

# Idaho Grain Market Report, October 14, 2010

Published by the Idaho Barley Commission, [kolson@idahobarley.org](mailto:kolson@idahobarley.org), 208-334-2090

Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, October 13, 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	\$7.00	(2-R) NQ (6-R) NQ	\$5.50	\$5.79	\$7.31
Idaho Falls	\$8.00	(2-R) \$7.00-\$8.00 (6-R) \$7.00	\$5.70	\$6.01	\$7.89
Blackfoot / Pocatello	\$6.87	(2-R) \$7.25 (6-R) NQ	\$5.60	\$6.02	\$7.38
Grace / Soda Springs	\$7.00	(2-R) NQ (6-R) NQ	\$5.70	\$5.73-\$5.76	\$7.01-\$7.09
Burley / Rupert Hazelton	\$6.75-\$7.00	(2-R) \$7.00 (6-R) \$7.00	\$5.40-\$5.44	\$5.73	\$7.31
Twin Falls / Eden / Buhl	\$8.00-\$10.00	(2-R) NQ (6-R) NQ	\$5.15-\$6.00	NQ	NQ
Weiser	\$7.25	(2-R) NQ (6-R) NQ	\$5.33	NQ	NQ
Nez Perce / Craigmont	\$6.85	(2-R) \$6.85 (6-R) \$6.85	\$5.64	\$6.62	\$8.10
Lewiston	\$7.10	(2-R) \$7.10 (6-R) \$7.10	\$5.83	\$6.81	\$8.29
Moscow / Genesee	\$6.90-\$8.25	(2-R) \$6.90 (6-R) \$6.90	\$5.60-\$6.30	\$6.58-\$7.23	\$8.06-\$8.61

## 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 \$5.90-\$6.00 Feb \$6.55-\$6.65	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	\$7.25	NQ	NQ	\$5.95	\$5.94	\$7.27
Great Falls	\$7.50	NQ	\$7.75	NQ	\$4.89-\$5.37	\$7.27-\$7.48
Minneapolis	\$6.87	NQ	\$8.96	NQ	\$7.01	\$8.11-\$8.71

### Market trends this week

**BARLEY** – Local barley prices were higher this week ranging from no change to 75 cents higher in southern Idaho and from 75 cents higher in northern Idaho. USDA will not report export sales until Friday due to the holiday.

**WHEAT** – Local wheat prices were also higher this week: SWW ranged from 5 to 30 cents higher; HRW ranged from 15 to 49 cents higher; and DNS ranged from 29 to 70 cents higher. Wheat export shipments were in line with trade expectations at 596 TMT last week. Weekly export sales won't be reported until Friday due to the holiday.

**Wheat Competitor/Buyer News** – Strategie Grains pegged EU soft wheat production at 127.9 MMT this week, up 700 TMT from their earlier estimate. They also peg EU wheat ending stocks at 9 MMT, down from 13 MMT a year ago. Egypt purchased 220 TMT of wheat this week, all from the U.S. Iraq purchased 100 TMT of US wheat on Wednesday.

**CORN** – U.S. corn export shipments last week on the low end of trade expectations at 780 TMT last week. Weekly export sales won't be reported until Friday due to the holiday.

**EPA announced on Wednesday, Oct. 13, that it will allow ethanol blends in gasoline up to 15% for vehicles manufactured since 2007, an increase from the current 10% ethanol blending cap.** The decision on whether to allow higher blends in older models made between 2001 and 2006 will come by the end of the year, as EPA is awaiting the outcome of additional research on engine performance in older model vehicles. EPA is soliciting comments on how to label gasoline pumps to avoid confusion at the gas pump or fueling errors.

**Corn Competitor/Buyer News** – Chinese corn harvest is advancing with production estimates ranging from 153 MMT (private Chinese consultant) to 169 MMT (official Chinese government). Strategie Grains lowered EU corn production estimate this week to 55.6 MMT, the 5<sup>th</sup> consecutive reduction since the beginning of the new crop year. South Korea purchased 108 TMT out of a tender for 165 TMT of U.S. corn this week, passing on the remaining 55 TMT due to high prices.

#### Futures market activity this week

**A plunging dollar index which hit its lowest level this year on Thursday, is providing strong underlying support for commodities. The dollar is likely to remain weak, as speculation grows that the Federal Reserve will vote at its November monthly meeting to undertake further quantitative easing (large scale purchases of government debt) to help stoke a domestic economic recovery.**

**WHEAT** – Wheat settled moderately lower on Monday with weakness attributed to fund liquidation after a buying surge on Friday that was triggered by traders being locked out of the trade in corn. Tuesday saw modest gains on strong spillover support from corn and soybeans and a lower dollar. These gains could not be sustained on Wednesday as commodities eased back across the board under profit-taking pressure. Wheat finished modestly lower today (Thursday) **Wheat futures market closes on Thursday, 10/14/10...**

	<b>Dec 2010</b>	<b>Weekly Summary</b>	<b>Mar 2011</b>	<b>Weekly Summary</b>
Chicago	\$7.00 <sup>3</sup> / <sub>4</sub>	Down \$.18 <sup>1</sup> / <sub>2</sub>	\$7.36 <sup>3</sup> / <sub>4</sub>	Down \$.17
Kansas City	\$7.40 <sup>1</sup> / <sub>2</sub>	Down \$.18	\$7.55	Down \$.18
Minneapolis DNS	\$7.50	Down \$.14 <sup>1</sup> / <sub>2</sub>	\$7.63 <sup>3</sup> / <sub>4</sub>	Down \$.15

**CORN** – Corn exploded higher on Monday on follow-through fund and end user buying that was triggered by last Friday's limit up trading in reaction to very tight domestic and global stocks to use projections (2<sup>nd</sup> tightest global ending stocks in the last 35 years and less than a 60 day supply). Prices continued to surge higher on Tuesday – reaching a 2 year high - after Monday's highs were breached which triggered preset buy stops. After a three-day 80 cent gain, traders took profits on Wednesday, causing prices to ease lower. Corn opened higher today (Thursday), with a strong boost from a sharply lower dollar, but ground modestly lower into the close on ideas that higher prices are already starting to ration demand.

**Dec 2010 corn futures contract closed Thursday, 10/14/10, at \$5.67<sup>3</sup>/<sub>4</sub>, up \$.39 for the week and the Mar 2011 contact closed at \$5.78 <sup>1</sup>/<sub>2</sub>, up \$.41 for the week.**

#### **Near-by Commodity Outlook –**

**Corn** – From the outset corn has had the strongest fundamentals this marketing year, but its bullish trend was given a huge boost by USDA's S&D projections last Friday which cut 496 million bu from the 2010 crop (due to sharply reduced yield estimate) and cut 214 million bu from U.S. ending stocks, resulting in a **historically low U.S. corn stocks-to-use ratio of only 6.7%**. **Global corn stocks fell to less than a 60-day supply, the second tightest stocks situation in the past 35 years.** Prices surged higher on these VERY BULLISH PROJECTIONS - jumping to 2-year highs – with traders now chasing \$6.00 and some even thinking \$7.50 is possible this year. But this market will be vulnerable to periodic profit-taking corrections as well as concerns that if prices rise too high too fast demand will slow down. Expect increased volatility ahead, but for now strong support remains at \$5.00.

**Wheat** – Without the bullish supply concerns that were making headlines starting back in early August, wheat has assumed the follower's role and appears range bound between \$6.50 and \$7.50. This range is expected to hold unless more is known about the final condition of Southern Hemisphere wheat crops and 2011 winter wheat crops. For now, wheat needs help from outside markets to capture upside potential.

#### **OTHER MAJOR FACTORS TO WATCH –**

- **CRUDE OIL** –Crude oil began the week under modest pressure from choppy trade in both equities and the dollar. Wednesday saw the first gains of the week on a combination of a weaker dollar and signs of better future demand. The International Energy Agency boosted its global demand forecasts by 300,000 bbls/day, bringing total demand to 86.9 million bbls/day in 2010 and 88.2 million bbls/day in 2011. Crude oil slipped lower on Thursday, closing down \$.32 to \$82.69/bbl, on mixed economic news which pressured Wall Street, but losses were limited as the dollar continued to plunge, reaching its lowest level in 2010. The weekly petroleum inventory report was a mixed picture but still confirming ample stocks on hand... crude oil inventories fell by 400,000 bbls, compared to an expected increase of 1.45 million bbls, but still remain at the highest weekly level for this time of year since 1982; distillate stocks fell by 300,000 bbls, compared with expected decline of 1.15 million bbls; while gasoline stocks declined by 1.8 million bbls, compared to an expected decline of 1.5 million bbls.
- **U.S. WEATHER / CROP WATCH** – Mostly dry warm conditions across the Midwest favored corn and soybean harvest. **Winter wheat condition** – Rain prospects remain limited for soft red and hard red winter wheat areas that are too dry, although chances improve for rains in the latter half of the 6-10 day weather outlook. **About 60% of the SRW and 20% of HRW regions are experiencing moisture deficits** and are at risk of having poorly established

stands before dormancy and vulnerable to winterkill damage. **The 6-10 outlook shows below average precipitation and normal to above normal temps across most of the Midwest. The 16-30 day outlook also is turning drier, particularly in the Midwest.**

▪ **International weather / crop watch –**

- **Canada** –Prairies saw some scattered rains early this week, but was expecting mostly good harvesting weather through next week.
- **Europe** – Germany and Eastern Europe finally saw drier conditions allowing winter grain planting to move ahead, while showers cause some interruptions to winter grain planting in France and England.
- **Former Soviet Union** – Recent showers have provided good coverage for winter grain areas from eastern Ukraine into the Southern District of Russia, which is helping improve crop establishment ahead of dormancy. Weather forecasts are conflicted on whether this region will see colder temperatures next week. Meanwhile, frost has been widespread across north central Russia, with cold temperatures expected to persist into next week. Some models show possible warm-up the following week, but **right now about 10% of the FSU acreage remains poorly established and susceptible to winterkill damage.**
- **China** – Some rainfall early in the week but mostly dry warm conditions favor corn harvest and winter grain planting.
- **Argentina** – Mostly dry conditions have favored corn planting, but good rains mid week were beneficial to wheat crop.
- **Australia** – Western Australia remains dry while concerns remain about the possibility of persistent rains in Eastern Australia which could disrupt harvest and cause quality problems. .

**USDA Crop Progress / Condition Report, Oct. 11, 2010**

<b>Crop</b>	<b>Stage</b>	<b>Previous Week</b>	<b>Previous Year</b>	<b>5-Year Average</b>	<b>Condition rating % good/excellent</b>	<b>Previous Week</b>	<b>Previous Year</b>
US barley	Harvested 97%	94%	100%	99%			
<b>ID barley</b>	<b>Harvested 100%</b>	<b>97%</b>	<b>100%</b>	<b>100%</b>			
US winter wheat	Planted 70%	53%	65%	68%			
<b>ID winter wheat</b>	<b>Planted 82%</b>	<b>60%</b>	<b>75%</b>	<b>75%</b>			
US corn	Harvested 51%	37%	13%	30%	68%	66%	70%