

USDA prompts bull-cull...

- **Markets:** The US trade deficit widened to a larger than expected \$48.2bn in March. The average price for imported oil was US\$93.76 per barrel - the highest level since late 2008. European shares rallied on Wednesday, boosted by upbeat corporate earnings. But gains were capped by Greece's debt woes. US sharemarkets fell. The threat of a slowing Chinese economy and rising inflation resulted in a sell-off of the commodity complex.
- **Currencies:** The AUD fell 0.7% to USD1.0715 overnight (London close) while the USD index rose 0.9% to 75.3pts.
- **Weather:** Cold southwesterly winds in the wake of a strong cold front are bringing scattered showers and snow to VIC, TAS and NSW. Snow is falling to about 1500 metres. Moist onshore winds are triggering isolated showers in southeast SA. A trough is bringing patchy rain to the WA Pilbara. (www.weatherzone.com.au)
- **Grains:** US grain markets fell sharply overnight.
 - CBOT wheat (Jul 11) slumped 5% (39 ¼ cents) to USc759/bu. Last night the USDA pegged 2011/12 US wheat production at 2.04 billion bushels, down 7% year-on-year, but still slightly ahead of trade estimates. Winter wheat production is down 4%, with drought in the Great Plains expected to reduce HRW wheat production to 762 million bushels, down 25% year-on-year. Partly offsetting are strong production forecasts for SRW wheat production, which the USDA pegs at 427 million bushels, up 80% for the year. The USDA SRW wheat forecast exceeded average trade estimates (395mbu) by more than 7%. World wheat stocks are forecast to fall from 182.2 million tonnes in 2010/11 to 181.3 million tonnes in 2011/12. The stock-to use ratio is calculated at 27%, down slightly year-on-year but still comfortably above the 2006/07 and 2007/08 results (between 20.0-20.5%).
 - CBOT corn (Jul 11) dropped the 30 cent daily limit to USc6772.5/bu. US corn ending stocks for 2010/11 were revised *higher* to 730 million bushels this month despite most analysts expecting a *reduction*. Lower exports account for the USDA's reduction in ending stocks. New-crop (2011/12) US corn production is forecast at a record 13.505 billion bushels, up 8.5% yoy. In addition to the bearish USDA report, corn prices suffered at the hands of wider investor risk aversion (USD up 0.9% and crude oil down 5.5%).
 - ASX NSW wheat for Jan 12 delivery edged a few dollars lower to \$295/t yesterday while the WA Jan 12 wheat contract fell to \$316/t. Further losses in the ASX grain market can be expected today following the bearish price action in international grain markets. This is despite continued dryness across WA and northern NSW winter crop areas..
- **Oilseeds:** CBOT soybeans (Jul 11) finished 0.5% (6 ¼¢) weaker at USc1331.75/bu on the back of the USDA bearish ag report and weakness in outside markets. US soybean inventories for 2010/11 have been revised higher because of recent weakness in US soybean exports. But inventories are expected to fall again in 2011/12 because of reduced output. The USDA indicated that China's soybean use is expected to surge 8% in 2011/12 with imports forecast to lift another 6.4% to 58 million tonnes. Continued strong Chinese import demand would provide a solid footing under world prices. Canadian canola (Jul 11) dropped C\$8.4 to C\$565.3/t.
- **Cotton:** NY cotton (Jul 11) fell 110pts (0.7%) to USc150.3/lb last night while the longer dated Jul 12 contract firmed 32 pts to USc109.09/lb. Old-crop US cotton supplies are expected to rise because of recent weakness in exports, however new crop prices were supported because of a lower than expected new-crop production forecast.
- **Sugar:** NY raw sugar (Jul 11) slumped 4.3% (93pts) to USc20.94/lb. Weakness in outside markets (China policy tightening fears and Greek debt woes) explain much of the overnight weakness in sugar prices. The ever-improving global sugar supply situation didn't help the bulls either.
- **Crude Oil:** NYMEX crude oil (Jul 11) slumped 5.5% to USD98.21/bl.

Ag Commodity Markets: Daily Price Summary*

Commodity	Unit	Jul 11	Dec 11	Dec 12	
US Wheat (CBOT)	USc/bu	759 -5.0%	857 -3.5%	925 -2.2%	
	AUD/t	262 -4.3%	302 -2.8%	341 -1.6%	
AU Wheat - East (ASX)	AUD/t	278 -0.8%	295 -0.9%	320 -0.9%	
AU Wheat - WA (ASX)	AUD/t	375 0.0%	316 -1.3%	330 -1.3%	
US Soybeans (CBOT)	USc/bu	1332 -0.5%	1321 -0.1%	1281 +0.1%	
	AUD/t	460 +0.2%	464 +0.6%	472 +0.8%	
CA Canola (ICE)	CAD/t	565 -1.5%	560 -1.2%	551 -1.8%	
	AUD/t	553 -0.7%	555 -0.5%	565 -1.1%	
AU Canola (ASX)	AUD/t	517 0.0%	543 0.0%	543 0.0%	
US Corn (CBOT)	USc/bu	677 -4.2%	626 -4.1%	567 -4.0%	
	AUD/t	251 -3.6%	237 -3.4%	224 -3.4%	
AU Barley (ASX)	AUD/t	200 +3.6%	218 +0.7%	218 +0.7%	
AU Sorghum (ASX)	AUD/t	212 0.0%	222 0.0%	222 0.0%	
US Raw Sugar (ICE)	USc/lb	20.94 -4.3%	21.19 -3.6%	21.79 -1.8%	
	AUD/t	433 -3.6%	443 -3.0%	476 -1.1%	
US Cotton (ICE)	USc/lb	150.30 -0.7%	118.47 -0.3%	109.09 +0.3%	
	AUD/bale	704 0.0%	573 +0.4%	534 +1.0%	
AU Wool EMI (AWEX)	AUD/kg	Latest 13.14	% chg 0.6%	Last Pricing 11/5/11	
AU Cattle (EYC)	AUD/kg	Latest 3.87	% chg -0.6%	Last Pricing 11/5/11	
Crude Oil (WTI)	USD/bl	Latest 98.21	% chg -5.5%	Last Pricing 11/5/11	
	AUD/bl	91.66	-4.8%	11/5/11	
Commodity Indices	Latest	% chg	Last Pricing		
	S&P Agri & L'stock (USD)	1312	-2.6%	11/5/11	
	S&P Agri & L'stock (AUD)	1224	-1.9%	11/5/11	
	S&P All Commodities (USD)	5164	-3.9%	11/5/11	
S&P All Commodities (AUD)	4819	-3.2%	11/5/11		
Currencies	Latest	pts chg	% chg		
	AUD/USD	1.0715	-0.0076	-0.7%	
	AUD/CAD	1.0293	-0.0079	-0.8%	
	AUD/JPY	86.67	-0.44	-0.5%	
USD Index	75.3	0.7	0.9%		
Equity Markets	Latest	pts chg	% chg		
	ASX S&P200	4780	54	1.2%	
	US DJI	12630	-130	-1.0%	
	UK FTSE	5976	-43	-0.7%	

* Prices are the closing exchange traded futures prices.

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

Sources: Bloomberg and CBA

** AUD Equivalent Price



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

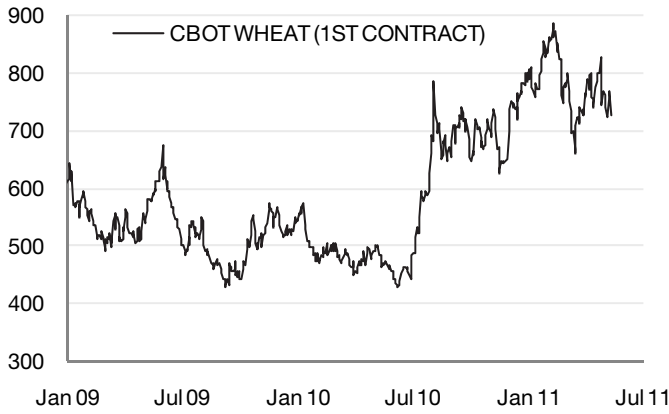


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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

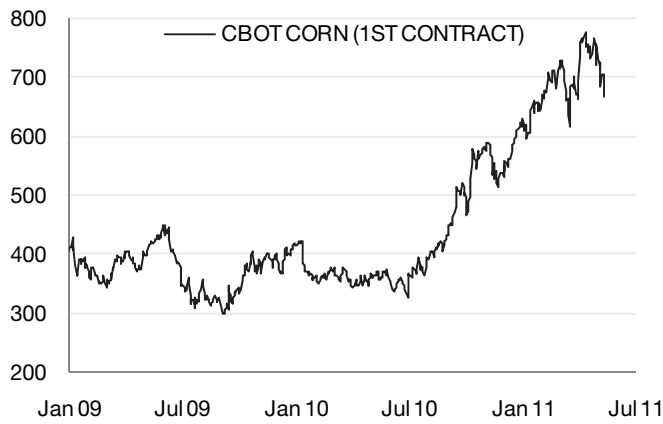


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)



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

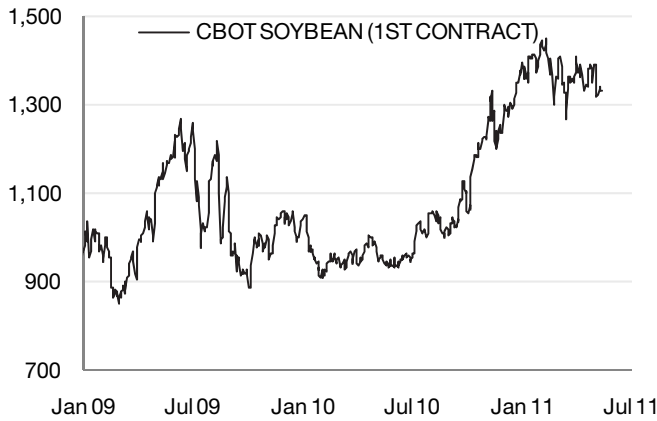


Figure 6: ICE Canola (1st Contract, C\$/t)



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

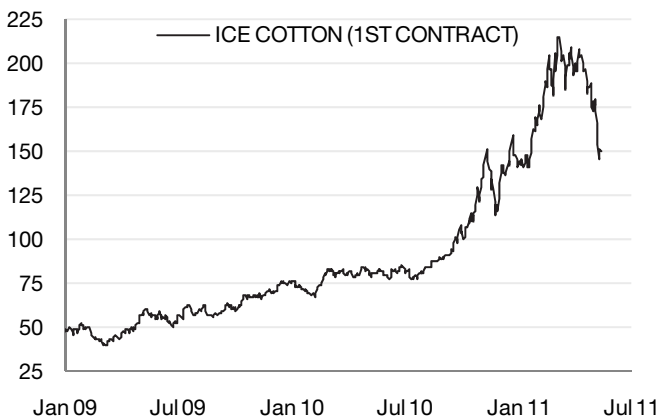
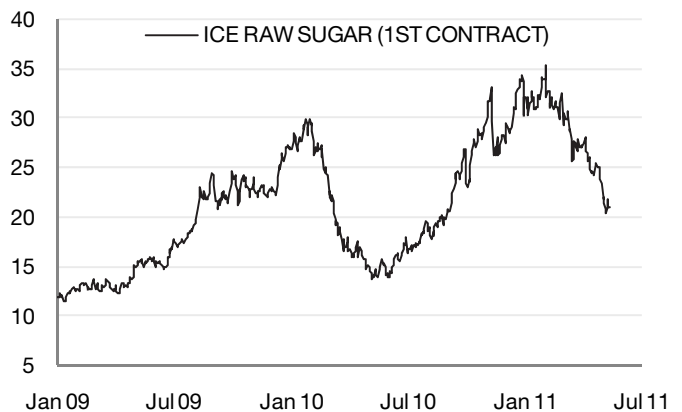


Figure 8: ICE Sugar (1st Contract, US\$/lb)





Please view our website at www.research.commbank.com.au. The Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945 ("the Bank") and its subsidiaries, including Commonwealth Securities Limited ABN 60 067 254 399 AFSL 238814 ("CommSec"), Commonwealth Australia Securities LLC, CBA Europe Ltd and Global Markets Research, are domestic or foreign entities or business areas of the Commonwealth Bank Group of Companies (CBGOC). CBGOC and their directors, employees and representatives are referred to in this Appendix as "the Group". This report is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy any securities or financial instruments. This report has been prepared without taking account of the objectives, financial situation and capacity to bear loss, knowledge, experience or needs of any specific person who may receive this report. No member of the Group does, or is required to, assess the appropriateness or suitability of the report for recipients who therefore do not benefit from any regulatory protections in this regard. All recipients should, before acting on the information in this report, consider the appropriateness and suitability of the information, having regard to their own objectives, financial situation and needs, and, if necessary seek the appropriate professional, foreign exchange or financial advice regarding the content of this report. We believe that the information in this report is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this report. Any opinions, conclusions or recommendations set forth in this report are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by the Group. We are under no obligation to, and do not, update or keep current the information contained in this report. The Group does not accept any liability for any loss or damage arising out of the use of all or any part of this report. Any valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. The Group does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met. Past performance is not a reliable indicator of future performance. The Group has provided, provides, or seeks to provide, investment banking, capital markets and/or other services, including financial services, to the companies described in the report and their associates. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject any entity within the Group to any registration or licensing requirement within such jurisdiction. All material presented in this report, unless specifically indicated otherwise, is under copyright to the Group. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior written permission of the appropriate entity within the Group. In the case of certain products, the Bank or one of its related bodies corporate is or may be the only market maker. The Group, its agents, associates and clients have or have had long or short positions in the securities or other financial instruments referred to herein, and may at any time make purchases and/or sales in such interests or securities as principal or agent, including selling to or buying from clients on a principal basis and may engage in transactions in a manner inconsistent with this report.

US Investors: If you would like to speak to someone regarding the subject securities described in this report, please contact Commonwealth Australia Securities LLC (the "US Broker-Dealer"), a broker-dealer registered under the U.S. Securities Exchange Act of 1934 (the "Exchange Act") and a member of the Financial Industry Regulatory Authority ("FINRA") at 1 (212) 336-7737. This report was prepared, approved and published by Global Markets Research, a division of Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945 ("the Bank") and distributed in the U.S. by the US Broker-Dealer. The Bank is not registered as a broker-dealer under the Exchange Act and is not a member of FINRA or any U.S. self-regulatory organization. Commonwealth Australia Securities LLC ("US Broker-Dealer") is a wholly owned, but non-guaranteed, subsidiary of the Bank, organized under the laws of the State of Delaware, USA, with limited liability. The US Broker-Dealer is not authorized to engage in the underwriting of securities and does not make markets or otherwise engage in any trading in the securities of the subject companies described in our research reports. The US Broker-Dealer is the distributor of this research report in the United States under Rule 15a-6 of the Exchange Act and accepts responsibility for its content. Global Markets Research and the US Broker-Dealer are affiliates under common control. Computation of 1% beneficial ownership is based upon the methodology used to compute ownership under Section 13(d) of the Exchange Act. The securities discussed in this research report may not be eligible for sale in all States or countries, and such securities may not be suitable for all types of investors. Offers and sales of securities discussed in this research report, and the distribution of this report, may be made only in States and countries where such securities are exempt from registration or qualification or have been so registered or qualified for offer and sale, and in accordance with applicable broker-dealer and agent/salesman registration or licensing requirements. The preparer of this research report is employed by Global Markets Research and is not registered or qualified as a research analyst, representative, or associated person under the rules of FINRA, the New York Stock Exchange, Inc., any other U.S. self-regulatory organization, or the laws, rules or regulations of any State.

European Investors: This report is published, approved and distributed in the UK by the Bank and by CBA Europe Ltd ("CBAE"). The Bank and CBAE are both registered in England (No. BR250 and 05687023 respectively) and authorised and regulated in the UK by the Financial Services Authority ("FSA"). This report does not purport to be a complete statement or summary. For the purpose of the FSA rules, this report and related services are not intended for retail customers and are not available to them. The products and services referred to in this report may put your capital at risk. Investments, persons, matters and services referred to in this report may not be regulated by the FSA. CBAE can clarify where FSA regulations apply.

Singapore Investors: This report is distributed in Singapore by Commonwealth Bank of Australia, Singapore Branch (company number F03137W) and is made available only for persons who are Accredited Investors as defined in the Singapore Securities and Futures Act and the Financial Advisers Act. It has not been prepared for, and must not be distributed to or replicated in any form, to anyone who is not an Accredited Investor.

Hong Kong Investors: This report was prepared, approved and published by the Bank, and distributed in Hong Kong by the Bank's Hong Kong Branch. The Hong Kong Branch is a registered institution with the Hong Kong Monetary Authority to carry out the Type 1 (Dealing in securities) and Type 4 (Advising on securities) regulated activities under the Securities and Futures Ordinance. Investors should understand the risks in investments and that prices do go up as well as down, and in some cases may even become worthless. Research report on collective investment schemes which have not been authorized by the Securities and Futures Commission is not directed to, or intended for distribution in Hong Kong.

All investors: Analyst Certification and Disclaimer: Each research analyst, primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the report. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing, and interpreting market information. Directors or employees of the Group may serve or may have served as officers or directors of the subject company of this report. The compensation of analysts who prepared this report is determined exclusively by research management and senior management (not including investment banking). No inducement has been or will be received by the Group from the subject of this report or its associates to undertake the research or make the recommendations. The research staff responsible for this report receive a salary and a bonus that is dependent on a number of factors including their performance and the overall financial performance of the Group, including its profits derived from investment banking, sales and trading revenue.

Unless agreed separately, we do not charge any fees for any information provided in this presentation. You may be charged fees in relation to the financial products or other services the Bank provides, these are set out in the relevant Financial Services Guide (FSG) and relevant Product Disclosure Statements (PDS). Our employees receive a salary and do not receive any commissions or fees. However, they may be eligible for a bonus payment from us based on a number of factors relating to their overall performance during the year. These factors include the level of revenue they generate, meeting client service standards and reaching individual sales portfolio targets. Our employees may also receive benefits such as tickets to sporting and cultural events, corporate promotional merchandise and other similar benefits. If you have a complaint, the Bank's dispute resolution process can be accessed on 132221.

Unless otherwise noted, all data is sourced from Australian Bureau of Statistics material (www.abs.gov.au).



Research

Commodities		Telephone	Email Address
Luke Mathews	Agri Commodities	+612 9118 1098	luke.mathews@cba.com.au
Lachlan Shaw	Mining & Energy Commodities	+613 9675 8618	lachlan.shaw@cba.com.au

Economics		Telephone	Email Address
Michael Blythe	Chief Economist	+612 9118 1101	michael.blythe@cba.com.au
Michael Workman	Senior Economist	+612 9118 1019	michael.workman@cba.com.au
John Peters	Senior Economist	+612 9117 0112	john.peters@cba.com.au
James McIntyre	Economist	+612 9118 1100	james.mcintyre@cba.com.au

Fixed Income		Telephone	Email Address
Adam Donaldson	Head of Debt Research	+612 9118 1095	adam.donaldson@cba.com.au
Philip Brown	Fixed Income Quantitative Strategist	+612 9118 1090	philip.brown@cba.com.au
Alex Stanley	Associate Analyst, Fixed Income	+612 9118 1125	alex.stanley@cba.com.au
Michael Bors	Credit Research Analyst	+612 9118 1108	borsma@cba.com.au
Steve Shoobert	Credit Research Analyst	+612 9118 1096	steve.shoobert@cba.com.au
Winnie Chee	Securitized Product	+612 9118 1104	winnie.chee@cba.com.au
Tally Dewan	Quantitative Analyst	+612 9118 1105	tally.dewan@cba.com.au
Kevin Ward	Database Manager	+612 9118 1960	kevin.ward@cba.com.au

Foreign Exchange		Telephone	Email Address
Richard Grace	Chief Currency Strategist	+612 9117 0080	richard.grace@cba.com.au
Joseph Capurso	Currency Strategist	+612 9118 1106	joseph.capurso@cba.com.au
Peter Dragicevich	FX Economist	+612 9118 1107	peter.dragicevich@cba.com.au
Andy Ji	Asian Currency Strategist	+65 6349 7056	andy.ji@cba.com.au

Delivery Channels & Publications		Telephone	Email Address
Monica Eley	Internet/Intranet	+612 9118 1097	monica.eley@cba.com.au
Ai-Quynh Mac	Information Services	+612 9118 1102	maca@cba.com.au

New Zealand		Telephone	Email Address
Chris Tennent-Brown	CBA NZ Economist	+64 9374 8819	chris.tennent-brown@asb.co.nz
Nick Tuffley	ASB Chief Economist	+64 9374 8604	nick.tuffley@asb.co.nz
Jane Turner	Economist	+64 9374 8185	jane.turner@asb.co.nz
Christina Leung	Economist	+64 9369 4421	christina.leung@asb.co.nz

Sales

Institutional	Telephone	Equities	Telephone
Syd FX	+612 9117 0190	Syd	+612 9118 1446
	+612 9117 0341	Asia	+613 9675 6967
Credit	+612 9117 0020	Lon/Eu	+44 20 7710 3573
Japan Desk	+612 9117 0025	NY	+1212 336 7749
Melb	+613 9675 6815		
	+613 9675 7495	Corporate	Telephone
	+613 9675 6618	NSW	+612 9117 0377
	+613 9675 7757	VIC	+612 9675 7737
Lon FX	+44 20 7329 6266	SA	+618 8206 4155
Debt & Derivatives	+44 20 7329 6444	WA	+618 9482 6044
Corporate	+44 20 7710 3905	QLD	+617 3015 4525
HK	+852 2844 7538	NZ	+64 9375 5738
Sing	+65 6349 7077	Metals Desk	+612 9117 0069
NY	+1212 336 7739	Agri Desk (Corp)	+612 9117 0157
		Agri Desk	+612 9117 0145