

Russian grain exports - how much, what type and when?

- **Markets:** US economic data released yesterday painted a bleak picture. US consumer confidence fell from 66.0 to 60.8 in May, well short of forecasts centred on 66.5; the Case-Shiller home price index fell by 0.2% in seasonally adjusted terms in March to be 3.5% lower over the year; and the Chicago purchasing managers index fell from 67.6 to an 18-month low of 56.6 in May, well below forecasts of 62.6. But despite the poor data, US sharemarkets rose by around 1% for the session, supposedly on news that Germany is planning to deliver more financial aid to Greece.
- **Currencies:** The AUD ended 0.3% weaker at USD1.0655 overnight (London close) while the USD index fell 0.4% to 74.6pts.
- **Weather:** A low is generating heavy rain and strong winds in NE NSW. Southeasterly winds elsewhere on the NSW coast are causing showers. A high is keeping VIC, TAS, SA and the NT generally clear. Northwesterly winds between fronts are bringing showers to the west coast of WA.
- **Grains:** US grain markets finished sharply lower overnight.
 - CBOT wheat (Jul 11) fell 37 ½ cents (4.6%) to US\$782.25/bu while the Dec 11 contract fell 3% to US\$832/bu (~A\$311/t) - sharp losses were also observed in the Kansas and Minneapolis wheat markets. The market remains worried that Russian grain will flow freely onto the global market in the coming months as they seek to clear storages ahead of the upcoming 2011 harvest. Estimates, however, of current exportable supplies in Russia vary wildly in terms of both quality and quantity. In our opinion, once the dust settles on the current Russian export story, the market will refocus on the poor 2011 crop production prospects in many parts of the world – and these crop issues are likely to support prices through to Q3. US wheat export inspections fell 13% this week to 26.2 million bushels. After the close the USDA indicated that only 33% of the US winter wheat crop is rated good-excellent. Spring wheat planting pace picked up from 54% to 68% complete this week, however this still terribly behind the normal seasonal pace of 95% complete.
 - CBOT corn (Jul 11) dropped sharply during the US session to close 11 cents (1.5%) weaker at US\$747.5/bu. US corn export inspections came in at 35.6 million bushels last week, down 1 % for the week and 27% down year-on-year. US corn planting progress picked up to 86% complete this week against the normal seasonal pace of 95%. The first crop rating of the season indicated that 63% of the corn crop is rated good to excellent vs, 76% this time last season.
 - ASX NSW wheat for Jan 12 firmed \$3/t yesterday to close at \$303/t while ASX feed barley (Jan 12) traded largely unchanged at \$240/t.
- **Oilseeds:** CBOT soybeans (Jul 11) traded both sides of unchanged yesterday before closing lower by 3 ¼ cents (0.3%) at US\$1376/bu. US soybean planting is currently half complete compared to the normal seasonal pace of 71%. Canadian canola (Jul11) finished the session marginally lower at C\$589.50/t after trading either side of unchanged.
- **Cotton:** NY cotton futures surged higher yesterday. The July and December contracts both finished locked limit-up (600pts) – July at US\$158.67/lb and December at US\$135.5/lb – on US crop concerns. After the close the USDA showed that US cotton planting rose from 57% complete to 73% last week. This is now only slightly behind the normal seasonal pace of 76%.
- **Sugar:** NY raw sugar (Jul 11) finished a choppy session 19pts (0.8%) firmer at US\$23.18/lb, supported by strong 2% gains in the London white market. The white-raw sugar premium continues to strengthen and is now quoted at US\$165/t (Aug-Oct basis), up from US\$105/t in April. In our view, the strength in the white premium is likely to underpin raw sugar prices in the coming weeks. China held their 5th auction of State reserve sugar this season on Tuesday in a bid to curb rising domestic prices. A total of 250,000 tonnes was offered at 4,000 Yuan per tonne (US\$617/t), below domestic spot prices which are reportedly valued at 7,000 Yuan per tonne according to the Chinese Global Times newspaper.
- **Crude Oil:** NYMEX crude oil (Jul 11) rose 2% to USD102.64/bl.

Ag Commodity Markets: Daily Price Summary*

Commodity	Unit	Jul 11	Dec 11	Dec 12	
US Wheat (CBOT)	USc/bu	782 ~	882 ~	935 ~	
	AUD/t **	271 ~	311 ~	346 ~	
AU Wheat - East (ASX)	AUD/t	297 0.0%	303 +1.0%	327 +0.9%	
	AUD/t	376 0.0%	322 +2.1%	336 +2.0%	
US Soybeans (CBOT)	USc/bu	1376 ~	1364 ~	1329 ~	
	AUD/t **	477 ~	480 ~	486 ~	
CA Canola (ICE)	CAD/t	590 -0.2%	594 +0.1%	576 +0.9%	
	AUD/t **	573 +0.9%	585 +1.1%	584 +1.9%	
AU Canola (ASX)	AUD/t	535 0.0%	580 0.0%	580 0.0%	
	USc/bu	748 ~	673 ~	597 ~	
US Corn (CBOT)	AUD/t **	277 ~	255 ~	237 ~	
	AUD/t	224 -1.5%	239 -0.2%	244 -0.2%	
AU Barley (ASX)	AUD/t	223 -2.4%	227 -2.4%	227 -2.4%	
	USc/lb	23.18 ~	22.99 ~	22.36 ~	
US Raw Sugar (ICE)	AUD/t **	482 ~	483 ~	491 ~	
	USc/lb	158.67 ~	135.50 ~	114.75 ~	
US Cotton (ICE)	AUD/bale **	748 ~	651 ~	565 ~	
	AUD/kg	13.84	0.0%	26/5/11	
AU Wool EMI (AWEX)	AUD/kg	3.89	-1.3%	31/5/11	
	AUD/kg	102.7	2.1%	31/5/11	
AU Cattle (EYCI)	AUD/bl	96.39	2.6%	31/5/11	
	AUD/bl **	96.39	2.6%	31/5/11	
Crude Oil (WTI)	USD/bl	102.7	2.1%	31/5/11	
	AUD/bl **	96.39	2.6%	31/5/11	
Commodity Indices	Latest	% chg	Last Pricing		
	S&P Agri & L'stock (USD)	1357	-0.7%	31/5/11	
	S&P Agri & L'stock (AUD)	1273	-0.2%	31/5/11	
	S&P All Commodities (USD)	5362	1.2%	31/5/11	
Currencies	Latest	pts chg	% chg		
	AUD/USD	1.0655	-0.0028	-0.3%	
	AUD/CAD	1.0321	-0.0112	-1.1%	
	AUD/JPY	86.66	0.19	0.2%	
Equity Markets	Latest	pts chg	% chg		
	US DJI	12570	~	~	
	UK FTSE	5990	~	~	

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 31/05/11, previous pricing date is 30/05/11

Sources: Bloomberg and CBA

** AUD Equivalent Price



Figure 1: CBOT Wheat (1st Contract, US\$/bu)

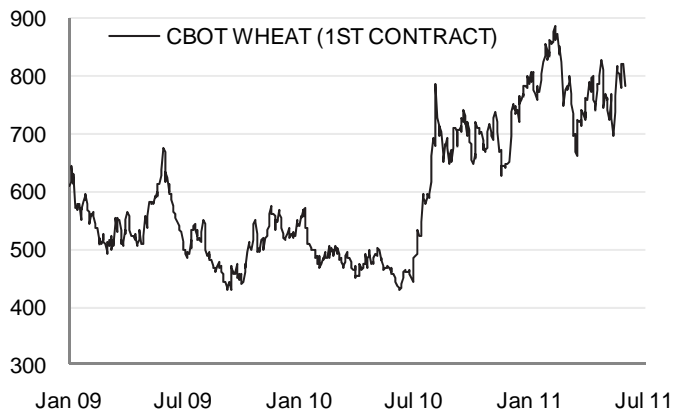


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



Figure 3: CBOT Corn (1st Contract, US\$/bu)

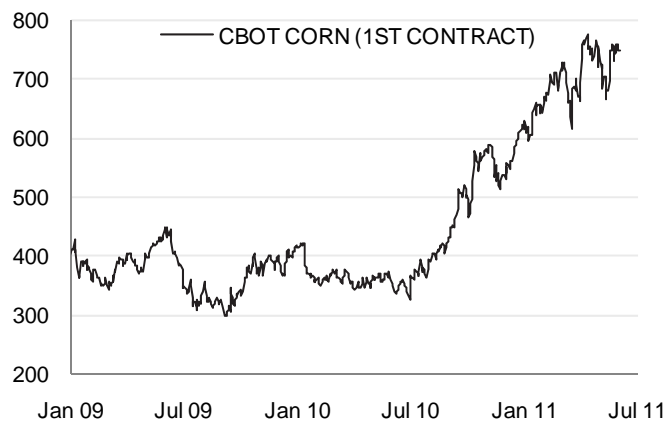


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)

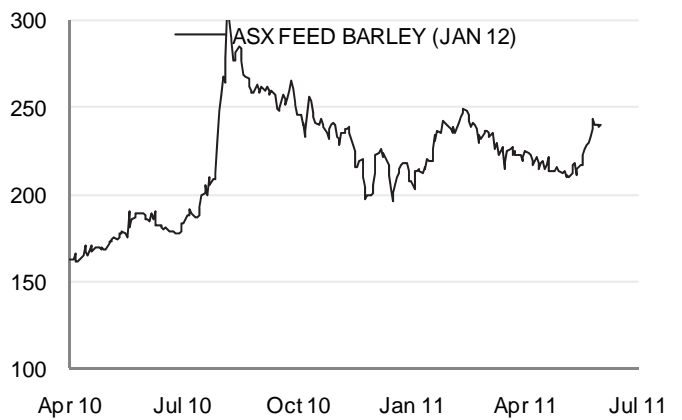


Figure 5: CBOT Soybeans (1st Contract, US\$/bu)

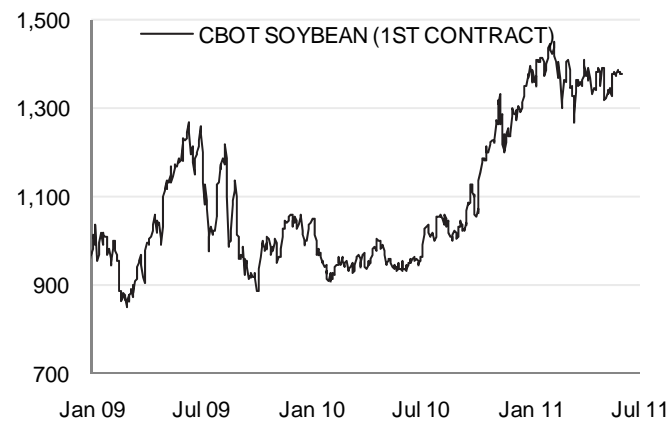


Figure 6: ICE Canola (1st Contract, C\$/t)



Figure 7: ICE Cotton (1st Contract, US\$/lb)



Figure 8: ICE Sugar (1st Contract, US\$/lb)





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