

Idaho Grain Market Report, October 16, 2008
 Published by the Idaho Barley Commission, kolson@idahobarley.org, 208-334-2090

Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, October 15, 2008. Barley prices in \$/Cwt. and wheat prices in \$/bu.

Selected Locations	Barley (Cwt.)		Wheat (bu.)		
	#2 Feed, 48 lbs or better	Open market malting	#1 SWW	#1 HRW 11.5% protein	#1 DNS 14% protein
Ashton	NQ	(2-R) \$12.00 (6-R) \$12.00	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	NQ	(2-R) NQ (6-R) NQ	NQ	NQ	NQ
Idaho Falls	\$7.00	(2-R) \$12.50-\$13.00 (6-R) \$12.50	\$4.85	\$5.20	\$6.48
Blackfoot / Pocatello	\$7.75	(2-R) \$12.00 (6-R) \$12.00	\$4.50	\$4.94	\$6.43
Grace / Soda Springs	\$7.45-\$8.25	(2-R) NQ (6-R) NQ	\$4.61	\$5.22-\$5.27	\$6.47-\$6.48
Burley / Rupert	\$7.00-\$7.75	(2-R) NQ (6-R) NQ	\$4.20-\$4.59	\$4.84	\$6.07
Hazelton		(6-R) NQ			
Twin Falls / Eden / Buhl	\$8.00-\$8.10	(2-R) NQ (6-R) NQ	\$4.80-\$4.85	NQ	NQ
Weiser	\$7.25	(2-R) NQ (6-R) NQ	\$4.43	NQ	NQ
Nez Perce / Craigmont	\$5.48	(2-R) \$6.98 (6-R) \$6.98	\$4.71	\$5.84	\$7.19
Lewiston	\$5.93	(2-R) \$7.43 (6-R) \$7.43	\$4.90	\$6.03	\$7.38
Moscow / Genesee	\$5.53-\$7.00	(2-R) \$7.03 (6-R) \$7.03	\$4.67-\$5.45	\$5.80-\$6.50	\$7.15-\$7.79

Trading Prices at Selected Terminal Markets, cash prices FOB

	Barley (Cwt.)		Wheat (bu.)			
	#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 \$5.35-\$5.40 Nov \$5.40	Oct \$6.25-\$6.45	Oct \$7.54-\$7.84
Los Angeles	\$11.00	NQ	NQ	NQ	NQ	NQ
Stockton	\$11.50-\$12.00	NQ	NQ	NQ	NQ	NQ
Tulare	\$11.00	NQ	NQ	NQ	NQ	NQ
Ogden	\$7.62	NQ	NQ	\$4.77	\$5.06	\$6.46
Great Falls	\$5.75-\$5.90	NQ	\$11.25	NQ	\$4.72-\$4.84	\$6.88-\$6.95
Minneapolis	\$6.67	NQ	NQ	NQ	\$5.96 ½ (12%)	\$7.18 ½ - \$7.33 ½

Market trends this week

BARLEY – Local barley prices were lower again this week. USDA won't release export sales data until Friday due to Columbus Day holiday on Monday.

USDA's S&D report for MY 2008/09 - BARLEY – October 10 – USDA made only minor adjustments to its U.S. barley balance sheet this month. They raised 2008 production by 21 million bu to 239 million bu; increased domestic feed usage by 30 million bu to 80 million bu; and lowered 2008 ending stocks by 8 million bu to 68 million bu. The average farm-gate price for U.S. barley was lowered to \$4.60 - \$5.60/bu. World barley production was raised by another 3.5 MMT this month to 153.4 MMT.

- World barley production is projected to be up 15% to 153.4 MMT. US production is expected to be up 13% to 5.2 MMT.
- World barley supplies are projected to be up 11% to 171 MMT, and US supplies are projected to be up 10% to 6.7 MMT.

- World barley trade is expected to increase by 5% to 19 MMT. US exports are projected to fall by 35% to .55 MMT, due to greater competition from Australia and Black Sea region.
- World barley consumption is projected to increase 6% to 145 MMT, and US usage is expected to increase 18% to 5.2 MMT.
- World barley carryover stocks are estimated to jump 47% to 26 MMT, while US carryout is projected to decrease by 1% to 1.5 MMT.

Barley Competitor/Buyer News – USDA raised their barley production estimates this month for Canada (up .3 MMT to 11.2 MMT), EU (up 1.6 MMT to 64.4 MMT) and Russia (up 1 MMT to 22 MMT). They also adjusted export projections for the EU (up .5 MMT to 4.0 MMT), Russia (up .5 MMT to 3.0 MMT) and Ukraine (up 1 MMT to 4.5 MMT).

WHEAT – Local wheat prices were also lower this week. USDA won't release export sales data until Friday. Export inspections report released on Tuesday showed exports at 22.1 million bu last week, down from 32 million bu the previous week and below the seasonal pace of 25.7 million bu.

USDA's S&D report for MY 2008/09 - WHEAT – October 10 - USDA made only minor changes to the U.S. wheat balance sheet this month. The final 2008 production estimate was increased by 38 million bu to 2.5 billion bu; domestic feed usage was increased by 10 million bu to 260 million bu; and U.S. ending stocks were increased by 27 million bu to 601 million bu. This is 43 million bu above the pre-report trade estimate of 553 million bu. Despite an aggressive wheat export pace, USDA left U.S. wheat exports unchanged at 1.0 billion bu. The average farm-gate price for U.S. wheat was tightened to \$6.60 - \$7.40/bu. **World wheat production was increased by 3.9 MMT this month to a record 680.2 MMT (more than 69 MMT above last year), while world ending stocks were increased by 4.5 MMT this month to 144.4 MMT, which is nearly 25 MMT above last year.**

- World wheat production is expected to be 11% higher at 680 MMT. The US wheat crop is expected to be up 21% to 68 MMT.
- World wheat supplies are expected to be up 8% to 800 MMT, while US supplies are projected to be up 11% to 76.3 MMT.
- World wheat trade is expected to increase 7% to 123 MMT, while U.S. exports are estimated to decrease 22% to 27 MMT.
- World wheat consumption is projected to increase by 6% to 655.6 MMT, and U.S. consumption is expected to increase by 22% to 35 MMT.
- World wheat carryover stocks are estimated to increase by 21% to 144 MMT. US stocks are pegged to jump 97% to 16.3 MMT.

Wheat Competitor/Buyer News – USDA increased their wheat production estimates this month for Canada (up 1.9 MMT to 27.3 MMT), Russia (up 1 MMT to 61 MMT) and Ukraine (up 1 MMT to 25.5 MMT) but lowered estimates for Australia (down .5 MMT to 21.5 MMT) and Argentina (down .5 MMT to 12.0 MMT). Export projections also were adjusted for Canada (up 1.0 MMT to 18.5 MMT) and Argentina (down .5 MMT to 7.0 MMT). The Buenos Aires Grain Exchange is projecting the Argentine wheat crop could be 28% lower than last year. Right now USDA has it pegged 25% lower at 12.0 MMT compared to 16.0 MMT a year ago. Russian ag ministry is projecting their 2008 wheat crop at a record 65 MMT, with 6.0 MMT exported during the first three months of the marketing year. USDA has pegged the Russian crop lower at 61 MMT. **Wheat export tenders/purchases...** Egypt purchased 120 TMT US SRW wheat (and 145 TMT Russian), Yemen purchased 100 TMT optional origin wheat, Jordan has tendered for 100 TMT and Bangladesh has tendered for 100 TMT.

CORN - USDA won't release export sales data until Friday. Export inspections data released on Tuesday showed inspections last week totaled only 29.1 million bu, down from 36.3 million bu the previous week and below the seasonal pace of 39.5 million bu.

USDA's S&D report for MY 2008/09 - CORN – October 10 - USDA increased MY 2008/09 beginning stocks by 48 million bu to 1.624 billion bu, based on higher than expected quarterly stocks on September 1. USDA also raised 2008 production by 128 million bu to 12.2 billion bu. This is 135 million bu above the average pre-report trade estimate of 12.065 billion bu. **This revised production estimate of 12.2 billion bu is based on slightly lower harvested area of 79.2 million acres but a higher national average yield estimate of 154.0 bu/ac, compared to 151.1 bu last year.** Domestic feed usage was increased by 150 million bu to 5.35 billion bu, but food and industrial usage was lowered by 110 million bu to 5.335 billion bu (ethanol usage was cut by 100 million bu to 4.0 billion bu). U.S. corn ending stocks were increased this month by 136 million bu to 1.154 billion bu, which is 22 million bu above the average pre-report trade estimate of 1.132 billion bu. The average farm gate price for U.S. corn was cut to \$4.20 - \$5.20/bu. **World corn production was increased by 2.3 MMT this month to 785.3 MMT but world ending stocks were cut by 1.6 MMT to 107.8 MMT, which is 15 MMT below last year.**

- World corn production is now projected to decrease just slightly by 1% from last year's output at 785 MMT. The US corn is expected to decrease by 7% to 309.8 MMT, based on lower acreage.
- World corn supplies are expected to increase by 1% to 908 MMT, while US supplies are projected to be 4% lower at 351 MMT.

- World corn trade is projected to decrease 15% to 82.5 MMT, due to increased availability of other feed grains, including feed wheat. US corn exports are expected to decrease 17% to 50 MMT.
- World corn consumption is expected to outpace production by 3% at 800 MMT. US usage is expected to also increase by 3% to 271.4 MMT, due to strong domestic ethanol demand.
- World corn carryover stocks are estimated to decrease 12% to 107.7 MMT, while US stocks are expected to decrease by 29% to 29 MMT.

Corn Competitor/Buyer News – USDA cut their corn production estimate for Brazil this month by 2 MMT to 55 MMT. They left Chinese production unchanged at 156 MMT and Chinese exports at only .5 MMT. USDA lowered Argentine corn export projection by 2 MMT this month to 11.0 MMT, but left production unchanged at 19 MMT. Argentine officials reported that corn planting progress in that country has reached only 20%, compared to 41% last year. They expect corn acreage to fall this year due to drought and tough economic conditions.

Futures market activity this week

Volatility continued to rein this week, with commodity markets at the mercy of jittery investors trying to navigate very unstable equity and financial markets. Last Friday closed out the worst week in U.S. stock market history since 1929, with the **Dow Jones losing more than 18% of its value.** Friday alone saw a 1000 pt swing, before settling down 128 pts to 8451. Asian and European stock markets tanked as well. The only bit of good news was that leaders from the leading industrial nations came together over the weekend to craft a strategy to stabilize the world banking system. By Monday both European and U.S. leaders had developed their own plans to infuse large amounts of capital directly into banks - \$250 billion announced for U.S. banks - to help unfreeze credit markets and ease rising panic about worsening economic conditions. On Monday, this bank intervention plan was well received on Wall Street, **propelling the Dow Jones up 936 pts, the largest single day rally in history.** But this turnaround was short lived, as stocks slid into negative territory on Tuesday and fell another 733 pts on Wednesday, the **second worst day on record.** Fears of a deeper and longer than projected recession were underscored by a very weak retail report that showed retail sales down 1.2% in September, the worst performance in 3 years. Economists are particularly worried about this number because consumer spending comprises about two-thirds of U.S. economic activity. Comments from Federal Reserve Chairman Ben Bernanke on Wednesday also weighed on markets...He stated at a public meeting in New York that "stabilization of the financial markets was a critical first step, but even if they stabilize as we hope they will, broader economic recovery will not happen right away."

For now the direction of commodity futures will be largely dictated by developments in global financial and stock markets. However, the 2009 acreage battles are expected to heat up in the next couple months, so many analysts expect a price bounce this winter.

Wheat – Wheat markets began the week solidly higher, propelled by renewed investor confidence that a coordinated banking intervention plan will help ease frozen credit markets. Short covering also provided support. Gains could not be sustained on Tuesday, however, as prices fell sharply in a late selloff in stocks and crude oil. Wheat prices followed stocks lower on Wednesday, accentuated by low volume. Wheat continued the downward trend today (Thursday) finishing slightly lower which was caused by pressure from outside markets and light trading volume. **Wheat market closes on Thursday, 10/16...**

	Dec. 08	Weekly Summary	Mar. 09	Weekly Summary
Chicago	\$5.55 ¼	Down \$.08 ¼	\$5.75 ¼	Down \$.08 ½
Kansas City	\$5.88	Down \$.17	\$6.03 ¾	Down \$.19 ¾
Minneapolis DNS	\$6.32	Down \$.07 ¼	\$6.35 ¼	Down \$.13 ½

Corn – Corn prices began the week modestly higher, buoyed by the speculator one-day gains in the stock market. However, corn upside was limited by profit-taking. Despite oversold conditions, corn prices fell fractionally on Tuesday and sharply lower on Wednesday under the weight of bearish outside market pressures. Selling also appeared to be fueled by falling energy prices (although farmers might appreciate lower input costs in the months ahead). Harvest hedging pressures eased somewhat as wet weather hampered harvest progress in many areas of the Corn Belt. Prices closed lower again today (Thursday) in sympathy with soybeans. **Dec 08 corn contract closed on Thursday, 10/16, at \$3.84 ½, down \$.23 ¾ for the week and the Mar 09 contract at \$4.01 ½, down \$.24 ¼ for week.**

Major Factors to Watch

- § **Crude oil** – Crude oil pushed \$4 higher on Monday, back above \$81/bbl, on ideas that the aggressive global banking intervention would help ease fears of a deep recession. But prices slid lower on Tuesday (down \$2.56/bbl), Wednesday (down another \$3/bbl) to \$75/bbl and Thursday ending just below \$70/bbl. Goldman Sachs' analysts lowered their oil price outlook for the 4th quarter 2008 from \$120 to \$85/bbl and for 2009 from \$110 to \$75/bbl. Barclays also issued a 2009 price forecast of \$75/bbl. On the supply side, some OPEC members are threatening a 1 million bpd production cut in their meeting scheduled in mid-November. OPEC has lowered its 2009 world demand estimate by 450,000 bpd to 87.21 million bpd. The weekly inventory report showed 5.611 million bpd, much more bearish than the anticipated 2.6 million bpd.
- § **U.S. Weather Watch** – Rains across the Midwest hampered corn and soybean harvest, but the weather was expected to clear by this weekend. **U.S. corn was reported to be only 21% harvested at the beginning of the**

week, compared to 41% average. Meanwhile, winter wheat planting (73%) and emergence (76%) is off to a strong start.

§ **International Weather/Crop Watch –**

- **Australia** – Eastern regions saw beneficial rains last week, but the grain belt in the southeastern region remains unfavorably dry causing further stress to filling winter grains. Crop losses are now expected to be widespread in South Australia. Western Australia experienced mostly cool, dry conditions which favored filling winter wheat and barley.
- **Argentina** – Beneficial showers last week were reported in Buenos Aires region, however it may prove to be too little too late for much of the reproductive grain. Some weather models show the next 6-10 days turning much wetter.