



Bi-weekly Bulletin

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WORLD AND CANADIAN OUTLOOK FOR GRAINS AND OILSEEDS IN 2004-2005

World wheat prices are expected to decrease in 2004-2005, assuming a return to normal growing conditions and higher production in the European Union (EU), Eastern Europe and the Former Soviet Union (FSU), and normal growing conditions in the other major wheat producing regions of the world. World coarse grain and oilseed prices are also expected to decrease, largely due to increased supplies in the United States (US). For most of the major crops, domestic support programs in the US and the EU are expected to continue to encourage high production which will also pressure prices.

In western Canada, area seeded to spring wheat, coarse grains and summerfallow is expected to decrease while the area in durum wheat and oilseeds is forecast to increase, due to the relatively higher prices expected for 2004-2005. In eastern Canada, the area of wheat is expected to decline sharply, while the areas of corn, and to a lesser extent, soybeans, are expected to increase. Total Canadian production of grains and oilseeds is expected to increase from about 60 million tonnes (Mt) to 63 Mt, largely due to higher expected yields in western Canada. Total exports of grains and oilseeds are projected to rise marginally in 2004-2005 and imports, dominated by US corn, are forecast to decrease slightly. Prices for grains and oilseeds are expected to decrease, partly due to appreciation of the Canadian dollar relative to the US dollar. It has been assumed that the trade disruptions affecting the cattle and beef sector, related to the bovine spongiform encephalopathy (BSE) cases in Alberta and the US, will not have a major impact on feed use in 2004-2005.

The market outlook is very tentative since there is a high degree of uncertainty regarding global supply and demand conditions. Normal weather patterns have been assumed. World, and Canadian, stocks of wheat and coarse grains are low, and serious weather problems in any of the major importing or exporting countries could significantly alter the outlook. Ocean freight rates will also be a major factor to watch in 2004-2005. In Canada, due to low subsoil moisture conditions in much of the Prairie Provinces, and low carry-in stocks, precipitation patterns will be a major consideration.

WHEAT

World wheat (including durum) area harvested for 2004-2005 is forecast by Agriculture and Agri-Food Canada (AAFC) to increase by about 4% to 216 million hectares (Mha), slightly above the 5-year average, largely due to higher area in Russia and Ukraine. Assuming normal growing conditions and average yields, production is forecast to rise by 7% to 590 Mt, the highest since 1998-1999, due to higher yields in the EU, Eastern Europe and FSU from the below-normal crops of 2003-2004. Supplies will be relatively unchanged with lower carry-in stocks offsetting the higher production.

World wheat consumption is projected to increase slightly from 2003-2004 due to greater feed use in the EU, Eastern Europe and FSU resulting from higher production. Human food use of wheat is expected to be similar to 2003-2004, at 488 Mt, while the use of wheat for animal feed is expected to rise by 5%, to about 108 Mt. World trade is expected to increase slightly, to 100 Mt, but remain below the 5-year average of 107 Mt. Non-traditional exporters, such as Russia and Ukraine, which exported record quantities in 2002-2003 and depressed world prices that year, declined sharply in 2003-2004, and are not expected to significantly increase their market share in 2004-2005. World carry-out stocks are projected to decrease by 5%, to 121 Mt, the

lowest since 1981-1982 and well below the 5-year average of 181 Mt.

US winter wheat seeded area has decreased by 3% for 2004-2005, to 17.6 Mha, with the largest decreases being to hard red winter (HRW) and soft white winter wheat, due to dry conditions in the fall, in both the Great Plains and Pacific Northwest states, resulting in poor germination. Soft red winter (SRW) area is up slightly, due to strong wheat prices and production problems with soybeans in 2003-2004. Seeded areas of spring wheat and durum are forecast by AAFC to decline slightly. Program payments under the Farm Security and Rural Investment Act (FSRIA) are expected to support higher area. Assuming normal abandonment, harvested

area of all wheat is forecast to decline by 7%, to 19.9 Mha. Production is forecast by AAFC to decrease by 14%, to 54.9 Mt (about 2.02 billion bushels (Gbu)). A slightly below trend yield of 41 bushels per acre (bu/ac) has been assumed because the HRW wheat crop is currently in relatively poor condition, due to a lack of precipitation. However, total wheat supplies are expected to decrease by only 9% due to higher carry-in stocks.

EU wheat production is forecast to recover by 13% from 2003-2004, to 103 Mt, assuming normal yields, well above the 5-year average of 97 Mt. Carry-in stocks are forecast to decline by 41%. As a result, EU wheat supplies are expected to increase by 6% for 2004-2005.

DURUM

World

Durum production is forecast to decline by 2%, to 35.6 Mt, with increased production in Canada and the EU offset by lower production in North Africa and the US. The decreased production will be partly offset by higher major-exporter carry-in stocks, and world supplies (including major-exporter stocks only) are expected to be down by 1% at 38.5 Mt. Trade is forecast to increase by 7%, to 6.2 Mt, assuming a return to lower normal yields and increased import demand from North Africa, the major durum importing region. However, world consumption is projected at 34.6 Mt, and carry-out stocks in the major exporting countries are forecast to increase by 31%, to 3.9 Mt, above the 5-year average of 3.6 Mt.

PRICES: WHEAT AND DURUM

Although world wheat stocks are expected to decline slightly, stocks in the five major wheat exporting countries, Canada, the US, the EU, Australia and Argentina, are forecast to increase by 6% by the end of 2004-2005, to 36 Mt. EU carry-out stocks are expected to rise by 8% to 8.5 Mt. US stocks are forecast to increase marginally to about 15.4 Mt, and the US stock-to-use ratio will rise to 27%, from 24% in 2003-2004. As a result, world wheat prices are expected to decline in 2004-2005.

US Hard Winter Ordinary (HWO) wheat prices, free on board (FOB) US Gulf, are forecast to decline to about US\$140-150 per tonne (/t) for 2004-2005 (for the Canadian August-July crop year), compared to an estimated US\$150-160/t for 2003-2004, and US\$161/t in 2002-2003. The price for US

Dark Northern Spring wheat with 14% protein (DNS 14), FOB Pacific Northwest, is forecast at US\$165-175/t, down by about US\$5/t from 2003-2004. Premiums for spring wheat on the Minneapolis Grain Exchange versus HRW wheat on the Kansas City Board of Trade are forecast to increase, assuming a decrease in US and Canadian spring wheat production in 2004-2005. Protein premiums are expected to rise as well, assuming a return to normal protein levels in the US and Canadian spring wheat crops from the higher than normal levels of 2003-2004. High protein Canada Western Red Spring (CWRS) wheat is generally priced competitively with US DNS 14 wheat, while lower protein CWRS and Canada Prairie Spring (CPS) wheat are usually priced competitively with US HWO.

World durum prices are expected to decline in 2003-2004, due to rising stocks in the major exporting countries. Supplies in the major exporting countries are expected to rise by 9%, to 19.5 Mt, versus the 5-year average of 18.8 Mt. World import demand is expected to increase due to decreased production in North Africa, but this will be partly offset by increased production in the EU. The US No.3 Hard Amber Durum (HAD) price, FOB St. Lawrence, is forecast at US\$170-180/t (August-July), versus US\$180-190/t in 2003-2004.

Export subsidies are not expected to be a significant factor in the world wheat market in 2004-2005. The US has not used the Export Enhancement Program since June of 1995, and continues to make use of credit and food aid programs to stimulate exports, with loan deficiency payments (LDP) used to support farm prices. EU stocks remain relatively low, so that export subsidies are not expected to be aggressive, even with expected increased production. The value

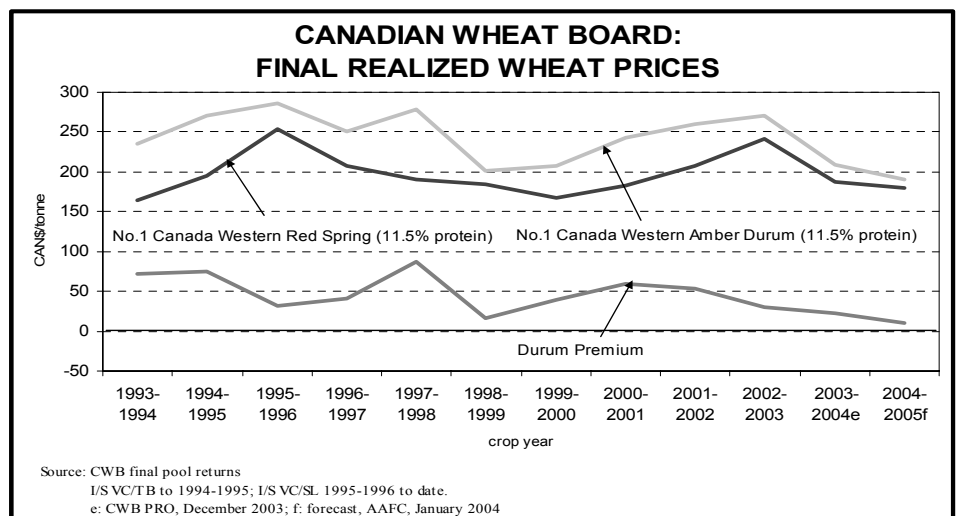
of the euro against the US dollar will be a major factor in determining the need for export subsidies.

The average US wheat LDP for 2003-2004 to-date on 21% of the crop has been US\$0.18/bu, versus US\$0.16/bu in 2002-2003 on only 6% of the crop, due to lower average farm prices. LDP are expected to increase further in 2004-2005, due to lower prices. The loan rate is US\$2.80/bu, the same as 2003-2004.

CANADA

Non-durum wheat seeded area is expected to decrease by 4% in 2004, due to relatively low wheat prices in 2003-2004 compared to oilseeds. Production is forecast to decrease marginally, to 19.1 Mt, assuming near-normal yields of 37 bu/ac. The smaller production will be offset by higher carry-in stocks, and supplies are forecast to be relatively unchanged, at 23.3 Mt. Domestic use is projected to increase by 5%, due to greater feed use, assuming a return to normal quality in the 2004 crop. Exports are expected to decline by 2%, to 12.3 Mt, with the largest declines in Ontario wheat. Carry-out stocks are projected to be unchanged at an historically low level of 4.2 Mt, versus the 5-year average of 5.5 Mt.

Durum seeded area is projected to increase by 4%, due to continued premiums over spring wheat in 2003-2004. Production is forecast to rise by 22%, to 5.2 Mt, assuming a return to a near-normal yield of 31 bu/ac, from the below-normal level of 26 bu/ac in 2003. Carry-in stocks are projected to rise by 2%, and durum supplies would increase by 17%, to 6.9 Mt, the highest since 2000-2001. Despite larger supplies, exports are projected to rise by only 6%, to 3.6 Mt, since world import demand is expected to increase by only 0.4 Mt and production in



the EU is forecast to increase, resulting in increased competition for export markets. Carry-out stocks are forecast to rise by 35%, to 2.3 Mt, versus the 5-year average of 2.0 Mt.

Ontario winter wheat seeded area is estimated by Statistics Canada to have declined by 25%, to 0.3 Mha, due to lower wheat prices and a late soybean harvest, which prevented winter wheat from being planted. Production is forecast by AAFC to fall by 30%, to 1.4 Mt, with exports falling from a projected record 1.1 Mt in 2003-2004 to 0.7 Mt in 2004-2005.

AAFC forecasts the 2004-2005 Canadian Wheat Board (CWB) **pool returns** for No.1 CWRS wheat with 11.5% protein at \$180/t, in-store Vancouver or St. Lawrence (I/S VC/SL), \$7/t below the 2003-2004 CWB December Pool Return Outlook (PRO). However, protein premiums are expected to rise and pool returns for No.1 CWRS with 13.5% protein are projected at \$195/t I/S VC/SL, compared to \$196/t in 2003-2004. Pool returns for No.1 Canada Western Amber Durum 11.5% protein are forecast by

AAFC at \$190/t I/S VC/SL, compared to the 2003-2004 CWB PRO of \$209/t. The durum premium over spring wheat is projected at only \$10/t, the lowest since 1992-1993.

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COARSE GRAINS

World production of coarse grains is expected to increase by 4% due to increased coarse grain production in the EU and FSU, higher corn production in the US, South America and China, and larger barley production in Canada. Supply is expected to decrease marginally as higher production only partially offsets the lowest carry-in stocks since 1975-1976. World consumption is forecast to decrease due to increased supplies of feed wheat. World trade is expected to increase due to more adequate export supplies in Europe and

stronger import demand from North Africa, the Middle East and China.

Corn

For **US** corn, area seeded is expected to increase by 2% from 2003-2004 because of strong current corn prices. Average yields are expected to be similar to 2003-2004 at 142 bu/ac. Production is expected to increase to 10.3 Gbu but supplies are expected to increase by only 1% due to lower carry-in stocks. Domestic use is forecast to increase by 1%, as ethanol production is expected to continue to grow with new plants beginning production, while feed and industrial use is projected to drop slightly. Exports are forecast to increase marginally to 2.0 Gbu, due mainly to less competition from China in Asian markets. Carry-out stocks are expected to be similar to 2003-2004, with the stocks-to-use ratio dropping from 10% to 9%. Program payments under the FSRIA are expected to support corn production in 2004-2005, although farm prices are expected to be above the loan rate of US\$1.95/bu.

WORLD: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

	Area (Mha)	Yield (t/ha)	Production million tonnes	Total Supply	Trade	Use	Carry-out Stocks	Stocks-to- use Ratio (%)	World Prices ^{1/} (US\$/t)
WHEAT									
2000-2001	219	2.65	581	788	104	584	206	35	127
2001-2002	215	2.70	582	787	110	586	201	34	127
2002-2003	214	2.65	567	768	108	603	165	28	161
2003-2004e	209	2.65	553	718	99	591	127	22	150-160
2004-2005f	216	2.74	590	717	100	596	121	20	140-150
COARSE GRAINS									
2000-2001	297	2.90	860	1,070	104	882	189	21	91
2001-2002	301	2.96	892	1,081	102	905	176	19	94
2002-2003	298	2.95	872	1,048	104	904	145	16	109
2003-2004e	299	2.95	883	1,028	102	927	100	11	105-115
2004-2005f	308	2.97	915	1,016	104	923	93	10	100-110
OILSEEDS ^{2/}									
2000-2001	188	1.65	314	346	68	310	36	12	169
2001-2002	193	1.68	323	363	65	326	37	11	174
2002-2003	192	1.71	329	368	74	326	42	13	232
2003-2004e	190	1.76	335	389	80	349	40	11	278
2004-2005f	196	1.83	360	400	86	359	41	11	243

Note: numbers may not add due to rounding

^{1/1} Wheat: Hard Winter Ordinary, US Gulf; June-May crop year.

Coarse Grains: US Gulf No.3 Yellow Corn; September-August crop year.

Oilseeds: Chicago Cash No.1 Yellow Soybeans; September-August crop year.

^{1/2} The 8 major oilseeds are soybeans, cottonseed, peanuts (whole), sunflowerseed, canola/rapeseed, copra, palm kernels and flaxseed.

e: estimate; USDA (FAS)-January 2004 and AAFC; f: forecast, AAFC, January 2004.

Source: USDA, Oil World

In **China**, corn production is forecast to increase from 2003-2004 due to higher area seeded. This is related to lower carry-in stocks and higher domestic prices, relative to wheat. Total supply is expected to decrease. Domestic use is forecast to continue to increase as a result of increased livestock production and the ethanol initiatives in Northeast and Northern China. The historically low supplies are expected to further cut China's corn exports. However, China is expected to continue to export substantial amounts of corn to neighbouring Asian markets, especially South Korea. China's corn exports are forecast to decrease to 4.5 Mt from 8.0 Mt for 2003-2004. Meanwhile, China is likely to import corn from overseas to serve its fast growing Southern and Eastern markets. Carry-out stocks are forecast to continue to decline, which will support world corn prices.

Barley

World barley production is expected to increase from 2003-2004, as higher production in Europe and Canada more than offsets reduced production in the US and Australia. Production in the Middle East, except for Saudi Arabia, and North Africa is forecast to decrease from 2003-2004 when very good crops were harvested in these regions. With much of the reduced carry-in stocks offset by higher production, world barley supplies are expected to be close to 2003-2004. However, exportable supplies are forecast to increase from 2003-2004, due to reduced feed demand for barley in Europe. Higher import demand for feed barley in the Middle East and stronger import demand for malting barley in China and, to a lesser degree, in the US are expected to drive world trade up. Carry-out stocks are expected to increase slightly.

In **Europe**, EU barley production is expected to increase by about 7% to 50 Mt due to increased area seeded to barley, as a result of the decrease in the set-aside requirements from 10% to 5% to boost EU grain production. Barley production in the FSU and Eastern Europe is forecast to recover from the weather-affected 2003-2004 to about 35 Mt and 9 Mt, respectively. Increased production in Europe is expected to more than offset lower carry-in stocks of 7.7 Mt for 2004-2005 versus 16.2 Mt for 2003-2004. As a result, barley supplies in Europe are forecast to increase. Demand in Europe is expected to decrease as barley is replaced by other feed grains, such as wheat and corn which experienced a significant decrease in production in 2003-2004. Barley exports from Europe, especially feed barley exports from the FSU, are forecast to increase, which is expected to pressure world feed barley prices significantly. The EU is expected to compete more aggressively with Australia and Canada in the world malting barley market, such as China, which depresses two row malting barley prices. EU barley subsidies are not expected to play a major role in the world barley market in 2004-2005.

In **Australia**, barley production is expected to decrease slightly from 2003-2004 while supplies are expected to increase due to significantly higher carry-in stocks. Larger Australian barley supplies are forecast to continue to depress world barley, especially malting barley, prices in 2004-2005.

PRICES

The average farm price for **US corn** is forecast to decrease to about US\$2.25/bu, compared to the current United States Department of Agriculture forecast of

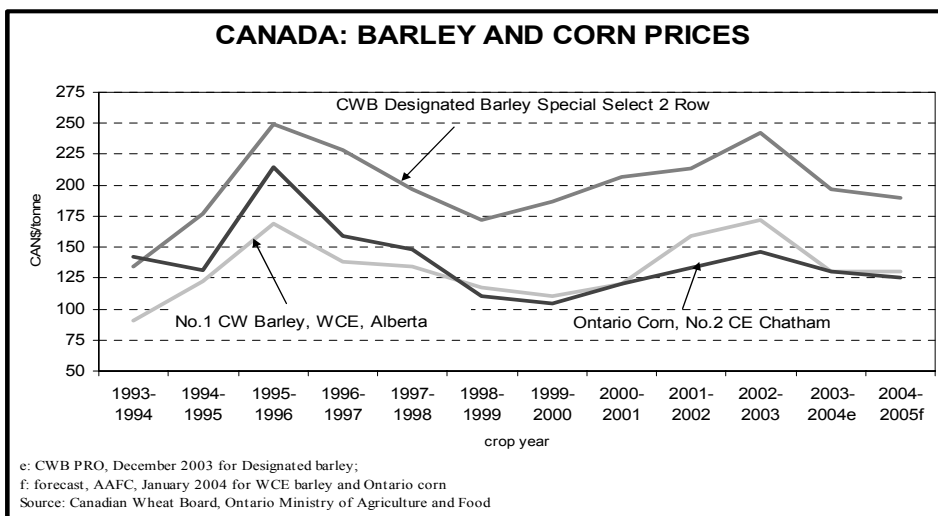
US\$2.30/bu for 2003-2004. The nearby Chicago futures price is expected to decrease to US\$2.50/bu from US\$2.55/bu expected for 2003-2004. This will cause US Gulf and Pacific Northwest (PNW) corn prices to decrease and will pressure international coarse grain prices in general. The average **US PNW feed barley** price is forecast to decrease to US\$120/t from US\$130/t expected for 2003-2004. Production recovery in Europe, especially in the FSU and Eastern Europe, is expected to depress EU feed barley prices to the equivalent of US\$130/t from US\$150/t expected for 2003-2004.

The average LDP to-date on corn for 2003-2004 has decreased to US\$0.05/bu on 6.8% of the crop from US\$0.08/bu for 2002-2003 on 0.02% of the crop. For 2004-2005, LDPs are expected to be low due to relatively high US farm prices for corn.

CANADA

Coarse grain harvested area is expected to increase slightly from 2003-2004 as lower abandonment more than offsets the slight decrease in area seeded. Production is forecast to increase by about 5% due to higher yields and increased area harvested. Although supplies are forecast to increase by 6% due to increases in production, imports and carry-in stocks, net exports are expected to fall as a result of lower barley exports and higher corn imports.

For **barley**, Canadian production is forecast to increase by 7%. Farmers are forecast to decrease area seeded to barley by 3%, as area is shifted away from grains to oilseeds, following the strong oilseed prices in 2003-2004. Average yields and the percentage that is harvested for grain are expected to increase moderately. The area of barley crop that is harvested for fodder is expected to be below the average in recent history. Average yields are expected to increase by 8% from 2003-2004, but remain below trend due to the dry subsoil conditions. Supply is expected to increase by about 8% from 2003-2004 to 14.9 Mt as a result of increased production and higher carry-in stocks. Domestic use of feed barley is expected to rise due to increased supplies and higher feed demand from the cattle and hog industries. Imports of US corn are forecast to increase from the low level for 2003-2004, but still be significantly lower than the average for the last three years when US corn imports reached a historical high. Exports of feed barley are projected to decrease from 2003-2004, due to stronger domestic demand and diminishing price



premium for offshore sales over the domestic market. Exports of malting barley are expected to increase as a result of increased production and improved quality in Canada and stronger import demand from China. Carry-out stocks are expected to increase to 1.8 Mt, from 1.6 Mt in 2003-2004, but remain historically low.

Off-Board feed barley prices are forecast to average \$125/t (I/S Lethbridge), the same as for 2003-2004, as much of the increase in supplies is absorbed by domestic feed demand and exports. The CWB final pool return for 2004-2005 for No.1 CW feed barley is forecast by AAFC to decrease by \$14/t from the Dec. 2003 PRO to \$145/t I/S VC/SL. The pool return for Special Select Two-Row designated barley is forecast to decrease from 2003-2004, to \$190/t, due mainly to increased world supplies. The pool return for Special Select Six-Row designated barley is forecast to decrease to \$180/t. The premium for two-row malting barley over six-row is expected to be lower than in 2003-2004, as six-row prices are less pressured than two-row prices by increased supplies overseas and US imports of malting barley are expected to remain strong.

For **oats**, Canadian production is forecast to increase by 10% from 2003-2004. Exports are forecast to increase as a result of increased production in Canada and stronger import demand from the US. Carry-out stocks are projected to increase from 2003-2004, but remain historically low. The average oat price is expected to remain unchanged from 2003-2004 at \$130/t. US production is expected to decline by about 15% from 2003-2004, consistent with the long-term trend. Production in the EU is forecast to increase slightly from 2003-2004 due mainly to expected production recovery in Sweden. Export subsidies could be higher than in 2003-2004, especially if both the EU and Canada produce exceptionally large crops of oats. Oats are expected to be priced competitively with US corn and the spread between corn and oats is forecast to remain narrow. Chicago futures prices are expected to increase marginally from 2003-2004 to US\$1.50/bu in 2004-2005, suggesting an average on-farm price of about \$120/t in Manitoba and \$105/t in Saskatchewan.

For **corn**, Canadian production is forecast to be marginally higher than in 2003-2004. Area seeded to corn is forecast to increase by about 5% as area is expected to return from winter wheat back to corn in Ontario. Yields are expected to decrease by 5% from

the historical high in 2003-2004. Imports are forecast at about 1.65 Mt, with 1.20 Mt for eastern Canada and 0.45 Mt for western Canada, as high barley supplies are expected to reduce corn imports from the record highs in the last two years. Domestic use is forecast to increase by 4% from 2003-2004. The Chatham elevator corn price is forecast to average \$125/t, \$5 lower than in 2003-2004, due to lower US prices and a stronger Canadian dollar. The Chatham-Chicago basis is forecast to remain similar to 2003-2004, based on projections for steady demand for imports in eastern Canada.

For **rye**, production is forecast to increase by 17% from 2003-2004 to 0.38 Mt. The increased area seeded to rye and higher percentage harvested for grain are expected to more than offset lower yields. Feed use, industrial use and exports are forecast to increase due to increased supplies. The on-farm price for rye is forecast at \$105-135/t across the Prairies, similar to 2003-2004, based on the general trend for coarse grain prices in Canada. Rye is usually priced competitively with barley based on its feed value; however, some premiums are expected to be offered for rye in Manitoba, and perhaps Alberta, to attract quality supplies for the food market.

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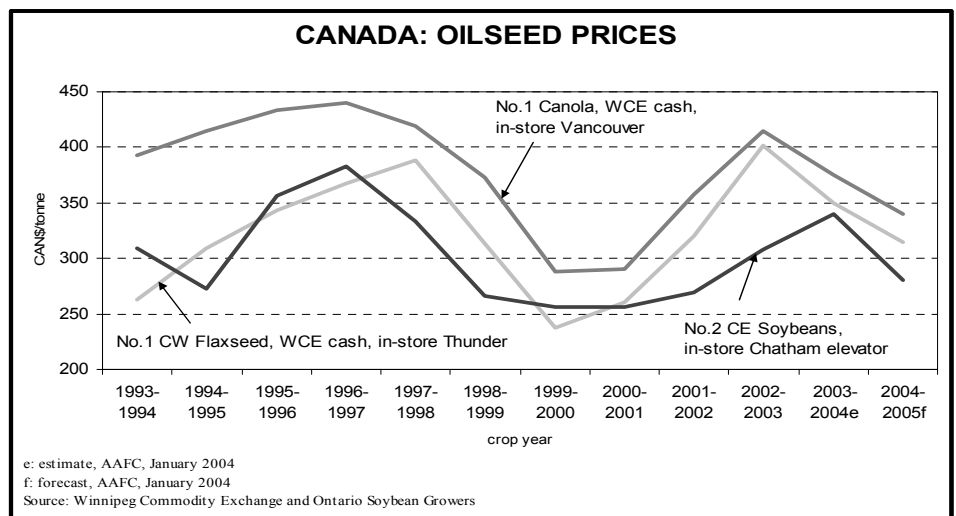
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OILSEEDS

For 2004-2005, world demand for oilseeds and oilseed products is expected to continue growing sharply setting new records on support from increased world demand for protein and fats. Vegetable oils (vegoils) are the major source of dietary fats for humans with the worldwide per capita consumption expected to be about 20 kilograms per year.

World production of the eight major oilseeds is forecast to increase to a record 360 Mt in 2004-2005. This is due largely to higher soybean plantings in South America, and higher yields in the US. Oilseed use is forecast at a record 359 Mt, on support from increased vegoil and protein meal consumption in China and India. Trade is expected to increase, to 86 Mt, and carry-out stocks are forecast at 41 Mt, up from 40 Mt in 2003-2004.

World **soybean** production is forecast to increase to 212 Mt from 199 Mt expected for 2003-2004, as Brazil, Argentina and Paraguay continue to increase the area seeded to soybeans, to be harvested in May 2004. The combined soybean production of Brazil and Argentina is expected to be about 25% above that of the US. Strong Chinese demand and the devaluation of the US dollar are expected to support American exports. Concurrently, the rise in ocean freight rates is expected to pressure South American exports of soybeans due to the greater distance from the European and Asian markets. In the US, production is expected to rise with a return to normal yields. Seeded area is expected to increase only slightly, however, as the cumulative result of several years of disease, agronomic and climatic problems across various regions of the US. Despite tight



carry-in stocks, US soybeans supplies are expected to increase which will pressure prices from the high levels of 2003-2004.

World soybean crush is forecast at a record 185 Mt, as China and Brazil continue to expand processing capacity. China's soybean crush, forecast at 32 Mt for 2004-2005, has doubled during the past five years and, at the current rate of expansion, could double again within a few years. World soybean carry-out stocks are forecast to increase slightly to 37 Mt.

World **canola/rapeseed** production is forecast to increase by 5%, to 40 Mt due to an expected increase in seeded area in Canada and Australia as a result of higher returns per hectare compared to wheat. World trade is expected to rise to about 6 Mt largely due to increased Canadian exports. Total world canola/rapeseed crush is forecast to rise to 37 Mt in 2004-2005 on support from very strong crush margins. Carry-out stocks are expected to fall to 1.9 Mt.

World **flaxseed** production is forecast to increase marginally as farmers plant more flaxseed in response to favourable prices. In Canada, which is the single largest producer and exporter of flaxseed, yields are expected to increase sharply, assuming normal growing conditions in 2004-2005.

PROTEIN MEAL AND EDIBLE OIL

Soymeal production, which represents 70% of world protein meal production, is forecast at 148 Mt, up from 139 Mt in 2003-2004, due to higher crush in the US, Brazil, Argentina and China. Demand for soymeal is expected to increase sharply on support from the possible ban on animal meal in US livestock rations and the industrialization of China's livestock sector. However, soymeal prices are expected to fall from the expected very strong levels of 2003-2004 due to increased production.

Edible oil production is forecast at 104 Mt, up from 101 Mt in 2003-2004, due to slightly higher palmoil production and increased soybeans and canola/rapeseed crushing. Demand for edible oils is expected to remain strong, particularly in China and India. Chinese demand for vegoils is forecast to grow slightly and will be satisfied through increased domestic crush and increased oilseed, palm oil, soyoil and

canola/rape oil imports.

Palm oil production in Malaysia is expected to grow at a moderate pace due to the maturation of the palm oil trees and a slowdown in the planting and replanting of palm trees, which will be supportive for vegoil prices.

US PRICES

The US on-farm price of soybeans is forecast to fall to US\$6.00/bu from US\$7.25/bu for 2003-2004, due to the expected return of normal yields and production across the US combined with record high South American production. As well, soymeal prices are forecast to average US\$200/short ton (st) down from US\$235/st in 2003-2004. World vegoil prices are expected to remain strong with US soyoil prices forecast to average US\$0.23 per pound (/lb) down from the US\$0.28/lb expected for 2003-2004. For 2003-2004 and 2004-2005, US LDPs are not expected to be significant as local market prices are expected to remain above the posted county prices.

CANADA

For **canola**, seeded area is forecast to increase by 9% to 5.2 Mha due to the high prices relative to wheat in 2003-2004. Increased production, forecast at 7.1 Mt from 6.7 Mt in 2003-2004, is forecast to complement the increase in carry-in stocks, resulting in a 8% rise in supplies, to 8.4 Mt. Domestic crush is forecast to remain stable while exports are expected to increase significantly. Carry-out stocks are expected to increase to 1.25 Mt, while prices are forecast to fall to \$345/t from \$375/t expected for 2003-2004.

For **flaxseed**, seeded area is forecast to increase by 9% to 0.8 Mha due to attractive prices in 2003-2004. As a result of higher yields, production is forecast at 1.0 Mt, up from 0.8 Mt in 2003-2004. As well, carry-in stocks are expected to increase, resulting in significantly higher supplies for 2004-2005. Exports are expected to rise slightly, to 0.6 Mt while total domestic usage remains stable. Carry-out stocks are expected to rise sharply to 0.4 Mt from 0.15 Mt in 2003-2004, with prices forecast to fall to \$315/t from the \$350/t expected for 2003-2004.

For **soybeans**, seeded area is forecast to increase due largely to decreased winter wheat plantings in Ontario. Average yields are expected to return to normal and production is forecast to increase to 2.7 Mt, from 2.3 Mt in 2003-2004. Supplies are expected to increase modestly due to lower imports, while exports are expected to remain stable at 0.7 Mt. Domestic processing is forecast to remain stable because of ample supplies and reasonable crush margins. Prices are expected to decline to \$280/t, I/S Chatham, from \$340/t expected for 2003-2004, largely due to lower US soybean prices and a stronger Canadian dollar.

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