Global Markets Research

# Commodities: Agri Commodities Daily Alert

30 August 2011

CommonwealthBank

## Oilseed futures rally.

- Markets: US economic data contained both positive and negative elements overnights. US consumer spending rose by 0.8% in July, marking the fastest pace in five months. When adjusted for inflation, spending was up 0.5%, the largest increase in 18 months. But the Dallas Fed manufacturing index fell from 10.8 to 1.1 in July, and the associated business confidence reading fell from -2 to -11.4. US pending home sales fell by 1.3% in July. US equities rallied strongly on better than expected consumer spending figures and expectations of further stimulus by Federal Reserve policymakers.
- Currencies: The AUD rose 0.4% to USD1.0617 overnight (London close) while the USD index fell 0.2% to 73.7pts.
- Weather: A front is bringing a cooler change and showers to eastern parts of VIC and NSW. A high is clearing VIC and SA, leading to a cold morning. Westerly winds in TAS are maintaining showers in the west. A trough in the east is causing a few showers and storms in eastern QLD.
- Grains: US grain markets finished mixed overnight.
  - CBOT wheat (Sep 11) handed back early gains to close 5 cents (0.7%) weaker at USc757.25/bu last night. The Dec 11 contract ended 2 cents weaker at USc795/bu (~A$278/t). US wheat export inspections data last night was encouraging, coming in at 23.4 million bushels vs. forecasts of 17-22 million bushels. The latest weather reports suggest some of the driest US HRW wheat regions will get periodic rainfall over the next 10 days. Forecast totals are not expected to be large, but any improvement in soil moisture will be welcome ahead of the upcoming autumn planting period. After the close the USDA reported the US winter wheat harvest is now virtually complete (97%), while the spring wheat harvest is now half done, behind the normal seasonal pace of 71% complete. Spring wheat crop conditions deteriorated slightly last week to be now 61% good to excellent (down 1pt).
  - CBOT corn (Sep11) closed 3 ¾ cents (0.5%) stronger at USc756.25/bu overnight, buoyed by US production concerns, strong US equity and crude oil markets and the weak USD. Following last week's US crop tour, the USDA is widely expected to lower their US corn production estimate in their 12 September WASDE report. US corn export inspections last week were 27.3 million bushels, below estimates of 30-34 million bushels. After the close the USDA confirmed that corn crop conditions continue to decline, 54% is now rated good-to-excellent from 57% the week prior. This decline is likely to support corn prices today.
  - ASX NSW wheat (Jan 12) rose $3.5 to $273.8/t yesterday, while feed barley for Jan 12 delivery rose $1.5 to $227/t. Strength in US grain markets supported local values yesterday, despite yield boosting rain in northern NSW and Qld last weekend.
- Oilseeds: CBOT soybeans (Nov 11) rose 1.7% (23 ½ ¢) to USc1447/bu overnight after breaking through key resistance on Friday night (1400 cents). Supporting the technical break higher is continued concern regarding US soybean crop conditions, with World Weather reporting that "*rain in the US Midwest will be slow in resuming*" and "*soybeans and other late crops will remain stressed*" and that "*some yield reductions are possible*". Canadian canola (Nov 11) surged C$13.7 (2.4%) to an eight week high of C$581.2/t, supported by a technical break higher, reports of lower than expected yields in Canada and stronger soybean values. Harvest pressure could cap the rally unless yields fall sharply below expectations.
- Cotton: NY cotton (Dec 11) closed 60pts (0.6%) firmer at USc104.92/lb, supported by stronger outside market. The USDA this morning indicated that 27% of the US cotton crop now has open bolls, up from 16% last week, and that 30% of the crop is rated good-excellent, down 1 point for the week.
- Sugar: NY raw sugar (Oct 11) dropped 33pts (1.1%) to USc29.89/lb overnight with similar losses across the curve. Cosan reported that Brazilian CS cane production will fall to 490-500 million tonnes this year before recovering to 540 million next year.
- Crude Oil: NYMEX crude oil (Oct 11) rose 2.6% to USD87.56/bl.

Ag Commodity Markets: Daily Price Summary*

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **US Wheat (CBOT)** | | **Sep 11** | | **Dec 11** | | **Dec 12** | |
| | USc/bu | 757 | *-0.7%* | 795 | *-0.3%* | 868 | *+0.8%* |
| | AUD/t ** | 263 | *-1.0%* | 278 | *-0.6%* | 315 | *+0.5%* |
| **AU Wheat - East (ASX)** | | **Sep 11** | | **Jan 12** | | **Jan 13** | |
| | AUD/t | 259 | *0.0%* | 274 | *+1.3%* | 297 | *+0.4%* |
| **AU Wheat - WA (ASX)** | | **Sep 11** | | **Jan 12** | | **Jan 13** | |
| | AUD/t | 376 | *0.0%* | 285 | *+1.2%* | 307 | *+1.2%* |
| **US Soybeans (CBOT)** | | **Nov 11** | | **Jan 12** | | **Nov 12** | |
| | USc/bu | 1447 | *+1.7%* | 1456 | *+1.6%* | 1371 | *+1.3%* |
| | AUD/t ** | 505 | *+1.3%* | 511 | *+1.3%* | 493 | *+1.0%* |
| **CA Canola (ICE)** | | **Nov 11** | | **Jan 12** | | **Nov 12** | |
| | CAD/t | 581 | *+2.4%* | 589 | *+2.3%* | 580 | *+2.4%* |
| | AUD/t ** | 563 | *+2.5%* | 574 | *+2.5%* | 576 | *+2.5%* |
| **AU Canola (ASX)** | | **Sep 11** | | **Jan 12** | | **Jan 13** | |
| | AUD/t | 540 | *0.0%* | 565 | *0.0%* | 565 | *0.0%* |
| **US Corn (CBOT)** | | **Sep 11** | | **Dec 11** | | **Dec 12** | |
| | USc/bu | 756 | *+0.5%* | 770 | *+0.4%* | 667 | *+0.2%* |
| | AUD/t ** | 281 | *+0.1%* | 289 | *+0.0%* | 259 | *-0.2%* |
| **AU Barley (ASX)** | | **Sep 11** | | **Jan 12** | | **Jan 13** | |
| | AUD/t | 213 | *0.0%* | 227 | *+0.7%* | 230 | *+0.7%* |
| **AU Sorghum (ASX)** | | **Sep 11** | | **May 12** | | **May 13** | |
| | AUD/t | 235 | *0.0%* | 248 | *-0.6%* | 248 | *-0.6%* |
| **US Raw Sugar (ICE)** | | **Oct 11** | | **Mar 12** | | **Oct 12** | |
| | USc/lb | 29.89 | *-1.1%* | 28.98 | *-1.2%* | 25.44 | *-0.8%* |
| | AUD/t ** | 623 | *-1.5%* | 614 | *-1.5%* | 549 | *-1.1%* |
| **US Cotton (ICE)** | | **Dec 11** | | **Jul 12** | | **Jul 13** | |
| | USc/lb | 104.92 | *+0.6%* | 100.13 | *+0.1%* | 98.02 | *+0.4%* |
| | AUD/bale ** | 500 | *+0.2%* | 486 | *-0.2%* | 488 | *+0.1%* |

| | | | | |
|---|---|---|---|---|
| **AU Wool EMI (AWEX)** | | **Latest** | **% chg** | **Last Pricing** |
| | AUD/kg | 12.64 | 0.0% | 24/8/11 |
| **AU Cattle (EYCI)** | | **Latest** | **% chg** | **Last Pricing** |
| | AUD/kg | 3.92 | 0.3% | 29/8/11 |
| **Crude Oil (WTI)** | | **Latest** | **% chg** | **Last Pricing** |
| | USD/bl | 87.56 | 2.6% | 29/8/11 |
| | AUD/bl ** | 82.47 | 2.2% | 29/8/11 |
| **Commodity Indices** | | **Latest** | **% chg** | **Last Pricing** |
| | S&P Agri & L'stock (USD) | 1386 | 0.2% | 29/8/11 |
| | S&P Agri & L'stock (AUD) | 1305 | -0.2% | 29/8/11 |
| | S&P All Commodities (USD) | 5016 | 0.8% | 29/8/11 |
| | S&P All Commodities (AUD) | 4725 | 0.4% | 29/8/11 |
| **Currencies** | | **Latest** | **pts chg** | **% chg** |
| | AUD/USD | 1.0617 | 0.0038 | 0.4% |
| | AUD/CAD | 1.0395 | -0.0011 | -0.1% |
| | AUD/JPY | 81.71 | 0.58 | 0.7% |
| | USD Index | 73.7 | -0.1 | -0.2% |
| **Equity Markets** | | **Latest** | **pts chg** | **% chg** |
| | ASX S&P200 | 4263 | 63 | 1.5% |
| | US DJI | 11539 | 255 | 2.3% |
| | UK FTSE | ~ | ~ | ~ |

* Prices are the closing exchange traded futures prices.
Changes are daily. Last pricing date is 29/08/11, previous pricing date is 26/08/11
Sources: Bloomberg and CBA

** AUD Equivalent Price

**Luke Mathews** Agri Commodities T. +612 9118 1098 E. luke.mathews@cba.com.au

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

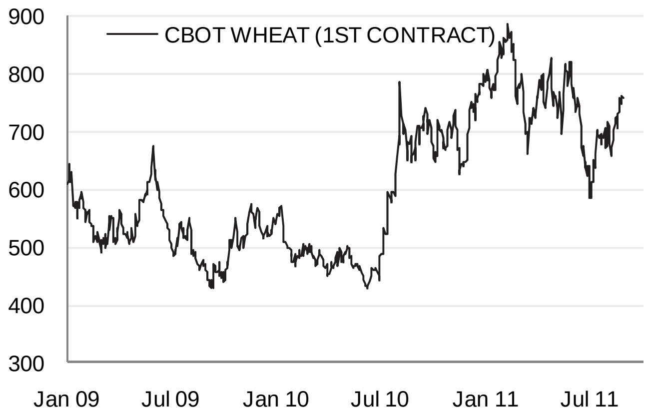



Figure 2: ASX NSW Wheat (Jan 12 Contract, A$/t)


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

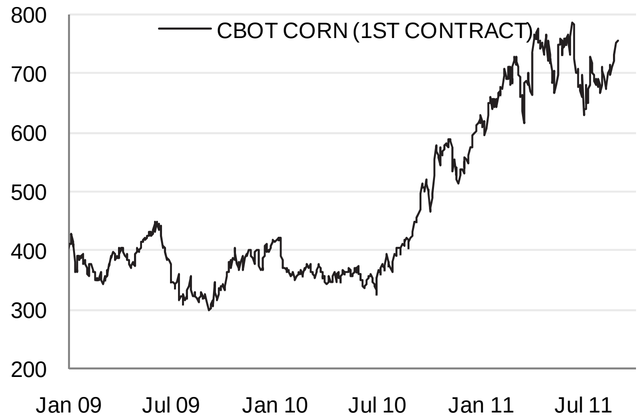



Figure 4: ASX Feed Barley (Jan 12 Contract, A$/t)

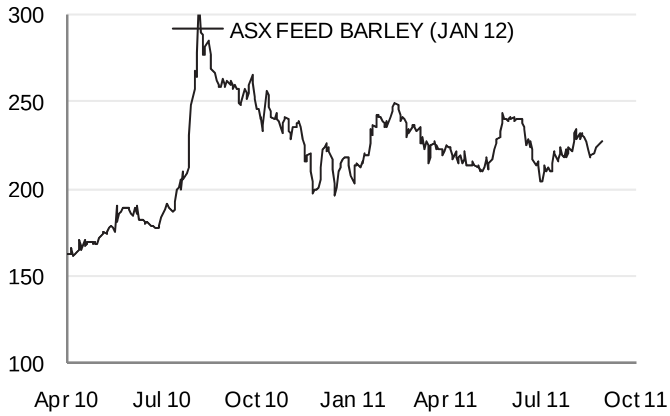



Figure 5: CBOT Soybeans (1st Contract, USc/bu)

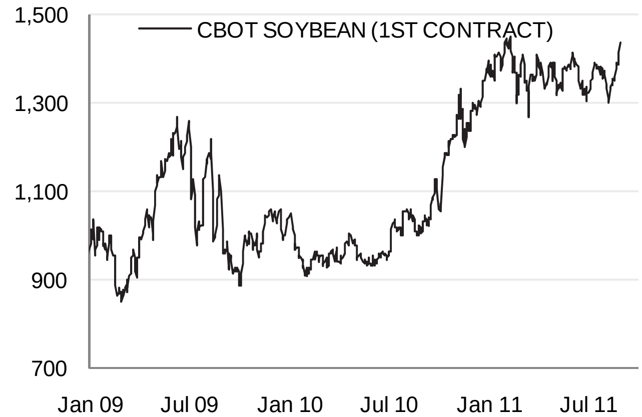



Figure 6: ICE Canola (1st Contract, C$/t)

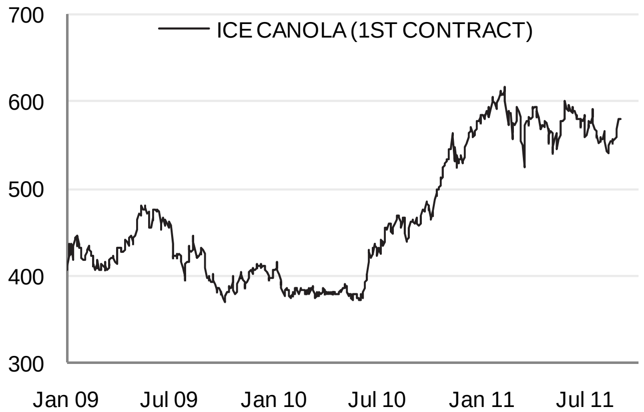
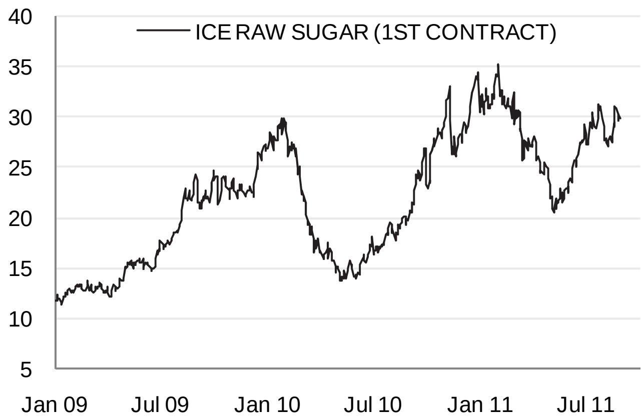



Figure 7: ICE Cotton (1st Contract, USc/lb)


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



Unless otherwise noted, all data is sourced from Australian Bureau of Statistics material (www.abs.gov.au).

## Research

| Commodities | | Telephone | Email Address |
|---|---|---|---|
| Luke Mathews | Agri Commodities | +612 9118 1098 | luke.mathews@cba.com.au |
| Lachlan Shaw | Mining & Energy Commodities | +613 9675 8618 | lachlan.shaw@cba.com.au |
| Paul Hodsman, CFA | Mining & Energy Commodities | +613 9675 8532 | paul.hodsman@cba.com.au |
| Elise Aaternir | Mining & Energy Commodities | +613 9675 6202 | elise.aaternir@cba.com.au |

| Economics | | Telephone | Email Address |
|---|---|---|---|
| Michael Blythe | Chief Economist | +612 9118 1101 | michael.blythe@cba.com.au |
| Michael Workman | Senior Economist | +612 9118 1019 | michael.workman@cba.com.au |
| John Peters | Senior Economist | +612 9117 0112 | john.peters@cba.com.au |
| James McIntyre | Economist | +612 9118 1100 | james.mcintyre@cba.com.au |

| Fixed Income | | Telephone | Email Address |
|---|---|---|---|
| Adam Donaldson | Head of Debt Research | +612 9118 1095 | adam.donaldson@cba.com.au |
| Philip Brown | Fixed Income Quantitative Strategist | +612 9118 1090 | philip.brown@cba.com.au |
| Alex Stanley | Associate Analyst, Fixed Income | +612 9118 1125 | alex.stanley@cba.com.au |
| Michael Bors | Credit Research Analyst | +612 9118 1108 | borsma@cba.com.au |
| Steve Shoobert | Credit Research Analyst | +612 9118 1096 | steve.shoobert@cba.com.au |
| Winnie Chee | Securitised Product | +612 9118 1104 | winnie.chee@cba.com.au |
| Tally Dewan | Quantitative Analyst | +612 9118 1105 | tally.dewan@cba.com.au |
| Kevin Ward | Database Manager | +612 9118 1960 | kevin.ward@cba.com.au |

| Foreign Exchange and International Economics | | Telephone | Email Address |
|---|---|---|---|
| Richard Grace | Chief Currency Strategist & Head of International Economics | +612 9117 0080 | richard.grace@cba.com.au |
| Joseph Capurso | Currency Strategist | +612 9118 1106 | joseph.capurso@cba.com.au |
| Peter Dragicevich | FX Economist | +612 9118 1107 | peter.dragicevich@cba.com.au |
| Andy Ji | Asian Currency Strategist | +65 6349 7056 | andy.ji@cba.com.au |
| Chris Tennent-Brown | FX Economist | +612 9117 1378 | chris.tennent.brown@cba.com.au |
| Martin McMahon | Economist Europe | +44 20 7710 3918 | martin.mcmahon@cba.com.au |

| Delivery Channels & Publications | | Telephone | Email Address |
|---|---|---|---|
| Monica Eley | Internet/Intranet | +612 9118 1097 | monica.eley@cba.com.au |
| Ai-Quynh Mac | Information Services | +612 9118 1102 | maca@cba.com.au |

| New Zealand | | Telephone | Email Address |
|---|---|---|---|
| Nick Tuffley | ASB Chief Economist | +64 9374 8604 | nick.tuffley@asb.co.nz |
| Jane Turner | Economist | +64 9374 8185 | jane.turner@asb.co.nz |
| Christina Leung | Economist | +64 9369 4421 | christina.leung@asb.co.nz |

## Sales

| Institutional | | Telephone |
|---|---|---|
| Syd | FX | +612 9117 0190 |
| | | +612 9117 0341 |
| | Credit | +612 9117 0020 |
| | Japan Desk | +612 9117 0025 |
| Melb | | +613 9675 6815 |
| | | +613 9675 7495 |
| | | +613 9675 6618 |
| | | +613 9675 7757 |
| Lon | FX | +44 20 7329 6266 |
| | Debt & Derivatives | +44 20 7329 6444 |
| | Corporate | +44 20 7710 3905 |
| HK | | +852 2844 7538 |
| Sing | | +65 6349 7077 |
| NY | | +1212 336 7739 |

| Equities | Telephone |
|---|---|
| Syd | +612 9118 1446 |
| Asia | +613 9675 6967 |
| Lon/Eu | +44 20 7710 3573 |
| NY | +1212 336 7749 |

| Corporate | Telephone |
|---|---|
| NSW | +612 9117 0377 |
| VIC | +612 9675 7737 |
| SA | +618 8206 4155 |
| WA | +618 9482 6044 |
| QLD | +617 3015 4525 |
| NZ | +64 9375 5738 |
| Metals Desk | +612 9117 0069 |
| Agri Desk (Corp) | +612 9117 0157 |
| Agri Desk | +612 9117 0145 |