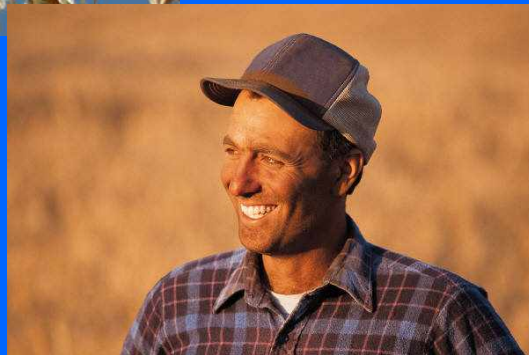


Oat Outlook

n January 4, 2007

n Ag Commodity Research



Current Situation

- n CBOT oat futures at second highest level in the past 26 years
- n Oat futures have exceeded drought year highs
- n Cash oat prices near five-year highs
- n Cdn deliveries and exports up sharply
- n Scandinavian production & quality down this year, exports to U.S. likely zero
- n Not an oat driven rally

Continuous Monthly CBOT Oats

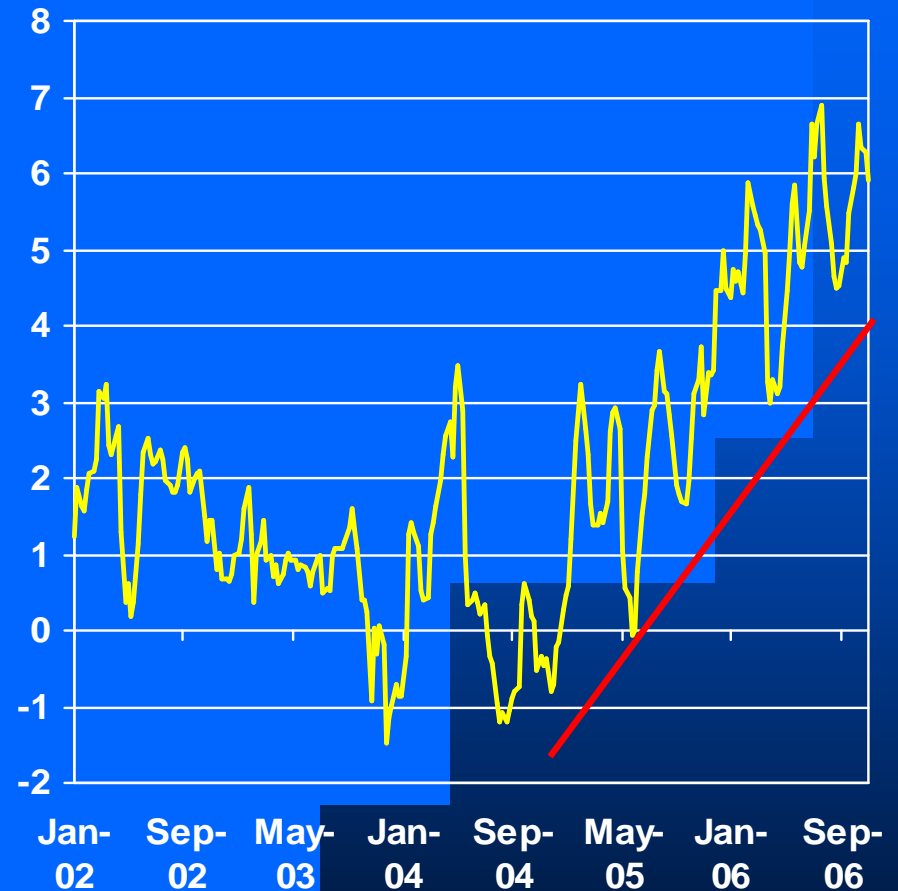


What's driving oat prices

- n Index/Hedge funds
- n Rising ethanol demand
- n Forecasts of a 50% reduction in US corn ending stocks.
- n Forecasts of 27 year lows of world coarse grain ending stocks.
- n Australian drought

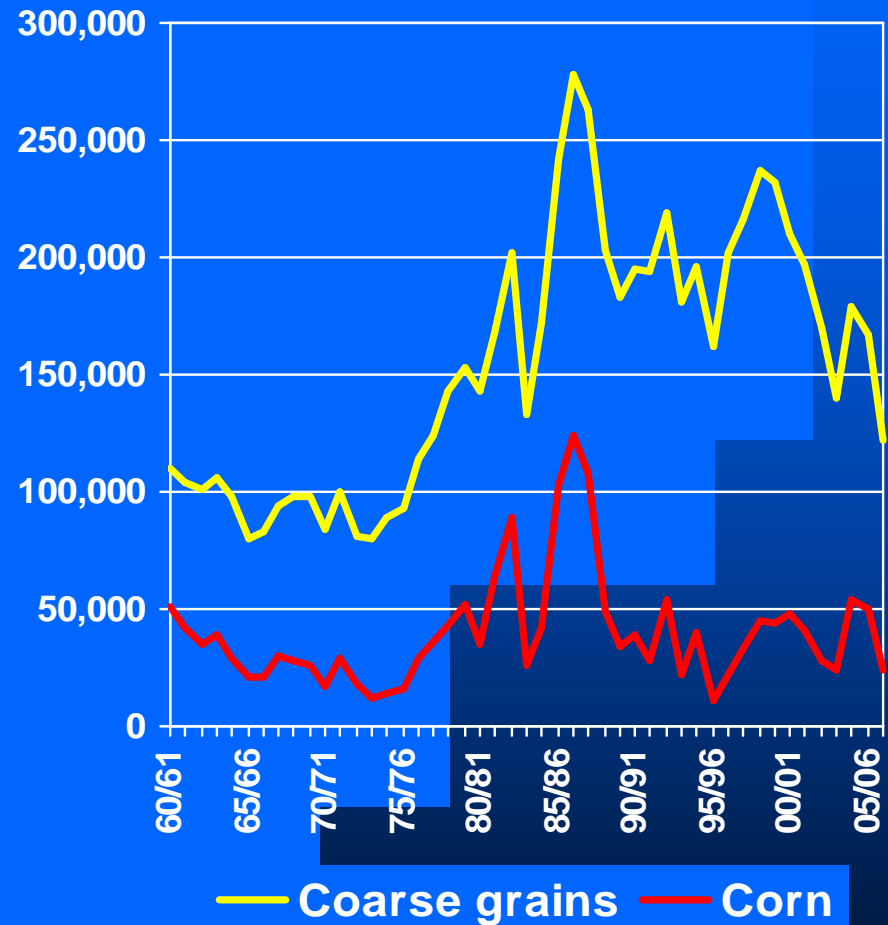
Funds, a major factor in Chicago

- n Significant & rising impact on futures
- n Focused on technicals
- n Held nearly 50% of oat open interest
- n Constantly rolling into forward position
- n Prices \$.30 usbu + higher with funds



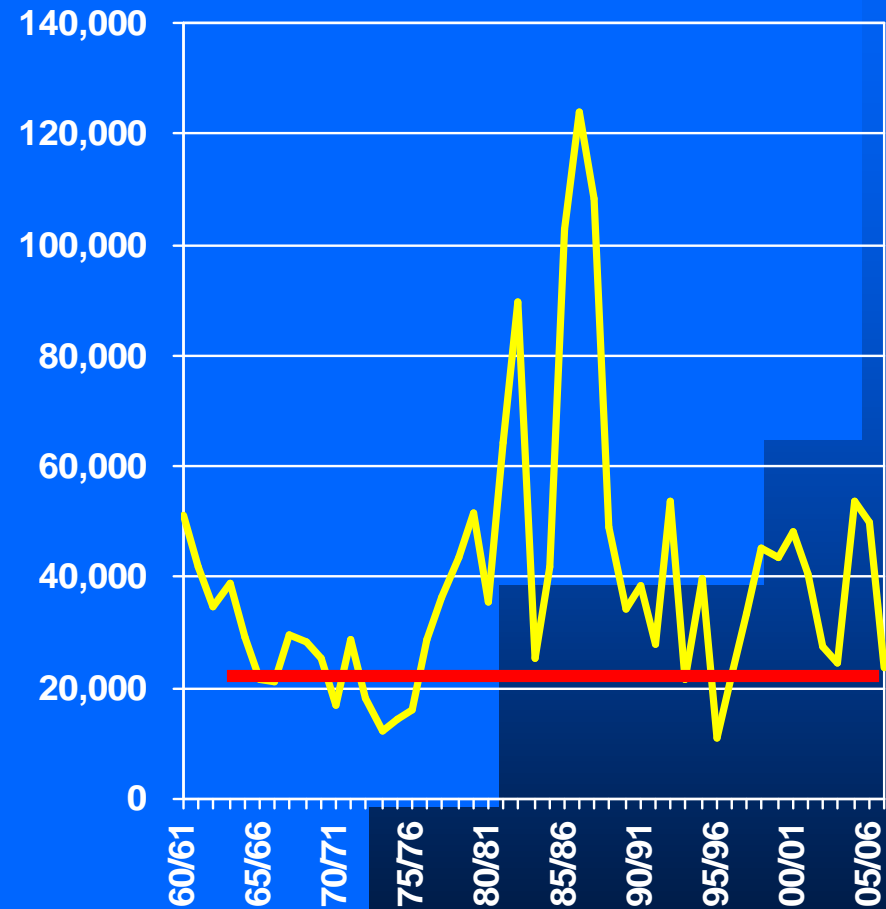
Grain ending stocks

- n World coarse grains at 30 year low
- n US corn at 2nd lowest level in past 30 years
- n “Food versus fuel” – the fight is on
- n Increasing index fund buying longer term?



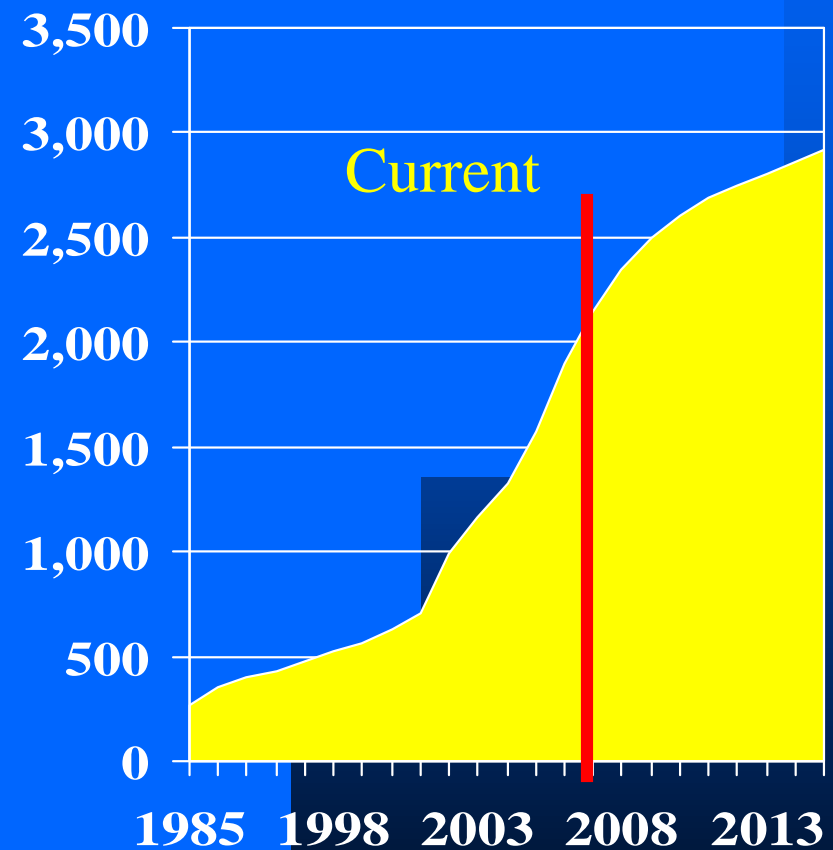
US corn outlook

- n Price leader for oats
- n Increasing ethanol demand
- n Strong export demand



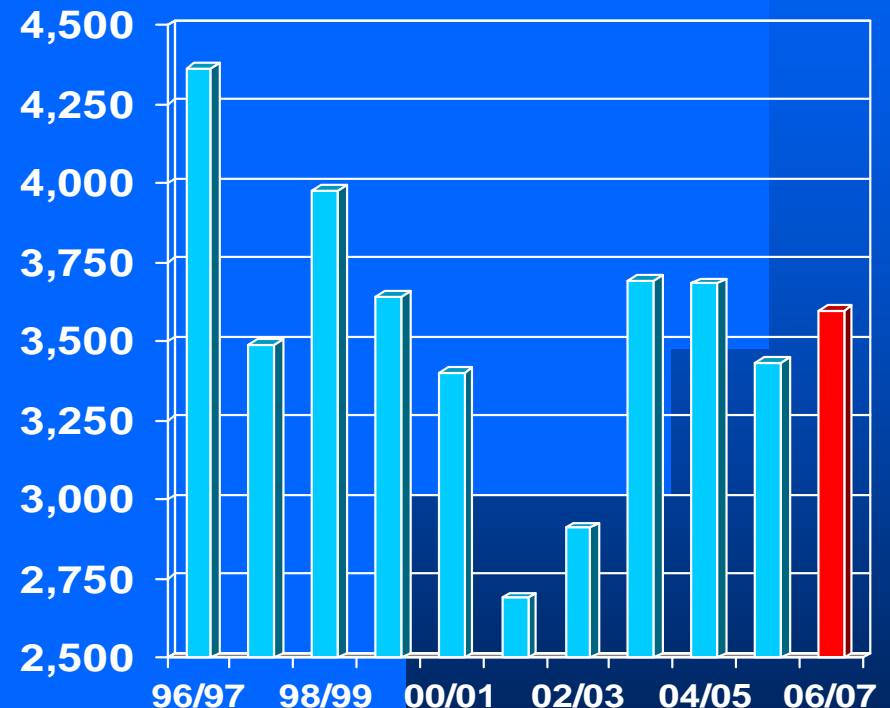
US corn use for ethanol

- n Ethanol share of U.S. corn use doubled in past five years
- n \$0.51 tax benefit
- n More bio-fuels mean higher grain prices
- n In case of drought, who “wins” battle for limited grain/oilseed supplies?
 - Livestock producers?
 - Foreign buyers?
 - Bio-Fuels producers?



Canadian Oat Production up

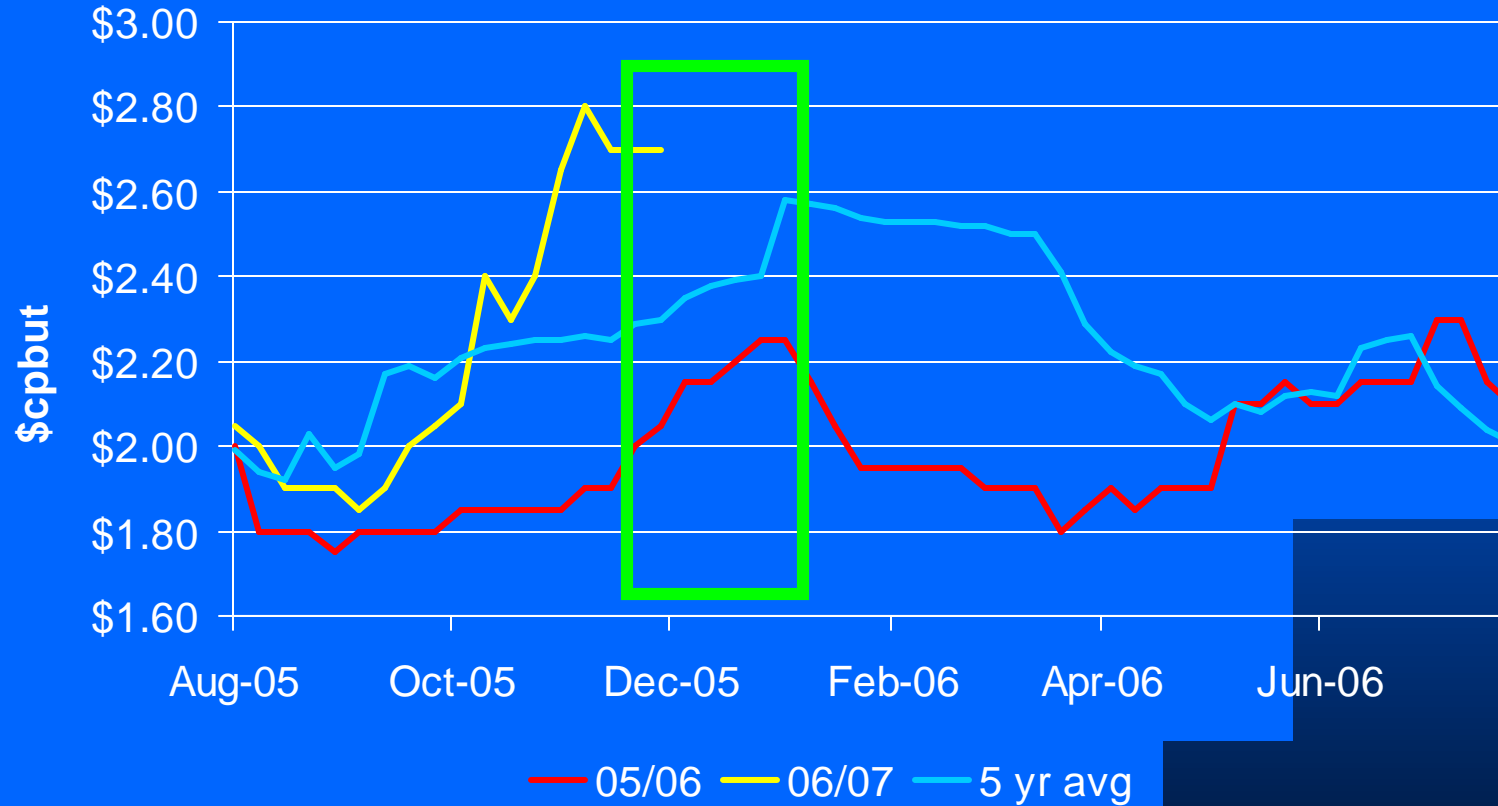
- n 2006 up 5% or just over 0.180 mmt
- n Manitoba recovery
- n Lost acreage in Sask
- n Better than expected yields and quality



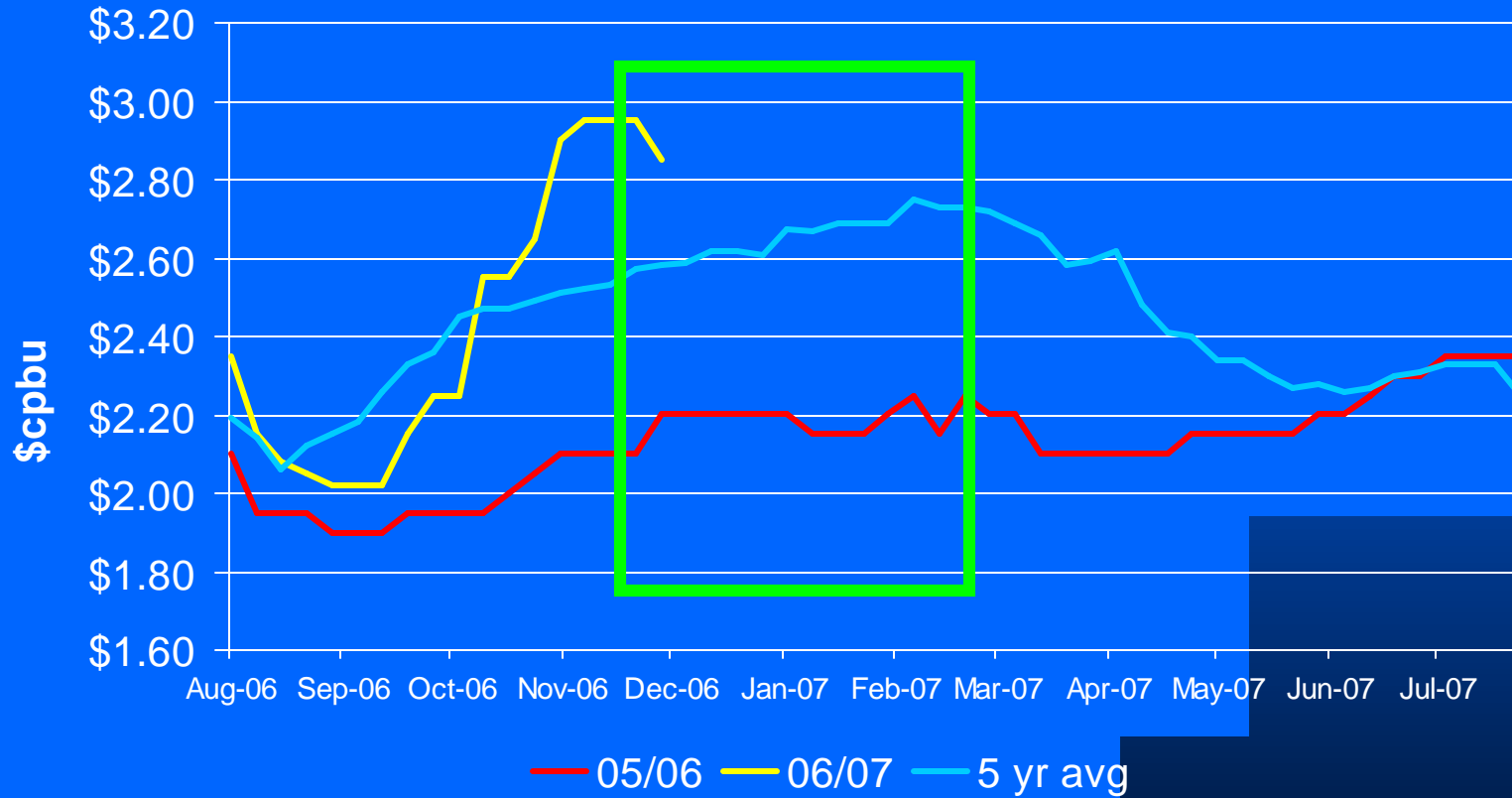
Seasonal CBOT oat price trends



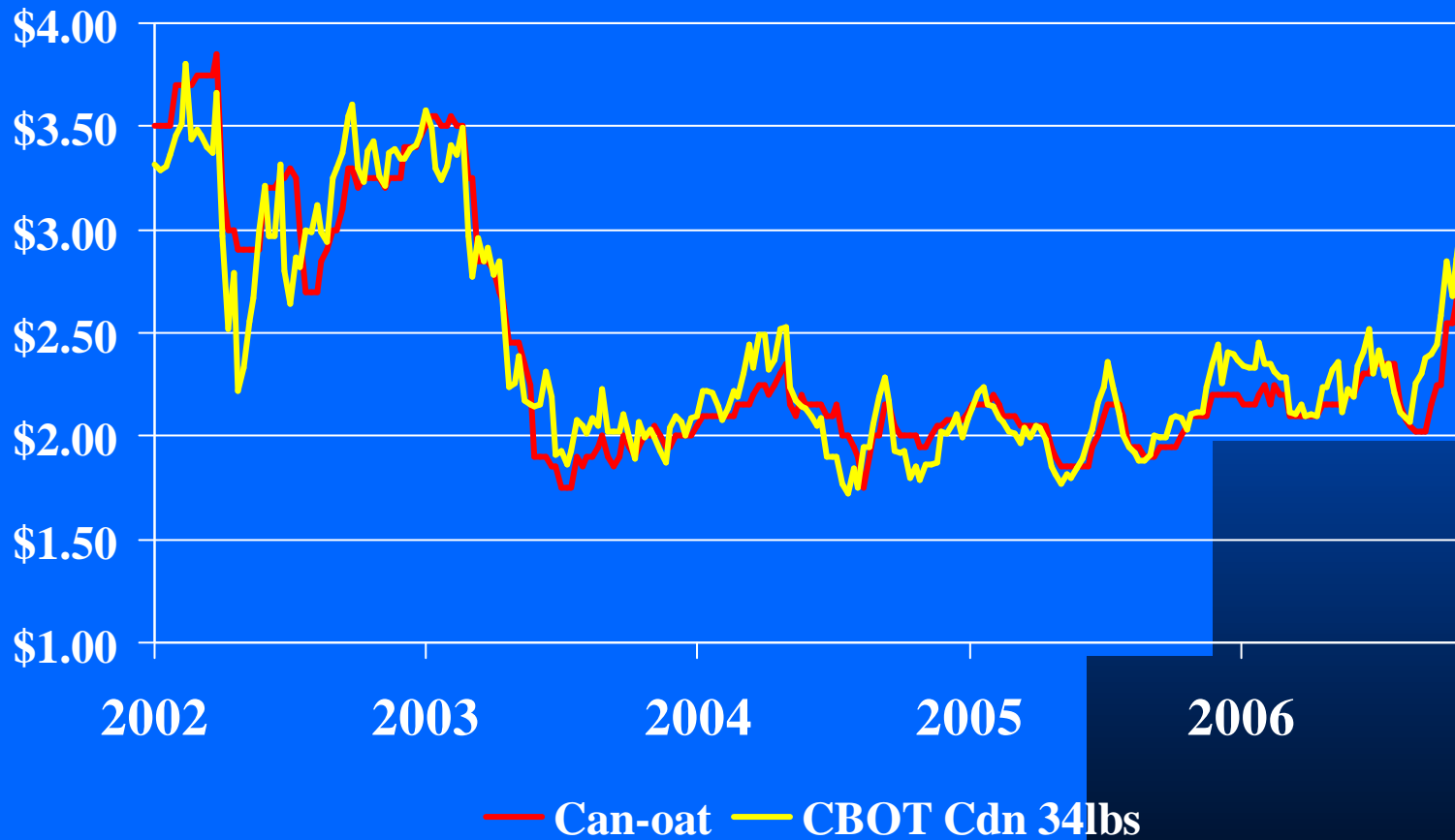
Grain Millers, Yorkton Price Trends



Can-Oat Portage Price Trends

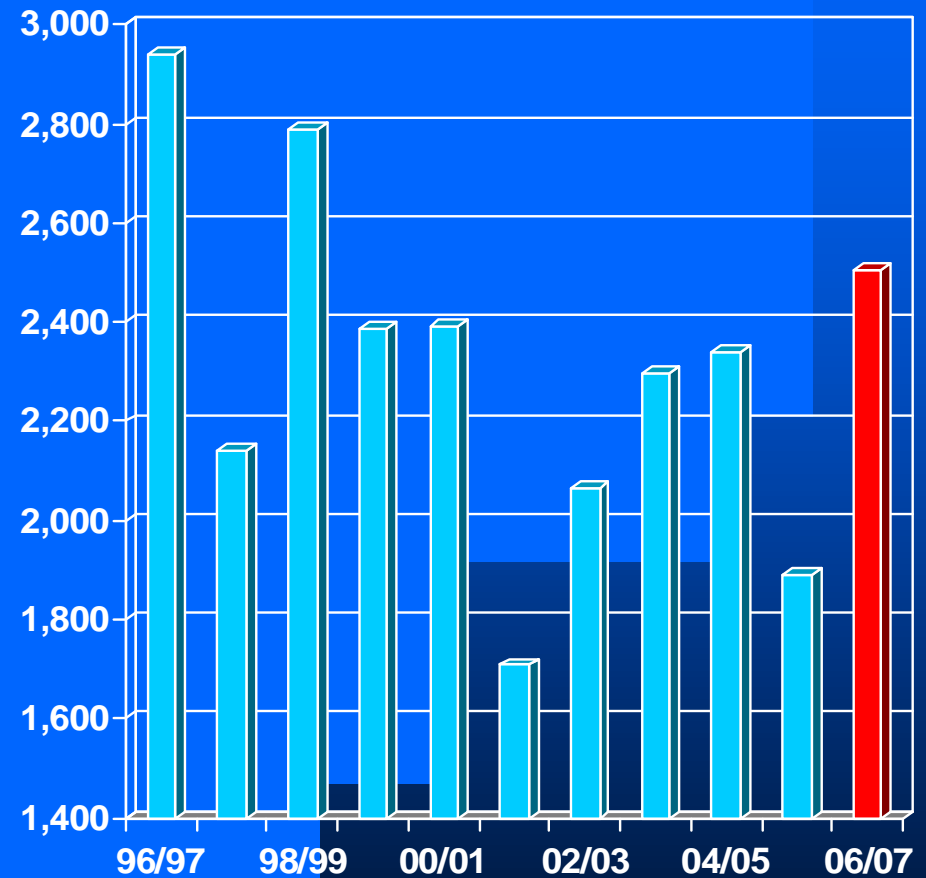


Mill bids & CBOT Oat Futures

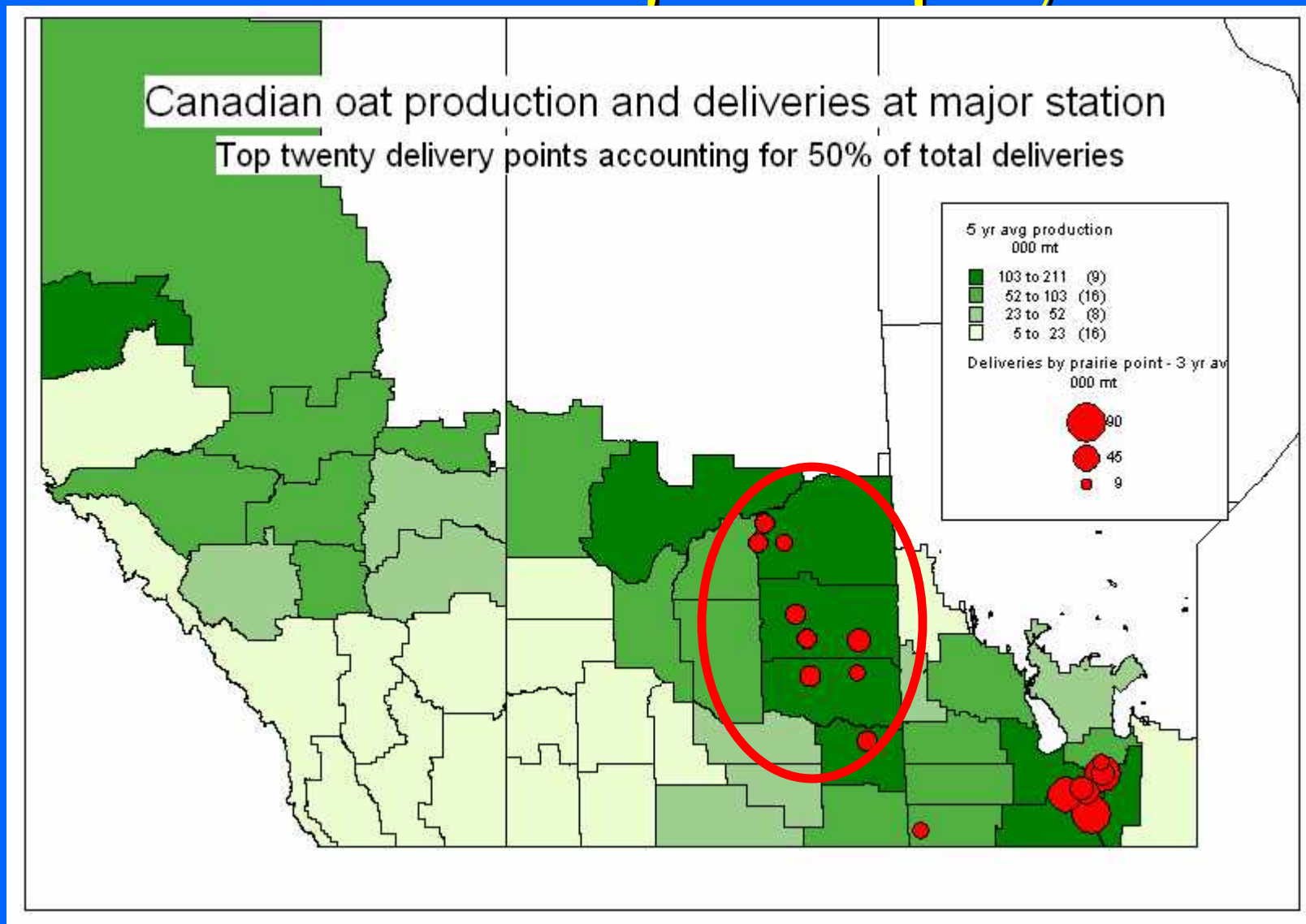


Manitoba/Sask Production up

- n 2006 estimated up 19%
- n Most Cdn exports and milling use from this region
- n This region is this the “world’s supplier of oats”

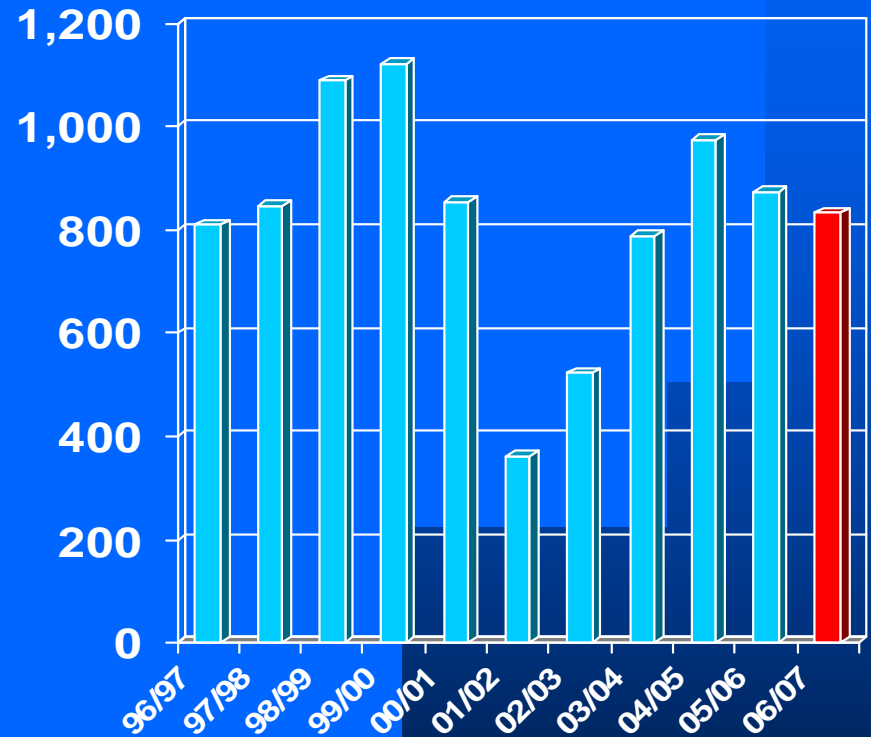


Yorkton major oat player



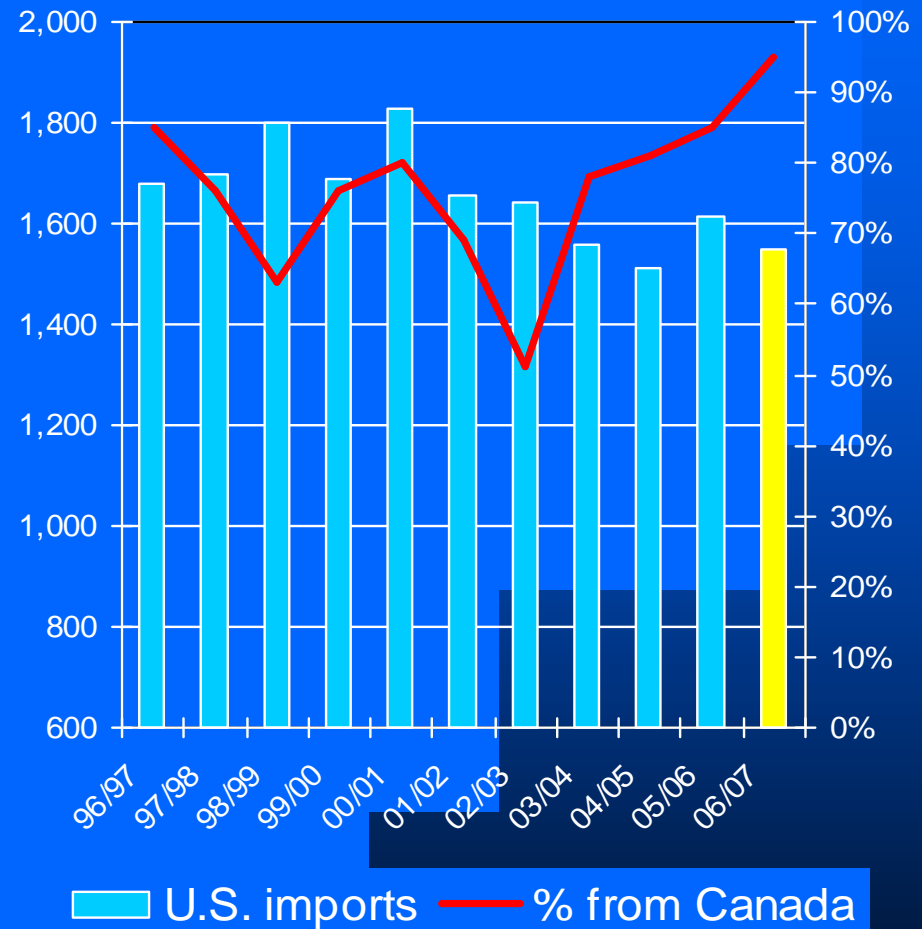
Canadian Oat Ending Stocks

- n 06/07 forecast down 5%
- n Direct correlation with CBOT oat prices
- n Over 1 mmt generally sees a good carry in Chicago
- n Enough supplies to meet increased export demand
- n 07/08 could climb to record high!

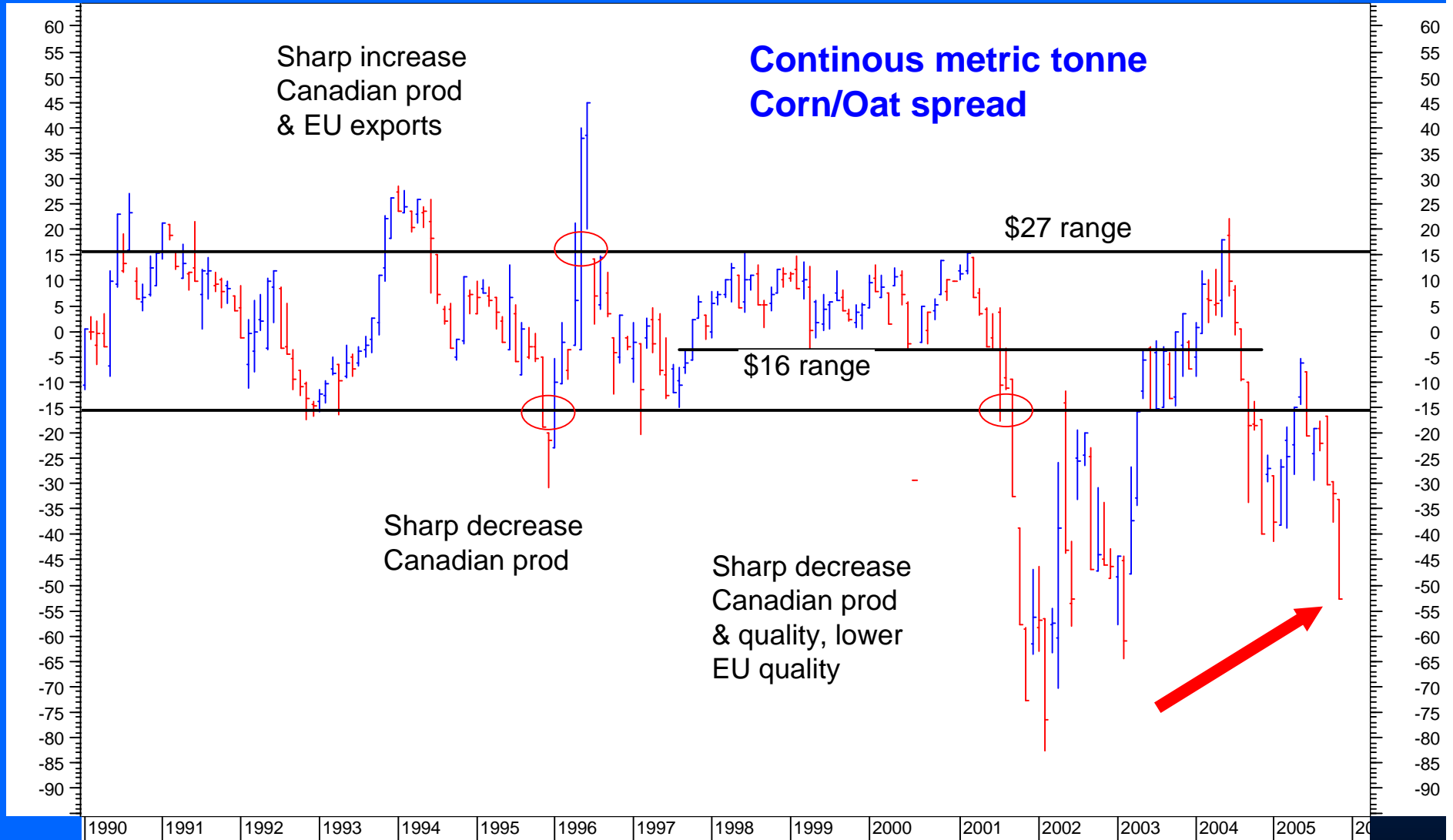


U.S. oat imports

- n 06/07 forecast down to 2nd lowest levels in 10 years
- n 75-80% goes to milling demand
- n Canadian share rising – nearly 100% this year
- n Mpls stocks up 27% - Could rise if oat spreads widen
- n Lower feed demand in US south due to high oat prices

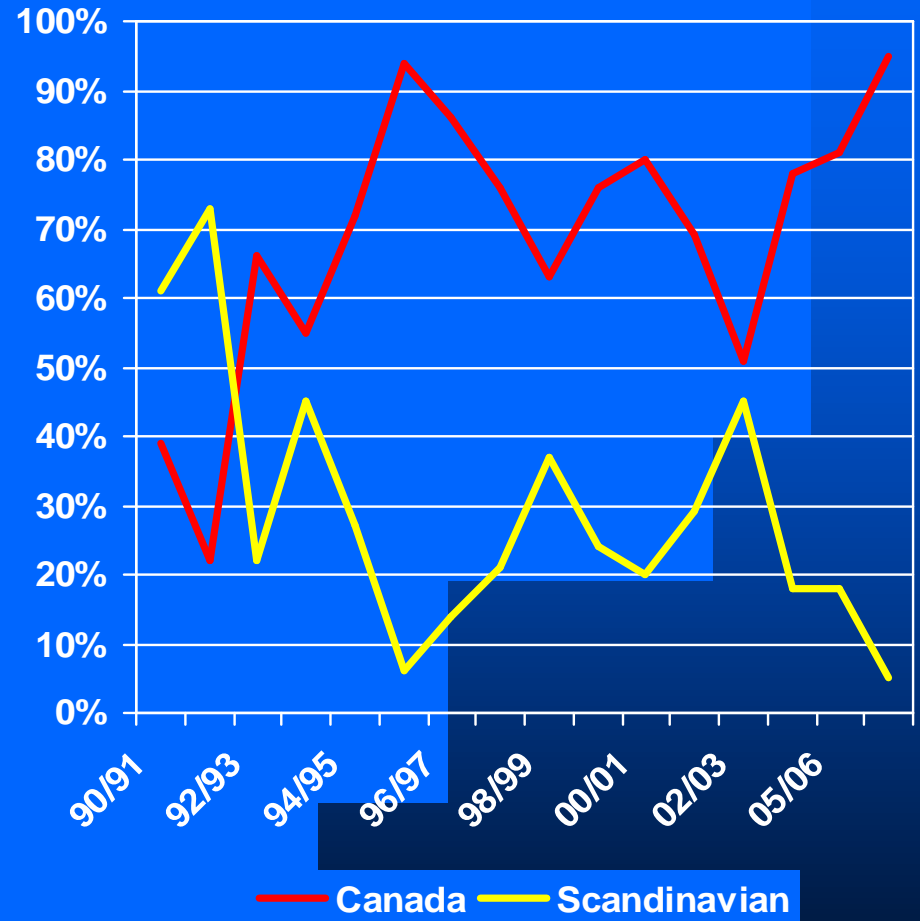


Monthly CBOT Corn/Oat Spread



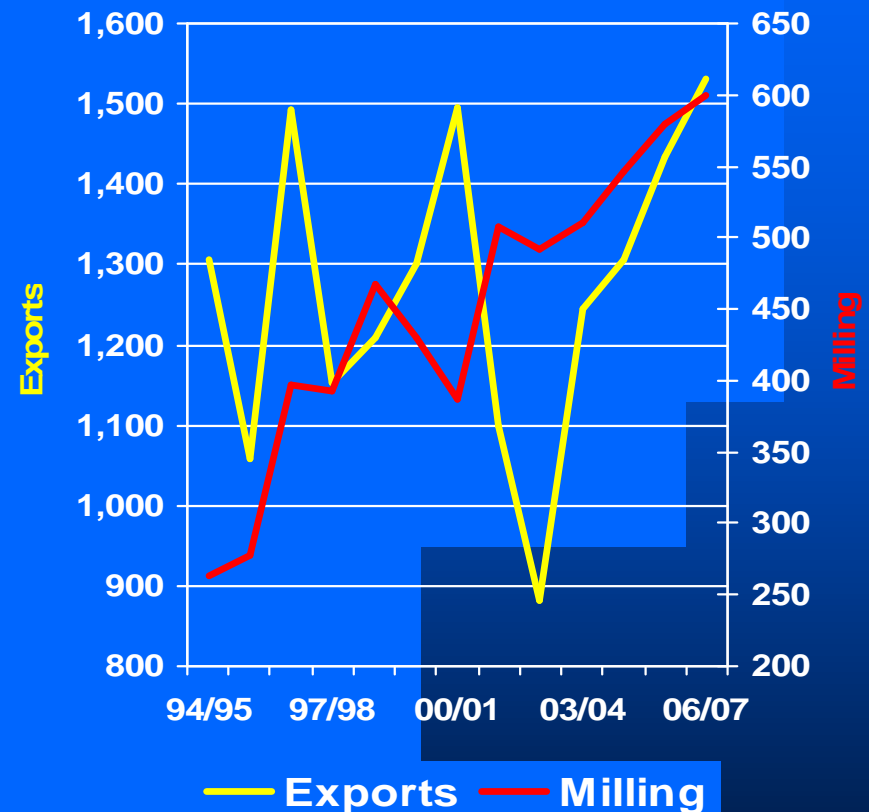
Canadian and Scan exports to US

- n Canadian share trending higher
- n Scan share peaked
- n Large gains for Scans unlikely as U.S. feed demand for oats falling
- n Scan area and production falling
- n U.S. expected to find alternative importer



Canadian Exports and Mill use

- n 06/07 raw oat exports forecast up 5%, record high
- n Exports up to non-traditional markets
- n Milling use forecast up 5%
- n More capacity coming on line
- n Mill product exports up

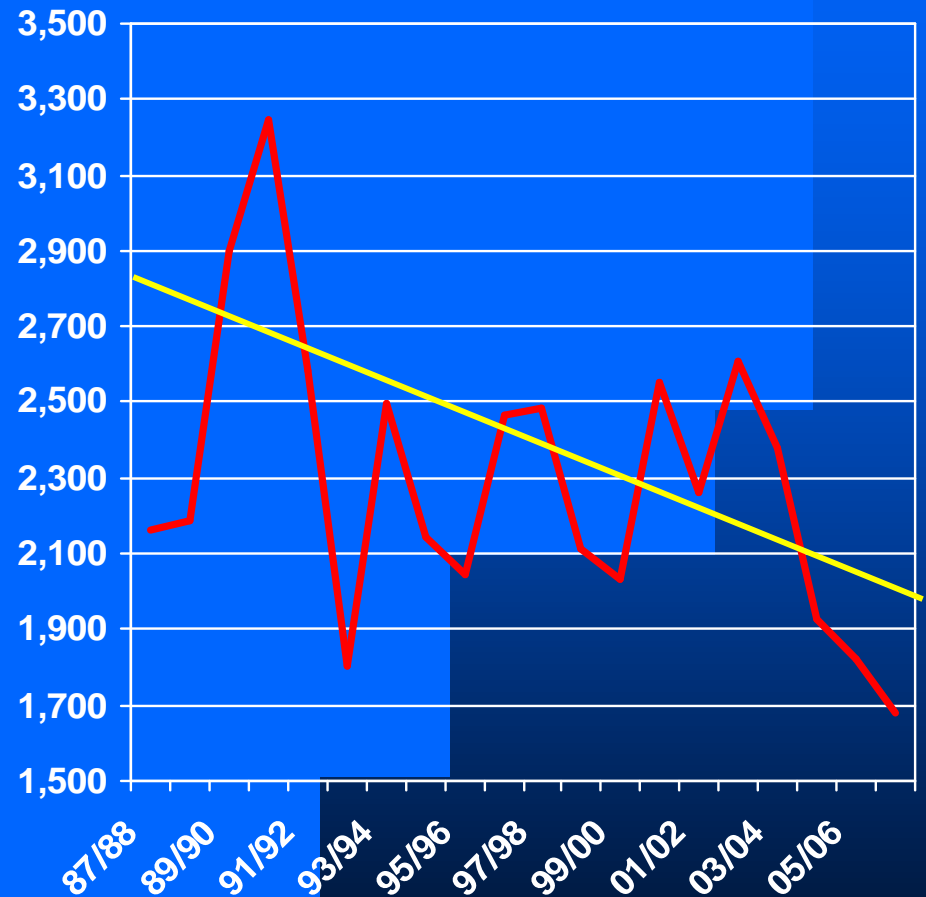


Canadian Oat Export Matrix

('000 mt)	03/04	04/05	05/06	06/07F	5 yr avg
USA	1,230.4	1,294.2	1,402.4	1,440.0	1,174.5
MEXICO	0.2	0.7	8.4	50.0	1.9
NORWAY	-	-	8.1	17.0	1.6
PUERTO RICO	-	1.4	7.7	8.0	3.1
JAPAN	11.7	8.2	6.4	10.0	9.4
COLOMBIA	-	-	0.7	-	0.7
KOREA-SOUTH	-	-	-	-	-
UNITED KINGDOM	-	-	-	-	-
ITALY	-	-	-	-	-
VENEZUELA	-	-	-	-	0.2
OTHERS	2.3	0.3	-	25.0	1.3
TOTAL	1,244.6	1,304.8	1,433.7	1,550.0	1,192.8

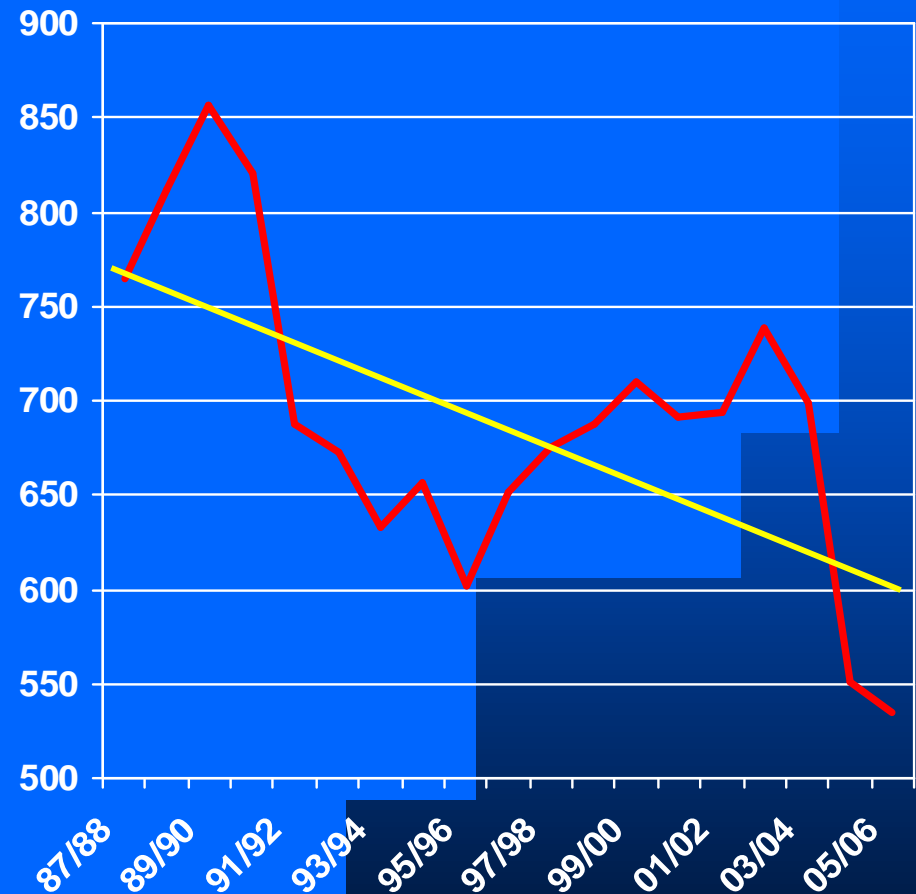
Scandinavian oat production down

- n 2006 down 8% or just over 0.100 mmt
- n Harvest rains had a serious impact on quality
- n Higher demand from within EU due to crop problems
- n Expect few exports to US - Overall exports forecast down 50%



Scan oat area continues to fall

- n Following EU trend to higher oilseeds, lower cereals plantings
- n Sweden area falling faster
- n Unlikely to recover

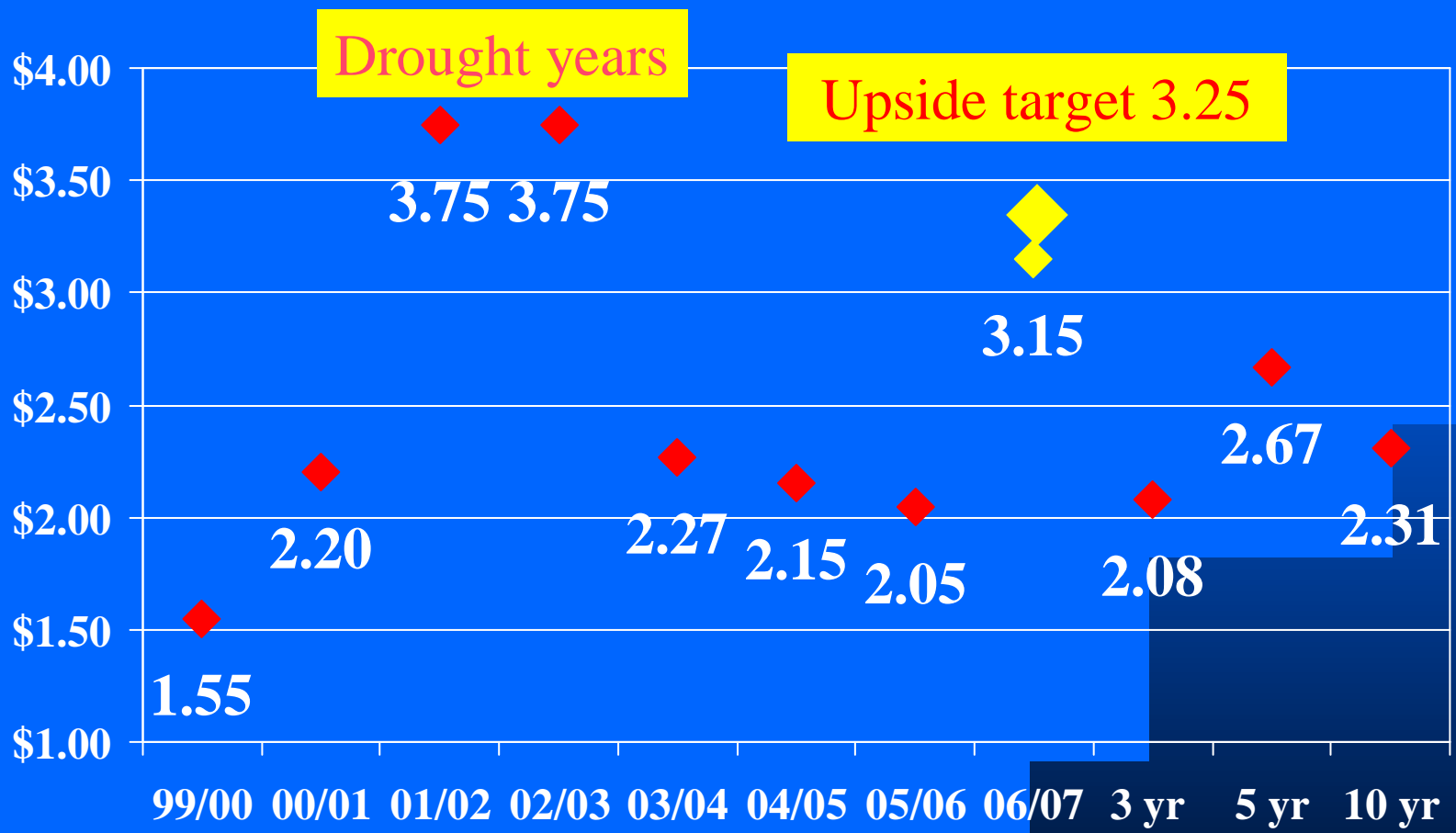


Scan production and exports

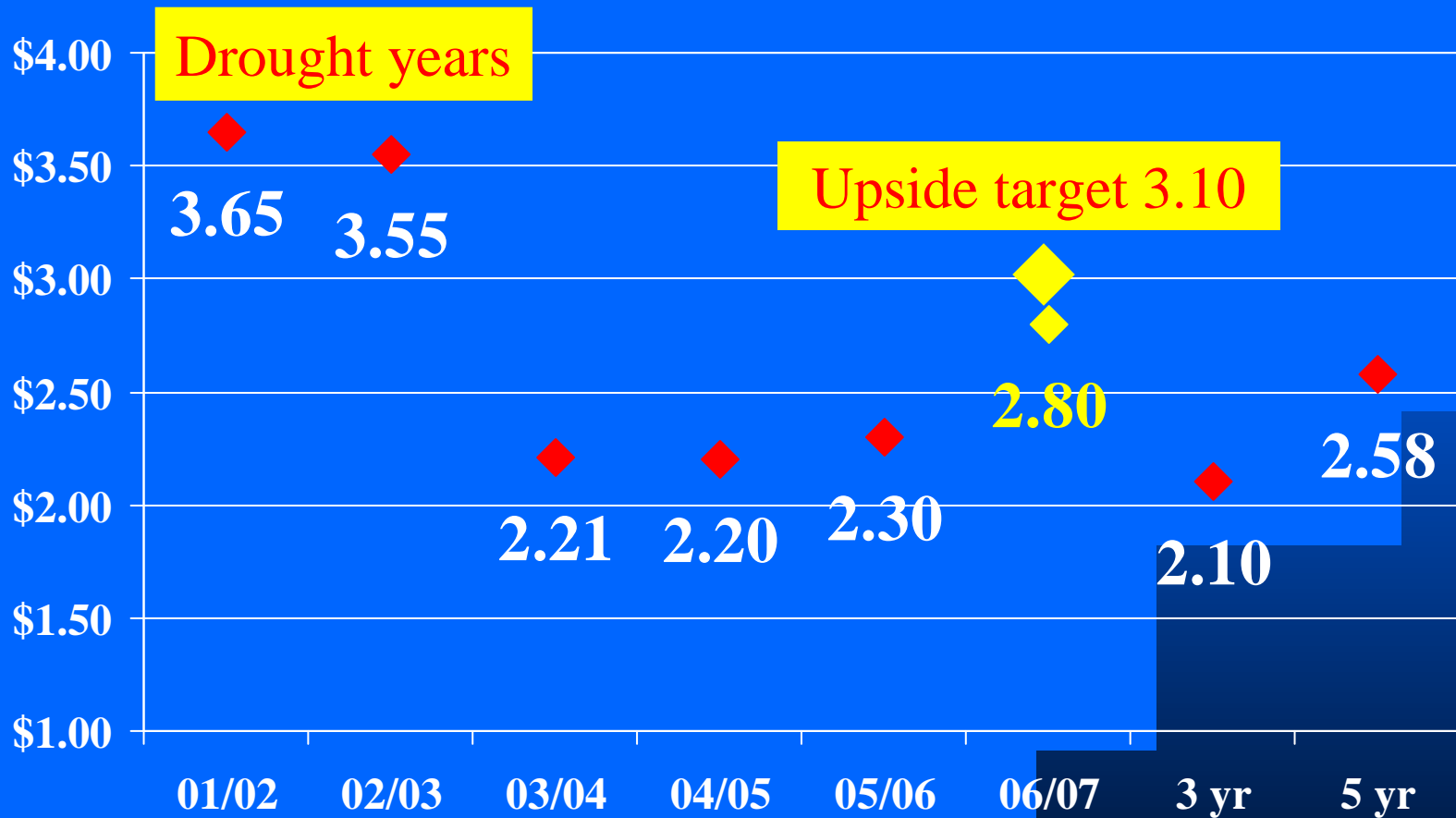


Price outlook

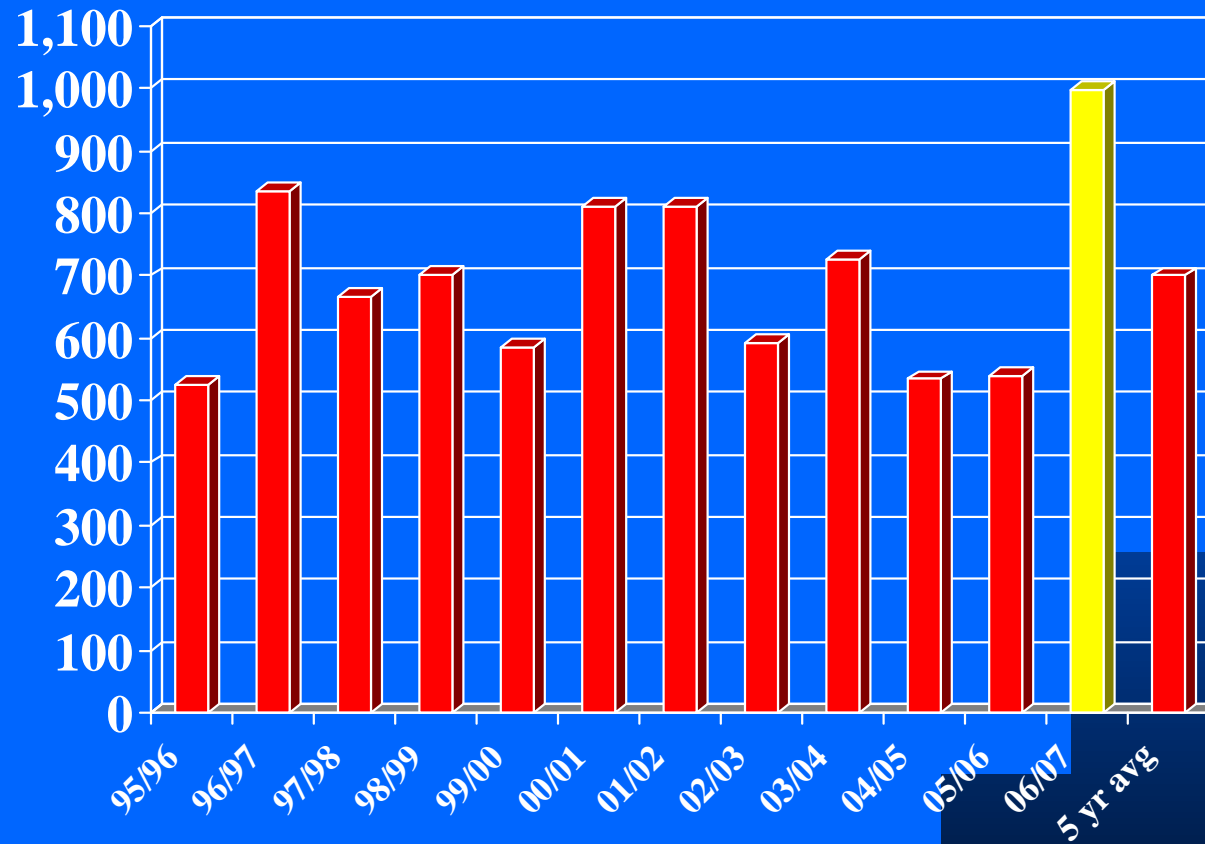
- n CBOT oats top end \$3.00 usbu
- n Manitoba milling cash top end \$3.25 cpbu -
Sask \$3.10 cpbu - Alberta \$3.00
- n Oats have room to fall relative to corn
- n 07/08 oat prices forecast lower on higher
Canadian area & Scan exports
- n Cdn 10% area increase in 07 would see 2nd
highest production in 20 years
- n Higher 06/07 ending stocks 1.2 mmt plus –
a new record



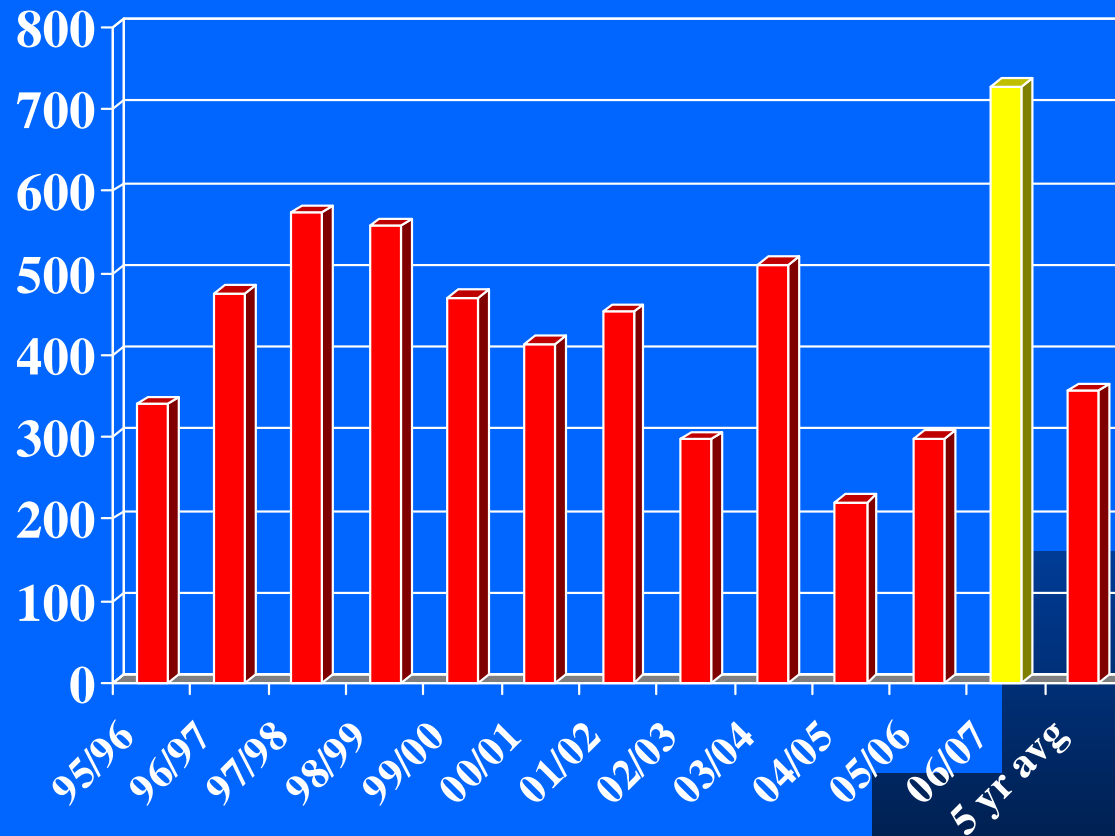
Cash highs Grain Millers - Yorkton



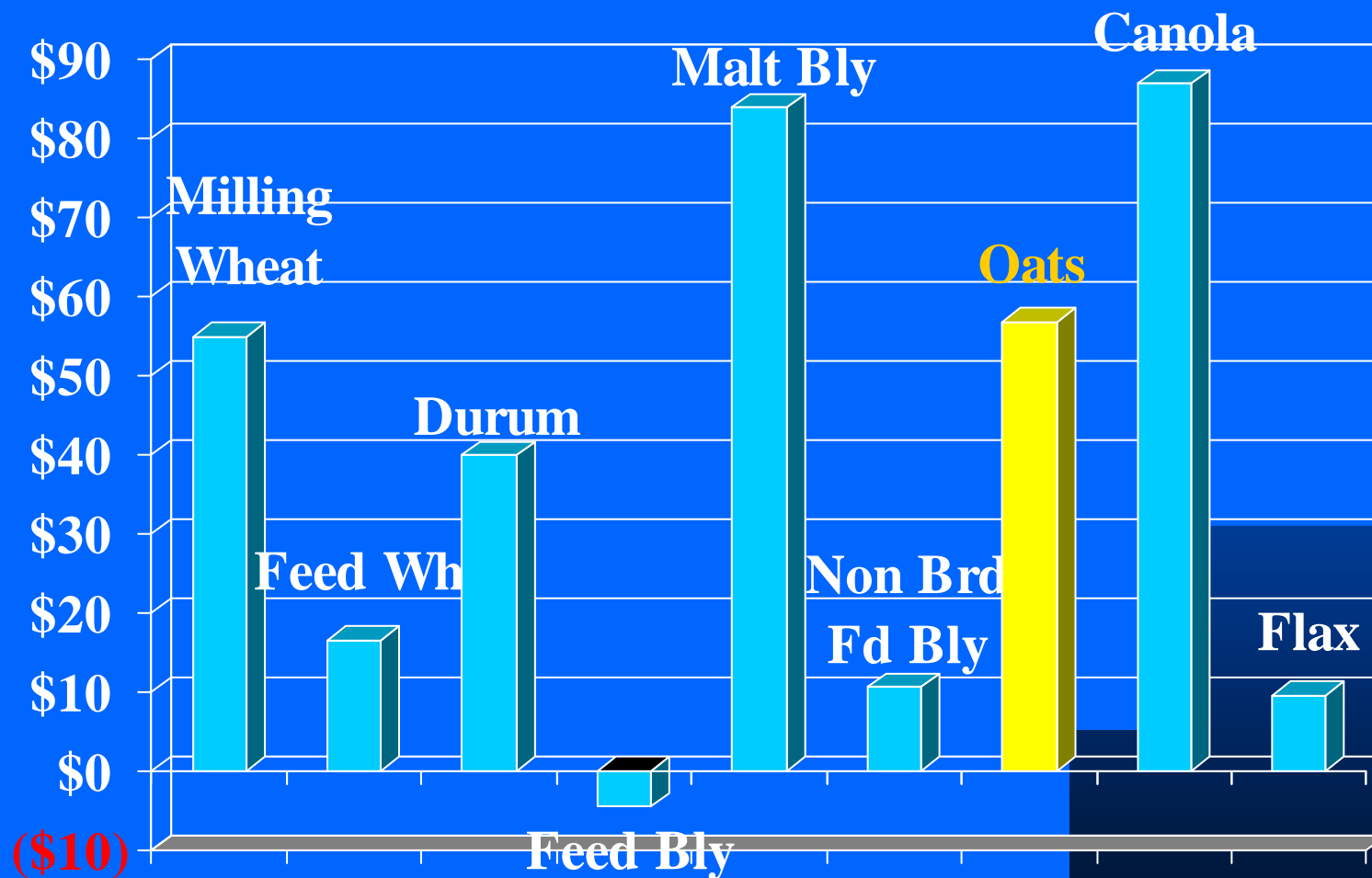
Canadian Oat Deliveries To-date



Canadian Oat Exports To-date



2007 Saskatchewan Returns



9 things to watch for in the oat market

- n CBOT oat & corn futures
- n CBOT corn/oat spread
- n Crude oil prices
- n Canadian oat 2007 planting intentions
- n Index/hedge Funds
- n Canadian oat ending stocks
- n Manitoba/Saskatchewan oat production
- n Scandinavian oat production
- n Currencies

“How to get the best price for your oats

- n Marketing plan, change it if you need to, but have one
- n Understand Canadian supply and demand
- n Look at seasonal oat trends
- n Understand markets are constantly changing, be flexible
- n Minimize losses
- n Trust no one source and do your home work
- n Selling is emotional, Understand “fear and greed”

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