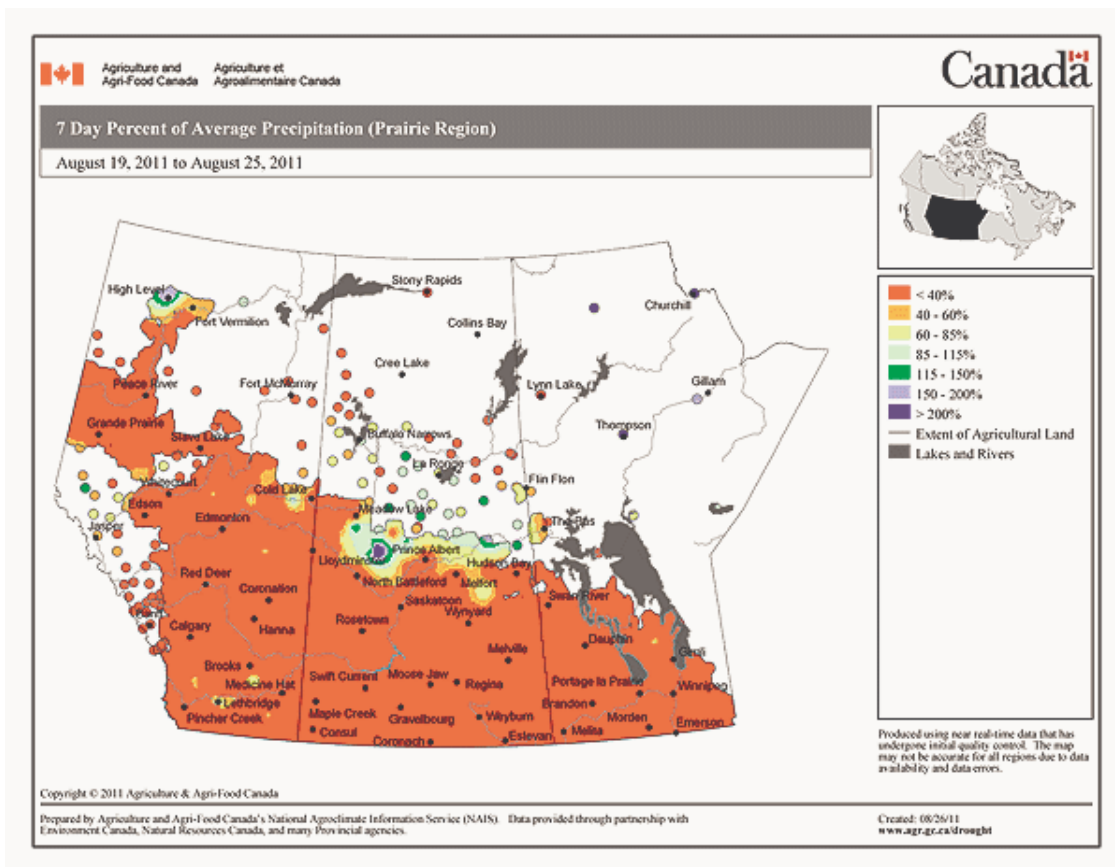


Canola Weekly

1) Prairies Crop Update

Over the past 7 days, warm and dry weather in the prairies have advanced immature crops and allowed significant canola harvest progress. The conditions over the past week have brought the 30 day percent of average precipitation to normal levels, making up for the unusually wet late July period.



Soil moisture in Saskatchewan is 74% adequate, 3% surplus and 23% short. Canola harvesting has progressed significantly in Saskatchewan over the past week (See chart below).

ESTIMATED SASKATCHEWAN CANOLA HARVESTING PROGRESS

	Standing	In Swath	Ready to Straight Combine	Combined
August 22	57%	34%	2%	6%
August 15	86%	13%	0%	1%

Sources: Saskatchewan Agriculture

2) Statistics Canada Production Report Released August 24th

Statistics Canada released its *July 31 Estimates of Production of Principal Field Crops* report on August 24th which provided the first production survey of the year. Statistics Canada also provided revisions to the estimated canola seeded area which was 18.65 million acres, a decrease of 5.8% from its June report. Estimated Manitoba, Saskatchewan and Alberta seeded areas were reported at approximately 2.8, 9.5, and 6.2 million acres, respectively. These values represent decreases of 17% to Manitoba and 3% to Saskatchewan from the June report, but an increase of 4 percent in Alberta.

The preliminary yield and production estimates for Canadian canola was approximated at 32.3 bushels per acre producing an estimated crop of 13.2 million metric tonnes (MMT). Manitoba, Saskatchewan and Alberta make up 1.74, 6.52, and 4.76 million tonnes, respectively. These production estimates were calculated based on estimated yields of 29.1 bushels per acre for Manitoba, 31.2 for Saskatchewan, and 35.3 for Alberta. The overall yield forecast of 32.3 bu/ac for Canada was unexpected as this would be lower than in 2010. It is our belief that that growing conditions this year are considerably better than last year therefore the yield forecast is low.

CANOLA SEEDED AREA, YIELD, AND PRODUCTION:

		Seeded Area (000 a)	Harvested Area (000 a)	Stats Can		Informa	
				Yield (b/a)	Production (000 t)	Yield (b/a)	Production (000 t)
Manitoba	2009-10	3,200	3,160	39.5	2,828		
	2010-11	3,370	3,110	31.4	2,216		
	2011-12	2,780	2,625	29.1	1,735	36.70	2,183.0
Saskatchewan	2009-10	7,850	7,260	36.5	6,010		
	2010-11	7,800	7,400	30.0	5,035		
	2011-12	9,500	9,200	31.2	6,520	32.70	6,825.0
Alberta	2009-10	5,000	4,520	33.8	3,470		
	2010-11	5,460	5,400	36.7	4,491		
	2011-12	6,150	5,950	35.3	4,763	35.70	4,816.0
Canada	2009-10	16,200	15,755	34.8	12,417		
	2010-11	16,818	16,097	32.5	11,866		
	2011-12	18,650	17,985	32.3	13,193	34.30	14,000.0

Source: Statistics Canada with Informa Projections in Bold

As we have reported in past, Statistics Canada is bias low when reporting production, particularly in their July reports when compared to the final. Over the past 14 years Statistics Canada has raised production in their final versus the July 31st report eleven years while reducing production only in three years.

Informa has adopted Statistics Canada's canola seeded and harvested area estimates for Canada and each individual province as the sampling in July would produce a highly credible estimate for field work in May-June. Our analysis tells us that yields would be higher than that posted by Statistics Canada therefore our yield and production forecast is somewhat larger than

their report. Trend analysis and reliance on crop reports and current conditions suggests that yields in Canada will be 34.3 bu/ac which would imply production of 14.0 MMT.

We believe that the yields and or area will be increased in subsequent Statistics Canada reports to account for a larger crop. Analysis of prior year ending stocks show that visible stocks reported by the CGC as of July 31 is a good approximation of what Statistics Canada will report as stocks in commercial position as of July 31. The CGC reported that visible stocks on July 31 of this year were almost 1.0 MMT. Even if assuming on-farm stocks as a percent of total stocks were among the smallest of the past 10 years, the CGC visible stocks estimate implies that total July 31 canola stocks were around 1.5 MMT. If that is the case, 2010 production has been understated, perhaps by around 900,000 tonnes. Strong exports and crush to-date also imply that 2010/11 ending stocks were not all that tight.

As shown in the balance sheet below, we are still using Statistics Canada's production estimate but have reduced feed, seed & waste usage as a proxy for a smaller crop so that 2010/11 carryout will reflect a more realistic level of stocks that were carried into 2011/12.

Canadian Canola Supply & Disposition

Thousand tonnes	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
Supply					
Seeded Acres, 000's	15,756	16,160	16,200	16,818	18,650
Harvested Acres, 000's	15,636	16,048	15,755	16,097	17,985
Yield (bu/acre)	27.1	34.7	34.8	32.5	34.3
Production	9,601	12,643	12,417	11,866	14,000
Imports	179	121	128	225	150
Total Supply	11,562	14,225	14,204	14,214	15,702
Disposition					
Crush	4,144	4,280	4,788	6,310	6,400
Feed, Seed & Waste	295	379	131	-725	455
Exports	5,661	7,908	7,163	7,078	7,000
Total Disposition	10,101	12,566	12,081	12,662	13,855
Ending Stocks	1,462	1,658	2,123	1,552	1,847
Stocks/Use	14%	13%	18%	12%	13%

Source: Statistics Canada with Informa projections in bold

3) Pro Farmer Crop Tours

Two weeks ago Informa conclude that US soybean planted area could be adjusted lower by about 160,000 acres in the October crop report based on analysis provided by the USDA's Farm Service Agency (FSA) which released acreage certification that included preliminary data for 2011 soybeans. Soybean planted and harvested area estimates are released by the USDA's National Agricultural Statistics Service (NASS) in its October *Crop Production* report which takes the FSA acreage data into consideration.

Despite the lower area the implied change to soybean, production is thought to be minimal (less than 5 million bushels) because the acreage change is fairly modest at the national level and expected reductions generally are in lower-yielding states while expected increases are in higher-yielding states.

Last week the the 2011 Pro Farmer Midwest Crop Tour which is conducted each year in late August was concluded on Friday with stops in some of the major crop growing States. Results of the tour concluded that yields for the 2011 soybean crop are estimated at 41.8 bu/ac and production would be slightly higher than 3.08 billion bushels compared to the USDA August 11 forecast of 41.4 bu/ac and production of almost 3.06 billion bushels. With a difference of only about 27 million bushels the effects on prices would be minimal as the slightly larger supplies would be absorbed in US dispositions.

Pro Farmer uses USDA harvest area to attain their estimate but also noted that the USDA will need to lower harvested area due to stressed crops and some limited disaster areas. They also added that yields are expected to be higher than the USDA based on the observation that the soybean crop is one of the most disease-free ever sampled.

PRO FARMER CROP TOUR 2011 SOYBEAN RESULTS

	Yield (Bushels/Acre)		
	Pro Farmer	USDA (August 11)	3 Year Average
Iowa	53	52	49
Illinois	49	48	48
Indiana	44	43	48
Nebraska	52.5	52	51
Minnesota	39	40	40
South Dakota	39	38	38
Ohio	45	44	44

Sources: Pro Farmer estimates with USDA in Bold

4) Canola Estimated Cash Crush Margins Rising

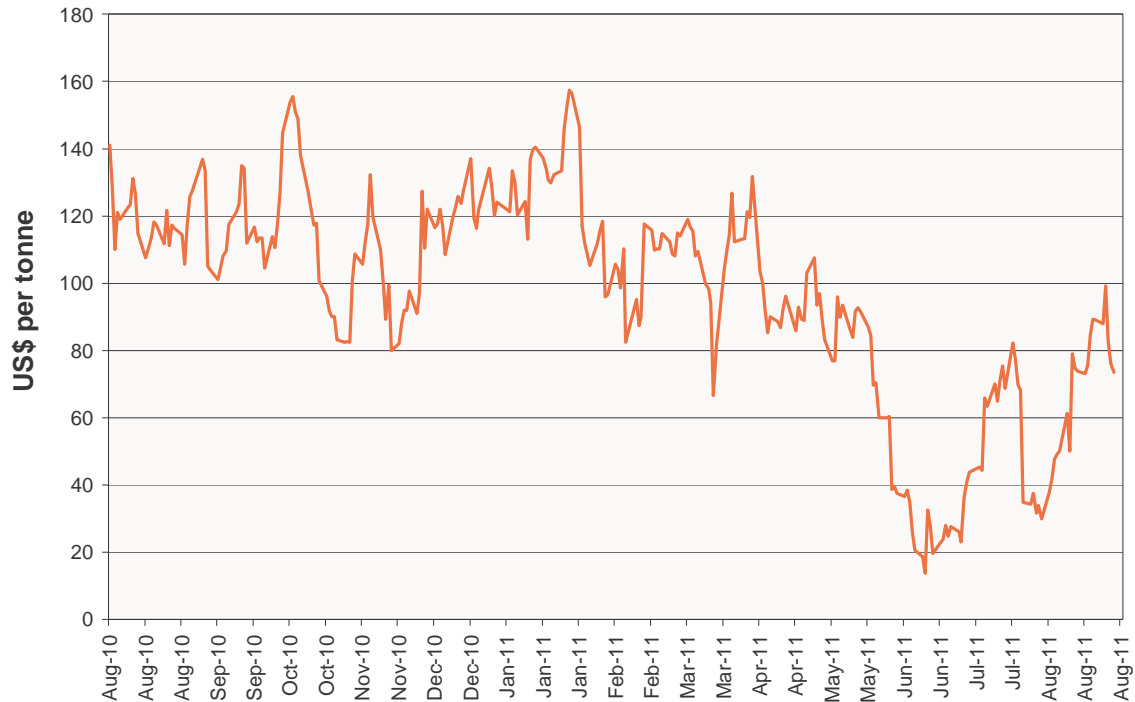
The estimated canola cash crush margin is primarily affected by differences in relative changes to the price of seed and oil, with meal prices having less of an affect. Approximately 80% of the product value generated by processing the seed is from the sale of oil, and therefore only 20% from meal.

The crush margin has been quite variable during the past four months with the margin declining to US\$13.70 per tonne on June 14th, the lowest rate of return since December of 2001. By mid July the margin improved to about \$80, but fell to \$30 by the end of the month and since has regained its momentum closing at \$73.51 on August 26th.

The crush margin is approaching the \$80 to \$140 range been between May 2010 and May 2011 which is important for the industry. With crush capacity increasing in Canada, it is critical for the canola processing industry that margins stay at reasonable profitable levels for most of the year.

Strong demand for canola oil in addition to crush expansion for the biodiesel industry is expected to support higher crush margins.

Estimated Canola Cash Crush Margin



5) Canola Futures Prices

Canola futures prices traded mostly moderately higher in the early part of the week with a small loss on Thursday. Friday closed more than \$5.60 higher for the day and closed about 13.10 higher for the week. The driver for the higher prices has been the corn situation and outlook. A recovery of gold prices on Thursday was reported to have mitigated some of the losses however the strong gains on Friday was reported to be provided by the Pro Farmer crop tour which suggest corn yields will be lower than the current USDA estimate.

If you have any questions or comments regarding this report, please contact us:

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This Week	Last Week	Last Year
26-Aug-11	19-Aug-11	26-Aug-10

CANOLA SEED

ICE Futures					
	November 2011	C\$/tonne	567.50	554.40	432.90
	January 2012	C\$/tonne	576.00	562.80	432.90
	March 2012	C\$/tonne	584.20	570.80	432.90
	May 2012	C\$/tonne	590.70	577.90	432.90
	July 2012	C\$/tonne	595.60	583.20	432.90
	November 2012	C\$/tonne	566.60	560.00	
	January 2013	C\$/tonne	567.10	560.10	

MATIF Futures					
	August 2011	EUR\$/tonne	424.25	419.00	354.00
	November 2011	EUR\$/tonne	424.25	419.00	354.00
	February 2012	EUR\$/tonne	418.75	413.50	
	May 2012	EUR\$/tonne	416.50	411.00	

CANOLA SEED CASH PRICE

	PAR REGION	C\$/tonne	551.9	543.5	438.6
	Vancouver, BC	C\$/tonne	582.5	569.4	481.6
	Thunder Bay, ON	C\$/tonne	577.5	564.4	461.6
	Velva, ND	US\$/tonne	571.7	555.1	396.2
	Rotterdam	US\$/tonne	644.0	631.0	466.0

CANOLA MEAL CASH PRICE

	Altona, MB	US\$/ton	223.5	226.5	177.5
	Velva, ND	US\$/ton	241.0	224.0	206.0
	California	US\$/ton	312.5	317.0	272.5
	Texas	US\$/ton	289.5	289.5	243.5
	Rotterdam	US\$/tonne	249.0	248.0	239.0

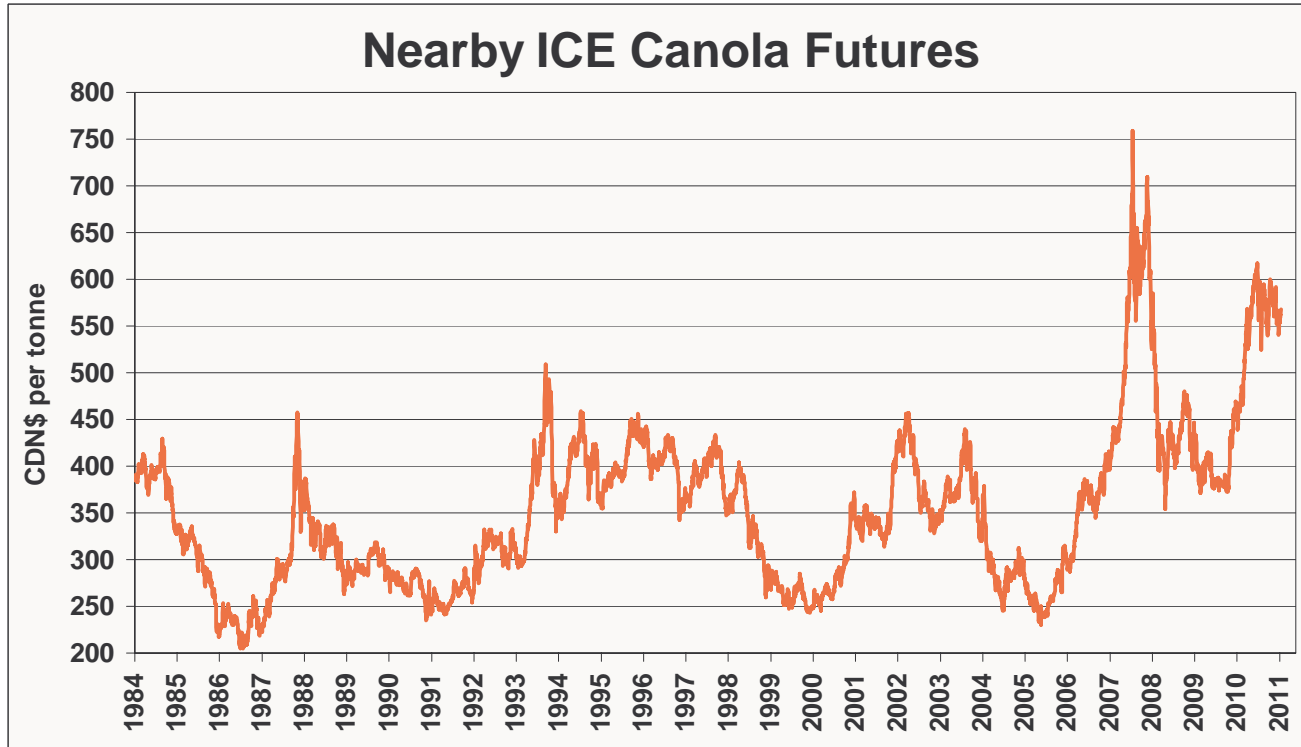
CANOLA OIL BASIS (Based upon CBOT Soybean Oil Futures)

Superdegummed	Vancouver	C\$points	-100	150	225
RBD	Vancouver	C\$points	210	400	910
RBD	Toronto	C\$points	275	500	1070
RBD	Los Angeles	US\$points	600	600	850
RBD	New York	US\$points	575	575	825

CANOLA OIL / FAME CASH PRICE

Superdegummed	Vancouver	C\$/CWT	55.60	56.89	41.74
RBD	Vancouver	C\$/CWT	58.70	59.39	48.59
RBD	Toronto	US\$/CWT	59.35	60.39	47.45
RBD	Los Angeles	US\$/CWT	62.60	61.39	48.89
RBD	New York	US\$/CWT	62.35	61.14	47.74
RBD	Chicago	US\$/CWT	62.60	61.39	47.24
Crude	Rotterdam	US\$/tonne	1,349	1,347	990
FAME	Central Europe	EUR\$/tonne	1,080	1,080	833
FAME	Northwest Europe	EUR\$/tonne	1,025	1,025	795

COPA Crush		
	Current Week	86,039
	Cumulative, 2011/12 Crop Year	361,550



Canadian Canola Supply & Disposition

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