



Merry Christmas and Happy New Year

Overnight markets:

Ag commodity prices rose 0.5-1.5% overnight, thereby extending the recent short term rally. US economic data was supportive once again, and this helped push global equity and energy markets higher. The AUD rose to USD1.0137.

Lessons from 2011

2011 reinforced valuable lessons for the agriculture sector.

Firstly, agriculture output, no matter the best intentions, will always be determined by the natural environment. If it rains at the right time in the right place crops and livestock will flourish. And on that front, 2011 has been a splendid year, highlighted by the fact that ABARES forecast record large grain and oilseed production and significant rebuilding in our livestock inventories.

But the second lesson is more sobering. Agriculture prices are volatile and not immune to ructions in the global economic environment. Despite relatively strong long term global demand dynamics – driven by biofuels and changing Asian diets – agricultural commodity price indices have declined nearly 15% this year. Bigger crops in key exporting regions contributed to the declines. But perhaps a more significant influence has been the 'risk-off' trade that has engulfed financial markets as the European debt crisis escalated. The influence of financial market sentiment on agriculture markets is likely to remain heightened in 2012.

Figure 1: Volume of Australian farm production (Index)

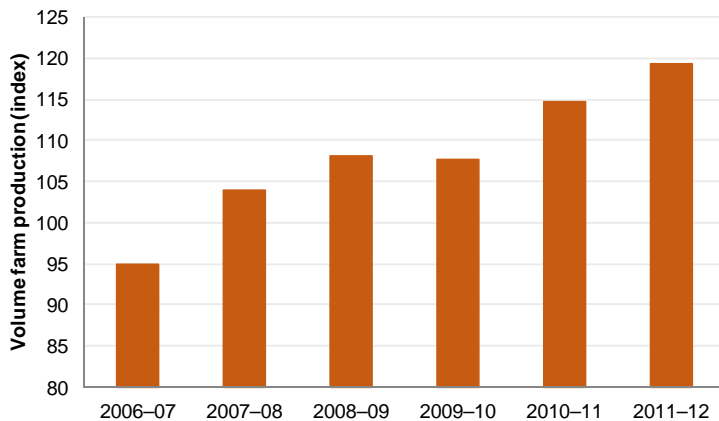
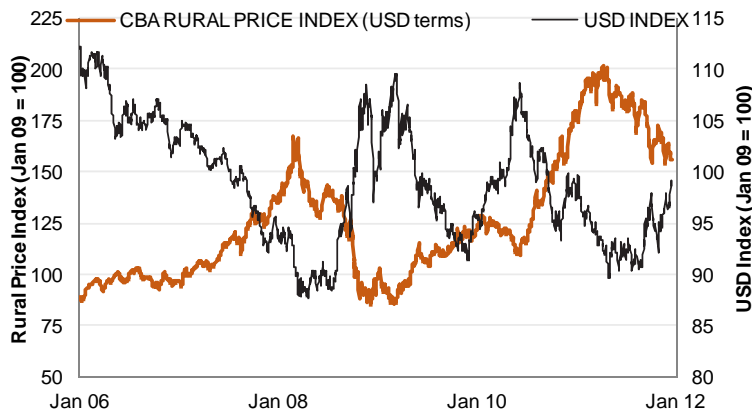


Figure 2: CBA Rural Commodity Price Index vs. USD



Ag Commodity Markets: Daily Price Summary*

US Wheat (CBOT)	USc/bu	622	+0.8%	694	+0.4%	730	+0.6%
	AUD/t **	227	+0.2%	258	-0.2%	277	+0.0%
AU Wheat - East (ASX)	AUD/t	204	+1.0%	208	+0.3%	237	+0.9%
AU Wheat - WA (ASX)	AUD/t	219	-0.5%	219	-1.1%	241	-1.0%
US Soybeans (CBOT)	USc/bu	1162	+0.7%	1178	+0.2%	1174	+0.1%
	AUD/t **	422	+0.2%	438	-0.3%	446	-0.4%
CA Canola (ICE)	CAD/t	517	+1.1%	498	+0.9%	501	+0.9%
	AUD/t **	500	+1.1%	491	+1.0%	504	+1.0%
AU Canola (ASX)	AUD/t	500	0.0%	475	0.0%	475	0.0%
US Corn (CBOT)	USc/bu	618	+0.2%	567	-0.7%	556	-1.0%
	AUD/t **	242	-0.4%	226	-1.3%	226	-1.6%
AU Barley (ASX)	AUD/t	181	+1.4%	182	+1.4%	199	+1.3%
AU Sorghum (ASX)	AUD/t	210	0.0%	190	0.0%	190	0.0%
US Raw Sugar (ICE)	USc/lb	23.44	+0.5%	22.99	+0.0%	23.13	+0.1%
	AUD/t **	513	-0.1%	513	-0.5%	527	-0.4%
US Cotton (ICE)	USc/lb	87.24	+0.5%	87.12	+0.4%	87.17	+0.4%
	AUD/bale **	433	-0.1%	438	-0.1%	451	-0.2%
AU Wool EMI (AWEX)	AUD/kg	11.89					
AU Cattle (EYCI)	AUD/kg	4.27					
Crude Oil (WTI)	USD/bl	99.37					
	AUD/bl **	98.03					
Commodity Indices	S&P Agri & L'stock (USD)	1160					
	S&P Agri & L'stock (AUD)	1145					
Currencies	S&P All Commodities (USD)	4886					
	S&P All Commodities (AUD)	4820					
AUD/USD	AUD/USD	1.0137					
	AUD/CAD	1.035					
AUD/JPY	AUD/JPY	79.23					
	USD Index	79.9					
Equity Markets	ASX S&P200	4091					
	US DJI	12170					
UK FTSE	UK FTSE	5457					

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 22/12/11, previous pricing date is 21/12/11

Sources: Bloomberg and CBA

** AUD Equivalent Price



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

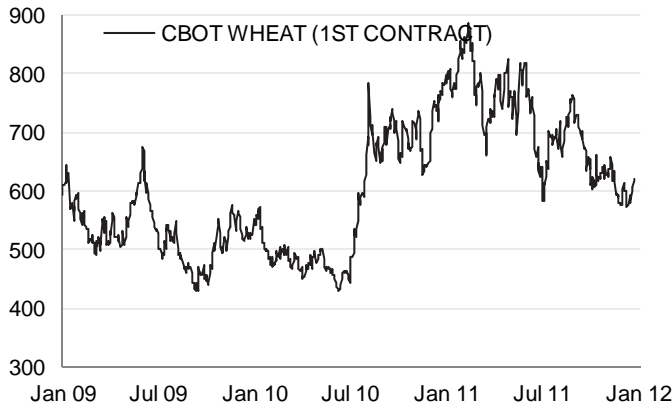


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)

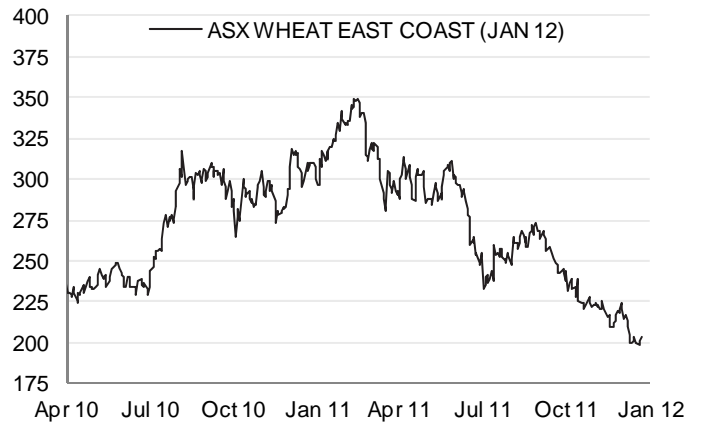


Figure 3: CBOT Corn (1st Contract, US\$/bu)



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



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

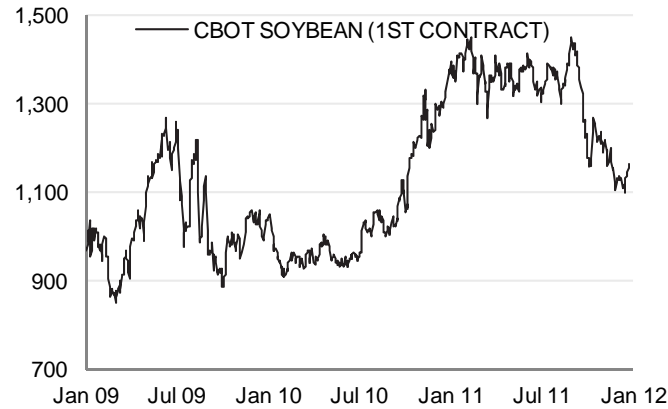


Figure 6: ICE Canola (1st Contract, C\$/t)



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



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





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