

Idaho Grain Market Report, October 9, 2009

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We delayed publication by one day in order to include information from USDA's monthly S&D report released today, October 9.

Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, October 7, 2009. 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) \$5.50 (6-R) \$5.50	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	\$4.50	(2-R) NQ (6-R) NQ	\$4.10	\$3.94	\$5.10
Idaho Falls	NQ	(2-R) \$6.00-\$6.25 (6-R) \$6.00	NQ	NQ	NQ
Blackfoot / Pocatello	\$4.58	(2-R) \$5.50 (6-R) \$5.50	\$4.20	\$3.62	\$5.28
Grace / Soda Springs	\$4.96-\$5.25	(2-R) NQ (6-R) NQ	\$4.05-\$4.86	\$3.80-\$3.86	\$5.01
Burley / Rupert Hazelton	\$4.75-\$5.00	(2-R) \$6.00 (6-R) \$6.00	\$3.95	\$3.90	\$5.05
Twin Falls / Eden / Buhl	\$5.90	(2-R) NQ (6-R) NQ	\$3.63	NQ	NQ
Weiser	\$5.50	(2-R) NQ (6-R) NQ	\$3.47	NQ	NQ
Nez Perce / Craigmont	\$4.20	(2-R) \$4.20 (6-R) \$4.20	\$3.87	\$4.60	\$5.75
Lewiston	\$4.65	(2-R) \$4.65 (6-R) \$4.65	\$4.06	\$4.79	\$5.94
Moscow / Genesee	\$4.25-\$5.96	(2-R) \$4.25 (6-R) \$4.25	\$3.83-\$4.49	\$4.56-\$5.26	\$5.71-\$6.39

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	Oct \$4.45-\$4.52 Feb \$4.60-\$4.65	\$5.16-\$5.35	\$6.31-\$6.41
Los Angeles	\$8.10	NQ	NQ	NQ	NQ	NQ
Stockton	\$7.50	NQ	NQ	NQ	NQ	NQ
Tulare	\$8.10	NQ	NQ	NQ	NQ	NQ
Ogden	\$5.04	NQ	NQ	\$4.30	\$4.03	\$5.18
Great Falls	\$3.75-\$4.65	NQ	\$5.25	NQ	\$3.68-\$3.92	\$5.49-\$5.58
Minneapolis	\$4.17	NQ	NQ	NQ	\$4.43 ½ (12%)	\$5.75 ½ - \$6.55 ½

Market trends this week

BARLEY – Local barley prices were mixed, ranging from no change to 35 cents higher in southern Idaho this week and 21 cents higher to 15 cents lower in northern Idaho. USDA reported barley export sales at 200 MT for Taiwan last week. Barley export shipments totaled 700 MT for Taiwan and Mexico.

USDA's S&D report for MY 2010 - BARLEY – Oct. 9 – As expected, USDA made a few adjustments to the U.S. barley balance sheet – they raised production by 20 million bu to 227 million bu, based on 3.1 million harvested acres and a national average yield of a record 72.8 bu/Ac. They lowered domestic feed usage by 10 million bu to 50 million bu and **raised U.S. ending stocks by 31 million bu to a bearish 111 million bu.** They also continued to tighten the average farm-gate price for U.S. barley by 10 cents on each end to \$3.70-\$4.20/bu, compared to \$5.37 last year. **World barley production was increased by 4.4 MMT this month to 147.3 MMT, which is still 4% lower than a year ago. World barley ending stocks were increased by 3.3 MMT this month to 30.5 MMT, which is an increase of .5% from last year.**

Barley Competitor/Buyer News - Stats Canada showed Canadian barley production at 9.165 MMT, up from their July forecast and slightly below pre-report trade expectations. It represents a 22% decline from 2008. Turkey announced an export tender for 100 TMT of feed barley.

WHEAT – Local wheat prices were mostly higher this week: SWW ranged from 20 cents higher to 5 cents lower; HRW ranged from 14 cents higher to 1 cent lower; and DNS ranged from 1 to 38 cents higher. U.S. wheat export sales last week were well above trade expectations at 767.3 TMT, up 43% from the previous week and 52% from the prior 4-week average. Wheat export shipments totaled 675.5 TMT, up 7% from the previous week and 19% above the prior 4-week average.

USDA's S&D report for MY 2010 - WHEAT – Oct. 9 – USDA raised U.S. wheat production in today's S&D report, as was reflected in their Sept. 30 small grains summary – up 36 million bu to 2.22 billion bu - based on 50.1 million harvested acres and a national average yield of 44.4 bu/Ac. Domestic feed usage was lowered by 45 million bu to 190 million bu and exports were cut by 50 million bu to 900 million bu based on a lagging export pace this year. This resulted in a **bearish 121 million bu increase in U.S. ending stocks to 864 million bu, which is 121 million bu above the average pre-report trade estimate of 798 million bu.** The average farm-gate price for U.S. wheat was lowered to \$4.55-5.15/bu, compared to \$6.78 in 2008/09. Once again **world wheat production was increased by 4.4 MMT to 668.1 MMT, but still down 14 MMT from last year. World wheat ending stocks were only increased by .1 MMT this month to 186.7 MMT, which is 20 MMT higher than the year before.**

Wheat Competitor/Buyer News – Stats Canada showed all wheat production in Canada at 24.58 MMT, up from their July forecast and within pre-report trade expectations. It represents a 14% decline from 2008. Argentine wheat crop is now projected at 7.55 MMT, compared to USDA's Oct. estimate of 8.0 MMT. Brazilian wheat crop is pegged at 5.25 MMT (USDA's Oct. estimate of 4.5 MMT). Pakistan cancelled its existing export tender for 100 TMT and will re-issue an export tender on Oct. 14 for 230 TMT. Turkey has issued an export tender for 50 TMT. Morocco purchased 55 TMT of US soft white wheat and no durum out of total of 600 TMT import tender for U.S. wheat. The remainder could be filled with EU-origin wheat. Iraq purchased 200 TMT of U.S. wheat this week. **Pending international wheat import tender line-up...**Saudi Arabia for 550 TMT, Jordan for 100 TMT, Algeria for 50 TMT and Bangladesh for 60 TMT.

USDA tweaked production estimates higher for several major wheat competitors...raised Canadian wheat by 2 MMT to 24.5 MMT, EU production by .5 MMT to 139.1 MMT, Australian crop by .5 MMT to 23.5 MMT and the Russian wheat crop by 1.0 MMT to 57.5 MMT.

CORN - Corn export sales last week were well below trade expectations at 521.9 TMT, down 57% from the previous week, while export shipments totaled 1.14 MMT. Cumulative corn export sales now total 27.8% of the year's expected tally, slightly ahead of the 5-year average pace for this time of year.

USDA's S&D report for MY 2010 - CORN – Oct. 9 – For MY 08/09 which ended August 31 USDA lowered U.S. ending stocks by 21 million bu to 1.674 billion bu (equals beginning stocks for MY 09/10). As widely expected, **USDA raised their 2009 production estimate this month due to higher national average yield, but also lowered their harvested acreage estimate. Production was increased by 64 million bu to 13.018 billion bu, just shy of 2007 record crop of 13.038 billion bu. Harvested acreage was cut by .7 million acres to 79.3 million and the national average yield estimate was raised by 2.3 bpa to a record 164.2 bu/Ac. USDA's new production estimate is 25 million bu more than the average pre-report trade estimate of 12.993 billion bu.** USDA raised domestic feed usage by 50 million bu to 5.4 billion bu, raised domestic food/industrial usage by 5 million bu to 5.48 billion bu and lowered U.S., corn exports by 50 million bu to 2.15 billion bu. This resulted in a **37 million bu increase in U.S. ending stocks to 1.672 billion bu, which is 3 million bu below the average pre-report trade estimate of 1.675 billion bu.** The average farm-gate price for U.S. corn was unchanged at \$3.05-\$3.65/bu, compared to \$4.08 in 2008/09. **World corn production was cut by 1.5 MMT this month to 792.5 MMT, which is 1.2 MMT above last year. World corn ending stocks also were cut by 2.9 MMT this month to 136.3 MMT, down more than 10 MMT from the previous year.**

Corn Competitor/Buyer News – Brazilian corn crop is projected at 50.9 to 52.2 MMT, compared to 50.97 MMT last year and USDA's Oct. estimate of 52 MMT. USDA cut their corn production estimate for China by 5 MMT this month to 155 MMT. COFCO and the US Grains Council have both pegged the Chinese crop at 148 MMT.

Futures market activity this week

After hitting a recent speed bump – down 4% in the past two weeks on concerns that the Wall Street rally had gotten ahead of actual economic recovery – the Dow saw impressive gains this week as a weaker dollar boosted commodities and other dollar sensitive stocks and the third quarterly earnings reports got off to a good start with some better than expected results. The debate, however, continues on how quickly the U.S. economy, and employment in particular, will recover, with economists divided about whether we will see positive GDP growth for the third quarter.

WHEAT – Wheat futures began the week modestly higher, buoyed by strength in corn, soybeans and energies, but gains were limited by bearish U.S. and world fundamentals. Wheat prices jumped sharply higher on Tuesday, boosted by a lower dollar and sharp gains in corn. The dollar index took an early dive on talk that OPEC countries are meeting to

replace the dollar as the currency for pricing oil, but then saw a modest recovery into the close. Wednesday saw prices close mixed to higher in mostly short covering ahead of Friday's S&D report. Gains were limited by pressure from a firmer dollar and lower energies. Wheat finished sharply higher on Thursday, boosted once again by a weaker dollar and a more active international tender line-up which might help accelerate a lagging U.S. wheat export pace. **Wheat market closes on Thursday, 10/8/09...**

	Dec 09	Weekly Summary	Mar 2010	Weekly Summary
Chicago	\$4.74	Up \$.32 ¾	\$4.93 ¼	Up \$.32 ½
Kansas City	\$4.89 ¾	Up \$.30 ¼	\$5.05 ½	Up \$.30
Minneapolis DNS	\$5.06 ¼	Up \$.28 ¼	\$5.22 ¼	Up \$.29

CORN –Corn prices began the week sharply higher on supportive weather forecasts calling for colder and wetter conditions and the likelihood of the first killing frost of the season which would end the growing season for much of this year's corn crop. The U.S. crop was pegged at 57% mature at the start of the week, compared to 84% on average, but would likely advance to 75% mature by the time the cold snap arrive. Higher equities and energies also provided spillover support. Prices continued to soar on Tuesday, breaking through the \$3.50 resistance level, on continued fund buying triggered by ideas that a widespread hard freeze would likely cause localized crop damage in areas with lagging maturity, resulting in lower yields and test weight. Corn prices closed modestly higher on Wednesday in a mostly lackluster two-sided session. Some support was seen from market chatter that U.S. ethanol might be shipped to Brazil to fill shortages there caused by record high sugarcane prices. But traders continue to be wary of an expected yield and production increase in Friday's monthly crop report. Corn prices finished higher on Thursday, posting the highest close on the daily continuation technical charts since June 29. Support came from continuing weather concerns and a fresh low in the dollar index. **Dec 09 corn contract closed on Thursday, 10/8/09, at \$3.64, up \$.30 ½ for the week and the Mar 2010 contract at \$3.76 ¼, up \$.29 ¾ for the week.**

Near-term Commodity Outlook – main features this week were **weather** (more rain harvest delays and the first killing frost of the season late in the week and into early next week) and the **monthly S&D report** which was widely expected to show bigger U.S. corn and soybean crops based on historically high crop ratings for October (70% good/excellent which is well above the 10-year average of 58%). USDA's Oct. 9 crop production estimates will be based on surveys completed Oct. 1, ahead of this weekend's wintry weather.

Corn – USDA pegged production at 13.018 billion bu, just shy of the 2007 record crop of 13.038 billion bu. This was 37 million bu above the average pre-report trade estimate and is considered bearish for now. Keep in mind this production estimate was based on survey conditions as of October 1, when U.S. corn crop conditions remained at historically high levels across the Corn Belt. A hard freeze this weekend and into next week is expected to end the growing season for this year's crop, with some localized damage expected to shave off the top end of USDA's lofty yield estimate of 164.2 bpa. Right now, U.S. ending stocks are pegged 3 million bu below the average pre-report trade estimate, which should be supportive to the market. This report is not overly bearish for corn and should be the focus of trading for only a short period, when traders return their focus to the weekend weather and outside macro-economic forces.

Wheat – USDA pegged U.S. production up 36 million bu from last month to a very comfortable 2.22 billion bu level and also raised ending stocks by 121 million bu to 864 million bu which is well above the average pre-report trade estimate. This will be considered mostly bearish, but again will only occupy a short attention span in the markets, with outside markets becoming more a central focus.

Soybeans – USDA took a much more cautious approach on estimating soybean production estimate this month by only raising U.S. production by 5 million bu to 3.250 billion bu, which is 41 million bu below the average pre-report trade estimate. They also raised U.S. ending stocks by only 10 million bu to 230 million bu, again below the average pre-report trade estimate of 257 million bu. These estimates should be supportive to the soybean market, which could also help support corn and wheat in the coming weeks.

Other Major Factors to Watch

- § **Crude Oil** – Crude oil began the week higher on support from stronger equities and a weaker dollar. Prices dipped lower on Wednesday under pressure from a bearish gasoline stocks estimates and a firmer dollar that recovered some ground from Tuesday's wild see-saw. Wednesday's inventory report showed crude stocks falling 978,000 bbls, compared to an expected increase of 2.0 million bbls; distillate stocks increased 679,000 bbls compared to an expected draw of 400,000 bbls; and gasoline stocks saw a bearish increase of 2.9 million bbls compared to an expected build of 1.0 million bbls. Crude oil closed higher on Thursday with support from a new low in the dollar index and upbeat Wall Street sentiment.
- § **U.S. weather / crop watch** – Colder and wetter conditions were on tap this week with updated forecasts calling for a major freeze (and possibly snow) event starting on Friday morning in the Dakotas and moving eastward through the weekend and into early next week. Crop watchers were projecting that about 75% of the corn crop would reach maturity by this time, leaving some of the crop potentially vulnerable to frost damage. Below-freezing temperatures were being reported as far south as northern Kansas on Friday morning. Rain was falling across much of the Midwest into the Delta region on Thursday and continuing through Saturday. This was expected to bring beneficial moisture to some winter wheat areas in the Central and Southern Plains, but causing further corn and soybean harvest delays. About one fourth of the winter wheat belt had become excessively dry, which allowed rapid planting but also was affecting stand establishment ahead of winter dormancy. Many forecasts indicate that many of these dry areas could see rain in the latter half of October.
- § **International weather / crop watch** –

- § **Canada** – Ideal harvest conditions of the past 4 weeks came to an end this week with freezing temps across most of the Western Prairies.
- § **Europe** – Mostly dry weather accelerated corn harvest and winter grain planting. Showers in Germany and Poland boosted soil moisture for recently planted winter grains.
- § **Russia / Ukraine** – Light showers in areas of Russia and Ukraine caused only temporary interruptions to corn harvesting and winter grain planting. Topsoil moisture shortages are becoming a concern for winter grain establishment in central and western Ukraine and central Russia.
- § **Middle East** – Mostly dry conditions prevailed in Turkey, Syria and Iran, allowing winter wheat planting to resume. Moisture levels have stabilized after recent beneficial rains.
- § **China** – Warm, dry conditions allowed corn harvest to near completion. Winter wheat planting was advancing across the North China Plains.
- § **Argentina** – A cold front brought rain and some freezing temps to Central Argentina last week (Buenos Aires / Cordoba regions), slowing winter wheat development but improving corn planting conditions.
- § **Australia** – periodic showers across southeastern and western regions continue to maintain winter grain prospects, but there are signs that the relatively mild El Nino conditions might be strengthening to moderate levels, which could slow near-term rainfall.

USDA Crop Progress / Condition Report, October 5, 2009

Crop	Progress %	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
US winter wheat	53% planted	36%	55%	55%			
ID winter wheat	63% planted	49%	65%	60%			
US Corn	57% mature 10% harvested	37% 6%	70% 13%	84% 25%	70%	68%	61%