

Crude oil prices fall 6%. Ag commodities can't escape the mayhem...

- **Markets:** Global financial markets were in turmoil again last night. European shares recorded their biggest daily fall in over 2½ years overnight (down 4-5%) and US shares also fell sharply. Doubts about the global recovery and sovereign debt issues continued to dominate price action, and concerns about bank funding have risen after an unidentified euro zone bank borrowed \$500 million in one week dollars from the ECB. US economic data was weak. The Philadelphia Fed survey of manufacturing collapsed in August, plunging to the lowest level since early 2009. US existing home sales fell 3.5% in July. US core consumer prices rose 0.2% for the month.
- **Currencies:** The AUD slumped 1.3% to USD1.0388 overnight (London close) while the USD index rose 0.7% to 73.5pts.
- **Weather:** A low pressure system off the east coast is generating areas of rain over eastern VIC and NSW. Moist westerly winds are bringing isolated showers to eastern TAS and to western VIC. A large high is keeping the remainder of the country generally clear. (www.weatherzone.com.au)
- **Grains:** US grain markets fell sharply overnight.
 - CBOT wheat (Sep 11) dropped 19 ¼ cents (2.7%) to US\$707.75/bu while the Dec 11 contract fell 2.5% to US\$739.25/bu (~A\$264/t). Last night's losses were the first in eight sessions for the September contract, with the loss mainly attributed to the mayhem in global financial markets. The steepest losses in 2 ½ years for European equities plus the 6% slump in crude oil markets meant grain markets stood little chance last night. Contributing to the decline in US wheat markets is the fact that Russian wheat remains significantly cheaper. Last night Russia and Romania sold 240 thousand tonnes of soft wheat to Egypt at ~US\$278/t (fob). US soft wheat was offered at ~US\$294/t according to Reuters.
 - CBOT corn (Sep11) fell 1.8% (12 ½ cents) to US\$699/bu amid the turmoil in financial markets. US weekly corn export sales in the past week were also disappointing at 524 thousand tonnes, below estimates of 700-900 thousand according to Reuters. Providing a strong undercurrent of support to corn prices is the fact that global supplies are forecast to slide to critically low levels this year.
 - Australian grain markets finished lower yesterday as excellent rainfall improves NSW grain production prospects and world markets crumble. ASX NSW wheat (Jan 12) fell by more than \$6 to \$258.5/t yesterday, the Jan 12 WA wheat contract fell \$7 to \$267/t, and Jan 12 east coast feed barley was quoted \$4 weaker at \$218/t.
- **Oilseeds:** CBOT soybeans (Sep 11) fell 5 ¼ cents (0.4%) to US\$1361/bu, however the losses were relatively contained considering WTI crude oil prices slumped 6%. Continued uncertainty about US production prospects supported values. Canadian canola (Nov 11) fell C\$4.1 to C\$553.5/t.
- **Cotton:** NY cotton (Dec 11) ended 87pts weaker at US\$106.95/lb last night, however this was notably above the session low of US\$103.82/lb. Concern that the weakening global economy will further dampen apparel demand weighed on cotton values, however concern that production losses may have occurred in Pakistan (due to flooding) supported values. The USDA's weekly export sales report showed huge net cancellations of 337 thousand bales for the 2011/12 season. Normally, such a large cancellation would have a devastating impact on prices, but some commentators have reported that this time the cancellation is a result of inadequate supply availability.
- **Sugar:** NY raw sugar (Oct 11) closed 37pts (1.3%) weaker at US\$29.12/lb overnight after earlier trading down to US\$28.64/lb. Economic concerns provided a significant headwind for the sugar complex, as did estimates from the Thai Sugar Millers Corp that Thai cane output may rise to 100 million tonnes in 2011/12, up from 95.4 million tonnes this year, resulting in sugar production of ~10 million tonnes. But continued chatter regarding China's growing sugar import requirements, due to disappointing 2010/11 production and rapidly rising demand, provided support to prices.
- **Crude Oil:** NYMEX crude oil (Sep 11) collapsed 6% to USD82.38/bl.

Ag Commodity Markets: Daily Price Summary*

Commodity	Unit	Price	% chg	Contract	Price	% chg	Contract	Price	% chg
US Wheat (CBOT)	USc/bu	708	-2.7%	Sep 11	739	-2.5%	Dec 11	821	-2.1%
	AUD/t **	251	-1.4%	Sep 11	264	-1.2%	Dec 11	304	-0.9%
AU Wheat - East (ASX)	AUD/t	252	-1.6%	Sep 11	259	-2.5%	Jan 12	284	-2.0%
	AUD/t	376	0.0%	Sep 11	267	-2.6%	Jan 12	290	-2.4%
US Soybeans (CBOT)	USc/bu	1361	-0.4%	Nov 11	1372	-0.4%	Jan 12	1330	-0.3%
	AUD/t **	485	+1.0%	Nov 11	492	+0.9%	Jan 12	487	+0.9%
CA Canola (ICE)	CAD/t	554	-0.7%	Nov 11	562	-0.7%	Jan 12	555	-1.3%
	AUD/t **	542	-0.2%	Nov 11	553	-0.3%	Jan 12	556	-0.8%
AU Canola (ASX)	AUD/t	540	0.0%	Sep 11	565	0.0%	Jan 12	565	0.0%
	USc/bu	699	-1.8%	Sep 11	713	-1.7%	Dec 11	640	-1.6%
US Corn (CBOT)	AUD/t **	265	-0.4%	Sep 11	273	-0.4%	Dec 11	254	-0.4%
	AUD/t	213	0.0%	Sep 11	219	-1.8%	Jan 12	222	-1.8%
AU Barley (ASX)	AUD/t	239	0.0%	Sep 11	245	-0.8%	May 12	245	-0.8%
	USc/lb	29.12	-1.3%	Oct 11	28.30	-1.4%	Mar 12	25.09	-0.7%
US Raw Sugar (ICE)	AUD/t **	620	+0.1%	Oct 11	613	-0.1%	Mar 12	552	+0.6%
	USc/lb	106.95	-0.8%	Dec 11	100.78	-0.2%	Jul 12	98.31	+0.1%
US Cotton (ICE)	AUD/bale **	520	+0.5%	Dec 11	499	+1.1%	Jul 12	499	+1.3%
	AUD/kg	12.63	-1.1%	Latest			% chg	18/8/11	
AU Wool EMI (AWEX)	AUD/kg	3.85	0.2%	Latest			% chg	18/8/11	
	USD/bl	82.38	-5.9%	Latest			% chg	18/8/11	
Crude Oil (WTI)	AUD/bl **	79.30	-4.7%	Latest			% chg	18/8/11	
	S&P Agri & L'stock (USD)	1325	-1.4%	Latest			% chg	18/8/11	
Commodity Indices	S&P Agri & L'stock (AUD)	1276	-0.1%	Latest			% chg	18/8/11	
	S&P All Commodities (USD)	4807	-3.3%	Latest			% chg	18/8/11	
	S&P All Commodities (AUD)	4627	-2.0%	Latest			% chg	18/8/11	
	AUD/USD	1.0388	-0.0142	Latest			pts chg		% chg
Currencies	AUD/CAD	1.0286	-0.0049	Latest			pts chg		% chg
	AUD/JPY	79.47	-1.10	Latest			pts chg		% chg
	USD Index	74.2	0.5	Latest			pts chg		% chg
	ASX S&P200	4251	-53	Latest			pts chg		% chg
Equity Markets	US DJI	10991	-420	Latest			pts chg		% chg
	UK FTSE	5092	-239	Latest			pts chg		% chg

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 18/08/11, previous pricing date is 17/08/11

Sources: Bloomberg and CBA

** AUD Equivalent Price



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

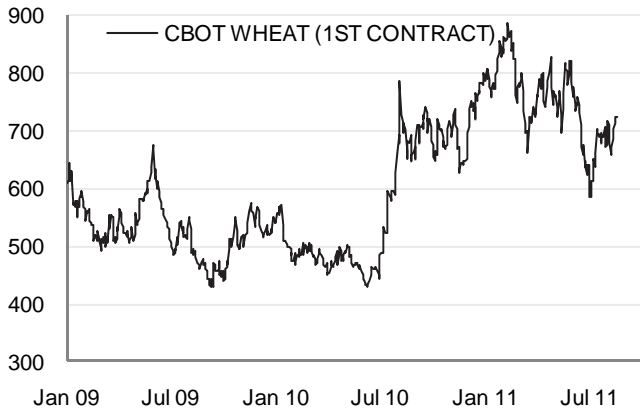


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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

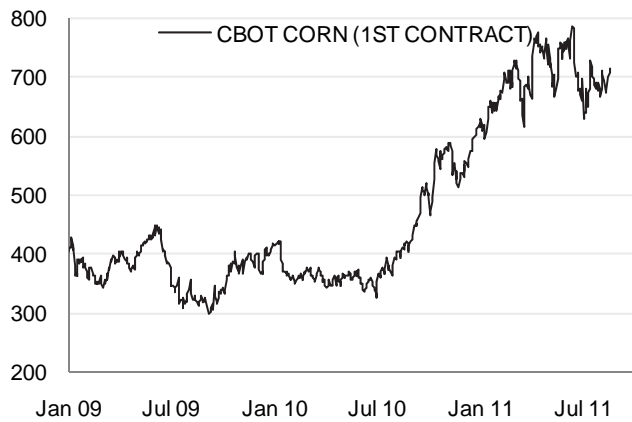


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)



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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