

# WEEKLY MARKET REPORT

## WEATHER

Not a lot of rain about again which will draw to a close a very dry June for many areas of NSW. CW saw below 30% of average while further south wasn't a lot better with averages generally below 50%. It continues to remain a concern with not a lot on the radar for the coming two weeks.

TOWN	WEEKLY	June	2011
Narrandera	1mm	22.2mm	361.6mm
Cowra	7.2mm	10.2mm	252.8mm
Hillston	0mm	6mm	250mm
West Wyalong	5.8mm	9.8mm	295.2mm
Oaklands	1mm	22.6mm	343mm

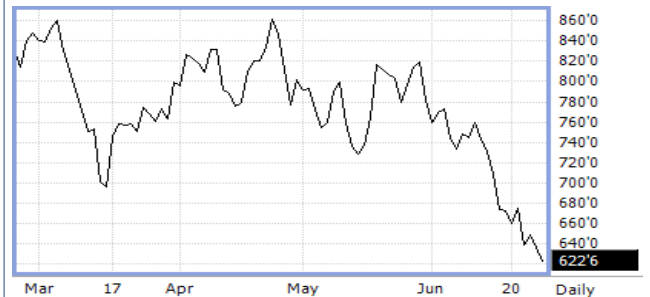
## LOCAL

Liquidity in the local market continues to be an issue at both the grower and consumer level and is at a low for the year as grain markets continued to slide backwards over the week. Grower interest still remains limited and was indifferent to value opportunities that were available on old season crop parcels throughout the week relative to the current market values. New season selling remains quiet which is to be expected due to the decrease in values seen over the last week. Local consumers were still in the market though there was limited trade with ~\$10 difference between the bid and offer on most grades as consumers try to push values even lower and try to take advantage of the current market weakness. Cool, damp conditions remained this week with limited rainfall over the Southern Ag Grain draw area. Reports on mice activity has been reducing as time progresses due to the colder conditions, unfortunately activity is predicted to increase significantly in spring when conditions warm up.

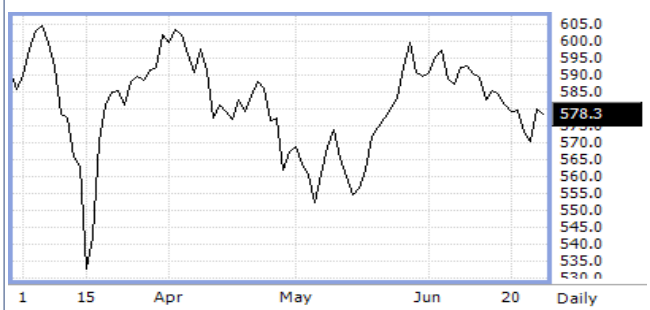
## GLOBAL

The global sell off in commodity markets has continued all week as sentiment particularly in the wheat market has softened. Improved weather situations around the globe, macro selling and potentially lower grain prices from Russia are contributing to the outflow of capital. However we still need clarity on the Russian situation and we also have a crucial USDA stocks report out on Thursday which may provide some support. The feeling is the report will provide support for corn prices, particularly after the recent price drop is not assisting with the rationing of demand needed to help alleviate the tight stocks position. A Stats Canada report had canola area up considerably which pushed prices sharply lower, but there are also some local canola issues with the recent dry weather and damage by mice resulting in growers not re-sowing lost crops. A front is pushing through WA bringing relief but the radar for the eastern states remains quite clear.

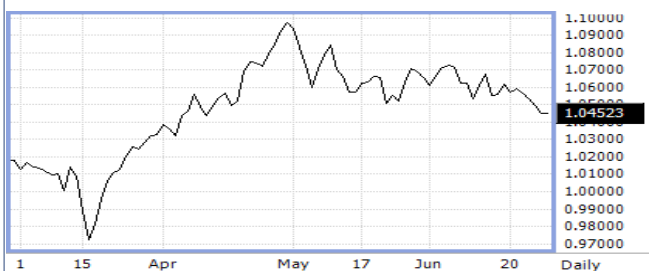
## JUL '11 CBOT WHEAT



## JUL '11 WCE CANOLA



## AUD/USD



CONTRACT	LAST	DAILY	WEEKLY	MONTHLY	YEARLY
CBOT Jul 11 Wheat	US\$ 622.75	-13.00	-2.4%	-24.0%	12.6%
CBOT Jul 11 Corn	US\$ 660.75	-9.25	-2.5%	-12.9%	72.3%
CBOT Jul 11 Beans	US\$ 1,329.75	9.50	0.0%	-3.6%	40.6%
ICE Jul 11 Canola	AUD 578.30	-1.50	0.9%	-3.6%	38.9%
ASX Jul 11 Wheat	AUD 234.80	0.00	-5.1%	-20.8%	-7.9%
ASX Jul 11 Barley	AUD 208.00	0.00	-2.3%	-8.8%	10.3%
ASX Jul 11 Canola	AUD 535.00	0.00	0.0%	0.0%	3.4%
AUD/USD spot rate	1.0454	0.00	-1.1%	-2.4%	20.0%
AUD/CAD spot rate	1.0307	0.00	0.1%	-1.4%	14.3%
ASX/CBOT Wheat basis	AUD 13.74	-5.36	-9.66	2.61	-8.11
ASX/ICE Canola basis	-AUD 30.67	2.55	-3.80	14.42	-86.58

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## FOCUS

The bleeding of agricultural commodity markets has continued this past week with sentiment turning negative on the back of a number of factors. Firstly weather conditions have improved in Europe, North America and the Black Sea region and despite production estimates revised lower the immediate concerns have waned somewhat. We are also seeing some aggressive marketing from Russia with grain prices reported to be at values well below those from other export origins, although many are still waiting for more details on export conditions as the 1<sup>st</sup> of July approaches. On top of all of this is the general macro environment, namely the credit situation in Europe, and further fund liquidation which have both assisted in capital outflows.

Although it has been all one way traffic in recent times we will take a look at where the support may come from to get us out of this current downward trend. Firstly, the major item this week is the crucial USDA quarterly stocks and acreage report out on Thursday. This is expected to be neutral to bullish for corn with the trade estimates tipping acreage to remain unchanged from previous estimates but stocks to be sharply lower by around 1 billion bushels compared to June 2010. What this is expected to show is that US corn stocks remain excessively tight however the recent downturn in prices is actually stimulating demand and not rationing it. We have seen renewed import interest from China while US cattle on feed and chicken numbers remain strong. To alleviate these tight stocks prices must move to a higher

level to ration demand and force consumers to switch to other feed grains.

On the flip side, the trade is already expecting corn stocks to drop significantly and acreage has the potential to increase on the previous estimates due to late plantings in the western Corn Belt. Therefore we may need to see an even greater cut in stock figures for the sentiment to turn around immediately. Estimates for wheat are also tending slightly bearish as acreage is still up around 3m acres on last year, despite some losses due to flooding in the north, and there is not a major issue with stocks like that of corn.

The Russian situation remains a big unknown. Consumers are obviously still wary of potential restrictions as major importing countries such as Egypt, Tunisia and Algeria have made purchases on the fall in prices with clauses stipulating it must not be Russian origin. We may well know by this time next week as to whether there are any quotas or taxes imposed on Russian wheat prices and what impact this has on global values.

These are the two big issues this week, particularly with the major weather problems subsiding. Combine this with public holidays in the US and Canada this weekend and month, quarter and year end position squaring for 30 June and volatility is tipped to be high. After a week of capital outflow and falling prices many are looking for this report to provide the market with a change in sentiment.

USDA Quarterly Stocks & Acreage Trade Estimates	Average	Range		1 March '11	1 June '10
		Low	High		
<i>Quarterly stocks as of 1 June (mbu)</i>					
Corn	3,302	2,998	3,515	6,523	4,310
Wheat	826	791	878	1,425	973
Soybeans	590	477	632	1,249	571
	Average	Low	High	Previous Est.	2010 Final
<i>Acreage Estimates 2011 (m acres)</i>					
Corn	90.77	89.50	91.50	90.70	88.19
All Wheat	56.67	55.00	57.60	57.70	53.60
Spring Wheat	13.35	12.50	13.90	14.43	13.70
Durum	2.03	1.31	2.80	2.37	2.57
Soybeans	76.53	75.50	77.19	76.61	77.40

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