

Idaho Grain Market Report, September 15, 2011

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Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, September 14, 2011. Barley prices in \$/Cwt. and wheat prices in \$/bu.

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) \$13.25 (6-R) \$13.25	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	\$12.00	(2-R) NQ (6-R) NQ	NQ	NQ	NQ
Idaho Falls	\$12.00	(2-R) \$13.02-\$13.50 (6-R) \$13.02	\$6.50	\$6.87	\$8.31
Blackfoot / Pocatello	\$12.08	(2-R) \$13.25 (6-R) \$13.25	\$6.30	\$6.67	\$8.21
Grace / Soda Springs	\$12.10	(2-R) NQ (6-R) NQ	\$6.40	\$6.70	\$8.33
Burley / Rupert Hazelton	\$12.00-\$12.25	(2-R) \$13.02 (6-R) \$13.02	\$6.70-\$6.75	\$6.73	\$8.29
Twin Falls / Eden / Buhl	\$13.10-\$13.25	(2-R) NQ (6-R) NQ	\$6.40	NQ	NQ
Weiser	\$11.50	(2-R) NQ (6-R) NQ	\$6.16	NQ	NQ
Nez Perce / Craigmont	\$10.35	(2-R) \$10.35 (6-R) \$10.35	\$6.24	\$7.76	\$9.18
Lewiston	\$10.60	(2-R) \$10.60 (6-R) \$10.60	\$6.43	\$7.95	\$9.37
Moscow / Genesee	\$10.40-\$11.25	(2-R) \$10.40 (6-R) \$10.40	\$6.20-\$6.95	\$7.72-\$8.24	\$9.14-\$9.77

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	Sept \$6.80-\$6.90 Jan \$7.00-\$7.05	NQ	Sept \$9.37-\$9.62
Los Angeles	\$14.95	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	\$14.95	NQ	NQ	NQ	NQ	NQ
Ogden	\$12.45	NQ	NQ	\$6.75	\$6.87	\$8.50
Great Falls	\$10.00-\$11.00	NQ	\$13.50	NQ	\$5.99-\$6.28	\$8.50-\$8.71
Minneapolis	\$10.73	NQ	\$16.15	NQ	\$8.42 ¾ (12%)	\$9.47 ¾ - \$9.94 ¾

Market trends this week

BARLEY – Local barley prices were mixed, ranging from 35 cents lower to 20 cents higher in southern Idaho and 25 to 75 cents lower in northern Idaho. USDA reported that net barley export sales last week totaled .6 TMT, including 50 TMT for Saudi Arabia and .6 TMT for Taiwan, which were offset by decreases of 50 TMT for unknown destinations. There were no barley export shipments reported for last week.

USDA's S&D report for MY 2011/12 - BARLEY – Sept. 12 – Neutral for barley...As widely expected there were no changes to production or demand estimates in the 2011-12 barley balance sheet this month. However, USDA is likely to tweak its final production estimate lower at the end of the month when it issues its annual small grains production summary on Sept. 30. USDA did lower its average farm gate price for U.S. barley by 35 cents on each end to \$5.45-\$6.55. World barley production increased slightly to 132.6 MMT this month, up 7% from last year, due to slightly larger crops projected for Canada, the EU and Ukraine. World barley ending stocks were lowered slightly this month to 21.6 MMT, and are 17% below a year ago and represents a 15.8% stocks-to-use.

Barley Competitor/Buyer News – USDA raised their barley output estimates for Canada (up .075 MMT to 8.275 MMT), Europe (up .3 MMT to 51.8 MMT) and Ukraine (up .5 MMT to 9.0 MMT). They also raised their barley export projections

for Russia (up .4 MMT to 1.4 MMT) and Ukraine (up .5 MMT to 4.4 MMT). **ABARE has estimated the Australian barley crop at 8.3 MMT, down 11% from last year, and below USDA's latest estimate of 9.0 MMT.**

WHEAT – Local wheat prices were lower this week: SWW ranged from 14 to 40 cents lower; HRW ranged from 42 to 90 cents lower; and DNS ranged from 32 to 73 cents lower. USDA reported wheat export sales last week were on the low end of trade expectations at 413.5 TMT, down 19% from the previous week and 7\$ from the 4-week average. Export shipments totaled 471.2 TMT, down 25% from the previous week and 20% from the 4-week average. Cumulative wheat export sales now tally 47.1% of the USDA estimate for the year, compared to a 5-year average of 47.4%.

USDA's S&D report for MY 2011/12 - WHEAT – Sept. 12 – Bearish for wheat...USDA raised import estimates by 10 million bu to 110 million bu, lowered domestic food use by 5 million bu to 940 million bu and lowered exports by 75 million bu to 1.025 billion bu. **This resulted in a 90 million bu increase in ending stocks to 761 million bu, which is 98 million bu ABOVE the average pre-report trade estimate.** The average farm gate price for U.S. wheat was raised again this month to \$7.35-\$8.35/bu, compared to \$5.70 in MY 2010/11. **World wheat production was raised by 6 MMT this month to 678.1 MMT,** which is 5% above a year ago, due to larger crops in the EU-27, Ukraine and Canada. **World wheat ending stocks also increased by nearly 6 MMT to 194.6 MMT, which are now 0.6% above a year ago.**

******USDA is expected to lower both U.S. spring wheat acreage and yields in their final small grains production report due out on Sept. 30.**

Wheat Competitor/Buyer News – USDA raised their wheat output estimates this month for the EU (up 2.3 MMT to 135.8 MMT), Canada (up 2.5 MMT to 24.0 MMT) and Ukraine (up 1.0 MMT to 22.0 MMT). USDA raised their wheat export projections for Canada (up 2 MMT to 17.0 MMT) and EU-27 (up 1.0 MMT to 16.0 MMT). The EU has granted export licenses for 406 TMT of wheat this week, bringing the new season total exports to 2.9 MMT, compared to 4.8 MMT a year ago. A private European crop forecaster lowered its estimate of **European soft wheat production this week to 129 MMT, down from an earlier projection of 129.9 MMT, but up from 127 MMT a year ago.** German crop has declined due to excessive moisture at harvest. **ABARE has pegged the Australian wheat crop at 26.2 MMT, which is higher than USDA's latest estimate of 25 MMT.** The Indian government has authorized wheat exports of up to 2 MMT this year due to large government-owned inventories. Libya purchased 50 TMT of Russian wheat this week and Jordan is believed to have purchased 50 TMT of Black Sea origin wheat. **Other pending tenders...**Syria for 100 TMT, Algeria for 50 TMT and Morocco for 300 TMT of U.S. hard wheat.

CORN – Corn export sales last week were well above trade expectations at 1.127 MMT for MY 2011/12 (plus 41.1 TMT for delivery in MY 2012/13). Corn export shipments last week totaled 484.9 TMT. Cumulative corn export sales now tally 34.4% of the USDA estimate for the year, compared to a 5-year average of 25.2%.

Ethanol corn usage – DOE's Energy Information Agency reported a noticeable slide in U.S. ethanol production last week due to reduced margins, totaling 879,000 bbls, down 1.9% from the previous week but up 0.8% from last year. Corn used for ethanol last week totaled 93.63 million bu, which is below the pace needed to reach USDA's usage estimate of 5.0 billion bushels for the year.

USDA's S&D report for MY 2010/11 and MY 2011/12 - CORN – Sept. 12 – Bullish for corn...As expected USDA cut their national average corn yield and output projections this month – yield was reduced by nearly 5 bpa to 148.1 bpa and output was cut by 417 million bu to 12.497 billion bu. This was 22 million bu BELOW the average pre-report trade estimate of 12.519 billion bu. Beginning stocks were cut by 20 million bu, domestic feed use was cut by 200 million bu, industrial use (ethanol) was cut by 100 million bu and exports were cut by 300 million bu. This resulted in a **42 million bu cut in ending stocks to 672 million bu, which was 356 million bu ABOVE the average pre-report trade estimate of 636 million bu.** **U.S. stocks-to-use were lowered slightly to 5.3% this month, which is widely regarded as a minimum pipeline level.** The average farm gate price for U.S. corn was raised to \$6.50-\$7.50/bu, compared to the current marketing year forecast of \$5.20. **World corn production fell by nearly 6 MMT this month due to the smaller U.S. crop estimate to 854.7 MMT, but is still 4% above a year ago.** **World corn ending stocks increased by nearly 3 MMT this month to 117.4 MMT, but still 6% below last year.** **The world stocks-to-use ratio of 13.6% would be the lowest since 1973.**

Corn Competitor/Buyer News – USDA raised their corn production estimates this month for Brazil (up 4.0 MMT to 61.0 MMT), Argentina (up 1.5 MMT to 27.5 MMT) and Ukraine (up 1.5 MMT to 18.0 MMT). USDA raised their corn export projections for Ukraine (up 1.5 MMT to a record 10.0 MMT), Argentina (up 0.5 MMT to 18.0 MMT), Brazil (up 0.5 MMT to 8.5 MMT) and the EU (up 0.5 MMT to 1.5 MMT). The Argentine government has approved an additional 7.5 MMT of corn for export in MY 2011/12 and 500 TMT in MY 2010/11.

Futures market activity this week

Macroeconomic Outlook...Economic news continues to be mixed, with most of the daily focus centered on a worsening euro-zone debt crisis and a potential Greek default. This week the EU officially lowered its euro-zone economic growth forecast to 0.2% for Q3 to 0.1% for Q4 with the possibility of a standstill by the end of the year. By Thursday, fears had calmed somewhat by the announcement of a coordinated effort by several central banks to help shore up struggling European financial institutions. For the U.S., a smaller than expected increase in July business inventories along with an

unexpected stagnation in August retail sales and downward revision in July sales signaled slack consumer spending which will continue to constrain U.S. economic growth and job creation. Today the Philadelphia Federal Reserve district reported worse manufacturing activity than expected. Against this backdrop, all eyes will be peeled on the Federal Reserve when they meet on Sept. 20-21 to discuss the potential for another round of stimulus (Quantitative Easing 3) which many investors are now betting is likely. Meanwhile, Congress has begun debating President Obama's job stimulus package but the parties remain far apart in their prescriptions for jumpstarting the economy.

WHEAT – Wheat began the week under heavy speculative selling pressure triggered by bearish S&D estimates from USDA which showed larger world ending stocks and continued concerns about a slow U.S. export pace. Technical weakness continued to push wheat prices sharply lower on Tuesday – closing down double digits – with traders focusing on better rain chances for the Great Plains and spillover weakness from corn and soybeans. Wheat closed mixed on Wednesday with Chicago wheat trading slightly higher on a boost from short covering as the Sept contract expired and oversold technical condition. Wheat prices finished lower today (Thursday) under pressure from sluggish export sales, more rain expected for winter wheat areas and spillover weakness in other commodities. **Wheat futures market closes on Thursday, 09/15/11...please note we have shifted to the Dec. 2011 and Mar 2012 contracts...**

	Dec 2011	Weekly Summary	Mar 2012	Weekly Summary
Chicago	\$6.96	Down \$0.33 ¾	\$7.31 ¼	Down \$0.33 ¼
Kansas City	\$7.95 ¼	Down \$0.37 ¼	\$8.10	Down \$0.35
Minneapolis DNS	\$8.71	Up \$0.36 ¼	\$8.64 ¾	Down \$0.39 ¼

CORN – Corn markets posted moderate gains on Monday, recovering from early selling pressure in reaction to another bullish S&D report from USDA which confirmed that U.S. corn yields and ending stocks continue to shrink. Talk of potential frost risk in the Upper Midwest later this week also added to the positive tone. However, gains were limited by concerns about demand destruction – as noted in the USDA S&D report and weekly export inspections that were well below trade expectations. Tuesday saw a sharp bearish reversal lower for corn on a lack of fresh buying support and increased harvest pressure. Ideas that yields might not be as bad as feared in some areas also added to the negative tone. Corn rebounded to close modestly higher on Wednesday in mostly choppy two-sided action as fears of potential crop damage from freezing temps that were moving into the Upper Midwest overnight battled talk of increased competition on the world market from cheap feed wheat and increased Argentine corn exports. Corn posted significant losses today (Thursday), shrugging off supportive outside markets and a better than expected weekly export sales report, as active fund selling was triggered mid-session by early harvest pressure and ideas that crop damage from today's frost event will be minimal. **Dec 2011 corn futures contract closed Thursday, 09/15/11, at \$7.01, down \$0.35 ½ and the Mar 2012 contact closed at \$7.14 ¾, down \$.34 ½ for the week.**

NEAR-BY COMMODITY OUTLOOK –

CORN – Weakness was noted this week in corn despite another bullish monthly supply and demand report from USDA, with the main factors seasonal harvest pressure and demand concerns as USDA cut 300 million bu in domestic use and 300 million bu in exports. Near-by support remains at \$7.00/bu, followed by \$6.61/bu.

WHEAT – As a follower, wheat was hit by spillover weakness this week, but Chicago seems reluctant to fall much below \$7/bu. The hard wheat markets also suffered this week from a combination of harvest pressure (MGE) and rainfall in the weather forecast through this weekend (KCBT). However, most traders understand that this week's showers are not likely to break the severe drought conditions in many areas, leaving at **least 40% of the hard red winter wheat belt with significant moisture deficit and potential germination problems this fall. Also, USDA is expected to lower spring wheat acres and yields in their final small grains production summary report on September 30.**

OTHER MAJOR FACTORS TO WATCH –

▪ **CRUDE OIL** – Crude oil saw increased volatility this week with ongoing demand fears continuing to battle support from a recovery in global equities. Prices opened the week \$.95 higher at \$88.19/bbl and followed with a \$2.02 gain on Tuesday to close at a 6-week high of \$90.21/bbl on expectations of a large weekly inventory draw resulting from recent tropical storm activity in the Gulf region. The weekly petroleum stocks report did indeed show a larger than expected draw of crude oil stocks but a bigger than expected increase in both distillates and gasoline supplies. Crude oil stocks fell by 6.7 million bbls last week to 6 month lows, compared to an expected decline of 3 million bbls; distillates increased by 1.7 million bbls, compared to an expected build of 875,000 bbls; and gasoline stocks increased by 1.9 million bbls – the biggest gain in 3 months - compared to an expected draw of 500,000 bbls. Crude oil prices rebounded slightly today (Thursday) – **closing up \$0.49 to \$89.40/bbl** – on early support from a weaker US dollar and a rally in world equity markets.

▪ **U.S. WEATHER / CROP WATCH** – A Western U.S. high pressure ridge continued to bring mostly warm and dry conditions and favorable late season small grain harvest weather across most of the Pacific Northwest and Northern Plains. Meanwhile, a freeze advisory was issued for much of the Upper Midwest for late Wednesday into early Thursday, dipping as far south as northern Iowa. Mid day reports on Thursday indicated that the frost threat was not as widespread as originally feared and crop damage would be minimal. **Central/Southern Plains winter wheat region**– The western belt received some beneficial moisture the past couple days and another round of showers is expected this weekend focusing on central and western Kansas and Oklahoma but then conditions are expected to return to unfavorably dry for nearly half of the belt. **The 6-10 day outlook shows warmer and drier conditions for much of the Midwest as the harvest pace picks up.**

▪ **INTERNATIONAL WEATHER / CROP WATCH -**

- **Canada** – Most small grain production areas continued to benefit from favorable crop maturation and harvest conditions. Some frost was noted in Manitoba today but the grain crop is far enough along to avoid damage.
- **Argentina** – Much of the grain belt remains dry and recent frosts have hampered healthy development of the wheat crop in northern areas. Heavy rainfall is in the forecast for some regions this weekend.
- **Australia** – Western region remains sunny with adequate moisture; southeast is developing pockets of dryness as the winter grain crops approach heading; and New South Wales/Queensland needs more moisture to achieve average yields. **Dryness concerns are noted for about 40% of the country's winter grain regions.**

USDA Crop Progress / Condition Report, September 12, 2011

Crop	% Progress	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
U.S. barley	85% harvested	71%	81%	88%			
ID barley	82% harvested	68%	75%	85%			
U.S. spring wheat	83% harvested	68%	81%	87%			
ID spring wheat	85% harvested	62%	67%	87%			
U.S. winter wheat	6% planted	NA	8%	10%			
ID winter wheat	97% harvested 5% planted	91% NA	96% 8%	99% 12%			
Corn	84% dented 29% mature	71% 18%	92% 50%	82% 33%	53%	52%	68%

<https://connect.cals.uidaho.edu/p53192408/> Grain Market Outlook Webinar conducted on Sept. 7 is available for download at