Commodities: Agri Commodities Daily Alert

01 September 2010

CommonwealthBank

US wheat tumbles late amid some slight easing in weather concerns...

Markets: US economic data painted a mixed picture overnight. US consumer confidence rose from 51.0 to 53.5 in August, above expectations near 50.5. The S&P/Case Shiller home price index for 20 metropolitan areas showed a 0.3pct gain, above forecasts for a 0.2pct gain. But the Chicago purchasing managers index eased from 62.3 to 56.7 in August. According to minutes of the August Fed Reserve meeting, members would consider "additional policy stimulus if the outlook were to weaken appreciably further." Most members thought growth would be "more modest during the second half of 2010 than they had anticipated." Equities were mixed overnight.

Currencies: The AUD fell 0.5pct to USD0.8897 overnight (London close) and the USD index ended 0.1pct lower at 83.1pts.

Weather: A front is bringing colder showery winds to TAS as a trough generates rain in SA, VIC and southern NSW. A low is causing thundery showers over western and southern WA, mainly inland. Another trough is causing a few showers in the tropics as a high keeps the east coast mostly dry. (www.weatherzone.com.au)

Grains: Chicago wheat futures turned sharply lower during the US session overnight. The nearby Sep 10 contract finished down nearly 3pct (18¾¢) at USc652.5/bu and the Dec 10 contract slumped 2.7pct to USc685.75/bu. A break below USc677/bu (Dec contract) would open up more significant downside risks. Reports that Russia's central grain regions have improved conditions for winter seeding is negative for prices, but there are still huge areas of land that remain too dry. And harvest delays in Europe and parts of Nth America are supportive for prices. Argentina has had some needed rain.

The European (Paris) milling wheat market continues to push higher, despite the fragility in the US market. Paris wheat futures (Nov 10) are trading up near their early August peaks, unlike US wheat, and the premium of European wheat over US wheat has opened to USD37/t. In May, Euro wheat had a USD23/t discount to Chicago. Harvest rain /quality downgrades support this spread.

CBOT corn (Sep10) traded in a wide range overnight before closing only 1¢ lower at USc424.5/bu. Better than expected US corn crop conditions (reported by the USDA) and pressure from weak wheat markets pressured corn prices.

ASX wheat (NSW Jan 11) traded at $291/t yesterday, the WA Jan contract traded at $310/t, and ASX feed barley (Jan 11) traded at $255/t. Rain has been falling in WA grain growing regions, with most falls of up to 10mm. Preliminary feedback is that the rain has proved critical, although much more is needed and some crops may be beyond repair.

Oilseeds: CBOT soybeans (Sep 10) fell 10¢ to USc1008/bu while the most active Nov 10 contract fell 12 ½ cents to USc1010/bu. The Nov 10 contract has been recently supported at USc992/bu, and it remains to be seen if US harvest pressure will break this support in the coming months. Resistance is seen at USc1048/bu. Canadian canola (ICE Nov 10) again chopped both sides of unchanged before finishing only a touch lower at C$462/t. Soybean yield concerns are mounting in the eastern US Midwest, and it is feared that frosts in Canada may have injured a small part of the Alberta canola crop.

Cotton: ICE cotton (Dec 10) surged up to USc87.71/lb before tumbling in the last half hour of trade to end the session 0.3pct (29pts) lower at USc86.20/lb .

Sugar: NY raw sugar finished (Oct 10) finished 0.3pct (6pts) weaker at USc19.75/bu after earlier surging up to USc20.25/bu. The market is looking decidedly uncertain at these lofty heights. Supporting the market is uncertainty about the Brazilian can crop, with Unica indicating that they may further reduce their crop forecast if adequate rain doesn't fall this month.

Crude Oil: NYMEX WTI crude oil (Sep10) collapsed 4pct to USD71.6/bl.

Ag Commodity Markets: Daily Price Summary*

US Wheat (CBOT)	**Sep 10**		**Dec 10**		**Dec 11**	
USc/bu	653	*-2.8%*	686	*-2.7%*	708	*-2.2%*
AUD/t **	270	*-2.3%*	286	*-2.1%*	308	*-1.7%*
AU Wheat - East (ASX)	**Sep 10**		**Jan 11**		**Jan 12**	
AUD/t	291	*+1.6%*	291	*-0.5%*	305	*-0.3%*
AU Wheat - WA (ASX)	**Sep 10**		**Jan 11**		**Jan 12**	
AUD/t	306	*+0.7%*	310	*-1.1%*	311	*-0.6%*
US Soybeans (CBOT)	**Sep 10**		**Nov 10**		**Nov 11**	
USc/bu	1008	*-1.0%*	1010	*-1.2%*	1003	*-0.9%*
AUD/t **	417	*-0.4%*	420	*-0.7%*	432	*-0.4%*
CA Canola (ICE)	**Nov 10**		**Jan 11**		**Nov 11**	
CAD/t	462	*-0.2%*	467	*-0.1%*	430	*+0.2%*
AUD/t **	490	*-0.6%*	498	*-0.6%*	469	*-0.3%*
AU Canola (ASX)	**Sep 10**		**Jan 11**		**Jan 12**	
AUD/t	452	*0.0%*	491	*0.0%*	495	*0.0%*
US Corn (CBOT)	**Sep 10**		**Dec 10**		**Dec 11**	
USc/bu	425	*-0.2%*	439	*-0.5%*	444	*-0.6%*
AUD/t **	188	*+0.3%*	196	*+0.0%*	207	*-0.1%*
AU Barley (ASX)	**Sep 10**		**Jan 11**		**Jan 12**	
AUD/t	251	*-0.8%*	258	*-0.7%*	260	*-1.1%*
AU Sorghum (ASX)	**Sep 10**		**May 11**		**May 12**	
AUD/t	245	*0.0%*	239	*0.0%*	239	*0.0%*
US Raw Sugar (ICE)	**Oct 10**		**Mar 11**		**Oct 11**	
USc/lb	19.75	*-0.3%*	19.32	*-0.3%*	16.85	*-0.3%*
AUD/t **	491	*+0.3%*	487	*+0.3%*	436	*+0.2%*
US Cotton (ICE)	**Oct 10**		**Dec 10**		**Jul 12**	
USc/lb	89.08	*-0.3%*	86.20	*-0.3%*	77.15	*+0.4%*
AUD/bale **	503	*+0.3%*	490	*+0.3%*	461	*+0.9%*

AU Wool EMI (AWEX)	**Latest**	**% chg**	**Last Pricing**
AUD/kg	8.72	0.0%	26/8/10
AU Cattle (EYCI)	**Latest**	**% chg**	**Last Pricing**
AUD/kg	3.635	-0.4%	31/8/10
Crude Oil (WTI)	**Latest**	**% chg**	**Last Pricing**
USD/bl	71.6	-4.1%	31/8/10
AUD/bl **	80.48	-3.6%	31/8/10
Commodity Indices	**Latest**	**% chg**	**Last Pricing**
S&P Agri & L'stock (USD)	1062	-1.1%	31/8/10
S&P Agri & L'stock (AUD)	1193	-0.5%	31/8/10
S&P All Commodities (USD)	4018	-2.2%	31/8/10
S&P All Commodities (AUD)	4516	-1.6%	31/8/10
Currencies	**Latest**	**pts chg**	**% chg**
AUD/USD	0.8897	-0.0049	-0.5%
AUD/CAD	0.949	0.0042	0.4%
AUD/JPY	74.84	-0.96	-1.3%
USD Index	83.1	0.0	-0.1%
Equity Markets	**Latest**	**pts chg**	**% chg**
ASX S&P200	4404	-49	-1.1%
US DJI	10015	5	0.0%
UK FTSE	5225	~	~

* Prices are the closing exchange traded futures prices.
Changes are daily. Last pricing date is 31/08/10, previous pricing date is 30/08/10
Sources: Bloomberg and CBA

** AUD Equivalent Price

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Figure 1: CBOT Wheat (1st Contract, USc/bu)

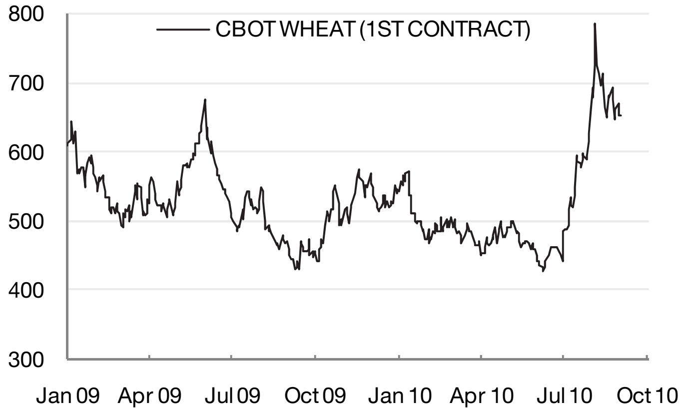


Figure 2: ASX NSW Wheat (Jan 11 Contract, A$/t)

Figure 3: CBOT Corn (1st Contract, USc/bu)

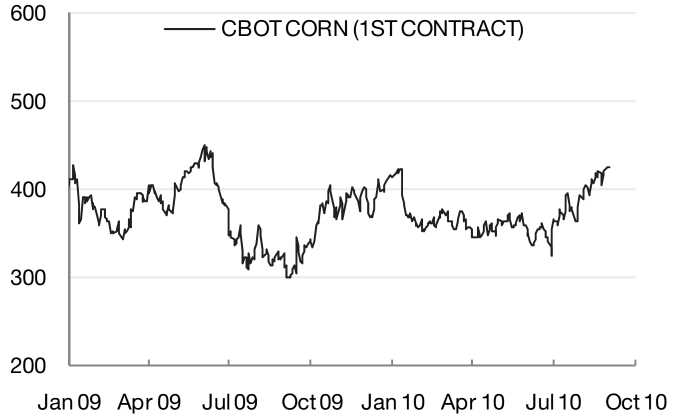


Figure 4: ASX Feed Barley (Jan 11 Contract, A$/t)

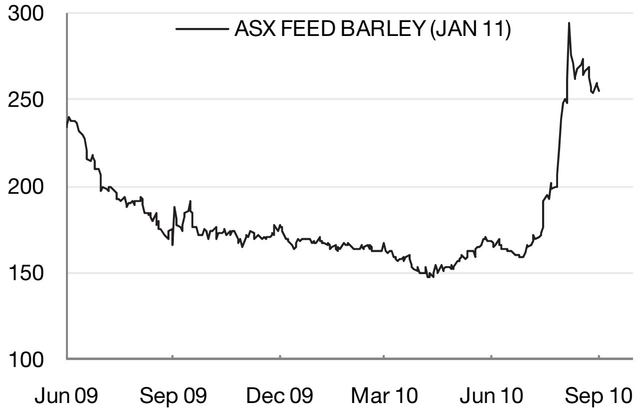


Figure 5: CBOT Soybeans (1st Contract, USc/bu)

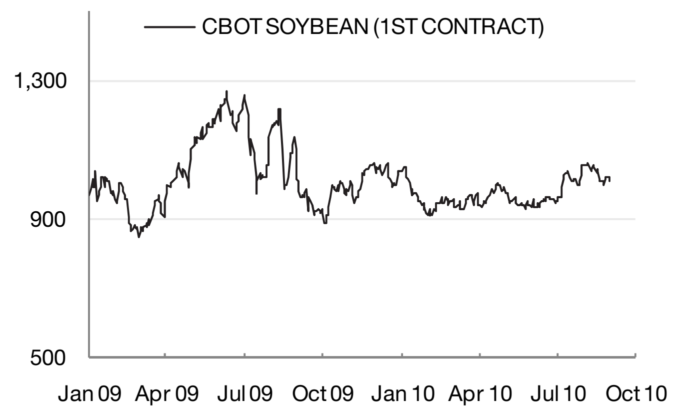


Figure 6: ICE Canola (1st Contract, C$/t)

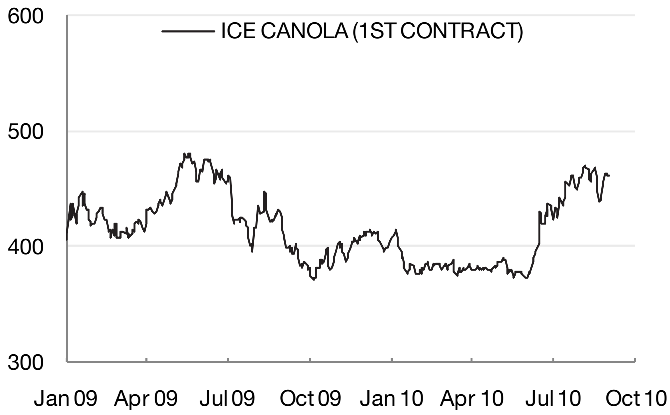


Figure 7: ICE Cotton (1st Contract, USc/lb)

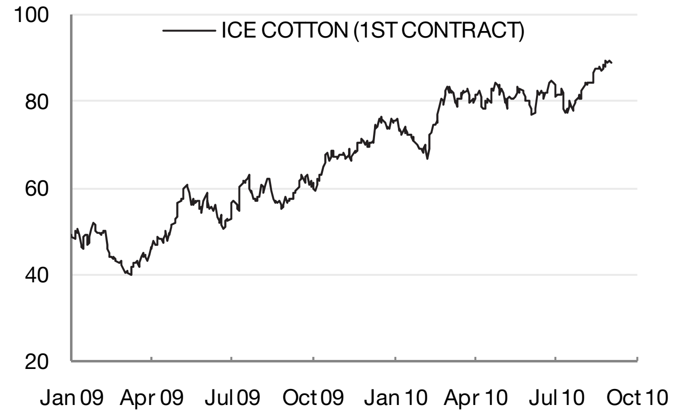
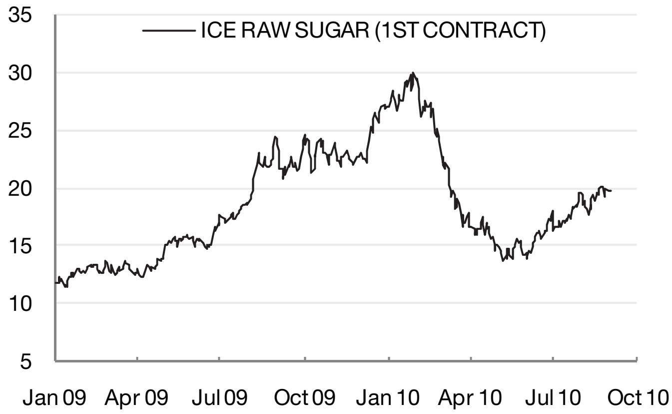


Figure 8: ICE Sugar (1st Contract, USc/lb)



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Unless otherwise noted, all data is sourced from Australian Bureau of Statistics material (www.abs.gov.au).