

Idaho Grain Market Report, February 10, 2011

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IDAHO GRAIN WEBINAR on Friday, Feb. 11 at 8:30 a.m. MST. Topic is **Barley Crop Insurance – Understanding Changes and New Options** - presented by Mark Andreasen, Mountain States Insurance, Soda Springs, ID. To join from your computer, please log onto: <https://connect.cals.uidaho.edu/barley/>

Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, February 9, 2011. Barley prices in \$/Cwt. and wheat prices in \$/bu.

	<u>Barley (Cwt.)</u>		<u>Wheat (bu.)</u>		
	#2 Feed, 48 lbs or better	Open market malting	#1 SWW	#1 HRW 11.5% protein	#1 DNS 14% protein
Ashton	NQ	(2-R) \$11.00 (6-R) NQ	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	\$9.50	(2-R) NQ (6-R) NQ	\$7.50	\$8.33	\$10.63
Idaho Falls	\$9.50	(2-R) \$10.50-\$10.94 (6-R) \$10.94	\$7.45	\$8.37	\$10.44
Blackfoot / Pocatello	\$10.10	(2-R) \$11.00 (6-R) NQ	\$7.60	\$8.23	\$10.76
Grace / Soda Springs	\$9.94	(2-R) NQ (6-R) NQ	\$7.35	\$8.17-\$8.38	\$10.33-\$10.42
Burley / Rupert	\$10.25	(2-R) \$10.94 (6-R) \$10.94	\$7.10-\$7.30	\$8.33	\$10.42
Hazelton		(2-R) NQ (6-R) NQ	\$7.00	NQ	NQ
Twin Falls / Eden / Buhl	\$10.00-\$11.50	(2-R) NQ (6-R) NQ	\$7.63	NQ	NQ
Weiser	\$10.00	(2-R) NQ (6-R) NQ	\$8.14	\$9.28	\$11.47
Nez Perce / Craigmont	\$9.35	(2-R) \$9.35 (6-R) \$9.35	\$8.33	\$9.47	\$11.66
Lewiston	\$9.60	(2-R) \$9.60 (6-R) \$9.60	\$8.10-\$8.80	\$9.24-\$9.78	\$11.43-\$11.97
Moscow / Genesee	\$9.40-\$10.75	(2-R) \$9.40 (6-R) \$9.40			

Trading Prices at Selected Terminal Markets, cash prices FOB

	<u>Barley (Cwt.)</u>		<u>Wheat (bu.)</u>			
	#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	Feb \$8.25-\$8.90 Aug NC \$8.50-\$8.75	Feb \$8.25-\$9.20	Feb \$9.83-\$9.98 Aug NC \$9.81-\$10.08
Los Angeles	\$13.00	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	\$13.00	NQ	NQ	NQ	NQ	NQ
Ogden	\$10.00	NQ	NQ	\$7.60	\$8.50	\$10.50
Great Falls	\$8.50-\$9.65	NQ	\$10.00	NQ	\$7.67-\$7.85	\$10.46-\$11.12
Minneapolis	\$9.79	NQ	\$12.50	NQ	\$9.50 (12%)	\$12.57

Market trends this week

BARLEY – Local barley prices were higher again this week ranging from unchanged to \$1.56 higher in southern Idaho and unchanged to \$.35 higher in northern Idaho. USDA reported that barley export sales last week totaled 3 TMT for Canada; there were no barley export shipments reported last week.

USDA's MY 2010/11 S&D report for BARLEY – Feb. 9 - USDA made no adjustments to the U.S. barley balance sheet this month. They tightened the average farm-gate barley price to \$3.80-\$4.10/bu. **World barley production was cut by**

200 TMT this month to 124.7 MMT, due to revised production estimate for Ukraine, while world ending stocks were also cut by 200 TMT to 22.0 MMT due to smaller projected carryout for Canada.

Barley Competitor/Buyer News – The EU is reportedly considering temporarily suspending its import tariffs on barley and feed wheat to ensure an adequate supply of feed grains for its livestock industry.

WHEAT – Local wheat prices were also higher this week: SWW ranged from unchanged to 38 cents higher; HRW ranged from 28 to 75 cents higher; and DNS ranged from 17 to 30 cents higher. U.S. wheat export sales last week were below trade expectations at 391.3 TMT for the current market year (plus sales of 116 TMT for MY 2011/12), down 27% from the previous week and 40% from the prior 4-week average. Cumulative wheat export sales now tally 82.1% of the USDA forecast for the marketing year compared to a 5-year average of 82.9%. Wheat export shipments last week totaled 882.5 TMT, up 49% from the previous week and 39% from the previous 4-week average.

USDA's MY 2010/11 S&D report for WHEAT – Feb. 9 – USDA made no adjustments to the U.S. wheat balance sheet this month, surprising some analyst who expected USDA to raise their export forecast and lower ending stocks. **U.S. ending stocks were left unchanged at 818 million bu, compared to an average pre-report trade estimate of 810 million bu.** The average farm gate price for U.S. wheat was raised to \$5.60-\$5.80/bu. **World wheat production was lowered slightly this month due to a revised production estimate for Ukraine, while ending stocks were held mostly steady at 177.8 MMT, which is nearly 20 MMT or 10% lower than a year ago.**

Wheat Competitor/Buyer News – The EU granted weekly export licenses for 128 TMT of wheat, which is the 3rd lowest weekly export total this marketing year, which indicates a sharp slow down in wheat exports and perhaps dwindling supplies of milling quality stocks. EU's cumulative wheat exports now total 12.8 MMT compared to 10.7 MMT for the same period a year ago. We saw a big jump in Middle Eastern wheat purchases from the U.S this week.... Egypt announced a purchase of 55 TMT of US SWW, Iraq purchased 50 TMT US HRW and Jordan purchased 100 TMT US HRW wheat. In addition, several importers have sizeable import tenders pending, including Turkey for 300 TMT, Algeria for 50 TMT and Bangladesh for 50 TMT.

CORN – USDA reported corn export sales last week were for the second consecutive week above trade expectations at 1.1 MMT (plus sales of 104.5 TMT for MY 2011/12), down 5% from the previous week; however it was up 51% from the prior 4-week average. Cumulative corn export sales now tally 61.3% of the USDA forecast for the marketing year compared to a 5-year average of 61.8%. Corn export shipments last week totaled 669.1 TMT, down 22% from the previous week and 2% from the prior 4-week average.

Ethanol corn usage – DOE's Energy Information Agency reported that U.S. ethanol production last week totaled 900,000 barrels per day, down .88% from last week but up 8% from a year ago. This equates to 95 million bushels of corn consumption last week, still above the weekly pace needed to meet USDA's revised usage for the entire year of 4.95 billion bushels.

USDA's MY 2010/11 S&D report for CORN – Feb. 9 – As widely expected, USDA raised its ethanol usage estimate this month based on recent production pace, however traders were somewhat surprised by the larger than expected cut in ending stocks. USDA increased ethanol usage by 50 million bu to 4.95 billion bu and also increased starch use by 20 million bu, **resulting in a 70 million bu reduction in U.S. ending stocks to 675 million bu. This is lower than the average pre-report trade estimate of 729 million bu and represents only an 18 day supply and historically low stocks to use ration of 5%.** **World corn production was cut by nearly 2 MMT this month to 812.34 MMT, due to smaller crop estimate for Argentina, while world corn ending stocks were cut by nearly 5 MMT due to smaller carryout in the U.S. USDA pegged world coarse grain ending stocks at 154 MMT, down nearly 42 MMT from last year or 21% and represents a razor-thin 50 day supply. This leaves little margin of error on the world balance sheet if there is either an increase in demand (like Chinese imports later in the marketing year) or a shortfall of either acres or yield in the new 2011/12 crop year.**

Corn Competitor/Buyer News – US Grains Council says their analysis shows that China is likely to need to import as much as 2 to 9 MMT of corn yet this marketing year to replenish strategic stocks based on their rapid increase in feed grain demand. USDA cut 1.5 MMT from their Argentine corn production estimate this month to 22.0 MMT, which is still higher than projections by Argentine producers (range from 19.7 to 21 MMT). Vietnam reportedly has rejected two cargoes of Indian corn due to insect problems.

Futures market activity this week

WHEAT – Wheat prices began the week moderately higher, but well off of early session highs, on support from a higher than expected weekly export shipment pace and a big jump in Middle Eastern wheat purchases from the U.S.... Egypt announced a purchase of 55 TMT of US SWW, Iraq purchased 50 TMT US HRW and Jordan purchased 100 TMT US HRW wheat. In addition, several importers have sizeable import tenders pending. A sharp drop in the U.S. dollar that was triggered by a Chinese interest rate hike over the weekend, pushed wheat prices sharply higher on Tuesday. Wheat posted another day of double-digit gains on Wednesday on spillover support from a sharp rally in corn, but closed well off of the session highs. Wheat posted sharp losses today (Thursday) in choppy trading, with early weakness attributed to a higher dollar, slower than expected export sales total for last week and overbought conditions. Weather forecasts showing

beneficial moisture across both the U.S. and Chinese winter wheat production regions also provided underlying pressure. **Wheat futures market closes on Thursday, 02/10/11...**

	Mar 2011	Weekly Summary	May 2011	Weekly Summary
Chicago	\$8.62 ³ / ₄	Up \$. 09	\$8.94 ¹ / ₂	Up \$.09 ³ / ₄
Kansas City	\$9.68	Up \$.25 ¹ / ₄	\$9.79 ¹ / ₄	Up \$.25 ¹ / ₂
Minneapolis DNS	\$10.14 ³ / ₄	Up \$.26 ¹ / ₄	\$10.25 ³ / ₄	Up \$.27

CORN – Corn began the week moderately lower under profit-taking pressure sparked by overbought conditions and positioning ahead of Wednesday’s monthly S&D report. Seasonal pressure from the Goldman Roll, which occurs when funds which follow the popular Goldman Index roll their futures positions out of the March (near-by) contract into the May contract also was noted. Corn surged sharply higher on Wednesday when USDA surprised the market with a larger than expected cut in U.S. and world ending stocks and a historically low stocks to use cushion (only 18 day domestic supply). Based on USDA’s current consumption estimates, it does not appear that price rationing has kicked in despite sharply rising corn prices. Corn finished fractionally higher today (Thursday) with most of the early session gains from follow-through fund buying on the bullish stocks report erased mid-session from a sharp sell-off in wheat and soybeans. **Mar 2011 corn futures contract closed Thursday, 02/10/11, at \$6.98 ¹/₂, up \$.20 and the May 2011 contact closed at \$7.09 ¹/₂, up \$.20 ¹/₄ for the week.**

OTHER MAJOR FACTORS TO WATCH –

- **CRUDE OIL** – Crude oil saw more volatility this week, but mostly traded lower in the face of conflicting factors which include Middle Eastern geopolitical unrest, improving economic outlook, uncertainty over future Chinese demand and rising domestic inventories. Prices began the week breaking below \$88/bbl and continued to chop around in the \$86 to \$87 range, closing at \$86.71/bbl on Wednesday. The weekly petroleum inventory report showed a 4th consecutive week of inventory build-up – crude oil stocks increased by 1.9 million bbls, in line with expectations of a 2 million bbl increase; distillates increased by .28 million bbls, compared to expectations of a 1.0 million bbl decline; and gasoline stocks increased by 4.7 million bbls. Gasoline demand declined for the 6th consecutive week. The International Energy Agency increased their 2011 world oil demand estimates this week by 1.5 million barrels per day or 1.7% above a year ago to 89.3 million barrels per day. This represents a 140,000 bbls increase from last month.
- **U.S. WEATHER / CROP WATCH** – Another major winter storm moved across the Central and Southern Plains from the Texas Panhandle into southern and eastern Oklahoma and Kansas this week, bringing beneficial snowfall but also bitterly cold temperatures. About 15% of the region was considered vulnerable to potential winterkill losses. There are no other cold threats in the weather outlook for the next two weeks. In fact, most models show temperatures could average 10 to 15 degrees above normal across much of this area next week, which could melt 3 to 4 inches of snow per day and possibly eliminate the snowpack by the end of next week, expect for the upper Midwest. Rains are expected in the eastern belt. The official 6-to-10 and 8-to-14 day outlooks remain warm and dry for the Southern Plains.