

# SOYBEAN PROCESSING INVESTMENT OPPORTUNITY

Fall 2018

# PRESENTATION SUMMARY

- ❑ Provided to Global Affairs Canada Trade Commissioners
- ❑ WOLG requested federal participation to identify global firms that would be well positioned to invest in a soybean processing facility
- ❑ The presentation informed the Commissioners of the opportunity so they could carry detailed discussion to prospective investors
- ❑ Three webinars were held October 10 - 17, 2018:
  - ❑ Europe
  - ❑ The Americas
  - ❑ Asia
- ❑ Robin Woodward and Richard Pauls presented on behalf of WOLG
- ❑ Next steps focus on detailed opportunity discussion / corporate engagement

Fall 2018

# THE OPPORTUNITY

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Establish a world scale soybean processing facility in Western Canada

No hexane based soybean facility exists in Western Canada

Market growth supports plant build

# Key Items

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- The opportunity
- Current industry structure
- Current supply base – acres planted
- Markets for soy meal
- Markets for soy oil / biodiesel



Viterra Soybean Processing Facility  
Becancour, QC

Capacity: 1.05MMT/Year

Products: Soy meal for livestock  
Vegetable oil – food  
Vegetable oil - industrial

# Who We Represent

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- The Westman Opportunities Leadership Group
- Established in the fall of 2016
- Business, farm and community leaders

## Group's Goal:

- Attract a global soybean processing plant to MB
- Not interested in plant ownership



# Today's Market Opportunity

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- There is no hexane-based facility in Western Canada
- Western Canada's Hog & Poultry industry
  - ▣ Large and growing
  - ▣ Soymeal supplied by United States based processors
- Dairy/beef in AB, BC, Washington and Oregon
- Canada's commitment to a carbon pricing program (Canada Clean Fuel Standard)
  - ▣ Will prompt increase in bio-diesel production

# The Products / Market Focus

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## SOY MEAL:

### **Preferred feed source of poultry and hog industry**

- Livestock market is 'Western Canadian focused'
  - ▣ Current soymeal is imported from Minnesota and serves the MB, SK and AB hog and poultry markets.
- North Dakota/Montana livestock areas
- Some opportunity to serve BC/OR/WS dairy sector
  - ▣ Supply logistics support export

## SOY OIL:

- ▣ Local value added (paint, etc.) markets
- ▣ Biodiesel (W/Canada) imports \$496M (75%USA/25% Singapore)

# Scale of Opportunity

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Size & location is dependent upon the investor

- A 2500 tonne per day plant would
  - ▣ Require ~\$330M CDN investment (\$200-\$450M)
  - ▣ Directly employ 40-80 people (650 indirect)
  - ▣ Produce soymeal (feed) and soy oil
  
- Deliver opportunity for a conversion facility for soy oil to bio-diesel



# Why Western Canada

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- MB imported 278MKg \$114M soy meal from USA in 2017  
(MB Cooperator, July 12, 2018; MB Agri-food Imports by Commodity Group)
- W/Canada imported 505MKg soymeal valued \$222M  
(Stats Canada table 990-0023, product code 230400)
- Soybean acreage is expanding
  - ▣ Producer knowledge is growing
  - ▣ Early adopters are delivering highly variable planting acreages each year
- Hog production could grow by 1.6M head
  - ▣ Local hog processing capacity exists and can grow
  - ▣ HyLife & Maple Leaf Foods

# Today's Global Trade Dynamics

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- A unique opportunity to displace a value added import with Canadian production
- Establishes a Canadian source of soybean meal
  - ▣ Limits 'Loss of NAFTA' risk
- Delivers value added processing rather than exporting a raw commodity
- Insulates producers from fluctuations in the CDN \$\$
- Domestic processing capacity would protect the industry from Canada/USA trade disruptions
- A Canadian facility will spur hog sector growth, further increasing local markets

# The Production Base (acres)

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## □ Manitoba, Saskatchewan & AB in Canada

	<b>Manitoba</b>	<b>Saskatchewan</b>	<b>Alberta</b>	<b>Total</b>
2016	1,635,094	240,000	0	1,875,094
2017	2,290,000	850,000	0	3,140,000
2018	1,890,000	407,500	18,300	2,315,800

Source: Soy Canada

## □ North Dakota and Minnesota in the USA

	<b>North Dakota</b>	<b>Minnesota</b>	<b>Total</b>
2016	6,050,000	7,550,000	13,600,000
2017	7,100,000	8,150,000	15,250,000
2018	7,100,000	7,900,000	15,000,000

Source: US Prospective Plantings Report (March 2018)

# Meal Disposition

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- Primary meal market is hog and poultry sectors
- On-farm hogs only (not annual capacity)

2017	On Farm Hogs (NOT ANNUAL)	Poultry (Number)	Poultry (Kgs)	On Farm Cattle (Beef & Dairy)
Manitoba	3,465,000	35,795	62,402	1,050,000
Sask	1,105,000	29,584	52,306	2,255,000
Alberta	1,470,000	71,816	132,165	4,730,000
BC	91,000	115,444	197,652	590,000
Total	6,131,000	252,639	444,525	8,625,000

Source: CANSIM Table 32-10-0145-01; 32-10-0117-01;32-10-0130-01

# Soy Oil Disposition

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- Global export market is at a steady 9–9.5 million mt.
- Demand growth for biodiesel dependent upon federal and provincial mandates for green fuel
- The biodiesel market represents a major source of commercial deficit for Manitoba
  - ▣ In 2014 Manitoba imported **\$928M diesel**.
  - ▣ **In 2017 Manitoba imported \$82M bio-diesel.**
- In 2017 W/Canada (MB,SK,AB,BC) imported 290M kg bio-diesel valued at \$496M  
(Source: BU/RDI; Statistics Canada, HS Code 382600)

# Canada's Clean Fuel Standard

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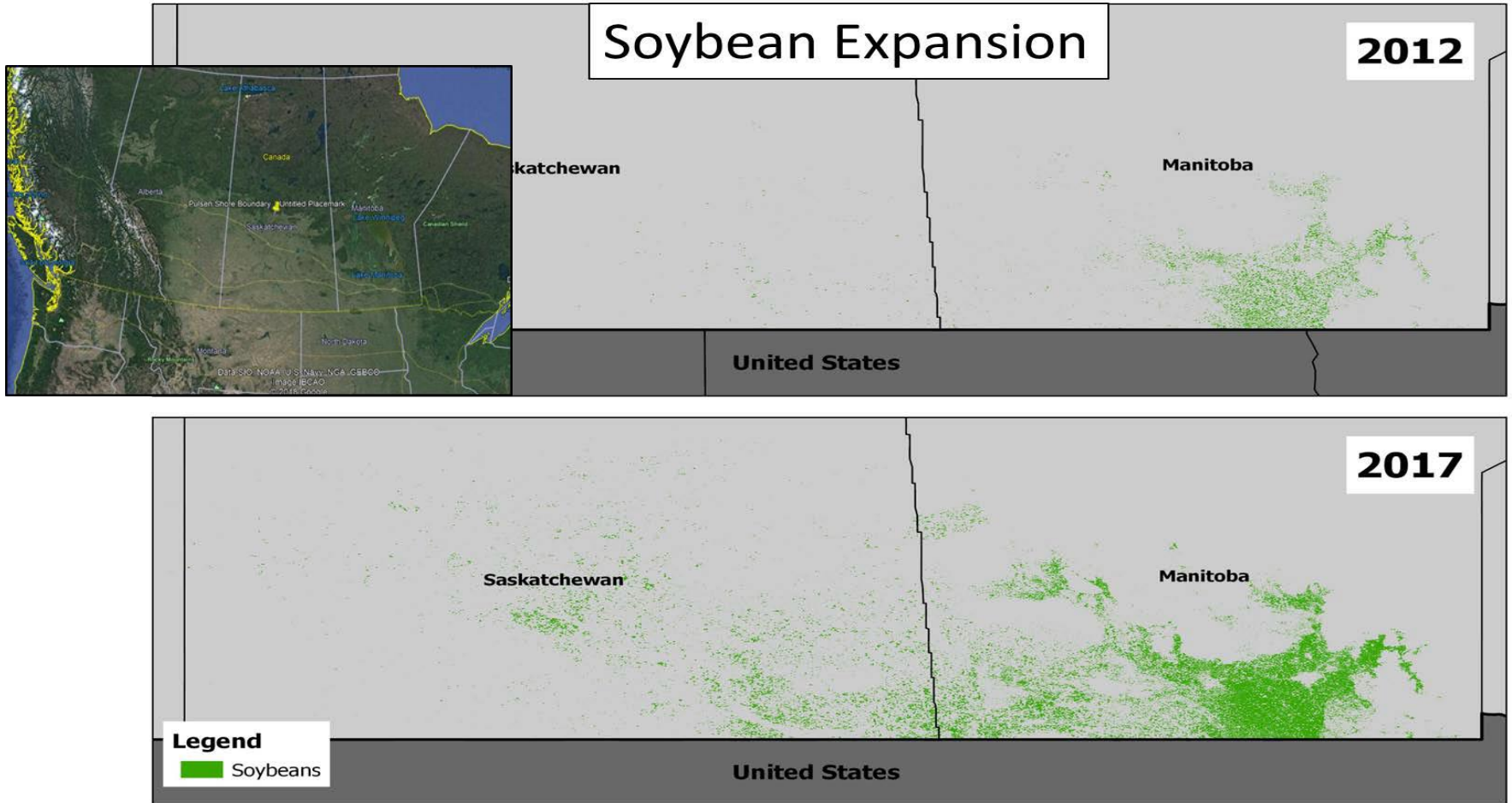
- Supports growth of fuels like bio-diesel
  - Today's reduction mandate: 4MT GHGs/yr
  - CFS mandate by 2030: 30Mt GHGs/yr
- Will apply to all fuels
- Fuel standard: 2022
- Full implementation 2030



Soybean Processing Facility – Investment Attraction

# The Production Base (Region)

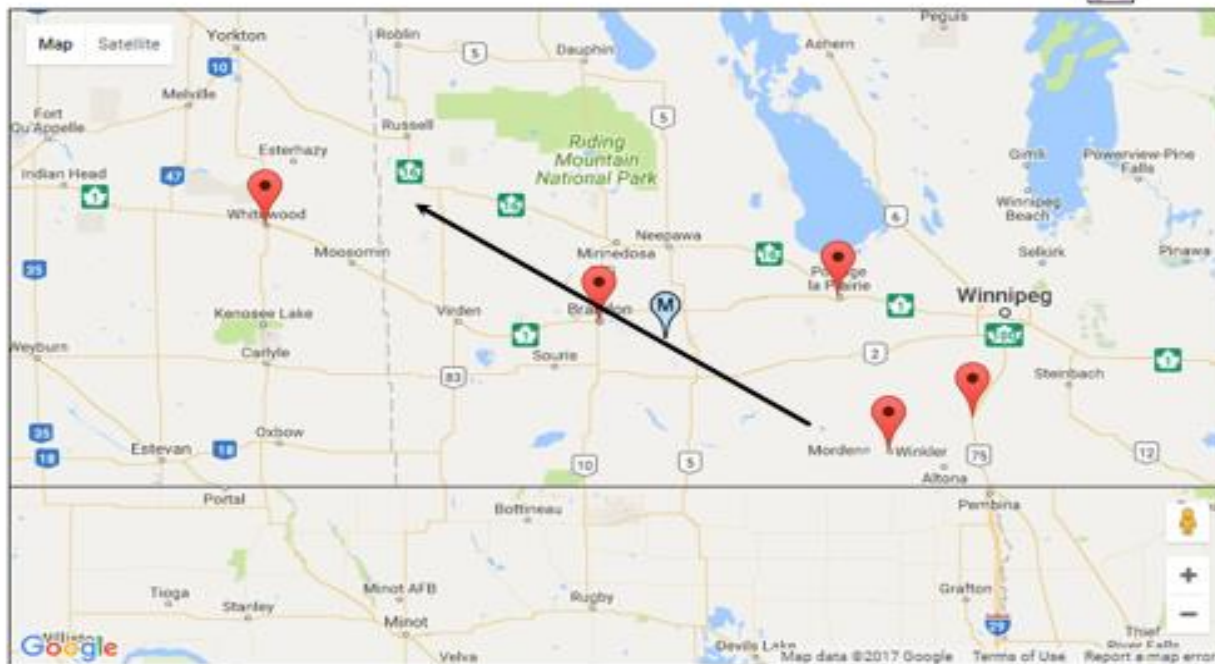
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# Production is Migrating NW

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## Mid-point Soy 2020 Production MB and SK





# Processing Competition

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1. Existing hexane plants located in southern MN
2. Minnesota Soybean Processors Coop developing ~3,000t/day facility in Spiritwood, ND
  - ❑ Most northerly hexane facility in USA
  - ❑ ~ 225km south of international border
3. Hexane canola processing in Yorkton SK, etc.
  - ❑ Louis Dreyfus
  - ❑ Richardson Pioneer (Swing plant potential)



# Crush Margins

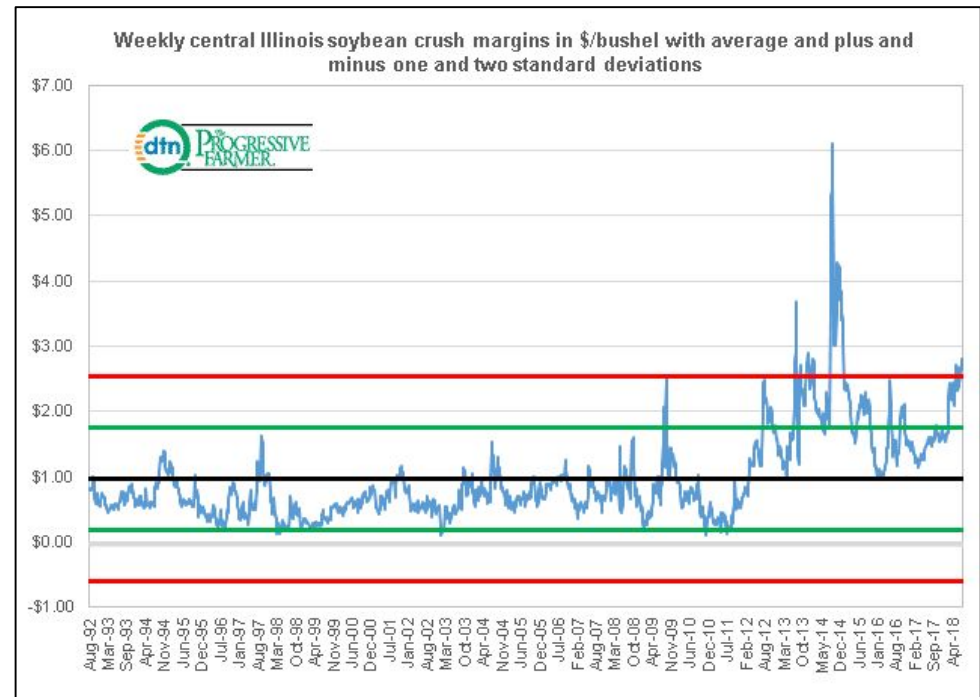
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- July 23, 2018
- Central Illinois margin:
  - ~\$2.60 US/bu (~\$125CDN/tonne)
  - **2<sup>nd</sup> highest level ever**

*“Soybean processing firms have been making tons of money crushing soybeans with some of the highest margins of all time”*

DTN Progressive Farmer

- No local margin – no local plants!!



# The Future is Promising

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- There likely is room for only 1 plant of scale
- Article in “Perspectives” will provide more detail
- Information available at:  
[www.brandonu.ca/rdi/attract-soybeans-mb/](http://www.brandonu.ca/rdi/attract-soybeans-mb/)

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