

Risk-off attitude pummels agri-commodity prices...

■ **Markets:** US economic activity remains weak, while across the Atlantic, European sovereign debt concerns show no signs of abating. The New York empire manufacturing index fell from +11.9 to -7.8 in June; the result was below expectations. US consumer prices rose by 0.2% in May after rising by 0.4% in April. But in year to May, consumer prices rose 3.6% - the biggest increase since Oct 2008. Europe's debt concerns were again in focus following protests in Greece and Moody's put French banks under review due to exposure to Greek debt. Risk aversion consequently rose sharply last night, resulting in slumping equity markets in Europe and the US.

■ **Currencies:** The AUD dropped 1% to USD1.0577 overnight (London close) while the USD index rose 1.7% to 75.6pts.

■ **Weather:** A low pressure system just off the northern NSW coast is generating patchy rain to the north of Sydney. A cold front and trough are slipping across WA, spreading showers through the west. A high is keeping the remainder of the country clear. (www.weatherzone.com.au)

■ **Grains:** US grain markets fell sharply overnight.

— CBOT wheat (Jul 11) slumped 22 ¾ cents (3.1%) to US\$708.5/bu and the Dec 11 contract fell by the same margin to US\$779.75/bu (A\$277/t). So far this week the wheat market has lost over 6½%, influenced by improving crop weather in many grain growing regions, seasonal US HRW wheat harvest pressure, weakening corn values, falling crude oil values and the stronger USD. The world's big wheat buyers are taking advantage of the lower prices to lock-in supplies. Yesterday we reported that Egypt bought 120 thousand tonnes of wheat, and this has been followed by Algeria purchasing 350 thousand tonnes for July delivery, which Reuters' said is likely to be French origin at US\$341/t (c&f). Saudi Arabia is reportedly tendering to buy 330 thousand tonnes of wheat.

— CBOT corn (Jul 11) slumped 29 ¾ cents (3.9%) to US\$725.75/bu, pressured by slumping crude oil prices, the firmer USD, and reports of increasing substitution away from corn into wheat for livestock feed producers. Weaker crude oil prices reduce the attractiveness of ethanol production. Reuters reported that US ethanol production slipped 3.8% for the latest reporting week, pulling back from a near-5-month high. Improved US corn crop weather also weighed on values.

— ASX NSW wheat (Jan 12) traded more than \$4 lower yesterday at \$278/t, pressured by the weak tone in international grain markets. WA wheat (Jan 12) fell \$1 to \$301.80/t but still remains expensive relative to eastern Australia and global grain markets.

■ **Oilseeds:** CBOT soybeans (Jul 11) ended unchanged at US\$1368/bu while Canadian canola (Jul 11) ended C\$2.8 firmer at C\$585.5/t. Canola prices remain supported by wet-weather related area abandonment in Canada.

■ **Cotton:** NY cotton (Jul 10) ended 358pts weaker at US\$1151.96/lb., while the Dec 11 contract slumped 598pts to US\$125.8/lb. Heightened financial market risk aversion weighed heavily on the cotton market last night. Global cotton demand has been weak so far this year, and continued global economic uncertainty raises the prospect that cotton demand will remain sluggish for the foreseeable future. Poor 2011 crop prospects remain a potential source of price-support for the next 12 months.

■ **Sugar:** NY raw sugar futures ended slightly weaker across the curve last night, pressured by wider risk aversion. The July contract closed 7pts weaker at US\$25.08/lb, the Oct 11 contract fell 8pts to US\$24.15/lb and the Oct 12 contract fell 9pts to US\$22.95/lb. But the performance of the sugar market was relatively resilient considering the significant losses observed across other commodity classes. Pre-Ramadan demand and reported congestion at both Brazilian and Thai sugar ports supported prices for the session.

■ **Crude Oil:** NYMEX crude oil (Jul 11) slumped 4.6% to USD94.81/bl.

Ag Commodity Markets: Daily Price Summary*

US Wheat (CBOT)	Jul 11	Dec 11	Dec 12
USc/bu	709 -3.1%	780 -2.8%	860 -3.2%
AUD/t **	247 -2.1%	277 -1.8%	320 -2.2%
AU Wheat - East (ASX)	Jul 11	Jan 12	Jan 13
AUD/t	273 -0.9%	279 -1.3%	303 -2.2%
AU Wheat - WA (ASX)	Jul 11	Jan 12	Jan 13
AUD/t	376 0.0%	302 -0.3%	316 -0.3%
US Soybeans (CBOT)	Jul 11	Nov 11	Nov 12
USc/bu	1368 0.0%	1367 +0.2%	1350 -0.6%
AUD/t **	476 +1.0%	484 +1.3%	497 +0.3%
CA Canola (ICE)	Jul 11	Nov 11	Nov 12
CAD/t	586 +0.5%	589 +0.6%	572 +0.6%
AUD/t **	565 +0.2%	576 +0.3%	576 +0.3%
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	726 -3.9%	666 -2.8%	606 -2.7%
AUD/t **	271 -2.9%	254 -1.7%	241 -1.7%
AU Barley (ASX)	Jul 11	Jan 12	Jan 13
AUD/t	224 +2.3%	236 -1.1%	241 -0.6%
AU Sorghum (ASX)	Jul 11	May 12	May 13
AUD/t	226 -2.6%	237 -1.5%	237 -1.5%
US Raw Sugar (ICE)	Jul 11	Oct 11	Oct 12
USc/lb	25.08 -0.3%	24.15 -0.3%	22.95 -0.4%
AUD/t **	524 +0.8%	509 +0.7%	507 +0.6%
US Cotton (ICE)	Jul 11	Dec 11	Jul 12
USc/lb	151.96 -2.3%	125.80 -4.5%	106.75 -4.7%
AUD/bale **	720 -1.3%	606 -3.5%	529 -3.7%
AU Wool EMI (AWEX)	Latest	% chg	Last Pricing
AUD/kg	14.28	0.6%	15/6/11
AU Cattle (EYCI)	Latest	% chg	Last Pricing
AUD/kg	3.81	0.0%	15/6/11
Crude Oil (WTI)	Latest	% chg	Last Pricing
USD/bl	94.81	-4.6%	15/6/11
AUD/bl **	89.64	-3.6%	15/6/11
Commodity Indices	Latest	% chg	Last Pricing
S&P Agri & L'stock (USD)	1324	-1.9%	15/6/11
S&P Agri & L'stock (AUD)	1251	-0.8%	15/6/11
S&P All Commodities (USD)	5144	-3.4%	15/6/11
S&P All Commodities (AUD)	4864	-2.4%	15/6/11
Currencies	Latest	pts chg	% chg
AUD/USD	1.0577	-0.0110	-1.0%
AUD/CAD	1.038	0.0030	0.3%
AUD/JPY	85.45	-0.60	-0.7%
USD Index	75.6	1.3	1.7%
Equity Markets	Latest	pts chg	% chg
ASX S&P200	4567	-18	-0.4%
US DJI	11897	-179	-1.5%
UK FTSE	5743	-61	-1.0%

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 15/06/11, previous pricing date is 14/06/11

Sources: Bloomberg and CBA

** AUD Equivalent Price

Note – This report will be temporarily suspended until Monday 4th July.



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

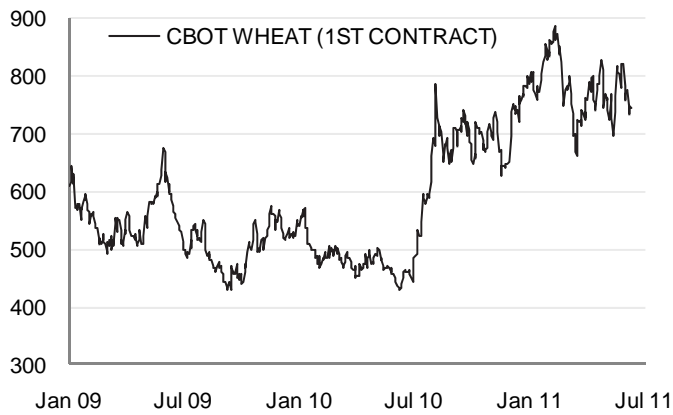


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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

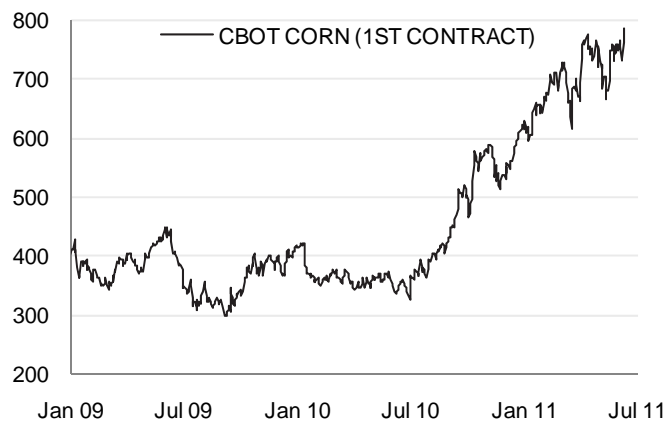


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)

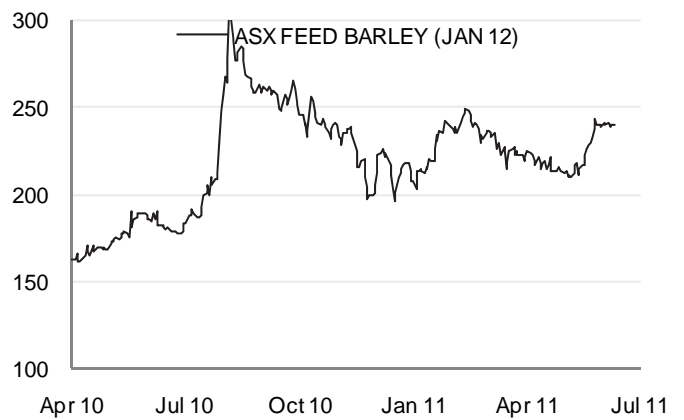


Figure 5: CBOT Soybeans (1st Contract, US\$/bu)

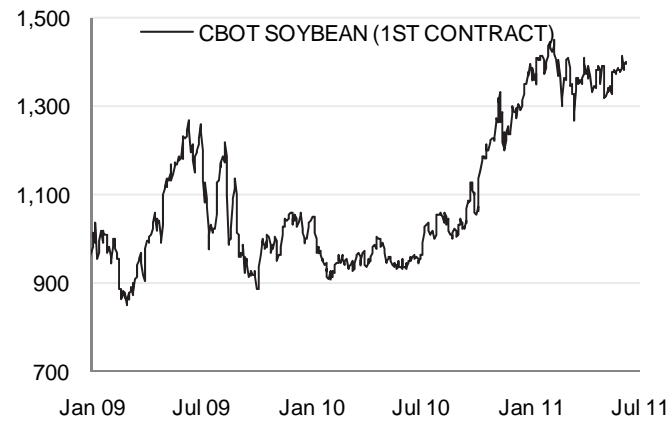


Figure 6: ICE Canola (1st Contract, C\$/t)

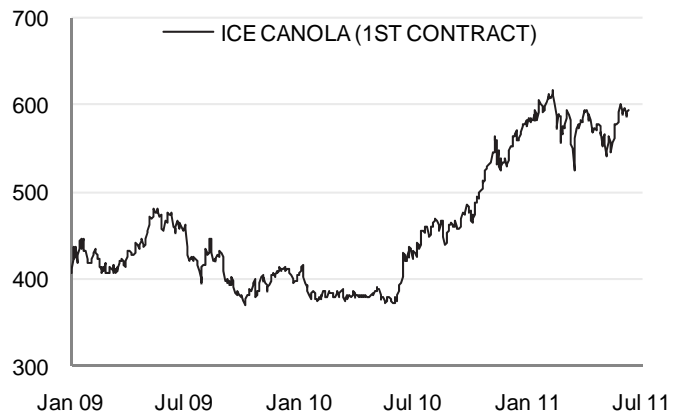
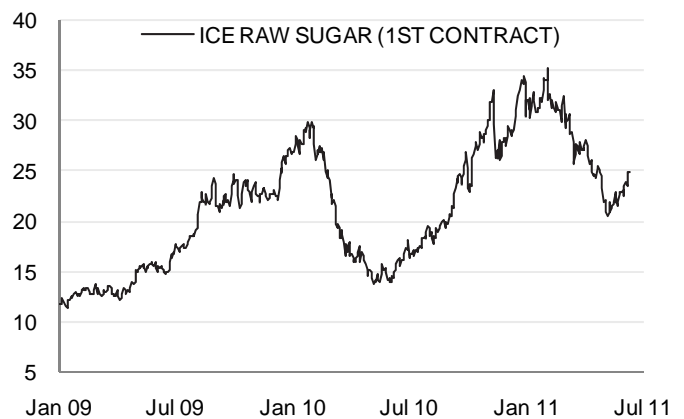


Figure 7: ICE Cotton (1st Contract, US\$/lb)



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





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