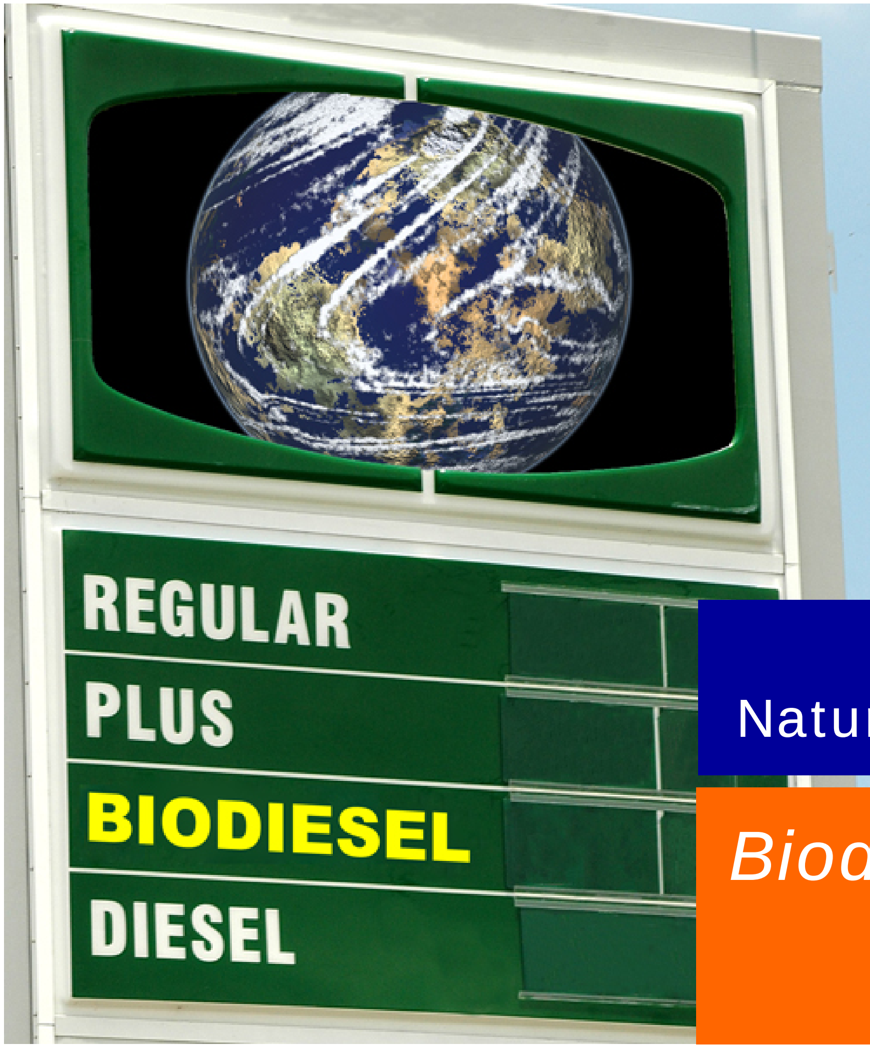

CANOLA CANADA
CANOLA COUNCIL OF CANADA

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Biodiesel:
Powered by Canola
The Westin Calgary
July 17 – 18, 2006

Naturally inspired

Biodiesel around the world

Alejandro Reca
Executive Director
Food and Agribusiness Research – Americas

Rabobank International

Presentation Structure

Section I	• Rabobank
Section II	• Why Biodiesel?
Section III	• Market Framework
Section IV	• Looking Forward and Implications for Canada

Your vision
Our insight

Section I
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Food & Agribusiness Research

A Global Cooperative....

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..with a strong balance sheet, international network and dedicated know how.....

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143 offices in 39 countries

✦ Global FAR team:
about 80 members in 15 offices in 12 countries

Food & Agribusiness Research

.. providing financial and advisory services throughout the agribusiness space

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Your vision
Our insight

Section II
Why biodiesel ?

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Main drivers

- Environmental concerns
- Use of a renewable resource
- Petrol prices
- Interest across business segments

The need for biofuels has today a structural nature in both supply…

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- Environmental concerns
  - Kyoto protocol compliance
  - U.S. requirement for ultra low-sulfur diesel in 2006
  - Ban on MTBE use in the U.S.
- Support of local production
  - Farmers and governments in developed economies find a form for continued support
- National security
  - Lower dependence on oil originated among not so stable or predictable suppliers

...and demand conditions..

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- Environmental concerns
  - Consumers awareness, particularly in developed countries
- Income availability
  - Relatively more wealthier consumers willing to support its development

Specific importance across developed economies

- Use of domestic and renewable resource
  - Consumers are favorable to the idea of using a locally produced good

Important across both, developed & developing economies

..with petrol prices providing an additional support

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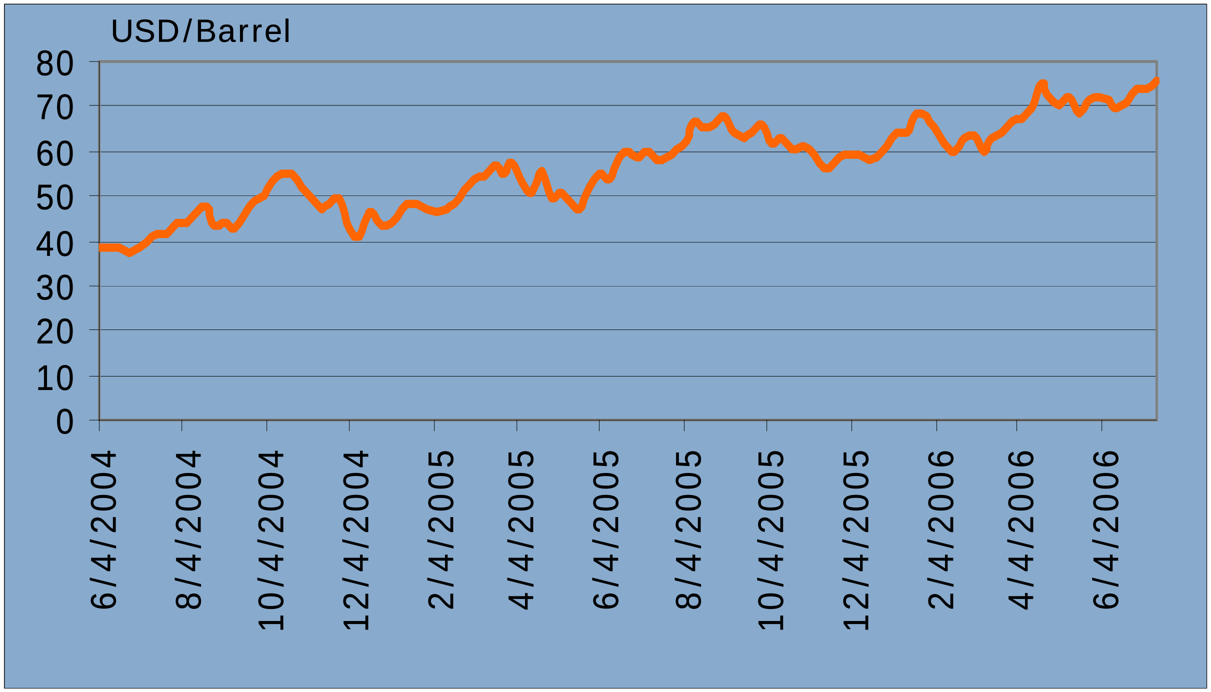
Price evolution for mineral oil

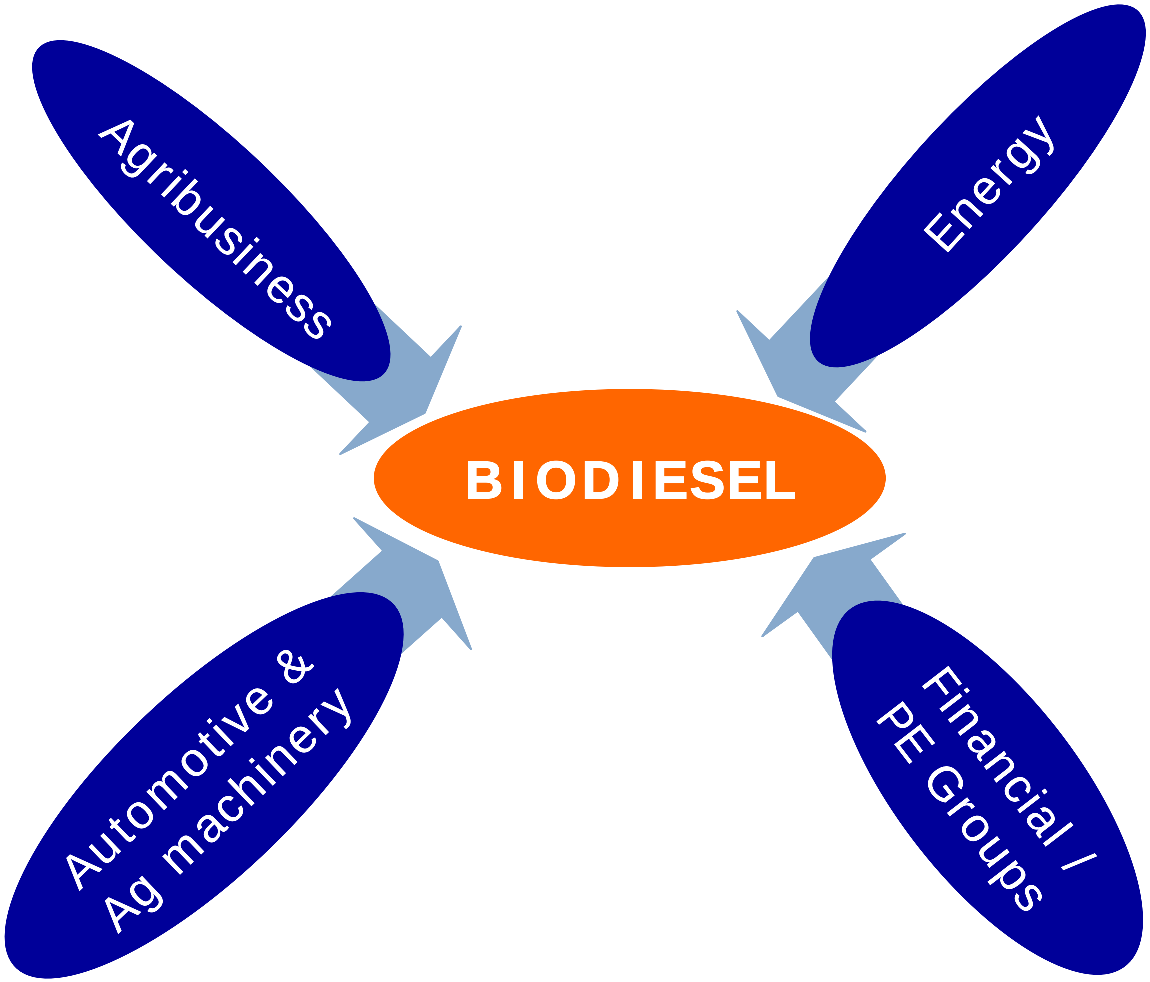


Nymex crude for oil (Contract 1)
Source: Energy Information Administration

- Increasing price trend
- Higher volatility

Need for alternative sources

..while it is sustained today by the involvement of investors across sectors ...



- Increasing attention
- Improved economics
- Higher capitalization

..and geographies

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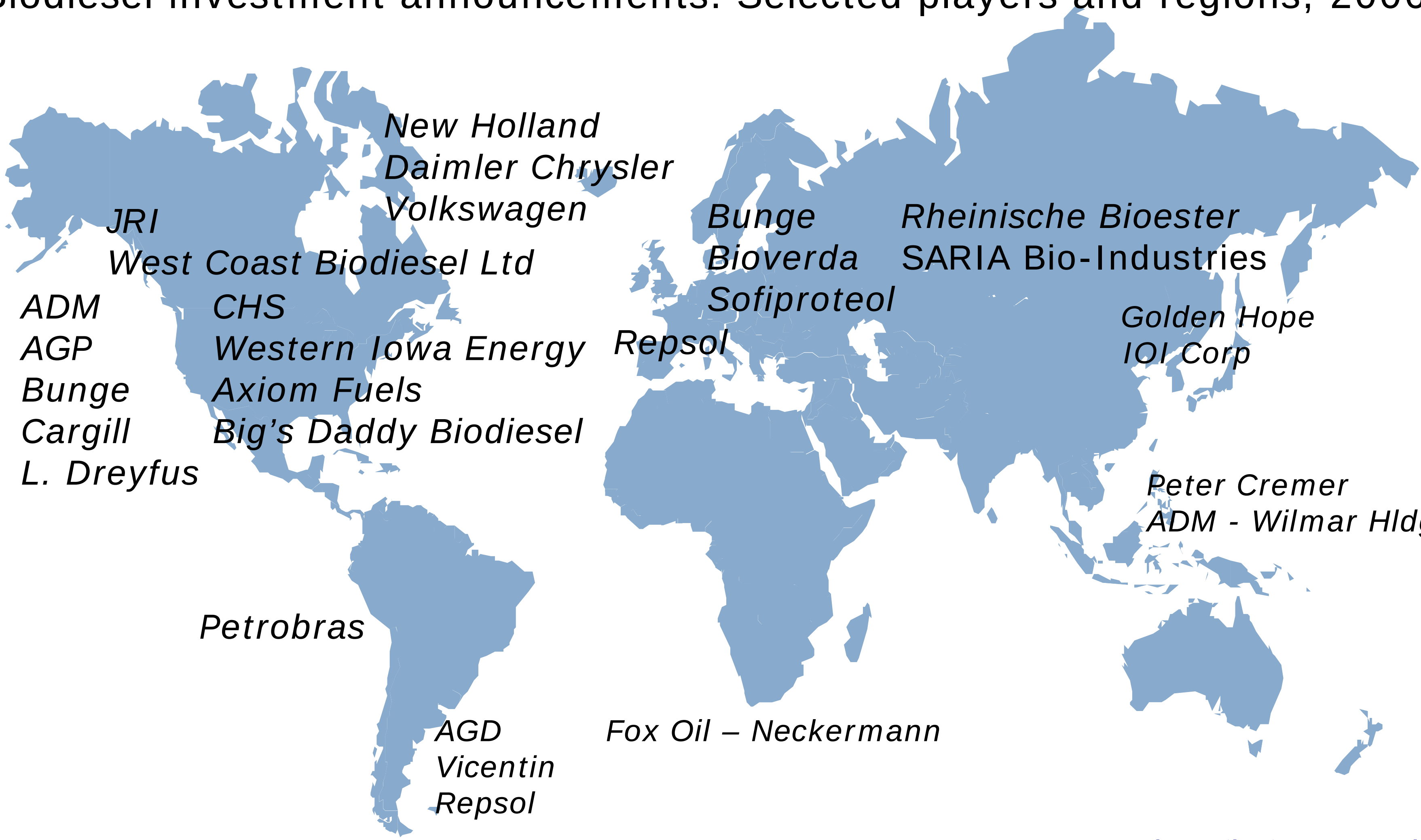
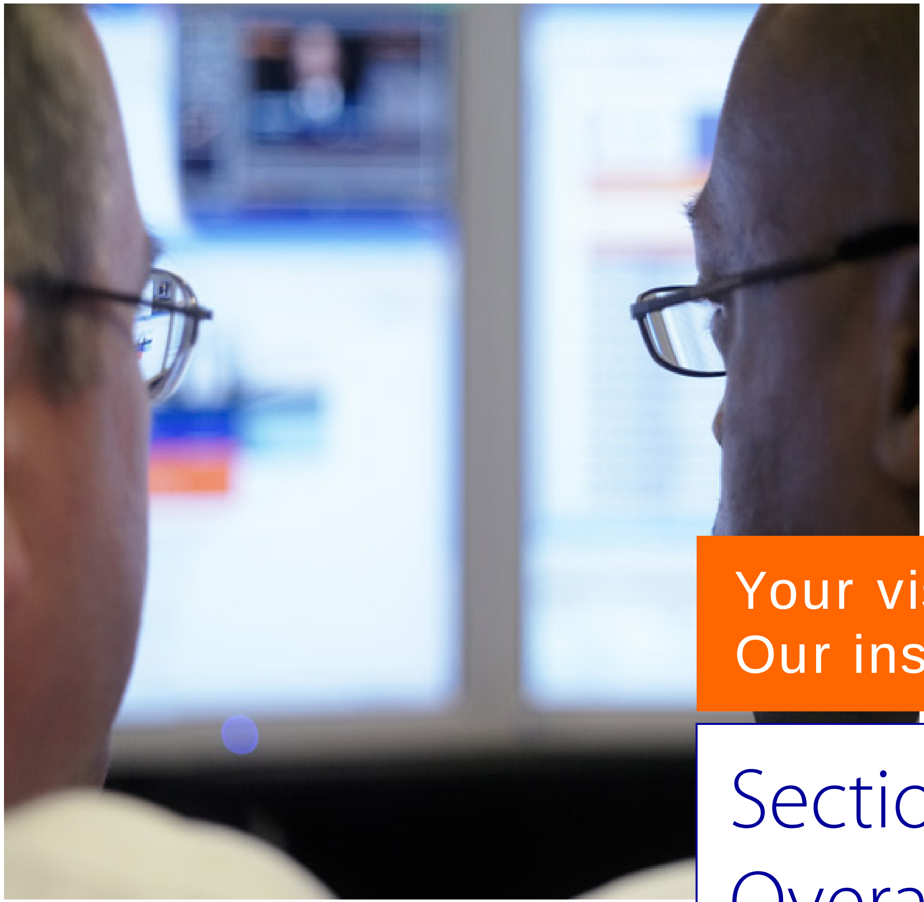
Biodiesel investment announcements. Selected players and regions, 2006



Source: Rabobank analysis based on publicly available data



Your vision
Our insight

Section III
Overall Market Conditions

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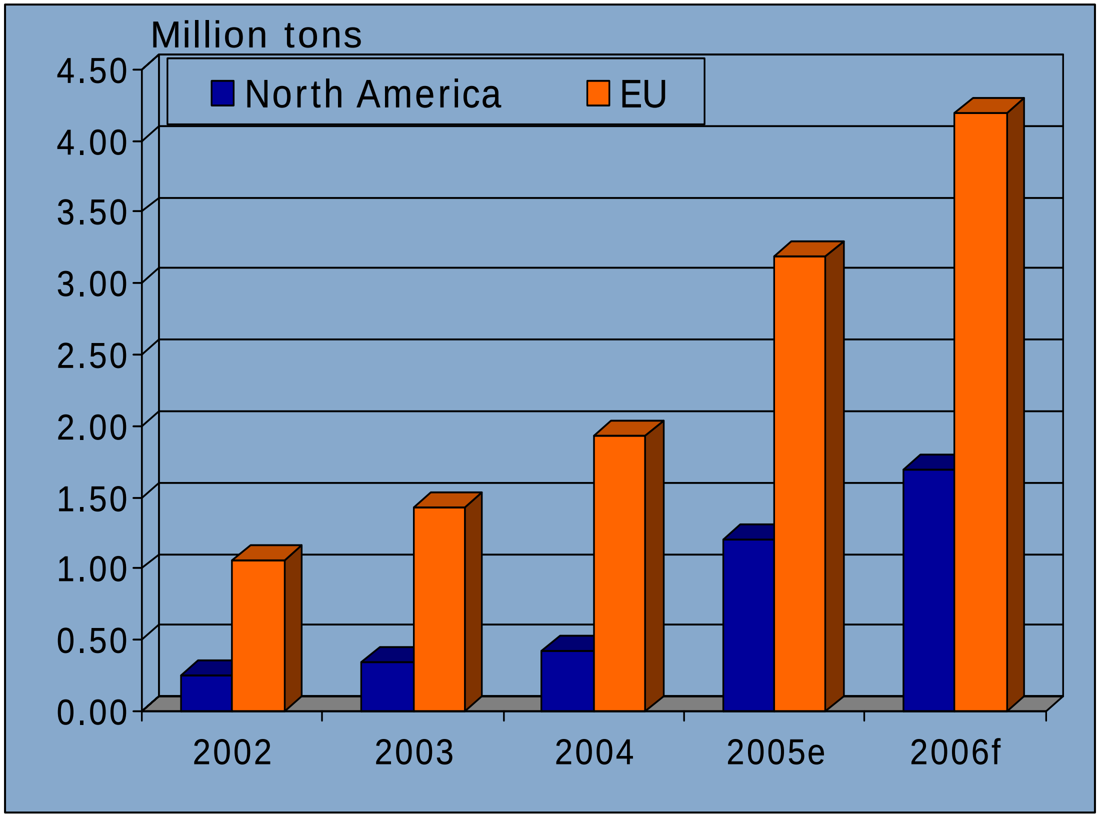
The EU has been ahead in terms of incentives and resulting capacities ...

Biodiesel production. Selected regions 2000-2006f

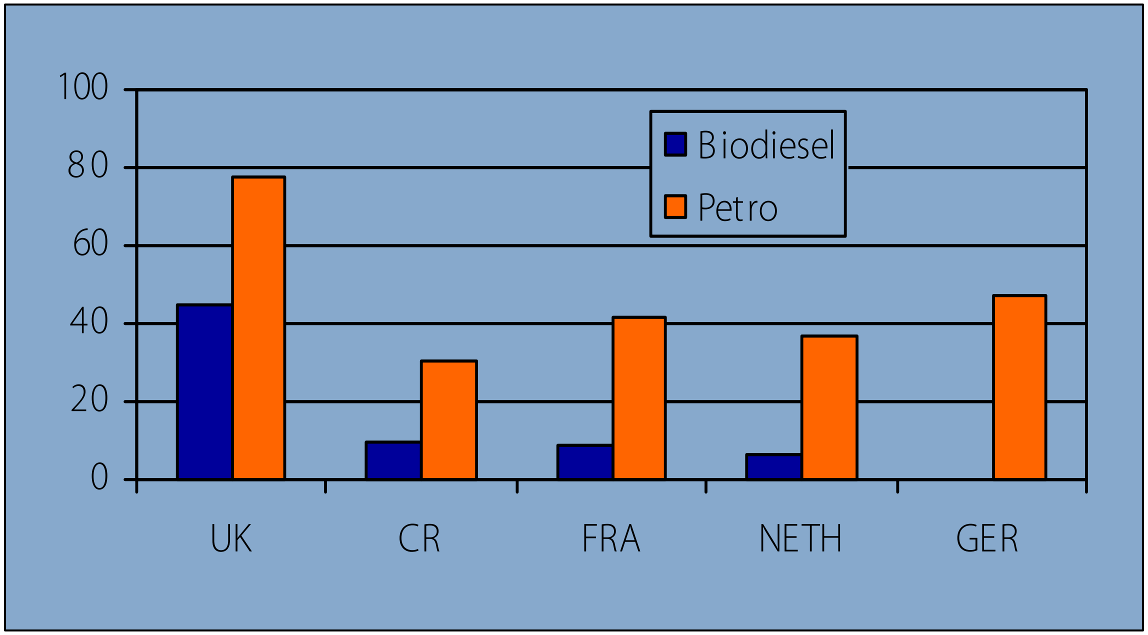


Source: NBB, EBB and market data, 2006

- Earlier implementation of incentives
- Higher relative use of diesel
- But capacity in U.S. and Canada currently growing at higher pace
  - Larger scale (6:1 ratio)

..but even within its boundaries, supply and demand conditions vary..

Excise duty for diesel fuels across selected EU countries, 2004 (€/hl)



Source: Rabobank analysis.

- Production quotas
  - France, Italy
- Minimum blends
  - Poland, Germany, Austria, U.K, France
- Excise duty exemptions or reductions
- Mandatory blending
  - Austria
  - Discussed elsewhere
- Product specification
  - Some allow PPO or B100 while others only blends

..while the tax structure on (petro) diesel differs across markets

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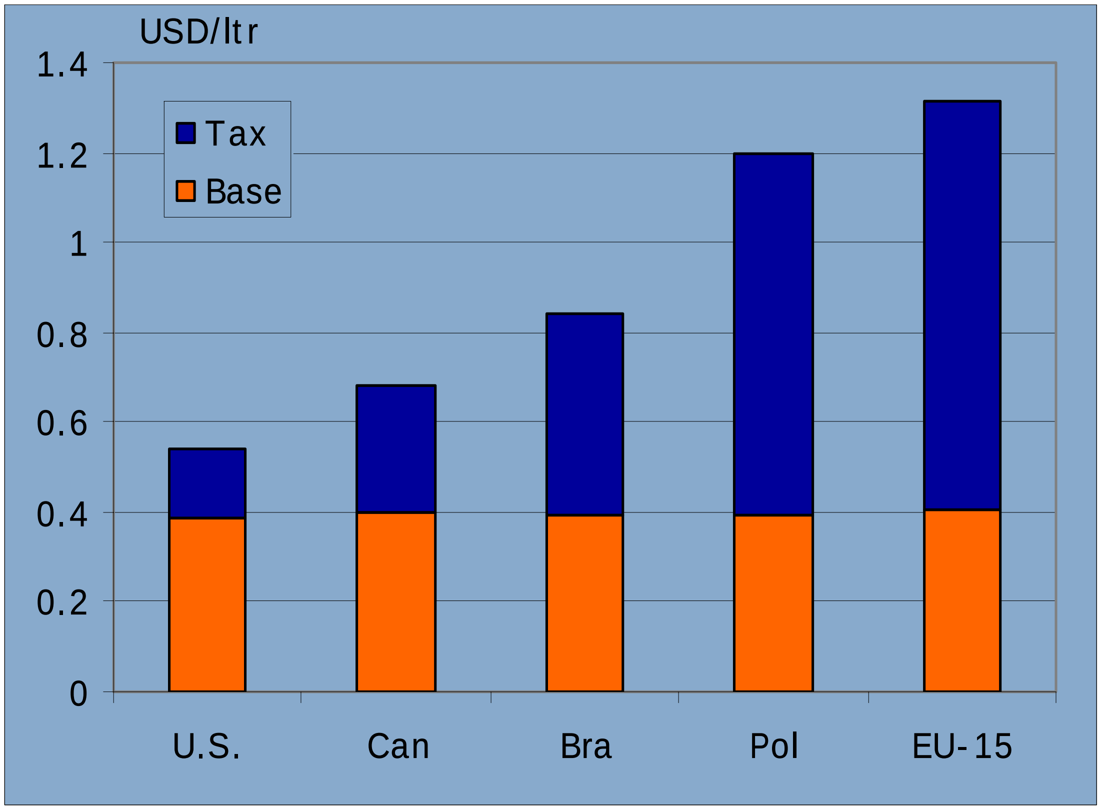
Tax incidence on petrodiesel, 2004

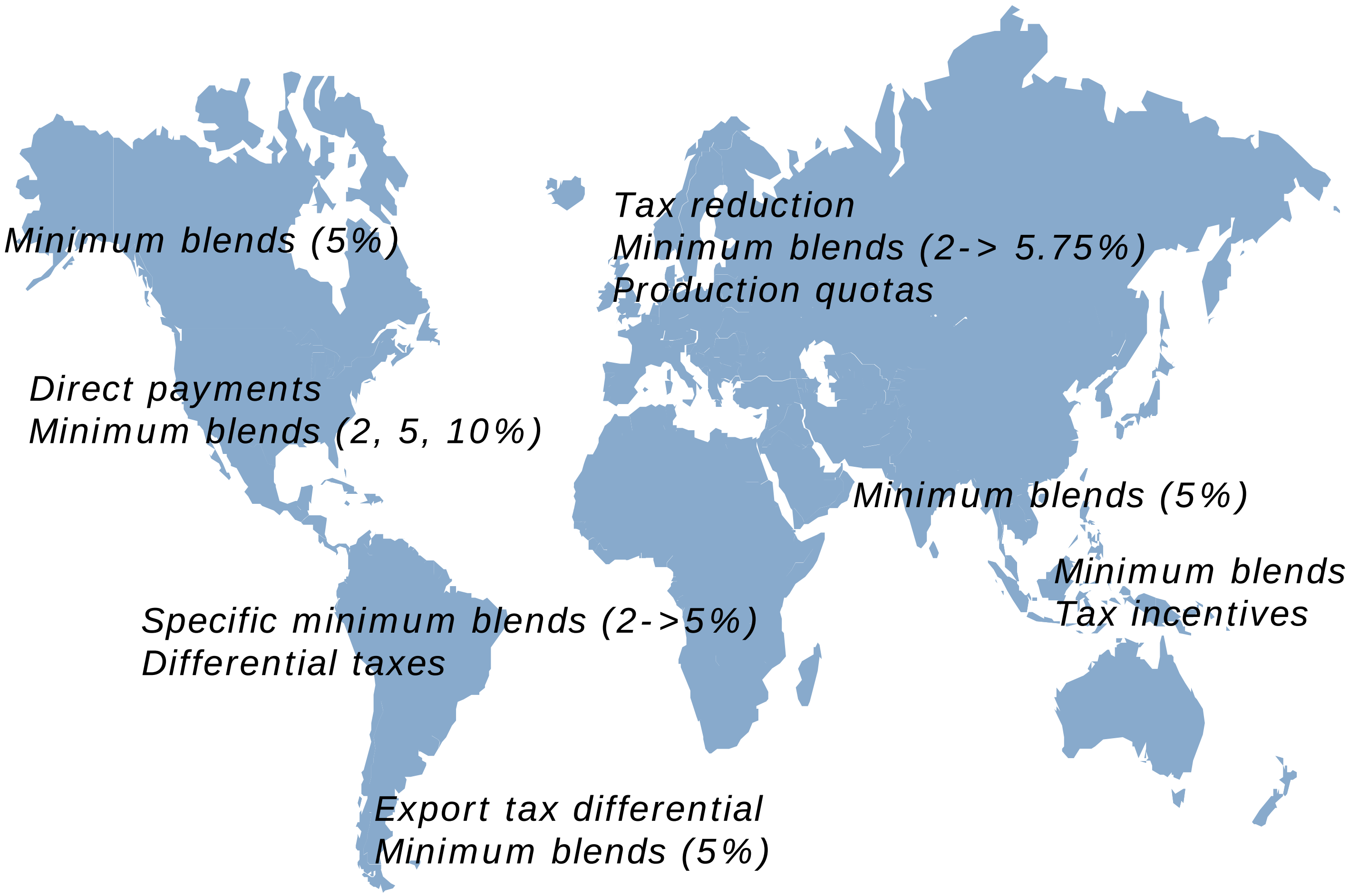


Source: OECD

- Up to 70% of retail price in EU
- Higher leverage in EU countries for intervention through differential tax regimes

Worldwide, current conditions entail a myriad of government measures..

Policy tools supporting biodiesel production or use across regions



<u>Policy Tools</u>

- Minimum blends
  - Specific
  - Also with ethanol
- Direct payments
  - Manufacturers
  - Blenders
- Differential taxes
  - Procurement
  - Operation

Your vision
Our insight

Section IV
Looking Forward

Biodiesel provides a significant demand increase for vegetable oils..

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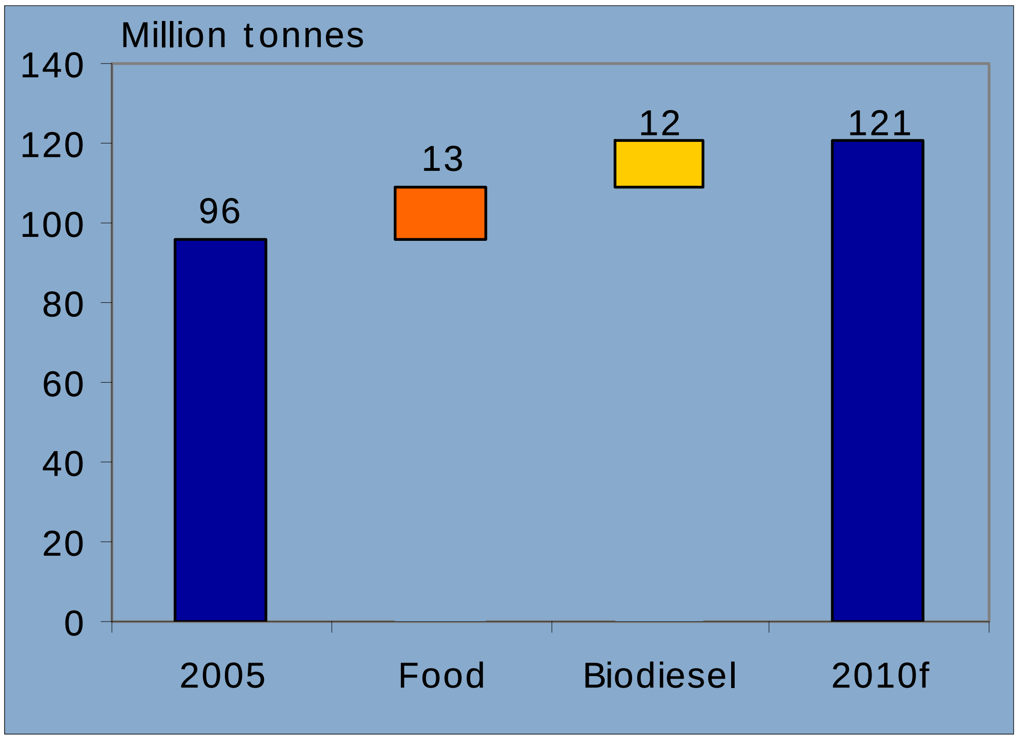
World use of selected oils
(2005 & 2010)



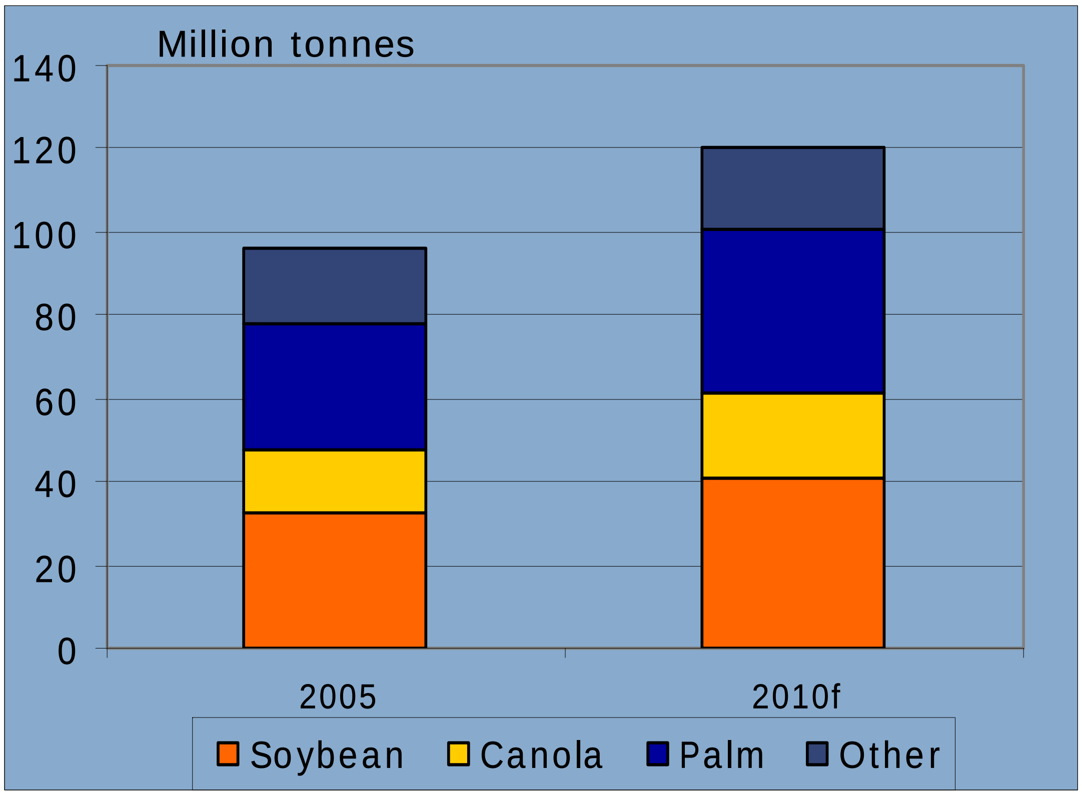
Includes, coconut, cotton, olive, palm, peanut, rapeseed, soybean and sunflower.
Source: Rabobank analysis based on FAPRI, 2006

Period	CAGR
1990/95	4.16%
1995/00	5.15%
2000/05	3.99%
2005/10	5.50%

Significant departure from historical rates, reflecting the existence of a new application

..particularly those with a high oil content like canola and palm ...

Production scenarios for selected vegetable oils (2005 & 2010)



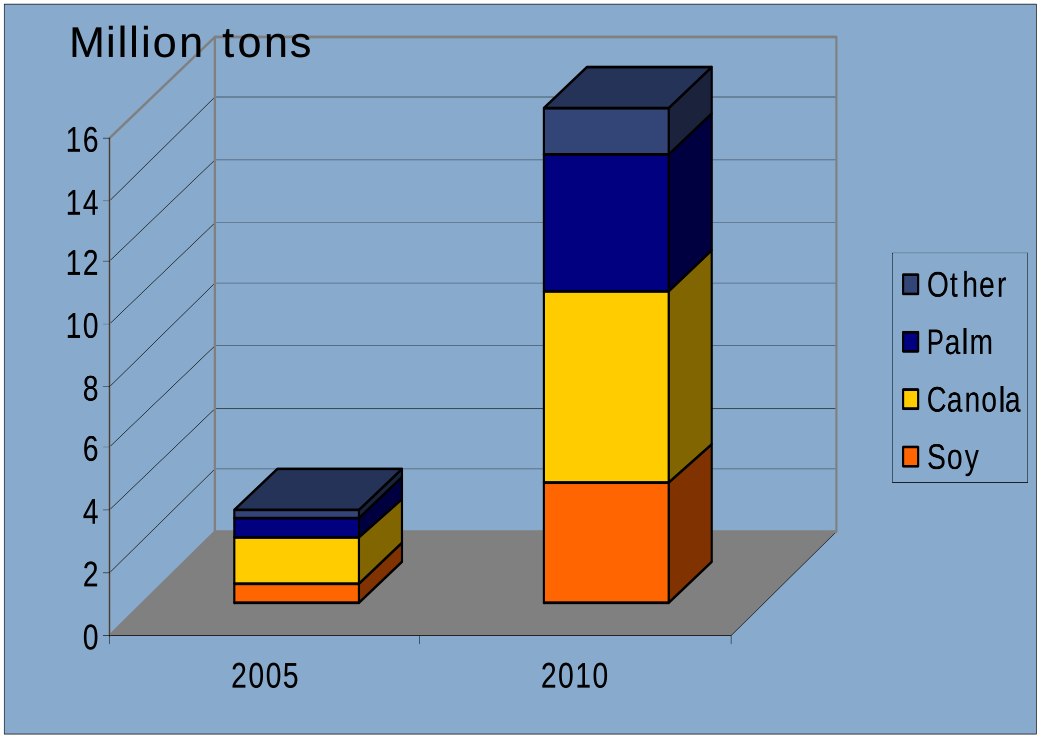
Source: Rabobank analysis based on FAPRI, 2006

- Canada to capture most of canola's additional production and crushing
- SE Asia for palm

- >300% expansion for canola. 50% from Canada
- >500% expansion for palm

...with canola still holding a dominant position as a feedstock ...

Feedstock used in biodiesel production (2005, 2010)



Source: Rabobank analysis based on FAPRI, 2006 and own estimates

- Development of other (geographic) markets
- Technology (additives) to favor soy and palm as well

...and leading to the establishment of additional processing capacity..

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Implicit expansion by type and region

	Type	Region	Millon tonnes per year
Crushing	Canola	EU	3.0
Crushing	Canola	N. America	1.0
Crushing	Soybean	Americas	2.5
Crushing	Palm	SE Asia	8.2
Crushing	Palm	Row	1.4
Manufacturing	Biodiesel	EU	5-10
Manufacturing	Biodiesel	Americas	3.0
Manufacturing	Biodiesel	SE Asia	1.8

Source: Rabobank analysis

Key Success Factors

- Logistics optimization
  - Procurement
  - Distribution
- Dealing with by products
  - Glycerin
- Scale
- Off take contracts

..giving room for the development of new trade flows, particularly for oils..

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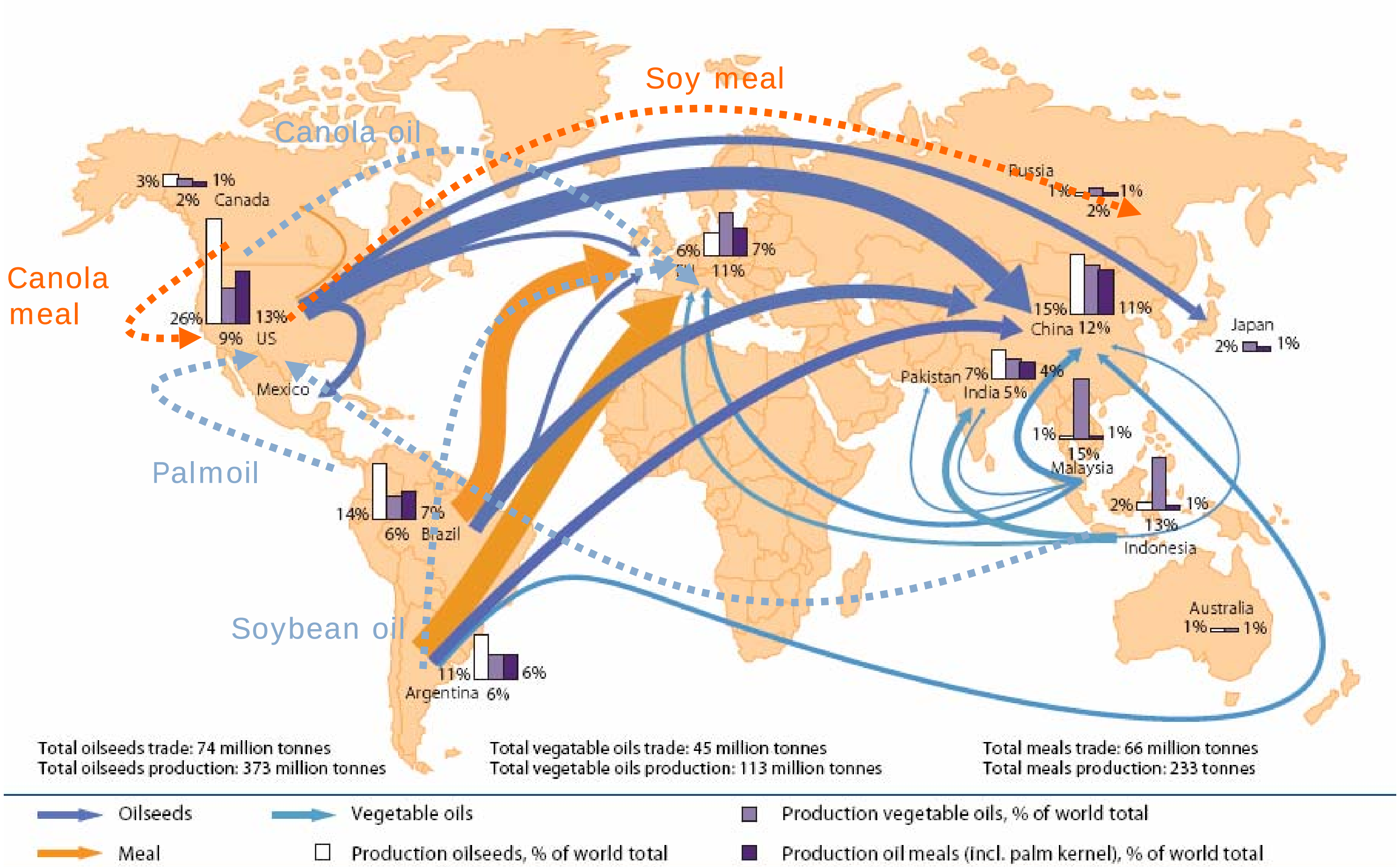

Source: Rabobank analysis based on Oil World and FAPRI, 2006

..in summary

- Biofuels in general and biodiesel in particular are demand shifters
- Aggregate demand increase for vegetable oils highest in recent history
  - Need for additional crushing capacity
- Agribusiness becomes attractive to existing and new players
- Existing gap between energy and agribusiness markets to get narrowed down
- Income gains globally expected to remain strong
  - Vegetable oil food consumption to mitigate any eventual non food use decline
- Higher relative prices for oils
  - Production of oilseeds and processing expansion
- Increasing competition from DDGS for vegetable meals
  - Lower relative prices for vegetable meals
  - Redefinition of business model for certain oilseeds

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"The financial link in the global food chain"™