

Friday's Settlement Prices for Selected Commodities in US or Can. \$ / tonne, etc:

Grains & Related

| Commodity | Month | This week | Last week | Year ago |
|-----------|-------|-----------|-----------|----------|
| SRW Wheat | Jul | 233.59 | 247.01 | 167.64 |
| HRW Wheat | Jul | 275.02 | 295.60 | 177.47 |
| HRS Wheat | Jul | 303.50 | 329.68 | 188.22 |
| Corn | Jul | 263.77 | 275.68 | 134.05 |
| Oats | Jul | 217.54 | 227.92 | 171.18 |
| W. Barley | Jul N | 205.00 | 205.00 | 155.00 |
| Ethanol | Jul | 69.56 | 69.77 | 40.58 |

Oilseeds, Related & Others

| Commodity | Month | This week | Last week | Year ago |
|--------------|-------|-----------|-----------|----------|
| Soya Beans | Jul | 485.10 | 489.97 | 351.63 |
| Soya Meal | Jul | 374.91 | 384.72 | 319.24 |
| Soya Oil | Jul | 1,217.66 | 1,232.87 | 819.27 |
| Canola | Jul | 579.80 | 581.10 | 437.60 |
| Crude Oil | Jul | 93.40 | 93.01 | 77.82 |
| Dollar Index | Sep | 76.22 | 74.60 | 85.58 |
| DJIA | Sep | 11,872 | 12,047 | 10,104 |

Data points in red are new previous 12-month highs, in blue are new previous 12-month lows

COMMENT: Another down week, but not as abrupt as last week. Again external factors were influential including politics – the release of crude oil from US strategic reserves and G20 leaders talking to their home audiences without much concern for the wider implications.

For corn, after a slow start, weather and forecasts have thus far been favourable for good yields. The US export sales report for last week tended to reinforce demand concerns. With northern hemisphere winter wheat harvests in full swing supply pressures are evident. As with corn US export sales were a little disappointing which was again taken as evidence of faltering demand. Slow export demand and improved weather for crop development pressured the soya complex.

NEWS:

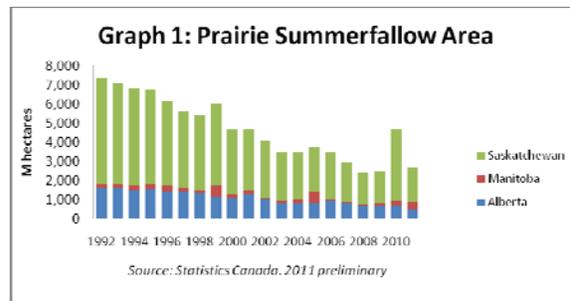
The USDA reported the winter wheat harvest 31 percent completed, as of June 19, compared with a 5-year average of 22, and 17 percent last year. With below average yields and good weather, harvest is well advanced in Texas and Oklahoma.

The corn crop was placed at 70 percent good or excellent last week, better than the five-year average of 65 percent but lagging last year's 75. Soya beans were reported at 68 percent good or excellent compared to last year's 69 and a 65 percent five-year average. Early corn crops are now entering the critical silking phase.

As has been the case for the last two years Statistics Canada's June seeding survey, taken about June 3, probably does not provide a very definitive indication of farmers' final seeding this spring. For the record the survey indicated spring wheat, durum, oats, barley, canola, corn and soya beans at 7.1M, 1.8M, 1.5M, 2.9M, 8.0, 1.2M and soya bean 1.5hectares, respectively up 6, 39, 31, 3, 18, 1 and 6 percent. Dry peas, most speciality crop and, of course, summer

fallow were down. With characteristic understatement Statistics Canada noted that as seeding had not been completed in all regions, "estimates of seeded areas may change in the July survey".

OPINION: Reading much into Statistics Canada's preliminary seeding data is a challenge. Some farmers, faced with excessively wet conditions, seemed to have made decisions about not seeding as evident from a second year's break in the downward trend in summer fallow in SK and MB, see graph. In AB where field conditions were good for seeding, a further cut in summer fallow was indicated.



Others farmers, more optimistically, may have made decisions to seed shorter season crops. Thus the July Survey revisions may hit shorter season crops – canola, barley and oats more than wheat.

Traditionally farmers summer fallowed for weed control, enhancing fertility and moisture conservation, all issues that technology now addresses. Paradoxically the continuing decline in summer fallowing has only been broken in years of Red River Valley flooding 1999 and 2005 and excessively wet conditions elsewhere the last two years

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