

Idaho Grain Market Report, October 27, 2011

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Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, October 26, 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) \$13.25 (6-R) \$13.25	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	NQ	(2-R) NQ (6-R) NQ	NQ	NQ	NQ
Idaho Falls	\$10.75	(2-R) \$13.02-\$13.50 (6-R) \$13.02	\$6.10	\$6.53	\$8.60
Blackfoot / Pocatello	\$11.14	(2-R) \$13.25 (6-R) \$13.25	\$6.25	\$6.43	\$8.60
Grace / Soda Springs	\$11.65	(2-R) NQ (6-R) NQ	\$6.05	\$6.20	\$8.37
Burley / Rupert Hazelton	\$10.25-\$10.50	(2-R) \$13.02 (6-R) \$13.02	\$6.05-\$6.10	\$6.19	\$8.32
Twin Falls / Eden / Buhl	\$10.80-\$11.25	(2-R) NQ (6-R) NQ	\$5.90	NQ	NQ
Weiser	\$9.00	(2-R) NQ (6-R) NQ	\$5.21	NQ	NQ
Nez Perce / Craigmont	\$9.00	(2-R) \$9.00 (6-R) \$9.00	\$5.59	\$7.15	\$9.39
Lewiston	\$9.25	(2-R) \$9.25 (6-R) \$9.25	\$5.78	\$7.34	\$9.58
Moscow / Genesee	\$9.05-\$10.40	(2-R) \$9.05 (6-R) \$9.05	\$5.55-\$6.35	\$7.11-\$7.82	\$9.35-\$10.15

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-\$6.35 Feb \$6.25-\$6.43	Oct \$7.81-\$7.91	Oct \$9.86-\$10.06
Los Angeles	\$13.80	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	\$13.80	NQ	NQ	NQ	NQ	NQ
Ogden	\$11.70	NQ	NQ	\$6.30	\$6.32	\$8.46
Great Falls	\$9.50-\$10.00	NQ	\$13.00	NQ	\$5.52-\$5.78	\$8.21-\$8.37
Minneapolis	\$11.04	NQ	\$15.94	NQ	\$8.05 ½ (12%)	\$10.05 ½

Market trends this week

BARLEY – Local barley prices were mixed this week, ranging from no change to 25 cents higher in southern Idaho and 20 cents lower to 35 cents higher in northern Idaho. USDA reported that barley export sales totaled .6 TMT for Japan and barley shipments totaled .5 TMT for Taiwan last week.

WHEAT – Local wheat prices were mostly higher this week: SWW ranged from 5 cents lower to 25 cents higher; HRW ranged from 11 cents to 29 cents higher; and DNS ranged from 10 cents lower to 15 cents higher. USDA reported wheat export sales last week was near the low end of trade expectations at 316.8 TMT, down 21% from the previous week and 27% from the 4-week average. Export shipments totaled 383.5 TMT, up 7% from the previous week, however it was down 18% from the 4-week average.

International Grains Council's Oct. 27 S&D report – IGC raised their world wheat production estimate for this marketing year by 4 MMT this month to 684 MMT, up 5% from last year. This would represent the second largest wheat harvest on record. World wheat carryover was increased by 9 MMT this month to 202 MMT, the highest level in a decade and up nearly 4% from last year.

Wheat Competitor/Buyer News – Jordan purchased 100 TMNT of wheat from Ukraine this week, while Egypt purchased 120 TMT from Russia, surprising many traders that Ukraine had not been more aggressive in their bid (reported to be about \$6/MT above the Russian offers).

CORN – Corn export sales last week were well below trade expectations at 361.3 TMT (336.2 TMT for MY 2011/12 and 25.1 TMT for MY 2011/12) which was down 81% from the previous week and 74% from the 4-week average. Corn export shipments last week totaled 677.1 TMT.

Ethanol corn usage – DOE's Energy Information Agency reported an uptick in weekly U.S. ethanol production, totaling 909,000 bbls, up 0.11% from the previous week and up 3.3% from last year. Corn used for ethanol last week totaled 96.8 million bu, which is now slightly above the weekly pace needed to reach USDA's usage estimate of 5.0 billion bushels for the year.

International Grains Council's Oct. 27 S&D report – IGC raised their world corn production this month by 10 MMT to a new record 855 MMT, and up 4% from last year. World corn carryover was projected to be 4 MMT higher than last month at 123 MMT, but down 6% to a 5-year low due to record demand across the globe.

Corn Competitor/Buyer News – China National Grain and Oils Information Center officially reported this week that China would need to import a record 5 MMT of corn this marketing year, compared to other projections from the US Grains Council that China will need to import between 5 to 10 MMT and USDA's October import projections of 2 MMT. China reportedly purchased 500 TMT of Australian feed wheat this week. Japan reportedly bought Ukrainian corn this week for the first time in a year, emphasizing the likelihood of increased competition from Ukraine this year, with their exports now projected at 12 MMT compared to less than 5 MMT last year.

Futures market activity this week

Macroeconomic news ... investor focus remained on Europe this week as leaders met twice (Sunday and late Wednesday) in their protracted battle to solve their sovereign debt crisis. In the end there was **good news coming out of the summit early Thursday which sent global stocks and crude oil prices soaring**. European leaders reported they had cinched a "credible and ambitious" deal that should mark a significant turning point in their two-year efforts to contain the crisis and avert more credit downgrades and a likely slip back into recession. Their agreement has several key components, with details still to be worked out: an expanded bailout fund that should help prevent larger economies like Italy and Spain from slipping into possible default; an agreement from banks that they will take bigger losses (50%) on their Greek bond holdings; and related bank recapitalization strategy to ensure capital continues flowing to European businesses and consumers.

U.S. economic data continues to be mostly supportive...3Q2011 U.S. GDP growth came in strong at 2.5%, compared to 1.3% in the 2Q and 0.4% in 1Q. September durable goods orders (best in 6 months) and new home sales (best in 5 months) were both above expectations and third quarter corporate earnings are mostly strong. However, consumer confidence index fell to the lowest level since March 2009.

WHEAT – Wheat began the week sharply higher, buoyed by a strong rally in outside markets and renewed concern that excessively dry conditions have returned to the Southern Plains. Wheat prices reversed direction and closed lower on Tuesday under pressure from a higher dollar and risk adverse tone in outside markets. Increased export competition from the Black Sea region also added to underlying weakness. Wheat prices continued to fall on Wednesday, despite an early firm tone, under pressure from aggressive fund selling across the board in commodities and energies. Wheat finished sharply higher today (Thursday), boosted by a strong rally in outside markets in reaction to the European debt deal.

Wheat market closes on Thursday, 10/27/11...

	Dec 2011	Weekly Summary	Mar 2012	Weekly Summary
Chicago	\$6.44	Up \$0.12	\$6.79 ³ / ₄	Up \$0.14
Kansas City	\$7.38	Up \$0.15	\$7.52 ¹ / ₂	Up \$0.15 ³ / ₄
Minneapolis DNS	\$9.23	Up \$0.03 ³ / ₄	\$8.59	Up \$0.04

CORN – Corn posted modest gains on Monday but closed well off of their early higher when the market encountered technical chart resistance. Pressure came from concerns about rising competition in the export market from cheaper sources of corn from Ukraine and India and abundant feed wheat supplies being offered from the Black Sea and other regions. Corn remained range bound on Tuesday in choppy trading as early gains gave way to late session selling sparked by demand concerns. Headwinds from shaky outside markets pushed prices lower on Wednesday under pressure from aggressive fund selling. Corn posted double digit gains today (Thursday) on support from bullish momentum in outside markets as the Europeans complete a comprehensive and ambitious plan to address their sovereign debt problems. **Dec 2011 corn futures contract closed Thursday, 10/27/11, at \$6.51 ¹/₂, up \$0.02 ¹/₄ and the Mar 2012 contract closed at \$6.63 ¹/₂, up \$.03 for the week.**

OTHER MAJOR FACTORS TO WATCH –

- **CRUDE OIL** – Volatility continued to reign supreme in crude oil this week, tied closely to widely fluctuating investor risk attitudes related to the European debt crisis. Crude oil rallied Monday to the highest level since August 4 - closing up

\$3.87 to \$91.27/bbl in active trading on optimism about a European debt deal and signs that Chinese manufacturing output is rebounding. Crude oil continued to move higher on Tuesday, shrugging off weakness in outside markets - closing up \$1.90 to \$93.17/bbl – with support from technical charts. Prices tumbled sharply lower, however, on Wednesday – closing down \$2.97 to \$90.20/bbl – under pressure from a bearish weekly crude oil inventory report and higher US dollar as doubts surfaced again about kinks in the ongoing European debt negotiations. The weekly petroleum stocks report showed an unexpectedly large build in crude oil, increasing by 4.735 million bbls, compared to an expected increase of 1.48 million bbls; distillates fell by 4.3 million bbls; and gasoline stocks fell by 1.4 million bbls. **Crude oil prices posted a bullish reversal higher today (Thursday) – closing up \$3.76 to \$93.96/bbl on support from the EU debt deal and lower US dollar.**

▪ **U.S. WEATHER / CROP WATCH** – Harvest continued at a rapid pace across much of the country, except areas of the Eastern Corn Belt where showers lingered over the weekend and into the mid-week. USDA reported that Ohio is only 14% harvested which is a growing concern, but conditions are expected to dry out by this coming weekend. A cold front swept into the Midwest mid week, bringing scattered showers to many areas but only the eastern edge was expected to see harvest delays. **SRW and HRW wheat regions** – Southern Plains were dry early in the week but some areas were receiving showers on Thursday. Conditions have turned dry again in the southwestern plains, resulting in about **20% of the belt poorly established as the crop heads into winter dormancy.** Meanwhile, SRW planting continues to lag in some SRW areas, like Ohio, which has seen corn harvest delays, but the recent rainfall has replenished soil moisture for the newly planted SRW crop. USDA rated the 2012 winter wheat crop at 47% good/excellent, equal to last year's initial rating and the second lowest in the past 25 years.

▪ **INTERNATIONAL WEATHER / CROP WATCH -**

- **Ukraine** – continued to be mostly dry and forecast to remain dry into next week, with about **25% of the winter wheat crop now considered poorly established** as this region heads into winter dormancy.
- **Argentina** – Continued to receive scattered showers in many areas, but **leaving about 15-20% of the wheat belt (southeastern region) too dry** as the wheat crop enters the critical heading stage.
- **Australia** – Western grain areas received beneficial moisture which should help maintain excellent yields in this region (about 40% of the overall wheat and barley production). Queensland also received rainfall which may delay early wheat harvest, but amounts so far have not damaged the crop. However, concerns are beginning to arise that this region could see a repeat of last year's excessive moisture at the end of their growing season. **About 15% of the grainbelt in the southeastern region remains dry during heading.**

USDA Crop Progress / Condition Report, October 24, 2011

Crop	% Progress	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
U.S. winter wheat	82% planted 56% emerged	73% 44%	87% 63%	84% 63%			
ID winter wheat	98% planted 65% emerged	90% 46%	93% 70%	93% 58%			
Corn	65% harvested	47%	81%	51%	54%	53%	NA

Mark Your Calendars for Upcoming Grain Marketing & Risk Management educational programs...

- **Nov. 9 webinar** from **8:30 am to 10:00 am** – “Optimizing your 2012 Malting Barley Contract Pricing Strategies and Navigating Volatile Grain Markets” presented by Craig Corbett
Log onto...<https://connect.cals.uidaho.edu/barley>
- **Nov. 28 webinar** from **7:00 pm to 8:00 pm** - “How to Hedge your Farm Energy Inputs” presented by Bryce Knorr, Farm Futures
Log onto...<https://connect.cals.uidaho.edu/barley>
- **Dec. 6 workshop** – **Comprehensive Grain Marketing & Risk Management** from **8:30 am to 4:00 pm** at Pocatello Red Lion Hotel –presented by Dr. Art Barnaby, Kansas State University (pre-registration required and fee of \$15/person).

