2009 AGM of the Saskatchewan Canola Development Commission on 14 Jan 2009 in Saskatoon

Global Price Outlook for Oilseeds and Vegetable Oils - - Impacts for Canadian Canola

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Serving the Oilseed, Oil & Meal Industries, Trade, Organizations & Associations

Some Introductory Remarks

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- Our Publications:
  - - - Flash, Weekly, Monthly & special Reports
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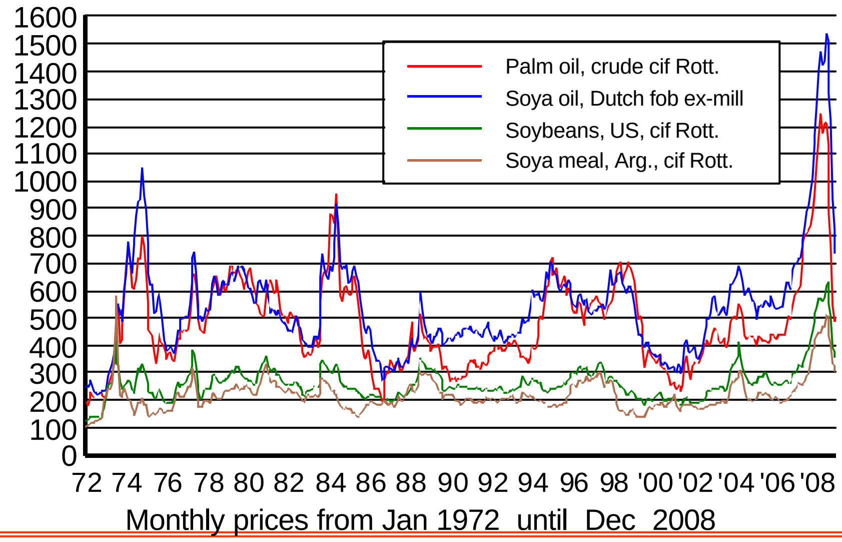
But Prices Plummeting in July-Dec 2008
From Shortage to Surplus in Just 5 months

Soybeans, meal & oil, palm oil: monthly prices (US-$/MT)



But Prices Plummeting in July-Dec 2008.
From Shortage to Surplus in Just 5 months.

Bearish Factors since July 2008 :

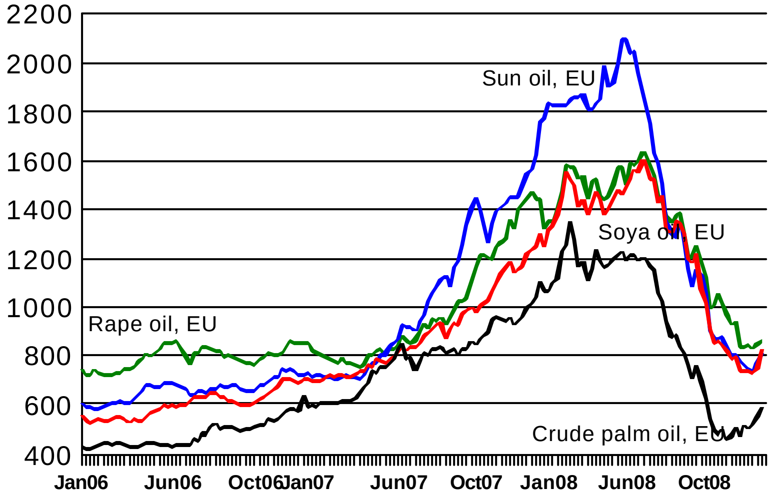
- Steep price increase in Jan/June 2008 was **NOT** justified by the fundamentals
- Record-high prices generated global demand rationing of oils and oilmeals
- Boost in oilseed area by 10 Mn ha in 2008
- Very good weather and better than expected oilseed & grain crops in the North.Hemisphere
- Bumper supplies of Palm Oil, Rape & Sunseed

Global Financial Crisis

- . . Aggravating in Oct and Nov 2008
- Panic Selling (FUNDS ! !), no confidence
- Collapse of major investment banks (US)
- Plummeting Stock Markets . . .
- - - > Spilling over to Commodity Markets, including Oilseeds and Products
- Liquidity Squeeze + Lack of Credit - - >
- - -> affecting farmers, crushers, consumers and slow-down in buying + trade
- Economic Recession in the USA, EU, . . .

Market Moves have become more extreme with (daily) volatility increasing

Weekly Oil Prices in Rotterdam (US-$/T)



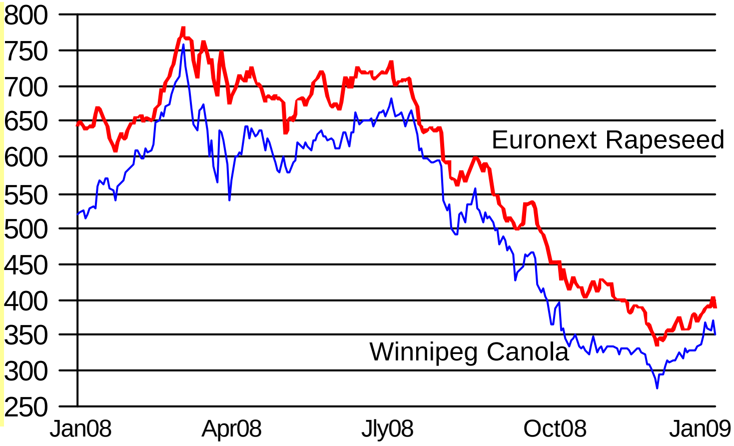
From 1 Jan 2006 until 8 Jan 2009

9 Jan 2009

Daily Rapeseed & Canola Futures

Nearest Forward Position (US-$/T)

- **Prices reached a low in early Dec 2008,**
- **But are recover-ing, as exports rising sharply**



What is the likely Development from here ?

Discuss the major global supply and demand factors determine the outlook for

Canadian Canola Seed and Products

- **But influences from the outside markets will remain very important (economic development, crude mineral oil prices, currencies)**

Bearish Factors

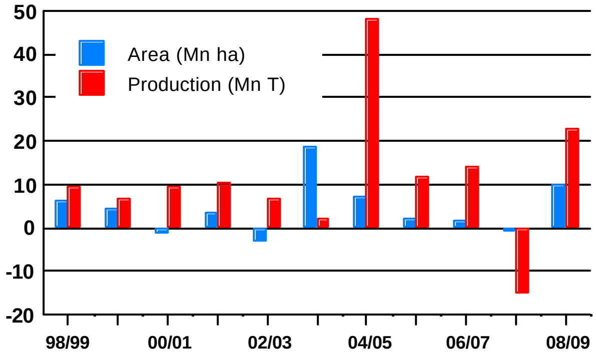
World Supply & Demand of Oilseeds

Oil World Forecast for 2008/09:

Area +10 Mn ha Output +23 Mn T

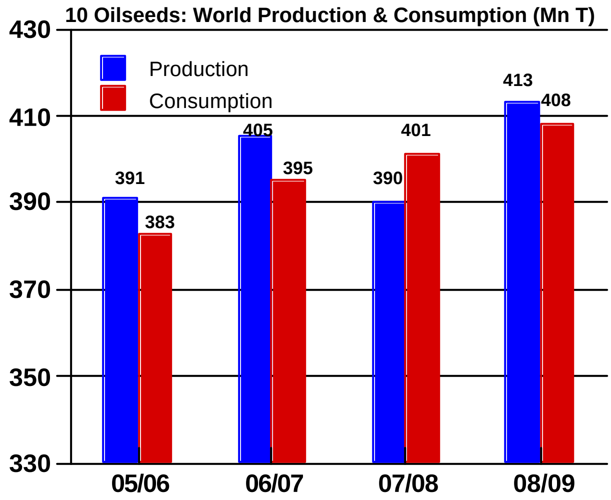
- 10 Oilseeds 413 Mn T (up 23)
- Soya 232 Mn (up 10)
- Rape 57.7 Mn (up 9)
- Sunseed 33 (up 4)
- Cottonseed 41 (- 2)
- Groundnuts shelled 25 Mn (unchanged)
- Palmkernels 12 Mn T (up 1)

10 OILSEEDS: Annual Change in World Area and Production



But even with 23 Mn T higher Output, World Supplies to rise only 12 Mn T in 2008/09 due to low opening stocks

- **Global Oilseed Stocks set to recover by 4-5 Mn T in 2008/09,**
- **After plunge of 11 Mn T in 2007/08**

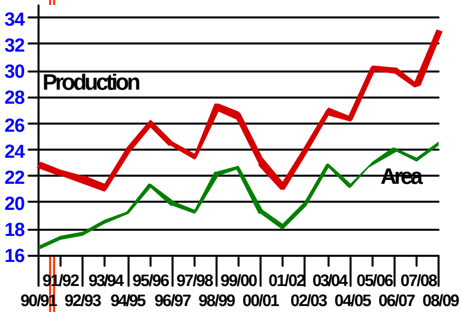


Bearishness in Sunflowerseed and Rapeseed & Canola in 2008/09

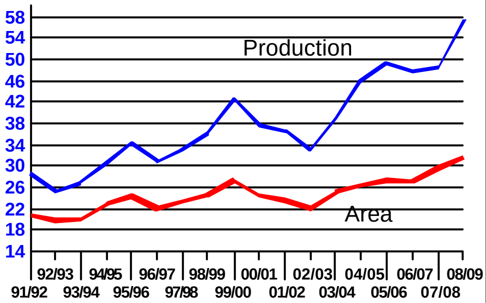
2008/09 Production Change, Mn T:

Russia	+ 1.4	Canada	+ 3.1
Ukraine	+ 1.2	Ukraine	+ 1.8
EU	+ 1.7	EU	+ 0.5
Argentina	– 1.0	Australia	+ 0.3
World	+ 4.2	World	+9.0

SUNFLOWERSEED
World Production (Mn T) and Area (Mn ha)



RAPESEED
World Production (Mn T) and Area (Mn ha)



Production of Rapeseed & Canola up steeply by 9.0 Mn T or 18% in 2008/09

- **Excess of production vs. demand.**
- **World stocks set to rise by 2.6 Mn T in 2008/09.**
- **Very strong import demand of China + EU.**

RAPESEED : World Supply & Demand (Mn T)

	08/09F	07/08	06/07	05/06	04/05
Open'g stocks. .	**4.50**	**6.34**	**7.29**	**6.35**	**3.13**
Production	**57.70***	**48.71**	**47.80**	**49.39**	**46.31**
EU-27	18.90	18.36	16.13	15.66	15.45
Russia.	.75	.60	.52	.30	.28
Ukraine	2.87	1.06	.60	.28	.15
Canada	12.64	9.59*	9.00	9.48	7.67
China	11.60*	10.40*	12.65	13.05	13.18
India	6.40*	5.00*	6.20	7.02	6.21*
Australia	1.38*	1.07	.55*	1.44	1.43*
Total supplies	**62.20***	**55.05**	**55.09**	**55.74**	**49.44**
Disappearance	**55.11***	**50.55**	**48.75**	**48.45**	**43.09**
Crush(Jly/June)	51.78*	48.09	45.99	44.79	40.27
Other use.	3.33*	2.46	2.76	3.66	2.82
End'g stocks . . .	**7.09***	**4.50**	**6.34**	**7.29**	**6.35**
EU-27 (Jun 30)	1.70*	.80	1.31	1.35	1.34
Canada (July31)	2.53*	1.54	1.82	2.01	1.59
Stocks/usage	***12.9%***	***8.9%***	***13.0%***	***15.0%***	***14.7%***

World Trade of Rapeseed & Canola

Rapeseed & Canola : World Trade (1000 T)

	08/09F	07/08	06/07	05/06	04/05
	July / June				
Exports	**10874***	**8511**	**6732**	**6824**	**5168**
EU-27(a)	90*	396	74	301	200
Ukraine	**2500***	906	487	195	73
Other C.I.S. . . .	292*	174	112	103	62
Canada	**6820***	5929	5473	5113	3515
U.S.A.	380*	533	297	173	258
South America	79*	27	38	37	24
Australia	670*	519	238	884	1018
Imports	**10932***	**8427**	**6831**	**6775**	**5167**
EU-27(a)	**2740***	688	498	406	81
Canada	223*	412	206	126	110
U.S.A.	850*	904	630	559	460
Mexico.	1350*	1287	1127	1324	1054
China,PR.	**1800***	991	676	566	317
Japan	2320*	2221	2233	2264	2282
Pakistan.	460*	765	688	831	606
U.A.E.	650*	527	306	229	-
Turkey	157*	317	134	133	3

(a) Intra-EU trade is excluded.

EU- 27 : Rapeseed Supply & Demand (Mn T)

	08/09F	07/08	06/07	05/06	04/05
	J u l y / J u n e				
Op. stocks	.80	1.31	1.35	1.34	.25
Output	18.90	18.36	16.13	15.66	15.45
Imports(a) . .	**2.74***	.69	.50	.41	.08
Exports(a) . .	.09*	.40	.07	.30	.20
Crushings . .	**19.76***	**18.38**	**15.72**	**14.69**	**13.26**
Oth. use(b)	.89*	.78	.87	1.07	.98
End. stocks	1.70*	.80	1.31	1.35	1.34

(a) EU intra-trade is excluded. (b) Residual.

EU-27 : Imports of Rapeseed & Canola (1000 T)

From:	08/09F	07/08	06/07	05/06	04/05
	J u l y / J u n e				
Ukraine	2000*	400	365	28	13
Oth. CIS. . . .	140*	106	99	83	48
Canada	100*	4	3	4	15
Argentina . . .	17*	3	12	-	-
Australia . . .	470*	168	8	279	.
Oth. ctrs.	13*	7	11	12	5
Total (a). . . .	2740*	688	498	406	81

(a) EU intra-trade is excluded.

Marketing Strategies for Canadian Canola from Jan 2009 onward

- Canadian Producers now face favourable global import demand prospects . . .
- . . partly because of the tightness and high prices of soybeans
- Less export competition, as Ukraine and Australia are largely sold out
- Canada almost the only notable canola / rapeseed exporter in Febr/July 2009
- Canadian producers still have huge supplies. In view of the substantial marketing job, they should be ready sellers. Go for volume rather than price peaks to prevent huge stocks.

CANADA : Supply & Demand of Canola (Mn T)

	08/09F	07/08	06/07	05/06	04/05
		August / July			
Harvest. Area .	**6.49**	6.28	5.24	5.18	4.94
Yields	**1.95**	1.53*	1.72	1.83	1.55
Op. stocks	**1.54**	1.82	2.01	1.59	.61
Output	12.64	9.59*	9.00	9.48	7.67
Imports	**.23***	.41*	.21	.14	.11
Total supplies	**14.41***	**11.82***	**11.22**	**11.21**	**8.39**
Exports	**6.90***	5.80	5.46	5.41	3.44
Crushings	**4.50***	4.14	3.58	3.42	3.03
Other use.	**.48***	.33*	.36	.37	.33
End.stocks. . . .	**2.53***	1.54	1.82	2.01	1.59
Stocks/usage	***21.3%***	***15.0%***	***19.4%***	***21.8%***	***23.3%***

Prospects for 2009: Area -5%, Crop 11 – 12 Mn T

Challenge from Palm Oil !

-- High Yields and Productivity

-- Still large Land Resources

-- Low Costs of Production

-- 85% of world Production in Malaysia and Indonesia

Palm Oil Surplus in Oct/Sept 2007/08

Malaysia

- Production 17.6 Mn T (up 2.3 Mn T from 06/07)
- Exports 15.0 Mn T (up 1.3 Mn)
- Stocks end-Sep 2009 at 1.95 Mn (up 0.5 Mn)

Indonesia

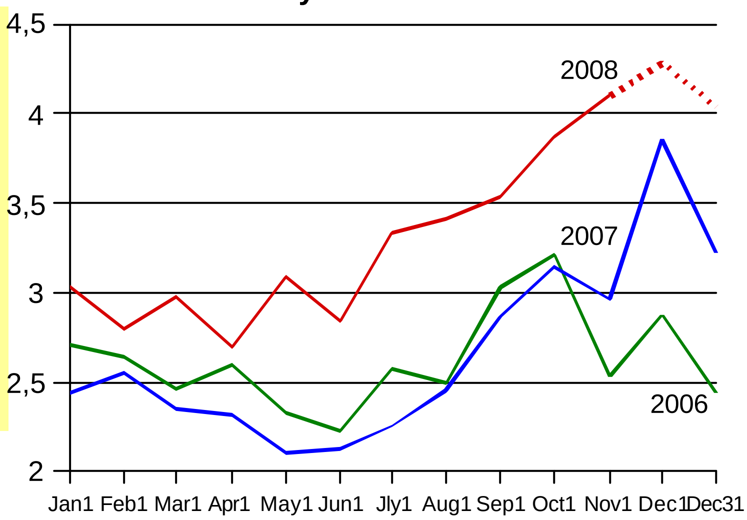
- Production 19.0 Mn T (up 2.3 Mn T from 06/07)
- Exports 14.6 Mn T (up 2.2 Mn)
- Stocks end-Sep 2009 at 1.9 Mn T (up 0.1 Mn)

World Output 42.5 Mn T in 2007/08, up 4.9 Mn T

Palm Oil Surplus in Oct/Sept 2007/08

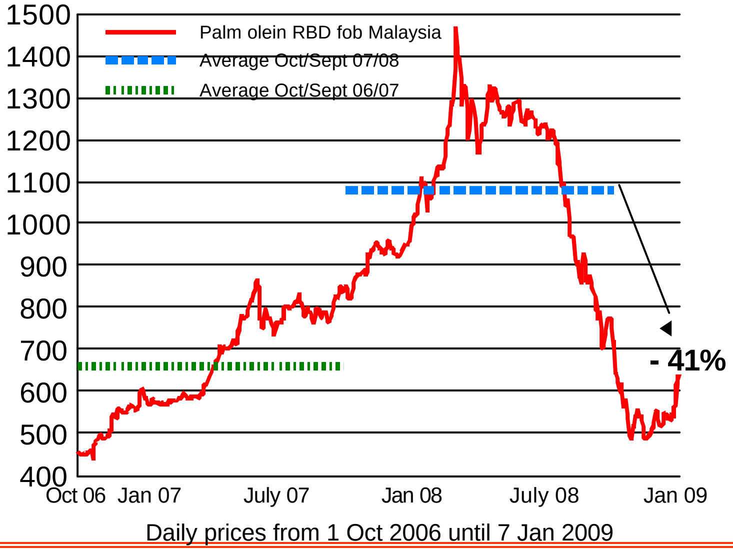
Monthly Stocks of Palm Oil in Malaysia and Indonesia

- **End-Nov stocks at record level of 4.3 Mn T**
- **. . but stocks set to to fall in Dec/Apr 2008/09**



Palm Oil Prices Plunged by 68% from Peak

Daily Prices of Palm Olein fob (US-$/T)



Depressed World Demand in Sept/Nov 2008

- World Soybean Crush down from last year in July/Sept (-0.3 Mn T) and Oct/Dec 2008 (-3.0), but soft seed crush +0.8 and +2.2 Mn
- World consumption of Soya Meal declining in the same 2 quarters
- World exports of 17 oils & fats only stagnating in Sept/Dec 2008, following a boost of 3.3 Mn T to 61 Mn T in 2007/08
- Hand-to-Mouth Buying of many consumers (lack of credit, lack of confidence)

Price Supportive Factors

- Very low prices in Oct/Dec have generated adjustments on the supply side
- Considerably lower growth in world production of vegetable oils ahead in 2009
- Governments stimulating Veg Oils for Energy
- Reduced plantings on marginal land
- Markets are in a transition phase
- Prices have not yet responded

Palm Oil Outlook - Oct/Sept 2008/09

Recent Low Prices have Triggered . . . .

- - Fertilizer reductions
- - Governments stimulating biofuels
- - Initiatives to Raise Replantings

Malaysia

- Biological Yield Cycle Declining
- Production unchanged from 07/08, following a boost of 2.3 Mn T last season

Indonesia

- Production up only 1.4 Mn T, following a boost of 2.3 Mn T last season

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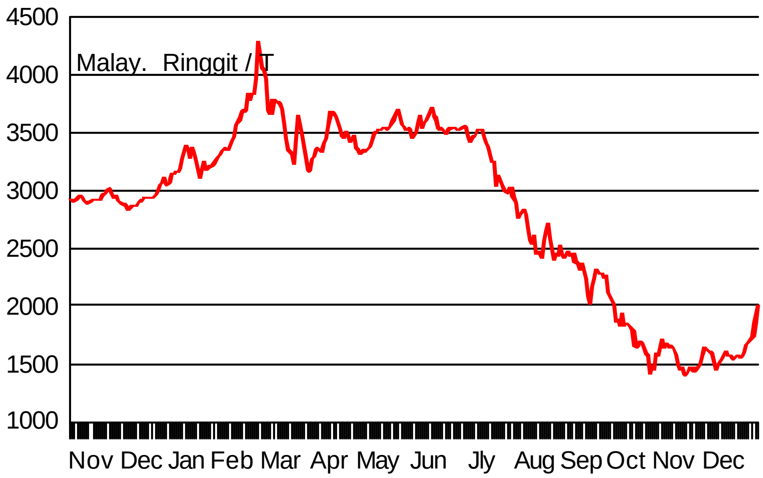
Palm Oil Prices Have Stabilized Lately

MALAYSIA: Crude Palm Oil Futures Close

First position in Malaysian Ringgit/T



Prices from 1 Nov 2007 until 6 Jan 2009

Internet: www.oilworld.de

8 Jan 2009

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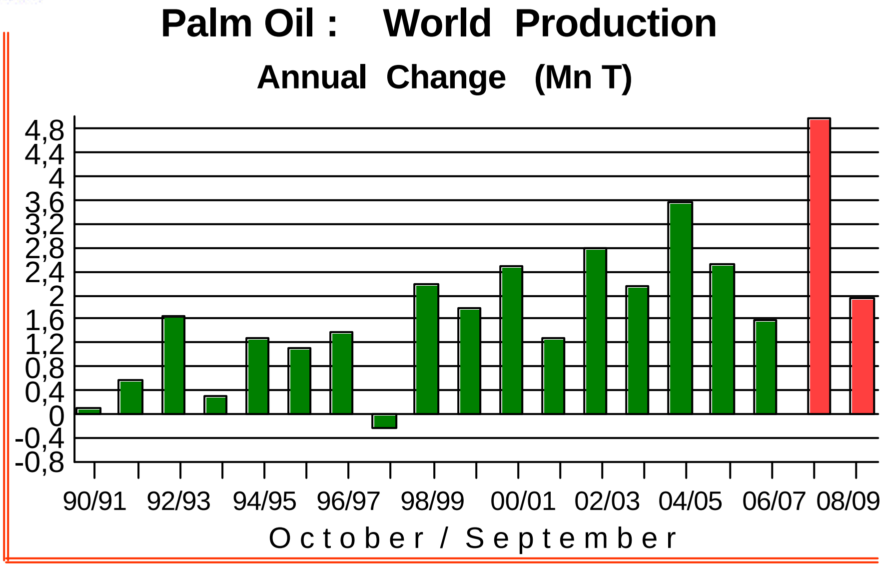
Despite Still Large World Palm Oil Stocks, the Slower Output Growth will Support Prices



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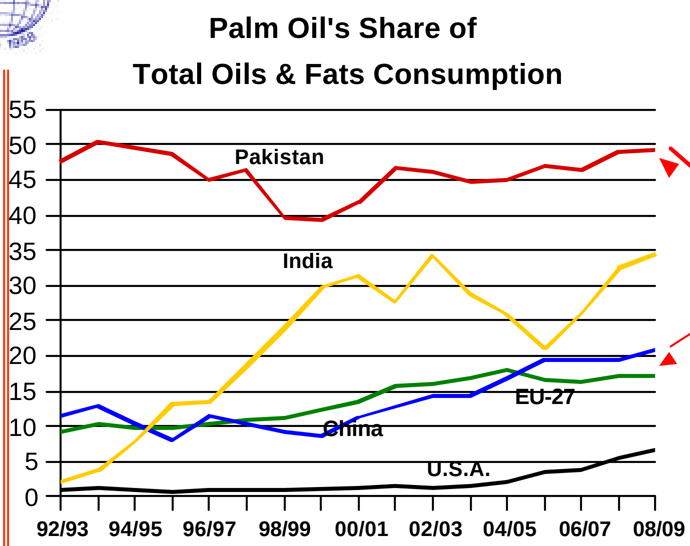

Is palm oil reaching limits in expanding its market share?

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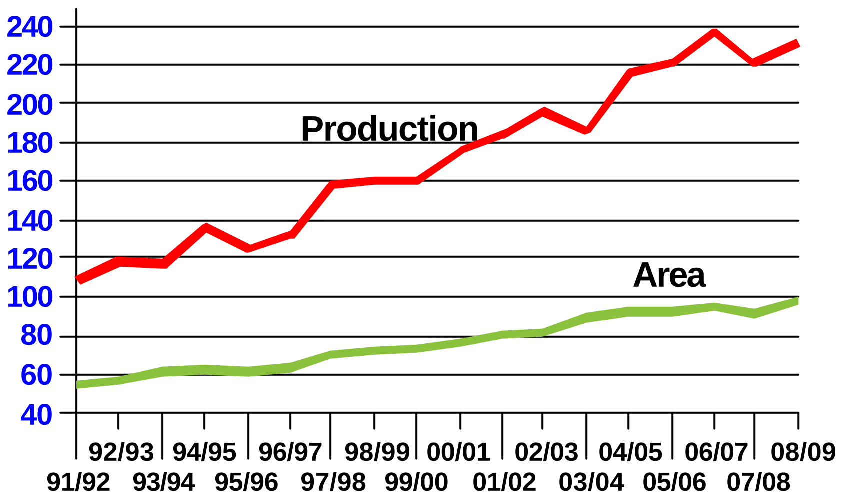
World Output in 2008/09 still 6 Mn T below 06/07

SOYBEANS

World Production (Mn T) and Area (Mn ha)



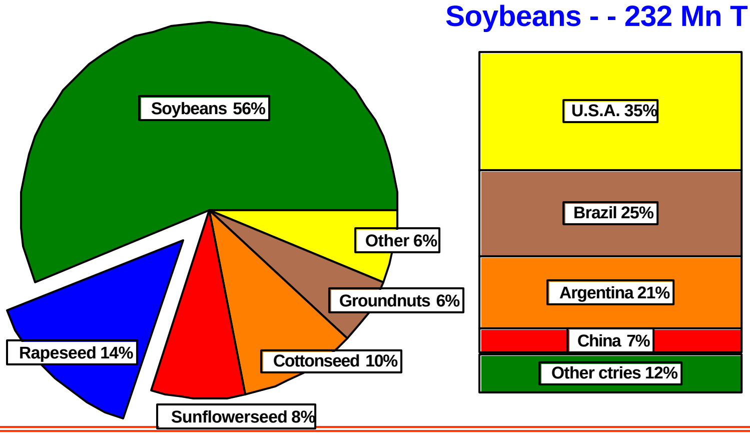
Internet: www.oilworld.de 13 Jan 2009

DOMINANCE of SOYBEANS

Global Production of 10 Oilseeds

2008/09 = 413 Mn T

Soybeans - - 232 Mn T



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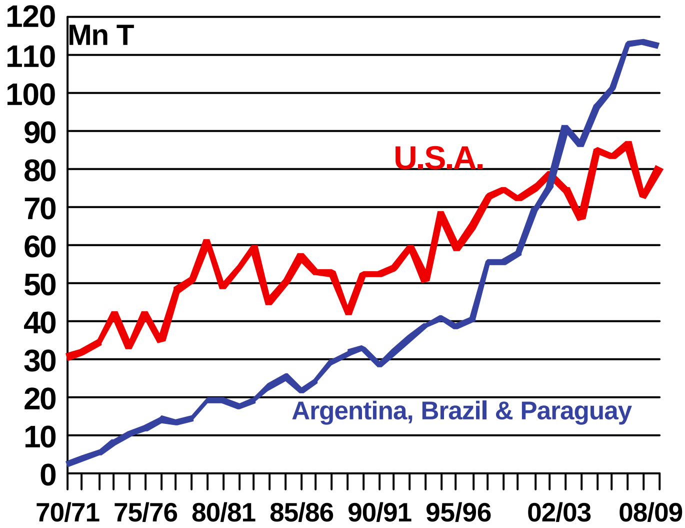
Soybean Crop Trend Since 70/71



US Soybean Area at Record in 2008

But Yields Below Average

U.S.A. : Soybean Area (Mn ha) & Production (Mn T)

		September / August			
(Area in Mn ha)	08/09F	07/08	06/07	05/06	04/05
Planted Area	**30.64**	26.20	30.56	29.15	30.44
Harvested Area	30.21	25.96	30.19	28.83	29.93
Yield (T/ha)	2.67	2.81	2.88	2.89	2.84
Crop.	**80.54**	72.86	87.00	83.51	85.02

US Soybean Supply at a 5-Year Low in 2008/09

U.S.A.: Soybean Supply & Demand (Mn T)

September/August

	08/09F	07/08	06/07	05/06	04/05
Op. stocks	**5.58**	15.62	12.23	6.96	3.06
Crop.	**80.54**	72.86	87.00	83.51	85.02
Imports	.28*	.29	.26	.11	.18
Total supplies	**86.40***	**88.77**	**99.49**	**90.58**	**88.26**
Exports	30.00*	31.70	30.41	25.60	29.91
Crushings	**46.40***	49.02	49.20	47.32	46.16
Other use.	4.00*	2.47	4.26	5.43	5.23
End. stocks . . .	6.00*	**5.58**	15.62	12.23	6.96
Stocks/Usage	**7.5%**	**6.7%**	**18.6%**	**15.6%**	**8.6%**

World Supply and Demand Outlook for Soybeans in 2008/09

- World production **231.7 Mn T** **(up 9.7 Mn)**
  – of which :

  North. Hemisphere **115.7** **(up 10.7 Mn T)**

  USA . . . . 80.5 (up 7.7)

  China . . . . . 16.6 (up 2.8)

  India . . . . . . 9.0 (down 0.4)

  South. Hemisphere **116.0** **(down 1.0 Mn T)**

  Argentina . . 48.5 (up 1.7)

  Brazil . . . . . 58.2 (down 1.8)

World Supply and Demand Outlook for Soybeans in 2008/09

World soybean crop 231.7 Mn T (up 9.7 Mn T)

– of which :

Northern Hemisphere 115.7 (up 10.7)

Southern Hemisphere 116.0 (down 1.0)

World consumption 231 Mn T (stagnating)

But still ending stocks to remain rel. tight and recover by only 1 Mn T in 2008/09

The Argentine Farm Crisis

Political uncertainty. Strikes over Export Taxes. Soya Crushings and Meal Exports Declined in March/Oct 2008.

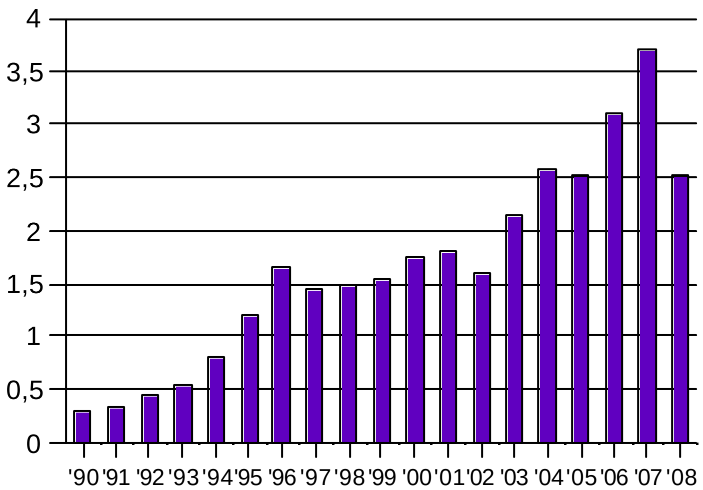
**Drought. Crop prospects deteriorated, particularly of wheat.
Larger soya plantings, but insufficient rains.
Fertilizer reductions by 15 - 35%. Yields lower.**

ARGENTINA : Rainfall in % of normal

	Dec 2008	Nov 2008	Oct 2008	Sept 2008	Aug 2008	July 2008
Buenos Aires (12 stations)	32%	78%	77%	36%	28%	72%
Santa Fé (5 stations)	29%	104%	77%	32%	38%	34%
Córdoba (5 stations)	48%	185%	118%	14%	1%	16%
Entre Ríos (2 stations)	24%	39%	86%	55%	12%	170%
La Pampa (2 stations)	64%	211%	141%	22%	53%	54%

Reduction of Fertilizer Usage to reduce yields in Argentina and oth countries

ARGENTINA: Usage of Fertilizer (Mn T)



Sources: CIAFA and SAGPyA

South America: the Growth Potential is LOST for Oilseed Production (Currently)

SOYBEANS: Output in South America (Mn T)

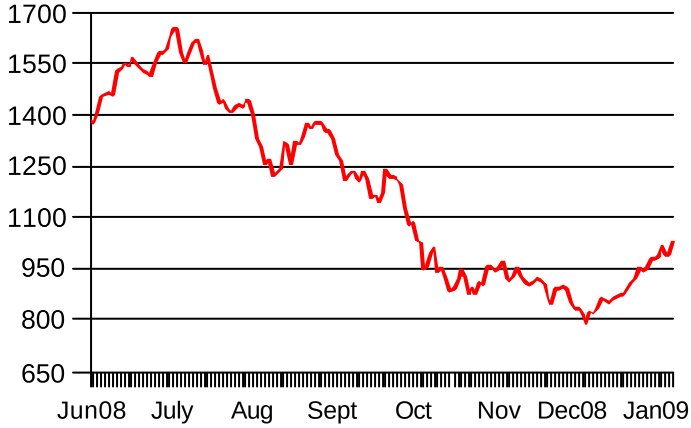
	2009F	2008	2007	2006	2005	2004
Brazil	**58.20***	60.02	58.73	56.94	53.05	50.09
Argentina	**48.50***	46.80*	48.30	40.80	39.70	32.30
Paraguay . . .	**5.60***	6.81	5.86	3.84	4.05	4.12
Bolivia	1.20*	1.45	1.60	1.55	1.69	1.59
Uruguay. . . .	.95*	.88	.82	.63	.48	.42
Total	114.45*	**115.96**	115.31	103.76	98.97	88.52

- 1 Mn T **+27 Mn T**

Soybean Prices Recover notably from the Low of early Dec

CBOT: Soybean Futures

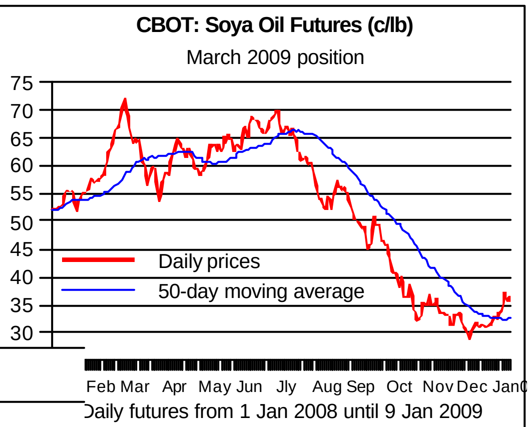
March 2009 position (c/bu)

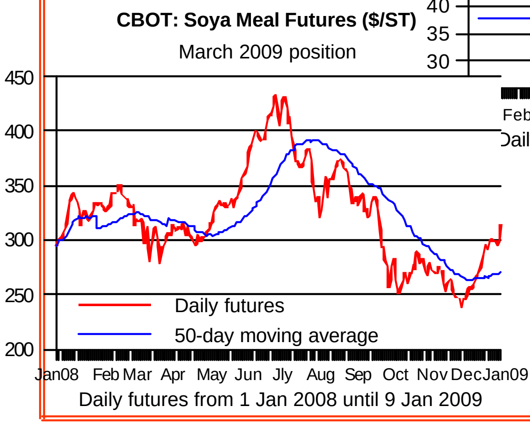


Daily futures prices from 1 Jun 2008 until 9 Jan 2009

OIL WORLD

Soya Meal have risen more than Soya Oil



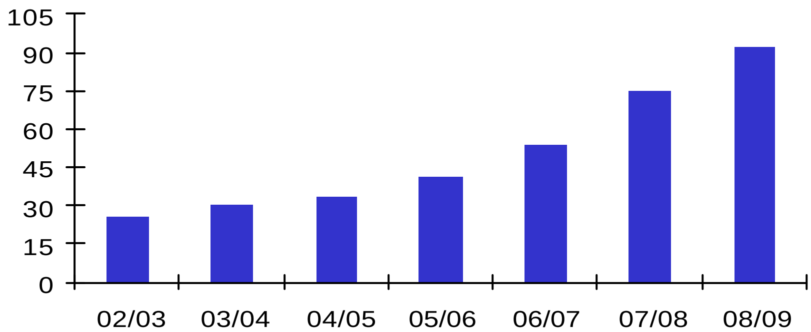


OIL WORLD

Implications from Corn and Ethanol

3.6 billion bushel or 30% of the US corn crop likely to be used for ethanol production in 2008/09, requiring *10 Mn ha*

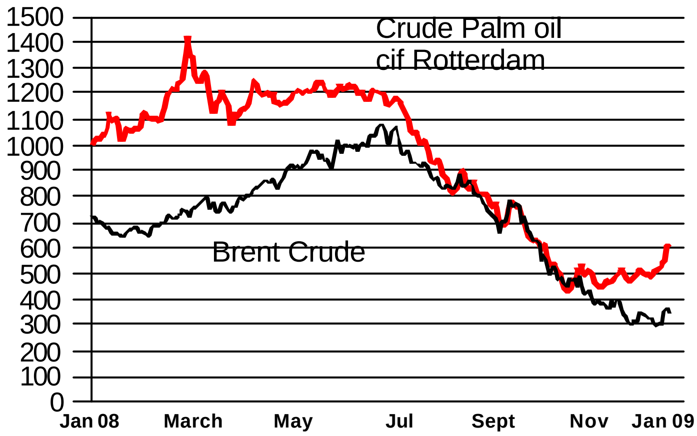
USA: Corn Usage for Ethanol (Mn T)



Prices of Palm Oil and Crude Mineral Oil

Daily Prices of Crude Palm Oil & Brent Crude

in US-$ per Tonne



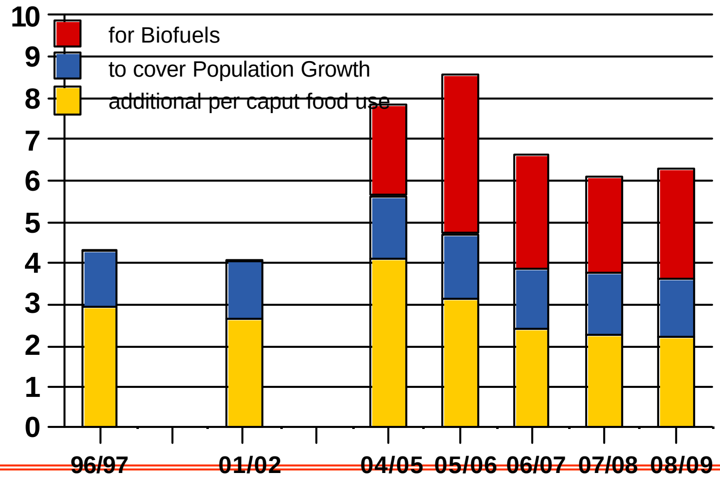
Daily futures from 1 Jan 2008 until 7 Jan 2009

Internet: www.oilworld.de **8 Jan 2009**

Conflict: Food versus Fuel

17 Oils & Fats

Growth of World Consumption (Mn T)



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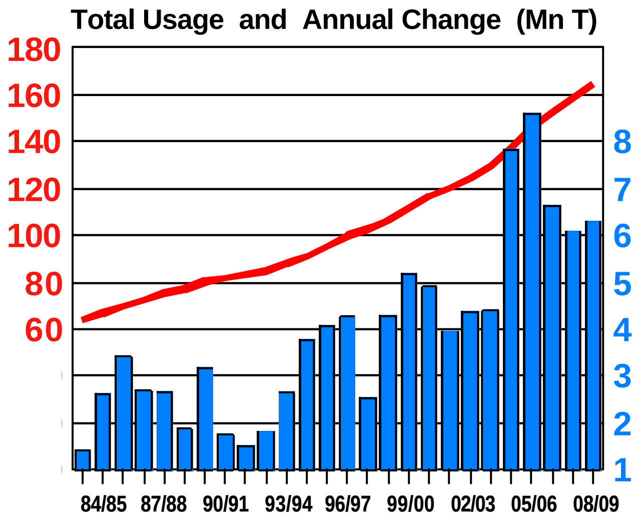
17 Oils & Fats : World Disappearance

- Huge Global Demand Growth since 2004-05, due to biofuels
- High prices and demand rationing 2007/08



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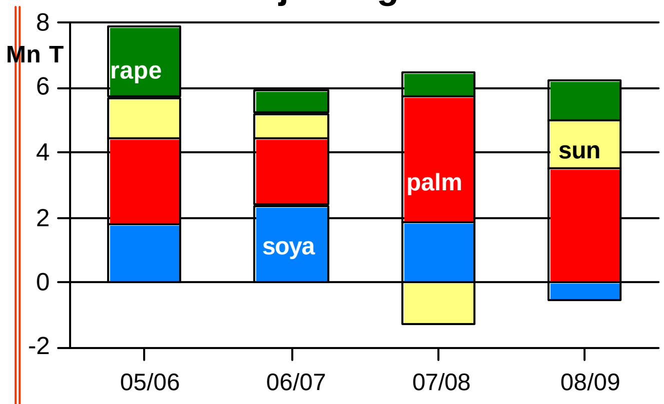
4 Major Veg. Oils

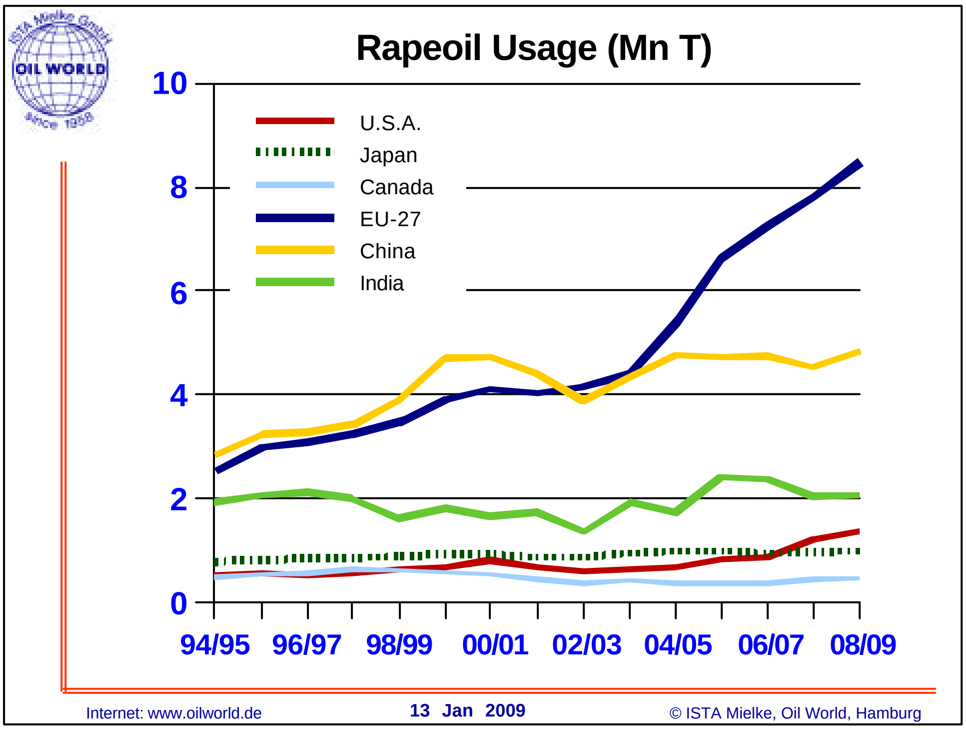


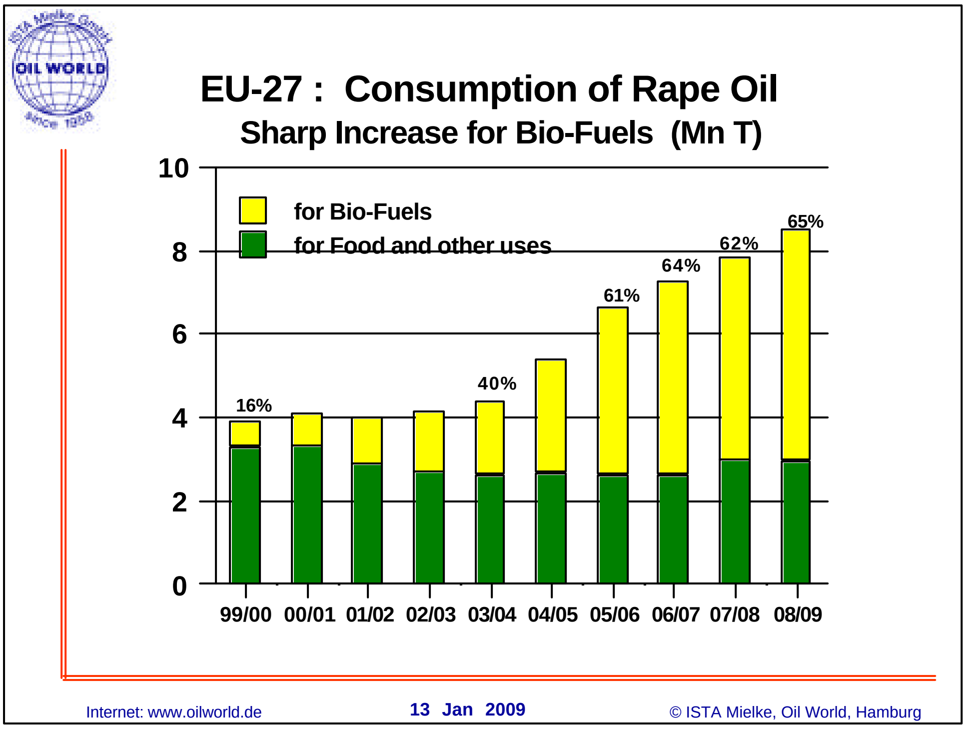
Change of World Consumption

➡ No contribution from soya oil

➡ more sun-/ rapeoil

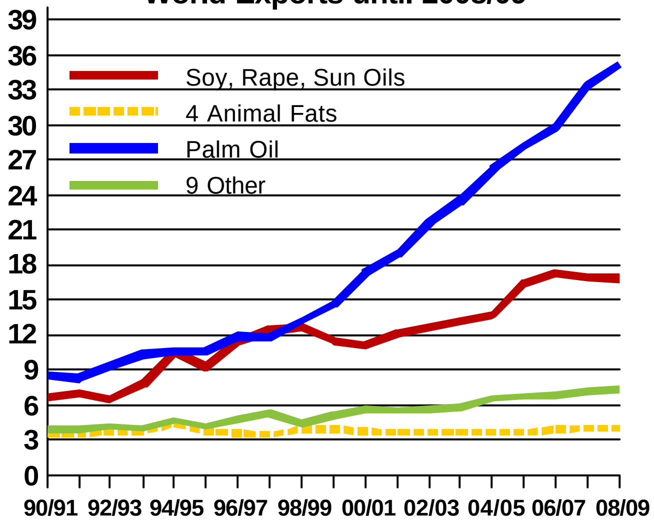
Internet: www.oilworld.de


Rapeoil Usage (Mn T)
U.S.A.
Japan
Canada
EU-27
China
India
10
8
6
4
2
0
94/95
96/97
98/99
00/01
02/03
04/05
06/07
08/09
OIL WORLD

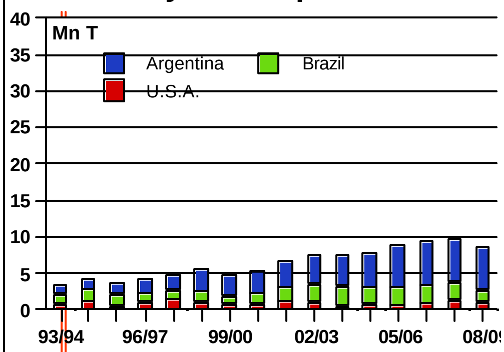

EU-27 : Consumption of Rape Oil
Sharp Increase for Bio-Fuels (Mn T)
for Bio-Fuels
for Food and other uses
16%
40%
61%
64%
62%
65%
10
8
6
4
2
0
99/00
00/01
01/02
02/03
03/04
04/05
05/06
06/07
07/08
08/09
OIL WORLD

- **Palm oil export booming from 12 Mn T in 97/98 to 35 Mn in 2008/09.**
- **Palm oil: 55% of world export**
- **Soya, sun & rape oil exports no longer dynamic, due to higher demand in producing countries.**

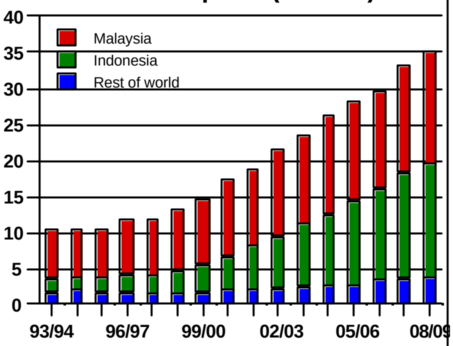
17 Oils & Fats
World Exports until 2008/09



Soya Oil Exports



Palm Oil Exports (in Mn T)



Biodiesel

- A **blessing for producers** of agricultural products
- But a **threat to consumers** of food products (unless the biofuel policy reacts sensitively to supply shortages)

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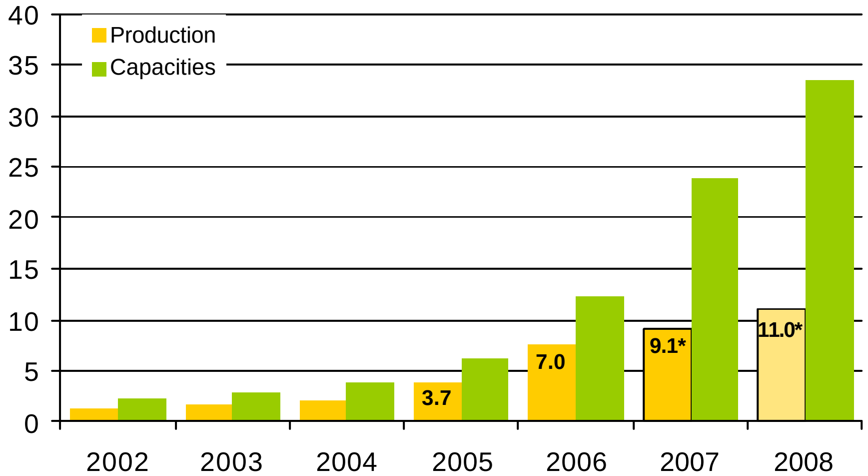
Mounting Overcapacity in 2008
Too ambitious Government Targets

World Biodiesel Capacities and Production (Mn T)



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Concluding Statements

Many Risks + Uncertainties + Potential Bearish Factors in 2009

- Financial Markets
- Concern about slowing economic growth - - recession in the USA and other countries
- Mineral oil prices
- Lack of confidence
- Future Trend of consumer buying
- But prices in agricultural markets are set to recover in 2009

But Markets are in a Transition and have started to recover

- Producers are cutting back (acreage, inputs)
- Recent Hand-to-Mouth Buying has created pent-up demand (Pipelines have dried out)
- Several Governments have started new initiatives to stimulate biodiesel output
- Current Palm Oil and Sun Oil Prices are undervalued

But Markets are in a Transition and have started to recover

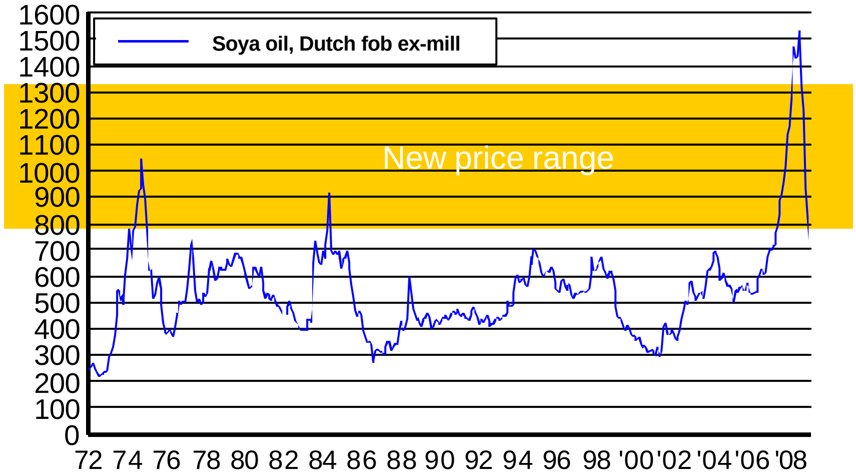
- Considerable slowing down of Production in 2009 - - > in palm oil
- Deteriorated soya crop outlook in South America
- Less area to sun and rapeseed in 2009
- Global Veg Oil Demand (food + non-food) is set to exceed production in 2009

- **But Bearish:** Recession, unemployment
- Lack of Buying Power to Limit Price Rally

Internet: www.oilworld.de **13 Jan 2009**

Rotterdam Soya oil Prices Should Range $ 750–1350 and Palm Oil $ 500 – 1200 in the Years 2009 – 2011

Soya oil: monthly prices (US-$/MT)



Monthly prices from Jan 1972 until Dec 2008

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PRICE FORECASTS and Past Prices for the Leading Commodities - in US-$/T

	Forecasts Jly/Jun 08/09F	Forecasts Annual Change	July/June 07/08	July/June 06/07	Average 96/97-05/06	Jan/June 2009F	Oct/Dec 2008F
Soybeans, US, cif R'dam	445*	-12%	507	303	249	420*	373*
Soya oil, Dutch, fob ex-mill	**1015***	-17%	**1218**	697	503	**940***	**829***
Soya oil, Arg. fob	870*	-21%	1105	609	460	833*	697*
Soyapell, 44/45%, Arg, Rott	362*	-12%	410	239	205	341*	317*
Sunseed, EU, Low. Rhine	441*	-39%	727	341	276	400*	343*
Sun oil, EU fob N.W.Eur. . .	**1045***	-34%	**1573**	729	584	**965***	**852***
Sun oil, Arg., fob	915*	-37%	1448	643	516	850*	731*
Sun pell, 37/38%, Arg, Rott	183*	-37%	288	154	115	161*	140*
Rapeseed, Europe, cif Hmb	470*	-22%	604	346	257	437*	403*
Rape oil, Dutch, fob ex-mill	**1095***	-16%	**1311**	810	547	**1020***	**960***
Rape meal, fob ex-mill Hmb	190*	-35%	293	161	140	177*	158*
Palm oil crude, cif N.W.Eur	**690***	-33%	**1026**	602	446	**660***	**510***

Internet: www.oilworld.de 12 Dec 2008

Thank You for Your Kind Attention !

If I can be of assistance to you in the future, you are invited to contact me any time.

Thomas Mielke

Email <Thomas.Mielke@oilworld.de>

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