

## US wheat production outlook goes from bad-to-worse.

- **Markets:** The US ISM manufacturing index eased from 61.2 to 60.4 in April. All key components softened, however the measure of input prices hit a 3-year high. Meanwhile US construction spending rose by 1.4% in March after falling 2.4% in February. Global equity markets were mixed.
- **Currencies:** The AUD ended 0.2% firmer at USD1.0963 overnight (London close) while the USD index firmed 0.1% to 73pts.
- **Weather:** A trough is triggering patchy rain and isolated storms across NSW and SE QLD. Moist southerly winds are triggering isolated showers on the south coast. A high is keeping the west and interior mostly clear. Warm dry winds are affecting the west coast. ([www.weatherzone.com.au](http://www.weatherzone.com.au))
- **Grains:** US grain markets finished mostly lower overnight.
  - CBOT wheat (Jul 11) traded either side of unchanged before finishing 1.2% (9 ½ ¢) lower at US\$791.25/bu. US wheat export inspections for the week ended 28<sup>th</sup> April were encouraging at 36.4 million bushels, up 26% week-on-week. After the close the USDA released the weekly US Crop Progress report, and the data is mostly bullish for new-crop wheat prices. Only 10% of the US spring wheat crop is currently planted compared to the normal seasonal pace of 43% complete. And the condition of the winter wheat crop continues to deteriorate. Only 34% of the crop is rated good-to-excellent (down 1% for the week) versus 68% this time last year. 41% of the crop is rated poor-to-very poor compared to just 7% last year. The US HRW crop tour begins today with results due on Thursday. The results should be sombre.
  - CBOT corn (Jul 11) fell 22 cents (2.9%) to US\$734.5/bu however longer dated contracts finished with mixed results. US corn export inspections came in at 34.6 million bushels this week, down 5% for the week, but up 3% year-on-year. Year-to-date US corn export inspections currently lag the 2009/10 pace by a slim 1.3%. US corn planting progress remains constrained by cool, wet weather and flooding. Only 13% of the crop has been seeded according to the USDA compared to the normal seasonal pace of 40%. Expected wet and cool conditions this week will not allow planting progress to improve in the near term.
  - ASX wheat markets edged higher yesterday, supported by Friday night's rally in global grain markets. The NSW Jan 12 wheat contract officially ended at \$288.5/t but traded up to \$292/t in the evening session. Nonetheless, new-crop ASX east coast grain markets retain a moderate discount to Chicago values. ASX feed barley futures finished lower yesterday – new-crop Jan 12 values fell \$1.5 to \$212.5/t.
- **Oilseeds:** CBOT soybeans (Jul 11) closed lower by 1 cent at US\$1393/bu last night. Global demand for US soybeans has dried up. Only 5.5 million bushels were inspected for export this week, down 50% for the week and down 36% year-on-year. Inspections are unlikely to show any meaningful improvement until the new-crop becomes available from late-September. Canadian canola (Jul 11) ended C\$1.6 firmer at C\$569/t.
- **Cotton:** NY cotton futures finished lower across the curve last night, but most contracts finished well above their respective session lows. The July 11 contract dropped 357pts lower at US\$154.45/lb after earlier falling to US\$151.31/lb. US cotton planting is currently 18% complete, lagging the normal seasonal pace of 24% complete. The ICAC said that global cotton production will rise 11% to a record 27.6 million tonnes, up 0.7% from their March estimate. The supply surplus is forecast at 1.8 million tonnes and the stock-to-use ratio may lift from a record low 33% to 39% next year.
- **Sugar:** NY raw sugar (Jul 11) closed 38pts (1.7%) weaker at US\$21.87/lb, extending the losing streak to six consecutive sessions. Since the 5<sup>th</sup> April, the market has only closed higher on three occasions. Thailand's OCSB revised higher production forecasts from 9.1 to 9.47 million tonnes. US sugarbeet planting is currently well behind schedule. Only 15% of the crop has been planted versus the normal seasonal pace of 61% complete.
- **Crude Oil:** NYMEX crude oil (Jul 11) fell 0.8% to USD113.01/bl.

### Ag Commodity Markets: Daily Price Summary\*

Commodity	Unit	Jul 11	Dec 11	Dec 12	
US Wheat (CBOT)	US\$/bu	792 -1.2%	878 -1.1%	928 -0.6%	
	AUD/t	267 -1.4%	303 -1.3%	334 -0.7%	
AU Wheat - East (ASX)	Unit	May 11	Jan 12	Jan 13	
	AUD/t	274 0.0%	289 +1.0%	306 +0.9%	
AU Wheat - WA (ASX)	Unit	May 11	Jan 12	Jan 13	
	AUD/t	375 0.0%	313 +0.6%	327 +0.6%	
US Soybeans (CBOT)	US\$/bu	1393 -0.1%	1374 0.0%	1330 -0.3%	
	AUD/t	471 -0.2%	471 -0.2%	478 -0.4%	
CA Canola (ICE)	CAD/t	569 +0.3%	565 +0.3%	564 +0.4%	
	AUD/t	550 +0.0%	554 +0.1%	572 +0.2%	
AU Canola (ASX)	Unit	May 11	Jan 12	Jan 13	
	AUD/t	532 -1.5%	558 -1.4%	558 -1.4%	
US Corn (CBOT)	US\$/bu	735 -2.9%	661 -1.2%	596 +0.2%	
	AUD/t	266 -3.1%	244 -1.4%	230 +0.1%	
AU Barley (ASX)	Unit	May 11	Jan 12	Jan 13	
	AUD/t	194 -2.3%	213 -0.7%	213 -0.7%	
AU Sorghum (ASX)	Unit	May 11	May 12	May 13	
	AUD/t	225 0.0%	232 +2.4%	232 +2.4%	
US Raw Sugar (ICE)	US\$/lb	21.87 -1.7%	22.32 -1.5%	22.52 -1.4%	
	AUD/t	442 -1.8%	458 -1.6%	481 -1.5%	
US Cotton (ICE)	US\$/lb	154.45 -2.3%	141.96 -2.6%	110.49 -1.4%	
	AUD/bale	710 -2.4%	660 -2.8%	528 -1.5%	
AU Wool EMI (AWEX)	AUD/kg	Latest 13.25	% chg 0.0%	Last Pricing 20/4/11	
AU Cattle (EYC)	AUD/kg	Latest 4.133	% chg 0.0%	Last Pricing 20/4/11	
Crude Oil (WTI)	USD/bl	Latest 113.01	% chg -0.8%	Last Pricing 2/5/11	
	AUD/bl	103.08	-1.0%	2/5/11	
Commodity Indices	Latest	% chg	Last Pricing		
	S&P Agri & L'stock (USD)	1377	-1.3%	2/5/11	
	S&P Agri & L'stock (AUD)	1256	-1.5%	2/5/11	
	S&P All Commodities (USD)	5725	-0.6%	2/5/11	
S&P All Commodities (AUD)	5222	-0.7%	2/5/11		
Currencies	Latest	pts chg	% chg		
	AUD/USD	1.0963	0.0017	0.2%	
	AUD/CAD	1.0404	0.0024	0.2%	
	AUD/JPY	88.97	0.06	0.1%	
USD Index	73.0	0.1	0.1%		
Equity Markets	Latest	pts chg	% chg		
	ASX S&P200	4825	2	0.0%	
	US DJI	12807	-3	0.0%	
	UK FTSE	~	~	~	

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 02/05/11, previous pricing date is 29/04/11

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

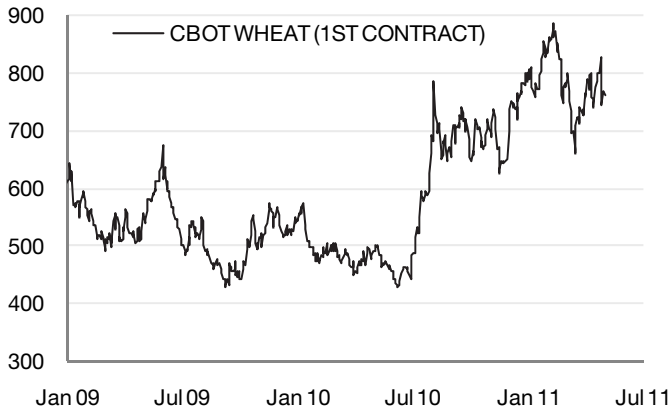


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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

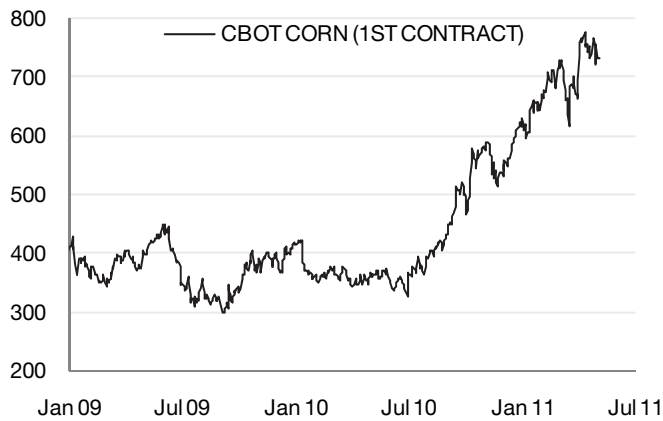


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)



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



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



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

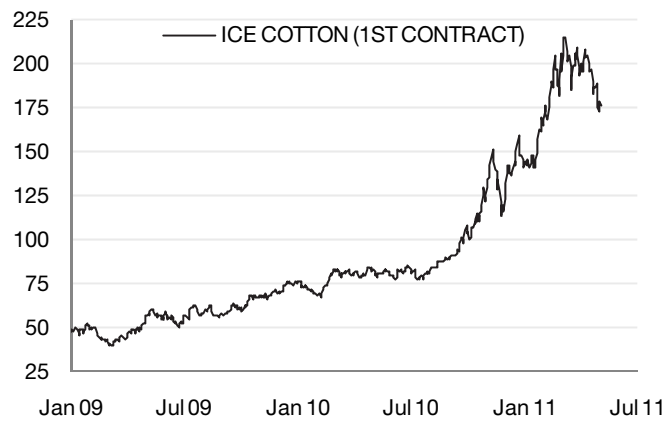


Figure 8: ICE Sugar (1<sup>st</sup> Contract, US\$/lb)





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