

MARKET OPPORTUNITIES ANALYSIS FOR CANADIAN SOYBEANS

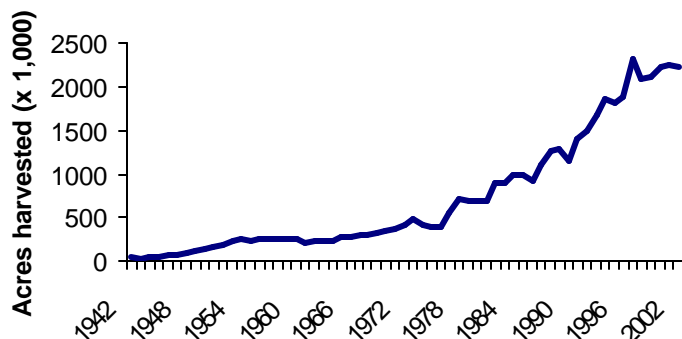
Section 2

JUNE 2003

Existing Market

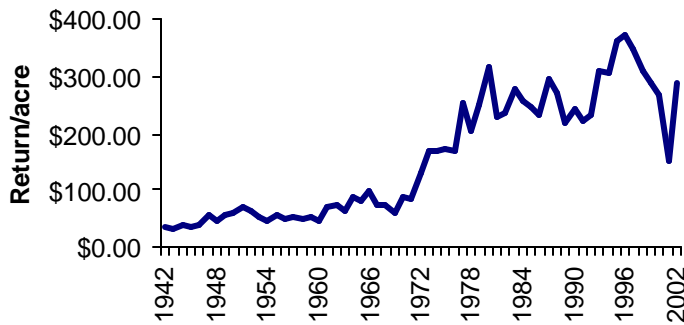
Soybean acreage has grown steadily over the last sixty years. The growth appears to accelerate but actually from 1942 to 1976 acreage increased an average of 7.7% per year, while from 1977 to 2002 acreage increased an average of 7.8% per year.

Chart 1: Acreage planted to soybean from 1942 to 2002



Yield has increased an average of 2.6% per year over the same time period. Combined with the price per bushel this has resulted in a steady strong increase in value per acre over the same time period.

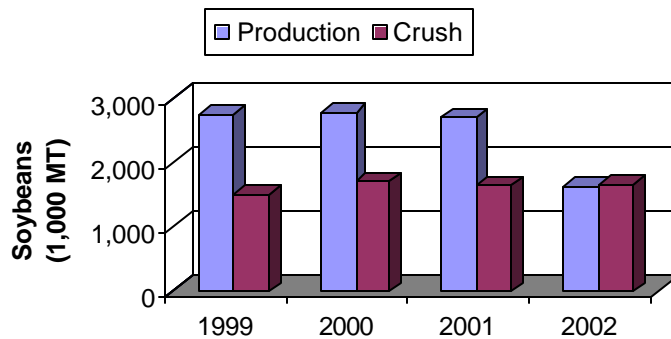
Chart 2: Gross return per acre from soybean from 1942 to 2002



We have not normalized values for any specific point in time. It is clear that this increase in soybean acreage has been driven by increases in return per acre. It is also clear that variation in return per acre has increased in recent years. This increase in variability has the potential to cause more value loss to Canadian farmers now, because of the growth in acreage. The dip shown in 2001 represents a decrease in return/acre, this is even more significant when you multiply it by the increase in acreage.

The amount of soybean crushed in Canada (predominantly at the ADM and Canamera crushing facilities in Ontario) has remained relatively steady in recent years.

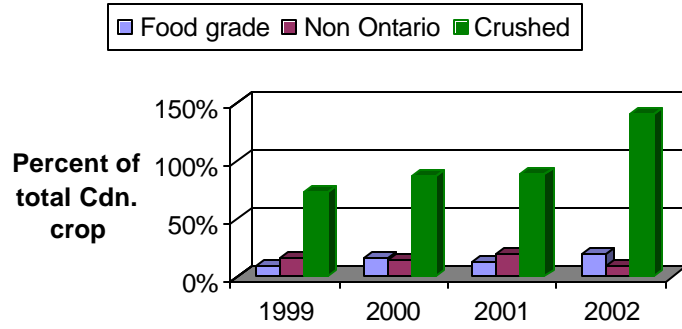
Chart 3: Amount of soybean produced and crushed in Canada in recent years



The year indicated represents the crop year starting the previous September and ending in August of the year indicated. The decrease in production in the 2002 crushing year (based on 2001 crop production) required importation of soybean from the U.S. to satisfy crushing capacity.

If we consider the food grade soybean exported to the U.S. and the soybeans produced outside of Ontario as not being available for crushing we see that domestic crushing demand is reasonably close to domestic supply.

Chart 4: Percentage of commodity crop crushed from Ontario



The difference between 100% domestic crush and supply in years other than 2002 also includes grain used for seed production, and other domestic uses of whole soybean grain.

Soy 20/20 Estimation of Future Market Growth Potential

Continuing increases in soybean production in South America and a maintenance of current levels in the U.S. has been projected to have a negative effect on demand for soybean oil. However, soybean prices both for grain and oil have remained strong over the last four years. A reasonable assumption is that world demand has increased at a similar rate to increases in supply. World demand will continue to increase, whereas production is not projected to increase at the same rate in the future in South America as it has in recent years. Soybean acreage in Argentina is nearing capacity, thus future increases will likely be driven primarily by the development of incremental arable land in west central Brazil. Crop production and choices in this area will be driven by world market prices, thus soybean production increases should slow in response to declines in prices. Soybean production on these incremental acres will also slow as soil productivity declines. This will be alleviated through increased crop rotation and higher fertilizer inputs, however higher input costs will reduce the attractiveness of soybean production in this area.

Thus, Soy 20/20 projects crushing demand for domestically grown soybeans to remain at current levels, and prices to remain stable or to decline slightly. It is anticipated that the success of the Soy 20/20 program will lead to the development of alternative markets and thus to a positive stimulation of commodity soybean prices as a result of reduced supply.