Commodities: Agri Commodities Daily Alert

21 December 2011

Grain markets continue to grind higher…

- Markets: US housing starts surged by 9.3% this month, taking starts to their highest level since April 2010. And building permits for future construction increased by a larger than expected 5.7%. The housing data suggest that a tentative recovery was taking place in the housing sector with the demand for rental apartments on the rise. But the level for all building activity is still incredibly low compared to pre GFC activity. European shares rallied on Tuesday in light volumes. Investors were buoyed by the sharp pickup in German business sentiment in December. Healthy demand for Spanish bond auctions also supported risk appetite. US shares surged on Tuesday in a broad based rally.
- Currencies: The AUD rallied 1.5% to USD1.0074 overnight (London close) while the USD index fell 0.5% to 79.9pts.
- Weather: A trough in the east is generating isolated showers and storms in northern NSW and southern QLD. Another trough is triggering patchy rain and storms in SA and the WA Interior. A developing monsoon trough is causing showers and storms in the northern tropics. (www.weatherzone.com.au)
- Grains: US grain markets rallied again overnight.
  - CBOT wheat (Mar 12) rose 1.3% (8¢) to USc607.75/bu (~A$234/t) last night however prices finished lower in Aussie dollar terms because of the stronger local currency. Strong gains in crude oil and equity markets, combined with the weaker USD, supported short covering gains in the wheat market. The gains in wheat prices came despite heavy snowfall to the dormant HRW wheat crop on the US Great Plains, ensuring the crop will have adequate moisture availability next spring.
  - CBOT corn (Mar 12) rose 6 cents (1.0%) to USc607/bu overnight, supported by bullish outside markets and thoughts that crops across parts of South America will remain stressed over the next 10 days, despite forecasts for some beneficial rainfall.
  - ASX NSW wheat (Jan 12) traded around $201/t yesterday and the Mar 12 contract firmed to $204.5/t. WA Jan 12 wheat rose to $220.8/t and east coast feed barley for Jan 12 delivery rose $5 to $179/t. The recent rise in US grain markets and previously weak local basis supported Australian grain prices yesterday. We expect the firmer tone in local markets to continue today, however the gains may be capped by the stronger Aussie dollar.
- Oilseeds: CBOT soybeans (Jan 12) rose 0.7% (7½¢) to USc1144.5/bu, supported by the strong rally in crude oil markets and continued worries about crop stress in South America, despite forecasts for some favourable rains. Slightly stronger gains were observed in far dated soybean contracts, with those prices supported by thoughts that soybean acres will lose out to corn and cotton next spring. Canadian canola (Jan 11) rose C$2.8 to C$510.5/t, the strongest close in a month.
- Cotton: NY cotton (Mar 12) handed back early gains to close 29pts (0.3%) weaker at USc86.80/lb last night. It was a disappointing session for the fibre complex considering the support provided by stronger 'outside markets'. Slow physical demand and thin holiday markets means the cotton market is likely to limp its way into 2012.
- Sugar: NY raw sugar (Mar 12) rose 1.7% (40pts) to USc23.49/lb overnight, buoyed by improved investor risk appetite. Stronger than expected US and German economic data provided a boost to global equity and energy markets, which in turn helped lift sugar prices for the session. Fundamentally, any sugar market rally is likely to be capped by increasing exportable supplies in many regions. The Indian Sugar Mills Association reported that YTD sugar output is running 19% ahead of the 2010/11 pace, despite the adverse affect of crushing delays encountered early in the season. The ISMA has forecast total output at 26 million tonnes this year, up from the government's forecast of 24-25 million tonnes, and above expected demand requirements of 22 million tonnes.
- Crude Oil: NYMEX crude oil (Jan 12) surged 3.6% to USD97.22/bl.

Ag Commodity Markets: Daily Price Summary*

US Wheat (CBOT)		**Mar 12**		**Dec 12**		**Dec 13**	
	USc/bu	608	*+1.3%*	682	*+0.9%*	717	*+0.8%*
	AUD/t **	223	*-0.1%*	255	*-0.5%*	274	*-0.5%*
AU Wheat - East (ASX)		**Jan 12**		**Mar 12**		**Jan 13**	
	AUD/t	201	*+1.3%*	205	*+0.5%*	235	*+0.9%*
AU Wheat - WA (ASX)		**Jan 12**		**Mar 12**		**Jan 13**	
	AUD/t	221	*+0.8%*	221	*+1.1%*	244	*+1.0%*
US Soybeans (CBOT)		**Jan 12**		**Nov 12**		**Nov 13**	
	USc/bu	1145	*+0.7%*	1167	*+0.7%*	1163	*+0.7%*
	AUD/t **	418	*-0.8%*	436	*-0.7%*	444	*-0.6%*
CA Canola (ICE)		**Jan 12**		**Nov 12**		**Nov 13**	
	CAD/t	511	*+0.6%*	494	*+0.2%*	497	*+0.2%*
	AUD/t **	493	*-0.3%*	486	*-0.6%*	499	*-0.5%*
AU Canola (ASX)		**Jan 12**		**Mar 12**		**Jan 13**	
	AUD/t	500	*0.0%*	475	*0.0%*	475	*0.0%*
US Corn (CBOT)		**Mar 12**		**Dec 12**		**Dec 13**	
	USc/bu	607	*+1.0%*	564	*+0.8%*	559	*+1.3%*
	AUD/t **	239	*-0.5%*	226	*-0.6%*	229	*-0.1%*
AU Barley (ASX)		**Jan 12**		**Mar 12**		**Jan 13**	
	AUD/t	179	*+2.9%*	180	*+1.4%*	197	*+1.3%*
AU Sorghum (ASX)		**Jan 12**		**May 12**		**May 13**	
	AUD/t	210	*0.0%*	190	*+2.2%*	190	*+2.1%*
US Raw Sugar (ICE)		**Mar 12**		**Oct 12**		**Oct 13**	
	USc/lb	23.49	*+1.7%*	22.97	*+0.8%*	23.06	*+0.4%*
	AUD/t **	518	*+0.2%*	515	*-0.6%*	529	*-0.9%*
US Cotton (ICE)		**Mar 12**		**Jul 12**		**Jul 13**	
	USc/lb	86.80	*-0.3%*	86.62	*+0.0%*	86.82	*+0.3%*
	AUD/bale **	434	*-1.8%*	438	*-1.4%*	451	*-1.0%*

AU Wool EMI (AWEX)		**Latest**	**% chg**	**Last Pricing**
	AUD/kg	11.89	0.0%	15/12/11
AU Cattle (EYCI)		**Latest**	**% chg**	**Last Pricing**
	AUD/kg	4.28	1.7%	20/12/11
Crude Oil (WTI)		**Latest**	**% chg**	**Last Pricing**
	USD/bl	97.22	3.6%	20/12/11
	AUD/bl **	96.51	2.0%	20/12/11
Commodity Indices		**Latest**	**% chg**	**Last Pricing**
	S&P Agri & L'stock (USD)	1137	0.0%	19/12/11
	S&P Agri & L'stock (AUD)	1145	0.0%	19/12/11
	S&P All Commodities (USD)	4693	0.0%	19/12/11
	S&P All Commodities (AUD)	4728	0.0%	19/12/11
Currencies		**Latest**	**pts chg**	**% chg**
	AUD/USD	1.0074	0.0148	1.5%
	AUD/CAD	1.0368	0.0089	0.9%
	AUD/JPY	78.36	0.98	1.3%
	USD Index	79.9	-0.4	-0.5%
Equity Markets		**Latest**	**pts chg**	**% chg**
	ASX S&P200	4053	-7	-0.2%
	US DJI	12093	326	2.8%
	UK FTSE	5420	55	1.0%

* Prices are the closing exchange traded futures prices.
Changes are daily. Last pricing date is 20/12/11, previous pricing date is 19/12/11.
Sources: Bloomberg and CBA

** AUD Equivalent Price

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Figure 1: CBOT Wheat (1st Contract, USc/bu)

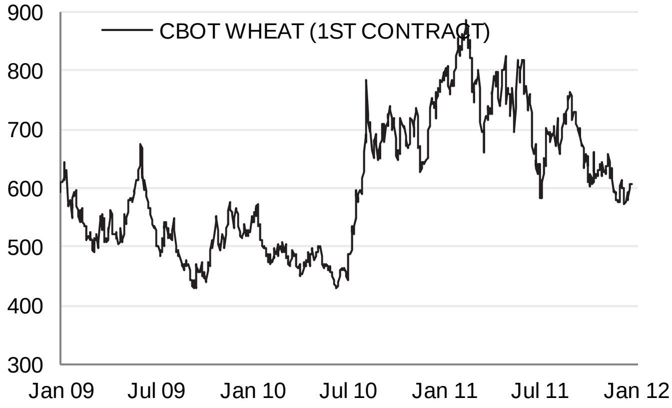


Figure 2: ASX NSW Wheat (Jan 12 Contract, A$/t)

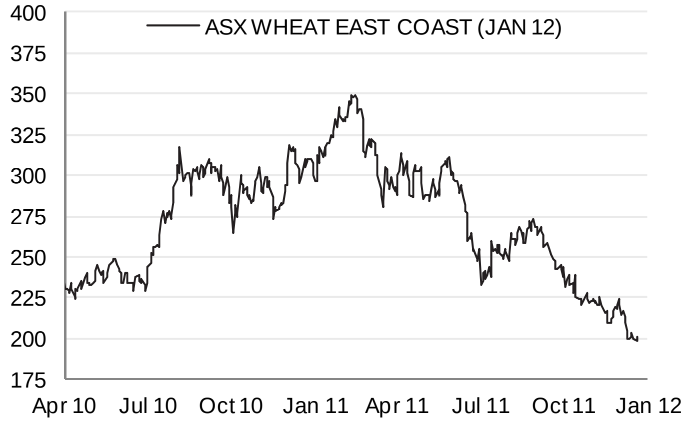


Figure 3: CBOT Corn (1st Contract, USc/bu)

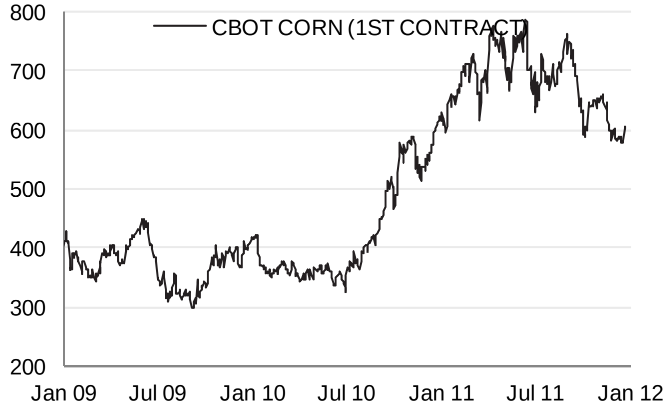


Figure 4: ASX Feed Barley (Jan 12 Contract, A$/t)

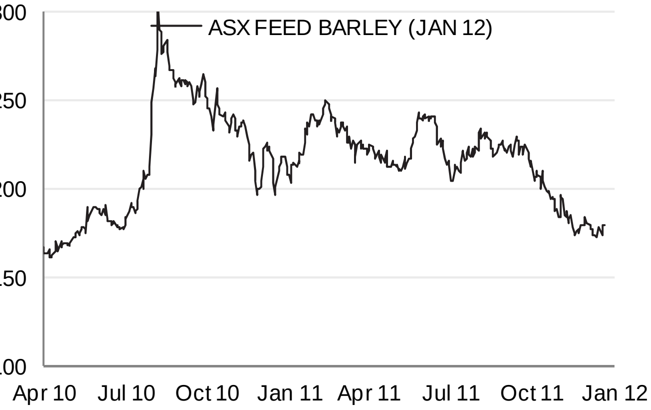


Figure 5: CBOT Soybeans (1st Contract, USc/bu)

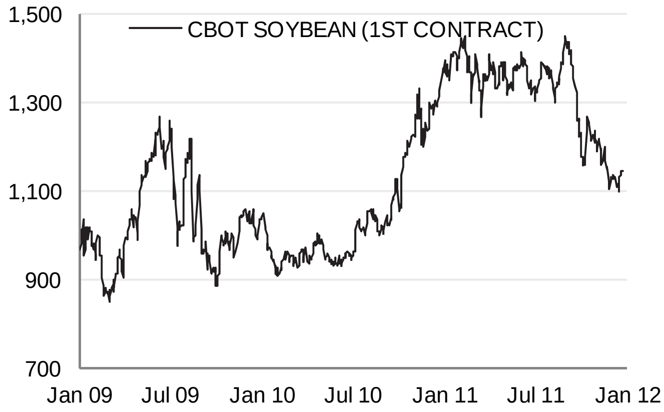
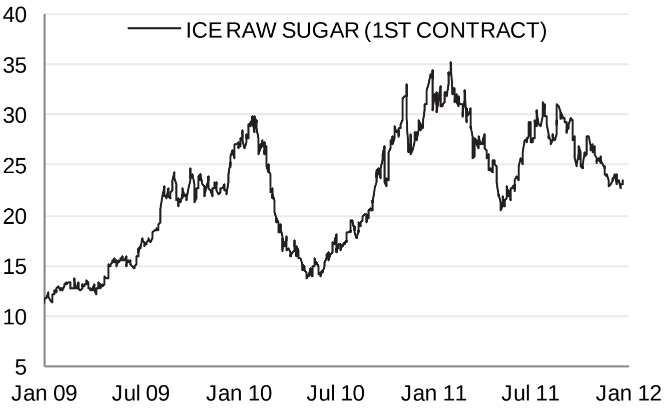


Figure 6: ICE Canola (1st Contract, C$/t)

Figure 7: ICE Cotton (1st Contract, USc/lb)

Figure 8: ICE Sugar (1st Contract, USc/lb)



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