



I.D.E.A. Industry Update - September 5, 2003

Below Average Crop Expected

Prairie producers weren't optimistic when Statistics Canada asked them at the end of July about the prospects for their 2003 crop. And it appears their pessimism was well founded.

Farmers in Western Canada surveyed by the federal agency between July 25 and Aug. 3 said they expected to grow 18.5 million tonnes of wheat and durum. That's nearly two million tonnes below the Canadian Wheat Board's Aug. 6 estimate of 20.3 million tonnes, and well below the 19.8 million tonne outlook published by Agriculture Canada's market analysis division Aug. 8. That same pattern holds true for barley, with farmers telling Statistics Canada they expect to produce 11 million tonnes, versus the CWB's forecast of 11.4 million and Ag Canada's 12.2 million. While all those estimates were put together at about the same time, it seems that farmers were anticipating the hot dry weather that shrivelled crops.

Bruce Burnett, director of weather and crop surveillance for the board, said the crop outlook has clearly declined since the board released its forecast. "We said that to maintain those yields we needed to have some precipitation and milder weather," he said. "Instead we got no precipitation and extremely hot weather, so the yields will clearly be lower." The board also used a slightly higher wheat acreage in its forecast than did Statistics Canada.

While the numbers issued by the board and Ag Canada are based on field tours, analysis by crop experts and computer models, the Statistics Canada survey is the only one that includes input from farmers. As a result, its forecast is sometimes criticized as subjective and unscientific, but the record shows that is accurate.

Over the past 10 years, the July estimate has averaged 45.32 million tonnes while the final production figure released by the statistics agency in November has averaged 45.39 million, a difference of less than two-tenths of one percent. The July 31 estimate has been higher than the final production number five times and lower five times, with the disparity ranging from 123,000 tonnes in 1996 to 3.5 million tonnes in 1993.

"It's not a bad predictor," said Glenn Lennox, wheat market analyst with Agriculture Canada. "Farmers have a pretty good idea by the end of July whether the crop's going to be good or not. If you get enough farmers and ask them the same question, the low-ballers are probably offset by the high-ballers, and it seems to work."

All told, the roughly 14,000 farmers surveyed in Western Canada said they expect to produce 42.8 million tonnes of wheat, durum, barley, oats, rye, flaxseed, canola and dry peas. While that's 51 percent more than last year's drought-ravaged crop, it is smaller than farmers and grain marketers had been hoping for this spring when rain got things off to a great start.

The 10-year average crop in Western Canada (not including peas) is slightly more than 45 million tonnes. The Statistics Canada estimate for 2003, not including peas, is 40.5 million. For canola, farmers estimated a crop of 6.2 million tonnes. That's right in the middle of trade estimates, which have been

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running from as low as 5.7 million to as high as 6.8 million. Yields are estimated at 23.6 bushels per acre, including 26.7 in Alberta, 20.7 in Saskatchewan and 26.1 in Manitoba. Canola industry officials in the province say yields are highly variable, with good crops in the east and mediocre in the west, but the final number should be around the five-year average of 28.6 bu.

"I'm still hoping we should be able to attain our average for the province," said Derwyn Hammond, a Brandon-based agronomist with the Canola Council of Canada. He said early harvest results have been better than expected.

Pulse crops such as lentils and chickpeas and special crops such as mustard and canaryseed were not included in the survey. (Source: Adrian Ewins, Western Producer)

No Meeting on Mad Cow Crisis Creates Tension Between Ottawa, Provinces

Federal Agriculture Minister Lyle Vanclief's refusal to meet with his provincial counterparts in recent weeks over the mad cow crisis is creating some hard feelings against Ottawa.

"I think that's a very under-handed way for a federal minister to deal with these issues," Manitoba Agriculture Minister Rosann Wowchuk, spokeswoman for provincial agriculture ministers, said Wednesday. "(Vanclief) is the national leader on agriculture. He's our federal minister. We need him." Wowchuk tried to arrange a federal-provincial meeting for last week in Toronto and is now hoping for a similar meeting next week in Winnipeg.

A \$460-million federal-provincial aid package created last spring to help the industry cope with reduced prices and international bans on Canadian beef has wound down, and some provinces want to talk about further aid until normal trade resumes.

"Agriculture ministers from across the country had a telephone conference last week," said Wowchuk. "We agreed that we should have a face-to-face meeting with the federal minister, and I have sent a memo and phoned the federal minister's office." Vanclief has said there is no point in meeting face-to-face.

"He said that he's willing to have a conference call," said Donald Boulanger, Vanclief's press secretary in Ottawa. "But for a face-to-face meeting, where provinces will ask him for more money, the minister's position is that he is sitting on hundreds of millions of dollars . . . under the (Agriculture Policy Framework)." The federal government has insisted provinces must sign on to the framework to get any new mad cow aid. "More money for cattle producers is linked to the money present in the APF," said Boulanger.

The framework is a wide-ranging package of revamped farm programs covering everything from financial aid to environmental guidelines. It was announced by Ottawa last year, but so far only four provinces have signed on. They are Alberta, New Brunswick, British Columbia and Newfoundland and Labrador.

The other provinces are worried the framework will leave farmers with less protection against low prices, disasters, and other threats than they currently have. Two of the holdouts - Manitoba and Saskatchewan - are also two of the provinces hit hard by the mad cow crisis.

Wowchuk argues signing the framework and getting mad cow aid should not be connected. "(The APF) should not be held as a threat over our head as to how we deal with the BSE crisis."

Saskatchewan Agriculture Minister Clay Serby expressed similar frustration Wednesday. "For us to be in yet another debate with Lyle (Vanclief) about needing to sort out the BSE, and try and sort out whether BSE can be covered off in the Agricultural Policy Framework, is just a ridiculous debate. We should all be at the table together today. For him to be delaying this and putting it off, there's no legitimate reason for this in my view."

But Alberta, which has taken the biggest economic hit since a single case of mad cow disease was discovered there in May, is not as keen to have a sit-down conference with Vanclief. "At this point, the contact we're having . . . through conference calls seems to be serving our needs," said David Hennig, a spokesman for Alberta Agriculture. "I don't think we're at the point where there's value in sitting down

face-to-face."

Alberta and Manitoba have set up additional aid programs on their own, such as low-interest loans designed to help producers stay afloat.

On Wednesday, Manitoba Premier Gary Doer released more details on a promise made to increase the province's beef slaughtering capacity. About half of \$2 million being put up initially is to go to 22 small processing plants for training, operating costs and marketing.

Doer said he hopes the money will help local abattoirs slaughter up to an additional 10,000 cattle a year. (Source: Steve Lambert, CP)

Soybeans Rise on Cash Market, China move on Chicago Board of Trade

Soybean futures moved higher Thursday on the Chicago Board of Trade, propelled by a strong cash market. Corn also rose, while wheat prices declined. Also encouraging buying was China's announcement Wednesday that it will issue certificates for genetically modified soybean imports after Sept. 20. Corn got a lift from supportive technical data and the rally in soybeans. Wheat prices retreated for the third straight session since the Labor Day weekend. Market-watchers said technical pressure was responsible for the latest drop. Wheat for December delivery fell 3 3/4 cents to \$3.67 3/4 US a bushel; December corn rose 2 3/4 cents to \$2.47 a bushel; December oats rose 2 3/4 cents to \$1.49 a bushel; November soybeans rose 7 1/2 cents to \$5.88 1/4 a bushel. (Source: Steve Lambert, CP)