

Rain in a weather-market pushes prices lower...

- **Markets:** US sharemarkets were closed for the Memorial Day holiday on Monday. According to a report by Reuters, EU officials are drafting a second bailout package for Greece in an attempt to prevent the country defaulting on debt next month. Chairman of Euro zone finance ministers, Jean-Claude Juncker, expressed optimism about aid after a meeting with the French president. The German government said it would close all its nuclear reactors by 2022. Crude oil prices eased modestly in thin electronic trade on Monday. Traders are awaiting key US employment data this week and watching developments in the European debt crisis.
- **Currencies:** The AUD dipped 0.2% to USD1.0683 overnight (London close) while the USD index fell 0.1% to 74.9pts.
- **Weather:** A deep trough is generating heavy rain, storms and gusty winds over southeast QLD and eastern NSW. A strong cold front is crossing eastern WA and SA causing isolated coastal showers. A large high pressure system is keeping skies mostly clear and dry elsewhere. (www.weatherzone.com.au)
- **Grains:** US grain markets were closed yesterday for the Memorial Day Holiday, though European and Australian grain markets were open.
 - European milling wheat futures dropped sharply last night on the back of improved weather forecasts and confirmation from the Russian Prime Minister (over the weekend) that his country would lift the grain export ban as intended on July 1. The Nov 11 MATIF (Paris) milling wheat futures contract slumped by more than €12/t (5%) to €238.75/t. Last night's weaker price structure followed the strong gains last week which saw prices set fresh contract highs above €250/t. Market participants last week were starting to believe that the all time high of €300/t set in 2007/08 could be soon taken out, but a slight improvement in crop weather and the imminent removal of the Russian grain export ban has put hold to those beliefs – for now.
 - ASX grain markets also fell sharply yesterday. The NSW Jan 12 wheat contract slumped \$11/t to \$300/t, the WA Jan 12 wheat contract was quoted nearly \$15 lower at \$315/t and East coast feed barley (Jan 12) traded down to \$237/t, \$3 lower for the day. Australian grain production prospects for 2011 have improved over the past 24 hours.
 - Extremely beneficial rains have been recorded throughout the Western Australia grain belt over the past 24-48 hours. Heavy falls of up to 50mm were noted closer to the coast, with lighter falls further inland. Rainfall across the WA wheat belt over the past fortnight has sharply improved grain production prospects following extremely dry conditions throughout most of autumn. The outer-Fremantle zone is the only major grain area looking for immediate rain. Beneficial rains have also been recorded in the northern NSW wheat belt over the past 24 hours.
 - World crop weather has improved in many regions over the past few days. Rainfall is expected across western Europe, including France, Spain and Italy, helping improve production potentials, while forecasts suggest a much better outlook for fieldwork in the US Midwest in the coming 8-10 days. Considering global grain markets had rallied sharply in recent weeks on the back of crop production concerns, these improved weather forecasts understandably had a bearish influence on prices.

Ag Commodity Markets: Daily Price Summary*

	Jul 11	Dec 11	Dec 12
US Wheat (CBOT)			
USc/bu	~	~	~
AUD/t **	~	~	~
AU Wheat - East (ASX)	Jul 11	Jan 12	Jan 13
AUD/t	297 0.0%	300 -3.5%	324 -2.7%
AU Wheat - WA (ASX)	Jul 11	Jan 12	Jan 13
AUD/t	376 0.0%	315 -4.4%	329 -4.2%
US Soybeans (CBOT)	Jul 11	Nov 11	Nov 12
USc/bu	~	~	~
AUD/t **	~	~	~
CA Canola (ICE)	Jul 11	Nov 11	Nov 12
CAD/t	591 -1.5%	594 -1.5%	571 -1.9%
AUD/t **	568 -1.2%	578 -1.3%	573 -1.6%
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	~	~	~
AUD/t **	~	~	~
AU Barley (ASX)	Jul 11	Jan 12	Jan 13
AUD/t	228 -0.2%	240 -0.2%	244 -0.2%
AU Sorghum (ASX)	Jul 11	May 12	May 13
AUD/t	228 0.0%	232 0.0%	232 0.0%
US Raw Sugar (ICE)	Jul 11	Oct 11	Oct 12
USc/lb	~	~	~
AUD/t **	~	~	~
US Cotton (ICE)	Jul 11	Dec 11	Jul 12
USc/lb	~	~	~
AUD/bale **	~	~	~
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	3.94	-0.5%	30/5/11
Crude Oil (WTI)	Latest	% chg	Last Pricing
USD/bl	100.59	0.0%	27/5/11
AUD/bl **	93.93	0.0%	27/5/11
Commodity Indices	Latest	% chg	Last Pricing
S&P Agri & L'stock (USD)	1366	0.0%	27/5/11
S&P Agri & L'stock (AUD)	1276	0.0%	27/5/11
S&P All Commodities (USD)	5297	0.0%	27/5/11
S&P All Commodities (AUD)	4946	0.0%	27/5/11
Currencies	Latest	pts chg	% chg
AUD/USD	1.0683	-0.0026	-0.2%
AUD/CAD	1.0433	-0.0025	-0.2%
AUD/JPY	86.46	-0.08	-0.1%
USD Index	74.9	0.0	-0.1%
Equity Markets	Latest	pts chg	% chg
ASX S&P200	4668	-17	-0.4%
US DJI	~	~	~
UK FTSE	~	~	~

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 30/05/11, previous pricing date is 27/05/11

Sources: Bloomberg and CBA

** AUD Equivalent Price



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

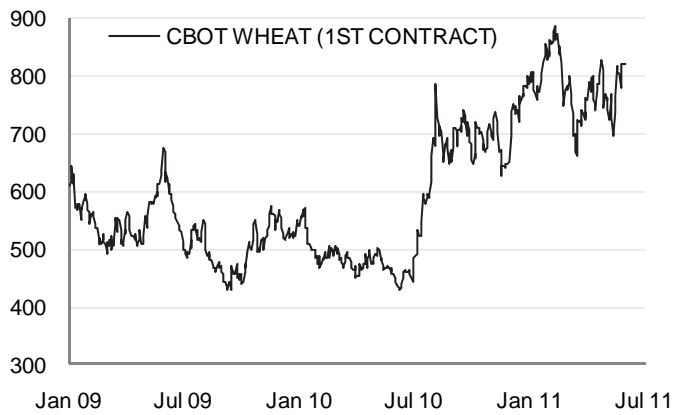


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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

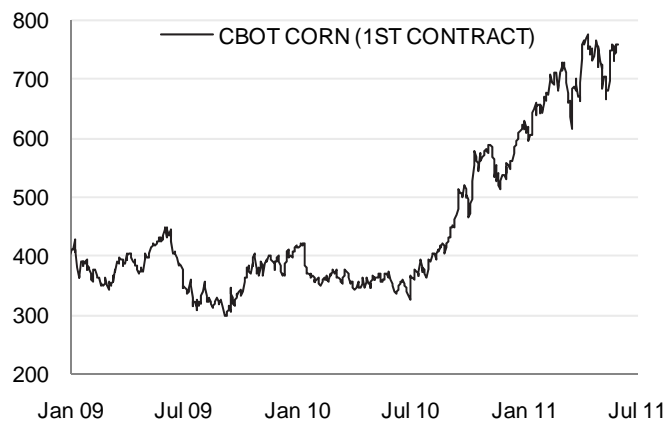


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)

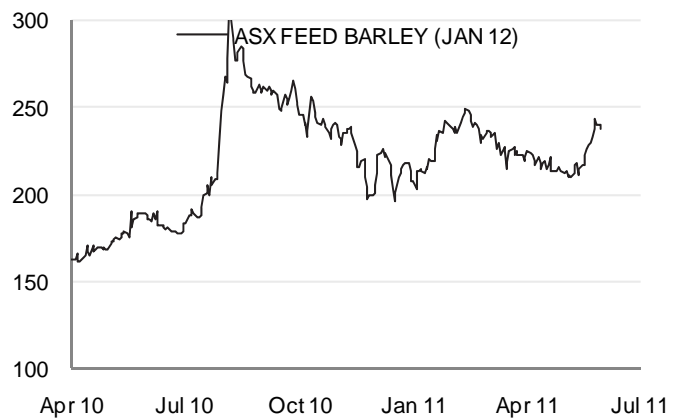


Figure 5: CBOT Soybeans (1st Contract, US\$/bu)

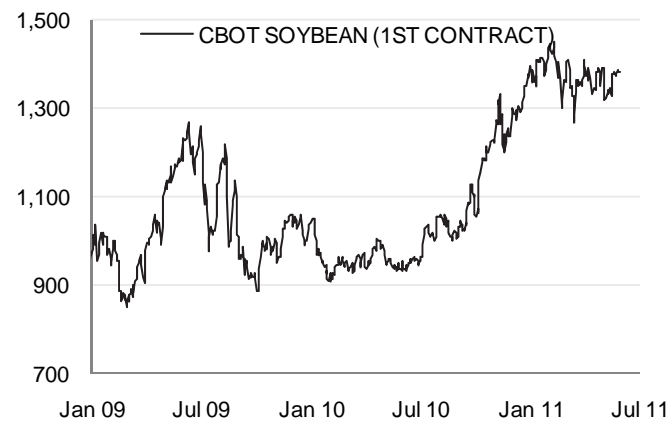


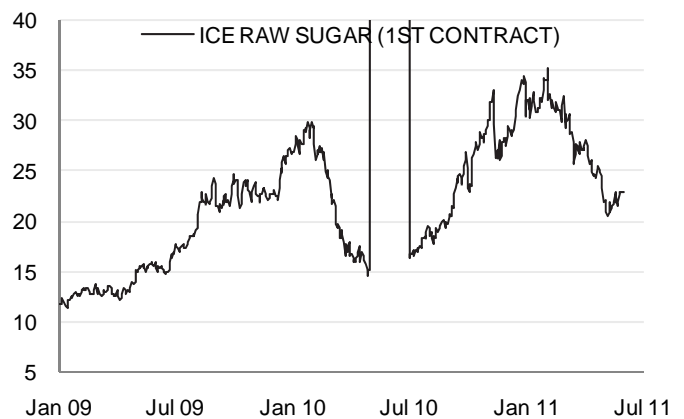
Figure 6: ICE Canola (1st Contract, C\$/t)



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



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





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