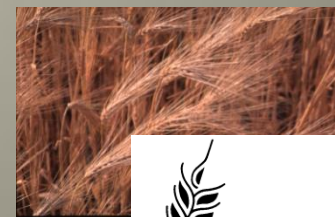




Idaho Grain Outlook 2011-12

Ms. Kelly Olson
Idaho Barley Commission
www.idahobarley.org



Idaho Grain Production 2010

BARLEY

Harvested Area – 470,000 ac (-8%)

Ave. Yield – 92.0 bpa (-3%)

Production – 43,240,000 bu (-11%)

- 74% malting; 26% feed

Markets

- 95%+ ID markets &/or contracted; <5% exported
- **MY 2010/11 ave. mkt price \$4.32/bu (2010 = \$4.30)**
- **2008 mkt price high \$5.86/bu**
- **2010 farm-gate \$186 million**

- **2011 plantings – 500,000 ac (+2%)**

WHEAT

Harvested Area –1,345,000 ac (+8%)

Ave. Yield – 79.9 bpa (-0.8%)

Production – 107,410,000 bu (+8%)

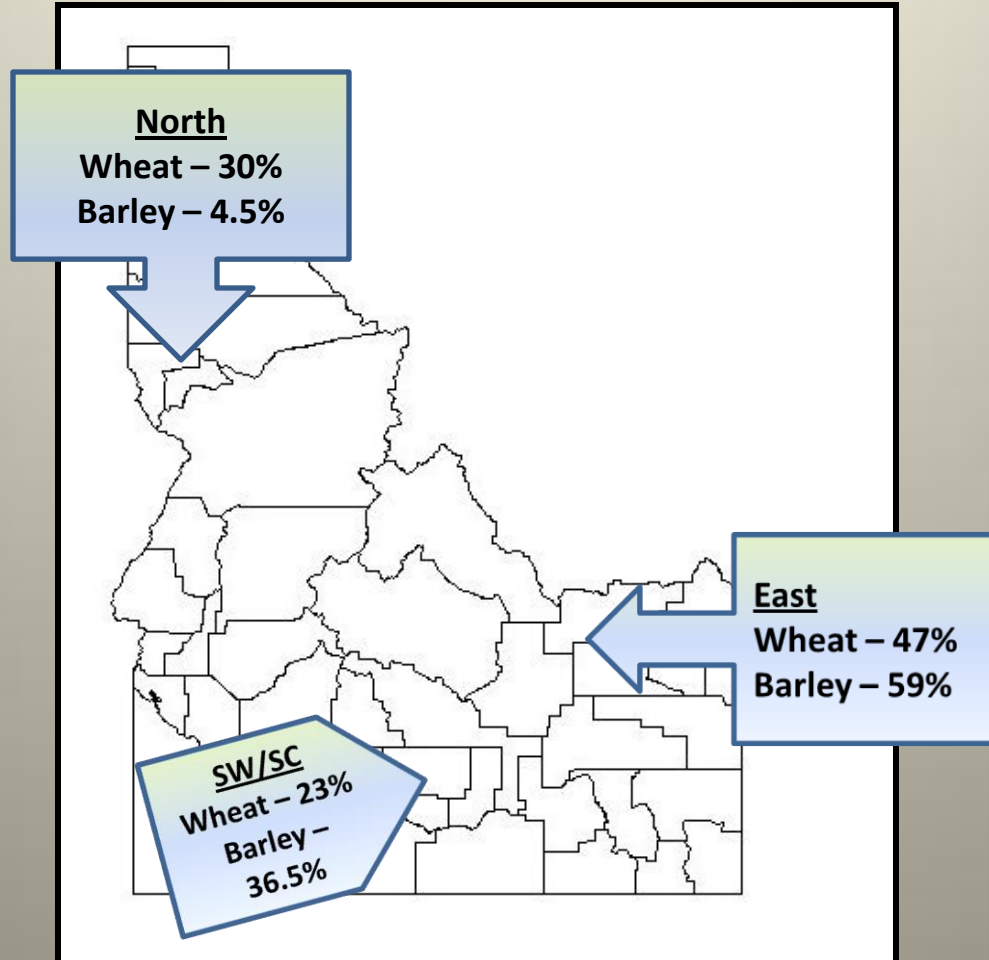
- 55% winter; 45% spring
- 53% SW; 21% HRS; 14% HRW; 8% HW

Markets

- 50% exported; 50% domestic
- **MY 2010/11 ave. mkt price \$5.55/bu (2010 - \$6.20)**
- **2008 mkt price high \$6.38/bu**
- **2010 farm-gate \$672 million**

- **2011 plantings – 1,485,000 ac (+6%)**

Idaho Grain Production 2010



Grain Markets MY 2010-11

WHEAT

- World output 647 MMT (-5%)
- World use 662 MMT (+1%)
- World carryover 183 MMT (-8%)
- Stocks-to-use: 28% (U.S. 34%)

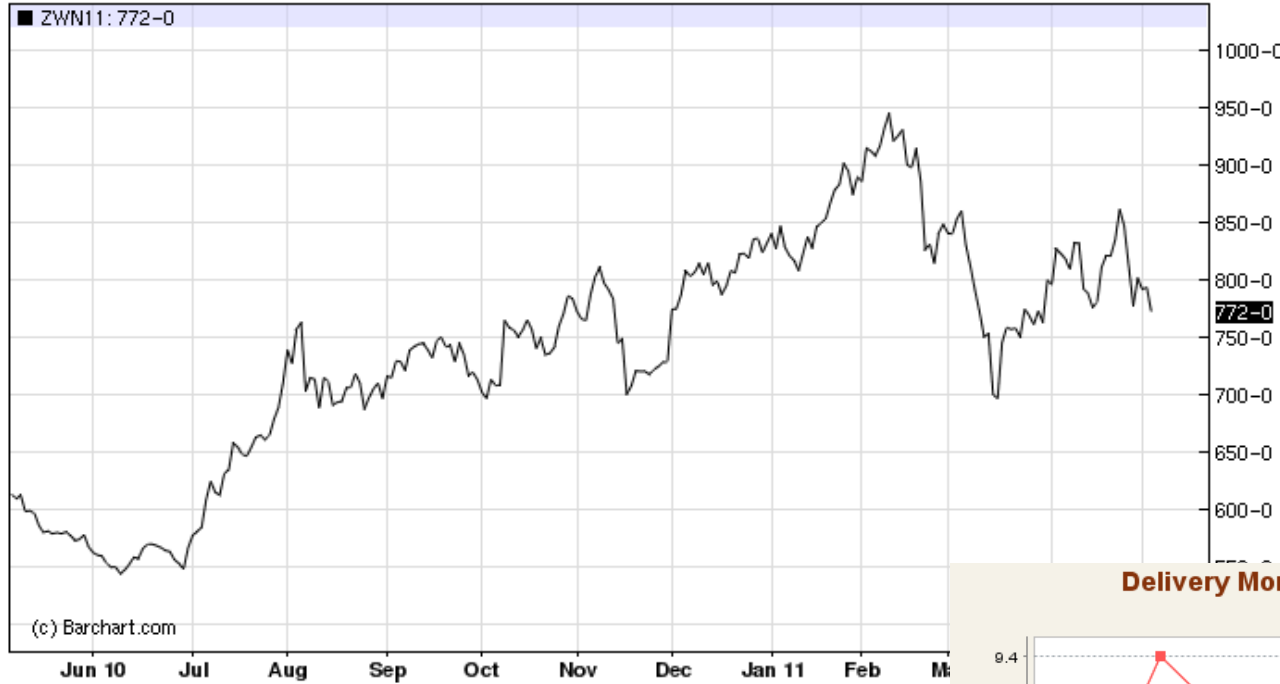
Key Drivers

- Russian drought / 73% yr-to-yr decline in Black Sea wheat exports.
- Higher than normal feed wheat from Germany, Canada, Australia.
- U.S. wheat exports +45%.
- Protein milling stocks very tight.

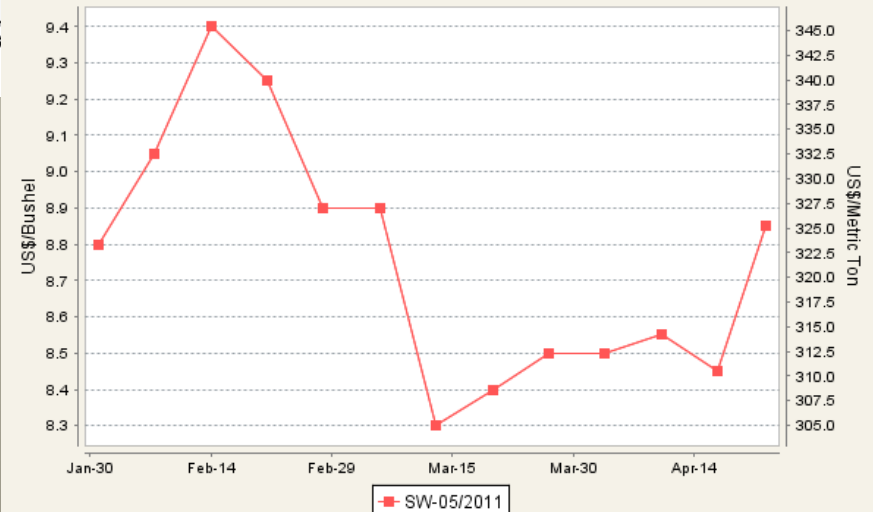


CBOT wheat vs. Portland SW cash

ZWN11 - Wheat (CBOT) - Daily Line Chart



Delivery Month Prices at Export Locations
Cash Price



2010/11 is not a repeat of 2007/08

ZW - Wheat (CBOT) - Weekly Nearest Line Chart



(c) Barchart.com

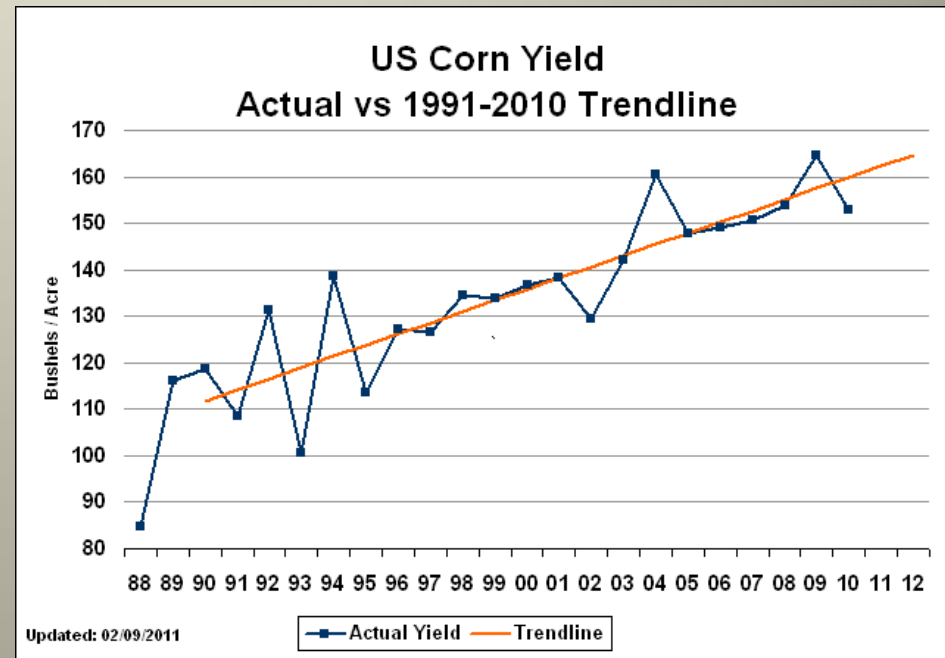
Corn Market - big story in 2011



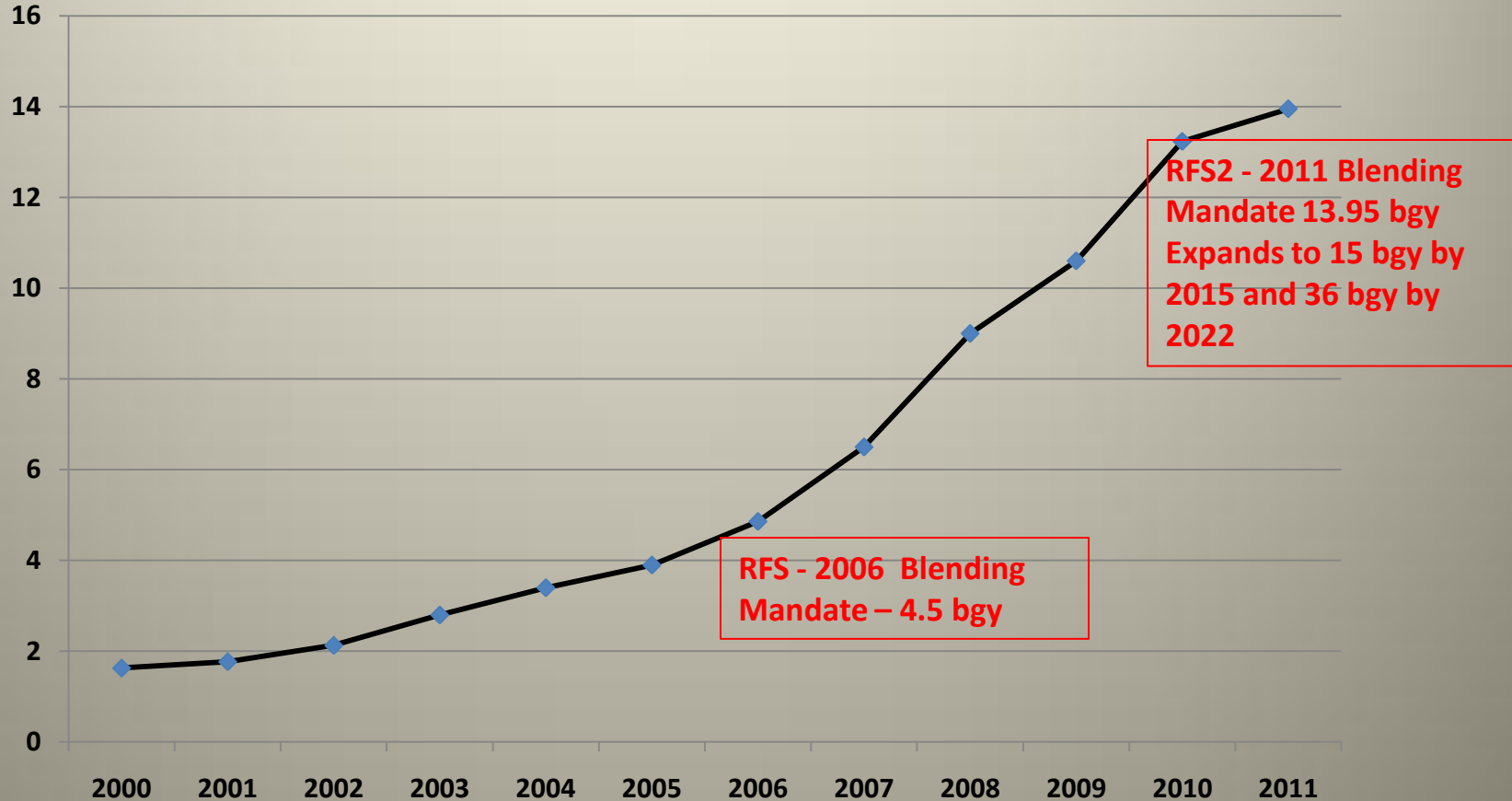
- World output 815 MMT (+0.3%)
- World use 838 MMT (+3%)
- World carryover 122.4 MMT (-16%)
- Stocks-to-use: 15% (U.S. 5%)

Key Drivers

- US yields below trend-line
 - July '10 -163.5 bpa to Jan '11 – 152.8 bpa
- Domestic ethanol demand
 - +9% in 2011; +210% past 5 years
- Chinese import demand
- Competition from feed wheat



U.S. Ethanol Production Capacity (billion gallons per year)



China corn exports/imports from the U.S.

Private exporters reported 1.25 million tonnes in US corn sales to an undisclosed destination widely believed to be China.



Source: USDA, private sources



2010/11 Corn Stocks Tighter than 2007/08

ZC - Corn (CBOT) - Weekly Nearest Line Chart





Barley Market – positive trends

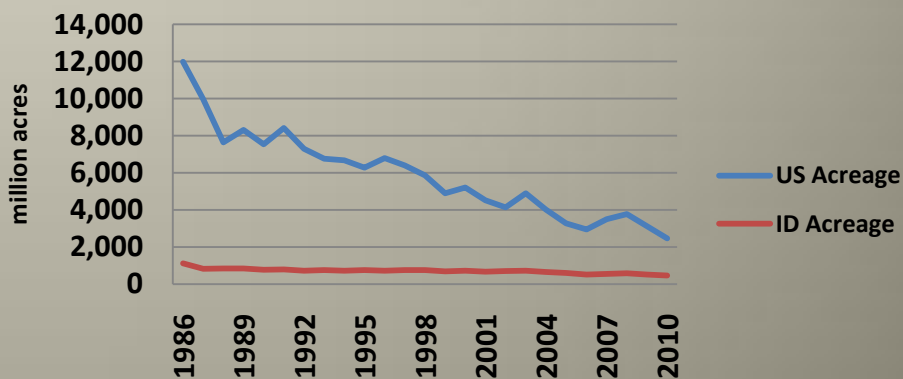


- World output 124 MMT (-18%)
- World use 138 MMT (-5%)
- World carryover 23 MMT (-39%)
- Stocks-to-use: 16% (U.S. 44%)

Key Drivers

- Much smaller crops in 2010
- worked through big malting barley carryover from '09
- Sluggish domestic beer demand
- – 2.2% in 2009 and -1.6% in 2010
- Strong feed demand in Middle East and malt demand in Asia and Latin America
- world beer production +1.4% in 2010, after rising 14% from 2005-08

U.S. Barley Planting Trends 1986 - 2010



MY 2011/12 Outlook – production rebound or more turbulence ahead?

IGC initial projections

- **World wheat output 672 MMT (+3.4%) +185 MMT carryover = BIGGEST SUPPLY EVER**
 - Biggest acreage gains in Black Sea region, Europe, Canada and Australia.
 - Yield outlook? U.S. and Chinese winter crops not in good shape and U.S. and Canadian spring wheat planting lagging behind.
 - PNW wheat acres +5%. SWW demand outlook strong.
- **World corn output 847 MMT (+5%) + 119 MMT carryover = BIGGEST SUPPLY EVER BUT USAGE INCREASING FASTER**
 - Little margin of error due to very small beginning stocks (18 day U.S. supply and 53 day global supply)
 - U.S. plantings +4% but will be difficult to achieve trend-line yields due to delayed planting and lg. % increase in fringe areas.
 - Expect stocks to remain tight and prices relatively high in MY 2011/12.

Key Drivers

- **La Nina** – if lingers into summer higher chance of dry/warm U.S. Midwest and below trend-line yields and intensifying dryness in Russia/Ukraine & E. Europe.
- **Other extreme global weather?**
- **When will Russia end wheat export ban?**
- **Cheap dollar** – 3-year low
- **Impact of rising global food and energy costs on future demand.**
- **Investor appetite for risk.**
- **Future of U.S. ethanol subsidies?**
 - Blenders tax break converted to variable rate incentive tied to crude oil prices?
 - Blending mandate still in place – 15 bgy by 2015 and 36 bgy by 2022.
 - EPA raising allowable blends to 15% - **but when?**

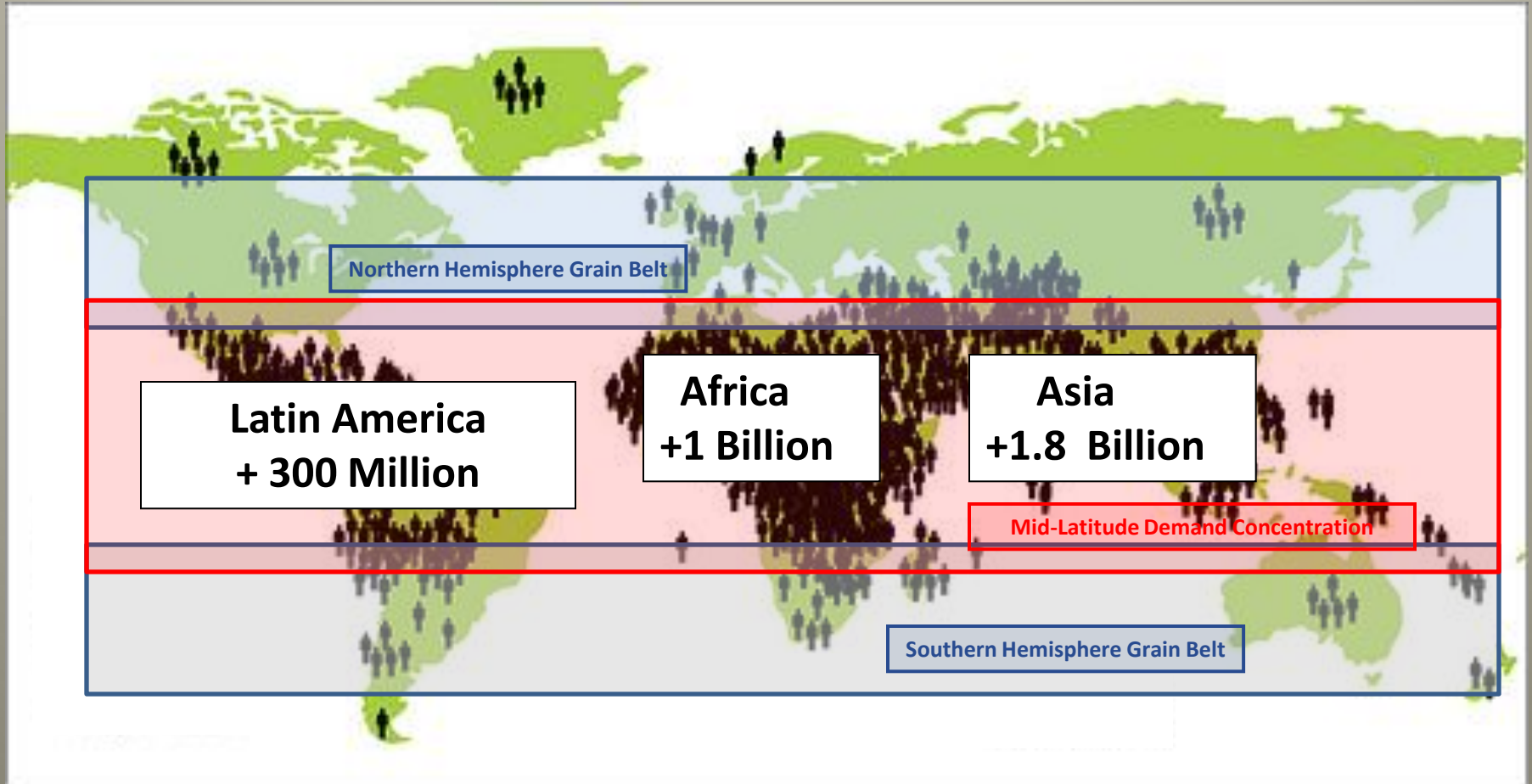


Plus	Regular	V-Power
489 ⁹ / ₁₀	469 ⁹ / ₁₀	499
Taxes Included	Taxes Included	Taxes Includ



Feeding A Hungry World

2010 to 2050 (From 6.8 to 9.3 billion?)



Slide courtesy of US Wheat Associates

BIG ISSUES

Barley



- Lack of competitiveness.
- Loss of state and federal research dollars.
- Domestic beer demand stagnant.
- **Potential** – food barley market from fiber health benefits (market still very small <1%).



Policy

- **Regulatory over-reach –**
 - dust particulates; greenhouse gas emissions; new pesticide application (NPDES) permits.
- **2012 Farm Bill –** significantly reduced spending baseline. **What gets trimmed?** Direct payments? Revenue Crop Insurance? Conservation? Export Market Development?

Wheat



- High market volatility.
- Loss of spring wheat acres to corn in SC Idaho.
- **Potential** –
 - Large private research investment driven by GMO wheat in next 7-10 years.
 - **HWW** – new market class has advantages but still small (<10%).

