



## CANADA: GRAINS AND OILSEEDS OUTLOOK

SEPTEMBER 26, 2002

Total production of grains and oilseeds is estimated to decrease by 17% from 2001-02 to 41.8 million tonnes (Mt), based on the Statistics Canada's (STC) July 31 production survey. The next STC production estimate will be released on October 4. In western Canada, due to one of the worst droughts on record across the central and northern regions of Saskatchewan and Alberta, crop abandonment is sharply higher, and yields significantly lower than normal. In eastern Canada, average yields for soybeans, and corn to a much lesser extent, are expected to increase from 2001-02. Total Canadian carry-in stocks of all grains and oilseeds for 2002-03 are also significantly below 2001-02 based on STC data, except for corn and soybeans, which are AAFC forecasts. Domestic supplies are therefore expected to be significantly below last year. Wheat exports are projected to fall to the lowest level in almost half a century while corn imports are forecast to increase to a record high level. Total exports of grains and oilseeds are forecast to fall to a modern-day low of about 16 Mt, as lower exports of non-durum wheat, barley and canola more than offset higher exports of corn, oats, flaxseed and soybeans.

For 2002-03, US and world grain and oilseed prices are expected to increase significantly from 2001-02 levels, due to lower US and world ending stocks. In Canada, the prices for grains and oilseeds are also expected to increase. The major factors to watch are: the extent of drought in the major importing and exporting regions of the world, the size and aggressiveness of the EU export program, the competitiveness of non-traditional exporters of wheat and coarse grains, uncertainty regarding China's import policy on GMO products and the Canada/US exchange rate.

### WHEAT (ex-durum)

Production for 2002-03 is estimated by STC to fall by 33%, to 11.8 Mt, the lowest since 1970-71. Carry-in stocks are down by 28%, at 4.9 Mt, so that total supplies are 32% below 2001-02, at 16.7 Mt. Exports are projected to drop by 50%, to only 6.3 Mt, the lowest since 1956-57. Feed use in 2002-03 is expected to decline due to reduced supply and high prices. Carry-out stocks are forecast to fall by 28% from 2001-02, to 3.5 Mt, the lowest in over 40 years. The Canadian Wheat Board (CWB) September Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$300/t, in-store Vancouver/St. Lawrence (I/S VC/SL), vs. \$207/t for 2001-02. Ontario winter wheat production is up by 10%, to 1.16 Mt, due to lower abandonment and good yields. The Ontario Wheat Producers' Marketing Board projected pool returns for No.1 CEWW wheat are \$195-205/t, terminal or processor position, an increase of 44% from 2001-02.

### DURUM

Durum production has been less affected by the 2002 drought, as it is concentrated in the southern Prairies, where precipitation was more adequate. Production is up by 23% from the drought-reduced 2001-02 crop, at 3.7 Mt, but this remains well below the 5-year average of 4.7 Mt. However, the increase is more than offset by a 43% drop in carry-in stocks, so that supplies are 9% lower than in 2001-02. Despite the lower supplies, exports are forecast to be relatively unchanged from 2001-02, due to less competition from the US and Australia. Carry-out stocks are projected to fall by almost 50%, to 0.85 Mt, vs. the 5-year average of 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$292/t, I/S VC/SL, vs. \$261/t for 2001-02.

### BARLEY

Barley production is forecast to fall to the lowest level since 1968. Average yields are

the lowest in 30 years and the rate of abandonment is the highest on record due to widespread crop failure and a shortage of fodder. Feed use is expected to decline due to lower barley supplies. Malting barley exports are forecast to fall to a ten year low due to low barley supplies and high domestic feed grain prices. Feed barley exports are projected to be negligible. Carry-out stocks are forecast to decline to the lowest level of modern times. Off-Board feed barley prices are expected to increase as a result of the shortage of barley supplies and stronger US corn prices. The CWB PRO for No.1 CW Feed Barley is \$187/t vs. \$180/t for 2001-02 and the PRO for Special Select Two Row Designated Barley is \$243/t vs. \$209/t for 2001-02.

### OATS

Production is forecast to rise from 2001-02 due to higher seeded area. However, the rate of abandonment is expected to reach the highest level on record due to strong demand for fodder and crop failure in many areas. Supplies are expected to decrease because of lower carry-in stocks. Exports are forecast to be similar to 2001-02. Carry-out stocks are expected to remain very low and prices are forecast to be similar to 2001-02, at \$190-220/t.

### CORN

Corn production is forecast to increase slightly from 2001-02. Imports are expected to set a new record of 5.5 Mt. Imports into western Canada are projected to double due to the sharply lower barley production, while imports into eastern Canada are forecast to remain strong. Feed use is expected to rise, especially in western Canada. Chatham corn prices are forecast to climb to \$140-170/t due to higher US corn prices.

### CANOLA

Production is expected to decrease sharply from 2001-02, to 3.2 Mt, due to lower yields and a high abandonment rate.

Despite higher carry-in stocks, total supplies are expected to decline by 25%. Exports are forecast to fall by 24%, to 1.9 Mt, the lowest level since 1987-88. Domestic crush is expected to fall by 8%, to 2.1 Mt, the lowest level since 1992-93. Carry-out stocks are forecast to fall by 69% to historically very low levels. Prices are expected to rise sharply to \$430-460/t, due to a combination of higher world vegetable oil prices and lower canola supplies.

### FLAXSEED (excluding solin)

Production is expected to decrease marginally due to lower yields, but supplies are forecast to decrease more significantly due to sharply lower carry-in stocks. Domestic use is forecast to increase slightly. Exports are also forecast to increase slightly due to strong EU demand. Carry-out stocks are expected to decline by 60%, and prices are expected to increase to \$385-415/t.

### SOYBEANS

Production is forecast to rise sharply to 2.5 Mt, due to a major increase in yields. Domestic supplies are expected to increase by about 50%. Imports are forecast to fall by 60%, but exports are expected to increase sharply to 0.8 Mt, which is near the 5-year average. Domestic crush is projected to be unchanged at a near-record high 1.7 Mt. Chatham soybean prices are forecast to increase to \$300-330/t due largely to higher US soybean prices.

### FURTHER INFORMATION:

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# CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

SEPTEMBER 26, 2002

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Ending Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----											
<b>Durum</b>											
2000-2001	2,614	2.16	5,647	10	7,432	3,487	255	612	1,074	2,872	242.61
2001-2002	2,036	1.47	2,987	12	5,871	3,627	242	136	615	1,629	261 *
2002-2003f	2,266	1.62	3,680	10	5,319	3,600	250	389	869	850	292 *
<b>Wheat Except Durum</b>											
2000-2001	8,349	2.53	21,157	50	27,131	13,623	2,760	3,116	6,722	6,786	182.41
2001-2002	8,550	2.06	17,581	85	24,451	12,513	2,859	3,436	7,080	4,859	207 *
2002-2003f	6,668	1.76	11,768	100	16,727	6,300	2,850	3,222	6,927	3,500	300 *
<b>All Wheat</b>											
2000-2001	10,963	2.44	26,804	60	34,564	17,110	3,015	3,728	7,796	9,658	
2001-2002	10,585	1.94	20,568	97	30,322	16,140	3,101	3,572	7,695	6,488	
2002-2003f	8,935	1.73	15,448	110	22,046	9,900	3,100	3,611	7,796	4,350	
<b>Barley</b>											
2000-2001	4,551	2.96	13,468	40	16,346	2,641	358	10,420	11,189	2,516	128.85
2001-2002	4,150	2.61	10,846	108	13,470	1,746	317	8,978	9,730	1,993	158.60
2002-2003f	3,606	2.19	7,883	200	10,076	900	320	6,976	7,776	1,400	175-205
<b>Corn</b>											
2000-2001	1,088	6.27	6,827	2,872	11,251	104	2,145	8,088	10,267	880	120.04
2001-2002	1,267	6.62	8,385	3,700	12,965	200	2,200	9,681	11,915	850	132.90
2002-2003f	1,244	6.80	8,460	5,500	14,810	400	2,250	11,276	13,560	850	140-170
<b>Oats</b>											
2000-2001	1,299	2.61	3,389	8	4,519	1,760	110	1,627	1,906	854	114.49
2001-2002	1,238	2.17	2,691	53	3,598	1,461	129	1,435	1,771	365	201.76
2002-2003f	1,478	2.05	3,027	5	3,397	1,475	150	1,204	1,572	350	190-220
<b>Rye</b>											
2000-2001	115	2.27	260	5	426	89	68	175	260	77	
2001-2002	123	1.85	228	4	309	62	39	144	198	49	
2002-2003f	72	1.85	132	5	186	40	32	56	106	40	
<b>Mixed Grains</b>											
2000-2001	128	2.98	382	0	382	0	0	382	382	0	
2001-2002	159	2.80	447	0	447	0	0	447	447	0	
2002-2003f	134	2.89	388	0	388	0	0	388	388	0	
<b>Total Coarse Grains</b>											
2000-2001	7,181	3.39	24,327	2,925	32,924	4,594	2,681	20,692	24,004	4,327	
2001-2002	6,937	3.26	22,596	3,865	30,787	3,469	2,685	20,684	24,061	3,257	
2002-2003f	6,534	3.04	19,890	5,710	28,857	2,815	2,752	19,900	23,402	2,639	
<b>Canola</b>											
2000-2001	4,816	1.48	7,126	224	9,507	4,859	3,013	517	3,561	1,088	290.70
2001-2002	3,765	1.31	4,926	225	6,239	2,512	2,293	187	2,512	1,215	357.45
2002-2003f	3,202	1.01	3,238	250	4,703	1,900	2,100	283	2,428	375	430-460
<b>Flaxseed excluding Solin</b>											
2000-2001	591	1.17	693	11	1,090	613	n/a	n/a	218	259	261.03
2001-2002	662	1.08	715	24	998	609	n/a	n/a	200	189	319.77
2002-2003f	674	1.05	709	25	923	625	n/a	n/a	223	75	385-415
<b>Soybeans</b>											
2000-2001	1,061	2.55	2,703	431	3,386	747	1,697	693	2,459	180	256.09
2001-2002	1,070	1.53	1,633	1,000	2,813	450	1,694	421	2,185	178	269.01
2002-2003f	1,019	2.50	2,548	400	3,126	800	1,700	420	2,190	136	300-330
<b>Total Oilseeds</b>											
2000-2001	6,468	1.63	10,522	666	13,983	6,219	4,710	1,210	6,237	1,527	
2001-2002	5,497	1.32	7,274	1,249	10,050	3,571	3,987	608	4,897	1,582	
2002-2003f	4,895	1.33	6,495	675	8,752	3,325	3,800	703	4,841	586	
<b>Total Grains And Oilseeds</b>											
2000-2001	24,612	2.51	61,653	3,651	81,471	27,923	10,406	25,630	38,037	15,512	
2001-2002	23,020	2.19	50,438	5,211	71,160	23,180	9,773	24,864	36,653	11,327	
2002-2003f	20,364	2.05	41,833	6,495	59,654	16,040	9,652	24,214	36,039	7,575	

(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) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (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);

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).

\* - CWB PRO: September 26, 2002. Prices for No.1 CWRS and No.1 CWAD with 11.5% protein for 2000-01 to 2002-03.

This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, September 26, 2002

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