

Ag markets firm ahead of tonight's USDA WASDE report.

- **Markets:** Last night's Federal Budget projected the deficit for 2011/12 at \$22.6bn (1.5% of GDP) vs the \$49.4bn (3.6% of GDP) deficit now expected in 2010/12. Natural disasters are expected to shave GDP growth in 2010/11 to 2¼% but the subsequent rebuild boosts growth to 4% in 2011/12. Unemployment is expected to edge marginally lower, reaching 4¾% by mid 2012. A return to surplus is still expected from 2012/13. CBA's review of the budget can be accessed [here](#). UK and US shares rose overnight.
- **Currencies:** The AUD rose 0.3% to USD1.0791 overnight (London close) while the USD index fell 0.3% to 74.5pts.
- **Weather:** A Tasman low is sending cold southerly winds over eastern parts of NSW, triggering isolated coastal showers. A cold front is moving through the country's southeast, bringing gusty showers and alpine snow to eastern SA, VIC, TAS, southern NSW. (www.weatherzone.com.au)
- **Grains:** US grain markets were variable overnight.
 - CBOT wheat (Jul 11) closed 8 ¼ cents (1%) firmer at USc798.75/bu after earlier trading above USc815/bu. Once again, high protein wheat prices led the complex higher – Kansas wheat futures up 14 cents to USc928.5/bu (Jul 11) – because of poor production prospects in SW USA and mounting production concerns in France and Germany. The USDA will release their May WASDE crop report tonight. According to a Reuter's poll, US winter wheat production will be 2.04 billion bushels against last year's crop of 2.22 billion. The HRW crop is forecast at just 0.77 billion bushels, down 23% from 2010's 1.02 billion bushel crop.
 - CBOT corn (Jul 11) ended mostly unchanged at USc707.25/bu after earlier trading above USc723/bu. Slowing demand plus the recent bout of improved US weather – which was associated with a stronger than expected lift in US planting progress last week – continues to weigh on corn prices. Continuing to provide a solid footing under prices is the fact that global feed grain supplies are extremely tight. Tonight's WASDE report will likely indicate that this supply tightness will persist into the 2011/12 season.
 - ASX wheat futures rallied strongly yesterday in response to stronger international grain markets and a recent deterioration in Australian planting conditions. The NSW Jan 12 wheat contract bounced to \$300/t (+\$9) and the WA Jan 12 contract rallied to \$320/t. WA remains in drought and ntnh NSW and sthn QLD topsoil is too dry. Yesterday, we forecast the 2011/12 Australian wheat at 24.3 million tonnes, down 2 million tonnes from the 2010/11 crop. The report can be [accessed here](#).
- **Oilseeds:** CBOT soybeans (Jul 11) pulled back from its mid-session peaks but still finished 3 cent firmer at USc1338/bu. The recent slowdown in demand for US soybean exports will be evident in tonight's WASDE report. US soybean stocks for 2010/11 are expected to be revised higher to 153 million bushels while 2011/11 stocks are estimated at 167 million bushels. Canadian canola (Jul 11) rose C\$4.8 to C\$573.7/t. Crop concerns in Canada because of persistent flooding continue to support prices.
- **Cotton:** NY cotton (Jul 11) surged the 600pt daily limit to USc151.4/lb last night ahead of tonight's USDA WASDE report. It is likely that the USDA will revise higher old-crop US cotton inventories because of the recent slump in demand. However the influence of an upward revision to stocks on the market tonight may be moot considering prices have already fallen around 30% over the past few months. New-crop US production concerns in the United States is supporting prices.
- **Sugar:** NY raw sugar (Jul 11) surged 91pts (4.3%) to USc21.87/lb last night, with strong gains observed across the curve. Reuters reported that the vessel line-up at Brazilian ports has swollen to 55 ships (from 36 a year ago) because supplies have been slower than expected to reach terminals. Early season cane crushing in Brazil has been disappointing because of wet weather, while a focus on ethanol has further reduced sugar output.
- **Crude Oil:** NYMEX crude oil (Jul 11) rose 1% to USD103.61/bl.

Ag Commodity Markets: Daily Price Summary*

		Jul 11	Dec 11	Dec 12
US Wheat (CBOT)	USc/bu	799 +1.0%	888 +1.0%	946 +0.4%
	AUD/t	274 +0.7%	311 +0.7%	346 0.0%
AU Wheat - East (ASX)		May 11	Jan 12	Jan 13
	AUD/t	280 0.0%	298 +2.3%	323 +4.6%
AU Wheat - WA (ASX)		May 11	Jan 12	Jan 13
	AUD/t	375 0.0%	321 +2.6%	335 +2.5%
US Soybeans (CBOT)	USc/bu	1338 +0.2%	1323 +0.2%	1280 -0.1%
	AUD/t	459 -0.1%	461 -0.1%	468 -0.5%
CA Canola (ICE)	CAD/t	574 +0.8%	567 +0.7%	561 +0.4%
	AUD/t	557 +1.0%	558 +0.8%	571 +0.5%
AU Canola (ASX)		May 11	Jan 12	Jan 13
	AUD/t	517 0.0%	543 0.0%	543 0.0%
US Corn (CBOT)	USc/bu	707 0.0%	653 -0.7%	591 -0.3%
	AUD/t	260 -0.4%	245 -1.1%	232 -0.7%
AU Barley (ASX)		May 11	Jan 12	Jan 13
	AUD/t	193 -2.3%	217 +1.9%	217 +1.9%
AU Sorghum (ASX)		May 11	May 12	May 13
	AUD/t	212 -3.0%	222 +0.7%	222 +0.7%
US Raw Sugar (ICE)	USc/lb	21.87 +4.3%	21.99 +4.1%	22.19 +3.1%
	AUD/t	449 +4.0%	456 +3.7%	482 +2.7%
US Cotton (ICE)	USc/lb	151.40 +4.1%	118.82 +1.8%	108.77 +1.1%
	AUD/bale	704 +3.8%	571 +1.4%	529 +0.7%
AU Wool EMI (AWEX)		Latest	% chg	Last Pricing
	AUD/kg	13.06	0.0%	5/5/11
AU Cattle (EYC)		Latest	% chg	Last Pricing
	AUD/kg	3.90	0.0%	10/5/11
Crude Oil (WTI)		Latest	% chg	Last Pricing
	USD/bl	103.88	1.3%	10/5/11
	AUD/bl	96.27	0.9%	10/5/11
Commodity Indices		Latest	% chg	Last Pricing
	S&P Agri & L'stock (USD)	1347	1.0%	10/5/11
	S&P Agri & L'stock (AUD)	1248	0.6%	10/5/11
	S&P All Commodities (USD)	5374	1.4%	10/5/11
	S&P All Commodities (AUD)	4980	1.1%	10/5/11
Currencies		Latest	pts chg	% chg
	AUD/USD	1.0791	0.0037	0.3%
	AUD/CAD	1.0372	-0.0013	-0.1%
	AUD/JPY	87.12	0.50	0.6%
	USD Index	74.5	-0.2	-0.3%
Equity Markets		Latest	pts chg	% chg
	ASX S&P200	4726	-31	-0.7%
	US DJI	12760	76	0.6%
	UK FTSE	6019	76	1.3%

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 10/05/11, previous pricing date is 09/05/11

Sources: Bloomberg and CBA

** AUD Equivalent Price



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

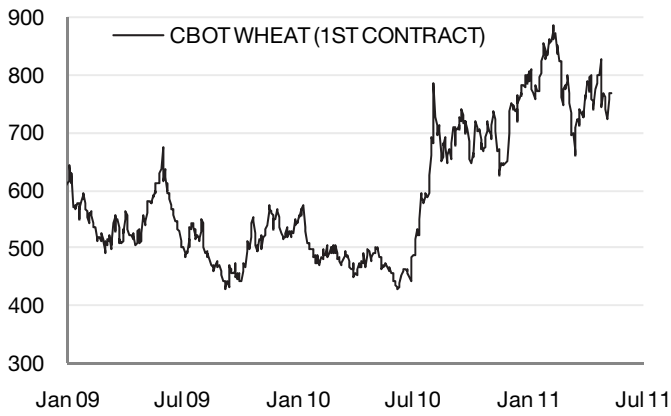


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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

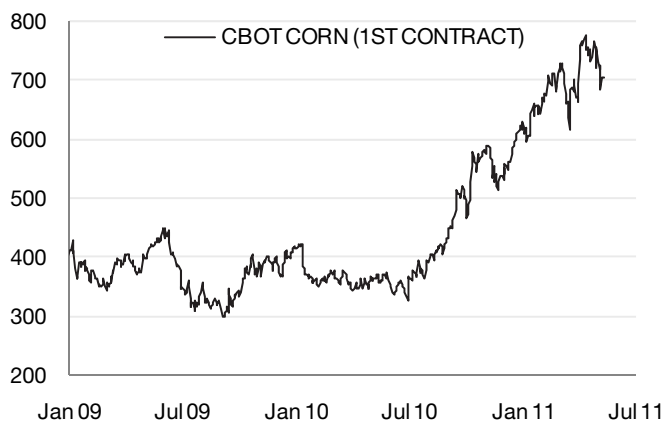


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)



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



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

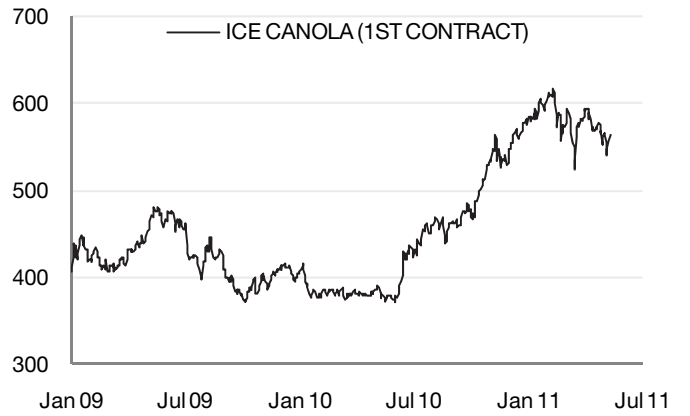


Figure 7: ICE Cotton (1st Contract, US\$/lb)

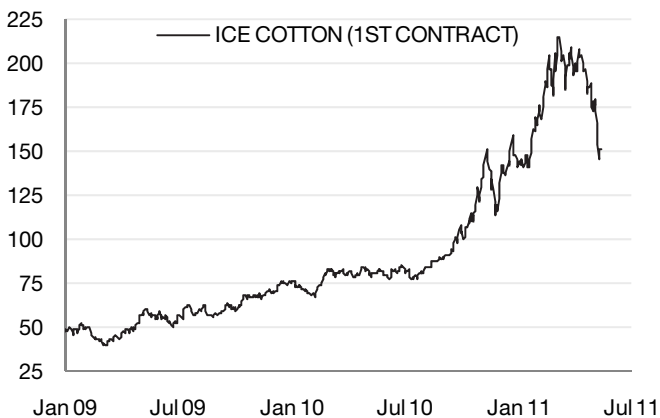
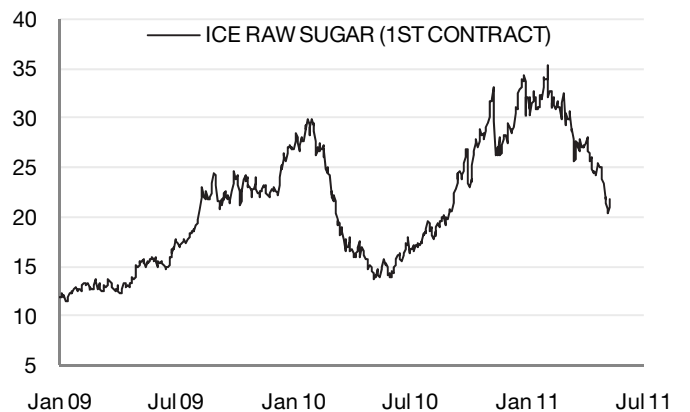


Figure 8: ICE Sugar (1st Contract, US\$/lb)





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