

2011 and Beyond

New Directions

Marketing Winter Canola

Canola "U" Jan 18, 2011

Presented By :

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And

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Producers Cooperative Oil Mill

Oklahoma City, OK



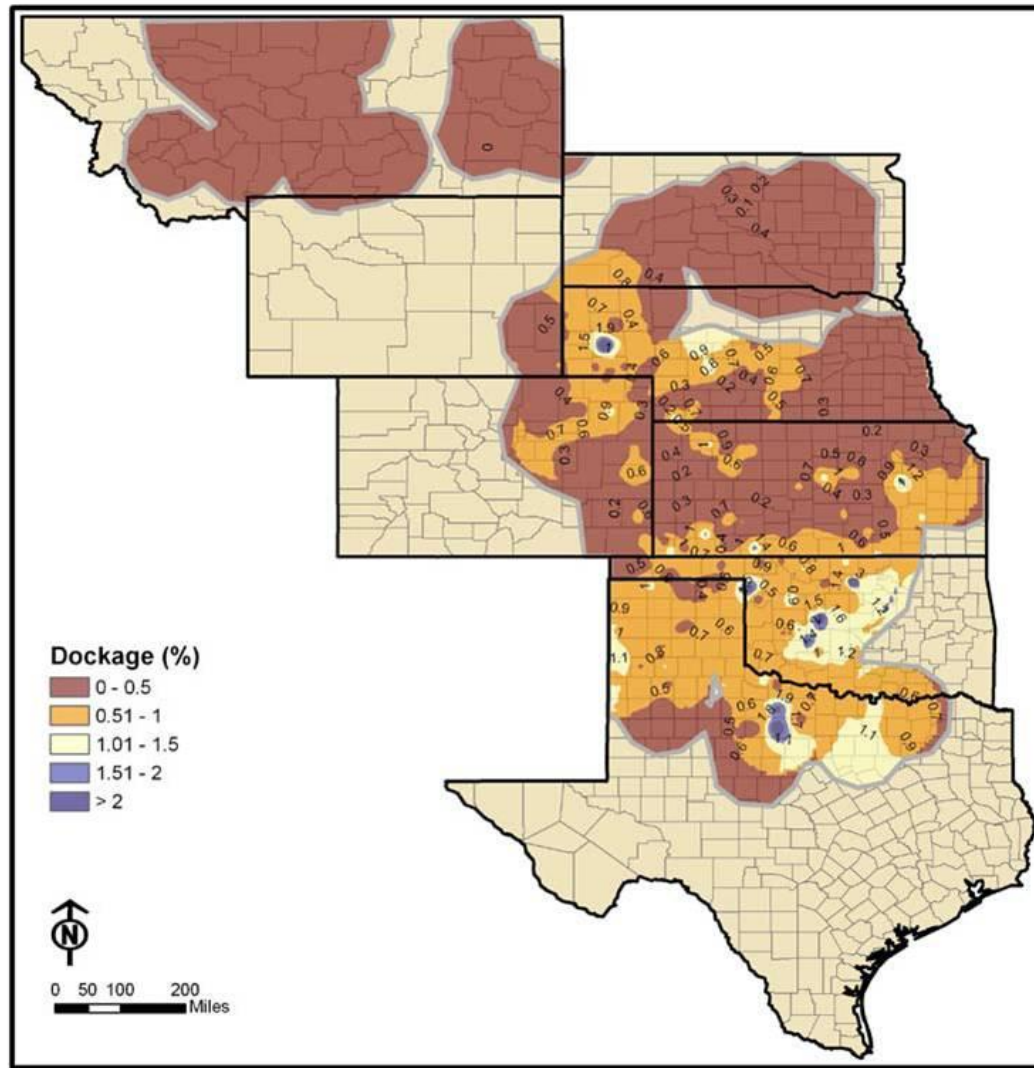
Producer Marketing of Oilseed

- **Can the producer grow Winter Canola on his farm?**
- **Why Would You Grow Winter Canola?**
- **Is Winter Canola production Profitable?**
- **Where can the producer get Help in growing Canola?**
 - OSU
 - Local Crop Production Departments
 - Commercial Seed Companies
 - PCOM – Heath Sanders,
 - County Educators – County Extension

Worse case scenario-flat yields

- 5-year average OK wheat yield from 1983-1987 harvests = 31.4 bu./acre
- 20 years later
5-year average OK wheat yield from 2003-2007 harvests = 31.6 bu./acre

2009 % Dockage in Wheat



Where does PCOM fit in?

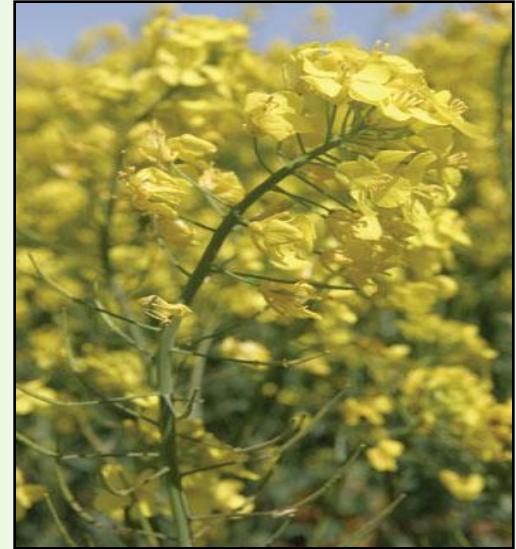


- Delivery Points
- We provide a local Market
- Market Development and Promotion



Marketing Contracts (Act of God)

- Acres (Canola)
- Full Production
- Price prior to harvest
- Price Per Pound



Deferred Pricing Contract

Option to Price Later Contract:

1. Producer can contract pounds and price the oilseed at a later date and time agreed upon by both PCOM and the producer.
2. Upon signing of contract and delivery of commodity, then title of the commodity shall pass to the buyer.
3. PCOM agrees to allow the producer to price the commodity at a later date set forth by the terms on this contract.
4. Pricing of the commodity must be done during marketing hours only and agreed upon by both parties.
5. Producer must price the commodity NO LATER than 12:00 noon CST April 1 of that years commodity harvest.
6. Buyer will price the contract April 1 between 12:00 noon and 1:00 pm CST of the commodity harvested year.
7. Seller states that the commodity he/she is selling is free and clear of all liens and security interests.
8. No Settlements will be made until verification from producers on all tickets and/or splits are confirmed.
9. Checks will be mailed only after Producer has called to verify tickets and/or Splits if any and once settlement is done.



Current Contract Price (Delivered to local Elevator)

2011 Canola New Crop

\$0.____ / lb. (BU. \$____.____)* = ____% Higher than
2011 Wheat

2011 Wheat New Crop
\$____./bushel

Wheat 60#/Bu = Canola 50#/Bu

Remember the AOG Contract

*delivered to OKC

Delivery Information

Must be contracted=Act of God or DP

Will be Graded at Del point

**To settle-Must call and check tickets
Need Landlord splits**

Will send checks within 5 Days



Producers Coop Oil Mill

Oklahoma City, OK

Delivery Points 2011

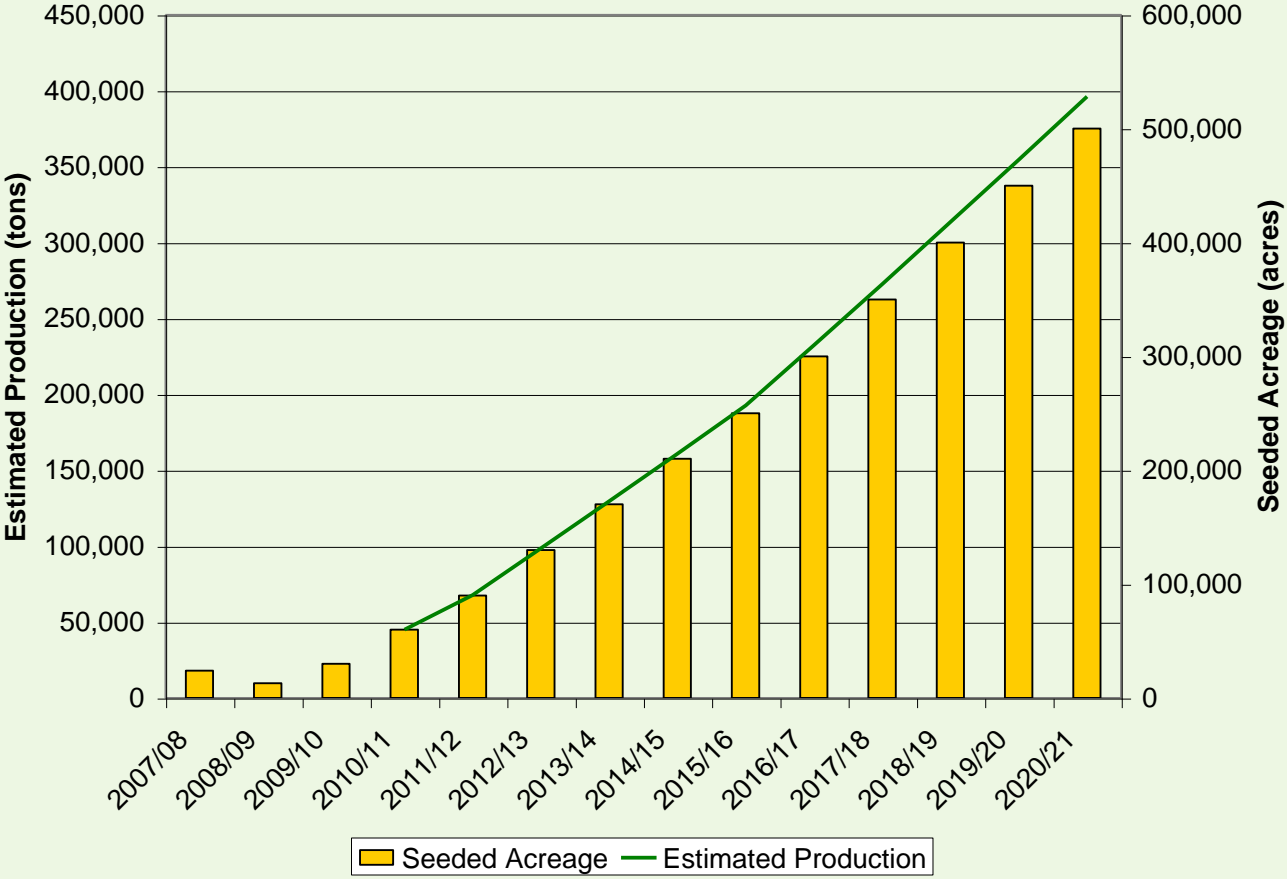
Farmers Coop Assn	Ronnie Truelock		Alva, OK	580-327-4301
Apache Farmers Coop	Steve Sweeney	EMA	Apache, OK	580-5883351
Farmers Grain Co.	Glen Thorpe	EMA	Hillsdale, OK	580-635-2263
Farmers Elevator Co.	Ernie		Drummond, OK	580-493-2212
Northern Ag	Garton Slovacek		El Reno, OK	563-422-2033
Hardeman Grain	Mike Phillips		Chillicothe, TX	405-202-9783 940-852-5118
Johnstons Grain	Brian Lahann		Fairview, OK	580-227-4686
Wheeler Bros. Grain	Ladd Lafferty		Watonga, OK	580-623-7223
Wheeler Bros. Grain			Cordell, OK	580-832-5304
Wheeler Bros. Grain	Mike Rosen		Kingfisher, ok	405-375-5545
Farmers Coop Assn.	Brad Daniels		Perry, OK	580-336-2292
Walters Coop Elevator	Randy Kinder/Jerry Krasser		Temple, OK	580-342-6635
CHS	Jay Minton or Chris		Kingfisher	405-375-6111
Tillmans Producers Coop	Jim Franklin		Frederick, OK	580-335-2107
Cassidy Grain	Brent Cassidy		Frederick,OK	580-335-2104
OK Coop	Ron Hanson		Kiowa, KS	620-825-4212
Anthony Farmers Coop	Daniel Cashier		Anthony, KS	620-842-5181
Team Marketing Alliance Co-Mark	Devin Schierling Bret Shipley		Central Kansas Southern Kansas	620-345-3560

Strong Fundamentals for Oilseed Production.

- World Population Growth
- Rising income levels and increase in high-value food consumption in developing countries
- Biodiesel Demand?
 - EU 10% renewable fuel mandate;
 - US renewable fuel standard (1 billion gallons by 2012)?

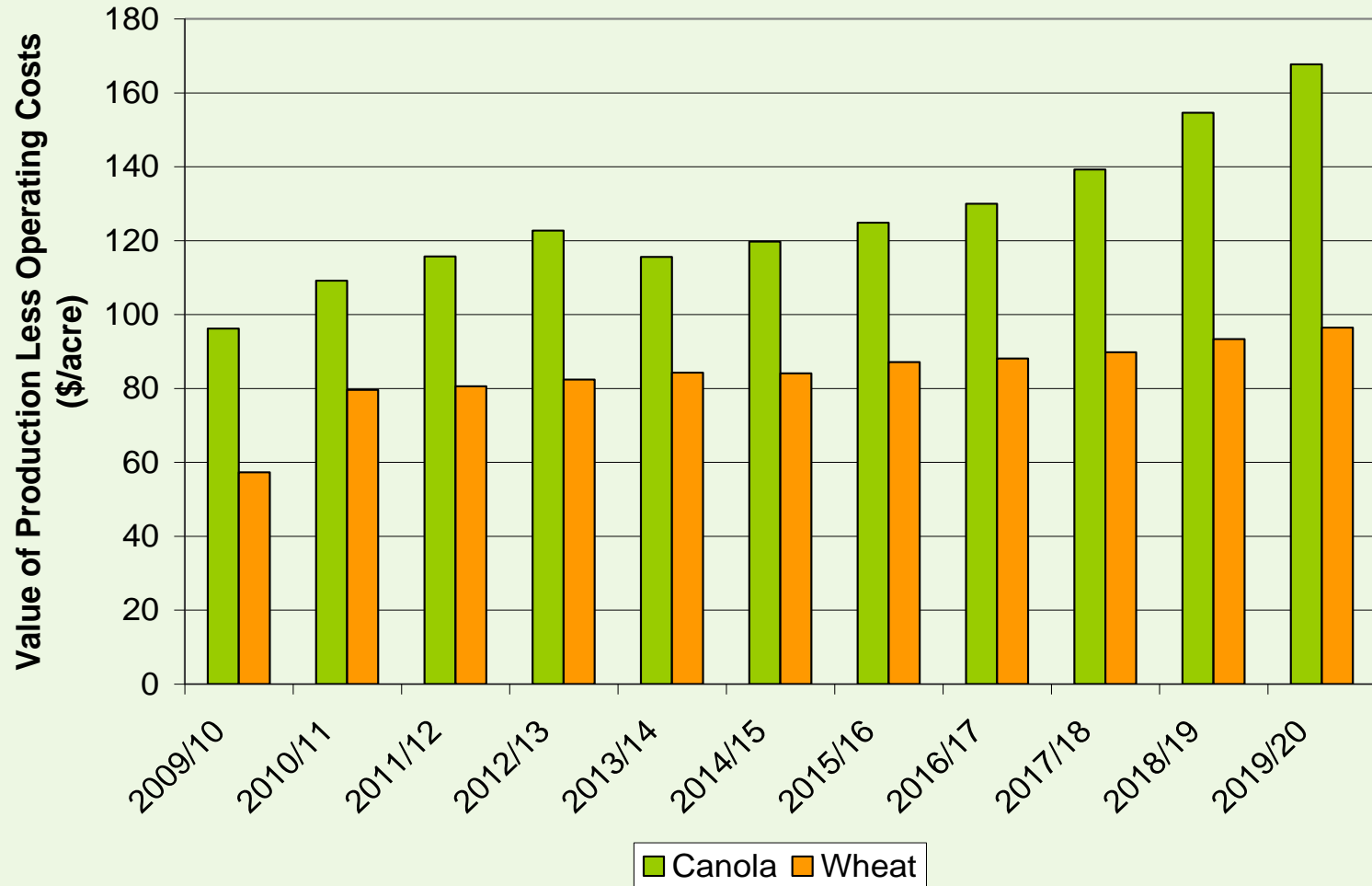
Canola Production in the Southern Great Plains

Estimated canola Production in Kansas, Oklahoma and Texas



Canola vs. Wheat in Southern Great Plains

Value of Production Less Operation Costs



Long-Term Canola Price Outlook

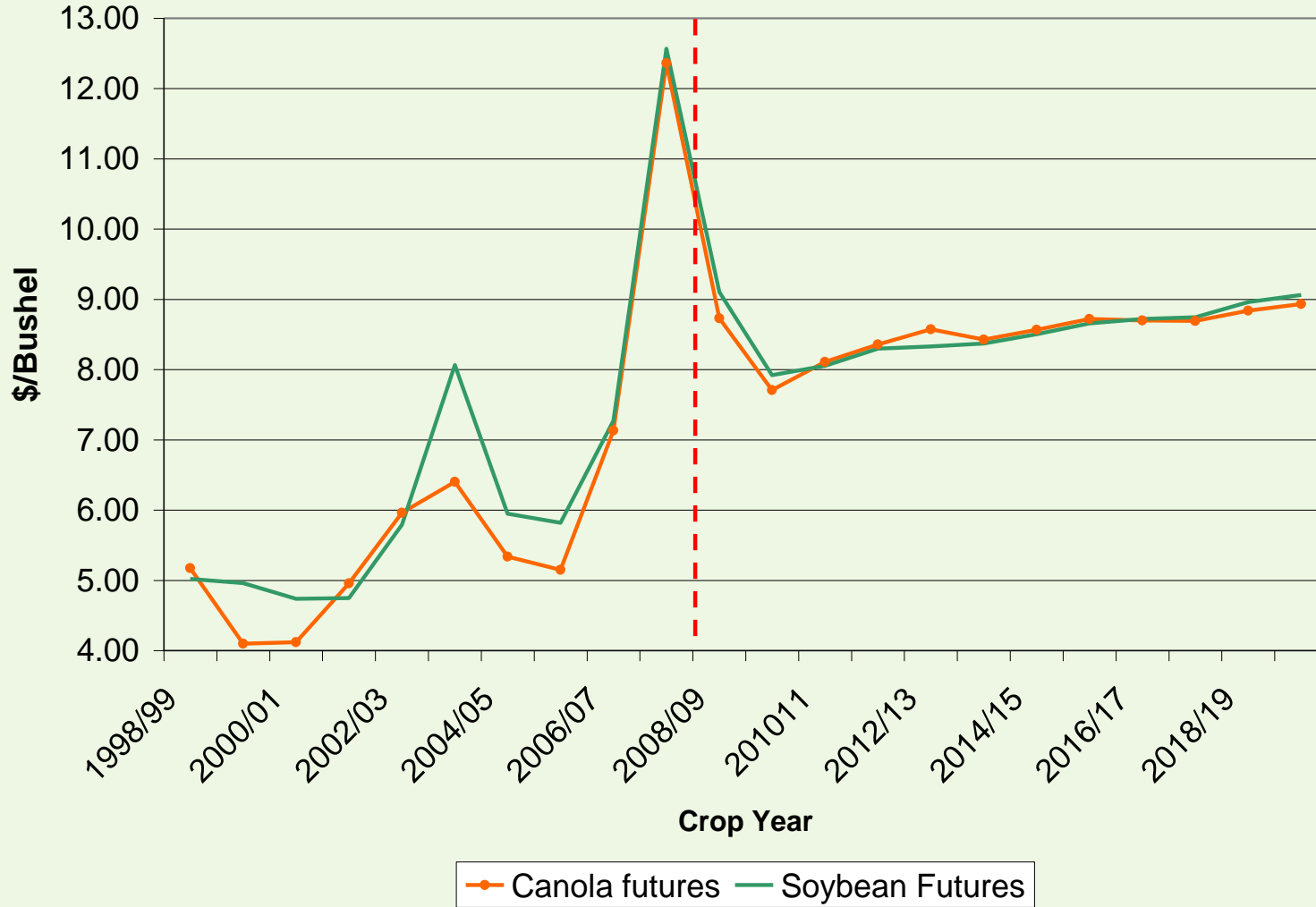


Exhibit 1: US Planted Acreage (thousand acres)

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	2002	2003	2004	2005	2006	2007	2011	2016
Corn, All	78,894	78,603	80,929	81,759	78,327	93,600	91,000	89,000
Sorghum, All	9,589	9,420	7,486	6,454	6,522	7,718	8,480	8,300
Barley	5,008	5,348	4,527	3,875	3,452	4,020	3,600	3,500
Oats	4,995	4,597	4,085	4,246	4,168	3,760	3,540	3,290
All Wheat	60,318	62,141	59,674	57,229	57,344	60,433	56,500	56,000
Soybeans	73,963	73,404	75,208	72,032	75,522	63,631	76,000	78,500
Peanuts	1,353	1,344	1,430	4,657	1,243	1,230	1,253	1,153
Sunflowers	2,581	2,344	1,873	2,709	1,950	2,068	2,450	2,950
Rapeseed/Canola	1,460	1,082	865	1,159	1,044	1,183	1,390	1,640
Flaxseed	784	595	523	983	813	354	550	550
Cotton, All	13,958	13,480	13,659	14,195	15,274	10,830	8,500	6,250
Soubeans Double-Croppe	4,179	4,138	4,481	2,811	3,933	5,046	4,500	4,500
Crop Total	319,847	318,855	315,579	313,260	310,122	312,396	317,438	314,933
Conservation Reserve	33,890	34,087	34,860	34,861	35,984	36,767	29,760	30,500
Grand Total	353,737	352,942	350,439	348,121	346,106	349,163	347,198	345,433

Highlights

- CRP acres will slip to around 30 million.
- 2007 will represent peak corn and trough soybean plantings.
- Wheat seedlings will slide lower.
- Cotton acres will decline materially.
- Canola and sunflower will both experience substantial growth.

Exhibit 5: US Soybean Complex Fundamentals

	2002	2003	2004	2005	2006	2007	2011	2016
Planted Area (mil. Acres)	74.0	73.4	75.2	72.0	75.5	63.6	76.0	78.5
Harvested Area	72.5	72.5	74.0	71.3	74.6	62.8	75.0	77.5
Harvested Yield (bu/acre)	38.0	33.9	42.2	43.0	42.7	41.1	46.1	53.4
Beginning Stocks (mil bu)	208	178	112	256	449	573	361	509
Production	2,756	2,454	3,124	3,063	3,188	2,585	3,460	4,140
Imports	4	6	6	3	9	10	10	10
Total Supply	2,969	2,638	3,242	3,322	3,647	3,168	3,831	4,659
Crush	1,615	1,530	1,696	1,739	1,806	1,845	1,970	2,085
Food/Seed/Residual	132	109	187	187	150	154	206	246
Total Domestic Disappearance	1,747	1,639	1,883	1,926	1,956	1,999	2,176	2,331
Exports	1,044	887	1,103	947	1,118	1,060	1,225	1,790
Total Disappearance	2,791	2,526	2,986	2,873	3,074	3,059	3,401	4,121
Ending Stocks	178	112	256	449	573	109	430	537
ES: Use Ratio	6%	4%	9%	16%	19%	4%	13%	13%
Futures Price (per bu)	\$ 5.79	\$ 8.06	\$ 5.95	\$ 5.82	\$ 7.27	\$ 12.35	\$ 10.71	\$ 10.39
Farm Price (per bu)	\$ 5.53	\$ 7.34	\$ 5.74	\$ 5.66	\$ 6.43	\$ 10.60	\$ 10.11	\$ 9.79
Loan Level	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
HI-PRO Meal, Decatur (per ton)	\$182	\$256	\$183	\$174	\$205	\$325	\$310	\$304
Crude Oil, Decatur (per lb)	\$0.221	\$0.300	\$0.230	\$0.234	\$0.310	\$0.520	\$0.415	\$0.395
Crush Margin vs. Futures (per bu)	\$0.63	\$0.86	\$0.61	\$0.59	\$0.66	\$0.52	\$0.65	\$0.65
SBO Pct of Product Value	37.8%	36.9%	38.6%	40.2%	43.0%	44.4%	40.0%	39.5%

Highlights

- The US acreage matrix allows soybean plantings to move toward the high 70 million acre level.
- Soybean yields benefit from technology introduced and approach 55 bushels per acre.
- Crush increases 20-25 million bushels annually as US product needs grow.
- Exportable supplies grow as production expansion exceeds crushing activity. Exports approach 1.8 billion bushels by 2016.

Exhibit 3: US Wheat Fundamentals

	2002	2003	2004	2005	2006	2007	2011	2016
Planted Area (mil. Acres)	60.3	62.1	59.7	57.2	57.3	60.4	56.5	56
Harvested Area	45.8	53.1	50	50.1	46.8	51	48.4	47.9
Harvested Yield (bu/acre)	35	44.2	43.2	42	38.7	40.5	45.4	46.5
Beginning Stocks (mil. bu)	777	491	546	540	571	456	516	501
Production	1,606	2,345	2,158	2,105	1,812	2,067	2,200	2,230
Imports	77	68	68	81	122	91	105	105
Total Supply	2,460	2,904	2,775	2,726	2,505	2,614	2,821	2,836
Feed Use/Residual	137	228	219	183	143	148	250	225
Food/Milling and Seed	998	995	985	994	1,017	1,050	1,080	1,130
Total Domestic Disappearance	1,135	1,223	1,204	1,177	1,160	1,198	1,330	1,355
Grain Exports	834	1,135	1,028	978	889	1,203	975	950
Total Disappearance	1,969	2,358	2,232	2,155	2,049	2,401	2,305	2,305
Ending Stocks	491	546	540	571	456	213	516	531
ES: Use Ratio	25%	23%	24%	26%	22%	9%	22%	23%
KC, HRW, Ordinary Protein	\$4.22	\$4.03	\$3.99	\$4.45	\$5.31	\$8.40	\$6.11	\$6.00
Farm Price (per bu)	\$3.56	\$3.40	\$3.40	\$3.42	\$4.26	\$7.30	\$5.04	\$4.93
Loan Level	\$2.80	\$2.80	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75
Shaded area represents Informa forecast								3/7/2008

Highlights

- Food and export volumes experience little growth.
- Wheat yields trend higher, registering annual increases of or the order of 0.5% annually.
- Seeded area slips lower as even modest yield increases satisfy anticipated usage volume.

Producer Economics

- Winter Canola has similar profits too or better than Wheat.
- Delivery Points have and will continue to be established in production areas.
- Research and grower experience proven higher yield potential.
- Seedbed following Canola is mellow and ideal for seeding of winter wheat.
- A Market has been established for the Producer.



Worksheet for Producer

- Go to the OSU web site:
- www.agecon.okstate.edu/budgets
- Francis Epplin and Eric DeVuyst

New in 2010

- **Oklahoma Oilseed Commission**
 - **Set check off at ½% of the value of the crop**
 - **Ex: 1800 lb/A @ \$0.164/lb = \$1.48/A**
 - **Money for research and variety demos**
 - **Board of Commissioners(Producers only)**
 - **Brent Rendel-Chairman**
 - **Kelly Chain-Vice Chairman**
 - **Lee Leeper**
 - **Alan Mindemann**
 - **Brent Thompson**

Contacts



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