



THE Goods

A MONTHLY COMMODITY WATCH



BMO  Capital Markets™

Commodity Index Stalls in March

Troubled US Housing and Lower Natural Gas Throw Index Off its Stride

Surges in key metal prices were insufficient to offset the impact of the US housing troubles and lower natural gas prices on the **BMO Capital Markets Commodity Price Index** in March, as it eased 0.3% to 171.9 (2003 = 100).

Following a strong upsurge the previous month, the **Oil & Gas Index** retreated moderately in March as winter began to release its late-season grip. Inventories for both commodities are still relatively high, suggesting a bearish turn to energy markets as demand falls off during the spring. However, in the case of oil, the UK-Iran (now resolved) dispute over seized UK sailors and escalating insurgencies in Nigeria have refocused market attention on supply risks. While energy prices are likely to give some ground during the spring and early summer, longer-term fundamentals suggest a firm tone to the market.

In March, the **Metals & Minerals Index** added to the prior month's gains on the strength of copper, nickel and uranium, all of which posted double-digit increases. Notably, precious metals declined even as the US dollar weakened against major currencies. Over the past year, all metals enjoyed large gains, with the index advancing more than 50%, lifted by scant stocks, strong demand, limited supply response, and a weakening US dollar. Metals prices are set to move higher in the near term, partly due to seasonal considerations, before edging lower. For the entire year, average prices should remain relatively high, supported by low inventories and continued healthy demand.

The downtrend in the **Forest Products Index** resumed in March, following five months of almost perfectly offsetting movements among its components. Weakness was generalized in March, though most evident among wood products. The troubles in the US housing sector weighed particularly heavily on prices for lumber and structural panels. The pulp and paper side of the Index fared relatively better, although newsprint and other writing papers gave up more ground. Market pulp held steady. The forest products sector is facing a generally challenging outlook in 2007, where prices for many key commodities are under tremendous stress.

The **Agricultural Index** edged forward in March, on gains in cattle and wheat. Lower supplies and healthy demand lifted cattle prices while wheat moved higher on ethanol-related strength for grains in general and tight global supplies. Over the past year, agricultural prices have posted a double-digit increase, buoyed by solid demand and lower production in key regions. Prices should continue to be well supported in 2007, as global grain inventories are low while demand is being lifted by growing interest in bio-fuels. Further, the demand for meat is strengthening while supplies tighten due to rising feed costs.

OIL AND GAS

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FOREST PRODUCTS

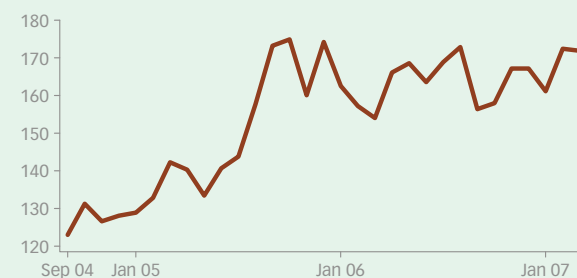
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BMO Capital Markets Commodity Price Index

All Commodities Index (2003=100)

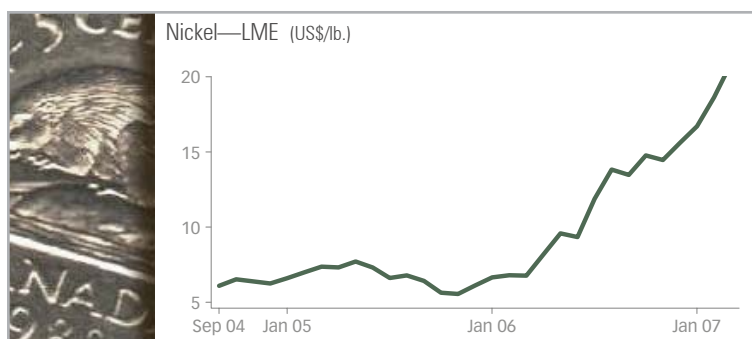


	Mar. Level (2003=100)	% Change from Mth. Ago	% Change from Yr. Ago
All Commodities	171.9	-0.3	11.6
Oil & Gas	161.0	-3.7	-1.1
Metals & Minerals	289.4	5.2	52.0
Forest Products	105.5	-3.0	-11.6
Agriculture	124.0	0.7	15.9

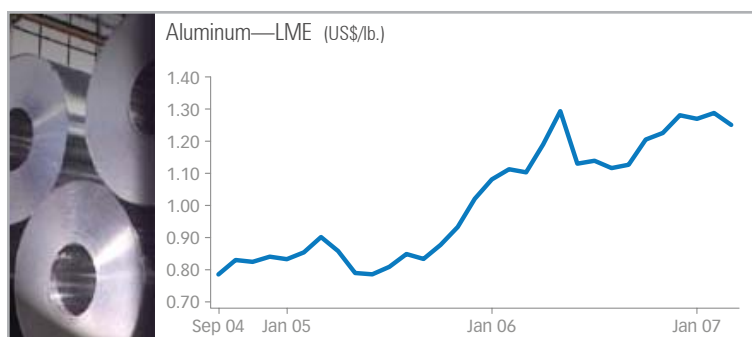
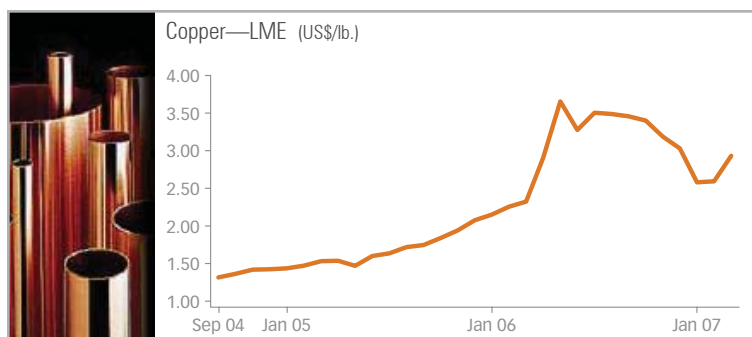
Metals and Minerals

Nickel In March, nickel continued its meteoric climb with an 11.6% gain to average US\$21.07/lb. over the month. Prices were propelled higher by tightening market conditions, robust demand from stainless steel producers in China, and reports of delays at major mining projects. Specifically, LME inventories continued to fall and, at the end of the month, were more than 80% below year-ago levels. The sharp decline in exchange stocks has contributed to prices tripling over the past year. Marginal supply increases, reduced stainless steel production in Europe, and growing substitution should prompt some

easing later in the year from current exceptionally high levels. However, continued strong demand, extremely low stocks, and delays in major supply expansions are expected to keep prices well above historical levels. We anticipate that nickel prices will average \$18.00/lb in 2007 and \$15 in 2008.



Copper Copper prices strengthened further in March on surging Chinese demand and a sharp decline in LME stocks. During the month, copper was the strongest performer among the base metals, with an average price increase of 13.1% to US\$2.94/lb. Robust industrial production, along with the need to rebuild inventories, has fueled imports of copper into China. The recent firming pattern in prices is expected to hold through the second quarter as demand picks up seasonally. In the latter part of the year, prices are expected to ease as supplies increase. Still, with stocks expected to remain relatively low, with no significant new supplies due to come on stream, and with global demand remaining healthy, average prices for the year should remain elevated, at \$2.70/lb in 2007 and \$2.30 in 2008.

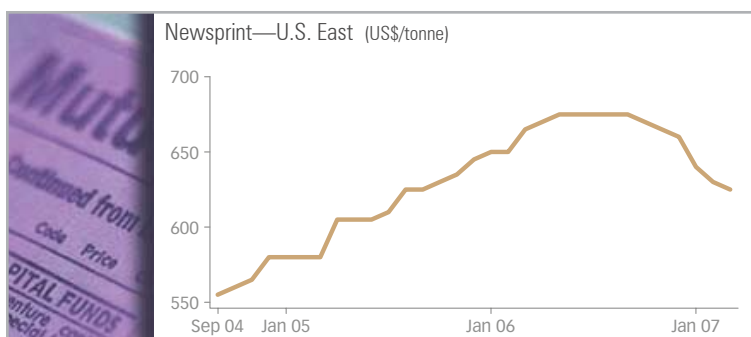
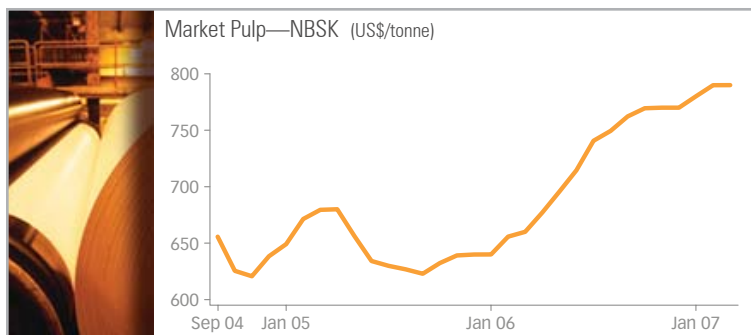
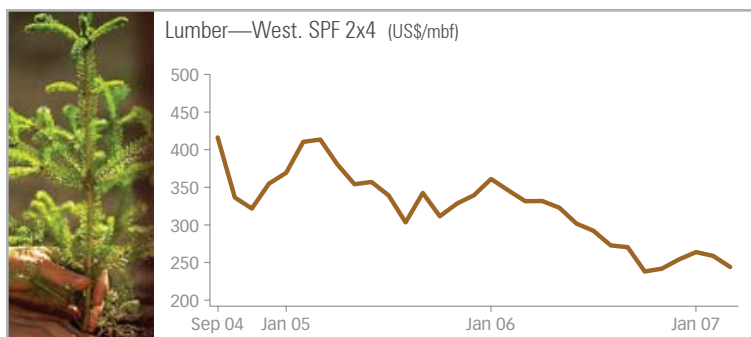


gain in average aluminum prices slipped to 14%, the weakest performance among the base metals. Though a growing surplus should promote further easing, solid industrial production and restrictive Chinese export policies should keep inventories at comparatively low levels and prices well above historical norms. For the year as a whole, we expect aluminum to average \$1.20/lb, with a moderate easing to \$1.10 in 2008.

Aluminum After being largely stable for three months, aluminum prices weakened in March amid rising exchange inventories and expectations of a significant increase in global production. During the month, prices fell 2.7% to average US\$1.25/lb. As a result of the decline, the year-over-year

Forest Products

Lumber As the US housing market continues to tumble (notwithstanding the surprising increase in housing starts in February, a likely anomaly), North American lumber consumption is also in rapid decline. While sawmills are taking serious steps to align productive capacity with demand, they have been unable to move fast enough so far. As a result, lumber prices have lingered at basement levels for the better part of the past six months. In March, they fell deeper below what are estimated to be variable costs in most North American regions, with the Western SPF 2x4 benchmark dropping to US\$235/mbf, down from an average of US\$255/mbf in February. While current price levels are clearly not sustainable, the dynamics of the market might well keep them there for a few more months, especially if the traditional seasonal pickup in demand this coming summer disappoints. The Western SPF 2x4 benchmark is forecast to average only US\$240/mbf this year, the lowest annual level since 1991. More capacity closures are expected, especially in high-costs areas such as Central Canada.



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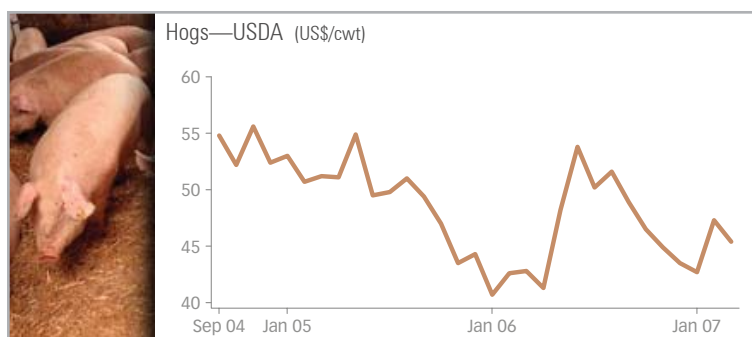
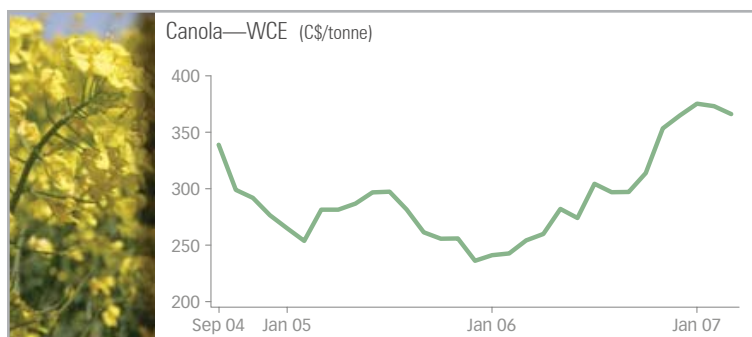
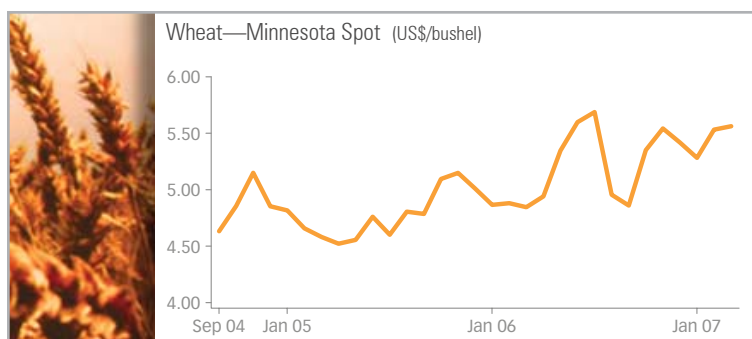
Market Pulp The pulp market is gearing up for a second price increase this year, set for April and likely the last one this cycle. Producers are keen to squeeze out an extra US\$20/tonne—from US\$790 in March to US\$810/tonne (NBSK benchmark)—from favourable market conditions, before they erode. In the past year or so, tight supply availability worldwide, low inventories, strong demand from China, rising prices for market pulp offshore and for end-products in North America, and concerns about wood chip shortages in parts of Canada have supported price gains of 20%. Market conditions are expected to soften later in 2007 when significant new hardwood capacity comes on-stream in South America and Asia. On average in 2007, NBSK is forecast to climb to US\$780/tonne from US\$722/tonne in 2006, before retreating to US\$720 in 2008.

Newsprint The US East Coast benchmark edged lower again in March by US\$5/tonne to US\$625/tonne, extending its sustained slide since

reaching a cyclical peak last summer. Producers have lost their earlier grip on pricing, unable to maintain the aggressive pace of capacity reductions that, before last summer's peak, had been more than sufficient to overtake the secular decline in newsprint consumption. However, the easy pickings for mill shutdowns have run out. North American producers' control of supply is further threatened by Chinese newsprint beginning to enter key US markets. With such challenges on the supply side and the US consumption decline accelerating, newsprint prices are forecast to soften to from US\$667/tonne in 2006 to \$610 this year.

Agricultural Products

Wheat The monthly average price of wheat edged upward (0.5%) in March to US\$5.56/bu. While the market received some support from ethanol-related demand for grains, the impact from this source was dampened by improving crop prospects and weaker export demand. Over the past year, the monthly average wheat price gained 15%, lifted by production shortfalls in major growing areas. A return to more normal growing conditions in some areas is bolstering crop prospects. Still, global inventories are projected to sit at historically low levels relative to consumption. Thus, tight market conditions are expected to keep average prices comparatively high near \$5.40/bu. in 2007.



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Canola Canola prices slipped further in March as the monthly average fell roughly 2% to C\$ 366/tonne. Further strengthening of the Canadian dollar restrained export demand and contributed to weaker prices. A notable reduction in bio-diesel demand in Germany following recent changes to the fuel tax regime, as well as improving crop prospects, also played a role. Although canola has drifted downward, it remains at relatively high levels, having gained 44% over the past year. Prices are expected to remain well supported by tight supplies and healthy demand. Specifically, oilseed prices are seen benefiting from growing food-service demand and longer-term interest in bio-fuels. For the year as a whole, canola should average about C\$350/tonne in 2007.

Hogs Hogs fell 4% in March to average US\$45.40/cwt. from US\$ 47.30/cwt the previous month. Despite the decline during the month, relatively high broiler prices due to lower production are supporting US domestic pork demand and helping to keep hog prices strong. On a year over year basis, hog prices were 6.1% higher in March. Prices are expected to remain firm during the second quarter before easing through the latter part of the year as pork production picks up seasonally and broiler production expands. Over the entire year, we anticipate that hog prices will average something in the area of US\$ 46.00/cwt.

Energy and Materials



		Crude Oil (WTI) US\$/bbl	Natural Gas (NYMEX near mo.) (Alta. Empress spot) US\$/mmbtu		Lumber US\$/mbf	Pulp** US\$/tonne	Newsprint
	1994	17.19	1.94	1.54	341	568	469
	1995	18.43	1.69	0.91	251	884	668
	1996	22.15	2.50	1.16	353	578	645
	1997	20.60	2.48	1.41	354	567	555
	1998	14.39	2.16	1.53	288	517	596
	1999	21.19	2.32	2.04	343	521	509
	2000	30.37	4.32	3.81	259	681	564
	2001	25.96	4.04	3.48	251	515	585
	2002	26.17	3.37	2.63	238	490	465
	2003	31.06	5.49	4.82	270	551	503
	2004	41.51	6.18	5.25	395	638	550
	2005	56.59	9.01	7.51	353	647	610
	2006	66.09	6.98	5.92	296	717	667
	Year-to-date: 2007	58.55	7.21	7.21	255	786	632
2006	April	69.54	7.26	5.95	332	677	670
	May	70.93	6.37	5.29	323	696	675
	June	70.93	6.39	5.33	302	715	675
	July	74.40	6.22	5.21	292	741	675
	August	73.04	6.99	5.92	273	749	675
	September	63.82	5.22	4.41	271	762	675
	October	58.85	6.63	5.21	238	770	670
	November	59.13	7.98	6.99	242	770	665
	December	62.00	7.16	6.68	254	770	660
2007	January	54.24	6.80	6.74	264	780	640
	February	59.25	7.55	7.43	259	790	630
	March	60.60	7.22	7.09	244	790	625
	April*	64.15	7.55	n.a.	n.a.	790	n.a.
	3-Month Forward Price Trend						
Forecast	2007 Avg.	62	7.40	6.80	240	780	610
	2008 Avg.	64	8.50	7.90	275	720	625

* month-to-date

** 1996 and prior from Pulp & Paper Week, 1997 onward from FOEX PIX NBSK Index

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Base and Precious Metals

		Copper	Lead	Aluminum	Zinc	Nickel	Gold	Silver
		US\$/lb.				US\$/oz.		
	1994	1.05	0.25	0.67	0.45	2.88	384.29	5.28
	1995	1.33	0.29	0.82	0.47	3.73	384.35	5.18
	1996	1.04	0.35	0.68	0.47	3.41	387.81	5.19
	1997	1.03	0.28	0.73	0.60	3.15	331.64	4.89
	1998	0.75	0.24	0.62	0.47	2.10	294.01	5.53
	1999	0.74	0.23	0.64	0.49	2.94	275.91	5.19
	2000	0.82	0.21	0.70	0.51	3.92	279.10	4.95
	2001	0.72	0.22	0.66	0.40	2.71	271.04	4.37
	2002	0.71	0.21	0.61	0.35	3.08	309.68	4.60
	2003	0.81	0.23	0.65	0.38	4.37	363.32	4.88
	2004	1.30	0.40	0.78	0.48	6.28	409.17	6.66
	2005	1.67	0.44	0.86	0.63	6.70	444.45	7.31
	2006	3.06	0.58	1.17	1.48	10.96	603.77	11.55
	Year-to-date: 2007	2.74	0.81	1.27	1.57	19.00	650.83	13.30
2006	April	2.91	0.53	1.19	1.39	8.18	610.65	12.61
	May	3.66	0.53	1.29	1.61	9.59	675.39	13.45
	June	3.28	0.44	1.13	1.45	9.34	596.15	10.80
	July	3.50	0.48	1.14	1.51	11.88	633.71	11.23
	August	3.49	0.53	1.12	1.51	13.82	632.59	12.18
	September	3.46	0.61	1.13	1.54	13.47	598.19	11.68
	October	3.40	0.69	1.21	1.74	14.76	585.78	11.56
	November	3.19	0.74	1.23	1.99	14.47	627.83	12.93
	December	3.03	0.78	1.28	1.99	15.60	629.79	13.36
2007	January	2.58	0.75	1.27	1.72	16.70	631.17	12.84
	February	2.59	0.81	1.29	1.51	18.63	664.75	13.91
	March	2.93	0.87	1.25	1.48	20.92	654.90	13.18
	April*	3.31	0.90	1.28	1.51	22.95	667.06	13.41
	3-Month Forward Price Trend							
Forecast	2007 Avg.	2.70	0.55	1.20	1.80	18.00	700	14.00
	2008 Avg.	2.30	0.45	1.10	1.60	15.00	750	14.50

* month-to-date

Commodity price forecasts are by BMO Capital Markets Economics and are independent of those used by BMO Capital Markets Equity Research.

Agriculture

		Wheat	Canola	Cattle	Hogs
		US\$/bushel	US\$/tonne		US\$/Cwt
	1994	4.61	299	66.53	39.49
	1995	4.92	309	62.19	41.76
	1996	5.62	315	59.31	53.25
	1997	4.48	284	63.34	52.03
	1998	4.02	264	59.73	32.50
	1999	3.69	204	63.28	32.33
	2000	3.62	174	68.37	42.89
	2001	3.68	201	71.20	44.08
	2002	4.14	241	66.61	33.28
	2003	4.26	260	79.97	37.55
	2004	4.62	271	85.58	51.21
	2005	4.78	224	89.55	49.62
	2006	5.19	256	87.08	46.25
	Year-to-date: 2007	5.46	317	87.43	45.13
2006	April	4.94	227	84.80	41.30
	May	5.35	254	82.20	48.20
	June	5.60	246	84.00	53.80
	July	5.69	270	85.80	50.20
	August	4.96	265	87.20	51.60
	September	4.86	266	90.00	48.90
	October	5.35	278	88.20	46.50
	November	5.54	311	84.40	44.90
	December	5.42	317	83.10	43.50
2007	January	5.28	320	84.30	42.70
	February	5.53	318	86.60	47.30
	March	5.56	313	91.40	45.40
	3-Month Forward Price Trend				
Forecast	2007 Avg.	5.40	300	86	46
	2008 Avg.	4.80	280	84	44

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Commodity Indices and Forecasts

US\$-terms : 2003 = 100		All Commodities	Oil & Gas	Metals & Minerals	Forest Products	Agricultural Products	All Commodities C\$-terms
Annual							
	1998	72.3	41.9	87.7	109.0	90.7	76.5
	1999	78.0	51.4	89.5	114.3	83.3	82.7
	2000	95.9	87.9	99.4	109.6	84.3	101.8
	2001	87.0	77.3	89.2	101.9	88.2	96.0
	2002	81.7	72.3	88.9	90.0	92.4	91.6
	2003	100.0	100.0	100.0	100.0	100.0	100.0
	2004	122.5	120.1	128.3	124.7	110.1	113.7
	2005	150.2	171.6	150.2	121.7	108.8	129.7
	2006	163.5	166.5	229.1	115.6	114.4	132.4
Forecast	2007	172.9	166.3	283.4	106.0	120.4	209.2
	2008	177.1	179.6	270.6	110.9	110.6	209.4
Quarterly							
	2005 Q4	169.7	209.5	162.6	118.8	110.7	142.3
	2006 Q1	157.9	171.9	186.9	120.7	107.6	130.2
	Q2	166.1	171.7	226.1	118.7	114.0	133.1
	Q3	166.0	166.7	241.9	114.0	116.2	133.0
	Q4	164.1	155.8	261.4	108.9	119.9	133.4
	2007 Q1	168.5	158.7	276.5	107.7	122.0	205.2
Forecast	Q2	173.3	161.2	295.6	105.8	122.9	207.7
	Q3	169.8	159.5	283.2	106.2	120.3	205.2
	Q4	180.0	185.6	278.2	104.2	116.3	218.7
	2008 Q1	184.0	192.8	278.1	107.3	112.6	221.1
Monthly							
	2006 Mar	154.0	162.7	190.4	119.3	107.1	127.1
	Apr	166.1	176.1	216.0	120.7	107.5	135.6
	May	168.6	169.7	241.9	118.6	115.1	133.7
	Jun	163.6	169.3	220.4	116.8	119.3	129.9
	Jul	168.9	173.0	237.8	115.8	121.7	136.1
	Aug	172.9	181.0	244.2	113.3	113.8	138.5
	Sep	156.4	146.1	243.6	112.8	113.0	124.5
	Oct	158.0	146.0	254.8	108.7	118.3	127.3
	Nov	167.2	162.3	261.1	108.9	121.6	135.5
	Dec	167.2	159.1	268.5	109.0	119.9	137.3
	2007 Jan	161.2	148.0	265.0	108.7	118.7	135.2
	Feb	172.4	167.1	275.1	108.7	123.2	144.4
	Mar	171.9	161.0	289.4	105.5	124.0	143.4

Commodity price indices and forecasts are by BMO Capital Markets Economics.
Forecasts are independent of those used by BMO Capital Markets Equity Research.

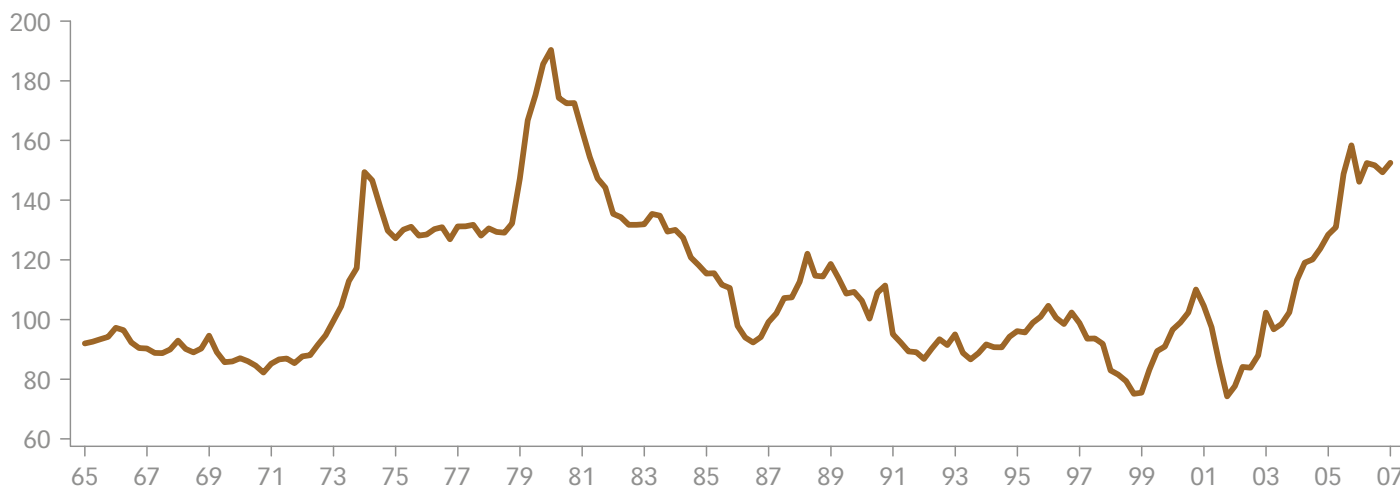


Historical Charts: All-Commodity Index

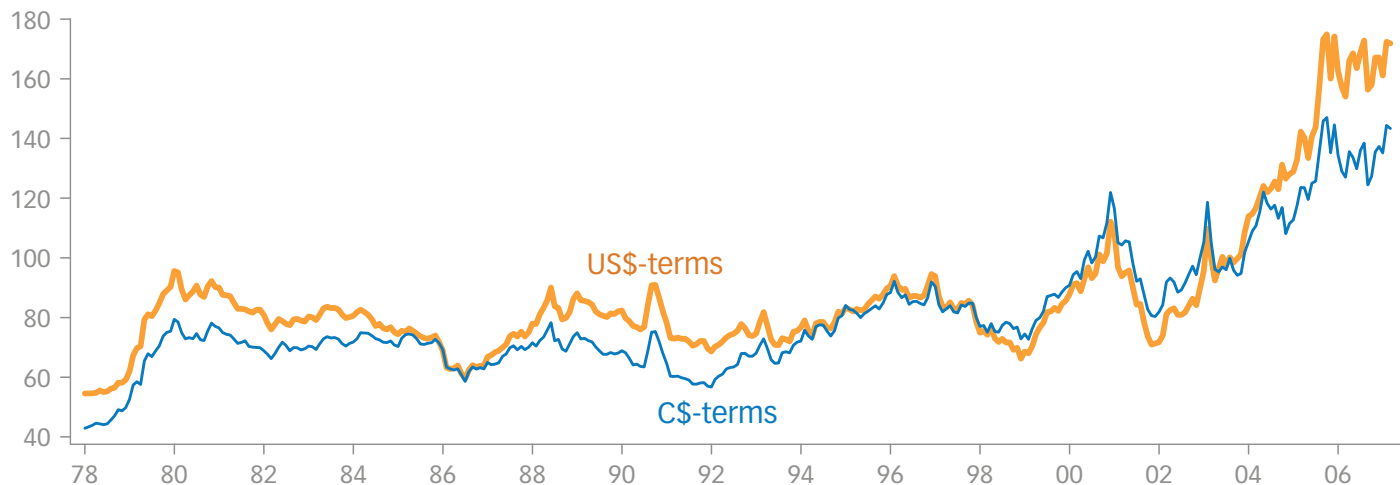
Nominal US\$-Terms (2003=100)



Real US\$-Terms (2003=100)



Nominal (2003=100)



Technical Note

The BMO Capital Markets Commodity Price Index is a fixed-weight, export-based index that encompasses the price movement of 19 commodities key to Canadian exports. Weights are each commodity's average share of export values during the period 2002-06. Similarly, weights of sub-index components reflect the relative importance of commodities within their respective product group.

The all-commodities index and sub-indices consist of the following:

Percent	Weight in All-Commodities Index	Weight in Sub-Index	Weight in All-Commodities Index	Weight in Sub-Index
Metals & Minerals	21.5	100.0	Forest Products	26.3
Gold	3.1	14.5	Newsprint	5.0
Silver	0.4	1.9	Market Pulp	5.9
Aluminum	0.4	38.7	Supercalendered Paper	3.4
Copper	2.3	10.4	Lumber	9.3
Nickel	3.3	15.2	OSB	2.7
Zinc	1.0	4.4		
Uranium	1.1	5.0	Agricultural Products	5.9
Potash	2.1	9.8	Wheat	2.8
			Canola	1.2
Oil and Gas	46.3	100.0	Hogs	0.6
Crude Oil	22.7	49.1	Beef Cattle	1.3
Canadian Natural Gas	23.6	50.9		
			All Commodities	100.0

Unless otherwise specified, all indices reported in this publication correspond to prices in US dollars.

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