

Grain markets tumble again...

- **Markets:** European shares fell again on Tuesday, but US equities rallied spectacularly in the final hour of trade after the Financial Times reported the EU was looking to coordinate a bank rescue. France and Belgium have come to the rescue of banking conglomerate Dexia SA, creating a "bad bank" and providing financing guarantees. US Federal Reserve Ben Bernanke has pledged to take further steps to support an economy that was "close to faltering" in a testimony to the Joint Economic Committee. US factory orders fell 0.2% in August, close to expectations. US chain store sales rose 4.1% in the latest week on a year earlier.
- **Currencies:** The AUD dropped 1.6% to USD0.9457 overnight (London close) while the USD index fell 0.5% to 79.0pts. Early this morning the AUD surged higher to USD0.9560 (at the time of writing).
- **Weather:** A low pressure and trough are spreading rain, storms and gusty northeast winds across SA and central Australia. Cooler southerly winds are spreading through southern WA in the wake of the system. A large high pressure system is keeping eastern Australia mostly clear and dry. (www.weatherzone.com.au)
- **Grains:** US grain markets finished lower again overnight.
 - CBOT wheat (Dec 11) fell 15 ½ cents (2.5%) to USc604/bu (~A\$236/t) and is eyeing contract lows of USc577.5/bu. The weakening global economic environment once again provided a huge headwind for the grain market. And forecasts of much needed rain for the US Great Plains later this week also contributed to the weaker prices. Improved moisture is needed to ensure sound germination and development ahead of the winter dormancy period. Russia's ag ministry reported that the Russian wheat harvest is 90% complete, with production currently sitting at 55.8 million tonnes, up from 40.4 million a year ago. And Egypt reported they have enough wheat to satisfy demand until 30 March 11.
 - CBOT corn (Dec 11) closed 4 ¾ cents (0.8%) weaker at USc587.75/bu overnight. Demand destruction and some forecasts that US corn yields are slightly better than originally feared pressured prices. Bloomberg reported that FC Stone believes the US corn harvest may total 12.55 billion bushels, more than the USDA current forecast of 12.49 billion. The ag markets had closed before the late surge higher in US equities.
 - Activity in the ASX grain markets picked up Tuesday, with prices generally a touch firmer than Monday's meek performance. The slumping AUD helped provide some stability to local markets yesterday. ASX NSW wheat (Jan 12) bounced \$4 to \$237/t, the WA Jan 12 market edged higher to \$248/t while feed barley for Jan 12 delivery rose \$2.3 to \$207/t. But the poor performances in international grain markets overnight may pressure local prices lower today.
- **Oilseeds:** CBOT soybeans (Nov 11) fell 1.5% (17 ½ ¢) to USc1160/bu and Canadian canola (Nov 11) dropped C\$5.8 to C\$518.50/t.
- **Cotton:** NY cotton (Dec 11) bounced 266pts (2.7%) to USc101.87/lb overnight yet continues to remain directionless. Over the past two weeks the market has chopped sideways in a 5 cents range, but still, cotton remains a standout performer in the ag complex considering the huge falls elsewhere. Aussie dollar cotton futures continue to offer extremely strong producer returns. Thoughts that the US cotton crop will be smaller than the USDA's current estimate supported prices.
- **Sugar:** NY raw sugar (Mar 12) fell 16pts (0.6%) to USc24.69/lb overnight, however longer dated contracts finished fractionally firmer. Increasing world sugar supplies contributed to the lower prices at the front end of the curve. Bloomberg reported that French Authorities predict EU27 sugar production will exceed 18 million tonnes this year after falling to 15.4 million in 2010. NAB analysts have forecast that Australian sugar output will reach 3.8-3.9 million tonnes this season, below ABARES 4.2 million tonne forecast.
- **Crude Oil:** WTI crude oil (Nov11) ended largely unchanged at USD77.72/bl.

Ag Commodity Markets: Daily Price Summary*

		Dec 11	Mar 12	Dec 12
US Wheat (CBOT)	USc/bu	604 -2.5%	640 -2.6%	723 -2.0%
	AUD/t **	236 -0.9%	253 -1.0%	290 -0.5%
AU Wheat - East (ASX)		Jan 12	Mar 12	Jan 13
	AUD/t	236 +1.7%	238 +0.2%	266 +1.8%
AU Wheat - WA (ASX)		Jan 12	Mar 12	Jan 13
	AUD/t	245 +0.1%	250 +0.1%	273 +0.1%
US Soybeans (CBOT)	USc/bu	1160 -1.5%	1172 -1.4%	1181 -1.0%
	AUD/t **	453 +0.1%	460 +0.2%	475 +0.5%
CA Canola (ICE)		Nov 11	Jan 12	Nov 12
	CAD/t	519 -1.1%	529 -1.2%	515 -1.6%
	AUD/t **	519 -0.7%	532 -0.8%	529 -1.3%
AU Canola (ASX)		Nov 11	Jan 12	Jan 13
	AUD/t	560 0.0%	550 0.0%	550 0.0%
US Corn (CBOT)	USc/bu	588 -0.8%	601 -0.9%	561 -0.3%
	AUD/t **	247 +0.8%	254 +0.7%	242 +1.2%
AU Barley (ASX)		Jan 12	Mar 12	Jan 13
	AUD/t	207 +1.1%	210 +1.1%	213 +1.1%
AU Sorghum (ASX)		Nov 11	May 12	May 13
	AUD/t	223 -3.0%	221 -1.1%	221 -1.1%
US Raw Sugar (ICE)		Mar 12	Oct 12	Oct 13
	USc/lb	24.69 -0.6%	22.61 -0.5%	22.07 +0.5%
	AUD/t **	584 +0.9%	541 +1.1%	540 +1.9%
US Cotton (ICE)		Dec 11	Jul 12	Jul 13
	USc/lb	101.87 +2.7%	96.19 +2.0%	93.81 +0.5%
	AUD/bale **	543 +4.3%	522 +3.5%	521 +1.9%
AU Wool EMI (AWEX)		Latest	% chg	Last Pricing
	AUD/kg	11.80	-1.1%	4/10/11
AU Cattle (EYCI)		Latest	% chg	Last Pricing
	AUD/kg	3.96	0.5%	4/10/11
Crude Oil (WTI)		Latest	% chg	Last Pricing
	USD/bl	77.72	0.1%	4/10/11
	AUD/bl **	82.18	1.8%	4/10/11
Commodity Indices		Latest	% chg	Last Pricing
	S&P Agri & L'stock (USD)	1182	-0.8%	4/10/11
	S&P Agri & L'stock (AUD)	1250	0.8%	4/10/11
	S&P All Commodities (USD)	4370	-1.6%	4/10/11
	S&P All Commodities (AUD)	4621	0.0%	4/10/11
Currencies		Latest	pts chg	% chg
	AUD/USD	0.9457	-0.0153	-1.6%
	AUD/CAD	1.0029	-0.0039	-0.4%
	AUD/JPY	72.67	-1.04	-1.4%
	USD Index	79.0	-0.4	-0.5%
Equity Markets		Latest	pts chg	% chg
	ASX S&P200	3872	-25	-0.6%
	US DJI	10809	153	1.4%
	UK FTSE	4944	-131	-2.6%

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 04/10/11, previous pricing date is 03/10/11

Sources: Bloomberg and CBA

** AUD Equivalent Price



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

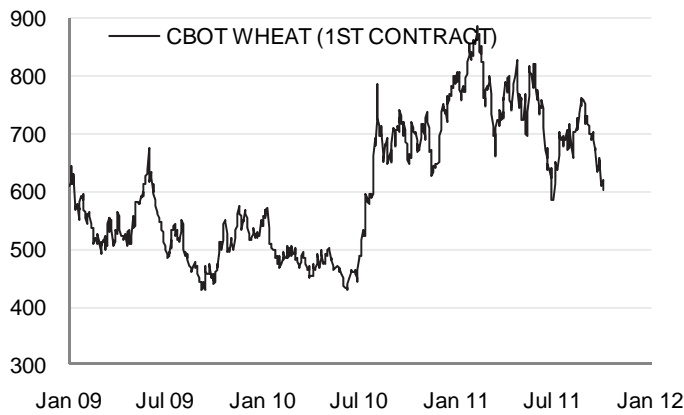


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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



Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)

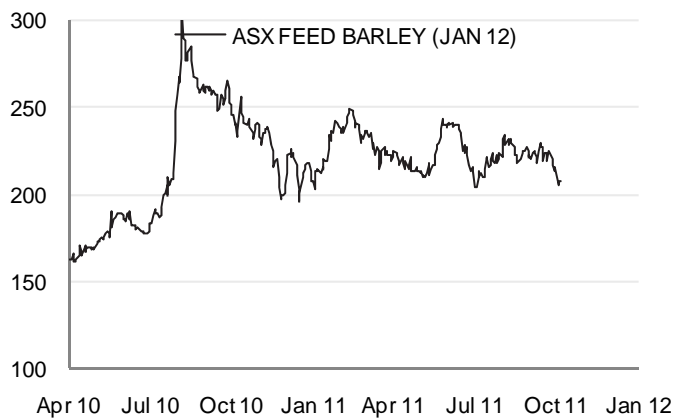


Figure 5: CBOT Soybeans (1st Contract, US\$/bu)



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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