



CANADA: GRAINS AND OILSEEDS OUTLOOK

April 28, 2006

Statistics Canada's (STC) survey of seeding intentions for 2006 indicates that the total area seeded to grains and oilseeds is expected to decrease by 1% from 2005. The areas seeded to winter wheat, spring wheat, oats, flaxseed, corn and soybeans are expected to increase but the areas seeded to durum wheat, barley, rye and canola are expected to decrease. Summerfallow area in western Canada is expected to increase by 15% or 628,000 hectares, from 2005, contrary to the long term trend, reflecting farmer uncertainty about seeding decisions. The actual seeded areas may differ from the intentions due to changes in the market outlook and expected prices, producer reaction to the STC report and soil moisture conditions at the time of seeding.

The total production of grains and oilseeds in Canada is forecast by Agriculture and Agri-Food Canada to decline by 7%, to 62.1 million tonnes, (Mt) versus the 10-year average of 59.9 Mt. Production is forecast to decline by 8%, to 46.6 Mt, in western Canada and by 3%, to 15.5 Mt, in eastern Canada. Normal abandonment, trend yields and normal crop quality are assumed for both western and eastern Canada. In general, soil moisture reserves are adequate. Total exports and domestic use are each forecast to increase by 4%. The price changes for wheat and durum, compared to 2005-06, are mixed, depending on the grade and class of wheat. Prices for canola, feed barley and corn are expected to strengthen but prices for soybeans and oats are forecast to decline. 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. The major factors to watch are: US winter wheat conditions, weather and growing conditions in the major producing countries, import demand from China, EU export subsidies, increased demand for biofuel, ocean freight rates and the Canada/US exchange rate.

DURUM

For 2006-07, production is forecast to decline by 39% due to lower area seeded and yields. Despite high carry-in stocks, most of which is lower quality durum, supply is forecast to fall significantly to only slightly above the 10-year average. Exports are expected to decrease by 12%, due to lower import demand from North Africa which is expected to increase its production. Carry-out stocks are forecast to decrease to near-normal level. The CWB Pool Return Outlook (PRO) for No. 1 CWAD is down marginally from 2005-06 as a result of lower demand.

WHEAT (ex-durum)

Production is forecast to rise by 6%, as larger area is partly offset by lower yields. Supply is also expected to increase due to higher carry-in stocks. Exports are forecast to increase by 1.6 Mt, as a result of significantly higher production in Ontario and an increased supply of high quality wheat in western Canada. Wheat feeding is expected to increase, due to the large carry-in stocks of feed wheat. Carry-out stocks are expected to fall marginally but remain historically high. The CWB PRO for No. 1 CWRS is down slightly from 2005-06, as a result of higher expected supply. Returns for lower quality wheat are, in general, slightly higher.

BARLEY

Production is forecast to decrease by 10% due to lower area and yields. Supply is expected to be further reduced by low carry-in stocks. Exports are forecast to decrease by 15% to a normal level as the decrease in feed barley exports is only partially offset by higher exports of malting barley. Despite lower exports and domestic feed use, carry-out stocks are expected to fall significantly as a result of lower supply. The average off-Board feed

barley price is forecast to increase by \$20/t from 2005-06 to \$130/t, for No.1 CW I/S Lethbridge. The CWB PRO for feed barley Pool A is \$113/t vs. \$117/t for Pool B in 2005-06. The CWB PRO for SS2R malting barley decreased to \$161/t, pressured mainly by strong export competition from Australia.

CORN

Production is forecast to fall by 7%, as lower yields more than offset slightly higher seeded area. Imports are forecast to increase significantly, as a result of lower domestic supply and strong demand for ethanol production and animal feed. Carry-out stocks are forecast to drop by over 25%. The average price at Chatham elevator is forecast to increase by \$20/t to \$120/t largely due to higher US corn prices.

OATS

Production is forecast to rise by 20% due to larger area and a return to normal abandonment rates. Supply is expected to increase as higher production more than offset lower carry-in stocks. Exports are forecast to be the same as 2005-06, as strong US import demand is offset by more competition from the EU. While feed use is expected to rise significantly, carry-out stocks are projected to rise by about 20%. CBoT oat nearby futures prices are forecast to decrease by C\$15/t from 2005-06 to \$125/t, narrowing the US price premium of oats over corn.

CANOLA

Production is forecast to decrease by 24% to 7.3 Mt because of lower area and yields. Supply is also expected to decrease significantly, but remain historically high, due to the sharp increase in carry-in stocks. Exports are forecast to equal the record anticipated for 2005-06. Domestic crush is not expected to increase from the record

high of 2005-06 due to constrained crush capacity. Carry-out stocks are forecast to decrease significantly which will support prices that are expected to rise from the low of 2005-06. Prices will be pressured by lower US soyoil prices.

FLAXSEED (excluding solin)

Production is expected to increase as higher area more-than offsets the drop in yields. Supply is expected to rise sharply because of burdensome carry-in stocks resulting from high production in 2005-06 and low EU imports. Although exports and total domestic use are forecast to rise, carry-out stocks are expected to increase to 0.6 Mt vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Production is forecast to decline by 2%, as lower yields more than offset the rise in area. Supply is forecast to decrease slightly although the decline is moderated by a projected rise in imports. Exports are forecast to increase to a record high but domestic crush is expected to be the same as 2005-06. Carry-out stocks are forecast to remain stable while prices continue to be pressured by low US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

April 28, 2006

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	4,200	255	686	1,136	3,100	177*
2006-2007F	1,639	1,606	2.24	3,600	1	6,701	3,700	260	561	1,001	2,000	175**
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	7,753	7,530	2.77	20,860	15	26,347	12,400	2,885	4,175	7,947	6,000	186*
2006-2007F	8,729	8,549	2.60	22,200	10	28,210	14,000	3,150	4,355	8,310	5,900	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	10,094	9,826	2.72	26,775	16	34,783	16,600	3,140	4,861	9,083	9,100	
2006-2007F	10,368	10,155	2.54	25,800	11	34,911	17,700	3,410	4,916	9,311	7,900	
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	2,700	260	9,740	10,405	2,900	100-120
2006-2007F	4,204	3,675	3.07	11,295	30	14,225	2,300	270	9,350	10,025	1,900	120-140
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	1,600	12,862	250	2,500	8,597	11,112	1,500	85-105
2006-2007F	1,140	1,105	7.96	8,800	3,300	13,600	200	3,300	8,985	12,300	1,100	110-130
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	2,181	1,600	2.58	4,130	15	5,045	1,700	140	1,930	2,245	1,100	115-135
Rye												
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	69
2005-2006F	226	148	2.42	359	1	505	120	48	190	255	130	65-85
2006-2007F	207	135	2.30	310	1	441	150	48	146	211	80	80-100
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	175	105	2.86	300	0	300	0	0	300	300	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	7,852	6,568	3.96	26,036	1,651	34,111	4,770	2,948	20,356	23,911	5,430	
2006-2007F	7,907	6,620	3.75	24,835	3,346	33,611	4,350	3,758	20,711	25,081	4,180	
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	5,000	3,400	470	3,915	2,500	255-295
2006-2007F	4,693	4,535	1.61	7,300	150	9,950	5,000	3,400	405	3,850	1,100	270-310
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	475	n/a	n/a	172	500	265-295
2006-2007F	909	883	1.25	1,100	20	1,620	700	n/a	n/a	295	625	225-265
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	300	3,731	1,250	1,650	471	2,231	250	210-240
2006-2007F	1,271	1,244	2.50	3,110	350	3,710	1,350	1,650	360	2,110	250	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	460	16,293	6,725	n/a	n/a	6,318	3,250	
2006-2007F	6,873	6,662	1.73	11,510	520	15,280	7,050	n/a	n/a	6,255	1,975	
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	25,456	23,620	2.82	66,715	2,127	85,186	28,095	n/a	n/a	39,311	17,780	
2006-2007F	25,148	23,437	2.65	62,145	3,877	83,802	29,100	n/a	n/a	40,647	14,055	

(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

** Canadian Wheat Board Pool Return Outlook - April 27, 2006

F: Forecast; Agriculture and Agri-Food Canada - April 28, 2006

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