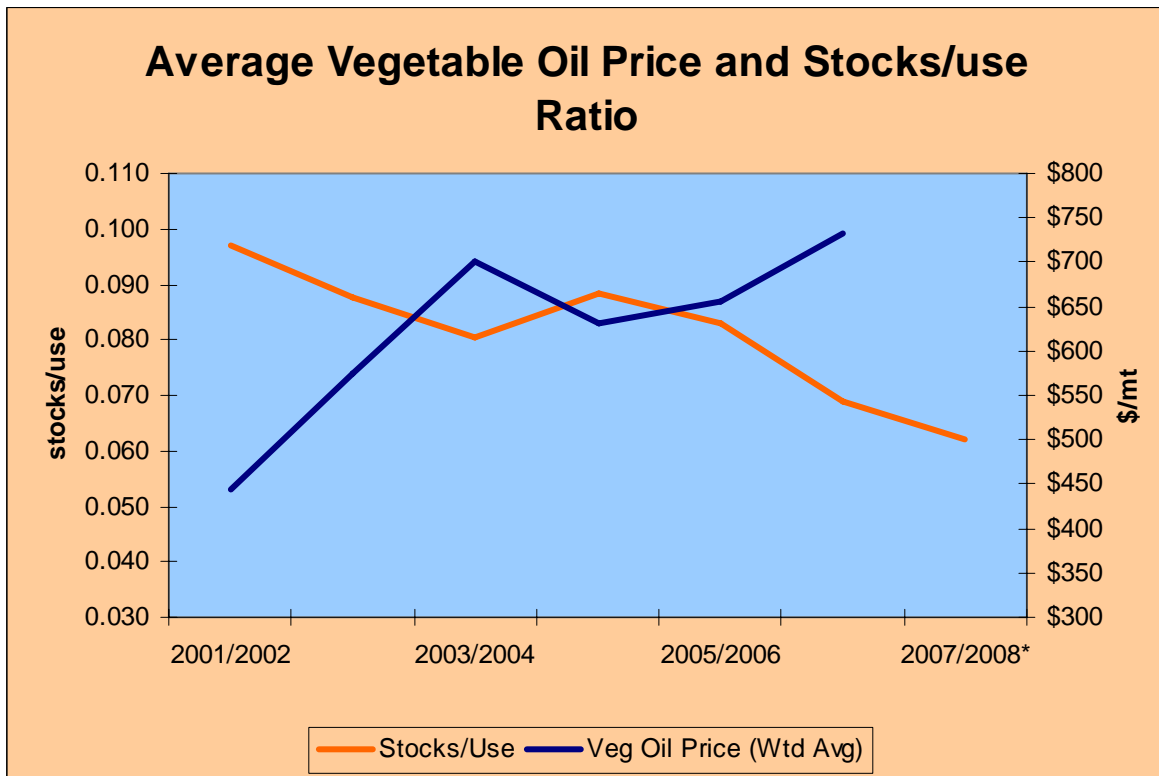




Oilseeds: World Markets and Trade

Vegetable Oil Prices Expected to Rise With Tighter Oil Market in 2007/08.



* Preliminary Forecast

Vegetable oil supplies are expected to tighten as production growth continues to lag behind demand. World vegetable oil stocks, which are projected to fall 13 percent this year, are forecast to decline an additional 6 percent in 2007/08. Accordingly, vegetable oil prices are expected to trend upward in 2007/08 given its high inverse correlation (-0.91) with oil stocks as measured against consumption (stocks/use ratio) and continued downward trend in the stocks/use ratio. Oilseed stocks, which have experienced double-digit growth since 2003/04, are also forecast to decline in the coming year.

Growth in vegetable oil demand continues to be significantly influenced by energy markets. Industrial consumption of vegetable oil, which is dominated by bio-diesel, accounts for 40 percent of annual vegetable oil demand growth yet represents only 20 percent of overall vegetable oil consumption. Demand for non-food use of oil is expected to grow 10 percent. This is a somewhat slower pace than observed over the previous three years. Increasing vegetable oil prices and changes in EU fuel taxes are expected to temper demand for bio-diesel in Europe which currently accounts for nearly 40 percent of world demand.

