

## Prices surge as crops wither.

- **Markets:** The release of the FOMC minutes indicated that it is unlikely that the US Fed will begin tightening policy this year. Majority of board members are still concerned that "an early exit could unnecessarily damp the ongoing economic recovery." However the more hawkish members "thought that economic conditions might warrant action... later this year." Members commented that "there would need to be a significant change in the economic outlook... before another program of asset purchases would be warranted". European and US shares rallied.
- **Currencies:** The AUD rose 0.5% to USD1.0611 overnight (London close) while the USD index ended unchanged at 75.4pts.
- **Weather:** A large high is keeping the southeast of the country mostly clear and dry. Moist onshore winds are causing isolated showers over coastal QLD. Dry easterly winds are moving across the northern interior, while a trough is bringing scattered showers & storms to eastern WA and SA. ([www.weatherzone.com.au](http://www.weatherzone.com.au))
- **Grains:** US grain markets soared higher overnight.
  - CBOT wheat (Jul 11) surged 53 cents (7%) to USc817/bu last night to be more than 80 cents higher over the past two sessions. The Dec 11 contract rallied 44 ½ cents to USc902.75/bu (A\$321/t). Global crop production fears are providing significant support to prices. Forecasters in Europe have suggested that dry conditions will cut the French soft wheat crop by 12% and the German wheat by 7% compared to 2010 levels. Bloomberg reported that soil moisture is now "critical" in the U.K., France, Germany, northern Italy, Belgium and the Netherlands after parts of Western Europe had their driest March on record. Conditions are forecast to remain dry through to 25<sup>th</sup> May.
  - CBOT corn (Jul 11) rallied 4% (29½¢) to USc749.75/bu. Wet conditions in the US have ensured that planting progress is currently much slower than normal, and forecasts for further wet weather and flooding may mean that some fields go unplanted altogether.
  - ASX NSW wheat for Jan 12 rose \$7 to \$295/t yesterday and WA Jan 12 wheat rose to \$315.8/t. Both markets were supported by stronger offshore markets. Despite stronger ASX wheat prices yesterday, local basis continues to weaken. ASX NSW wheat for spot delivery is now cheaper than Chicago wheat for the first time in months while Jan 12 ASX wheat is now A\$26/t cheaper than Dec 11 CBOT wheat. Aussie wheat exports should be supported by these relatively cheap values.
- **Oilseeds:** CBOT soybeans (Jul 11) finished 2.9% (38½¢) higher at USc1379.5/bu overnight, supported by strong gains in the wheat and corn pits. Canadian canola (Jul 11) rallied C\$9.7 to C\$576.8/t. Drought in European rapeseed production regions is supporting the oilseed complex.
- **Cotton:** ICE cotton (Jul 11) rallied 482pts (3.1%) to USc159.86/lb, the fourth consecutive session gain. New crop production concerns remain the main supportive influence for cotton prices. The SW US states continue to remain in drought while the Mississippi delta continues to deal with severe flooding. The market can ill afford any significant production losses considering old-crop supplies in the US are at record tight levels.
- **Sugar:** NY raw sugar (Jul 11) rose 4.2% (92pts) to USc22.85/lb, the highest price in about 3 weeks. The market continues to talk about the smaller than expected (early-season) Brazilian crush and the consequent delays in ship loading. But potentially bearish for prices is the fact that the Executive Director of the International Sugar Organisation indicated that the size of the global sugar surplus in 2011/12 may swell to 4 million tonnes, higher than the ISO's official estimate of 3 million tonnes released on the 13<sup>th</sup> May. Finally, Tully Sugar Mill in Australia has voted to scrap a 20% ownership limit. The vote opens the business for takeover offers.
- **Crude Oil:** NYMEX crude oil (Jul 11) rallied 3% to USD99.79/bbl.

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

Commodity	Unit	Jul 11	Dec 11	Dec 12
US Wheat (CBOT)	USc/bu	817 +6.9%	903 +5.2%	958 +3.0%
	AUD/t	284 +6.4%	321 +4.6%	356 +2.4%
AU Wheat - East (ASX)	AUD/t	278 +2.3%	295 +2.4%	319 +1.9%
	AUD/t	375 0.0%	316 +2.2%	330 +2.1%
US Soybeans (CBOT)	USc/bu	1380 +2.9%	1353 +2.5%	1308 +1.9%
	AUD/t	480 +2.3%	478 +1.9%	481 +1.3%
CA Canola (ICE)	CAD/t	577 +1.7%	584 +1.6%	559 +0.4%
	AUD/t	568 +1.6%	581 +1.5%	567 +0.3%
AU Canola (ASX)	AUD/t	517 0.0%	543 0.0%	543 0.0%
	USc/bu	750 +4.1%	673 +3.0%	597 +1.9%
US Corn (CBOT)	AUD/t	279 +3.5%	257 +2.4%	238 +1.3%
	AUD/t	200 0.0%	223 +2.3%	223 +2.3%
AU Sorghum (ASX)	AUD/t	215 +1.2%	224 +1.1%	224 +1.1%
	USc/lb	22.85 +4.2%	22.27 +3.0%	22.06 +1.6%
US Raw Sugar (ICE)	AUD/t	477 +3.6%	470 +2.5%	486 +1.0%
	USc/lb	159.86 +3.1%	114.97 +0.9%	106.86 -0.5%
US Cotton (ICE)	AUD/bale	756 +2.6%	562 +0.4%	528 -1.1%
	AUD/kg	13.36	1.0%	18/5/11
AU Wool EMI (AWEX)	AUD/kg	3.88	-0.4%	18/5/11
	AUD/bbl	99.79	3.0%	18/5/11
AU Cattle (EYC)	AUD/bbl	94.04	2.4%	18/5/11
	AUD/bbl	94.04	2.4%	18/5/11
Crude Oil (WTI)	USD/bbl	99.79	3.0%	18/5/11
	AUD/bbl	94.04	2.4%	18/5/11
	AUD/bbl	94.04	2.4%	18/5/11
	AUD/bbl	94.04	2.4%	18/5/11
Commodity Indices	S&P Agri & L'stock (USD)	1378	3.2%	18/5/11
	S&P Agri & L'stock (AUD)	1299	2.6%	18/5/11
	S&P All Commodities (USD)	5239	2.7%	18/5/11
	S&P All Commodities (AUD)	4937	2.2%	18/5/11
Currencies	AUD/USD	1.0611	0.0056	0.5%
	AUD/CAD	1.0312	0.0007	0.1%
	AUD/JPY	86.49	0.61	0.7%
	USD Index	75.4	0.0	0.0%
Equity Markets	ASX S&P200	4694	10	0.2%
	US DJI	12560	81	0.6%
	UK FTSE	5923	62	1.1%

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 18/05/11, previous pricing date is 17/05/11

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

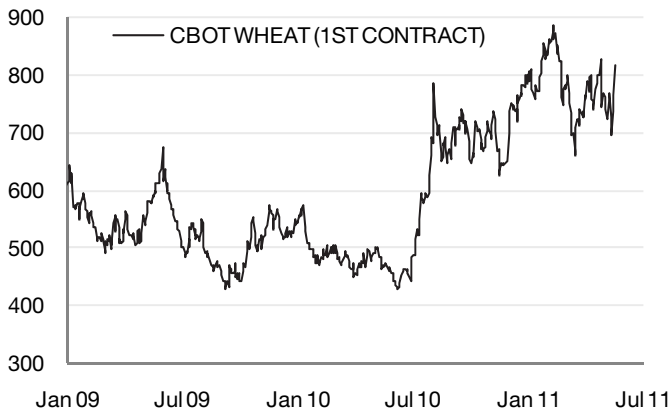


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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

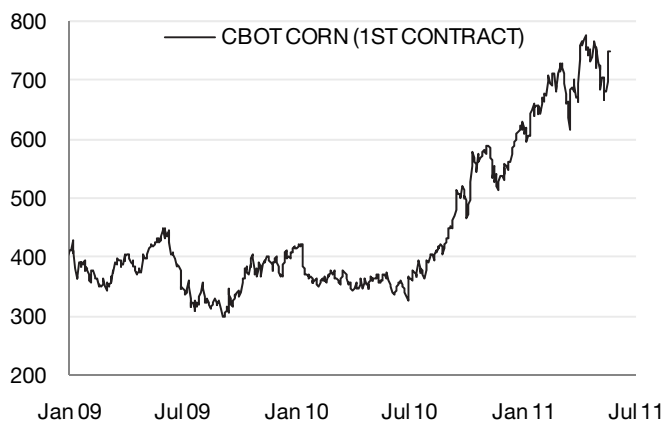


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)

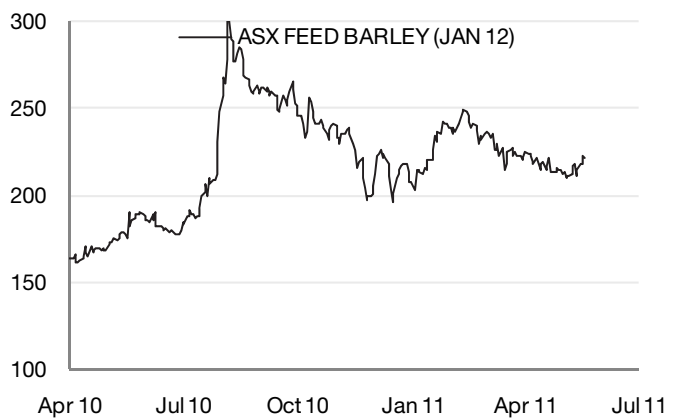


Figure 5: CBOT Soybeans (1<sup>st</sup> Contract, US\$/bu)



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



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

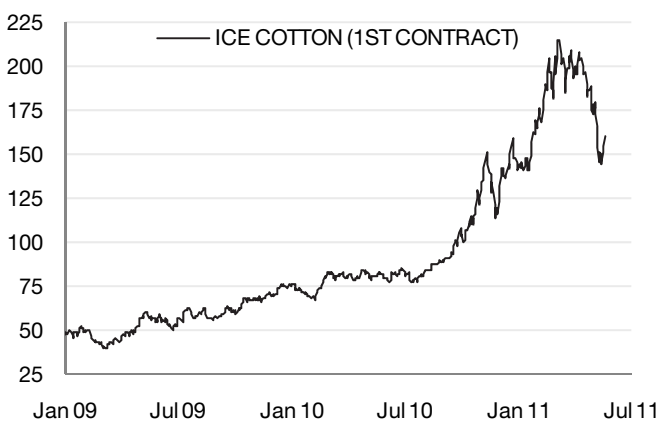


Figure 8: ICE Sugar (1<sup>st</sup> Contract, US\$/lb)





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