

Commodities Report

August 10, 2007

	<u>Close Fri Aug 10</u>	<u>July 27</u>	<u>2 week change</u>
<i>Dec Corn</i>	3.51	3.37	+ 14
<i>Nov Soybeans</i>	8.72	8.41	+ 31
<i>Dec Wheat</i>	6.87	6.69	+ 18
<i>Dec Soymeal</i>	241.00	226.50	+ 14.50
<i>Dec Hogs</i>	69.45	69.85	- .40
<i>Dec Cattle</i>	97.50	99.85	- 2.35
<i>Sept Cdn \$</i>	95.13	94.33	+ .80
<i>Dec Gold</i>	669.00	672.00	- 3.00
<i>Dec Crude Oil</i>	70.78	75.06	- 4.28
<i>US 10 Yr. Notes</i>	107-10	107-08	+ 2
<i>TSX Stocks</i>	13460	13747	- 287

Grains gained ground over the past two weeks in increasingly volatile trade. While the dry areas in the northern grain belt (Dakotas, Minn, Iowa) shrunk with good rains, concern mounted for the central and southern areas, with temperatures breaking 100 F in many locations. This major heat wave is expected to persist for the next week.

The southern half of Ill, Ind. and Ohio and areas to the south are losing yield by the day. If current forecasts are accurate, it is unlikely the US will end up with yields as high as USDA predicted last Friday. Crops lose yield with extreme temperatures, even if there is some moisture.

The corn yield was put at 152.8 bu/ac. (150.3 est. in July), so production will exceed 13 bln bu. for the first time ever. The 07/08 carry over will rise to 1.516 bln bu from 1.137 bln for the current crop year. USDA did raise export projections 150 mln. bu. and feed use 50 mln., so the demand side made up for the increased yield.

Soybean yield, as of Aug. 1, was pegged at 41.8 bu/ac versus 41.5 in July. Because of the reduced acres, the 07/08 soybean carry out will fall to 220 mln from 575 mln for old crop. That doesn't leave a lot of margin for error if yields do begin to head south. China soy areas are dry. These factors should support soybean futures.

Wheat is staying firm, following European values which topped US\$8.30 today. With US wheat prices "only" near 6.70 in Chicago, the spread is unusually wide. New crop wheat prices aren't keeping pace, however, as acreage this fall is certain to be the largest in many years.

Despite our dollar gaining nearly a cent over the past two weeks, basis levels on old crop corn and soybeans strengthened. This was in reaction to the reduced outlook for Ontario crops due to dryness. However, much of this area had a nice rain a week ago. This was a crop saving rain for those that received it.

Hogs gained marginally. US shipments have been higher than expected, but Chinese buying is more than offsetting the larger supply. China has lost millions of hogs to disease and pork is the main meat staple for them. Cattle weakened marginally, but feedlot supplies are expected to tighten shortly.

In non-ag markets, crude dropped over \$4.00/barrel. Stock markets are very volatile, with a downward bias. The sub-prime mortgage issue seems to be worsening, and the ramifications spreading. Central banks world-wide are pumping liquidity into the system to try to stop the bleeding.