

Grains join cotton's chorus.

- **Markets:** US consumer prices rose by a sizeable 0.4% in January - above consensus. Over the year prices were up 1.6 per cent. The increase in the core measure was driven by a 1% rise in the cost of apparel and a 2.2% jump in airfares. The annual rate of core inflation edged up from 0.9% to 1.0%. The Conference Board's measure of leading indicators rose 0.1% to 112.3 in January following a downwardly revised 0.8% gain in December.
- **Currencies:** The AUD rallied 1.3% to USD1.0122 overnight (London close) while the USD index fell 0.3% to 78.0pts.
- **Weather:** Ex-Tropical Cyclone Carlos is still causing heavy thundery rain over the NT Top End. Tropical Cyclone Dianne is strengthening off the WA coast, bringing heavy rain to the northwest. A trough through WA and SA is developing heavy rain and storms. (www.weatherzone.com.au)
- **Grains:** US grain markets finish sharply higher overnight.
 - CBOT wheat (May 11) firmed 1.6% (14¢) to US\$883.5/bu, while the Dec 11 contract finished 16 ½ cents firmer at US\$950.75/bu (A\$357/t). An improvement in US weekly wheat export sales help lift prices last night – the USDA reported sales of 726kt, above estimates of 400-600kt. There was also some fresh trade business announced overnight with Japan buying 154kt of US and Canadian wheat at its regular tender and Turkey announced the purchase of 300kt of US and Kazakh wheat. Market concern for Chinese wheat production is supportive for prices.
 - CBOT corn (May11) surged 3.1% (22 ¢) to US\$723/bu with strong gains across the curve. Very strong US corn export sales – which came in at 1,169kt against expectations of 800-1,100kt – supported prices, as did media reports that China could cut import taxes on Ag products.
 - ASX wheat came under further downward pressure yesterday. The Jan 12 NSW wheat contract finished \$1.5 lower at \$338.5/t, however traded as low as \$334/t, influenced by the firmer AUD and recent uncertainty in international grain markets. Feed barley price declined slightly with the Jan 12 contract down \$3.2 to \$238.8, around \$100/t weaker than NSW wheat prices.
- **Oilseeds:** CBOT soybeans (May 11) bounced 2.8% (38¢) to US\$1416.5/bu last night, the first gain in 6 sessions. Funds came back into the market and purchased an estimated 10,000 lots according to Reuters. However market news retained a bearish bias. Expectations continue to mount for a massive Brazilian crop, China cancelled the purchase of 120kt of US soybeans for 2011/11 delivery, and US export sales in the last week were only 396kt, slightly below the range of trade estimates. Canadian canola (ICE May 11) bounced C\$15.2 to C\$598.1/t, recovering some recent losses.
- **Cotton:** It was a momentous session for the cotton market yesterday with the 200 cent level exceeded for the first time in history. The May 11 contract was locked 7 cents higher at US\$201.93/lb; the options market was also locked limit up after trading synthetically near US\$209/lb. In Aussie dollar terms, the market traded above \$1000/bale for the first time in history. US cotton export sales came in at 287.6k bales for the week ended 10th Feb. While the result was 5 ½ % below the previous week's sales, it was still an excellent result considering where prices are. However Cotlook yesterday indicated that it expected prices to wane over the balance of 2011 as global production rebounds and inventories begin to rebuild. Cotlook forecast global production to rebound 13% to a record 27.65 million tonnes. Despite the increased in production, the inventory rebuilding effort will take more than one season, largely because of an assumed strong 4% increase in demand.
- **Sugar:** Sugar futures were the laggard in the ag commodity complex last night with the May 11 ICE raw contract down 36pts (1.2%) to US\$28.86/lb. There were similar losses across the curve. Meanwhile heavier losses were observed in the London white market, resulting in a further compression in the white-raw spread.
- **Crude Oil:** NYMEX crude oil (Mar 11) rose 1.7% to USD86.45/bl.

Ag Commodity Markets: Daily Price Summary*

		May 11	Dec 11	Dec 12	
US Wheat (CBOT)	US\$/bu	884 +1.6%	951 +1.8%	921 +2.1%	
	AUD/t	323 +0.3%	357 +0.4%	358 +0.8%	
AU Wheat - East (ASX)		Mar 11	Jan 12	Jan 13	
	AUD/t	339 -0.7%	339 -0.4%	352 -0.4%	
AU Wheat - WA (ASX)		Mar 11	Jan 12	Jan 13	
	AUD/t	359 +0.8%	346 -0.9%	360 -0.9%	
US Soybeans (CBOT)	US\$/bu	1417 +2.8%	1374 +3.4%	1264 +3.0%	
	AUD/t	518 +1.5%	516 +2.0%	492 +1.7%	
CA Canola (ICE)	CAD/t	598 +2.6%	580 +3.0%	547 +2.3%	
	AUD/t	604 +1.5%	598 +1.8%	579 +1.1%	
AU Canola (ASX)		Mar 11	Jan 12	Jan 13	
	AUD/t	585 0.0%	600 0.0%	600 0.0%	
US Corn (CBOT)	US\$/bu	723 +3.1%	615 +3.9%	543 +3.3%	
	AUD/t	283 +1.8%	248 +2.6%	226 +2.0%	
AU Barley (ASX)		Mar 11	Jan 12	Jan 13	
	AUD/t	229 -1.9%	239 -1.3%	239 -1.3%	
AU Sorghum (ASX)		Mar 11	May 11	May 12	
	AUD/t	235 0.0%	243 +1.0%	243 +1.0%	
US Raw Sugar (ICE)	US\$/lb	28.86 -1.2%	25.08 -1.1%	20.83 -1.4%	
	AUD/t	634 -2.5%	561 -2.4%	486 -2.6%	
US Cotton (ICE)	US\$/lb	201.93 +3.6%	193.56 +3.8%	116.58 +2.9%	
	AUD/bale	1005 +2.3%	971 +2.4%	610 +1.6%	
AU Wool EMI (AWEX)	AUD/kg	Latest 12.54	% chg 1.0%	Last Pricing 17/2/11	
AU Cattle (EYCI)	AUD/kg	Latest 3.932	% chg 0.1%	Last Pricing 17/2/11	
Crude Oil (WTI)	USD/bl	Latest 86.45	% chg 1.7%	Last Pricing 17/2/11	
	AUD/bl	85.41	0.4%	17/2/11	
Commodity Indices	Latest	% chg	Last Pricing		
	S&P Agri & L'stock (USD)	1483	1.8%	17/2/11	
	S&P Agri & L'stock (AUD)	1465	0.5%	17/2/11	
	S&P All Commodities (USD)	5029	0.5%	17/2/11	
	S&P All Commodities (AUD)	4968	-0.8%	17/2/11	
Currencies	Latest	pts chg	% chg		
	AUD/USD	1.0122	0.0134	1.3%	
	AUD/CAD	0.9967	0.0117	1.2%	
	AUD/JPY	84.31	0.70	0.8%	
	USD Index	78.0	-0.2	-0.3%	
Equity Markets	Latest	pts chg	% chg		
	ASX S&P200	4938	8	0.2%	
	US DJI	12322	34	0.3%	
	UK FTSE	6087	2	0.0%	

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 17/02/11, previous pricing date is 16/02/11

Sources: Bloomberg and CBA

** AUD Equivalent Price



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

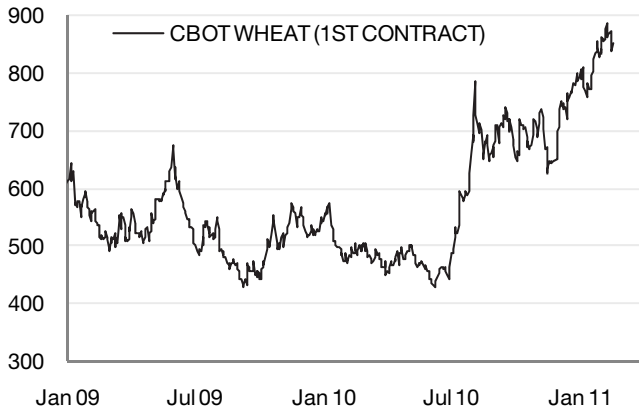


Figure 2: ASX NSW Wheat (Jan 11 Contract, A\$/t)

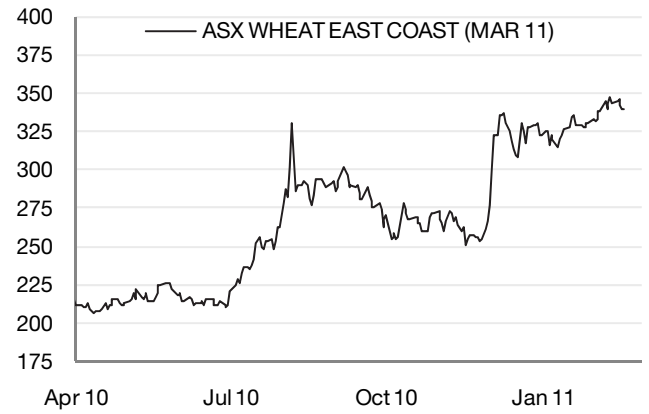


Figure 3: CBOT Corn (1st Contract, US\$/bu)



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

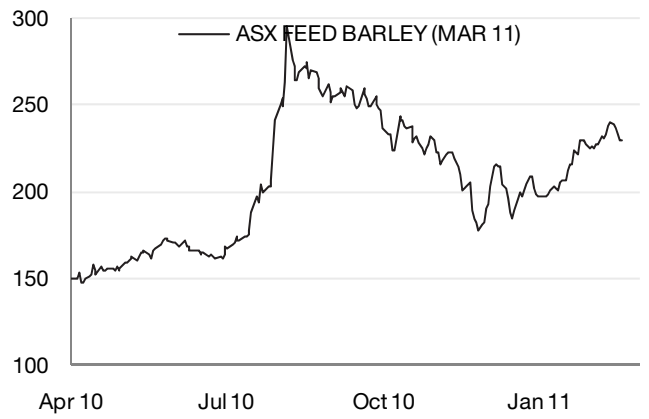


Figure 5: CBOT Soybeans (1st Contract, US\$/bu)

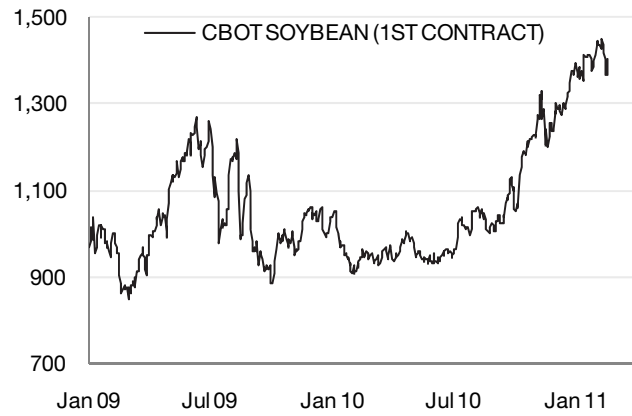


Figure 6: ICE Canola (1st Contract, C\$/t)



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

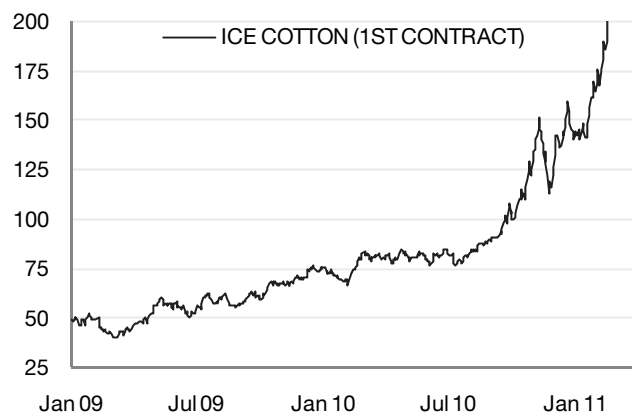
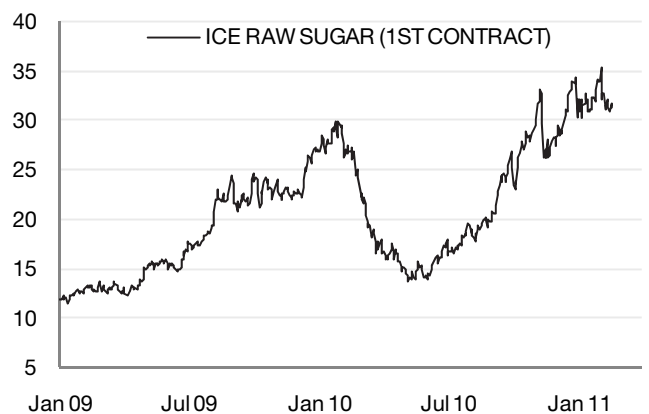


Figure 8: ICE Sugar (1st Contract, US\$/lb)





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