

Idaho Grain Market Report, Jan. 17, 2013

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Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, Jan. 16, 2013. Barley prices in \$/Cwt. and wheat prices in \$/bu.

<u>Barley (Cwt.)</u>		<u>Wheat (bu.)</u>			
Ashton	NQ	(2-R) \$13.00 (6-R) \$13.00	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	\$12.00	(2-R) NQ (6-R) NQ	\$8.20	\$8.10	\$8.35
Idaho Falls	NQ	(2-R) \$13.02-\$13.25 (6-R) \$13.02	NQ	NQ	NQ
Blackfoot / Pocatello	\$11.56	(2-R) \$13.00 (6-R) \$13.00	\$8.20	\$8.16	\$8.28
Grace / Soda Springs	\$11.80	(2-R) NQ (6-R) NQ	\$8.20	\$8.35	\$8.54
Burley / Rupert	\$12.50	(2-R) \$13.02 (6-R) \$13.02	\$8.00	NQ	NQ
Hazelton		(2-R) NQ (6-R) NQ	\$7.63-\$8.00	NQ	NQ
Twin Falls / Eden / Buhl	\$12.40-\$13.00	(2-R) NQ (6-R) NQ			
Weiser	\$11.81	(2-R) NQ (6-R) NQ	\$7.96	NQ	NQ
Nez Perce / Craigmont	\$10.60	(2-R) \$10.60 (6-R) \$10.60	\$8.14	\$8.84	\$8.97
Lewiston	\$10.85	(2-R) \$10.85 (6-R) \$10.85	\$8.33	\$9.03	\$9.16
Moscow / Genesee	\$10.65-\$12.00	(2-R) \$10.65 (6-R) \$10.65	\$8.10-\$8.76	\$8.80-\$9.45	\$8.93-\$9.65

Prices at Selected Terminal Markets, cash prices FOB

	#2 Feed 46 lbs. -- unit trains barge	Single rail cars- domestic	Malting	#1 SWW	#1 HRW 11.5% Protein	#1 DNS 14% Protein
Portland	NQ	NQ	NQ	Jan \$8.50-\$8.74 ¼ May \$8.75-\$8.83	Jan \$9.28 ¼-\$9.48 ¾	Jan \$9.58 ¼-\$9.73 ¼
Los Angeles	\$15.00	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	\$15.00	NQ	NQ	NQ	NQ	NQ
Ogden	\$12.00	NQ	NQ	\$8.50	\$8.57	\$9.06
Great Falls	\$8.00-\$11.00	NQ	\$12.75	NQ	\$7.62-\$8.12	\$8.15-\$8.46
Minneapolis	\$10.83	NQ	\$14.79	NQ	\$8.97 ½ (12%)	\$9.46 ½-\$9.61 ½

Market trends this week

BARLEY – Local barley prices were higher this week with no change to 35 cents higher reported in southern Idaho and from 22 to 25 cents higher reported in northern Idaho. USDA reported barley export sales of 1.5 TMT for Taiwan and South Korea, however no export shipments were reported last week.

WHEAT – Local wheat prices were also higher this week: SWW ranged from 10 to 35 cents higher; HRW ranged from 48 to 70 cents higher; and DNS ranged from 27 to 37 cents higher. USDA reported wheat export sales last week were within trade expectations at 536.2 TMT (233.7 TMT for MY 2012/13 and 38.5 TMT for 2013/14), up 129% from the previous week, but down 7% from the prior 4-week average. Cumulative wheat export sales now tally 69% of USDA's projection for the year, compared to a 5-year average of 76%. Export shipments totaled 284.8 TMT, up 8% from the previous week, but down 8% from the prior 4-week average.

Wheat Competitor/Buyer News – Argentine wheat harvest is reportedly 97% completed, with local private forecasts pegging the crop at 9.5 to 10.5 MMT (USDA 11.0 MMT). Excessive moisture before final harvesting has likely led to serious quality deterioration in a sizeable portion of this year's crop, prompting traditional South American customers to look to other suppliers, including the U.S. India's Food Minister will reportedly allow private traders to export 5 MMT of wheat from state reserves, in addition to the 4.5 MMT already moved from reserves. This compares with Indian exports of only 1.0 MMT last year and 100 TMT in MY 2010/11. The EU granted licenses this week to export 340 TMT of wheat,

bringing cumulative wheat exports to 10.4 MMT, compared to 7.7 MMT for the same period a year ago. Algeria reportedly purchased nearly 400 TMT of wheat from France this week and Iraq 300 TMT from Australia and Canada.

CORN – Corn export sales last week were above trade expectations, coming in at 536.2 TMT MY 2012/13, up considerably from the previous week, but down 7% from the prior 4-week average. Cumulative corn export sales totaled 54.5% of USDA's projection for the year, compared to a 5-year average of 60%. Export shipments last week totaled 246.9 TM, up 134% from the previous week, but down 4% from the prior 4-week average.

Ethanol corn usage – DOE's Energy Information Agency reported that U.S. ethanol production fell sharply to 784,000 bbls per day last week, down 5% from the previous week and down 16.7% from a year ago. This is the lowest weekly production pace in the current marketing year. Corn used for ethanol last week totaled 82.3 million bu, now below the weekly pace of 86.8 million bu needed to meet to USDA's annual projection of **4.5 billion bu in MY 2012/13**.

Corn Competitor/Buyer News – A private crop forecaster is pegging the Brazilian corn crop at 74.7 MMT, up from last year's 72.7 MMT (USDA 71 MMT). The United Nations Food and Agriculture Organization pegged the Argentine corn crop this week at 24 MMT, compared to USDA's estimate last Friday of 28 MMT. With crop conditions now turning very hot and dry, there are some concerns about whether Argentina can reach these lofty output projections. Ukraine issued a final corn crop estimate of 20.9 MMT this week (USDA 20.5 MMT). U.S. corn shipments to South Korea have fallen to a 7-year low at 2.84 MMT compared to 6 MMT last year. Brazilian and Argentine corn shipments are up sharply to Korea.

Futures market activity this week

Global macro-economic trends – The World Bank cut its global GDP growth forecast for 2013 to 2.4%, down from 3.0% in their previous forecast.

U.S. economic trends – The Federal Reserve Beige Book shows improving economic conditions, with notable good performance in auto manufacturing and home sales. All 12 Fed districts show modest or moderate growth but they emphasize that unemployment remains persistently high. The unemployment threshold that the Fed uses to maintain its zero-interest rate lending policy is 6.5%, compared to current U.S. unemployment rate of 7.8%. The weekly jobless claims report was supportive, however, showing a decline of 37,000 to a seasonally adjusted 335,000 new claims, the lowest weekly level since early 2008. The Commerce Department reported new housing starts were up 12% last month, more than expected. U.S. retail sales last month increased by 0.5%, driven mostly by strong auto sales, and slightly better than expected. On the downside, the Empire State Manufacturing Index which measures manufacturing activity in the New York region was reported at -7.8, a negative number (contraction) for the 6th consecutive month. Investors continue to fret over the impending debt ceiling debate (Fiscal Cliff 2), which is likely to kick into high gear next week as the U.S. Senate returns to work.

WHEAT – Wheat began the week sharply higher on support from last Friday's bullish USDA stocks and winter wheat planting reports. Concerns about potential winterkill from frigid air covering a large portion of the Great Plains (northwestern Kansas and northeastern Colorado are particularly vulnerable) this week also provided underlying support. Tuesday saw wheat continue to surge higher on a combination of short covering and fresh technical buying. Stronger European wheat futures and tightening global stocks provided notable support. There are lingering concerns, however, about the slow U.S. export pace after a disappointing export shipments report on Monday. Cumulative wheat export shipments seriously lag the pace needed to reach USDA's projection for the year, but traders believe that the U.S. will start to pick up export business this winter with supplies now very short out of the Black Sea region and Argentine quality issues. Wheat closed modestly higher in choppy trading on Wednesday, overcoming early weakness to close higher on continuing concerns about dry cold conditions in the Western Plains. Profit-taking pushed wheat prices lower today (Thursday) along with lingering concerns about the sluggish U.S. wheat export pace. **Wheat market closes on Thursday, 1/17/13 ...**

	Mar 2013	Weekly Summary	May 2013	Weekly Summary	Dec 2013	Weekly Summary
Chicago	\$7.81 ¼	Up \$0.26 ½	\$7.89 ¾	Up \$0.27 ¾	\$8.17 ¼	Up \$0.26 ¾
Kansas City	\$8.37	Up \$0.30	\$8.47	Up \$0.30	\$8.76 ¼	Up \$0.25 ¼
Minneapolis	\$8.69 ¼	Up \$0.23	\$8.80 ¼	Up \$0.25	\$8.90 ¾	Up \$0.20 ¾
DNS						

CORN – Corn prices posted strong gains to start the week in follow-through buying from last Friday's friendly USDA reports (bullish feed use and ending stocks). A slight improvement in weekly export inspections also added to the bullish momentum, but cumulative corn export shipments remain sluggish at only 29% of the yearly USDA projection compared to 5-year average pace of 34%. Corn continued to move higher on Tuesday with support from improving technical signals (a close above the 50 day moving average) and a drier forecast for Argentina which shows moisture stress quickly developing in some key corn areas after relentless rains in December. Corn prices closed fractionally higher on Wednesday as spillover support from a sharply higher soybean market was countered by light profit-taking triggered by poor weekly ethanol production data. Corn slipped modestly lower today (Thursday) under profit-taking pressure despite a better than expected export sales report. New crop futures remains under pressure from ideas that 2013 planted area will

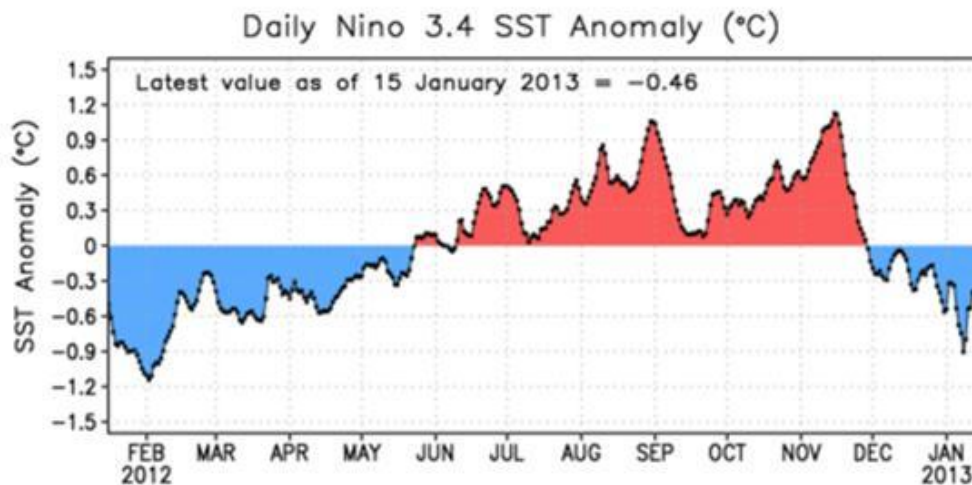
approach a record 100 million acres. **Corn futures contract closes on Thursday, 1/17/13 for Mar 2013 at \$7.24 ½, up \$0.15 ¾, May 2013 contract at \$7.25 ¼, up \$.18 ¼ and the Dec 2013 contract at \$5.86 ½, up \$.09 ½ for the week.**

OTHER MAJOR FACTORS TO WATCH –

CRUDE OIL – Crude oil prices chopped in narrow range this week, but generally found support from a lower US dollar, improving economic indicators and fresh geopolitical premiums arising from a terrorist attack in Algeria and fighting in Mali which could threaten supply disruptions. DOE's weekly crude oil inventory report was bullish, showing crude oil stocks fell an unexpected 951,000 bbls, compared to an expected increase of 2.2 million bbls; distillates stocks jumped 1.67 million bbls, compared to an expected increase of 1.5 million bbls; and gasoline stocks increased by 1.91 million bbls, compared to an expected increase of 2.7 million bbls. **Crude oil prices moved sharply higher today (Thursday) – closing up \$1.25 to \$95.49 - on stronger than expected U.S. housing and jobs data and new geopolitical concerns in northern Africa.** Iran and the International Atomic Energy Agency agreed to meet for a second day in efforts to finish a workplan on inspections of Iran's nuclear energy facilities.

U.S. crop weather – Drought monitor maps show that **42% of the contiguous U.S. is in severe to exceptional drought conditions in January and dry conditions are expected to persist for the next 3 months.** The 1-10 weather maps show **below normal precipitation** for the entire U.S. Above normal precipitation is expected to move into the PNW and Intermountain regions in the 11-15 day period. A strong polar jet stream carved out a cold trough over the Rocky Mountains and Great Plains early this week, bringing sub-zero temperatures and winterkill threats to key HRW wheat regions, particularly northeastern Colorado and northwestern Kansas. Next week a warm ridge is expected to build over Western Canada, resulting in a deepening cold trough over the Midwest. Sub-zero temperatures are expected to blanket the Northern Plains and Great Lakes area, while temps are expected to moderate across the PNW and Great Plains.

Is La Nina forming? There has been broad agreement among global climatologists and weather forecasters that we have been officially in an ENSO-neutral condition (measured in the Nino 3.4 region of equatorial Pacific), but recent pronounced cooling in the tropical Pacific zone suggests a La Nina effect may be forming. Rapidly changing weather conditions in Argentina reinforce this idea. After relentless rains in December, conditions have turned very hot and dry in January. These conditions are usually associated with a La Nina in this region of the world. Persistently dry conditions across the Southwestern U.S. Plains also suggest a La Nina effect and does not bode well for the moisture outlook for this year's winter wheat crop.



Source World Climate Service

Argentina / Brazil – After relentless rains in December across **Argentina**, which caused widespread flooding and planting/harvest delays, conditions have now **turned very hot and dry in January.** In some key corn production areas, crops are now threatened by moisture stress as topsoil moisture dries out rapidly leading to deterioration in late planted shallow-rooted plants. Rain is needed immediately in some areas to avoid yield losses. Local sources continue to peg the corn crop at 25-28 MMT (USDA 28 MMT) but some crop watchers doubt it will be possible to reach these yield goals. **Brazil** – Drought conditions linger in Mato Grosso (#1 soybean, #2 corn) after severe drought conditions in December. Meanwhile, crops across southern Brazil are benefitting from abundant sunshine and recent heavy rains.

Russia – Concerns about very cold conditions across parts of Russia this week, potentially damaging as much as 10-20% of the winter wheat crop. Meanwhile, Ukraine and Russia's Volga River valley should see better precipitation over the next week, while South Russia is getting significant moisture today.