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Canada

Grain and Feed

Quarterly Report

2007

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Report Highlights:
For 2007/2008, production for all wheat is forecast to decrease by 12.3%, to 22.1 MMT and durum production is forecast to increase to 4.4 MMT. The increase in durum production is not expected to off-set the decrease in other wheat production. This reduction in total wheat production is due in part to a shift from wheat to higher priced crops and lower fertilizer intensive crops (due to rising energy costs). Barley production for 2007/2008 is forecast at 12.0 MMT, a 25.4% increase from the previous year's level. The consequences of six months of preparing for an open barley market that will not happen will be played out in the coming crop year. Corn production is expected to increase by 26.8% to 11.4 MMT, driven by higher prices and an increased demand from Canada's burgeoning ethanol industry. Oats production is forecasted to increase by 9.0% to 4.2 MMT in 2007/2008, due to lower production costs, relative to other crops.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Quarterly Report
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[CA]

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QUARTERLY GRAIN AND FEED UPDATE

For 2007/2008, production for all wheat is forecasted to decrease by 12.3%, falling from 25.3 million metric tons in 2006/2007 to 22.1 million metric tons in 2007/2008. For 2007/2008, production for durum is forecasted to increase to 4.4 million metric tons, however, this increase is not expected to off-set low carry-in stocks which result in total supply levels for 2007/2008 being 14.2% below those of crop year 2006/2007. This reduction in total wheat production is due in part to a shift from wheat to higher priced crops and lower fertilizer intensive crops (due to rising energy costs). Barley production for 2007/2008 is forecasted at 12.0 million metric tons, a 25.4% increase from the previous year's level. The consequences of six months of preparing for an open barley market that will not happen will be played out in the coming crop year. Corn production is expected to increase by 26.8% to 11.4 million metric tons, driven by higher prices and an increased demand from Canada's burgeoning ethanol industry. Oats production is forecasted to increase by 9.0% to 4.2 million metric tons in 2007/2008, but lower prices may result in producers holding off for a return to higher prices resulting in increased stocks over the crop year.

Total Wheat

Data from the June farm survey, Statistics Canada's largest areas survey, showed farmers reporting a significant 19% decrease in planting spring wheat, and a slight 2% decrease for winter wheat. The reduction in spring wheat is due, in part to higher prices for canola resulting from increased demand from the food processing industry and food retailers. While the planting intentions for durum suggested an increase of 27% over 2006/2007 seeding intentions, it is not enough to off-set the over all decrease in area seeded to wheat. For all wheat, farmers reported a seeding area decline of 11% from the previous years levels, likely due to rising fertilizer costs and a shift to higher-priced commodities such as canola.

For 2007/2008, wheat production in forecasted to decrease by 12.3%, falling from 25.3 million metric tons in 2006/2007 to 22.1 million metric tons in 2007/2008. This forecasted decrease is due to the decline in seeded area. Wet spring delayed planting and prompted some farmers to switch from wheat to shorter season crops such as barley and oats. High prices for canola also shifted some production towards canola and away from wheat. Exports in 2007/2008 are expected to decrease by 21.9% as a result of lower supply and an increase in domestic demand for industrial purposes. Wheat for industrial purposes is expected to increase by nearly 6%. This increase is due to more Western wheat-based ethanol plants coming on-line as a result of the Canadian government's decision to put in place a bio-fuels strategy that includes a mandate for a 5% renewable fuel content in gasoline by 2010. While 2007/2008 total consumption levels may be slightly less than in 2006/2007, they account for a 5% greater share of the total supply. Stocks in crop year 2007/2008 are expected to decrease by 24.4%.

Durum Wheat

Planting intentions in the spring indicated a 27% increase in area being planted to durum due to higher expected returns relative to non-durum wheat and low stocks. For 2007/2008, production for durum is forecasted to increase to 4.4 million metric tons, representing a 30.1% over 2006/2007 levels of 3.3 million metric tons. However, this increase is not expected to off-set low carry-in stocks which result in total supply levels for 2007/2008 being 14.2% below those of crop year 2006/2007. Exports are expected to decrease by 11.7% from 4.3 million metric tons in 2006/2007 to 3.8 million metric tons in 2007/2008, despite a tightening of world wheat supply. This forecasted decrease is the result of the strong Canadian dollar which is off-setting bullish futures market prices which have reached new highs. Reduced supply is also expected to result in lower domestic consumption and low carry-out stocks.

Barley

Planting intentions in the spring of 2007 showed that planting intentions for barley had increased by nearly 20% from planting intentions in 2006. This increase is due to seeding delays, higher prices, and possibly a renewed enthusiasm for barley with the April 2007 announcement of the Canadian government's intention to end the Canadian Wheat Board's single desk for barley on August 1, 2007.

Barley production for 2007/2008 is forecasted at 12.0 million metric tons, a 25.4% increase from the previous year's level. Despite this increase, total supply is forecasted to remain about the same due to low carry-in stocks and a slightly lower level of imports due to higher prices. Exports are expected to increase slight to 2.0 million metric tons, a 17.6% increase over the previous crop year. This increase may be in part due to some producers holding off on delivery in crop year 2006/2007 until August 1st 2007, the date after which it was expected that an open market for barley would exist. Domestic consumption is expected to increase slightly, due to a shift in feed consumption towards barley and away from corn due to the latter's higher prices. Stocks are expected to increase by 9.0% above the previous year's levels to 13.5 million metric tons.

Corn

Results of the planting intentions survey revealed that Canadian farmers planted 1.4 million hectares of grain corn and 245.5 thousand hectares of fodder corn in the 2007/2008 crop year, representing a 29% increase and 9% decrease, respectively, from 2006/2007 levels.

Crop year 2007/2008 forecasts corn production to increase by 26.8% to 11.4 million metric tons from 9.0 million metric tons in 2006/2007. This increase in production is driven by higher prices and an increased demand from Canada's burgeoning ethanol industry. Imports are forecasted to decrease by 23.8% to 1.6 million metric tons from 2.1 million metric tons in 2006/2007 due to the large crop, while exports are expected to remain relatively stable. Domestic consumption, fueled mostly by the increased production of grain-based ethanol, is forecasted to increase by 11.6% from 2006/2007 levels to 12.6 million metric tons. Stocks are expected to increase by 12.4%.

Oats

Planting intentions revealed that Prairie farmers intended to seed more area for oats production due to lower production costs relative to other crops and the wet spring conditions. Oats production is forecasted to increase by 9.0% to 4.2 million metric tons in 2007/2008, however supply will likely remain close to the previous year's levels due to lower carry-in stocks. Exports are forecast to decrease by 4.4% to 2.2 million metric tons from the previous year's high of 2.3 million metric tons. Lower prices for oats may result in an increase of 27.6% in stocks as producers wait for a return to higher prices.

Trade Update on Possible Elimination of CWB Barley Monopoly

The Canadian government has lost its bid to remove barley from the Canadian Wheat Board's (CWB) single desk. In late April 2007, Canada published its proposed regulations to amend the Canadian Wheat Board Regulations, the purpose of which was to remove the CWB's monopoly (single desk) powers over inter-provincial and export trade in barley. On June 7th, the Governor in Council made regulations amending the Canadian Wheat Board Regulations to remove barley and barley products from the single desk marketing authority of the Canadian Wheat Board, effective August 1, 2007. However, the Canadian government's actions were challenged by the CWB which, on July 18th, filed an application in Federal Court for a judicial review of the regulatory changes made by the federal government. Ten days later the CWB filed a motion to have the case expedited in advance of the August 1st "Barley Freedom Day." The CWB's request was granted and the case was heard in Calgary, Alberta in late July. The CWB argued that the Canadian government did not have the right to change the CWB Act through regulation but must do so by passing regulation through Parliament[1]. The court's decision, announced July 31, 2007, was that the Governor in Council did not have the authority to amend parts III and IV of the Canadian Wheat Board act, and that to remove the single desk on barley would require an act of Parliament. This decision, in favor of the CWB, brings an end to more than 6 months of uncertainty on how barley was going to be marketed in the coming year but leaves lingering questions about the status of undelivered contracts. Whether or not the Canadian government will appeal this decision remains unclear at this time. For background information on see GAIN report CA7026 (Anticipated Elimination of Barley Single Desk Casts Doubt on Contracts – 5/8/2007).

[1] The ability to pass this type of change through Parliament at this time is highly improbable given the current government's minority status.

STATISTICAL TABLES

Table 1: WHEAT

PSD Table

Country **Canada**

Commodity **Wheat**

(1000 HA)(1000 MT)(MT/HA)

	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		08/2005	08/2005		08/2006	08/2006		08/2007	08/2007	MM/YYYY
Area Harvested	9826	9826	9826	9683	10534	9683	8620	9738	8620	(1000 HA)
Beginning Stocks	7922	7922	7922	9708	9708	9708	6898	8082	6898	(1000 MT)
Production	26775	26775	26775	25265	27277	25265	22500	25038	22140	(1000 MT)
MY Imports	275	221	275	275	188	275	275	128	275	(1000 MT)
TY Imports	278	216	278	275	184	275	275	125	275	(1000 MT)
TY Imp. from U.S.	201	159	201	0	134	0	0	91	0	(1000 MT)
Total Supply	34972	34918	34972	35248	37173	35248	29673	33248	29313	(1000 MT)
MY Exports	16096	16027	16096	19200	20034	19200	15000	17029	15000	(1000 MT)
TY Exports	15644	15576	15644	19200	19470	19200	15000	16550	15000	(1000 MT)
Feed Consumption	4968	4959	4968	4800	4891	4800	4600	5123	4500	(1000 MT)
FSI Consumption	4200	4224	4200	4350	4166	4350	4500	4364	4600	(1000 MT)
Total Consumption	9168	9183	9168	9150	9057	9150	9100	9487	9100	(1000 MT)
Ending Stocks	9708	9708	9708	6898	8082	6898	5573	6732	5213	(1000 MT)
Total Distribution	34972	34918	34972	35248	37173	35248	29673	33248	29313	(1000 MT)
Yield	2.724913	2.724913	2.724913	2.609212	2.589425	2.609212	2.610209	2.571165	2.568445	(MT/HA)

Table 2: WHEAT, DURUM

PSD Table

Country **Canada**

Commodity **Wheat, Durum**

(1000 HA)(1000 MT)(MT/HA)

	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	01/2005		01/2005	01/2005		01/2005	01/2005	MM/YYYY
Area Harvested	0	2297	2297	0	1738	1738	0	1738	1930	(1000 HA)
Beginning Stocks	0	2487	2487	0	3267	3267	0	1951	1301	(1000 MT)
Production	0	5915	5915	0	3822	3346	0	4550	4370	(1000 MT)
MY Imports	0	4	4	0	1	1	0	1	1	(1000 MT)
TY Imports	0	4	4	0	1	1	0	1	1	(1000 MT)
TY Imp. from U.S.	0	4	4	0	1	1	0	1	1	(1000 MT)
Total Supply	0	8406	8406	0	7090	6614	0	6502	5672	(1000 MT)
MY Exports	0	4206	4206	0	4248	4300	0	3823	3795	(1000 MT)
TY Exports	0	4223	4223	0	4265	4265	0	3839	3840	(1000 MT)
Feed Consumption	0	453	453	0	366	573	0	441	420	(1000 MT)
FSI Consumption	0	480	480	0	525	440	0	537	450	(1000 MT)
Total Consumption	0	933	933	0	891	1013	0	978	870	(1000 MT)
Ending Stocks	0	3267	3267	0	1951	1301	0	1701	1007	(1000 MT)
Total Distribution	0	8406	8406	0	7090	6614	0	6502	5672	(1000 MT)
Yield	0	2.575098	2.575098	0	2.199079	1.925201	0	2.617952	2.264249	(MT/HA)

Table 3: BARLEY

PSD Table

Country	**Canada**									
Commodity	**Barley**						(1000 HA)(1000 MT)(MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		08/2005	08/2005		08/2006	08/2006		08/2007	08/2007	MM/YYYY
Area Harvested	3889	3389	3889	3292	3362	3292	3924	4220	3924	(1000 HA)
Beginning Stocks	3435	3435	3435	3289	3289	3289	1312	1551	1495	(1000 MT)
Production	12481	12481	12481	9573	10005	9573	12000	12950	12000	(1000 MT)
MY Imports	44	46	44	50	40	40	50	35	35	(1000 MT)
TY Imports	46	46	46	50	40	40	50	35	35	(1000 MT)
TY Imp. from U.S.	45	46	45	0	40	0	0	35	0	(1000 MT)
Total Supply	15960	15962	15960	12912	13334	12902	13362	14536	13530	(1000 MT)
MY Exports	2257	2239	2257	1500	1724	1700	1700	1793	2000	(1000 MT)
TY Exports	1876	1875	1876	1500	1444	1700	1700	1501	2000	(1000 MT)
Feed Consumption	8914	9192	8914	8600	8808	9092	8700	9180	9200	(1000 MT)
FSI Consumption	1500	1242	1500	1500	1251	615	1500	1312	700	(1000 MT)
Total Consumption	10414	10434	10414	10100	10059	9707	10200	10492	9900	(1000 MT)
Ending Stocks	3289	3289	3289	1312	1551	1495	1462	2251	1630	(1000 MT)
Total Distribution	15960	15962	15960	12912	13334	12902	13362	14536	13530	(1000 MT)
Yield	3.209308	3.682797	3.209308	2.907959	2.975907	2.907959	3.058104	3.06872	3.058104	(MT/HA)

Table 4: CORN

PSD Table

Country	**Canada**									
Commodity	**Corn**						(1000 HA)(1000 MT)(MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		09/2005	09/2005		09/2006	09/2006		09/2007	09/2007	MM/YYYY
Area Harvested	1096	1096	1096	1062	1093	1062	1357	1300	1357	(1000 HA)
Beginning Stocks	1802	1802	1802	2001	2002	2001	1441	1601	1601	(1000 MT)
Production	9361	9461	9361	8990	9268	8990	11200	11050	11400	(1000 MT)
MY Imports	1928	1888	1928	2000	2171	2100	1600	2019	1600	(1000 MT)
TY Imports	1962	1922	1962	2000	2200	2100	1600	2200	1600	(1000 MT)
TY Imp. from U.S.	1924	1916	1924	0	2200	0	0	2200	0	(1000 MT)
Total Supply	13091	13151	13091	12991	13441	13091	14241	14670	14601	(1000 MT)
MY Exports	253	253	253	250	182	200	200	208	200	(1000 MT)
TY Exports	239	239	239	250	172	200	200	196	200	(1000 MT)
Feed Consumption	8547	8692	8547	8400	8729	8400	8700	8934	8700	(1000 MT)
FSI Consumption	2290	2204	2290	2900	2929	2890	3900	3877	3900	(1000 MT)
Total Consumption	10837	10896	10837	11300	11658	11290	12600	12811	12600	(1000 MT)
Ending Stocks	2001	2002	2001	1441	1601	1601	1441	1651	1801	(1000 MT)
Total Distribution	13091	13151	13091	12991	13441	13091	14241	14670	14601	(1000 MT)
Yield	8.541058	8.632299	8.541058	8.46516	8.479414	8.46516	8.2535	8.5	8.400884	(MT/HA)

Table 5: Oats

PSD Table

Country	Canada									
Commodity	Oats						(1000 HA)(1000 MT)(MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		08/2005	08/2005		08/2006	08/2006		08/2007	08/2007	MM/YYYY
Area Harvested	1326	1326	1326	1537	1431	1537	1623	1590	1623	(1000 HA)
Beginning Stocks	974	974	974	872	871	872	694	699	544	(1000 MT)
Production	3432	3432	3432	3852	3602	3852	4200	4160	4200	(1000 MT)
MY Imports	17	20	17	20	15	20	20	10	10	(1000 MT)
TY Imports	21	24	21	20	18	20	20	12	15	(1000 MT)
TY Imp. from U.S.	21	24	21	0	18	0	0	12	0	(1000 MT)
Total Supply	4423	4426	4423	4744	4488	4744	4914	4869	4754	(1000 MT)
MY Exports	1436	1437	1436	1900	1566	2300	1800	1457	2200	(1000 MT)
TY Exports	1754	1754	1754	1800	1900	2200	1800	1778	2100	(1000 MT)
Feed Consumption	1465	1439	1465	1500	1481	1635	1600	1690	1605	(1000 MT)
FSI Consumption	650	679	650	650	742	265	650	723	255	(1000 MT)
Total Consumption	2115	2118	2115	2150	2223	1900	2250	2413	1860	(1000 MT)
Ending Stocks	872	871	872	694	699	544	864	999	694	(1000 MT)
Total Distribution	4423	4426	4423	4744	4488	4744	4914	4869	4754	(1000 MT)
Yield	2.588235	2.588235	2.588235	2.506181	2.517121	2.506181	2.5878	2.616352	2.5878	(MT/HA)