

## China's domestic corn deficit to increase over next 4 years...

- Markets:** The International Monetary Fund has cut its forecast for global economic growth. The IMF expects growth of 4.0% this year, down from its previous forecast of 4.3%. This is still a resilient growth forecast given the ructions currently experienced in Europe and the US. The Australian economy is tipped to grow 1.8% this year and 3.3% in 2012. US housing starts fell by 5.0% to an annual rate of 571,000 in August. Economists had tipped a result around 590,000. But permits rose 3.2%, pointing to stronger activity ahead. US chain store sales were up 4.1% in the latest week on a year ago. European shares rebounded on Tuesday despite Standard and Poor's cutting the credit rating of Italy. US sharemarkets ended mixed after slumping of their highs late in the day.
- Currencies:** The AUD rose 0.9% to USD1.0279 overnight (London close) while the USD index fell 0.2% to 77pts.
- Weather:** A trough and front are bringing gusty winds and a cooler change to southern QLD and NSW. Strong and moist westerlies in the wake of the front are bringing a few showers to southern NSW, VIC and TAS. Another front is bring strong winds and showers to southwest WA. ([www.weatherzone.com.au](http://www.weatherzone.com.au))
- Grains:** US grain markets finished mixed again overnight.
  - CBOT wheat (Dec 11) handed back strong gains to close just 1 ¼ cents firmer at US\$674.75/bu (-A\$243/t). Early gains in the complex were linked to forecasts that dryness may soon return to the US HRW wheat belt, reports of potentially massive wheat for corn substitution in China, and thoughts the past month's sell-off had just gone too far. But the late slide in grain prices confirms that the bears are not yet ready to roll over without a fight.
  - CBOT corn rose strongly yesterday before turning lower during the US trade. The Dec 11 contract closed 2 cents lower at US\$690.25/lb. Long dated contracts, however, finished higher. Continued chatter about potential large Chinese demand for US corn supported values. China's National Grains and Oils Information Centre reported that their domestic corn shortfall could reach 11 million tonnes by 2015, up from just 1 million tonnes in 2010.
  - ASX NSW wheat (Jan 12) traded around \$248/t yesterday, a \$5 premium to Chicago Dec 11 wheat, while feed barley for Jan 12 delivery traded a touch lower to \$223/t. Light showers are forecast in SW WA today. The nation's grain belt is then expected to be in a net drying mode for at least the next 5 days. Rain is needed.
- Oilseeds:** CBOT soybeans (Nov 11) ended 2 cents firmer at US\$1338/bu after earlier trading up to US\$1350/bu. Supporting values was the confirmed sale of 120 thousand tonnes of US soybeans to China for 2011/12 delivery. But spill-over pressure from the late decline in corn values pulled soybean prices off their highs. Canadian canola (Nov 11) bounced C\$7 to C\$555.6/t, the first rise in seven sessions.
- Cotton:** NY cotton futures ended mixed overnight after trading higher for most of the session. The Dec 11 contract closed 11pts softer at US\$105.41/lb but the Jul 12 contract closed 16pts firmer at US\$100.92/lb.
- Sugar:** NY raw sugar (Oct 11) chopped both sides of unchanged last night before closing 24pts weaker at US\$27.59/lb. Bloomberg, citing Pakistan media, reported that Pakistan's National Price Monitoring Committee has recommended importing 400 thousand tonnes of sugar to meet domestic demand after recent flooding hurt production. This comes just days after the Pakistan government indicated there are sufficient sugar inventories and there is no need for current imports. Clearly, this is an evolving situation, but one that must be monitored closely. ABARES yesterday revised higher its forecast for Australia's 2011/12 sugar output to 4.2 million tonnes, up favourably from its June forecast at 3.85 million, and above 2010/11 output of 3.6 million. The revision is despite the damage caused by Cyclone Yasi in February, and is the result of better than expected cane crushing conditions.
- Crude Oil:** NYMEX crude oil (Oct 11) ended 0.8% higher at USD86.47/bl.

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

		Dec 11	Mar 12	Dec 12
<b>US Wheat (CBOT)</b>	US\$/bu	675 +0.3%	712 +0.1%	772 -0.1%
	AUD/t **	243 -0.7%	259 -0.8%	286 -0.9%
<b>AU Wheat - East (ASX)</b>		<b>Jan 12</b>	<b>Mar 12</b>	<b>Jan 13</b>
	AUD/t	248 -0.6%	250 -0.6%	273 +0.3%
<b>AU Wheat - WA (ASX)</b>		<b>Jan 12</b>	<b>Mar 12</b>	<b>Jan 13</b>
	AUD/t	257 -1.9%	261 -1.9%	284 -1.7%
<b>US Soybeans (CBOT)</b>	US\$/bu	1338 +0.1%	1349 +0.1%	1325 +0.2%
	AUD/t **	480 -0.8%	487 -0.8%	491 -0.6%
<b>CA Canola (ICE)</b>		<b>Nov 11</b>	<b>Jan 12</b>	<b>Nov 12</b>
	CAD/t	556 +1.3%	566 +1.3%	560 +1.2%
	AUD/t **	546 +0.2%	560 +0.2%	566 +0.2%
<b>AU Canola (ASX)</b>		<b>Nov 11</b>	<b>Jan 12</b>	<b>Jan 13</b>
	AUD/t	560 0.0%	550 -0.9%	550 -0.9%
<b>US Corn (CBOT)</b>	US\$/bu	690 -0.3%	703 -0.3%	620 +0.3%
	AUD/t **	266 -1.2%	274 -1.2%	246 -0.5%
<b>AU Barley (ASX)</b>		<b>Jan 12</b>	<b>Mar 12</b>	<b>Jan 13</b>
	AUD/t	224 -0.2%	226 -0.2%	228 +0.4%
<b>AU Sorghum (ASX)</b>		<b>Nov 11</b>	<b>May 12</b>	<b>May 13</b>
	AUD/t	237 0.0%	243 +0.4%	243 +0.4%
<b>US Raw Sugar (ICE)</b>		<b>Oct 11</b>	<b>Oct 12</b>	<b>Oct 13</b>
	US\$/lb	27.59 -0.9%	24.10 -0.7%	22.97 -1.1%
	AUD/t **	592 -1.8%	536 -1.5%	530 -1.8%
<b>US Cotton (ICE)</b>		<b>Dec 11</b>	<b>Jul 12</b>	<b>Jul 13</b>
	US\$/lb	105.41 -0.1%	100.92 +0.2%	98.67 -0.1%
	AUD/bale **	517 -1.0%	505 -0.7%	507 -0.8%
<b>AU Wool EMI (AWEX)</b>		<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
	AUD/kg	12.67	-0.5%	20/9/11
<b>AU Cattle (EYCI)</b>		<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
	AUD/kg	4.05	0.7%	20/9/11
<b>Crude Oil (WTI)</b>		<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
	USD/bl	86.47	0.8%	20/9/11
	AUD/bl **	84.12	-0.2%	20/9/11
<b>Commodity Indices</b>		<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
	S&P Agri & L'stock (USD)	1288	0.2%	20/9/11
	S&P Agri & L'stock (AUD)	1253	-0.7%	20/9/11
	S&P All Commodities (USD)	4883	0.7%	20/9/11
	S&P All Commodities (AUD)	4751	-0.2%	20/9/11
<b>Currencies</b>		<b>Latest</b>	<b>pts chg</b>	<b>% chg</b>
	AUD/USD	1.0279	0.0096	0.9%
	AUD/CAD	1.0204	0.0111	1.1%
	AUD/JPY	78.64	0.73	0.9%
	USD Index	77.0	-0.2	-0.2%
<b>Equity Markets</b>		<b>Latest</b>	<b>pts chg</b>	<b>% chg</b>
	ASX S&P200	4040	-41	-1.0%
	US DJI	11409	8	0.1%
	UK FTSE	5364	104	2.0%

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 20/09/11, previous pricing date is 19/09/11

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

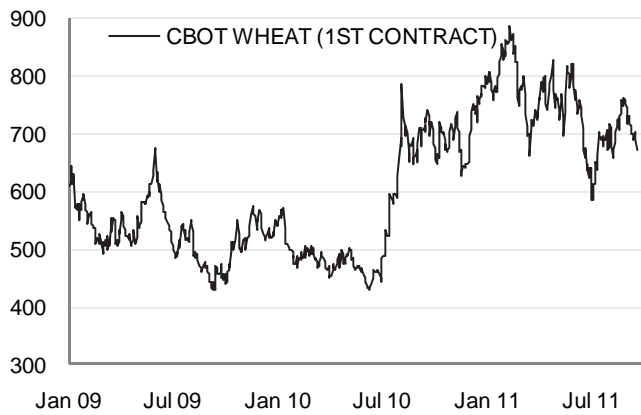


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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

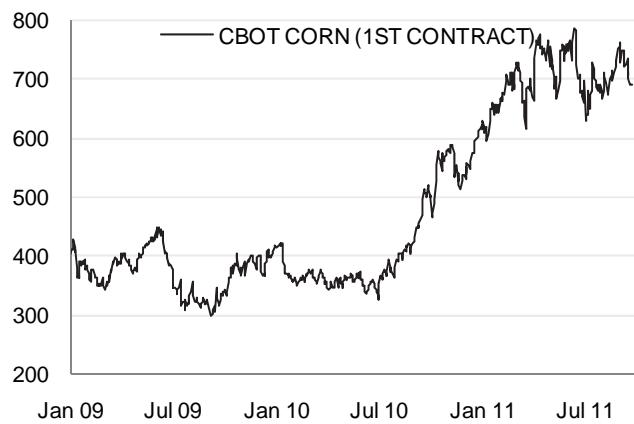


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)



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

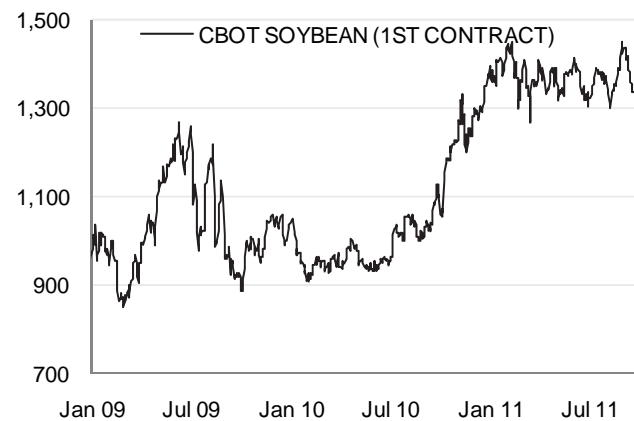


Figure 6: ICE Canola (1<sup>st</sup> Contract, C\$/t)



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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