

The battle for Tully intensifies.

- Markets:** US personal income rose by 0.4% in April, in line with consensus. Personal spending was also up 0.4%, slightly below the expected 0.5% rise. The final reading for consumer sentiment in May was 74.3, up from 72.4 in April. But pending home sales slumped by 11.6%, well short of forecasts of a 1.4% fall. The Group of Eight nations have said that the global economic recovery was becoming more "self-sustained" and pledged support for a \$40 billion aid package to fledgling new Arab democracies in North Africa and the Middle East. European shares rose on Friday and US sharemarkets closed modestly higher in thin trade ahead of the Memorial Day holiday.
- Currencies:** The AUD rose 0.9% to USD1.0709 on Friday night (London close) while the USD index fell 0.8% to 75.0pts.
- Weather:** A trough is causing showers and storms to increase about the NSW and QLD coasts and ranges. Strong cold front moving onshore WA with scattered showers and storms, heavy coastal southwest. A large high pressure system is keeping skies mostly clear and dry elsewhere. (www.weatherzone.com.au)
- Grains:** US grain markets finished higher after a choppy Friday session.
 - CBOT wheat (Jul 11) closed 5 ¼ cents (0.6%) higher at USc819.75/bu on Friday after earlier trading between USc806-827/bu. Far dated contracts, however, finished lower. The weaker USD and further worries about 2011 crop production worries provided underlying support. But periodic bouts of profit taking ahead of the Memorial Day holiday were observed throughout the session, in part influenced by talk that Russia will re-enter the export market. Prime Minister Putin confirmed on Saturday that the Russian ban would be lifted, as intended, on July 1. According to Reuters, Russia officially expects to harvest 85-90 million tonnes of grain this year after the drought cut its grains crop to 61 million tonnes in 2010 from 97 million in 2009 and 108 million in 2008. The trade also wondering if prices have done enough work for the time being to account for the poor weather currently observed throughout the world – over the past fortnight Chicago wheat prices have rallied 12% with Minneapolis spring wheat prices up 16%.
 - CBOT corn (Jul 11) clawed back early losses to close the session 1.7% (13 cents) stronger at USc758.5/bu.
 - ASX NSW wheat (Jan 12) traded between \$308-311/t on Friday before officially closing at \$311/t, up \$1 for the day. The strong rally in ASX feed barley futures stalled on Friday with the Jan 12 contract closing \$3 lower at \$240/t before trading down to \$237/t in the evening session.
- Oilseeds:** CBOT soybeans (Jul 11) closed 5 cents lower at USc1379.75/bu on Friday. Some improvement is expected in US Midwest weather for the coming 10 days according to Reuters, allowing soybean planting progress to lift. Canadian canola futures rallied sharply on Friday on the back of strong European rapeseed prices. The Nov 11 Canadian canola contract rose C\$9.2 to C\$602.8/t, just shy of the Feb peak of \$606.5/t. But still, Canadian canola for November delivery is US\$70 per tonne cheaper than European rapeseed – two months ago this same spread was just US\$20/t.
- Cotton:** NY cotton (Jul 10) rose 164pts to USc152.67/lb and the Dec 11 contract rose 193pts to USc129.50/lb on poor US weather. Reuters reported that the Texas drought could force farmers to abandon a third of the crop.
- Sugar:** NY raw sugar (Jul 11) rose for the 4th consecutive session on Friday, closing higher by 30pts (1.3%) at a one month high of USc22.99/lb. Early monsoon rains have begun falling across India, and the Indian Meteorological Department is forecasting a normal monsoon season this year. If verified, this would be the second consecutive year of favourable Indian rainfall which would help underwrite agricultural production in 2012. In local industry news, QSL has agreed to sell its 19.9% stake in Tully Sugar to Mackay Sugar for A\$43 a share. Mackay has also lifted its offer to \$43/share according to Bloomberg, equalling the upgraded offers for Tully shares made this week by US based Bunge Ltd and China's state-owned Cofco.
- Crude Oil:** NYMEX crude oil (Jul 11) closed 0.4% firmer at USD100.59/bl.

Ag Commodity Markets: Daily Price Summary*

		Jul 11	Dec 11	Dec 12
US Wheat (CBOT)	USc/bu	820 +0.6%	909 +0.2%	954 -1.0%
	AUD/t **	282 -0.3%	319 -0.7%	351 -1.9%
AU Wheat - East (ASX)		Jul 11	Jan 12	Jan 13
	AUD/t	297 +0.9%	311 +0.3%	333 +0.9%
AU Wheat - WA (ASX)		Jul 11	Jan 12	Jan 13
	AUD/t	376 0.0%	330 +0.2%	344 +0.2%
US Soybeans (CBOT)	USc/bu	1380 -0.4%	1369 -0.3%	1330 -0.2%
	AUD/t **	475 -1.3%	479 -1.2%	484 -1.1%
CA Canola (ICE)		Nov 11	Jan 12	Nov 12
	CAD/t	603 +1.5%	610 +1.7%	582 +1.0%
	AUD/t **	586 +0.9%	596 +1.1%	583 +0.4%
AU Canola (ASX)		Jul 11	Jan 12	Jan 13
	AUD/t	535 0.0%	580 +3.3%	580 +3.3%
US Corn (CBOT)	USc/bu	759 +1.7%	684 +1.1%	606 +0.6%
	AUD/t **	280 +0.8%	257 +0.2%	239 -0.3%
AU Barley (ASX)		Jul 11	Jan 12	Jan 13
	AUD/t	228 +2.2%	240 -1.2%	245 -1.2%
AU Sorghum (ASX)		Jul 11	May 12	May 13
	AUD/t	228 +0.7%	232 +0.7%	232 +0.7%
US Raw Sugar (ICE)	USc/lb	22.99 +1.3%	22.86 +1.7%	22.31 +0.7%
	AUD/t **	475 +0.4%	478 +0.8%	487 -0.2%
US Cotton (ICE)		Dec 11	Mar 12	Jul 12
	USc/lb	129.50 +1.5%	120.47 +1.3%	112.59 -0.4%
	AUD/bale **	619 +0.6%	583 +0.4%	551 -1.3%
AU Wool EMI (AWEX)		Latest	% chg	Last Pricing
	AUD/kg	13.84	0.0%	26/5/11
AU Cattle (EYCI)		Latest	% chg	Last Pricing
	AUD/kg	3.96	0.0%	26/5/11
Crude Oil (WTI)		Latest	% chg	Last Pricing
	USD/bl	100.59	0.4%	27/5/11
	AUD/bl **	93.93	-0.6%	27/5/11
Commodity Indices		Latest	% chg	Last Pricing
	S&P Agri & L'stock (USD)	1366	0.8%	27/5/11
	S&P Agri & L'stock (AUD)	1276	-0.1%	27/5/11
	S&P All Commodities (USD)	5297	0.6%	27/5/11
	S&P All Commodities (AUD)	4946	-0.3%	27/5/11
Currencies		Latest	pts chg	% chg
	AUD/USD	1.0709	0.0098	0.9%
	AUD/CAD	1.0458	0.0064	0.6%
	AUD/JPY	86.54	0.19	0.2%
	USD Index	75.0	-0.6	-0.8%
Equity Markets		Latest	pts chg	% chg
	ASX S&P200	4684	24	0.5%
	US DJI	12442	39	0.3%
	UK FTSE	5939	58	1.0%

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 27/05/11, previous pricing date is 26/05/11

Sources: Bloomberg and CBA

** AUD Equivalent Price



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

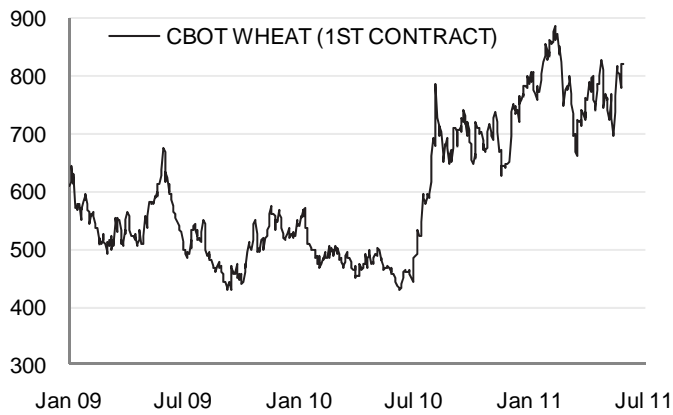


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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

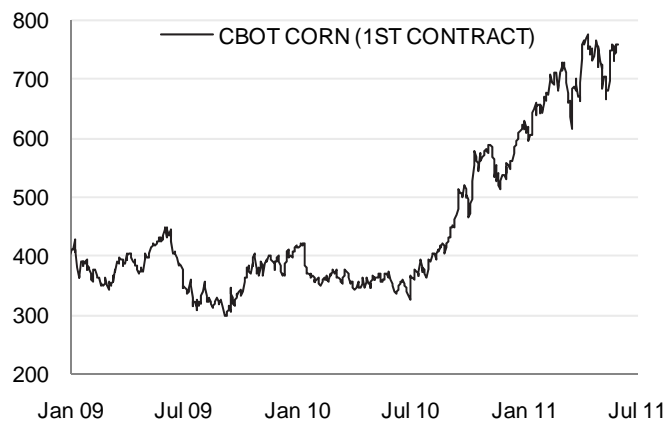


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)

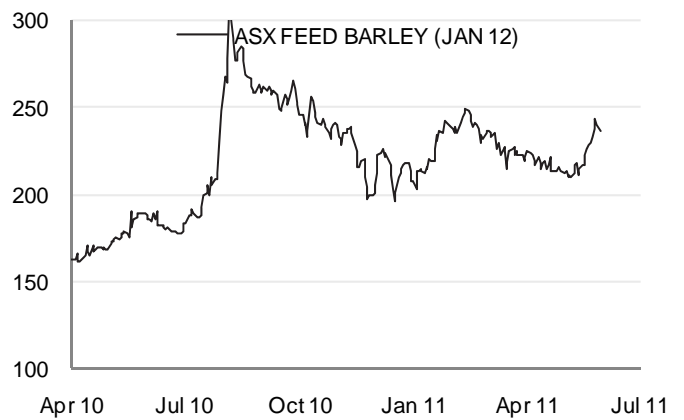


Figure 5: CBOT Soybeans (1st Contract, US\$/bu)

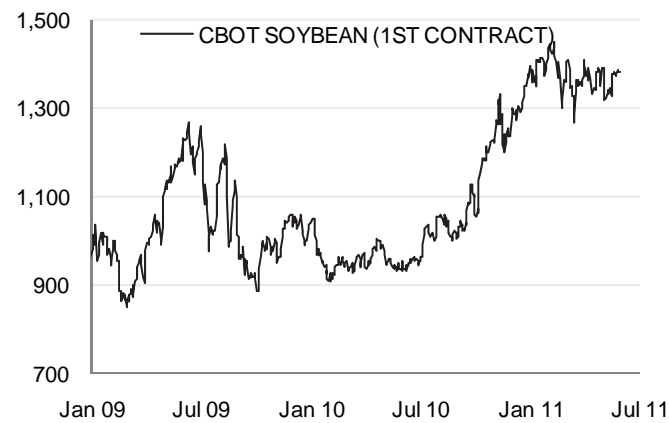


Figure 6: ICE Canola (1st Contract, C\$/t)



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

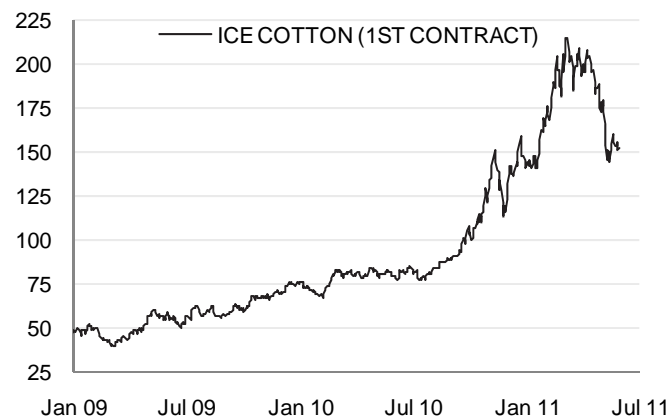
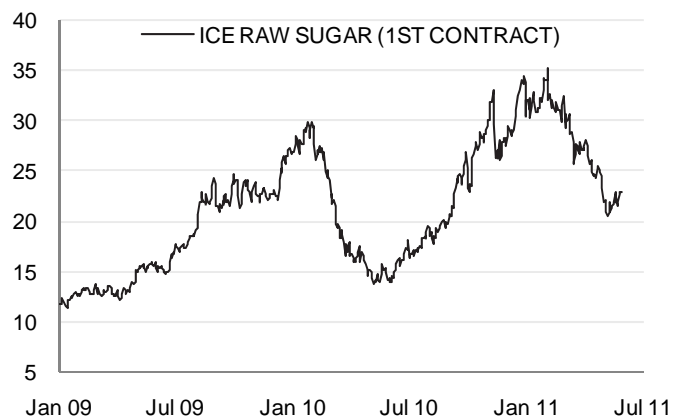


Figure 8: ICE Sugar (1st Contract, US\$/lb)





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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
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