

**PRESS RELEASE****June 2012 Commodities Commentary:  
Dow Jones-UBS Commodity Indexes Up On Grain Gains Due To Severe Drought Conditions****By Christine Marie Nielsen**

The Dow Jones-UBS Commodity Index was up 5.49% for the month of June as a severe drought in the U.S. Midwest curbed yields in grain crops and boosted grain market prices. The Dow Jones-UBS Single Commodity Indexes for corn, soybean meal and wheat had the strongest gains with month-end returns of 25.40%, 15.52% and 14.39%, respectively.

Corn futures breached a nine-month high of \$6.40 a bushel as dry conditions threatened corn output in the U.S., the largest producer of the grain in the world. Underpinning the sentiment was a U.S. Department of Agriculture's (USDA) weekly crop progress report, released late in the month that suggested the U.S. corn crop had reached the worst state it's been in since a 1988 drought. The soybean market saw gains as participants pondered whether U.S. farmers may scale back the last of their soybean planting as a result of poor conditions. Wheat benefited from the gains in corn and soybeans.

Barclays researchers indicated in a written report released June 29 that market participants may be reconsidering the outlook for the market. "A slew of weather-related supply disruptions indicate that the optimistic scenario of agricultural surpluses that 2012 was supposed to herald may not transpire, and that weather risks, both current and potential, may cause a re-think on supply and price expectations," Barclays researchers wrote.

The three most significant downside performing single commodity indexes were aluminum, tin and feeder cattle, which ended the month down 4.59%, 4.07%, and 3.41% respectively.

Dipping consumer confidence in the U.S., Europe's continued debt crisis, and a slip to a seven-month low in Chinese manufacturing activity had a negative impact on base metals. Aluminum businesses decided to curtail their production capacity and close down some facilities to deal with shrinking demand. And Commerzbank researchers noted in a report issued June 25 that those who expected the low aluminum prices to result in numerous production shutdowns were proved wrong by figures issued by the International Aluminum Institute (IAI), which revealed that global aluminum production in May actually increased by 5.8% month-on-month to reach 3.78 million tons, thus almost regaining its record high from August 2011.

"The main contributing factor here was massive production growth of 9.7% in China," the Commerzbank researchers wrote. "Thus there is still no sign of the urgently needed reduction in high surpluses. Following the sharp decline in energy prices, and thanks to subsidized electricity prices in China, we are also unlikely to see any significant cuts in production in the foreseeable future, so the aluminum price can be expected to remain under pressure."

Feeder Cattle prices tend to move inversely to corn futures prices as high feed costs weigh on profit margins for livestock producers. Therefore drought conditions in the U.S. Midwest that bolstered corn prices proved to be a bane for the feeder cattle market in the latest month.

Year to date, the Dow Jones-UBS Commodity Index is down 3.74% with the Dow Jones-UBS Soybean Meal Subindex posting the highest gain of 43.75% so far in 2012. Dow Jones-UBS Natural Gas Subindex has the most significant downside year-to-date performance, down 28.17%. The natural gas market continues to suffer from a glut of supply. An end-of-the-month Energy Information Administration (EIA) production report showed moderate growth in April production.

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Christine Marie Nielsen has worked for more than 14 years as a financial journalist, covering the fixed income market and Chicago exchanges for Dow Jones Newswires for eight years. She's also hosted a syndicated radio spot on the stock and futures markets from the floor of the Chicago Board of Trade. She is currently working as managing editor for JLN News Services, a division of John J. Lothian & Co. Separate from her work at John J. Lothian & Co., Nielsen is the publisher and founder of Our Earth Issues (OEI). The site uses interactive video to create large-scale virtual "global town hall" meetings with the aim of facilitating dialog and finding solutions to problems common across the world. A patent is pending on the methodology and web site design. As part of the OEI project, Nielsen coined the term "Dialog Journalism" and registered the term for trademark in summer of 2011.

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