

Idaho Grain Market Report, Dec. 13, 2012

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Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, Dec. 12, 2012. Barley prices in \$/Cwt. and wheat prices in \$/bu.

<u>Barley (Cwt.)</u>		<u>Wheat (bu.)</u>			
Ashton	NQ	(2-R) \$13.00 (6-R) \$13.00	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	\$12.00	(2-R) NQ (6-R) NQ	\$8.10	\$7.95	\$8.45
Idaho Falls	\$12.50	(2-R) \$12.60-\$13.25 (6-R) \$12.60	\$8.05	\$8.11	\$8.43
Blackfoot / Pocatello	\$11.97	(2-R) \$13.00 (6-R) \$13.00	\$8.20	\$8.36	\$8.58
Grace / Soda Springs	\$11.60	(2-R) NQ (6-R) NQ	\$8.15	\$8.23	\$8.52
Burley / Rupert	\$13.00	(2-R) \$12.60 (6-R) \$12.60	\$8.00	NQ	NQ
Hazelton					
Twin Falls / Eden / Buhl	\$13.10	(2-R) NQ (6-R) NQ	\$7.50	NQ	NQ
Weiser	\$12.00	(2-R) NQ (6-R) NQ	\$7.89	NQ	NQ
Nez Perce / Craigmont	\$10.85	(2-R) \$10.85 (6-R) \$10.85	\$7.89	\$8.83	\$9.22
Lewiston	\$11.10	(2-R) \$11.10 (6-R) \$11.10	\$8.08	\$8.79	\$9.41
Moscow / Genesee	\$10.90-\$12.10	(2-R) \$10.90 (6-R) \$10.90	\$7.85-\$8.50	\$8.79-\$9.50	\$9.18-\$9.87

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	Dec \$8.37 Apr \$8.64 ½-\$8.75	Dec \$9.45 ¼ -\$9.50 ¼ Apr \$9.64 - \$9.71	Dec \$9.84 -\$9.89 Apr \$10.02 ½ -\$10.04 ½
Los Angeles	\$15.65	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	\$15.65	NQ	NQ	NQ	NQ	NQ
Ogden	NQ	NQ	NQ	NQ	NQ	NQ
Great Falls	\$8.00-\$11.00	NQ	\$12.75	NQ	\$8.02-\$8.09	\$8.18-\$8.53
Minneapolis	\$11.15	NQ	\$14.59	NQ	\$9.20 ¼ (12%)	\$9.79-\$9.94

Market trends this week

BARLEY – Local barley prices were mostly lower this week, ranging from 31 cents higher to 50 cents lower in southern Idaho and from 15 to 30 cents lower reported in northern Idaho. USDA reported that there were no barley export sales, however shipments totaled .3 TMT for Taiwan last week

USDA's S&D report for MY 2012/13 - BARLEY – Dec 11 – USDA made no changes to its U.S. barley balance sheet this month, except to tighten the average farm-gate price for U.S. barley to a range of \$6.10-\$6.80/bu. **World barley production was tweaked slightly lower this month to 130.1 MMT, which is down 3% from the previous year. Canadian barley production was cut from last month's estimate of 8.6 MMT to 8.01 MMT, which is still 1% above the year before. World barley ending stocks were cut slightly this month to 20.1 MMT, which is 12% below last year.**

Barley Competitor/Buyer News – Ukrainian officials report they have exported 1.76 MMT of barley so far this marketing year, which is below their announced export quota.

WHEAT – Local wheat prices were also mostly lower this week: SWW ranged from 15 to 40 cents lower; HRW ranged from no change to 43 cents lower; and DNS ranged from 12 to 30 cents lower. USDA reported wheat export sales last

week were on the high end of trade expectations at 573.5 TMT (518.6 for MY 2012/13 and 54.9 for MY 2013/14). Exports totaled 309.7 TMT which was down 20% from the previous week and remained unchanged from the prior 4-week average

USDA's S&D report for MY 2012/13 - WHEAT – Dec. 11 – USDA surprised the market by making a larger than expected cut to exports and adding more than expected to ending stocks estimate...based on a disappointing U.S. wheat export pace to date USDA cut their wheat export projections by 50 million bu this month to 1.05 billion bu and added the 50 million bu to ending stocks, bringing them to 754 million bu, which is now above last year's ending stocks estimate of 743 million bu and a mostly bearish stocks-to-use estimate of 31.6%. This **ending stocks estimate is 36 million bu higher than the pre-report trade estimate of 718 million bu**. The average farm-gate price range was tightened to \$7.05-\$8.30, compared to \$7.24 in MY 2011/12. USDA also surprised the market by increasing their **world wheat production estimate by 3.9 MMT this month to 655.1 MMT, due to better than expected crops in China and Canada and slightly better prospects in Australia. World wheat ending stocks were increased by 2.8 MMT this month to 176.9 MMT- ABOVE trade expectations but still down 10% from a year ago.**

Market reaction – Traders were surprised by the **bigger than expected increases in both U.S. and world wheat ending stocks**. This reaction has triggered sizeable long liquidations and negative technical chart signals for the near-term contracts. For now, wheat is likely to remain mostly range-bound during the thin holiday trading period. There is some upside potential early this spring when winter wheat conditions become better known.

Wheat Competitor/Buyer News – USDA raised their Australian wheat production estimate by 1 MMT to 22 MMT, which is stick down sharply from last year's record 29.9 MMT. Some local analysts think the Australian crop is more like 20.5 MMT, but yields in some areas are reported to be better than expected. USDA left their Argentine wheat production estimate unchanged this month at 11.5 MMT, despite ideas that the crop is more like 10.5 MMT. The Buenos Aires Grain Exchange pegged their wheat crop at 10.1 MMT at the start of the week. French Farm Ministry reported that winter wheat acreage in that country has increased nearly 3% for 2013. Strategie Grains is pegging Europe's 2013 wheat production up 9% due to higher acreage and better winter wheat conditions so far this growing season. Ukrainian officials report they have exported 5.65 MMT of wheat so far this marketing year, in line with their original export quota.

CORN – Corn export sales were on within trade expectations at 272.6 TMT for (258.9 for MY 2012/13 and 13.7 for MY 2013/14) which was up considerably from last week, but down 10% from the prior 4-week average. Cumulative corn export sales total 43% of USDA's projection for the year, compared to a 5-year average of 52%. Export shipments last week totaled 258.4 TMT which was down 12% from the previous week and 20% from the prior 4-week average.

Ethanol corn usage –DOE's Energy Information Agency reported that U.S. ethanol production showed improvement last week, ticking up to 835,000 bbls per day, up 4% from the previous week but still down 12.5% from a year ago. Corn used for ethanol last week totaled 87.7 million bu, climbing back up above the 86.6 million bu weekly pace 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 – Dec. 9 – USDA made no changes to the U.S. corn balance sheet despite trade expectations of a cut to the export projection based on a slow export pace to date this marketing year. The average farm-gate price for U.S. corn was lowered on both ends to a range of \$6.80-\$8.00. **World corn production was increased by a surprisingly large amount this month – 9.4 MMT to 849 MMT – due to a large increase in Chinese production, but was still 4% below last year. World corn ending stocks were lowered slightly this month to 117.6 MMT, down 10% from last year.**

Market reaction – Traders considered this report mostly neutral to supportive to corn futures as many had expected USDA to cut export demand and increase ending stocks while both were left unchanged this month. However, negative technicals in wheat have had a mild spillover effect on corn. The next BIG report for corn will be the final 2012 production and quarterly stocks reports scheduled for release on January 11, 2013. **For now, corn appears range bound with some the upside potential as stocks tighten further this spring.**

Corn Competitor/Buyer News – USDA increased Chinese corn production this month by a whopping 8 MMT to 208 MMT, well above expectations. However they also increased Chinese feeding demand by almost equal amount, keeping Chinese corn ending stocks unchanged at 60.13 MMT. USDA lowered their Argentine corn production estimate by only a modest amount this month – down .5 MMT to a record 27.5 MMT – despite trade expectations that some corn acres won't get planted due to the excessive moisture in the past month. One the largest South Korean feed millers issued a large corn import tender this week, excluding US offers due to our higher prices. There were reports this week that China may be close to buying 500 to 700 TMT of Ukrainian corn, the first ever corn purchases from this new corn competitor.

Futures market activity this week

Macroeconomic outlook – Economic projections remain gloomy for Europe with the Central European Bank lowering its GDP outlook for 2013. Further evidence of weak trends was the euro-zone's industrial output in October which came in significantly weaker than expected at 3.6% below a year ago. However, Germany reported better than expected economic sentiment readings. Greek officials reported a successful conclusion to their bond buyback program, paving the way for euro finance ministers to approve their revised bailout plan and immediate release of bailout funds. Over the

weekend China reported better than expected economic news over the weekend, including the largest crude oil imports in the past 6 months and stronger than expected retail sales.

U.S. economic trends – Hopes have risen and fallen this week that U.S. political leaders will reach a debt deal before the end of the year and avert nearly \$600 billion in automatic tax increases and budget cuts. Today the jury is still out on the prospects for a balanced deal. The big news was the announcement by the Federal Reserve that they will continue to undertake unprecedented steps to bolster the U.S. economy by beginning to **purchase \$45 billion a month in long term Treasury bonds on top of the \$40 billion/month purchases of mortgage bonds they announced earlier this year.** They explicitly stated that this new aggressive monetary stimulus would likely continue until unemployment drops to 6.5% or inflation reaches 2.5%, which means stimulus will now likely continue into 2015.

WHEAT – Wheat began the week under pressure from weak technicals and positioning ahead of Tuesday's monthly supply and demand report. Losses were limited by ongoing concerns about the US hard red winter wheat crop, which remains abnormally dry and potentially vulnerable to winterkill threats in some areas this week as warm conditions in November and early December delayed dormancy and provided no protective snow cover. Wheat prices fell sharply on Tuesday in the face of a bearish monthly S&D report which cut exports and increased ending stocks more than the trade had expected. Prices continued to erode lower on Wednesday in the face of weakening technical charts and forecasts calling for light rain in parts of the HRW belt this week. Wheat posted modest losses today (Thursday), under pressure from a stronger dollar and negative outside market signals, but CHI held above the key 200-day moving average price.

Wheat market closes on Thursday, 12/13/12 ...

	Mar 2013	Weekly Summary	May 2013	Weekly Summary	Dec 2013	Weekly Summary
Chicago	\$8.08 ½	Down \$0.52 ½	\$8.21 ¼	Down \$0.49	\$8.57 ¾	Down \$0.33 ½
Kansas City	\$8.62 ¾	Down \$0.47	\$8.73	Down \$0.46 ½	\$9.04 ¼	Down \$0.32 ½
Minneapolis	\$8.99 ¾	Down \$0.34 ¼	\$9.10 ¾	Down \$0.32	\$9.22 ¾	Down \$0.23
DNS						

CORN – Corn prices traded lower on Monday under the weight of very disappointing weekly export inspections and improving planting weather in South America. Cumulative corn export inspections only total 19% of the year's projection compared to a 5-year average of 26%. Corn closed marginally lower on Tuesday with support from a slightly bullish monthly S&D report, but offset by spillover pressure from slumping wheat futures. Corn extended its modest losses on Wednesday, as both domestic ethanol and export demand remains lackluster. Corn drifted moderately lower again today (Thursday) under pressure from a stronger dollar and continuing signs of weakening demand. **Corn futures contract closes on Thursday, 12/13/12 for Mar 2013 at \$7.20 ¼, down \$0.17, May 2013 contact at \$7.24, down \$.15 ¼ and the Dec 2013 contact at \$6.26, down \$.11 ¾ for the week.**

OTHER MAJOR FACTORS TO WATCH –

CRUDE OIL – Crude oil prices chopped in a narrow range this week as investors keep a close eye on fiscal cliff negotiations and 2013 global demand projections. Prices closed modestly lower on Monday – down \$.37 to \$85.56 – despite reports that Chinese oil demand posted a new record high last month. Prices turned moderately higher on Tuesday – up \$.23 to \$85.79 – on a rebound in investor risk sentiment and strong gains in global equity markets. Prices continued to post solid gains on Wednesday despite a very bearish gasoline stocks report. Reduced safe haven investment demand and an announcement by the Federal Reserve that it will continue to take unprecedented steps to bolster the U.S. economy were the main factors. DOE's weekly crude oil inventory report was bullish for crude oil but bearish for the product markets...crude oil stocks fell by 843,000 bbls, compared to an expected increase of 2.0 million bbls; distillates increased by 2.98 million bbls, compared to an expected increase of 1.1 million bbls; and gasoline stocks increased by a whopping 5.0 million bbls, compared to an expected increase of 2.0 million bbls. **Crude oil prices closed down \$.88 to \$85.89 today (Thursday) under pressure from a higher dollar and fading hopes that U.S. politicians can reach a budget deal before the end of the year.**

U.S. WEATHER / CROP WATCH –

U.S. winter wheat –Light showers were in the forecast for some areas of the Western Plains late this week, but amounts may be too light to make much difference as the winter wheat crop moves into dormancy and moisture requirements are not a consideration. Protective snow cover will become the issue to watch closely as we move into January.

INTERNATIONAL WEATHER / CROP WATCH -

- **Brazil** – Northwestern region continued to see nearly ideal conditions while Southern Brazil began receiving beneficial heavy rainfall, although for some areas it may be too late to achieve normal yields.
- **Argentina** – Drier period this week which was favorable for both wheat harvesting and corn planting progress. The exception was Buenos Aires region (the largest grain producing state) which continued to see more showers, with accumulated moisture this fall reaching than 180% of normal.
- **Australia** – Harvest conditions were mostly favorable across the continent this week, although some rains were noted in southern Australian which could cause some minor harvest delays.