



CANOLA

Meeting the challenge of
supplying the world's growing
demand for vegetable oil

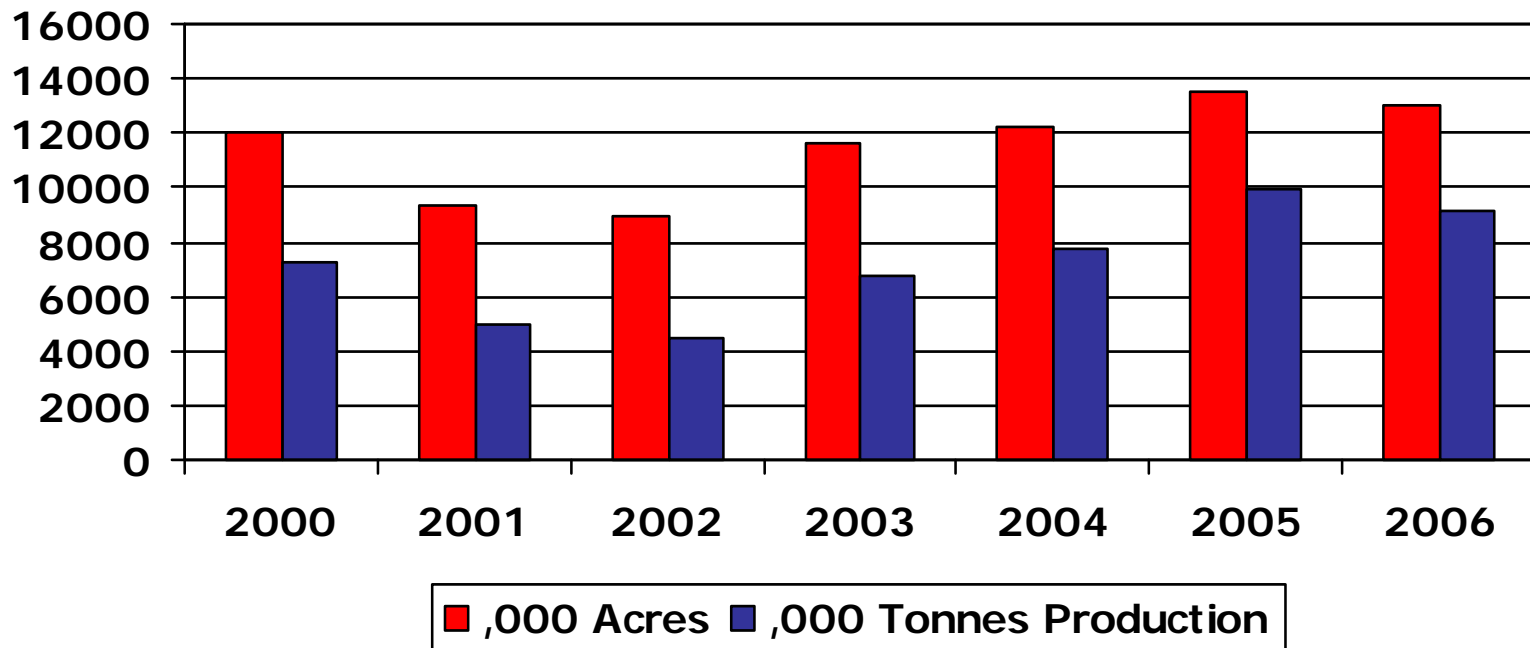


Presentation outline

- Preparing for the challenge (2002-2007)
- Situation analysis (2007 and beyond)
 - Mega trends
 - Country analysis
 - Competition in the oils and fats market place
 - Expanding canola production and markets
- 2015 goals
 - Numerical targets
 - Plan of action
- Mission statement

Preparing for the challenge

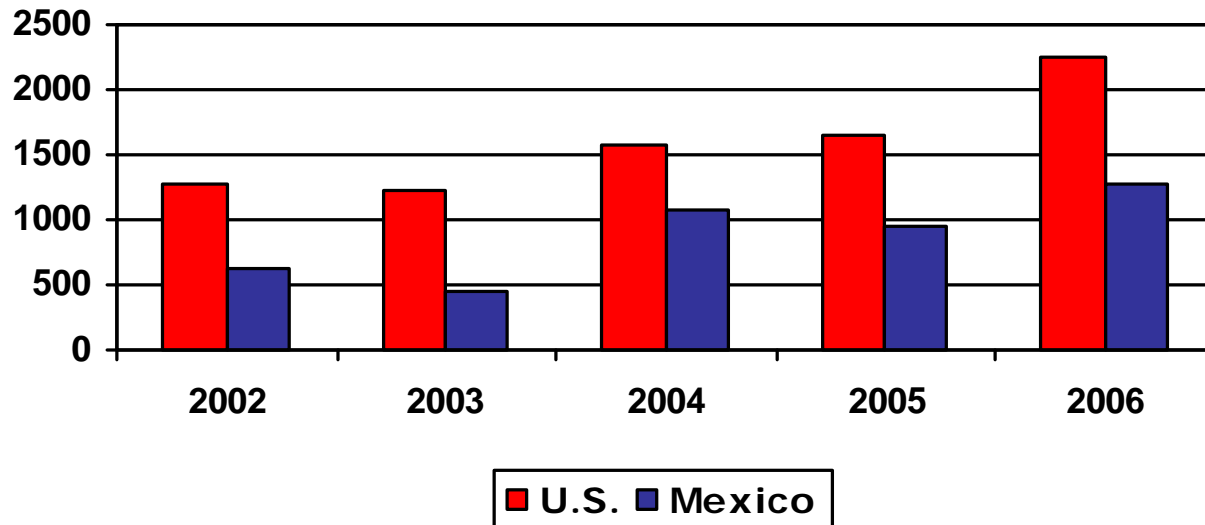
- *By 2002, three consecutive years of declining acreage & production*
- *Low returns across the supply chain*
- *Commoditization of canola and questions about our future*



Preparing for the challenge

- *Retain critical mass of acres to ensure continued investment in the crop*
- *Generate higher returns per acre relative to other crops*
- *Build high value demand for canola (NA focus)*

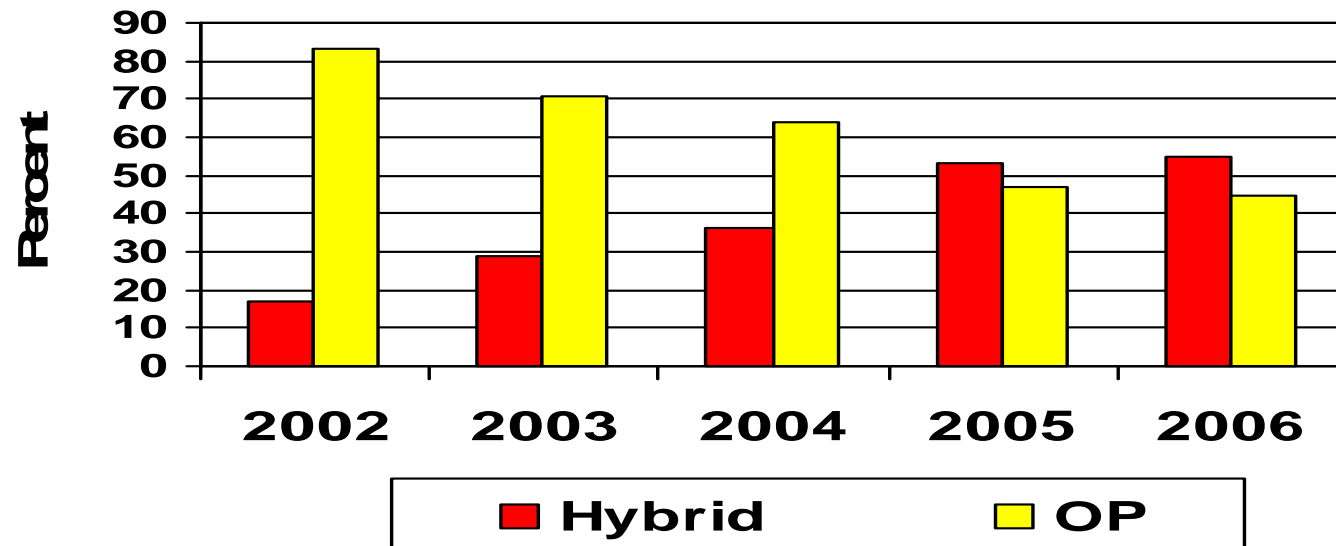
N. American Export Growth (,000 tonnes seed equivalent)



Preparing for the challenge

- *Hybrids, introduction of high stability canola oil, global biodiesel demand, were responsible for our success*

Rate of Hybrid Adoption



Mega Trends

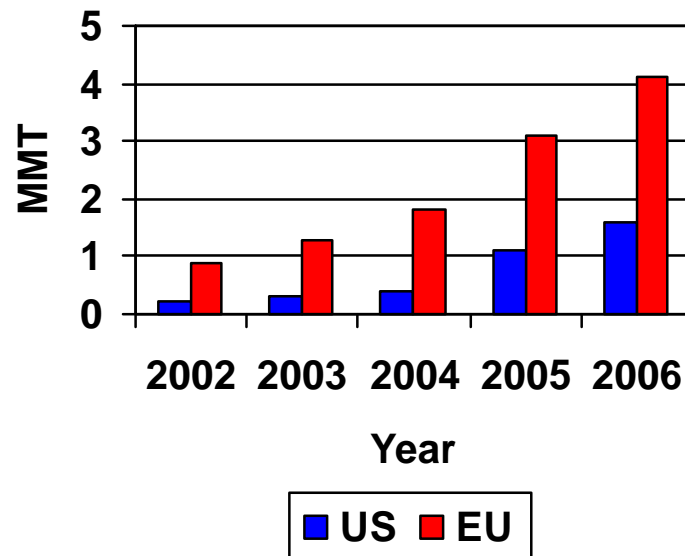
"In its 2007 presentation to the Agricore United Annual General Meeting, Rabobank estimated that world usage of the major oils would grow from 96 million tonnes in 2005 to 125 million tonnes in 2010. This 29 million tonne increase is projected to be split between food and fuel, 13 and 16 million tonnes respectively."



Biodiesel

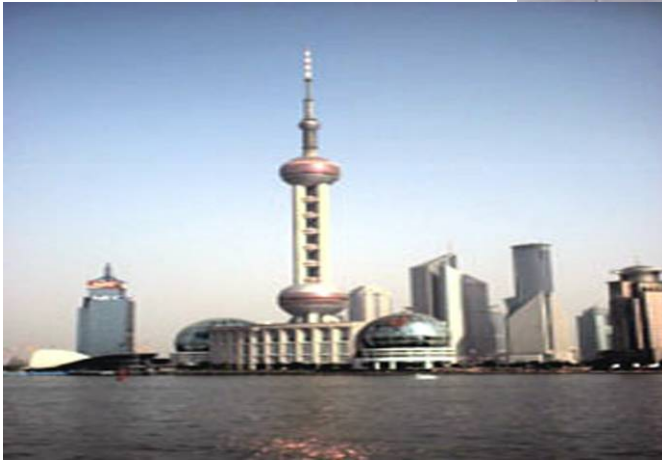
- *Biodiesel is a global phenomenon*
- *Drivers: environment, energy security, agricultural renewal and economic development*
- *Government intervention a key feature of this segment*

US and EU Biodiesel Production



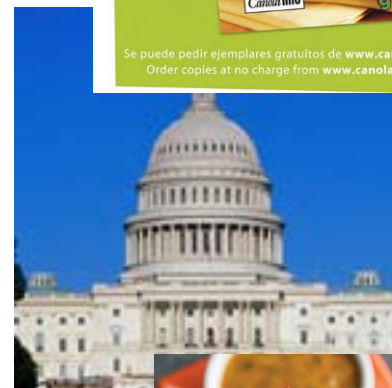
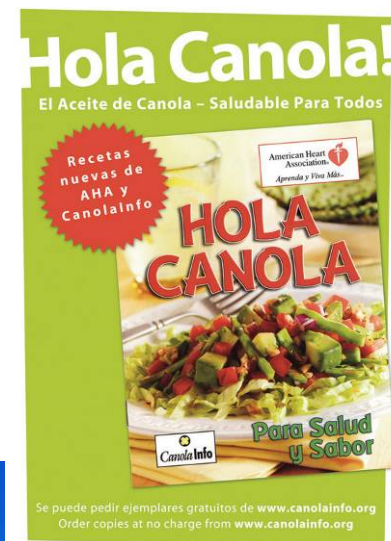
Food Demand

- *Global income growth will trigger increased demand for vegetable oils and movement toward healthier fats*
- *Rapid growth in oils and fats demand will favour canola's high oil content*
- *Market dynamics specific to each of canola's major customers will continue as dominant feature of demand*



North America

- *US and Canadian food market mature and demand stable*
- *Obesity, chronic disease and trans-fat creating bias in canola's favour*
- *Real growth opportunity lies in food service and food processing*
- *Emergent renewable industry will play a dominant role in global oils and fats growth and we will need to watch: policy environment, meal demand, changes in production patterns, etc.*
- *Higher standards of living in Mexico creating opportunity for differentiation of canola oil and meal*



Asia

- *Japanese market is mature but consolidation, meal surplus and innovative retail marketing approaches are helping to sustain market*
- *Depth of cut to Japanese oil tariff may impact canola seed demand*
- *China is and probably will remain a challenging market but will be a worthy of further development.*
- *South Korea is not a significant buyer but the upcoming FTA may create environment for growth*
- *Pakistan a committed canola buyer and recent circumstances have created demand for Canadian origination*



The EU

- *Due to long-term anti-GM sentiment, biodiesel, rather than food market, will dictate demand*
- *Market will remain challenging for Canada due to NTB's and potential for FSU supply*
- *There will be opportunity for seed and oil sales*
- *EU biodiesel policy will be a critical component of overall global demand*



New Geographic Market Opportunities

- *India, Egypt, and Taiwan have been flagged for market development*
- *Focus on countries that meet specific value-based criteria and have functioning regulatory systems*
- *Keep a watch on new opportunities as focused approach also creates vulnerability*



Competition in the Oils and Fats Market Place

- *Major competitors are: soybean, palm, canola/rapeseed in other geographies, sunflower and corn*
- *All are focused on growth to meet mega market trends*
- *As good as canola is today, we must be mindful of competitor activity*
- *Challenge from soy will be sheer size of R&D investment to improve consumer, processor, agronomic traits*
- *Palm will compete with us in global biodiesel market but food market opportunity could also be affected. In both segments, palm will have advantageous tariffs (if any at all)*
- *Potential for increased production of canola/rapeseed in other geographies such as Australia, the US, EU, Ukraine and the FSU, even SA*
- *Sunflower and corn oil are not significant at the moment but corn oil could become more relevant given ethanol production*

Competition in the Oils and Fats Market Place

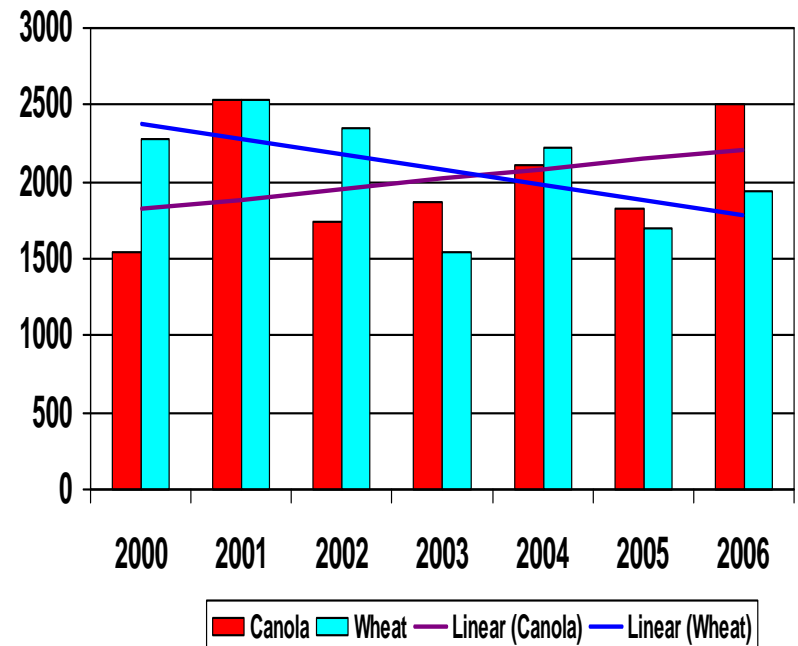
- *Near to medium term, oil demand will drive the commodity market and demand for specific functionalities will offer the Canadian canola industry an exciting opportunity to accelerate its growth relative to other commodities*
- *Long-term, as competitor products expend significant resources in research and development it will be necessary for the industry to continue to innovate*



Expanding Canola Production Competition for Acres

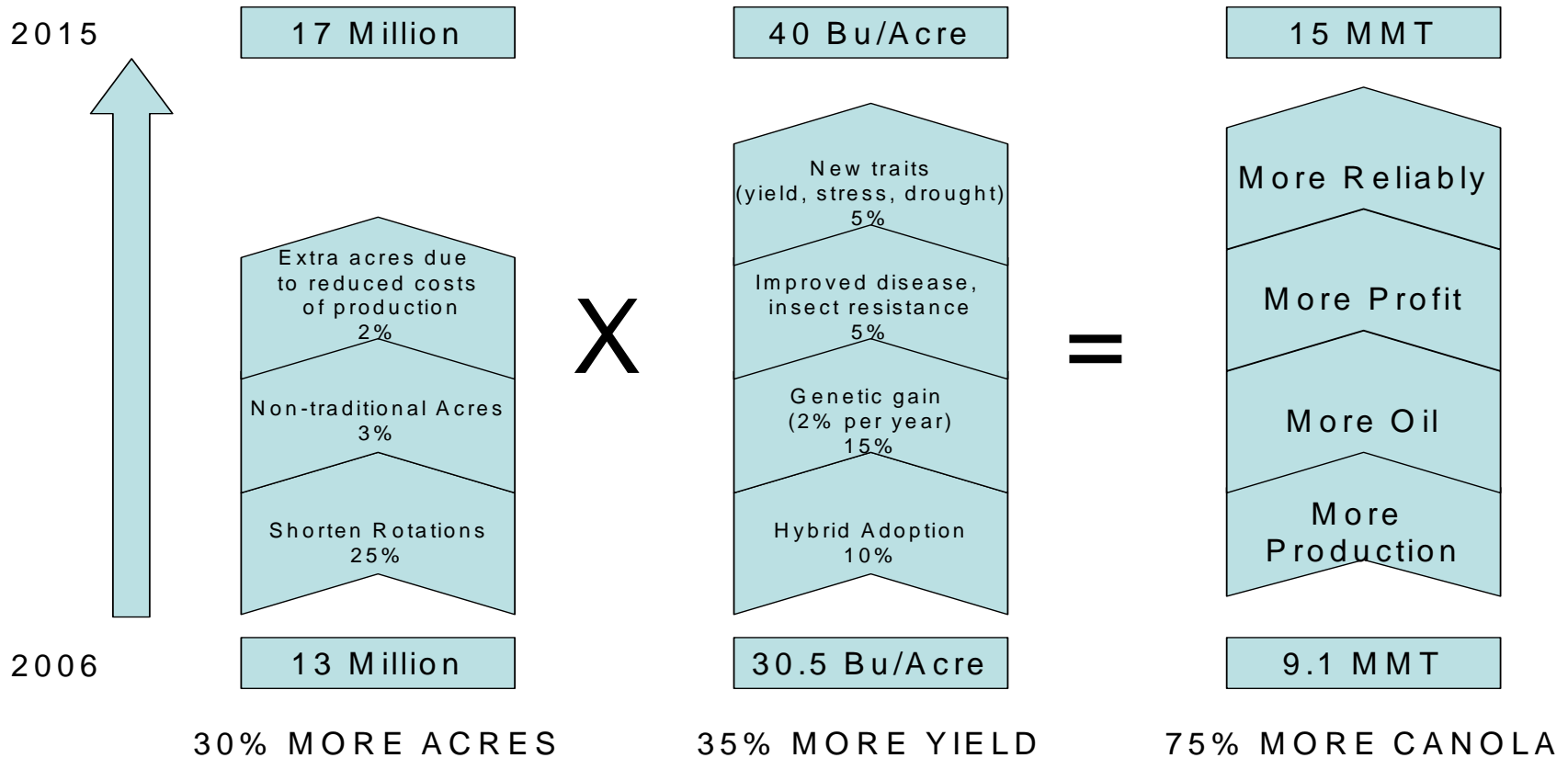
- *No macro changes for cereals & special crops that would significantly reduce canola's attractiveness*
- *Items to monitor include: CWB policy change; movement away from KVD; ethanol demand and/or weather-related cereals shortage that would impact price*
- *Question is important for canola industry but increasingly for the entire grains and oilseed sector*

Value of Prairie Farm Cash Receipts Wheat (excl. durum) vs. Canola (\$000,000)



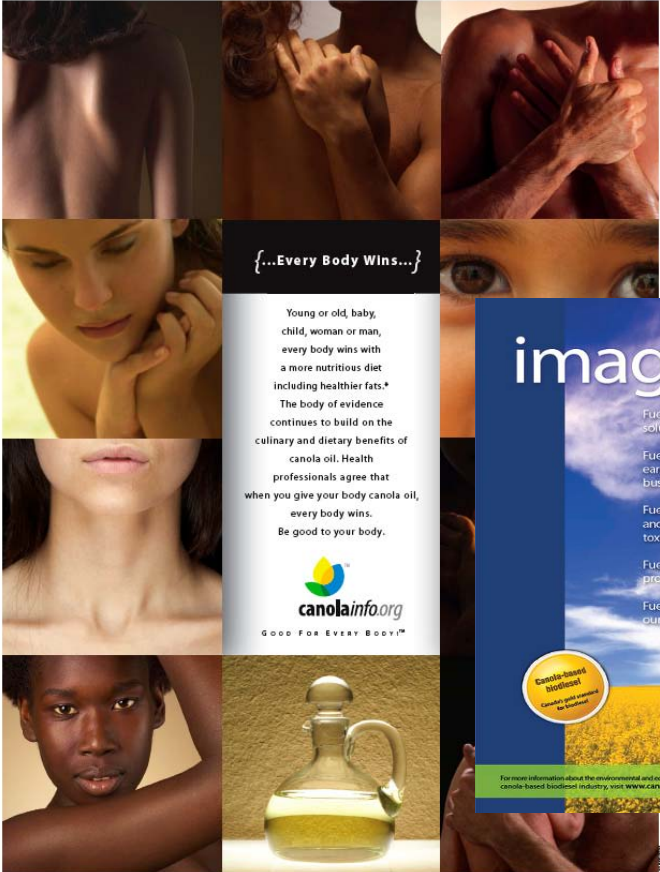
Expanding Canola Production

- *Market is signally desire for more canola; how much can come from Canada?*



Expanding Canola Markets

- *Promote canola's versatility, light taste and healthiness*
- *Develop canola biodiesel branding strategy capitalizing upon large volume, consistent quality, cold weather properties and environmental benefits*
- *Pursue an industrial use strategy based upon the biodiesel platform*
- *Eliminate tariff and non-tariff barriers to trade in key markets*
- *Focus on maximizing meal value*



{...Every Body Wins...}

Young or old, baby, child, woman or man, every body wins with a more nutritious diet including healthier fats.* The body of evidence continues to build on the culinary and dietary benefits of canola oil. Health professionals agree that when you give your body canola oil, every body wins. Be good to your body.

canolainfo.org
GOOD FOR EVERY BODY™

Imagine...

- Fuel that provides a made-in-Canada solution for a better environment
- Fuel that helps Canadian farmers earn money and diversify their businesses
- Fuel that helps industrial and municipal trucks reduce toxic emissions
- Fuel that's clean, renewable and produced right here at home
- Fuel that can help start clearing our air **today.**

Canada's cleanest biodiesel
Canada's greenest fuel for trucks

For more information about the environmental and economic benefits of a made-in-Canada canola-based biofuel, visit www.canola-biofuel.org or CANOLA CANADA

*The US FDA has authorized a qualified health claim for canola oil based on its ability to reduce the risk of coronary heart disease due to its unsaturated fat content. "Limited and not conclusive scientific evidence suggests that eating about 1 1/2 tablespoons (19 grams) of canola oil daily may reduce the risk of coronary heart disease due to the unsaturated fat content in canola oil. To achieve this possible benefit, canola oil is to replace a similar amount of saturated fat and not increase the total number of calories you eat in a day." FDA Qualified Health Claim October '06

Goals for 2015

Element	2006	2015 Target
Production Acres Yield	9.1 million tonnes 13 million 32 bu/acre	15 million tonnes 30% increase (17 million) 35% increase (40.5 bu/acre)
Oil content	42.5% average	45% average
Classic to Designer Ratio	90/10	75/25
Meal	2000 kcals/kg energy content (poultry)	10% increase (90% of soybean meal energy level)

Goals for 2015

Element	2006	2015 Target
<i>Export Seed</i>	<i>5.2 million tonnes</i>	<i>7.5 million tonnes</i>
Japan	2.00 million tonnes	2.00 million tonnes
Mexico	1.20 million tonnes	1.50 million tonnes
US	0.50 million tonnes	1.00 million tonnes
EU	0.00 million tonnes	1.00 million tonnes
Other (Pakistan, China, etc.)	1.50 million tonnes	2.00 million tonnes
<i>Domestic Crush</i>	<i>3.7 million tonnes</i>	<i>7.5 million tonnes</i>
Biodiesel (domestic)	0.05 million tonnes	2.00 million tonnes
Biodiesel (export oil)	0.25 million tonnes	0.50 million tonnes
Food (domestic & export)	3.40 million tonnes	5.00 million tonnes

Biodiesel demand includes other non-food applications

Getting from Here to There

- Innovate across the value chain
- Adapt quickly to change
- Focus on markets that place value on canola's specific attributes
- Build on our ability to contribute to improved consumer health and a better environment
- Continually monitor and measure performance

Mission Statement

The Canadian canola industry....

Innovative. Resilient.

Determined to create superior value and a healthier world.