



**Bank  
Financial  
Group**

# TD Economics

## Quarterly Commodity Price Report

July 30, 2008

### DON'T THROW AWAY YOUR ECONOMICS 101 TEXTBOOK JUST YET

The second quarter of 2008 capped off the 3<sup>rd</sup> straight in which the TD Commodity Price Index (TDCI) charged ahead at a double-digit rate. And on a year-over-year basis, the TDCI in U.S. dollars is up by a whopping 40%. For those who have studied past up and down cycles in commodity markets, this year's experience stands out. Rational expectations would hold that a massive 1.5-percentage-point slowdown in world real economic growth this year – or mounting evidence that even China's blockbuster rate of growth may have started to ease from a peak – would pour some cold water on the commodity rally. In such an economic environment, market players would have an added incentive to adjust their production and purchasing decisions accordingly, bringing commodity price index readings off their highs.

But wait a minute. A closer look at recent commodity trends says it is too early to throw away your Economics 101 text book. In fact, buried under the headline commodity price index reading, a response to good old supply-demand fundamentals was indeed alive and well in most markets in the second quarter. After soaring by 30% in the first three months of the year, agricultural product prices declined by 10% in the April-June period, as investors bet

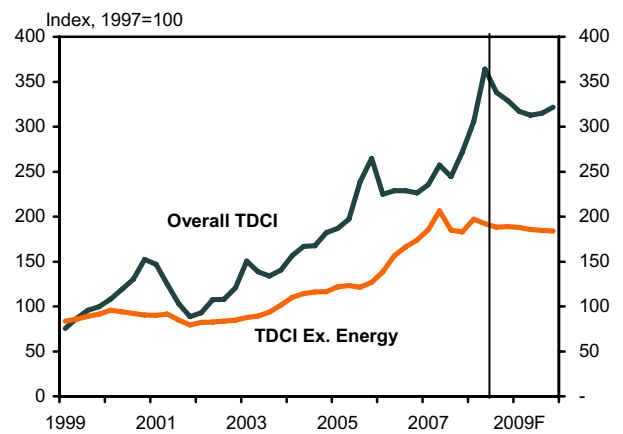
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#### HIGHLIGHTS

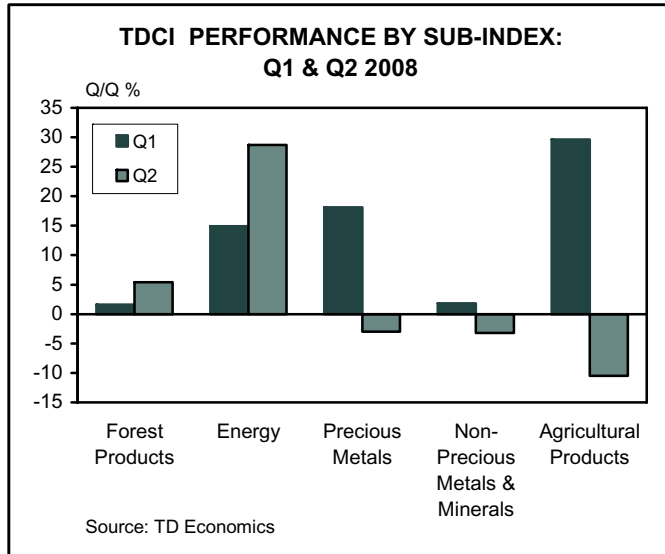
- TDCI posted double digit gains for 3 consecutive quarters
- But that trend will reverse course in Q3, led by a 9% drop in energy prices
- Commodity prices once again being driven by supply-demand fundamentals
- Lumber to be the top performer in 2009, while crops underperform all other commodities
- Over the next 12 months, overall TDCI to slide 20%, driven by a pullback in oil prices

#### TD COMMODITY PRICE INDEX\* [ TDCI, US\$]



\*Index of 18 Canadian resource commodity prices in US\$;  
Source: TD Economics; Last plotted: 2008Q2; Forecast as at July 2008.

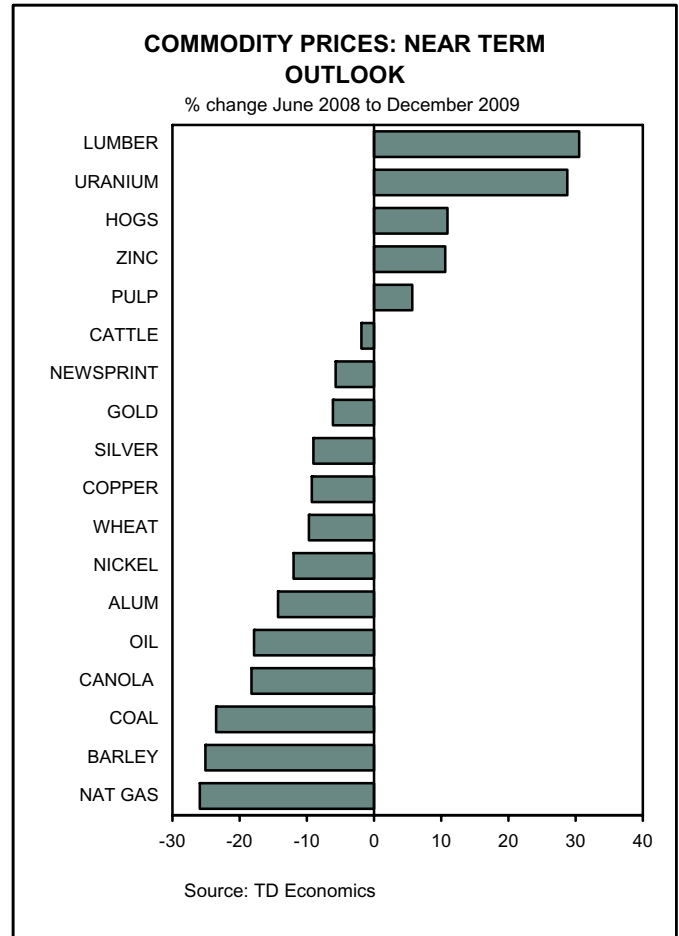
on a major increase in crop yields as producers scurried to increase seeded acreage following last year's price surge. Most metals prices lost ground during the period, as demand – particularly in developed countries – slowed in line



with weakening economies and inventories mounted. Forestry was one of the few areas to record a price gain in the second quarter, as producers responded to plunging U.S. housing activity and last year's price slump by slashing capacity.

The energy sector was one of the few notable areas in the second quarter where prices seemed to become increasingly disconnected from underlying supply-demand fundamentals. Notably, despite growing evidence of demand destruction in the second quarter, crude oil prices soared by a further 27%. The 15% drop in WTI prices recorded since the peak was reached in mid-July suggests that the crude oil market has begun to respond to the oil demand adjustments that are being made globally.

In our view, there is scope for energy prices to decline significantly further over the next 12 months, pulling the overall TDCI down by 20% from the average level in June 2008. Look for crude oil prices to retreat to US\$100 per barrel in early 2009, before strengthening gradually later next year. Barring an active hurricane season, natural gas prices have probably peaked, while coal prices are unlikely to buck the trend towards lower energy prices.



Excluding energy, the 6-quarter look ahead is mixed. Metals prices are likely to lose some further ground in a slower growth environment. At the same time, however, forestry prices are projected to rise by 13% on average, as supply cuts and early signs of a stabilizing in U.S. housing demand set the stage for a 30% jump in lumber prices. Hog prices are expected to rise over the next six quarters, ending 2009 up 11% from current levels. Similarly, after falling for the past four quarters, uranium prices are poised for a recovery throughout the remainder of the forecast period. Overall, the TDCI ex-energy is expected to hold relatively firm in the coming quarters.

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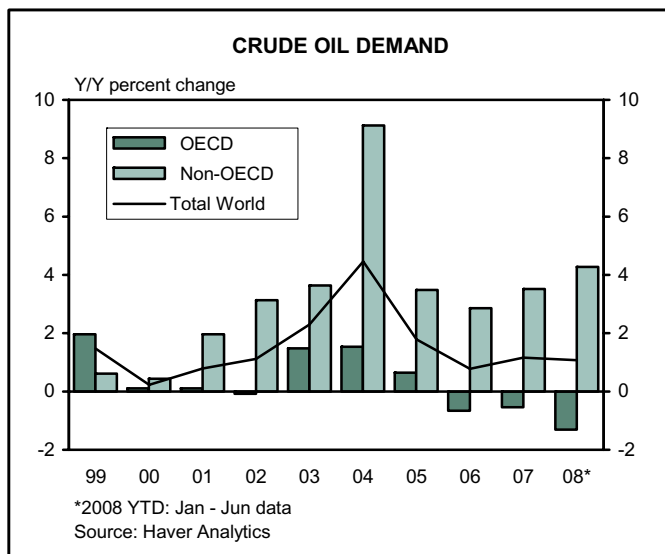
# ENERGY

## Demand destruction fuels oil price correction

Although not unusual, crude oil has been the talk of the town so far this year, with prices hitting a record US\$145 per barrel in early July. Unable to breach the US\$146 per barrel mark, oil prices have since plunged by over US\$20 per barrel, as higher prices globally have stirred up concerns of demand destruction.

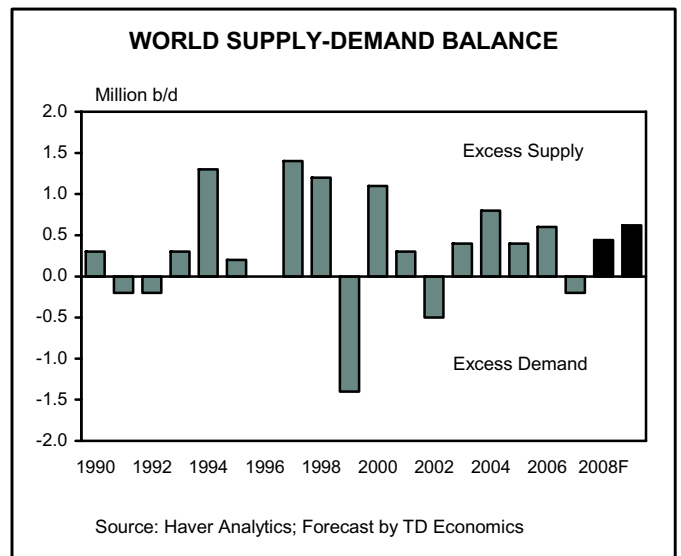
With oil prices at astronomical levels, it was only a matter of time before global oil demand responded in kind. While demand in non-OECD countries is up 4.3% so far this year, led by China and the OPEC countries, demand in OECD countries has already slipped 1.3% during the first half of the year. The most pronounced effect of high oil prices on consumers is through gas prices. Demand for gasoline in the U.S. has fallen by 2% Y/Y as of June, suggesting that Americans are driving less and/or switching to more fuel efficient vehicles. Furthermore, a number of non-OECD countries – including India, Malaysia, Indonesia, Taiwan, Sri Lanka, Thailand and China – have hiked retail fuel prices in recent months, which should lead to some tapering off in the rate of consumption growth in these regions.

Leading up to the current correction, the oil market had been more focused on the supply side of the equation, namely rising production costs, supply disruptions resulting from geopolitical unrest in Nigeria, Venezuela, Iran and Iraq, and slowing growth in non-OPEC supply. But output growth has actually been surpassing consumption growth this year, leaving the market in a position of excess supply. Production from the non-OPEC countries rose by only 0.7% Y/Y during the first half of the year, due to declines in



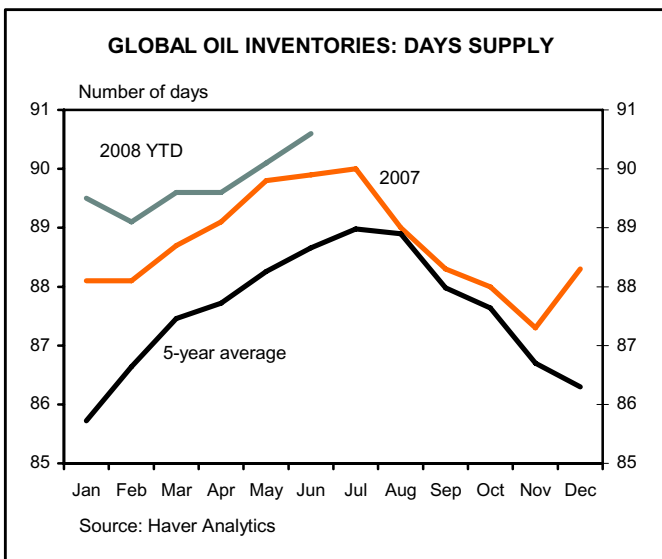
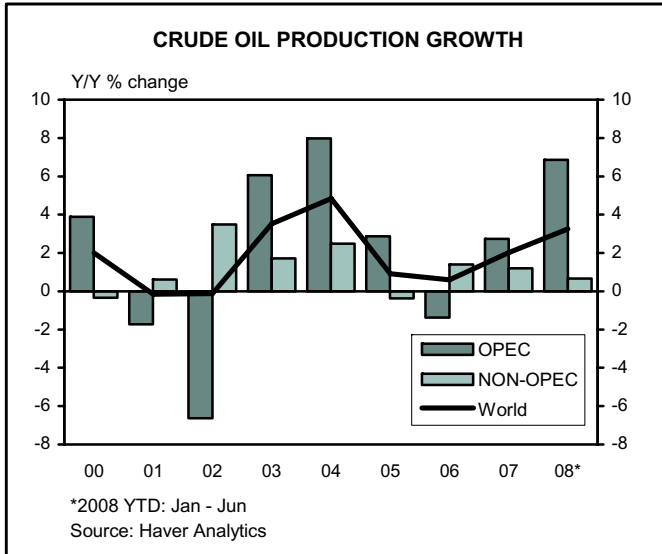
ENERGY PRICES: RECENT PERFORMANCE AND FORECAST						
	Price Level* Jul-08	Unit	Month/ Month % Chg	Year/ Year % Chg	Forecast Level	
					Dec-08	Dec-09
Crude oil	130.19	US\$/barrel	-2.8	75.8	105.00	110.00
Natural gas	10.44	US\$/MMBtu	-17.8	68.0	9.75	9.40
Thermal Coal	184.51	US\$/mt	12.9	172.2	150.00	125.00

\*MTD average for the month; Last date included: July 25



older oil fields and delays in new projects. More specifically, output from Russia and the North Sea region has been lower-than-expected this year. However, OPEC countries have stepped up to the plate, boosting production by 7% Y/Y as of June, bringing total world production growth up 3.3%. As such, global inventories measured in days supply have been above 2007 levels and well above the 5-year average every month in 2008.

These trends will only become more visible in the second half of this year. Non-OPEC production is expected to pick up during the third and fourth quarters, alleviating some of the concerns regarding supply growth. In addition, Saudi Arabia has agreed to increase production in July, and to add further capacity should the market require it. And with global demand likely to slow further in the coming months, the production surplus in the market will likely



grow moderately. On the flip side, ongoing production delays, geopolitical tensions and a continued soft underbelly in the U.S. dollar will put a floor under prices. Putting it all together, we expect the price for crude to fall to US\$100-110 range by year-end and to average US\$110 in 2009.

**Natural gas prices to ease in 2009**

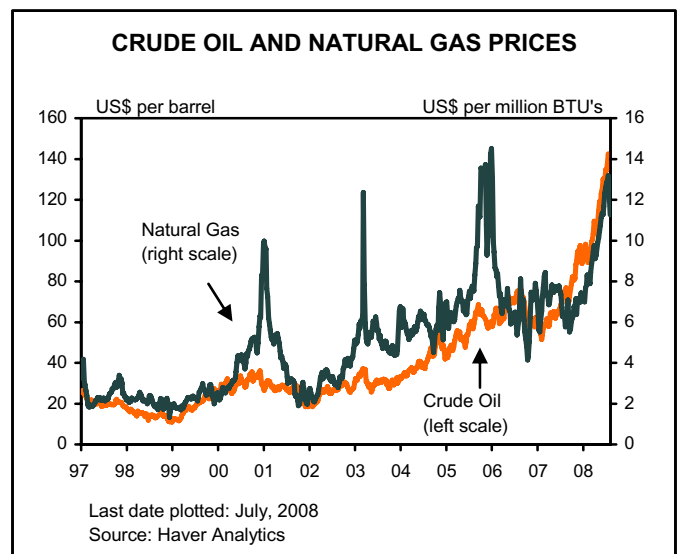
Natural gas prices were also on a bull run throughout the first half of this year, reaching a recent peak of over US\$13 per MMBtu in early July. But like oil, natural gas prices have since reversed course, plummeting 30% in just three weeks. While spillover from the oil price correction certainly played a big role, the recent selloff in the natural gas market has also been supported by milder weather forecasts and improving inventory levels.

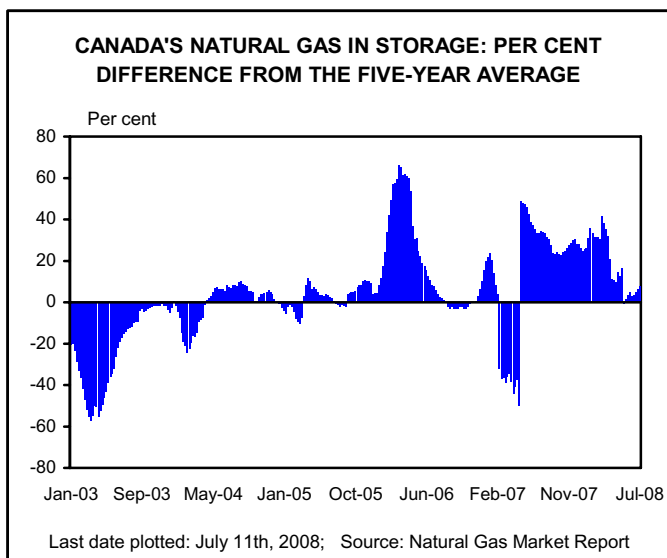
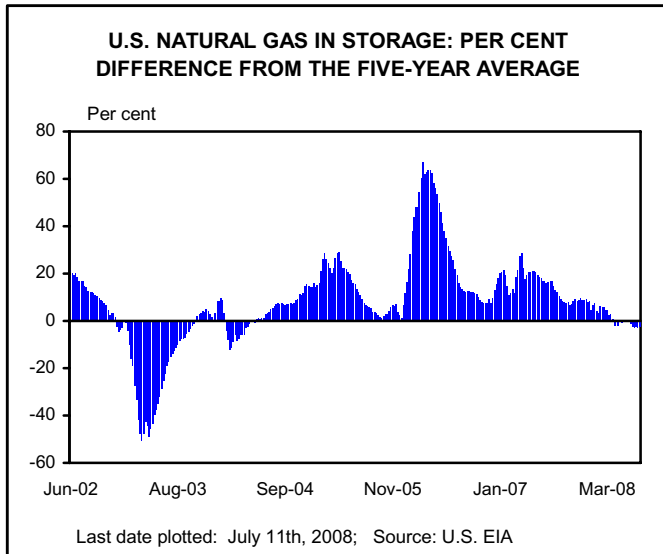
Despite an increase in natural gas production in the U.S.

resulting from shale and unconventional gas discoveries, as well as increased supply from the Independence Hub in the Gulf of Mexico, fears of insufficient supplies prompted prices to surge. Following the coldest winter in seven years, natural gas in storage in the U.S. entered the summer injection season about 20% below 2007 levels, but right in line with the 5-year average. But, while inventories slipped below the 5-year average thereafter, solid builds in recent weeks has eased some concerns of inadequate supplies in storage at the start of the winter heating season.

A sharp 60% drop in LNG imports during the first half of the year also contributed to the low storage levels. Robust demand in Asia-Pacific and Europe, coupled with more attractive prices in those regions, has deterred shipments to the U.S. But with natural gas prices in the U.S. becoming more competitive, imports of LNG should pick up somewhat in the remainder of the year. Imports of natural gas from Canada to the U.S. also declined considerably in May and June, which meant more natural gas in storage in Canada. In fact, even though Canadian production fell during those two months, storage levels still managed to increase by a massive 98%. Given that storage levels are so low in the U.S., it is likely that we will see an increase in U.S. imports from Canada in the coming months.

Natural gas consumption is heavily influenced by weather conditions, and this year has been no exception. Demand in the winter was well above average given the cooler temperatures. Moreover, temperatures in June were 20% higher this year than in 2007, leading to above-normal air conditioning use and thus higher prices. Nonetheless, this trend is not expected to continue throughout the summer, as the National Oceanic and Atmospheric Administration (NOAA) forecasts temperatures to be slightly





cooler-than-normal over the next few months. Overall, we expect prices to continue to retreat for the remainder of the third quarter as the fundamental picture weakens, before picking up modestly in the winter in tandem with seasonal demand. As usual, the potential for an active hurricane season could lead to intermittent bouts of upward pressure on prices. Our forecast assumes that these potential storms do not directly impact the production infrastructure in the Gulf of Mexico as was the case with Hurricane Katrina. The NOAA predicts normal to above-normal hurricane activity this year.

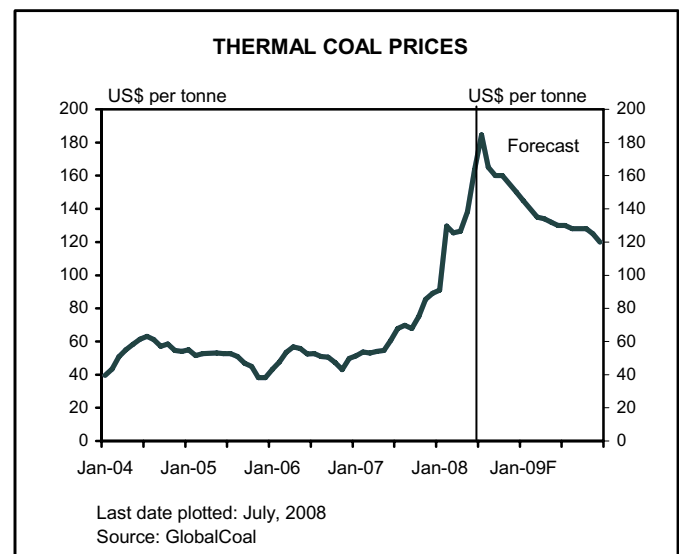
### Coal prices to fall out of the stratosphere

Sky-rocketing prices have nicknamed coal “black gold”, and despite a slight pullback over the past two weeks, it has been living up to the name quite nicely. Thermal coal

prices shot up by 110% since the end of 2007, and are up 165% on a year-over-year basis as major coal-exporting countries have been plagued with production and transport troubles. Torrential rains and ongoing bottlenecking issues in Australia have limited exports, while a train derailment in South Africa drove shipments at the world’s largest export terminal down 5.5% in June. Meanwhile, in China, the government has restricted trucks to carry only the limit load weight – whereas trucks typically carry at least double the limit – significantly reducing deliveries. Furthermore, railway capacity has declined as earthquake repair efforts have taken top priority. But while transportation issues remain a headwind, production in China still managed to rise by 11% in the first half of the year.

Tight global coal supplies have been exacerbated by surging demand – particularly in Asian countries. Accounting for more than two thirds of electricity generation, coal demand in China was up by 6.8% as of May. The shipment delays at Australian and South African ports have forced buyers in the region to find alternative sources of coal. Meanwhile, China reduced exports by 9.5% in the first five months of the year in order to ensure adequate domestic supplies ahead of the summer Olympics. And Vietnam is also considering an increase on export tariffs in order to keep supplies in the country. As a result, Indonesia is picking up some of the slack, benefitting from higher prices and volumes of their low-grade thermal coal.

Looking ahead, the disruptions to supply should begin to subside in the second half of 2008, setting the stage for coal prices to fall out of the stratosphere. The pull-back in crude oil prices is also expected to take some steam out of the coal market.

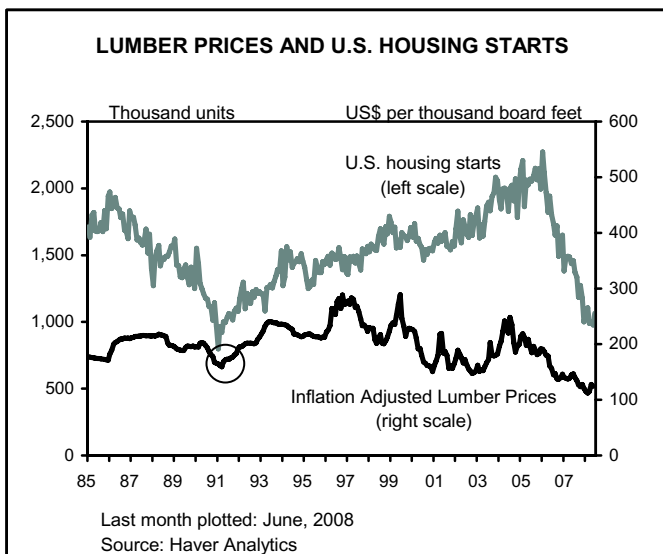


## FORESTRY PRODUCTS

### Lumber prices to lead housing market recovery

As the housing sector in the U.S. continues to spiral downward, the North American lumber market is struggling to maintain a heartbeat. Earlier this year, there was a glimmer of hope, as it appeared as though lumber prices were on the road to recovery. However, they began to slip again in June and July, giving back a portion of the 20% gain seen in April and May. While the Canadian housing market has begun to slow in recent months, housing starts remain at healthy levels, offering some support for the lumber market. Nonetheless, consumption growth in Canada has not been enough to offset the declines south of the border. Indeed, housing starts in the U.S. have fallen by more than 55% since the peak in 2006, and are currently sitting at their lowest level since the housing correction of 1991. As a result, total North American lumber consumption was down 14% Y/Y in the second quarter of 2008, worse than the 9% Y/Y drop in the first quarter.

Producers have been responding by curbing production in an attempt to match supply with demand. In fact, after 2007 saw the sharpest drop in North American production in over 30 years, 2008 kicked the year off with first quarter output another 20% below year-earlier levels. Canadian production, which accounts for 46% of the North American market, tumbled 24% in the first quarter, led by a 26% drop in B.C. Canfor Corp, Canada's largest lumber producer, has permanently reduced its capacity by 15% over the past year and expects its output in 2008 to be 13% lower than last year's level, citing weak U.S.



FOREST PRODUCT PRICES: RECENT PERFORMANCE AND FORECAST						
	Price Level*	Unit	Month/ Month % Chg	Year/ Year % Chg	Forecast Level	
					Dec-08	Dec-09
Lumber	264	US\$/thous. board feet	-2.9	-13.4	270	355
Pulp	886	US\$/mt	0.7	7.3	900	930
Newsprint	720	US\$/mt	2.9	24.1	740	760

\*MTD average for the month; Last date included: July 25

demand as well as unprofitable margins stemming from the high-flying loonie and the 15% export tax. But despite the reduction in output, there is still excess capacity in the lumber market – evidenced by the demand-to-capacity ratio which fell to 68% and 78% during the first two quarters of the year – which will likely result in further production cuts down the road.

While we don't expect the U.S. housing market to begin a recovery in earnest until 2010, we see lumber as one of the commodity leaders in terms of price gains in 2009. Typically lumber prices lead the housing cycle, which means that a recovery by mid-2009 is a likely scenario. As such, we forecast lumber prices to climb 15% in 2009, putting an end to four years of declines. Even with this increase, prices will remain low relative to historical averages – especially in Canadian dollar terms.

### Newsprint market still strong despite waning demand

Despite the continued deterioration in North American newsprint demand, which has fallen by 7.6% so far this year, producers have still been successful in implementing seven US\$20 price hikes in the first seven months of the year. After bottoming out in October, prices have risen by US\$160, as production cuts have kept supplies tight. Indeed, even with shipments within North America down by 7.5% during the first five months of the year, and overseas shipments flat – due to shipping container shortages – mill inventories still managed to drop by an average of 25% per month from year-ago levels.

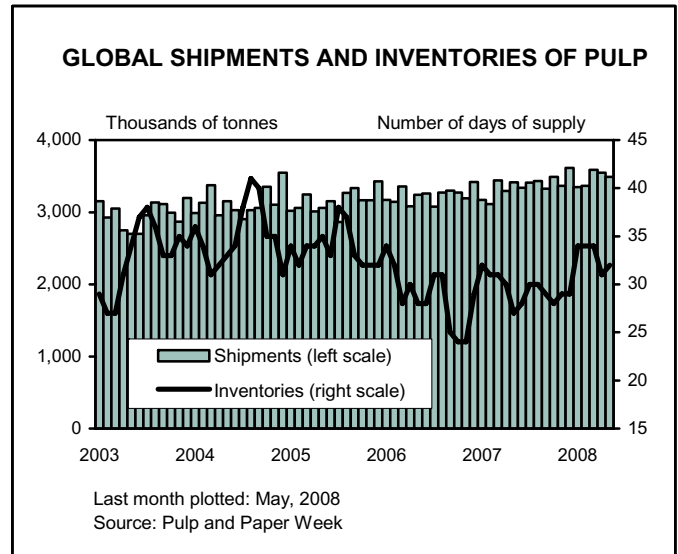
In addition to falling demand, rising production costs, notably fiber, energy, chemicals and transportation costs, are eating away at profit margins. Led by market leader AbitibiBowater, producers have created room for price increases by cutting production by 9.2% in the first half of

the year. And with a recovery in demand nowhere in sight, further cutbacks will likely be necessary. Global newsprint capacity is expected to fall by 2.6% in 2008, with the bulk of these curtailments in Canada and Western Europe where strong currencies have eroded competitiveness. Still, there remains a silver lining for the newsprint industry. Demand in emerging markets, particularly Asia, has been boosted by rising literacy rates and media deregulation. Once the shipment constraints abate, North American producers should be able to capitalize on these markets. As well, the sharp 10% decline in North American demand seen in 2007 is likely to moderate in the coming years as publishers run out of conservation methods and free daily/weekly newspapers gain traction.

After finding success in the first half of the year, four suppliers – AbitibiBowater, White Birch, Catalyst and Tembec – have already announced another US\$60 price hike slated for the third quarter. If fully implemented, this increase would put prices in record territory. We suspect that a US\$60 price hike might be too ambitious for the third quarter given the recent run-up to date. However, we do see scope for US\$760 prices by the end of 2009, assuming that producers continue to match supply with demand.

### Pulp prices resume upward trend

Slowing economic growth in mature countries has put downward pressure on global pulp demand. However, emerging market demand – particularly in China, where shipments rose 17.5% in May – continues to expand at a healthy rate. Outright declines in shipments to

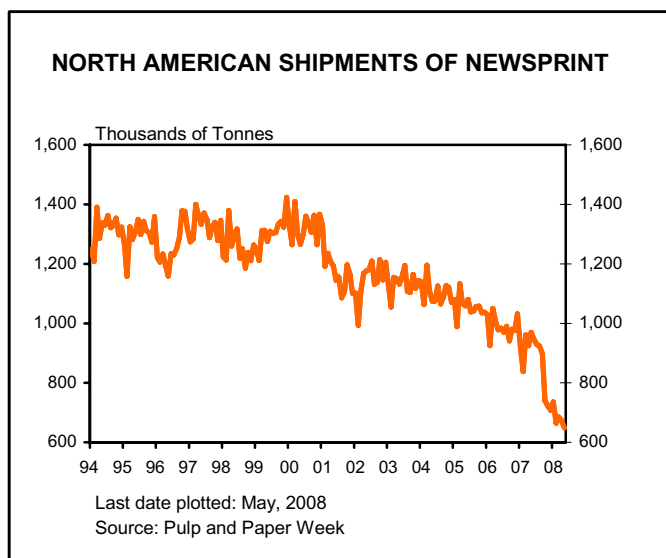


North America and Europe in May drove down growth in total world shipments to 2.7%, compared with 5.8% a year ago. Meanwhile, increasing global capacity pushed inventories up to 32 days supply, one day more than in April and the 3-year average.

With demand slowing and capacity expanding, it appears as though the pulp market is defying economic principles given that prices remain at elevated levels. After following an upward trend since the end of 2005, prices have held steady at US\$880 per tonne since February. A host of supply-side factors has supported current price levels, including temporary maintenance closures and wood fiber shortages. The closure of Pope & Talbot's last three pulp mills in May has yet to impact the market, since inventories from those mills are still adding to supply. The Halsey mill in Oregon (bought by Ableco Finance) resumed production at the end of June.

Still, even with these relatively high prices, producers in Canada and other strong currency countries are struggling to stay afloat amid rising production costs - namely wood, energy, delivery, and transportation - and an elevated currency. And with Russia likely to hike the timber export tax, the cost of inputs could rise even higher, and ultimately lead to further closures.

While a few producers were unsuccessful in an attempt to increase prices in June, additional companies have US\$20 price hikes slated for July. So far, producers have been able to implement half of that, with the rest likely to come later on in the quarter. We expect prices to edge up gradually thereafter in response to the increase in export tariffs on Russian lumber.



## NON-PRECIOUS METALS AND MINERALS

### Base metals hit by sluggish demand

After thriving in the first quarter of the year on the back of severe production disruptions and an influx of investments into commodities, the non-precious metals and minerals sub-index has since lost some momentum. In fact, the sub-index dropped 3.9% in the second quarter, wiping out all the gains seen in the first quarter. While copper and aluminum prices continued to outperform, a weakening demand picture for zinc, nickel and uranium forced down prices of those metals. Currently, the sub-index is 23% lower than year-ago levels.

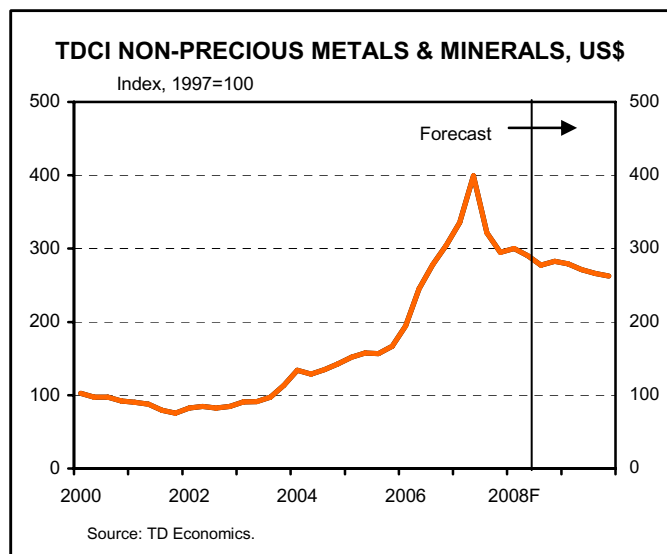
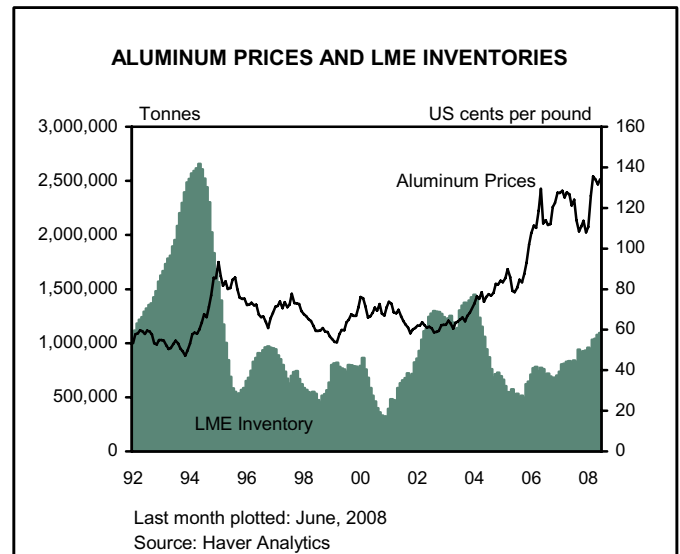
We expect the non-precious metals and minerals sub-index to drop a further 4% in 2008 and 6% in 2009, with copper prices likely to outperform, while nickel prices lose the most ground. Economic growth in China will continue to slow very gradually, but does not pose a major threat to base metals demand. Elsewhere, OECD demand will remain softer than it has in recent years as construction and overall industrial activity slows.

### Energy costs buoy aluminum prices

Despite a steady rise in LME inventories to over 1.1 million tonnes in July, aluminum prices have remained quite elevated in recent months. Given that electricity accounts for 30-40% of production costs, soaring energy prices and a string of power outages around the world this year have sent prices on an upward trajectory. Most recently, power shortages in China drove prices to a record high, as pro-

METAL AND MINERAL PRICES: RECENT PERFORMANCE AND FORECAST						
	Price Level* Jul-08	Unit	Month/ Month % Chg	Year/ Year % Chg	Forecast Level	
					Dec-08	Dec-09
Aluminum	133.66	US cents/lb	-0.4	7.7	135.00	115.00
Copper	364.93	US cents/lb	-2.6	0.9	370.00	340.00
Nickel	8.85	US\$/lb	-13.4	-42.0	10.25	9.00
Zinc	79.71	US cents/lb	-7.2	-50.4	80.00	95.00
Uranium	61.88	US\$/lb	6.2	-52.2	70.00	75.00

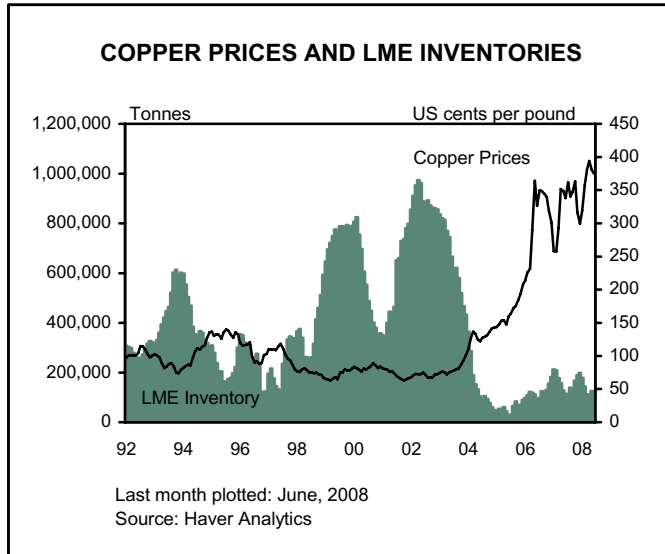
\*MTD average for the month; Last date included: July 25



ducers representing 80% of Chinese capacity agreed to cut production by 5-10% from July to September in order to ensure adequate power supply during the Olympics – and this is on top of production curtailments already in place. Given that the majority of capacity growth over the next four years is expected to come from China, the power supply issues have cast some doubt on a portion of these expansions. And with domestic demand for the commodity growing at a 25% clip this year, China is likely to remain a net importer of the metal.

Even with these power shortages, global production has still managed to grow by 7.3% during the first five months of the year – much faster than the 3.8% increase in con-





global economic slowdown and a seasonally slow third quarter, stainless steel demand – and hence demand for nickel – is not likely to pickup until the fourth quarter of this year. Nonetheless, price growth will be limited since the nickel market will still be in a surplus position. We expect prices to increase in the fourth quarter of this year and the beginning of next year, before falling sharply thereafter.

#### Copper market plagued by labour disputes

Copper continues to be one of the better performing base metals, with prices up 27% so far this year. Over the past few months, a host of supply-side issues have sent LME stockpiles on a downward spiral, and despite a slight rebound in May, inventories are still down by more than 35% since the start of the year. Labour disputes continue to disrupt production in Mexico, Peru and Chile, while Central Africa is experiencing project delays due to power shortages and a lack of skilled labour. As a result, an estimated 300,000 tonnes (1.5%) of production has been lost during the first five months of the year.

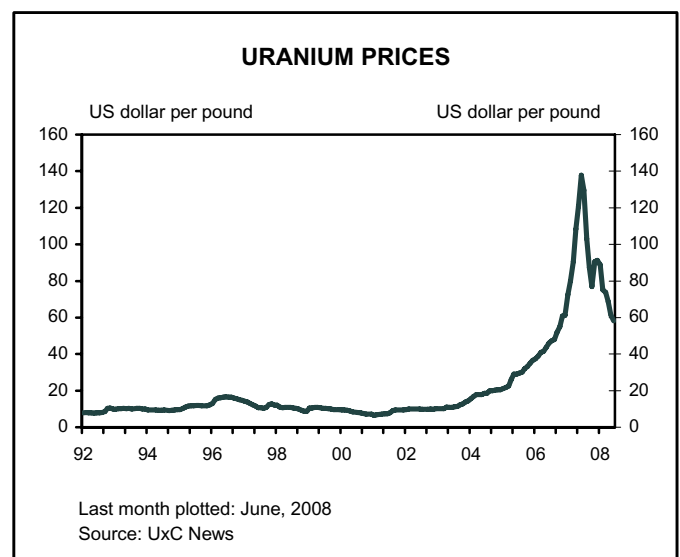
While the market has been surprisingly resilient this year, we believe that copper prices have peaked. Predicting how supply-side developments will unfold is a mug's game. But even assuming that the copper market remains prone to a larger-than-average number of setbacks, we expect softening global demand to be the over-riding factor. China will not be able to take up all the slack left by weakening economies around the world. In fact, recent evidence shows that this is already the case. Accordingly, invento-

ries should begin to climb as demand slows, bringing the copper market into a surplus position of about 60,000 tonnes. As a result, we project prices to fall by 5% in 2009.

#### Uranium to buck the trend

After falling steadily for the first six months of the year, uranium prices appear to have bottomed out. While supply has remained steady, demand has been the key driver of prices. With utility inventories sufficient to meet consumption, demand in the market has been highly discretionary. As such, suppliers were aggressively cutting prices earlier this year to attract buyers to the market. But with prices continuing to fall lower and lower, buyers held out for better prices. Following a two-week stint at US\$57, the low prices triggered an uptick in demand in July, thereby prompting prices to reverse course. While investors and financial entities were the main drivers of this newfound demand, the market is beginning to see signs of renewed utility demand as well.

Even though prices have fallen nearly 60% since the peak last July, they still remain well above historical norms. As such, a price of US\$60 is still attracting investment in uranium production. In 2008, Kazakhstan will experience the largest increase in production, assuming sulfuric acid supplies are adequate. Nonetheless, an ongoing firming in demand should set the stage for a further uptick in prices – driven largely by investment demand – which we project to end the year around US\$75. Over the longer-term, increased nuclear demand in China, India and Russia will help keep prices elevated.



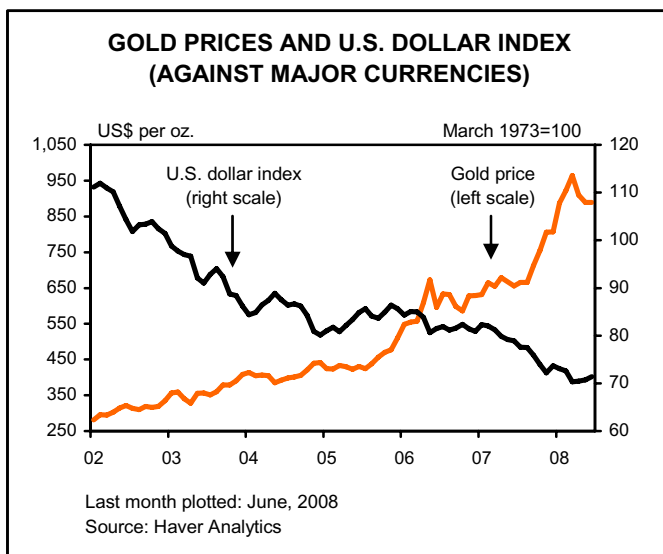
## PRECIOUS METALS

### Gold prices to fall as inflation expectations cool

After falling from their record of US\$1,011 in March, gold prices turned the corner at the end of June, moving back within reach of the US\$1,000 mark. As a result of the elevated prices, physical demand for gold has dropped considerably. Indeed, jewellery, industrial and dental demand was down 18.5% Y/Y in the first quarter of 2008 when prices were at their highest, with jewellery demand hitting its lowest level since 1993. However, investment demand has been picking up the slack, as global inflation expectations have continued to rise. In the U.S., inflation hit 5% in June, while emerging market inflation is averaging about 12%. Also, on a trade weighted basis, the U.S. dollar has been hovering around a record low, making bullion an attractive hedge. As a result, sales of gold exchange traded funds (ETFs) have shot up by over 100% Y/Y and inferred demand<sup>1</sup> – which captures most speculative demand on the futures exchanges – have jumped by a whopping 450%.

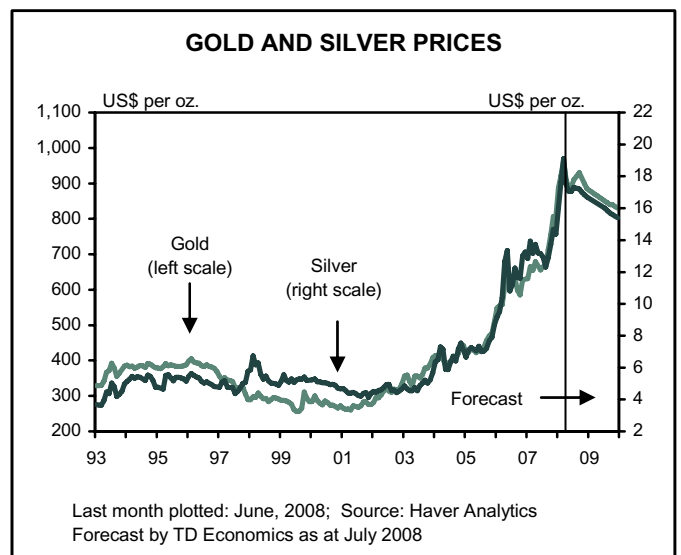
On the supply side, while output in Australia, Mexico and Papua New Guinea grew during the first half of the year, production has been constrained by power shortages in South Africa and an expected drop in output at a mine in Indonesia. With few new projects on tap in the near-term, supplies are not likely to grow.

Going forward, trends in the gold market will be largely determined by movements in the U.S. dollar and inflation. On the inflation front, falling crude oil prices later this year and continued sub-par global growth are expected to alle-



PRECIOUS METAL PRICES: RECENT PERFORMANCE AND FORECAST						
	Price Level* Jul-08	Unit	Month/ Month % Chg	Year/ Year % Chg	Forecast Level	
					Dec-08	Dec-09
Gold	897.81	US\$/ounce	0.9	34.9	900.00	835.00
Silver	17.29	US\$/ounce	1.5	33.7	16.85	15.50

\*MTD average for the month; Last date included: July 25



viate inflation worries. Some offsetting support will be provided by the further gradual decline in the U.S. dollar during the remainder of this quarter, however the greenback will begin to recover before the end of this year. As a result, gold prices will likely head below US\$900 in 2009.

### Silver ETF holdings on the rise

Silver has outperformed its yellow counterpart this year, with prices up 19% year-to-date, compared to a 10% rise in gold prices. Even though weakening global growth has weighed on industrial demand for the metal, investment demand has surged, as evidenced by the 12% increase in holdings of the largest silver ETF since March. Looking ahead, we expect silver prices to follow the pattern in the gold market, but to slightly underperform gold prices throughout the forecast period, bringing the gold-to-silver price ratio closer to the historical average of 55:1.

<sup>1</sup> Inferred demand is calculated by GFMS as the residual between identifiable supply and demand. Data taken from TD Newcrest's Precious Metals Outlook, May 26, 2008.

## AGRICULTURAL PRODUCTS

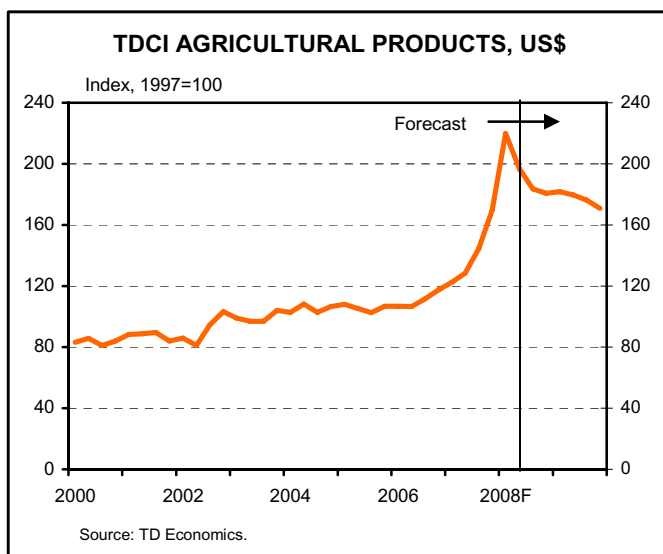
### Agricultural sub-index to underperform in 2009

After fears of supply shortages resulting from unfavorable growing conditions in the 2007-08 crop year drove the agricultural sub-index up 30% in the first quarter, the sector has since lost some steam. Indeed, a 20% drop in wheat prices in the second quarter pushed the sub-index down by 10%, though it still remains over 30% above year-ago levels.

Looking ahead to the remainder of 2008 and 2009, the agricultural sub-index is poised for further declines. While hog prices are expected to outperform as excess supplies are worked down, crop prices are likely to retreat from their still-high levels as favourable weather conditions have set the stage for increased production. While a stellar first quarter performance will boost the sub-index by 38% in 2008, we expect to see it drop by about 9% in 2009.

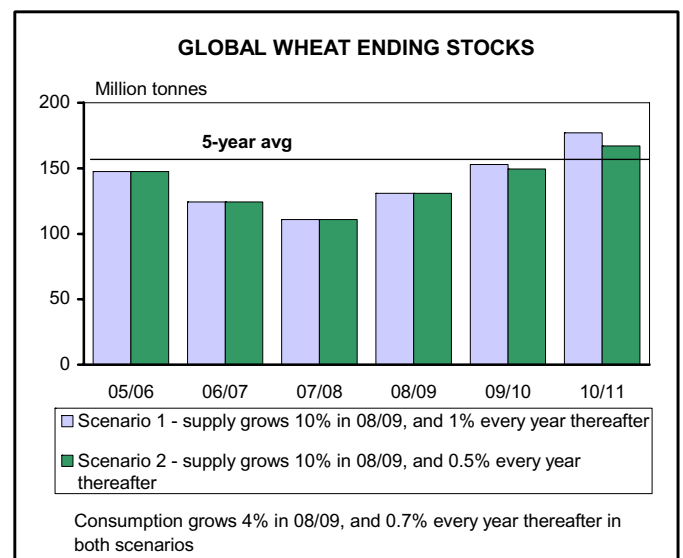
### Wheat prices to slide further

The once red-hot wheat market has cooled significantly, with prices plummeting by nearly 50% from their peak reached in February. Still, prices remain 52% above year-ago levels. The exorbitant price levels led to a reduction in feed use, as farmers switched to cheaper substitutes. Nonetheless, consumption for the 2007-08 crop year, which ended on May 31<sup>st</sup>, still managed to rise 0.6%, led by a 2% rise in non-feed demand. Global production rose by an estimated 2% during the year, but coming off a year in which output fell the most in 12 years, it was not enough to offset the rise in consumption. Accordingly, ending stocks



AGRICULTURAL PRODUCT PRICES: RECENT PERFORMANCE AND FORECAST						
	Price Level* Jul-08	Unit	Month/ Month % Chg	Year/ Year % Chg	Forecast Level	
					Dec-08	Dec-09
Wheat	398.79	US\$/tonne	-6.5	44.2	395.00	385.00
Barley	249.74	US\$/tonne	3.9	34.9	250.00	180.00
Canola	603.11	US\$/tonne	-5.2	53.4	570.00	520.00
Cattle	100.77	US cents/lb	5.2	9.8	100.00	94.00
Hog	74.85	US cents/lb	0.0	3.7	77.00	83.00

\*MTD average for the month; Last date included: July 25



fell to a 30-year low.

While the wheat market remains extremely tight, expectations for a record crop year in 2008-09 have taken some of the froth off prices lately. Assuming normal growing conditions, global production is expected to expand by about 10% this year, as growth in Europe, Russia, Ukraine, Australia and the U.S. is likely to offset losses in India, Pakistan and China. Recently, however, there has been some concern that Australia's crop may run into trouble again this year due to below average rainfalls in Western Australia - the largest wheat growing state.

Given the recent pull back in prices, global wheat consumption is set to rebound this year, growing by about 4%. Even with the significant increase in production, total supply will fall short of demand for the 8<sup>th</sup> time in the past 9

years, with ending stocks rising slightly, but remaining about 15% below the 5-year average. As such, we see a limited downside risk to prices in the coming quarters. On the flipside, prices could head higher than forecast if global growing conditions deteriorate and the 10% production forecast proves to be too ambitious.

### High prices to crimp demand for canola

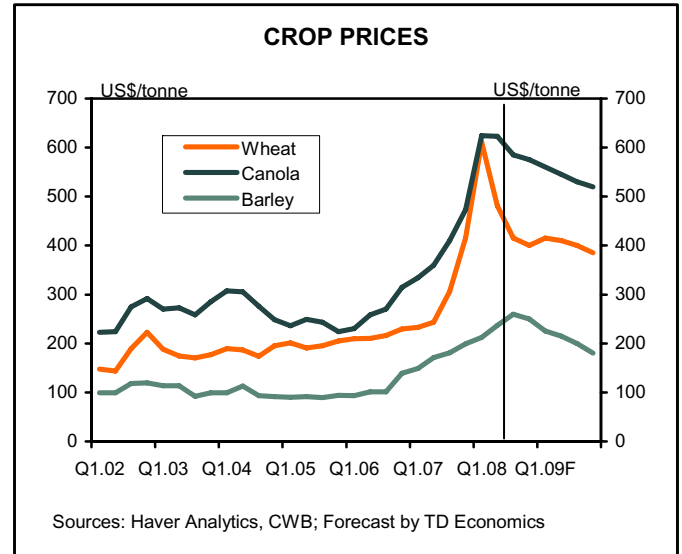
Similar to wheat, the explosion in the canola market lost some steam in March. But unlike wheat, canola prices staged a rebound in June, due largely to an uptick in soybean prices as the two tend to move in tandem. Heavy flooding in the U.S. Midwest and a three-month farmer's strike in Argentina – the world's largest supplier – over export taxes has left the U.S. soybean market quite tight, thus putting upward pressure on prices.

Healthy demand has also buoyed soybean prices, led by China, where soybean imports rose 24% during the first half of the year. Rising vegetable oil consumption has lifted demand for all oilseeds, a trend that is likely to continue in the near-term. But near-record prices could start to crimp demand, particularly with respect to biofuel use, where margins are getting squeezed. Also, in the U.S. and Canada, declining herd sizes will reduce consumption of soybean meal in feed, alleviating some of the recent upward pressure on prices.

Meanwhile, global canola supplies are set to rise this year, with increases seen in Europe, Canada, China, India, Australia and Ukraine. The largest jump in supplies will likely stem from the Black Sea region which will recover from the drought-reduced crop level seen last year. As such, increased competition in the global market will reduce demand for Canadian supplies, setting the stage for a build-up in stocks. However, look for canola prices to trend downward in the third quarter as the new supply from this harvest hits the market.

### Barley production poised for recovery

After trailing the gains in other crops, barley prices have finally gained some momentum, and are up 25% so far this year. The recent surge in corn prices has been a key driver of barley price movements – the two tend to move in tandem – although the uptick in barley prices has hardly kept pace with the massive jump in corn. Barley prices have also been buoyed by tight global supplies, as Australian and Black Sea region crop shortages left Canada as the only country with sufficient crops to meet global export demand. As such, barley exports in Canada were at their



highest level in more than 10 years, leaving ending stocks for the 2007-08 marketing year at a record low. Since barley prices have underperformed compared to other crops, barley has lost in the battle for acreage this year. Canadian barley acreage is estimated to be 17% below 2007 levels for the coming year, which raises the risk of feed and malting shortages.

Although barley prices could head higher in the near-term, rising global supply for the market will present a headwind later this year. Worldwide, production is set to increase by about 6% this year, as crops in Eastern Europe and potentially Australia are positioned for a recovery. As such, demand for Canadian barley is likely to ease. After selling around 800,000 tonnes of barley to Saudi Arabia last year, high freight costs will make Canadian barley less competitive compared to the European crop in the Saudi and other key Middle Eastern markets this year. Global demand is also poised to fall this year in the face of cheaper feed substitutes and in some regions, shrinking herd sizes. As a result, world year-ending stocks for the coming year are likely to increase in 2008-09. Accordingly, we project barley prices to fall by about 30% from current levels by the end of 2009.

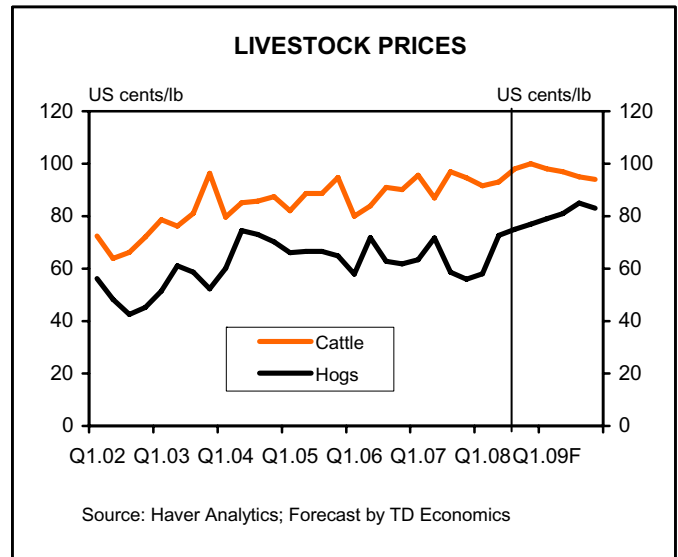
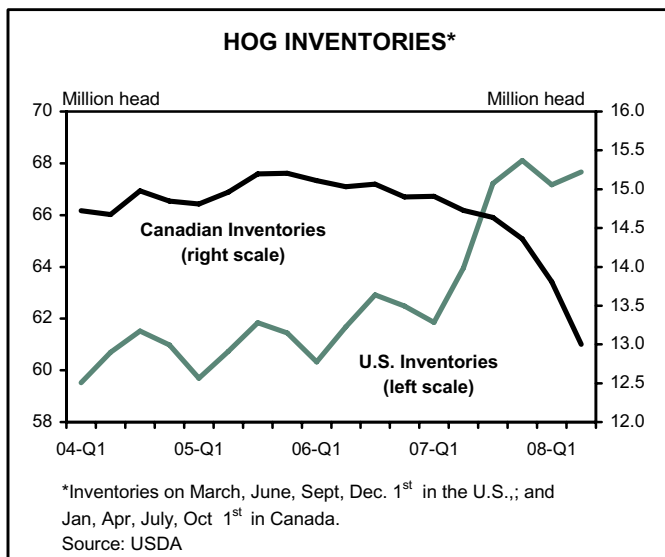
### Reduction in live hog supply to boost prices

The hog industry, which came under significant pressure during the second half of 2007, has been showing resilience recently. Despite a pullback in June, a 40% jump in prices in April and early May, have brought prices back to year-ago levels. The surge in prices is reflective of higher demand. Notably, live hog demand has been boosted

by strong global pork prices, particularly in China where the domestic hog market was plagued with disease last year, which resulted in a 9% reduction in pork production. More recently, pork prices have been buoyed by a seasonal increase in consumption as the summer barbecue season got underway.

In North America, there still exists a large supply of hogs, particularly in the U.S. Despite a 10% year-over-year increase in slaughter rates during the first six months of the year and a 15% increase in pork in cold storage, U.S. inventories as of June 1<sup>st</sup> still managed to climb 6% from year-ago levels to 67.7 million head. In Canada, the elevated Canadian dollar, rising feed costs and the pending Country of Origin Labeling (COOL) law slated to come into effect on October 1<sup>st</sup> 2008, have led to herd size reductions. The Cull Breeding Swine program that was introduced in February was well received by producers, and already it has made an impact. As of April 1<sup>st</sup>, inventories in Canada were down to 13 million head, a 6% decline from three months prior. As a result, exports to the U.S. were down 14% in May, and are expected to remain low for the rest of this year and in 2009.

Strong domestic and offshore demand for pork, coupled with the reduction in live hog production in Canada – and consequently lower exports to the U.S. – will provide support to hog prices in the near term. Accordingly, we expect prices to trek upward for the remainder of this year and into next. Still, high feed costs will remain a challenge to producers.



### Cattle market to remain tight

The cattle market has also improved in recent months, with prices rising 18% since reaching a trough in April. While Canadian domestic consumption of beef fell 3.2% Y/Y during the first five months of the year, strong exports resulted in a 1.3% increase in live cattle demand. Not surprisingly, the number of cattle on feed as of July 1<sup>st</sup> in Alberta and Saskatchewan (data for Canada is not yet available) were down 11.6%, thereby providing support to higher prices.

But like hog producers, high feed costs are limiting profit gains. In the U.S., the surge in wheat prices last fall prompted producers to move cattle from the wheat pastures to feedlots (where cows are placed before slaughter), thereby increasing market supply early on in the year. Consequently, supplies that would typically hit the market in the summer and fall have already surfaced, leaving the market poised for tightening. In fact, with slaughter rates up 1.6% during the first six months of the year, the number of cattle on feed as of July 1<sup>st</sup> was down 4% from year ago levels, following a 4% decline in June.

As such, we expect the cattle market in both Canada and the U.S. to be tight throughout the summer months, as falling supplies are exacerbated by a seasonal rise in demand. As a result, prices will likely rise during the second half of this year, before pulling back slightly at the start of 2009. Similar to the hog market, the planned U.S. COOL regulations also pose a risk to Canadian cattle producers.

## COMMODITY PRICES: AVERAGE LEVELS (1)

	FOREST PRODUCTS			ENERGY			PRECIOUS METALS	
	LUMBER	PULP	NEWSPRINT	OIL	NAT GAS	COAL	GOLD	SILVER
	RL Framing Lumber Composite, \$/1000 Bd Ft	NBSK, delivered in east U.S., \$/mt	New York, \$/mt	West Texas Intermediate, Cushing \$/Barrel	Henry Hub, LA, \$/mmbtu	Austr. Thermal \$/mt	London Gold Bullion, PM Fix, \$/Troy oz	Handy & Herman Base Price, \$/Troy oz
<b>ANNUAL AVG</b>								
2005	387.35	646.27	611.86	56.85	8.92	48.91	445.46	7.36
2006	327.02	721.83	666.83	66.12	6.74	50.29	604.03	11.58
2007	284.18	820.34	593.27	72.27	6.97	65.18	696.30	13.40
2008F	264.08	886.81	690.00	113.00	9.82	144.53	910.20	17.23
2009F	308.75	920.00	752.50	103.75	9.54	132.50	853.75	16.01
Dec-02	348.74	480.00	480.00	11.28	1.73	26.23	290.81	4.89
Dec-03	384.57	580.00	530.00	26.06	2.35	35.71	284.04	5.22
Dec-04	373.61	650.00	580.00	43.28	6.60	54.01	441.50	7.10
Dec-05	361.36	640.00	645.00	59.37	12.95	36.50	510.34	8.69
Dec-06	281.67	770.00	660.00	62.01	6.71	49.82	629.26	13.26
Dec-07	267.81	858.85	585.00	91.88	7.13	89.16	806.69	14.37
Dec-08F	270.00	900.00	740.00	105.00	9.75	150.00	900.00	16.85
Dec-09F	355.00	930.00	660.00	110.00	9.40	125.00	835.00	15.50
<b>QUARTERLY AVG</b>								
2006 - Q1	376.86	653.33	655.00	63.32	7.71	48.06	553.61	9.71
2006 - Q2	349.69	706.00	672.00	70.58	6.51	54.92	627.26	12.28
2006 - Q3	303.57	758.00	675.00	70.60	6.10	51.34	621.60	11.73
2006 - Q4	277.94	770.00	664.67	60.06	6.65	46.69	614.06	12.62
2007 - Q1	289.02	790.00	631.42	58.10	7.16	52.65	649.62	13.29
2007 - Q2	290.91	807.82	598.33	64.93	7.53	56.36	667.27	13.36
2007 - Q3	292.40	831.14	571.67	75.19	6.17	68.48	679.88	12.70
2007 - Q4	264.38	852.42	571.67	90.87	7.01	83.23	788.43	14.25
2008 - Q1	245.87	877.23	620.00	97.98	8.65	115.39	924.74	17.59
2008 - Q2	265.47	880.00	680.00	124.03	11.37	142.71	896.05	17.21
2008 - Q3F	275.00	890.00	720.00	120.00	9.50	165.00	920.00	17.25
2008 - Q4F	270.00	900.00	740.00	110.00	9.75	155.00	900.00	16.85
2009 - Q1F	275.00	910.00	745.00	100.00	10.00	140.00	875.00	16.50
2009 - Q2F	290.00	920.00	750.00	100.00	9.50	135.00	860.00	16.20
2009 - Q3F	320.00	920.00	755.00	105.00	9.25	130.00	845.00	15.85
2009 - Q4F	350.00	930.00	760.00	110.00	9.40	125.00	835.00	15.50
<b>MONTHLY AVG</b>								
Aug-07	290.70	830.18	570.00	72.39	6.23	69.81	665.33	12.31
Sep-07	280.30	837.78	565.00	79.66	6.05	67.84	712.65	12.90
Oct-07	265.48	848.40	560.00	86.20	6.80	75.19	754.72	13.73
Nov-07	259.95	850.00	570.00	94.78	7.12	85.35	806.25	14.67
Dec-07	267.81	858.85	585.00	91.88	7.13	89.16	806.69	14.37
Jan-08	254.70	872.54	600.00	93.04	7.98	91.10	887.51	16.01
Feb-08	243.00	879.16	620.00	95.47	8.56	129.52	922.30	17.65
Mar-08	239.90	880.00	640.00	105.42	9.41	125.56	964.42	19.12
Apr-08	247.41	880.00	660.00	112.57	10.13	126.45	909.70	17.51
May-08	277.00	880.00	680.00	125.61	11.28	138.31	888.96	17.07
Jun-08	272.00	880.00	700.00	133.93	12.69	163.38	889.49	17.04
Jul-09	264.15	885.94	720.00	130.19	10.44	184.51	897.81	17.29

## COMMODITY PRICES: AVERAGE LEVELS (2)

	NON-PRECIOUS METALS & MINERALS					AGRICULTURAL PRODUCTS				
	ALUM	COPPER	NICKEL	ZINC	URANIUM	WHEAT	BARLEY	CANOLA	CATTLE	HOGS
	LME Closing Cash Price, Cents/lb	LME Closing Cash Price, Cents/lb	LME Closing Cash Price, \$/lb	LME Closing Cash Price, Cents/lb	Ux U308, \$/lb	Can. St. Lawr. CWRS, 13.5%, C\$/mt	Feed Barley, Lethbr. Grade 1CW C\$/mt	Instore Vancouver: Grade 1 Canada NCC C\$/mt	Live, 1st expiring contract open Cents/lb	Live/lean, 1st expiring contract open Cents/lb
<b>ANNUAL AVG</b>										
2005	86.22	167.60	6.69	62.90	29.06	197.76	91.41	238.41	87.24	68.41
2006	116.49	305.10	11.01	148.56	47.77	216.58	108.71	268.54	86.19	64.19
2007	119.71	323.24	16.90	147.52	99.07	300.26	174.99	394.08	93.92	65.69
2008F	133.21	368.22	11.24	92.81	70.04	475.49	239.77	601.68	95.68	70.69
2009F	122.50	348.75	9.63	85.00	77.50	402.50	205.00	538.75	96.00	82.00
Dec-02	66.85	78.38	3.60	52.03	10.20	205.83	116.79	289.71	74.55	45.42
Dec-03	70.91	80.52	3.68	53.89	14.40	184.53	100.43	285.01	90.73	50.60
Dec-04	84.18	142.61	6.28	53.70	20.50	199.22	92.15	242.22	88.52	74.86
Dec-05	102.00	207.76	6.09	82.88	36.50	209.10	97.14	217.50	94.11	63.89
Dec-06	127.49	301.37	15.67	198.73	61.13	237.64	145.03	332.18	86.74	62.00
Dec-07	107.91	299.56	11.83	106.86	91.25	470.96	199.51	494.93	93.03	57.33
Dec-08F	135.00	370.00	10.25	80.00	70.00	395.00	250.00	570.00	100.00	77.00
Dec-09F	115.00	340.00	9.00	95.00	75.00	385.00	180.00	520.00	94.00	83.00
<b>QUARTERLY AVG</b>										
2006 - Q1	109.68	223.98	6.71	101.72	39.10	210.00	93.45	230.30	90.09	59.82
2006 - Q2	120.35	328.47	9.07	149.85	43.70	209.91	101.06	258.54	79.53	66.83
2006 - Q3	112.51	347.72	13.26	152.47	49.10	216.87	101.15	270.35	87.52	67.54
2006 - Q4	123.41	320.40	15.01	190.15	58.98	230.39	139.19	314.99	87.59	62.58
2007 - Q1	127.00	269.63	18.74	157.52	81.03	233.54	149.06	334.09	94.34	64.35
2007 - Q2	125.28	346.27	21.86	166.27	122.28	243.84	170.96	359.23	93.23	73.25
2007 - Q3	115.73	349.76	13.71	146.83	106.67	307.41	180.81	409.81	93.51	69.23
2007 - Q4	110.81	327.31	13.29	119.45	86.28	416.26	199.12	473.19	94.60	55.94
2008 - Q1	124.07	352.57	13.08	109.81	79.28	611.01	212.13	623.97	91.62	58.04
2008 - Q2	133.78	385.30	11.87	96.42	62.87	480.96	236.97	622.77	93.10	72.74
2008 - Q3F	140.00	365.00	9.75	85.00	68.00	415.00	260.00	585.00	98.00	75.00
2008 - Q4F	135.00	370.00	10.25	80.00	70.00	395.00	250.00	575.00	100.00	77.00
2009 - Q1F	130.00	360.00	10.50	75.00	75.00	415.00	225.00	560.00	98.00	79.00
2009 - Q2F	125.00	350.00	9.75	80.00	78.00	410.00	215.00	545.00	97.00	81.00
2009 - Q3F	120.00	345.00	9.25	90.00	80.00	400.00	200.00	530.00	95.00	85.00
2009 - Q4F	115.00	340.00	9.00	95.00	77.00	385.00	180.00	520.00	94.00	83.00
<b>MONTHLY AVG</b>										
Aug-07	113.99	340.30	12.49	147.29	103.00	292.63	167.38	399.39	92.84	70.70
Sep-07	108.53	347.38	13.42	130.97	87.50	352.97	191.80	440.91	96.22	64.33
Oct-07	110.76	363.21	14.08	134.91	77.00	386.54	202.69	453.71	95.11	57.08
Nov-07	113.63	316.26	13.86	115.29	90.60	391.28	194.87	472.25	95.55	53.44
Dec-07	107.91	299.56	11.83	106.86	91.25	470.96	199.51	494.93	93.03	57.33
Jan-08	110.74	319.48	12.53	106.12	88.88	504.52	210.39	558.78	92.44	56.05
Feb-08	125.96	357.30	12.66	110.38	75.20	714.65	208.06	660.17	91.99	60.95
Mar-08	135.52	380.92	14.06	112.94	73.75	613.86	217.95	652.96	90.42	57.11
Apr-08	134.21	393.90	13.04	102.66	68.75	532.67	229.54	623.58	89.40	66.23
May-08	132.98	387.33	12.34	100.70	61.60	483.90	241.07	608.73	94.09	77.18
Jun-08	134.15	374.67	10.22	85.91	58.25	426.32	240.30	636.00	95.80	74.82
Jul-09	133.66	364.93	8.85	79.71	61.88	398.79	249.74	603.11	100.77	74.85

<b>COMMODITY PRICES: % CHANGE (1)</b>								
	<b>FOREST PRODUCTS</b>			<b>ENERGY</b>			<b>PRECIOUS METALS</b>	
	<b>LUMBER</b>	<b>PULP</b>	<b>NEWSPRINT</b>	<b>OIL</b>	<b>NAT GAS</b>	<b>COAL</b>	<b>GOLD</b>	<b>SILVER</b>
<b>Y/Y % CHANGE</b>								
2003	3.7	13.2	8.8	18.5	62.1	4.1	17.5	7.0
2004	31.1	15.8	9.4	33.8	6.7	96.2	12.1	35.5
2005	-4.4	0.6	10.8	36.4	51.9	-11.4	8.8	9.8
2006	-15.6	11.7	9.0	16.3	-24.5	2.8	35.6	57.3
2007	-13.1	13.6	-11.0	9.3	3.4	29.6	15.3	15.7
2008F	-7.1	8.1	16.3	56.4	40.9	121.7	30.7	28.6
2009F	16.9	3.7	9.1	-8.2	-2.8	-8.3	-6.2	-7.0
Dec-05	-3.3	-1.5	11.2	37.2	96.1	-32.4	15.6	22.4
Dec-06	-22.1	20.3	2.3	4.4	-48.2	36.5	23.3	52.6
Dec-07	-4.9	11.5	-11.4	48.2	6.3	79.0	28.2	8.4
Dec-08F	0.8	4.8	26.5	14.3	36.7	68.2	11.6	17.2
Dec-09F	31.5	3.3	-10.8	4.8	-3.6	-16.7	-7.2	-8.0
<b>Q/Q % CHANGE</b>								
2006 - Q1	3.2	2.3	2.9	5.6	-37.1	18.9	13.9	19.8
2006 - Q2	-7.2	8.1	2.6	11.5	-15.6	14.3	13.3	26.6
2006 - Q3	-13.2	7.4	0.4	0.0	-6.3	-6.5	-0.9	-4.5
2006 - Q4	-8.4	1.6	-1.5	-14.9	9.1	-9.0	-1.2	7.6
2007 - Q1	4.0	2.6	-5.0	-3.3	7.6	12.7	5.8	5.3
2007 - Q2	0.7	2.3	-5.2	11.8	5.1	7.1	2.7	0.5
2007 - Q3	0.5	2.9	-4.5	15.8	-18.0	21.5	1.9	-4.9
2007 - Q4	-9.6	2.6	0.0	20.8	13.7	21.5	16.0	12.2
2008 - Q1	-7.0	2.9	8.5	7.8	23.3	38.6	17.3	23.5
2008 - Q2	8.0	0.3	9.7	26.6	31.4	23.7	-3.1	-2.2
2008 - Q3F	3.6	1.1	5.9	-3.3	-16.4	15.6	2.7	0.3
2008 - Q4F	-1.8	1.1	2.8	-8.3	2.6	-6.1	-2.2	-2.3
2009 - Q1F	1.9	1.1	0.7	-9.1	2.6	-9.7	-2.8	-2.1
2009 - Q2F	5.5	1.1	0.7	0.0	-5.0	-3.6	-1.7	-1.8
2009 - Q3F	10.3	0.0	0.7	5.0	-2.6	-3.7	-1.7	-2.2
2009 - Q4F	9.4	1.1	0.7	4.8	1.6	-3.8	-1.2	-2.2
<b>M/M % CHANGE</b>								
Aug-07	-4.7	0.6	-1.7	-2.3	0.3	3.0	0.0	-4.8
Sep-07	-3.6	0.9	-0.9	10.0	-3.0	-2.8	7.1	4.8
Oct-07	-5.3	1.3	-0.9	8.2	12.5	10.8	5.9	6.5
Nov-07	-2.1	0.2	1.8	9.9	4.7	13.5	6.8	6.8
Dec-07	3.0	1.0	2.6	-3.1	0.1	4.5	0.1	-2.0
Jan-08	-4.9	1.6	2.6	1.3	11.9	2.2	10.0	11.4
Feb-08	-4.6	0.8	3.3	2.6	7.3	42.2	3.9	10.2
Mar-08	-1.3	0.1	3.2	10.4	9.9	-3.1	4.6	8.3
Apr-08	3.1	0.0	3.1	6.8	7.7	0.7	-5.7	-8.4
May-08	12.0	0.0	3.0	11.6	11.3	9.4	-2.3	-2.5
Jun-08	-1.8	0.0	2.9	6.6	12.5	18.1	0.1	-0.2
Jul-09	-2.9	0.7	2.9	-2.8	-17.8	12.9	0.9	1.5

<b>COMMODITY PRICES: % CHANGE (2)</b>										
	<b>NON-PRECIOUS METALS &amp; MINERALS</b>					<b>AGRICULTURAL PRODUCTS</b>				
	<b>ALUM</b>	<b>COPPER</b>	<b>NICKEL</b>	<b>ZINC</b>	<b>URANIUM</b>	<b>WHEAT</b>	<b>BARLEY</b>	<b>CANOLA</b>	<b>CATTLE</b>	<b>HOGS</b>
<b>Y/Y % CHANGE</b>										
2003	6.4	15.2	45.1	7.2	18.6	0.4	-4.4	7.0	20.6	15.4
2004	19.9	60.6	39.8	26.3	60.5	5.4	-5.2	3.8	-1.7	-4.4
2005	10.3	28.0	7.1	31.8	54.6	5.8	-7.6	-15.7	7.1	28.4
2006	35.1	82.0	64.5	136.2	64.3	9.5	18.9	12.6	-1.2	-6.2
2007	2.8	5.9	53.5	-0.7	107.4	38.6	61.0	46.7	9.0	2.3
2008F	11.3	13.9	-33.5	-37.1	-29.3	58.4	37.0	52.7	1.9	7.6
2009F	-8.0	-5.3	-14.4	-8.4	10.7	-15.4	-14.5	-10.5	0.3	16.0
Dec-05	21.2	45.7	-3.1	54.3	78.0	5.0	5.4	-10.2	6.3	-14.6
Dec-06	25.0	45.1	157.3	139.8	67.5	13.6	49.3	52.7	-7.8	-3.0
Dec-07	-15.4	-0.6	-24.5	-46.2	49.3	98.2	37.6	49.0	7.3	-7.5
Dec-08F	25.1	23.5	-13.3	-25.1	-23.3	-16.1	25.3	15.2	7.5	34.3
Dec-09F	-14.8	-8.1	-12.2	18.8	7.1	-2.5	-28.0	-8.8	-6.0	7.8
<b>Q/Q % CHANGE</b>										
2006 - Q1	16.4	14.7	16.9	36.4	11.9	2.4	-0.6	2.8	-1.8	-5.8
2006 - Q2	9.7	46.7	35.3	47.3	11.8	0.0	8.1	12.3	-11.7	11.7
2006 - Q3	-6.5	5.9	46.2	1.7	12.4	3.3	0.1	4.6	10.0	1.1
2006 - Q4	9.7	-7.9	13.2	24.7	20.1	6.2	37.6	16.5	0.1	-7.3
2007 - Q1	2.9	-15.8	24.9	-17.2	37.4	1.4	7.1	6.1	7.7	2.8
2007 - Q2	-1.4	28.4	16.7	5.6	50.9	4.4	14.7	7.5	-1.2	13.8
2007 - Q3	-7.6	1.0	-37.3	-11.7	-12.8	26.1	5.8	14.1	0.3	-5.5
2007 - Q4	-4.2	-6.4	-3.1	-18.7	-19.1	35.4	10.1	15.5	1.2	-19.2
2008 - Q1	12.0	7.7	-1.6	-8.1	-8.1	46.8	6.5	31.9	-3.1	3.7
2008 - Q2	7.8	9.3	-9.3	-12.2	-20.7	-21.3	11.7	-0.2	1.6	25.3
2008 - Q3F	4.6	-5.3	-17.8	-11.8	8.2	-13.7	9.7	-6.1	5.3	3.1
2008 - Q4F	-3.6	1.4	5.1	-5.9	2.9	-4.8	-3.8	-1.7	2.0	2.7
2009 - Q1F	-3.7	-2.7	2.4	-6.3	7.1	5.1	-10.0	-2.6	-2.0	2.6
2009 - Q2F	-3.8	-2.8	-7.1	6.7	4.0	-1.2	-4.4	-2.7	-1.0	2.5
2009 - Q3F	-4.0	-1.4	-5.1	12.5	2.6	-2.4	-7.0	-2.8	-2.1	4.9
2009 - Q4F	-4.2	-1.4	-2.7	5.6	-3.8	-3.8	-10.0	-1.9	-1.1	-2.4
<b>M/M % CHANGE</b>										
Aug-07	-8.1	-6.0	-18.1	-8.4	-20.5	5.8	-9.6	1.6	1.2	-2.0
Sep-07	-4.8	2.1	7.5	-11.1	-15.0	20.6	14.6	10.4	3.6	-9.0
Oct-07	2.1	4.6	4.9	3.0	-12.0	9.5	5.7	2.9	-1.2	-11.3
Nov-07	2.6	-12.9	-1.6	-14.5	17.7	1.2	-3.9	4.1	0.5	-6.4
Dec-07	-5.0	-5.3	-14.7	-7.3	0.7	20.4	2.4	4.8	-2.6	7.3
Jan-08	2.6	6.6	5.9	-0.7	-2.6	7.1	5.5	12.9	-0.6	-2.2
Feb-08	13.7	11.8	1.1	4.0	-15.4	41.6	-1.1	18.1	-0.5	8.7
Mar-08	7.6	6.6	11.1	2.3	-1.9	-14.1	4.8	-1.1	-1.7	-6.3
Apr-08	-1.0	3.4	-7.2	-9.1	-6.8	-13.2	5.3	-4.5	-1.1	16.0
May-08	-0.9	-1.7	-5.4	-1.9	-10.4	-9.2	5.0	-2.4	5.2	16.5
Jun-08	0.9	-3.3	-17.1	-14.7	-5.4	-11.9	-0.3	4.5	1.8	-3.0
Jul-09	-0.4	-2.6	-13.4	-7.2	6.2	-6.5	3.9	-5.2	5.2	0.0

## TD COMMODITY PRICE INDICES (TDCI)

	TDCI- US\$ INDEX	TDCI- US\$ INDEX ex- energy	US\$ SUB-INDICES					TDCI- C\$ INDEX	TDCI- C\$ INDEX ex- energy	C\$ SUB-INDICES					C\$/ US\$
			FOREST PROD- UCTS	ENERGY	PREC- IOUS METALS	NON- PREC METALS & MIN.	AGRI. PROD- UCTS			FOREST PROD- UCTS	ENERGY	PREC- IOUS METALS	NON- PREC METALS & MIN.	AGRI. PROD- UCTS	
<b>ANNUAL AVG</b>															
2005	222.9	123.2	102.1	313.4	136.2	158.3	105.6	270.0	149.3	123.6	379.6	164.9	191.8	127.9	1.21
2006	227.3	158.9	101.8	289.4	188.4	255.6	110.6	257.7	180.2	115.5	328.2	213.7	289.9	125.5	1.13
2007	252.2	190.0	98.0	308.7	217.3	337.7	141.3	272.4	205.1	105.8	333.4	234.7	364.7	152.6	1.04
2008F	334.1	191.3	103.7	463.9	283.4	286.9	195.0	343.6	196.7	106.7	477.0	291.4	295.0	200.5	1.03
2009F	316.6	185.5	113.2	435.7	265.5	269.1	177.1	338.7	198.5	121.1	466.1	284.0	287.8	189.5	1.08
Dec-05	271.0	130.8	100.8	398.4	156.2	177.4	108.0	315.0	152.0	117.1	463.1	181.5	206.2	125.5	1.16
Dec-06	232.7	176.9	98.8	283.3	199.6	310.6	119.6	267.7	203.5	113.6	325.9	229.6	357.4	137.6	1.15
Dec-07F	273.2	181.0	97.6	357.0	249.2	279.3	182.4	273.2	181.0	97.6	357.0	249.2	279.3	182.4	1.00
Dec-08F	322.9	187.9	107.5	445.5	279.8	279.6	179.3	342.3	199.2	113.9	472.2	296.6	296.3	190.1	1.06
Dec-09F	320.3	180.9	114.0	446.9	259.3	257.8	170.8	352.3	198.9	125.4	491.6	285.3	283.6	187.9	1.10
<b>QUARTERLY AVG</b>															
2006 - Q1	224.8	138.5	103.6	303.3	170.6	194.5	106.7	259.6	159.9	119.6	350.2	197.0	224.6	123.3	1.15
2006 - Q2	229.0	156.7	103.8	294.6	196.2	245.3	106.7	256.8	175.8	116.4	330.4	220.1	275.2	119.7	1.12
2006 - Q3	228.9	166.3	101.3	285.8	193.4	278.4	111.6	256.6	186.4	113.6	320.3	216.8	312.0	125.1	1.12
2006 - Q4	226.4	174.0	98.6	273.9	193.4	304.3	117.5	257.9	198.2	112.4	312.0	220.3	346.7	133.8	1.14
2007 - Q1	235.4	185.6	99.1	280.7	204.5	335.3	122.4	275.8	217.4	116.1	328.9	239.6	392.9	143.4	1.17
2007 - Q2	257.4	206.5	98.4	303.6	209.4	399.3	128.6	282.6	226.7	108.1	333.4	229.9	438.4	141.2	1.10
2007 - Q3	244.6	185.0	98.3	298.8	211.3	321.5	144.5	255.8	193.4	102.8	312.4	221.0	336.2	151.1	1.05
2007 - Q4	271.4	182.8	96.2	351.8	244.0	294.8	169.7	271.4	182.8	96.2	351.8	244.0	294.8	169.7	1.00
2008 - Q1	305.6	197.0	97.8	404.2	288.2	300.2	219.9	305.6	197.0	97.8	404.2	288.2	300.2	219.9	1.00
2008 - Q2	364.0	192.0	103.1	520.2	279.6	290.6	196.8	371.2	195.9	105.1	530.6	285.2	296.4	200.8	1.02
2008 - Q3F	338.1	188.1	106.6	474.3	286.1	277.4	183.7	351.6	195.7	110.8	493.2	297.6	288.5	191.1	1.04
2008 - Q4F	328.8	188.0	107.5	456.8	279.8	279.6	179.6	346.3	197.9	113.2	481.0	294.7	294.4	189.1	1.06
2009 - Q1F	317.2	188.1	108.7	434.5	272.3	279.3	181.8	334.0	198.0	114.5	457.6	286.8	294.1	191.5	1.05
2009 - Q2F	312.8	185.9	111.1	428.0	267.6	271.5	179.6	332.8	197.8	118.2	455.4	284.7	288.9	191.1	1.06
2009 - Q3F	315.1	184.9	114.6	433.3	262.8	266.3	176.3	338.7	198.8	123.2	465.8	282.5	286.3	189.5	1.08
2009 - Q4F	321.4	183.3	118.5	446.9	259.3	259.1	170.8	349.4	199.2	128.8	485.8	281.9	281.7	185.7	1.09
<b>MONTHLY AVG</b>															
Aug-07	240.4	180.1	98.0	295.2	206.6	309.3	140.5	254.5	190.6	103.7	312.5	218.7	327.5	148.8	1.06
Sep-07	246.3	180.5	97.0	305.9	220.6	300.1	156.5	252.8	185.3	99.6	314.0	226.4	308.0	160.7	1.03
Oct-07	261.5	182.9	95.7	333.0	232.2	302.8	162.8	256.0	179.0	93.7	326.0	227.3	296.4	159.4	0.98
Nov-07	277.8	184.3	95.5	362.6	249.0	302.2	163.8	268.0	177.8	92.2	349.9	240.2	291.6	158.0	0.96
Dec-07	272.8	181.0	97.6	356.2	248.9	279.3	182.3	273.3	181.3	97.8	356.9	249.4	279.8	182.7	1.00
Jan-08	286.7	187.3	97.8	377.0	271.8	287.2	192.8	289.8	189.3	98.9	381.1	274.7	290.3	194.8	1.01
Feb-08	301.7	198.7	97.6	395.3	287.3	294.0	244.1	301.4	198.5	97.5	395.0	287.1	293.8	243.9	1.00
Mar-08	326.7	204.4	98.3	437.7	303.9	317.1	222.9	327.2	204.8	98.5	438.5	304.4	317.7	223.3	1.00
Apr-08	336.6	197.3	99.8	463.1	285.7	305.8	206.2	341.5	200.2	101.3	469.9	289.8	310.2	209.2	1.01
May-08	362.4	191.5	104.1	517.7	276.8	287.8	197.9	362.6	191.6	104.2	518.0	276.9	287.9	198.0	1.00
Jun-08	386.9	185.5	104.8	569.9	276.8	272.3	187.2	393.3	188.5	106.6	579.4	281.4	276.8	190.3	1.02
Jul-08	390.8	187.8	103.8	575.3	295.4	276.3	185.8	395.5	190.0	105.0	582.1	298.9	279.5	188.0	1.01

### TDCI WEIGHTINGS (%)

FOREST PRODUCTS	21.1	ENERGY	52.4	PRECIOUS METALS	4.5	NON-PRECIOUS METALS & MINERALS	14.7	AGRICULTURAL PRODUCTS	7.3
Lumber	9.5	Oil	23.6	Silver	0.5	Aluminum	6.6	Wheat	2.8
Pulp	5.7	Natural Gas	27.2	Gold	4.0	Copper	2.6	Barley	0.3
Newsprint	5.9	Coal	1.6			Nickel	3.4	Canola	1.2
						Zinc	1.0	Cattle	1.8
						Uranium	1.1	Hogs	1.2

Overall TDCI weights based on Canadian exports 2003-05

Sources: WSJ, FT, Ux Weekly, Random Lengths, Pulp & Paper Weekly, GlobalCoal, Comtex, WCE, FRBNY / Haver Analytics,

## TD COMMODITY PRICE INDICES : % CHANGE

	US\$ SUB-INDICES							C\$ SUB-INDICES							C\$/US\$	
	TDCI-US\$ INDEX	TDCI-US\$ INDEX ex-energy	FOREST PROD-UCTS	ENERGY	PRECIOUS METALS	NON-PREC METALS & MIN.	AGRI. PROD-UCTS	TDCI-C\$ INDEX	TDCI-C\$ INDEX ex-energy	FOREST PROD-UCTS	ENERGY	PRECIOUS METALS	NON-PREC METALS & MIN.	AGRI. PROD-UCTS		
<b>Y/Y % CHANGE</b>																
2005	32.2	7.9	1.7	43.8	8.8	17.2	0.4	23.1	0.5	-5.3	33.9	1.3	9.1	-6.5	-6.9	
2006	2.0	28.9	-0.2	-7.7	38.4	61.5	4.8	-4.5	20.7	-6.6	-13.5	29.6	51.2	-1.9	-6.4	
2007	11.0	19.6	-3.8	6.7	15.3	32.1	27.7	5.7	13.9	-8.4	1.6	9.8	25.8	21.6	-8.3	
2008F	32.5	0.7	5.9	50.3	30.4	-15.0	38.0	26.1	-4.1	0.8	43.1	24.2	-19.1	31.4	-1.0	
2009F	-5.2	-3.0	9.1	-6.1	-6.3	-6.2	-9.2	-1.4	0.9	13.6	-2.3	-2.5	-2.4	-5.5	4.9	
Dec-05	50.0	11.3	1.7	67.4	15.7	23.8	-0.2	43.4	6.3	-2.8	59.9	10.6	18.3	-4.6	-4.4	
Dec-06	-14.2	35.2	-2.0	-28.9	27.8	75.1	10.8	-15.0	33.9	-3.0	-29.6	26.5	73.3	9.6	-1.0	
Dec-07	17.4	2.3	-1.2	26.0	24.9	-10.1	52.5	2.1	-11.1	-14.1	9.5	8.5	-21.9	32.6	-13.1	
Dec-08F	18.2	3.8	10.2	24.8	12.3	0.1	-1.7	25.3	10.1	16.8	32.3	19.0	6.1	4.2	6.0	
Dec-09F	-0.8	-3.8	6.0	0.3	-7.3	-7.8	-4.7	2.9	-0.1	10.0	4.1	-3.8	-4.3	-1.1	3.8	
<b>Q/Q % CHANGE</b>																
2006 - Q1	-15.0	9.4	2.9	-22.2	14.7	16.6	0.0	-16.4	7.7	1.3	-23.5	12.8	14.7	-1.6	-1.6	
2006 - Q2	1.8	13.2	0.2	-2.9	15.0	26.2	-0.1	-1.1	9.9	-2.6	-5.7	11.7	22.5	-2.9	-2.9	
2006 - Q3	0.0	6.1	-2.4	-3.0	-1.4	13.5	4.6	-0.1	6.0	-2.4	-3.1	-1.5	13.4	4.5	-0.1	
2006 - Q4	-1.1	4.6	-2.7	-4.2	0.0	9.3	5.3	0.5	6.4	-1.1	-2.6	1.6	11.1	7.0	1.6	
2007 - Q1	4.0	6.6	0.4	2.5	5.7	10.2	4.2	7.0	9.7	3.3	5.4	8.7	13.3	7.2	2.8	
2007 - Q2	9.3	11.3	-0.7	8.2	2.4	19.1	5.1	2.4	4.3	-6.9	1.4	-4.0	11.6	-1.5	-6.3	
2007 - Q3	-5.0	-10.4	-0.1	-1.6	0.9	-19.5	12.3	-9.5	-14.7	-4.9	-6.3	-3.9	-23.3	7.0	-4.8	
2007 - Q4	10.9	-1.2	-2.1	17.8	15.5	-8.3	17.4	6.1	-5.5	-6.4	12.6	10.4	-12.3	12.3	-4.4	
2008 - Q1	12.6	7.8	1.6	14.9	18.1	1.8	29.6	12.6	7.8	1.6	14.9	18.1	1.8	29.6	0.0	
2008 - Q2	19.1	-2.5	5.4	28.7	-3.0	-3.2	-10.5	21.5	-0.6	7.5	31.3	-1.0	-1.3	-8.7	2.0	
2008 - Q3F	-7.1	-2.0	3.4	-8.8	2.3	-4.5	-6.7	-5.3	-0.1	5.4	-7.0	4.3	-2.7	-4.8	2.0	
2008 - Q4F	-2.7	-0.1	0.9	-3.7	-2.2	0.8	-2.2	-1.5	1.2	2.1	-2.5	-1.0	2.0	-1.0	1.9	
2009 - Q1F	-3.5	0.0	1.2	-4.9	-2.7	-0.1	1.2	-3.5	0.0	1.2	-4.9	-2.7	-0.1	1.2	-0.9	
2009 - Q2F	-1.4	-1.1	2.1	-1.5	-1.7	-2.8	-1.2	-0.4	-0.1	3.2	-0.5	-0.7	-1.8	-0.2	1.0	
2009 - Q3F	0.7	-0.5	3.1	1.2	-1.8	-1.9	-1.9	1.8	0.5	4.2	2.3	-0.8	-0.9	-0.9	1.4	
2009 - Q4F	2.0	-0.9	3.4	3.1	-1.3	-2.7	-3.1	3.2	0.2	4.6	4.3	-0.2	-1.6	-2.0	1.1	
<b>M/M % CHANGE</b>																
Aug-07	-3.2	-7.9	-2.0	-0.3	-0.7	-13.6	2.3	-2.3	-7.1	-1.1	0.6	0.2	-12.8	3.3	0.9	
Sep-07	2.4	0.3	-1.0	3.6	6.8	-3.0	11.4	-0.7	-2.8	-4.0	0.5	3.6	-5.9	8.0	-3.0	
Oct-07	6.2	1.3	-1.3	8.9	5.3	0.9	4.0	1.3	-3.4	-5.9	3.8	0.4	-3.8	-0.8	-4.6	
Nov-07	6.2	0.8	-0.2	8.9	7.2	-0.2	0.6	4.7	-0.6	-1.7	7.3	5.7	-1.6	-0.8	-1.4	
Dec-07	-1.8	-1.8	2.2	-1.8	0.0	-7.6	11.3	2.0	2.0	6.1	2.0	3.8	-4.0	15.6	3.8	
Jan-08	5.1	3.5	0.3	5.8	9.2	2.8	5.7	6.0	4.4	1.1	6.8	10.2	3.8	6.7	0.9	
Feb-08	5.2	6.1	-0.3	4.9	5.7	2.4	26.6	4.0	4.8	-1.4	3.7	4.5	1.2	25.2	-1.2	
Mar-08	8.3	2.9	0.7	10.7	5.8	7.9	-8.7	8.6	3.2	1.0	11.0	6.0	8.1	-8.4	0.3	
Apr-08	3.0	-3.5	1.5	5.8	-6.0	-3.6	-7.5	4.4	-2.2	2.9	7.2	-4.8	-2.3	-6.3	1.3	
May-08	7.7	-2.9	4.3	11.8	-3.1	-5.9	-4.0	6.2	-4.3	2.9	10.2	-4.4	-7.2	-5.4	-1.4	
Jun-08	6.8	-3.2	0.7	10.1	0.0	-5.4	-5.4	8.5	-1.6	2.3	11.9	1.6	-3.8	-3.8	1.6	
Jul-08	1.0	1.2	-1.0	0.9	6.7	1.4	-0.8	0.5	0.8	-1.5	0.5	6.2	1.0	-1.2	-0.5	

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