

Idaho Grain Market Report, August 11, 2011

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Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, August 10, 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) \$13.05 (6-R) \$13.05	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	NQ	(2-R) NQ (6-R) NQ	NQ	NQ	NQ
Idaho Falls	NQ	(2-R) \$11.98-\$13.25 (6-R) \$11.98	NQ	NQ	NQ
Blackfoot / Pocatello	\$10.83	(2-R) \$13.05 (6-R) \$13.05	\$6.50	\$6.80	\$8.42
Grace / Soda Springs	\$11.85	(2-R) NQ (6-R) NQ	\$6.80	\$6.93	\$8.39
Burley / Rupert Hazelton	\$12.00	(2-R) \$11.98 (6-R) \$11.98	\$6.40-\$6.80	\$6.63	\$8.20
Twin Falls / Eden / Buhl	\$12.50-\$12.75	(2-R) NQ (6-R) NQ	\$6.40-\$7.25	NQ	NQ
Weiser	\$10.00	(2-R) NQ (6-R) NQ	\$5.99	NQ	NQ
Nez Perce / Craigmont	\$10.35	(2-R) \$10.35 (6-R) \$10.35	\$6.24	\$7.37	\$8.80
Lewiston	\$10.60	(2-R) \$10.60 (6-R) \$10.60	\$6.43	\$7.56	\$8.99
Moscow / Genesee	\$10.40-\$11.50	(2-R) \$10.40 (6-R) \$10.40	\$6.20-\$7.10	\$7.33-\$8.45	\$8.76-\$9.95

Trading 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	Aug \$6.90-\$6.95 Dec \$7.05-\$7.10	Aug \$8.15-\$8.27	Aug \$9.57-\$9.67
Los Angeles	NQ	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	NQ	NQ	NQ	NQ	NQ	NQ
Ogden	\$12.00	NQ	NQ	\$6.90	\$6.90	\$8.32
Great Falls	\$10.00	NQ	\$12.00	NQ	\$5.54-\$6.36	\$8.33-\$8.91
Minneapolis	\$10.62	NQ	\$16.04	NQ	\$8.05 ¼ (12%)	\$9.62 ¼

Market trends this week

BARLEY – Local barley prices were mostly higher, ranging from no change to 50 cents higher in southern Idaho and no change to 25 cents higher in northern Idaho. USDA reported that there were no barley export sales last week. Barley export shipments last week totaled .1 TMT, for Canada.

USDA's S&D report for MY 2011/12 - BARLEY – Aug. 11 – USDA lowered 2011 barley production by 5 million bu to 168 million bu, due to a reduction in acreage in North Dakota (reduced from 510,000 to 420,000 this month based on an acreage resurvey conducted in that state). They also lowered 2011/12 ending stocks by 4 million bu to a very tight 58 million bu and raised the average farm gate price for U.S. barley to \$5.80-\$6.90/bu, compared to a marketing year average of \$3.86 in 2010/11. **World barley production was pegged .7 MMT higher this month at 132.4 MMT, up 7% from last year, due to larger crop expectations for Ukraine and Argentina more than offsetting a lower production estimate for the EU-27. World barley ending stocks were lowered this month by .8 MMT to 21.9 MMT, which is 15% below a year ago and represents a 16.1% stocks-to-use.**

Barley Competitor/Buyer News – USDA tweaked barley production estimates this month for several countries... Argentina up .4 MMT to 3.1 MMT; EU-27 down .6 MMT to 51.5 MMT; and Ukraine up 1 MMT to 8.5 MMT.

WHEAT – Local wheat prices were mixed again this week: SWW ranged from 40 cents lower to 20 cents higher; HRW ranged from 30 cents lower to 32 cents higher; and DNS ranged from 28 cents lower to 10 cents higher. USDA reported wheat export sales last week were 376.1 TMT, down 25% from the previous week and 18% from the 4-week average. Export shipments totaled 632.3 TMT, up 34% from the previous week and 21% from the 4-week average.

USDA's S&D report for MY 2011/12 - WHEAT – Aug. 11 – Neutral for wheat...As expected, **USDA lowered 2011 production by 29 million bu to 2.077 billion bu (in line with pre-report trade estimates)**, due to lower spring wheat and durum production more than offsetting higher forecast winter wheat production. USDA cut durum and other spring wheat harvested area by 1.25 million acres based on an acreage resurvey conducted last month in North Dakota, South Dakota, Minnesota and Montana. USDA raised their domestic feed usage estimate by 20 million bu to 240 million bu based on increased wheat feeding and lowered U.S. wheat exports by 50 million bu to 1.1 billion bu. **This resulted in a 2011/12 ending stocks estimate of 671 million bu, up 1 million bu from last month and in line with pre-report trade estimates.** The average farm gate price for U.S. wheat was raised to \$7.00-\$8.20/bu, compared to \$5.70 in MY 2010/11. **World wheat production was raised by nearly 10 MMT this month to 672.1 MMT, which is 4% above a year ago, due to larger crops in the EU-27, Former Soviet Union, India and China more than offsetting a reduction for Argentina. World wheat ending stocks also increased by nearly 7 MMT to 188.9 MMT, but still 1.5% lower than last year.**

Wheat Competitor/Buyer News – USDA raised wheat production estimates for several countries this month... China up 1.5 MMT to 117 MMT; EU-27 up 1.4 MMT to 133.5 MMT; Russia up 3 MMT to 56.0 MMT; Ukraine up 3 MMT to 21.0 MMT; India up 1.9 MMT to 85.9 MMT; and Kazakhstan up 1.0 MMT to 16.0 MMT. They lowered Argentine production by 1.5 MMT to 13.5 MMT, based on lower projected planted area. Australian production estimate was left unchanged at 25 MMT. French officials raised their wheat crop estimates this week to 33.3 MMT from 32 MMT projected last month, based on better than expected yields. Egypt bought 60 TMT of soft wheat from Russia this week. **Pending wheat import tenders...**Saudi Arabia has tendered for 660 MMT and Tunisia for 67 TMT.

CORN – Corn export sales last week were on the low end of trade expectations at 752.7 TMT for both MY 2011 and 2012, which were up 48% from the previous week and 15% from the 4-week average. Corn export shipments last week totaled 948.6 TMT, up 22% from the previous week and 6% from the 4-week average.

Ethanol corn usage – DOE's Energy Information Agency reported that U.S. ethanol production totaled 908,000 bbls last week, up 3.42% from the previous week and up 4.85% from last year – **representing a weekly corn usage of 96.7 million bushels, still below the level of 123.7 million bu needed to meet USDA's projection for the marketing year of 5.05 billion bushels. As expected, USDA lowered their usage estimate for the current MY 2010/11 by 30 million bu to 5.02 billion bu in today's monthly S&D report. They also lowered their projection for MY 2011/12 by 50 million bu to 5.1 billion bu.**

USDA's S&D report for MY 2010/11 and MY 2011/12 - CORN – Aug. 11 – Bullish for corn...As expected USDA cut their demand estimates in the current Marketing Year 2010/11 by 60 million bu to 13.245 billion bu and lowered ending stocks by an equal amount to 940 million bu. Food and industrial use was lowered by 10 million bu and exports by 50 million bu. **For MY 2011/12, production was lowered by 556 million bu to 12.914 billion bu, based on a sharply reduced yield estimate of 153.0 bpa (compared to 158.7 bpa last month) and a 500,000 acre cut in harvested acreage** due to flood damage. The average pre-report trade estimate called for a 155.6 bpa yield and 13.082 billion bu production. Domestic feed use was lowered by 150 million bu, food and industrial use was lowered by 40 million bu and exports were cut by 150 million bu. **This resulted in a 2011/12 ending stocks estimate of 714 million bu, down 156 million bu from last month and below the average pre-report trade estimate of 751 million bu. A stocks-to-use ratio of only 5.4% would be the second lowest on record.** Average farm gate price for U.S. corn was raised to \$6.20-\$7.20/bu, compared to the current marketing year forecast of \$5.20-\$5.30. **World corn production fell by nearly 12 MMT this month to 860.5 MMT, which is 5% above a year ago. World corn ending stocks fell by 1 MMT to 114.5 MMT, which is 7% below the current year. The world stocks-to-use ratio of 13.2% would be the lowest since 1973.**

Corn Competitor/Buyer News – USDA raised corn production estimates this month...EU-27 up .8 MMT to 60.1 MMT; Brazil up 2 MMT to 57 MMT; and Ukraine up 1 MMT to 16.5 MMT. They left Chinese corn production unchanged at a record high 178 MMT and imports unchanged at 2.0 MMT. Brazil lowered its corn production estimate this week to 56.3 MMT, from last month's estimate of 57.1 MMT. USDA pegged their crop at 57 MMT.

Futures market activity this week

Investor risk aversion reached fever pitch triggering wild swings across equity, energy and commodity markets this week...Current investor fears were sparked by a move by Standard & Poor last Friday night to downgrade the U.S. credit rating to AA, based on a political view that Congress had failed to reach agreement on "significant" reductions to the mounting U.S. debt. This was followed by panic in Europe over spreading sovereign debt problems now focused on Spain and Italy and rumors that France's credit rating would be the next to be downgraded (rumor not fact). **However, as the week wore on there was a glimmer of better economic news.** The weekly jobless claims rate in the U.S. fell to

below 400,000 for the first time in four months and was considerably below economists' expectations. In addition, the Federal Reserve stated on Tuesday they intended to keep the U.S. interest rates at very low levels through mid 2013 and would consider using other "appropriate" measures to prevent a double dip recession. This fell short of announcing another quantitative easing but helped to calm the panic in the markets.

WHEAT – Wheat fell double-digits on Monday as widespread investor fears triggered a massive across-the-board sell-off in equities and commodities (except gold which remains a safe-haven investment). Expectations of increased Russian competition for wheat exports also added to the negative tone. But wheat posted an impressive rebound on Tuesday, as the tone in outside markets shifted in a more positive direction and funds engaged in aggressive short covering ahead of Thursday's monthly crop production report. Wheat continued to lead the gains on Wednesday on expectations of lower spring wheat acreage and yields in Thursday's S&D report. Large import tenders also provided underlying support. Wheat finished sharply higher today (Thursday) with spillover support from friendly production and S&D reports (particularly for corn and soybeans) and fresh short covering. **Wheat futures market closes on Thursday, 08/11/11...**

	Sept 2011	Weekly Summary	Dec 2011	Weekly Summary
Chicago	\$7.01 ¼	Up \$0.22 ¼	\$7.33	Up \$0.10
Kansas City	\$8.08	Up \$0.27 ¾	\$8.33	Up \$0.29 ½
Minneapolis DNS	\$8.62 ½	Up \$0.35	\$8.66 ½	Up \$0.31 ¾

CORN – Corn markets posted major losses on Monday, pounded by fear-driven investor liquidation on worries about debt problems in the U.S. and euro-zone and weakening economic growth. Talk of improving crop weather during corn fill also weighed on the market. Corn posted a modest reversal higher on Tuesday as financial markets turned positive and buyers reacted to a bigger than expected decline in weekly crop conditions. But gains could not be sustained, as corn markets closed fractionally lower to unchanged on Wednesday in late session positioning ahead of Thursday's crop production report. Corn posted strong gains today (Thursday) in reaction to a bullish S&D report, which cut U.S. corn yields and ending stocks more than the trade had expected. **Sept 2011 corn futures contract closed Thursday, 08/11/11, at \$7.02 ½, up \$0.09 ½ and the Dec 2011 contract closed at \$7.14, up \$0.11 for the week.**

NEAR-BY COMMODITY OUTLOOK – USDA's production, supply and demand reports were very friendly to corn and soybeans this week and mostly neutral for wheat (trending bearish for world wheat market). Grain markets should trend higher in coming weeks, barring more investor panic selling.

OTHER MAJOR FACTORS TO WATCH –

- **CRUDE OIL – Economic doom and gloom pounded crude oil markets this week...**After slipping below \$90/bbl late last week, crude oil tumbled another \$5.57 on Monday, closing at \$81.31/bbl. This free-fall continued on Tuesday, closing down another \$2.01 to below \$80/bbl for the first time in 10 months on oil demand uncertainties. Prices stabilized on Wednesday – rebounding \$3.59 to \$82.89/bbl – in reaction to a much bigger than expected draw on U.S. crude oil inventories. The weekly government petroleum stocks report showed a 5.2 million bbls decrease in crude oil stocks, compared to an expected increase of 1.5 million bbls; distillates fell by 737,000 bbls; and gasoline stocks fell by 1.588 million bbls last week. Crude oil posted another big gain today (Thursday) - up \$2.83 to close at \$85.72 – buoyed by a positive shift in outside markets.
- **U.S. WEATHER / CROP WATCH** – Cooler and wetter conditions were prevalent this week with thunderstorms moving from Nebraska to Missouri and into the southern edge of the belt midweek. Another storm system is expected to bring scattered showers from the Northern Plains into the southeast this weekend. A lack of extreme heat is expected to prevail through next week, although the 6-10 day forecast is looking a bit warmer. For now, about ¼ of the Corn Belt remains unfavorably dry, particularly in central Iowa, Illinois and Indiana. The **Southern Plains** could see some possible moisture this weekend but not enough to provide meaningful drought relief. The 16-30 day outlook for this region shows drier and hotter conditions returning, which **may spell serious problems for winter wheat planting which begins in September.**
- **INTERNATIONAL WEATHER / CROP WATCH**
 - **Canada** – Mostly favorable conditions continued across much of the Western Prairies, although parts of Manitoba and spots along the US border need moisture during spring grain fill. It is estimated that about 10 to 15% of their grain belt is now experiencing unfavorably dry conditions with potential yield impacts.
 - **Europe** – More of the same cool and wet conditions prevailed across Europe, boosting topsoil moisture for summer crops but slowing small grain maturation and harvest and causing some quality concerns, particularly in the UK, Germany and Poland.
 - **Former Soviet Union** – Mostly favorably dry conditions across Ukraine and western Russia, aiding grain maturation and harvest. Ukraine expected to see moisture late this week. Heat remains a concern in Southern Russia, although the yield outlook remains good. Scattered showers across Northern Kazakhstan and Eastern Russia favor filling small grains.
 - **China** – Widespread showers from the remnants of a typhoon spread moisture across Manchuria, favoring filling corn and soybeans. Moisture was limited to the southeastern edge of the North China Plains but more substantial rainfall is expected next week.
 - **Argentina** – Mostly cool with some moisture favoring winter grain planting and emergence.
 - **Australia** – Mostly favorable conditions prevailed across the western and southern production areas, but parts of New South Wales and Queensland are facing serious moisture deficits. Western Australia is expected to see more

beneficial moisture next week but the eastern half of the country is expected to remain unfavorably dry as the winter grain crop moves closer to heading.

USDA Crop Progress / Condition Report, August 8, 2011

Crop	% Progress	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
U.S. barley	2% harvested	NA	13%	23%	72%	72%	83%
ID barley	2% harvested	1%	7%	11%	87%	84%	
U.S. spring wheat	6% harvested	NA	17%	24%	66%	70%	82%
ID spring wheat	0% harvested	0%	2%	7%	91%	86%	
U.S. winter wheat	85% harvested	81%	87%	91%			
ID winter wheat	8% harvested	2%	16%	34%	77%	75%	
Corn	93% silking 32% dough	83% 18%	97% 49%	93% 38%	60%	62%	71%

Fusarium Head Blight Webinar on August 18 at 8:00 a.m. MDT

The Idaho Wheat Commission will be presenting a web-based grower education seminar to help answer questions Idaho wheat growers may have about **Fusarium Head Blight**. The webinar will be approximately one hour. Log onto the website at <http://connect.cals.uidaho.edu/wheat>. Guest presenter, Dr. Juliet Marshall, UI Cereals Agronomist and Pathologist, will discuss several factors that may substantially be increasing the risk of Fusarium Head Blight. Key factors include environmental conditions, increased corn production in the area, and the increased aggressiveness of Fusarium Crown Rot. Dr. Marshall will describe how these factors have contributed to the incidence and aggressiveness of the disease in irrigated winter and spring wheat production in southeastern Idaho.