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Canada

Grain and Feed

Monthly Update

2004

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Report Highlights:

For 2004/2005, Canadian wheat production is forecast to increase to 24.4 MMT as a result of higher yields in western Canada. Despite the increased yields, quality issues resulted in only 25-30% of the wheat crop grading number one and number two and a significant amount of the crop becoming feed wheat. Canadian barley production is forecast to increase to 13.2 MMT, as higher yields offset the reduced seeded acreage. Canadian corn production is forecast to decline to 8.4 MMT, as a result of decreased seeded acreage. Large imports of corn from the United States are expected into Ontario and even Manitoba. Feed wheat and feed barley are also moving into Ontario, displacing the need for corn as feed.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
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MONTHLY GRAIN AND FEED UPDATE**Total Wheat**

Canadian total wheat production is forecast to increase to 24.5 million metric tons (MMT) for 2004/2005, a 4 percent increase over 2003/2004 as a result of higher yields in western Canada. Ontario wheat production is forecast to be 1.6 MMT, as a result of lower seeded acreage, but strong yields. Despite the higher estimates for 2004/2005, both Canadian wheat production forecast and Ontario production forecast are slightly lower than what was forecast in the August Grain and Feed Update. In addition, despite the increase in overall production, the quality of the wheat crop is significantly lower. It is expected that between 25-30% of the crop will grade number one and number two. Approximately 40% will grade number three and the remainder will be graded number four or feed wheat. To date, the expected amount of wheat grading number one is only roughly 10%. According to testing done by the Canadian Grain Commission, the protein levels in all grades of Canadian Western Red Spring Wheat (CWRS) have fallen in comparison to 2003. The average protein content of the 2004 CWRS wheat crop is 13.3%, a 6% decline from 2003 and approximately 3% lower than the ten-year average. Variation among the milling grades is minimal. The protein content of wheat produced in Saskatchewan declined the most of the three Prairie Provinces from 14.1% in 2003 to 12.9% in 2004. Alberta and Manitoba CWRS protein content declined from 14.2% in 2003 to 13.7% and 13.6% respectively in 2004. The high levels of moisture and low levels of heat during the summer resulted in the lower protein levels in wheat in western Canada.

Protein levels in the Ontario wheat crops dropped significantly below normal levels, with very few producers of hard red spring wheat meeting the requirements for the protein premiums. Soft red and soft white winter wheat proteins dropped a full point, with some values below 6%.

The projected feed supplies of all wheat in western Canada is forecast to be nearly 5.5 MMT, with domestic feed consumption typically around 3.5 MMT, the excess wheat will require a market. Domestic feed use of wheat is forecast to increase above 3.5 MMT in 2004/2005, with feed wheat finding its way into feed rations it is not traditionally found in, as well as moving into Ontario. Exports of feed wheat from Canada may be between 1 and 2 MMT for 2004/2005, out of the forecast export total of 16.0 MMT. The Canadian Wheat Board has begun efforts to find export markets for the excess feed wheat. Despite having a smaller wheat crop than last year, exports of wheat from Ontario could be between 600,000 and 650,000 metric tons, of which a majority will go to the United States. Fusarium has been a major issue in some of the winter wheat crops in Ontario, resulting in downgrading of the wheat. Some additional wheat may end up in U.S. markets as a result of not meeting the Canadian Grain Commission quality standards for domestic milling.

The trend for wheat production in Ontario is seen to be increasing, with soft red winter wheat becoming the predominant crop over soft white winter wheat. Spring wheat production is also beginning to pick up in the province. Despite this trend, spring wheat is not expected to become the major wheat crop in Ontario as it is in western Canada. Ending stocks for wheat are forecast to be slightly higher in 2004/2005 than in 2003/2004.

Durum

Canadian durum wheat production for 2004/2005 is forecast to increase to approximately 4.7 MMT, an 8% increase from 2003/2004, as a result of increased yields despite a decline in seeded acreage. Strong production in North Africa and the EU has weakened the demand for durum, therefore resulting in a forecast decline in exports in durum from Canada for 2004/2005. Canadian durum exports are forecast to be approximately 3.4 MMT. Like the rest of the wheat in Canada, durum was impacted by the wet, cool summer, and approximately 10% of the durum crop is forecast to grade number one and roughly 30-35% will grade number one and two. Despite the poor year and low amount of the total crop grading number one, the quality of the durum crop is better than expected. There will be attempts to utilize the poorer quality durum in the feed market, but with a large amount of other feed wheat and feed barley, it will be difficult to significantly increase the feed consumption of durum in

2004/2005. Imports of durum for 2004/2005 will be slightly higher than 2003/2004, but the increase will not be significant, as there is enough higher quality durum within the Canadian crop to meet the domestic demand.

Overall protein levels for Canadian Western Amber Durum Wheat (CWAD) fell 9% in 2004/2005 compared to 2003/2004 protein levels. The protein level for 1 CWAD fell from 13.6% in 2003/2004 to 13.1% in 2004/2005. Despite the decline, the protein levels in 2004/2005 are in line with the 10-year average but are 7% lower than the 41-year mean protein value for CWAD. As with the rest of the wheat crop in western Canada, the protein levels for durum were impacted by the weather. The drought of the previous couple of years drove the protein levels higher, while the cool, wet weather of 2004/2005 prevented the high protein levels.

Higher beginning stocks combined with increased production and a slight drop exports will result in a 15% increase in durum wheat ending stocks.

Barley

Canadian barley production for 2004/2005 is forecast to increase to 13.2 MMT, an increase of 7% over production 2003/2004 as result of higher yields. All three Prairie Provinces increased their barley production, with Saskatchewan having the largest increase at 10%. With higher carry-in stocks and higher production, total supply is forecast to increase by 7% for 2004/2005. Domestic use of barley is forecast to increase as a result of the larger amount of feed barley and increased shipments to eastern Canada. Exports of barley are forecast to decline as a result of the decrease in malting quality barley and lower feed barley exports as a result of increased competition from the EU and lower overseas prices. Imports are forecast to increase slightly for 2004/2005 in order ensure there is enough quality malting barley. As a result of higher carry-in stocks, higher production and lower exports, ending stocks for the 2004/2005 barley crop are forecast to increase 31% over 2003/2004 ending stocks.

Corn

Canadian corn production for 2004/2005 is forecast to decline 13% to 8.4 MMT, as a result of decreased seeded acreage. Imports of corn, especially into eastern Canada are forecast to increase 14% from 2003/2004, as a result of large imports from the United States. Despite the decline in the overall production levels from last year, corn production and yields were stronger than expected as a result of the warm fall weather. The poor weather conditions during the summer months resulted in many processors and buyers purchasing corn from the United States, where the supply is large and prices are cheap, to ensure that their needs were met. Ontario corn producers are now faced with no market for their grain as imports of corn from the U.S. are expected to remain high; prices remain low, and feed wheat and feed barley from western Canada is flooding into Ontario, diminishing the need for corn as feed. As a result of the decrease in production, exports of corn are expected to decline by 4% from 2003/2004 export levels.

Production of corn in western Canada significantly declined this year as a result of the poor weather. In Manitoba, the corn crop was a virtual write-off. As a result, corn imports into Manitoba are forecast to increase in order to meet the needs of poultry and hog producers and other industries. Corn imports in Manitoba could reach 1 MMT in 2004/2005. On the other hand, large feed wheat and feed barley supplies domestically are moderating the need to import corn into Alberta.

Oats

Canadian oat production for 2004/2005 is forecast to decline by 5%, as higher yields are not enough to make up for the lower area harvested. Total supply is forecast to increase as higher carry-in stocks make up for the lower production levels. Imports are forecast to increase marginally for 2004/2005. Exports are forecast to decline slightly in 2004/2005. Poor growing conditions resulted in some quality issues with the oat production, as was seen with many other crops in 2004/2005. The U.S. is

the primary market for Canadian oat exports. However, exports into the U.S. are forecast to decline slightly. As a result of a marginal decline in production, a small decline in exports, and some quality issues, domestic consumption of oats is forecast to increase for 2004/2005, resulting a forecast decline in ending stocks in 2004/2005.

STATISTICAL TABLES

Table 1: Wheat PSD

PSD TABLE

Country Commodity	Canada		Wheat		2002 Revised		2003 Estimate		2004 Forecast		UOM New MM/YYYY
	USDA Official	Estimate									
Market Year Begin	08/2002		08/2003		08/2004						
Area Harvested	8836	8836	10467	10470	9800	9907	(1000 HA)				
Beginning Stocks	6729	6729	5725	5725	6062	6062	(1000 MT)				
Production	16198	16198	23552	23552	24000	24462	(1000 MT)				
TOTAL Mkt. Yr. Imports	382	178	200	18	200	20	(1000 MT)				
Jul-Jun Imports	382	179	225	17	200	20	(1000 MT)				
Jul-Jun Imports U.S.	129	16	143	16	0	10	(1000 MT)				
TOTAL SUPPLY	23309	23105	29477	29295	30262	30544	(1000 MT)				
TOTAL Mkt. Yr. Exports	9403	9054	15789	15473	15500	16000	(1000 MT)				
Jul-Jun Exports	9393	9029	15526	15165	15500	16000	(1000 MT)				
Feed Dom. Consumption	4058	4188	3426	3500	4500	4500	(1000 MT)				
TOTAL Dom. Consumptic	8181	8326	7626	7760	8700	8044	(1000 MT)				
Ending Stocks	5725	5725	6062	6062	6062	6500	(1000 MT)				
TOTAL DISTRIBUTION	23309	23105	29477	29295	30262	30544	(1000 MT)				

Table 2: Durum Wheat PSD

PSD TABLE**Country****Canada****Commodity****Wheat, Durum**

Market Year Begin	2002 Revised		2003 Estimate		2004 Forecast		UOM
	USDA Official	Estimate	SDA Offici	Estimate	SDA Offici	Estimate	New
		01/2002		01/2003		01/2004	MM/YYYY
Area Harvested	0	2246	0	2450	0	2095	(1000 HA)
Beginning Stocks	0	1545	0	1619	0	1790	(1000 MT)
Production	0	3877	0	4280	0	4671	(1000 MT)
TOTAL Mkt. Yr. Imports	0	6	0	1	0	3	(1000 MT)
Jul-Jun Imports	0	6	0	1	0	3	(1000 MT)
Jul-Jun Imports U.S.	0	6	0	1	0	3	(1000 MT)
TOTAL SUPPLY	0	5428	0	5900	0	6464	(1000 MT)
TOTAL Mkt. Yr. Exports	0	2983	0	3437	0	3400	(1000 MT)
Jul-Jun Exports	0	2958	0	3292	0	3200	(1000 MT)
Feed Dom. Consumption	0	328	0	215	0	500	(1000 MT)
TOTAL Dom. Consumption	0	826	0	673	0	964	(1000 MT)
Ending Stocks	0	1619	0	1790	0	2100	(1000 MT)
TOTAL DISTRIBUTION	0	5428	0	5900	0	6464	(1000 MT)

Table 3: Barley PSD

PSD TABLE**Country****Canada****Commodity****Barley**

Market Year Begin	2002 Revised		2003 Estimate		2004 Forecast		UOM
	USDA Official	Estimate	SDA Offici	Estimate	SDA Offici	Estimate	New
		08/2002		08/2003		08/2004	MM/YYYY
Area Harvested	3348	3348	4446	4446	4165	4265	(1000 HA)
Beginning Stocks	2047	2048	1475	1475	2106	2106	(1000 MT)
Production	7489	7489	12328	12328	13000	13200	(1000 MT)
TOTAL Mkt. Yr. Imports	247	259	50	35	20	40	(1000 MT)
Oct-Sep Imports	199	215	50	30	20	40	(1000 MT)
Oct-Sep Imports U.S.	148	151	0	30	0	35	(1000 MT)
TOTAL SUPPLY	9783	9796	13853	13891	15126	14940	(1000 MT)
TOTAL Mkt. Yr. Exports	403	420	1800	1840	1800	1750	(1000 MT)
Oct-Sep Exports	304	321	2000	1935	1700	1700	(1000 MT)
Feed Dom. Consumption	6505	6755	8547	8600	9000	9500	(1000 MT)
TOTAL Dom. Consumption	7905	7901	9947	9945	10500	10140	(1000 MT)
Ending Stocks	1475	1475	2106	2106	2826	3050	(1000 MT)
TOTAL DISTRIBUTION	9783	9796	13853	13891	15126	14940	(1000 MT)

Table 4: Corn PSD

PSD TABLE**Country****Canada****Commodity****Corn**

Market Year Begin	2002 Revised		2003 Estimate		2004 Forecast		UOM
	USDA Official	Estimate	USDA Official	Estimate	USDA Official	Estimate	New
	09/2002		09/2003		09/2004		MM/YYYY
Area Harvested	1283	1283	1230	1230	1200	1108	(1000 HA)
Beginning Stocks	1056	1056	1111	1111	1143	1143	(1000 MT)
Production	8999	8999	9600	9600	8500	8426	(1000 MT)
TOTAL Mkt. Yr. Imports	3946	3904	2039	2065	2300	2400	(1000 MT)
Oct-Sep Imports	3846	3900	1900	2140	2300	2400	(1000 MT)
Oct-Sep Imports U.S.	3846	3900	0	2140	0	2400	(1000 MT)
TOTAL SUPPLY	14001	13959	12750	12776	11943	11969	(1000 MT)
TOTAL Mkt. Yr. Exports	314	313	300	369	300	355	(1000 MT)
Oct-Sep Exports	306	305	300	366	300	300	(1000 MT)
Feed Dom. Consumption	10276	10121	8807	8800	7900	8100	(1000 MT)
TOTAL Dom. Consumpti	12576	12535	11307	11264	10600	10864	(1000 MT)
Ending Stocks	1111	1111	1143	1143	1043	750	(1000 MT)
TOTAL DISTRIBUTION	14001	13959	12750	12776	11943	11969	(1000 MT)

Table 5: Oat PSD

PSD TABLE**Country****Canada****Commodity****Oats**

Market Year Begin	2002 Revised		2003 Estimate		2004 Forecast		UOM
	USDA Official	Estimate	USDA Official	Estimate	USDA Official	Estimate	New
	08/2002		08/2003		08/2004		MM/YYYY
Area Harvested	1379	1379	1575	1575	1400	1425	(1000 HA)
Beginning Stocks	363	363	524	524	800	800	(1000 MT)
Production	2911	2911	3691	3700	3400	3500	(1000 MT)
TOTAL Mkt. Yr. Imports	48	21	16	19	20	20	(1000 MT)
Oct-Sep Imports	49	21	15	21	20	20	(1000 MT)
Oct-Sep Imports U.S.	15	17	20	21	20	20	(1000 MT)
TOTAL SUPPLY	3322	3295	4231	4284	4220	4704	(1000 MT)
TOTAL Mkt. Yr. Exports	928	887	1256	1255	1200	1250	(1000 MT)
Oct-Sep Exports	1058	1017	950	984	1200	1250	(1000 MT)
Feed Dom. Consumption	1270	1255	1535	1548	1650	1600	(1000 MT)
TOTAL Dom. Consumpti	1870	1884	2175	2229	2300	2704	(1000 MT)
Ending Stocks	524	524	800	800	720	750	(1000 MT)
TOTAL DISTRIBUTION	3322	3295	4231	4284	4220	4704	(1000 MT)

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