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Firmer canola market in sympathy with strong world vegetable oil markets

Winnipeg canola futures

May canola futures closed up \$0.90 cpmt at \$354.40 and November closed up \$0.40 cpmt at \$379.30 The strike by CN Rail was a bearish factor on the market as once again the trade is anticipating that export movement will be disrupted. The company has vowed to once again use management employees to keep the system running. Some warmer temperatures are moving into the eastern prairies this weekend where overnight lows will finally register above freezing, Alberta will stay cool. The longer term forecast suggests back to cold temperatures and snow for mid-next week. In talking to farmers across the prairies generally a 2 week stretch of dry/mild weather is required to get into the fields. According to a Canola Council study, in the 2 years 1998 & 1999 seeding early (late April/early May) versus seeding mid-May resulted an average yield improvement of 4

bushels per acre.

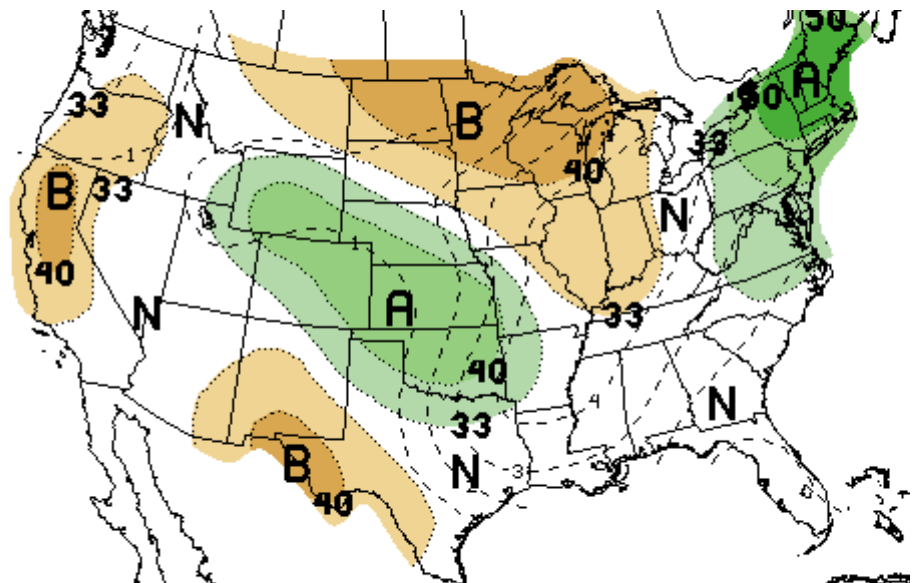
MATIF futures market

The May contract closed up 3.50 Euros at 257.25 As mentioned yesterday the market had closed right on the technical resistance and pushed through that today. Palm oil was much stronger again today, with the June contract closing up on new 8 year highs at 2,188 ringgits up 35 ringgits on the day. On a Fob basis palm oil is now at parity with Argentina soyoil, which should buy soyoil demand. In the Rotterdam market Rapeoil has started to gain on soyoil (currently a 30 euro premium) after narrowing to a 14 euro premium at the end of March.

Chicago soya complex

May soybeans closed at \$7.46 1/2 up 4 cents on the session and May soyoil closed at 32.76 up 30 points. The early strength in the corn market was sold as weather models changed and called for below to normal precipitation throughout the mid-west on the 6-10 day forecast. Soybeans did not follow corn down as the economics of growing corn versus soybeans have very much favoured corn recently. According to our calculations after the March seeding intentions the corn market fell to a level where corn was favoured by \$25.00/acre over soybeans after all costs. With the recent rally in corn that spread moved back out to an \$85.00/acre

U.S. 6-10 day moisture outlook



premium over soybeans which is a major advantage to corn. This change in the spread plus the change in the forecast pressured corn and supported the soybean market. Once again soyoil was strong on the heels of the firmer palm oil market and the energy complex. Gasoline prices were up just over 1% today

Market analysis and news

In reviewing yesterday's USDA report there did not appear to be any significant changes except possibly the world vegetable oil stock position which was reduced by a significant amount (5.40%). This reduction in world stocks includes an increase in U.S. increase in world stocks of soy oil of

50,000 mt (which essentially came from an increase in U.S. soyoil stocks)

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World and U.S. Supply and Use for Oilseeds 1/
(Million Metric Tons)

Commodity	Output	Total Supply	Trade	Total Use 2/	Ending Stocks
World					
Oilseeds					
2004/05	381.24	425.50	74.67	301.96	56.81
2005/06 (Est.)	390.29	447.09	76.70	317.54	63.27
2006/07 (Proj.)					
March	399.14	460.91	82.50	331.54	63.99
April	402.86	466.13	82.20	331.87	67.42
Oil meals					
2004/05	205.89	212.47	60.06	203.96	7.63
2005/06 (Est.)	214.75	222.38	65.34	214.38	6.51
2006/07 (Proj.)					
March	225.60	231.78	68.22	223.74	5.99
April	226.02	232.53	68.54	224.75	6.36
Vegetable Oils					
2004/05	111.39	119.52	42.67	108.08	9.47
2005/06 (Est.)	117.98	127.45	46.35	115.39	9.18
2006/07 (Proj.)					
March	124.33	133.57	48.52	122.54	9.16
April	123.10	132.27	47.60	121.94	8.65

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