



## Cotton importers keep renegeing on existing contracts – prices slump.

- **Markets:** US retail sales rose by 0.5% in April after an upwardly revised 0.9% gain in March. US business inventories rose by 1% to \$1.48 trillion in March - the highest level since November 2008. Business sales rose by 2.2% to \$1.2 trillion, and the inventory to sales ratio fell to a record low of 1.23 months. US producer prices rose by 0.8% in April after a 0.7% increase in March. Excluding food & energy, producer prices rose by a much more sedate 0.3%. US jobless claims fell by 44,000 to a seasonally adjusted 434,000 in the past week. European shares fell on Thursday however US sharemarkets recovered from early weakness to close higher.
- **Currencies:** The AUD fell 0.5% to USD1.0665 overnight (London close) while the USD index fell 0.2% to 75.2pts.
- **Weather:** Cold westerly winds in the wake of a strong cold front are continuing to bring isolated showers to south-eastern states. Showers are falling as snow in Alpine areas. A trough over WA is bringing patchy rain to the Pilbara. A strong high is maintaining dry conditions elsewhere. ([www.weatherzone.com.au](http://www.weatherzone.com.au))
- **Grains:** US grain markets were mixed overnight.
  - CBOT wheat (Jul 11) dropped 23 ½ cents (3.1%) to USc735.50/bu, the lowest level since mid-March. Forecast improved weather in the US and recent rain in China helped pressure prices lower for the night. US old-crop wheat export sales for the week ended 5<sup>th</sup> May were 320.6 thousand tonnes, up 17% from the week prior and up 15% from the prior 4-week average.
  - CBOT corn (Jul 11) recovered early losses to close 0.5% firmer at USc680.5/bu. Last night's price action in the corn pit mimicked the related crude oil market, and came after the limit-down (corn) losses observed in the previous session. US old-crop corn export sales lifted 53% w/w to 433.8 thousand tonnes, but this was still 17% below the prior 4 week average.
  - ASX grain prices fell yesterday in response to the bearish USDA report. NSW Jan 12 wheat officially closed \$3.5 weaker at \$291.5/t but traded down to \$289.5/t in the evening session. WA Jan 12 wheat officially closed \$1.3 lower at \$315/t but traded down to \$311.5/t.
- **Oilseeds:** CBOT soybeans (Jul 11) closed 11 cents (0.8%) firmer at USc1342.75/bu but Canadian canola (Jul 11) dropped C\$5.3 to C\$560/t. US soybean export sales continue to remain seasonally weak, only 32 thousand tonnes of beans were sold in the latest week, and the past months sales lag last year's pace by more than 60%.
- **Cotton:** NY cotton futures closed with extremely steep losses across the curve last night. The nearby Jul 11 contract was limit-down (600pts) at USc144.30/lb and the Dec 11 contract also finished limit-down at USc119.19/lb. Cotton prices fell on news that key importers continue to walk away from existing purchase agreements with the US. USDA data for the week ended 5<sup>th</sup> May showed net cancellations of another 1200 bales. It represented the seventh consecutive week of net cancellations. Bloomberg reported that Chinese cotton imports for April were 24% lower than year ago levels, and that yarn and semi-finished apparel inventories are building.
- **Sugar:** NY raw sugar (Jul 11) rose 39pts (1.9%) to USc21.33/lb last night. The sugar complex is still struggling for near term direction; however the market does appear to be trying to carve out a solid base in prices following the 30% slump in values since February. News was mainly for bearish for prices, however. France's sugar beet association has indicated that the current crop is in good shape and that the crop has so far escaped drought damage. France is the world's largest beet grower. Kingsman has reported that the global sugar surplus will surge to 10.6 million tonnes in 2011/12, the biggest surplus since 2006/07, from an estimated 2.4 million tonnes this year. If this forecast verifies, it would prove extremely bearish for global sugar prices over the next 18 months.
- **Crude Oil:** NYMEX crude oil (Jul 11) edged 0.8% higher at USD98.97/bl.

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

		Jul 11	Dec 11	Dec 12
US Wheat (CBOT)	USc/bu	736 -3.1%	838 -2.2%	917 -0.8%
	AUD/t	255 -2.6%	297 -1.7%	339 -0.4%
AU Wheat - East (ASX)		May 11	Jan 12	Jan 13
	AUD/t	269 -3.2%	292 -1.2%	318 -0.6%
AU Wheat - WA (ASX)		May 11	Jan 12	Jan 13
	AUD/t	375 0.0%	315 -0.4%	329 -0.4%
US Soybeans (CBOT)	USc/bu	1343 +0.8%	1326 +0.4%	1279 -0.2%
	AUD/t	466 +1.3%	468 +0.8%	473 +0.2%
CA Canola (ICE)		Jul 11	Nov 11	Nov 12
	CAD/t	560 -0.9%	559 -0.2%	552 +0.2%
	AUD/t	548 -0.8%	554 -0.1%	566 +0.3%
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	681 +0.5%	631 +0.7%	575 +1.3%
	AUD/t	253 +1.0%	239 +1.2%	228 +1.7%
AU Barley (ASX)		May 11	Jan 12	Jan 13
	AUD/t	200 0.0%	212 -3.0%	212 -3.0%
AU Sorghum (ASX)		May 11	May 12	May 13
	AUD/t	213 +0.2%	221 -0.5%	221 -0.5%
US Raw Sugar (ICE)		Jul 11	Oct 11	Oct 12
	USc/lb	21.33 +1.9%	21.51 +1.5%	21.95 +0.7%
	AUD/t	443 +2.3%	452 +2.0%	482 +1.2%
US Cotton (ICE)		Jul 11	Mar 12	Jul 12
	USc/lb	144.30 -4.0%	112.47 -5.1%	105.01 -3.7%
	AUD/bale	679 -3.6%	547 -4.6%	517 -3.3%
AU Wool EMI (AWEX)		Latest	% chg	Last Pricing
	AUD/kg	13.23	0.7%	12/5/11
AU Cattle (EYCI)		Latest	% chg	Last Pricing
	AUD/kg	3.87	0.0%	12/5/11
Crude Oil (WTI)		Latest	% chg	Last Pricing
	USD/bl	98.97	0.8%	12/5/11
	AUD/bl	92.80	1.2%	12/5/11
Commodity Indices		Latest	% chg	Last Pricing
	S&P Agri & L'stock (USD)	1306	-0.5%	12/5/11
	S&P Agri & L'stock (AUD)	1225	0.0%	12/5/11
	S&P All Commodities (USD)	5164	0.0%	12/5/11
	S&P All Commodities (AUD)	4842	0.5%	12/5/11
Currencies		Latest	pts chg	% chg
	AUD/USD	1.0665	-0.0050	-0.5%
	AUD/CAD	1.0278	-0.0015	-0.1%
	AUD/JPY	86.19	-0.48	-0.6%
	USD Index	75.2	-0.1	-0.2%
Equity Markets		Latest	pts chg	% chg
	ASX S&P200	4696	-84	-1.8%
	US DJI	12696	66	0.5%
	UK FTSE	5945	-31	-0.5%

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 12/05/11, previous pricing date is 11/05/11

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

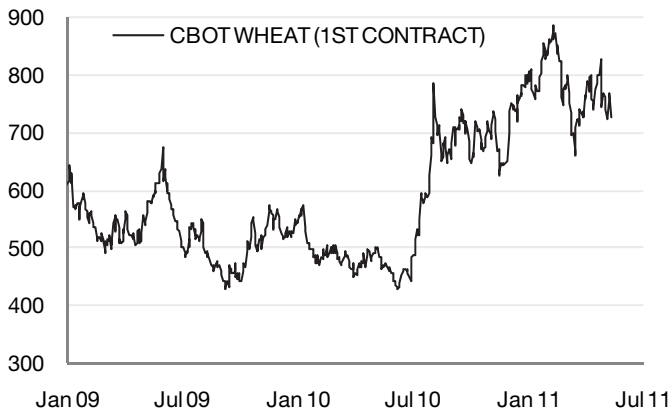


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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

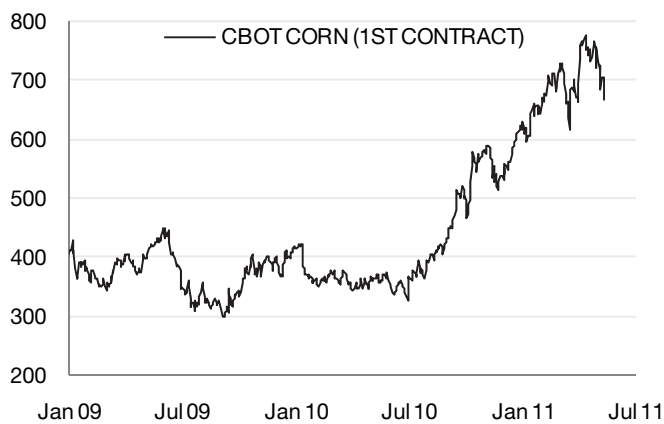


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)

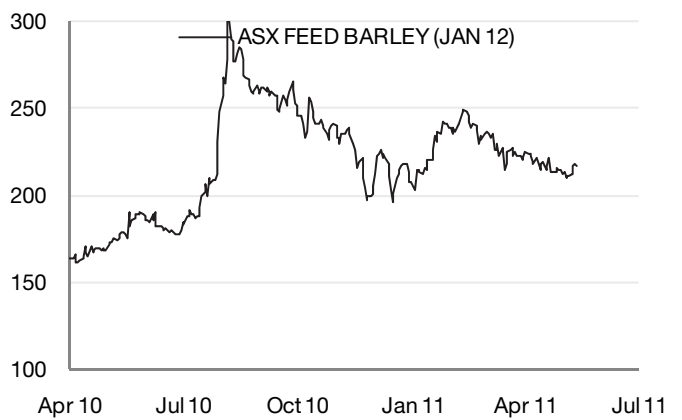


Figure 5: CBOT Soybeans (1<sup>st</sup> Contract, US\$/bu)



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



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

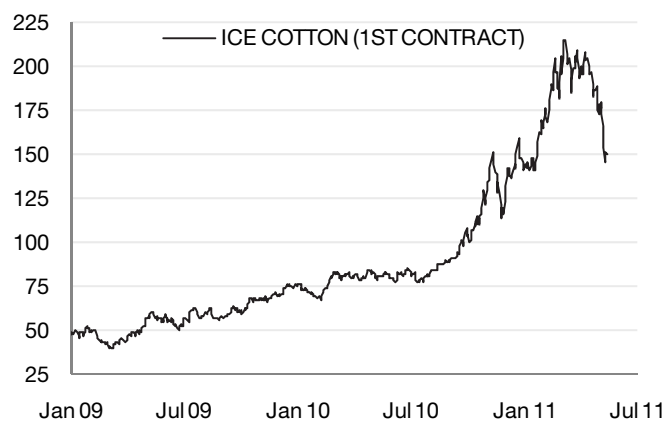


Figure 8: ICE Sugar (1<sup>st</sup> Contract, US\$/lb)





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