

WORLD MARKET TRAJECTORY: EFFECT ON CANADIAN PRICES

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Outline

2013/'14 World S & D's

- Overall market trajectory
- Demand drivers- resulting export price levels
 - Grains
 - Oilseeds
- Canadian S & D's – wheat, canola, special crops
 - Shipments YTD
 - Price evaluation fob farm relative to export prices
- Year end projections

2014/'15 starting point / outlook

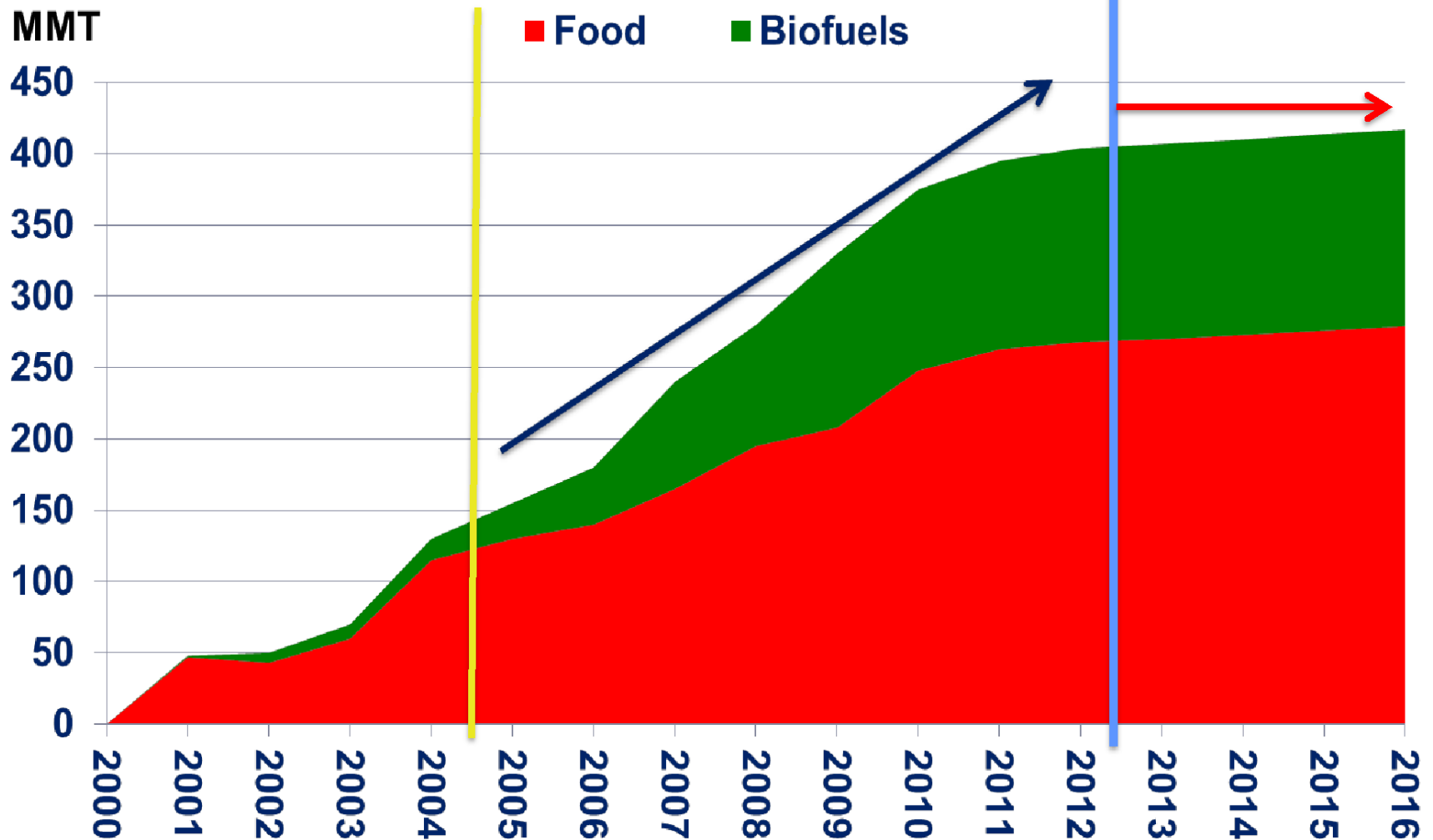
DEMAND DRIVERS PAST FIVE YEARS

Biofuels (ethanol & Biodiesel) and
LDC populations growth + income growth

World Grain Use:

132 MMT Grain for Biofuels 2013;

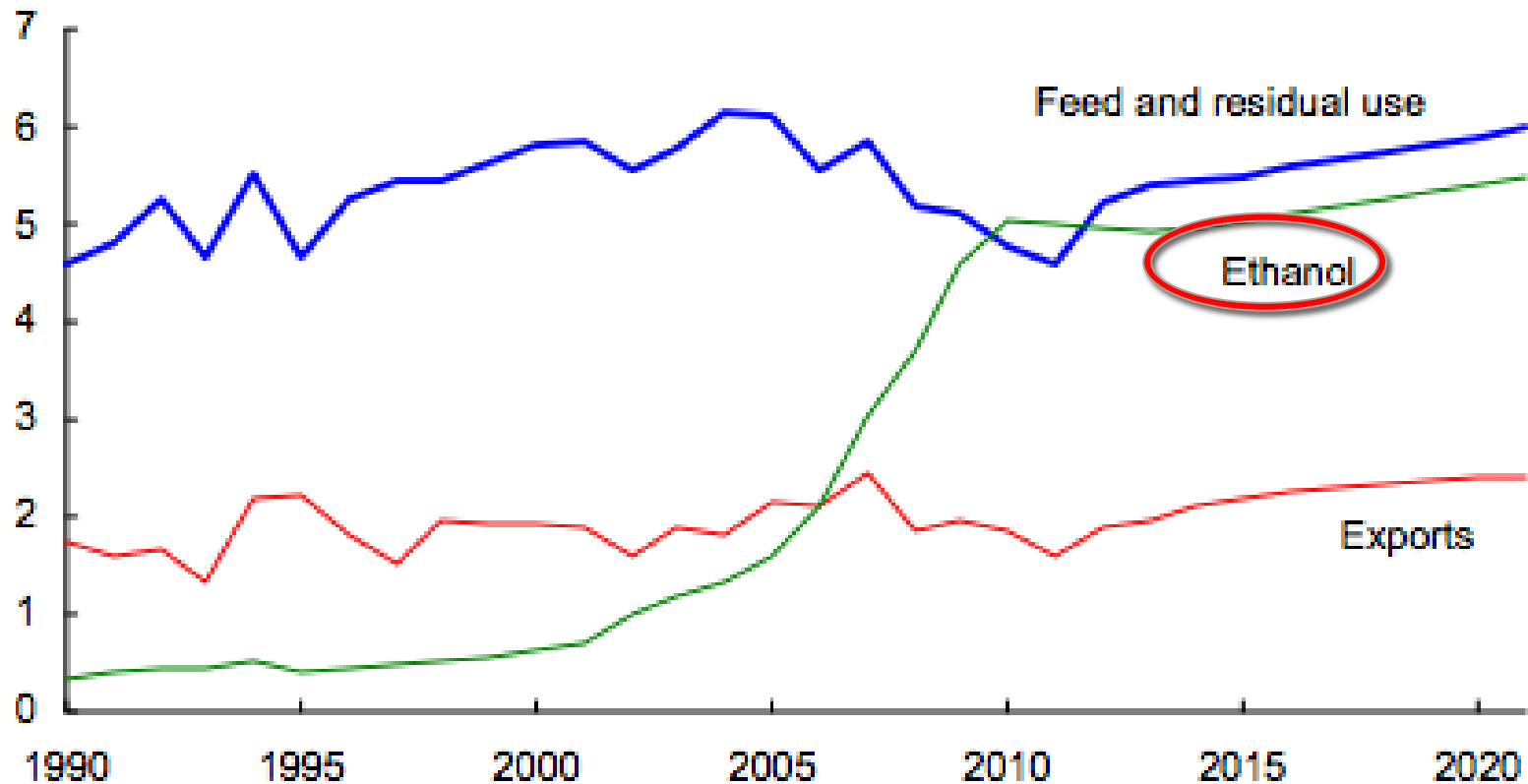
increased food consumption (population & income driven)



U.S. Corn Usage: Feed, Ethanol, Exports

U.S. corn: Feed and residual use, ethanol, and exports

Billion bushels



Linkage of Energy and Grains and oilseed prices due to USDA Ethanol and Bio-Diesel program

Before USDA ethanol program began

1. Corn prices as low as \$1.50 per bushel; Soybeans \$5.50
2. USDA made direct payments' to farmers of \$7-Byn and upwards in loan deficiency payment
3. USA carryover of corn was about 2 byn bushels
4. USA agriculture segment in poor shape
5. World price grain markets were low

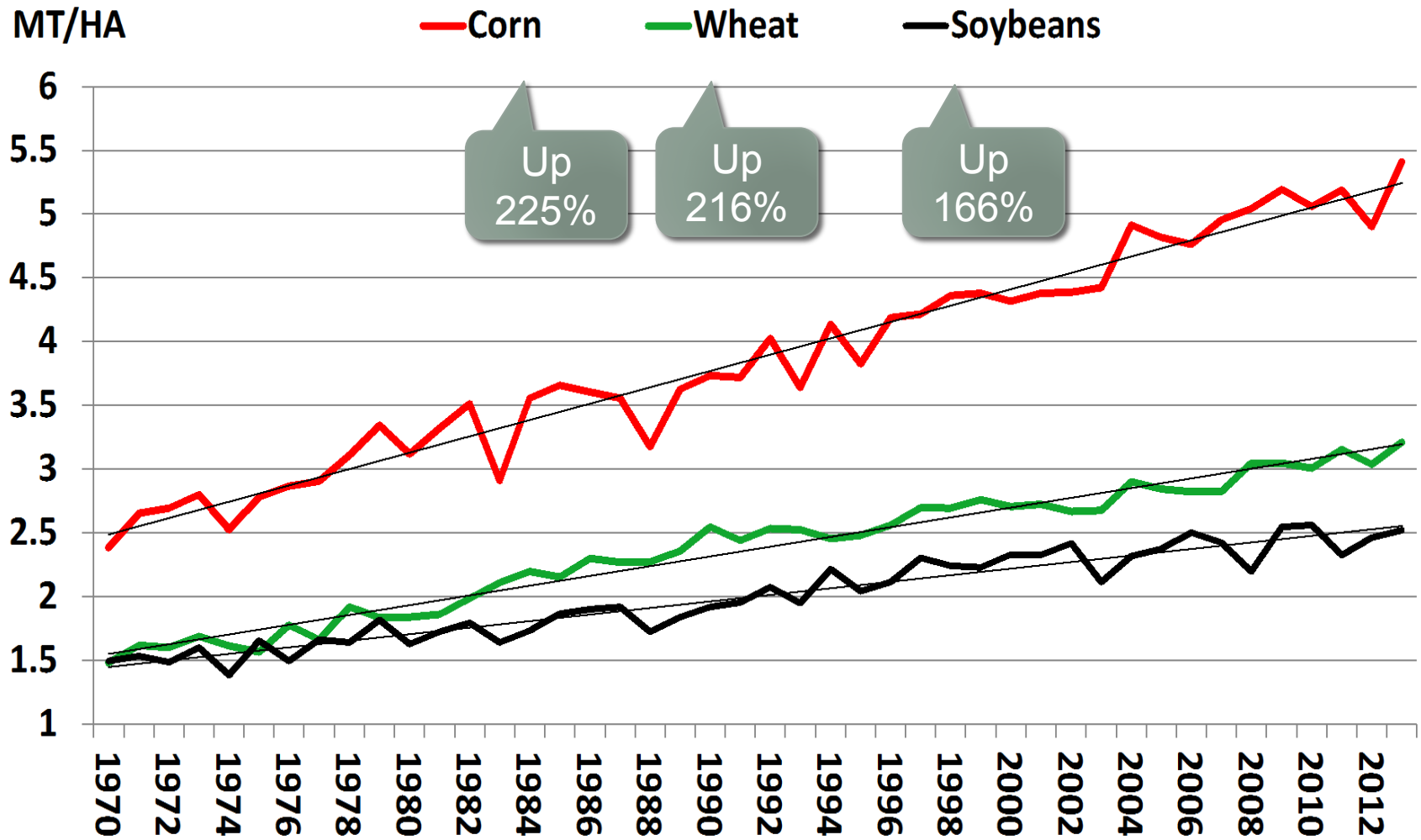
After the USDA ethanol program was introduced

1. Corn prices rallied to \$8.00 per bushel
soybeans \$15.00 per bushel
Remain way above loan prices
2. USDA did not make any direct payments to farmers.
Does not need to make any payments presently
3. Corn and Soybean carry-overs shrank and production increased
4. USA farm economy recovered higher land prices, -agriculture equipment sales, -more jobs
5. World price of grains rallied to all time highs
6. *The USDA Ethanol and Bio-diesel programs added about \$65 byn in increased annual revenues for USA grains and oilseeds farmers.
More in total world revenues.*

PRODUCTION RESPONSES TO HIGHER PRICES

- increased yields
- Include all available acres

Effect of high prices on production



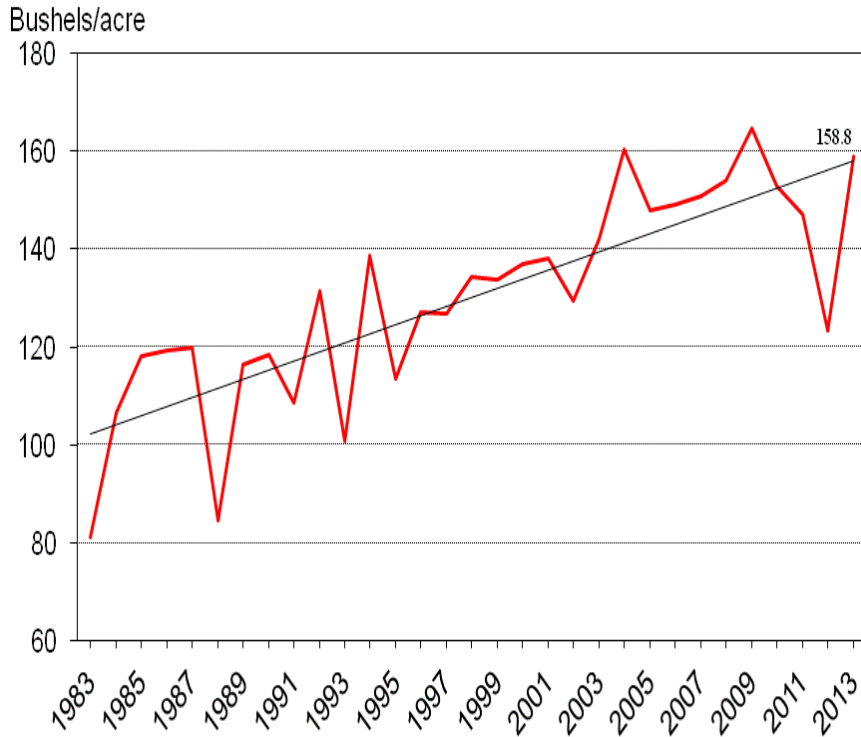
High prices – yield & acreage response



U.S. Corn Yield

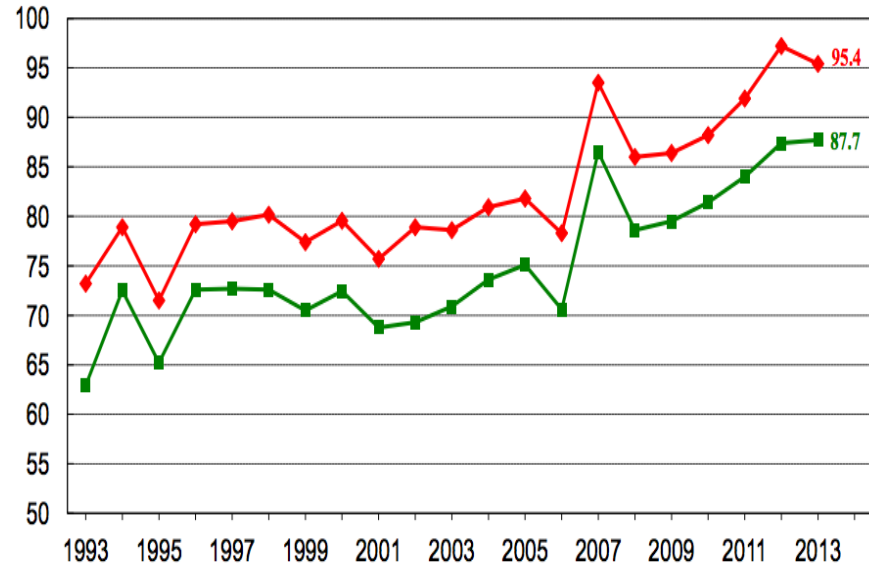


U.S. Corn Acres



USDA-NASS
01-10-14

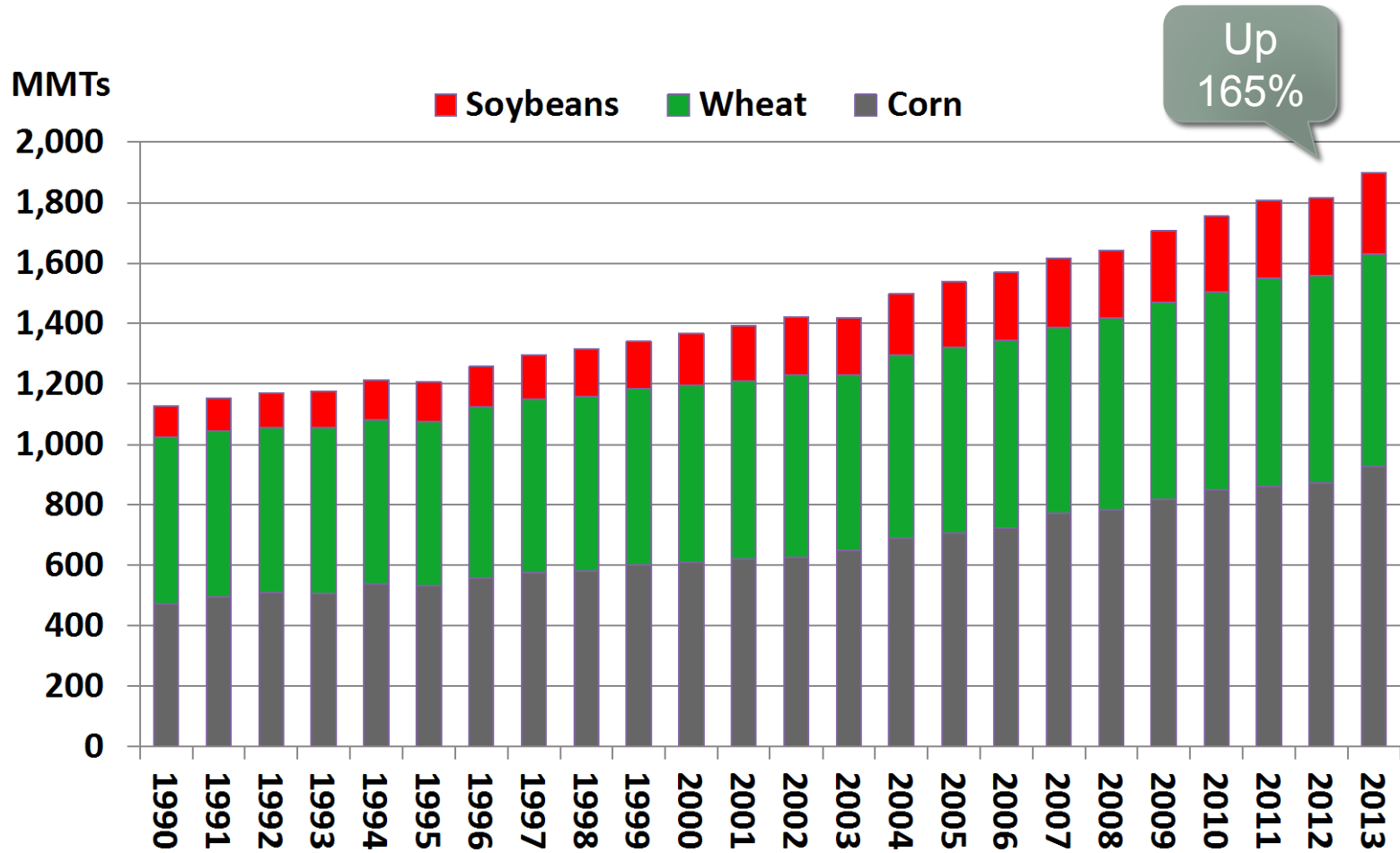
Million Acres



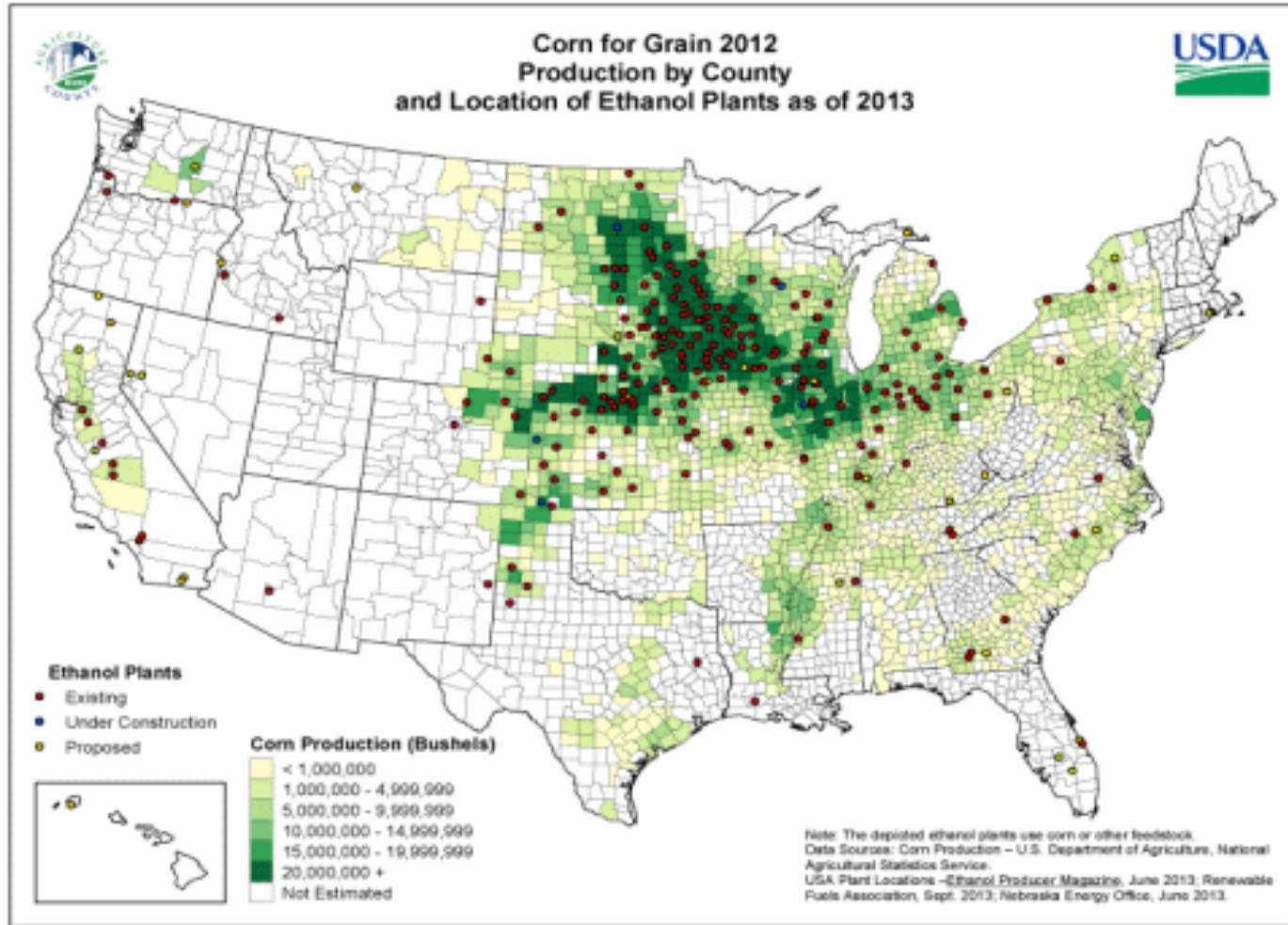
Planted Harvested

USDA-NASS
01-10-14

Global Demand



Example ethanol



WHAT HAPPENED THIS YEAR?

- world record production

World Grain Production 2013/14 (IGC, Nov.'13)

million tons

	10/11	11/12	12/13	13/14	
		est	forecast	31.10	28.11
				forecast	forecast
TOTAL GRAINS*					
Production	1751	1851	1790	1940	1946
Trade	243	269	266	273	277
Consumption	1784	1855	1815	1901	1904
Carryover stocks	367	363	338	374	379
year/year change	-33	-4	-25		41
Major exporters a)	140	126	95	137	133

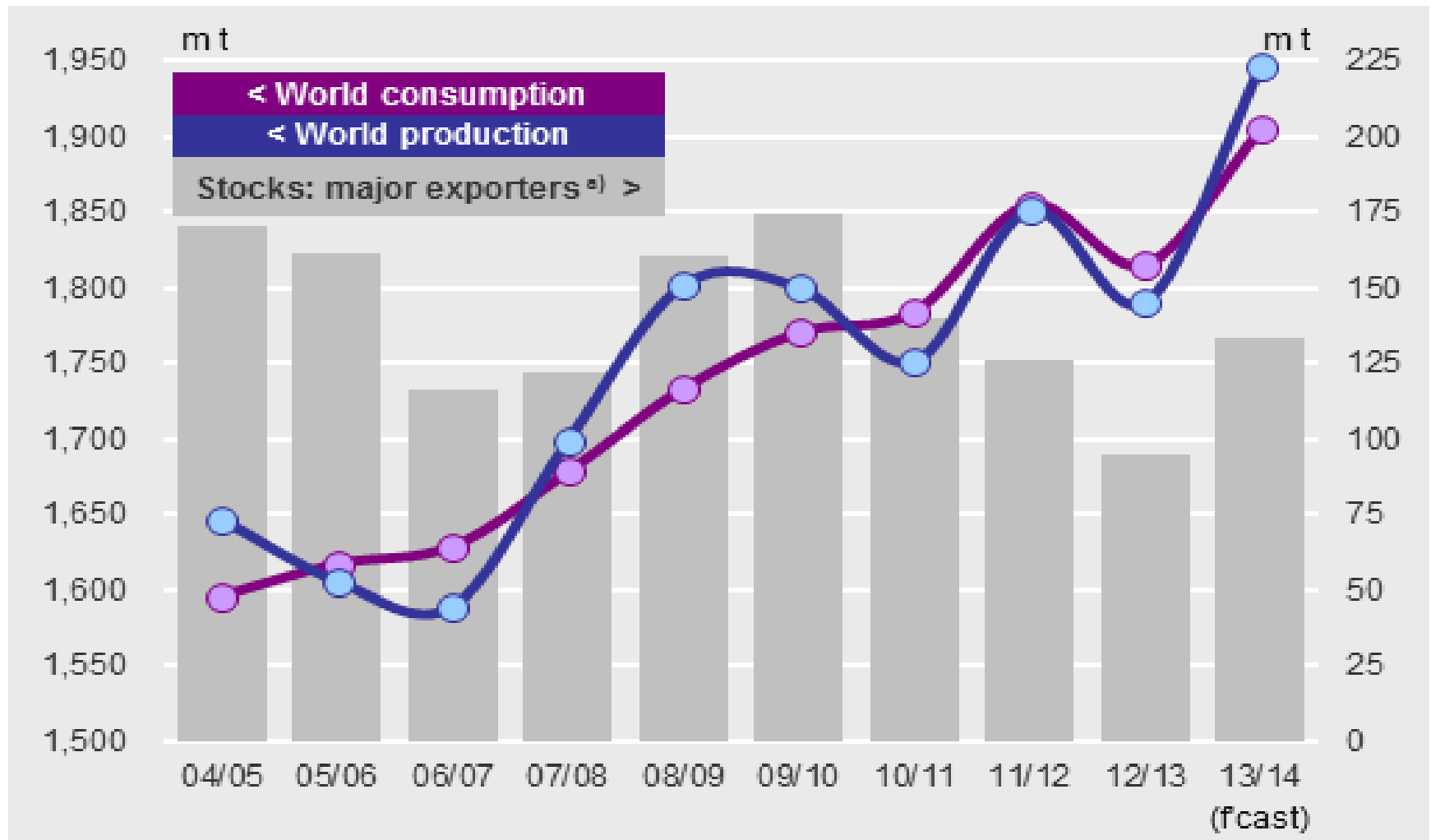
TOTAL GRAINS:

Grains **crops** have generally been larger than expected in 2013/14; total global output is at 1,946m, up 9% y/y.

Global grains **stocks** are now placed at 379m t, up by 41m y/y, and world trade is expected to rise to a record 277m, led by maize.

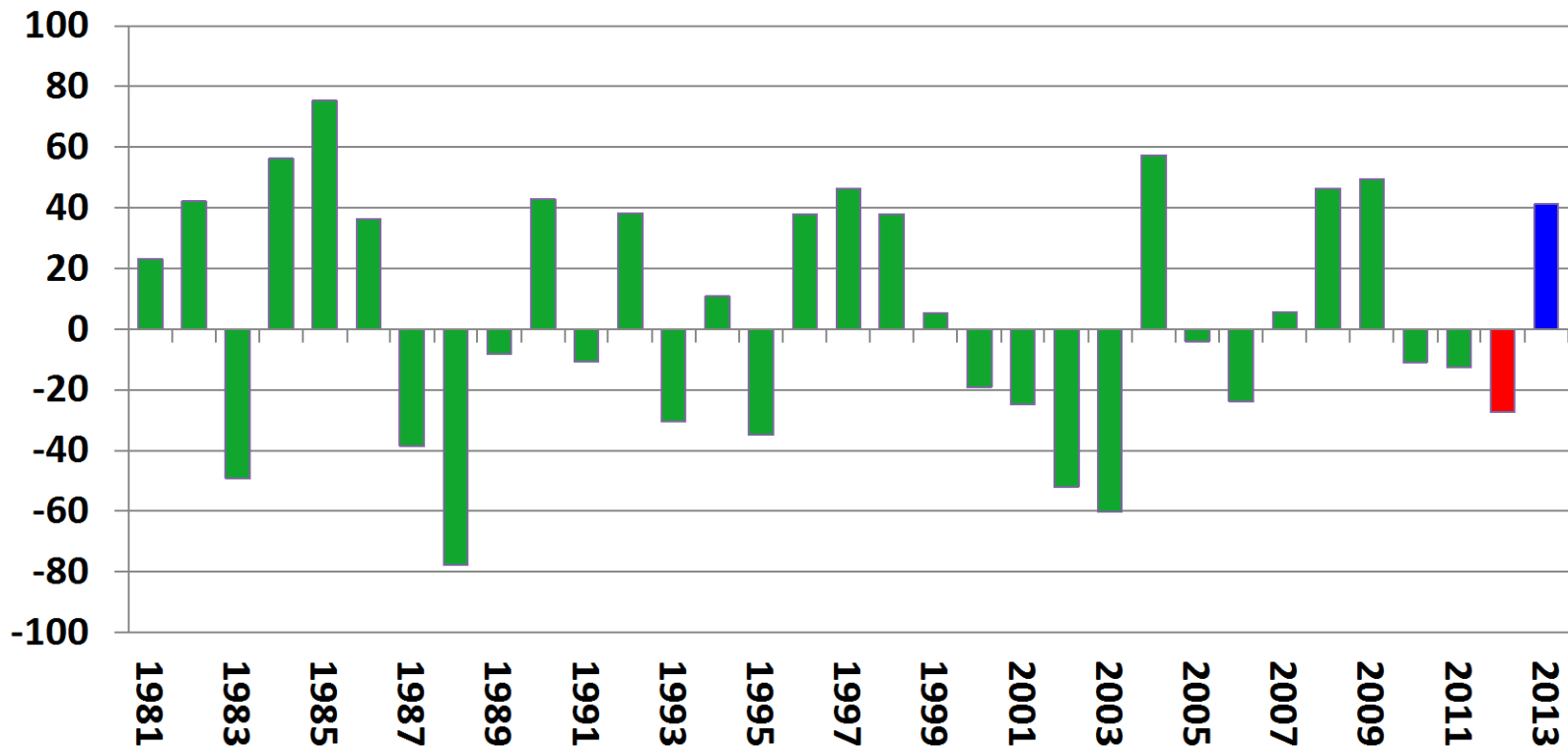
Record crops, higher end-season stocks and increased trade are forecast for the rice and soyabean markets.

World prod'n exceeding cons'n (both UP)



World Stock Change: 41 MMT increase this year

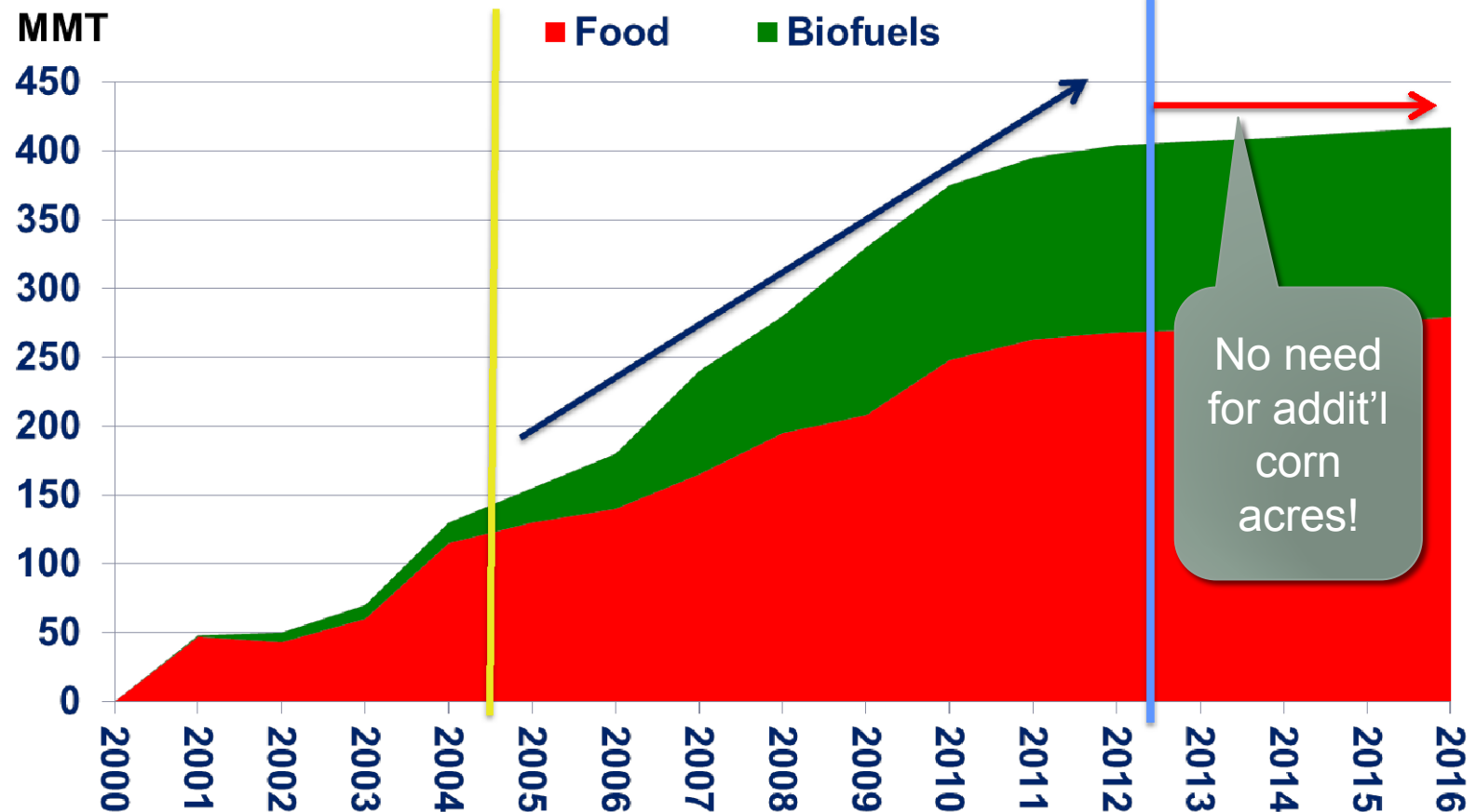
MMTs



And sth. else: is World Grain Demand Decelerating?

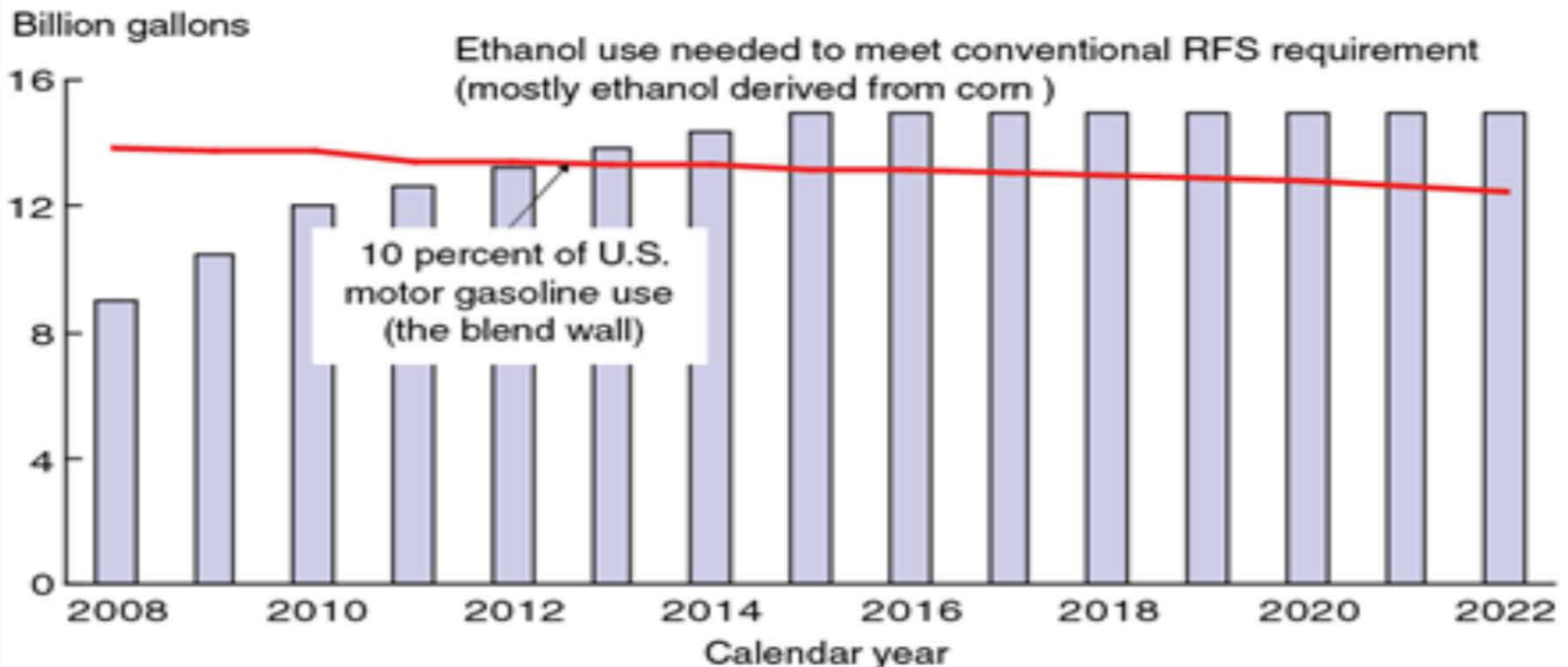
Biofuels 132 MMT Grain 2013; ~134 MMT in 2016

Food ~251 MMT 2013; ~ 255 MMT in 2016



Flat U.S. Ethanol Demand Forecast

E10 blend wall and ethanol use needed to comply with conventional RFS

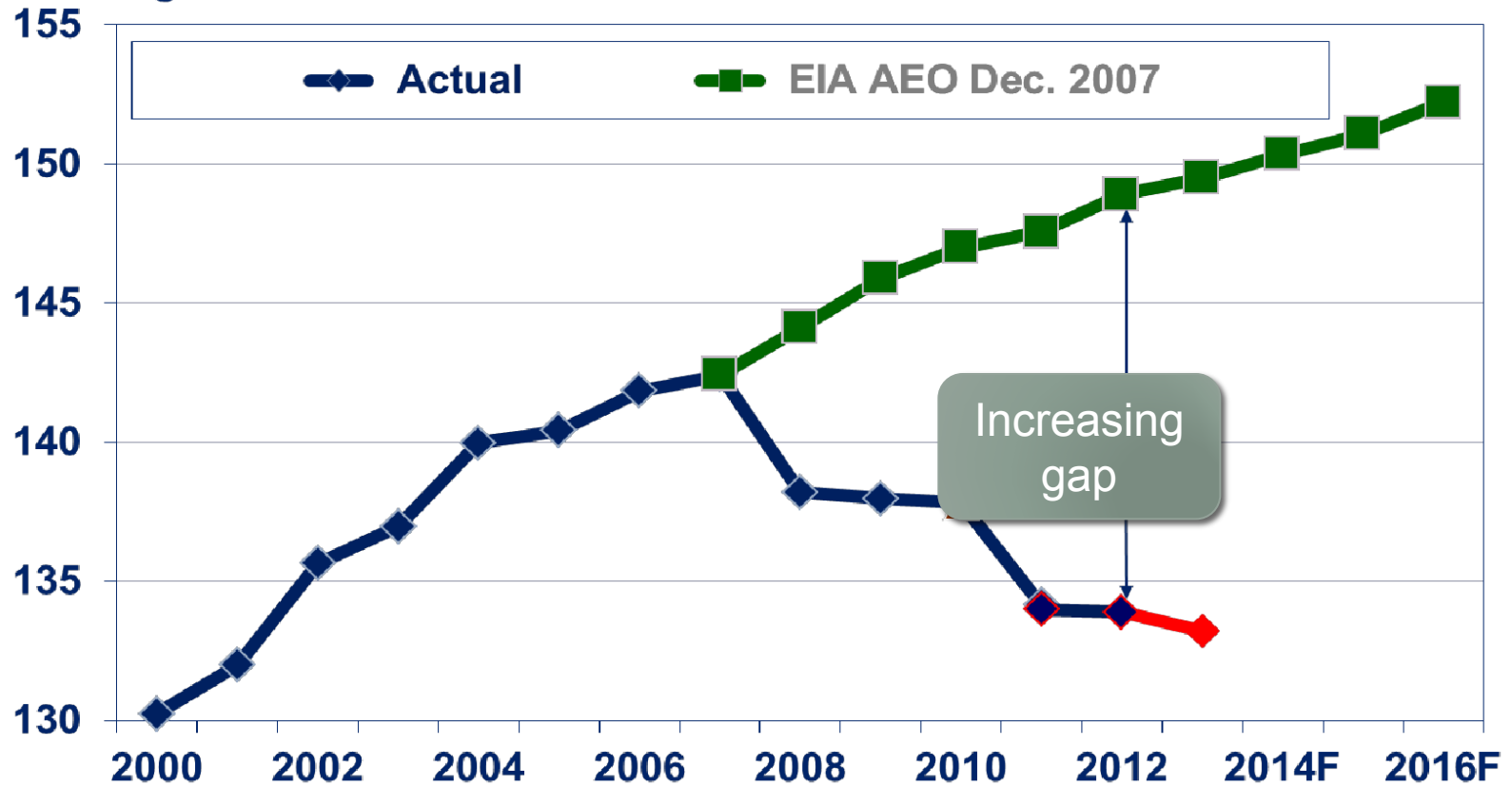


RFS = Renewable Fuel Standard. E10 = 10-percent ethanol/gasoline blend.

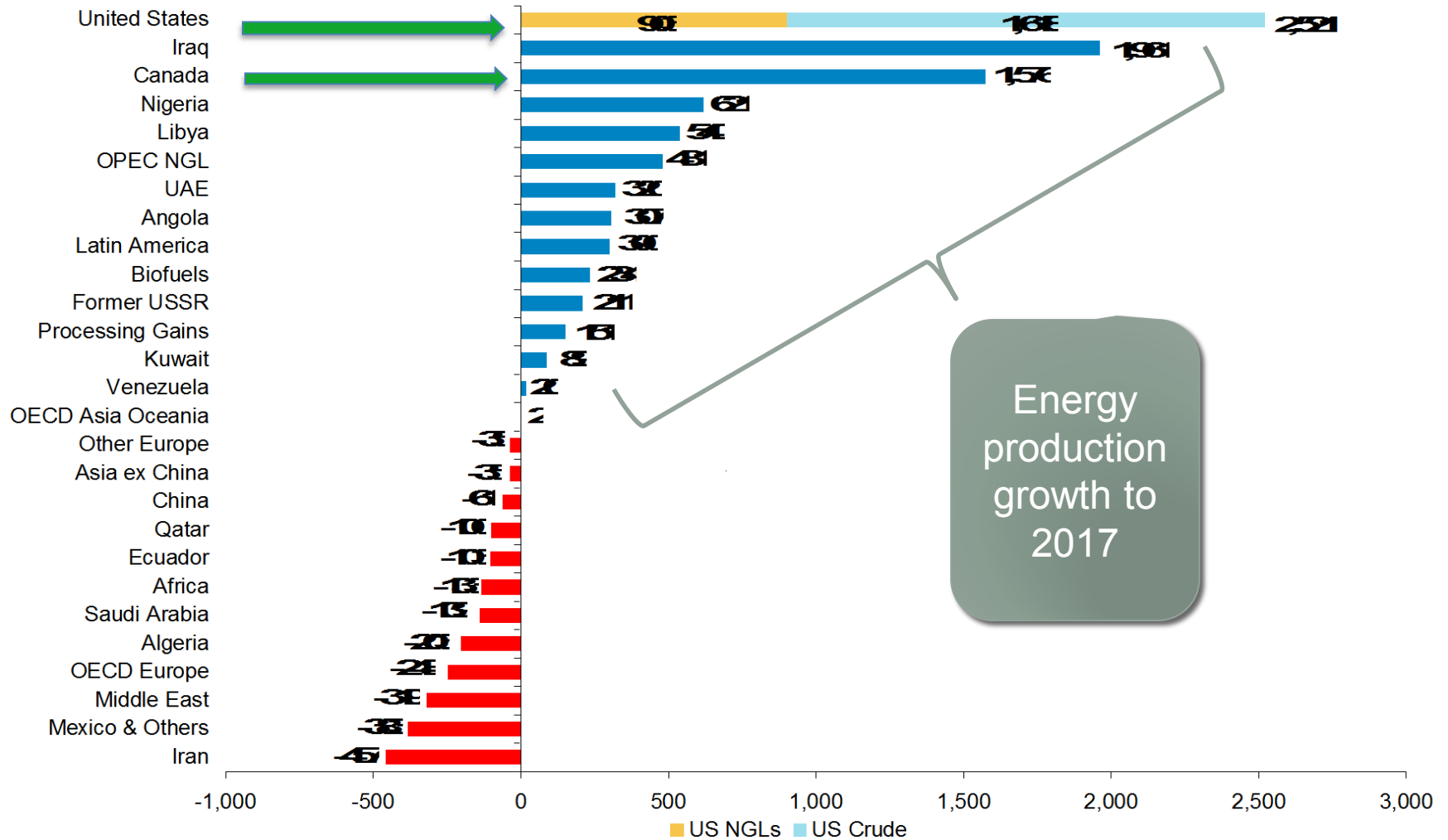
Sources: USDA, Economic Research Service calculations derived from U.S. Department of Energy, Energy Information Administration, *Annual Energy Outlook, 2013* and the Energy Independence and Security Act of 2007.

USA Gasoline Consumption declining

Billion gallons



Projected Energy Production Growth



Is Biofuel Growth done?

- **Biofuel industry *mature*:** Demand will stagnate mid-2012 forward

Ethanol-

- No new ethanol plants being constructed
- Fewer acres needed for ethanol/ biofuel
- U.S. gasoline consumption declining since 2008
- Industrial vegetable oil demand declining (EU, Bzl., Arg. level)

Biodiesel - demand is expected to improve from 2013

- Indonesia B10/ Malaysia B7 mandates?? (~3 myn mt veg. oil D)
- US biodiesel PGM growing

Key to biodiesel demand forward is no longer mandated, but non-mandated demand

(=which is a function of 'cheap' agriculture commodities against 'high priced' crude)

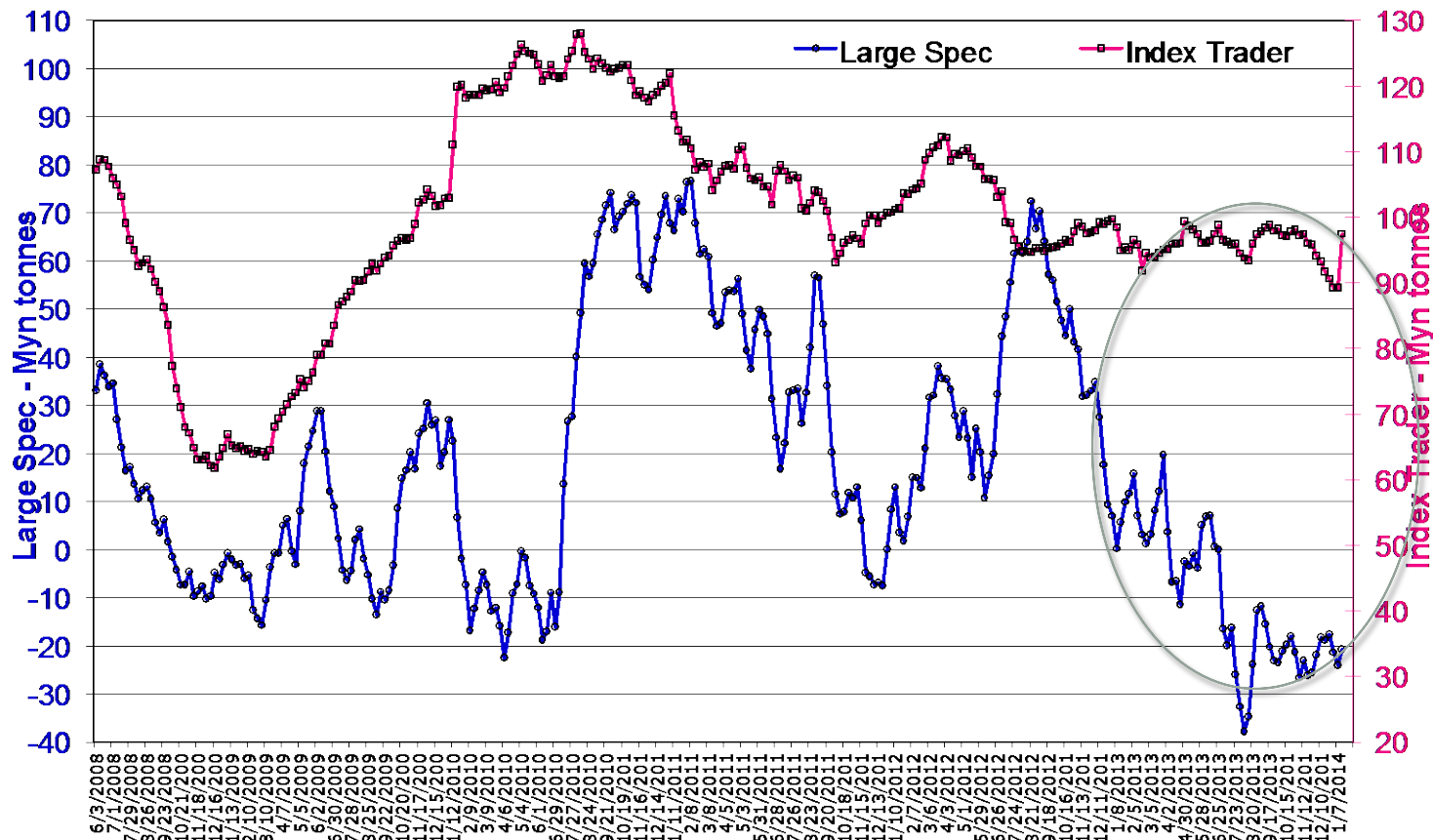
Growth Meat Consumption Flattening

- **China** = driver; need new increase in salaries as meat prices soar to support trend for increased consumption
- Outside the record soybean trade to China, market has been lacking a bullish demand-driver
 - **MIST** (Mex., Indon. SKorea, Tky) largest new markets for agriculture goods (USD29 byn collectively vs. USD23 byn China)?
 - Globally, **income /capita** has been has increased by > 60% over the past decade alone; global middle class is expected to grow from 1.8 byn to ~3.2 byn within 10 yrs.

Financial Landscape: Stock Mkts vs. Agric. Mkts – Funds are leaving

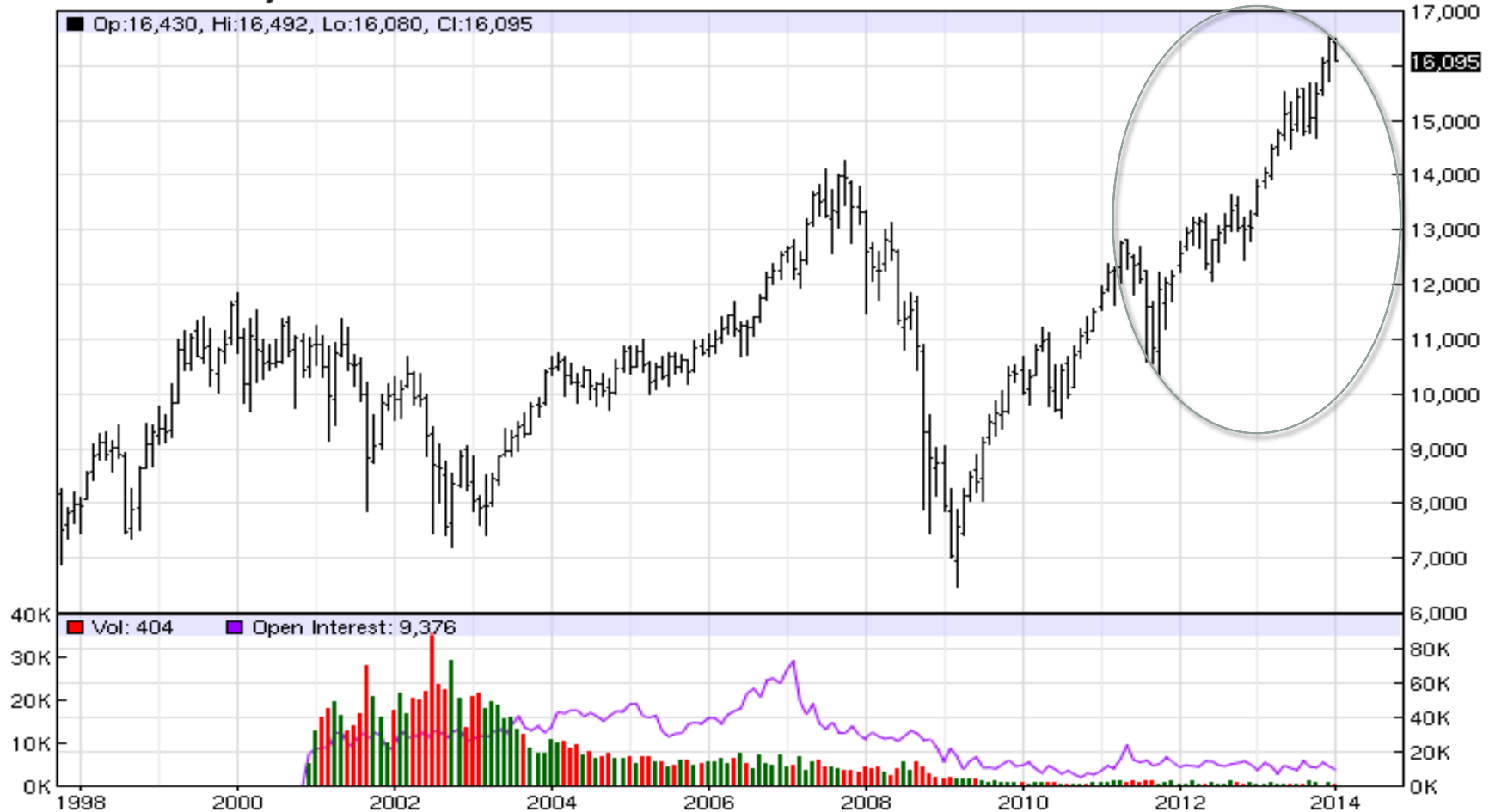
(down ~49% from highs)

All 4 Commodities: Index Trader & Large Spec Net Positions
 Futures & Options (Supplemental CFTC Report)



U.S. Stock Market high (Dow Jones)

DJ - DJIA - Monthly Nearest OHLC Chart



Grain Markets since Nov. 2008

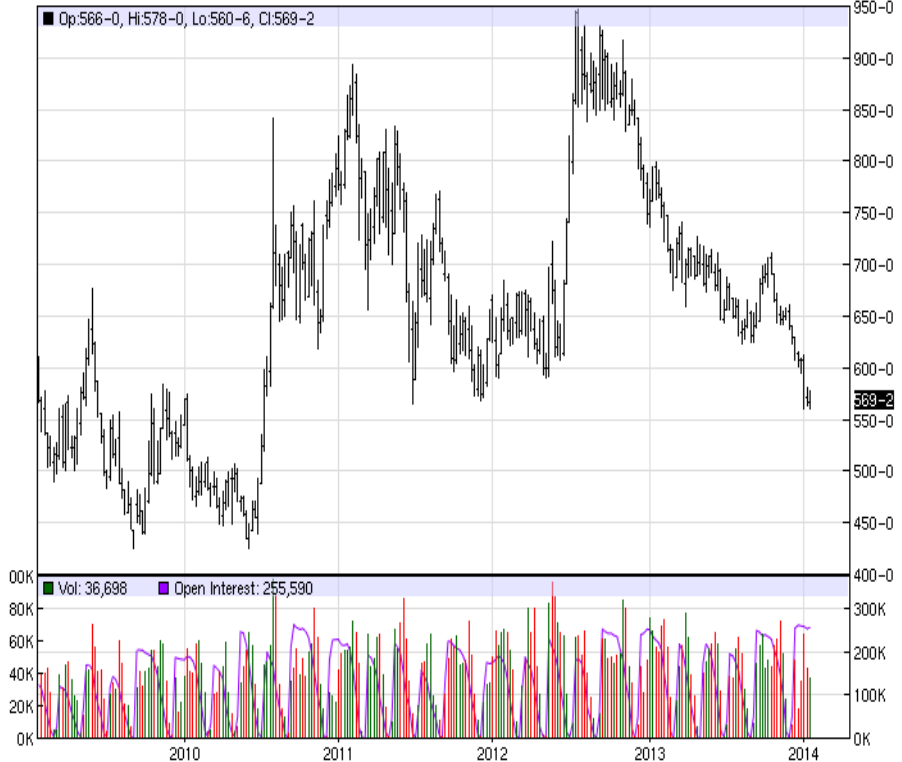
Corn

ZC - Corn - Weekly Nearest OHLC Chart



Wheat

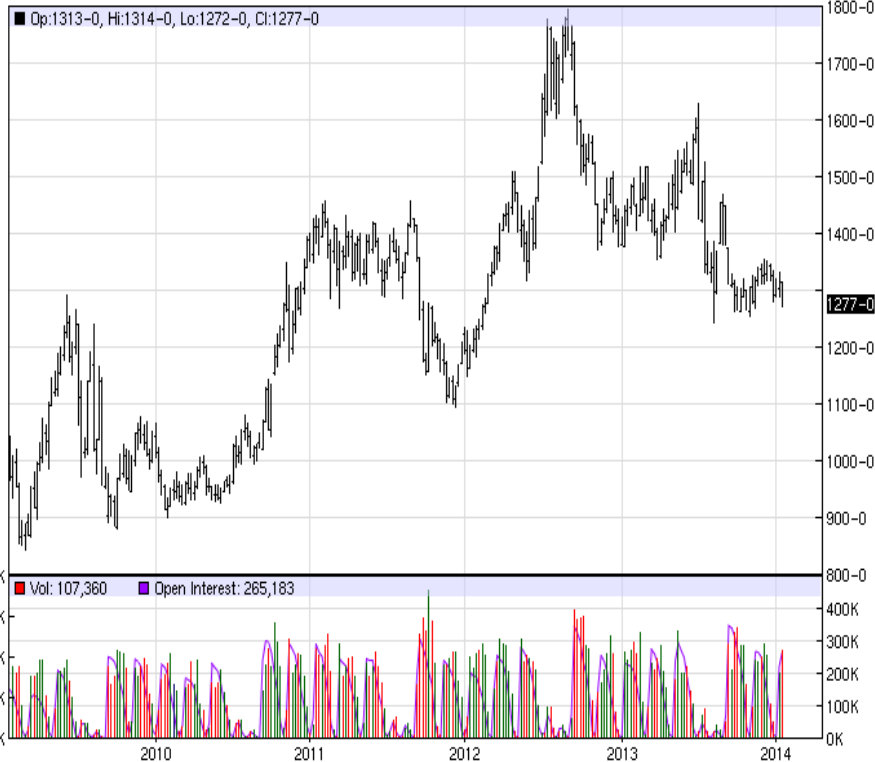
ZW - Wheat - Weekly Nearest OHLC Chart



Grain Markets since Nov. 2008

Soybeans

ZS - Soybeans - Weekly Nearest OHLC Chart



Canola

RS - Canola - Weekly Nearest OHLC Chart



Overall effect on agriculture:

- Are seeing downturn from highs of the past 4 years
 - Adjustment to the extraordinarily big world crop
- At new 'lower prices' are starting to buy some demand
 - Now need to see level of S. American (oilseed) crops
- Longer term, with continued challenge to feed a growing world that likely is staging a slow but steady recovery, expect ag markets to remain overall strong

- **There will be ups- and downs, but expect to have longer ups than downs**
 - **May require s.t. change from '*profit maximization*' stance to '*cost control*' approach**

CANADIAN SITUATION

Canola, wheat, peas, lentils

What is going on in the markets?

2013 Canadian '*Canola Crop Facts*'

Canola Council target 2015: 15 million mt production

- **Production excellent:** ~18 million mt 2013 (up 29% from 2012)
- **Yields excellent:** 40 bu (per StatsCan; highest on record)
- **Crop quality excellent:**
 - Prelim. Oil content 45.2% (43.5% 1st yr.) [SBN's ~19%]
 - Green seeds down to 10% (11.7)
- **Resulting price effect?**
 - ICE futures down ~\$124/mt from high (\$550) late Aug.
 - Basis 45-67 Un

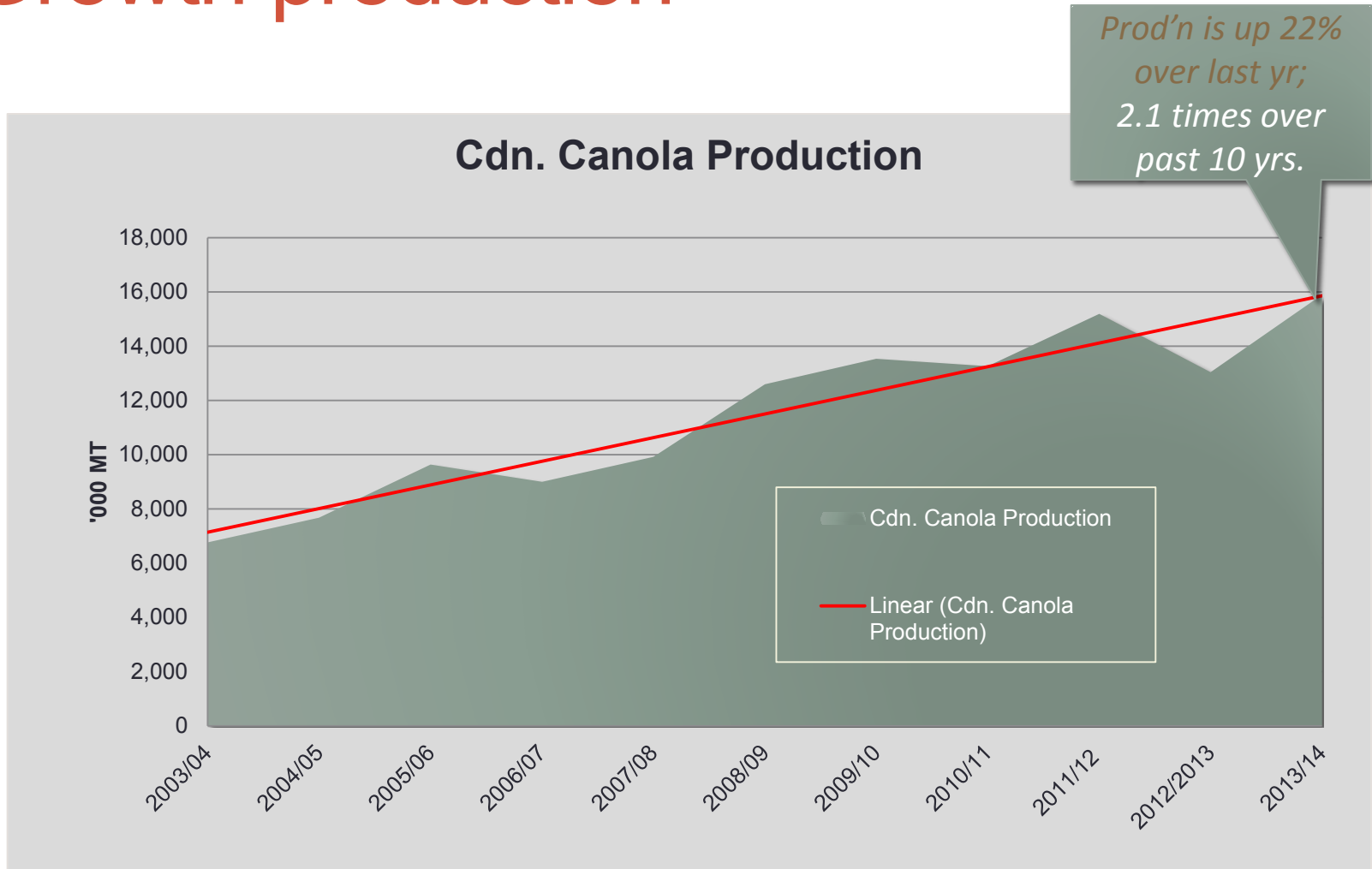
The Numbers –Canadian Balance Sheet

Canola			StatsCan Crop 2013/14 AAFC				demand at current ratio to supply
	2010/11	2011/12	2012/2013 Merc.Esti	2012/13 AAFC NOV	rc.early/2013/14	AAFC DEC 2013/14	
05-Jan							
Total Carry in	1,628	1,757	913	707	804	650	650
Production	13,259	15,186	13,041	13,219	16,765	17,960	16,030
imports.			125	125	20	124	124
feed/seed/waste	-250	-250	-125	31	-250	-334	-204
total supply	14,637	16,693	13,954	14,082	17,339	18,400	16,600
less exports	6,880	8,580	7,050	7,300	8,700	8,200	9,000
less crush	6,000	7,200	6,100	6,150	7,500	7,200	7,500
Total use	13,130	16,030	13,275	13,419	16,450	15,734	16,704
carry Out	1,757	913	804	632	1,139	3,000	100
harvested acres	16,800	18,600	20,000	20,460	19,200	19,165	19,165
Yield per bushel	34.80	36.00	28.75	28.850	38.50	41.40	36.88
stocks to use	13%	6%	6%	5%	7%	19%	1%
Days of use	49	21	22	17	25	70	2
Latest Balance Sheet			13,041	13,387	16,765	17,995	16,030
	2010/11	2011/12	2/2013 M	12/13 tra	13/14 Me	13/14 AAFC.	
canola stoxs as Days of use	49	21	22	17	25	70	

Exports by Destination

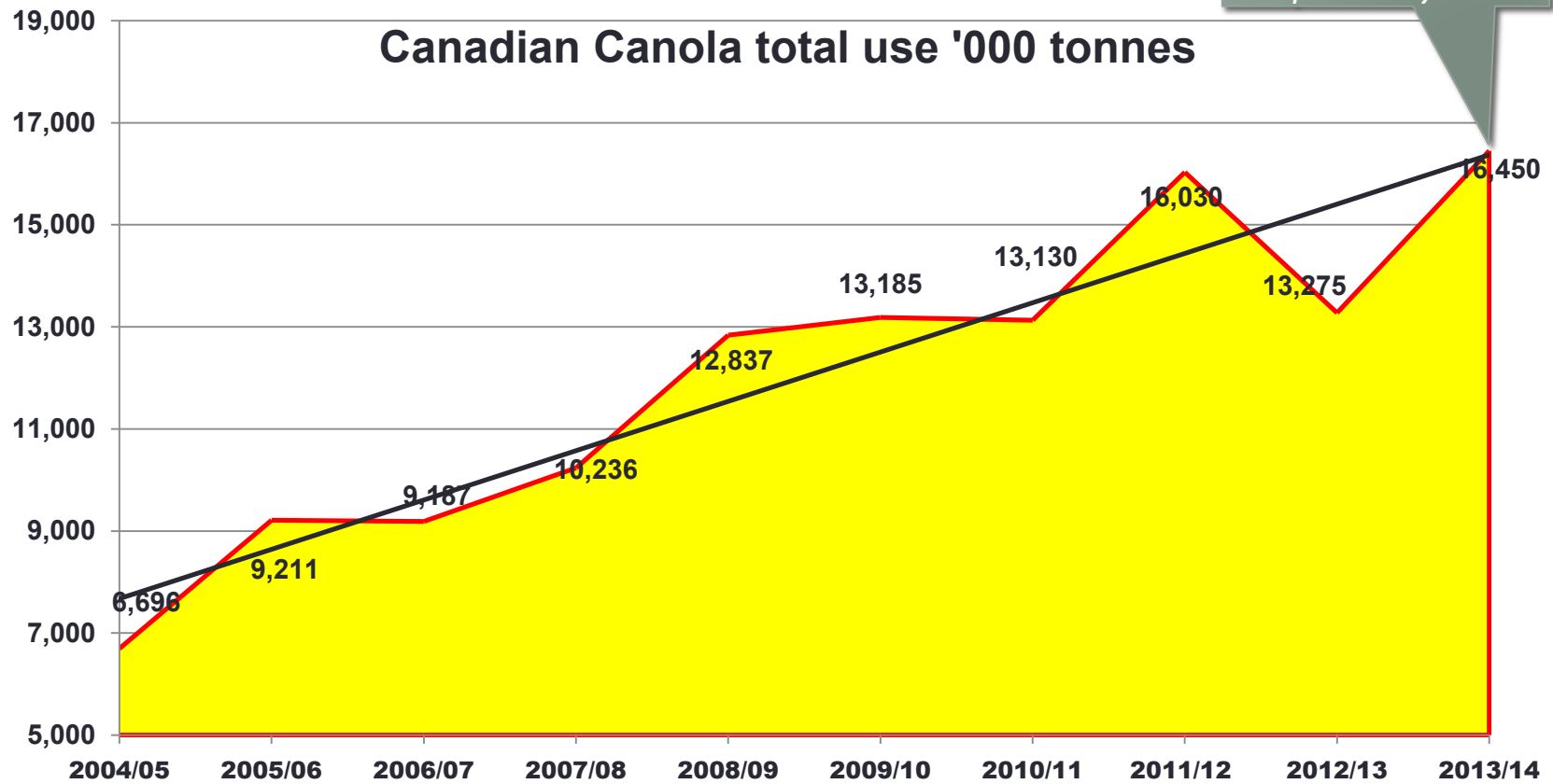
EXPORTS BY DESTINATION	10/11	11/12	12/13 Expecte d	YTD	13/14 estimat e
CONTINENTAL EUROPE	289	214	44	44	100
EASTERN EUROPE	0	0	0		
Dubai/UAE	819	730	233	186	200
MOROCCO/ALGERIA	0	0	0		
BANGLADESH	92	201	54	9	50
INDIA	5	0	0		
JAPAN	2,336	2,125	2166	1,025	2,400
SOUTH KOREA	0	0	62	29	
AUSTRALIA	0	0	0		
BRAZIL	0	0	0		
MEXICO	1,404	1,300	1312	748	1,300
USA	467	730	300	141	450
PRC	917	2,500	2640	1,290	3,300
PAKISTAN	839	625	100		
OTHERS	16	0	183	851	200
TOTAL	7,184	8,425	7050	6,661	8,000

Growth production



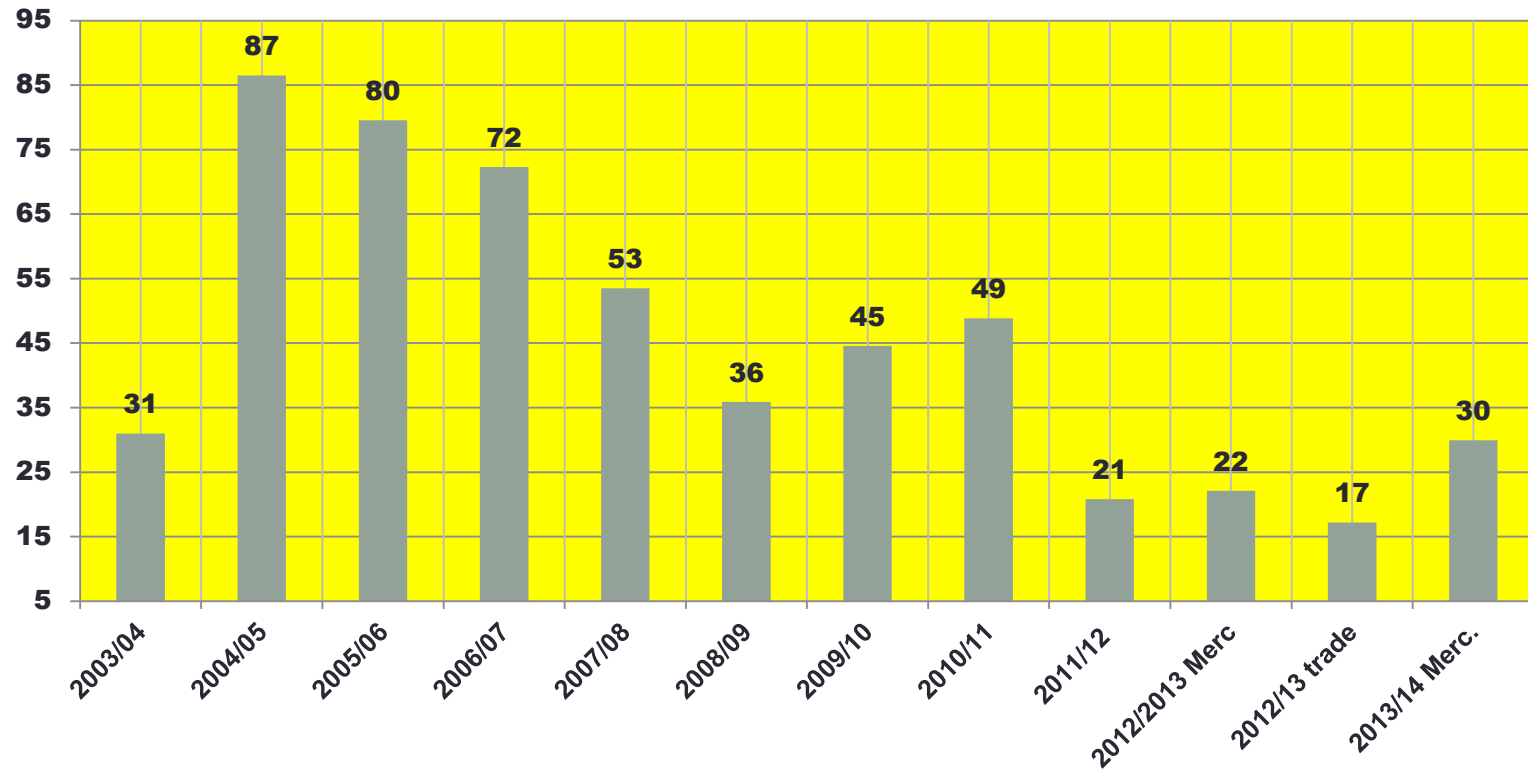
Exports + crush

Ttl. use is up 24% over last yr; 2.5 times over past 10 yrs.



Ending stocks projection

canola stocks as days of use



Demand outlook this year

- Japan, Mexico, USA: will take ~ 4.3 million mt (4.2)
- Dom. Crush: ~ 7.2 – 7.5 million mt (6.2)
- 18 ttl. Supply less 4.3 less 7.2 leaves ~6.5 million for China (2.7 last yr.) & C/O (3)

Competitors export market:

- Ukraine: 2.2 million mt (1.3)
- Australia: 3.5-4 million mt (3; access China restored)

→ Year of domestic crush [good crush margin; high oils content]

canola pricing depends heavily on SBN mkt.

- Large crop is not so important other than logistical issues (slow selling; overall rail problems)
- Canola pxs relative to soybeans (adjusted for component values)
- Changes in SBN-Canola relationship generally reflects an adjustment for valuation of oils & meal values (19% vs. 43%)
- The relationship of oil & meal product values is used by traders, crushers, importers make decisions on product purchases
- Changes in canola production (domestic & elsewhere) have no lasting effect on canola prices

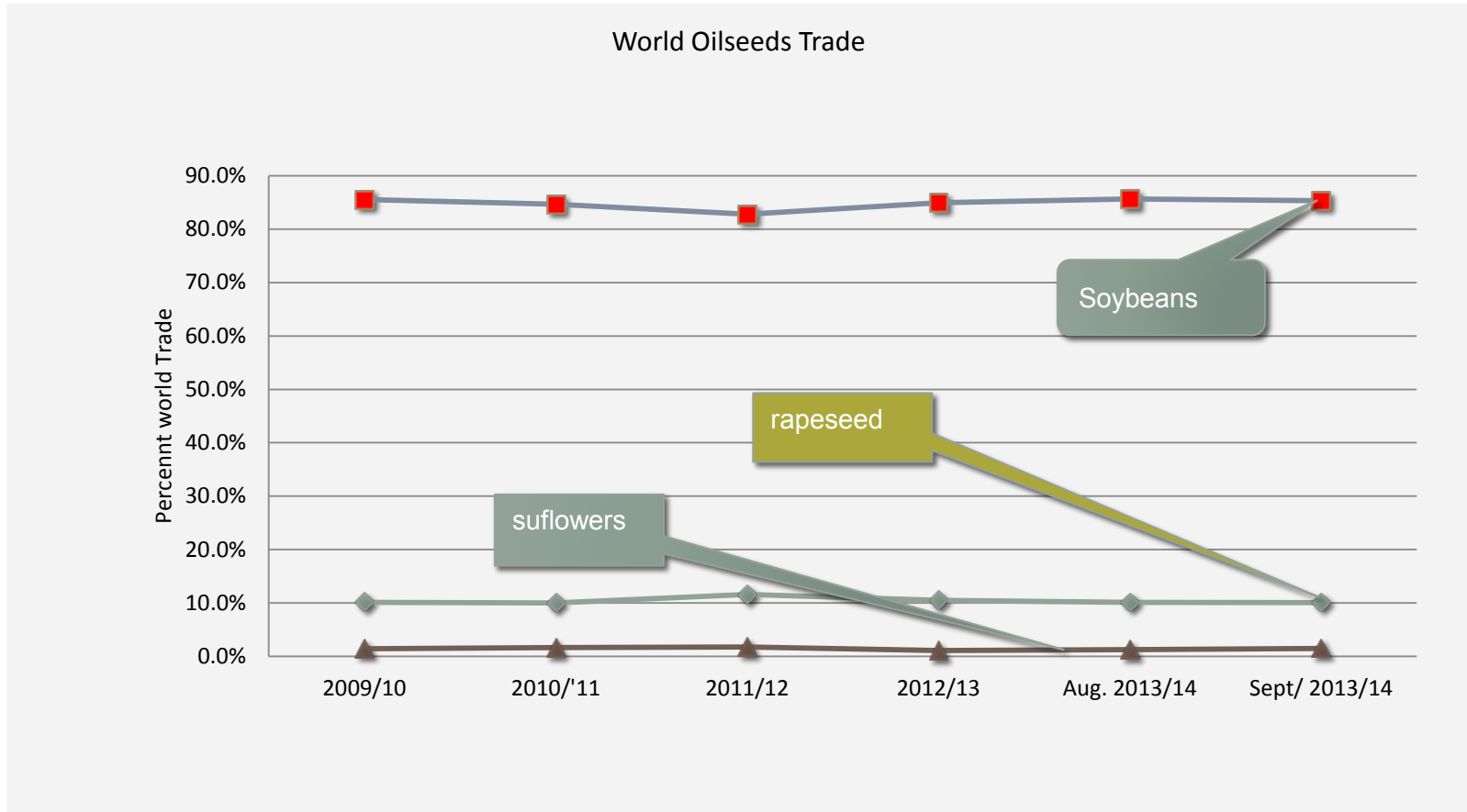
→ Size SBN crops, oilseed/ oil imports China, FX rate, TRANSPORTATION

World oilseeds trade

SBN's, rapeseed, sunflr. comprise ~ 96% of world trade.

	2009/10	2010/'11	2011/12	2012/13	Aug. 2013/14	Sept/ 2013/14
Exports (million mt)						
Oilseed Copra	0.11	0.1	0.13	0.13	0.11	0.11
Oilseed Cottonseed	0.57	1.02	1.18	1.07	0.95	0.95
Oilseed Palm Kernel	0.02	0.02	0.04	0.03	0.03	0.03
Oilseed Peanut	2.39	2.85	2.96	2.71	2.68	2.85
Oilseed Rapeseed	10.82	10.87	12.91	12.1	12.67	12.67
Oilseed Soybean	91.44	91.7	92.27	97.74	107.4	107.29
Oilseed Sunflowerseed	1.56	1.79	1.98	1.25	1.58	1.88
Total	106.9	108.34	111.47	115.04	125.41	125.78
% rapeseed	10.1%	10.0%	11.6%	10.5%	10.1%	10.1%
% soybean	85.5%	84.6%	82.8%	85.0%	85.6%	85.3%
% sunflower	1.5%	1.7%	1.8%	1.1%	1.3%	1.5%

World oilseeds trade - % total trade



canola Newcrop July 2014 compared to soybeans

<u>Newcrop Canola value compared to soybeans</u>					<u>Board Crush margin</u>	<u>product value</u>	
<u>Valu</u>	<u>futs per tonne</u>	<u>CrushYield</u>	<u>soybeans</u>	<u>Canola product ratio</u>		<u>Canola</u>	<u>Soybean</u>
soyameal		\$401.00	80.00%	\$320.80	meal		\$320.80
Canola meal valu compare 48% SBM	55%	\$220.55	58.00%			meal	\$127.92
	<u>Futures</u>						
soyoil	\$0.3822	\$842.60	17.00%	\$143.24	oil		\$143.24
canola oil		\$842.60	45.00%			oil	\$379.17
Gross value				\$464.04	total	\$507.09	\$464.04
					Minus seed cost	\$434.90	\$460.90
Newcrop Product premium canola over soybeans					*Crush margin USFMT	\$72.19	\$3.15
Current Mkt premium canola over beans					Per Bushel	\$1.64	\$0.09
Ratio canola over/under valued agst. Soybeans					Oil Share		31.08%
Beans fob Pacific North West		Futs \$12.54	FOB Prens \$1.40	Usfmt \$512.35	Ratio Soya/canola	Beans more attractive to china due hi meal prices	
Canola fob Vancouver		\$434.90	\$60.00	\$446.60			
Exchange Cdn. Dollar			\$0.90240		<i>variables</i>	<i>source Mercantile</i>	26/01/2014

canola Newcrop November 2014 compared to soybeans

<u>Newcrop Canola value compared to soybeans</u>					<u>Board Crush margin</u>	<u>product value</u>	
<u>Valu</u>	<u>futs per tonne</u>	<u>CrushYield</u>	<u>soybeans</u>	<u>Canola product ratio</u>		<u>Canola</u>	<u>Soybean</u>
soyameal		\$346.50	80.00%	\$277.20	meal		\$277.20
Canola meal valu compare 48% SBM	55%	\$190.58	58.00%			meal	\$110.53
	<u>Futures</u>						
soyoil	\$0.3845	\$847.67	17.00%	\$144.10	oil		\$144.10
canola oil		\$847.67	45.00%			oil	\$381.45
Gross value				\$421.30	total	\$491.98	\$421.30
					Minus seed cost	\$458.10	\$407.24
Newcrop Product premium canola over soybeans					*Crush margin USFMT	\$33.88	\$14.07
Current Mkt premium canola over beans					Per Bushel	\$0.77	\$0.38
Ratio canola over/under valued agst. Soybeans					Oil Share		35.39%
Beans fob Pacific North West		Futs \$11.08	FOB Prens \$1.00	Usfmt \$443.99	Ratio Soya/canola	Beans more attractive to china due hi meal prices	
Canola fob Vancouver		\$458.10	\$50.00	\$453.23			
Exchange Cdn. Dollar			\$0.89200		<i>variables</i>	<i>source Mercantile</i>	26/01/2014

Disconnect export to local prices - UK farmers get better bids for feed wheat than do Canadians for 1CWRS; the UK is a wheat exporter

UK Delivered Prices - Summary

As at:

Thursday 23 January 2014

Location	Month/s of	Bread Wheat		Feed Wheat		Feed Barley		Oilseed Rape	
		Price	cdn \$	Price	Cdn \$	Price	Cdn \$	Price	Cdn \$
E.Ang feed / Lond'n and Essex bread	Jan	-	-	£152.00	\$278.16	£138.00	\$252.54	-	-
	Feb	£180.00	\$329.40	£152.50	\$279.08	£138.50	\$253.46	£288.50	\$527.96
	Mar	£0.00	-	£153.50	\$280.91	£140.00	n/c	-	-
	May	£0.00	-	£155.50	\$284.57	-	-	-	-
Northamptonshire	Jan	£0.00	-	-	-	-	-	-	-
	Feb	£181.50	\$332.15	-	-	£138.50	n/c	-	-
	Mar	£182.50	\$333.98	-	-	-	-	-	-
	May	£0.00	-	-	-	-	-	-	-
North-West grains / L'pool OSR	Jan	£191.00	\$349.53	£162.00	\$296.46	-	-	-	-
	Feb	£191.50	\$350.45	£163.00	\$298.29	-	-	£291.00	\$532.53
	Mar	£192.50	\$352.28	£164.00	\$300.12	-	-	-	-
	May	£0.00	-	-	-	-	-	-	-
Avonmouth feed / South bread	Jan	£0.00	-	£153.50	\$280.91	-	-	-	-
	Feb	£182.00	\$333.06	£154.50	\$282.74	-	-	-	-
	Mar	£183.00	\$334.89	£156.00	\$285.48	-	-	-	-
	May	£0.00	-	£157.50	\$288.23	-	-	-	-
Yorkshire	Jan	£0.00	-	£160.50	\$293.72	-	-	-	-
	Feb	£186.50	\$341.30	£161.00	\$294.63	-	-	£286.50	\$524.30
	Mar	£0.00	-	-	-	-	-	-	-
	May	£0.00	-	-	-	-	-	-	-
Central Scotland	Jan	£0.00	-	-	-	-	-	-	-
	Feb	£0.00	-	-	-	-	-	£280.00	\$512.40
average			\$339.67		\$287.94		\$253.00		\$524.30
Per Bushel			\$9.24		\$7.84		\$ 5.51		\$11.91
Cdn Parity after costs Sask if exported to UK			\$6.93		\$5.52		\$3.20		\$9.59

* this assumes no quality

premium for Canadian wheat

** UK canola pays bonification

of 1:1 over 40%oil

UK grower bids compared to SK grower bids

As of Jan 29/'14	UK grower bid	SK grower bid (M.J.)	SK grain dlvd. UK	Difference		
				bid level(/bu)	Difference Mkts. (/bu)	Difference Mkts (/mt)
Bread wheat	\$9.24	\$3.77	\$6.93	\$5.47	\$2.31	\$84.88
Feed wheat	\$7.84	\$3.44	\$5.52	\$4.40	\$2.32	\$85.25
Feed barley	\$5.51	\$2.48	\$3.20	\$3.03	\$2.31	\$106.10
Rapeseed/ canola	\$11.91	\$8.57	\$9.59	\$3.34	\$2.32	\$102.29

= Divorce export price potential to Prairie grower bids
Transportation disconnect

Oilseeds market factors forward

- S American crop estimates creep higher: 91 million mt Bzl.
- question marks over Chinese imports become more prevalent – US cancellations
- bean-corn ratios continue to push farmers to plant beans over corn
- the US farmer knows he might not get too many opportunities to price his crop at close to \$13.00
- with \$34 billion of investor money pulled out of commodity funds this year, finding the catalyst to turn these markets back to significantly (and lasting) higher ground will be tough

Strategies - canola

- Are 70 percent sold of old crop
- Are 20 percent forward (10 bushels per intended acre)
- Hold from making additional sales for the present

- If you have to price out cash, we do not see any improvement in futures for at least the next 30 days

Wheat:

World Wheat Balance Sheet

Prod'n
up 8.5%
Stocks
up 5.2%

World Wheat Supply/Demand

	12/13		13/14	
	Dec	Jan	Dec	Jan
Carry In	198.94	198.94	175.83	176.13
Production	656.17	656.45	711.42	712.66
Imports	144.82	144.86	151.75	152.70
Domestic	679.28	679.26	704.47	703.39
Exports	137.97	137.83	156.92	158.58
End Stocks	175.83	176.13	182.78	185.40

World Wheat

	2009/10	2010/11	2011/12	2012/13	Nov. '13/'14	% total
Production						
Argentina	12,000	17,200	15,500	9,500	11,000	1.6%
Australia	21,834	27,410	29,905	22,079	25,500	3.6%
Canada	26,950	23,300	25,288	27,205	33,200	4.7%
China	115,120	115,180	117,400	121,000	121,000	17.1%
Egypt	8,523	7,200	8,400	8,500	8,800	1.2%
European Union	139,720	136,667	138,411	133,581	143,343	20.3%
India	80,680	80,800	86,870	94,880	92,460	13.1%
Iran	13,485	15,030	13,500	14,000	14,500	2.1%
Kazakhstan	17,051	9,638	22,732	9,841	15,500	2.2%
Morocco	6,400	4,887	5,800	3,870	7,000	1.0%
Pakistan	24,000	23,900	25,000	23,300	24,000	3.4%
Russia	61,770	41,508	56,240	37,720	51,500	7.3%
Turkey	18,450	17,000	18,800	15,500	18,000	2.5%
Ukraine	20,866	16,844	22,324	15,761	22,000	3.1%
Uzbekistan	6,200	6,500	6,300	6,700	6,800	1.0%
Others	53,590	49,240	50,617	50,385	53,812	7.6%
Subtotal	626,639	592,304	643,087	593,822	648,415	91.8%
United States	60,366	60,062	54,413	61,671	57,961	8.2%
World Total	687,005	652,366	697,500	655,493	706,376	100.0%

World Wheat Trade

	2009/10	2010/11	2011/12	2012/13	Nov. '13/'14	% total
TY Exports						
Argentina	5,255	7,742	11,951	7,450	3,500	2.3%
Australia	13,764	18,455	23,031	21,269	19,000	12.5%
Canada	18,992	16,768	17,603	18,581	21,500	14.1%
European Union	22,279	23,086	16,691	22,621	24,000	15.8%
India	60	73	1,722	8,648	6,000	3.9%
Kazakhstan	7,871	5,519	11,069	7,060	8,000	5.3%
Russia	18,556	3,983	21,627	11,289	16,000	10.5%
Turkey	4,363	2,944	3,678	3,583	3,500	2.3%
Ukraine	9,337	4,302	5,436	7,190	10,000	6.6%
Uruguay	1,039	1,531	1,782	829	1,200	0.8%
Others	9,738	13,556	11,065	11,193	9,383	6.2%
Subtotal	111,254	97,959	125,655	119,713	122,083	80.3%
United States	24,143	36,046	28,142	27,695	30,000	19.7%
World Total	135,397	134,005	153,797	147,408	152,083	100.0%

RUK: 22.4%

Wheat market factors

- **Prod'n:** 2013/14 Global wheat production estimated at 713 MMT, up 9% from 2012/13
- **Consumption** to reach new record at 703 MMT, up 4% from 2012/13
- **Trade:** World wheat trade to climb 15% from 2012/13 to 159 MMT, **12% greater than 5-year average**
- **C/O:** Global ending stocks increase 5% to 185 MMT

Major changes to this years' wht. market

- **Black Sea** exporters back with higher tonnage/ competitive prices
- **Chinese demand** highest since 1994/5: 8.5 million mt expected
- **India** expects 100 million mt harvest (5 yr. avg. 83.25 mmt)
- **Argentina** export permits; FX / political uncertainty
- **Brazil** drops import duty non-Mercursur countries → USA/ Canadian exports

Recent developments

- Spread hard wheat-cheapest wheat has narrowed dramatically
- N. American wheat finally somewhat competitive world market

Outlook:

- There is plenty of O/C wheat in the N Hemisphere
- India is close to harvesting ~100 mmt of N/C wheat (Apr)
- No argument for N/C N Hemisphere crop problem (despite cold)
- No reason for decline here, but also no reason for rally

Disconnect export to local prices - UK farmers get better bids for feed wheat than do Canadians for 1CWRS; the UK is a wheat exporter

UK Delivered Prices - Summary

As at:

Thursday 23 January 2014

Location	Month/s of	Bread Wheat		Feed Wheat		Feed Barley		Oilseed Rape	
		Price	cdn \$	Price	Cdn \$	Price	Cdn \$	Price	Cdn \$
E.Ang feed / Lond'n and Essex bread	Jan	-	-	£152.00	\$278.16	£138.00	\$252.54	-	-
	Feb	£180.00	\$329.40	£152.50	\$279.08	£138.50	\$253.46	£288.50	\$527.96
	Mar	£0.00	-	£153.50	\$280.91	£140.00	n/c	-	-
	May	£0.00	-	£155.50	\$284.57	-	-	-	-
Northamptonshire	Jan	£0.00	-	-	-	-	-	-	-
	Feb	£181.50	\$332.15	-	-	£138.50	n/c	-	-
	Mar	£182.50	\$333.98	-	-	-	-	-	-
	May	£0.00	-	-	-	-	-	-	-
North-West grains / L'pool OSR	Jan	£191.00	\$349.53	£162.00	\$296.46	-	-	-	-
	Feb	£191.50	\$350.45	£163.00	\$298.29	-	-	£291.00	\$532.53
	Mar	£192.50	\$352.28	£164.00	\$300.12	-	-	-	-
	May	£0.00	-	-	-	-	-	-	-
Avonmouth feed / South bread	Jan	£0.00	-	£153.50	\$280.91	-	-	-	-
	Feb	£182.00	\$333.06	£154.50	\$282.74	-	-	-	-
	Mar	£183.00	\$334.89	£156.00	\$285.48	-	-	-	-
	May	£0.00	-	£157.50	\$288.23	-	-	-	-
Yorkshire	Jan	£0.00	-	£160.50	\$293.72	-	-	-	-
	Feb	£186.50	\$341.30	£161.00	\$294.63	-	-	£286.50	\$524.30
	Mar	£0.00	-	-	-	-	-	-	-
	May	£0.00	-	-	-	-	-	-	-
Central Scotland	Jan	£0.00	-	-	-	-	-	-	-
	Feb	£0.00	-	-	-	-	-	£280.00	\$512.40
average			\$339.67		\$287.94		\$253.00		\$524.30
Per Bushel			\$9.24		\$7.84		\$ 5.51		\$11.91
Cdn Parity after costs Sask if exported to UK			\$6.93		\$5.52		\$3.20		\$9.59

* this assumes no quality

premium for Canadian wheat

** UK canola pays bonification

of 1:1 over 40%oil

Export market prices

- Iraq bought 250,000 mt Australian at \$337-345 plus 100,000 mt of Canadian at \$360/mt Jan. 26 -
- The Canadian business to Iraq equals a parity of
- ~\$320 USFMT FOB Vancouver or C\$355/mt or C\$9.33 per bushel delivered Vancouver for a grade equal to three CWRS.
- This means that the Iraq sale works back to delivered elevator pxs of at least Cdn\$7.97/bu delivered elevator SK.
- Jan. 28 Viterra bid at Moose Jaw was \$3.86/bu for Feb/March, and \$3.90/bu for Apr./May; \$4.08 for Jne. (think that is for a #1 quality) -- Difference is \$4.1 1/bu (\$151/mt)!
- That is why we have been talking abt the divorce of export pxs to our country bids.
- Yes, the mkts. have fallen all winter, but not to the extent we are seeing in domestically in Western Canada.

UK grower bids vs. SK grower bids

As of Jan 29/'14	UK grower bid	SK grower bid (M.J.)	SK grain dlvd. UK	Difference		
				bid level(/bu)	Difference Mkts. (/bu)	Difference Mkts (/mt)
Bread wheat	\$9.24	\$3.77	\$6.93	\$5.47	\$2.31	\$84.88
Feed wheat	\$7.84	\$3.44	\$5.52	\$4.40	\$2.32	\$85.25
Feed barley	\$5.51	\$2.48	\$3.20	\$3.03	\$2.31	\$106.10
Rapeseed/ canola	\$11.91	\$8.57	\$9.59	\$3.34	\$2.32	\$102.29

= Divorce export price potential to Prairie grower bids
Transportation disconnect

Peas

CANADIAN PEAS				Merc.	Merc	StatsCan Dec. 4/'13	Merc proj'n
('000 mt)	2009-10	2010-11	2011-12	2012-13	F2013-14	2013-14	F2014-15
seeded Ha	1,515	1,396	1,001	1,509			
Harvested HA	1,487	1,322	990	1,475			
seeded acreage	3,745	3,450	2,473	3,729	3,345		3,500
harvested acreage	3,674	3,267	2,446	3,645	3,278	3,345	3,430
Yield (mt/Ha)	2.3		2.530	2.260			
Yield (bu/acres)	33.0	30.6	37.6	33.6	42.50	42.28	35.50
production	3,379	3,018	2,503	3,334	3,792	3,849	3,314
imports	46	43	30	19	19	12	12
ttl supply	3,870	3,970	3,039	3,645	3,978	4,035	3,954
exports	2,196	3,015	2,096	2,653	2,600	2,700	2,700
ttl domestic use	765	450	650	825	750	824	824
carry-out	909	505	293	167	628	511	430
stock-use ratio	31%	15%	11%	5%	19%	15%	12%

Merc, Jan. 28/'14

Export performance:

China freight & pro values

Top 10 Cdn. Pea Exports by Destination

Rank	Country	Quantity: (MT) November, 2013	Quantity: (MT) October, 2013	Quantity: (MT) September , 2013	Quantity: (MT) August, 2013	Quantity: (MT) July, 2013	July-Nov'13 Total '13/'14	Crop Yr. '13/'14 YTD
Total	World	200,994	320,984	490,825	90,809	62,603	1,166,216	1,103,613
	1 China	39,697	137,052	304,222	30,255	11,493	522,717	511,225
	2 India	98,896	124,026	149,687	40,043	3,301	415,953	412,652
	3 Bangladesh	0	22,263	0	0	25,043	47,306	22,263
	4 United States	11,205	7,008	4,892	13,381	9,454	45,940	36,485
	5 Venezuela	3,291	2,255	2,891	990	609	10,035	9,426
	6 United Arab Emi	1,477	2,708	11,694	231	265	16,376	16,111
	7 Colombia	3,219	2,423	3,038	607	290	9,578	9,288
	8 Algeria	1,779	1,823	1,078	0	0	4,680	4,680
	9 Philippines	1,462	1,976	962	913	955	6,268	5,313
	10 Egypt	803	1,731	481	0	0	3,015	3,015
	Other *	39,165	17,719	11,882	4,390	11,193	84,349	73,156

Source: Mercantile basis StatsCan data

* incl. Cuba 18k mt in Nov.'13

Recent sales

- No recent current crop sales due transportation
- N/C: US\$320/mt FOB Vancouver has been sold for Oct/Nov.'14 shipment
 - reflects about \$7.50/bu delivered Sask. Elevator at today's FX rate before any margins.
- ... plus elevations

- Export progress stalled due transportation
- We expect yellow pea carry-out to stay at ~ 15% stock-use ratio "if" can reach export market.

Lentils

Cdn. Lentil S & D	2013/'14	2013/'14 YTD	F 2014/'15
Acreage ('000 ac)	2,380		2,800 (+17.6%)
Yield (lbs/acre)	1,700		1,426 (5 yr.avg.)
Prod'n ('000 mt)	1,800		1,810
Supply ('000 mt)	2,100	Exports	2,035
Exports	1,600	603 (Aug-Nov.'13, 4 mos.)	1,600
Dom. Use	275	(~380 reds/ 223 grms.)	250
Carryout	225		185
Stock-Use Ratio (%)	12%		10%

Lentil exports

125k mt (25%)
ahead of 1st yr.

Top 10 countries Cdn. Lentil Exports by Destination

Rank	Country	Quantity: (MT) November, 2013	Quantity: (MT) October, 2013	Quantity: (MT) September , 2013	Quantity: (MT) August, 2013	Quantity: (MT) July, 2013	July-Nov'13 Total '13/14	Crop Yr. '13/14 YTD
Total	World	154,603	184,384	162,155	101,848	187,604	790,594	602,990
1	Turkey	33,708	68,345	30,820	14,654	25,058	172,585	147,527
2	India	27,719	37,485	47,390	19,101	69,043	200,738	131,696
3	United Arab Emi	16,197	11,074	5,020	3,896	17,537	53,724	36,187
4	Bangladesh	7,879	11,815	1,301	5,099	17,369	43,463	26,094
5	Algeria	13,582	8,668	6,797	8,710	5,852	43,609	37,757
6	Sri Lanka	3,985	8,069	3,541	3,464	6,571	25,631	19,060
7	Spain	4,689	3,983	3,677	5,824	5,391	23,564	18,173
8	Egypt	6,816	4,799	33,009	4,277	1,382	50,284	48,902
9	Italy	2,709	3,250	2,451	1,254	1,394	11,058	9,663
10	Mexico	3,976	3,562	2,543	1,592	2,568	14,242	11,673
	Other	33,343	23,332	25,607	33,978	35,437	151,697	116,259

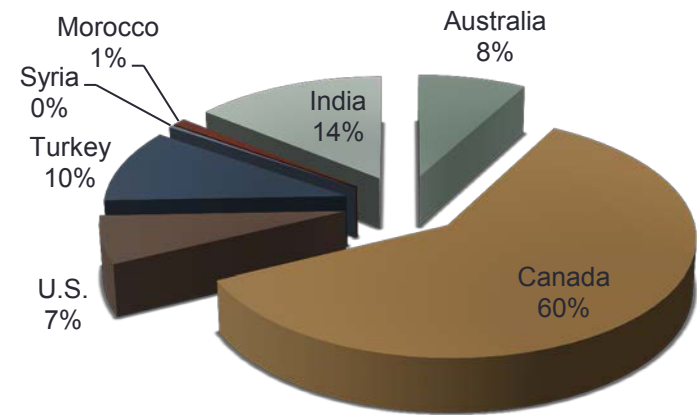
Source: Mercantile basis StatsCan data

World lentil production

World Lentil Production Estimate - Selected Major Producers - All Lentil Types (Historic Comparison)						
	2009/10 Merc.	2010/11 Merc.	2011/12 Merc.	E2012/13 Merc.	F2013/14 Merc.	% of last yr.
Australia	133	306	288	184	240	130.4%
Canada	1,510	1,910	1,523	1,473	1,800	122.2%
U.S.	264	393	215	240	198	82.5%
Turkey	302	500	400	375	305	81.3%
Syria	135	115	110	100	10	10.0%
Morocco	25	30	40	20	30	150.0%
India	700	890	820	700	425	60.7%
Bangla/ Paki	75	82	93	94	83	88.3%
Total	3,144.6	4,225.7	3,489.0	3,186.0	3,091.0	97.0%
Vol. rank [1=smallest]	2	5	4	3	1	

Merc., Nov. '13

2013/'14 World Lentil Prod'n Proj'n



Transportation challenge

Some facts:

- **Cdn. production** increased by a total *19.8 million* mt this crop year; **exports** are only projected to increase by **2.9 million mt**; and this in a falling market
- **Canadian carryout stocks** of all principal field crops for 2013/'14 crop year are expected to reach 22.5 million mt as compared to 9.5 million mt last crop year. That is an increase of **13 million mt** and represents 23.3% of total '13/'14 production.
- *In dollar terms, the additional 13 million mt in carryout represent a value of at least **\$3.72 billion dollars** that are NOT entering the economy and where the multiplier of this money is lost to the overall economy for this crop year*

Minister Ritz ordered a study, meanwhile:

The medium term solution: Are proposing five concrete steps to achieve relief from the breakdown and to achieve at least a medium term solution:

1. Cancel the rail revenue cap to remove any real and perceived disincentive to limit grain tonnage moved.
2. Simultaneously compel railroads to strictly adhere to tariff schedules already published.
3. Determine a “**minimum grain tonnage**” railroads will have to carry annually (rather than establish any type of ceiling). A minimum of 39 million mt should be a workable minimum tonnage for this crop year. Non-performance below the minimum would carry a fine to be administered the same fashion as the penalty to surpass the revenue cap is now.
4. Double demurrage on railcars where port unloading is delayed. (If cars have been ordered but cannot be discharged, a penalty should be paid to reinforce turn-around time.)
5. Railroads to pay despatch to elevator companies in the country and at port for speedy loading/ unloading and readying of railcars. Again, this should give an incentive to speed rail car turn-around.

- Transport failings.....

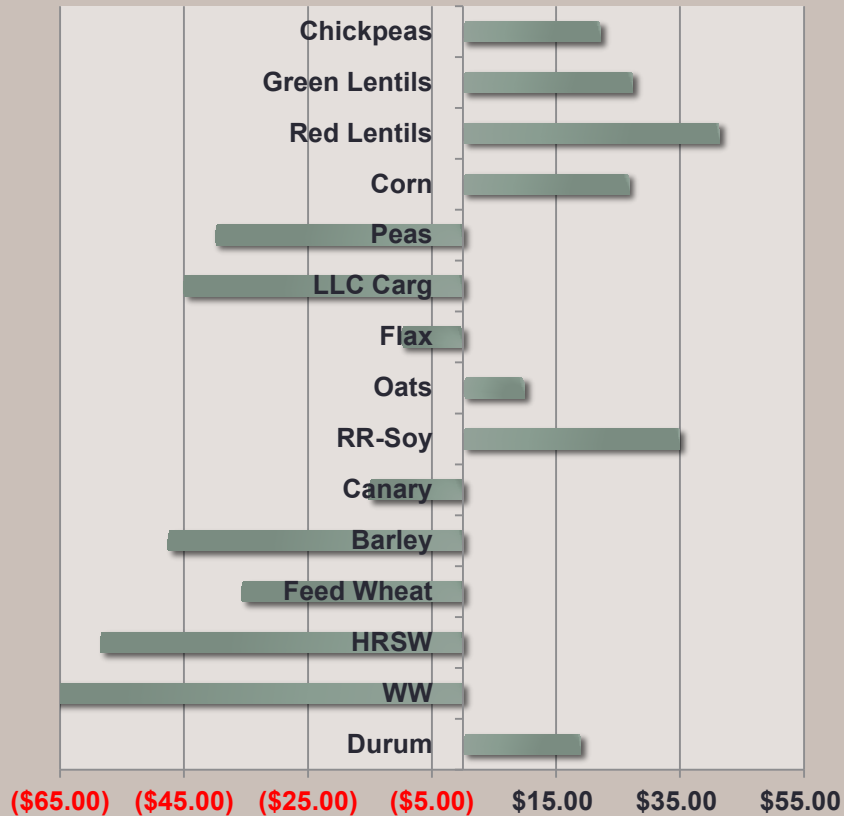
Canadian farmers are currently receiving the lowest cash prices for grain in the world

- Even though have with low farm prices, cannot go into further processing for export market because
 - supply management & quotas
 - current wheat prices would make Canadian chicken exports very profitable
 - says that increasing production guarantees Canadian farmers lose money even if world prices are high

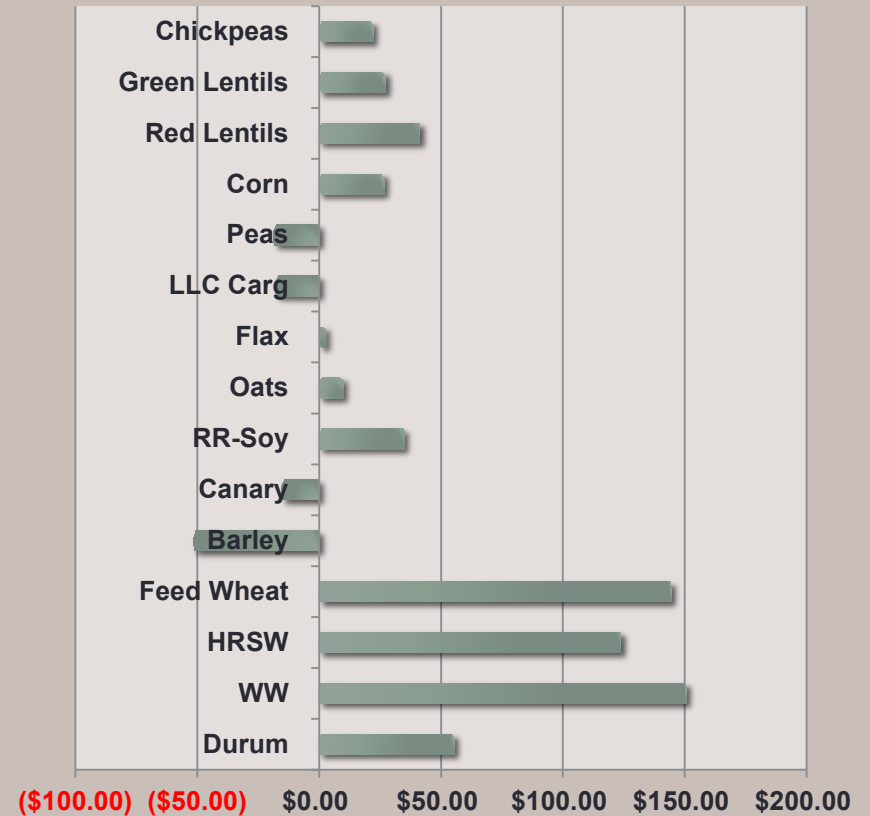
Need the Fed. Gvmt. to take ownership of the problem

N/C conundrum – COP budgets SK

Net Margin 2014 basis current bids



Net Margin 2014 basis Export Pxs

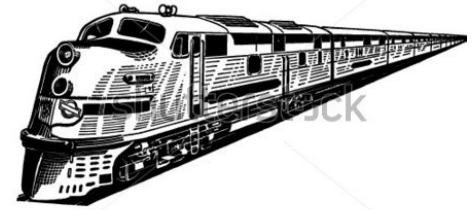


Assumptions

yield bu/ac	60	55	55.25	68	76.5	1500	31.45	102	25.5	34	42.5	119	1600	1450	1317.5
price \$/bu or c	\$5.35	\$4.25	\$4.60	\$4.25	\$3.25	\$20.00	\$11.00	\$2.75	\$11.00	\$8.80	\$6.00	\$4.25	\$19.00	\$20.00	\$22.00
	Durum	WW	HRSW	Feed Wheat	Barley	Canary	RR-Soy	Oats	Flax	LLC Carg	Peas	Corn	Red Lentils	Green Lentils	Chickpeas

yield bu/ac	55	68	55.25	68	76.5	1500	31.45	102	25.5	34	42.5	119	1600	1450	1317.5
EXP. price \$/bu o	\$6.50	\$6.90	\$7.90	\$6.90	\$3.20	\$20.00	\$11.00	\$2.75	\$11.50	\$9.60	\$6.50	\$4.25	\$19.00	\$20.00	\$22.00
	Durum	WW	HRSW	Feed Wheat	Barley	Canary	RR-Soy	Oats	Flax	LLC Carg	Peas	Corn	Red Lentils	Green Lentils	Chickpeas

Latest rail news...



G&M Jan. 30/'14 Business Section:

- CP has **cut staff by 4,550 and pulled 400 locomotives and 11,000 rail cars** off the tracks since Mr. Harrison took over
- **CP estimates revenue will grow 6 to 7 per cent** this year, to about **\$6.5-billion**, a projection that Mr. Harrison called “conservative.”
- In spite of:
 - “CP took a **\$435-million charge** in the fourth quarter over future costs related to the sale of its Dakota, Minnesota & Eastern railway in the United States.”
 - Eliminating its “**\$800-million pension deficit**”.
- **CP’s profit** rose to \$875-million, or \$4.96 a share, from \$484-million or \$2.79 a year earlier.
- CP moved 25,000 carloads of **crude oil** in the fourth quarter and 90,000 for the full year, a **68-per-cent increase** over 2012. By 2015, CP is aiming to more than double this figure to as much as 210,000 carloads.