

## Ag commodities sell-off but Argentine corn production revised lower.

- **Markets:** US economic data released overnight contained many positive elements. US factory orders rose by 0.7% in November, beating forecasts that centred on a decline of 0.1%. US chain store sales in the latest week were up 3.5% on a year ago according to the Johnson Redbook Retail Sales index. However Minutes from the December 14 FOMC meeting showed that members still expect only a gradual lift in economic growth and modest job gains despite recent positive economic data. The economic gains were not sufficient to scale back the heavily criticised \$600bn long term bond purchases. European shares rose again on Tuesday but US sharemarkets were mixed.
- **Currencies:** The AUD fell by 1.6% to USD1.0040 overnight (London close) while the USD index firmed 0.4% to 79.5pts.
- **Weather:** A trough through the interior is causing isolated showers and storms. A series of lows and the monsoon trough are causing some heavy storms across the tropics. Another trough is triggering showers and storms in WA, while a high directs moist winds towards the southeast. ([www.weatherzone.com.au](http://www.weatherzone.com.au))
- **Grains:** US grain markets finished lower overnight.
  - CBOT wheat (Mar 11) fell 2% (16¼¢) to US\$789.25/bu amid a wider ag commodity selloff which was linked to the firmer USD and weaker crude oil market. Fundamental news retains a positive slant, particularly for quality milling supplies. Much of the market remains focussed on the minimal protective snow cover in the US plains.
  - CBOT corn (Mar 11) fell by 1.9% (12¢) US\$608.5/bu. The price declines came despite news the Argentine government has revised lower their estimate of this year's corn crop to ~20 million tonnes due to La Nina related dryness. Earlier this year the government had forecast a record crop of 26 million tonnes and the USDA's December WASDE report pegged the crop at 25 million tonnes. Despite last night's price action, a cut in Argentinean production should remain an overwhelming bullish influence on the market.
- **Oilseeds:** CBOT soybeans (Mar 11) dropped 0.7% (9½¢) to US\$1369.5/bu. The market is becoming wary that these high prices (with contract highs posted in the previous session) will begin to have a more definite impact on consumption patterns. But trimming the losses remains continued unease surrounding the state of the Argentine soybean crop. Canadian canola (ICE Mar11) traded either side of unchanged before ending lower by ~C\$4 at C\$585.8/t.
- **Cotton:** ICE cotton (Mar 11) chopped sideways overnight before ending higher by 1.1% (158pts) at US\$143.78/lb. Yet far dated contracts couldn't hold the gains with the May 12 contract down 106pts to US\$94.04/lb, resulting in a steeping inversion of the futures curve. The front end of the curve remains supported by the Qld flood situation which will result in lower than expected Australian output. Qld produces around a third of Australia's cotton. Reuters reported that despite the floods, the crop still may exceed the 2001/02 record of because of a 3-fold increase in the area planted this spring.
- **Sugar:** The NY raw sugar market started 2011 with the same bullish tone that was present for much of 2010, with the nearby Mar 11 contract rallying 133pts to a session high of US\$33.45/lb. However these gains proved too hard to hold as the session wore on, with the market dropping sharply back to US\$31.00/lb, down 112pts (3.5%) for the day. Brazilian cane group Unica released their crop report for the first two weeks of December last night. With the season drawing to a close sugar production dropped to 359.3kt, down 30% from the same period last year. For the year, sugar output has reached 33.4mt, up nearly 20% from the 2009/10 result. But the final result, whilst up year-on-year, disappointed early season projections because periods of drought cut into cane yields.
- **Crude Oil:** NYMEX crude oil (Feb 11) fell 2.5% to USD89.29/bl.

### Ag Commodity Markets: Daily Price Summary\*

Commodity	Unit	Mar 11	Dec 11	Dec 12
US Wheat (CBOT)	US\$/bu	789 -2.0%	855 -1.1%	836 -1.2%
	AUD/t	291 -0.4%	324 +0.5%	328 +0.5%
AU Wheat - East (ASX)	AUD/t	325 0.0%	313 +5.2%	332 +4.9%
	AUD/t	325 0.0%	315 -1.3%	329 -1.2%
US Soybeans (CBOT)	US\$/bu	1370 -0.7%	1278 -1.3%	1196 -1.5%
	AUD/t	505 +0.9%	484 +0.3%	470 +0.1%
CA Canola (ICE)	CAD/t	586 ~	531 ~	500 ~
	AUD/t	586 ~	543 ~	525 ~
AU Canola (ASX)	AUD/t	556 0.0%	556 0.0%	556 0.0%
	AUD/t	556 0.0%	556 0.0%	556 0.0%
US Corn (CBOT)	US\$/bu	609 -1.9%	544 -1.6%	509 -1.0%
	AUD/t	240 -0.3%	221 0.0%	214 +0.7%
AU Barley (ASX)	AUD/t	198 +0.3%	214 +5.2%	214 +5.2%
	AUD/t	198 +0.3%	214 +5.2%	214 +5.2%
AU Sorghum (ASX)	AUD/t	234 0.0%	232 0.0%	232 0.0%
	AUD/t	234 0.0%	232 0.0%	232 0.0%
US Raw Sugar (ICE)	US\$/lb	31.00 ~	23.62 ~	20.36 ~
	AUD/t	683 ~	535 ~	480 ~
US Cotton (ICE)	US\$/lb	143.78 +1.1%	129.49 +0.5%	94.44 -0.9%
	AUD/bale	721 +2.8%	660 +2.1%	505 +0.7%
AU Wool EMI (AWEX)	AUD/kg	10.31	0.0%	16/12/10
	AUD/kg	10.31	0.0%	16/12/10
AU Cattle (EYCI)	AUD/kg	3.9	0.0%	21/12/10
	AUD/kg	3.9	0.0%	21/12/10
Crude Oil (WTI)	USD/bl	89.29	-2.5%	4/1/11
	AUD/bl	88.93	-0.9%	4/1/11
Commodity Indices	S&P Agri & L'stock (USD)	1332	-1.5%	4/1/11
	S&P Agri & L'stock (AUD)	1327	0.1%	4/1/11
	S&P All Commodities (USD)	4877	-1.7%	4/1/11
	S&P All Commodities (AUD)	4858	-0.1%	4/1/11
Currencies	AUD/USD	1.0040	-0.0165	-1.6%
	AUD/CAD	1.0053	-0.0051	-0.5%
	AUD/JPY	82.12	-1.10	-1.3%
	USD Index	79.5	0.3	0.4%
Equity Markets	ASX S&P200	4743	~	~
	US DJI	11692	21	0.2%
	UK FTSE	6014	~	~
	UK FTSE	6014	~	~

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 04/01/11, previous pricing date is 03/01/11

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

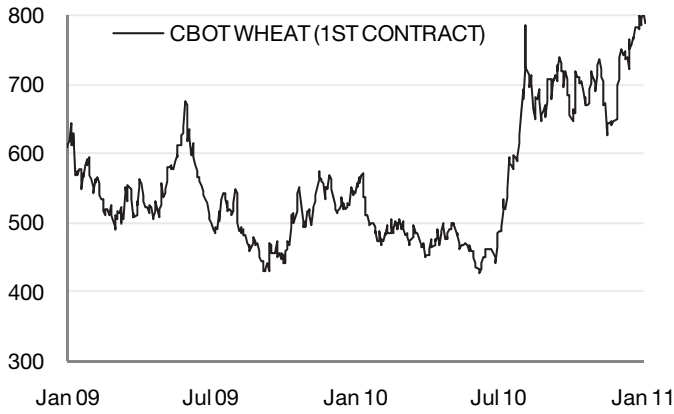


Figure 2: ASX NSW Wheat (Jan 11 Contract, A\$/t)



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

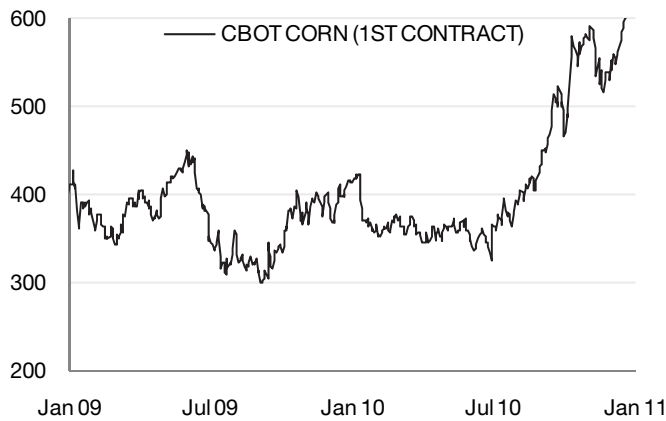


Figure 4: ASX Feed Barley (Jan 11 Contract, A\$/t)

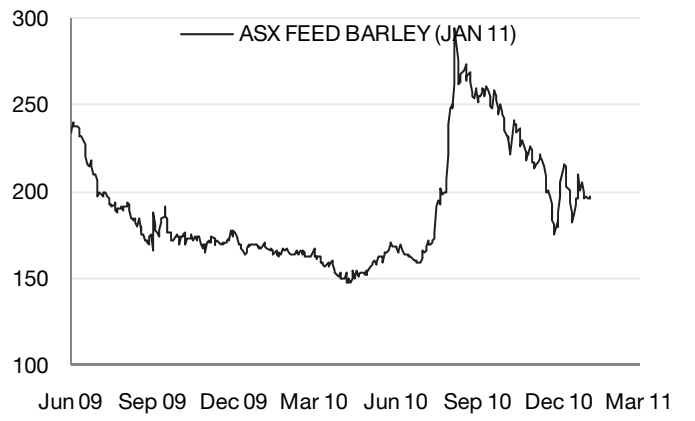


Figure 5: CBOT Soybeans (1<sup>st</sup> Contract, USc/bu)

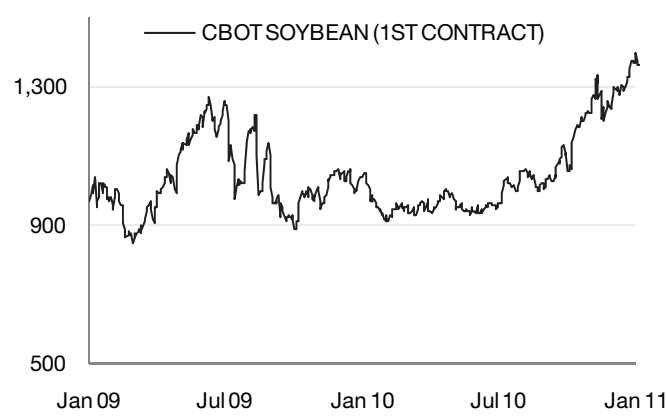


Figure 6: ICE Canola (1<sup>st</sup> Contract, C\$/t)

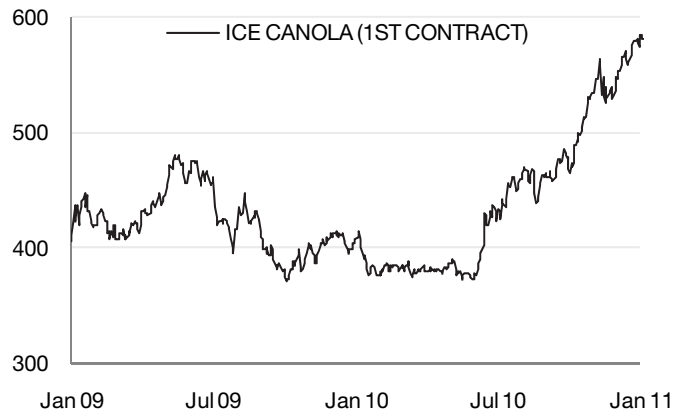


Figure 7: ICE Cotton (1<sup>st</sup> Contract, USc/lb)

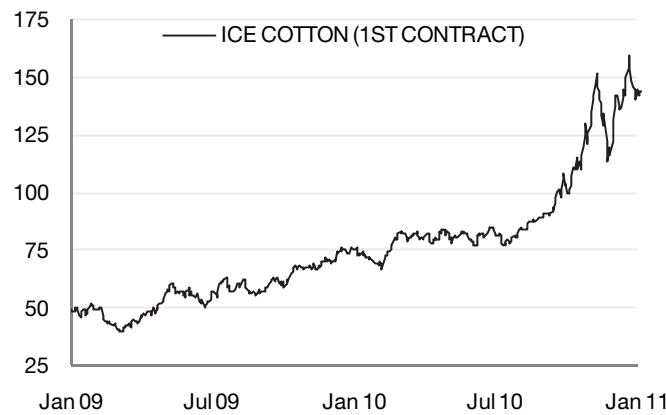
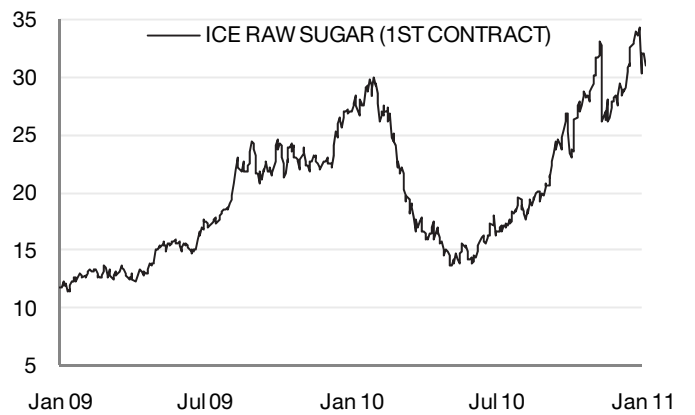


Figure 8: ICE Sugar (1<sup>st</sup> Contract, USc/lb)





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