slightly from last year's record highs while domestic crush falls by 7%. Carry-out stocks are expected to decline sharply while the Chatham price rises by 56%.

For **2008-09**, seeded area is forecast to rise by 3%, while production increases by 14% as average yields return to normal. Total supply is forecast to rise slightly as the sharp fall in carry-in stocks moderates the rise in production. Exports are forecast to fall while domestic crush rises. Carry-out stocks are forecast to rise slightly, while the average Chatham price increases to \$420/t.

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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												
2006-2007	1,536	1,518	2.21	3,346	1	6,603	4,479	257	450	892	1,232	223
2007-2008f	1,949	1,926	1.91	3,681	2	4,916	3,200	260	426	916	800	526*
2008-2009f	2,400	2,375	2.23	5,300	1	6,101	4,200	265	286	801	1,100	465*
Wheat Except Durum												
2006-2007	8,316	8,164	2.68	21,919	25	28,326	15,028	3,073	3,934	7,702	5,595	209
2007-2008f	6,900	6,710	2.44	16,373	23	21,991	12,000	3,500	2,260	6,491	3,500	385*
2008-2009f	7,400	7,250	2.74	19,850	24	23,374	12,700	3,700	2,215	6,674	4,000	384*
All Wheat												
2006-2007	9,852	9,682	2.61	25,265	26	34,929	19,507	3,330	4,384	8,594	6,828	
2007-2008f	8,849	8,636	2.32	20,054	25	26,907	15,200	3,760	2,686	7,407	4,300	
2008-2009f	9,800	9,625	2.61	25,150	25	29,475	16,900	3,965	2,501	7,475	5,100	
Barley												
2006-2007	3,690	3,223	2.97	9,573	43	12,905	1,988	151	8,892	9,426	1,492	165
2007-2008f	4,397	3,998	2.75	10,984	45	12,521	2,800	160	7,861	8,421	1,300	195-215
2008-2009f	4,420	3,950	3.06	12,100	35	13,435	2,600	150	8,785	9,335	1,500	185-205
Corn												
2006-2007	1,093	1,061	8.47	8,990	2,093	13,083	291	2,965	8,469	11,449	1,343	138
2007-2008f	1,392	1,369	8.51	11,649	2,100	15,092	500	3,500	9,377	12,892	1,700	145-165
2008-2009f	1,220	1,170	8.21	9,600	2,600	13,900	300	4,000	8,185	12,200	1,400	170-190
Oats												
2006-2007	2,064	1,537	2.51	3,852	18	4,742	2,307	91	1,606	1,879	556	193
2007-2008f	2,188	1,816	2.59	4,696	10	5,262	2,300	80	1,692	1,962	1,000	195-215
2008-2009f	2,020	1,500	2.67	4,000	10	5,010	2,200	90	1,745	2,010	800	195-215
Rye												
2006-2007	276	164	2.34	383	1	529	201	48	118	183	145	96
2007-2008f	172	109	2.13	233	1	379	200	48	54	119	60	190-200
2008-2009f	180	120	2.25	270	1	331	150	48	56	121	60	160-170
Mixed Grains												
2006-2007	336	130	2.67	347	0	347	0	0	347	347	0	
2007-2008f	171	96	2.73	263	0	263	0	0	263	263	0	
2008-2009f	160	95	2.84	270	0	270	0	0	270	270	0	
Total Coarse Grains												
2006-2007	7,458	6,114	3.79	23,145	2,155	31,605	4,786	3,255	19,432	23,283	3,536	
2007-2008f	8,320	7,388	3.77	27,825	2,156	33,517	5,800	3,788	19,246	23,657	4,060	
2008-2009f	8,000	6,835	3.84	26,240	2,646	32,946	5,250	4,288	19,041	23,936	3,760	
Canola												
2006-2007	5,283	5,238	1.72	9,000	203	11,211	5,477	3,579	290	3,913	1,820	370
2007-2008f	5,960	5,911	1.48	8,751	225	10,796	5,500	3,850	351	4,246	1,050	530-570
2008-2009f	6,025	5,931	1.59	9,450	150	10,650	5,700	3,900	355	4,300	650	530-570
Flaxseed												
2006-2007	805	785	1.26	989	8	1,333	681	n/a	n/a	279	373	302
2007-2008f	528	524	1.21	634	10	1,017	700	n/a	n/a	182	135	560-600
2008-2009f	725	689	1.25	860	15	1,009	650	n/a	n/a	174	185	480-520
Soybeans												
2006-2007	1,214	1,201	2.89	3,466	241	4,201	1,741	1,513	355	1,991	470	263
2007-2008f	1,180	1,172	2.30	2,696	450	3,616	1,700	1,400	266	1,766	150	390-430
2008-2009f	1,220	1,208	2.53	3,060	450	3,660	1,600	1,500	285	1,885	175	400-440
Total Oilseeds												
2006-2007	7,302	7,225	1.86	13,455	452	16,745	7,899	5,092	645	6,183	2,663	
2007-2008f	7,668	7,606	1.59	12,080	685	15,428	7,900	5,250	617	6,194	1,335	
2008-2009f	7,970	7,828	1.71	13,370	615	15,319	7,950	5,400	640	6,359	1,010	
Total Grains And Oilseeds												
2006-2007	24,612	23,021	2.69	61,865	2,633	83,279	32,192	11,676	24,461	38,060	13,027	
2007-2008f	24,836	23,630	2.54	59,958	2,866	75,851	28,900	12,798	22,549	37,257	9,695	
2008-2009f	25,770	24,288	2.67	64,760	3,286	77,740	30,100	13,653	22,182	37,770	9,870	

(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 12.5% protein and No.1 CWAD 12.5% (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 February Pool Return Outlook (PRO)

f: forecast; Agriculture and Agri-Food Canada: March 6, 2008

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