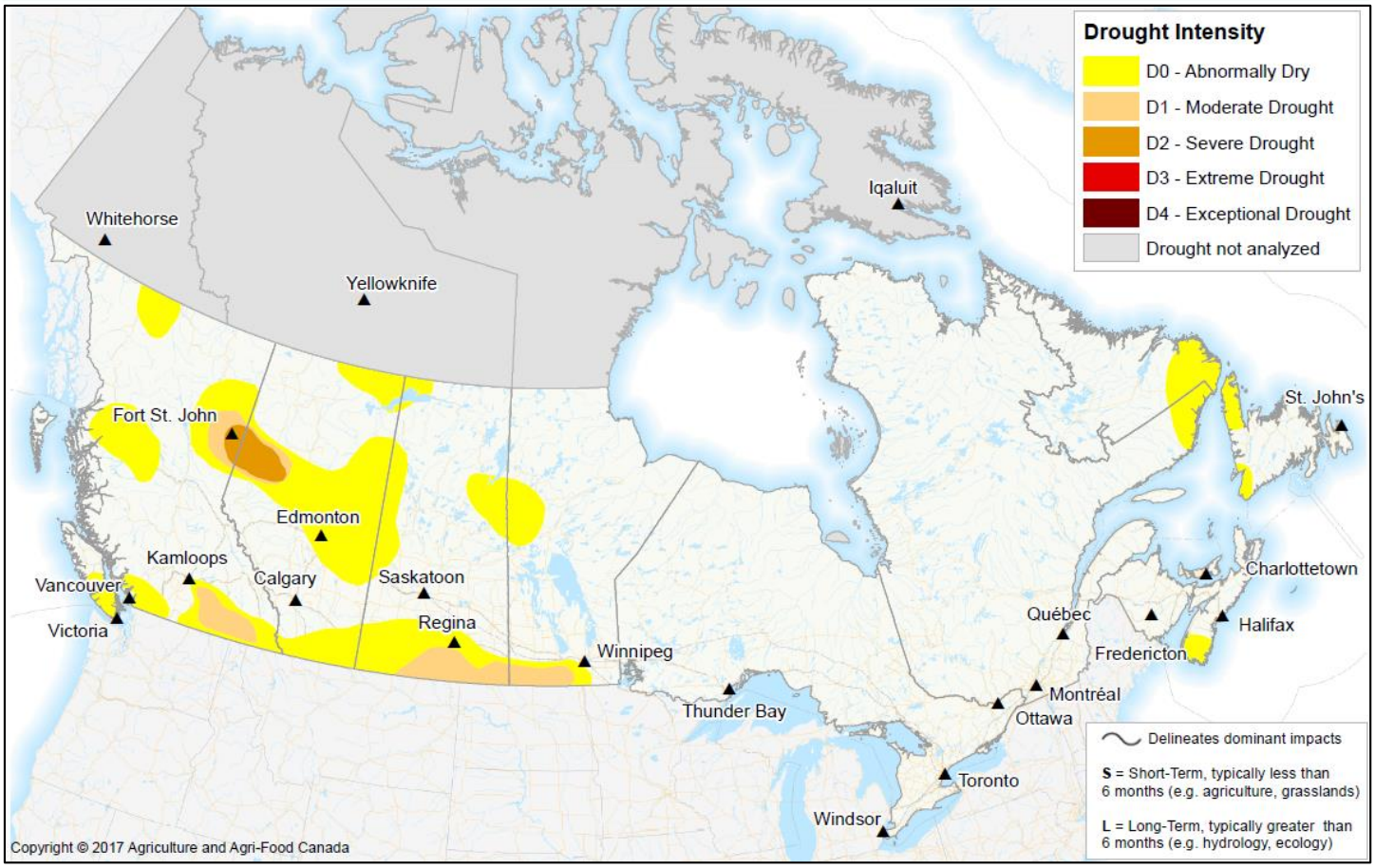
Canadian Drought Monitor

Conditions as of July 31, 2008



During the month of July, the drought situation continued to improve over much of Canada. Above normal precipitation continued throughout southern areas of Ontario and Quebec as well as eastern Saskatchewan and much of Manitoba. However, northern agricultural regions of Alberta and British Columbia (the Peace River region) have continued to receive well below normal precipitation. Drought conditions within this region have increased in extent and severity during July. As well, conditions throughout portions of the southern prairies started to show signs of moisture and heat stress. Water supplies continue to decline and have become a significant concern throughout south central Saskatchewan.

The Peace River region of north western Alberta and north eastern British Columbia received <40% average rainfall in July and now stands at 40-60% of normal precipitation for the growing season (since April 1). Some areas of this region have seen very little precipitation since May;

the areas that did receive precipitation have been limited to under 70mm (3 inches) over that time period. Alberta Agriculture reports that in this region, crop moisture stress is well advanced and precipitation is desperately needed. Five counties (Grande Prairie, Clear Hills, Spirit River, Birch Hills and Saddle Hills) within Alberta have recently declared their areas as Agricultural Drought Disaster Areas. Low levels of precipitation throughout the growing season has resulted in poor soil moisture, water supply shortages, well below average forage production and poor crop development. The Peace River region has also been in a very high fire danger for much of the year. As a result, we have downgraded the drought classification over a larger portion of the Peace River region to a D2 – Severe Drought.

Southern British Columbia is also unusually dry, with the interior experiencing negligible to minimal rainfall amounts throughout July (<40% normal precipitation) and <60% normal precipitation over portions of the lower mainland and Vancouver Island. River levels are generally dropping across the province, but most notably throughout southern interior where river levels are generally 50-80% of median flow. As a result, we have downgraded the drought classification over a larger portion of the central interior to a D1- Moderate Drought and added new areas of southern British Columbia as D0 – Abnormally Dry.

Increased precipitation in north western and central regions of British Columbia resulted in slight improvements. Although July precipitation was above normal, the growing season (April 1 to current) and annual precipitation still shows significant deficits with the exception of the Prince George.

Dry conditions persist over a large portion of central Alberta and a small portion of west central Saskatchewan. These conditions have largely remained unchanged for the past few months. Below normal precipitation since April 1st (60-85%) has resulted in forage shortages, anticipated water shortages and some crop stress. Portions of the south are beginning to dry up as well, however at this time there are no concerns.

Well above normal July precipitation throughout central Saskatchewan has improved the soil moisture and has resulted in the removal of D0 and D1 classifications in this region from the NADM assessment this month. Some areas in this region received more than 120mm of rain in July, close to twice the long term average, and now excess moisture is beginning to become a concern.

Hot dry weather throughout southern portions of Saskatchewan resulted in degrading conditions over much of the region. Water supply shortages have been a concern for producers throughout the growing season, and with the recent warmer temperatures and dry weather, significant shortages are beginning to appear, most notably in south central areas of the province. Although the Southwest portion of the province has had normal to above normal precipitation for the growing season (April 1 - present), recent hot dry weather has resulted in declining soil moisture and crops are showing signs of heat and moisture stress. The southeast portion of Saskatchewan, although improved significantly from earlier in the year, continues to be in a D1 moderate drought condition. Hay yields are down and shortages are occurring, crops

are showing some signs of moisture stress. The showers and thunderstorms which fell across the southeast and southwest were not widespread or heavy enough to improve precipitation deficits. However, a significant number of large storms brought large hail to these regions causing considerable crop damage. Overall, topsoil moisture conditions on crop, hay and pasture land declined in all regions of Saskatchewan during the past month.

South eastern Manitoba continued to improve with near normal precipitation in July. Due to dry conditions earlier in the year, water and forage shortages are still anticipated. Pasture conditions have improved, though hay quality is down. Central areas of Manitoba received below average precipitation in July (30-40 mm below for July and now stands at 60-85% of average since April 1st).

Average to above average precipitation continues across most of eastern Manitoba, Ontario and Quebec. In fact, there was generally excessive rainfall through July in much of southern Quebec. At this time there are no concerns for drought at this time throughout this region.

Dry conditions persisted across most of the Atlantic region until late July, at which time continuous rainfall improved conditions significantly. Much of the region remains at 60-85% of normal rainfall since April 1st, however significant rains late in the month improved moisture conditions and excess moisture has even become a concern in parts of northern Nova Scotia. Southern Nova Scotia missed most of the late month precipitation and remains in a D0 (Abnormally Dry) classification. At this time there are no concerns for drought throughout this region.