

## US wheat prices fall sharply in late trading

- **Markets:** The Chicago purchasing managers index for December was revised down from 68.6 to 66.8, but this is still well up on the 61.9 reading in November. Atlanta Federal Reserve President Dennis Lockhart has expressed optimism about the economic outlook, saying that the "economy seems to have gained durable momentum as we begin 2011." Global equity markets were mostly lower overnight.
- **Currencies:** The AUD recovered early losses to end 0.1% higher overnight at USD0.9948 (London close). The USD index was lower by 0.1% at 80.9pts
- **Weather:** Easterly winds are fresh and humid in the east, leading to heavy rain and storms, causing flooding in southeast QLD and northeast NSW. A trough in the east is generating widespread rain in VIC and western NSW, some heavy. The monsoon trough is causing showers and storms. ([www.weatherzone.com.au](http://www.weatherzone.com.au))
- **Grains:** US grain markets finished with mixed results overnight.
  - CBOT wheat (Mar 11) gave up early gains of 8 ¾ cents to finish lower by 6 ¾ cents (0.9%) at US\$767.25/bu (~A\$286/t). The Dec 11 contract finished lower by a more sedate 2 ¾ cents to US\$849.25/bu (~A\$325/t). Further Australian rain will slow harvest progress in the southern states this week while devastating flooding continues to disrupt the movement of grain in northern NSW and Qld. But bearish for prices has been light to moderated snowfall which is providing a protective blanket for the US HRW wheat crop. Finally, the USDA is likely to trim US wheat export expectations in Wednesday night's WASDE report.
  - CBOT corn (Mar 11) rose by 2% (12¢) to US\$607/bu as the market focussed on a likely deterioration in Argentina's corn crop as a drier bias continues. The WASDE report is expected to be supportive for the corn market with a reduction in US corn stocks pencilled in by analysts. The USDA Ag Outlook chairman told attendees at an Atlanta farm conference that US crop plantings are likely to lift by 10m acres in 2011 due to high prices. This biggest lift is expected in corn and cotton.
  - ASX NSW wheat prices slipped further yesterday with the Mar 11 contract down \$5.5 to \$315/t and the Jan 12 contract fell \$3.5 to \$311/t. Aussie wheat for near term delivery retains a strong premium over the CBOT market while ASX wheat for the 2011/12 harvest is trading a steep discount to CBOT.
- **Oilseeds:** CBOT soybeans (Mar 11) rose by 1.1% (15½¢) to US\$1380.5/bu. The focus on the South American La Nina and tight US soybean supplies remains the moist supportive factors in the soybean market. Canadian canola (ICE Mar 11) rallied \$7 to C\$593.1/t with stronger gains posted further out the curve, with some contracts hitting contract highs.
- **Cotton:** ICE cotton (Mar 11) finished 1.9% (265pts) higher at US\$143.25/lb overnight, but this was well off the intraday high of US\$144.60/lb. A new bout of flooding is reported through the Darling Downs towns of Dalby and Chinchilla, with further damage likely for the regions cotton crop. Any further production losses will compound an already tight global supply situation. The USDA's WASDE report on Wednesday is expected to reaffirm the current supply constraints. We are particularly interested if the USDA expects any significant demand destruction in key regions such as China, India or Pakistan.
- **Sugar:** NY raw sugar (Mar 11) chopped sideways overnight before finishing higher by 21pts (0.7%) at US\$31.74/lb. Market uncertainty and speculation continues regarding future Indian sugar exports, with some still believing India will defer plans to export 500kt of raws because of high domestic prices. However, according to the Indian Farm Minister, they have not made any plans to defer the exports. The Government will issue permits for those outbound shipments after Jan 30. Finally the Indian Farm Minister said sugar output may be 24-24.5mt against consumption needs of 22.5-23mt. The crop forecast is below early season estimates of >25mt.
- **Crude Oil:** NYMEX crude oil (Feb 11) rose 1.4% to USD89.27/bl.

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

Commodity	Unit	Mar 11	Dec 11	Dec 12
US Wheat (CBOT)	USc/bu	767 -0.9%	849 -0.3%	840 +0.6%
	AUD/t	286 -1.0%	325 -0.5%	332 +0.5%
AU Wheat - East (ASX)	AUD/t	315 -1.7%	311 -1.1%	330 -1.0%
AU Wheat - WA (ASX)	AUD/t	321 +0.2%	314 +0.2%	328 +0.2%
US Soybeans (CBOT)	USc/bu	1381 +1.1%	1288 +0.5%	1208 +0.2%
	AUD/t	514 +1.0%	492 +0.3%	478 +0.0%
CA Canola (ICE)	CAD/t	593 +1.2%	545 +2.9%	513 +3.1%
	AUD/t	604 +1.2%	566 +2.9%	547 +3.1%
AU Canola (ASX)	AUD/t	556 0.0%	556 0.0%	556 0.0%
US Corn (CBOT)	USc/bu	607 +2.0%	548 +1.1%	515 +0.6%
	AUD/t	242 +1.9%	225 +1.0%	219 +0.4%
AU Barley (ASX)	AUD/t	204 +1.5%	213 -0.4%	213 -0.4%
AU Sorghum (ASX)	AUD/t	232 -0.4%	228 -1.3%	228 -1.3%
US Raw Sugar (ICE)	USc/lb	31.74 +0.7%	25.15 +1.1%	20.75 +1.0%
	AUD/t	706 +0.6%	575 +1.0%	493 +0.9%
US Cotton (ICE)	USc/lb	143.25 +1.9%	132.11 +2.4%	94.58 +2.2%
	AUD/bale	723 +1.8%	677 +2.2%	504 +2.0%
AU Wool EMI (AWEX)	AUD/kg	10.31	% chg 0.0%	Last Pricing 16/12/10
AU Cattle (EYCI)	AUD/kg	3.995	% chg 2.4%	Last Pricing 10/1/11
Crude Oil (WTI)	USD/bl	89.27	% chg 1.4%	Last Pricing 10/1/11
	AUD/bl	89.74	% chg 1.3%	Last Pricing 10/1/11
Commodity Indices		Latest	% chg	Last Pricing
	S&P Agri & L'stock (USD)	1332	0.7%	10/1/11
	S&P Agri & L'stock (AUD)	1339	0.6%	10/1/11
	S&P All Commodities (USD)	4883	1.2%	10/1/11
S&P All Commodities (AUD)	4909	1.0%	10/1/11	
Currencies		Latest	pts chg	% chg
	AUD/USD	0.9948	0.0014	0.1%
	AUD/CAD	0.9889	0.0002	0.0%
	AUD/JPY	82.32	-0.06	-0.1%
USD Index	80.9	-0.1	-0.1%	
Equity Markets		Latest	pts chg	% chg
	ASX S&P200	4712	7	0.2%
	US DJI	11639	-35	-0.3%
	UK FTSE	5956	-28	-0.5%

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 10/01/11, previous pricing date is 07/01/11

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

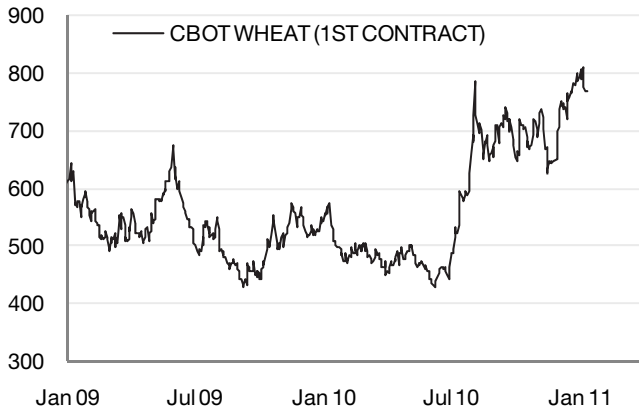


Figure 2: ASX NSW Wheat (Jan 11 Contract, A\$/t)

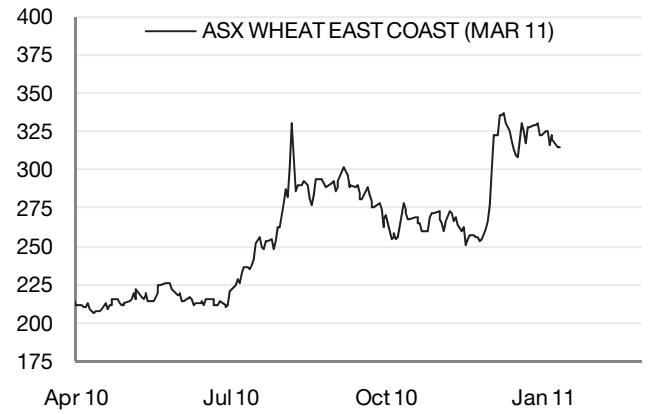


Figure 3: CBOT Corn (1<sup>st</sup> Contract, US\$/bu)



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

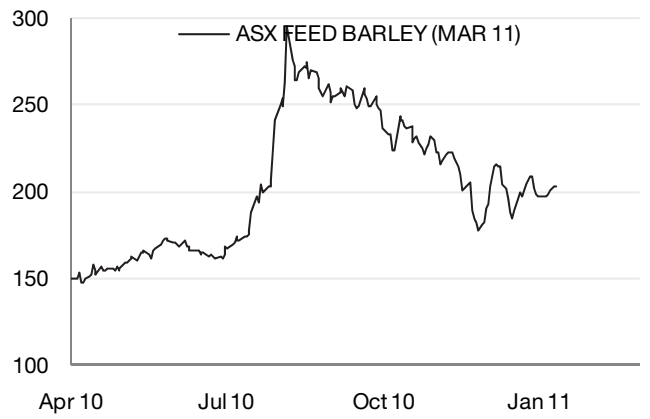


Figure 5: CBOT Soybeans (1<sup>st</sup> Contract, US\$/bu)

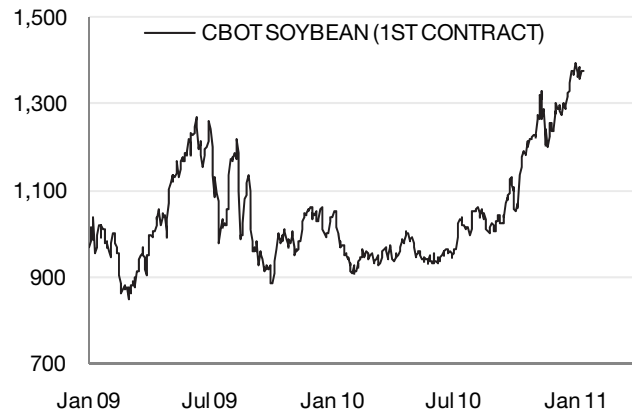


Figure 6: ICE Canola (1<sup>st</sup> Contract, C\$/t)



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

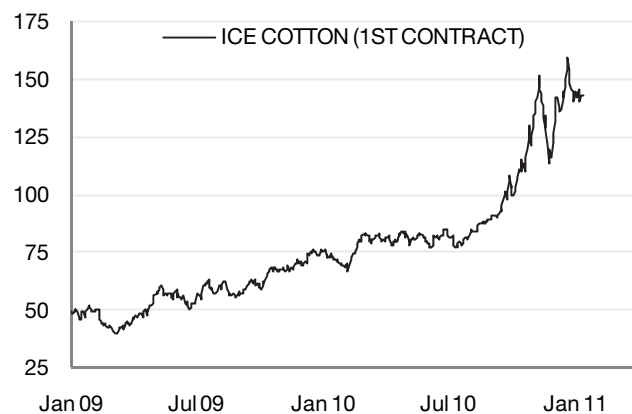
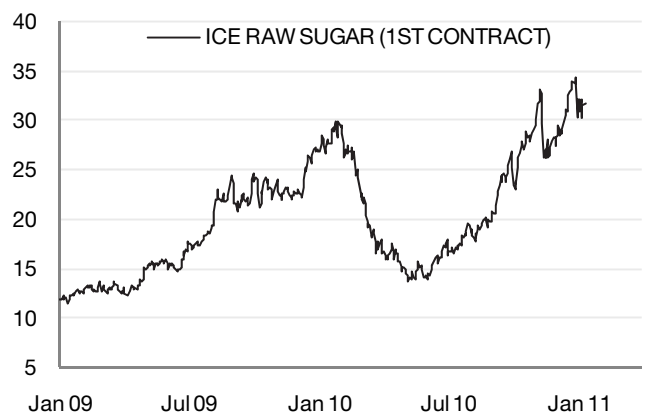


Figure 8: ICE Sugar (1<sup>st</sup> Contract, US\$/lb)





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