

## Corn pops on bullish USDA report...

- Markets:** US claims for unemployment insurance (jobless claims) rose by 1,000 to 427,000 in the latest week. Economists were looking for a result near 415,000. But the US trade deficit narrowed from \$46.82bn to \$43.68bn in April, far better than expectations of a \$48.8bn deficit. Exports rose 1.3% with imports down 0.4%. The European Central Bank left official rates at 1.25% and Bank of England left rates at 0.5%. US and European shares rose for the first time in seven days on Thursday.
- Currencies:** The AUD fell 0.2% to USD1.0633 overnight (London close) while the USD index rose 0.3% to 74.2pts.
- Weather:** A low is slowly edging further east over the Tasman Sea, allowing the cold winds and rain to ease over southeast Australia. A large high is keeping the southern interior clear, leading to a cold and frosty morning. Moisture is being drawn across the NT and QLD, triggering rain.
- Grains:** US grain markets finished mixed following the USDA report.
  - CBOT wheat (Jul 11) ended 3 cents weaker at US\$745/bu after trading in positive territory for most of the day. Longer dated wheat prices finished with more significant losses. The market was supported by the rampaging corn market, which has extended its lead over wheat, following the USDA's bullish corn estimates. However the WASDE report was less bullish wheat prices. New-crop US wheat production has been revised 15 million bushels higher, despite drought engulfing much of the HRW wheat belt. Global wheat ending stocks for 2011/12 have been revised 3 million tonnes higher to 184.3 million tonnes, exceeding estimates of 179 million tonnes, as more abundant beginning stocks and lower consumption outweigh lower production. The world wheat stock-to-use ratio for 2011/12 is forecast at 27.6%, down slightly from 28.4% in 2010/11, but still comfortably above the tight result of 20% in 2007/08.
  - CBOT corn (Jul 11) surged 21½ cents (2.8%) to a fresh record high of US\$785.5/bu last night after the USDA slashed US corn production and stocks. US corn stocks in 2011/12 are now expected to be tighter than the current season, implying that the current record high prices will need to persist for some time yet. The US corn stock-to-use ratio for 2011/12 is forecast at 5.2%, down from 5.4% in 2010/11 and 13% in 2009/10.
- Oilseeds:** CBOT soybeans (Jul 11) finished 0.4% (5¼ ¢) weaker at US\$1386.75/bu. Canadian canola (Jul 11) closed a touch firmer at C\$592.8/t. The WASDE report was relatively dull with respect to US soybeans; however the estimates contained a modestly bearish element. US soybean exports were reduced for both this year and next, mainly on slowing Chinese demand. Subsequently, 2011/12 US soybean ending stocks were raised 30 million bushels to 190 million bushels. This compares to average trade estimates of 170 million bushels, 2010/11 stocks of 180 million bushels and 2009/10 stocks of 151 million bushels. Global oilseed production for 2011/12 is reduced 2.3 million month-on-month, mainly due to lower canola/rapeseed production in the EU27 and Canada.
- Cotton:** NY cotton (Jul 10) ended higher by the 600pt daily limit at US\$151.05/lb while the Dec 11 contract rose 284pts to 132.99/lb. Old-crop cotton ending stocks in the US have been revised ½ million bales higher this month because of lower exports. Global cotton demand has been curtailed recently because of the excessively high prices. However US cotton production for 2011/12 has been revised 1 million bales lower to 17 million bales because of the severe drought through the southwest states, falling below trade estimates of 17.4 million bales. The global cotton stock-to-use ratio is forecast at 40.6%, up from 37.4% in 2010/11, but still historically tight. The USDA notes that similar to the US, China's projected stocks-to-use ratio, if realised, would be the second smallest in 22 years.
- Sugar:** NY raw sugar finished with mixed results across the curve last night with the Jul 11 contract down 11pts to US\$24.84/lb and the Oct 11 contract up 8pts to US\$23.99/lb. Fresh sugar market news appeared somewhat limited overnight – allowing the market to consolidate its recent gains.
- Crude Oil:** NYMEX crude oil (Jul 11) rose 1.2% to USD101.93/bl.

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

		Jul 11	Dec 11	Dec 12
<b>US Wheat (CBOT)</b>	US\$/bu	745 -0.4%	838 -1.4%	921 -1.9%
	AUD/t **	258 -0.2%	296 -1.3%	341 -1.9%
<b>AU Wheat - East (ASX)</b>		<b>Jul 11</b>	<b>Jan 12</b>	<b>Jan 13</b>
	AUD/t	280 0.0%	294 +1.9%	325 +2.9%
<b>AU Wheat - WA (ASX)</b>		<b>Jul 11</b>	<b>Jan 12</b>	<b>Jan 13</b>
	AUD/t	376 0.0%	317 +2.4%	331 +2.3%
<b>US Soybeans (CBOT)</b>	US\$/bu	1387 -0.4%	1396 -0.3%	1358 +0.0%
	AUD/t **	489 -0.2%	496 -0.1%	497 +0.1%
<b>CA Canola (ICE)</b>		<b>Jul 11</b>	<b>Nov 11</b>	<b>Nov 12</b>
	CAD/t	593 +0.1%	596 +0.1%	573 -0.8%
	AUD/t **	574 +0.6%	584 +0.6%	578 -0.4%
<b>AU Canola (ASX)</b>		<b>Jul 11</b>	<b>Jan 12</b>	<b>Jan 13</b>
	AUD/t	535 0.0%	580 0.0%	580 0.0%
<b>US Corn (CBOT)</b>	US\$/bu	786 +2.8%	714 +2.9%	645 +2.8%
	AUD/t **	292 +3.0%	271 +3.1%	256 +2.9%
<b>AU Barley (ASX)</b>		<b>Jul 11</b>	<b>Jan 12</b>	<b>Jan 13</b>
	AUD/t	223 +2.1%	240 +0.2%	245 +0.2%
<b>AU Sorghum (ASX)</b>		<b>Jul 11</b>	<b>May 12</b>	<b>May 13</b>
	AUD/t	231 +2.4%	235 +2.0%	235 +2.0%
<b>US Raw Sugar (ICE)</b>		<b>Jul 11</b>	<b>Oct 11</b>	<b>Oct 12</b>
	US\$/lb	24.84 -0.4%	23.99 +0.3%	23.09 +0.1%
	AUD/t **	516 -0.3%	503 +0.5%	507 +0.2%
<b>US Cotton (ICE)</b>		<b>Jul 11</b>	<b>Dec 11</b>	<b>Jul 12</b>
	US\$/lb	151.05 +4.1%	132.99 +2.2%	111.99 +2.1%
	AUD/bale **	712 +4.3%	638 +2.4%	552 +2.2%
<b>AU Wool EMI (AWEX)</b>		<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
	AUD/kg	14.20	0.3%	9/6/11
<b>AU Cattle (EYCI)</b>		<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
	AUD/kg	3.85	-0.1%	9/6/11
<b>Crude Oil (WTI)</b>		<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
	USD/bl	101.93	1.2%	9/6/11
	AUD/bl **	95.86	1.4%	9/6/11
<b>Commodity Indices</b>		<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
	S&P Agri & L'stock (USD)	1366	1.0%	9/6/11
	S&P Agri & L'stock (AUD)	1285	1.2%	9/6/11
	S&P All Commodities (USD)	5385	0.9%	9/6/11
	S&P All Commodities (AUD)	5064	1.1%	9/6/11
<b>Currencies</b>		<b>Latest</b>	<b>pts chg</b>	<b>% chg</b>
	AUD/USD	1.0633	-0.0019	-0.2%
	AUD/CAD	1.0363	-0.0054	-0.5%
	AUD/JPY	85.16	0.10	0.1%
	USD Index	74.2	0.2	0.3%
<b>Equity Markets</b>		<b>Latest</b>	<b>pts chg</b>	<b>% chg</b>
	ASX S&P200	4550	13	0.3%
	US DJI	12124	75	0.6%
	UK FTSE	5856	47	0.8%

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 09/06/11, previous pricing date is 08/06/11

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

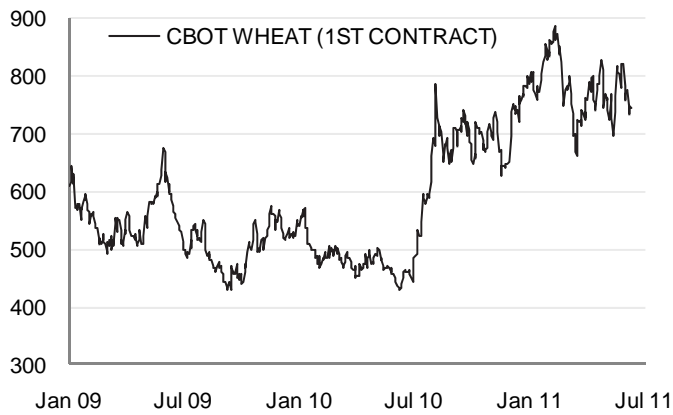


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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

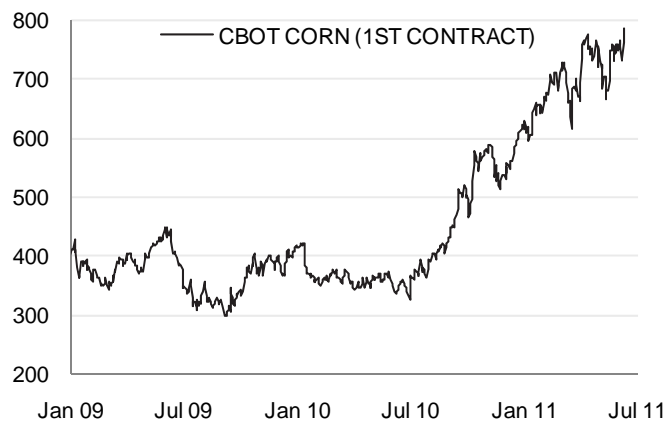


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)

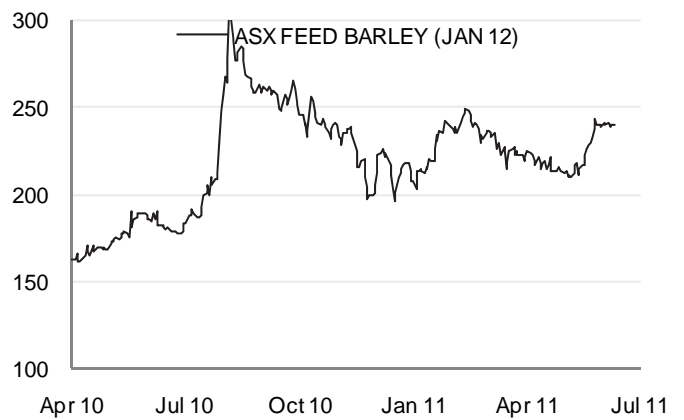


Figure 5: CBOT Soybeans (1<sup>st</sup> Contract, US\$/bu)

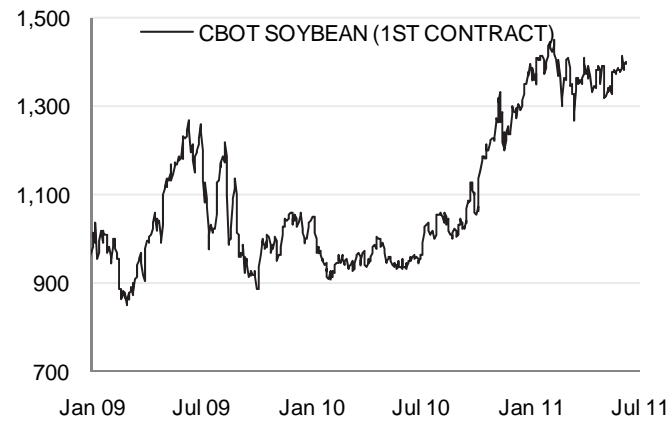


Figure 6: ICE Canola (1<sup>st</sup> Contract, C\$/t)

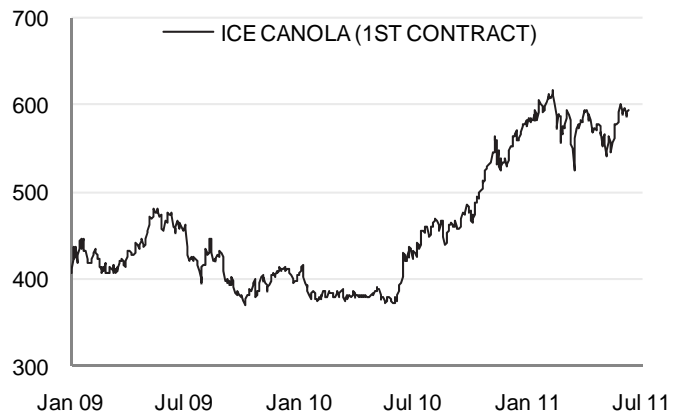
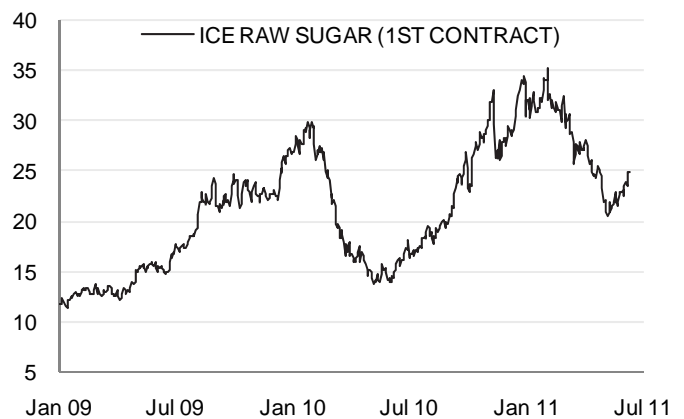


Figure 7: ICE Cotton (1<sup>st</sup> Contract, US\$/lb)



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





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