

TC Yasi hits bananas and sugarcane... Prices to rise.

- **Markets:** The US ADP private sector employment report supported the view that the US economy was picking up steam. The private sector added 187,000 jobs in January following on from the downwardly revised 247,000 jobs added in December. The result was well ahead of expectations.
- **Currencies:** The AUD fell 0.7% to USD1.0075 overnight (London close) and the USD index ended a touch firmer at 77.1pts.
- **Weather:** Severe Tropical Cyclone Yasi is moving west across tropical QLD, generating strong winds and heavy rain over the coast and inland. Remaining warm in the east, while a trough and low trigger severe storms in parts of NSW. Troughs over the interior and west are generating storms. (www.weatherzone.com.au)
- **Cyclone Watch:** TC Yasi smashed into the Cardwell/Tully area last night as a category 5 storm. The area affected is Australia's key banana growing area (>90%), and also key sugarcane region (~ 30% cane is grown north of Townsville). Yasi's track is similar to Cyclone Larry 2006, which devastated Australia's banana supply and resulted in a 400% rise in the retail price of bananas. Yasi has now moved inland and has weakened to a category 3 storm. The worst of the fury appears to have missed Cairns and Townsville.
- **Grains:** US grain markets rallied strongly overnight, led by wheat.
 - CBOT wheat (Mar 11) surged 3.3% (27¼¢) to US\$863/bu overnight while the Dec 11 contract rose 28 ¼ cents to US\$948.25/bu (~A\$358/t). Importantly, the large gains meant contract highs were posted across the board. The market was supported by reports of bitterly cold temperatures throughout US winter wheat growing regions. But, according to World Weather, any damage should be limited to a few isolated pockets of the HRW wheat belt.
 - CBOT corn (Mar 11) finished 0.5% (3¼¢) firmer at US\$669.25/bu last night, but did not have the same conviction as the nearby wheat pit. Indeed, longer dated corn contracts finished flat to slightly weaker.
 - ASX NSW wheat for nearby delivery firmed slightly yesterday with the March 11 contract trading between \$333 and \$335/t. However longer dated wheat prices (NSW Jan 12) fell slightly to \$332/t. Remnants of Tropical Cyclone Yasi are expected to contribute to heavy, widespread rainfall over south-east Australia over the coming few days.
- **Oilseeds:** CBOT soybeans (Mar 11) firmed 6¢ to a fresh contract high of US\$1444/bu last night however longer dated contracts finished slightly lower. Canadian canola futures continue to rally. The nearby ICE Mar 11 contract rose C\$3 to a new high of C\$612/t and the Nov 11 contract rose to C\$584.8/t (~A\$603/t).
- **Cotton:** ICE cotton (Mar 11) surged four cent (limit) to fresh record highs of US\$176.22/lb. Bloomberg reported that Pakistan will face a shortfall of 2.5m bales and that Chinese millers "continue to buy aggressively". According to Reuters, the market will turn its attention to National Cotton Council of America's annual cotton plantings survey which is to be released on Friday. And, US export sales data will be released Friday.
- **Sugar:** NY raw sugar (Mar 11) broke higher overnight, surging 4% to a contract high of US\$35.31/lb. On a first contract basis, the market broke above the late-Dec 10 peak and is now trading at the highest level since Nov 1980. Cyclone Yasi smashed into Tully on the north Queensland coast last night as a catastrophic Category 5 storm. The region is an important sugarcane producing region and we suspect significant cane damage has occurred. Roughly 30% of Australia's sugarcane is produced north of Townsville. The most recent major-cyclone to hit the region was Larry in 2006. ABARE, at the time, estimated that Larry (and a cane smut disease) resulted in the loss of 9% of Australia's cane. Yasi is a much larger, and more intense, cyclone than Larry. Also supporting global sugar prices last night was further market talk that Indian sugar production could disappoint.
- **Crude Oil:** NYMEX crude oil (Mar 11) rose 0.3% to USD91.04/bl.

Ag Commodity Markets: Daily Price Summary*

Commodity	Unit	Mar 11	Dec 11	Dec 12
US Wheat (CBOT)	USc/bu	863 +3.3%	948 +3.1%	913 +2.0%
	AUD/t	316 +4.0%	358 +3.8%	357 +2.7%
AU Wheat - East (ASX)	AUD/t	334 +0.8%	333 -0.5%	352 -0.5%
	AUD/t	342 +0.2%	339 -1.1%	353 -1.0%
US Soybeans (CBOT)	USc/bu	1444 +0.4%	1375 +0.5%	1250 -0.1%
	AUD/t	528 +1.1%	519 +1.2%	489 +0.7%
CA Canola (ICE)	CAD/t	612 +0.5%	585 +0.6%	546 +1.1%
	AUD/t	616 +1.3%	603 +1.4%	578 +1.9%
AU Canola (ASX)	AUD/t	590 0.0%	590 0.0%	590 0.0%
	AUD/t	590 0.0%	590 0.0%	590 0.0%
US Corn (CBOT)	USc/bu	669 +0.5%	598 +0.3%	541 +0.0%
	AUD/t	262 +1.2%	242 +1.0%	227 +0.8%
AU Barley (ASX)	AUD/t	225 -0.4%	235 -1.4%	235 -1.4%
	AUD/t	225 -0.4%	235 -1.4%	235 -1.4%
AU Sorghum (ASX)	AUD/t	238 0.0%	232 0.0%	232 0.0%
	AUD/t	238 0.0%	232 0.0%	232 0.0%
US Raw Sugar (ICE)	USc/lb	35.31 +4.0%	27.53 +3.5%	22.30 +2.3%
	AUD/t	774 +4.7%	621 +4.2%	523 +3.1%
US Cotton (ICE)	USc/lb	176.22 +2.3%	162.38 +2.5%	102.11 +0.4%
	AUD/bale	878 +3.0%	821 +3.2%	536 +1.0%
AU Wool EMI (AWEX)	AUD/kg	12.33	% chg 3.2%	Last Pricing 2/2/11
AU Cattle (EYC)	AUD/kg	3.908	% chg 0.9%	Last Pricing 2/2/11
Crude Oil (WTI)	USD/bl	91.04	% chg 0.3%	Last Pricing 2/2/11
	AUD/bl	90.36	% chg 1.0%	Last Pricing 2/2/11
Commodity Indices		Latest	% chg	Last Pricing
	S&P Agri & L'stock (USD)	1464	1.3%	2/2/11
	S&P Agri & L'stock (AUD)	1454	2.0%	2/2/11
	S&P All Commodities (USD)	5123	0.5%	2/2/11
S&P All Commodities (AUD)	5085	1.3%	2/2/11	
Currencies		Latest	pts chg	% chg
	AUD/USD	1.0075	-0.0071	-0.7%
	AUD/CAD	0.9969	-0.0079	-0.8%
	AUD/JPY	82.29	-0.28	-0.3%
USD Index	77.1	0.1	0.1%	
Equity Markets		Latest	pts chg	% chg
	ASX S&P200	4797	44	0.9%
	US DJI	12054	14	0.1%
	UK FTSE	6000	42	0.7%

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 02/02/11, previous pricing date is 01/02/11

Sources: Bloomberg and CBA

** AUD Equivalent Price



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

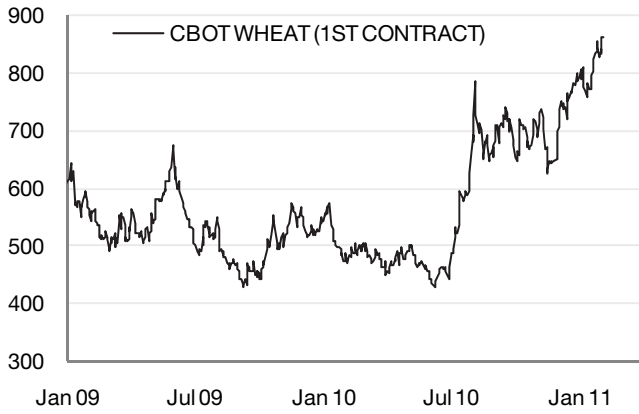


Figure 2: ASX NSW Wheat (Jan 11 Contract, A\$/t)

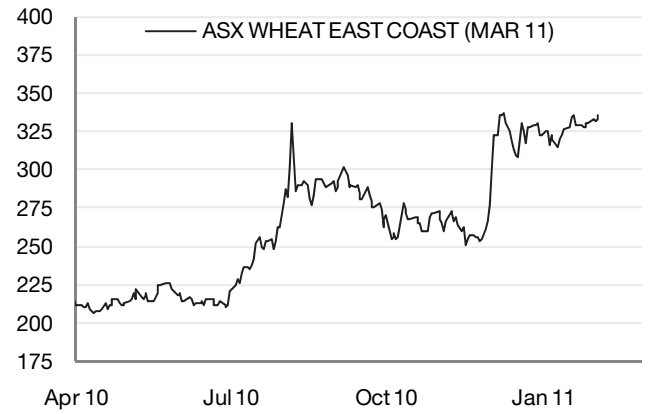


Figure 3: CBOT Corn (1st Contract, USc/bu)



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

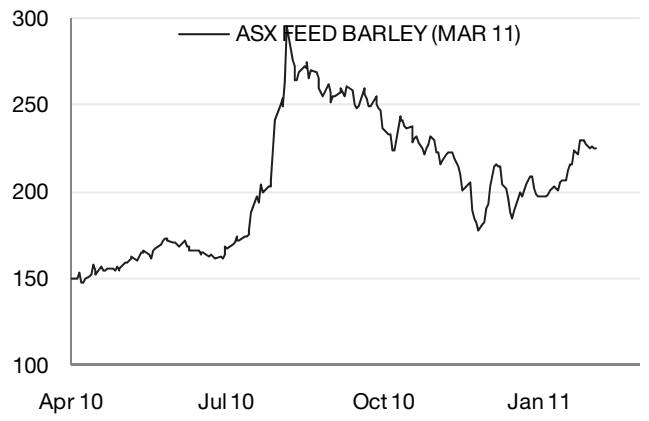


Figure 5: CBOT Soybeans (1st Contract, USc/bu)

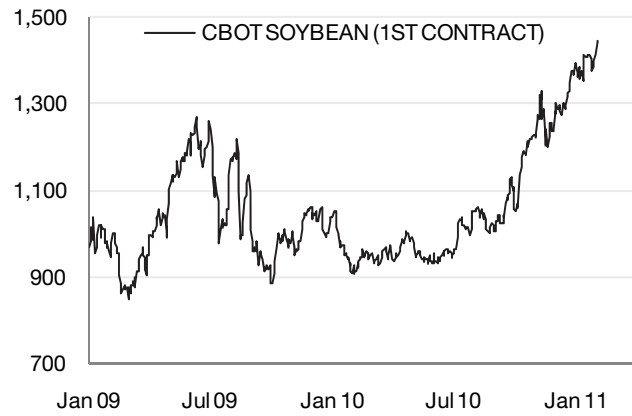


Figure 6: ICE Canola (1st Contract, C\$/t)



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

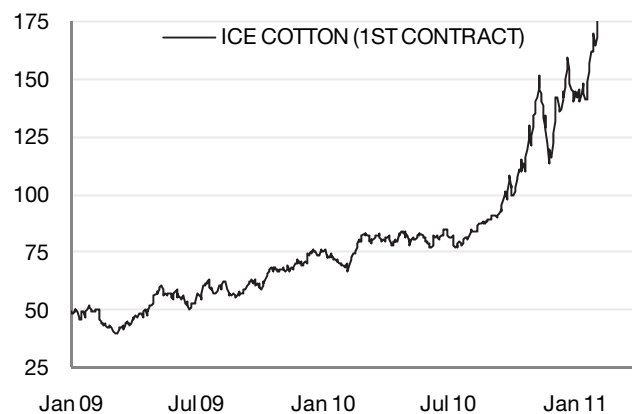


Figure 8: ICE Sugar (1st Contract, USc/lb)





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