

**Idaho Grain Market Report, August 20, 2009**

Published by the Idaho Barley Commission, [kolson@idahobarley.org](mailto:kolson@idahobarley.org), 208-334-2090

**Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, August 19, 2009. 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) \$6.00 (6-R) \$6.00	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	\$5.40	(2-R) NQ (6-R) NQ	\$4.15	\$4.11	\$4.87
Idaho Falls	NQ	(2-R)\$6.75-\$6.77 (6-R)\$6.77	NQ	NQ	NQ
Blackfoot / Pocatello	\$5.20	(2-R) \$6.00 (6-R) \$6.00	\$4.30	\$4.08	\$4.92
Grace / Soda Springs	\$5.42	(2-R) NQ (6-R) NQ	\$4.15	\$4.08-\$4.09	\$4.85
Burley / Rupert Hazelton	\$5.00-\$5.30	(2-R) \$6.77 (6-R) \$6.77	\$3.90-\$4.10	\$4.08	\$4.88
Twin Falls / Eden / Buhl	\$6.20	(2-R) NQ (6-R) NQ	\$3.82	NQ	NQ
Weiser	\$6.50	(2-R) NQ (6-R) NQ	\$3.59	NQ	NQ
Nez Perce / Craigmont	\$4.60	(2-R) \$4.60 (6-R) \$4.60	\$4.30	\$4.36	\$5.58
Lewiston	\$5.05	(2-R) \$5.05 (6-R) \$5.05	\$4.49	\$4.55	\$5.77
Moscow / Genesee	\$4.65-\$6.25	(2-R) \$4.65 (6-R) \$4.65	\$4.26-\$5.03	\$4.32-\$5.34	\$5.54-\$6.16

**Trading Prices at Selected Terminal Markets, cash prices FOB**

	Barley (Cwt.)		Malting	Wheat (bu.)		
	#2 Feed 46 lbs. -- unit trains barge	Single rail cars-domestic		#1 SWW	#1 HRW 11.5% Protein	#1 DNS 14% Protein
Portland	NQ	NQ	NQ	Aug \$4.75-\$4.90 Dec \$5.10-\$5.15	Aug \$5.32-\$5.39	Aug \$6.14-\$6.19
Los Angeles	\$7.85	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	\$7.85	NQ	NQ	NQ	NQ	NQ
Ogden	\$5.50	NQ	NQ	\$4.40	\$4.17	\$4.96
Great Falls	\$3.65-\$3.75	NQ	\$6.25	NQ	\$3.87-\$4.09	\$5.27-\$5.37
Minneapolis	\$3.33	NQ	NQ	NQ	\$4.76 ½ (12%)	\$5.73 ½ -\$5.83 ½

**Market trends this week**

**BARLEY** – Local barley prices were mixed, ranging from 50 cents higher to 50 cents lower this week. USDA did not report any barley export sales last week. Barley export shipments totaled .9 TMT for Canada and Mexico.

**WHEAT** – Local wheat prices were mostly lower this week: SWW ranged from no change to 49 cents lower; HRW ranged from 21 to 53 cents lower; and DNS from 13 to 33 cents lower. U.S. wheat export sales were on the low end of trade expectations last week at 358.9 TMT, down 25% from the previous week and 26% from the prior 4-week average. Wheat export shipments totaled 375 TMT which was down 1% from the previous week and from the prior 4-week average.

**Wheat Competitor/Buyer News** – A French grain agency is now projecting EU soft wheat production will total 130 MMT, down 7% from last year but higher than last month's estimate. Egypt purchased 270 TMT of wheat this week with 120 TMT of that U.S. SRW. Other suppliers included France, Canada and Russia. This is a sign that U.S. wheat has become more price competitive on world markets.

**CORN** - Corn export sales last week were on the high end of trade expectations, totaling 1.435 MMT for both MY 09 and 2010 sales. Export sales in MY 09 (ends August 31) were 577 TMT, up 7% from the previous week and 6% from the prior 4-week average. Corn export shipments last week totaled 1.12 MMT, up 17% from the previous week, but down 1% from the prior 4-week average.

### Futures market activity this week

**Wheat** – Wheat futures began the week sharply lower, falling to 8-month lows on pressure from weak outside markets and a general commodity and equity sell-off as investors' appetite for risk took a nosedive. Prices consolidated fractionally lower on Tuesday in mostly light volume, but losses were limited by oversold conditions which suggest wheat could be due for a significant bounce. Wednesday saw prices open higher on all three exchanges on news of an Egyptian purchase of 120 TMT US SRW wheat, but then drift lower in a narrow range on concerns about the fall-out from a decision by the Commodity Futures Trading Commission (CFTC) to remove position limit waivers for two index trading firms. Index funds currently hold more than 45% of the "long" positions in the three wheat exchanges. Wheat finished higher in a narrow range today (Thursday) on a mostly corrective bounce from its current oversold condition. **Wheat market closes on Thursday, 8/20/09...**

	<u>Sept 09</u>	<u>Weekly Summary</u>	<u>Dec 09</u>	<u>Weekly Summary</u>
Chicago	\$4.69	Down \$.12 <sup>3</sup> / <sub>4</sub>	\$4.96 <sup>1</sup> / <sub>2</sub>	Down \$.13
Kansas City	\$4.98 <sup>3</sup> / <sub>4</sub>	Down \$.09 <sup>3</sup> / <sub>4</sub>	\$5.15	Down \$.09 <sup>1</sup> / <sub>2</sub>
Minneapolis DNS	\$5.38 <sup>3</sup> / <sub>4</sub>	Down \$.10 <sup>1</sup> / <sub>2</sub>	\$5.51	Down \$.12 <sup>1</sup> / <sub>2</sub>

**Corn** –Corn futures began the week modestly lower on fund selling triggered by a higher dollar and favorable crop conditions which point to higher yield expectations. Despite continuing bearish technical chart signals, corn drifted fractionally higher on Tuesday on support from a crude oil rally and lower dollar. Corn prices shrugged off early weakness on Wednesday arising from concerns about the action taken by CFTC to impose speculative position limits on two index trading firms (index funds hold more than 29% of "long" corn positions), to finish higher on support from the sharp spike in crude oil prices. Corn drifted modestly lower today (Thursday) on a lack of clear direction from currency and energy markets and continued emphasis on good growing weather. **Sept 09 corn contract closed on Thursday, 8/20/09, at \$3.18<sup>1</sup>/<sub>2</sub>, down \$.00 <sup>3</sup>/<sub>4</sub> for the week and the Dec 09 contact at \$3.24, down \$.03 <sup>3</sup>/<sub>4</sub> for the week.**

### Nearby Commodity Market Outlook –

**Corn** – Crop weather remains non-threatening for now and trade expectations are clearly on the side of rising yield expectations, which means that it will be hard for the corn market to generate much upside price enthusiasm until this year's harvest is wrapped up and focus shifts back to the demand side of the equation. However, two bullish price reversals in the past week suggest that this market sees possible upside potential from short covering, particularly if investment money continues to flow into energies and commodities. Chart support remains at just above \$3.00/bu.

**Wheat** – For now, wheat prices remain in check due to ample world supplies, weak demand and strong export competition. Chart support remains at \$4.50/bu for CHI and KCBT, while MGE sees significant support at \$5.00/bu. Traders are keeping a close eye on any sweeping regulatory changes from the Commodity Futures Trading Corporation that could limit positions held by index funds and other speculators. On the flip side, traders are very aware that these bearish conditions could shift in coming months as the market gains better information on actual crop prospects in Canada, Australia and Argentina. Some traders **see the potential for a 50-cent bounce higher if U.S. demand improves and the U.S. dollar breaks lower.**

**Crude Oil** - Near-term crude oil prices are expected to remain volatile as doubts remain about the pace and timing of global economic recovery. Crude continues to move in the opposite direction of the dollar and in tandem with U.S. equities. For now, there continues to be wide swings in the daily "investor optimism" barometer. **The U.S. Energy Information Agency is projecting 2010 crude oil prices will average \$72.50/bbl, which would be up more than 20% from the current 2009 average.**

### Other Major Factors to Watch

- § **Crude Oil** – Crude oil began the week modestly lower on lingering concerns about weak global demand. **Tuesday and Wednesday saw impressive rallies to above \$72/bbl on a combination of factors, including a lower dollar, stronger U.S. equities and a surprisingly bullish U.S. petroleum report showing a much bigger decline in U.S. crude oil stocks due to lower imports and weak demand.** Wednesday's weekly petroleum inventory report showed crude oil stocks falling 8.4 million bbls compared to an expected build of 1.2 million bbls; distillate stocks also were bullish, falling 650,000 bbls compared to an expected increase of 700,000 bbls; gasoline stocks fell by 2.2 million bbls compared to an expected draw of 1.0 million bbls.
- § **U.S. weather / crop watch** – Dry weather covered most spring wheat areas this week, allowing small grain harvest pace to accelerate. Corn also continues to see very favorable weather, with temperatures moderating and substantial rainfall covering many important growing areas. Dryness concerns have now been reduced to only about 10% of the belt, but lack of heat effectively reduces the potential yield impacts in these areas. The threat of early frost also has lessened as warmer air is beginning to build over southern Canada and conditions are expected to remain mild through at least mid-September. Forecasters estimate that IF a record early frost does occur, which is unlikely at this time, then yield losses could reach 600 million bushels based on the current delayed maturity. **Participants on the Pro Farmer Midwest Crop tour this week are confirming above average to potential record yields in many of the key corn producing states. For Iowa (largest U.S. corn**

producing state), participants have pegged yields at 186 bu, compared to USDA's Aug. 12 estimate of 185 bpa and last year's 178 bpa.

§ **El Nino weather pattern** – Australian Weather Bureau reported a recent jump in the El Nino-related SO Index, which indicates some strengthening in El Nino intensity. However, many U.S. weather forecasters see the current El Nino cycle remaining relatively weak through the fall, lowering the risk of early frost in the U.S. Midwest. Argentina also is seeing limited rainfall right now, which would be expected to increase under a strong El Nino pattern.

§ **International weather / crop watch –**

§ **Canada** – Recent showers have benefitted filling spring wheat crops (exception is poor crops in northern and central Alberta) but crop maturity is lagging as much as two weeks in some areas. Concerns about the possibility of localized frost damage before this year's crop finishes have diminished somewhat as updated weather forecasts now show mostly mild conditions persisting through mid-September.

§ **Europe** – Occasional showers have helped maintain favorable soil moisture for corn, while causing only minor interruptions to spring grain harvesting. Cooler weather in the Balkans is easing stress on filling summer crops, while drought and heat continues to persist in the Iberian Peninsula where Spanish wheat crop estimates have been cut by 37%.

§ **Russia / Ukraine** – Dry weather has accelerated spring grain harvesting to near completion, with improved crop production estimates for Ukraine. Western Russia has seen light showers which have caused some temporary interruptions to small grain harvesting. Additional rain is needed for corn crops.

§ **China** – Continuing dry, warm weather in western Manchuria has reduced soil moisture for filling corn crops, causing traders to take note of potentially reduced yields.

§ **Argentina** – Warm, dry weather continues to raise concerns about the effects of prolonged drought in key wheat producing regions.

§ **Australia** – Recent rainfall in western and southeastern regions has helped maintain favorable soil moisture, but unfavorably dry conditions are becoming a concern for jointing winter grains in Queensland and Northern New South Wale. These particular growing areas have not received rainfall in the past 20+ days. **Crop watchers now indicate that as much as 20% of Australia's wheat crop could be under stress by the end of August, with the prospect of reduced yields. Meanwhile, USDA has pegged Australian wheat plantings at 33.4 million acres, the second highest on record.**

**USDA Crop Progress / Condition Report, August 17, 2009**

Crop	Progress %	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
US barley	11% harvested	5%	39%	52%	78%	78%	52%
<b>ID barley</b>	<b>19% harvested</b>	<b>11%</b>	<b>20%</b>	<b>33%</b>	<b>93%</b>	<b>94%</b>	
US spring wheat	13% harvested	8%	33%	48%	74%	72%	56%
<b>ID spring wheat</b>	<b>17% harvested</b>	<b>4%</b>	<b>16%</b>	<b>31%</b>	<b>92%</b>	<b>93%</b>	
US winter wheat	94% harvested	91%	95%	97%			
<b>ID winter wheat</b>	<b>59% harvested</b>	<b>37%</b>	<b>55%</b>	<b>69%</b>	<b>92%</b>	<b>93%</b>	
US Corn	40% dough	24%	46%	64%	68%	68%	67%