

## Grains grind lower after Informa lifts US corn crop estimate...

- Markets:** The US Fed Reserve kept interest rates unchanged after its latest FOMC meeting, however the new set of downwardly revised GDP growth and inflation forecasts have opened the door slightly to more policy easing. US GDP growth is now expected to be between 1.6%-1.7% in 2011 and 2.5%-2.9% in 2012. The ADP Employment Survey showed that the US private sector added 110,000 jobs in October, ahead of forecasts. European shares recorded healthy gains in a relief rally on Wednesday. Germany and France have demanded clarity from Greece on the bailout plan and the next round of aid is expected to be held back until the referendum. The economic data was soft, with the Euro zone manufacturing PMI revised down to 47.1 from the 47.3 flash estimate. US sharemarkets also firmed.
- Currencies:** The AUD fell 0.4% to USD1.0308 overnight (London close) while the USD index fell 0.2% to 77.1pts.
- Weather:** A change pushing up the NSW coast is bringing cooler southerly winds and showers. Troughs stretching across northern and western Australia are triggering areas of rain and thunderstorms. A high is keeping southern parts of the nation mostly dry. ([www.weatherzone.com.au](http://www.weatherzone.com.au))
- Grains:** US grain markets finished lower overnight.
  - CBOT wheat (Dec 11) handed back early gains to close 6 ½ cents (1%) weaker at US\$623.5/bu with similar losses across the curve. Weak corn prices and forecasts for snow and rain in the US Great Plains weighed on wheat prices last night. In other news, Algeria is to remove its wheat import tax after local production fell to 4.2 million this season from 6.1 million tonnes last year.
  - CBOT corn (Dec 11) fell 9 ¼ cents (1.4%) to US\$645/bu overnight after Informa Economics pegged 2011 US corn production and yields higher than most other forecasts. Informa now forecast US corn production at 12.55 billion bushels, above their previous estimate of 12.52 billion, and above the USDA's forecast of 12.43 billion. FC Stone however, reduced their crop estimate to 12.46 billion bushels from their previous estimate of 12.55. The USDA will release its next forecast on the 9th November. In other news, Mexico will produce less corn this year because of poor weather according to the Mexican agriculture ministry. The crop is now forecast at 20 million tonnes vs the previous estimate of 23 million.
  - Activity in the ASX grain market remained extremely limited yesterday as participants continue to deal with the collapse of MF Global. In the physical market, attention of many traders is focussed on early season harvest weather. The BOM forecasts that another 15-25mm of rain will fall through portions of the WA grain belt today. The rain will benefit later maturing crops in the SW grain belt, however additional moisture will be most unwelcome in Geraldton port zone where crops are being harvested. A much wetter than normal few weeks in the Geraldton zone has already caused harvest delays and reports of grain quality downgrades have already started to filter through.
- Oilseeds:** CBOT soybeans (Jan 11) gave back early gains to close unchanged at US\$1202.75/bu last night. FC Stone trimmed their US soybean crop estimate to 3.11 billion bushels from their previous estimate of 3.16 billion. The USDA's October estimate is 3.06 billion bushels. Canadian canola (Jan 11) fell C\$1.2 to C\$524.5/t, the fourth straight loss.
- Cotton:** NY cotton (Dec 11) fell 120pts (1.2%) to US\$98.334/lb overnight, the third consecutive decline. The demand outlook remains a drag on cotton prices, with a slowdown in the Chinese economy and the European turmoil the main focus points. Tonight's weekly US export sales report will be a key data release. The challenge is to back up the previous week's strong result (385 thousand bales) with another good result this week.
- Sugar:** NY raw sugar (Mar 12) ended fractionally firmer at US\$25.42/lb overnight after earlier trading to near 26 cents/lb. Unica lowered its Brazilian CS cane crush forecast to 488.5 million tonnes, down from its previous estimate of 510 million tonnes.
- Crude Oil:** NYMEX crude oil (Dec 11) ended 0.3% firmer at USD92.45/bl.

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

		Dec 11	Mar 12	Dec 12
US Wheat (CBOT)	US\$/bu	624 -1.0%	659 -1.0%	743 -0.9%
	AUD/t **	223 -0.6%	238 -0.6%	275 -0.5%
AU Wheat - East (ASX)		Jan 12	Mar 12	Jan 13
	AUD/t	225 +0.4%	226 +0.4%	252 +0.4%
AU Wheat - WA (ASX)		Jan 12	Mar 12	Jan 13
	AUD/t	228 -0.3%	230 -0.3%	259 -0.3%
US Soybeans (CBOT)	US\$/bu	1203 +0.0%	1214 +0.4%	1191 +0.4%
	AUD/t **	432 +0.4%	449 +0.9%	457 +0.9%
CA Canola (ICE)		Jan 12	Mar 12	Nov 13
	CAD/t	525 -0.2%	532 -0.2%	521 +0.0%
	AUD/t **	503 +0.4%	513 +0.4%	529 +0.6%
AU Canola (ASX)		Nov 11	Jan 12	Jan 13
	AUD/t	560 0.0%	550 0.0%	550 0.0%
US Corn (CBOT)	US\$/bu	645 -1.4%	656 -1.4%	606 -0.2%
	AUD/t **	247 -1.0%	254 -1.0%	240 +0.2%
AU Barley (ASX)		Jan 12	Mar 12	Jan 13
	AUD/t	197 +6.8%	199 +6.7%	216 +6.2%
AU Sorghum (ASX)		Nov 11	May 12	May 13
	AUD/t	195 -8.9%	217 +10.4%	221 +10.3%
US Raw Sugar (ICE)	US\$/lb	25.42 +0.3%	23.92 -0.1%	23.70 -0.2%
	AUD/t **	550 +0.8%	526 +0.3%	535 +0.2%
US Cotton (ICE)	US\$/lb	98.34 -1.2%	97.33 -0.8%	97.63 +1.0%
	AUD/bale **	479 -0.8%	484 -0.3%	500 +1.4%
AU Wool EMI (AWEX)		Latest	% chg	Last Pricing
	AUD/kg	12.28	1.1%	2/11/11
AU Cattle (EYCI)		Latest	% chg	Last Pricing
	AUD/kg	4.00	-0.4%	2/11/11
Crude Oil (WTI)		Latest	% chg	Last Pricing
	USD/bl	92.45	0.3%	2/11/11
	AUD/bl **	89.69	0.7%	2/11/11
Commodity Indices		Latest	% chg	Last Pricing
	S&P Agri & L'stock (USD)	1220	-0.5%	2/11/11
	S&P Agri & L'stock (AUD)	1183	-0.1%	2/11/11
	S&P All Commodities (USD)	4883	0.2%	2/11/11
	S&P All Commodities (AUD)	4737	0.6%	2/11/11
Currencies		Latest	pts chg	% chg
	AUD/USD	1.0308	-0.0043	-0.4%
	AUD/CAD	1.0478	-0.0068	-0.6%
	AUD/JPY	80.48	-0.55	-0.7%
	USD Index	77.1	-0.2	-0.2%
Equity Markets		Latest	pts chg	% chg
	ASX S&P200	4185	-48	-1.1%
	US DJI	11836	178	1.5%
	UK FTSE	5484	63	1.2%

\* Prices are the closing exchange traded futures prices.

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

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

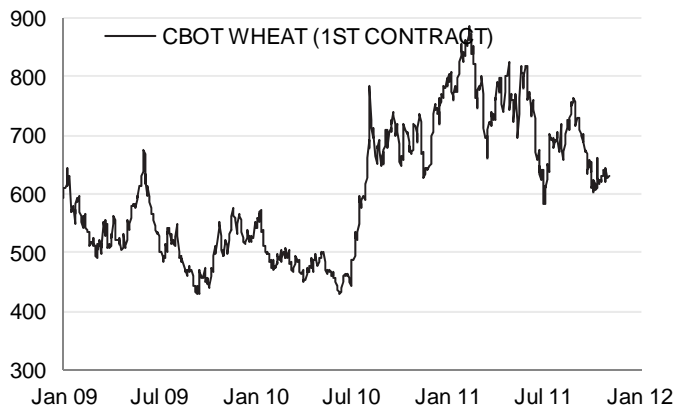


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)

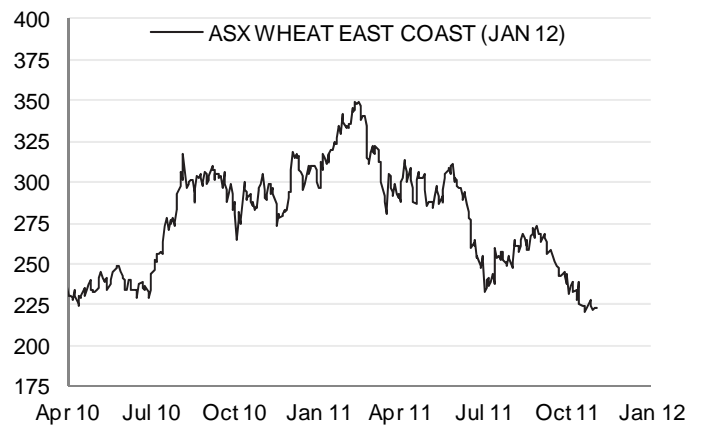


Figure 3: CBOT Corn (1<sup>st</sup> Contract, US\$/bu)



Figure 4: ASX Feed Barley (Jan 12 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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