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Canada

Grain and Feed

Quarterly Report

2005

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Report Highlights:

For 2005/2006, total wheat production is forecast to increase slightly to 26.0 MMT as above average yields in both Saskatchewan and Alberta help offset any losses in Manitoba. Barley production is forecast to remain unchanged at 13.2 MMT, as the expected higher yields in both Saskatchewan and Alberta more than offset the small decline in seeded acreage. Corn production is forecast to decline to 8.4 MMT as a result of lower seeded acreage and a return to more normal yields. Oat production is forecast to remain relatively unchanged from 2004/2005 at 3.7 MMT as higher harvested acreage more than offsets the return to more average yields in some oat growing areas. The expected higher yields in Saskatchewan and Alberta are expected to more than offset any production loss in Manitoba. Post also forecasts a return to more normal volumes of higher quality crops in comparison to the 2004/2005 crop year.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
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QUARTERLY GRAIN AND FEED UPDATE

At this stage, Canadian production of grains and feeds is progressing well, with above average yields forecast for most crops in both Saskatchewan and Alberta. Despite having nearly 2.5 million acres either not seeded or flooded out, crops in Manitoba are also progressing quickly. After a very wet spring in various regions of all three provinces, periods of warm weather have helped speed up maturity and dry out fields in all three provinces. Pre-harvest crop production estimates are forecasting that farmers in Saskatchewan will harvest approximately 20.7 million metric tons (MMT) of wheat, barley and oats, 15% higher than the 10-year average. Alberta is forecast to also produce a large quantity of grain and feed crops. Harvest has begun in both Saskatchewan and Alberta and is expected to start very soon in Manitoba. Very hot temperatures throughout the summer have plagued Ontario. In some regions of the province has received very little to no rain, with other regions have received very timely rains, with some areas receiving almost too much. The result has been crops maturing very quickly, but definitely showing signs of heat stress and damage. To date, the overall 2005/2006 crop year is expected to be very promising, especially for producers in Saskatchewan, who have been plagued by drought, flooding and poor weather during the last couple of growing seasons.

Total Wheat

Total Canadian wheat production for 2005/2006 is forecast to increase slightly to 26.0 million metric tons (MMT) from 2004/2005. Favorable growing conditions in Saskatchewan are resulting in above-average yields for the spring, durum and winter wheat crops. Overall harvested acreage in Saskatchewan is forecast to be slightly lower than 2004/2005, but the higher yields are expected to offset the lower harvested acreage. Despite the lost acreage in Manitoba due to the heavy rains in the spring, the spring wheat acreage that was seeded and survived the flooding is progressing rapidly. The winter wheat crop in Manitoba was decimated due to the excess moisture, with yields sharply reduced and only about 10% of the seeded acreage expected to survive. Alberta was also plagued by heavy rains in the spring, but like Saskatchewan, the wheat crop is expected to yield at or above average yield levels. The increase in production combined with the high carry-in stocks will result in an increase in total supply to 34.2 MMT in 2005/2006 from 32.2 MMT in 2004/2005. The high carry-in stocks are as a result of the large quantity of low quality wheat from the 2004/2005 crop year. Therefore, domestic use of wheat for feeding is expected to continue to be high in the 2005/2006 crop year. Quality of the 2005/2006 wheat crop is expected to return to more normal levels as a result of more favourable weather conditions across the Prairies, thereby increasing supplies of high quality wheat. The higher production in Saskatchewan is expected to more than offset any losses in Manitoba. As a result, exports of wheat in 2005/2006 are forecast to increase to 17.6 MMT from 15.0 MMT in 2004/2005. The return to larger quantities of higher quality wheat should see increased Canadian wheat exports to premium markets. The increase in exports and the continued high level of domestic use of wheat in Canada will result in small decline of ending stocks to 7.4 MMT in 2005/2006 from 7.95 MMT in 2004/2005.

Winter wheat production in Ontario is forecast to be similar to 2004/2005, in which approximately 1.5 MMT of wheat was produced. Roughly 75% of the winter wheat has been harvested to date. Quality of the early harvested wheat was very good, with a majority of the wheat graded number 1 or 2 quality. Ontario experienced a severe rainstorm in July. As a result of the rain, sprouting is occurring in the soft white winter and in some of the hard red winter still left in field. Sprouting will result in downgrade of the wheat. Exports of winter wheat from Ontario are expected to be similar to previous years. Unless there is major downturn in the quality and quantity of U.S. wheat in the next couple of months, there is no expectation of an increase in Ontario winter wheat exports to the United States.

Durum Wheat

Canadian durum wheat production is forecast to be similar to 2004/2005 levels. Production in 2005/2006 is forecast to be 5.0 MMT, as a result of a slight increase in acreage harvested and the continued higher-than-average yields in Saskatchewan. Despite the higher-than-average production levels, quality of the some of the durum in Saskatchewan could be compromised due to excess moisture in some durum growing areas. Alberta is also expected to have higher-than-average yields in its durum crops, which is also contributing to the high production level. Total supply is expected to be significantly higher in 2005/2006 as a result of high carry-in stocks combined with production. Total

supply is forecast to be 7.7 MMT in 2005/2006, 13 percent higher than 2004/2005, when the total supply was 6.8 MMT. Despite the expectation of some quality problems, the overall 2005/2006 durum crop is expected to be higher quality than the 2004/2005 durum crop. As a result, exports are forecast to increase from 3.1 MMT in 2004/2005 to 3.6 MMT in 2005/2006. In addition, droughts in Europe and smaller crops in North Africa should contribute to an increase in Canadian durum exports. Despite the increase in exports and only a slight decrease in domestic consumption, ending stocks of durum are forecast to increase by 17% to 3.1 MMT in 2005/2006.

Barley

Canadian barley production in 2005/2006 is forecast remain unchanged from the 2004/2005 level of 13.2 MMT, despite an overall decline in seeded acreage. The forecasted higher-than-average yields in both Saskatchewan and Alberta will more than offset the small decline in seeded acreage, thereby holding barley production at the same level as the 2004/2005 crop year. In addition, total supply is expected to increase from 15.4 MMT in 2004/2005 to 16.3 MMT in 2005/2006 as a result of high carry-in stocks of low quality barley from the 2004/2005 crop year and the steady production level. Barley exports are forecast to increase to 2.6 MMT in 2005/2006 from 1.3 MMT in 2004/2005 as result of an increase of higher quality malting barley and limited export competition for feed barley. Imports of barley in 2005/2006 are expected to decline as a result of high carry-in stocks, steady production and an increase in higher quality barley. Domestic use of barley will continue to remain high the high carry-in stocks of low quality barley and steady production provide ample feed supplies for livestock producers. Barley ending stocks are forecast to decline from 3.1 MMT in 2004/2005 to 2.7 MMT in 2005/2006 as increased exports and high domestic usage help to reduce the large barley supply. The re-opening of the border to live cattle shipments to the United States is not expected to impact domestic barley demand, as there is still a large quantity of cattle moving into Canadian feedlots. In addition, with barley production expected to remain steady in 2005/2006, producers will need to move the 2004/2005 crop to ensure adequate bin space for the new crop. This could result in the large quantities of the lower quality 2004/2005 crop being sold at even cheaper prices than what is already being paid.

Corn

Canadian corn production is forecast to decline in 2005/2006 to 8.4 MMT from 8.8 MMT in 2004/2005 as a result of lower seed areas and lower yields. In some areas of Ontario there was a shift out of corn into soybeans, which contributed to the decline in seeded acreage. In addition, corn yields across Ontario are expected to be highly variable due to weather conditions, but the overall average yield for the province is forecast to be approximately 122 bu/acre, higher than the 5-year average of 115.7 bu/acre. For the most part, rain has come at timely intervals for the corn production in Ontario, except in some parts of southwestern Ontario, where the lack of rain and hot weather has resulted in some stunted fields, which will have reduced yields. Heat unit accumulation since the beginning of May is up to 100 CHUs ahead of normal in the western part of the province and slightly behind the eastern half. Corn imports are forecast to increase from 2.4 MMT in 2004/2005 to 2.7 MMT in 2005/2006. The decline in total corn production, the increasing demand for corn by the processing industries and the large supply of corn from the U.S. are all contributing factors to the increase in imports of corn into Canada in 2005/2006. As ethanol and other secondary industries continue to expand in Ontario, the demand for corn in Ontario continues to increase. As the supply of corn from the U.S. continues to be ample, the secondary industries will forward contract with U.S. sources in order to guarantee a steady supply. In addition, livestock producers in Western Canada, specifically Manitoba, are expected to import larger quantities of corn from the U.S. in 2005/2006 crop in order to meet their needs, as the Manitoba corn crop has been impacted by the excess moisture and flooding in the province. It is cheaper for producers in Western Canada to import corn from the U.S. than to purchase it from Ontario corn producers.

The increase in imports was not enough to offset the decline in production as total supply is forecast to decline from 12.4 MMT in 2004/2005 to 12.2 MMT in 2005/2006. Domestic use of corn is expected to increase in 2005/2006 as the demand for corn by the ethanol industry continues to increase. As well, the feed wheat and feed barley from Western Canada that displaced corn in some livestock rations in 2004/2005 is no longer coming into Ontario, which will mean a return to the use corn, whether imported from the U.S. or domestically grown, and Ontario wheat in the rations. With the drop in

production and total supply and the increase in domestic use, corn ending stocks are forecast to decrease to 0.9 MMT in 2005/2006 from 1.1 MMT in 2004/2005.

Oats

Canadian oat production is forecast to remain relatively stable in 2005/2006 at 3.7 MMT, as an increase in seeded acreage offsets the return to more average yields in some oat growing areas of the country. Yields in Saskatchewan and Alberta are forecast to be above-average, which helps to offset any production loss in Manitoba as a result of the excess moisture and flooding. Despite the very wet start to the growing season, oats are faring better than most crops and have good yield potential in Manitoba. Oat production has declined from the April Quarterly update, as the total area harvested is expected to be less than originally forecast. Oat carry-in stocks for 2005/2006 are forecast to be large as result of the poor quality of oats produced in the 2004/2005 crop year. The high carry-in stocks and steady production combined are forecast to result in the 2005/2006 total supply of oats being 7% higher than total 2004/2005 oat supply. Oat exports in 2005/2006 are forecast to increase to 1.6 MMT from 1.3 MMT in 2004/2005 as a result of large supplies and improved oat quality. Oat ending stocks are forecast to decline in 2005/2006 to more normal levels, as a result of the increase in exports and domestic consumption. The demand for oats in the health food industry continues to increase, which helps to increase domestic consumption.

STATISTICAL TABLES

Table 1: Total Wheat PSD

PSD Table

| Country Commodity | Canada | | Wheat | | | | UOM |
|------------------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|-----------|
| | 2003 | Revised | 2004 | Estimate | 2005 | Forecast | |
| Market Year Begin | USDA Official [| Estimate [New] | USDA Official [| Estimate [New] | USDA Official [| Estimate [New] | |
| | 08/2003 | 08/2003 | 08/2004 | 08/2004 | 08/2005 | 08/2005 | MM/YYYY |
| Area Harvested | 10467 | 10467 | 9862 | 9862 | 9900 | 9900 | (1000 HA) |
| Beginning Stocks | 5725 | 5725 | 6080 | 6080 | 7990 | 7950 | (1000 MT) |
| Production | 23552 | 23552 | 25860 | 25860 | 23500 | 26000 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 229 | 229 | 250 | 241 | 250 | 200 | (1000 MT) |
| Jul-Jun Imports | 226 | 228 | 250 | 240 | 250 | 200 | (1000 MT) |
| Jul-Jun Import U.S. | 143 | 154 | 0 | 155 | 0 | 150 | (1000 MT) |
| TOTAL SUPPLY | 29506 | 29506 | 32190 | 32181 | 31740 | 34150 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 15789 | 15789 | 15000 | 15000 | 15500 | 17600 | (1000 MT) |
| Jul-Jun Exports | 15526 | 15526 | 15000 | 14800 | 15500 | 17300 | (1000 MT) |
| Feed Dom. Consumption | 3435 | 3455 | 5000 | 5000 | 4300 | 4300 | (1000 MT) |
| TOTAL Dom. Consumption | 7637 | 7637 | 9200 | 9231 | 8500 | 9150 | (1000 MT) |
| Ending Stocks | 6080 | 6080 | 7990 | 7950 | 7740 | 7400 | (1000 MT) |
| TOTAL DISTRIBUTION | 29506 | 29506 | 32190 | 32181 | 31740 | 34150 | (1000 MT) |

Table 2: Durum Wheat PSD

PSD Table

| Country Commodity | Canada | | (1000 HA)(1000 MT) | | | | UOM |
|------------------------|----------------------------|--------------------------|----------------------------|--------------------------|----------------------------|--------------------------|-----------|
| | 2003 | Revised | 2004 | Estimate | 2005 | Forecast | |
| Market Year Begin | USDA Official [Estimate [| DA Official [Estimate [| USDA Official [Estimate [| DA Official [Estimate [| USDA Official [Estimate [| DA Official [Estimate [| UOM |
| | 01/2003 | 01/2003 | 01/2004 | 01/2004 | 01/2005 | 01/2005 | MM/YYYY |
| Area Harvested | 0 | 2459 | 0 | 2141 | 0 | 2200 | (1000 HA) |
| Beginning Stocks | 0 | 1660 | 0 | 1788 | 0 | 2650 | (1000 MT) |
| Production | 0 | 4280 | 0 | 4962 | 0 | 5000 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 0 | 1 | 0 | 1 | 0 | 1 | (1000 MT) |
| Jul-Jun Imports | 0 | 1 | 0 | 1 | 0 | 1 | (1000 MT) |
| Jul-Jun Import U.S. | 0 | 1 | 0 | 1 | 0 | 1 | (1000 MT) |
| TOTAL SUPPLY | 0 | 5941 | 0 | 6751 | 0 | 7651 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 0 | 3437 | 0 | 3100 | 0 | 3600 | (1000 MT) |
| Jul-Jun Exports | 0 | 3292 | 0 | 3100 | 0 | 3600 | (1000 MT) |
| Feed Dom. Consumption | 0 | 250 | 0 | 450 | 0 | 400 | (1000 MT) |
| TOTAL Dom. Consumpti | 0 | 716 | 0 | 1001 | 0 | 951 | (1000 MT) |
| Ending Stocks | 0 | 1788 | 0 | 2650 | 0 | 3100 | (1000 MT) |
| TOTAL DISTRIBUTION | 0 | 5941 | 0 | 6751 | 0 | 7651 | (1000 MT) |

Table 3: Barley PSD

PSD Table

| Country Commodity | Canada | | (1000 HA)(1000 MT) | | | | UOM |
|------------------------|----------------------------|--------------------------|----------------------------|--------------------------|----------------------------|--------------------------|-----------|
| | 2003 | Revised | 2004 | Estimate | 2005 | Forecast | |
| Market Year Begin | USDA Official [Estimate [| DA Official [Estimate [| USDA Official [Estimate [| DA Official [Estimate [| USDA Official [Estimate [| DA Official [Estimate [| UOM |
| | 08/2003 | 08/2003 | 08/2004 | 08/2004 | 08/2005 | 08/2005 | MM/YYYY |
| Area Harvested | 4446 | 4446 | 4050 | 4050 | 4200 | 4100 | (1000 HA) |
| Beginning Stocks | 1475 | 1475 | 2102 | 2102 | 3363 | 3100 | (1000 MT) |
| Production | 12328 | 12328 | 13186 | 13186 | 12500 | 13180 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 31 | 35 | 75 | 95 | 30 | 30 | (1000 MT) |
| Oct-Sep Imports | 27 | 30 | 75 | 90 | 30 | 30 | (1000 MT) |
| Oct-Sep Import U.S. | 27 | 30 | 0 | 90 | 0 | 25 | (1000 MT) |
| TOTAL SUPPLY | 13834 | 13838 | 15363 | 15383 | 15893 | 16310 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 1839 | 1839 | 1300 | 1250 | 2000 | 2600 | (1000 MT) |
| Oct-Sep Exports | 1935 | 1935 | 1300 | 1300 | 2000 | 2500 | (1000 MT) |
| Feed Dom. Consumption | 8493 | 8508 | 9200 | 9500 | 9200 | 9500 | (1000 MT) |
| TOTAL Dom. Consumpti | 9893 | 9897 | 10700 | 11033 | 10800 | 11010 | (1000 MT) |
| Ending Stocks | 2102 | 2102 | 3363 | 3100 | 3093 | 2700 | (1000 MT) |
| TOTAL DISTRIBUTION | 13834 | 13838 | 15363 | 15383 | 15893 | 16310 | (1000 MT) |

Table 4: Corn PSD

PSD Table

| Country Commodity | Canada | | USA | | Forecast | | UOM |
|------------------------|----------------------------|------------|----------------------------|------------|----------------------------|------------|-----------|
| | 2003 | Revised | 2004 | Estimate | 2005 | Forecast | |
| Market Year Begin | USDA Official [Estimate [| Estimate [| USDA Official [Estimate [| Estimate [| USDA Official [Estimate [| Estimate [| MM/YYYY |
| | 09/2003 | 09/2003 | 09/2004 | 09/2004 | 09/2005 | 09/2005 | |
| Area Harvested | 1230 | 1230 | 1072 | 1072 | 1130 | 1090 | (1000 HA) |
| Beginning Stocks | 1111 | 1111 | 1143 | 1143 | 1229 | 1100 | (1000 MT) |
| Production | 9600 | 9600 | 8836 | 8836 | 8900 | 8350 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 2039 | 2081 | 2200 | 2400 | 1800 | 2700 | (1000 MT) |
| Oct-Sep Imports | 2039 | 2055 | 2200 | 2370 | 1800 | 2650 | (1000 MT) |
| Oct-Sep Import U.S. | 2013 | 2055 | 0 | 2370 | 0 | 2650 | (1000 MT) |
| TOTAL SUPPLY | 12750 | 12792 | 12179 | 12379 | 11929 | 12150 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 369 | 372 | 150 | 200 | 200 | 150 | (1000 MT) |
| Oct-Sep Exports | 367 | 385 | 150 | 200 | 200 | 150 | (1000 MT) |
| Feed Dom. Consumption | 8738 | 8900 | 8200 | 8400 | 8000 | 8400 | (1000 MT) |
| TOTAL Dom. Consumption | 11238 | 11277 | 10800 | 11079 | 10600 | 11100 | (1000 MT) |
| Ending Stocks | 1143 | 1143 | 1229 | 1100 | 1129 | 900 | (1000 MT) |
| TOTAL DISTRIBUTION | 12750 | 12792 | 12179 | 12379 | 11929 | 12150 | (1000 MT) |

Table 5: Oats PSD

PSD Table

| Country Commodity | Canada | | USA | | Forecast | | UOM |
|------------------------|----------------------------|------------|----------------------------|------------|----------------------------|------------|-----------|
| | 2003 | Revised | 2004 | Estimate | 2005 | Forecast | |
| Market Year Begin | USDA Official [Estimate [| Estimate [| USDA Official [Estimate [| Estimate [| USDA Official [Estimate [| Estimate [| MM/YYYY |
| | 08/2003 | 08/2003 | 08/2004 | 08/2004 | 08/2005 | 08/2005 | |
| Area Harvested | 1575 | 1575 | 1315 | 1315 | 1650 | 1395 | (1000 HA) |
| Beginning Stocks | 524 | 524 | 800 | 800 | 1103 | 1100 | (1000 MT) |
| Production | 3691 | 3691 | 3683 | 3682 | 4240 | 3700 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 16 | 19 | 20 | 27 | 20 | 15 | (1000 MT) |
| Oct-Sep Imports | 18 | 21 | 20 | 22 | 20 | 15 | (1000 MT) |
| Oct-Sep Import U.S. | 18 | 21 | 0 | 22 | 0 | 15 | (1000 MT) |
| TOTAL SUPPLY | 4231 | 4234 | 4503 | 4509 | 5363 | 4815 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 1256 | 1255 | 1200 | 1300 | 1400 | 1600 | (1000 MT) |
| Oct-Sep Exports | 984 | 984 | 1200 | 1300 | 1400 | 1500 | (1000 MT) |
| Feed Dom. Consumption | 1535 | 1535 | 1550 | 1600 | 1900 | 1750 | (1000 MT) |
| TOTAL Dom. Consumption | 2175 | 2179 | 2200 | 2109 | 2550 | 2315 | (1000 MT) |
| Ending Stocks | 800 | 800 | 1103 | 1100 | 1413 | 900 | (1000 MT) |
| TOTAL DISTRIBUTION | 4231 | 4234 | 4503 | 4509 | 5363 | 4815 | (1000 MT) |

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