

## Australian winter crop prospects improve with widespread rainfall.

- **Markets:** Ratings agency Fitch cut Greece's credit rating by three notches to B+. Fitch also issued a negative outlook and commented that "the ratings downgrade reflects the scale of the challenge facing Greece in implementing a radical fiscal and structural reform programme". European and US shares eased following Greece's credit downgrade.
- **Currencies:** The AUD rose 0.4% to USD1.0678 on Friday night (London close) while the USD index rose 0.4% to 75.4pts amid the Euro.
- **Weather:** Mild, gusty northerly winds are affecting southeast QLD and eastern NSW. A trough is bringing rain and storms to southern QLD and eastern NSW. A front and low are causing showers in western NSW, VIC and TAS. Brisk southwesterlies in SA are also bringing showers. ([www.weatherzone.com.au](http://www.weatherzone.com.au))
- **Grains:** US grain markets finished with mixed results on Friday night.
  - CBOT wheat (Jul 11) traded either side of unchanged before closing lower by 5 ½ cents at US\$806.5bu while the Dec 11 contract fell 8 cents to US\$893/bu (~A\$315/t). Profit taking following the recent strong rise in prices was cited as the primary factor weighing on the market on Friday. In addition, risk appetite across the wider complex was trimmed following the downgrade to Greece's credit rating. And finally, northern US and Canadian spring wheat seeding progress is expected to lift on favourable warm and dry weather.
  - CBOT corn (Jul 11) rallied 11 ¼ cents on Friday to US\$759.5/bu on concerns that rain will further delay US corn planting progress. Widespread rain was encountered in the Midwest over the weekend and most forecasts suggest rain will continue most days this week. Portions of China and the FSU remain too dry.
  - Australian grain markets were stronger once again on Friday, lessening the discount to international grain prices. ASX NSW wheat for Jan 12 delivery firmed \$2/t to \$304.5/t amid heavy volumes. ASX Jan 12 feed barley rose to \$228.2/t and the Jan 12 WA wheat contract traded at \$320.8/t before closing a few dollars higher at \$324/t. Australian winter crop production prospects have improved following recent rainfall. 10-50mm of much needed rain was measured throughout the WA wheat belt over the past week and it is currently raining in NSW and southern Qld. Much more rain is needed across these regions. .
- **Oilseeds:** CBOT soybeans (Jul11) finished slightly firmer on Friday at US\$1380.25/bu. Wider macro-economic risk aversion weighed on the complex, however wet-weather planting delays in the US and stronger corn values supported the late lift in soybean prices. Reuters reported that Argentina has kept their 2010/11 soybean production forecast at 50.4 million tonnes. Canadian canola (Jul 11) rose C\$2.9 to C\$583.3/t.
- **Cotton:** NY cotton (Jul 11) recovered early losses to end only marginally weaker at US\$155.61/lb, while longer dated contracts finished in positive territory. Weather worries allowed the cotton market to recover after it initially sold-off because of the European debt crisis.
- **Sugar:** NY raw sugar (Jul 11) rallied 59pts (2.7%) to US\$22.41/lb on Friday to be one of the strongest performing agricultural commodities for the session. For the moment, the sugar market is being supported by the slow crush progress in Brazil, the world's largest producer. However the market remains wary that the large upward revisions to the global supply surplus over the past 3 months will cap any rally in prices. Reflecting these opposing forces, market participants suggest that that prices could finish this year anywhere from 15 to 25 cents per pound.
- **Crude Oil:** NYMEX crude oil (Jul 11) ended 1.2% firmer at USD100.1/bl.

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

		Jul 11	Dec 11	Dec 12	
<b>US Wheat (CBOT)</b>	US\$/bu	807 -0.7%	893 -0.9%	942 -1.3%	
	AUD/t	279 -1.0%	315 -1.2%	348 -1.6%	
<b>AU Wheat - East (ASX)</b>	AUD/t	292 +0.7%	305 +0.7%	328 +1.0%	
<b>AU Wheat - WA (ASX)</b>	AUD/t	376 0.0%	324 +0.1%	338 +0.1%	
<b>US Soybeans (CBOT)</b>	US\$/bu	1380 +0.1%	1351 +0.1%	1310 +0.5%	
	AUD/t	477 -0.3%	474 -0.3%	478 +0.2%	
<b>CA Canola (ICE)</b>	CAD/t	583 +0.5%	591 +0.5%	569 +1.0%	
	AUD/t	571 -0.1%	582 0.0%	574 +0.5%	
<b>AU Canola (ASX)</b>	AUD/t	517 0.0%	543 0.0%	543 0.0%	
<b>US Corn (CBOT)</b>	US\$/bu	760 +1.5%	667 +0.7%	596 +0.8%	
	AUD/t	281 +1.1%	252 +0.3%	236 +0.4%	
<b>AU Barley (ASX)</b>	AUD/t	216 +3.0%	228 +1.0%	228 +1.0%	
<b>AU Sorghum (ASX)</b>	AUD/t	232 -1.3%	234 -1.9%	234 -1.9%	
<b>US Raw Sugar (ICE)</b>	US\$/lb	22.41 +2.7%	22.07 +2.1%	21.99 +1.4%	
	AUD/t	465 +2.3%	463 +1.8%	482 +1.1%	
<b>US Cotton (ICE)</b>	US\$/lb	155.61 0.0%	111.77 +0.5%	106.56 +0.6%	
	AUD/bale	732 -0.4%	543 +0.1%	523 +0.2%	
<b>AU Wool EMI (AWEX)</b>	AUD/kg	Latest 13.64	% chg 0.0%	Last Pricing 19/5/11	
<b>AU Cattle (EYC)</b>	AUD/kg	Latest 3.89	% chg 0.1%	Last Pricing 20/5/11	
<b>Crude Oil (WTI)</b>	USD/bl	Latest 100.1	% chg 1.2%	Last Pricing 20/5/11	
	AUD/bl	93.74	0.8%	20/5/11	
<b>Commodity Indices</b>	Latest	% chg	Last Pricing		
	S&P Agri & L'stock (USD)	1368	0.3%	20/5/11	
	S&P Agri & L'stock (AUD)	1281	-0.1%	20/5/11	
	S&P All Commodities (USD)	5220	0.8%	20/5/11	
	S&P All Commodities (AUD)	4888	0.4%	20/5/11	
<b>Currencies</b>	Latest	pts chg	% chg		
	AUD/USD	1.0678	0.0039	0.4%	
	AUD/CAD	1.0378	0.0066	0.6%	
	AUD/JPY	87.15	0.18	0.2%	
	USD Index	75.4	0.3	0.4%	
<b>Equity Markets</b>	Latest	pts chg	% chg		
	ASX S&P200	4732	-24	-0.5%	
	US DJI	12512	-93	-0.7%	
	UK FTSE	5948	-8	-0.1%	

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 20/05/11, previous pricing date is 19/05/11

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

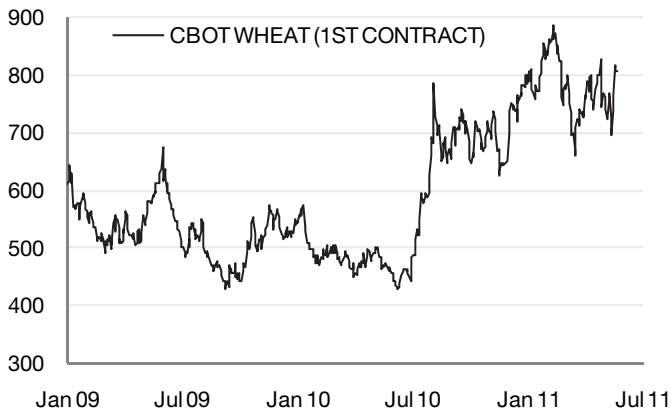


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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

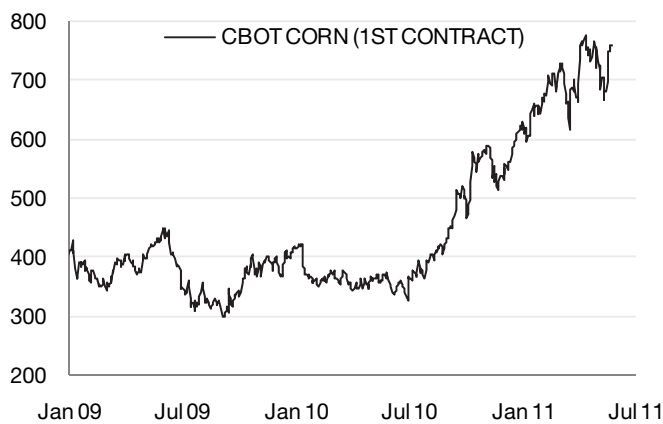


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)



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)

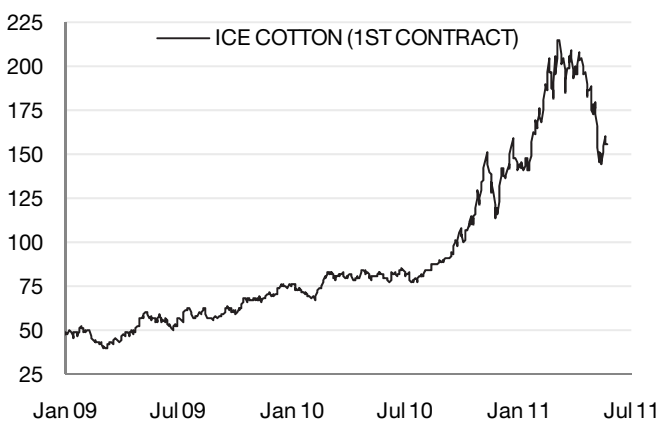


Figure 8: ICE Sugar (1<sup>st</sup> Contract, US\$/lb)





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