

Idaho Grain Market Report, October 6, 2011

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Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, October 5, 2011. 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) \$13.00 (6-R) \$13.00	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	\$10.50	(2-R) NQ (6-R) NQ	\$5.95	\$6.06	\$8.40
Idaho Falls	\$10.00	(2-R) \$13.02-\$13.50 (6-R) \$13.02	\$5.60	\$6.02	\$8.24
Blackfoot / Pocatello	\$11.66	(2-R) \$13.00 (6-R) \$13.00	\$6.00	\$6.06	\$6.96
Grace / Soda Springs	\$10.95	(2-R) NQ (6-R) NQ	\$5.93	\$6.05	\$8.20
Burley / Rupert Hazelton	\$10.25-\$10.75	(2-R) \$13.02 (6-R) \$13.02	\$6.00-\$6.20	\$6.20	\$8.20
Twin Falls / Eden / Buhl	\$10.80-\$11.00	(2-R) NQ (6-R) NQ	\$5.90	NQ	NQ
Weiser	\$10.00	(2-R) NQ (6-R) NQ	\$5.21	NQ	NQ
Nez Perce / Craigmont	\$8.85	(2-R) \$8.85 (6-R) \$8.85	\$5.39	\$6.88	\$9.26
Lewiston	\$9.10	(2-R) \$9.10 (6-R) \$9.10	\$5.58	\$7.07	\$9.47
Moscow / Genesee	\$8.90-\$10.40	(2-R) \$8.90 (6-R) \$8.90	\$5.35-\$6.25	\$6.84-\$7.69	\$9.22-\$10.01

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	Oct \$6.20-\$6.25 Feb \$6.20-\$6.37	Oct \$7.50-\$7.70	Oct \$9.77-\$9.97
Los Angeles	\$14.10	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	\$14.10	NQ	NQ	NQ	NQ	NQ
Ogden	\$11.00	NQ	NQ	\$6.35	\$6.10	\$8.37
Great Falls	\$9.50-\$10.00	NQ	\$13.50	NQ	\$5.48-\$5.51	\$8.68-\$8.84
Minneapolis	\$10.31	NQ	\$15.83	NQ	\$7.65 (12%)	NQ

Market trends this week

BARLEY – Local barley prices were lower again, ranging from \$.50 to \$1.00 lower in southern Idaho and \$.35 to \$.75 lower in northern Idaho. USDA reported that there were no U.S. barley export sales or shipments last week.

WHEAT – Local wheat prices were mostly lower this week: SWW ranged from no change to 48 cents lower; HRW ranged from 52 cents lower to 11 cents higher; and DNS ranged from 4 to 50 cents lower. USDA reported wheat export sales last week were within trade expectations at 431.2 TMT, up 1% from the previous week, however it was down 15% from the 4-week average. Export shipments totaled 601.1 TMT, up 15% from the previous week, and down 4% from the 4-week average.

Wheat Competitor/Buyer News – EU granted export licenses for 349 TMT of wheat this week, pushing cumulative wheat exports to 3.8 MMT since the beginning of July but down sharply from 6.8 MMT for the same period a year ago. Iraq is tendering for 50 TMT of wheat this week and Tunisia for 92 TMT.

CORN – Corn export sales last week were well above trade expectations at 1.29 MMT (1.28 MMT for MY 2011/12 and 1.8 TMT for MY 2011/12). These sales included 57.8 TMT to China. U.S. corn export shipments last week totaled 755.7 TMT, 8% below the previous week.

Ethanol corn usage – DOE's Energy Information Agency reported an uptick in weekly U.S. ethanol production, totaling 863,000 bbls, up 2.62% from the previous week but unchanged from last year. Corn used for ethanol last week totaled 91.93 million bu, which is still behind the weekly pace of 96 million bu that is needed to reach USDA's usage estimate of 5.0 billion bushels for the year.

Corn Competitor/Buyer News – The U.S. Grains Council released their annual Chinese corn production estimate this week, pegging China's 2011 corn crop at a record 167 MMT, up 5.6% from last year, but lower than official Chinese estimate and USDA's September projection of 178 MMT. Despite this increase in production, the **USGC emphasizes that China's domestic crop is unlikely to satisfy their rising domestic demand causing them to seek between 5 and 10 MMT of corn imports this year, well above USDA's current import estimate of 2 MMT.** According to USDA export sales data, China has purchased more than 900 TMT of U.S. corn in the first month of the new Marketing Year 2011/12. Also, there were rumors this week that Argentina may be close to signing a deal with China to supply corn this year.

Futures market activity this week

Macroeconomic news...outside markets continued to plunge early in the week on rising investor fears that the ongoing European debt crisis is derailing global economic growth and a rising possibility that some developed economies, particularly in the euro zone, are at risk of slipping into a double dip recession. These fears were underscored by another Moody's credit rating reduction for Italy this week and weak 2Q GDP estimate for the UK. However, by mid week there were definite signs that European leaders were nearing consensus on a more comprehensive bailout approach that will likely include recapitalizing European banks that are at risk of becoming illiquid because of the risk of bond defaults. Also, the International Monetary Fund offered to buy up troubled bonds of Italy and Spain, which could help ease fears about a possible default contagion.

Meanwhile, **U.S. equities rebounded sharply higher** late Tuesday in reaction to a statement by Federal Reserve Chairman Ben Bernanke that Federal Reserve was prepared to take further steps to maintain U.S. economic recovery if needed. In testimony before Congress, Bernanke acknowledged that the "U.S. economic recovery is close to faltering." **In addition, there was a spate of positive U.S. economic news this week...**an unexpected rebound in U.S. manufacturing, better than expected August construction spending and September automobile sales and better than expected service sector indicators. Also there were private sector reports that September payroll numbers rose faster than forecast which could suggest some slight improvements in the official monthly employment report which is due out later this week.

WHEAT – Wheat began the week mixed but higher in Chicago on short covering triggered by oversold conditions and talk of improving demand. Wheat prices retreated sharply on Tuesday in the face of a higher U.S. dollar which hit an 8½ month high against the euro and talk of rain this weekend for parched areas of the Southern Plains. Wednesday saw wheat reverse directions and post sharp gains as outside markets turned more upbeat, which triggered both speculative buying and short covering. After an early short covering surge today (Thursday), wheat succumbed to mid-session selling that was sparked by talk of beneficial moisture in the Southern Plains this weekend. **Wheat market closes on Thursday, 10/06/11...**

	Dec 2011	Weekly Summary	Mar 2012	Weekly Summary
Chicago	\$6.16	Up \$0.06 ¾	\$6.52 ½	Up \$0.06
Kansas City	\$6.97 ¾	Down \$0.06 ¼	\$7.13 ½	Down \$0.41
Minneapolis DNS	\$8.95	Up \$0.02 ¾	\$8.35 ½	Down \$0.11

CORN – Corn markets closed mostly unchanged on Monday, after attempting a modest bounce late in the session. Harvest hedge pressure, disappointing weekly export inspections and negative outside markets weighed on corn. Corn posted modest losses on Tuesday in the face of nearly ideal harvest weather across the Midwest and active fund selling that was sparked by investor risk aversion. But prices quickly recovered, rebounding by double digits on Wednesday with support from fresh fund buying and short covering. Corn finished unchanged today (Thursday) in choppy trading which featured an early bounce followed by a late session set back from spillover pressure from heavy selling in other grains. **Dec 2011 corn futures contract closed Thursday, 10/06/11, at \$6.05 ½, up \$0.13 and the Mar 2012 contract closed at \$6.18 ¼, up \$.12 ½ for the week.**

OTHER MAJOR FACTORS TO WATCH –

▪ **CRUDE OIL** – Crude oil prices continued to slump early in the week, followed by an impressive surge midweek, finishing Wednesday's session with the biggest one-day gain in 5 months, closing up \$4.01 to \$79.68/bbl. Investor fears about slowing demand and a higher U.S. dollar were the prominent features early in the week, but were eclipsed by Wednesday's more positive tone that was attributed to an improvement in risk attitudes and a larger than expected weekly drawdown in U.S. crude oil inventories. The weekly petroleum stocks report showed crude oil stocks declined by 4.7 million bbls last week, due to a sharp reduction in weekly imports, compared to an expected build of 1.5 million bbls;

distillates fell by 700,000 bbls, compared to an expected decline of 300,000 bbls; and gasoline stocks fell by 1.14 million bbls, compared to an expected build of 1.5 million bbls. **Crude oil prices moved strongly higher again today (Thursday) - capping off a 3-day bounce of nearly \$8/bbl – to close up \$2.91 to \$82.59/bbl. Support came from improving outlook about the solvency of European banks and a lower U.S. dollar.**

▪ **U.S. WEATHER / CROP WATCH** – Harvest conditions were nearly ideal across much of the Midwest this week, with above average temperatures and below normal precipitation. In fact, conditions have turned so dry in the Upper Midwest that many states have issued red alerts warning of the high risk of wildfires. Showers are expected to return to the northwestern edge this weekend and could linger into the 6-10 day period, but harvest interruptions are not expected to be widespread. **SRW and HRW wheat regions** – unfavorably dry conditions are now being noted for SRW wheat areas in MO and IL. For the HRW wheat belt, showers and in some cases soaking rains are expected to reach about 2/3 of the Hard Red Winter wheat belt through this weekend, greatly aiding winter wheat planting and germination. If soaking rains materialize as expected, **serious germination problems could be scaled back from 55% to about 25% of the HRW belt.**

▪ **INTERNATIONAL WEATHER / CROP WATCH -**

- **Canada** – Mostly dry conditions prevailed except for light showers in parts of Alberta early in the week, but harvest interruptions were minor. About 10% of the crop remains to be harvested in northern Saskatchewan and northern Alberta. Drier weather is in the forecast for the 6-15 day period.
- **Europe** – Unseasonably warm and dry conditions have aided summer crop harvesting but also have depleted soil moisture for winter grain planting and establishment. Some western areas received showers which improving planting conditions, but **Eastern Europe is experiencing serious moisture deficits affecting about 20% of Europe’s wheat production area.**
- **Ukraine** – received some beneficial showers this week after an extremely dry September, but about **40% of the winter wheat belt remains unfavorably dry.** More light rains are expected this weekend.
- **China** – **dry conditions persist in China’s North China Plains which is putting their winter wheat crop at risk.** A recent moisture deficit has been exacerbated by several years of overuse of water in this region. Winter wheat represents about 20-22% of China’s total grain production.
- **Argentina** – Scattered showers brought more relief this week, easing dryness concerns in the southern grain belt.
- **Australia** – Beneficial moisture provided a boost to soil moisture and developing winter grains in the southeast, an important winter grain region which suffered from serious moisture deficit in September.

USDA Crop Progress / Condition Report, October 3, 2011

Crop	% Progress	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
U.S. winter wheat	42% planted	26%	52%	53%			
ID winter wheat	54% planted	31%	56%	57%			
Corn	79% mature 21% harvested	63% 15%	92% 37%	78% 23%	52%	52%	66%

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