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Grain and Feed

Quarterly Report

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Approved by:

Lisa Anderson
U.S. Embassy

Prepared by:

Joseph Dickson

Report Highlights:

For 2006/2007, total wheat production is forecast to decline slightly to 26.3 MMT as increased seeded acreage is not expected to be sufficient to offset a return to trend yields. Durum production is forecast to decline to 3.8 MMT, as both seeded acreage and yields decline. Barley production is forecast to decrease to 10.9 MMT, also due to a decrease in seeded acreage and yields. Corn production is forecast to decline to 8.8 MMT, due to lower yields. Corn imports from the United States are forecast to increase to 2.9 MMT due to lower domestic supply, strong demand for animal feed and ethanol, and the removal of countervailing and dumping duties on U.S. corn. Oat production is forecast to increase to 4 MMT, as seeded acreage increases.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
[CA]

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QUARTERLY GRAIN AND FEED UPDATE

The areas seeded to non-durum wheat, oats and corn have increased for 2006/2007, while areas for durum wheat and barely have decreased. According to Agriculture Canada, crop development and condition is, in general, normal. It is assumed that precipitation will be normal for the growing and harvest periods and that quality will be normal. Trend yields are assumed to both western and eastern Canada, as soil moisture reserves are good in most areas.

Total Wheat

Total Canadian wheat production for 2005/2006 increased by 3.5% to 26.8 million metric tons (MMT), as higher yields offset a decline in harvested acreage. Increased production in Saskatchewan and Alberta helped offset the decline in production in Manitoba. Poor harvest conditions reduced the quality of the wheat crop, with approximately 18% of the spring wheat crop in Saskatchewan expected to grade No. 1. This is significantly lower than the 10-year average of 53%, but higher than the 6% from the 2004/2005 crop year. The quantity of the overall wheat crop falling into the top grades was below normal, but higher than in 2004/2005. As a result, there was a larger supply of milling quality wheat. This is expected to translate into an increase in exports - from 14.8 MMT in 2004/2005 to 16.1 MMT in 2005/2006. Domestic consumption is expected to increase slightly to 9.2 MMT, as the lower quality wheat is utilized by the livestock industry. The large carry-in stocks from 2004/2005, combined with the jump in production, are expected to result in another increase in 2005's ending stocks.

Total Canadian wheat production for 2006/2007 is forecast to decline to 26.3 MMT, despite an increase in acreage, as yields are expected to return to trend levels. As a result of high carry-in stocks from 2005 and strong production, total wheat supplies are forecast to increase by approximately 2.9% to 35.8 MMT in 2006. Exports are forecast to increase by 16.5% to 18.7 MMT due to record production of 2.4 MMT in Ontario and increased supply of high quality wheat in western Canada. In addition, the removal of duties on Canadian hard red spring wheat exports into the U.S. and the negative impact of the harsh winter on Russian winter wheat, are expected to provide additional export opportunities for Canadian wheat producers. Domestic wheat consumption is forecast to decrease to 9.1 MMT as the use of wheat in livestock rations is projected to fall. The increase in exports is forecast to offset the decrease in domestic consumption and reduce wheat ending stocks in 2006 to 8.0 MMT.

Winter wheat production is forecast to increase across Canada. Total Canadian acreage for winter wheat increased from 1.2 million acres in 2005 to 1.8 million in 2006. For the 2006/2007 crop year, Ontario winter wheat seed acreage has increased to 1.1 million acres up from 830,000 acres in 2005, with Saskatchewan and Manitoba farmers also increasing acreage significantly.

Durum Wheat

Canadian durum production for 2005/2006 increased by 19.2% to 5.9 MMT, due to increased harvested acreage and increased yields. Durum production increased in all three Prairie Provinces, with production in Saskatchewan increasing the most. Despite this, durum quality was impacted by the challenging weather conditions at harvest time. In Saskatchewan, approximately 26% of the crop is expected to grade No. 1, which is higher than the 6% in the 2004/2005 crop year, but lower than the 10-year average of 38 percent. High carry-in stocks and high production resulted in a 25% increase in total durum supplies to 8.4 MMT in 2005/2006. Durum exports in 2005/2006 are expected to increase to approximately 3.8 MMT as a result of increased world demand and a larger supply of higher quality durum in comparison to the 2004/2005 crop year. Decreased production in North Africa has increased its durum import demands. However, the forecasted increase in exports and domestic consumption is not expected to be enough to offset the large supply of durum, resulting in an approximate 30% increase to 3.3 MMT for the 2005/2006 ending stocks.

Canadian durum production is forecast to decrease in 2006/2007 by 35% to 3.8 MMT, due to a return to trend yields and a decline in seeded acreage. The large ending stocks from the 2005/2006 crop year, combined with production, will maintain total durum supplies at a high level. Durum exports are forecast to decline in 2006 to 3.7 MMT, due to increased production in North Africa and the EU, the

major importing regions. Total durum supplies are forecast to decrease to 7.1 MMT, but the large ending stocks from the 2005/2006 crop year, combined with production, will maintain supplies above the 10-year average. Due to the forecasted decline in production, the 2006/2007 durum ending stocks are forecast to drop to 2.4 MMT.

Barley

Canadian barley production for 2005/2006 declined by 5.3% to 12.5 MMT, due to an overall decrease in yield and harvested acreage. In Alberta, a slight increase in yield was not sufficient enough to offset a decline in harvested area, resulting in a 4.6% decline in barley production to 5.6 MMT in the 2005/2006 crop year. Barley production in Manitoba decreased 50.2% to 681,500 metric tons (MT), due to excessive moisture in the province. Saskatchewan was the only bright spot on the Prairies, with a slight increase in yield and harvested area, resulting in 6.7% increase in barley production to 5.3 MMT in 2005/2006. However, the poor harvesting conditions in Saskatchewan and Alberta resulted in a barley crop that was below average in quality, thereby increasing the already abundant supply of feed barley on the Prairies. Due to a decline in 2005/2006 barley production in the Black Sea region, 2005/2006 Canadian barley exports are expected to increase. Lower U.S. barley production is expected to benefit Canadian barley producers. Canadian domestic barley consumption continues to increase, as livestock producers shift back from feed wheat to feed barley and continued growth in the livestock industry fuels feed demand. As a result, total domestic consumption for 2005/2006 is expected to increase to approximately 10.5 MMT. Due to the increase in exports and domestic consumption and the decline in production, barley ending stocks for 2005 are expected to drop to 3.0 MMT.

Canadian barley production in 2006/2007 is forecast to decrease by approximately 12% to 10.9 MMT, due to lower yields and seeded acreage. Yields are forecast to return to more normal levels and be lower than in 2004 and 2005. Total barley exports are expected to decline 14% to 2.2 MMT as lower feed barley exports are only partially offset by higher exports of malting barley. Malt barley exports are expected to increase due to greater demand from China and South America. Due to the removal of duties on imported U.S. corn in April, 2006, demand for barley feed from the Canadian livestock sector is expected to decrease and is forecasted to reduce barley consumption in 2006 to 9.8 MMT. Despite lower exports and domestic feed use, barley ending stocks are forecast to decline to 2 MMT because of the decline in production.

Corn

Canadian corn production in 2005/2006 increased by 7.1% to 9.5 MMT, as a result of overall higher yields and a slight increase in harvested acreage. Higher yields in Ontario helped offset the decline in that province's harvested acreage, driving production up 8.1% to 5.8 MMT. Corn production in Quebec remained unchanged in 2005. Although Manitoba corn acreage was once again negatively impacted by poor weather conditions, production dramatically increased from 17,800 MT in 2004 to 211,500 MT in 2005 due to increased harvested acreage and higher yields. Corn imports in 2005 are forecast to decline to 1.7 MMT, due to the increase in production, large carry-in stocks, and tariffs on U.S. corn imports, which were not removed until April, 2006. Total domestic consumption of corn is expected to increase as the ethanol industry in Ontario continues to expand production, drawing from this year's large supply. The increase in production offsets the increase in feedstock consumption and the decrease in imports leaving corn ending stocks unchanged at 1.8 MMT.

Despite a forecasted slight increase in seeded acreage, Canadian corn production is forecast to decline in 2006/2007 to 8.8 MMT as a result of lower yields. Imports are expected to rise substantially by 69% to 2.9 MMT due to lower production, and strong demand for animal feed and ethanol after the removal of duties on imported US corn. Corn ending stocks are forecast to fall by 22% to 1.4 MMT due to increased domestic demand and lower production. The 2006/2007 total supply of corn is forecast at 13.6 MMT, a 4% increase due to higher imports offsetting lower domestic production.

Oats

Canadian oat production in 2005/2006 declined by 6.8% to 3.4 MMT as lower yields offset the increase in harvested acreage. Production in Manitoba was dramatically impacted by poor weather

conditions, dropping the production estimate to 440,700 MT, the lowest production estimate since 1991 and a 51% decline from the 2004/2005 crop year. Lower harvested acreage and a small decline in yield also reduced oat production in Alberta to 859,000 MT. An increase in the harvested acreage and record high yields helped drive Saskatchewan's oat production to 1.7 MMT in 2005/2006, somewhat offsetting the decline in production in Manitoba. Oat exports in 2005/2006 are expected to increase slightly to 1.5 MMT due to higher US demand. Domestic consumption is forecast to remain approximately at 2004/2005 levels at 2.1 MMT.

Canadian oat production in 2006/2007 is forecast to increase by 17% to 4 MMT, as a result of an increase in harvested acreage across the Prairie Provinces, the expectation of the return of normal yields and abandonment rates. Acreage and production numbers in Manitoba are also expected to return to more traditional levels in 2006/2007, due to lower production costs and stronger prices. Exports are forecast to rise to 1.8 MMT, due to increased import demand from the U.S. and the expectation of increased supplies of milling quality oats. Domestic consumption is forecast to remain steady at 2.1 MMT. 2006/2007 ending stocks are forecast at 1.1 MMT a 22.2% increase, due to the larger crop.

STATISTICAL TABLES

Table 1: Wheat PDS

PSD Table

Country Commodity	Canada		(1000 HA)(1000 MT)				UOM
	2004 Revised	2005 Estimate	2006 Forecast	2007 Estimate	2008 Forecast		
Market Year Begin	08/2004	08/2005	08/2006	08/2007	08/2008	MM/YYYY	
Area Harvested	9862	9862	9830	9826	10500	10410	(1000 HA)
Beginning Stocks	6080	6080	7992	7992	9642	9500	(1000 MT)
Production	25860	25860	26800	26775	26500	26300	(1000 MT)
TOTAL Mkt. Yr. Imports	248	14	250	23	250	11	(1000 MT)
Jul-Jun Imports	247	14	250	23	250	11	(1000 MT)
Jul-Jun Import U.S.	174	14	0	23	0	11	(1000 MT)
TOTAL SUPPLY	32188	31954	35042	34790	36392	35811	(1000 MT)
TOTAL Mkt. Yr. Exports	14966	14812	16000	16050	18500	18700	(1000 MT)
Jul-Jun Exports	15142	15048	16000	16300	18500	17900	(1000 MT)
Feed Dom. Consumption	5012	5056	5200	5056	5000	4691	(1000 MT)
TOTAL Dom. Consumpti	9230	9150	9400	9240	9300	9111	(1000 MT)
Ending Stocks	7992	7992	9642	9500	8592	8000	(1000 MT)
TOTAL DISTRIBUTION	32188	31954	35042	34790	36392	35811	(1000 MT)

Table 2: Durum Wheat PSD

PSD Table

Country Commodity	Canada		(1000 HA)(1000 MT)				UOM
	2004	Revised	2005	Estimate	2006	Forecast	
Market Year Begin	USDA Official [	Estimate[1]	USDA Official [	Estimate[1]	USDA Official [	Estimate[New]	MM/YYYY
		01/2004		01/2005		01/2006	
Area Harvested	0	2141	0	2297	0	1710	(1000 HA)
Beginning Stocks	0	1788	0	2521	0	3300	(1000 MT)
Production	0	4962	0	5915	0	3825	(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	6751	0	8437	0	7126	(1000 MT)
TOTAL Mkt. Yr. Exports	0	3179	0	3814	0	3700	(1000 MT)
Jul-Jun Exports	0	3418	0	3600	0	3450	(1000 MT)
Feed Dom. Consumption	0	536	0	671	0	566	(1000 MT)
TOTAL Dom. Consumption	0	1051	0	1323	0	1026	(1000 MT)
Ending Stocks	0	2521	0	3300	0	2400	(1000 MT)
TOTAL DISTRIBUTION	0	6751	0	8437	0	7126	(1000 MT)

Table 3: Barley PSD

PSD Table

Country Commodity	Canada		(1000 HA)(1000 MT)				UOM
	2004	Revised	2005	Estimate	2006	Forecast	
Market Year Begin	USDA Official [	Estimate[1]	USDA Official [	Estimate[1]	USDA Official [	Estimate[New]	MM/YYYY
		08/2004		08/2005		08/2006	
Area Harvested	4050	4050	3890	3889	3600	3510	(1000 HA)
Beginning Stocks	2102	2102	3489	3489	2739	3000	(1000 MT)
Production	13186	13186	12500	12481	11200	10930	(1000 MT)
TOTAL Mkt. Yr. Imports	81	83	50	45	50	30	(1000 MT)
Oct-Sep Imports	86	86	50	55	50	30	(1000 MT)
Oct-Sep Import U.S.	0	86	0	55	0	30	(1000 MT)
TOTAL SUPPLY	15369	15371	16039	16015	13989	13960	(1000 MT)
TOTAL Mkt. Yr. Exports	1167	1863	2500	2557	1500	2200	(1000 MT)
Oct-Sep Exports	1476	1469	2300	2000	1500	1900	(1000 MT)
Feed Dom. Consumption	9213	9358	9200	9650	8900	9085	(1000 MT)
TOTAL Dom. Consumption	10713	10019	10800	10458	10500	9760	(1000 MT)
Ending Stocks	3489	3489	2739	3000	1989	2000	(1000 MT)
TOTAL DISTRIBUTION	15369	15371	16039	16015	13989	13960	(1000 MT)

Table 4: Corn PSD

PSD Table

Country Commodity	Canada		(1000 HA)(1000 MT)				UOM
	2004 USDA Official [	Revised Estimate[1]A	2005 Official [	Estimate Estimate[1]A	2006 Official [	Forecast Estimate[New]	
Market Year Begin	09/2004			09/2005		09/2006	MM/YYYY
Area Harvested	1072	1072	1096	1096	1100	1105	(1000 HA)
Beginning Stocks	1143	1143	1802	1802	1772	1800	(1000 MT)
Production	8840	8837	9470	9461	9000	8855	(1000 MT)
TOTAL Mkt. Yr. Imports	2371	2385	1500	1716	2800	2900	(1000 MT)
Oct-Sep Imports	2237	2274	1500	1500	2800	1900	(1000 MT)
Oct-Sep Import U.S.	2236	2273	0	1500	0	1900	(1000 MT)
TOTAL SUPPLY	12354	12365	12772	12979	13572	13555	(1000 MT)
TOTAL Mkt. Yr. Exports	238	242	200	253	200	285	(1000 MT)
Oct-Sep Exports	244	244	200	253	200	285	(1000 MT)
Feed Dom. Consumption	7909	7951	8300	8297	9000	8640	(1000 MT)
TOTAL Dom. Consumption	10314	10321	10800	10926	12000	11870	(1000 MT)
Ending Stocks	1802	1802	1772	1800	1372	1400	(1000 MT)
TOTAL DISTRIBUTION	12354	12365	12772	12979	13572	13555	(1000 MT)

Table 5: Oats PSD

Country Commodity	Canada		(1000 HA)(1000 MT)				UOM
	2004 USDA Official [	Revised Estimate[1]A	2005 Official [	Estimate Estimate[1]A	2006 Official [	Forecast Estimate[New]	
Market Year Begin	08/2004			08/2005		08/2006	MM/YYYY
Area Harvested	1315	1315	1330	1326	1550	1555	(1000 HA)
Beginning Stocks	788	788	984	988	854	900	(1000 MT)
Production	3683	3683	3350	3432	4000	4000	(1000 MT)
TOTAL Mkt. Yr. Imports	16	26	20	18	20	10	(1000 MT)
Oct-Sep Imports	16	19	20	15	20	10	(1000 MT)
Oct-Sep Import U.S.	0	19	0	15	0	10	(1000 MT)
TOTAL SUPPLY	4487	4497	4354	4438	4874	4910	(1000 MT)
TOTAL Mkt. Yr. Exports	1319	1357	1400	1455	1500	1750	(1000 MT)
Oct-Sep Exports	1374	1374	1400	1325	1500	1325	(1000 MT)
Feed Dom. Consumption	1569	1560	1450	1525	1750	1745	(1000 MT)
TOTAL Dom. Consumption	2184	2152	2100	2083	2400	2060	(1000 MT)
Ending Stocks	984	988	854	900	974	1100	(1000 MT)
TOTAL DISTRIBUTION	4487	4497	4354	4438	4874	4910	(1000 MT)

Recent Reports from FAS/Ottawa

Report Number	Title of Report	Date
CA6027	This Week in Canadian Agriculture, Issue 17	7/14/2006
CA6026	AMP 3 rd Quarterly Review	7/06/2006
CA6025	This Week in Canadian Agriculture, Issue 16	6/22/2006
CA6024	This Week in Canadian Agriculture, Issue 15	6/9/2006
CA6023	This Week in Canadian Agriculture, Issue 14	6/2/2006
CA6022	Dairy Semi-Annual	6/01/2006
CA6021	This Week in Canadian Agriculture, Issue 13	5/12/2006
CA6020	This Week in Canadian Agriculture, Issue 12	5/5/2006
CA6018	This Week in Canadian Agriculture, Issue 11	4/20/2006