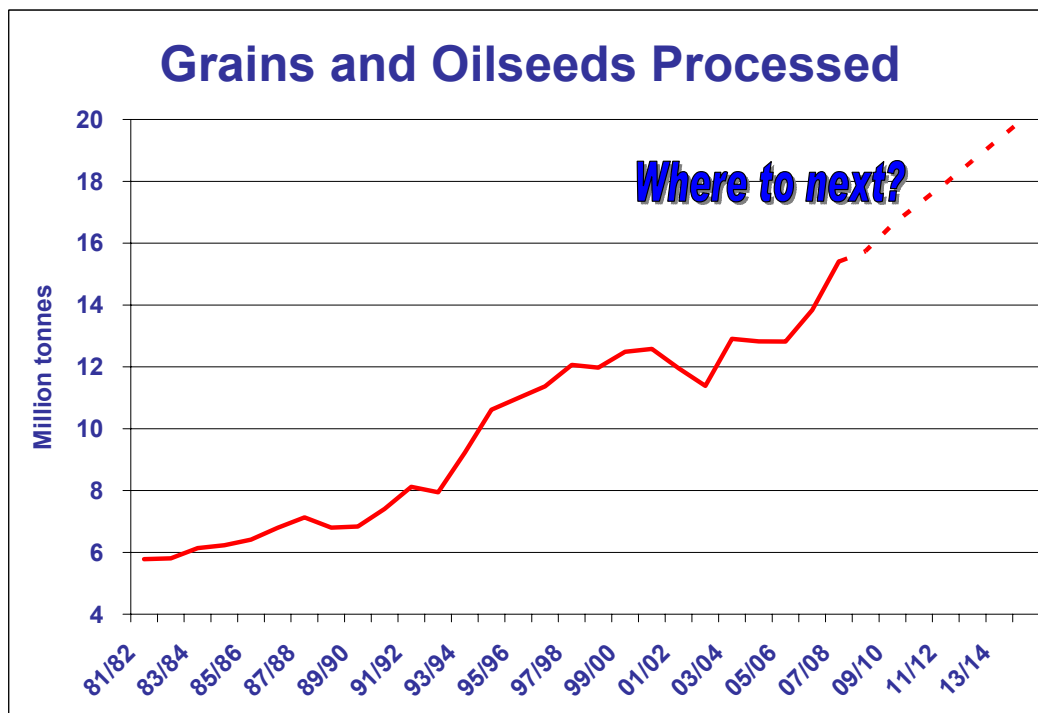


Expansion in the Canadian Crop Processing Sector

Implications for Canada's Agricultural Industry to 2015

A Multi-Client Study Proposal

July 2008



Expansion in the Canadian Crop Processing Sector Multi-Client Study

Since the early 1980's, the proportion of Canadian grains and oilseed production processed for food and industrial products has grown from 12% to 25%. Most recently, that trend is accelerating.

Changes in global markets are spurring large new investments in domestic processing of Canadian crops. These investments are providing additional processing capacity, either through new builds or expansions to existing facilities. This growth in the processing industry – whether in oilseed crushing, biofuel or other industries – is large enough to cause a monumental shift in the agricultural landscape. While the expansion is positive for increasing the value of Canadian crops, major structural changes to the industry also will be required.

The goal of this study is to determine the implications of an expanded domestic agricultural processing industry on Canadian agriculture and agribusiness. The key emphases will be on the transportation and handling networks, grain and oilseed end-users, exporters, livestock feeders and related industries.

For the transportation sector, the research will examine the anticipated volumes, modes, origins and destinations in order to provide projected product flows in Canada. For end-users and exporters, the study will analyze and project future demand and supply situations. Projections of feedgrain and co-product supplies will be provided for the livestock industry. Implications for these industries and related sectors will be discussed. Products covered by the study will include grains and oilseeds along with co-products, particularly oil, meal and distillers' grain, of the various processing industries.

Objectives

This study's key objectives are to determine the effects of an expanded domestic processing industry on various subsectors of Canadian agriculture. The study will respond to the following questions:

- What are the volumes of crops that will be required as the Canadian processing industry expands? What is the outlook for crop production? What, if any, are the upper limits on processing volumes?
- What quantities of co-products from the processing industry will become available?
- What are the trade outcomes? How will export volumes be affected? Will imports play a larger role?
- How will various regions be affected by domestic processors? Which areas will be in a deficit situation and which will be in surplus?

- How will demand for transportation capacity change, including volumes, modes, distances and direction?
- Where will end-users and export customers find available supplies of crops within Canada? Will they need to look elsewhere?
- How will livestock feeders need to adapt in terms of sourcing feedgrain supplies and utilizing co-products from processors?
- What are some of the related structural changes that will spill over in the marketplace?
- What are the risks and opportunities arising from these developments?
- What level of financing and types of credit arrangements will be required?

The emerging situation is critically important for the transportation sector, food and feed processors, agribusiness, public policymakers and investors as they make decisions and develop strategy. The potential impacts on upstream and downstream agricultural participants are significant, including:

- Determining capacity needs
- Costs, pricing and profitability
- Sourcing strategies
- Policy and regulatory framework
- Investment risks and opportunities

By understanding the potential outcomes, study participants will be able to make informed decisions regarding long-term strategic approaches and develop effective plans.

Study Outline

- 1) Industry Overview
 - a) Current industry structure
 - b) Factors affecting the outlook
 - c) Capital sources in a constrained environment
- 2) Domestic Demand Outlook to 2015
 - a) Oilseed crushing
 - i) Forecast volumes
 - ii) Feedstock requirements
 - iii) Output products and volumes
 - b) Biofuel production
 - i) Forecast volumes
 - ii) Feedstock requirements
 - iii) Output products and volumes
 - c) Milling and malting
 - i) Forecast volumes
 - ii) Feedstock requirements

- d) Productivity gain offsets
 - i) Yield improvements
 - ii) Changes in crop acreage
- 3) Regional Crop Supply and Usage
 - a) Production forecasts
 - b) Processing forecasts
 - c) Regional surplus/deficit depiction
- 4) Transportation Capacity Requirements
 - a) Transportation
 - i) Products and volumes
 - ii) Modes
 - iii) Flows
 - b) Resource needs
 - i) Human and equipment
 - c) Handling and storage
 - i) Primary elevators
 - ii) Export terminals
- 5) Impact for End-Users and Exporters
 - a) Trade scenarios
 - i) Export volume projections
 - ii) Import projections
 - b) Supply strategies
 - i) Price and basis implications
 - ii) Competitive strategy
- 6) Implications for Livestock Industry
 - a) Feedgrain availability
 - b) Co-product usage
- 7) Additional Implications
 - a) Highway system
 - b) Revenue and earnings
 - c) Credit and finance
 - d) System consolidation
 - e) Crop production practices
- 8) Risks to the Outlook
 - a) Overcapacity
 - b) Policy changes
 - c) Anticipated market responses
 - d) Weather-related risk
- 9) Conclusions, Strategies and Recommendations

Study Approach

The study will be conducted with a combination of market analysis, industry consultation, modeling, mapping and secondary research.

Project Deliverables and Schedule

Upon initiation of this study, the participants will be asked to submit comments regarding study approaches and priorities and provide input concerning both focus and emphasis.

Approximately four months after the project kick-off, the study team will provide a study draft and a seminar of study results. The seminar to discuss the results of the study will be held in early 2009.

Sign-up and Comment Submission	September 2008
Study Begins	September/October 2008
Draft Report Released.....	December 2008
Report Presentation & Seminar	January 2009

The report will include a comprehensive discussion and description of the topics and issues indicated in the outline above. Statistical tables and geographic representations will be used to support the discussion.

Who Should Participate?

Because of the far-reaching impacts that structural changes involving domestic processing will have on the Canadian agricultural economy, a broad range of organizations will find this study valuable. Sectors for which this study is relevant include:

Rail firms	Lake shippers
Trucking companies	Grain processors
Grain handling companies	Oilseed crushers
Canadian Wheat Board	Biofuel makers
Transport Canada	Investors
Provincial transportation depts.	Private Equity
Agriculture Canada	Lenders
Terminal handlers	Bond rating companies
Rail & truck eqpt manufacturing	Food processors

Budget

By conducting the study for a number of clients (i.e., a multi-client approach), Informa can offer the work at significantly lower rates than if the study was done for an individual client only.

The cost is C\$12,500 for Informa clients and C\$14,500 for non-clients. One-half of the project cost (\$6,250 for clients and \$7,250 for non-clients) is due upon project initiation and one-half is due upon completion of the project. Travel and accommodation costs for clients to attend the seminar are not included. GST will be added for Canadian firms.

Terms

All study materials are confidential and strictly for the internal use of subscribing companies. The contents of the documentation and any accompanying materials may not be reproduced in any way or disclosed to any other party without the prior written consent of Informa Economics Inc.

In the unlikely event of insufficient number of subscribers, the study could be postponed or cancelled.

Join Us for this Critical Study!

This is a unique opportunity to get inside, first-hand knowledge of this dynamic sector of the Canadian economy. Participating companies and organizations will gain unique insights into an area that will be critical to future strategy.

To participate in the study, complete and fax the Enrolment Form on page 9 of this document.

About Informa Economics

Informa Economics, Inc. (formerly known as Sparks Companies, Inc.) is a world leader in broadbased domestic and international agricultural and commodity/product market research, analysis, evaluation and consulting. The company was founded in 1977 and, in 2003, was acquired by Informa plc ("Informa") as part of its AGRA division. Informa Economics, Inc. serves hundreds of firms, institutions and trade organizations worldwide from our headquarters in Memphis, Tennessee. Informa Economics' office in Winnipeg – the centre of Canada's grain trade – is dedicated to providing insight into Canadian agricultural markets and industries.

The company's professional depth and experience allow us to provide a wide range of services related to the economic and management concerns of clients. Underpinning these services, our principal strengths lie in an expansive information base and a professional and experienced staff.

Representing Informa Economics' primary asset, our employees are well-trained and seasoned researchers and consultants with extensive backgrounds in business and government; most hold advanced degrees in agriculture or related fields. The Informa Economics team has extensive experience in worldwide agribusiness and agricultural policy decision-making. Many Informa Economics employees have gained insights from past government service in senior policy, analysis and advisory positions; from major trade associations; from land grant universities; and as senior officials of leading agribusiness companies.

The world's agricultural and food industry is expanding and remains in a constant state of change. Successful businesses and institutions must deal with rapidly shifting market conditions that are driven by international influences, technological innovations, policy shifts, weather conditions, emerging consumers and fluctuating consumer preferences. To continue succeeding in this environment, businesses must have access to reliable market information and authoritative economic consulting services. It is Informa Economics' economic expertise and diverse client base that combine to provide unique insights, risk management and strategic planning for agribusinesses around the world.

In its role as a world leader in comprehensive commodity, food industry and agribusiness research and consulting, Informa Economics offers several broad categories of services:

- Research/Analysis/Evaluation
- Business Consulting
- Education/Training
- News/Communication
- Energy

Study Team

The project will be conducted under the supervision of Chuck Penner, Senior Consultant. Bruce A. Scherr, Chairman and CEO, and Tom Scott, President and COO, will act as study reviewers on this project. Numerous Informa colleagues will assist in the provision of the study and review of the study's findings (please see attached biographies).

Informa Economics Biographies

Chuck G. Penner, Senior Consultant. With the company since 2005, Mr. Penner works in the Winnipeg office of Informa Economics and is primarily responsible for project consulting and market analysis within the Canadian grains, oilseeds and special crops sectors. Prior to joining Informa Economics, Mr. Penner was the director of marketing strategy with Blacksheep Strategy Inc. where he undertook major brand and strategic planning initiatives. Prior to Blacksheep, Mr. Penner spent 20 years in various roles within the Canadian grain industry. Mr. Penner has an agribusiness diploma and a bachelor's degree in agricultural economics from the University of Manitoba.

Thomas P. Scott, President and Chief Operating Officer. Mr. Scott has been with Informa since 1989 with the majority of that time being the head of the Informa Economics Memphis-based Project Consulting Group. Mr. Scott's specialized work has included business strategy, agribusiness economic development, feasibility and site selection work, as well as various market analyses. Prior to joining the company, he had various assignments in management, trading, logistics and merchandising with Continental Grain Company. He received his bachelor's degree in agricultural economics and business from Cornell University and a master's degree in business administration from the Amos Tuck School of Business Administration at Dartmouth College where he was an Amos Tuck Scholar.

Bruce A. Scherr, Chairman of the Board and Chief Executive Officer. Dr. Scherr has been with Informa Economics, Inc. (formerly Sparks Companies, Inc.) since 1987 in several executive capacities including President and CEO. Formerly he was president of Sparks, Jacobs, Scherr, Inc. (SJS), a sister company to Sparks, and president of Agri-Commodities, Inc., an agriculture consulting firm based in Andover, Massachusetts, which was acquired by SJS. Prior to forming Agri-Commodities, Dr. Scherr was a divisional vice president at Data Resources, Inc., where he developed and utilized for the public and private sectors the first commercially available econometric model for US agriculture. Dr. Scherr received his bachelor's degree from Rutgers University and his master's and doctorate degrees from Purdue University, all in agricultural economics. He was recently named a 2007 Distinguished Agriculture Alumni from Purdue University. and is a member of several honorary research and agricultural societies, a member of the National FFA Foundation Sponsors' Board 2000 through 2001 and a former advisor to the President's Council of Economic Advisers and National Aeronautics and Space Administration.

David W. Reimann, Vice President. Mr. Reimann, working out of the Informa Economics Winnipeg office, is responsible for core Canadian analysis, covering cereal grains, oilseeds and specialty crops. Prior to joining the company, Mr. Reimann was Manager of Commercial Accounts and Floor Trading Operations for Benson Quinn, Winnipeg. During his time at Benson Quinn, he also oversaw market research. Before his work at Benson Quinn, Mr. Reimann was a senior market analyst for United Grain Growers (UGG) in Winnipeg. Mr. Reimann spent time as an independent commodity broker at the WCE and was a hedging analyst at CSP Foods/Manitoba Pool Elevators and Pioneer Grain. Mr. Reimann received a diploma in business administration from Red River College, Winnipeg. He also completed extensive course work at the Canadian Securities Institute.

Darwin K. Lockhart, Consultant. Mr. Lockhart's primary responsibility in the Informa Winnipeg office is to provide analytic support in consulting and commodity research. This work encompasses a wide variety of sectors with particular area of expertise the use of Geographic Information System technology to provide site selection and spatial competitive analyses involving the evaluation and modeling of grain handling networks. Prior to joining the company, Mr. Lockhart worked for the Winnipeg Commodity Exchange (WCE) where he held positions as the market research analyst and market information manager. While at the WCE, Mr. Lockhart's primary responsibility was the coordination of all aspects of market information accumulation and dissemination. He received his bachelor's degree in finance from the University of Manitoba.

Donald G. Frahm, Senior Vice President. Dr. Frahm has been with Informa Economics since 1980 where his primary responsibilities are acreage and production research, client service and consulting as well as long-term forecasting and planning. Prior to joining the company, Dr. Frahm worked with two grain merchandising and brokerage companies and as a senior economist with the American Soybean Association. Earlier, he held positions at the University of Nebraska and Purdue University. He received his bachelor's degree at The Ohio State University and his master's and doctorate degrees from Purdue University, all in agricultural economics.

Scott A. Richman, Senior Vice President. With Informa Economics since 1991, Mr. Richman is the leader of Informa's Commercial Consulting. Among Mr. Richman's responsibilities for services to commercial clients, he directly manages the ethanol and biotechnology consulting practice areas. Mr. Richman has extensive experience conducting financial feasibility studies, preparing business plans, directing economic impact studies, constructing market forecasts and advising companies on the positioning of products within specialized markets. He also was selected to serve on the panel developing the North America and Europe assessment for the International Assessment of Agricultural Science and Technology for Development (IAASTD), an intergovernmental effort cosponsored by the World Bank and other international institutions. He received his bachelor's degree in economics from Vanderbilt University and his master's degree in international affairs at Columbia University, where he specialized in international business and was an Honorary International Fellow.

Juan E. Sacoto, Senior Vice President. With Informa Economics since 1997, Mr. Sacoto is the leader of Informa's Financial Consulting and heads the Biodiesel Consulting practice with his primary responsibility including research and analyses for international and domestic consulting clients. His work often involves market assessment, financial and competitive analyses, economic modeling, strategy, international economic development, and economic impact and risk management studies. Mr. Sacoto has extensive experience working in the renewable fuels industry, in particular biodiesel and oilseeds, and across several agricultural, food and related markets including grains, livestock, fisheries, fertilizers, and fruits and vegetables. Prior to joining the company, he worked as a financial and equity analyst. He received his bachelor's degree in finance from Jacksonville State University and his master's in international business administration from The University of Memphis.

ENROLLMENT FORM

- Yes, I want to participate in the multi-client study "**Expansion in the Canadian Crop Processing Sector**" I understand that the cost of the study is C\$12,500 for current Informa clients and C\$14,500 for non-clients. Canadian subscribers add GST. One-half will be billed upon study initiation and the remainder upon receipt of the final report.

FAX to Informa Economics at (204) 925-7074

- Please have someone contact me to provide further information.

Name: _____

Signature: _____

Title: _____

Company: _____

Street Address: _____

City, Province/State, Code: _____

Telephone: _____ Fax: _____

E-mail Address: _____

Please contact us with any enquiries about this study:

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