

Surging corn markets drag wheat values higher.

- **Markets:** The US Federal Reserve Beige book suggested that economic activity across the 12 reported Fed districts expanded in May, albeit at a slowing rate. The report highlighted the gradual improvement in labour markets, while wage growth was modest. European shares fell for a sixth straight day with sovereign debt issues continuing to dominate attention. A letter from Germany's finance minister to the ECB pointed out that Greece needs substantial fresh aid to avoid being the euro zone's first state insolvency. US sharemarkets fell for a sixth straight session on Wednesday.
- **Currencies:** The AUD fell 0.6% to USD1.0652 overnight (London close) while the USD index rose 0.5% to 73.9pts.
- **Weather:** A low is moving east over the Tasman, but is still generating strong winds, heavy rain and Alpine snow over eastern VIC. Wind and showers are gradually easing over the remainder of VIC and TAS. A high is clearing southern Australia, while troughs generate rain across the interior
- **Grains:** US grain markets rose strongly overnight.
 - CBOT wheat (Jul 11) rose 14 ¼ cents (1.9%) to USc748/bu on the back of the surging corn market, which is now valued 16 cents over wheat. A return to form for the Minneapolis wheat market also helped lift Chicago wheat values. French authorities expect to harvest 31 million tonnes of soft wheat in 2011, down sharply from the 35.6 million harvested last year, according to Reuters' reports. The same report suggested barley output will fall from 10.15 to 8.7 million tonnes, while French wheat exports to non-EU nations will fall to 6 million tonnes from the record 13.2 million tonnes exported in the current year. Interestingly, Reuters reported that Chinese feed mills stood on the sidelines in a recent state reserve auction of feed wheat, instead opting to wait for supplies from the current wheat harvest. Despite poor weather in many regions, Chinese authorities expect a 'bumper harvest' according to the report. All eyes will be on tonight's USDA WASDE report.
 - CBOT corn (Jul 11) bounced 27 ½ cents (3.7%) to USc764/bu ahead of tonight's USDA WASDE report, which is expected to show reduced US corn production, higher old-crop consumption and lower inventory estimates. The fundamental issue with the corn market is that of sticky ethanol demand for the grain, which has shown little signs of abating, even in the face of record high corn prices. US ethanol production rose to its highest level since mid- January last week according to the EIA.
 - ASX NSW wheat for Jan 12 fell \$3 to \$288.8/t yesterday to be valued \$11 under Dec 11 CBOT wheat values. Feed barley for Jan 12 delivery was untraded but quoted a touch firmer at \$239.5/t. The spread between Jan 12 feed barley and NSW wheat has narrowed markedly after peaking at \$104/t in early February. The spread is now valued at \$49/t.
- **Oilseeds:** CBOT soybeans (Jul 11) finished 0.5% (7¼ ¢) firmer at USc1392.5/bu. Capping the gains are expectations the USDA will raise US soybean inventory estimates in tonight's WASDE report. Canadian canola (Jul 11) rose C\$5.2 to C\$592.4/t - planting delays continue to support prices.
- **Cotton:** Cotton futures finished with mixed results last night. The spot July 11 contract slumped another 358pts to USc145.05/lb – within reach of the May low of USc142.06/lb – on the back of extremely poor global demand. However the new-crop Dec 11 contract firmed 22pts to USc130.15/lb because of crop production concerns.
- **Sugar:** NY raw sugar (Jul 11) rallied 60pts to USc24.95/lb and the most active Oct 11 contract rallied 41pts to USc23.91/lb. A 3% surge in white sugar prices helped drag the raw market higher- and the white-raw spread (Aug-Oct contracts) has widened to US\$187/t after trading around US\$105/t back in early April. However white sugar prices are nearing resistance levels at US\$717/t and the white-raw spread is close to record levels of ~US\$200/t – levels which, in the past, have begun to ration consumer demand. The bullish news will need to keep flowing in the sugar market; otherwise, prices could be soon set for a pullback.
- **Crude Oil:** NYMEX crude oil (Jul 11) bounced 1.7% to USD100.74/bl.

Ag Commodity Markets: Daily Price Summary*

US Wheat (CBOT)	Jul 11	Dec 11	Dec 12
USc/bu	748 +1.9%	850 +1.5%	939 +1.6%
AUD/t **	259 +2.5%	300 +2.1%	347 +2.2%
AU Wheat - East (ASX)	Jul 11	Jan 12	Jan 13
AUD/t	280 -1.6%	289 -1.0%	316 -1.4%
AU Wheat - WA (ASX)	Jul 11	Jan 12	Jan 13
AUD/t	376 0.0%	310 -0.3%	324 -0.3%
US Soybeans (CBOT)	Nov 11	Jan 12	Nov 12
USc/bu	1393 +0.5%	1400 +0.5%	1358 +0.4%
AUD/t **	490 +1.1%	496 +1.1%	497 +1.0%
CA Canola (ICE)	Jul 11	Nov 11	Nov 12
CAD/t	592 +0.9%	595 +0.8%	578 +0.6%
AUD/t **	571 +1.1%	581 +1.0%	580 +0.8%
AU Canola (ASX)	Jul 11	Jan 12	Jan 13
AUD/t	535 0.0%	580 0.0%	580 0.0%
US Corn (CBOT)	Jul 11	Dec 11	Dec 12
USc/bu	764 +3.7%	694 +2.5%	627 +2.4%
AUD/t **	283 +4.3%	263 +3.2%	249 +3.0%
AU Barley (ASX)	Jul 11	Jan 12	Jan 13
AUD/t	218 -4.2%	240 +0.3%	244 +0.3%
AU Sorghum (ASX)	Jul 11	May 12	May 13
AUD/t	226 -0.9%	231 -2.5%	231 -2.5%
US Raw Sugar (ICE)	Oct 11	Mar 12	Oct 12
USc/lb	23.91 +1.7%	23.84 +1.1%	23.07 +0.4%
AUD/t **	501 +2.4%	509 +1.7%	506 +1.0%
US Cotton (ICE)	Jul 11	Dec 11	Jul 12
USc/lb	145.05 -2.4%	130.15 +0.2%	109.67 +0.8%
AUD/bale **	682 -1.8%	626 +0.8%	540 +1.3%
AU Wool EMI (AWEX)	Latest	% chg	Last Pricing
AUD/kg	14.16	1.3%	8/6/11
AU Cattle (EYCI)	Latest	% chg	Last Pricing
AUD/kg	3.85	-0.1%	8/6/11
Crude Oil (WTI)	Latest	% chg	Last Pricing
USD/bl	100.74	1.7%	8/6/11
AUD/bl **	94.57	2.3%	8/6/11
Commodity Indices	Latest	% chg	Last Pricing
S&P Agri & L'stock (USD)	1353	1.4%	8/6/11
S&P Agri & L'stock (AUD)	1270	2.0%	8/6/11
S&P All Commodities (USD)	5334	1.1%	8/6/11
S&P All Commodities (AUD)	5008	1.7%	8/6/11
Currencies	Latest	pts chg	% chg
AUD/USD	1.0652	-0.0064	-0.6%
AUD/CAD	1.0417	-0.0023	-0.2%
AUD/JPY	85.06	-0.84	-1.0%
USD Index	73.9	0.4	0.5%
Equity Markets	Latest	pts chg	% chg
ASX S&P200	4537	-30	-0.6%
US DJI	12049	-22	-0.2%
UK FTSE	5809	-56	-1.0%

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 08/06/11, previous pricing date is 07/06/11

Sources: Bloomberg and CBA

** AUD Equivalent Price



Figure 1: CBOT Wheat (1st Contract, USc/bu)

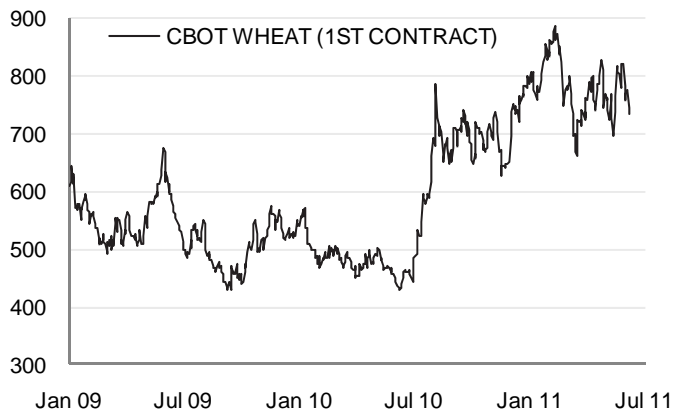


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



Figure 3: CBOT Corn (1st Contract, USc/bu)

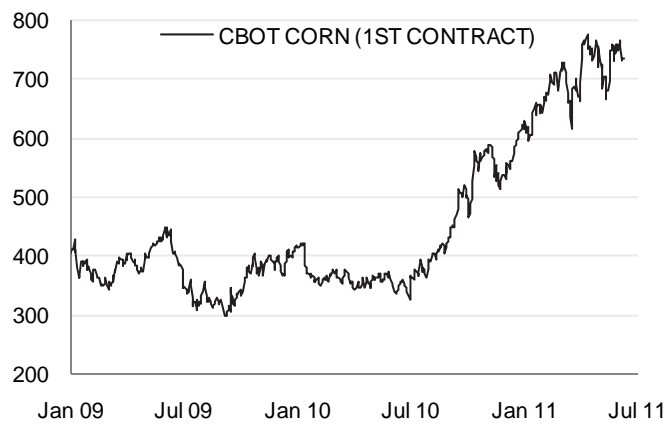


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)

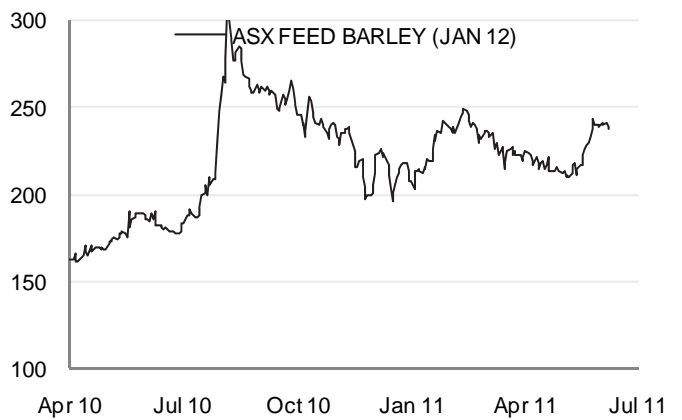


Figure 5: CBOT Soybeans (1st Contract, USc/bu)

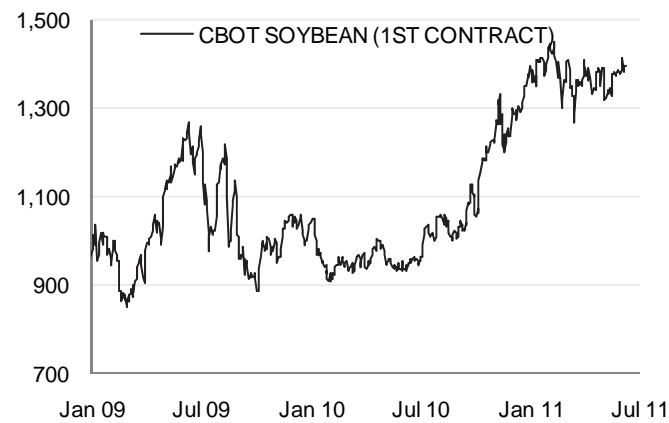


Figure 6: ICE Canola (1st Contract, C\$/t)



Figure 7: ICE Cotton (1st Contract, USc/lb)

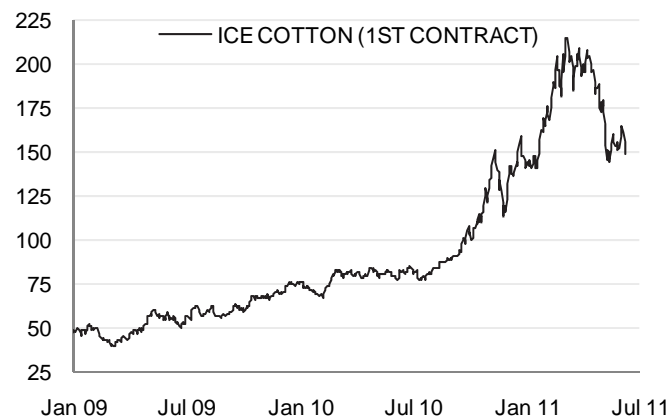
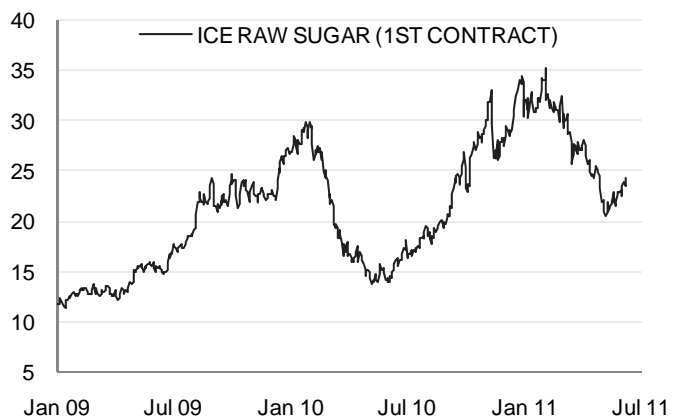


Figure 8: ICE Sugar (1st Contract, USc/lb)





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