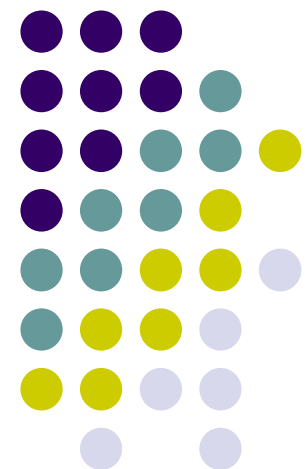


Biodiesel's Growth and it's Impact on the Oilseed Industry

75th IASC World Congress
San Francisco, CA – June 16, 2006

John B. Campbell
Senior Vice President
Ag Processing Inc

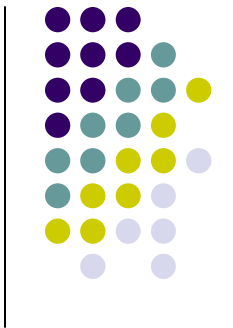


Willie Nelson – “Bio Willie”

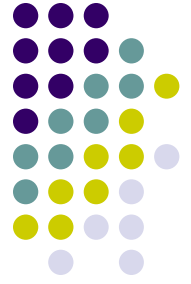


Neil Young



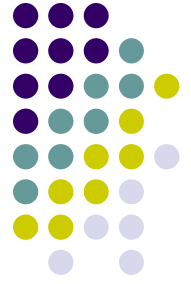


Darryl Hannah



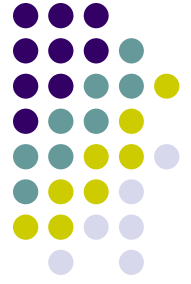
“JOBS” BILL

- Brings USA into WTO compliance, thus eliminating retaliation on soymeal imports.
- Extracted “fuel fraud” excise tax provisions from stalled energy bill and inserted them into “JOBS” BILL.



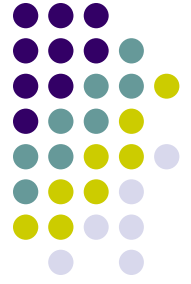
- Ethanol and biodiesel excise tax exemptions decoupled from highway trust fund.
- Agribiodiesel = \$1.00/gal. “Biodiesel Mixture”
- Biodiesel = \$.50/gal. “Biodiesel Mixture”

Most Frequently Asked:

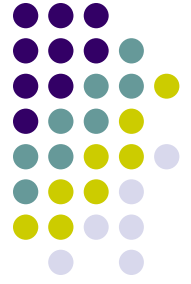


- How big will it get?

Supply/Demand Equation:



- Government incentive
- Diesel Fuel Prices
- Fat Prices



Soyoil Assumptions:

- 3 billion bushel crop
- 1.7 billion bushel crush
- 11.3 lbs./bu. oil yield
- Carryout between 1- 2 billion pounds
- Food demand will always prevail

Animal Fat and Waste Grease Availability

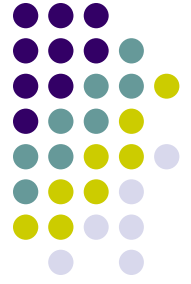


- No carryover
- Historic price discount to soy will narrow and possibly disappear for animal fats
- Waste grease discount to soy will narrow to \$0.7/lb. or less

Esterification Capacity:



- National Biodiesel Board members:
50 members = 350 million gallons (2.7 billion lbs.)
- USDA CCC Bioenergy contracts
40 entities = ? million gallons
2005 CCC production = 61 ml.gls. soy; 5 ml.gls. grease
- Through 2005, 20 entities received production subsidies
- From 2001 - 2005, only 5 entities produced 85% of the biodiesel
- FY06 first and second quarter CCC report put annualized production at 150 ml.gls (1.2 bl.lbs.) CCC report is consistent with new census bureau reports.

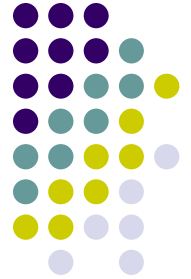


CAPACITY?

- 100 ml.gls. dedicated biodiesel plants
- 50 ml.gls. swing capacity soap and petrochemical
- 115 ml.gls. under construction
- 200 ml.gls. planning stages

By the end of FY 2007 265 ml.gls. in place
= 2 billion pounds

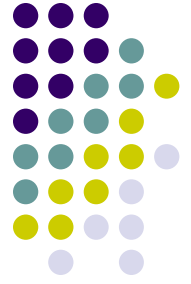
Supply and Demand Balance:



- How much biodiesel will the market take?
- “As much as we produce.”
- PRICE ??



- Domestic feedstock availability = 1 - 2 billion
Domestic conversion capacity = 1 - 2 billion
- Demand Shock Impact
 - \$42 crude = \$1.20 gl. Diesel
 - \$.23 fob oil
 - 100% of incentive passed to consumer



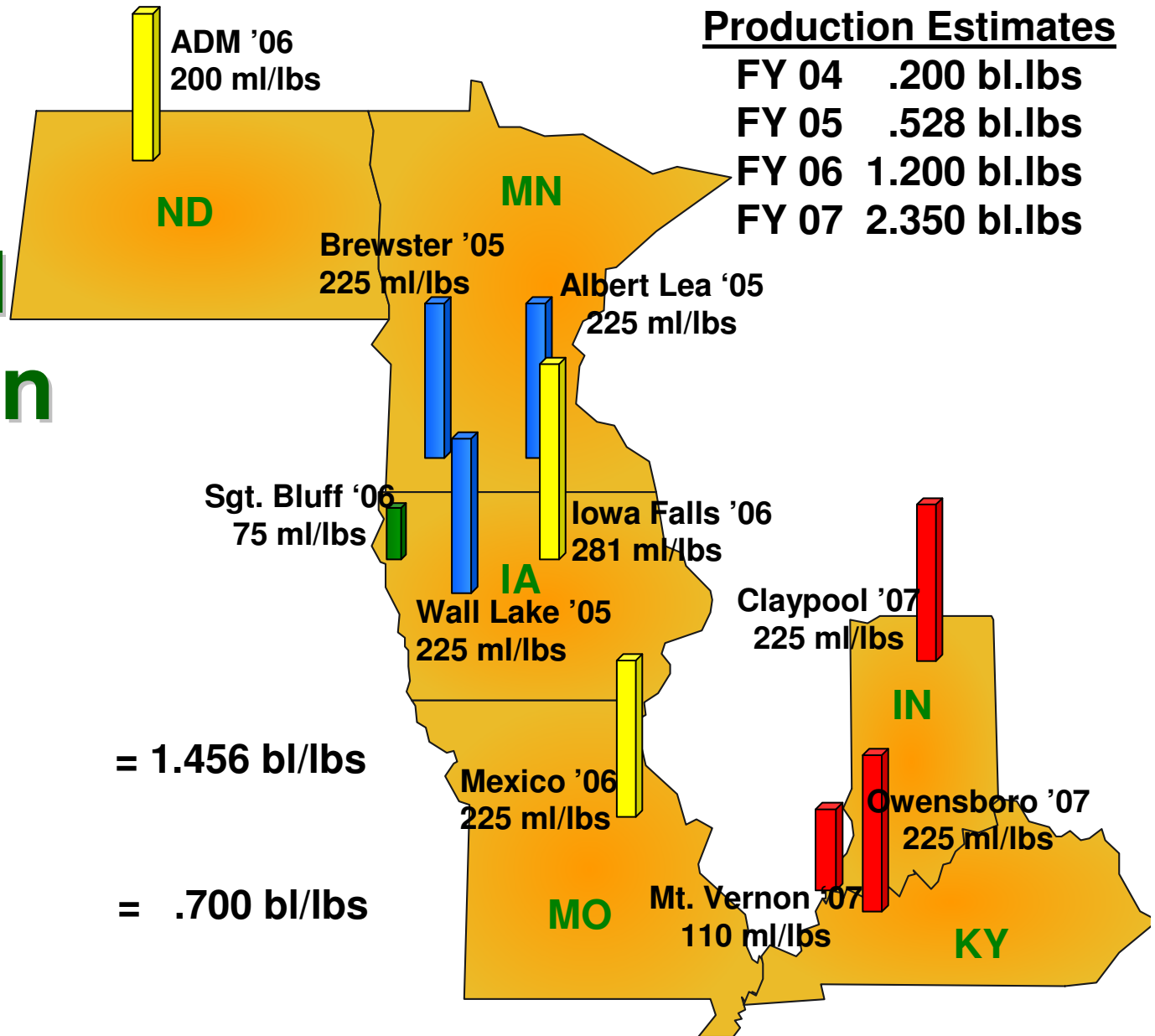
Findings:

- 700 million lbs. new demand = \$.03 rise soy
- 1500 million lbs. new demand = \$.06 rise soy
- Between these two numbers, B2 blends move from slight discount to diesel to slight premium

New Biodiesel Production

Production Estimates

FY 04	.200 bl.lbs
FY 05	.528 bl.lbs
FY 06	1.200 bl.lbs
FY 07	2.350 bl.lbs



- Facilities coming on stream July '05 through August '06

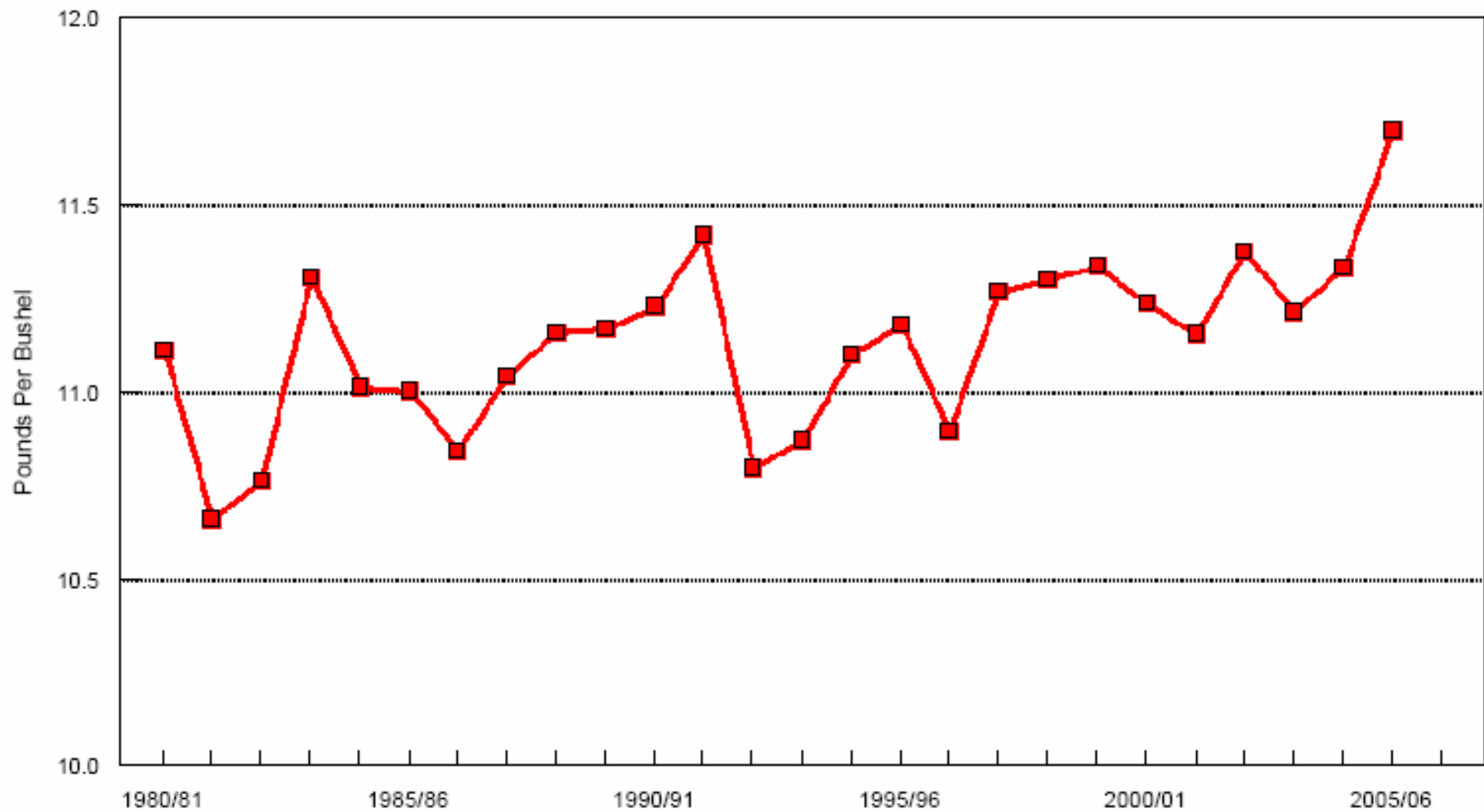
= 1.456 bl/lbs

- Facilities coming on stream FY 07

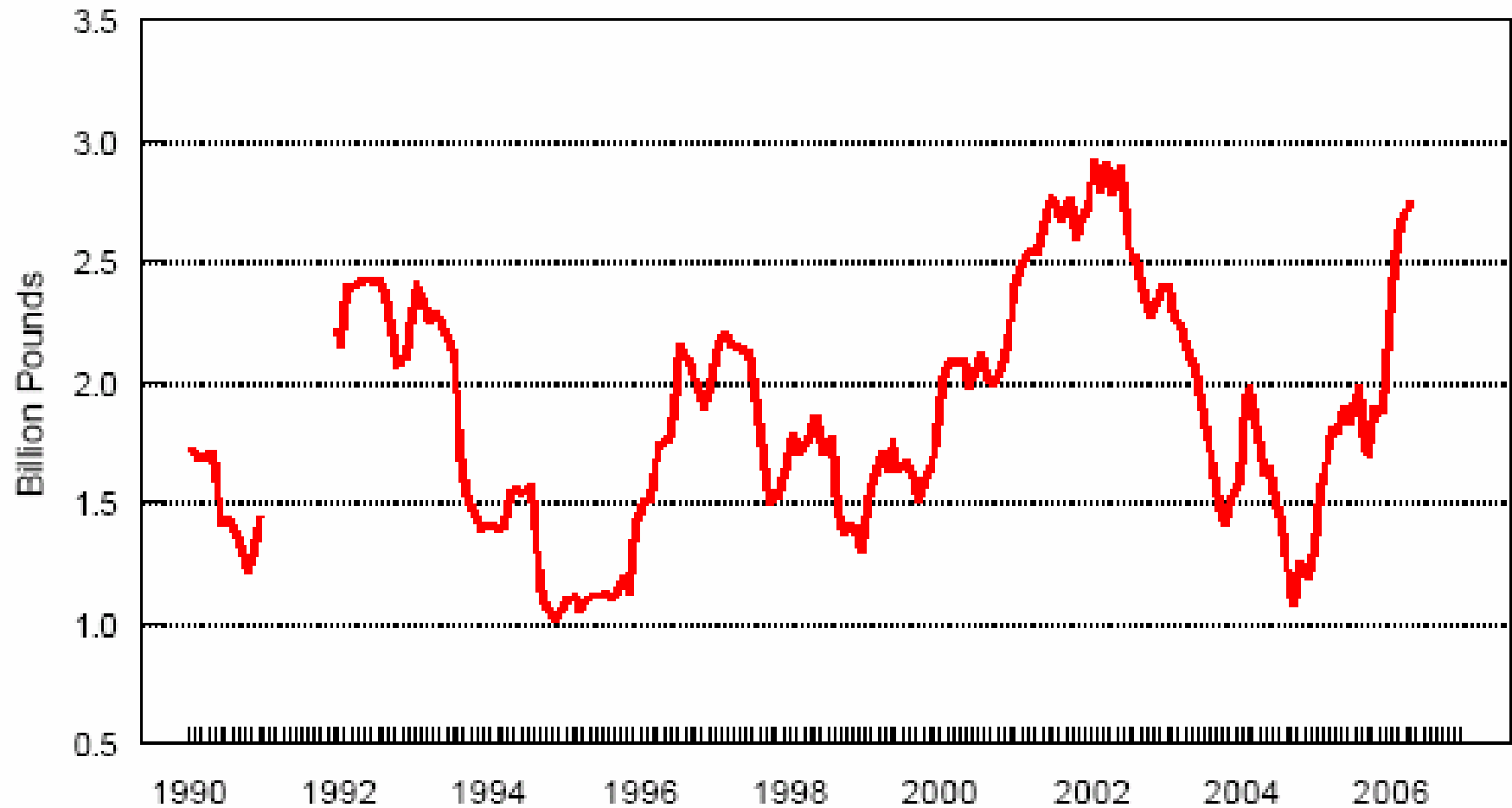
= .700 bl/lbs

U.S. Soybean Oil Crush Yields

Oct/Sep Crushing Season

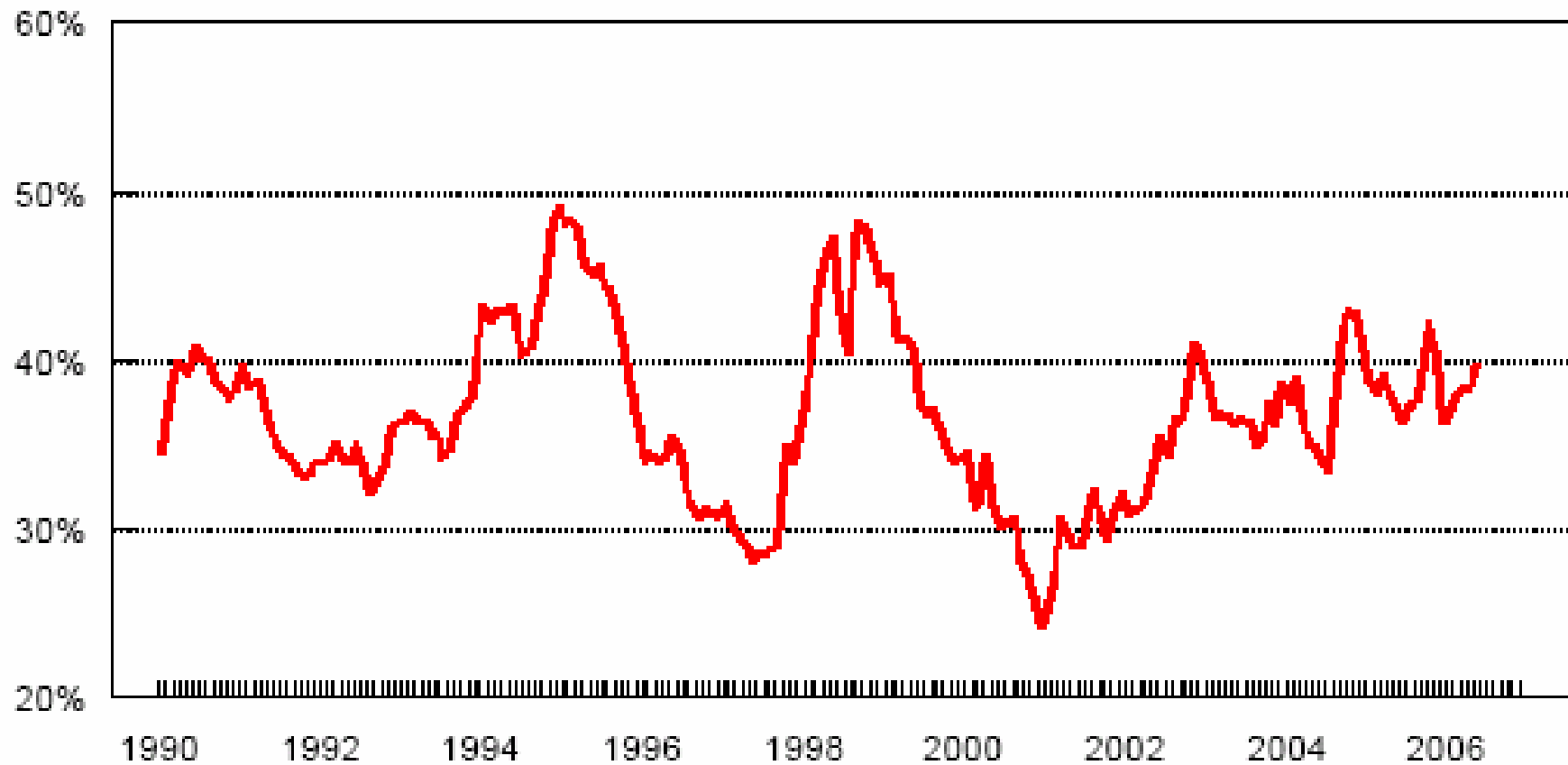


U.S. Monthly Soybean Oil Stocks

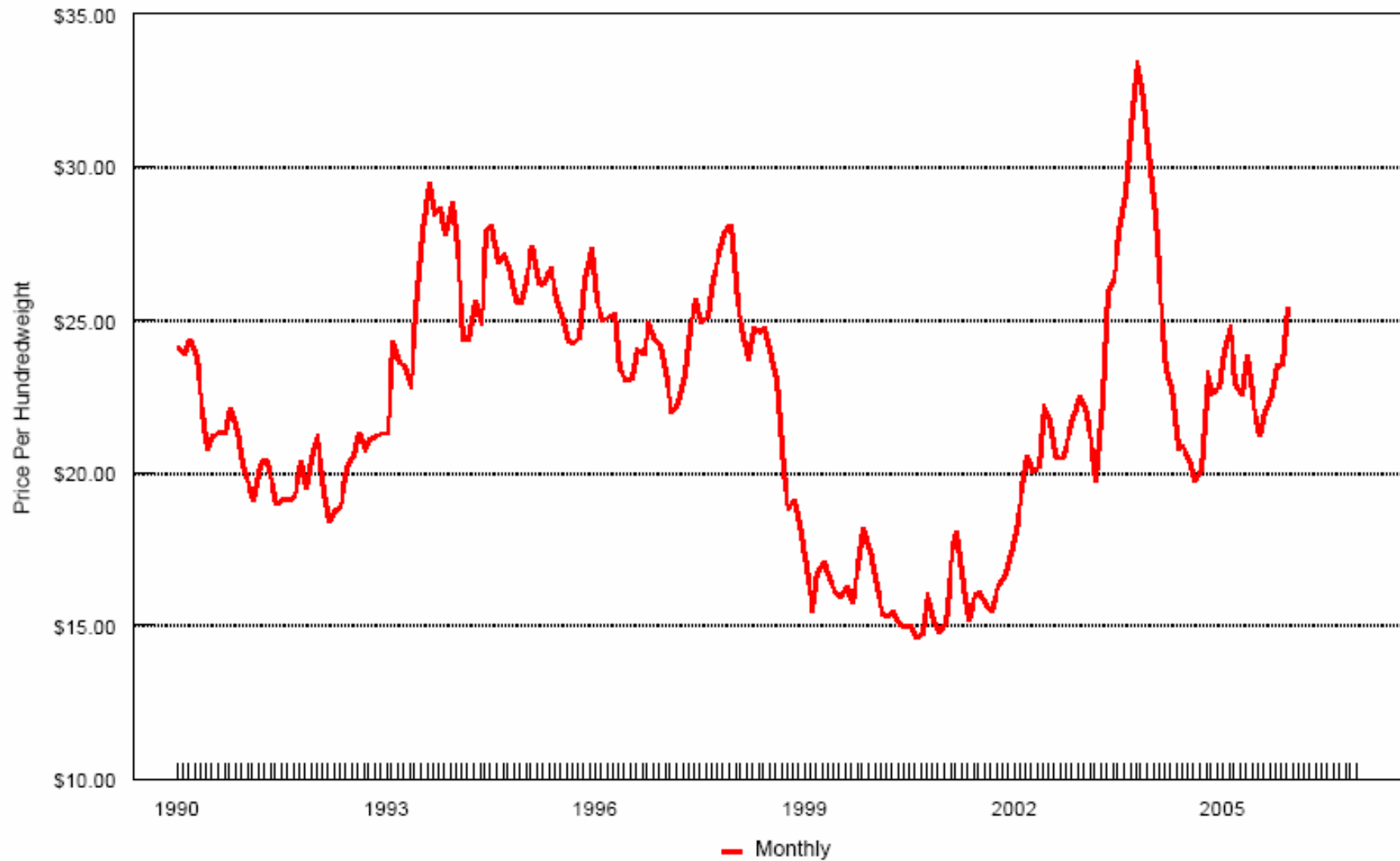


Decatur Cash Soyoil Product Value

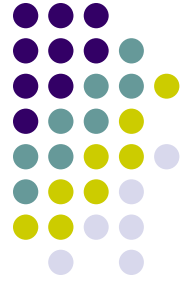
Basis 48% Protein Meal



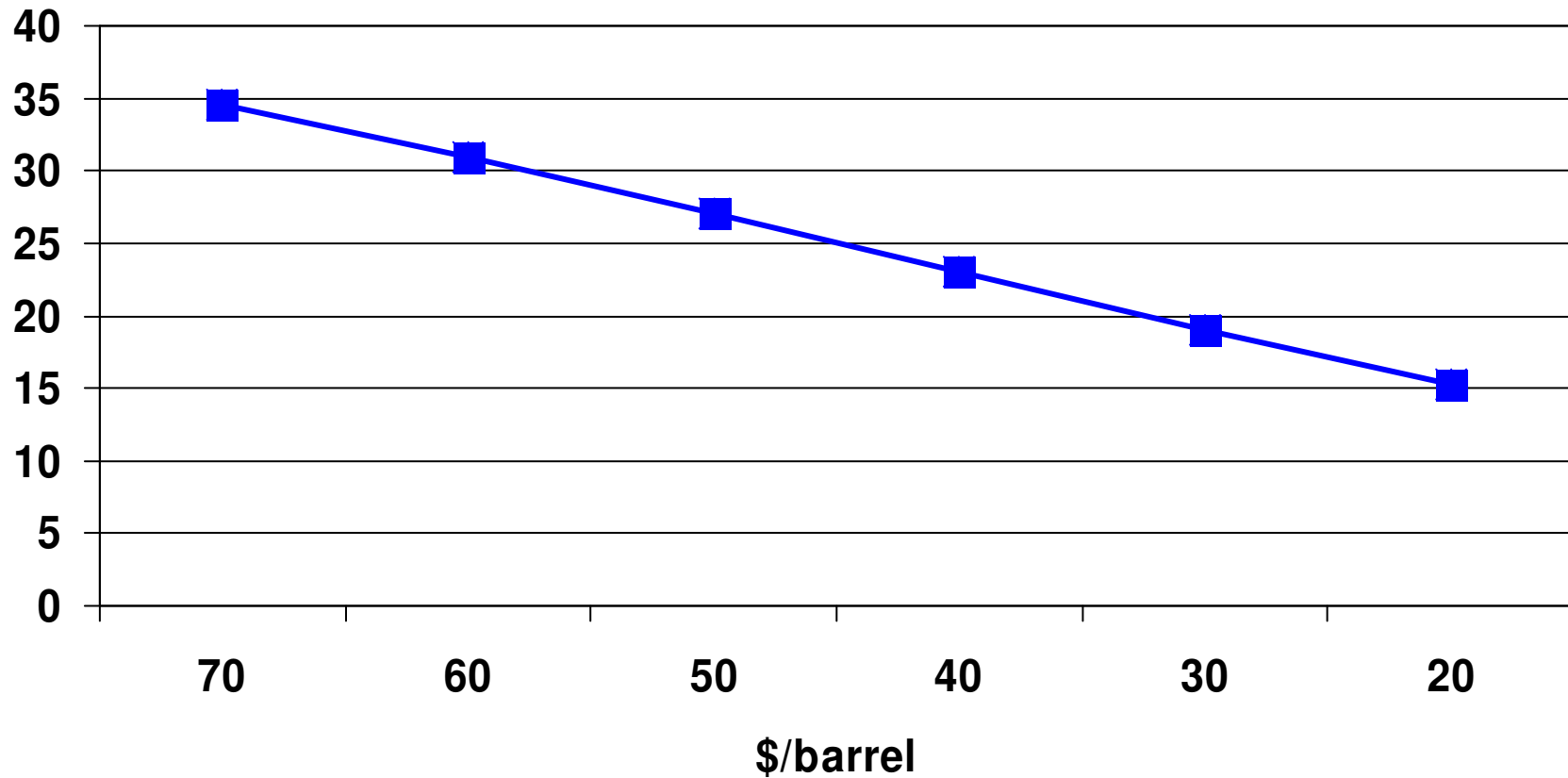
Nearby Chicago Soybean Oil Futures



Breakeven Profitability at Different World Crude Oil Prices



Breakeven soy oil price cts/lb



SOY PRODUCT PRICING MATRIX

\$0.70 CRUSH MARGIN

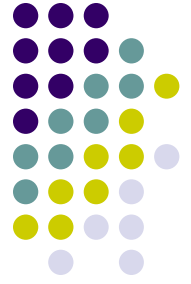


ALTERNATIVE SOYOIL PRICING

	<u>30.0%</u>	<u>40.0%</u>	<u>50.0%</u>	<u>60.0%</u>
\$5.50	\$0.1691	\$0.2255	\$0.2818	\$0.3382
\$6.00	\$0.1827	\$0.2436	\$0.3045	\$0.3655
\$6.50	\$0.1964	\$0.2618	\$0.3273	\$0.3927

ALTERNATIVE SOYMEAL PRICING

	<u>70.0%</u>	<u>60.0%</u>	<u>50.0%</u>	<u>40.0%</u>
\$5.50	\$197.27	\$169.09	\$140.91	\$112.73
\$6.00	\$213.18	\$182.73	\$152.27	\$121.82
\$6.50	\$229.09	\$196.36	\$163.64	\$130.91



Imports:

- No prohibition on oils or esters
- Expected biodiesel production will likely impact trade flows within two years
- Legislative correction?

Unknowns:

- Transfat
- Food Aid
- CRP/Soy Acres

