



## Ag markets finally bounce as Japan's crisis calms.

- **Markets:** European and US equity markets rallied on bargain hunting following commentary from Japanese Authorities that radiation levels at the Fukushima power plant had stabilised. US consumer prices rose by 0.5% in February - marking the largest monthly increase in 18 months. In the 12 months to February consumer prices were up 2.1%. Gasoline prices were the key driver rising by 4.7%. Core consumer prices rose by 0.2% (1.1%pa) in February. The US Conference Board Index of leading economic indicators rose by 0.8% in February. However US industrial production fell by 0.1% in February, against forecasts for a 0.6% increase.
- **Currencies:** The AUD ended 0.1% lower at USD0.9806 overnight (London close) while the USD index dropped 0.9% to 76.0pts.
- **Weather:** A trough in the east is triggering showers and storms over QLD and NSW, some heavy. Moisture is being drawn across SA from a low centred over WA, generating areas of heavy rain and storms. The monsoon trough has retracted further north, but is still causing thundery showers.
- **Grains:** US grain markets bounced sharply higher last night.
  - CBOT wheat (May 11) surged 48 ¼ cents (7.3%) to US\$710.25/bu last night while the Dec 11 bounced back by a similar magnitude to US\$812.25/bu (~\$315/t, +A\$20). The bounce was overdue considering the near 30% slide in prices observed over the past month. And if the Japanese crisis continues to calm the market will refocus attention on the required production response in 2011, and the currently uncertain state of the US HRW wheat crop. Also supporting prices was a 30% lift in weekly US wheat exports in the 7 days to 10<sup>th</sup> March, signalling that recently weaker prices are uncovering demand. But the survey period was prior to last week's Japanese quake (which struck on the 11<sup>th</sup> March), therefore next week's export sales result will be scrutinised to gauge if the quake has had an immediate impact on US grain trade.
  - CBOT corn (May11) bounced by the 30 cent limit to US\$562.1/bu amid a general improvement in investor risk appetite and very strong US export sales results. Total sales for the week ended 10<sup>th</sup> March came in at a huge 1.34 million tonnes, up 72% for the week and up 33% from the average weekly sales results observed over the past 2 ½ months. Reuters rumoured last night that China purchased 250-500 thousand tonnes of corn, but we don't know the accuracy of these reports.
  - ASX NSW for January 12 delivery bounced modestly yesterday, rising \$4 to \$284/t. The extended gains in international markets last night will place further support the ASX today. New-crop basis (ASX-CBOT) weakened to - A\$31 last night from - A\$15 per tonne the night before.
- **Oilseeds:** CBOT soybeans (May 11) rallied 48 ¼ cents to US\$1335.25/bu, on the back price gains elsewhere and continued worries about Brazilian soybean harvest progress. US soybean export sales continue to seasonally decline, with the latest result down 55% for the week. Canadian canola (May 11) surged C\$28.2 to C\$562.1/t., the best gains in 29-months.
- **Cotton:** NY May 11 cotton rebounded by the 7 cent limit yesterday to US\$192.12/lb, the first gain in four sessions, as risk assets across the board were strongly bid. US weekly cotton export sales were not inspiring, coming in at a 2011-low of 176 thousand bales, down 63% from the week prior. There was a significant cancellation of old crop sales, with the net sales result of -55.4 thousand bales. China cancelled previous purchases of 56.4 thousand bales and turkey cancelled 19.4 thousand bales.
- **Sugar:** NY raw sugar (May 11) rallied 89pts (3.4%) to US\$26.74/lb as Japanese fears eased and Middle East fears sent crude oil prices higher. Bloomberg reports this morning indicate that Mexico's sugar output for the 2010/11 rose 28% to 3.37 million tonnes. UNICA has reportedly asked mills to start crushing early this year to avert ethanol supply constraints.
- **Crude Oil:** NYMEX crude oil (Apr 11) surged 3.6% to USD101.48/bl. A calming in Japanese crisis allowed the market to re-focus on the supply disruptions created by continued violence in the Middle-East.

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

		May 11	Dec 11	Dec 12
<b>US Wheat (CBOT)</b>	US\$/bu	710 +7.3%	812 +6.4%	831 +6.8%
	AUD/t	267 +7.4%	315 +6.6%	333 +6.9%
<b>AU Wheat - East (ASX)</b>		<b>May 11</b>	<b>Jan 12</b>	<b>Jan 13</b>
	AUD/t	283 +1.4%	284 +1.4%	297 +1.4%
<b>AU Wheat - WA (ASX)</b>		<b>May 11</b>	<b>Jan 12</b>	<b>Jan 13</b>
	AUD/t	348 0.0%	294 +0.7%	308 +0.7%
<b>US Soybeans (CBOT)</b>	US\$/bu	1335 +3.7%	1302 +4.1%	1207 +4.3%
	AUD/t	502 +3.9%	503 +4.3%	483 +4.5%
<b>CA Canola (ICE)</b>		<b>May 11</b>	<b>Nov 11</b>	<b>Nov 12</b>
	CAD/t	562 +5.3%	551 +5.3%	520 +5.6%
	AUD/t	583 +6.1%	583 +6.1%	565 +6.4%
<b>AU Canola (ASX)</b>		<b>May 11</b>	<b>Jan 12</b>	<b>Jan 13</b>
	AUD/t	499 0.0%	525 +2.1%	525 +2.1%
<b>US Corn (CBOT)</b>	US\$/bu	647 +4.9%	579 +5.5%	542 +5.7%
	AUD/t	261 +5.0%	240 +5.6%	232 +5.8%
<b>AU Barley (ASX)</b>		<b>May 11</b>	<b>Jan 12</b>	<b>Jan 13</b>
	AUD/t	208 +2.0%	219 +1.6%	219 +1.6%
<b>AU Sorghum (ASX)</b>		<b>May 11</b>	<b>Jul 11</b>	<b>May 12</b>
	AUD/t	221 0.0%	221 0.0%	221 0.0%
<b>US Raw Sugar (ICE)</b>		<b>May 11</b>	<b>Oct 11</b>	<b>Oct 12</b>
	US\$/lb	26.74 +3.4%	23.55 +4.2%	21.19 +3.6%
	AUD/t	604 +3.6%	542 +4.4%	509 +3.7%
<b>US Cotton (ICE)</b>		<b>May 11</b>	<b>Jul 11</b>	<b>Jul 12</b>
	US\$/lb	192.12 +3.8%	182.46 +4.0%	106.24 +3.5%
	AUD/bale	983 +3.9%	941 +4.1%	573 +3.7%
<b>AU Wool EMI (AWEX)</b>		<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
	AUD/kg	13.7	0.8%	17/3/11
<b>AU Cattle (EYC)</b>		<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
	AUD/kg	4.088	0.1%	17/3/11
<b>Crude Oil (WTI)</b>		<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
	USD/bl	101.48	3.6%	17/3/11
	AUD/bl	103.49	3.7%	17/3/11
<b>Commodity Indices</b>		<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
	S&P Agri & L'stock (USD)	1352	4.0%	17/3/11
	S&P Agri & L'stock (AUD)	1378	4.1%	17/3/11
	S&P All Commodities (USD)	5323	3.4%	17/3/11
	S&P All Commodities (AUD)	5429	3.5%	17/3/11
<b>Currencies</b>		<b>Latest</b>	<b>pts chg</b>	<b>% chg</b>
	AUD/USD	0.9806	-0.0013	-0.1%
	AUD/CAD	0.9679	-0.0077	-0.8%
	AUD/JPY	77.47	-1.12	-1.4%
	USD Index	76.0	-0.7	-0.9%
<b>Equity Markets</b>		<b>Latest</b>	<b>pts chg</b>	<b>% chg</b>
	ASX S&P200	4555	-3	-0.1%
	US DJI	11775	161	1.4%
	UK FTSE	5696	98	1.7%

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 17/03/11, previous pricing date is 16/03/11

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

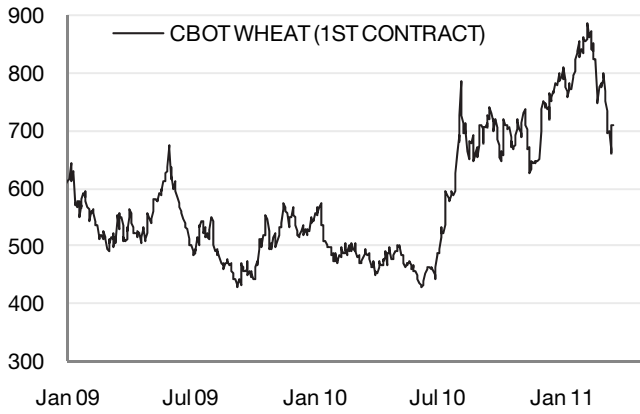


Figure 2: ASX NSW Wheat (Jan 11 Contract, A\$/t)



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



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

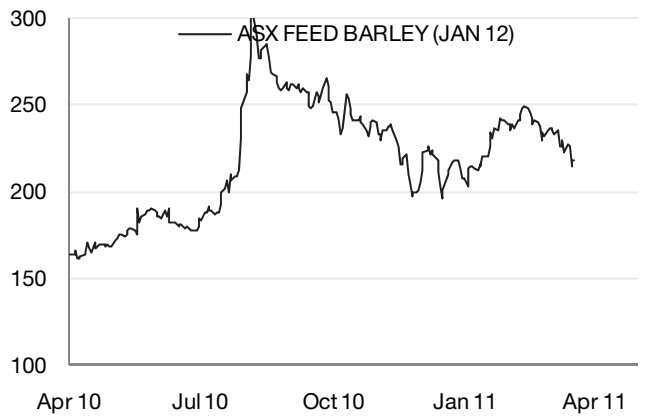


Figure 5: CBOT Soybeans (1<sup>st</sup> Contract, US\$/bu)

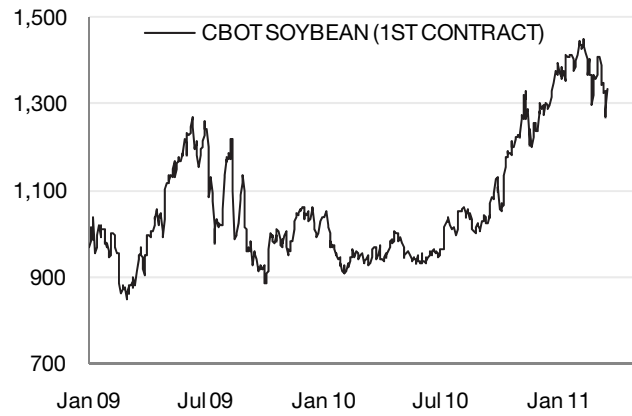


Figure 6: ICE Canola (1<sup>st</sup> Contract, C\$/t)



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

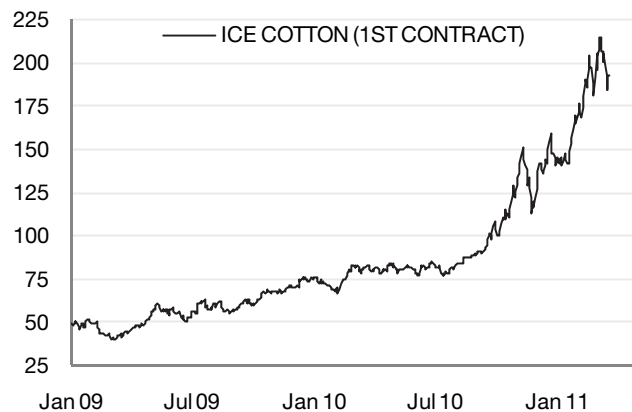


Figure 8: ICE Sugar (1<sup>st</sup> Contract, US\$/lb)





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