

Idaho Grain Market Report, August 26, 2010

Published by the Idaho Barley Commission, kolson@idahobarley.org, 208-334-2090

Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, August 25, 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	NQ	(2-R) NQ (6-R) NQ	NQ	NQ	NQ
Idaho Falls	\$6.50	(2-R)\$6.50-\$6.85 (6-R)\$6.50	\$5.10	\$5.23	\$6.22
Blackfoot / Pocatello	\$6.45	(2-R) \$6.50 (6-R) NQ	\$5.35	\$4.88	\$6.12
Grace / Soda Springs	\$6.15-\$6.25	(2-R) NQ (6-R) NQ	\$5.30	\$5.10-\$5.40	\$6.15-\$6.21
Burley / Rupert Hazelton	\$6.25-\$6.50	(2-R) \$6.50 (6-R) \$6.50	\$5.10-\$5.45	\$5.29	\$6.13
Twin Falls / Eden / Buhl	\$6.80	(2-R) NQ (6-R) NQ	\$5.10	NQ	NQ
Weiser	\$7.00	(2-R) NQ (6-R) NQ	\$5.48	NQ	NQ
Nez Perce / Craigmont	\$5.85	(2-R) \$5.85 (6-R) \$5.85	\$5.74	\$6.10	\$7.04
Lewiston	\$6.10	(2-R) \$6.10 (6-R) \$6.10	\$5.93	\$6.29	\$7.23
Moscow / Genesee	\$5.90-\$7.25	(2-R) \$5.90 (6-R) \$5.90	\$5.70-\$6.45	\$6.06-\$6.81	\$7.00-\$7.85

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	Aug \$6.05-\$6.30 Dec \$6.45-\$6.50	Aug \$6.41-\$6.65	NQ
Los Angeles	NQ	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	NQ	NQ	NQ	NQ	NQ	NQ
Ogden	\$6.15	NQ	NQ	\$5.40	\$5.37	\$5.87
Great Falls	\$5.50-\$6.15	NQ	\$6.75	NQ	\$4.36-\$4.40	\$4.79-\$5.13
Minneapolis	\$5.83	NQ	NQ	NQ	\$6.58 ¼ (12%)	\$7.95 ¼ - \$8.00 ¼

Market trends this week

BARLEY – Local barley prices were mostly higher this week ranging from 4 cents lower to 25 cents higher in southern Idaho and 50 cents higher in northern Idaho. USDA reported that there were no barley export sales or export shipments last week.

Barley Competitor/Buyer News - Stats Canada pegged Canada's 2010 barley production last Friday at 8.5 MMT, down 11% from last year.

WHEAT – Local wheat prices were also mostly higher this week: SWW ranged from 5 cents lower to 90 cents higher; HRW ranged from 15 cents lower to 6 cents higher; and DNS ranged from 14 to 46 cents higher. U.S. wheat export sales last week were once again well above trade expectations at 1.08 MMT, but were down 24% from the previous week and 4% from the prior 4-week average. This is further evidence that wheat importers who have looked to the Black Sea region to supply their wheat needs in recent years is coming back to the U.S. as one of the most reliable suppliers year in and year out. Export shipments last week totaled 506.9 TMT, down 12% from the previous week and unchanged from the prior 4-week average.

International Grains Council 8/26/2010 S&D Forecast - WHEAT – As expected, IGC lowered its world wheat production estimate this month by 7 MMT to 644 MMT accounting for lower crops in the Former Soviet Union and indicated that further reductions could come in coming months as more is known about the Canadian and Southern Hemisphere wheat crops. [USDA pegged world wheat production on August 12 at 645.7 MMT.] IGC pegged Russia's wheat crop at 44 MMT, compared to USDA's latest estimate of 45 MMT and private forecasts of 41.5 MMT. IGC lowered their world wheat trade estimate by 3 MMT this month to 117 MMT and **reduced world carryover stocks by 8 MMT to 184 MMT, with only 56 MMT held by major wheat exporters.** [USDA pegged world wheat carryover on August 12 at 174.7 MMT.]

Wheat Competitor/Buyer News – Stats Canada pegged Canadian wheat production last Friday at 22.7 MMT, above trade expectations, but down 14.5% from last year. The UN Food and Agricultural Organization is projecting that recent floods have damaged an estimated 14% of Pakistan's total crop area, with most of the damage to the rice crop. Egypt purchased another 240 TMT of wheat this week, supplied by Canada and France.

CORN – U.S. corn export sales were well above trade expectations at 1.74 MMT - 42.3 TMT for MY 2009/10 and 1.69 MMT for MY 2010/11. Corn export shipments last week totaled 1.17 MMT, which was up 17% from the previous week and 16% from the prior 4-week average.

International Grains Council 8/26/2010 S&D Forecast - CORN – In contrast to wheat, the IGC raised their world corn production estimate this month by 6 MMT to a record 829 MMT, up 20 MMT from last year. [USDA pegged world corn production on August 12 at 831.6 MMT.] World corn trade was increased by 2 MMT this month to 90 MMT and world carryover stocks were increased by 1 MMT to 135 MMT, which is down 8 MMT from last year and a 4-year low. [USDA pegged world corn carryover on August 12 at 139.2 MMT.]

Futures market activity this week

Negative outside market influences were a noted feature in commodity trading this week, with a downdraft in financial and energy markets casting a long shadow over commodities and fueling renewed fears of a double-dip recession. Equities took a nose dive on strong evidence that the mini-housing boom this past spring has come to a halt after the federal tax credit expired....existing home sales fell 27% last month to a 15 year low and the biggest one month decline on record, while new homes sales tumbled 12.4% to the lowest pace on record. Durable goods orders showed modest positive growth last month but they, too, were below economists' expectations. Worries about EU (Irish) sovereign debt also reemerged this week, pushing the euro lower. All of these negative trends have once again shaken investors' confidence in domestic and global economic prospects and have caused a flight of money back into safe-haven investments like the dollar, precious metals and U.S. Treasuries. While the majority of economists don't believe the U.S. will slip into a double-dip recession, they acknowledge a loss of momentum in U.S. economic recovery.

WHEAT – Wheat posted a double-digit gain on Monday, with support from renewed talk of possible Russian grain imports and intensifying concern about other crop production problems beyond the Former Soviet Union. Prices reversed direction on Tuesday, closing down sharply in the face of a commodity-wide sell-off, lower equities and a higher dollar. Wheat continued to break sharply lower on Wednesday under profit-taking pressure triggered by rains in Russia and a lack of fresh demand (Egypt passed on U.S. wheat this week and Ukraine delayed a decision on export quotas). Wheat finished solidly higher today (Thursday), with support from strong weekly export sales, lower dollar and continued talk of possible Russian grain imports later this year. **Wheat market closes on Thursday, 8/26/10...**

	Sept 2010	Weekly Summary	Dec 2010	Weekly Summary
Chicago	\$6.56 ½	Down \$.22 ½	\$6.88 ½	Down \$.23 ½
Kansas City	\$7.05	Down \$.00 ½	\$7.13 ½	Down \$.06 ¾
Minneapolis DNS	\$7.00 ¼	Up \$.00 ¼	\$7.04 ¼	Down \$.10

CORN – Corn closed moderately lower on Monday, with a bearish chart reversal triggering profit-taking. Tuesday saw continued technical weakness along with lower crude oil, which triggered sell-stop action and pushed corn prices down double digits. A surprise uptick in the weekly corn crop condition rating also provided underlying pressure as this market remains mixed on the 2010 yield potential (see more discussion below). Corn traded both sides to close fractionally lower on Wednesday, as early weakness (sell stops) was followed by late support from a recovery rally in crude oil. Corn posted double digit gains today (Thursday) with support from strong weekly export sales pace, higher crude oil and lower dollar.

Sept 2010 corn contract closed Thursday, 8/26/10, at \$4.16 ½, down \$.04 ¾ for the week and the Dec 2010 contact closed at \$4.32, down \$.04 ¼ for the week.

NEAR-BY COMMODITY OUTLOOK –

WHEAT- World wheat supply issues continue to dominate the trading floor. Recent price gains have been sparked by supply fears and a significant uptick in import demand for U.S. wheat confirmed by a stronger than expected weekly export sales pace in recent weeks. Besides the significant crop losses in the Former Soviet Union, analysts are keeping a close eye on other 2010 crop worries in Canada (too cool/wet with delayed crop development), Western Australia (persistently dry which could affect as much as 25% of the belt) and Argentina (cold/dry with as much as 10% of the winter wheat crop not planted). Focus is also shifting to next year's crop and the prospects for winter wheat plantings,

particularly in parts of the Former Soviet Union, where severe moisture stress continues mostly unabated. Unless significant rainfall is received in the next month, Russia is expected to see at least a 30% cut in winter wheat acres which will fuel increased fears of an even tighter world wheat stocks situation next year. **With this unsettled supply situation, upside price potential certainly exists, but it is likely capped by bearish domestic fundamentals (ample U.S. wheat carryover) and negative outside market influences. CHI Sept wheat is likely to remain consolidated in the \$6.50 to \$7.00 range unless we see fresh supportive news or a strong push from outside markets. KC is stronger due to recent robust export demand for hard red winter wheat.**

CORN – On paper, corn has the best short term fundamentals of the grain and oilseed complex with strong global demand expected to outpace production and draw down carryover stocks. Corn futures have seen a modest boost from big weekly export purchases and expectations of increased future purchases to replace sharply curtailed feed wheat and barley exports from the Former Soviet Union. **But corn trading remains in a narrow range, with upside price potential limited by eroding crude oil prices and a tug-a-war over U.S. corn yield expectations.** In one camp, the early start to this year's season as well as above 10-year average crop ratings argue for record high yields. The flip side points to a faster than normal maturity pace (54% dented compared to 37% on 5-year average), warmer than normal night time temperatures and disappointing early harvest results keeping a trend-line cap on corn yield potential. Reuters released a poll estimate on Thursday of 163.7 bpa corn yield compared to USDA's official August estimate of 165 bpa. **CHI Dec corn is still targeting \$4.50 but will need help from expanding exports and lower yield estimates.**

OTHER MAJOR FACTORS TO WATCH –

- **Crude Oil** – Crude oil futures traded lower on Monday – down \$.72 to close at \$73.10/bbl - under pressure from a stronger dollar and the **twin threats of slowing domestic and global economic recovery and rising petroleum inventories** which have reached a 27 year high. Prices continued to erode lower on Tuesday, down another \$1.47 to \$71.63/bbl, the lowest level in seven weeks, as money flow returned to safe-haven investments. Despite a bearish weekly inventory report, crude oil posted a late session recovery on Wednesday snapping a 5-day decline – closing up \$.89 at \$72.52/bbl with support from a slight easing in the value of the dollar. The weekly petroleum inventory report showed a continued build up in inventories...crude oil inventories increased by 4.1 million bbls, well above the expected build of 300,000 bbls; distillate stocks rose 1.8 million bbls, compared to an expected build of .8 million bbls; and gasoline stocks rose 2.3 million bbls, compared to an expected decline of 450,000 bbls. Crude oil posted more gains today (Thursday) with help from a cheaper dollar.
Crude Oil Outlook – most analysts believe crude oil will continue to trade in a choppy, sideways range between \$70 and \$80/bbl.
- **U.S. weather / crop watch** – Last weekend rains were scattered through central and eastern Corn Belt, bringing some relief to dry areas in IL and OH. However, dryness concerns remain for about 15% of the belt. Wetter areas of the northwestern belt were expected to remain mostly dry this week, allowing fields to dry out and crop maturity to advance. Temperatures were cooler this week but are expected to warm up in the 6-10 day outlook, along with above normal rainfall for much of the region, except the southern half which remains dry. The Northern Plains are expected to see only limited grain harvest interruptions from showers during the next 10 days.
- **International weather / crop watch** –
 - **Canada** – After mostly drier conditions last week, scattered storms once again moved across the Canadian Prairies early this week. The outlook, however, was drier for rest of the week and then more showers. There are no significant frost concerns at this time, although cooler temps are expected in the 8 to 14 day period.
 - **Europe** – Heavy rains continued to hamper grain harvest across the UK, Germany, Central and Eastern Europe.
 - **Former Soviet Union** – Cooler temps in recent days have helped break the record-setting heat wave that gripped much of Central Ukraine, Central Russia and Northern Kazakhstan, but moisture stress persists. The north central region saw scattered showers this week, mostly limited to the northwestern fringes. Chances improve for more significant showers in the northern and western areas in the 6 to 10 day period, which should improve winter wheat planting prospects for at least the western third of the belt. Concerns are focused on the lack of moisture in the highly productive Volga Valley region.
 - **China** – Heavy rains favored corn production in the northeastern region but were considered unfavorable to maturing grains in the North China Plains.
 - **Argentina / Brazil** – Cool mostly dry conditions prevailed across much of Argentina and southern Brazil, which have slowed wheat growth. Winter wheat planting has come to an end in Argentina. Recent rain levels have been modest - as expected under a strengthening La Nina weather pattern - and will need to expand in September to ensure against yield losses. Models predict improving chances for showers in the 6 to 10 day period.
 - **Australia** – Western Australia received only scattered showers in the past week, but more will be needed as the winter grain crop moves into heading stage in September. This major grain production region could see more showers starting next week, but as of now chances remain high that as much as 25% of this western grain belt remains vulnerable to moisture stress. Meanwhile, the southern and eastern regions have continued to see very favorable growing conditions.

USDA Crop Progress / Condition Report, August 23, 2010

Crop	Stage	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
US barley	harvested 52%	29%	24%	62%	84%	85%	80%
ID barley	harvested 30%	18%	28%	44%	97%	96%	
US spring wheat	harvested 53%	34%	21%	60%	82%	82%	72%
ID spring Wheat	harvested 14%	4%	33%	46%	95%	95%	
US winter wheat	harvested 95%	91%	96%	98%			
ID winter wheat	harvested 60%	34%	75%	81%	96%	95%	
US corn	dough 88%	74%	55%	74%	70%	69%	70%
	dented 54%	32%	17%	37%			
	mature 8%	NA	3%	6%			