Canola: Where do we go from here?

Presented by

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President and COO

Informa Economics

Canola Council of Canada
Boca Raton, Florida
March 11, 2008

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The Here and Now

ICE Canola Futures - Nearby

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ICE May-08 Canola

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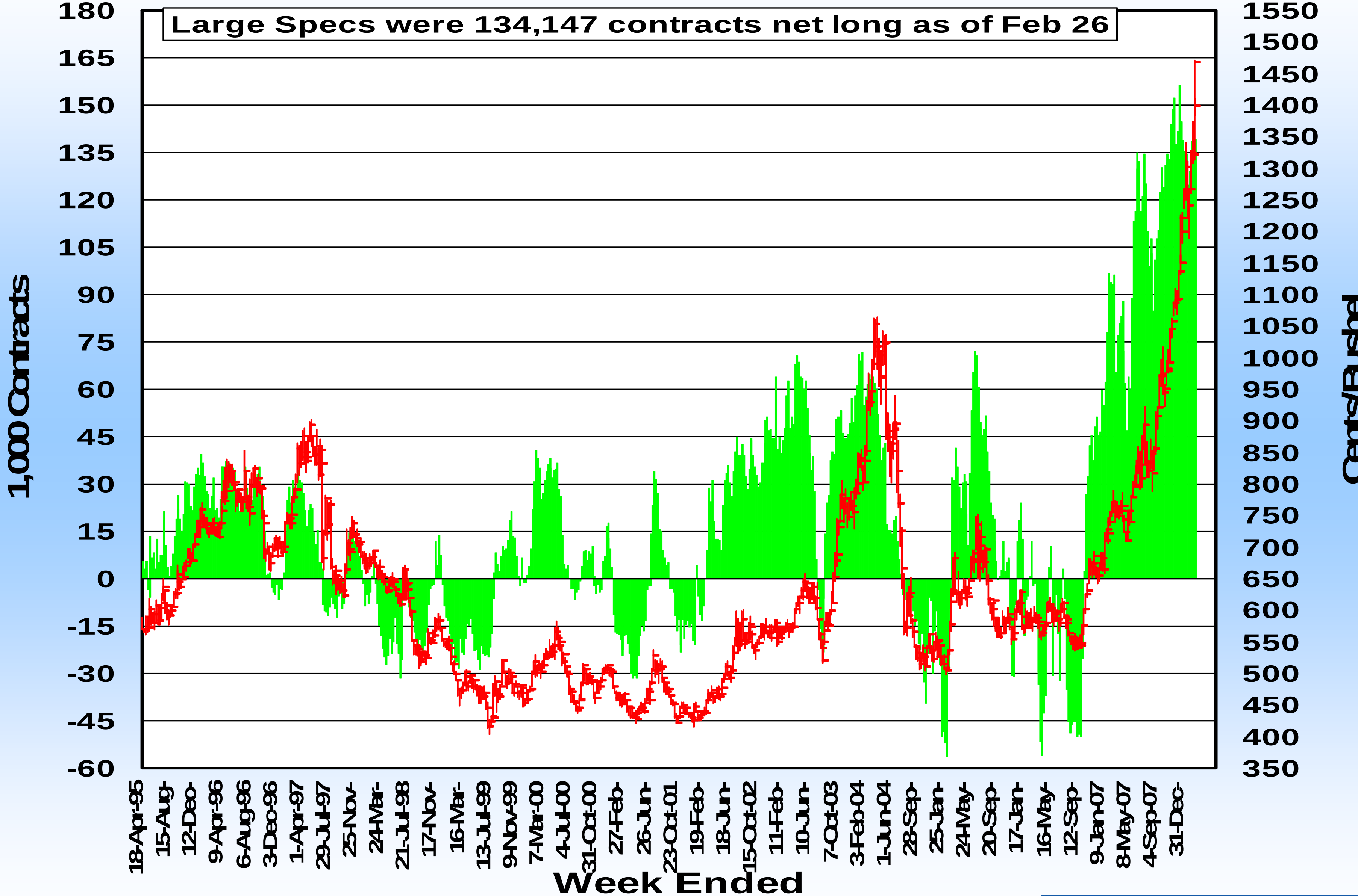
Nearby Soybean Futures vs. Large Spec Net Futures & Options Position



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US Soybean Supply and Demand

(Million Bushels/Million Acres)

	2005/06	2006/07	2007/08	2008/09
Planted Acres	72.0	75.5	63.6	**69.0**
Harvested Acres	71.3	74.6	62.8	**68.1**
Yield	43.0	42.7	41.2	**43.0**
Carryin	256	449	574	**109**
Production	3,063	3,188	2,585	**2,932**
Total Supply	3,322	3,647	**3,169**	**3,051**
Crush	1,739	1,806	**1,845**	**1,845**
Exports	940	1,118	**1,060**	**950**
Seed	93	78	**85**	**88**
Residual	101	70	**70**	**90**
Total Use	2,873	3,073	**3,060**	**2,973**
Carryout	449	574	**109**	**78**
Futures ($/Bu.)	5.82	7.27	**13.10**	**13.60**
Farm Price ($/Bu.)	5.66	6.43	**10.65**	**12.75**

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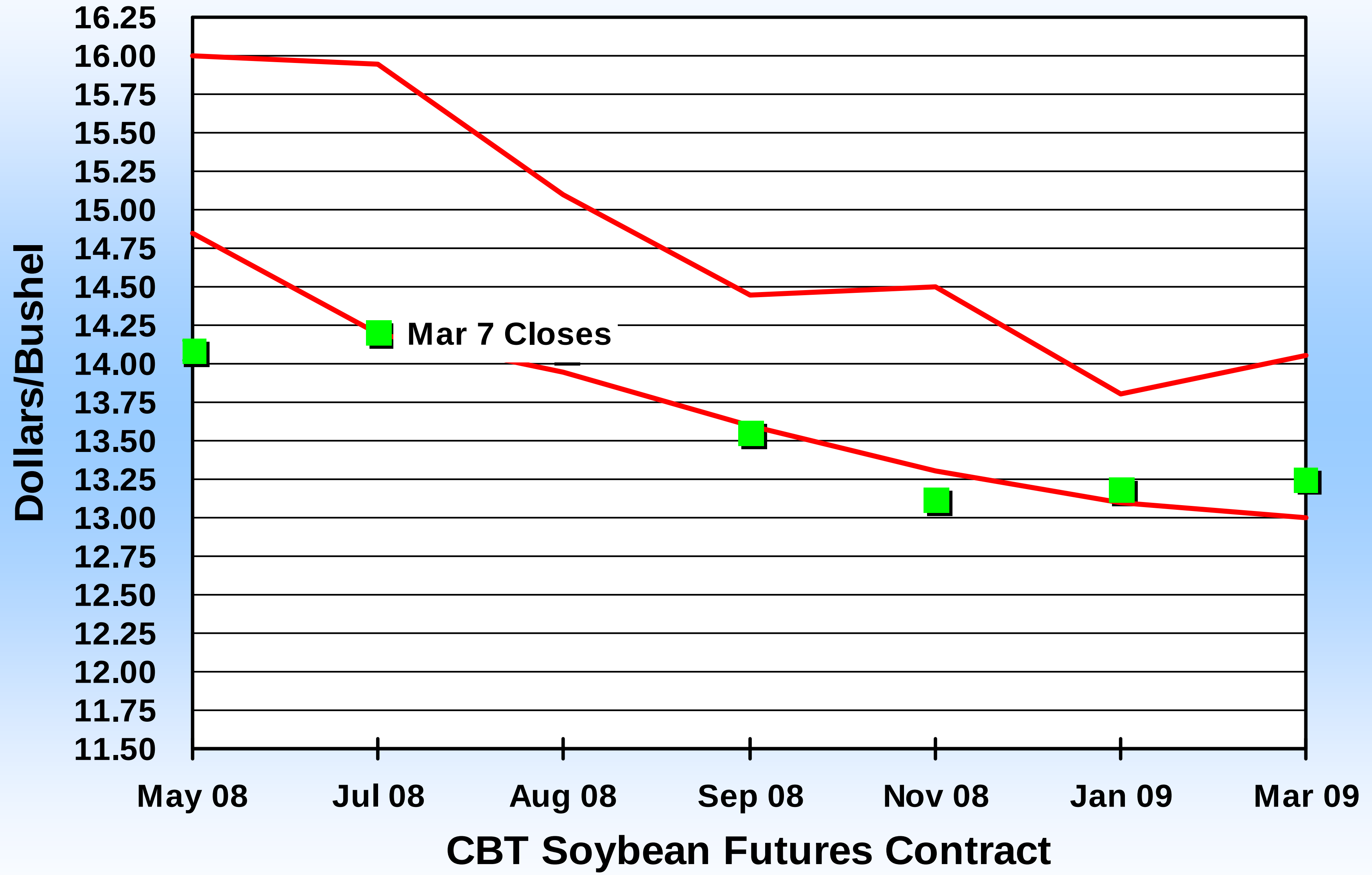
Soybean Futures Trading Ranges



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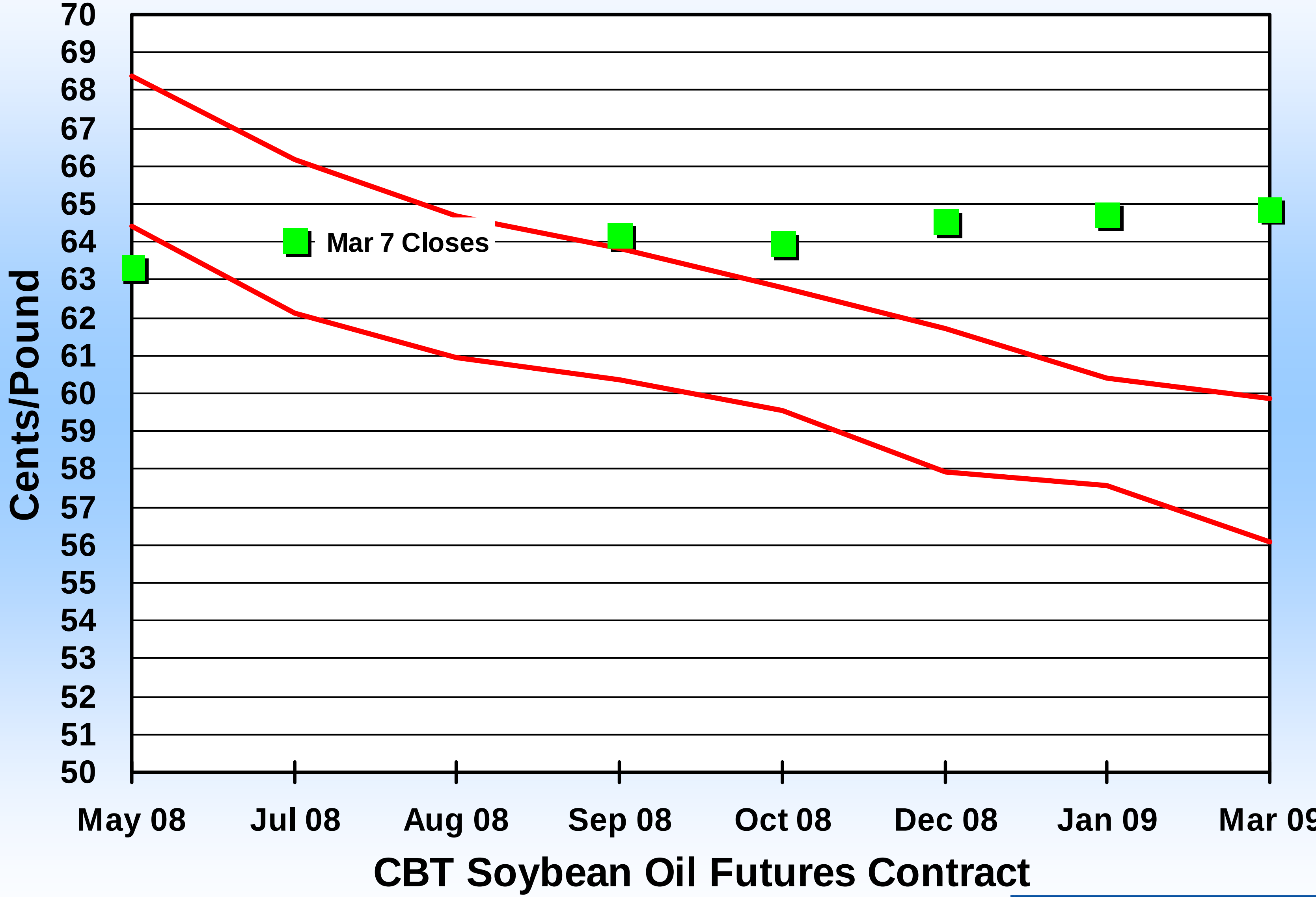
Soybean Oil Futures Trading Ranges



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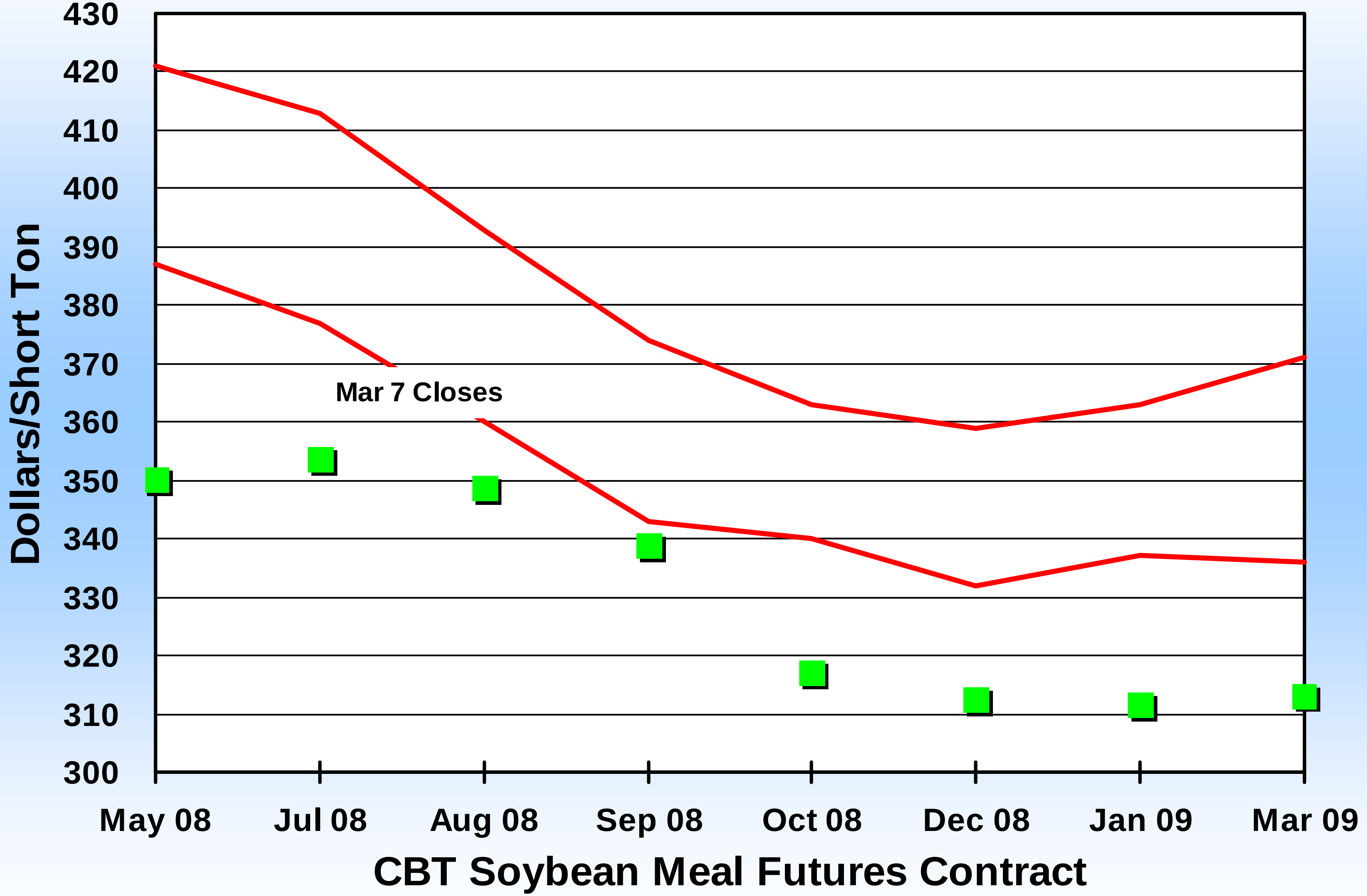
Soybean Meal Futures Trading Ranges



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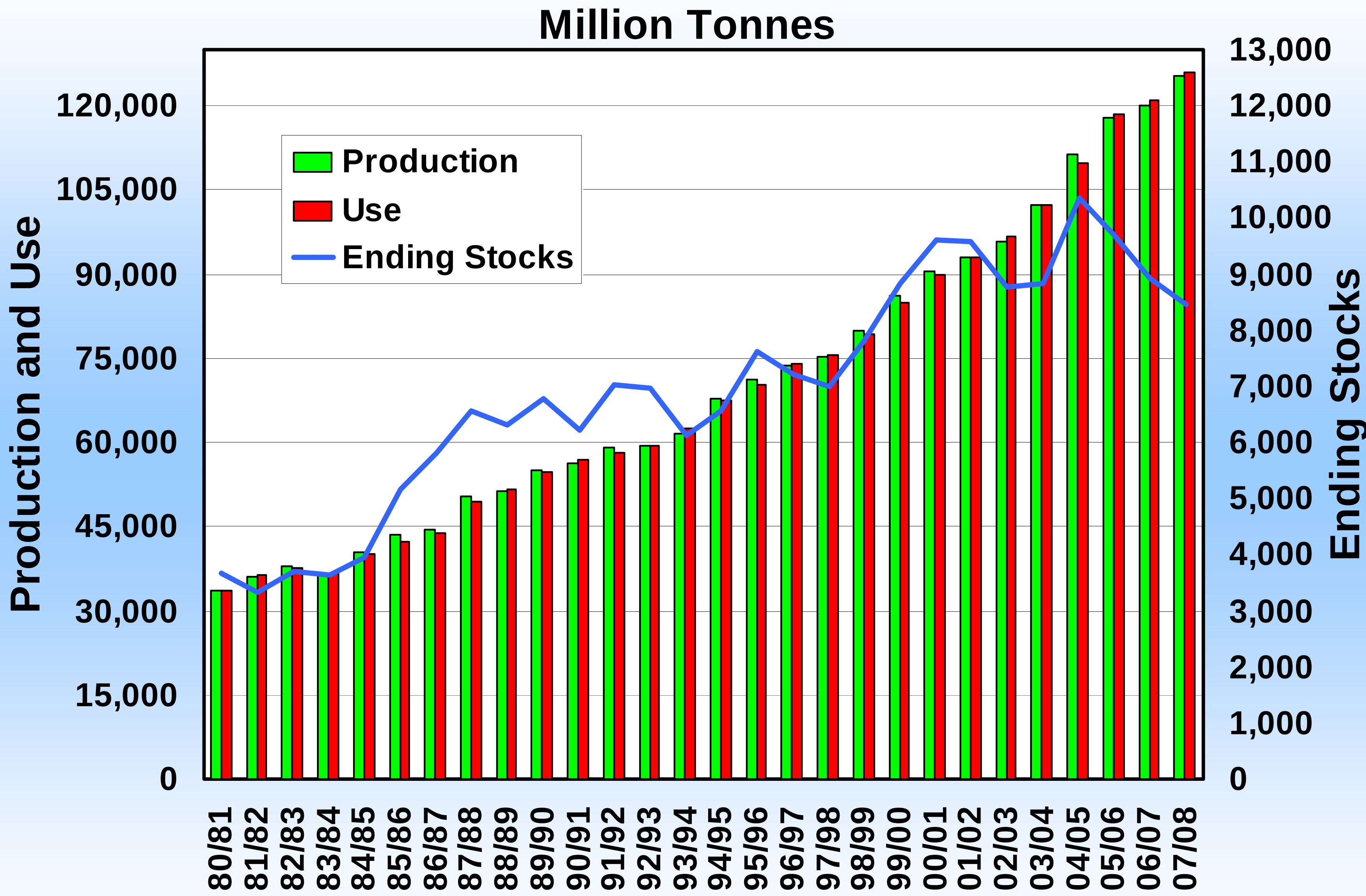
Overview

- Market Drivers
  - Global demand for edible oil and meal
  - Increases in oils share of crush
  - Renewable fuels
  - Trans fats & saturated fats
- Impact and Availability of “New Generation” Oils
- Future Expansion Areas
- Summary

Global Demand for Edible Oil and Meal

World Edible Oil Supply and Demand



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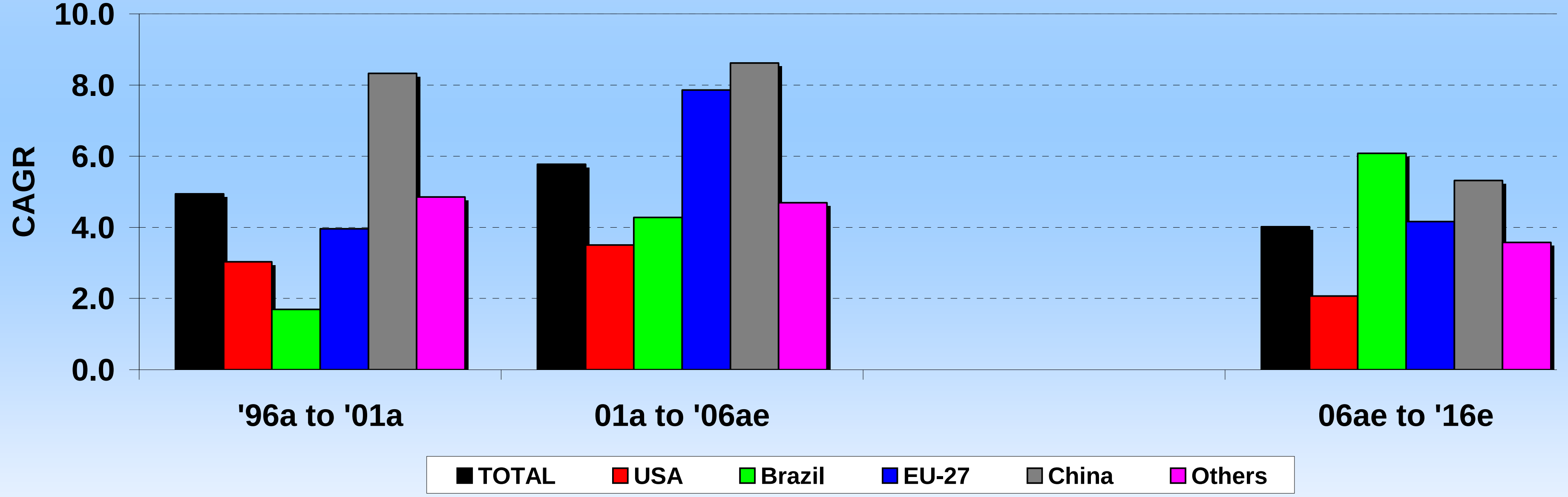
WORLD VEGETABLE OIL USE



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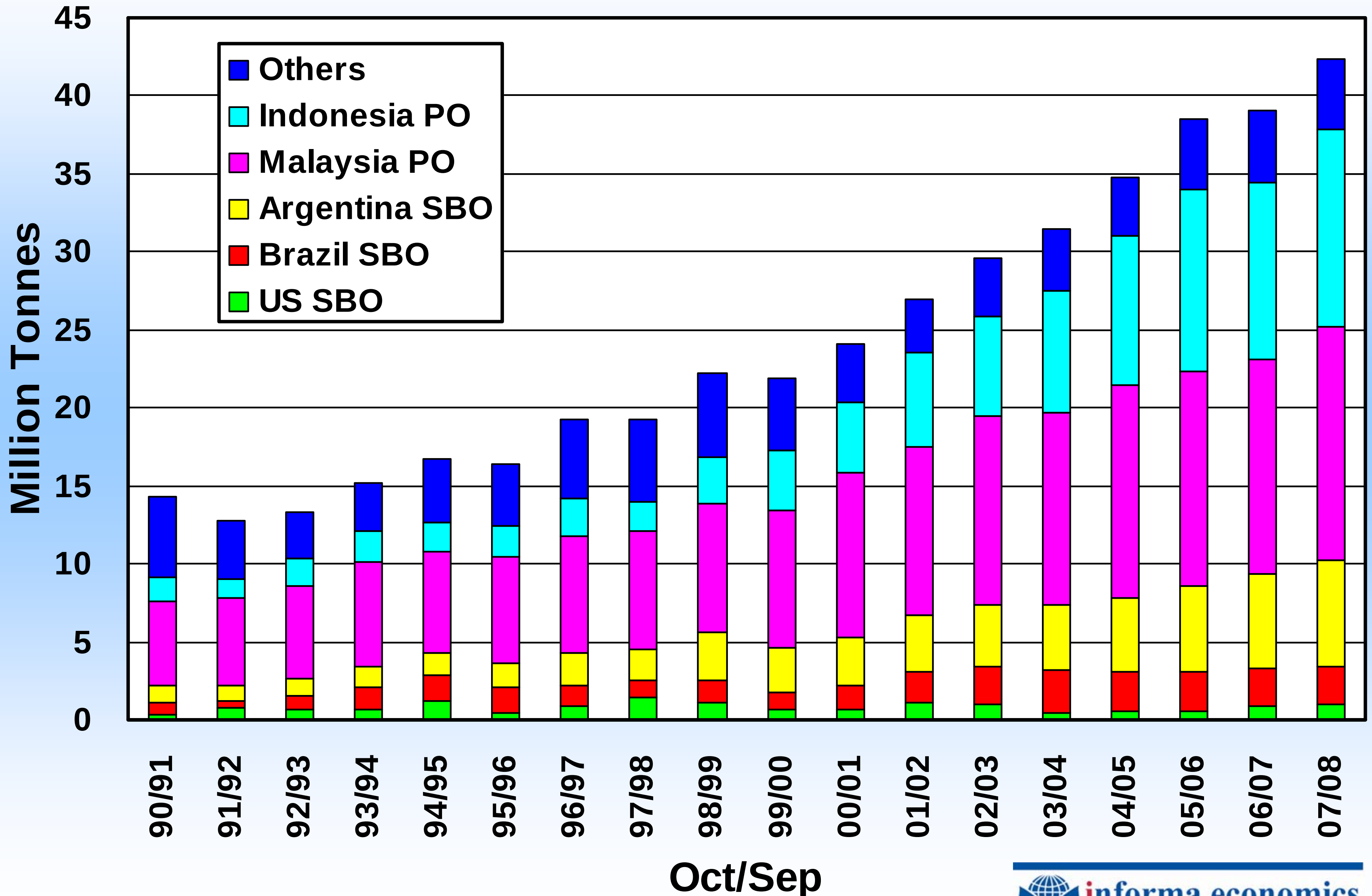
Vegetable Oil Exports by Major Exporters



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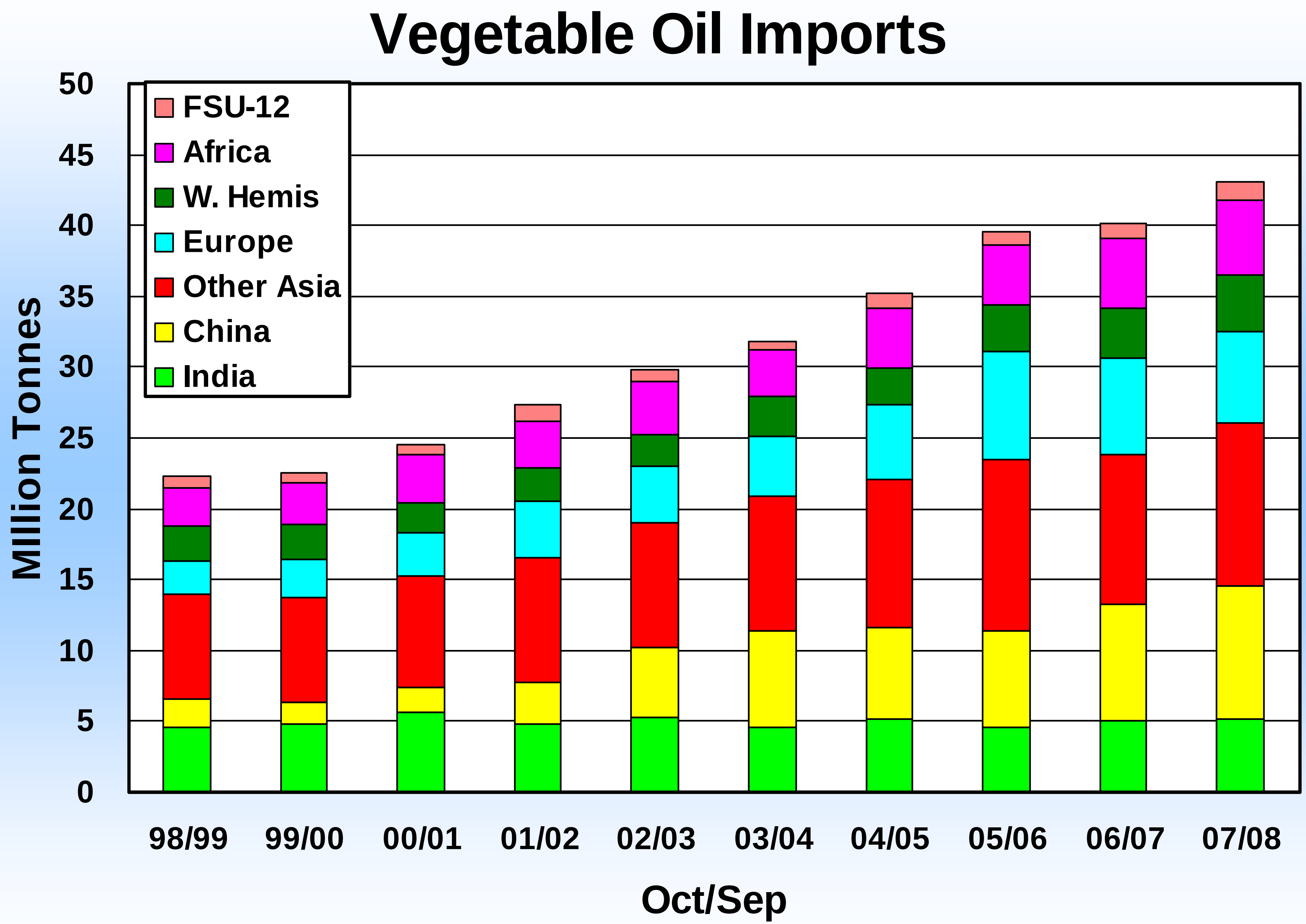

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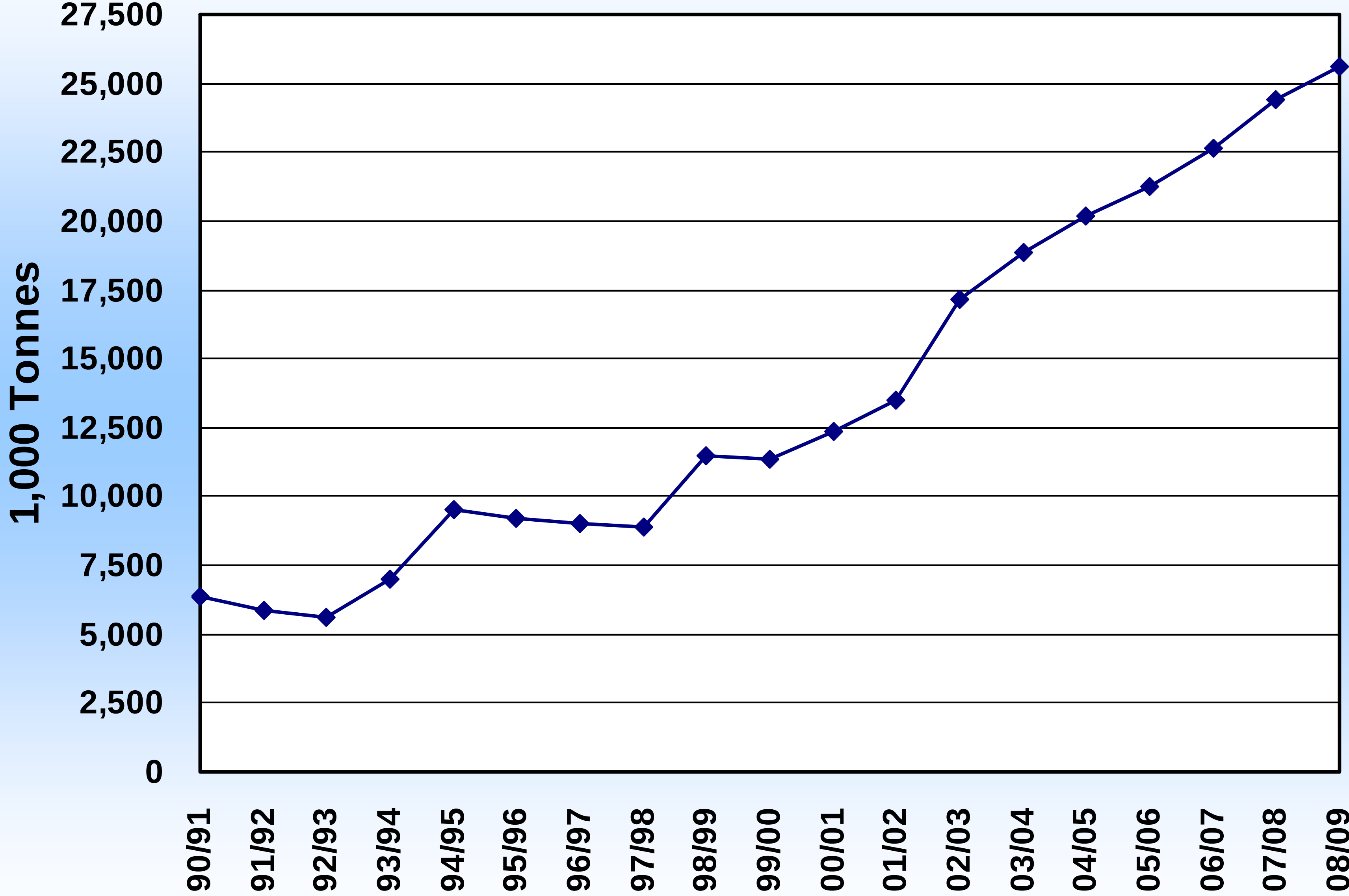
China Vegetable Oil Domestic Use



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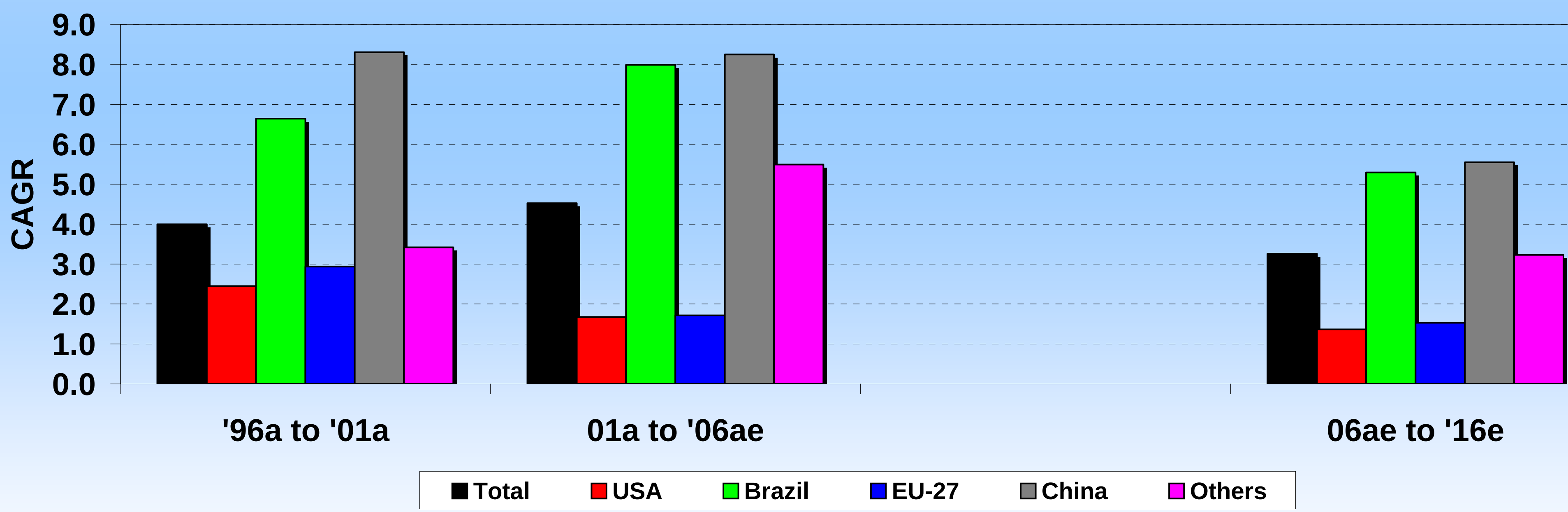
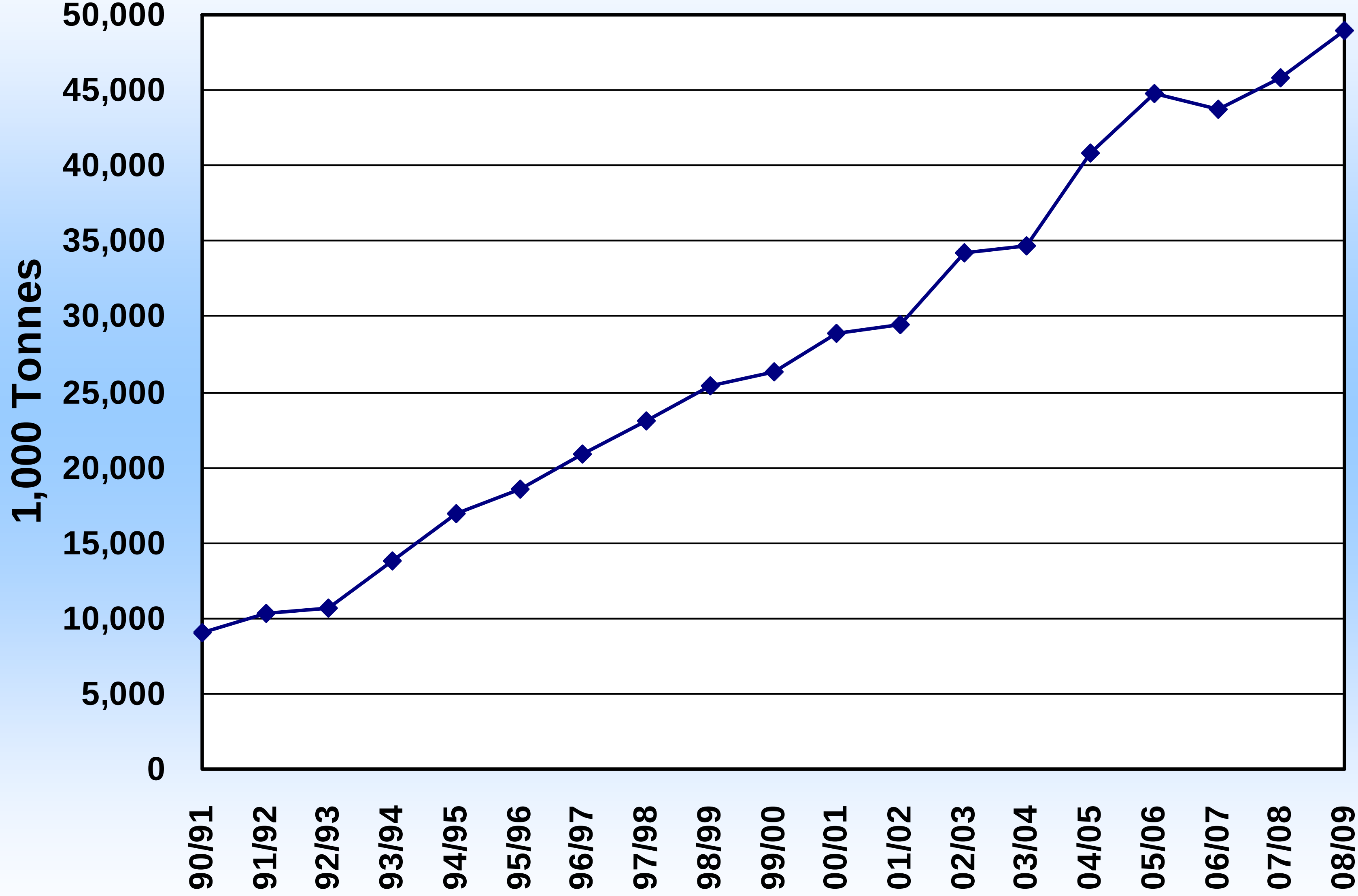
WORLD PROTEIN MEAL USE



China Protein Meal Domestic Use



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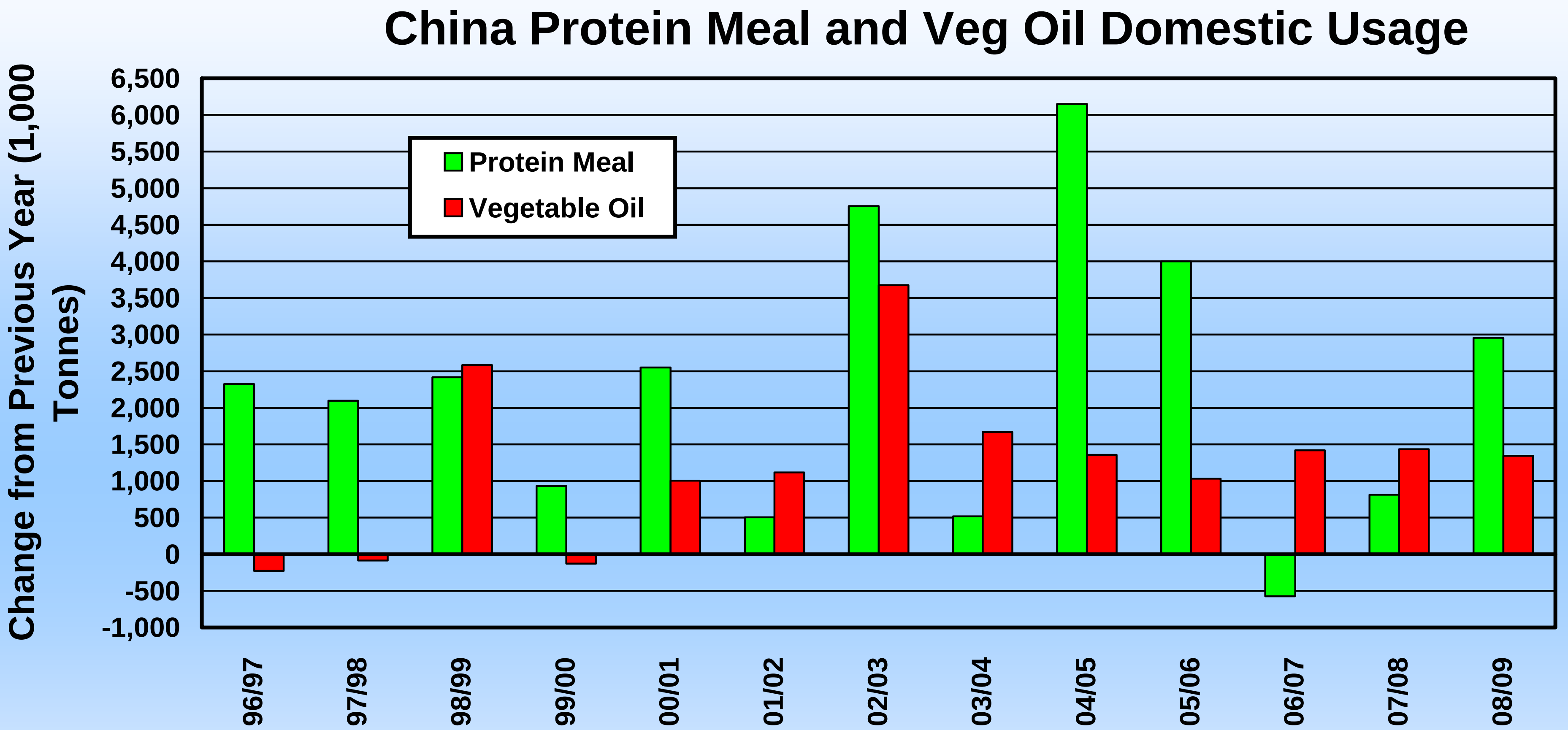

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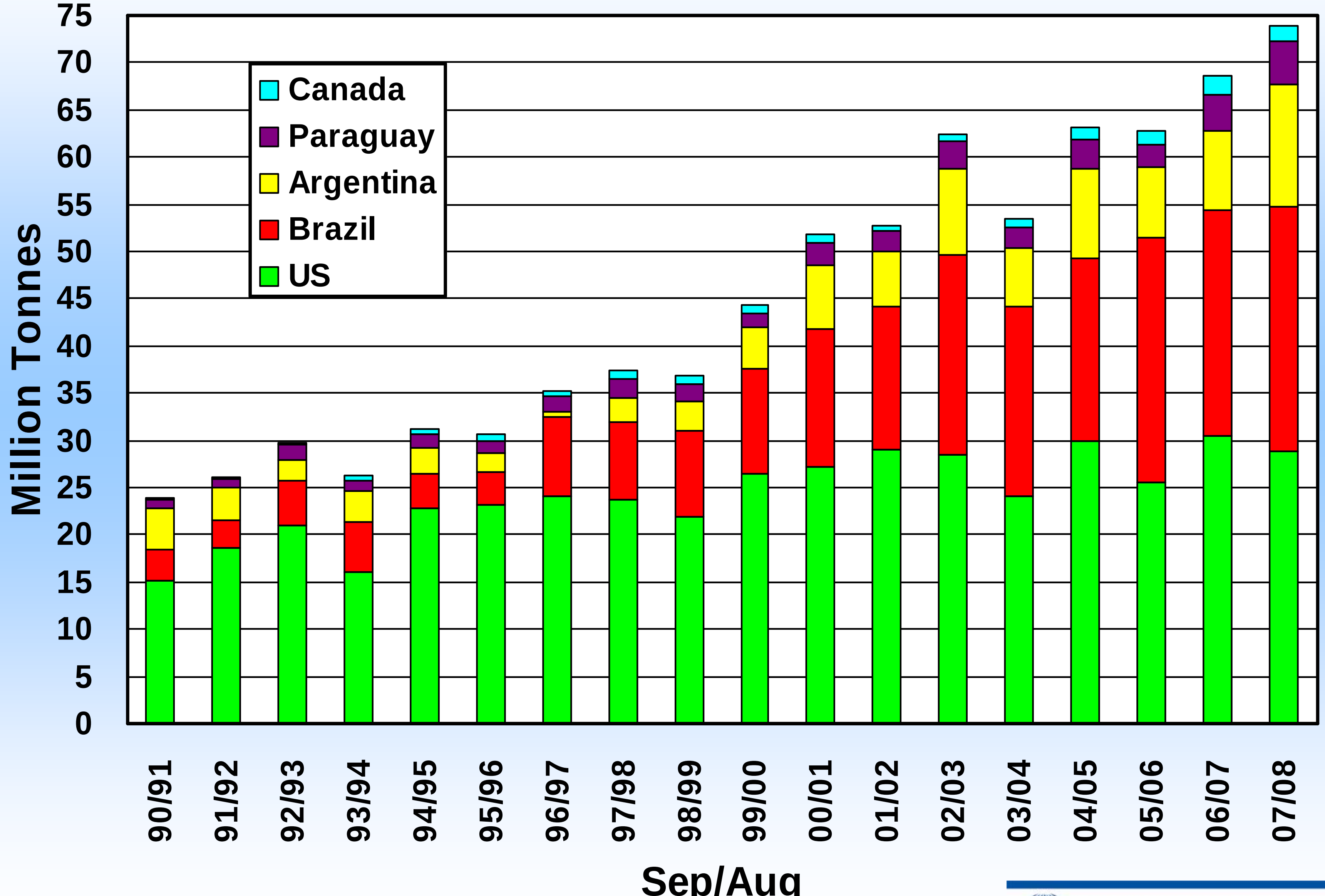
Soybean Exports by Major Exporters



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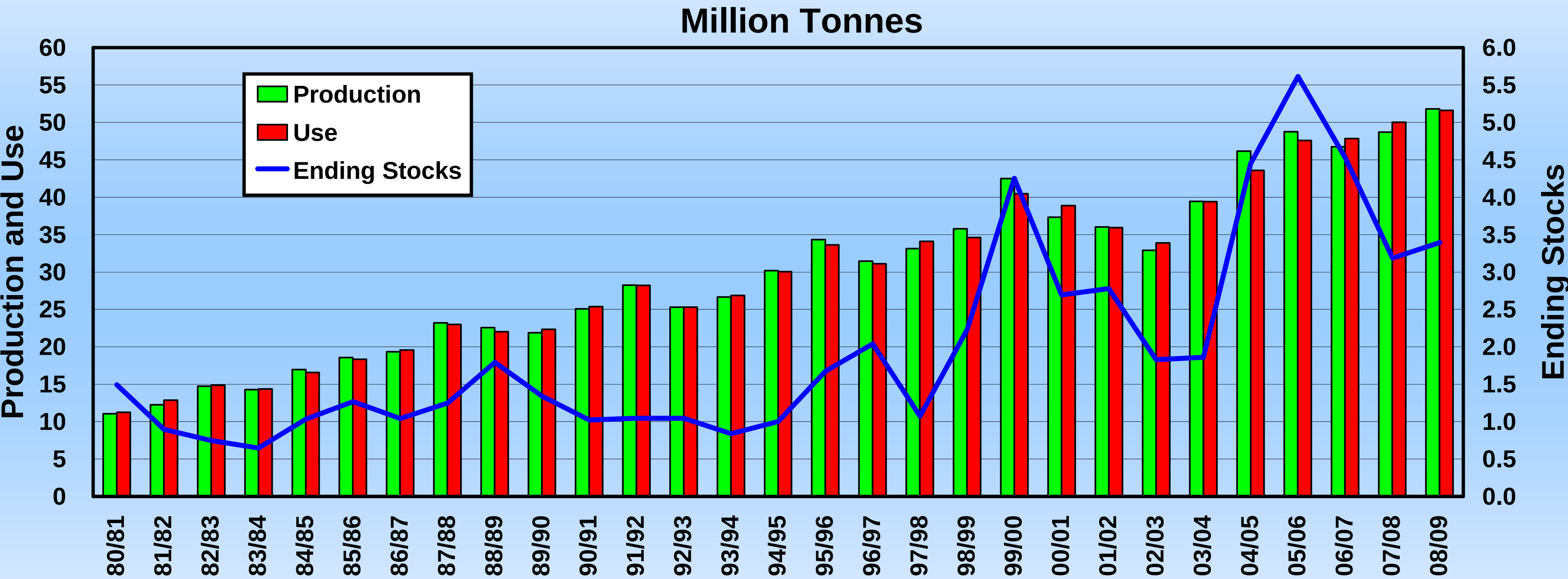
World Canola/Rapeseed Supply and Demand



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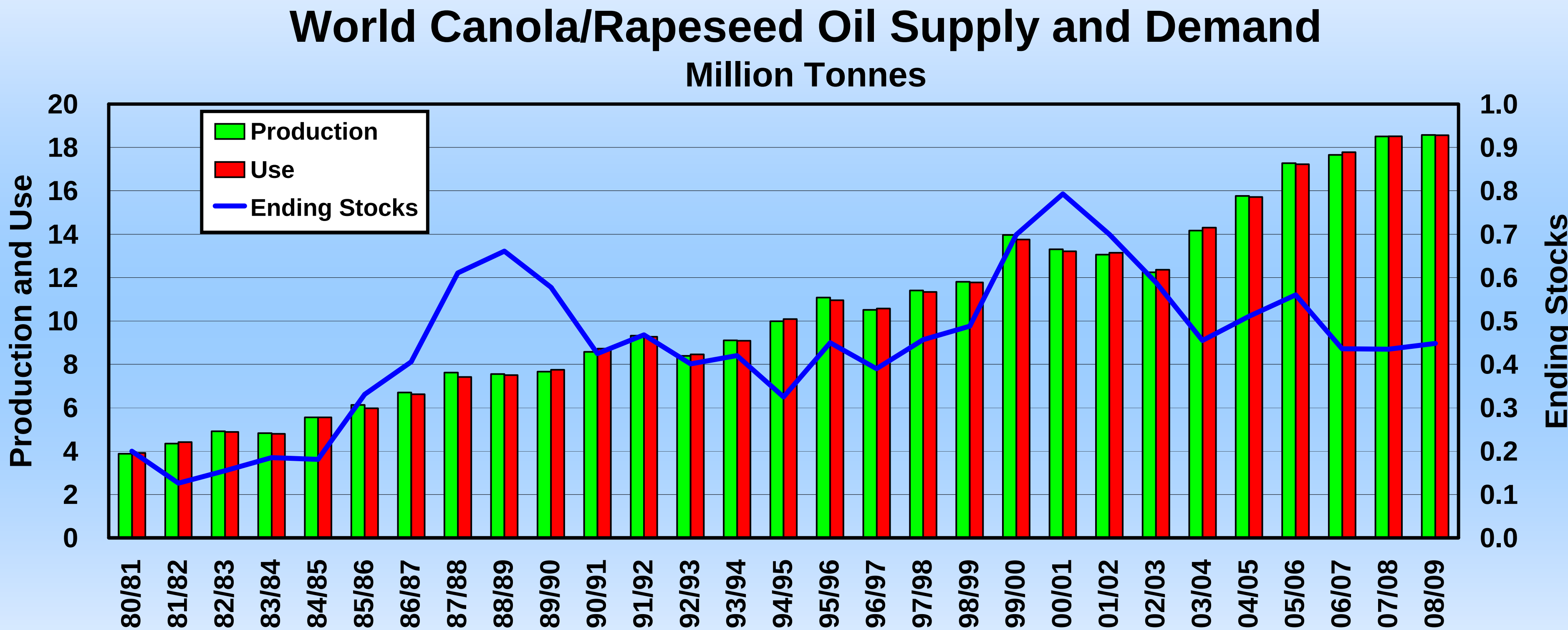

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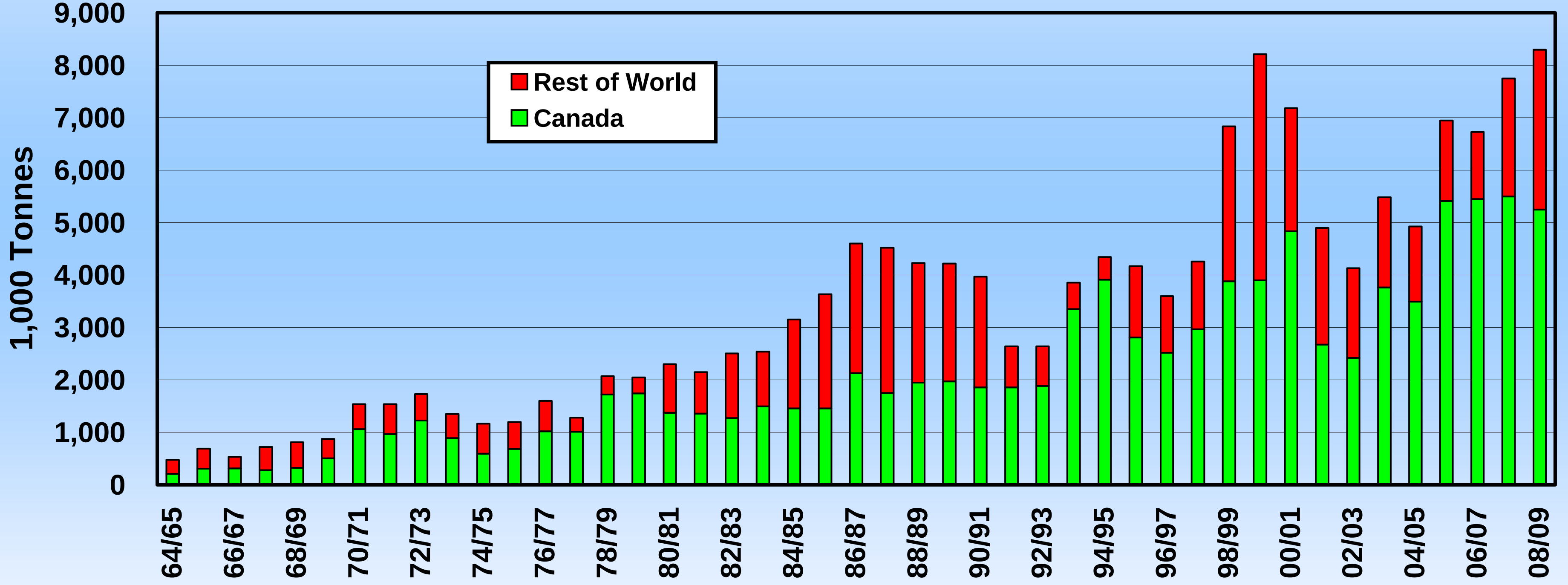
World Canola/Rapeseed Exports



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Increases in Oil's Share of Crush

Canola Board Crush Margin Index

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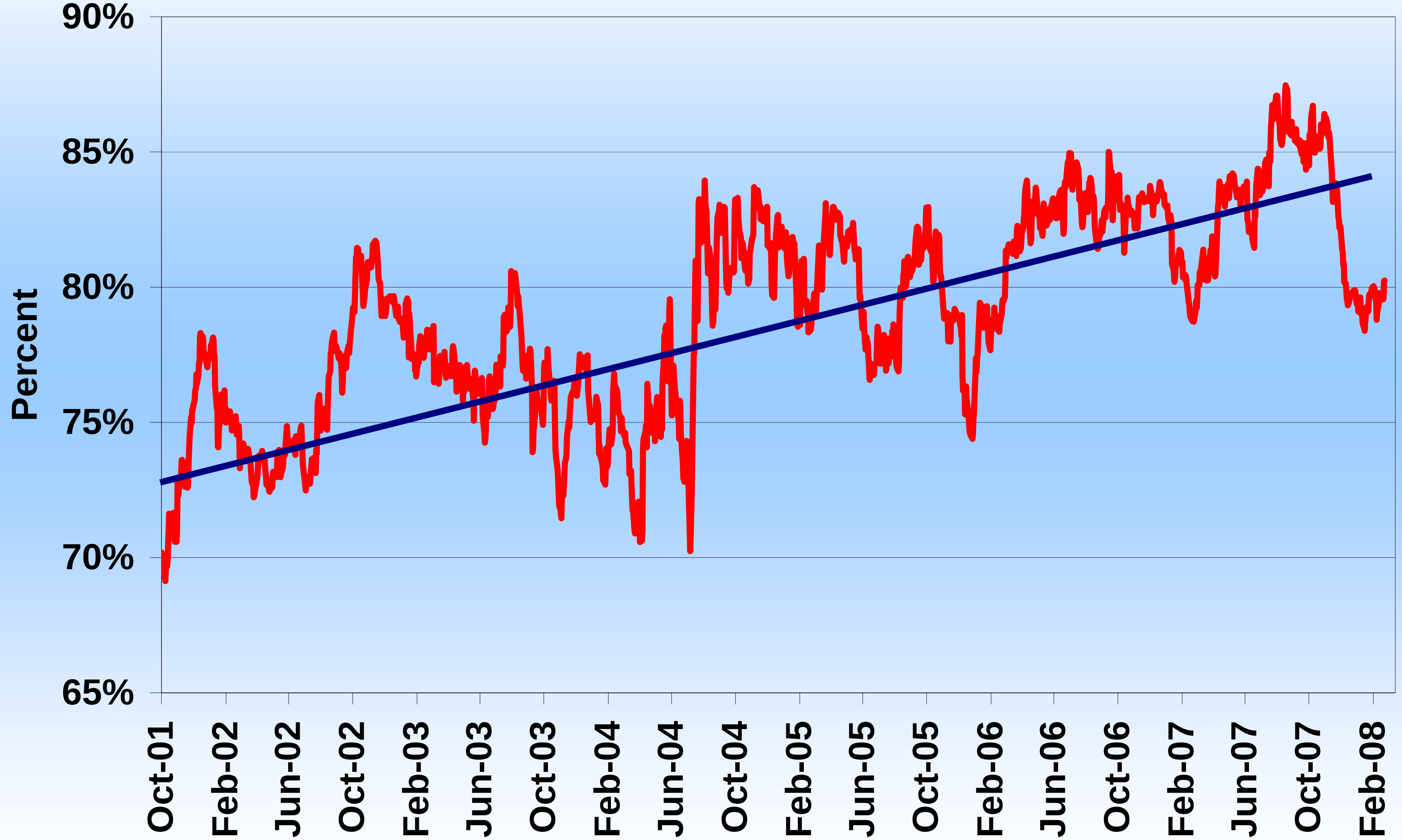
Canola Oil Share of Crush Margin



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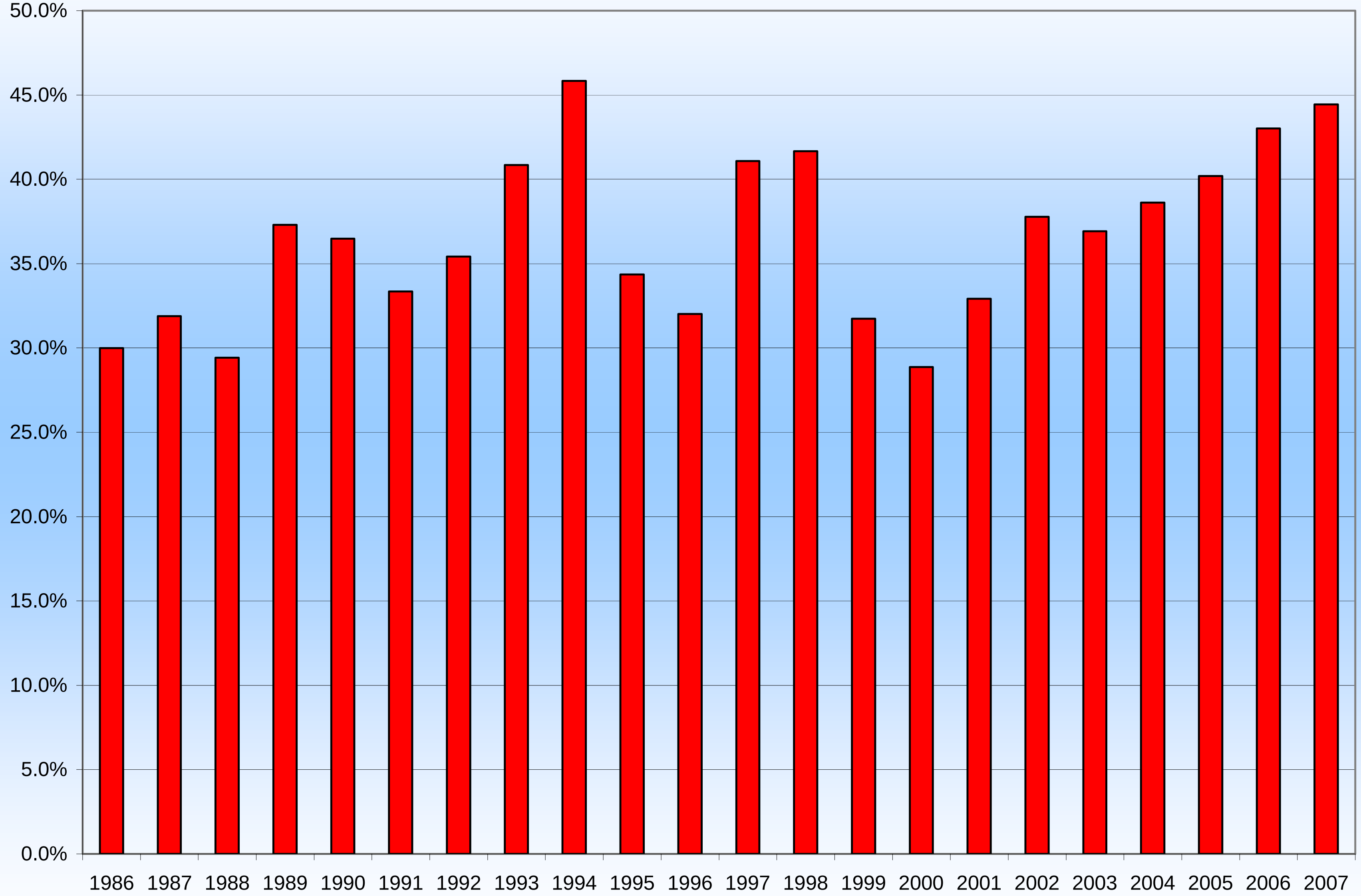
SBO Percent of Product Value



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As Oils Share of Crush Remains High, Advantage Canola (and Sun)

Oilseed Type	Oil Yield
Soybean	18%
Canola	42%
Sunseed	42%
Cottonseed	18%
Shelled Peanuts	40%

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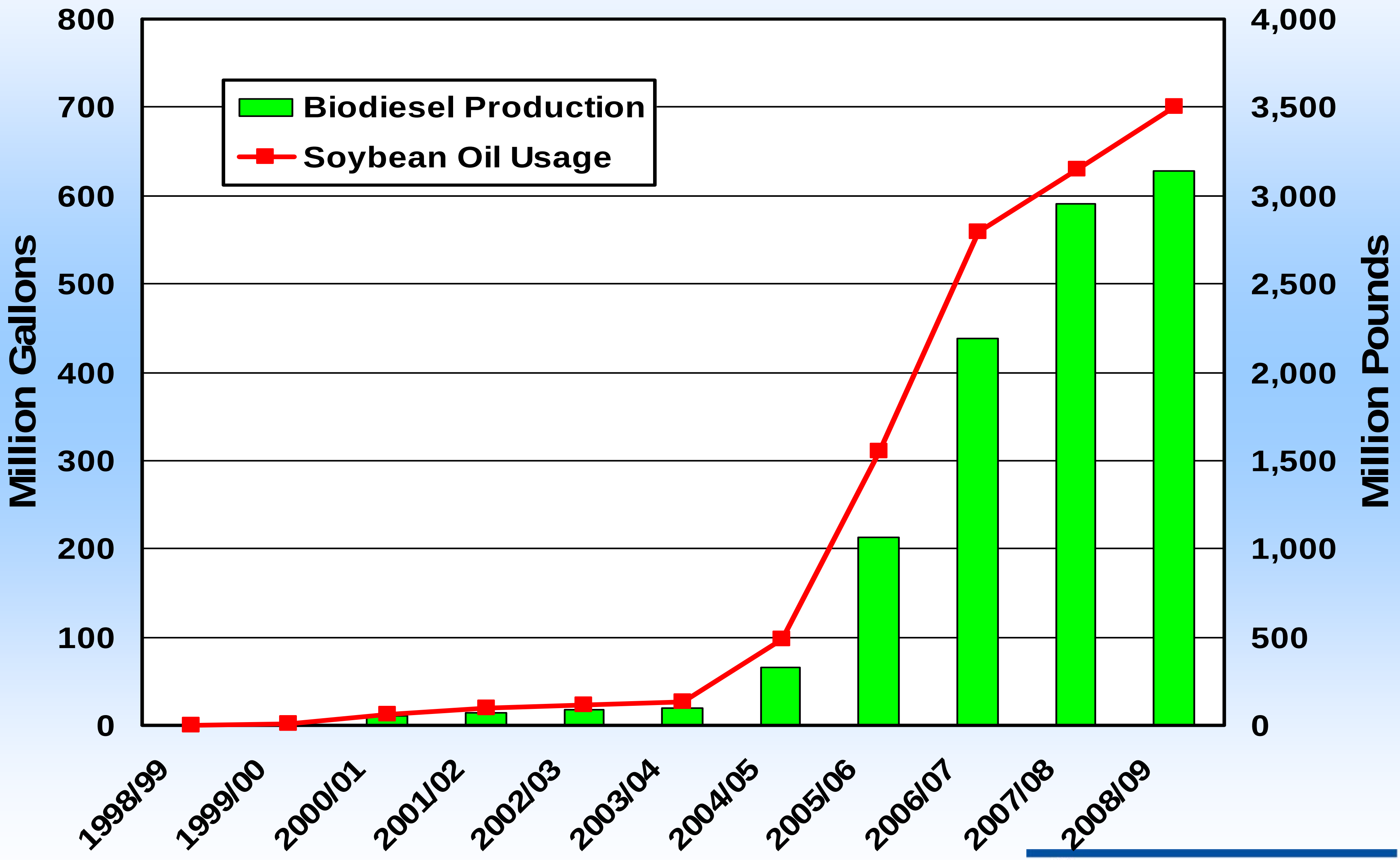
Renewable Fuels

US Biodiesel Production and Soybean Oil Usage



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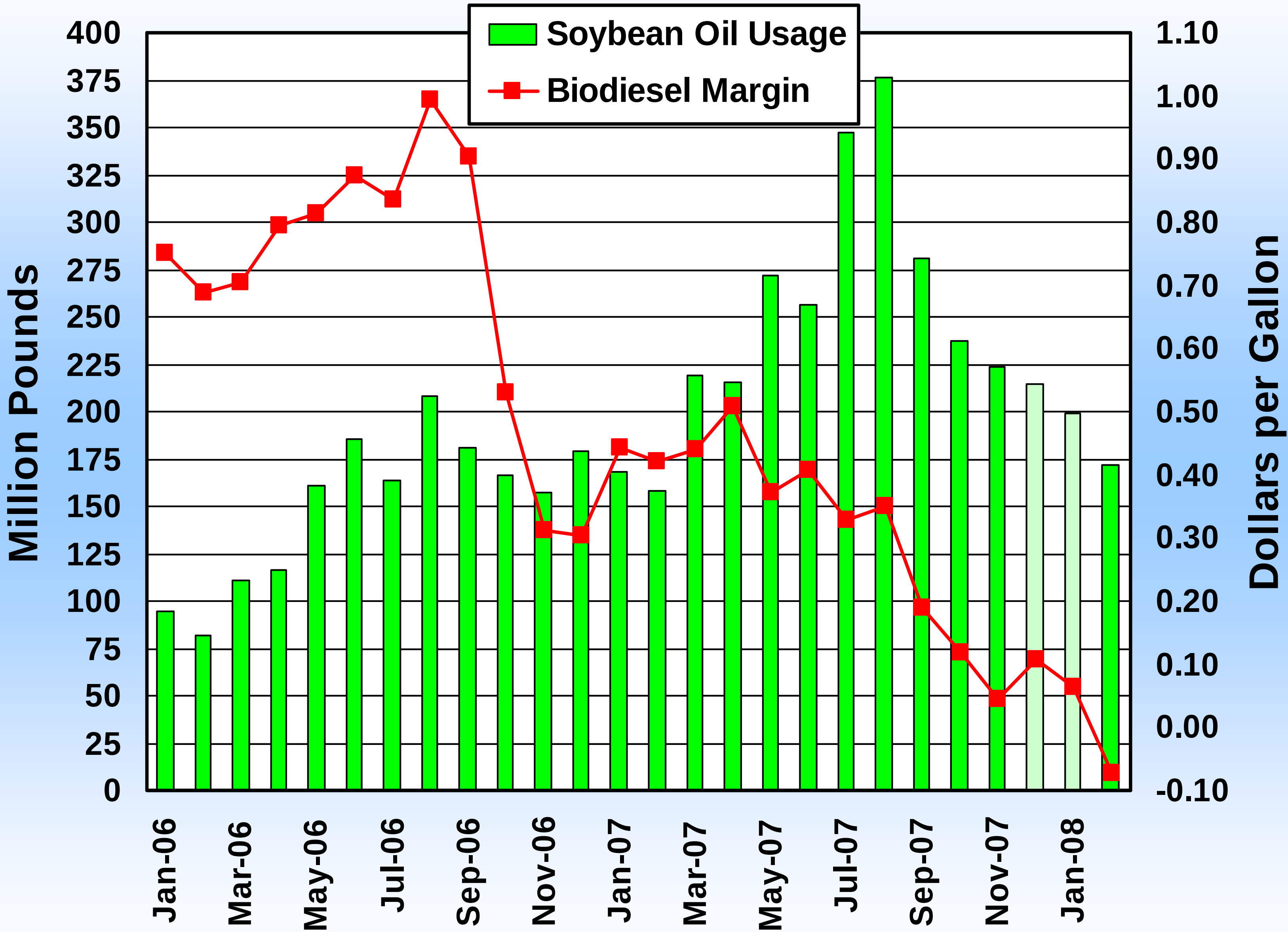
Soybean Oil Used in Biodiesel Production and Margins



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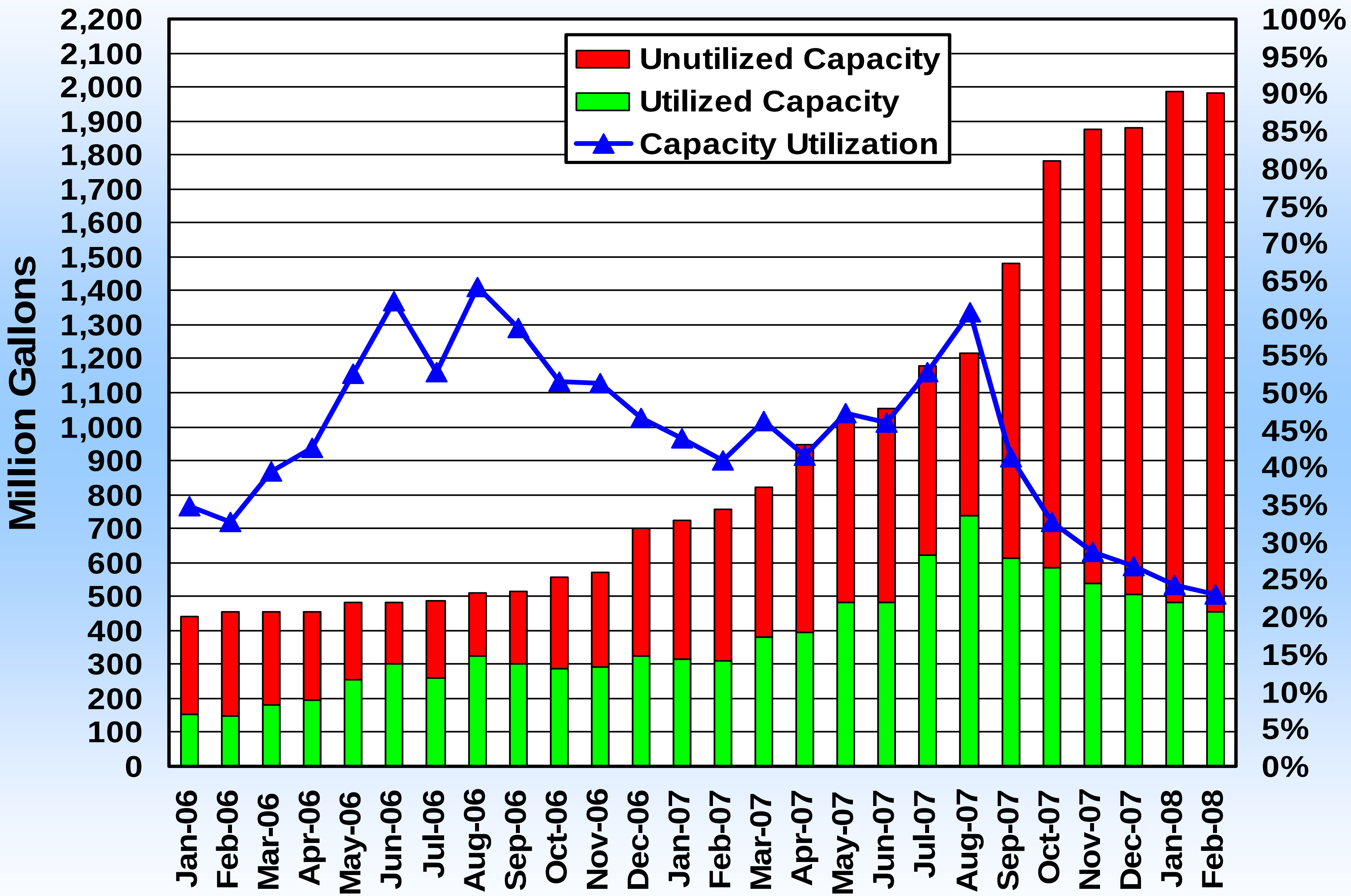
Biodiesel Capacity and Utilization



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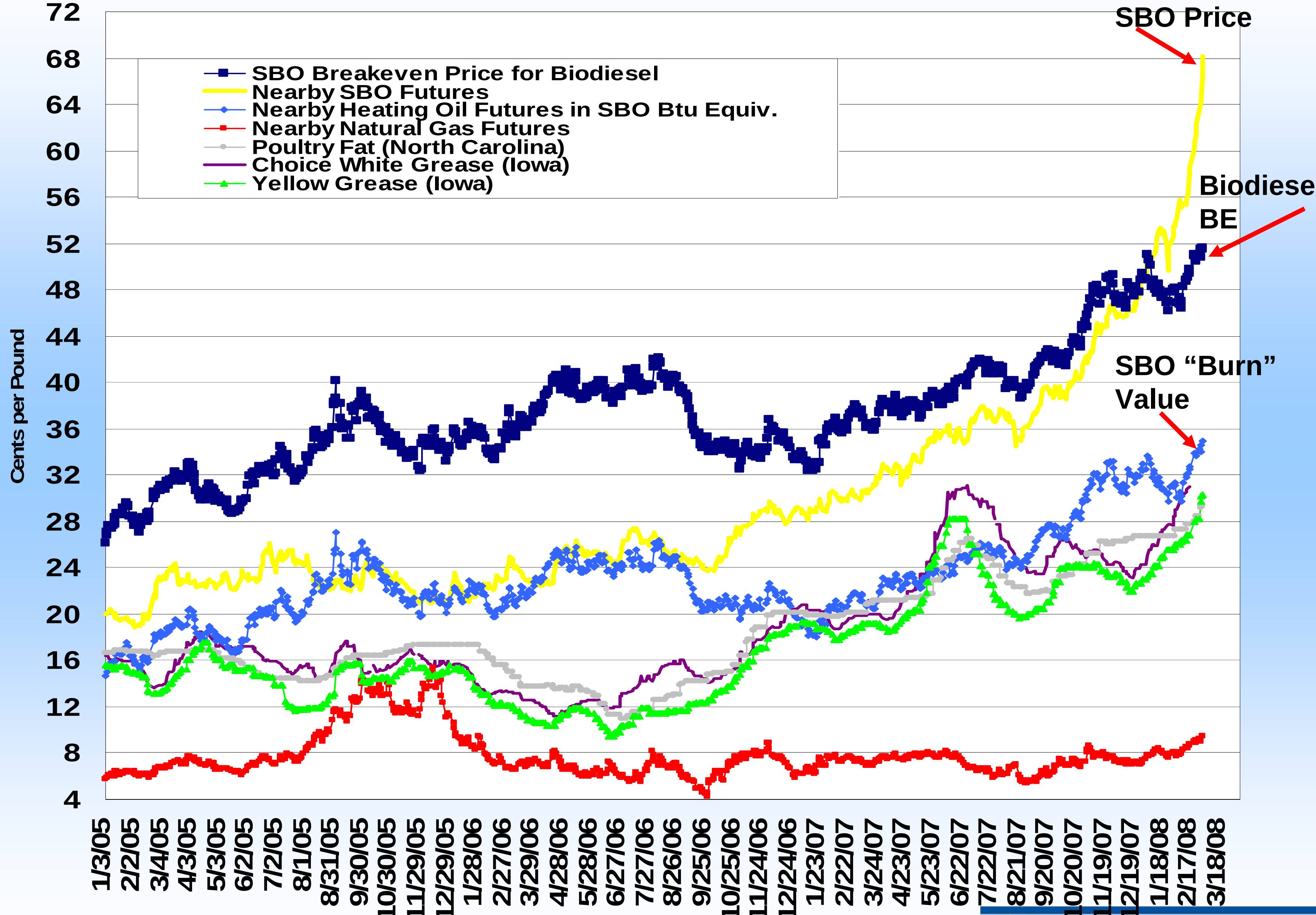
Fat Prices and Soybean Oil as Energy



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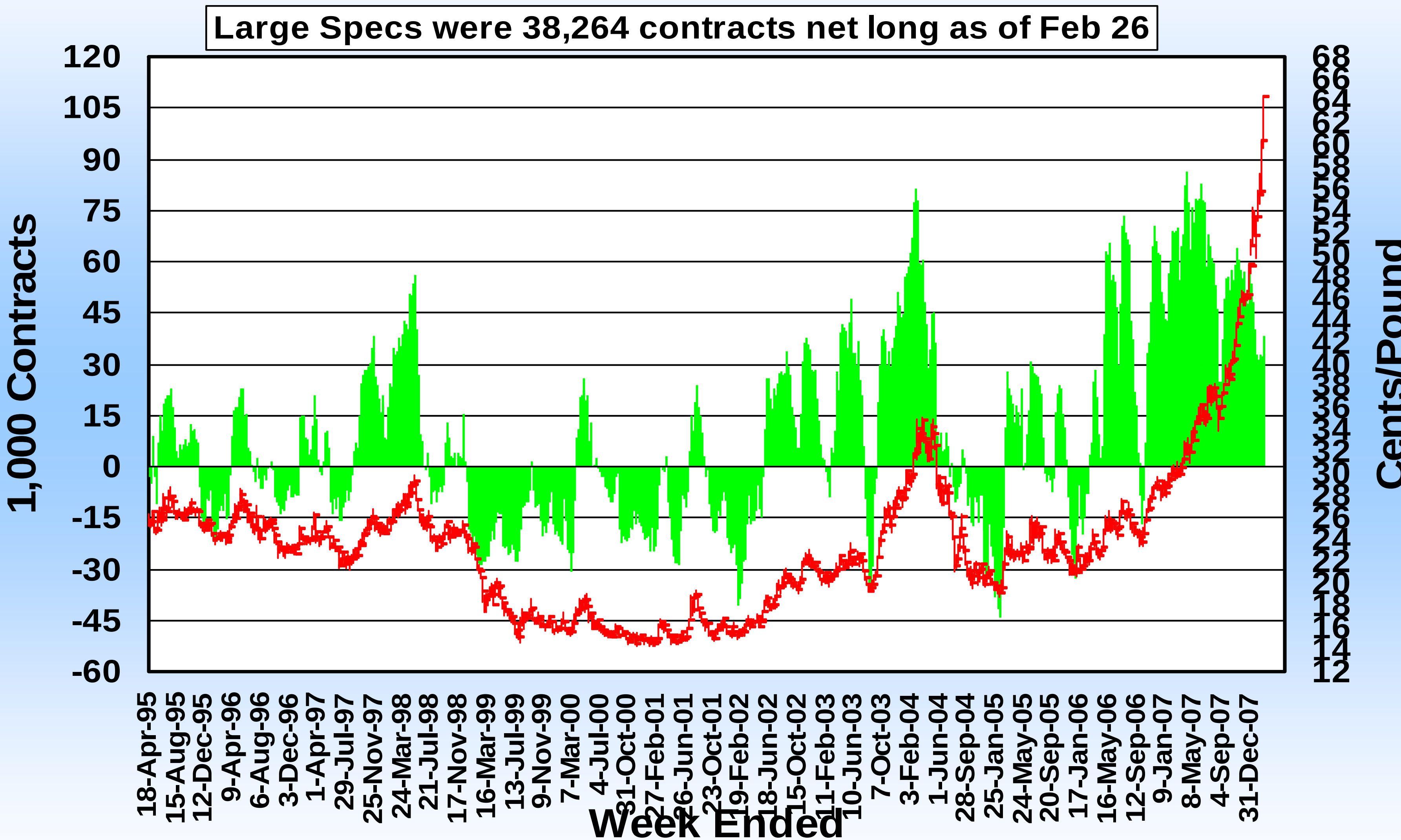
Nearby Soybean Oil Futures vs. Large Spec Net Futures & Options Position



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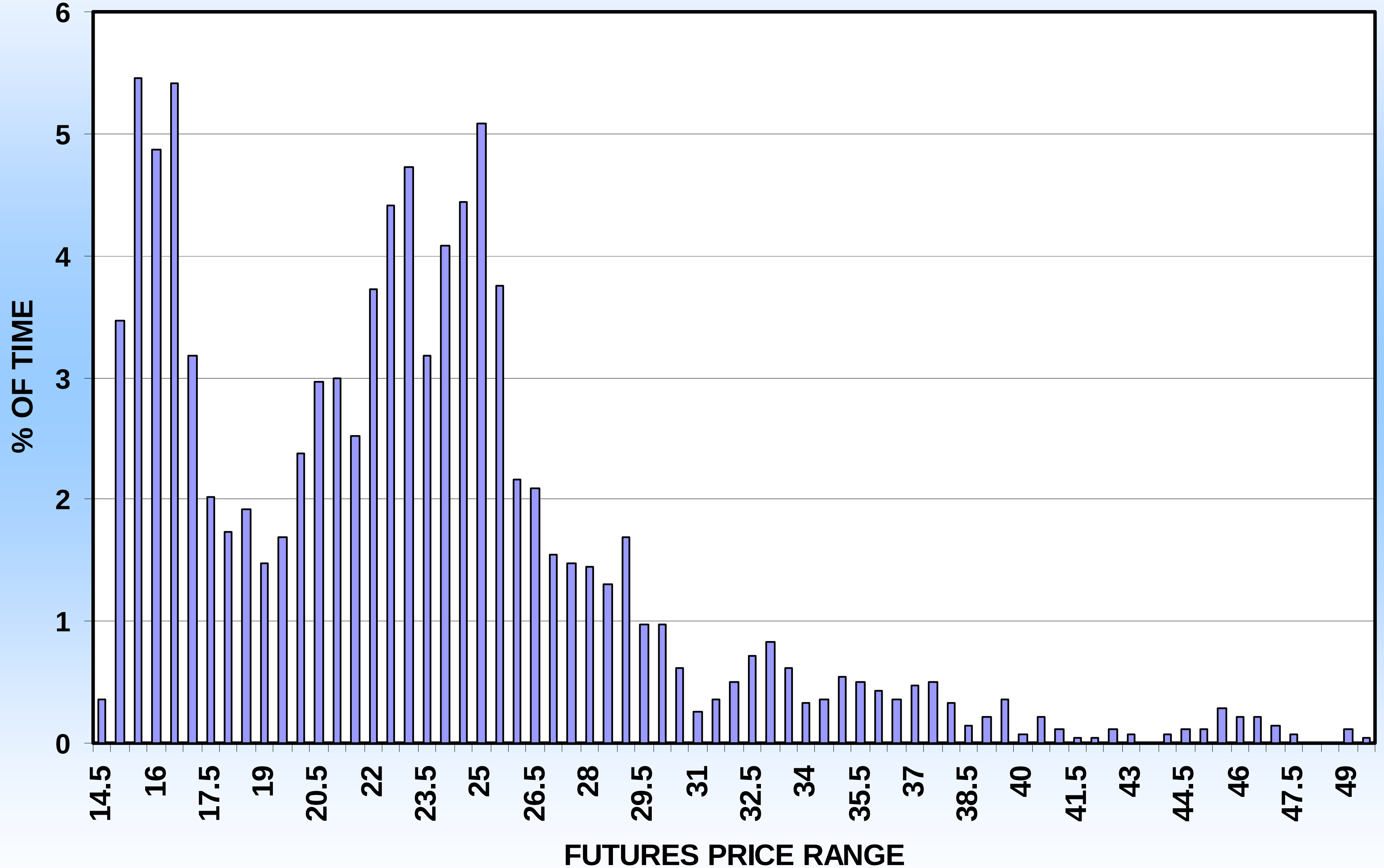
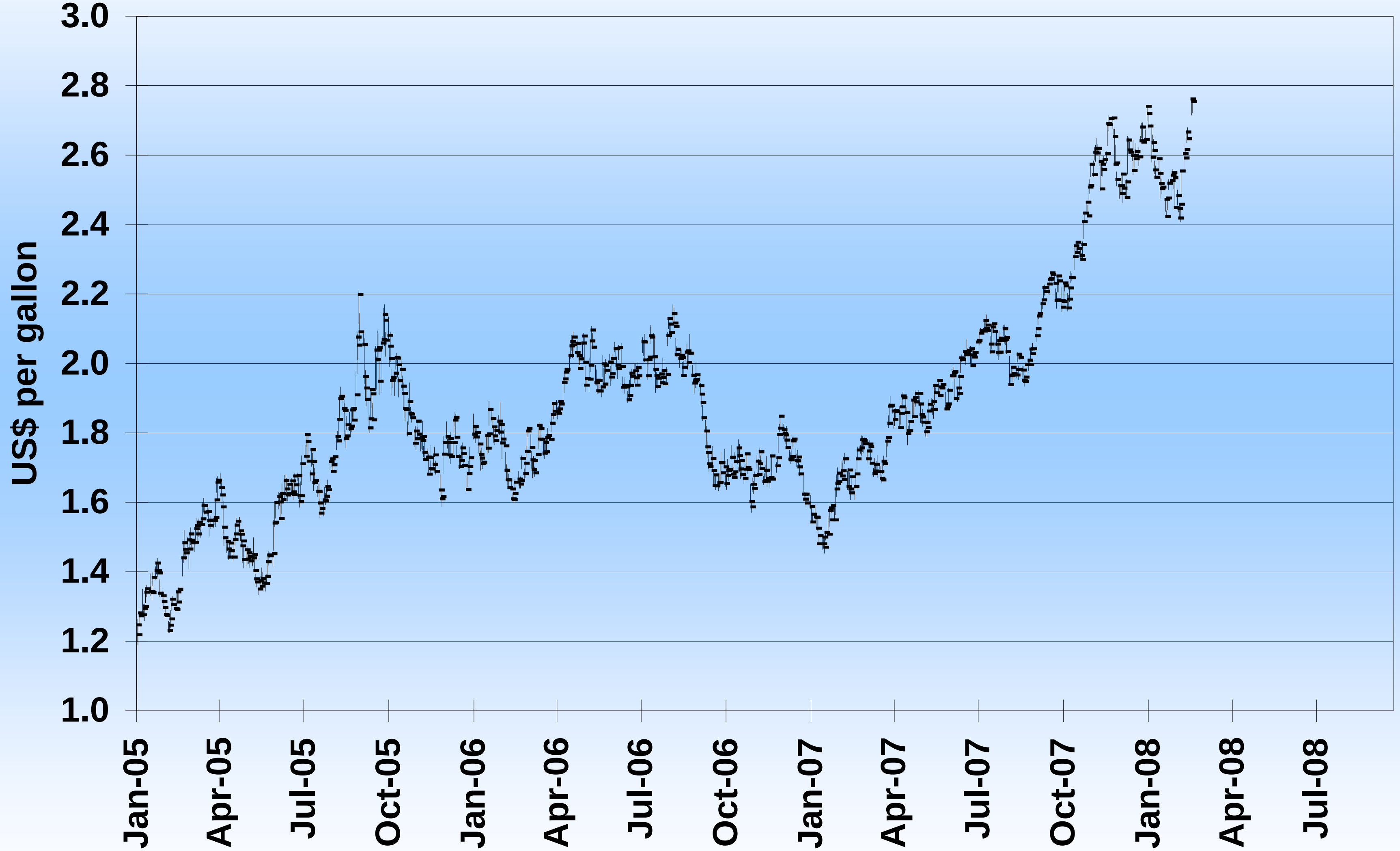
SOYBEAN OIL FUTURES PRICE DISTRIBUTION: 1997-2007



Nearby Heating Oil Futures



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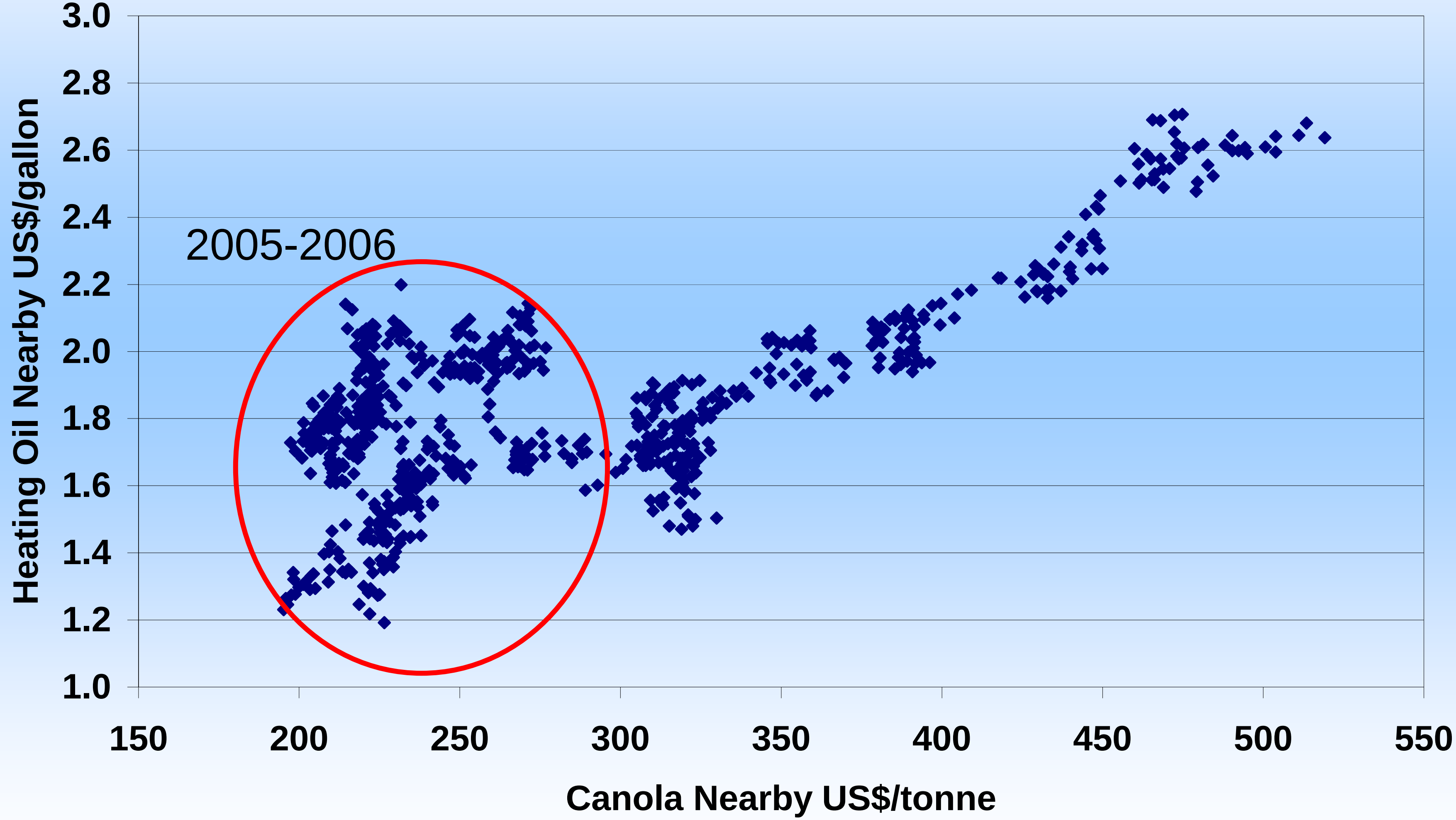
Heating Oil vs Canola
(2005 - 2007 in US$)



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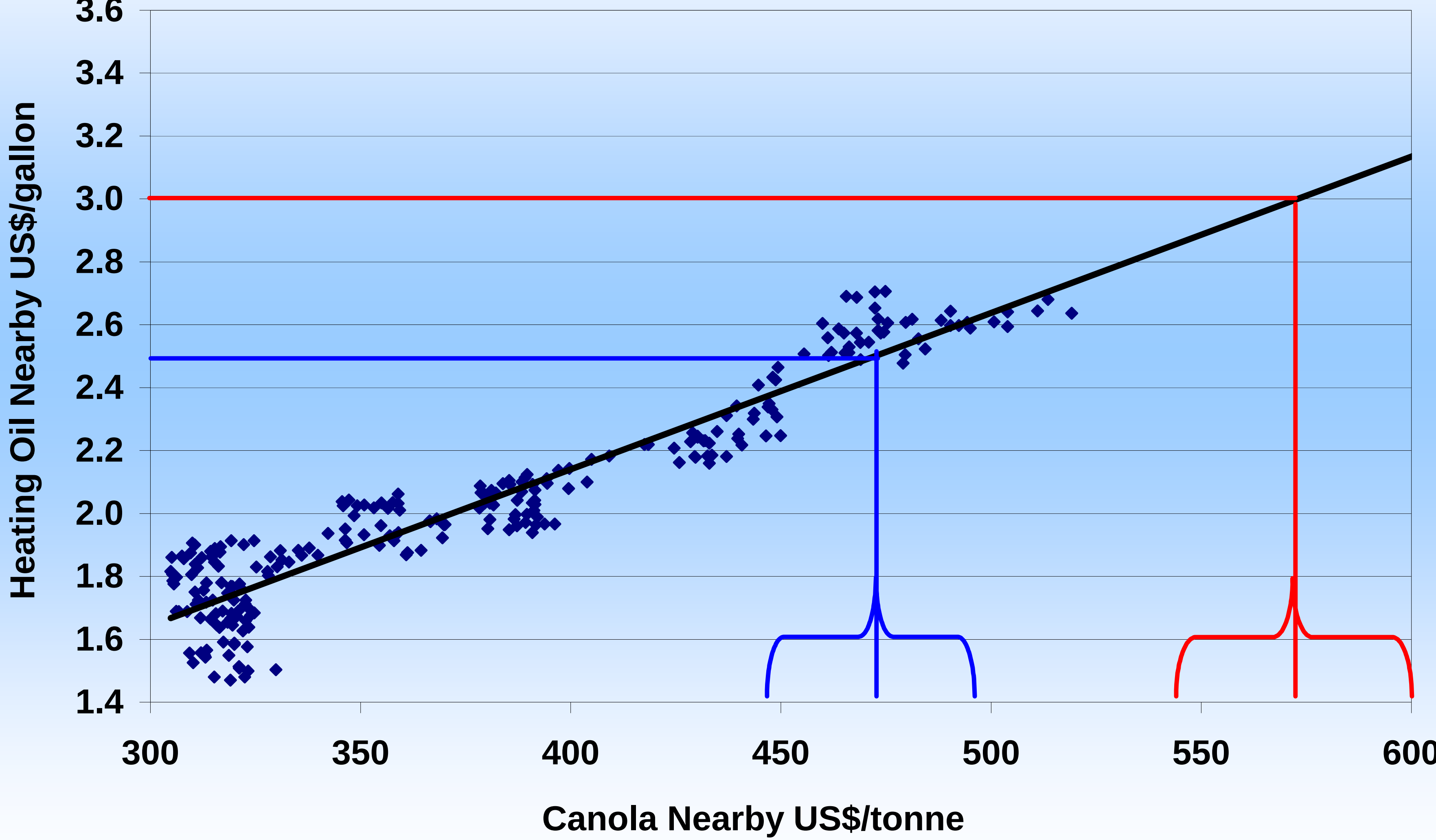
Heating Oil vs Canola
(2007 - in US$)



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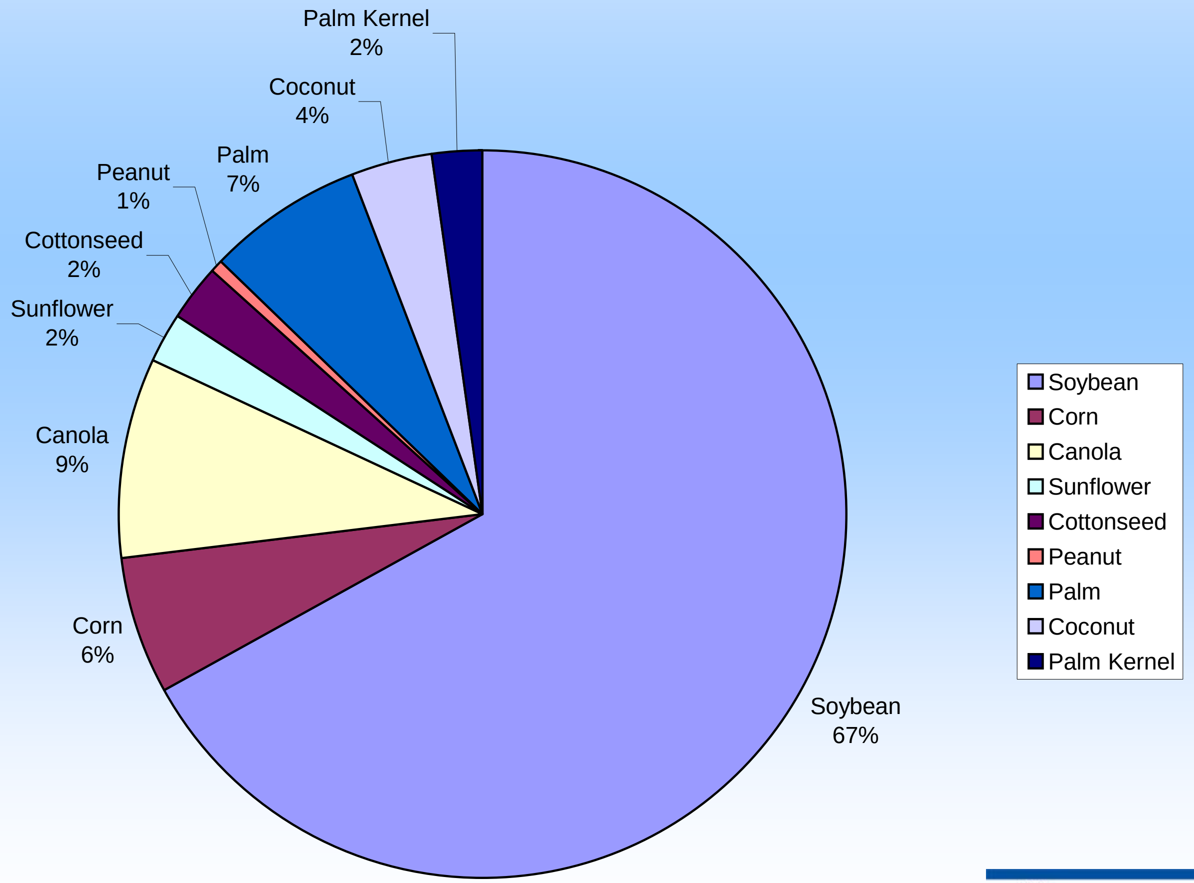
Trans Fats and Saturated Fats

US Vegetable Oil Domestic Use
(Soybean, Corn, Canola, Sun, Cotton, Peanut, Palm, Coconut, Palm Kernel)
2007/08 Total Usage 28.6 Billion Pounds



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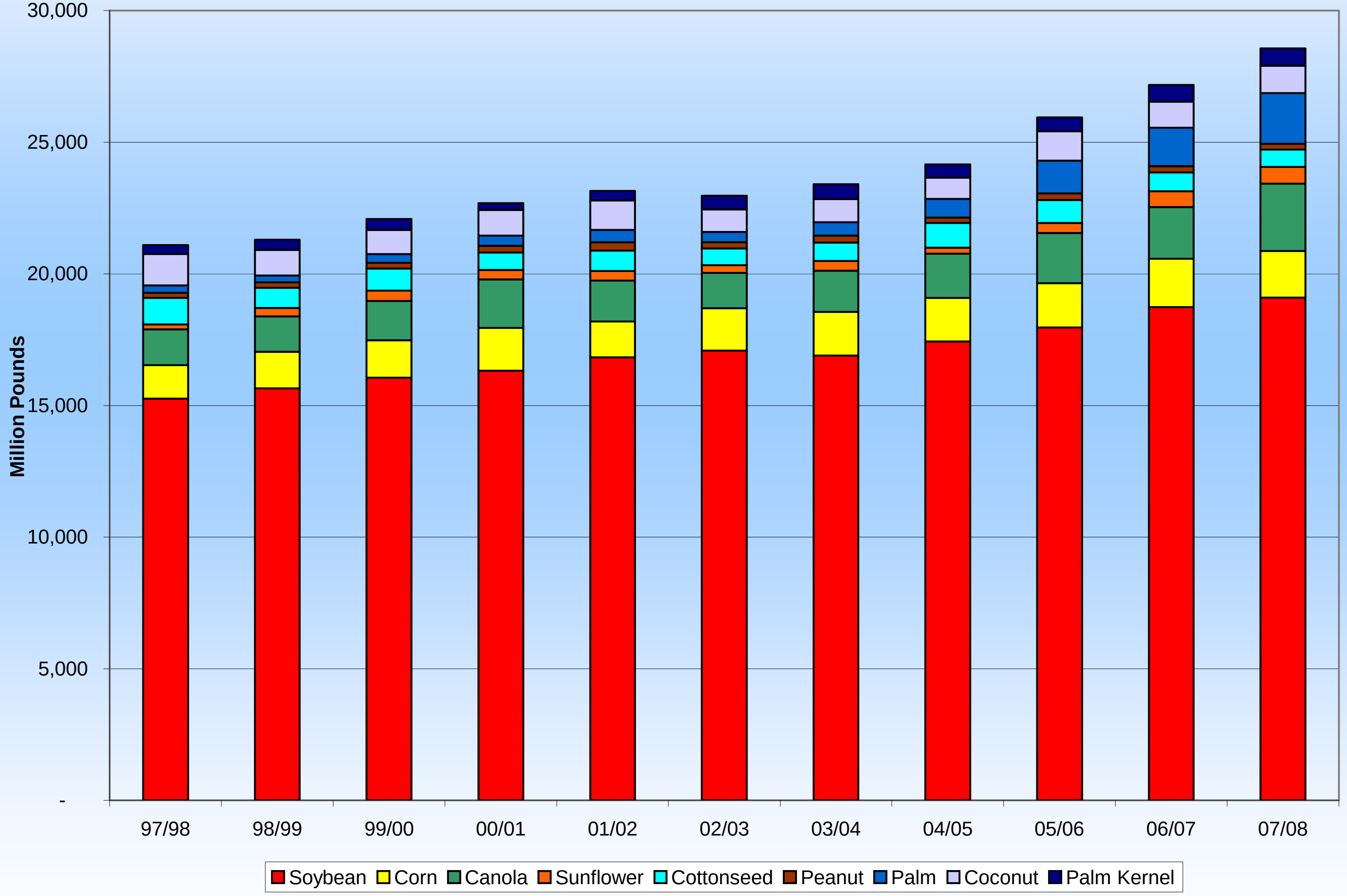
US Vegetable Oil Domestic Use
(Soybean, Corn, Canola, Sun, Cotton, Peanut, Palm, Coconut, Palm Kernel)



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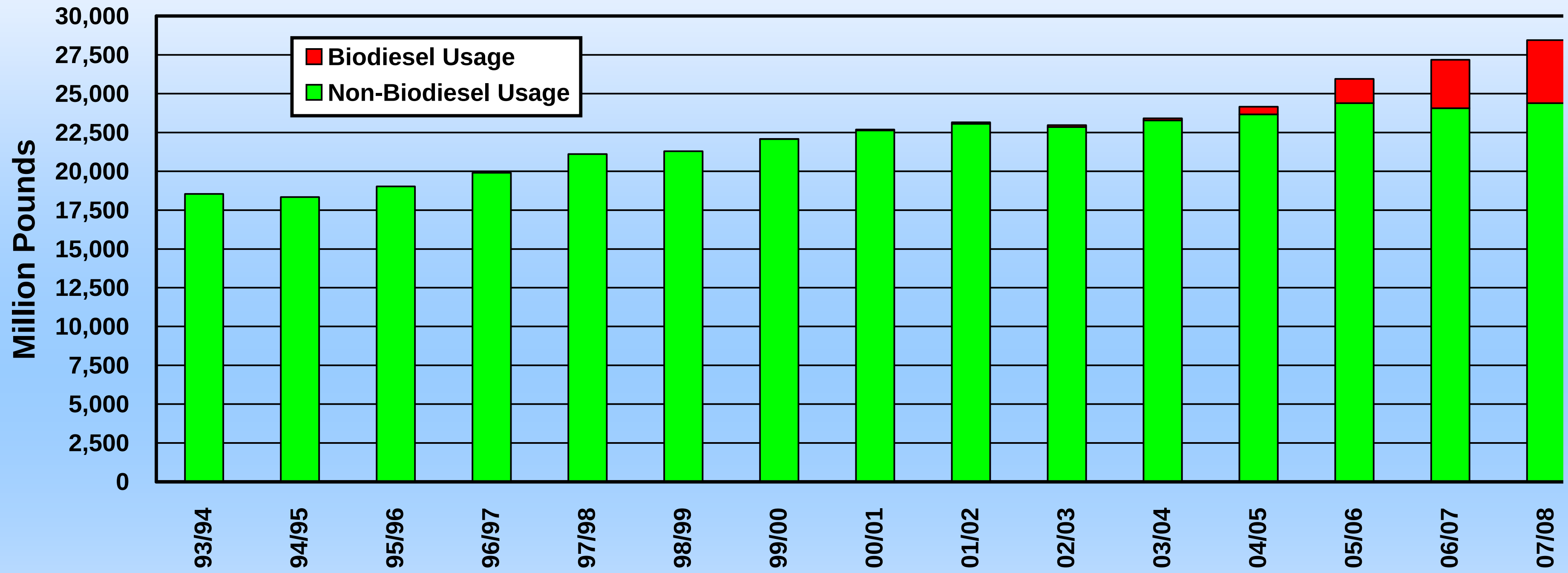
US Vegetable Oil Domestic Usage



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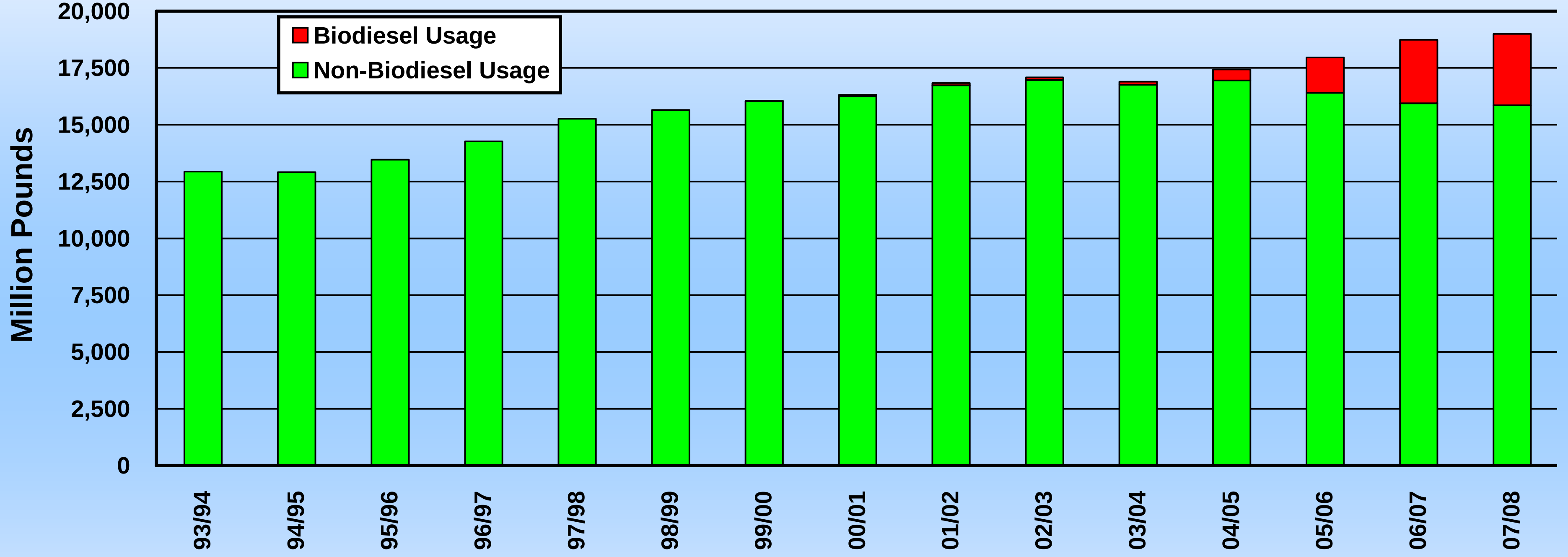
US Soybean Oil Domestic Usage



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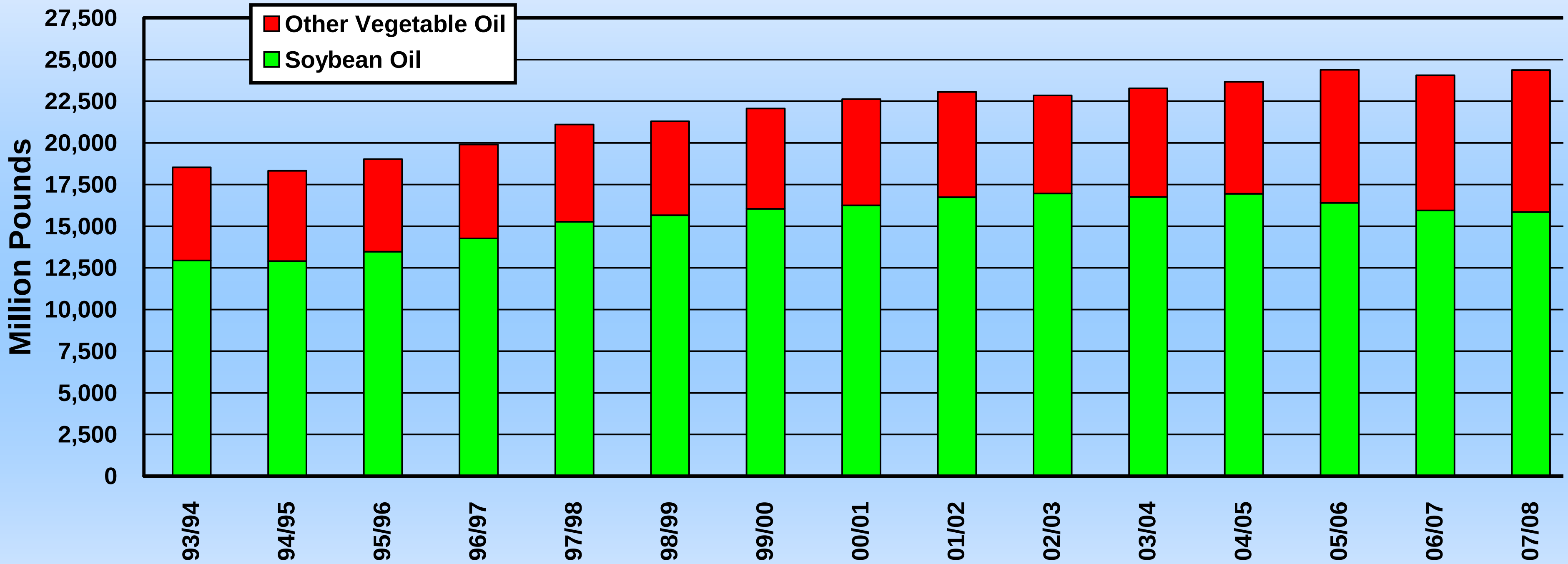
Non-Biodiesel Vegetable Oil Usage



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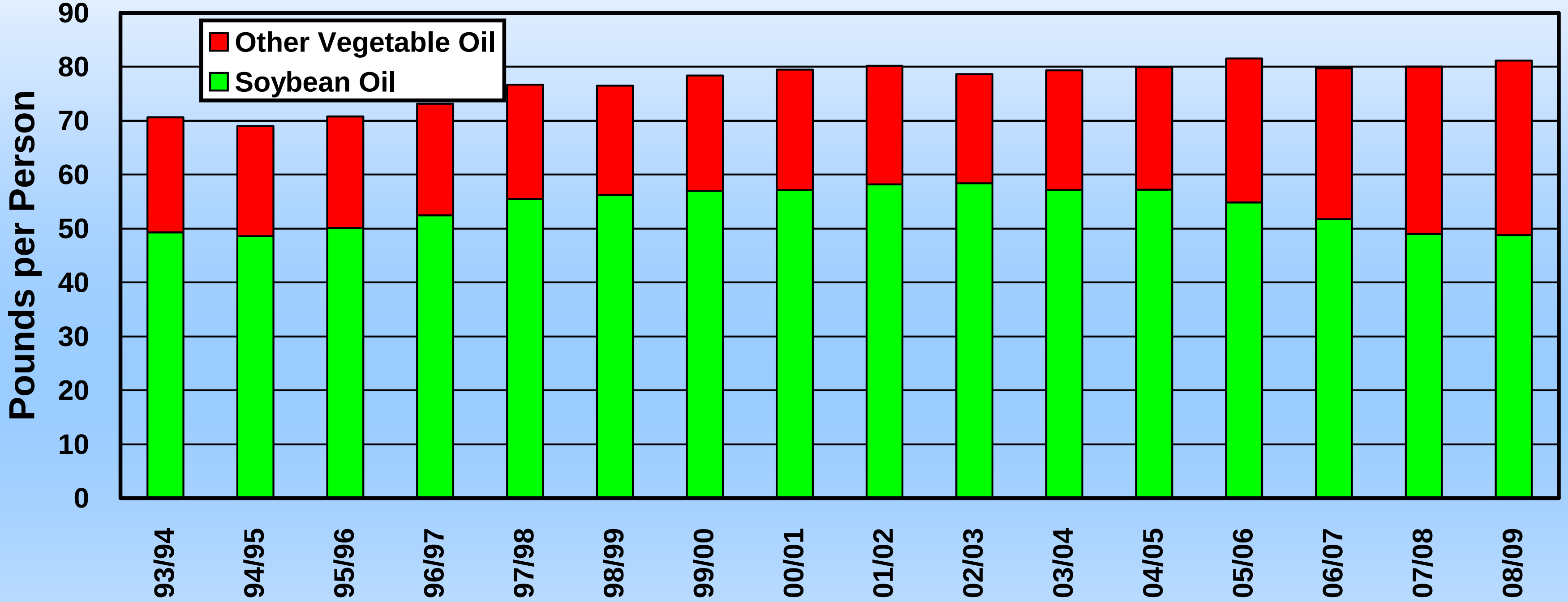
Per Capita Vegetable Oil Usage

Excluding Biodiesel Usage



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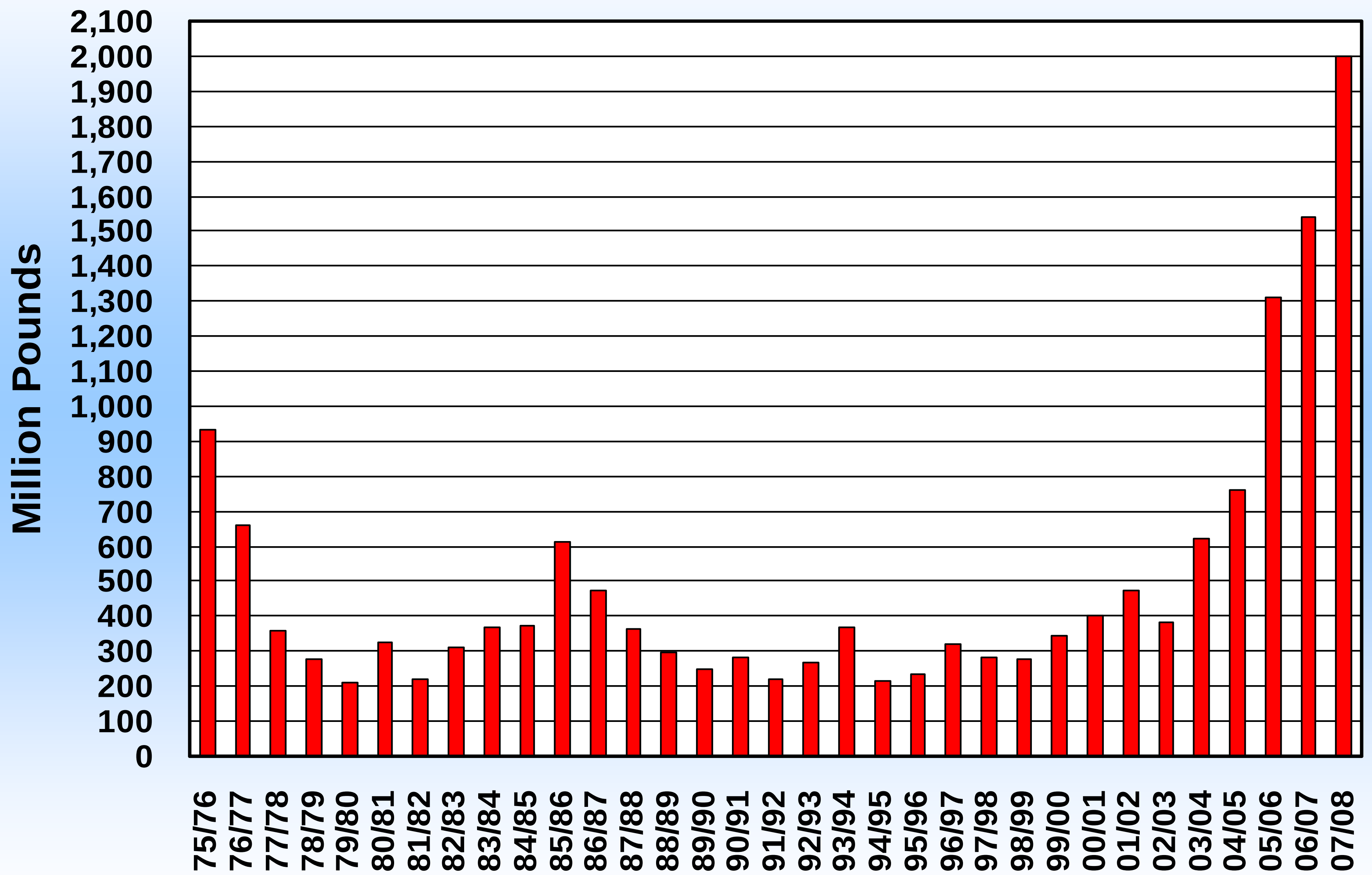
US Palm Oil Imports



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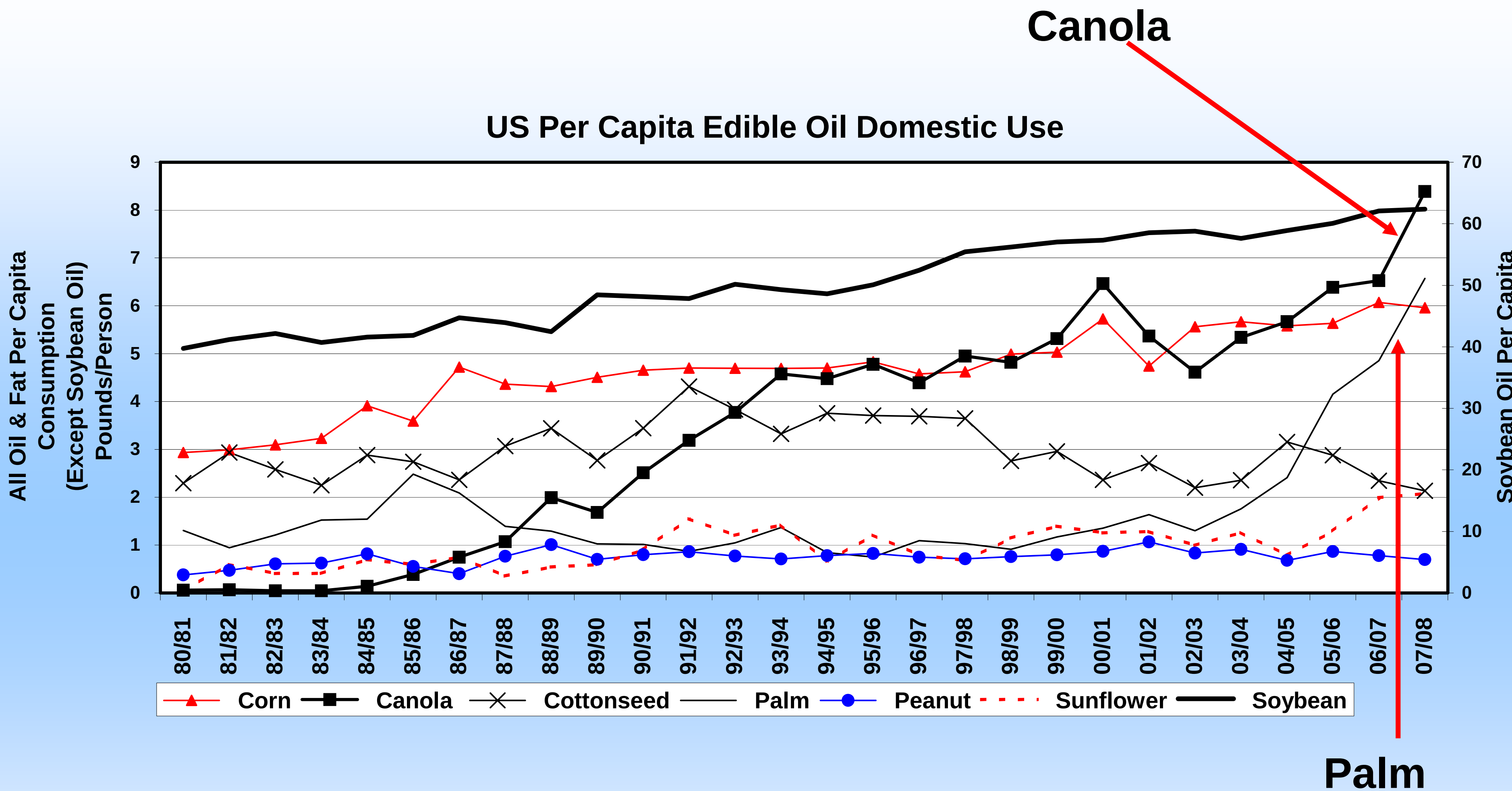
Canola
US Per Capita Edible Oil Domestic Use
All Oil & Fat Per Capita Consumption (Except Soybean Oil) Pounds/Person
Soybean Oil Per Capita
0
1
2
3
4
5
6
7
8
9
0
10
20
30
40
50
60
70
80/81
81/82
82/83
83/84
84/85
85/86
86/87
87/88
88/89
89/90
90/91
91/92
92/93
93/94
94/95
95/96
96/97
97/98
98/99
99/00
00/01
01/02
02/03
03/04
04/05
05/06
06/07
07/08
Corn
Canola
Cottonseed
Palm
Peanut
Sunflower
Soybean
Palm

The Trans Fat Canola Opportunity

	Billion Pounds
U S Vegetable Oil Consumption (food):	**24.53**
U S Food SBO Consumption:	**15.85**
Total Partially Hydrogenated:	**3.5 - 4.5**
SBO Partially Hydrogenated:	**3.7**

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The Trans Fat Canola Opportunity:
A Hypothetical Calculation

U S SBO Partially Hydrogenated: 3.7 bil. lbs.

If 50/50 Canola and Soy acres then:

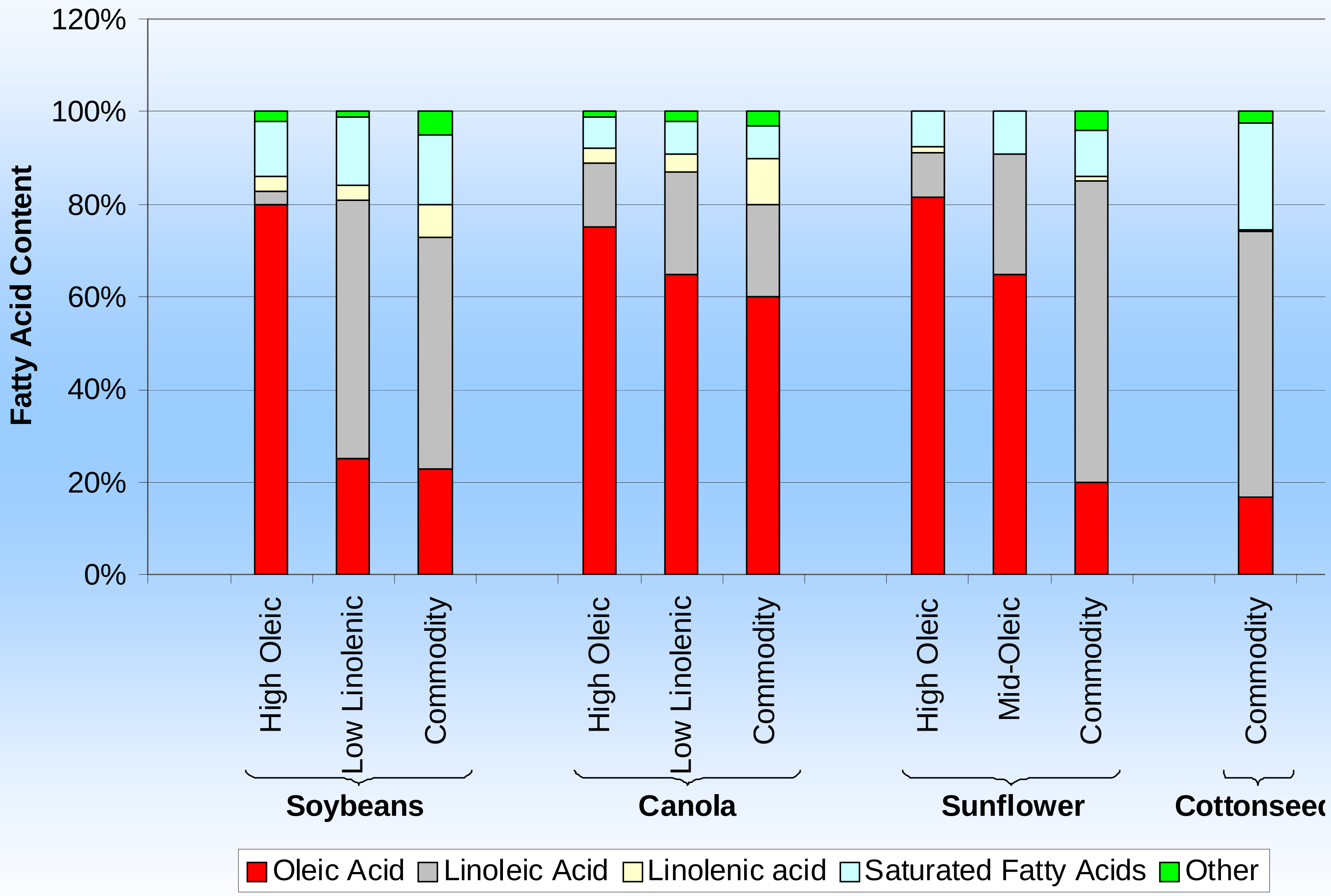
-Need 77.1 mil. Bu. of additional Canola (2.6 mil. acres at 30 bu./acre) *and*

-Need 271 mil. Bu. of “New Generation” soybeans (6.8 mil. Acres at 40 bu. Acre)

<u>In an acreage constrained world, where is it most economically feasible to get these acres?</u>

Availability of Next Generation Oils

Fatty Acid Profile of Various Oilseed Varieties



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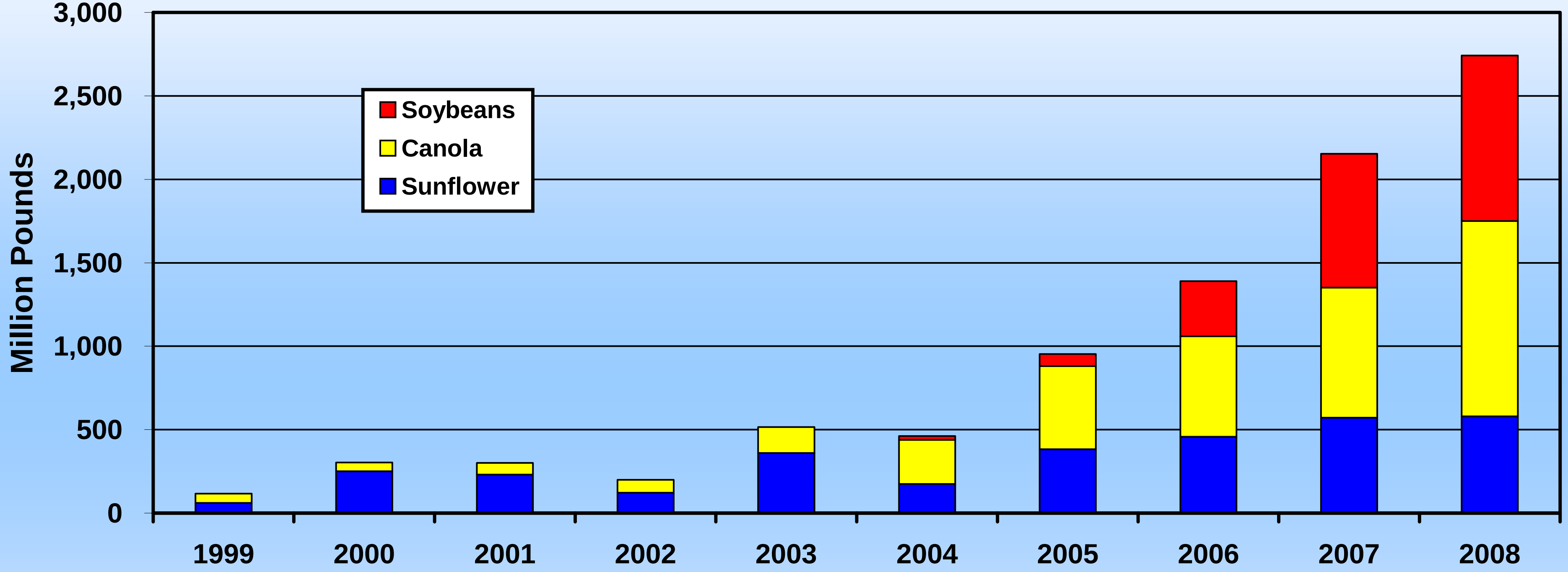
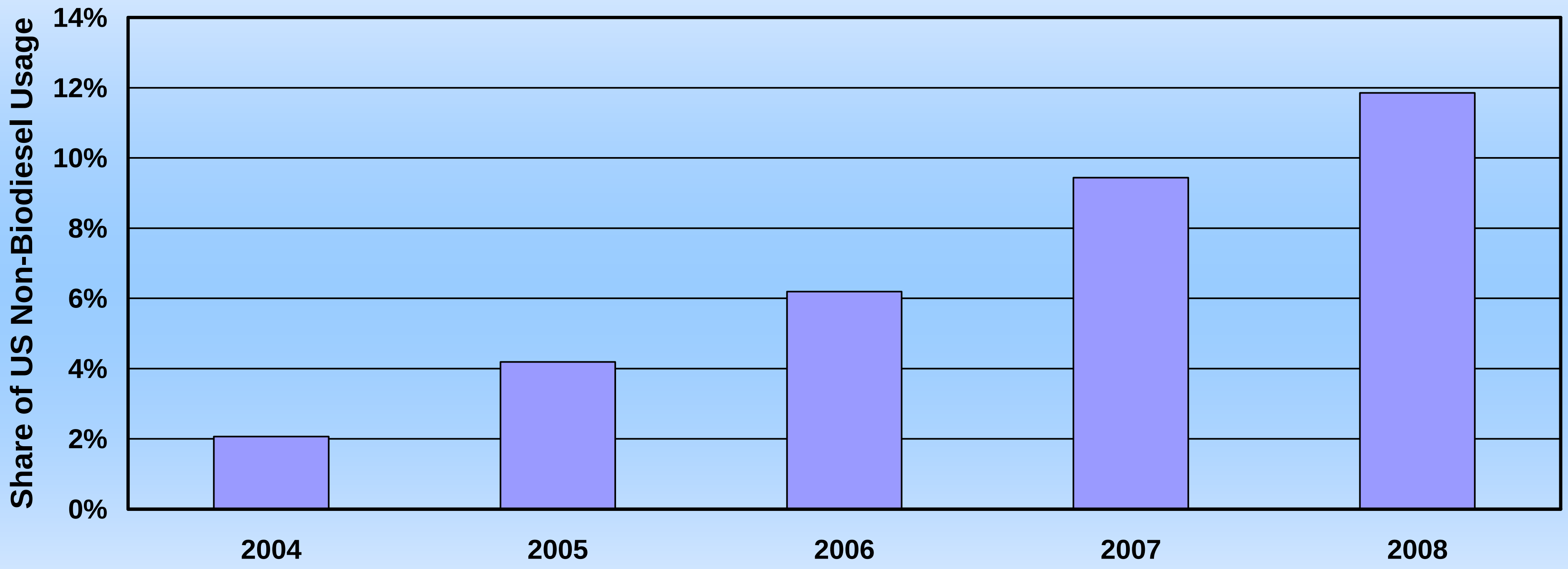
US New Generation (High Stability) Oil Production



High Stability Oil Production



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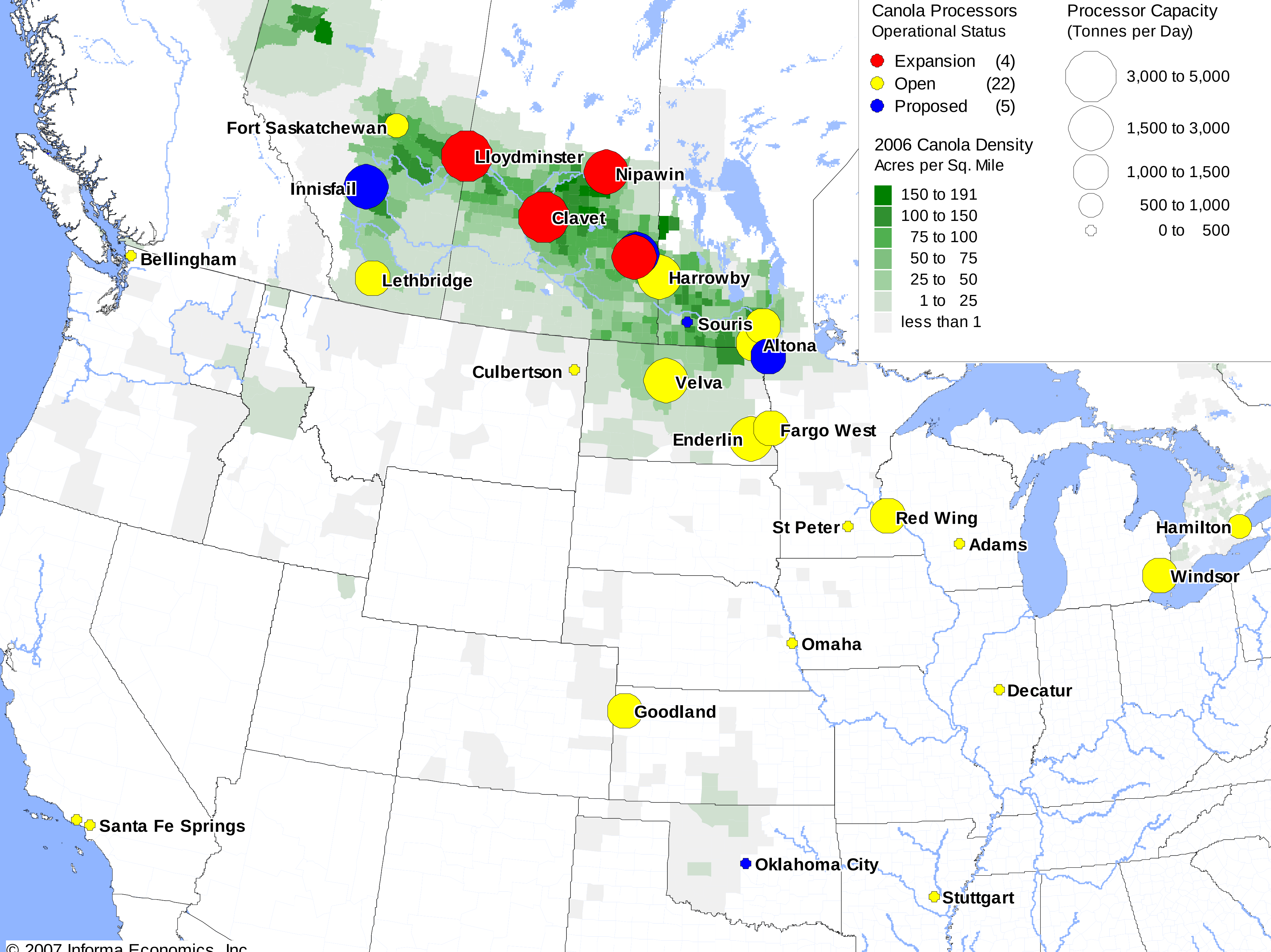
Outlook and Availability of Next Generation Oils

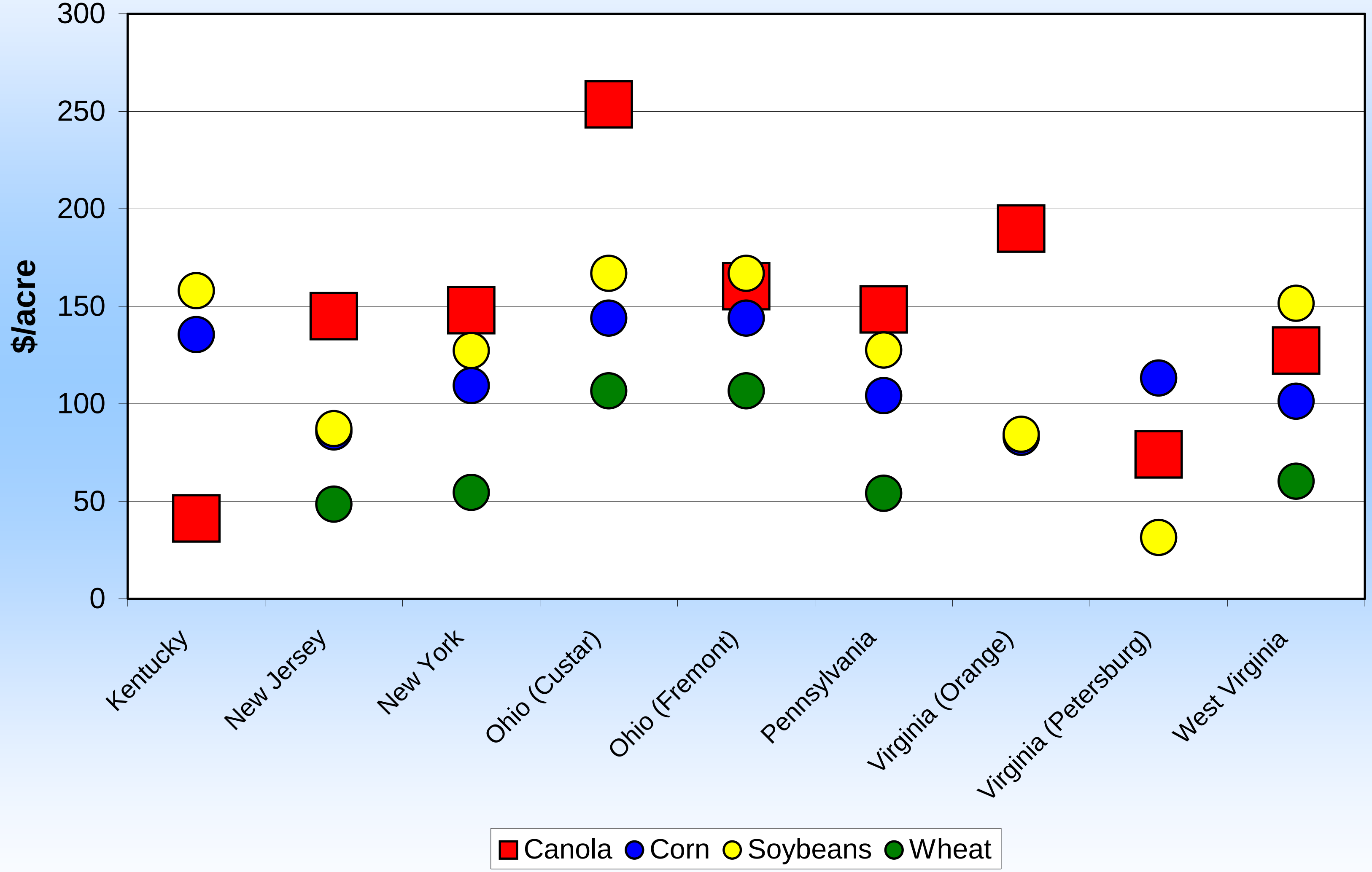
- Supply of Next Generation Oils Increasing
  - Low-Linolenic and High-Oleic Canola
  - Low-Linolenic Soybeans
  - NuSun and High-Oleic Sunflower
- Soybean Oil Remains Dominant Vegetable Oil in US
- Food Use of Soybean Oil Slipping
  - January 1, 2006 Trans Fat Labeling Requirement
  - Palm Oil Mostly Substituted for Partially Hydrogenated Soybean Oil
  - New Generation Oil Emerging as a Substitute

Can Canola Expand Further in the US?



Canola Processors
Operational Status
Expansion (4)
Open (22)
Proposed (5)
Processor Capacity
(Tonnes per Day)
3,000 to 5,000
1,500 to 3,000
1,000 to 1,500
500 to 1,000
0 to 500
2006 Canola Density
Acres per Sq. Mile
150 to 191
100 to 150
75 to 100
50 to 75
25 to 50
1 to 25
less than 1
Fort Saskatchewan
Lloydminster
Nipawin
Innisfail
Clavet
Bellingham
Lethbridge
Harrowby
Souris
Altona
Culbertson
Velva
Enderlin
Fargo West
St Peter
Red Wing
Adams
Hamilton
Windsor
Omaha
Decatur
Goodland
Santa Fe Springs
Oklahoma City
Stuttgart

Comparison of Average Returns by Crop for Northern Tier States 2002 to 2006



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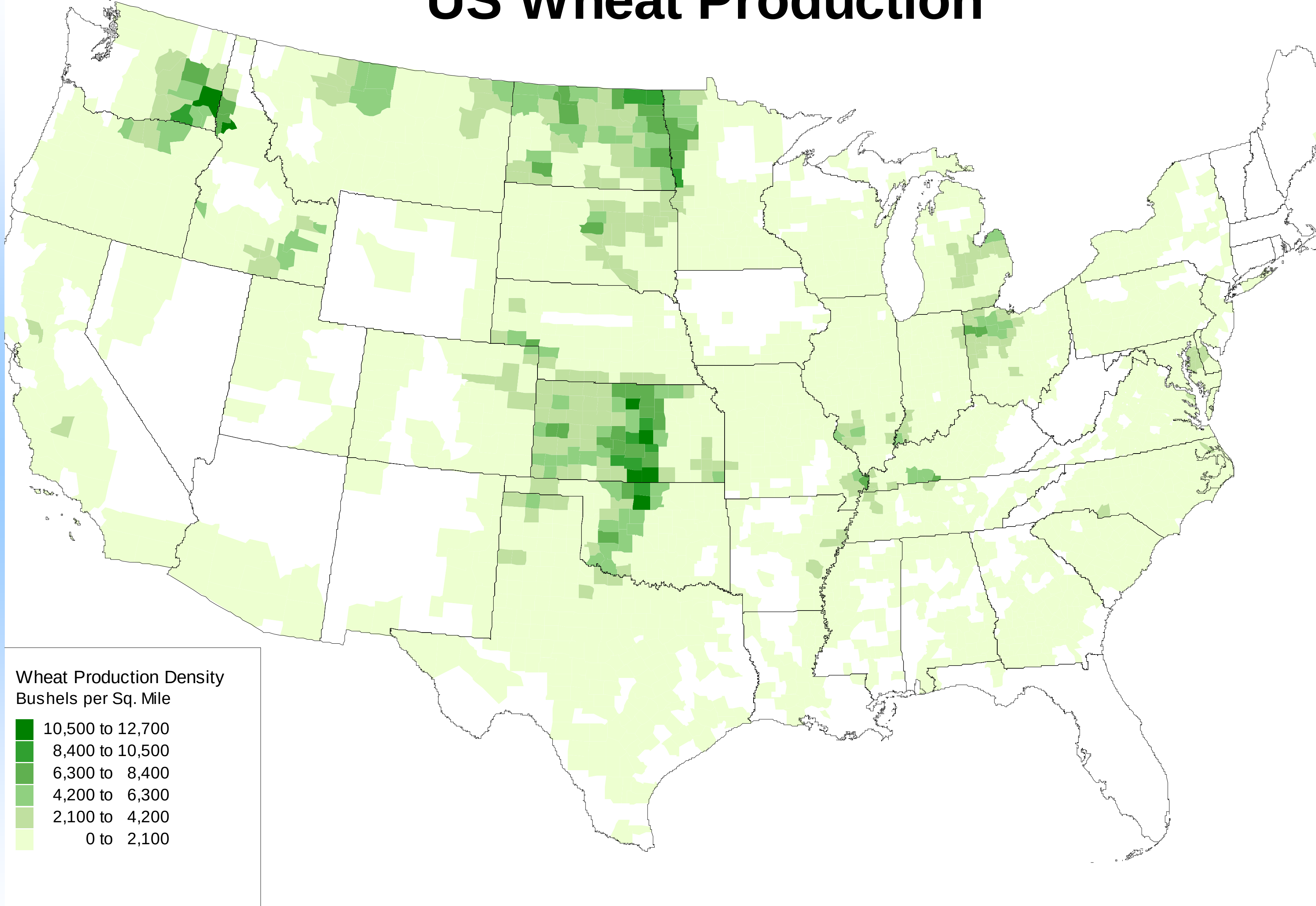
US Wheat Production



Summary

Summary

- **Global demand for vegetable oil and meal will continue to grow, but at slower rates than past 5-10 years.**
- **Oil's share of crush will remain relatively strong-a good thing for Canola.**
- **Crush margins will need to stay strong enough to support future expansion.**
- **Vegetable oil prices have moved above biodiesel BE-is biodiesel demand a floor and not a ceiling?**

Summary

- **Palm Oil was an early substitute for partially hydrogenated soybean oil to reduce trans fat**
- **New Generation Sunflower, Canola and Soybean Oil emerging as a better, long-term trans fat solution than Palm**
- **Supply of New Generation oils small, but growing**
- **Canola can't satisfy all of the demand, but replacing trans fats from Soybean Bean Oil is a major opportunity.**

Summary

- Meeting the demand caused by trans fat bans and labeling will come from a combination of increased canola oil and “next generation” oils.
- Expansion of Canola (including winter canola) in the US will be dependent on the build out of a new crushing industry.

Canola: Where do we go from here?

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Tom Scott

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Boca Raton Florida
March 11, 2008

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