



## Grains rally despite the stronger Greenback.

- Markets:** US economic data was supportive again overnight, contributing to a rise in equities and the USD. The US ISM services index lifted from 55.0 to 57.1 - the highest result since August 2005. US private employers added 297,000 jobs in December according to the ADP employment report, well above forecasts for an increase of 100,000 jobs.
- Currencies:** The AUD fell by 0.3% to USD1.0014 overnight (London close) while the USD index rallied 1.0% to 80.3pts. According to a report in the China Securities Journal, authorities will let the Yuan rise by 5% against the US dollar in 2011.
- Weather:** A trough extending through eastern Australia is bringing areas of rain and storms, heaviest over southeast QLD and northeast NSW. A high is keeping southern and central Australia mostly clear and warm. A low and trough in WA are causing scattered showers and storms. ([www.weatherzone.com.au](http://www.weatherzone.com.au))
- Grains:** US grain markets finished stronger overnight.
  - CBOT wheat (Mar 11) finished higher by 2.4% (19¢) at US\$808.25/bu while the Dec 11 contract rallied 21 cents to a fresh high of US\$876/bu (~A\$333/t). Supportive for the grains and oilseeds markets is the continued La Nina weather system which raises concern over 2011 production potentials for several key commodities. The UN FAO said that prices for ag commodities could continue to push higher because of the current uncertain weather system.
  - CBOT corn (Mar 11) rose by 1.8% (10¼¢) to US\$619.25/bu however longer dated contracts rose by as much as 22 cents, taking some of the backwardation out of the curve.
  - ASX NSW wheat came under downward pressure overnight with the Mar 11 contract trading at \$320/t but ending quoted down at \$316/t. Nonetheless, this still remains more than \$15 more expensive than the comparable CBOT contract. The Jan 12 NSW wheat contract also came under downward pressure, falling \$5 to \$307.5/t. This is cheaper than Dec 11 CBOT wheat, reflective of the stronger carry in the US.
  - The Qld floods continue to wreak havoc for the transportation and export of northern grain, with many traders trying to quickly source southern origins to meet existing supply contracts. This is a test for the deregulated marketing environment. How well the fragmented market can work together regarding supplies and logistics remains to be seen. Finally, harvest progress in southern NSW, Vic and SA has been strong over the past week. Quality, whilst certainly showing the impacts of harvest rain, is holding up better than expected in many areas.
- Oilseeds:** CBOT soybeans (Mar 11) rose 1.8% (24¢) to US\$1393.5/bu. Bloomberg reported that much of the Argentine rain over the past few days missed key soybean production regions, with a drier bias expected for the next 10 days. Canadian canola (ICE Mar 11) was C\$3.3 firmer at C\$589.1/t.
- Cotton:** ICE cotton (Mar 11) finished higher by 1% (142pts) at US\$145.2/lb overnight, yet this close was well off the intraday highs of US\$147.78/lb. Stronger than expected US economic data was supportive for the fibre market overnight, as is flood induced supply uncertainty in Australia. The stronger USD may have contributed to the late decline in values.
- Sugar:** NY raw sugar (Mar 11) bounced nearly 4% (120pts) to US\$32.20/lb amid wider strength in agricultural commodities created by widespread supply tightness. Australian industry group Canegrowers indicated that the deluging rain received this year will adversely affect the industry for 2-3 years with a loss of plant and ratoon cane. Rain induced crushing delays resulted in 20%, or 5.7mt, of cane being left in the fields this year according to Canegrowers. Further heavy rain on the Qld coast over the next few weeks is likely to cause further damage to some cane that will be forced to stand inundated for an extended period.
- Crude Oil:** NYMEX crude oil (Feb 11) rose 1.1% to USD90.40/bl.

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

	Mar 11	Dec 11	Dec 12
<b>US Wheat (CBOT)</b>			
US\$/bu	808 +2.4%	876 +2.5%	859 +2.8%
AUD/t	299 +2.7%	333 +2.7%	338 +2.8%
<b>AU Wheat - East (ASX)</b>	<b>Mar 11</b>	<b>Jan 12</b>	<b>Jan 13</b>
AUD/t	316 -2.8%	308 -1.6%	327 -1.5%
<b>AU Wheat - WA (ASX)</b>	<b>Mar 11</b>	<b>Jan 12</b>	<b>Jan 13</b>
AUD/t	323 -0.6%	309 -2.1%	323 -2.0%
<b>US Soybeans (CBOT)</b>	<b>Mar 11</b>	<b>Nov 11</b>	<b>Nov 12</b>
US\$/bu	1394 +1.8%	1296 +1.4%	1219 +1.9%
AUD/t	515 +2.0%	492 +1.6%	479 +2.0%
<b>CA Canola (ICE)</b>	<b>Mar 11</b>	<b>Nov 11</b>	<b>Nov 12</b>
CAD/t	589 +0.6%	532 +0.2%	501 +0.3%
AUD/t	595 +1.6%	549 +1.2%	531 +1.1%
<b>AU Canola (ASX)</b>	<b>Mar 11</b>	<b>Jan 12</b>	<b>Jan 13</b>
AUD/t	556 0.0%	556 0.0%	556 0.0%
<b>US Corn (CBOT)</b>	<b>Mar 11</b>	<b>Dec 11</b>	<b>Dec 12</b>
US\$/bu	619 +1.8%	558 +2.7%	527 +3.7%
AUD/t	245 +2.0%	227 +2.9%	222 +3.8%
<b>AU Barley (ASX)</b>	<b>Mar 11</b>	<b>Jan 12</b>	<b>Jan 13</b>
AUD/t	197 -0.3%	214 +0.2%	214 +0.2%
<b>AU Sorghum (ASX)</b>	<b>Mar 11</b>	<b>May 11</b>	<b>May 12</b>
AUD/t	234 0.0%	232 0.0%	232 0.0%
<b>US Raw Sugar (ICE)</b>	<b>Mar 11</b>	<b>Oct 11</b>	<b>Oct 12</b>
US\$/lb	32.20 +3.9%	24.39 +3.3%	21.00 +3.1%
AUD/t	712 +4.1%	554 +3.5%	496 +3.2%
<b>US Cotton (ICE)</b>	<b>Mar 11</b>	<b>Jul 11</b>	<b>Jul 12</b>
US\$/lb	145.20 +1.0%	131.16 +1.3%	94.73 +0.3%
AUD/bale	730 +1.2%	670 +1.5%	507 +0.4%
<b>AU Wool EMI (AWEX)</b>	<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
AUD/kg	10.31	0.0%	16/12/10
<b>AU Cattle (EYCI)</b>	<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
AUD/kg	3.9	0.0%	21/12/10
<b>Crude Oil (WTI)</b>	<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
USD/bl	90.4	1.1%	5/1/11
AUD/bl	90.27	1.4%	5/1/11
<b>Commodity Indices</b>	<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
S&P Agri & L'stock (USD)	1355	1.7%	5/1/11
S&P Agri & L'stock (AUD)	1353	2.0%	5/1/11
S&P All Commodities (USD)	4926	1.0%	5/1/11
S&P All Commodities (AUD)	4919	1.3%	5/1/11
<b>Currencies</b>	<b>Latest</b>	<b>pts chg</b>	<b>% chg</b>
AUD/USD	1.0014	-0.0026	-0.3%
AUD/CAD	0.9955	-0.0098	-1.0%
AUD/JPY	83.33	1.21	1.5%
USD Index	80.3	0.8	1.0%
<b>Equity Markets</b>	<b>Latest</b>	<b>pts chg</b>	<b>% chg</b>
ASX S&P200	4715	-28	-0.6%
US DJI	11737	46	0.4%
UK FTSE	6044	30	0.5%

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 05/01/11, previous pricing date is 04/01/11

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

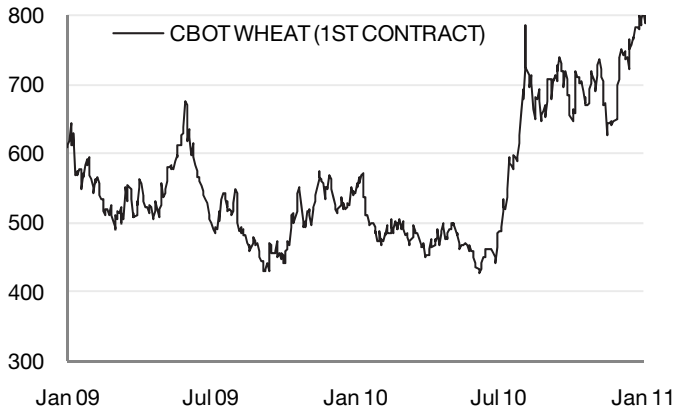


Figure 2: ASX NSW Wheat (Jan 11 Contract, A\$/t)

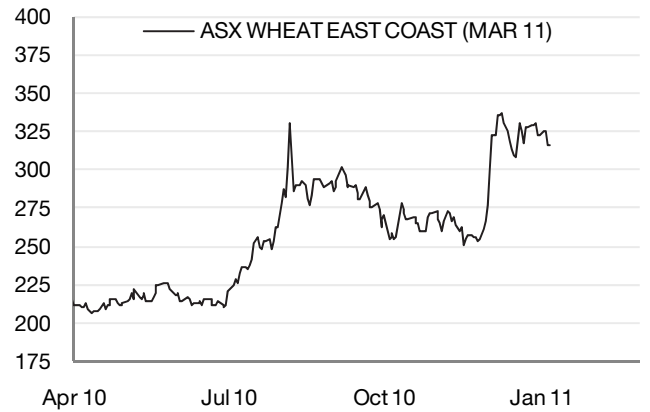


Figure 3: CBOT Corn (1<sup>st</sup> Contract, US\$/bu)

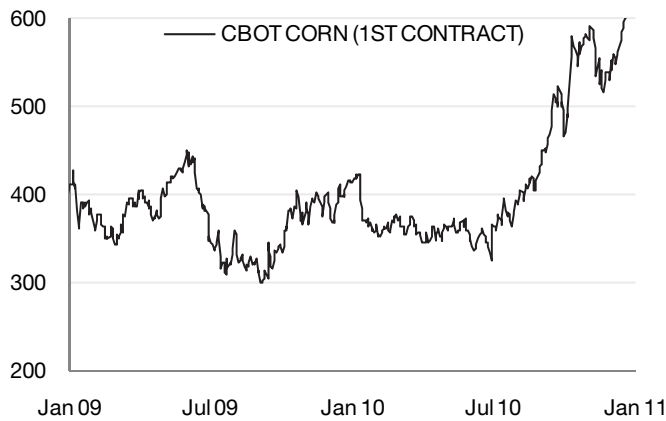


Figure 4: ASX Feed Barley (Jan 11 Contract, A\$/t)

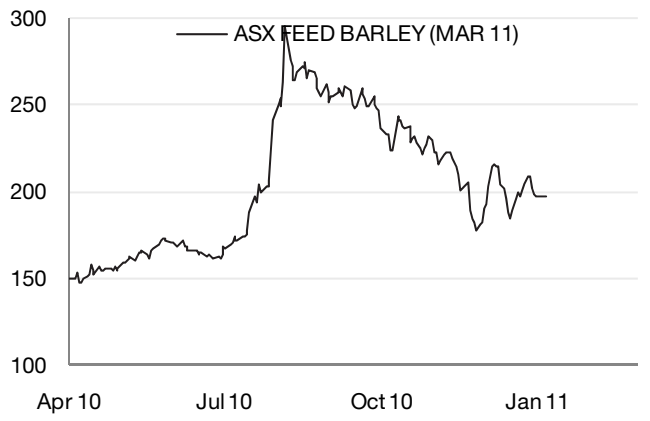


Figure 5: CBOT Soybeans (1<sup>st</sup> Contract, US\$/bu)

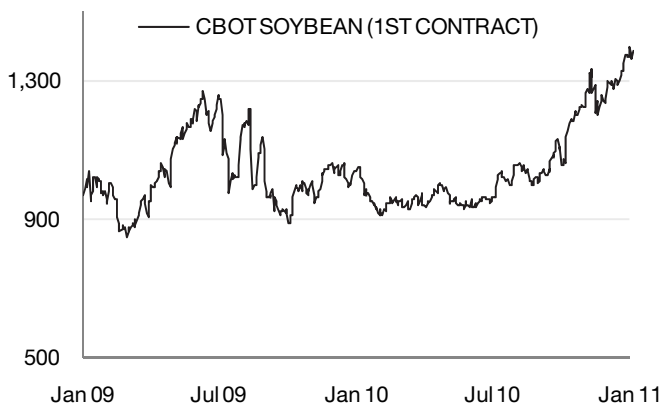


Figure 6: ICE Canola (1<sup>st</sup> Contract, C\$/t)

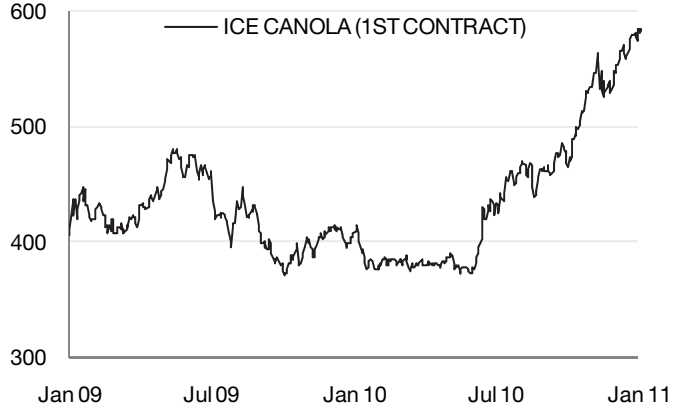


Figure 7: ICE Cotton (1<sup>st</sup> Contract, US\$/lb)

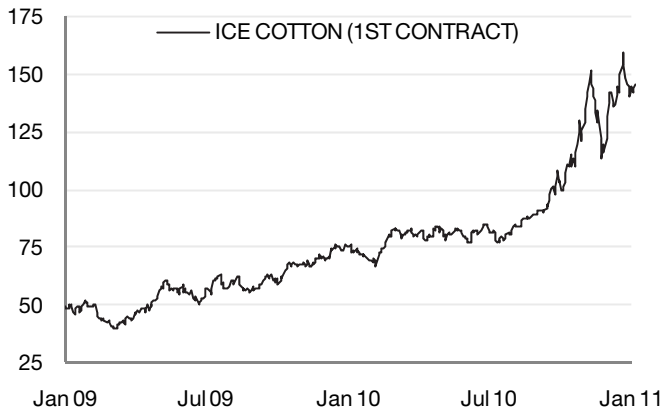
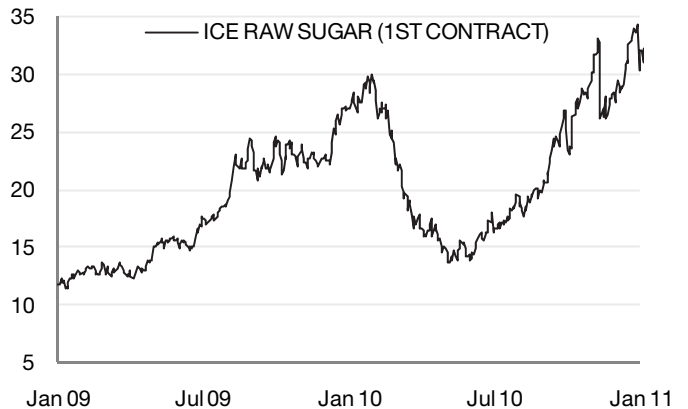


Figure 8: ICE Sugar (1<sup>st</sup> Contract, US\$/lb)





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