

Idaho Grain Market Report, September 13, 2012

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Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, September 12, 2012. 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) \$11.98 (6-R) \$11.98	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	\$12.75	(2-R) NQ (6-R) NQ	\$7.80	\$8.12	\$8.70
Idaho Falls	\$13.00	(2-R) \$12.60-\$12.70 (6-R) \$12.60	\$7.65	\$8.07	\$8.47
Blackfoot / Pocatello	\$12.81	(2-R) NQ (6-R) NQ	\$7.65	\$8.22	\$8.47
Grace / Soda Springs	\$12.40	(2-R) NQ (6-R) NQ	NQ	\$7.80	\$8.35
Burley / Rupert	\$13.00	(2-R) \$12.60 (6-R) \$12.60	\$7.80	NQ	NQ
Hazelton					
Twin Falls / Eden / Buhl	\$13.40-\$13.75	(2-R) NQ (6-R) NQ	\$7.30	NQ	NQ
Weiser	\$12.50	(2-R) NQ (6-R) NQ	\$7.69	NQ	NQ
Nez Perce / Craigmont	\$11.10	(2-R) \$11.10 (6-R) \$11.10	\$8.14	\$8.86	\$9.39
Lewiston	\$11.35	(2-R) \$11.35 (6-R) \$11.35	\$8.33	\$9.05	\$9.58
Moscow / Genesee	\$11.15-\$12.25	(2-R) \$11.15 (6-R) \$11.15	\$8.10-\$8.85	\$8.82-\$9.64	\$9.35-\$10.12

Trading Prices at Selected Terminal Markets, cash prices FOB

Portland	NQ	NQ	NQ	Sept \$8.65-\$8.90 Jan \$8.85-\$8.97	Sept \$9.47 ½-\$9.57 ½ Jan \$9.74 ½-\$9.84 ½	Oct \$9.91 ½-\$10.11 Jan \$10.35-\$10.40
Los Angeles	\$16.10	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	\$16.10	NQ	NQ	NQ	NQ	NQ
Ogden	\$12.60	NQ	NQ	\$7.90	\$8.18	\$8.82
Great Falls	\$8.00-\$12.00	NQ	\$12.50	NQ	\$8.05-\$8.20	\$8.64-\$8.88
Minneapolis	\$11.46	NQ	\$14.06	NQ	\$9.42 ½ (12%)	\$9.76 ½ - \$9.86 ½
Portland	NQ	NQ	NQ	Sept \$8.65-\$8.90 Jan \$8.85-\$8.97	Sept \$9.47 ½-\$9.57 Jan \$9.74 ½-\$9.84 ½	Oct \$9.91 ½-\$10.11 ½ Jan \$10.35-\$10.40

Market trends this week

BARLEY – Local barley prices were mixed this week, ranging from 45 cents lower to 50 cents higher in southern Idaho and 50 cents lower to 10 cents higher reported in northern Idaho. USDA reported that there were no barley export sales; however export shipments totaled 15.9 TMT for Japan and Taiwan last week..

USDA's S&D report for MY 2012/13 - BARLEY – Sept 12 – USDA made no changes to this month's U.S. barley balance sheet. The average farm-gate price for U.S. barley was left unchanged this month at a range of \$5.75-\$6.75/bu, compared to \$5.35 in MY 2011/12. **World barley production was increased by 1.7 MMT this month to 132.5 MMT (down 1% from last year), due to bigger crops in the EU and Canada. World ending stocks were increased only slightly (up .3 MMT) this month to 19.4 MMT, which is 12% below last year.** Final Idaho barley production will be reported in USDA's Small Grains Summary scheduled for release September 30.

WHEAT – Local wheat prices were mostly higher this week: SWW ranged from no change to 28 cents higher; HRW ranged from 5 to 47 cents higher; and DNS ranged from no change to 51 cents higher. USDA reported wheat export shipments last week were on the low end of trade expectations at 381.8 TMT down 31% from the previous week and 21%

from the prior 4-week average. Export shipments last week totaled 487.4 TMT, down 19% from the previous week. Cumulative wheat export sales now total 36% of USDA's annual projection, compared to 47% for a 5-year average.

USDA's S&D report for MY 2012/13 - WHEAT – Sept 12 – USDA made no adjustments to this month's U.S. wheat balance sheet, except to tighten the average farm-gate price range to \$7.50-\$8.70, compared to \$7.24 in MY 2011/12. As expected, USDA cut their **world wheat production estimate by 4 MMT to 658.7 MMT, due to a smaller Russian wheat crop, but USDA left their Australian production estimate unchanged. World wheat ending stocks were cut only slightly to 176.7 MMT, down 11% from a year ago.** A final Idaho wheat production estimate will be released September 30.

Market reaction – Despite clear signs of production challenges this year, USDA left their Australian crop estimate unchanged this month at 26 MMT, compared to an average trade estimate of 20-22 MMT. These numbers leave many market analysts questioning whether USDA is underestimating wheat feeding and overestimating carryover stocks.

Wheat Competitor/Buyer News – Strategie Grains pegged EU-27 wheat production this week at 123.6 MMT, compared to USDA's estimate on Wednesday of 132.4 MMT. ABARE cut their Australian wheat production estimate this week to 22.5 MMT, down nearly 7% from their June estimate and 24% below last year's record 29.5 MMT. USDA left their Australian wheat production estimate unchanged this month at 26 MMT. Egypt made two large wheat purchases this week – 235 TMT announced on Tuesday, from France, Ukraine and Russia, and another 235 TMT on Thursday supplied by the same three countries.

CORN – Corn export sales last week were above trade expectations at 427.3 TMT (214.8 TMT for MY 2012/13 and 212.5 TMT for MY 2013/14). Corn export shipments last week totaled 249.4 TMT.

Ethanol corn usage – DOE's Energy Information Agency reported that U.S. ethanol production bucked a recent 3-week trend and fell last week to 816,000 bbls per day, down 1.6% from the previous week and down 7.3% from the same period a year ago. Corn used for ethanol last week totaled 86.92 million bu, on pace to meet to USDA's annual projection of 4.5 billion bu in MY 2012/13.

USDA's S&D report for MY 2012/13 - CORN – Sept 12 – USDA dished up some more surprises in this month's report with **larger than expected ending stocks for both MY 2011/12 and MY 2012/13**, despite lower than expected production both years. For MY 2011/12 - which ended August 31 - USDA cut domestic feed usage by 150 million bu and exports by 10 million bu, **adding 160 million bu to ending stocks (and MY 12/13 beginning stocks).** For MY 2012/13, USDA slightly lowered the national average **corn yield by .6 bpa to 122.8 bpa and cut production by 52 million bu to 10.727 billion bu, compared to average pre-report trade estimates of 120.6 bpa and 10.403 billion bu.** On usage, USDA increased domestic feed usage by 75 million bu but cut exports by 50 million bu, **adding 83 million bu to 12/13 ending stocks to 733 million bu, compared to a pre-report trade estimate of 608 million bu.** The average farm-gate price for U.S. corn was tightened on both ends to a range of \$7.20-\$8.60. **World corn production was cut by nearly 8 MMT this month to 841 MMT, 4% below the current year, while ending stocks were increased slightly to reflect the larger U.S. carryout. World ending stocks are still 11% below last year.**

Market reaction – Both the MY 11/12 and 12/13 ending stock estimates were above trade expectations, triggering some selling. Commodity market analysts generally think that USDA is overestimating actual harvested acreage, which they left unchanged this month at 87.4 million, unchanged from last month. Some analysts believe that harvested acreage will drop to 84 million range, which if realized, would cut another 360 million bushels off of 2012 output and reduce (not increase) MY 12/13 ending stocks. USDA left their projection of Chinese corn imports unchanged this month at 2.0 MMT, compared to most private analysts that expect their imports could jump as high as 7 MMT. Also, USDA is using a Chinese corn carryover estimate of 60.2 MMT – almost twice as big as private projections – representing nearly half of the world's carryover.

Corn Competitor/Buyer News – Strategie Grains pegged EU-27 corn production this week at 53.7 MMT, compared to USDA's estimate on Wednesday of 57.1 MMT.

Futures market activity this week

Macroeconomic trends – Slowing global economic growth and a prolonged euro-zone debt crisis have been major anchors weighing down investor confidence in recent months, but recent developments suggest we could be turning an important corner. Last week the European Central Bank announced its highly anticipated bond buying program – with an unlimited volume – designed to help reduce the high borrowing costs of troubled economies like Spain and Italy. On Wednesday of this week the German Constitutional Court dismissed complaints against Europe's permanent bailout fund known as the ESM, which sparked a rally in both the euro and European stocks. The euro-zone also reported stronger than expected industrial output report this week while the UK reported a better than expected jobs report for August, all positive indicators that European economic prospects are stabilizing. There also is growing anticipation that additional Chinese economic stimulus measures will be forthcoming to jumpstart growth prospects in the 2nd largest economy.

U.S. economic trends – The U.S. has seen its share of mixed economic signals recently, reinforcing broad expectations that the Federal Reserve would more seriously consider pulling the trigger on additional monetary easing. Headlining

recent news was last Friday's disappointing jobs report which showed that the U.S. economy added 96,000 new jobs last month, below the expected level of 130,000, while the overall unemployment rate dipped to 8.1%. Both July and June job growth numbers were revised downward. This week all eyes were on the Federal Reserve's monthly open market committee meeting on Wednesday and Thursday which culminated in an **announcement by the Fed today that they were extending their highly accommodating monetary policy through at least mid 2015 (near zero federal interest rate) and will undertake QE3 measures to stimulate the jobs market. Fed Chairman Ben Bernanke outlined the Fed's decision to launch a new stimulus plan to buy \$40 billion of mortgage bonds a month for an open ended period**, representing the central bank's most significant intervention since 2010. The Fed's announcement exceeded many traders' expectations and sparked a strong market rally.

WHEAT – After posting strong follow-through gains last Friday, wheat finished sharply lower on Monday under pressure from profit-taking and weakness in corn. Wheat extended modest losses on Tuesday in choppy trading ahead of Wednesday's monthly supply and demand report. Wheat recovered from early losses on Wednesday in reaction to the USDA report to finish in positive territory on spillover support from stronger soybeans and ideas that Black Sea wheat stocks are quickly tightening which will likely send more export business to the U.S. later in the year. Wheat prices extended their gains today (Thursday), closing up double digits on support from a sharply lower US dollar and ideas that international demand is on the rise. **Wheat market closes on Thursday, 09/13/12 ...**

	Dec 2012	Weekly Summary	Mar 2013	Weekly Summary
Chicago	\$9.02	Down \$0.03	\$9.14 ³ / ₄	Down \$0.00 ³ / ₄
Kansas City	\$9.22 ³ / ₄	Down \$0.00 ¹ / ₂	\$9.35 ¹ / ₄	Up \$0.01
Minneapolis DNS	\$9.62 ¹ / ₂	Up \$0.04 ¹ / ₂	\$ 9.71 ¹ / ₄	Up \$0.04 ¹ / ₂

CORN – Corn posted sharp losses on Monday – dropping to a 6-week low - on a combination of technical selling and profit-taking ahead of Wednesday's production and stocks report. Tuesday saw continued choppy trading and modest losses on pressure from technical selling, lower soybeans and investor caution ahead of Wednesday's reports. Corn prices fell moderately on Wednesday on weakness from disappointing corn stock estimates from USDA and concerns about lower usage estimates that indicate end users are turning to alternative ingredients. Corn drifted moderately higher into the session close today (Thursday) with a boost from higher wheat overcoming demand concerns and harvest hedge pressure. **Dec 2012 corn futures contract closed Thursday, 09/13/12, at \$7.73 ³/₄, down \$0.25 ³/₄ and the Mar 2013 contract closed at \$7.77 ³/₄, down \$.24 ³/₄ for the week.**

OTHER MAJOR FACTORS TO WATCH –

CRUDE OIL – Crude oil prices remained in a narrow trading range this week on conflicting market signals, weaker economic data offset by rising expectations of more economic stimulus, particularly in China and the U.S. Prices fell on Wednesday under pressure from an unexpected gain in weekly crude oil inventories. DOE's weekly crude oil inventory report showed crude oil stocks increased by 1.99 million bbls, compared to an expected decline of 2.9 million bbls; distillates increased by 1.5 million bbls, compared to an expected decrease of 0.5 million bbls; and gasoline stocks declined by 1.18 million bbls, compared to an expected decrease of 1.7 million bbls. **Crude oil prices closed sharply higher today – up \$1.30 to close at \$98.31 today (Thursday) - buoyed by a sharply lower dollar, bigger than expected Federal stimulus plan and escalating political tensions in the Middle East.**

U.S. WEATHER / CROP WATCH –

Midwest - corn & spring wheat – A weekend cold front delivered widespread rains across the Corn Belt but conditions turned mostly drier this week, allowing harvest to resume. Another slow moving band of showers spread from the northwestern belt late this week southeastward by this weekend, interrupting harvest but not posing any crop damage. The 5 day map is mostly dry while the 6-10 day outlook turned cooler and drier, although there are a couple chances of showers expected to move southward through the Corn Belt in this period.

Winter wheat planting – Central and Southern Plains have received beneficial pre-plant moisture in the past couple weeks and another round of notable showers began moving from the Texas Panhandle into Nebraska and the Eastern Plains late this week. The western 1/3 of the belt remains too dry. The 6-10 day outlook shows limited shower potential in the eastern edge.

INTERNATIONAL WEATHER / CROP WATCH -

- **Brazil** – Central and northern production areas remain unfavorably dry during corn planting, while southern and eastern regions have received beneficial moisture.
- **Australia** – Western region remains unfavorably dry and crop stress will develop if rains don't materialize by the end of this month. Conditions remained dry in the east as well where winter grains are further advanced and are quickly moving into heading stage now. Light showers covered parts of the southeast mid week and more light showers are in the forecast in the next 5 days.

USDA Crop Progress / Condition Report, September 11, 2012

Crop	% Progress	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
US barley	95% harvested	89%	79%	82%			
ID barley	93% harvested	87%	78%	79%			
ID spring wheat	94% harvested	85%	78%	80%			
US winter wheat	4% planted	NA	5%	6%			
ID winter wheat	3% planted	NA	4%	8%			
Corn	93% dented 58% mature 15% harvested	86% 41% 10%	80% 25% 5%	77% 27% 5%	22% good/excellent 52% P/VP	22%	53%