

Market Outlook 2008-09

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Weather and Market Analysis

CWB

January 2009



Prairie strong, worldwide

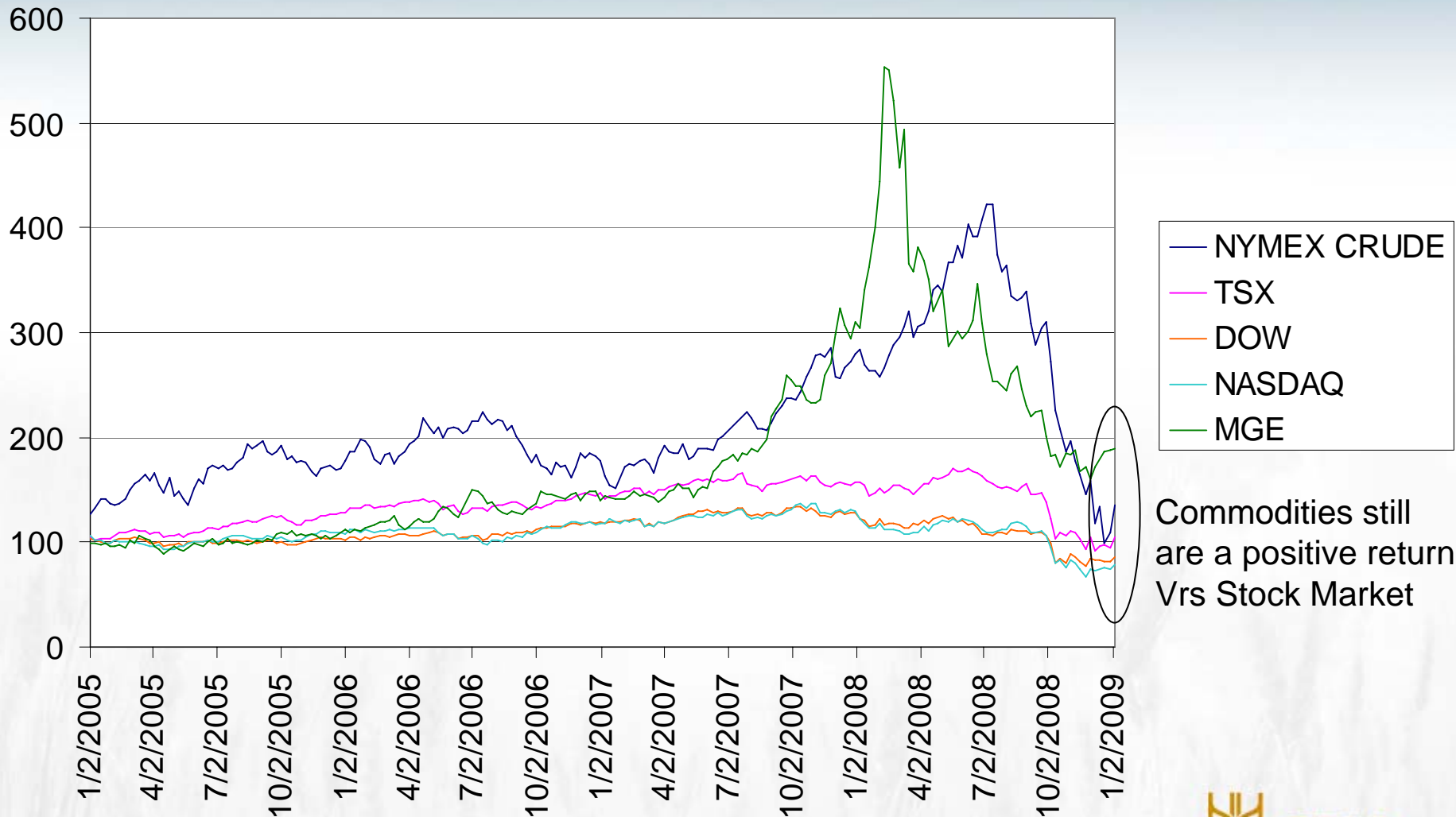
Markets –Where are they going?

- Significant production response in 2008-2009 to the “global food crisis”. Eight to twelve per cent increase in global production and increased ending stocks have been the result
- Declining economic activity to lower demand for grains, especially for feed grains
- Acreage decision underway between wheat, corn and oilseeds for the 2009 crop, but there is not a real “battle” for acreage
- Prices will continue to try find their fundamental value rather than look at external factors, BUT grains are still going to be linked with energy values

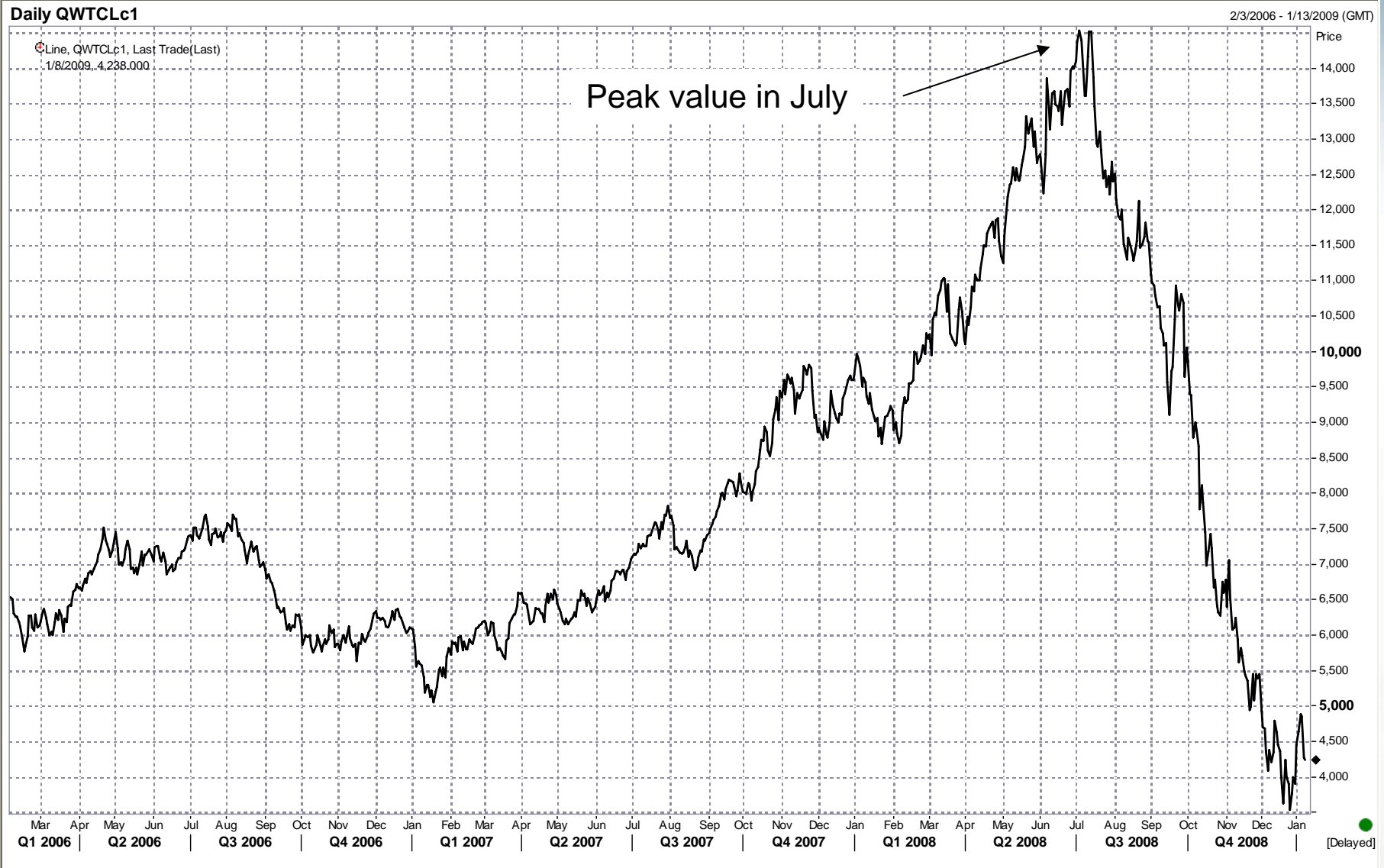
Relative prices of commodities and stocks

Price Change

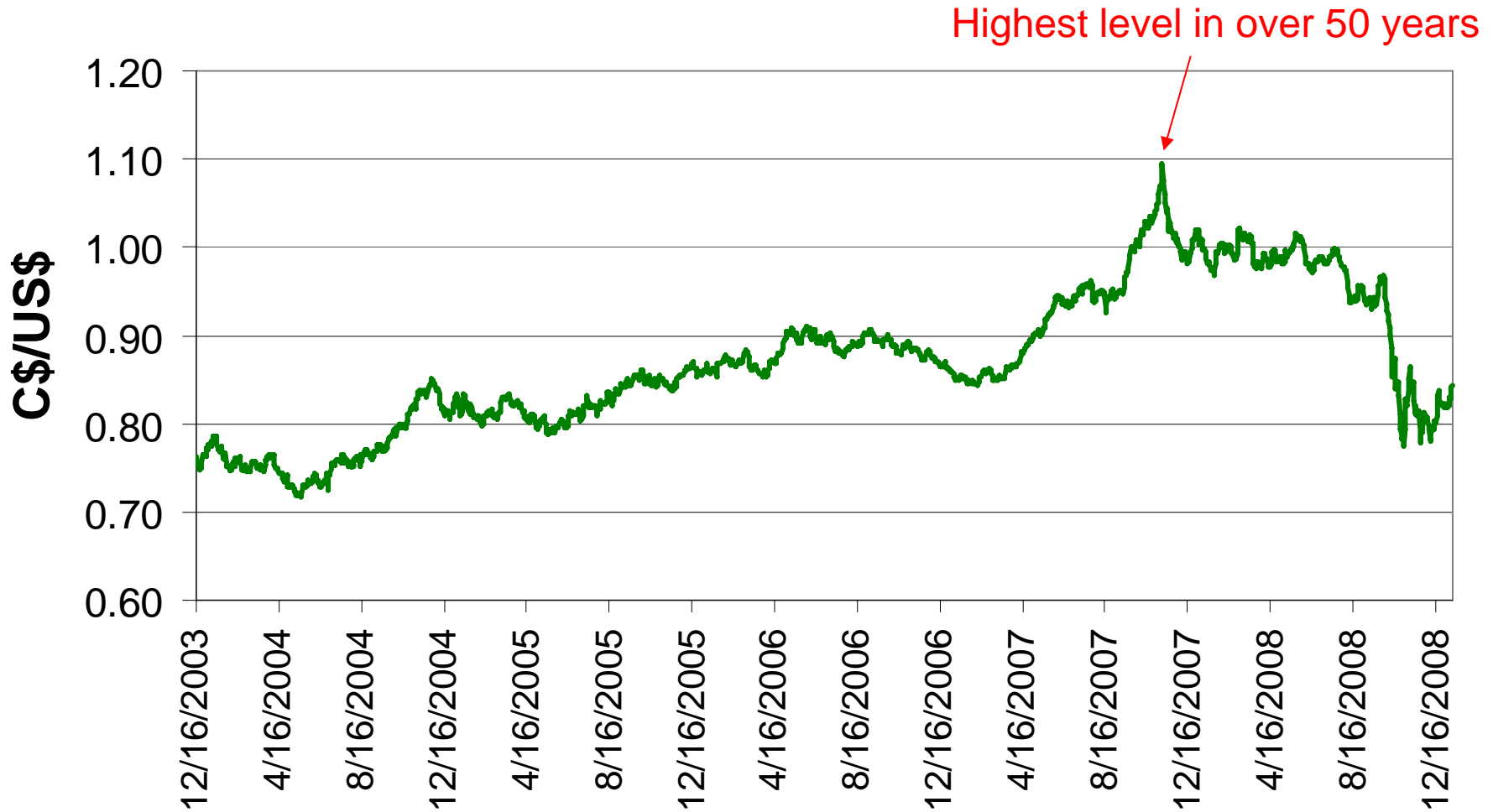
Indexed to 2004 values



Crude Oil Prices



Canadian Exchange Rate (December 2003 - 2008)

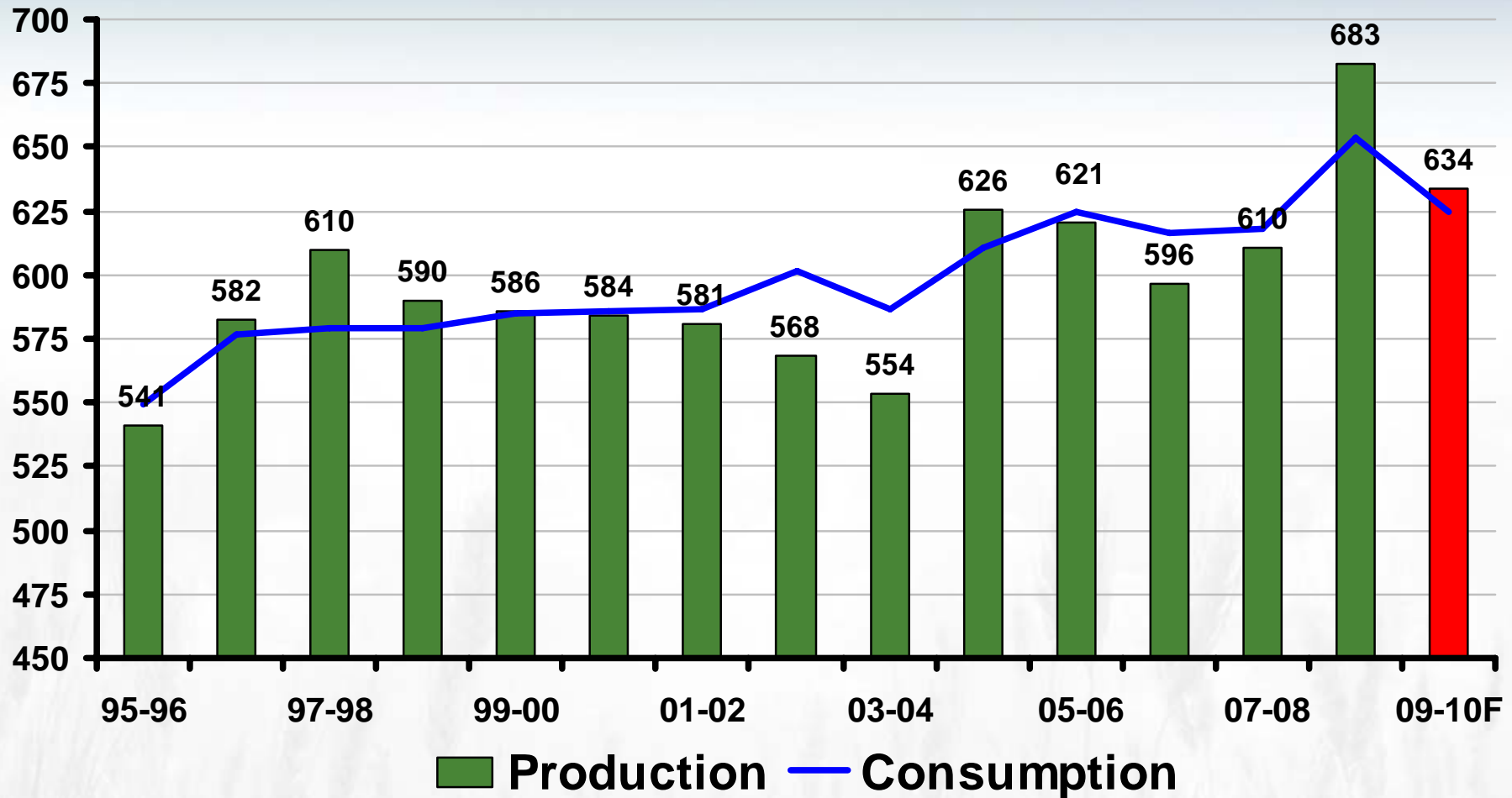


Wheat fundamentals

- Record world wheat crop of 683 million tonnes. Production exceeds consumption by 29 million tonnes.
- World stocks are rebounding, but are not burdensome.
- Global stocks-to-use ratio is 22.7%
- 2009 production expected to reach 634 million tonnes
- Stocks expected to increase in 2009

Global wheat production vs. consumption

Million tonnes



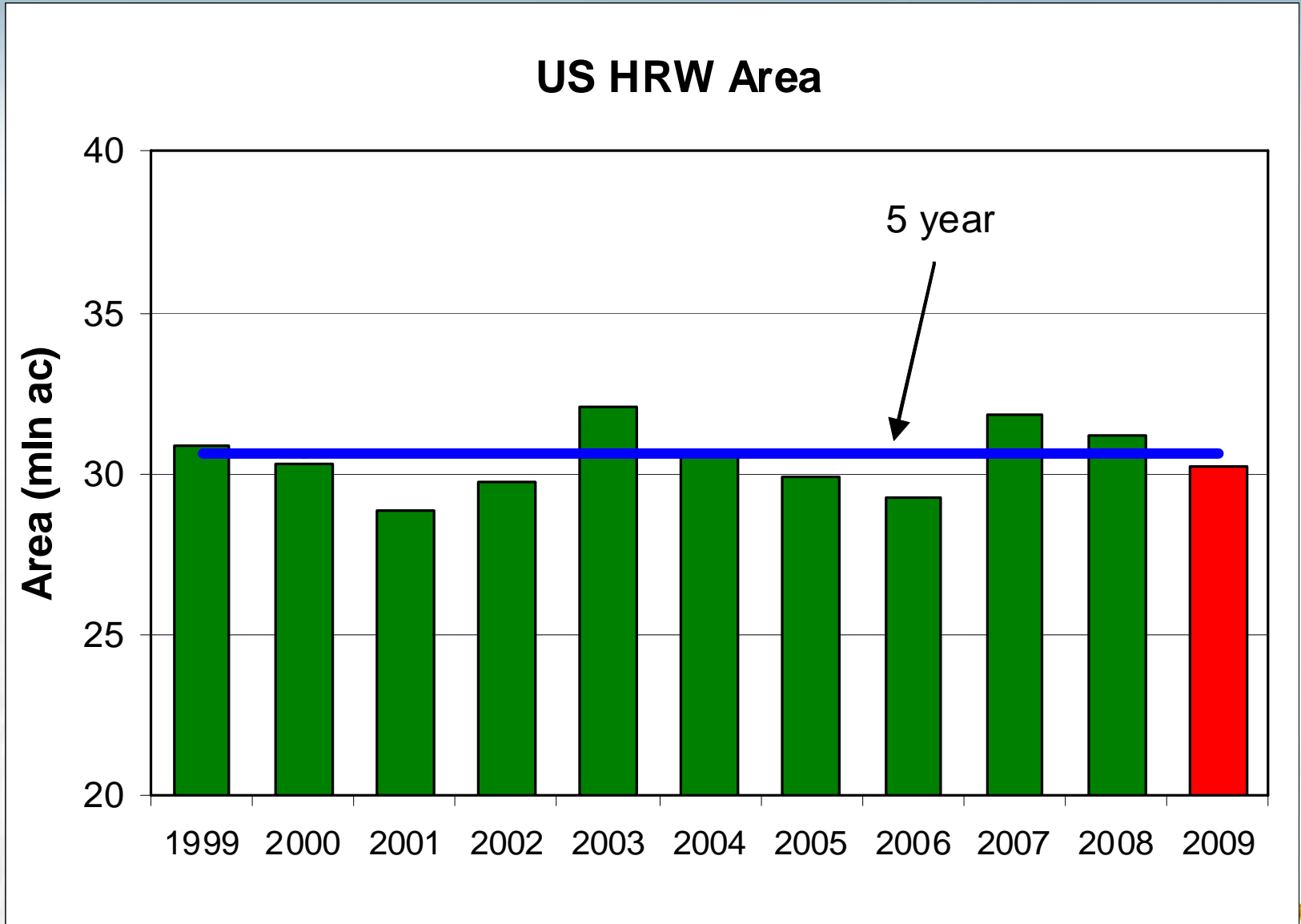
Source: USDA, 2009-10 CWB forecast



US Winter Wheat Area

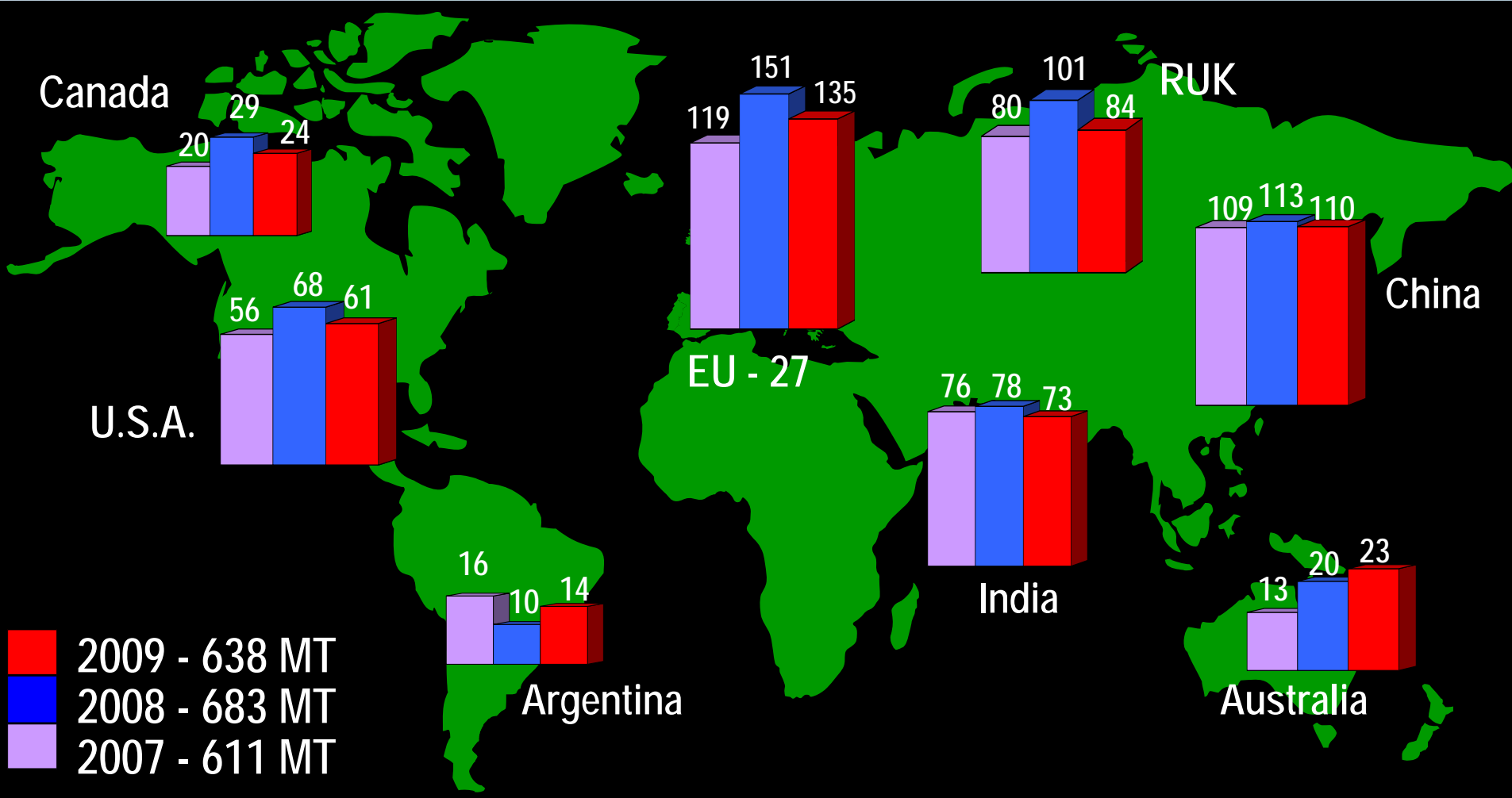
	2008	2009	
	mln ac	mln ac	% Change
HRW	31.2	30.2	-3.3%
SRW	11.0	8.3	-24.7%
White	4.0	3.6	-8.5%
Total	46.3	42.1	-9.0%

HRW Area



Major Wheat Producers

(million tonnes)

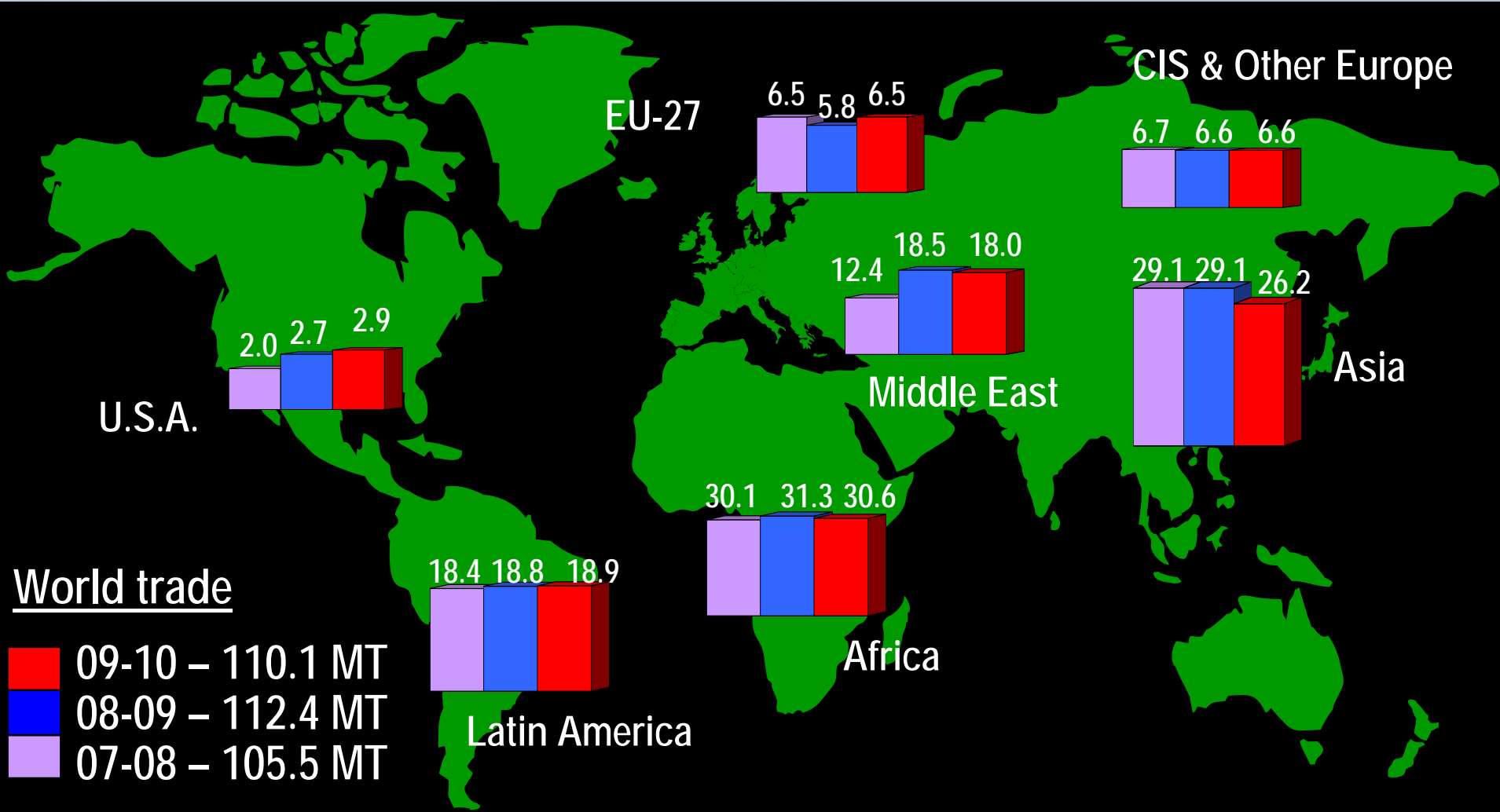


■ 2009 - 638 MT
■ 2008 - 683 MT
■ 2007 - 611 MT

Source: 2007, 2008 - USDA, 2009 - CWB



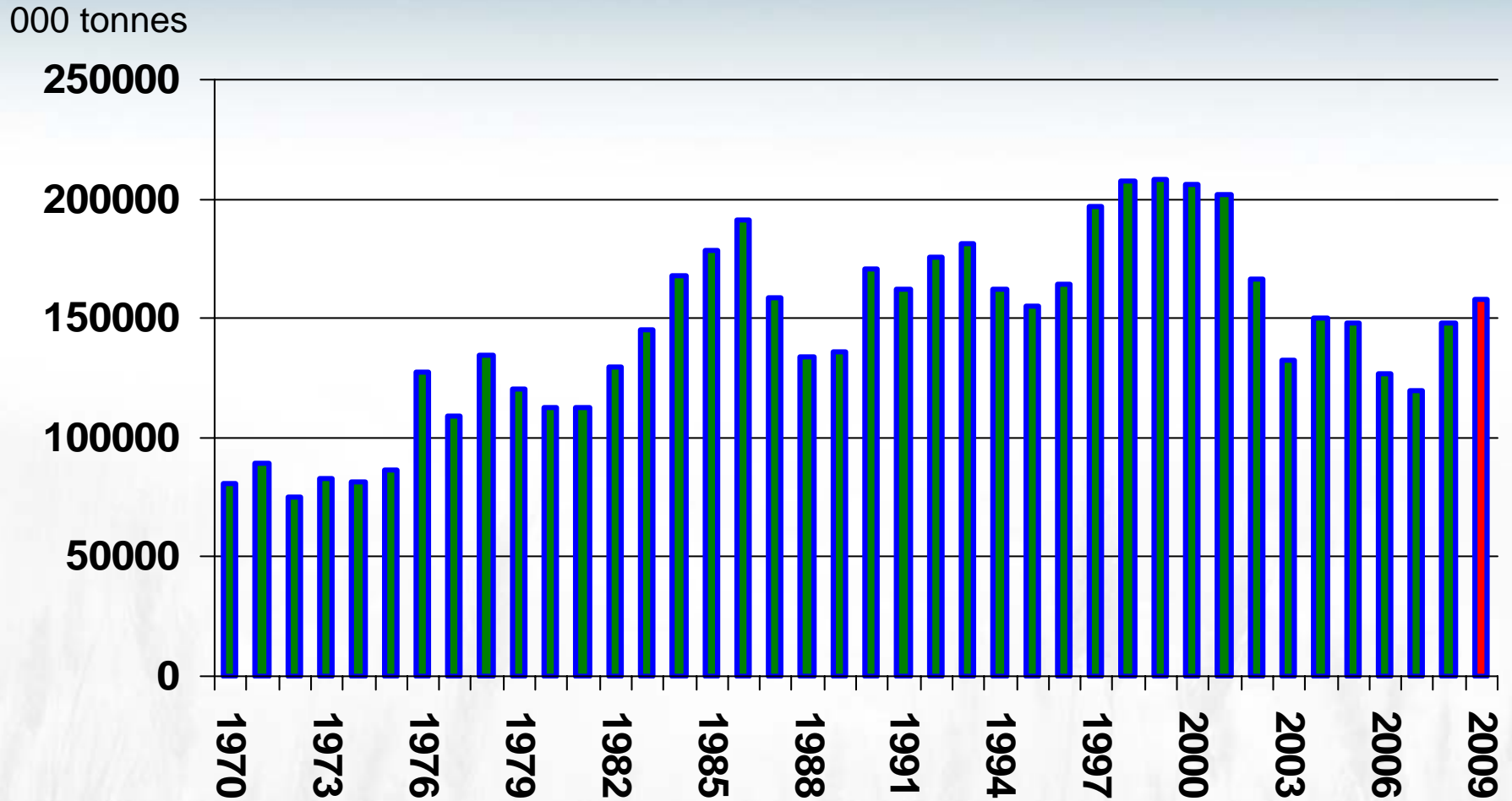
Regional Wheat Import Demand (million tonnes)



Source: CWB



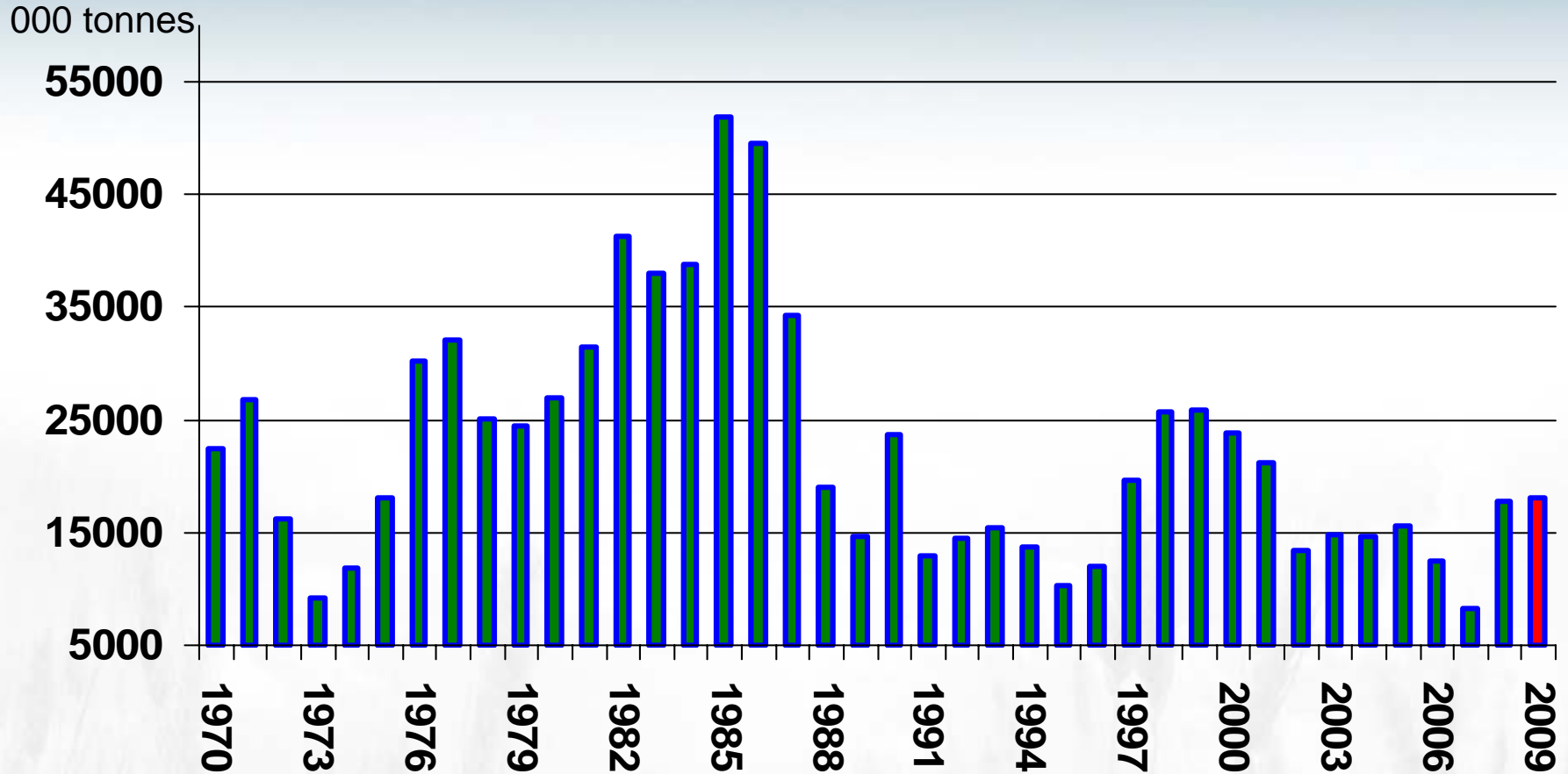
World Wheat Ending Stocks



Source: USDA, 2009/10 - CWB



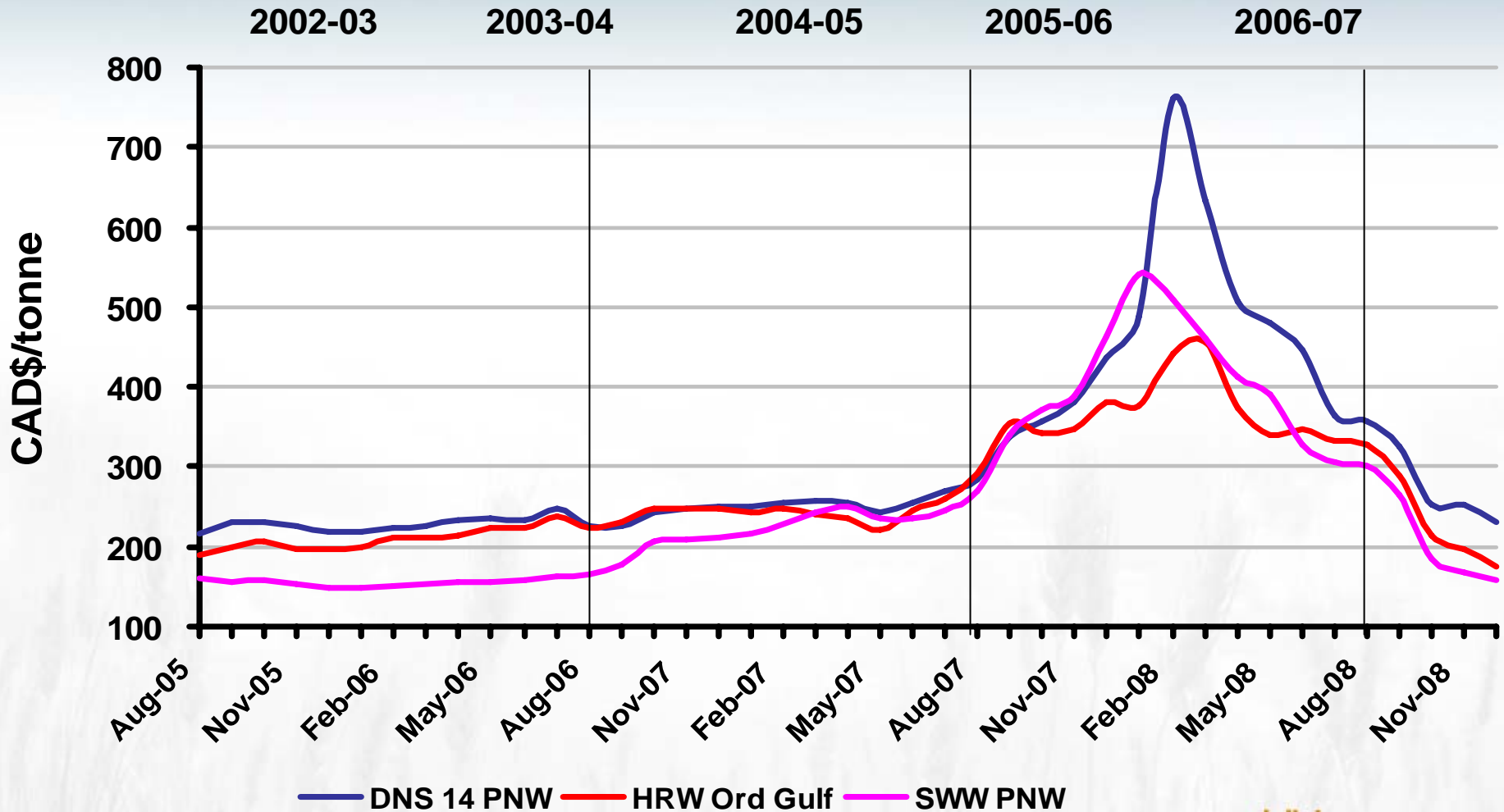
US Wheat Ending Stocks



Source: USDA, 2009/10 - CWB



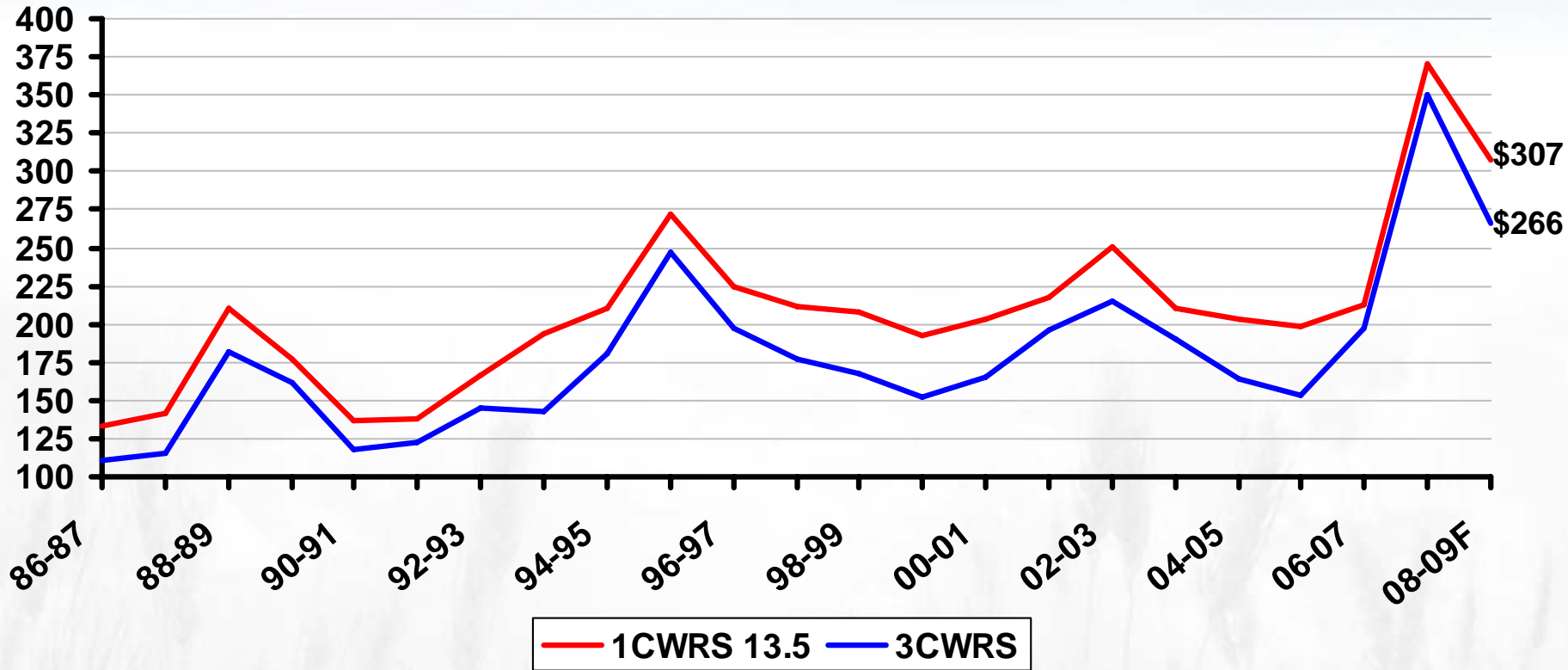
World Wheat Indicator Prices (CAD)



CWRS Pool Returns to Farmers

In store Vancouver or St. Lawrence

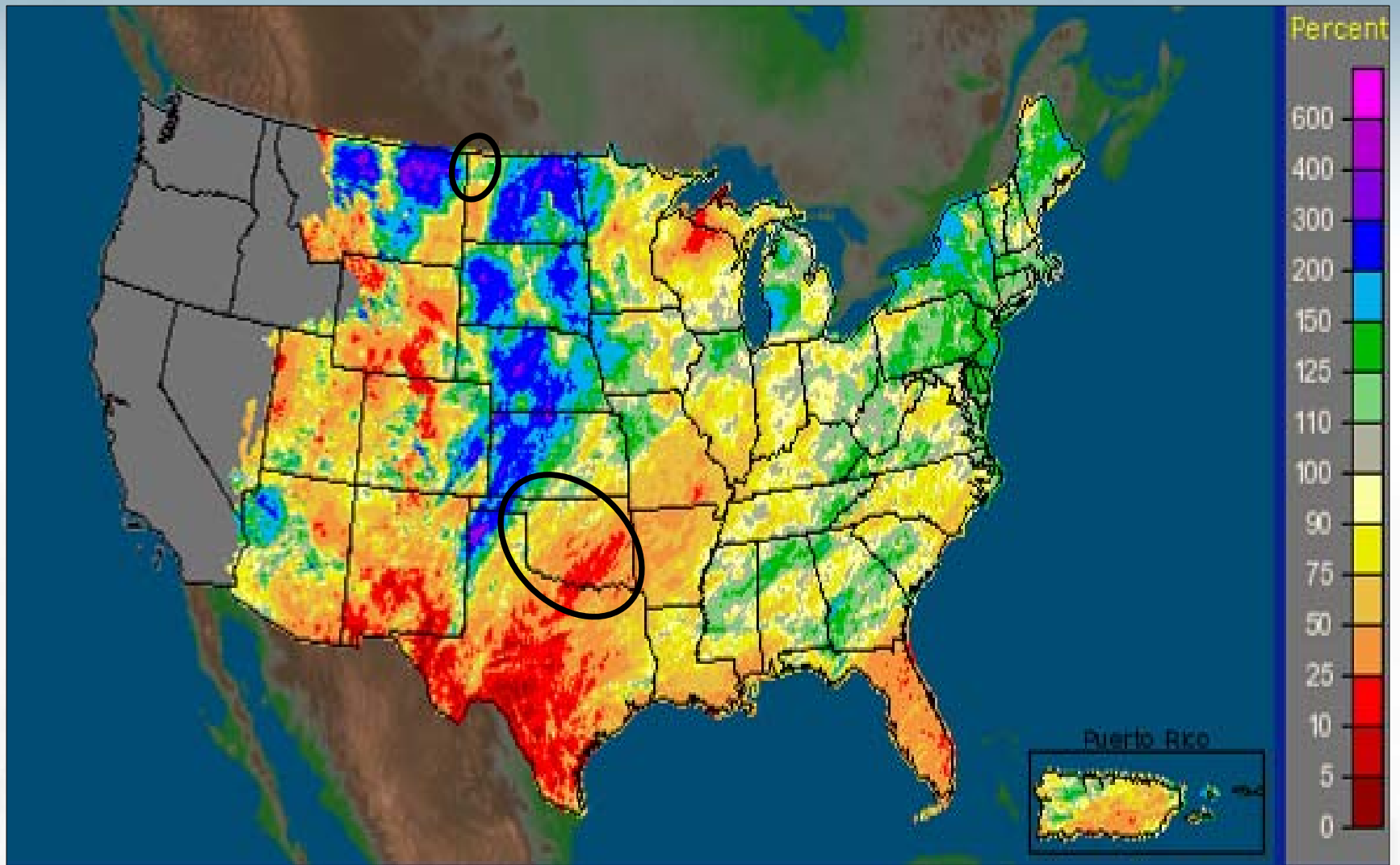
Cdn\$/tonne



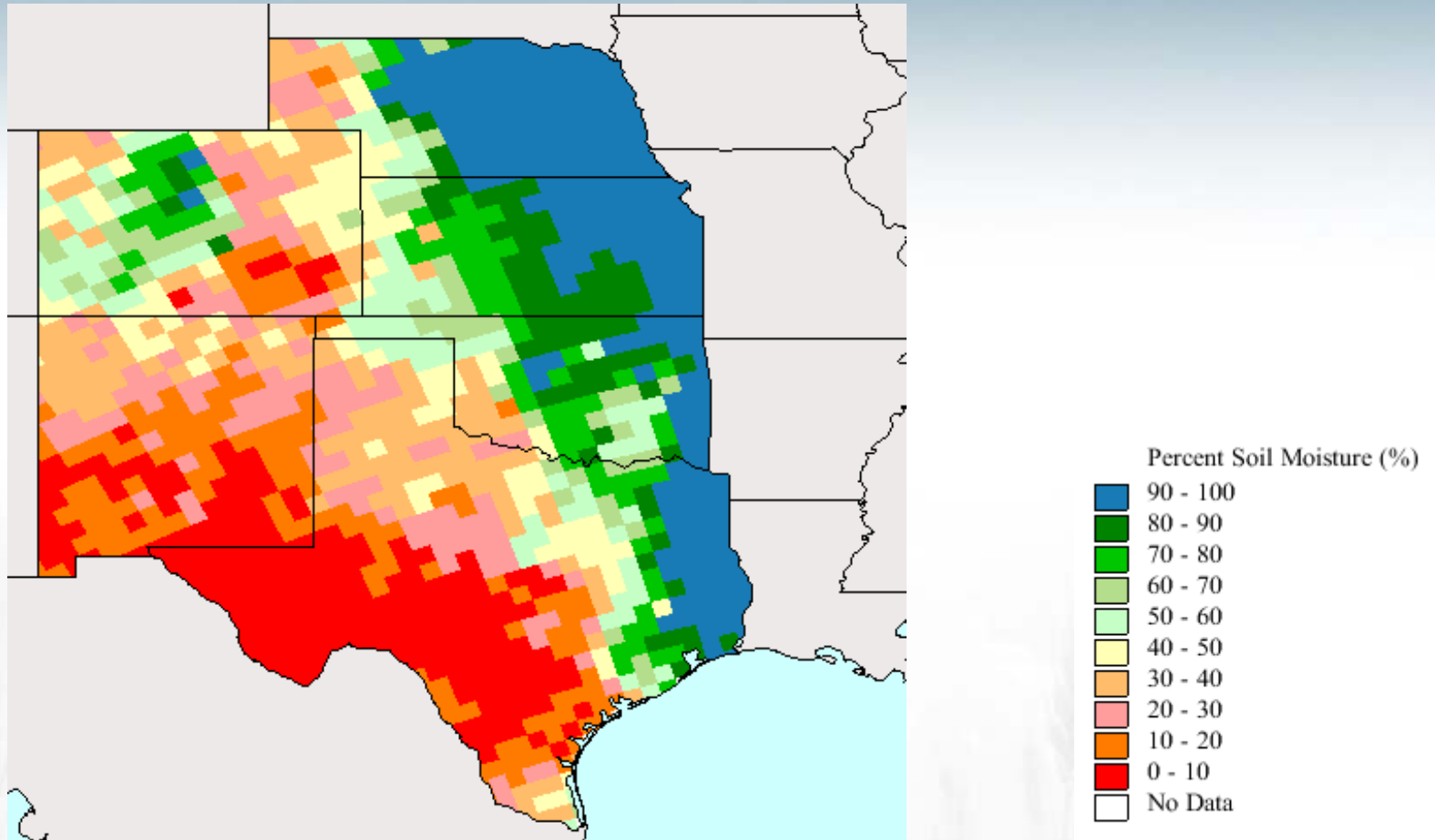
Global Wheat Weather

- Dryness continues across Alberta and northwestern Saskatchewan
- US HRW
 - Lower HRW plantings compared to last year and 5 yr avg
 - Dry post-seeding conditions in the southern HRW lead to poor establishment in areas and increased winterkill concerns
- Poor soil moisture through most of the Middle East
- In North Africa, dry conditions persist in Tunisia and parts of Morocco.
- Dryness developing for Chinese winter wheat area

US 90 day % of normal precipitation

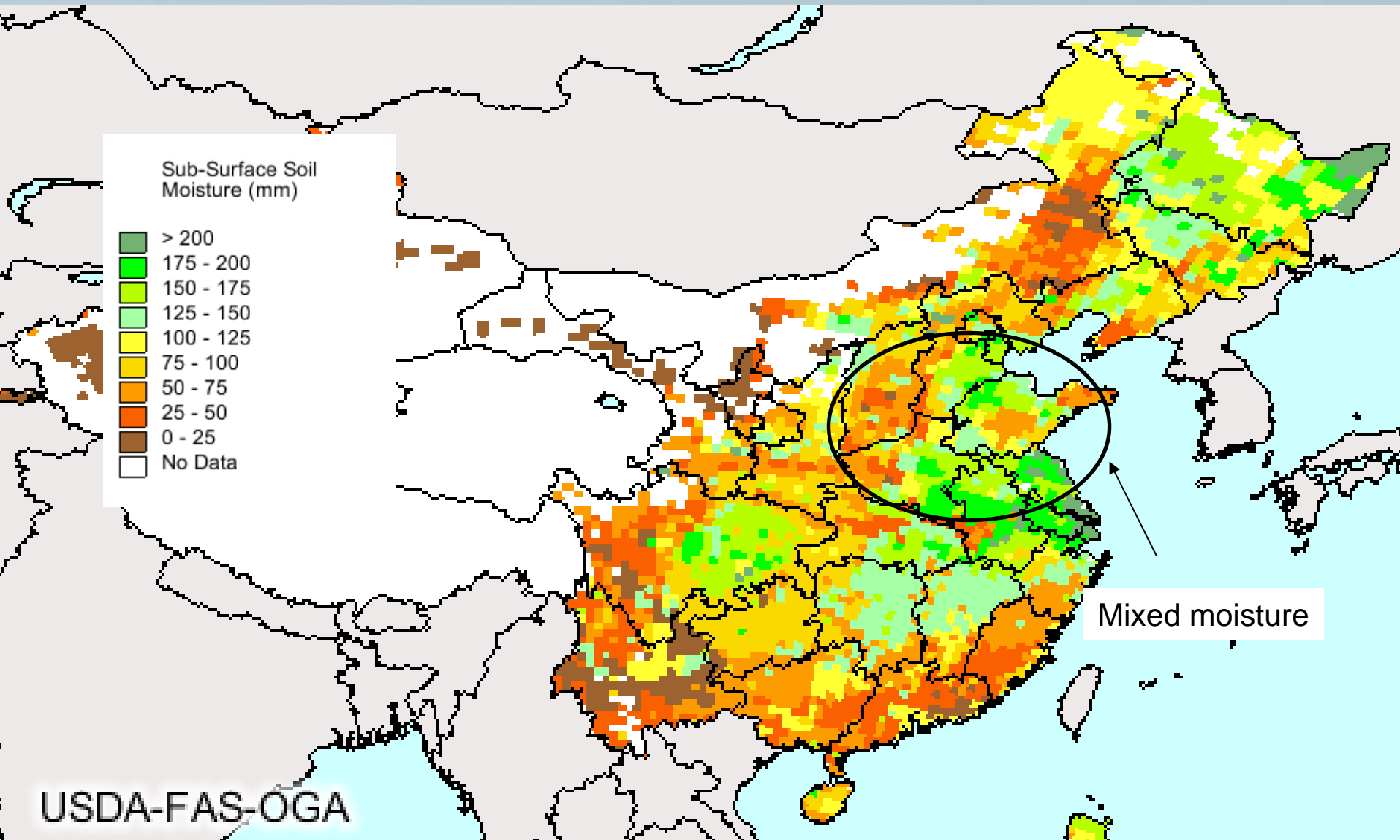


Percent Soil Moisture



- Areas with poor soil moisture for HRW crop

China soil moisture

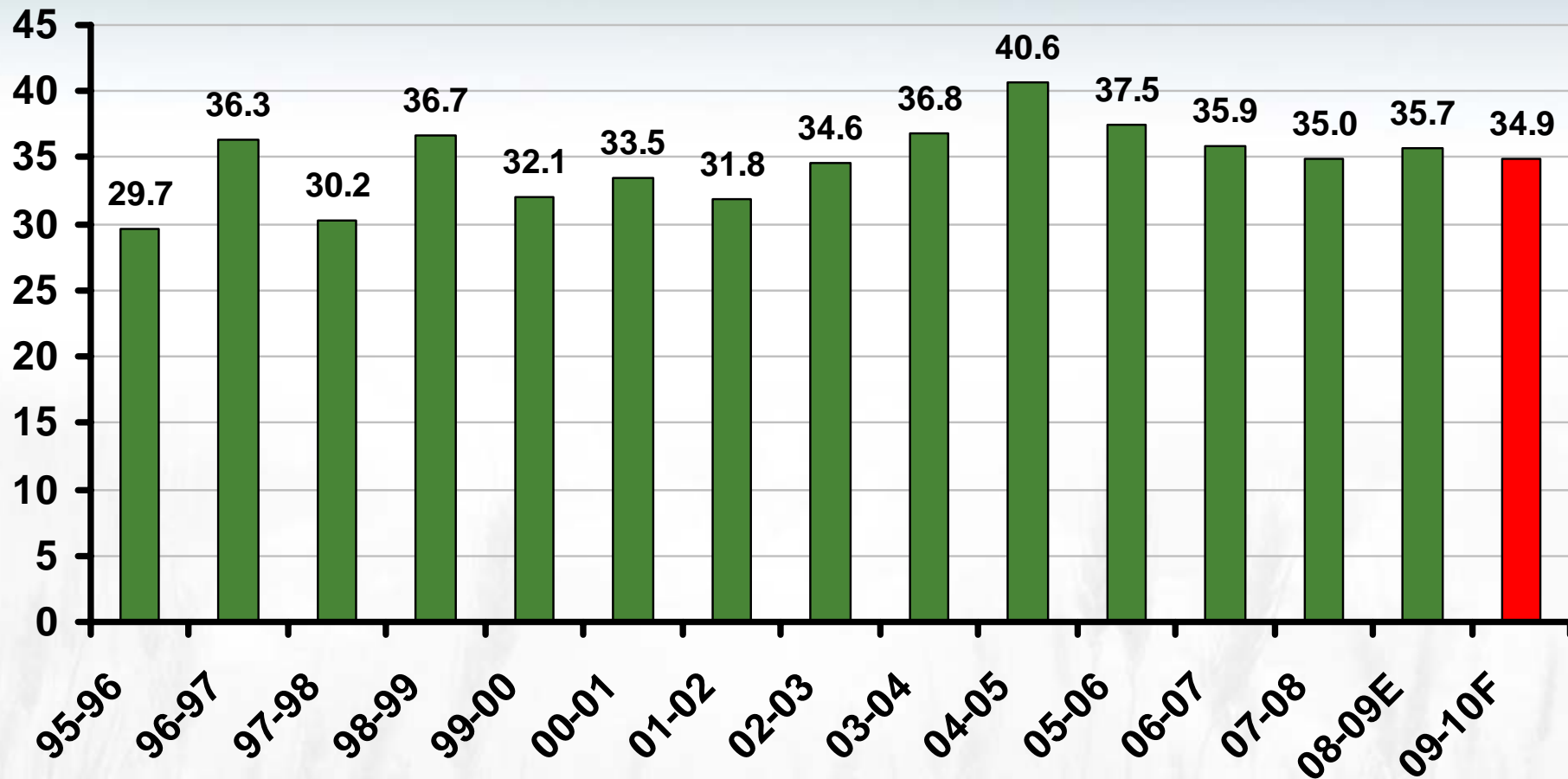


Durum

- Global durum production exceeded consumption for the first time in 3 years.
- Durum stocks have increased, but not to burdensome levels.
- North American durum stocks are still below the 5-year average.
- High prices have caused demand rationing, with some customers/countries blending spring wheat into semolina/pasta.

Global durum wheat production

million tonnes

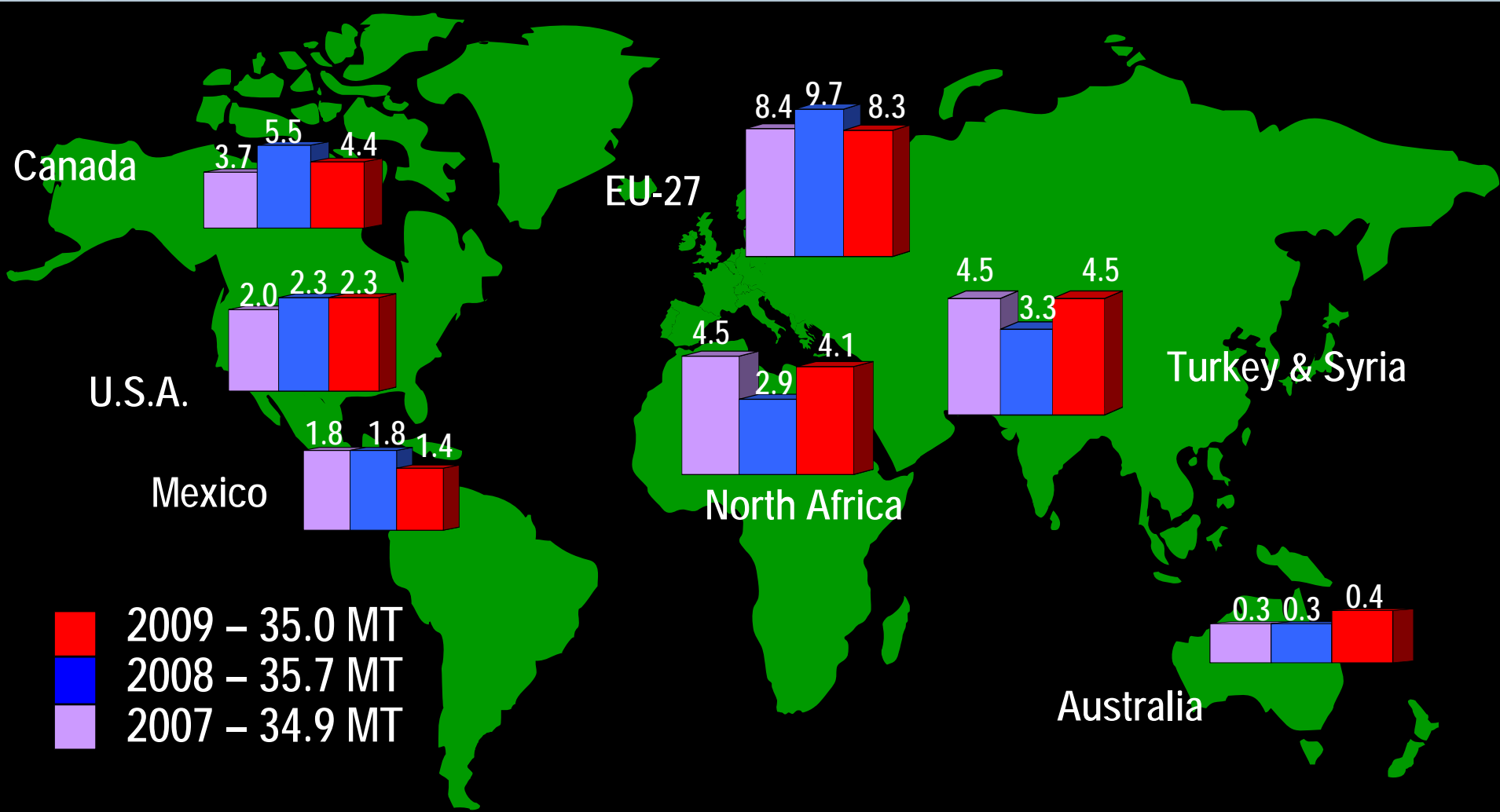


Source: CWB



Major Durum Producers

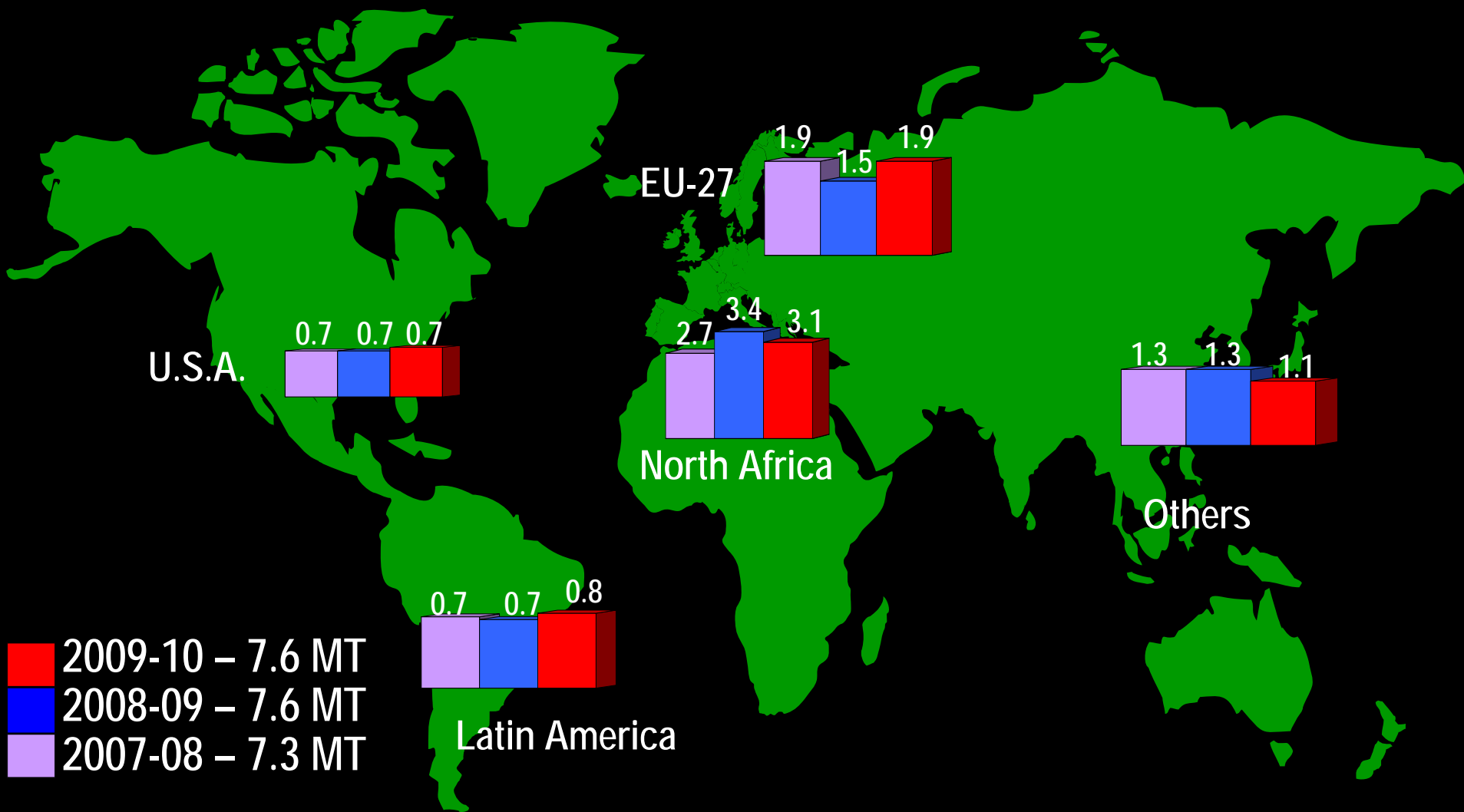
(million tonnes)



Source: CWB

Regional Durum Import Demand

(million tonnes)



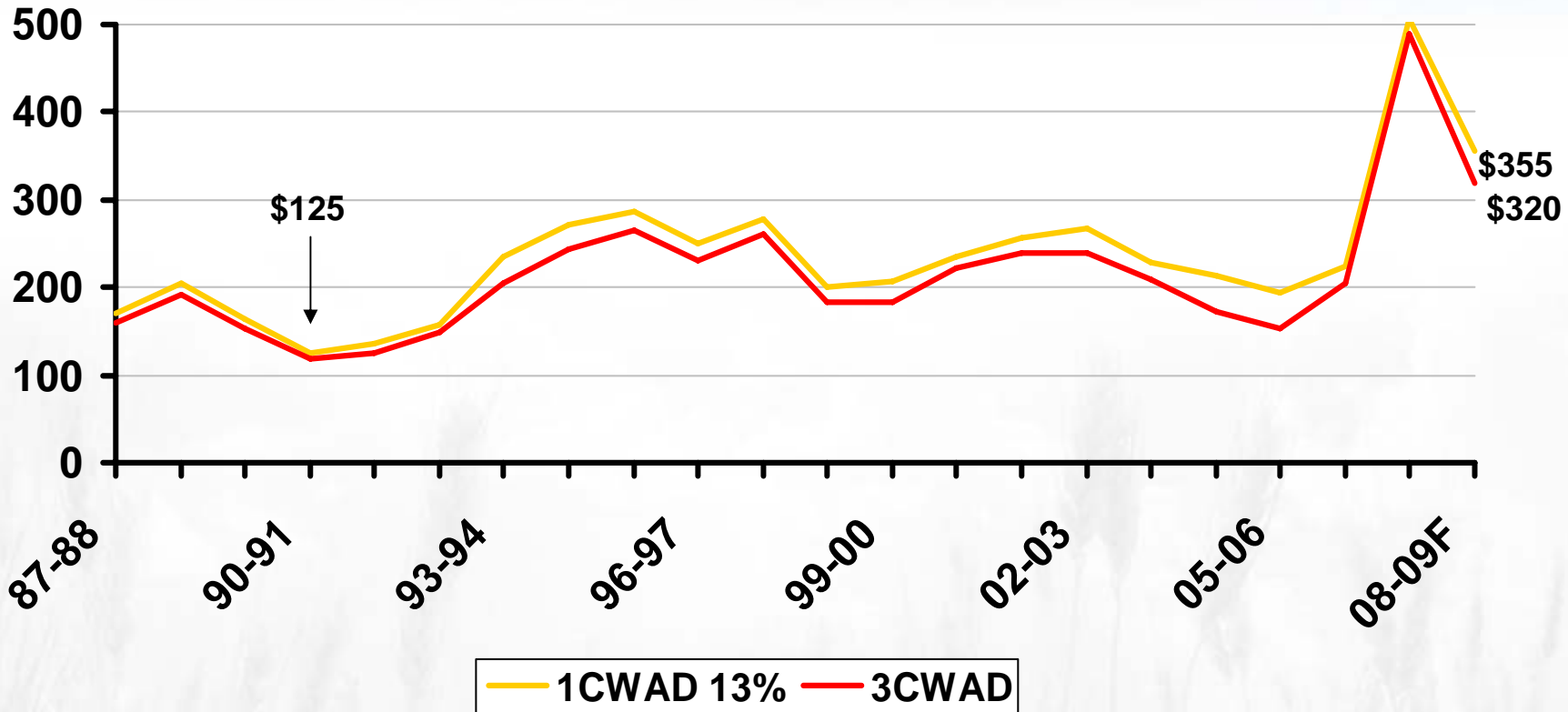
Source: CWB



Durum Wheat Pool Returns to Farmers

In store Vancouver or St. Lawrence

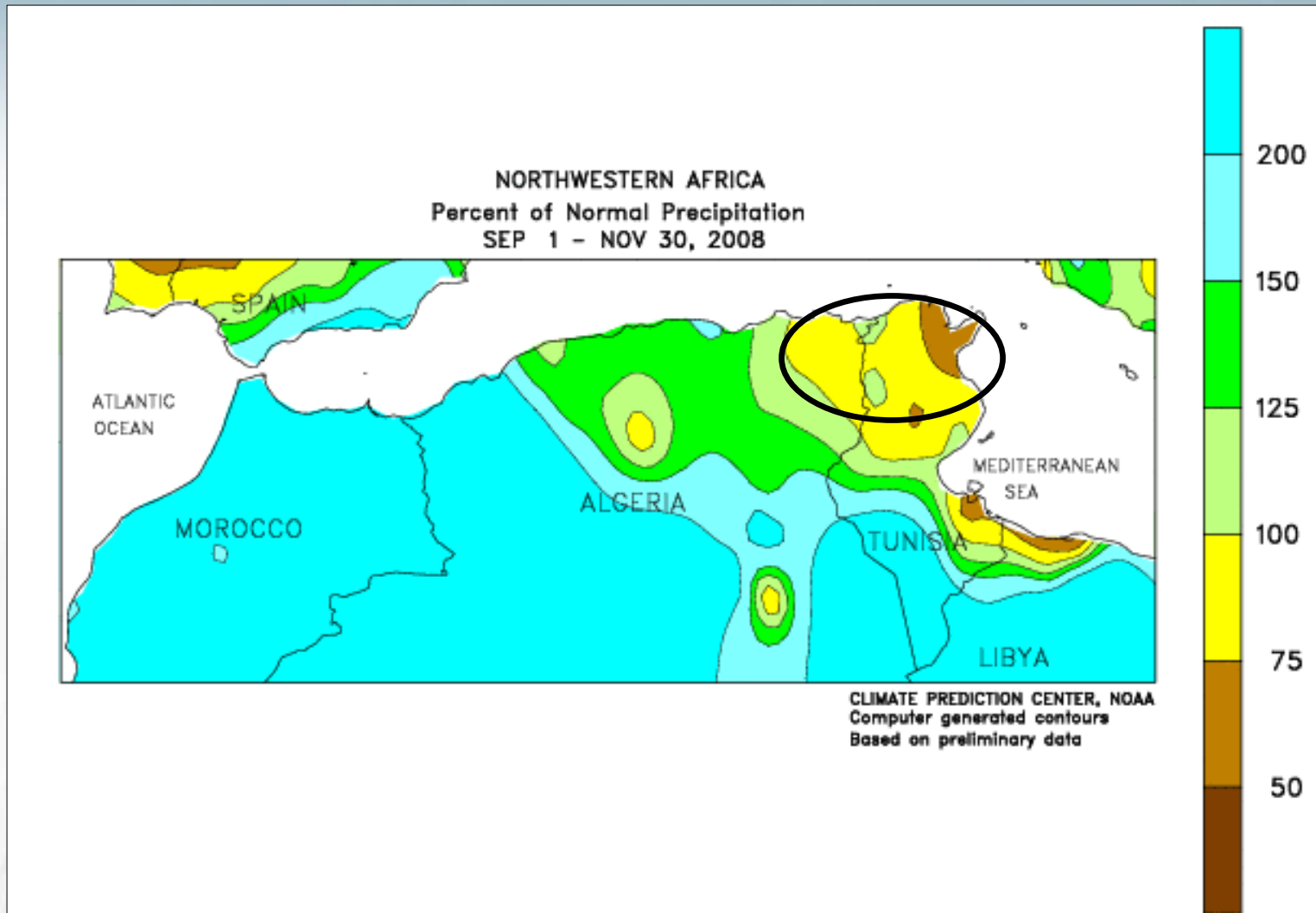
Cdn\$/tonne



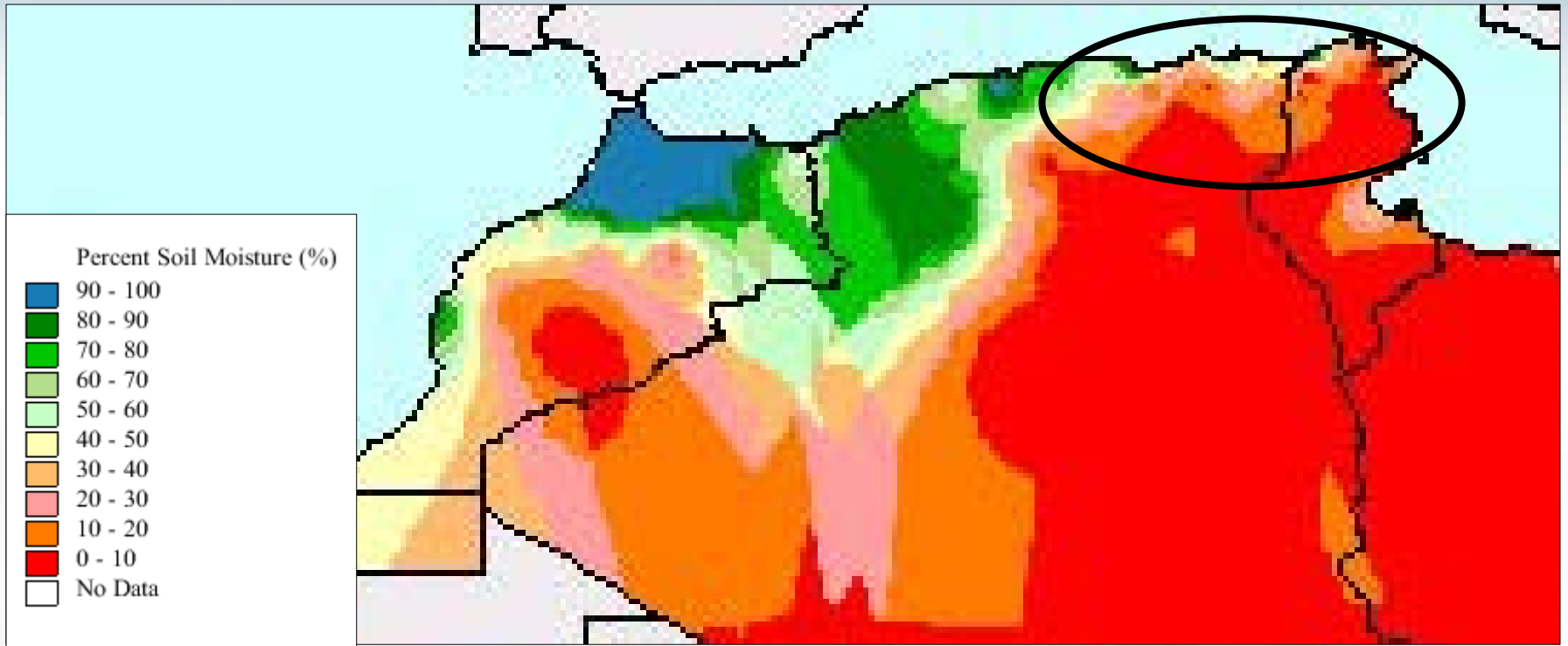
Durum Outlook

- Planting conditions in North Africa and southern Europe have been generally good, but dry areas persist.
- Sown area down slightly in the Mediterranean region (about 5%).
- North American area is expected to decrease with Canada down about 20% and the US down about 8%.
- Durum areas in North America are dry and in need of good spring rains.

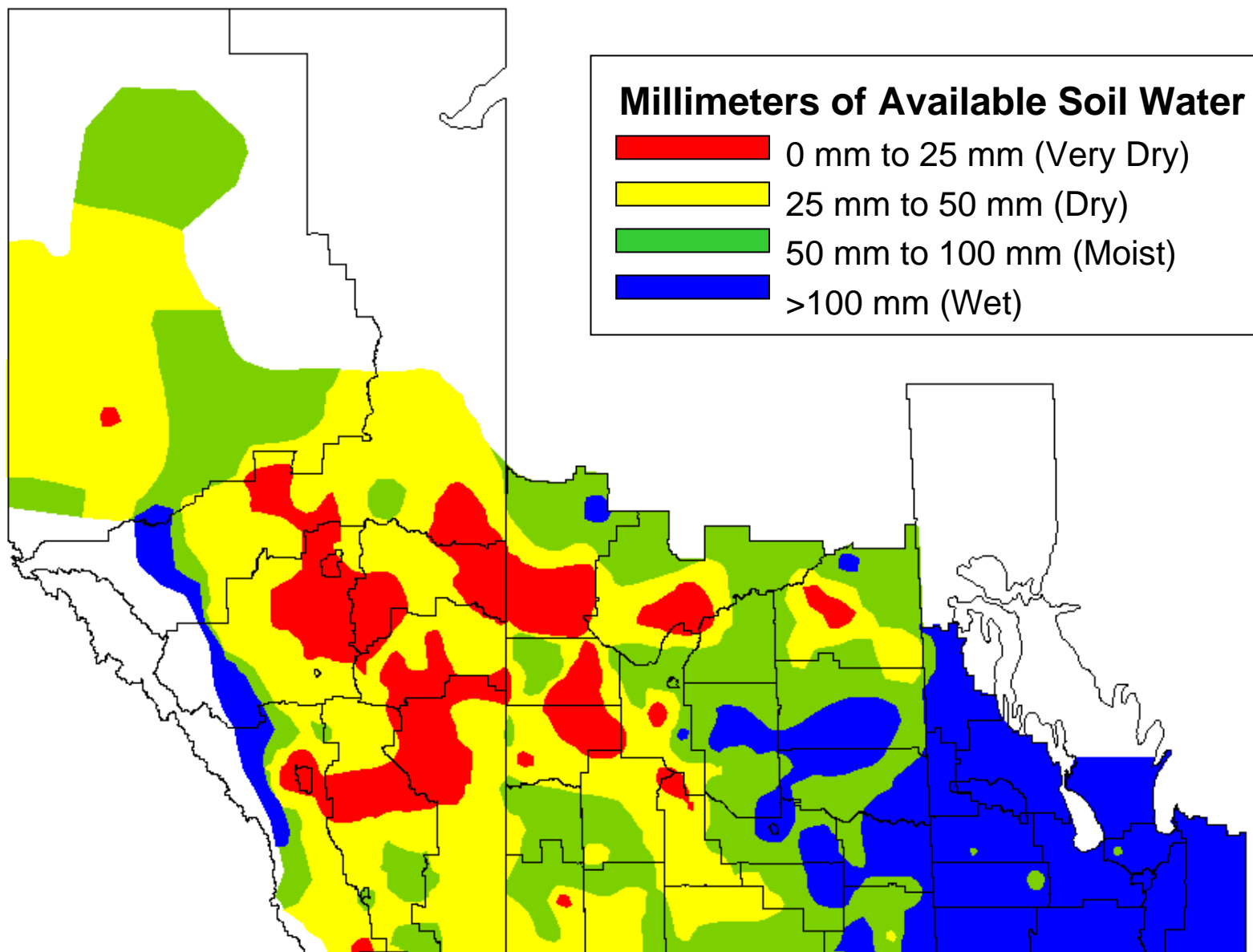
North Africa – Percent of normal precipitation



North Africa – Percent Soil Moisture



Available Soil Moisture – November 1, 2008



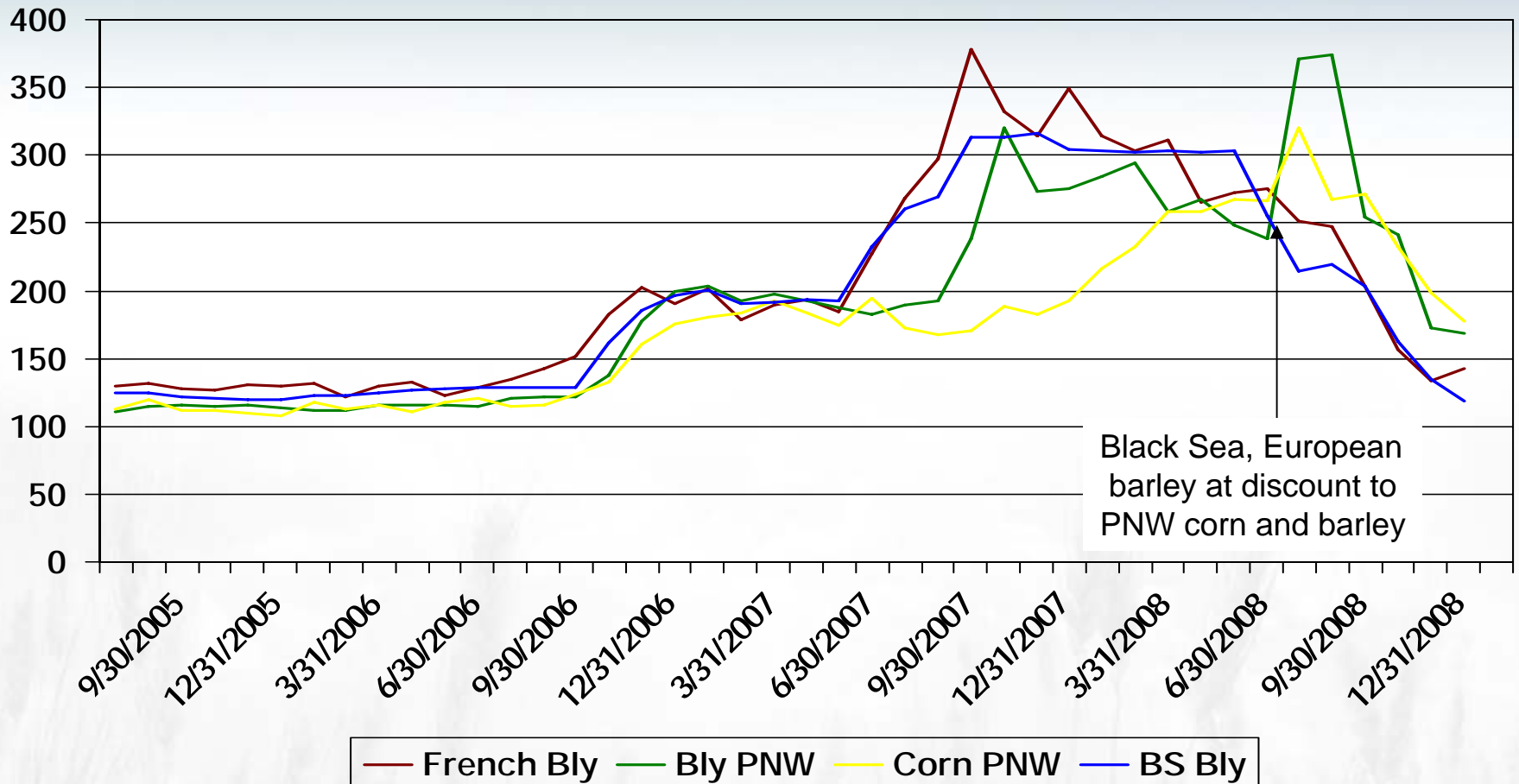
2 Data Source: Provincial Depts. of Agriculture

Barley Situation

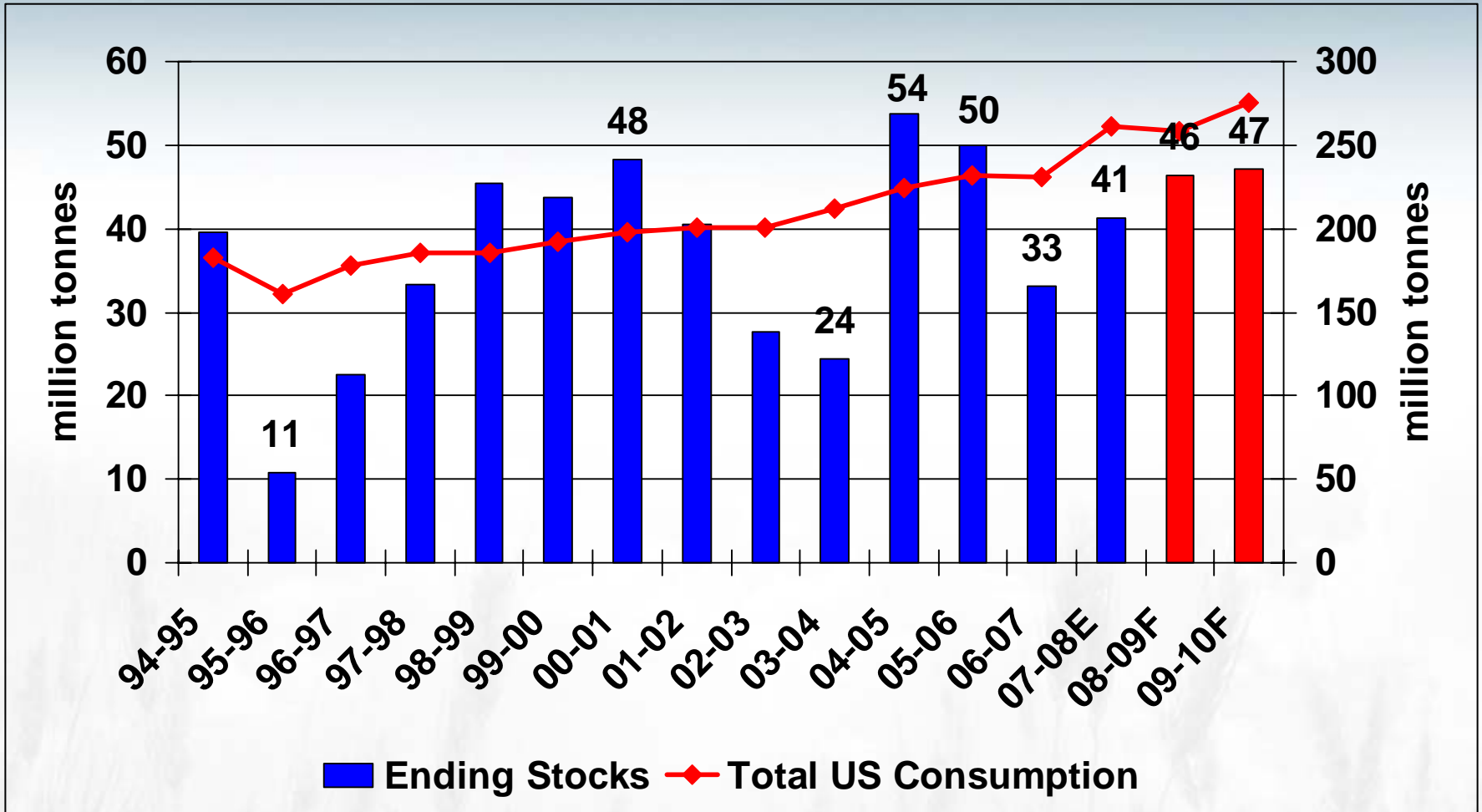
- Domestic barley market has turned weaker given large supply, lower feed demand,
- U.S. corn fundamentals are not bullish, especially after the Jan 12 USDA report
- International feed barley values projected to remain soft with abundance of Black Sea supplies
- Malting barley prices expected to be pressured lower by increased supply.

Feed Price Comparisons

US\$/tonne



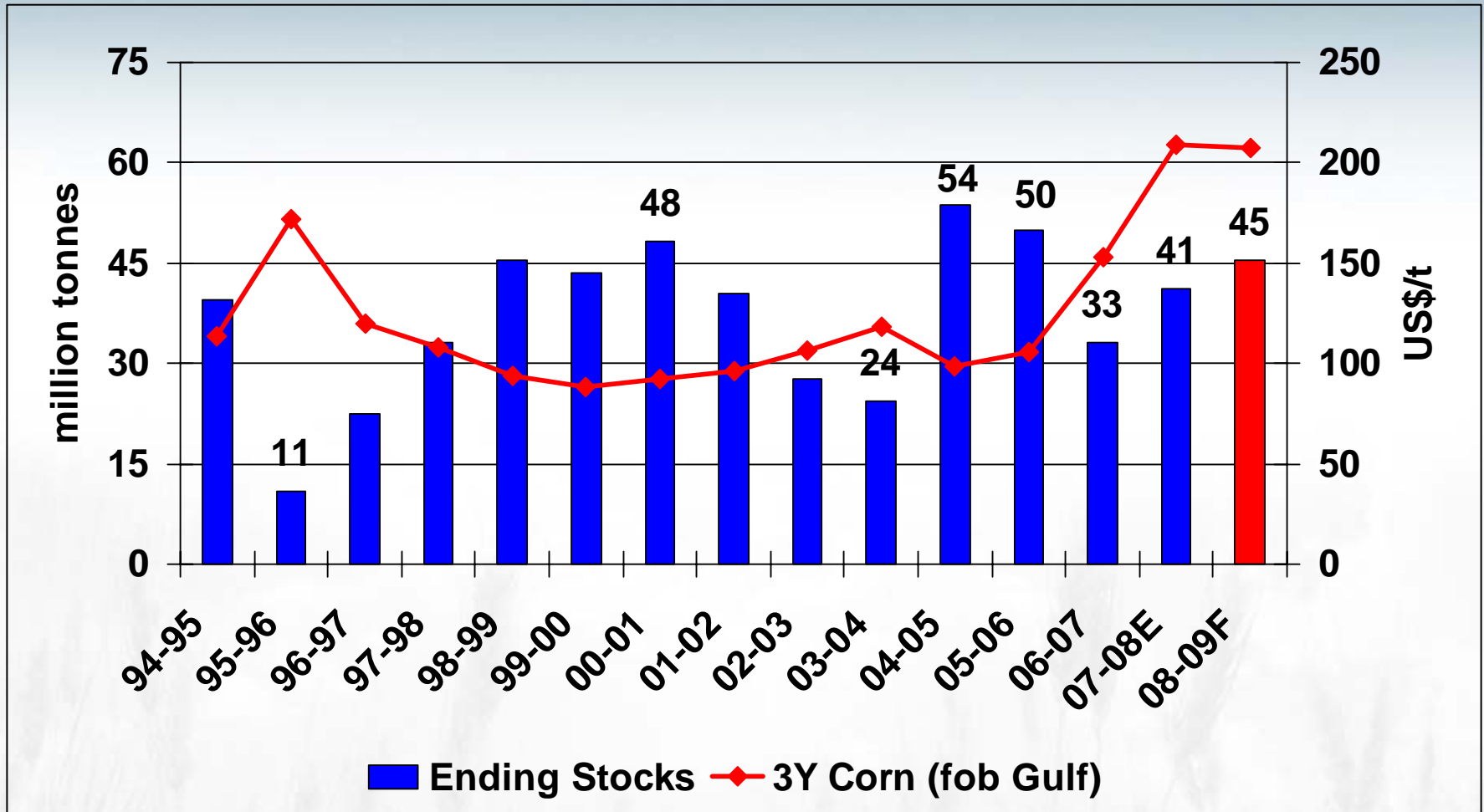
U.S. Corn Situation



Source: USDA, 2008-09 & 2009-10 CWB forecast



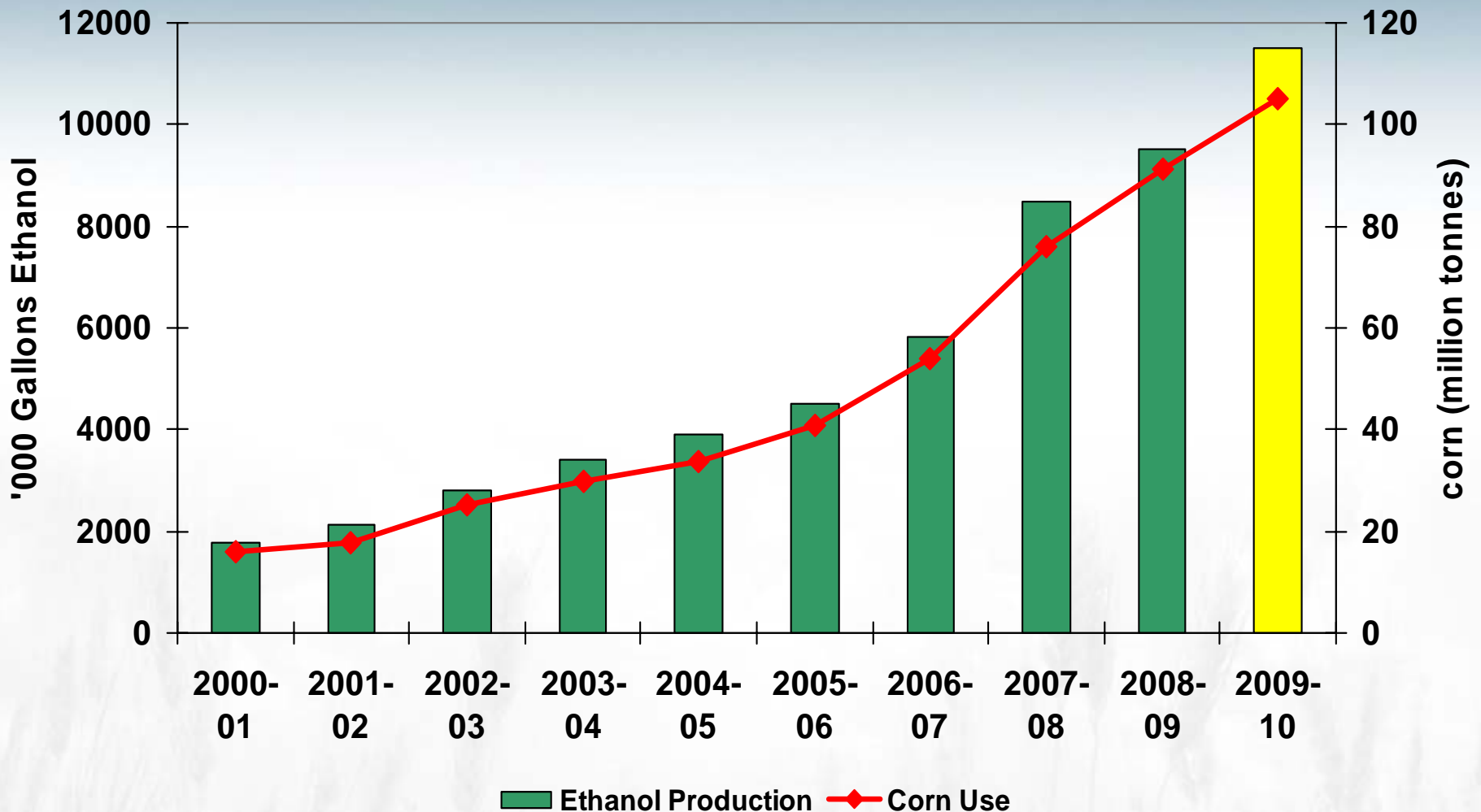
U.S. Corn Situation



Source: USDA, CWB FOB Sheet



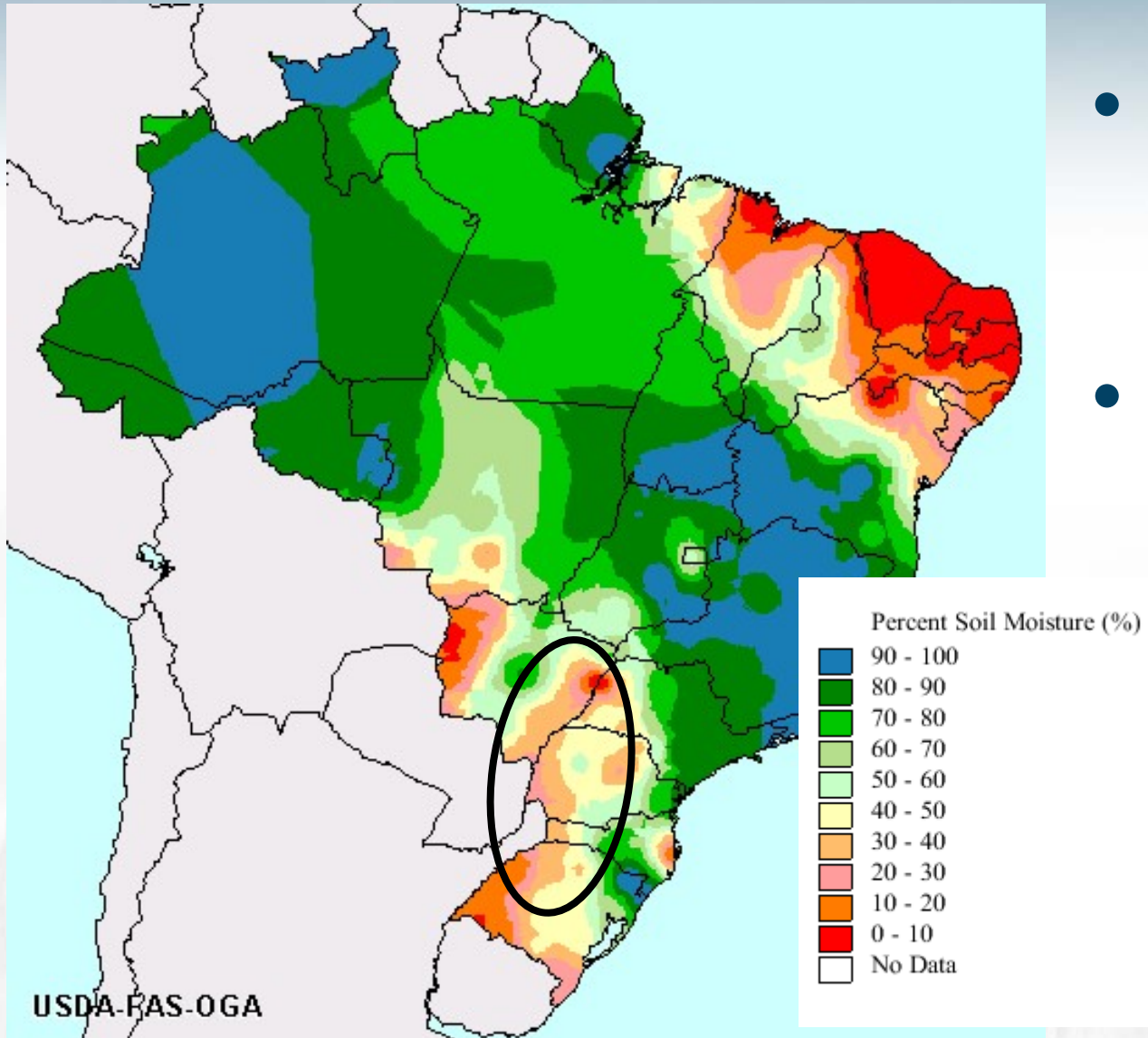
U.S. ethanol production and corn use



Source: USDA, 2009-10 CWB Forecast

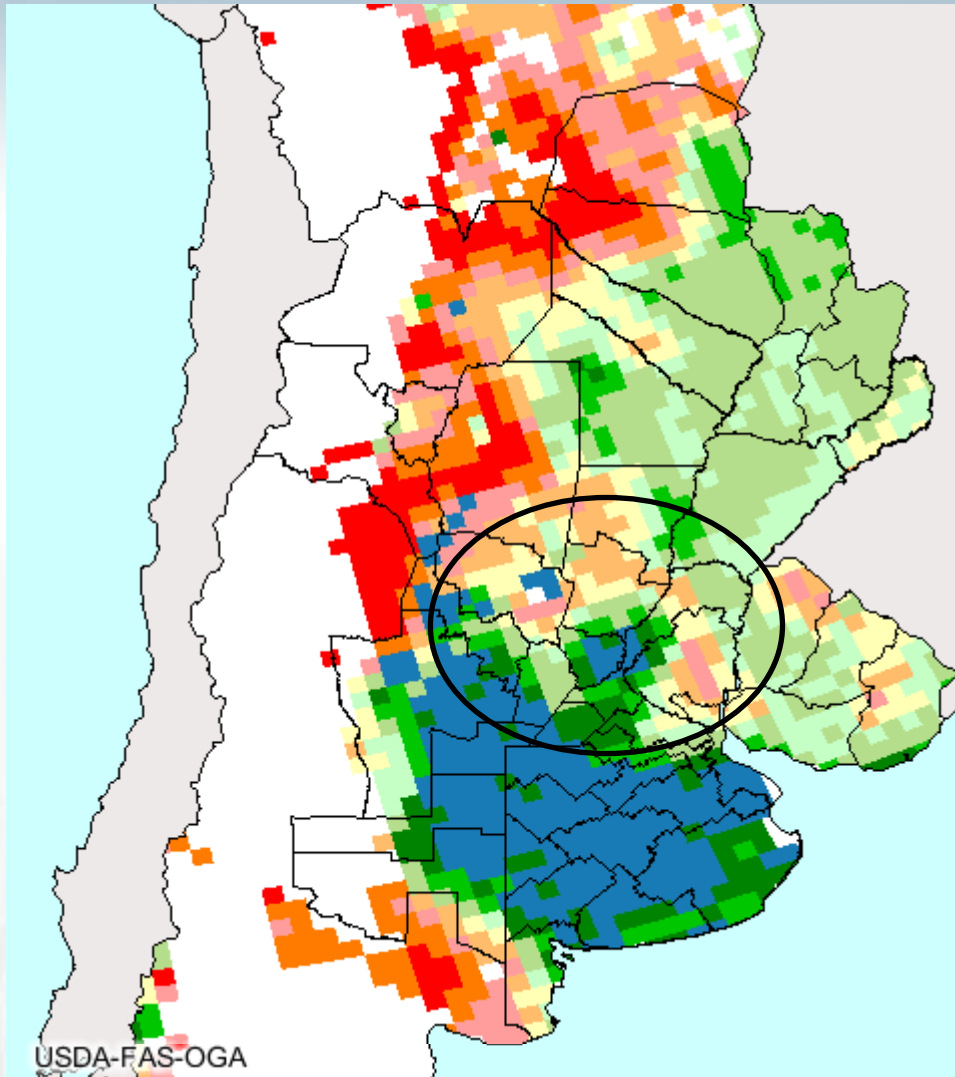


Percent Soil Moisture



- Soil moisture improving in northern soybean areas
- Poor soil moisture for southern soybean/corn

Percent Soil Moisture (mm)



- Deteriorating soil moisture for corn and soybean crops
- Need widespread rain soon

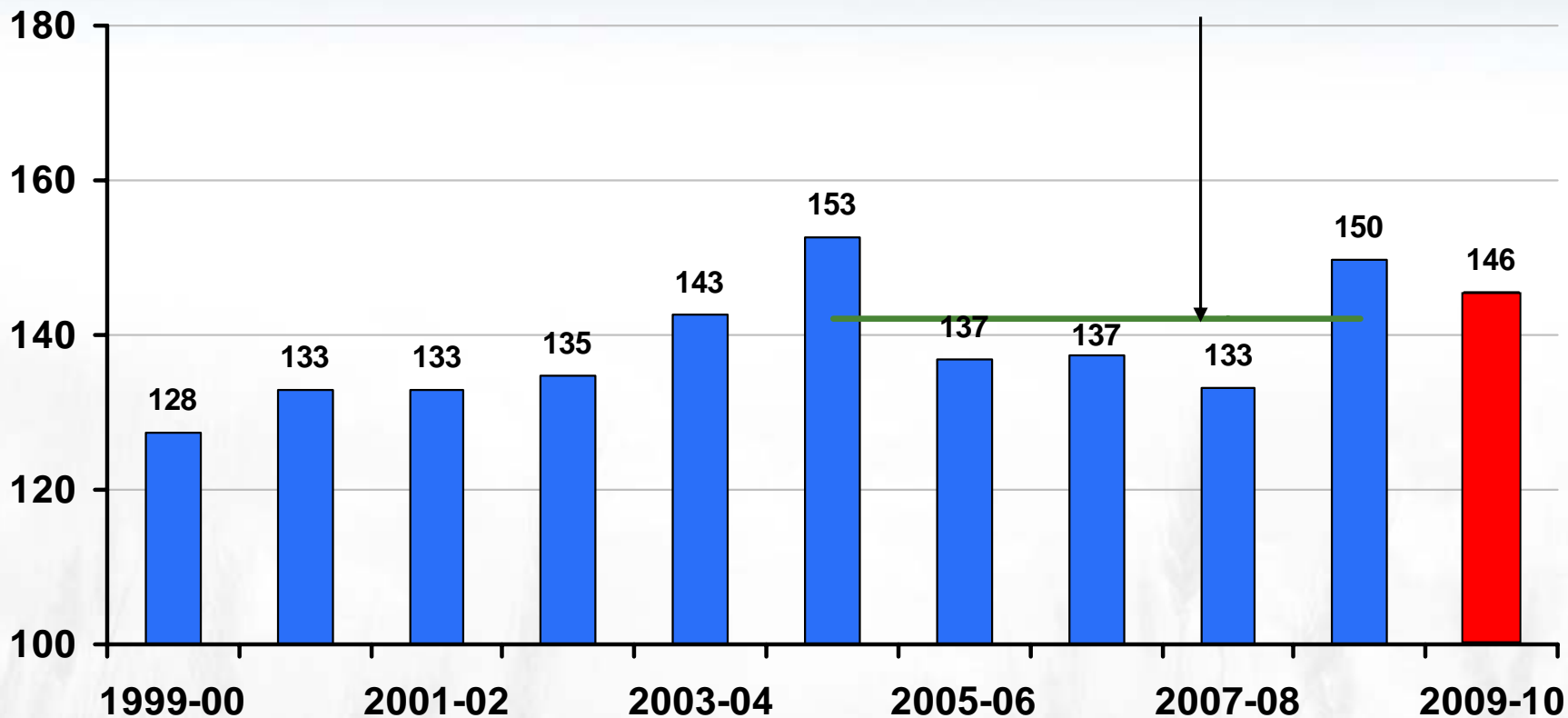
Percent Soil Moisture (%)



Global barley production

Million tonnes

5 year average
= 142 MT

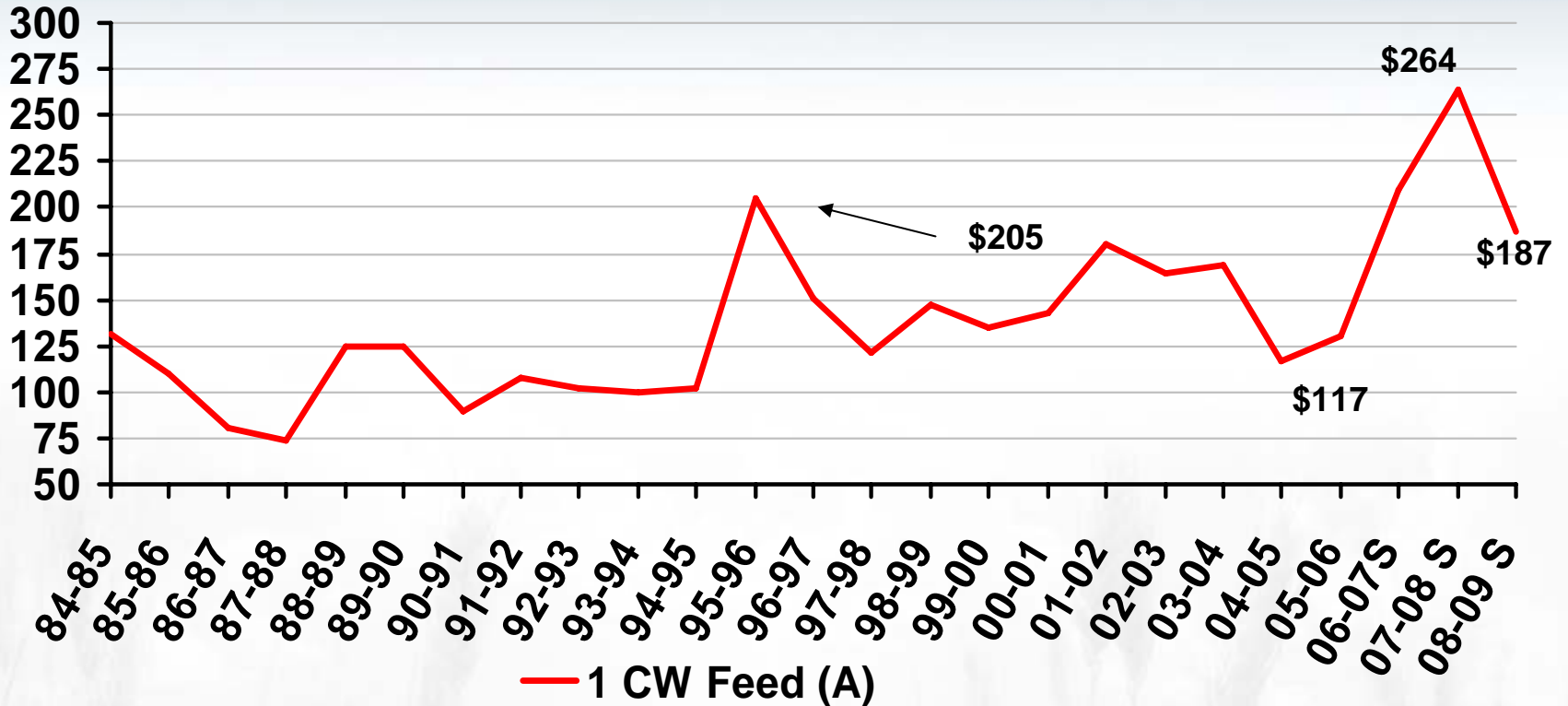


Pool returns to farmers

1CW (Feed)

In store Vancouver or St. Lawrence

Cdn\$/tonne

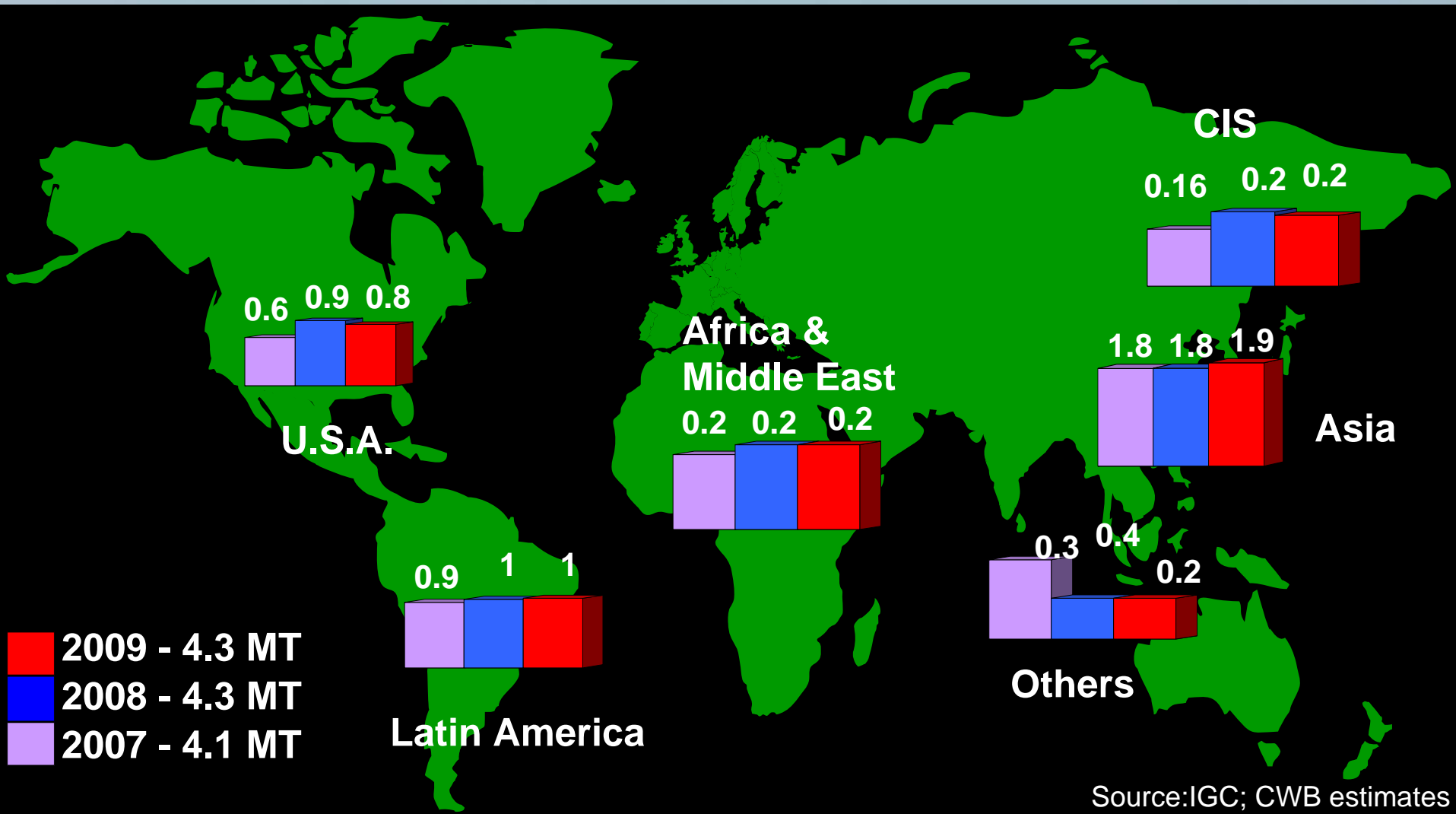


Source: CWB Dec 2008 PRO



Regional Malting Barley Import Demand

(million tonnes)

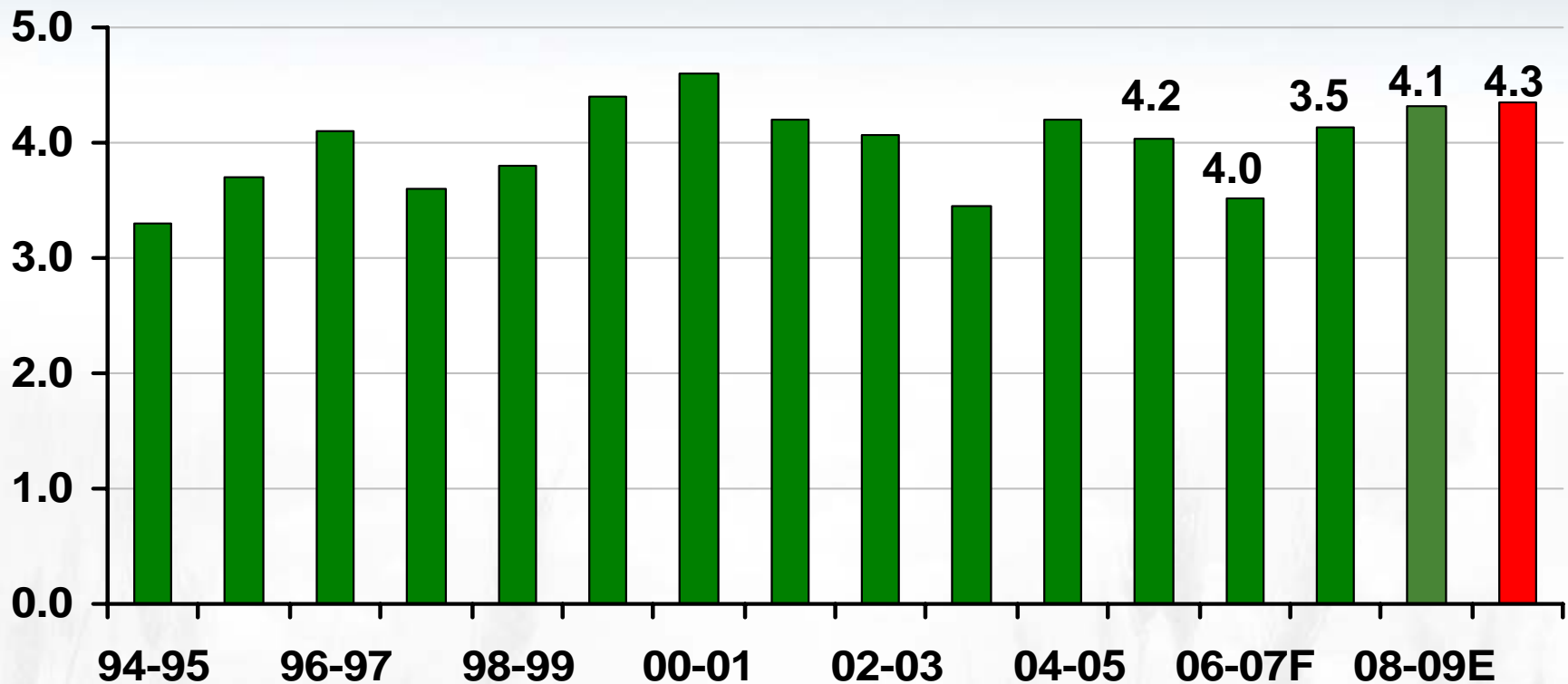


Source: IGC; CWB estimates



World malting barley trade

million tonnes



Pool returns to farmers

Designated barley



Source: CWB Dec 2008 PRO



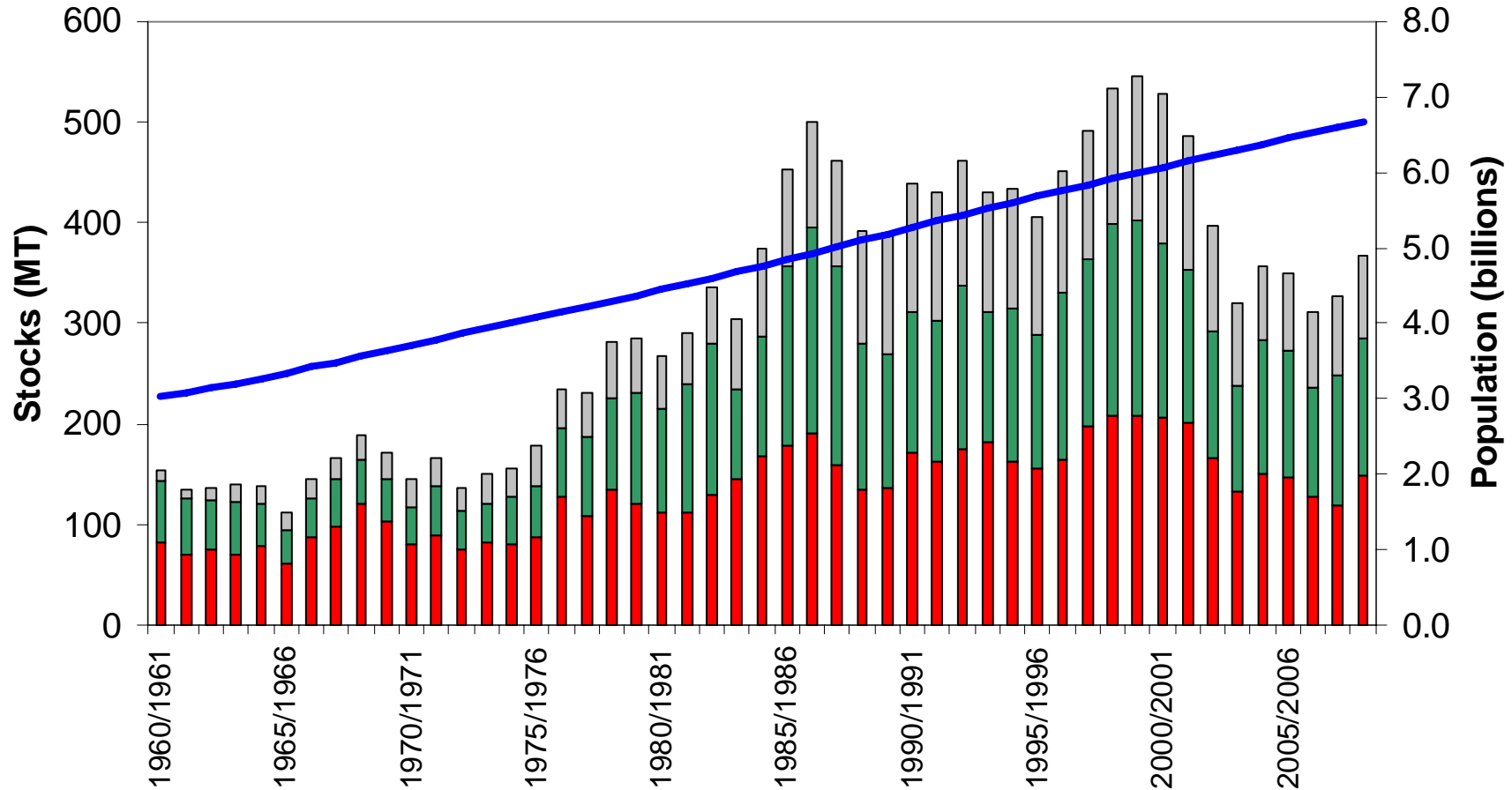
Barley Outlook

- Prices pressured by hand to mouth buying and overall economic conditions.
- World production expected to remain high in 2009/10 with production estimated at 149 MT
- Feed prices should remain soft – higher corn and barley carryout
- Australian production will influence Malting barley prices – is the drought over?

Summary

- Prices are expected to stabilize and remain at historically high levels for wheat, durum and barley through 2009 due to the focus on fundamentals
- Volatility should be reduced by the increased global grain and oilseed stocks
- Any significant production difficulties around the globe will be reflected immediately in increased volatility and higher prices as stock levels are not burdensome.

World Ending Stocks



Good luck in 2009