

Idaho Grain Market Report, February 11, 2010

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Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, February 10, 2010. Barley prices in \$/Cwt. and wheat prices in \$/bu.

Selected Locations	Barley (Cwt.)		Wheat (bu.)		
	#2 Feed, 48 lbs or better	Open market malting	#1 SWW	#1 HRW 11.5% protein	#1 DNS 14% protein
Ashton	NQ	(2-R) \$6.50 (6-R) NQ	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	\$5.75	(2-R) NQ (6-R) NQ	\$4.00	\$4.27	\$5.46
Idaho Falls	\$6.00	(2-R)\$6.50-\$6.85 (6-R)\$6.50	\$4.20	\$4.12	\$5.58
Blackfoot / Pocatello	\$5.52	(2-R) \$6.50 (6-R) NQ	\$4.10	\$3.89	\$5.52
Grace / Soda Springs	\$5.75-\$5.99	(2-R) NQ (6-R) NQ	\$3.97	\$4.08	\$5.49
Burley / Rupert Hazelton	\$5.50	(2-R) \$6.50 (6-R) \$6.50	\$4.00	\$4.07	\$5.38
Twin Falls / Eden / Buhl	\$5.50-\$6.65	(2-R) NQ (6-R) NQ	\$3.60-\$4.00	NQ	NQ
Weiser	\$6.00	(2-R) NQ (6-R) NQ	\$3.80	NQ	NQ
Nez Perce / Craigmont	\$5.10	(2-R) \$5.10 (6-R) \$5.10	\$4.30	\$4.82	\$6.20
Lewiston	\$5.55	(2-R) \$5.55 (6-R) \$5.55	\$4.49	\$5.01	\$6.39
Moscow / Genesee	\$5.15-\$6.75	(2-R) \$5.15 (6-R) \$5.15	\$4.26-\$4.92	\$4.78-\$5.44	\$6.16-\$6.75

Trading Prices at Selected Terminal Markets, cash prices FOB

	Barley (Cwt.)		Wheat (bu.)			
	#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 \$4.70-\$4.90 Aug NC \$4.60-\$4.65	Feb \$5.44-\$5.53 Aug NC \$5.60-\$5.70	Feb \$6.75-\$6.85 Aug NC \$6.30-\$6.45
Los Angeles	\$8.15	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	\$8.15	NQ	NQ	NQ	NQ	NQ
Ogden	\$6.07	NQ	NQ	\$4.22	\$4.24	\$5.66
Great Falls	\$5.00-\$5.30	NQ	\$6.50	NQ	\$3.70-\$3.74	\$5.49-\$5.89
Minneapolis	\$4.90	NQ	NQ	NQ	\$4.98 ¼ (12%)	\$7.65 ¼

Market trends this week

BARLEY – Local barley prices were mostly steady, remaining unchanged in southern Idaho and unchanged to 10 cents higher in northern Idaho. USDA has delayed its weekly export sales report due to a government shutdown precipitated by record snowfall in the nation's capital.

USDA's S&D Report for MY 2010 - BARLEY – Feb. 9 – USDA made no adjustments to this month's U.S. barley balance sheet, except to tighten their farm-gate barley price projection to \$4.25-\$4.55/bu.

Barley Competitor/Buyer News – Stats Canada pegged Canadian barley stocks last Friday at 7.553 MMT, about 1 MMT less than trade expectations. Ukrainian barley exports totaled 4.1 MMT by late January and are on pace to reach a marketing year total of 6 MMT, up 2% from the previous year and up 58% from two years ago.

WHEAT – Local wheat prices were mostly higher this week: SWW ranged from unchanged to 15 cents higher; HRW ranged from 8 to 24 cents higher; and DNS ranged from 10 to 26 cents higher.

USDA's S&D Report for MY 2010 - WHEAT – Feb. 9 – USDA made only minor adjustments to the wheat balance sheet this month – raised wheat imports by 5 million bu (due to feed wheat expected to be imported into the Southeastern U.S. region) and raised ending stocks by an equal amount to 981 million bu. This was **slightly (7 million bu) above the average pre-report trade estimate of 974 million bu**. USDA tightened their farm-gate price projection for wheat to \$4.75-\$4.95/bu. **World wheat production was increased again this month by 1.3 MMT to 677.4 MMT, due to a higher output for Argentina, but still 5.3 MMT below last year. World wheat ending stocks were increased slightly this month to 195.9 MMT, which is nearly 32 MMT more than the year before.**

Wheat Competitor/Buyer News – USDA pegged the Argentine wheat crop 1 MMT higher this month to 9 MMT, the same level as last year and raised Argentine wheat exports by 1 MMT to 3.5 MMT. USDA raised the Ukrainian wheat crop estimate by .4 MMT this month to 20.9 MMT, based on revised estimates from an Ukrainian agency. The Russian government has announced export subsidies worth more than \$163 million to help move 2.5 to 3.0 MMT of surplus Russian wheat stocks onto the world market. Stats Canada pegged Canadian wheat stocks last Friday at 21.685 MMT, about 1 MMT below trade expectations. France is projecting their 2010 soft wheat seedings will increase by 4% this year. Iraq issued another wheat import tender for 100 TMT.

CORN – Weekly export sales data won't be released until Friday.

USDA's S&D Report for MY 2010 - CORN – Feb. 9 – As expected, USDA lowered their U.S. corn export projection this month by 50 million bu to 2.0 billion bu, due to a recent sluggish pace, but also raised domestic ethanol usage by 100 million bu to 4.3 billion bu. This resulted in a **45 million bu cut in U.S. corn ending stocks to 1.719 billion bu, which was 28 million bu below the average pre-report trade estimate of 1.747 billion bu**. USDA tightened their farm-gate price projection for corn to \$3.45-\$3.95/bu. **World corn production was increased this month by 1.4 MMT to 797.8 MMT, which is more than 6 MMT above last year. World corn ending stocks were cut by 2.0 MMT this month to 134 MMT, reflecting a 12 MMT or 8% reduction from a year ago.**

Corn Competitor/Buyer News – As widely expected, USDA raised their Argentine corn production estimate this month by 2.2 MMT to 17.2 MMT, which is still below the Buenos Aires Grain Exchange's latest estimate of 19.3 MMT. USDA left their Chinese corn production estimate unchanged at 155 MMT, despite some ideas that the Chinese crop might have been overstated due to evidence of tightening supplies and rising corn prices in the primary corn production region of NE China. Reports this week that Thailand has exported 78 TMT of corn to Vietnam.

Futures market activity this week

WHEAT – Wheat began the week with a strong double-digit bounce, triggered by short covering and positioning ahead of Tuesday's monthly S&D report. A lower dollar also provided support. Tuesday saw wheat prices slip lower under pressure from a slightly negative S&D report (5 million bu increase in ending stocks due to importation of feed wheat to meet livestock feeding needs in the southeast). Wheat posted double digit gains on Wednesday on speculative short covering despite a higher dollar, but could not extend these gains on Thursday as wheat succumbed to early weakness arising from a higher dollar and ample global stocks. **Wheat market closes on Thursday, 2/11/10.**

	Mar 2010	Weekly Summary	May 2010	Weekly Summary
Chicago	\$4.93 ½	Up \$.20 ¼	\$5.08 ½	Up \$.20 ½
Kansas City	\$5.01 ¼	Up \$.15 ¾	\$5.12 ¾	Up \$.16 ½
Minneapolis DNS	\$5.10 ½	Up \$.08	\$5.21	Up \$.06 ¼

CORN – Corn began the week moderately higher on a combination of fund buying ahead of Tuesday's S&D report and a positive tone in outside markets, including another jump in crude oil tied to a lower dollar. Corn extended its gains on Tuesday with support from a bigger than expected reduction in U.S. corn ending stocks due to increasing ethanol demand, now projected to use about 33% of the U.S. crop. Corn overcame early weakness to close moderately higher again on Wednesday buoyed by strong fund buying and spillover support from the updraft in wheat. Corn opened weaker on Thursday under pressure from a higher dollar but firmed through the session, closing modestly higher for the day on mostly technical chart support and a late pull back in the dollar which pushed crude oil and equities higher. **Mar 2010 corn contract closed Thursday, 2/11/10, at \$3.63 ¼, up \$.11 ¾ for the week and the May 2010 contact closed at \$3.75, up \$.12 for the week.**

Near-by Commodity Outlook –

Wheat – USDA ratcheted both world and U.S. ending stocks higher again this month, reinforcing bearish sentiment arising from ample wheat stocks to satisfy demand. Due to this comfortable stocks situation, traders have not yet begun to focus on 2010 planting projections, despite a much lower than expected winter wheat seedings estimate from USDA on January 12. USDA pegged U.S. winter wheat acres at 37.097 million acres, down 6 million acres or 14% from last year and the lowest level since 1913. Furthermore, there are some concerns about much drier than normal conditions across the Western Canadian prairies. However, other major wheat producing countries are indicating a trend toward higher wheat plantings this year. Wheat futures remain above the key chart support level of \$4.50/bu.

Corn – The corn market continues to chop in both directions, pulled lower by record large production and modest ending stocks increase from last year, but supported by increasing ethanol demand and more favorable global dynamics which show world corn ending stocks falling about 8% this year due to robust demand from biofuels and livestock feeding. Corn

futures remain above the chart support level of \$3.50/bu. Attention will quickly shift to 2010 planting projections and possible revisions in the final 2009 corn production estimate from USDA in their March 9 report.

Other Major Factors to Watch -

- **Biofuel demand on the upswing** – EPA issued its final rule on Feb. 3 to implement the Renewable Fuels Standard 2 (RFS2) that Congress passed in the Energy Independence and Security Act of 2008. EPA made several modifications from their draft rule that should spur further growth in the biofuels sector. Specifically, the RFS2 rule recognizes the carbon benefit of corn ethanol and concludes that newly constructed ethanol plants should be able to meet the standard of reducing greenhouse gas emissions by 20% compared to gasoline (existing plants are grandfathered under the GHG emission reduction standard) which was required by the act. Under the new rule, the ethanol blending mandate in 2010 is 13 billion gallons per year. EPA has yet to act on the industry's petition to increase the retail pump blending percentage from 10% to 15%, which is expected to displace the importation of 7 billion gallons of gas. A decision on the E15 petition is expected by summer, after additional engine performance studies are completed.
- **Crude Oil** – Crude oil saw upward movement early in the week, supported by a weaker dollar index which eased lower due in anticipation of the EU finalizing a financial rescue package for Greece as well as other economically troubled economies in southern Europe. Prices continued to post gains on Wednesday despite a higher dollar. Crude oil continued to grind higher on Thursday, as the dollar pulled back late in the session. Wednesday's weekly inventory report was delayed until Friday because of snow disruptions in the Nation's capital. Analysts expect crude oil stocks to increase by 1.5 million bbls, distillates to fall by 1.6 million bbls, and gasoline stocks to increase by 300,000 bbls. The International Energy Agency raised its 2010 global crude oil demand outlook this week, showing demand will rise to 86.5 million gallons per day, which is only about 100,000 gpd below the peak demand in 2007. IEA has pegged the 2010 average crude price at \$75/bbl, which is well below Morgan Stanley's recent projection of \$95/bbl. IEA sees demand in developed countries to remain relatively flat, but growth potential in China and other emerging markets.
- **U.S. weather** – Another major winter storm moved through the Central and Eastern U.S. this week. A split jet stream which combines cold temperatures from the polar jet stream with moisture from the subtropical jet stream - a common phenomenon in an El Nino weather cycle – continues to push snow further south providing favorable moisture and protective snow cover for much of the HRW crop. However, northern areas, including the Pacific Northwest winter wheat region and Canadian prairies, remain drier than normal. Forecast models indicate that March may be one of the coldest of the past decade, particularly east of the Rocky Mountains, which could delay early spring field work.

El Nino fading - NOAA's latest outlook indicates the current El Nino cycle is likely to linger until at least spring, while the Australian Bureau of Meteorology sees the current cycle fading as evidenced by cooling Sea Surface temperatures compared to normal.

- **International weather / crop watch –**
 - **Argentina / Brazil** – The weekend brought more beneficial showers to Argentine corn and soybean production regions, particularly Buenos Aires, Entre Rios, and spotty sections of Cordoba, La Pampa and Sante Fe, keeping dryness confined to about 10% of the grain belt. More moisture was expected this coming weekend, but then a drier trend in the 11-15 day outlook.
 - **Ukraine** – Some reports indicate that as much as 1.5 million acres of winter wheat are covered with crusting ice, which could result in some crop losses, however deep snow across the region appears to protect most of the winter wheat crop from winterkill damage.
 - **North Africa** – Moderate to heavy rains fell in northern Morocco and eastern Algeria last week, replenishing depleted soil moisture and favoring the winter wheat crop.
 - **China** – Conditions remain relatively dry in key winter wheat growing areas.
 - **India/Pakistan** – While India is reportedly on pace to harvest a bumper wheat crop and resume wheat exports after being out of the world market for the past 6 years, experts indicate that final yields could be variable as about one-third of the Indian crop has been under moisture stress due to a disappointing Monsoon season. About one-half of the Pakistani crop has seen some moisture stress.

MARK YOUR CALENDARS – BARLEY CROP INSURANCE / RISK MANAGEMENT SEMINARS

Presented by Premier Insurance (Blackfoot) and Idaho Barley Commission

Barley Crop Insurance Updates / New Specialty Type Barley Policy – Tracy Hawker and Steve VanOrden

Malt Contract Pricing Strategies and Other Risk Management Tools – Kelly Olson and Craig Corbett

March 9 – 8:30 am at Trails Inn in Ashton, lunch will be served

March 10 – 8:30 am at Meridian Center, 310 N. Meridian St. (near CAL store), Blackfoot, lunch will be served

Presented by Mountain States Insurance (Soda Springs) and Idaho Barley Commission

Barley Crop Insurance Updates / New Specialty Type Barley Policy – Mark Andreason

Malt Contract Pricing Strategies and Other Risk Management Tools – Kelly Olson and Craig Corbett

March 11 – 8:00 am at Geyser View Restaurant, Soda Springs, breakfast will be served