

Idaho Grain Market Report, October 11, 2012

Published by the Idaho Barley Commission, kolson@idahobarley.org, 208-334-2090

JOIN THE IBC for an Eastern Idaho Barley Grower Breakfast on Tuesday, October 16, at the Main Street Grill in Ririe at 7:30 a.m.

Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, October 10, 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) \$13.00 (6-R) \$13.00	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	\$12.50	(2-R) NQ (6-R) NQ	\$7.85	\$8.27	\$8.66
Idaho Falls	NQ	(2-R)\$12.60-\$13.00 (6-R) \$12.60	NQ	NQ	NQ
Blackfoot / Pocatello	\$11.87	(2-R) \$13.00 (6-R) \$13.00	\$7.70	\$8.17	\$8.50
Grace / Soda Springs	\$12.10	(2-R) NQ (6-R) NQ	\$7.85	\$8.32	\$8.72
Burley / Rupert	\$12.50	(2-R) \$12.60 (6-R) \$12.60	\$7.80	NQ	NQ
Hazelton					
Twin Falls / Eden / Buhl	\$13.00-\$13.75	(2-R) NQ (6-R) NQ	\$7.20-\$8.00	NQ	NQ
Weiser	\$12.65	(2-R) NQ (6-R) NQ	\$7.93	NQ	NQ
Nez Perce / Craigmont	\$10.85	(2-R) \$10.85 (6-R) \$10.85	\$8.19	\$9.27	\$9.61
Lewiston	\$11.10	(2-R) \$11.10 (6-R) \$11.10	\$8.38	\$9.46	\$9.80
Moscow / Genesee	\$10.90-\$12.25	(2-R) \$10.90 (6-R) \$10.90	\$8.15-\$9.00	\$9.23-\$9.89	\$9.57-\$10.27

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
	NQ	NQ		NQ	Oct \$8.69 ¾-8.84 ¾ Feb \$8.90 - \$9.00	Oct \$9.47 ½ -\$9.41 ½ Feb \$9.56 ½ -\$9.68½
Portland	NQ	NQ	NQ	NQ	NQ	NQ
Los Angeles	NQ	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	NQ	NQ	NQ	NQ	NQ	NQ
Ogden	NQ	NQ	NQ	NQ	NQ	NQ
Great Falls	\$8.00-\$12.00	NQ	\$12.00	NQ	\$7.88-\$8.20	\$8.70-\$8.93
Minneapolis	\$11.46	NQ	\$14.69	NQ	\$9.37 ½ (12%)	\$10.23 ¾ - \$10.38 ¾

Market trends this week

BARLEY – Local barley prices were mixed again this week, ranging from 50 cents lower to 50 cents higher in southern Idaho and no change to 15 cents higher reported in northern Idaho. USDA won't release weekly export sales data until Friday due to the Columbus Day holiday.

USDA's S&D report for MY 2012/13 - BARLEY – Oct. 11 – USDA made a few tweaks to this month's U.S. barley balance sheet: lowered production by 1 million bu to 220 million bu, lowered imports by 5 million bu to 20 million bu and lowered domestic feed usage by 25 million bu to 55 million bu, resulting in a 19 million bu increase in ending stocks to 80 million bu. The average farm-gate price for U.S. barley was raised on both ends of the range to \$6.00-\$7.00/bu, compared to \$5.35 in MY 2011/12. **World barley production was lowered by nearly 2 MMT this month to 130.7 MMT (down 2% from last year), due to smaller crops in Canada and Australia. World ending stocks were increased slightly (up .4 MMT) this month to 19.7 MMT, which is 13% below last year.**

Barley Competitor/Buyer News – USDA cut their Canadian barley production estimate to 8.6 MMT, in line with the production estimate released by Stats Canada last week. They also cut their Australian barley production estimate by 1 MMT this month to 7 MMT due to adversely dry conditions during heading in Western Australia, that country's largest barley producing region.

WHEAT – Local wheat prices were mostly higher this week: SWW ranged from 5 cents lower to 25 cents higher; HRW ranged from 2 cents lower to 50 cents higher; and DNS ranged from 2 cents lower to 35 cents higher.

USDA's S&D report for MY 2012/13 - WHEAT – Oct. 11 – As expected, USDA made a few adjustments to this month's U.S. wheat balance sheet: they lowered production by 1 million bu to 2.269 billion bu, increased feed usage by 95 million bu to 315 million bu, and lowered exports by 50 million bu to 1.15 billion bu, resulting in a 44 million bu reduction in ending stocks to 654 million bu. **This ending stocks estimate of 654 million bu was higher than the pre-report trade estimate of 630 million bu.** The average farm-gate price was tightened to a range of \$7.65-\$8.55, compared to \$7.24 in MY 2011/12. Also as expected, USDA cut their world wheat production estimate by another 6 MMT to 653 MMT, due primarily to smaller crops in Russia and Australia. World wheat ending stocks were cut by nearly 4 MMT to 173 MMT, down 13% from a year ago.

Market reaction – Traders expected a smaller world production estimate and were not disappointed. Most analysts viewed the U.S. wheat S&D estimates as neutral but wheat benefited from spillover support from a bullish corn ending stocks estimate.

Wheat Competitor/Buyer News – The French wheat crop was pegged at 35.9 MMT this week, down from an earlier estimate of 36.5 MMT, still nearly 6% above 2011. The EU granted export licenses this week for 376 TMT of soft wheat, bringing their cumulative wheat exports this year to 4.2 MMT, up from 4.05 MMT for the same period a year ago. USDA cut their wheat production for Australia by 3 MMT today to 23 MMT, which is still above most other private trade estimates in the range of 20-22 MMT.

Ethanol corn usage – DOE's Energy Information Agency reported that U.S. ethanol production posted a modest gain last week at 800,0000 bbls per day, up 1.9% from the previous week but down 6.9% from the same period a year ago. Corn used for ethanol last week totaled 84 million bu, below the weekly pace of 86 million bu needed 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 – Oct. 11 – As expected, USDA made several adjustments to this month's corn balance sheet, lowering beginning stocks in line with their quarterly stocks estimate and cutting production slightly. They lowered the national average **corn yield by .8 bpa to 122.0 bpa and cut production by 21 million bu to 10.706 billion bu.** This was ABOVE the average pre-report trade estimate of 10.598 billion bu. They increased their harvested acreage estimate slightly to 87.7 million acres. On usage, USDA cut corn exports by 100 million bu to 1.15 billion bu to account for the very slow export pace at the beginning of the new marketing year. This resulted in a **114 million bu cut in ending stocks to 619 million bu, which was BELOW the average pre-report trade estimate of 645 million bu.** The average farm-gate price for U.S. corn was lowered on both ends to a range of \$7.10-\$8.50. **World corn production was cut by 2 MMT this month to 839 MMT, 4% below the previous year, while ending stocks were cut by nearly 7 MMT to 117 MMT, or 11% below last year.**

Market reaction – Traders overlooked the higher than expected corn production estimate to focus instead on the BULLISH ending stocks estimate, driving prices sharply higher in Thursday's trading session.

Corn Competitor/Buyer News – A private crop analyst has cut Ukrainian corn production estimate from 25-27 MMT to 21 MMT, which USDA did as well in Thursday's global supply and demand estimates. China announced a corn import quota of 7.2 MMT, however USDA is projecting that China will import only 2 MMT of corn this year.

Futures market activity this week

Macroeconomic trends – The International Monetary Fund (IMF) cut its global economic growth forecast for 2012 from 3.5% to 3.3% and from 3.9% to 3.6% in 2013, due to continuing weakness in Europe and China. IMF cut their EU growth forecast from -0.3% to -0.4% in 2012 and from +0.7% to +0.2% in 2013. Chinese GDP growth was pegged at 7.8% in 2012 and 8.2% in 2013. U.S. GDP growth was forecast at 2.2% in 2012 and 2.1% in 2013.

U.S. economic trends – U.S. economic data showed improvement during the past two weeks, highlighted by last Friday's better than expected jobs report which showed U.S. unemployment fell to a 44 month low of 7.8%. This week's jobless claims also fell more than expected to 339,000, the lowest level since Feb. 2008. Home foreclosure filings also hit a 5 year low in September, further signaling that the housing crisis has bottomed out.

WHEAT – Wheat posted modest advances on Monday on short covering and fresh technical buying. Prices continued to trade moderately higher on both Tuesday and Wednesday, with support from continuing concerns about the Australian wheat crop and ideas that the U.S. wheat export pace will pick up in the second half of the marketing year. Gains were limited by very disappointing weekly export inspections. Wheat markets finished higher today (Thursday), on spillover

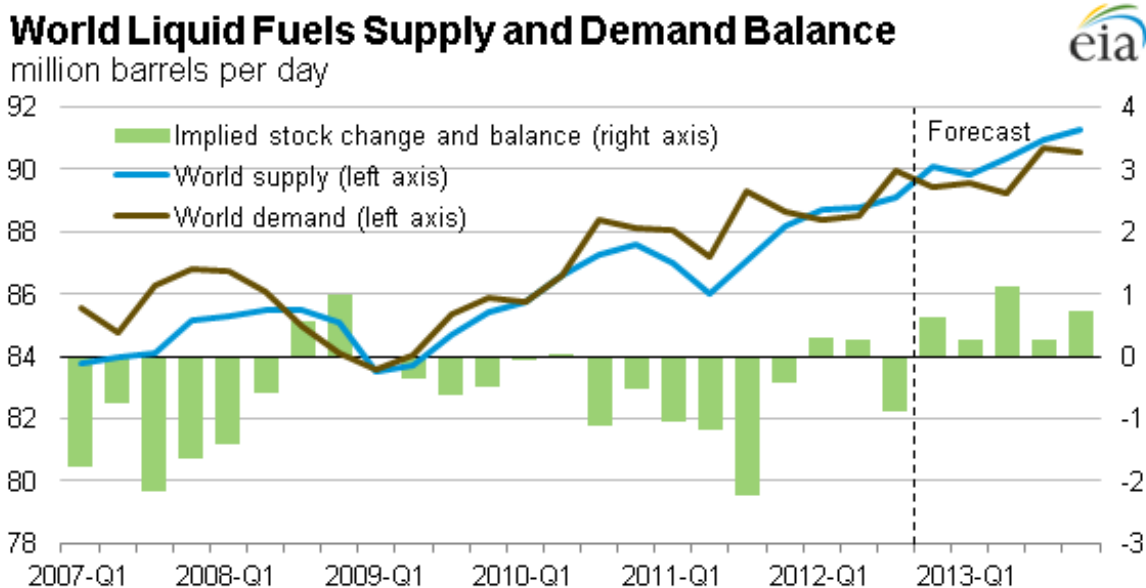
support from corn. **Wheat market closes on Thursday, 10/11/12 ...**

	Dec 2012	Weekly Summary	Mar 2013	Weekly Summary
Chicago	\$8.86	Up \$0.28 ½	\$8.97	Up \$0.28 ¼
Kansas City	\$9.18	Up \$0.39 ¼	\$9.31	Up \$0.38 ½
Minneapolis DNS	\$9.46 ¾	Up \$0.27 ¼	\$ 9.53	Up \$0.25 ½

CORN – Corn traded moderately lower on Monday in light volume in the face of little fresh news and positioning ahead of Thursday’s monthly S&D report. Corn continued to chop mostly sideways to fractionally lower on Tuesday and Wednesday with pressure from a weaker soybean market and disappointing weekly corn export shipment data. Corn posted strong gains today (Thursday) on bullish ending stocks estimate from USDA. **Dec 2012 corn futures contract closed Thursday, 10/11/12, at \$7.73 ¼, up \$0.25 ¼ and the Mar 2013 contact closed at \$7.73 ¼, up \$.14 ¾ for the week.**

OTHER MAJOR FACTORS TO WATCH –

CRUDE OIL – Crude oil prices showed continued volatility this week, with support from rising Middle East tensions battling weaker global economic growth prospects. Monday saw prices slide – closing down \$0.55 to \$89.33 – with pressure from lower equities and a higher dollar. But a renewed geopolitical risk premium catapulted prices sharply higher on Tuesday – closing up \$3.06 to over \$92 - amid concerns that escalating tensions between Syria and its neighbor Turkey could disrupt oil from the Middle East, which supplies 33% of the world’s crude oil. Gains were trimmed back on Wednesday – closing down \$1.14 to over \$91 - on news that OPEC had lowered its global oil demand forecast for 2013. This was reinforced by the U.S. Energy Information Agency’s Short Term Outlook issued this week which cut U.S. gas consumption estimate to an average of 8.72 million bbl/day for 2012, down from 8.75 million last year. EIA data shows world liquid fuels consumption grew by an estimated 1.1 million bbl/d in 2011. EIA expects consumption growth of about 0.8 million bbl/d in 2012 (down 0.5 million bbl/d during the fourth quarter of 2012) and 0.9 million bbl/d in 2013, with China, the Middle East, Central and South America accounting for essentially all consumption growth. EIA forecasts U.S. liquid fuels consumption to grow by 0.1 million bbl/d in 2013, which is offset by declines in consumption in Europe. DOE’s weekly crude oil inventory report was a mixed picture, with crude oil stocks increasing more than expected but both gasoline and distillates declining more than expected. Crude oil stocks increased by 1.7 million bbls last week, compared to an expected increase of 1.5 million bbls; distillates fell by 3.2 million bbls, compared to an expected decrease of only 250,000 bbls; and gasoline stocks fell by 500,000 bbls, compared to an expected increase of 375,000 bbls. **Crude oil prices traded higher throughout today’s session – closing up \$0.82 to \$92.07 – boosted by a weaker dollar, return in risk-taking sentiment and Middle East tensions.**



Source: Short-Term Energy Outlook, October 2012

U.S. WEATHER / CROP WATCH –

ENSO-Neutral Weather Pattern – the US Climate Prediction Center’s latest report on Oct. 4 indicates that El Nino has been replaced by a borderline ENSO-neutral/weak El Nino weather pattern. NOAA scientists report the coolest reading of sea surface temperatures in the Equatorial Pacific waters since June, signaling a major shift away from the warming El Nino pattern that had been predicted for winter 2013.

Midwest - Favorable harvest weather prevailed over much of the Central U.S. this week, although a band of showers

moved across parts of the northern Mississippi River Valley. Unfortunately record-breaking drought conditions have NOT eased significantly for the Midwest, where temperatures have turned cooler but mostly dry conditions persist. Topsoil moisture in Nebraska, Central Iowa, South Dakota and parts of Minnesota are among the lowest levels on record.

Winter wheat planting- At least one-fourth of the HRW wheat belt remains excessively dry, particularly areas of South Dakota, Nebraska and northwestern Kansas. There were good chances that the Plains would see steady rainfall the end of this week, with the best chances of rain in the Eastern Plains of Texas, Oklahoma and eastern Kansas. The 6-10 day and 8-14 day outlooks remain mostly dry for the Central Plains.

USDA Crop Progress / Condition Report, October 8, 2012

Crop	% Progress	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
US winter wheat	57% planted 23% emerged	40% 12%	53% 24%	59% 30%			
ID winter wheat	64% planted 20% emerged	41% 13%	67% 27%	69% 26%			
Corn	69% harvested	54%	29%	28%			

INTERNATIONAL WEATHER / CROP WATCH -

- **Ukraine / Russia** – USDA confirmed disappointing 2012 wheat harvests for both Russia and Ukraine in their monthly world supply and demand estimates today, showing Russian wheat crop at 38 MMT, down 32% from the previous year. Ukraine’s wheat harvest also was down 30% to only 15.5 MMT. These shortfalls were due to very poor planting conditions last fall, coupled with winter kill and disappointing summer rainfall. Fall planting conditions have improved this year but are still not great. Fall weather conditions have been unseasonably warm, particularly in Ukraine and Southern Russia, the top winter wheat belt. The planting pace has generally been strong but germination and early development has been subpar in many areas. Ukraine has received good rainfall recently, which suggests that the strong ridge of high pressure may be moving eastward into the Volga Valley.
- **Argentina** – Argentina’s corn planting pace advanced to 25%–30% early this week, but conditions remain too cold and too wet in some areas for planting.
- **Brazil** – Heat continued in the mid section of the country, causing crop concerns in Mato Grosso.
- **Australia** – Adversely dry conditions returned to Western Australia, with little rain expected there for the next week.