

Idaho Grain Market Report, October 8, 2010

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Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, October 6, 2010. 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) \$7.25 (6-R) NQ	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	\$6.70	(2-R) NQ (6-R) NQ	\$5.30	\$5.64	\$6.86
Idaho Falls	\$7.50	(2-R) \$7.50 (6-R) NQ	\$5.55	\$5.67	\$7.19
Blackfoot / Pocatello	\$6.56	(2-R) \$7.25 (6-R) NQ	\$5.35	\$5.53	\$7.09
Grace / Soda Springs	\$6.70-\$6.75	(2-R) NQ (6-R) NQ	\$5.50	\$5.27-\$5.40	\$6.65-\$6.68
Burley / Rupert Hazelton	\$6.75	(2-R) NQ (6-R) NQ	\$5.30-\$5.39	\$5.47	\$6.85
Twin Falls / Eden / Buhl	\$7.25	(2-R) NQ (6-R) NQ	\$5.00	NQ	NQ
Weiser	\$7.25	(2-R) NQ (6-R) NQ	\$5.06	NQ	NQ
Nez Perce / Craigmont	\$6.10	(2-R) \$6.10 (6-R) \$6.10	\$5.34	\$6.16	\$7.59
Lewiston	\$6.35	(2-R) \$6.35 (6-R) \$6.35	\$5.53	\$6.35	\$7.78
Moscow / Genesee	\$6.15-\$7.50	(2-R) \$6.15 (6-R) \$6.15	\$5.30-\$6.00	\$6.12-\$6.88	\$7.55-\$8.25

Trading Prices at Selected Terminal Markets, cash prices FOB

	<u>Barley (Cwt.)</u>		<u>Wheat (bu.)</u>			
	#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	Nov \$5.80-\$6.20 Feb \$6.10-\$6.35	NQ	NQ
Los Angeles	\$10.25	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	\$10.25	NQ	NQ	NQ	NQ	NQ
Ogden	\$6.75	NQ	NQ	\$5.76	\$5.58	\$6.86
Great Falls	\$6.25-\$6.50	NQ	\$7.25	NQ	\$4.39-\$4.97	\$6.82-\$7.07
Minneapolis	\$6.04	NQ	\$8.54	NQ	NQ	\$7.85 ¼ - \$8.20 ¼

Market trends this week

BARLEY – Local barley prices were mixed this week ranging from 25 cents lower to 25 cents higher in southern Idaho and from no change to 50 cents lower in northern Idaho. USDA reported barley export sales at 1.5 TMT for Tunisia and Taiwan last week. Barley shipments totaled 20.2 TMT, were also for Tunisia and Taiwan.

USDA's MY 2010/11 S&D report for BARLEY – Oct. 8 - USDA made only minor tweaks to the U.S. barley balance sheet this month: they shaved 100,000 acres off of final harvested acres at a historic low level of 2.9 million, lowered production by 2 million bu to 182 million bu and lowered ending stocks by an equal amount to 87 million bu. The average farm-gate price for U.S. barley was raised by 10 cents on each end of the range \$3.80-\$4.40/bu, compared to \$4.66 in 2009/10. **World barley production was lowered by 1.4 MMT this month to 124.6 MMT, which is 17% below last year, due to smaller crops in the US, EU, Canada and Russia. World barley ending stocks were pegged at 21.1, down just slightly last month BUT down 43% from last year.**

Barley Competitor/Buyer News – USDA lowered barley production estimates today for several major producers:

Cut EU production by .66 MMT to 53.6 MMT, cut Canadian production by .25 MMT to 8.25 MMT and cut Russian production by .5 MMT to 8.5 MMT.

WHEAT – Local wheat prices were also mixed this week: SWW ranged from 45 cents lower to 10 cents higher; HRW ranged from no change to 25 cents lower; and DNS ranged from 19 cents lower to 8 cents higher. U.S. wheat export sales last week for MY 2010/11 were well above trade expectations at 808.4 TMT, up 28% from the previous week and 7% from the prior 4-week average. Export shipments last week totaled 878.2 TMT, up 12% from the previous week and 9% from the previous 4-week average.

USDA's MY 2010/11 S&D report for WHEAT – Oct. 8 – USDA made a few minor adjustments to the domestic wheat balance sheet which should be considered favorable to wheat prices: they raised beginning stocks by 3 million bu to 976 million bu; **lowered 2010 production by 41 million bu to 2.224 billion bu**; raised domestic feed usage by 10 million bu to 180 million bu and **lowered ending stocks by 49 million bu to 853 million bu.** This compares with an average pre-report trade estimate of 873 million bu. The average farm gate price for U.S. wheat was raised to \$5.20-\$5.80/bu, compared to \$4.87 in 2009/10. **World wheat production was cut by another 1.5 MMT this month to 641 MMT, which is down 37 MMT from last year, while world ending stocks were cut by 3 MMT to 174.7 MMT, down nearly 22 MMT from last year but still the 3rd highest stocks level in the past 30 years.**

Wheat Competitor/Buyer News – Ukraine finally announced a decision on grain export quotas: they approved 2 MMT of corn and 500 TMT each of wheat and barley for export through the end of 2010. Australian Crop Forecasters pegged the Australian wheat crop this week at 23.9 MMT, compared to USDA's latest estimate of 23 MMT. The Buenos Aires Grain Exchange pegged the Argentine wheat crop this week at 11.3 MMT, compared to USDA's latest estimate of 12 MMT. Egypt purchased 240 TMT early in the week, with 180 TMT French and 60 TMT Canadian. Iraq purchased 50 TMT of U.S. wheat last week (less than originally reported) and issued another tender for 100 TMT of optional origin wheat this week. Tunisia purchased 25 TMT optional origin wheat out of a tender for 67 TMT.

CORN – U.S. corn export sales last week were below trade expectations at 607 TMT which was down 34% from the previous week. Weekly export shipments totaled 978.6 TMT, which was up 4% from the previous week.

USDA's MY 2010/11 S&D report for CORN – Oct. 8 - USDA offered up several **bullish surprises** in Friday's S&D report: they **lowered the average corn yield to 155.8 bpa, compared to an average pre-report trade estimate of 160 bpa, resulting in a 496 million bu reduction in 2010 production to 12.664 billion bu** (still the 3rd highest yield and production on record). This compares with an average pre-report trade estimate of 12.960 billion bu. USDA also raised domestic feed use by 150 million bu to 5.4 billion bu; lowered exports by 100 million bu to 2.0 billion bu; resulting in **a 214 million bu reduction in U.S. ending stocks** to a very snug 902 million bu. **This puts MY 2011 U.S. corn ending stocks 270 million bu below the average pre-report trade estimate of 1.172 billion bu, and 806 million bu below last year's ending stocks level.** Average farm gate price for U.S. corn was raised sharply to \$4.60-\$5.20/bu, compared to \$3.55 in MY 2009/10. **World corn production was pegged at 819 MMT, down 6.4 MMT from last month but up 9 MMT from last year, while world ending stocks were cut by 3 MMT this month to a very snug 132.3 MMT, down nearly 16 MMT from last year.**

Corn Competitor/Buyer News – China - The U.S. Grains Council, a nonprofit trade association based in Washington, D.C. which promotes the export of U.S. corn, barley, sorghum and DDGS, issued their annual Chinese corn crop forecast this week, based on findings from their own Chinese crop tour. This year's forecast shows Chinese corn production at 158 MMT, up less than 2% from last year, but well below USDA's estimate of 166 MMT and China's National Grain & Oil Information Centre estimate of 169 MMT. The USGC is projecting Chinese corn imports will reach 2 MMT this marketing year, double the current USDA import estimate. In addition, the Council projects China will import 2.5 to 3 MMT of U.S. DDGs this year, a co-product of U.S. ethanol production. Due to the current three to five per cent annual growth in feed demand, the Council believes that Chinese corn imports may need to rise to as much as 15 MMT by the year 2015.

Argentina - The Argentine Rosario Grain Exchange is projecting Argentine corn acres will be up 14% this year based on higher prices and generally good planting conditions. USDA raised their corn production estimate for Argentina by 4 MMT to 25 MMT today.

Futures market activity this week

WHEAT – Wheat began the week lower under pressure from early spillover weakness, technical selling and a higher dollar. But prices managed a nice recovery on Tuesday with support from fund buying that was triggered by a lower dollar and general inflationary fears which are luring investment money back into commodities. Wheat posted moderate losses again on Wednesday in a light choppy trading as traders awaited further direction from Friday's key S&D report. Wheat finished modestly higher on Thursday with early support from a lower dollar (which reversed and turned higher later in the session) and spillover strength from corn. **Wheat futures market closes on Thursday, 10/7/10...**

	Dec 2010	Weekly Summary	Mar 2011	Weekly Summary
Chicago	\$6.59 ¼	Up \$.04 ¼	\$6.93 ¾	Up \$.05 ¼
Kansas City	\$6.99 ½	Up \$.10 ¼	\$7.13 ½	Up \$.10 ½
Minneapolis DNS	\$7.06 ½	Up \$.00 ½	\$7.19 ¼	Down \$.00 ½

CORN – After closing limit down last Friday, corn staged an impressive turnaround on Monday, closing moderately higher on support from commercial and end user buying. A clear weather outlook which favors a fast harvest pace limited the upside gains. Corn soared higher on Tuesday, accelerating early gains on a combination of fund buying, strong cash basis at the Gulf, expectations of lower yields in Friday's monthly S&D report and a private forecast which puts the Chinese corn crop well below both USDA and Chinese estimates. Corn saw light selling pressure on Wednesday, slipping moderately lower in positioning ahead of Friday's monthly S&D report. Corn posted solid gains on Thursday on a combination of strong fund buying and firming cash markets. **Dec 2010 corn futures contract closed Thursday, 10/7/10, at \$4.98¼, up \$.32½ for the week and the Mar 2011 contract closed at \$5.07½, up \$.29¼ for the week.**

OTHER MAJOR FACTORS TO WATCH –

- **CRUDE OIL** – After breaking out of the year-long narrow trading range of \$70 to \$80 per barrel last Friday, crude oil continued to grind higher this week, rising to an 8-week high above the \$83 mark on support from a weakening dollar and surging stock market. Speculation that the Federal Reserve and other central banks will take further action to bolster economic growth which is likely to put further downward pressure on the dollar provided solid underlying support. Crude oil slipped lower on Thursday, closing at \$81.67/bbl, as equities came under profit-taking pressure ahead of Friday's monthly employment report and the dollar reversed direction and rallied late in the session. Wednesday's weekly petroleum inventory report was another mixed picture...crude oil inventories increased by a 3.1 million bbls, compared to an expected increase of 400,000 bbls; distillate stocks fell by 1.1 million bbls, in line with expectations; while gasoline stocks declined by 2.6 million bbls, compared to an expected decline of only 250,000 bbls.
- **U.S. WEATHER / CROP WATCH** – Harvest delays due to rain last weekend were limited to parts of north-central Ohio and central Michigan. Very little rain was in the forecast for much of the Midwest this week, favoring a rapid harvest pace. **Winter wheat condition** – Planting progress is on an average pace, while dryness remains a concern for about one-third of both the SRW and HRW belts. The areas with the greatest moisture deficit include: southeastern Illinois, Indiana, south-central and southwestern Michigan, northern Colorado, western Nebraska, western Kansas and northeastern Texas Panhandle. Rain prospects are a bit better for the 6 to 10 day period. **The 6-10 and 8-14 day outlooks show below average precipitation and normal to above normal temps across most of the Midwest.**
- **International weather / crop watch** –
 - **Canada** – Prairies are picking up some light showers this week but are mostly dry, which is aiding harvest.
 - **Europe** – Ongoing showery conditions are hindering winter grain planting in Germany, Poland and Hungary.
 - **Former Soviet Union** – Showers were confined to the southern regions of both Ukraine and Russia recently, with freezing temps covering north central Russia. **A colder than normal pattern is expected to remain dominant during across North Central Russia for the next two weeks, pushing winter grains (about 20% of the FSU acreage) into dormancy in generally poorly established condition and susceptible to winterkill damage.**
 - **China** – Mostly dry conditions with little precipitation in the forecast until next week, which should favor corn harvest.
 - **Argentina / Brazil** – Western Argentine grain areas saw good rain coverage last week, allowing winter grains to stabilize and improving corn planting conditions.
 - **Australia** – Western Australia remains dry with deteriorating yield prospects while the southeast is warm and dry and the northeastern region wet.

USDA Crop Progress / Condition Report, Oct. 4, 2010

Crop	Stage	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
US barley	Harvested 94%	91%	99%	99%			
ID barley	Harvested 97%	91%	99%	100%			
US spring wheat	Harvested 95%	89%	97%	99%			
ID spring Wheat	Harvested 97%	94%	100%	100%			
US winter wheat	Planted 53%	33%	53%	54%			
ID winter wheat	Planted 60%	35%	61%	59%			
US corn	Mature 93%	85%	54%	79%	66%	66%	70%
	Harvested 37%	27%	9%	21%			

