

Idaho Grain Market Report, October 20, 2011

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Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, October 19, 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	\$10.50	(2-R) NQ (6-R) NQ	\$6.00	\$6.25	\$8.57
Idaho Falls	\$10.75	(2-R) \$13.02-\$13.50 (6-R) \$13.02	\$5.85	\$6.31	\$8.53
Blackfoot / Pocatello	\$11.14	(2-R) \$13.25 (6-R) \$13.25	\$6.00	\$6.14	\$8.53
Grace / Soda Springs	NQ	(2-R) NQ (6-R) NQ	NQ	NQ	NQ
Burley / Rupert Hazelton	\$10.25	(2-R) \$13.02 (6-R) \$13.02	\$6.00-\$6.15	\$6.03	\$8.42
Twin Falls / Eden / Buhl	\$10.80-\$11.25	(2-R) NQ (6-R) NQ	NQ	NQ	NQ
Weiser	\$9.00	(2-R) NQ (6-R) NQ	\$5.15	NQ	NQ
Nez Perce / Craigmont	\$9.20	(2-R) \$9.20 (6-R) \$9.20	\$5.58	\$7.04	\$9.33
Lewiston	\$9.45	(2-R) \$9.45 (6-R) \$9.45	\$5.77	\$7.23	\$9.52
Moscow / Genesee	\$9.25-\$10.75	(2-R) \$9.25 (6-R) \$9.25	\$5.54-\$6.25	\$7.00-\$7.70	\$9.29-\$10.00

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-\$6.29 Feb \$6.30-\$6.38	Oct \$7.64-\$7.81	Oct \$9.90-\$10.05
Los Angeles	NQ	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	NQ	NQ	NQ	NQ	NQ	NQ
Ogden	\$11.40	NQ	NQ	\$6.30	\$6.21	\$8.55
Great Falls	\$9.50-\$10.00	NQ	\$13.00	NQ	\$5.39-\$5.67	\$8.70-\$9.01
Minneapolis	\$10.83	NQ	\$15.94	NQ	\$7.77 ½ (12%)	\$9.84 ½ - \$9.94 ½

Market trends this week

BARLEY – Local barley prices were mixed this week, ranging from \$.75 higher to \$1.00 lower in southern Idaho and no change to \$.35 higher in northern Idaho. USDA reported that barley export sales totaled .2 TMT for Taiwan, but no barley shipments last week.

Barley Competitor/Buyer News – Jordan tendered for 100 TMT of feed barley this week.

WHEAT – Local wheat prices were also mixed this week: SWW ranged from 6 cents lower to 25 cents higher; HRW ranged from 17 cents lower to 29 cents higher; and DNS ranged from 7 to 29 cents higher. USDA reported wheat export sales last week were at the low end of trade expectations at 399.4 TMT, down 17% from the previous week and 21% from the 4-week average. Export shipments totaled 358.4 TMT, up 6% from the previous week but down 35% from the 4-week average.

Wheat Competitor/Buyer News – Canadian leaders have introduced legislation to end the monopoly control of the Canadian Wheat Board, most likely in the next crop year. The EU granted weekly export licenses for 296 TMT of wheat, bringing cumulative wheat exports to 4.35 MMT, compared to 7.7 MMT a year ago. Ukraine's President signed legislation

to eliminate the wheat and corn export tax, keeping the tax in place on barley exports. Iraq purchased 350 TMT of wheat this week, 150 TMT from Russia, 150 TMT from Canada and 50 TMT from Australia. Jordan tendered for 100 TMT of hard wheat and Taiwan tendered for 43.9 TMT of U.S. wheat.

CORN – Corn export sales last week were within trade expectations at 1.85 MMT (1.76 MMT for MY 2011/12 and 83.2 TMT for MY 2011/12). Corn export shipments last week totaled 563.4 TMT.

Ethanol corn usage – DOE's Energy Information Agency reported an uptick in weekly U.S. ethanol production, totaling 908,000 bbls, up 5.58% from the previous week and up 3% from last year. Corn used for ethanol last week totaled 96.7 million bu, which is now slightly above the weekly pace of 96.3 million bu that is needed to reach USDA's usage estimate of 5.0 billion bushels for the year. Cumulative corn used for ethanol processing totals 583.5 million bushels.

Corn Competitor/Buyer News – Chinese corn imports in recent weeks are estimated at 3.2 MMT, but only 1.9 MMT has been officially reported by USDA, of which .9 MMT was purchased last week and confirmed in today's export sales report. Argentine corn plantings are pegged at 4.9 million hectares, up 7% from last year. They are projected to produce a record high corn crop this year and begin exporting corn to China later this year.

Futures market activity this week

Macroeconomic news ... mixed headlines from Europe this week continued to overshadow mostly positive economic data from the U.S. We experienced a whiplash of both positive and negative reports of a possible deal to expand the European bailout fund by this weekend's European leader summit in Brussels. At first there appeared to be positive steps toward an agreement to greatly expand the bailout fund and stabilize the European banking sector, only to be followed by conflicting reports that there was a split between France and German over the role of the European Central Bank in executing the bailout details. Meanwhile, rating agencies downgraded Spain's credit rating and warned of a possible down grade of France's credit rating.

For the U.S. there was some good news and some continued wariness over prospects for future economic growth...September retail sales rose more than expected (1.1% compared to an expected 0.7%), homebuilding sentiment rose more than expected along with stronger than expected U.S. house starts (up 15% to the best level in 17 months) and another decline in weekly unemployment claims. There was also reduced inflationary expectations this week, as the Consumer Price Index rose only 0.1% last month, compared to an expected gain of 0.2%. The Federal Reserve's Beige Book outlook was released this week, showing modest growth in September but concluded that the U.S. economic recovery remained weak.

China's Q3 GDP rose by 9.1%, below the expected growth of 9.3% and the slowest quarterly growth in 2 years, which sparked concerns about future commodity demand in that growth market.

WHEAT – Wheat began the week modestly higher, with KCBT leading the gains on renewed dryness in the Central and Southern Plains. Gains were limited by weakness in outside markets and a stronger US dollar. Wheat closed mixed on Tuesday with Chicago posting fractional gains on short covering, lack of aggressive selling and strong gains in MGE on concerns about tight milling quality stocks. Wheat saw a bearish reversal lower on Wednesday after an early bounce from a continued dry outlook in the Southern Plains and lower dollar gave way to pressure from negative outside markets. Wheat finished solidly higher today (Thursday), shrugging off early weakness from a higher dollar and early sell-off in equities. Support came from the dry outlook for the hard red winter wheat crop and renewed optimism that a durable solution will be agreed upon soon to solve the euro zone debt crisis. **Wheat market closes on Thursday, 10/20/11...**

	<u>Dec 2011</u>	<u>Weekly Summary</u>	<u>Mar 2012</u>	<u>Weekly Summary</u>
Chicago	\$6.30 ¾	Up \$0.08	\$6.63	Up \$0.06 ½
Kansas City	\$7.25	Up \$0.17 ½	\$7.39 ½	Up \$0.16
Minneapolis DNS	\$9.17 ½	Up \$0.25	\$8.49 ¾	Up \$0.16

CORN – Corn posted fractional nearby gains on Monday in quiet choppy trading that was heavily influenced by negative outside markets and disappointing weekly export inspections. A mid-session bounce in wheat and end user buying on the price breaks provided some support. Corn continued to post modest gains on Tuesday, supported by slow producer selling and an impressive mid-day reversal in equities and energies. Prices reversed directions on Wednesday, closing moderately lower under pressure from choppy trading in equities and energies. Posting another reversal, corn finished up double digits today (Thursday) with support from a strong cash market, bullish export demand news and mid session bounce in equities and a lower dollar. **Dec 2011 corn futures contract closed Thursday, 10/20/11, at \$6.49 ½, up \$0.09 ½ and the Mar 2012 contract closed at \$6.59 ¼, up \$.07 ¾ for the week.**

NEAR-BY COMMODITY OUTLOOK –

WHEAT – Without fresh supportive news, wheat continues to be heavily influenced by outside market attitudes. If these markets turn positive, there is definitely some upside price potential in wheat from short covering in Chicago and tightening milling quality stocks.

CORN – Corn also remains vulnerable to weakness in outside markets, but will continue to see some level of support from long-term bullish fundamentals (tightest global stocks in 40 years) and end user buying on price breaks. Slow producer

selling also has provided a floor under the futures market. Near-by support level is \$6.22 and resistance at \$6.60/bu.

OTHER MAJOR FACTORS TO WATCH –

▪ **CRUDE OIL** – Crude oil trading was volatile again this week, tracking mixed and sometimes conflicting news and uncertainties over an imminent solution to the deepening euro zone debt crisis. Prices closed modestly lower on Monday – down \$0.42 to settle at \$86.38/bbl – as early optimism about a European debt solution fizzled by mid-session. Better than expected U.S. retail sales data helped to limit the losses. Tuesday saw impressive gains – closing up \$1.96 to \$88.34/bbl – boosted by a lower dollar and a rebound in global equity markets. Prices then reversed lower on Wednesday, giving up Tuesday’s gains plus some – down \$2.23 to \$86.11/bbl - as an early positive tone sparked by bullish inventory data gave way to renewed investor anxieties about a global economic slowdown. The weekly petroleum stocks report showed an unexpectedly large draw down in crude oil, distillate and gasoline stocks...crude oil fell by 4.7 million bbls, compared to an expected build of 2.0 million bbls; distillates fell by 4.3 million bbls, compared to an expected decline of 1.5 million bbls; and gasoline stocks fell by 3.3 million bbls, compared to an expected draw of 1.5 million bbls. Weekly gasoline consumption dropped by 4.6% to the lowest level since February. **Crude oil prices slipped lower again today (Thursday) – down \$0.81 to \$85.30/bbl in choppy trading. Fresh doubts weighed on the energy markets as headlines out of Europe continued to be mixed, but losses were limited by mostly better than expected U.S. economic data.**

▪ **U.S. WEATHER / CROP WATCH** – The Western Corn Belt was mostly dry this week, allowing for rapid harvest progress. But a cold front that pushed into the southwestern and eastern Midwest brought showers for much of this week, interrupting corn harvesting and winter wheat planting in many areas. **SRW and HRW wheat regions** – after recent beneficial rains, about 15% of the HRW wheat belt remains unfavorably dry and conditions are expected to remain mostly dry for the next 6-10 days. Recent moisture has improved soil conditions for the SRW belt but prolonged cool and wet conditions in some areas have delayed corn harvest and wheat planting which could restrict SRW acres in some areas.

▪ **INTERNATIONAL WEATHER / CROP WATCH -**

- **Ukraine** – was mostly dry this week after receiving beneficial moisture last week; however their vegetative growth index is well below normal suggesting their winter wheat crop is heading into dormancy in relatively poor shape. There were also areas that remained too dry to get planted.
- **Argentina** – Continued to receive scattered showers in many areas, but about 30% of the wheat belt (southeastern region) remains dry as the wheat crop enters the critical heading stage.
- **Australia** – Parts of the country received light showers this week, with more expected in southern and western regions into early next week.

USDA Crop Progress / Condition Report, October 17, 2011

Crop	% Progress	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
U.S. winter wheat	73% planted 44% emerged	59%	80%	77%			
ID winter wheat	90% planted 46% emerged	72%	86%	85%			
Corn	47% harvested	33%	66%	41%	53%	53%	NA