INTERNATIONAL MILLING DIRECTORY 2006

CANADA

Wheat quality recovery expected

Unusually heavy yields boosted Canada's 2004/05 wheat crop by almost 10% but difficult weather, including too much rain and too little heat resulted in a sharp drop in quality - only 30% grading Nos 1 & 2, 40% No 3 and the rest No 4 or feed wheat. The amount grading number 1 was only 10%. Protein levels of all grades of Western Red Spring wheat also fell by 6% compared with 2003, averaging 13.3%, about 3% below the 10-year average. Wheat from Saskatchewan was hit hardest, with proteins down from 14.1% in 2003 to an average 12.9% in 2004 while Alberta and Manitoba's dropped from 14.2% in 2003 to 13.7% and 13.6% respectively. Proteins from Ontario wheat also fell sharply below normal, with very little HRS wheat meeting requirements for protein premiums. Soft red and soft white winter wheat proteins also dropped a full point, with some values below 6%. As a resulted, projected feed supplies in western Canada were estimated at 5.5m tonnes against normal domestic needs of 3.5. Exports of feed wheat were estimated early in the season at 1m to 2m of a forecast total 16m. Wheat production has been increasing in Ontario with SRW overtaking SWW as the top class. More spring wheat is also being grown but it is not expected to become the main wheat crop in Ontario as in western Canada. Ending stocks rose by almost 2m tonnes in 2003/04 compared with 2003/2004.

Canada's sown crop area in 2005 was similar to the previous year's but with a shift from grains to oilseeds. Total wheat production is forecast to decline to 24.7m tonnes due to a return to average yields. As harvest began in August hopes were high of quality returning to normal, with more grades No 1 or 2. Sown acreage for hard white spring was estimated to have doubled to 1.2m to meet growing demand from the Asian noodle market for this class.

Domestic use of wheat is expected to drop in 2005/2006 due to less feed demand and buyers turning back to more traditional feed crops like barley and corn in the livestock sector. However, high carry-in stocks from the huge 2004/05 feed wheat crop should keep feeding of this grain above normal levels. Higher stocks should also offset lower 2005 total wheat output, leaving supplies similar to those of 2004/2005.

Canadian exports were slightly lower in 2004/05 as the smaller supply of high quality hardwheats, reduced its competitive edge in some markets. Shipments to Europe dropped by about 40% as EU import needs declined from abnormally high levels produced by a poor quality EU crop in 2003/04. Less wheat was also shipped to North Africa and South America but considerably more to East Asia, partly due to a doubling of China's milling wheat import needs and partly due to a successful expansion of feed wheat sales to countries like South Korea.

Exports in 2005/2006 are forecast to rise by at least 1m tonnes, or about 7%, assuming a return to more normal quality CWRS supply. China could again be a key player after the CWB signed a deal earlier this summer to export it 1m tonnes. Canada's food wheat exports may also be helped by rain-delayed harvests and other quality problems looming for EU and US producers, if these cramp high grade supplies.

main Canadian wheat customers

(July/Jun) in '000 tonnes:

Destination	1998/9	1999/0	2000/1	2001/2	2002/3	2003/4	2004/5
Japan	1,509	1,565	1,584	1,446	1,166	1,191	1,166

EU	1,422	1,013	1,017	1,318	1,030	2,911	1,030	
Algeria	1,006	1,427	1,290	813	930	608	930	
USA	1,886	1,800	1,616	1,911	743	671	743	
Mexico	654	813	1,136	882	686	695	686	
Tunisia	na	na	na	329	446	30	446	
Venezuela	613	859	741	874	350	665	350	
Morocco		777	560	829	665	322	581	322
Philippines	382	365	741	738	259	746	259	
Colombia	489	396	544	601	258	456	258	
Indonesia	702	700	709	630	199	591	199	
China	224	648	33	763	190	1,479	190	
Malaysia		241	366	199	182	150	194	150
Bangladesh	126	198	220	153	144	64	144	
Iran	290	3,449	1,809	1,015	140	208	140	
Peru	319	369	508	369	129	332	129	
Ecuador		210	265	264	234	127	357	127
Chile	260	216	256	166	119	135	119	
Brazil	na	na	na	6	116	115	116	
S Korea		118	113	236	294	103	125	103
Sudan	na	na	na	196	95	186	95	
Thailand		na	na	na	203	94	170	94
Turkey	na	na	na	25	-	241	-	
Rumania	na	na	na	-	-	181	-	
Sri Lanka	na	na	na	-	-	150	-	
Egypt	na	na	na	153	-	124	-	
Libya	na	na	na	71	-	104	-	
Iraq	1	262	310	-	-	-	-	

A new class of wheat being grown by Western Canadian farmers could make inroads into the Asian noodle market. Canada Western Hard White has only been in commercial production since 2003, when less than 200,000 acres were

Seeded. Malaysian flour millers say it has the brightness, colour and lower enzyme levels required for most Asian noodle products. Canada’s main rival for the Asian market is Australia, which supplies about 10m tonnes of white wheat to the region. However, Canadian white wheat is said to perform better in bread making than the Australian variety although it has the drawback of higher protein content than required by some Asian noodle products. The white wheat type is also beginning to sell in the USA to make lighter-coloured whole-grain bread.

Larger sown area more than offset lower yields to produce a larger barley crop in 2004/05 and with bigger stocks too, the total supply rose by some over 10%. However, like wheat and durum, barley suffered a quality hit from the poor summer, reducing the amount of malting grade and increasing feed supplies. Domestic livestock industries made good use of the extra supplies to boost usage but exports sagged with the lower malting quality supply and more competition from the EU. Lower area and yield are expected reduce barley output by almost 1m tonnes in 2005/06. With large carryover stocks from 2004/05, supplies of feed grade barley will stay buoyant and as feed wheat supplies decline, this should keep domestic barley feeding rates high. Assuming quality holds up, Canadian barley exports should recover somewhat in 2005/2006 amid strong demand for malting types.

Canadian maize output dropped in 2004/2005 due to lower plantings, leading to larger imports from the US to meet the needs of poultry and pig producers. Production is expected to decline by about 500,000 tonnes in 2005/2006 due to lower yields and despite less acreage abandonment this year. Domestic use should rise amid less feedwheat production and more demand from the bio-fuel industry so imports could maintain or increase the relatively large 2004/05 level.

Main Canadian barley customers ('000 tonnes)

	2000/1	2001/2	2002/3	2003/4	2004/5
Saudi	293	-	-	561	7
USA	575	443	175	321	-
China	500	416	80	296	613
Japan	300	55	38	262	136