

Idaho Grain Market Report, September 2, 2010

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Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, September 1, 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-\$7.25 (6-R) \$6.50	\$5.40	\$5.73	\$6.68
Blackfoot / Pocatello	\$6.46	(2-R) \$6.50 (6-R) NQ	\$5.25	\$5.63	\$6.68
Grace / Soda Springs	\$6.25-\$6.30	(2-R) NQ (6-R) NQ	\$5.65	\$5.58-\$5.66	\$6.53-\$6.61
Burley / Rupert Hazelton	\$6.50	(2-R) \$6.50 (6-R) \$6.50	\$5.60	\$5.71	\$6.60
Twin Falls / Eden / Buhl	\$6.50-\$7.10	(2-R) NQ (6-R) NQ	\$5.30	NQ	NQ
Weiser	\$7.00	(2-R) NQ (6-R) NQ	\$5.63	NQ	NQ
Nez Perce / Craigmont	\$6.05	(2-R) \$6.05 (6-R) \$6.05	\$5.99	\$6.50	\$7.55
Lewiston	\$6.30	(2-R) \$6.30 (6-R) \$6.30	\$6.18	\$6.69	\$7.74
Moscow / Genesee	\$6.10-\$7.25	(2-R) \$6.10 (6-R) \$6.10	\$5.94-\$6.60	\$6.46-\$7.27	\$7.51-\$8.27

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	Sept \$6.40-\$6.60 Jan \$6.60-\$6.80	Sept \$7.02-\$7.27	NQ
Los Angeles	NQ	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	NQ	NQ	NQ	NQ	NQ	NQ
Ogden	\$6.35	NQ	NQ	\$5.95	\$5.75	\$6.70
Great Falls	\$5.50-\$6.25	NQ	\$7.00	NQ	\$4.72-\$4.88	\$5.27-\$6.13
Minneapolis	\$5.75	NQ	NQ	NQ	\$6.94 (12%)	\$7.96-\$8.36

Market trends this week

BARLEY – Local barley prices were mostly higher this week ranging from 30 cents lower to 40 cents higher in southern Idaho and 20 to 25 cents higher in northern Idaho. USDA reported that barley export sales totaled .1 TMT for the Philippines. However, there were no barley export shipments last week.

WHEAT – Local wheat prices were also mostly higher this week: SWW ranged from 10 cents lower to 50 cents higher; HRW ranged from 18 to 73 cents higher; and DNS ranged from 22 to 51 cents higher. U.S. wheat export sales last week were again well above trade expectations at 1.02 MMT, but down 5% from the previous week and 12% from the prior 4-week average. Export shipments last week hit a marketing year high, totaling 593.1 TMT, up 17% from the previous week and 14% from the prior 4-week average.

Early acreage surveys indicate U.S. winter wheat acres will jump 10% in 2011.

Wheat Competitor/Buyer News – Argentina's Rosario Grain Exchange has pegged the Argentine wheat crop this year at 9.0-10.5 MMT, up slightly from last year's crop but below USDA's current estimate of 12.0 MMT. USDA Ag Attache has lowered its Russian wheat estimate to 41 MMT (compared to USDA's August projection of 45 MMT and the International

Grain Council's estimate of 44 MMT). Egypt purchased 225 TMT of U.S. wheat this week, while a German miller purchased 20 TMT of US hard red spring wheat. Germany may need to import as much as 1 MMT of high quality milling wheat this year to supplement its own disappointing crop.

CORN – U.S. corn export sales were again well above trade expectations at 1.69 MMT for MY 2010/11. Corn export shipments last week totaled 1.14 MMT, which was down 3% from the previous week; however it was up 14% from the prior 4-week average.

A Chicago based firm has pegged U.S. corn yield at 162 bpa, compared to USDA's August projection of 165 bpa and Pro Farmer's crop tour projection of 164.1 bpa.

Futures market activity this week

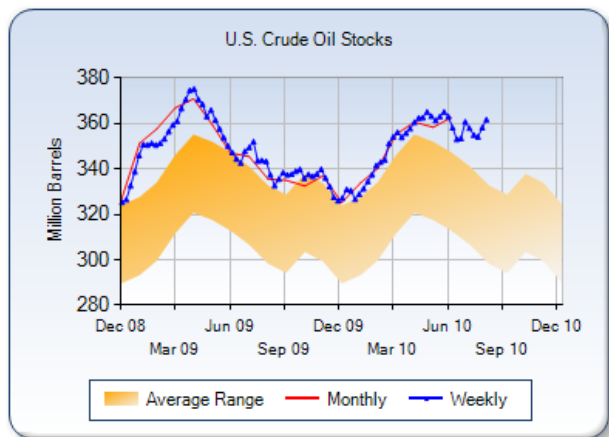
WHEAT – Wheat posted strong gains on Monday, boosted by strong weekly export inspections (highest weekly total in two years) and renewed concerns about the 2010 crop and declining global stocks. **Market watchers are now intensely focused on crop shortfalls in Germany, Canada, Western Australia and Argentina.** Gains could not be extended on Tuesday as end of month profit-taking pushed wheat prices sharply lower, with additional pressure from large expected deliveries against the Sept contract. However, wheat prices bounced back sharply higher on Wednesday - posting gains of more than 23 cents - on support from a sharply lower dollar and a large Egyptian purchase of U.S. wheat, followed by a smaller purchase of U.S. wheat by a German miller. Wheat posted modest gains today (Thursday) on support from another bullish weekly export sales report and a Russian government announcement that it will extend its grain export ban through next fall's harvest. **Wheat market closes on Thursday, 9/02/10...**

	Sept 2010	Weekly Summary	Dec 2010	Weekly Summary
Chicago	\$6.80 ³ / ₄	Up \$.18 ¹ / ₄	\$7.13 ³ / ₄	Up \$.18 ³ / ₄
Kansas City	\$7.18	Up \$.17 ³ / ₄	\$7.32 ¹ / ₄	Up \$.18 ¹ / ₄
Minneapolis DNS	\$7.21	Up \$.14	\$7.35	Up \$.22 ¹ / ₂

CORN – Corn closed moderately higher on Monday to the highest level since Jan. 11, with spillover support from wheat, strong weekly export inspections and concerns that U.S. yields will slip below USDA's peg of 165 bpa, which could tighten U.S. stocks because of rising demand. This concern is reinforced by ideas that USDA will increase its 2011 corn export projection by another 100 to 150 million bushels in their Sept. 10 report due to a robust weekly sales pace. However, corn could not hold these gains on Tuesday, slipping moderately lower in the face of a noted slump in crude oil prices. But corn prices were swept higher on Wednesday, in mostly spillover support from a big surge on Wall Street, lower dollar and sharply higher crude oil. Corn overcame early session weakness to finish fractionally higher today (Thursday) with spillover support and continued evidence of robust corn export demand offsetting early harvest hedge pressure and pre-holiday weekend profit-taking. **Sept 2010 corn contract closed Thursday, 9/02/10, at \$4.33, up \$.12 for the week and the Dec 2010 contact closed at \$4.47½, up \$.11 ½ for the week.**

OTHER MAJOR FACTORS TO WATCH –

- **CRUDE OIL** – Crude oil continued to grind lower in choppy trading early this week – posting a loss of \$.47 on Monday followed by another \$2.78 loss to dip below \$72/bbl on Tuesday - under pressure from demand uncertainties and weak performance in global equities. Wednesday saw impressive gains – surging nearly \$2 to just under \$74/bbl, despite mostly bearish petroleum inventories. Support came from a sharply lower dollar and better than expected manufacturing data from the U.S. and China and better than expected quarterly growth numbers for Australia. Wednesday's weekly petroleum inventory report showed a steady build up in inventories as demonstrated in the chart below...crude oil inventories increased by another 3.4 million bbls last week (stocks now 5.3% above a year ago), compared to an expected build of 1.9 million bbls; distillate stocks fell a surprising 700,000 bbls, compared to an expected build of 1.15 million bbls; while gasoline stocks fell by 200,000 bbls (stocks now about 10% above a year ago), in line with an expected decline of 250,000 bbls. Crude oil posted more impressive gains today (Thursday) – up more than a dollar to close at \$75/02/bbl on continued dollar weakness.



- **U.S. CROP WATCH** – Almost the entire Midwest closed out the second half of August with below average rainfall, leaving about 10% of the belt with inadequate moisture (mostly confined to the eastern and southern edges). A new

storm system moved through the northwestern and north-central Corn Belt early this week, expanding to cover nearly half of the Midwest by mid week, bringing good rainfall totals and cooler temps. Elsewhere, warmer temperatures continue to accelerate corn maturity. The 16 to 30 day outlook is trending a bit wetter for the northwestern two-thirds of the belt, which might cause a slow start to the corn harvest in some areas but it is still too early for concern. Spring wheat areas that are lagging behind in harvest in Montana and North Dakota saw mostly drier conditions early this week but could see increasing rainfall opportunities later in the week and again next week, slowing harvest. Drier weather is expected in the 11 to 15 day outlook so delays are not considered worrisome at this stage. Many U.S. soft red winter wheat areas are considered too dry right now to begin planting the 2011 crop. **Early acreage surveys indicate U.S. winter wheat acres will jump 10%.**

▪ **International weather / crop watch –**

- **Canada** – After recent sunny, drier conditions, rainfall returned to portions of the Canadian prairies early this week. Weekend temperatures dipped to the freezing mark in spotty areas of central and northwestern Alberta, but most crops in these areas are expected to be mature by the time colder temps return in the 11 to 15 day period. The 6 to 10 day outlook is trending wetter, particularly for central Alberta, central and eastern Saskatchewan and Manitoba, slowing early harvest prospects.
- **Europe** – Locally heavy rainfall continued to hamper small grain harvest across parts of Germany and Central Europe. Germany was expected to see drier conditions by mid week but rain could return next week.
- **Former Soviet Union** – The northwest winter wheat belt continued to receive beneficial moisture this week, allowing much of the northern area that needs to be planted by mid September to get planted with adequate moisture. However, at least 60% of the winter wheat belt remains too dry to plant. Meanwhile, hot dry conditions persisted in a wide region stretching from eastern Ukraine through southern Russia, hastening summer crop maturity but delaying winter wheat planting.
- **China** – Locally heavy rainfall soaked corn crops in Northwestern China, while abundant to excessive moisture was noted across the North China Plain and Yangtze Valley.
- **Argentina / Brazil** – Weekend showers were disappointing in much of Argentina, but more rain potential was in the forecast for later this week; likely to benefit about half of the grain belt, with remaining moisture deficits in the southwestern half. A private group estimates that about 70% of the wheat crop is in good shape. Warmer conditions are pushing wheat toward maturity in southern Brazil.
- **Australia** – Western Australia received beneficial moisture this week, but the heaviest totals were confined to the northern fringes, leaving the southwestern region still too dry. **On August 12, the Grain Industry Association of Western Australia pegged Western Australia barley production at 1.99 MMT, down 8% from their July outlook and wheat production at 5.5 MMT, down 18% from July.** Meanwhile, good growing conditions will boost yields in the eastern production areas which could help offset yield losses expected in Western Australia.

USDA Crop Progress / Condition Report, August 30, 2010

Crop	Stage	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
US barley	harvested 71%	52%	43%	76%			
ID barley	harvested 48%	30%	45%	62%	98%	97%	
US spring wheat	harvested 69%	53%	36%	75%			
ID spring Wheat	harvested 34%	14%	55%	66%	95%	95%	
ID winter wheat	harvested 83% planted 1%	60% NA	89% 2%	92% 1%			
US corn	dented 73% mature 17%	54% 8%	30% 5%	55% 11%	70%	70%	69%