WORLD OILSEED OUTLOOK

USDA AGRICULTURAL OUTLOOK FORUM 2001

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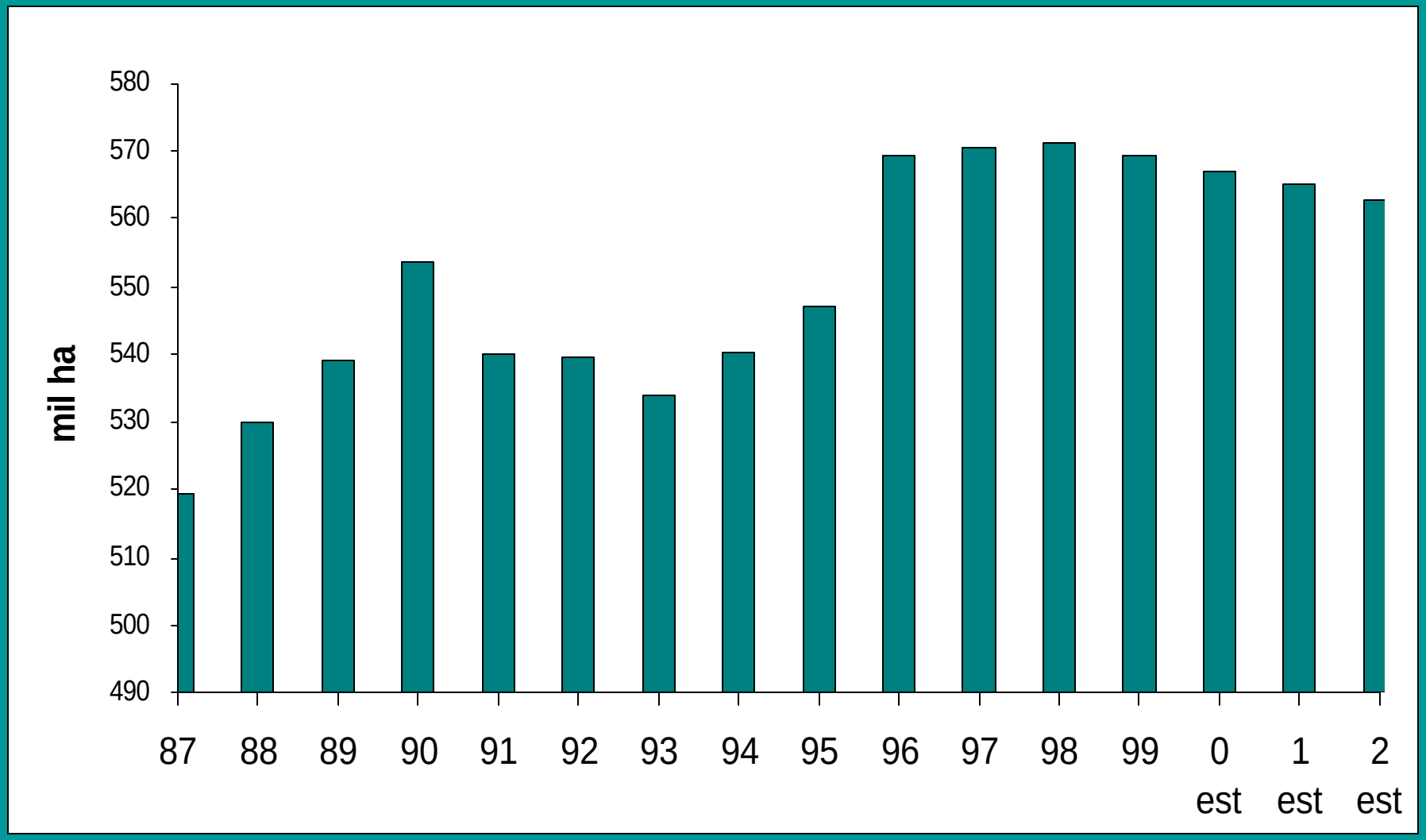
Major changes occurring in oilseed complex

- Acreage Shifts
- Expanding Demand

Acreage shifts

- Stagnant growth in agricultural land since 1996, when high prices and changes in U.S. Ag policy resulted in large growth of planted acreage

World Total Acreage
(Major Producers)



Acreage ...

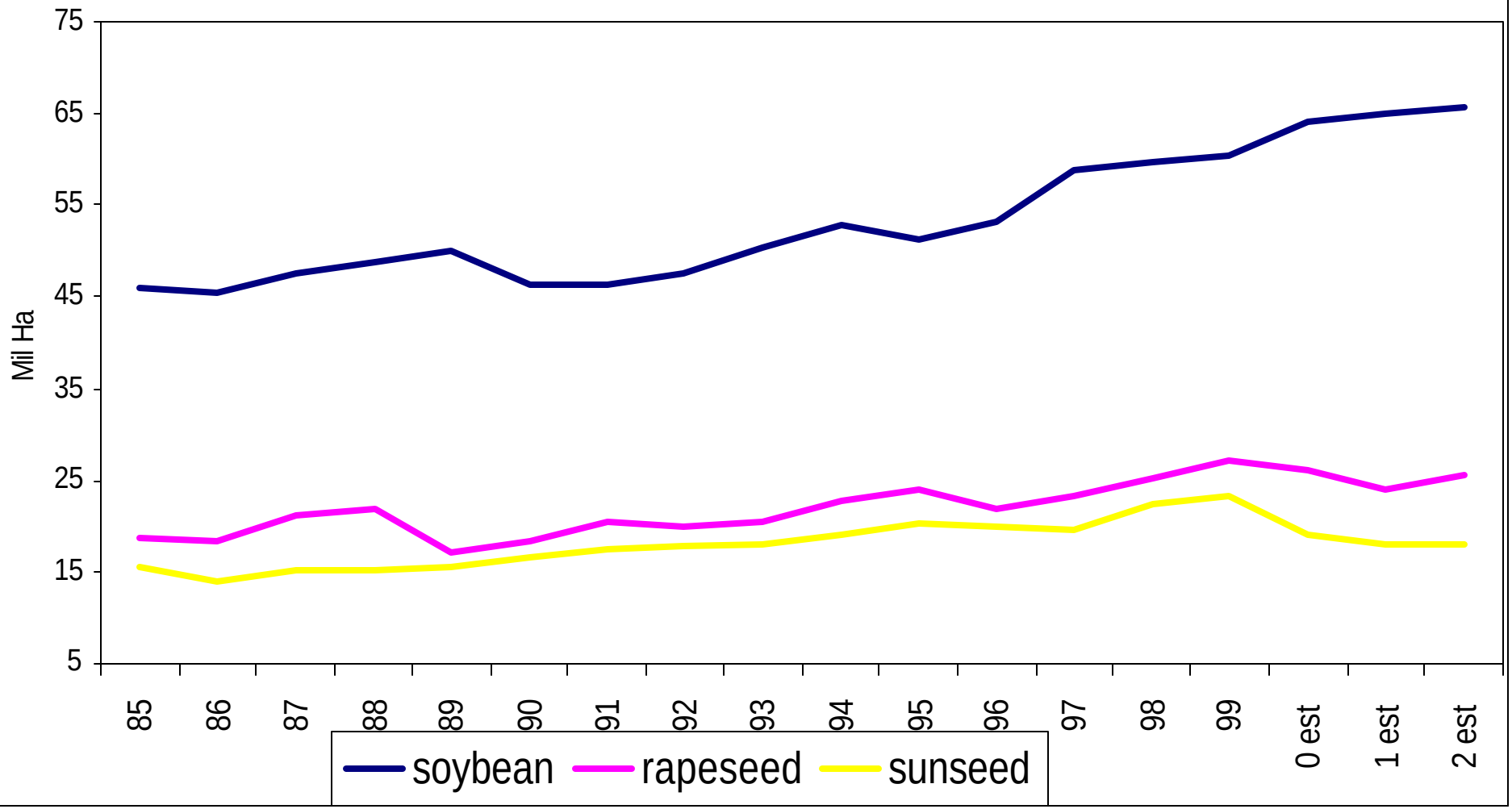
- Soybean acreage increasing - freedom to farm with high support price of beans relative to corn resulting in a movement to almost 50/50 rotation in U.S. corn belt
- Good soybean growing weather in Argentina resulting in very favorable production returns

Acreage ...

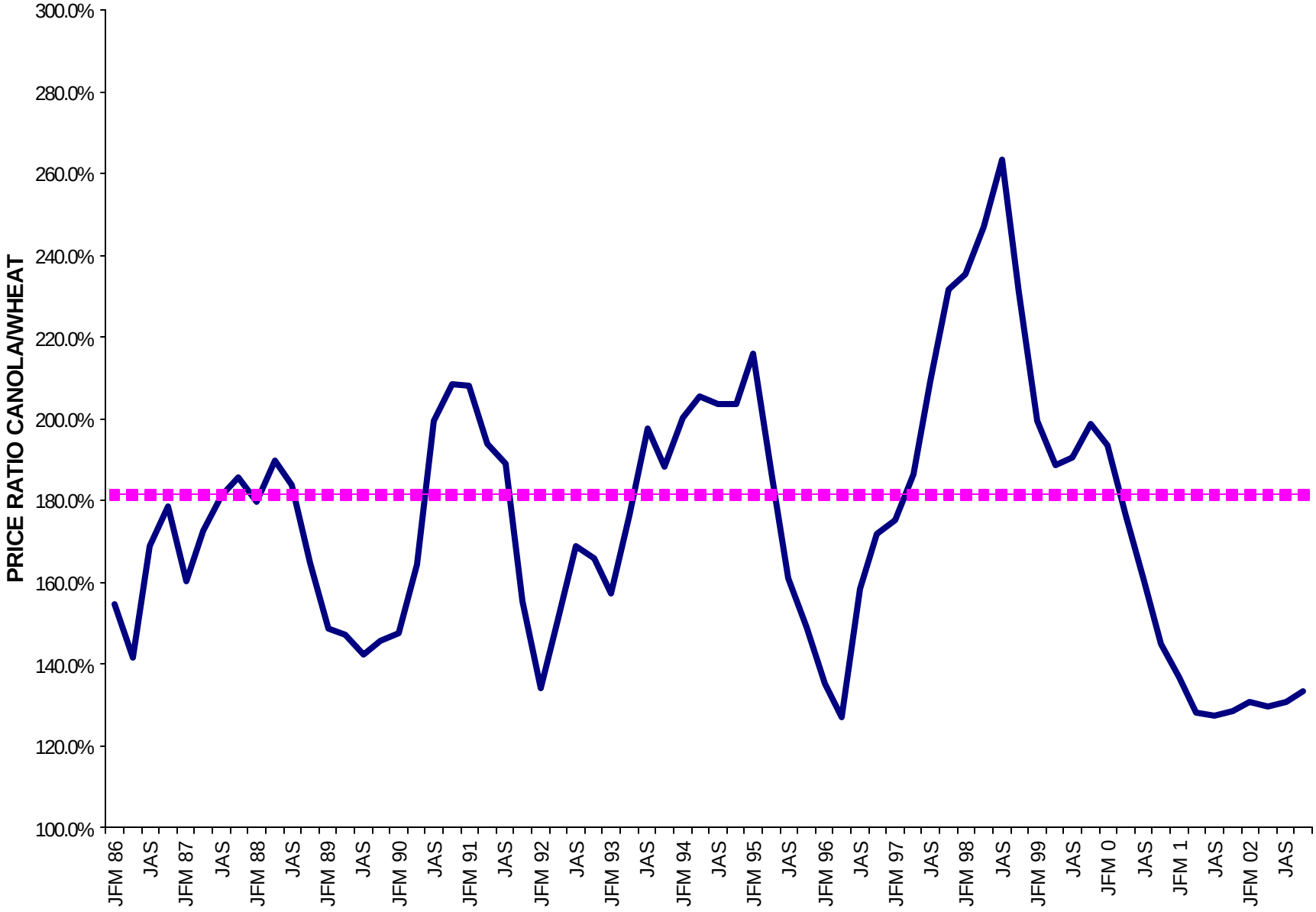
- Shift from high oil bearing seed acreage (rapeseed and sunseed) to wheat and barley in EEC, Canada, Australia, and Argentina
- High oil prices of 1998 led to huge expansion in softseed acreage which led to oversupply of oils driving prices to current lows which is pushing acreage into other more profitable crops

World Oilseed Acreage - Major Producers

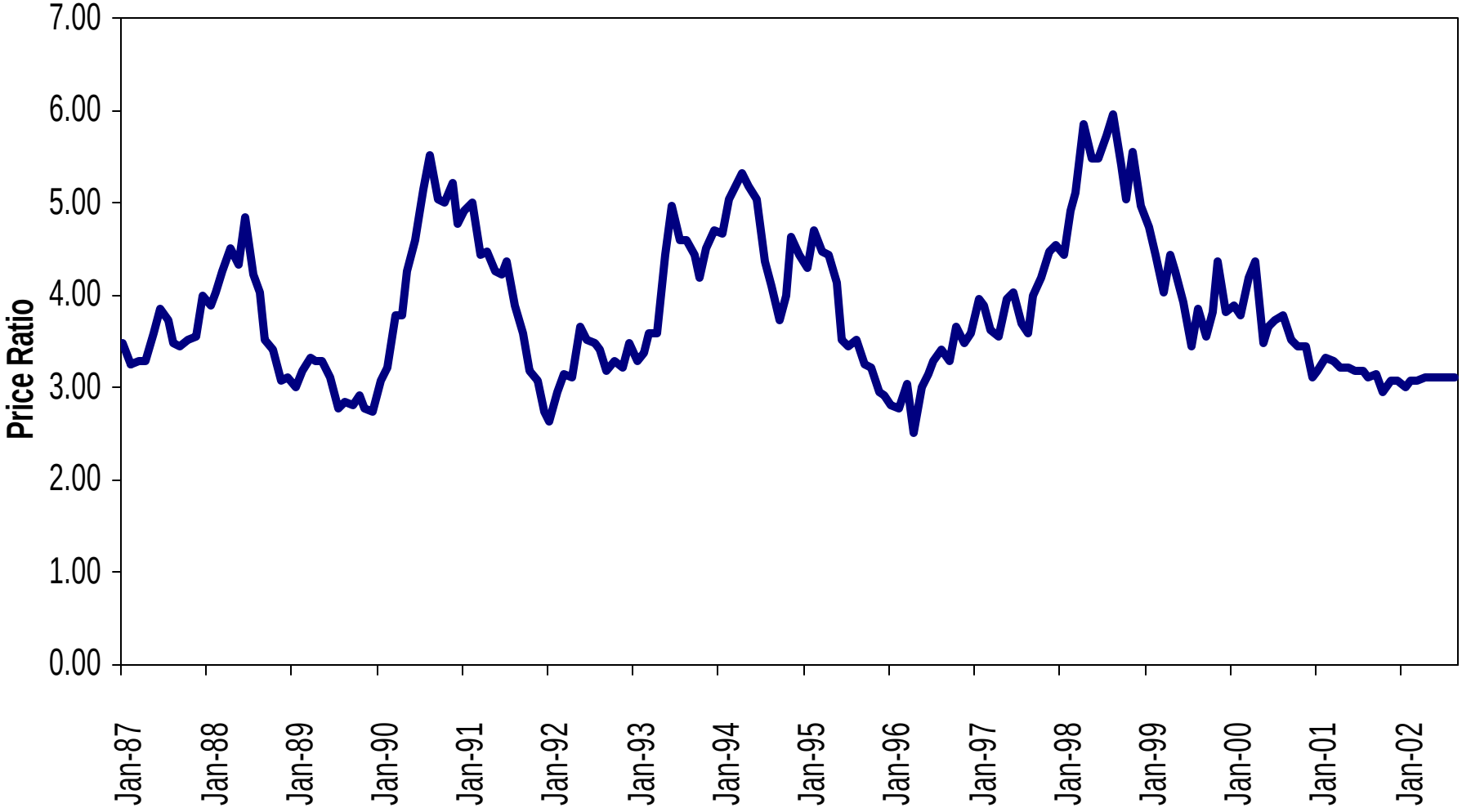
(rapeseed, sunseed, soybean)



CANOLA/WHEAT PRICE RATIO



CBOT BO vs. Wheat Price Ratio

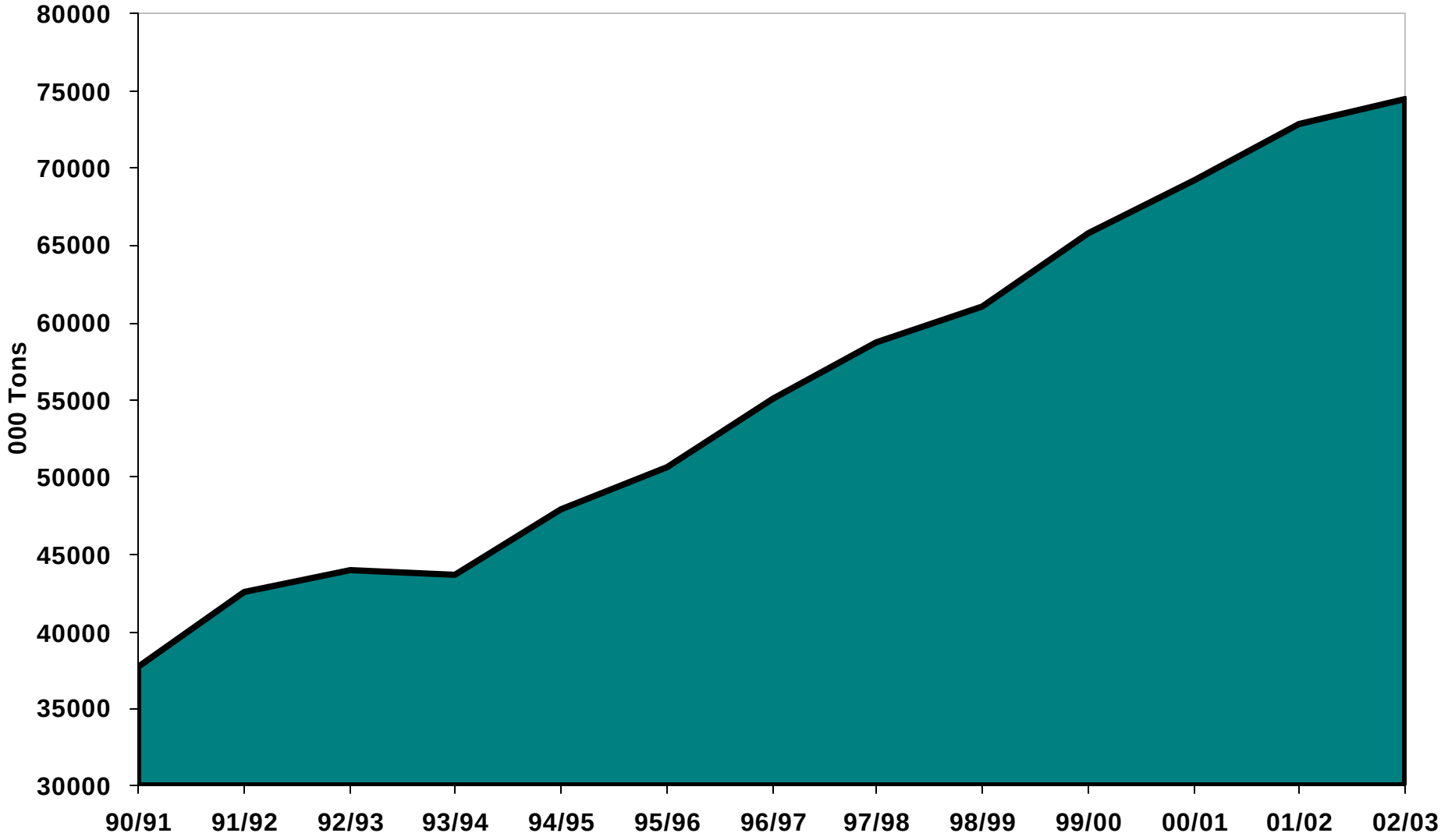


Expanding Demand for Meal and Oils

- World meal equivalent trade from the three origins of U.S., Brazil and Argentina continues to expand - greatly helped by the recent MBM ban in EEC
- Growth averaging 7% per year over the last five year

World Meal Equivalent Export Demand

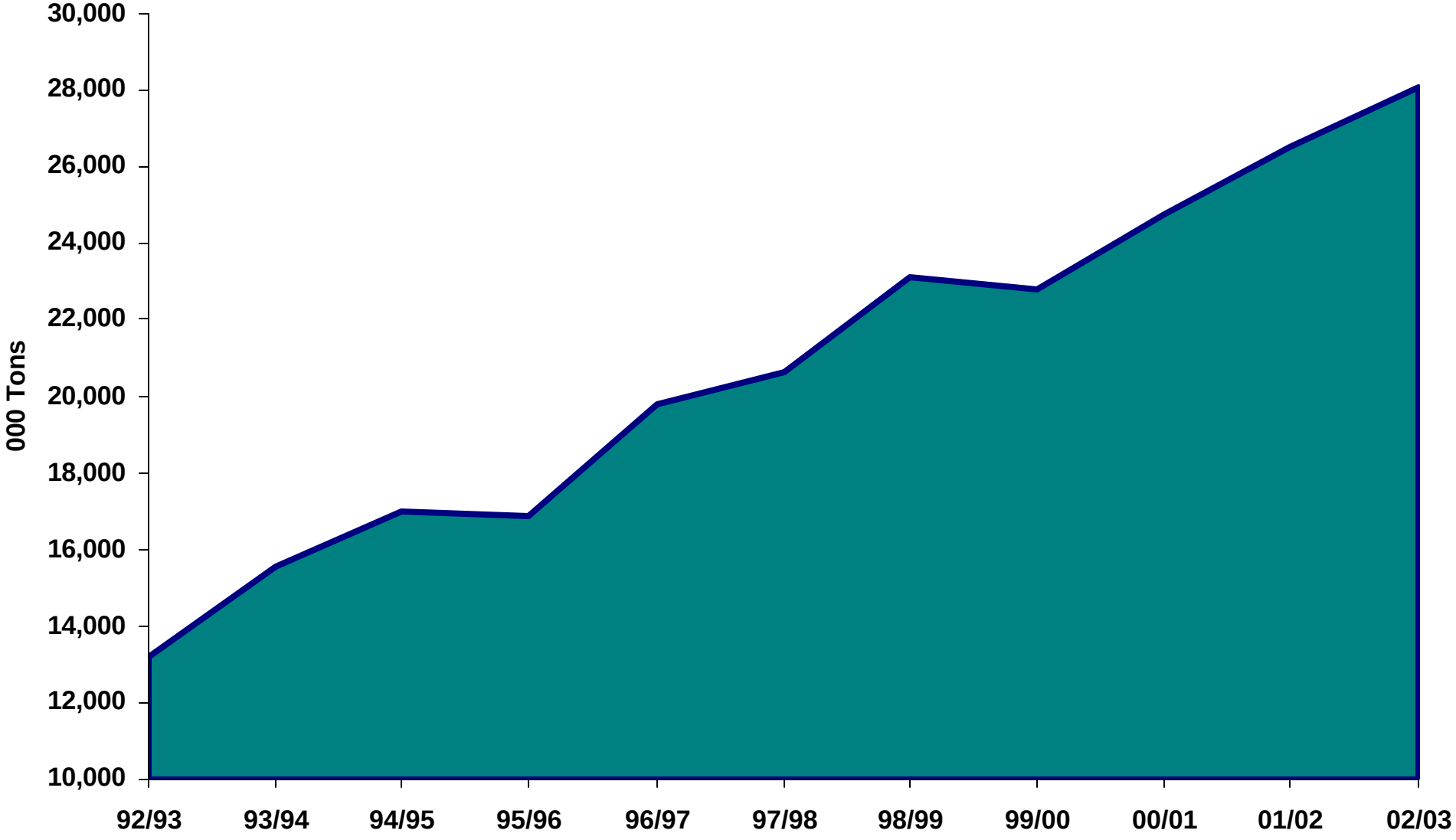
from Four Origins (Argentina, Brazil, Paraguay, US)



World Oil Demand

- Expanding also at rapid pace
- India demand growing at 7%

World Oils Export Demand from Major Origins
(PLO, RSO,SFO, BO)



Soybean Balance Sheet

- Despite large demand growth, production has kept up with demand
- With excellent potential of South American crops, we will see an expansion of three origin stocks.
- If U.S. planting weather is good soybean prices should stay under pressure to assure continued demand growth

Soybean Balance Sheet
(Argentina, Brazil, USA)

SEP-AUG	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
CI	17,741	24,662	18,447	13,456	24,345	27,671	25,959	30,166	32,380
PRODUCTION	107,292	95,613	102,353	124,938	125,149	125,704	136,388	139,171	139,665
IMPORTS	784	1,000	2,444	672	1,057	1,169	1,225	1,110	1,170
TOTAL SUPPLY	108,076	96,613	104,797	125,610	126,206	126,873	137,613	140,281	140,835
CRUSH	67,062	69,001	70,491	74,653	81,058	79,883	82,097	85,321	87,857
EXPORT	29,376	27,851	32,985	35,846	35,084	42,281	44,495	45,750	45,962
SFR	4,717	5,975	6,312	4,222	6,738	6,421	6,814	6,996	7,000
TOTAL DEMAND	101,155	102,827	109,788	114,721	122,880	128,585	133,406	138,067	140,819
CO	24,662	18,447	13,456	24,345	27,671	25,959	30,166	32,380	32,396
CO/USE	24%	18%	12%	21%	23%	20%	23%	23%	23%

Rapeseed Balance Sheet

- Continued large acreage shifts out of rapeseed
- Leading to very tight B/S for 01/02

Rapeseed Balance Sheet
(Australia, EEC, Canada)

JULY/JUNE	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
CI	1001	1283	1925	1396	1210	1683	3300	2479	1426
PRODUCTION	14476	15069	12906	15972	18909	22690	17874	16628	16339
IMPORT	1360	969	538	465	997	968	1181	809	810
TOTAL SUPPLY	16838	17321	15368	17834	21116	25341	22355	19916	18575
CRUSH	9910	10829	9464	11513	12032	12700	12096	12000	11658
EXPORT	4253	3298	3272	3841	6120	7730	6186	4950	4195
SFR	1391	1269	1227	1268	1291	1611	1594	1540	1430
TOTAL DEMAND	15554	15396	13964	16622	19443	22041	19876	18490	17283
CO	1283	1925	1404	1212	1674	3300	2479	1426	1292
CO/USE	8%	13%	10%	7%	9%	15%	12%	8%	7%

Sunseed Balance Sheet

- Large loss of acreage in Argentina because of low prices
- Expected decreases in the Black Sea growing areas
- Will lead to a rationing situation for this and next season
- Crush will be rationed by 2 mil T this year and another 1.5 mil T in ‘01/02

Sunseed Balance Sheet
(Argentina, Black Sea, EEC)

AUG/JULY	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
CI	1875	2562	3367	3293	2766	3440	3495	1569	1546
PRODUCTION	16871	19295	17595	17421	19087	18542	14673	15066	15479
IMPORT	2040	2817	2976	2586	3188	2647	1355	1351	1358
TOTAL SUPPLY	20785	24674	23937	23300	25041	24629	19522	17986	18383
CRUSH	15049	16754	16547	16638	17037	17215	15411	13960	14370
EXPORT	1918	2970	2661	2485	3074	2359	1314	1271	1273
SFR	1256	1583	1435	1410	1490	1559	1228	1209	1209
TOTAL DEMAND	18223	21307	20644	20534	21601	21134	17953	16440	16852
CO	2562	3367	3293	2766	3440	3495	1569	1546	1531
CO/USE	14%	16%	16%	13%	16%	17%	9%	9%	9%

In general

- Without a major weather disruption or rapid price change, we will continue to see
  - a build up in soybean stocks and
  - a lowering of softseed carryouts

What This Means for the Oilseed Markets

- Soybeans will stay under pressure until we see a shift in acreage expansion or a weather problem
- The real story will be in vegetable oils

Vegetable Oils

- Palm production has spiked because of acreage expansion triggered by high oil prices of the late 90's and good growing conditions
- Since 1997 Palm production is up more than 4 mil tons
- This has helped to keep oil prices under pressure

Palm Oil Balance Sheet

(Malaysia, Indonesia)

OCT-SEP	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
CI	962	1,092	1,524	1,598	1,305	1,653	1,904	1,913	2,294
PROD	11,807	12,839	14,077	13,560	15,704	17,476	18,937	20,119	21,067
IMPORT	100	57	163	88	151	100	122	180	120
TOTAL SUPPLY	11,907	12,896	14,240	13,648	15,855	17,576	19,059	20,299	21,187
DOMESTIC	3,141	3,484	3,951	3,727	3,807	4,438	4,578	4,905	5,275
EXPORT	8,636	8,979	10,216	10,214	11,700	12,886	14,472	15,013	15,840
TOTAL DEMAND	11,777	12,463	14,166	13,942	15,507	17,325	19,050	19,918	21,115
CO	1,092	1,524	1,598	1,305	1,653	1,904	1,913	2,294	2,366
CO/USE	9%	12%	11%	9%	11%	11%	10%	12%	11%

Palm Oil ...

- Current low oil prices will result in
  - a slowdown in acreage expansion
  - and a reduction in input use

Sunoil ...

- Sunoil will need to be rationed for the next two years and will be the premium oil
- We will need to lose 500 kmt of demand for this year and another 1 mmt for next year

Sunoil Balance Sheet
(EEC, Argentina, US)

OCT-SEP	1994/95	1995/96	1996/97	1997/98	1998/99	1999/200	2000/01	2001/02	2002/03
CI	326	257	541	456	424	451	596	(47)	(1,387)
CRUSH	11,035	11,064	12,152	11,734	12,362	11,211	9,447	8,587	8,992
OIL PROD	4,482	4,493	4,970	4,737	5,025	4,628	3,846	3,483	3,639
IMPORT	212	125	111	189	214	184	179	61	61
TOTAL SUPPLY	4,694	4,618	5,081	4,926	5,239	4,812	4,025	3,544	3,700
DOMESTIC	2,619	2,530	2,767	2,740	2,813	2,781	2,787	2,801	2,824
EXPORT	2,144	1,804	2,400	2,217	2,399	1,885	1,880	2,084	2,139
TOTAL DEMAND	4,763	4,334	5,167	4,957	5,212	4,667	4,667	4,885	4,963
CO	257	541	456	424	451	596	(47)	(1,387)	(2,650)
CO/USE	5%	12%	9%	9%	9%	13%	-1%	-28%	-53%

Rapeseed Oil ...

- Rapeoil will also be in a rationing mode next season as lower crush will require 500 kmt of demand to be pushed to another oil
- Continued strong EEC demand for biodiesel and non-gmo products will make it difficult to ration
- The Chinese will enter WTO in January 2002 importing larger quantities of rape and bean oil. They will import minimal quantities of rapeseed

Rapeseed Oil Balance Sheet
(Canada, EEC)

OCT-SEP	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/2003
CI	286	391	327	338	437	447	493	559	(167)
CRUSH	9,858	10,460	9,834	11,654	11,500	12,139	12,079	11,590	11,018
OIL PROD	4,074	4,333	4,059	4,783	4,720	5,000	4,959	4,757	4,519
IMPORT	25	41	77	73	18	89	105	90	85
TOTAL SUPPLY	4,099	4,373	4,136	4,856	4,738	5,088	5,064	4,847	4,604
DOMESTIC	2,521	3,105	2,787	3,032	3,239	3,615	3,844	4,112	4,337
EXPORT	1,473	1,333	1,338	1,725	1,489	1,427	1,154	1,461	1,573
TOTAL DEMAND	3,994	4,437	4,125	4,757	4,728	5,042	4,998	5,573	5,910
CO	391	327	338	437	447	493	559	(167)	(1,473)
CO/USE	10%	7%	8%	9%	9%	10%	11%	-3%	-25%

Soybean Oil

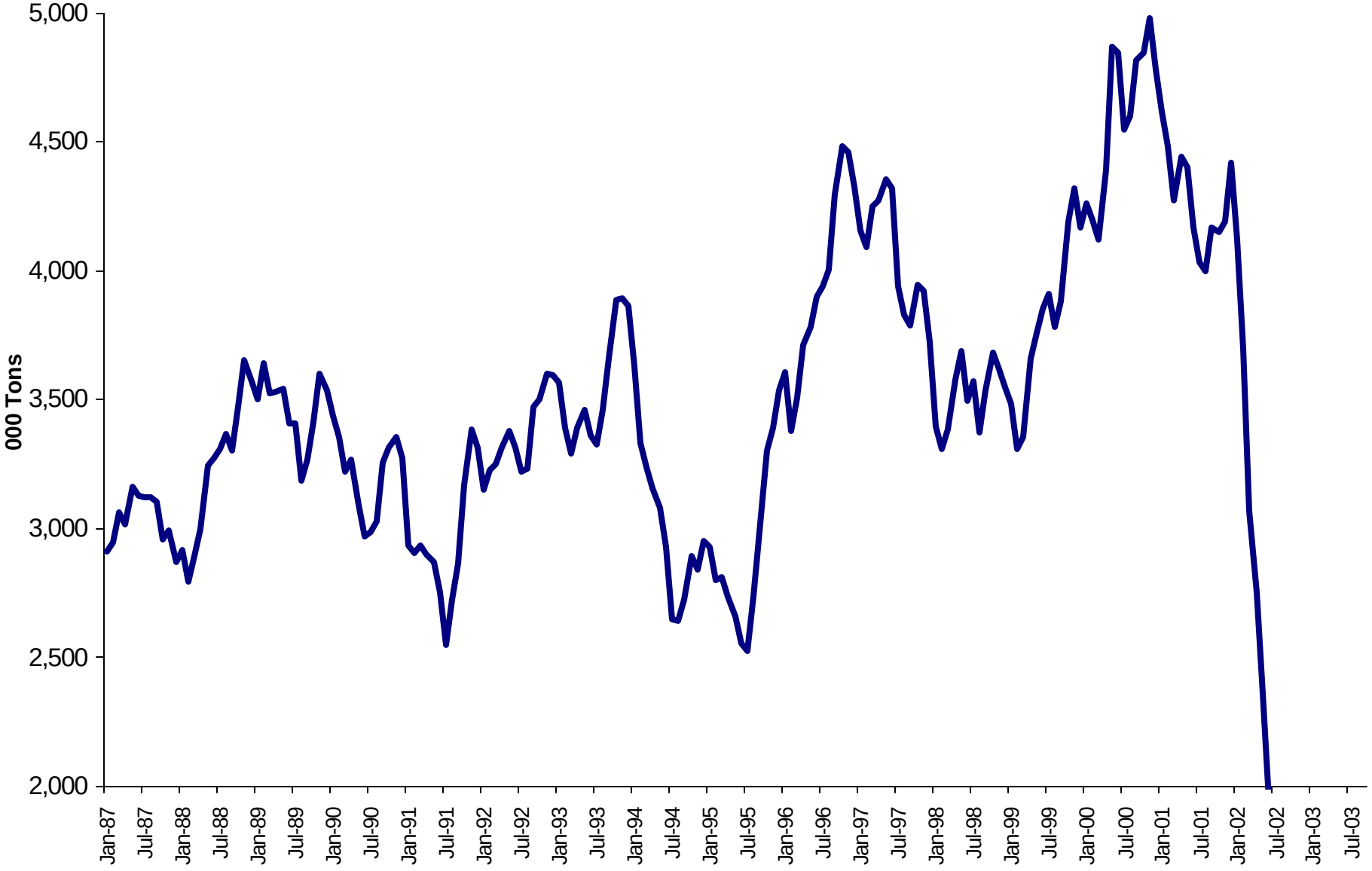
- China WTO entry in January 2002 will result in an increase of soybean oil demand

Soybean Oil Balance Sheet
(Argentina, Brazil, EEC, US)

OCT-SEP	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
CI	1,152	1,244	1,903	1,397	1,368	1,330	1,824	1,742	1,169
CRUSH	82,283	82,695	85,462	91,807	97,136	94,785	98,630	101,682	103,591
OIL PROD	15,056	15,190	15,431	16,896	17,943	17,579	18,235	18,749	19,102
IMPORT	268	237	196	237	221	141	142	168	229
TOTAL SUPPLY	15,324	15,427	15,628	17,133	18,164	17,720	18,377	18,917	19,331
DOMESTIC	10,380	10,707	11,125	11,416	11,528	11,677	12,088	12,422	12,666
EXPORT	4,851	4,062	5,009	5,746	6,674	5,548	6,371	7,069	7,754
TOTAL DEMAND	15,231	14,769	16,134	17,163	18,202	17,225	18,459	19,491	20,420
CO	1,244	1,903	1,397	1,368	1,330	1,824	1,742	1,169	79
CO/USE	8.2%	12.9%	8.7%	8.0%	7.3%	10.6%	9.4%	6.0%	0.4%

- All oil B/S will begin to tighten this summer and by March of 2002 we will hit record low vegetable oil stocks
- In the first quarter of 2002 prices of vegetable oil will need to react sharply to buy acreage back to softseeds

World Oils Stocks - Major Exporters



World Oils Balance Sheet

(Rape, Sun, Palm and Soybean)

OCT-SEP	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/2003
CI	2,725	2,984	4,295	3,789	3,534	3,881	4,817	4,168	1,909
CRUSH	103,176	104,219	107,447	115,195	120,998	118,135	120,157	121,859	123,601
OIL PROD	35,418	36,855	38,538	39,976	43,392	44,682	45,977	47,108	48,326
IMPORT	605	460	548	588	604	513	548	499	495
TOTAL SUPPL	36,024	37,315	39,085	40,563	43,996	45,196	46,525	47,607	48,822
DOMESTIC	18,662	19,826	20,630	20,916	21,387	22,512	23,297	24,240	25,102
EXPORT	17,103	16,177	18,962	19,903	22,262	21,747	23,877	25,627	27,306
TOTAL DEMAI	35,765	36,003	39,592	40,818	43,649	44,259	47,174	49,867	52,408
CO	2,984	4,295	3,789	3,534	3,881	4,817	4,168	1,909	(1,678)
CO/USE	8%	12%	10%	9%	9%	11%	9%	4%	-3%

Summary

- With large soybean supplies and tight vegetable oil situation, the oil portion of the soybean value will need to see a sharp correction