

Chicago wheat prices collapse...

Markets: US NAHB housing market index fell 1pt to 13 in August - marking the third straight month of falls and a 17-month low. A reading below 50 indicates more builders view conditions as poor rather than good. The NY Fed Empire manufacturing index rose from 5.08 to 7.1 in July, the new orders sub-index fell below zero for the first time since July 2009. US sharemarkets were flat.

Currencies: The AUD ended a touch firmer at USD0.8989 overnight (London close) while the USD index fell 0.6pct to 82.4pts.

Weather: A trough and low over the eastern inland is pushing rain and thunder over NSW, VIC and QLD. The low is drawing strong and showery winds over SA. A broad region of high pressure is clearing much of WA where it is now mainly dry. (www.weatherzone.com.au)

Grains: Chicago wheat futures collapsed overnight with the most severe losses at the front end of the curve. The nearby Sep 10 contract slumped 5.5pct (38 $\frac{3}{4}$ c) to USc663.75/bu and the Dec 10 contract lost 5.2pct (38c) to USc696.25/bu. The Dec contract is now 20pct below the intraday high of USc868/bu set 6th August. Talk that the Russian drought is showing its first signs of easing raised hopes that their winter wheat crop would be planted, and with that prices slumped. Also bearish was Reuters reports that Russia would honour existing export contracts to Egypt. In other parts of the world it is still too dry in WA and Argentina, while rain is hurting grain quality in Europe. But last night the focus was Russia.

CBOT corn (Sep10) ended 1.1pct (4 $\frac{1}{2}$ c) weaker at USc407.25/bu, pulled lower by the weaker wheat market. Chinese corn prices rallied after volumes at state reserve auctions fell, sparking concern as to the size of Chinese inventories. US corn export inspections fell from nearly 45m bushels last week to 31m bushels this week, the poorest result since late June. After the close, the USDA indicated that US corn crop conditions declined by 2pts in the week ended 15th August to 69pct good to excellent.

ASX NSW Jan 11 wheat edged \$1 lower to \$287/t overnight while the WA Jan 11 traded unchanged at \$304/t before ending quoted a few dollars lower at \$301.5/t. Australian wheat prices are likely to come under significant downward pressure today because of the declining US market.

Oilseeds: CBOT soybeans (Sep 10) fell 1pct (9 $\frac{1}{2}$ c) to USc1034/bu. US domestic soybean consumption fell 2pct m-o-m to 126.2m bushels in July according to the NOPA. This was weaker than trade estimates, however the result was still 2.7pct over the July 2009 result. And export demand remains strong, with another 220kt of US beans sold to China last night. Finally, after the close, the USDA showed that 84pct of the US soybean crop is now setting pods, up from 71pct last week and the 5 yr average of 81pct. US bean crop conditions remained unchanged at 66pct good to excellent this week. Analysts were expected a slight decline according to Reuters. Canadian Canola (ICE Nov 10) rose C\$5.7/t to C\$468.1/t.

Cotton: ICE cotton futures (Dec 10) handed back early gains to finish marginally weaker (16pts) at USc84.02/lb. US economic data remains weak, depressing fibre prices. But global cotton supply remains very tight, and after the close the USDDA indicated that US cotton crop conditions declined in the week ended 15th August, falling to 62pct good to excellent from 65pct.

Sugar: NY raw sugar (Oct 10) dropped 2.5pct (48pts) to USc18.94/lb after earlier rallying USc19.72/lb, hit by investor profit taking after a sharp one-week rally. Market news remains much the same, with concerns of crop losses in Pakistan and Russia being countered by gains in Brazil and India. The Russian Sugar Producers Union cut white sugar output (from beet) to 3.2-3.3mt from prior forecasts of up to 3.5mt. This would be comparable to last year's crop.

Crude Oil: NYMEX WTI crude oil (Sep10) fell 0.4pct to USD75.06/bl.

Ag Commodity Markets: Daily Price Summary*

		Sep 10	Dec 10	Dec 11
US Wheat (CBOT)	USc/bu	664 -5.5%	696 -5.2%	706 -2.8%
	AUD/t **	272 -5.8%	289 -5.4%	305 -3.0%
AU Wheat - East (ASX)	AUD/t	279 -2.3%	287 -0.3%	302 +0.3%
AU Wheat - WA (ASX)	AUD/t	288 -0.7%	302 -0.8%	311 -0.8%
US Soybeans (CBOT)	USc/bu	1034 -0.9%	1032 -1.2%	1013 -1.1%
	AUD/t **	423 -1.2%	425 -1.5%	437 -1.4%
CA Canola (ICE)	CAD/t	468 +1.2%	472 +1.4%	434 +1.1%
	AUD/t **	502 +0.5%	511 +0.6%	484 +0.4%
AU Canola (ASX)	AUD/t	452 0.0%	513 0.0%	516 0.0%
US Corn (CBOT)	USc/bu	407 -1.1%	423 -1.1%	436 -1.6%
	AUD/t **	179 -1.4%	188 -1.3%	202 -1.9%
AU Barley (ASX)	AUD/t	264 +1.3%	270 +1.1%	285 +1.2%
AU Sorghum (ASX)	AUD/t	244 +2.3%	241 +1.5%	241 +1.5%
US Raw Sugar (ICE)	USc/lb	18.94 -2.5%	18.47 -1.3%	16.55 -0.4%
	AUD/t **	466 -2.7%	463 -1.5%	424 -0.6%
US Cotton (ICE)	USc/lb	87.43 -0.1%	84.02 -0.2%	76.20 -0.4%
	AUD/bale **	488 -0.3%	472 -0.5%	453 -0.6%
AU Wool EMI (AWEX)	AUD/kg	8.73	0.0%	12/8/10
AU Cattle (EYCI)	AUD/kg	3.625	0.1%	16/8/10
Crude Oil (WTI)	USD/bl	75.06	-0.4%	16/8/10
	AUD/bl **	83.50	-0.7%	16/8/10
Commodity Indices	S&P Agri & L'stock (USD)	1053	-1.6%	16/8/10
	S&P Agri & L'stock (AUD)	1172	-1.8%	16/8/10
	S&P All Commodities (USD)	4106	-0.4%	16/8/10
	S&P All Commodities (AUD)	4568	-0.7%	16/8/10
Currencies	AUD/USD	0.8989	0.0024	0.3%
	AUD/CAD	0.9383	0.0068	0.7%
	AUD/JPY	76.72	-0.55	-0.7%
	USD Index	82.4	-0.5	-0.6%
Equity Markets	ASX S&P200	4439	-21	-0.5%
	US DJI	10302	-1	0.0%
	UK FTSE	5276	1	0.0%

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 16/08/10, previous pricing date is 13/08/10

Sources: Bloomberg and CBA

** AUD Equivalent Price



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

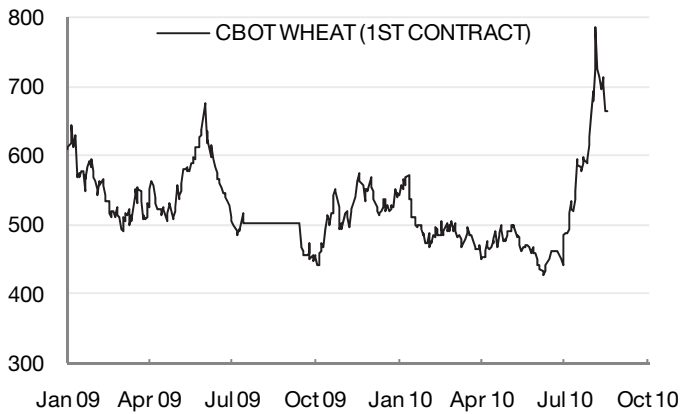


Figure 2: ASX NSW Wheat (Jan 11 Contract, A\$/t)

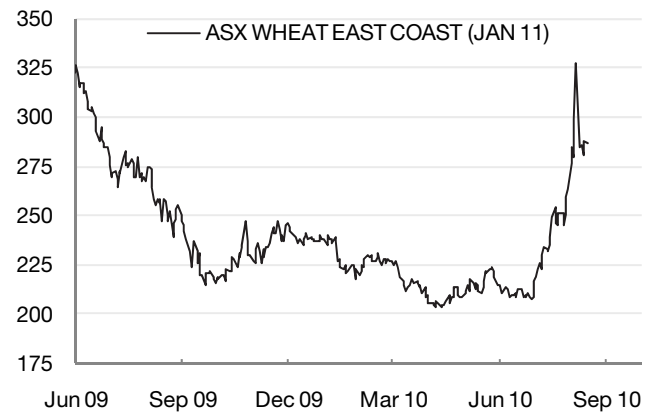


Figure 3: CBOT Corn (1st Contract, US\$/bu)

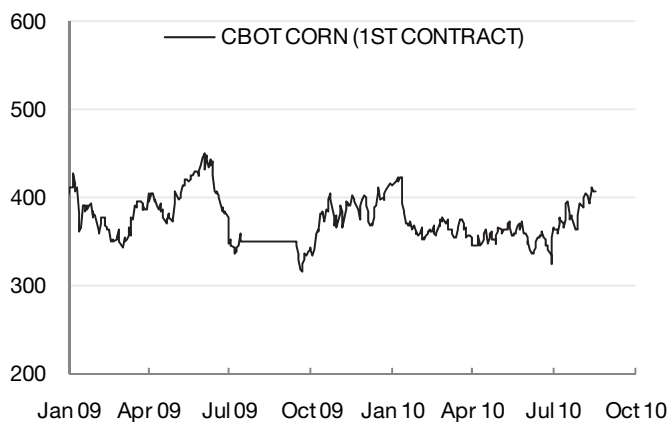


Figure 4: ASX Feed Barley (Jan 11 Contract, A\$/t)

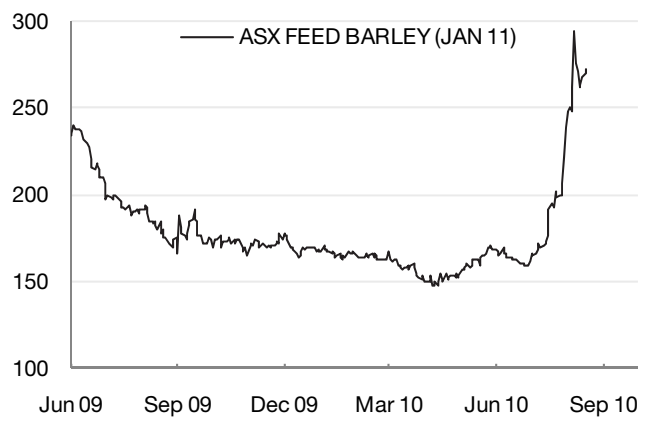


Figure 5: CBOT Soybeans (1st Contract, US\$/bu)

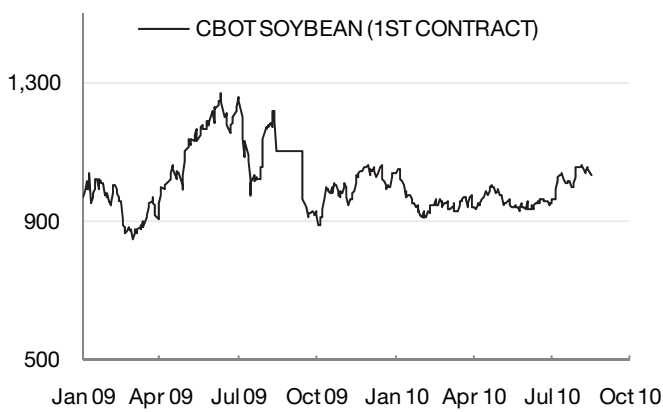


Figure 6: ICE Canola (1st Contract, C\$/t)

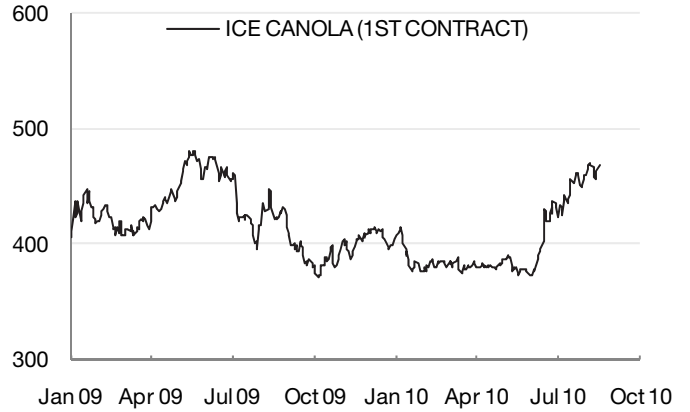
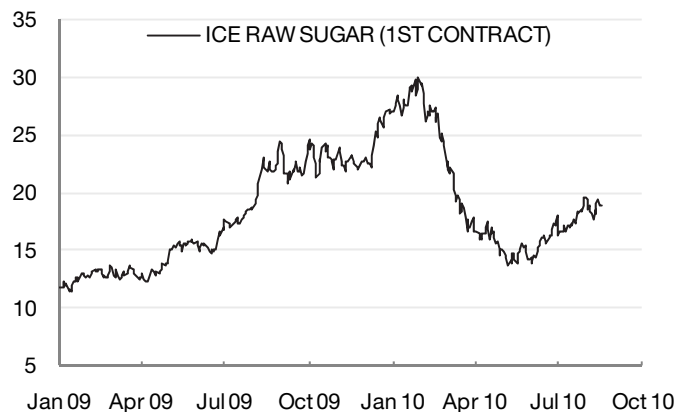


Figure 7: ICE Cotton (1st Contract, US\$/lb)



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





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