

No more festivities: Ag markets slump...

- Markets:** US economic data was released last night was promising, yet it was largely ignored by the markets. The US ISM services gauge rose from 52.0 to 52.6 in December with the new orders index and employment index both higher. US private sector payrolls (employment) rose by 325,000 in December according to the ADP survey - well above expectations for a 178,000 increase and the biggest gain in the 11 year history. And US claims for unemployment insurance (jobless claims) fell by 15,000 to 372,000 in the latest week. Euro zone industrial new orders rose by 1.8% in October, following the 7.8% slump in September. The UK services gauge rose more than expected in December, lifting from 52.1 to a five month high of 54.0. European shares eased modestly and US equities were mostly flat.
- Currencies:** The AUD dropped 1% to USD1.0263 overnight (London close) while the USD index rallied 1% to 80.9pts.
- Weather:** A southerly change is pushing up the NSW coast, triggering isolated showers. A trough is causing patchy rain over northern NSW and southern QLD. Another trough in the west is bringing scattered storms to WA and western SA. Mostly clear elsewhere across the southeast under a high. (www.weatherzone.com.au)
- Grains:** US grain markets fell sharply overnight.
 - CBOT wheat (Mar 12) dropped 3.2% (20¾¢) to USc629.25/bu (-A\$227/t) last night and the Dec 12 contract fell 2.6% to USc703/bu. It was the largest drop in seven weeks, driven by a stronger USD and weaker corn values. Heavy falls were observed across Minneapolis, Kansas and European wheat markets.
 - CBOT corn (Mar 12) fell 2.3% to USc643.5/bu on the back of USD strength and forecasts for rainfall next week across the parched corn crops in Argentina. The stronger USD, which weighs on USD denominated commodity prices, was linked to improving US economic data and continued Euro zone sovereign funding pressures. The Buenos Aires Grains exchange in Argentina reported that they believe rainfall next week will provide an "important reoccupation of moisture ... to the nation's agricultural area".
 - NSW Mar 12 wheat traded down to \$210/t yesterday and the Jan 13 NSW wheat contract was quoted a couple of dollars weaker at \$241.5/t. WA Mar 12 wheat traded between \$224-225/t for the session while east coast feed barley prices for 2012 harvest firmed by \$4 to \$205/t. Yet still, feed barley values still remain cheap compared to wheat.
- Oilseeds:** CBOT soybeans (Mar 12) fell 1.7% (21¢) to USc1209/bu, mainly on the back of the stronger USD, but also because of forecast rain in South America next week. Canadian canola (Mar 12) fell C\$2 to C\$523.6/t, however contracts dated from July 12 closed modestly stronger, assisted by the weaker Canadian dollar.
- Cotton:** NY cotton (Mar 12) dropped 118pts (1.2%) to USc94.74/lb overnight, following the rest of commodity complex lower. The fall in prices came despite Reuters reporting that US cotton area planted may decline 10-12% in 2012 because of limited irrigation water supplies. But US output in the year ahead is still likely to exceed 2011 levels because of the near-record high rate of abandonment last year.
- Sugar:** NY raw sugar collapsed 5.3% (129pts) to USc23.13/lb last night, the most since September. The big declines were the result of the 1% rally in the USD, speculation that the European Union may abandon upcoming sugar import tenders because of ample domestic supplies, and reports of Brazilian farmer selling in response to the recent rise in prices. In addition, Brazil's centre-south, which recently has been too dry, is slated for beneficial rainfall next week.
- Crude Oil:** NYMEX crude oil (Feb12) fell 1.3% to USD101.84/bl.

Ag Commodity Markets: Daily Price Summary*

		Mar 12	Dec 12	Dec 13
US Wheat (CBOT)	USc/bu	629 -3.2%	703 -2.6%	737 -2.5%
	AUDt **	227 -2.2%	258 -1.7%	277 -1.7%
AU Wheat - East (ASX)		Jan 12	Jan 13	Jan 14
	AUD/t	209 -0.7%	242 -0.6%	242 -0.6%
AU Wheat - WA (ASX)		Jan 12	Jan 13	Jan 14
	AUD/t	224 0.0%	245 -0.3%	245 -0.3%
US Soybeans (CBOT)	USc/bu	1209 -1.7%	1204 -1.3%	1188 -0.9%
	AUDt **	436 -0.7%	443 -0.3%	447 +0.0%
CA Canola (ICE)		Mar 12	Nov 12	Nov 13
	CAD/t	524 -0.4%	511 +0.2%	519 +0.2%
	AUDt **	504 +0.0%	500 +0.6%	518 +0.5%
AU Canola (ASX)		Jan 12	Jan 13	Jan 14
	AUD/t	500 0.0%	475 0.0%	475 0.0%
US Corn (CBOT)	USc/bu	644 -2.3%	580 -1.7%	559 -2.3%
	AUDt **	249 -1.3%	228 -0.8%	225 -1.4%
AU Barley (ASX)		Jan 12	Jan 13	Jan 14
	AUD/t	183 +0.3%	205 +2.0%	205 +2.0%
AU Sorghum (ASX)		Mar 12	May 12	May 13
	AUD/t	200 0.0%	198 0.0%	199 0.0%
US Raw Sugar (ICE)		Mar 12	Oct 12	Oct 13
	USc/lb	23.13 -5.3%	22.63 -4.6%	22.58 -4.2%
	AUDt **	499 -4.3%	498 -3.6%	510 -3.3%
US Cotton (ICE)		Mar 12	Jul 12	Jul 13
	USc/lb	94.74 -1.2%	94.54 -1.2%	92.03 -0.2%
	AUD/bale **	465 -0.2%	469 -0.2%	471 +0.7%
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	4.27	0.0%	21/12/11
Crude Oil (WTI)		Latest	% chg	Last Pricing
	USD/bl	101.84	-1.3%	5/1/12
	AUD/bl **	99.23	-0.3%	5/1/12
Commodity Indices		Latest	% chg	Last Pricing
	S&P Agri & L'stock (USD)	1205	0.0%	4/1/12
	S&P Agri & L'stock (AUD)	1163	0.0%	4/1/12
	S&P All Commodities (USD)	5076	0.0%	4/1/12
	S&P All Commodities (AUD)	4897	0.0%	4/1/12
Currencies		Latest	pts chg	% chg
	AUD/USD	1.0263	-0.0103	-1.0%
	AUD/CAD	1.0452	-0.0038	-0.4%
	AUD/JPY	79.18	-0.30	-0.4%
	USD Index	80.9	0.8	1.0%
Equity Markets		Latest	pts chg	% chg
	ASX S&P200	4143	-45	-1.1%
	US DJI	12408	-10	-0.1%
	UK FTSE	5624	-44	-0.8%

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 05/01/12, previous pricing date is 04/01/12

Sources: Bloomberg and CBA

** AUD Equivalent Price



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

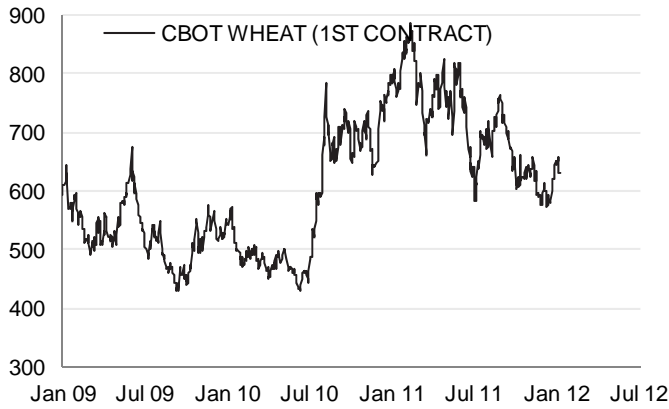


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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)

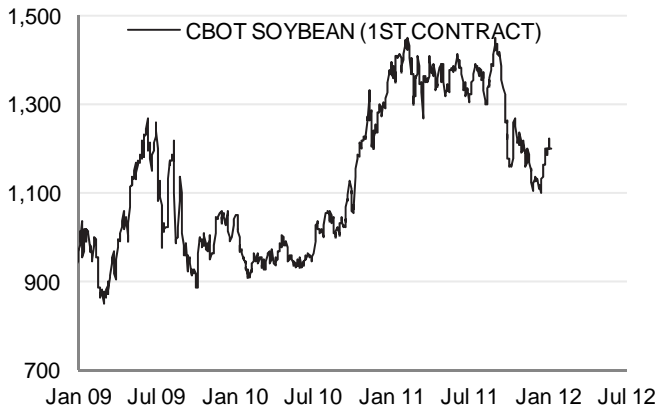


Figure 6: ICE Canola (1st Contract, C\$/t)



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



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





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