

Idaho Grain Market Report, March 5, 2009

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Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, March 4, 2009. 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) \$8.50 (6-R) \$8.50	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	NQ	(2-R) NQ (6-R) NQ	NQ	NQ	NQ
Idaho Falls	\$5.75	(2-R)\$8.44-\$8.50 (6-R)\$8.44	\$4.35	\$4.86	\$6.55
Blackfoot / Pocatello	\$5.73	(2-R) \$8.50 (6-R) \$8.50	\$4.50	\$4.76	\$6.64
Grace / Soda Springs	\$6.22	(2-R) NQ (6-R) NQ	\$4.20	\$5.02	\$6.65
Burley / Rupert Hazelton	\$6.00	(2-R) \$8.44 (6-R) \$8.44	\$4.15-\$4.17	\$4.73	\$6.33
Twin Falls / Eden / Buhl	\$6.00-\$6.20	(2-R) NQ (6-R) NQ	\$3.60-\$4.00	NQ	NQ
Weiser	\$6.75	(2-R) NQ (6-R) NQ	\$4.25	NQ	NQ
Nez Perce / Craigmont	\$4.38	(2-R) \$5.88 (6-R) \$5.88	\$4.76	\$5.45	\$7.11
Lewiston	\$4.83	(2-R) \$6.33 (6-R) \$6.33	\$4.95	\$5.64	\$7.30
Moscow / Genesee	\$4.43-\$6.00	(2-R) \$5.93 (6-R) \$5.93	\$4.72-\$5.45	\$5.41-\$6.11	\$7.07-\$7.78

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	Apr \$5.45-\$5.50 Aug NC \$5.15-\$5.30	Mar \$6.06-\$6.16 Aug NC \$6.05-\$6.15	Mar \$7.70-\$7.81 Aug NC \$6.65-\$6.75
Los Angeles	\$8.20	NQ	NQ	NQ	NQ	NQ
Stockton	\$8.00	NQ	NQ	NQ	NQ	NQ
Tulare	\$8.40	NQ	NQ	NQ	NQ	NQ
Ogden	NQ	NQ	NQ	NQ	NQ	NQ
Great Falls	\$2.75-\$3.95	NQ	\$8.00	NQ	\$4.77-\$5.04	\$6.58-\$6.94
Minneapolis	\$5.21	NQ	NQ	NQ	\$5.98 ½ (12%)	\$7.40 ½ - \$7.45 ½

Market trends this week

BARLEY – Local barley prices were mixed, ranging from 1 cent higher to 80 cents lower this week. USDA did not report any export sales or shipments last week.

USDA's S&D report for MY 2008/09 - BARLEY – March 11 – USDA made only minor adjustments to its U.S. barley balance sheet this month. They lowered U.S. barley exports by 5 million bu to 15 million bu due to slack export pace and raised U.S. ending stocks by 5 million bu to 83 million bu. They also adjusted their average farm-gate price to \$5.10-\$5.30/bu.

- World barley production is now pegged at projected to be up 14% to 154.5 MMT. US production increased 13% to 5.2 MMT.
- World barley supplies are projected 12% higher at 174.6 MMT, and US supplies are 10% higher at 6.7 MMT.
- World barley trade is expected to fall by 1% to 18.4 MMT. US exports are projected to fall by 62% to .35 MMT, due to greater competition from Australia, Canada and the Black Sea region.

- World barley consumption is projected to increase 7% to 145.1 MMT, and US usage is expected to increase 19% to 5.2 MMT.
- World barley carryover stocks are estimated to jump 46% to 29.5 MMT, while US carryout is projected to increase by 21% to 1.8 MMT.

Barley Competitor/Buyer News – USDA lowered Canadian barley exports by .5 MMT this month to 1.6 MMT; lowered Russian exports by .3 MMT to 2.2 MMT and raised Ukrainian exports by .3 MMT to 5.3 MMT.

WHEAT – Local wheat prices were also mixed this week: SWW ranged from 15 cents higher to 30 cents lower; HRW ranged from 87 cents higher to 11 cents lower; and DNS from 33 cents higher to 2 cents lower. U.S. wheat export sales last week were within trade expectations at 362.9 TMT, up 27% from the previous week, however it was down 9% from the prior 4-week average. Export shipments last week totaled 451.9 TMT, up 79% from the week before, and 37% from the prior 4-week average.

USDA's S&D report for MY 2008/09 - WHEAT – March 11 - USDA offered a few surprises in this month's balance sheet – they raised wheat imports by 10 million bu to 120 million bu; lowered domestic food usage by 25 million bu to 925 million bu; lowered exports by 20 million bu to 980 million bu; and raised U.S. ending stocks by 57 million bu to 712 million bu. This was above the average pre-report trade estimate of 659 million bu. **World wheat production was increased by another 1.7 MMT this month to a record 684.4 MMT (more than 73 MMT above last year), with higher production reported for Australia. World wheat consumption was lowered by nearly 4 MMT due to lowered expected feed use in Russia and reduced food use in the U.S. World wheat ending stocks were increased by nearly 6 MMT to 155.9 MMT, which is 36 MMT above last year.**

- World wheat production is 12% higher at 684.4 MMT. The US wheat crop is 21% higher at 68 MMT.
- World wheat supplies are forecast 9% higher at 804.6 MMT, while US supplies are 11% bigger at 76.3 MMT.
- World wheat trade is expected to increase 9% to 127 MMT, while U.S. exports are estimated to decrease 23% to 26.5 MMT.
- World wheat consumption is projected to increase by 4% to 648.7 MMT, and U.S. consumption is expected to increase by 17% to 33.6 MMT.
- World wheat carryover stocks are estimated to increase by 29% to 156 MMT. US stocks are pegged to jump 132% to 19.4 MMT.

Wheat Competitor/Buyer News – USDA raised their Australian wheat production estimate this month by 1.4 MMT to 21.5 MMT, compared to 13.8 MMT the year before. Australian wheat exports also were increased by .5 MMT to 13.5 MMT; Russian exports were increased by 1.0 MMT to 16.0 MMT; and Ukrainian exports by .5 MMT to 10.0 MMT.

CORN – Corn export sales were well above trade expectations last week at 1.1 MMT, up 38% from the previous week, and 6% from prior 4-week average. Export shipments last week totaled 1.07 MMT, which were up 18% from the previous week and 35% from the prior 4-week average.

USDA's S&D report for MY 2008/09 - CORN – March 11 - USDA offered a few surprises in their monthly corn balance sheet...they raised domestic ethanol usage by 100 million bu to 3.7 billion bu; lowered exports by 50 million bu to 1.7 billion bu; resulting in a 50 million bu decrease in U.S. ending stocks to 1.74 billion bu. This revised ending stocks estimate was below the average pre-report trade estimate of 1.811 billion bu. USDA raised their farm gate price estimate to \$3.90 - \$4.30/bu. **World corn production was increased by .6 MMT to 787.1 MMT, while global ending stocks were increased by 8 MMT to 144.6 MMT, which is nearly 15 MMT above a year ago.**

- World corn production is projected to decrease by 1% to 787 MMT. The US corn is down 7% to 307.4 MMT.
- World corn supplies are expected to increase by 1% to 917 MMT, while US supplies are 5% lower at 348.6 MMT.
- World corn trade is projected to decrease 23% to 75.4 MMT, due to increased availability of feed wheat and lower feeding rates. US corn exports are expected to decrease 28% to 44 MMT.
- World corn consumption is steady at 772.5 MMT. US usage is also expected to stay about the same at 261.6 MMT.
- World corn carryover stocks are estimated to increase 11% to 144.6 MMT, while US stocks are expected to increase by 7% to 44.2 MMT.

Corn Competitor/Buyer News – USDA cut their world corn feed usage estimate this month by 2 MMT to 477.4 MMT, which is 18 MMT below last year's feed consumption. Chinese domestic usage was cut by 6 MMT this month to 152 MMT and their ending stocks were raised by 6 MMT to 52.5 MMT, up 33% from a year ago.

Futures market activity this week

Stocks began the week in a defensive mode, but turned sharply higher on Tuesday, with gains surprisingly led by bank stocks. Citigroup reported it was profitable in the first two months of the year, noting its best performance since the third quarter of 2007. Support also came from talk that Congress would reinstate the uptick rule that limits short selling and review the mark-to-market accounting rule which requires banks to downgrade their assets to current market values. Stocks held onto a slim advance on Wednesday and extended its rally into a third day on Thursday on news that General

Motors would not need to borrow money from the federal government this month due to cost cutting measures and a better than expected retail sales report (down 0.1% versus expected decline of 0.5%). New unemployment claims filed last week rose again - topping 654,000 - and bringing the total number of people receiving unemployment benefits to a record 5.3 million.

Wheat – Wheat futures began the week lower on profit-taking pressures after last Friday’s strong finish. Positioning ahead of Wednesday’s monthly S&D report also added some pressure, but losses were limited by underlying support from persistent dry conditions in the hard red winter wheat belt. Prices turned strongly higher on Tuesday, propelled by an impressive stock market rally which triggered short covering and new fund buying. Gains could not be sustained, however, as Wednesday saw wheat prices slump on a combination of bearish U.S. and world ending stocks estimates and additional spillover pressures. Wheat finished sharply higher today (Thursday) on spillover support and continued weather concerns. **Wheat market closes on Thursday, 3/12/09...**

	<u>May 09</u>	<u>Weekly Summary</u>	<u>July 09</u>	<u>Weekly Summary</u>
Chicago	\$5.25	Down \$.02	\$5.37 ¼	Down \$.01 ½
Kansas City	\$5.76	Up \$.02	\$5.84 ½	Up \$.03 ¼
Minneapolis DNS	\$6.17 ¾	Up \$.04 ¾	\$6.09	Up \$.04

Corn – Corn prices began the week higher on fund buying fueled by sharply higher crude oil and improved export demand (better than expected export inspections). Expectations that EPA will issue a rule to raise the ethanol blending requirement from 10% to 12-13% also provided underlying support. A surge in the stock market pulled corn prices higher on Tuesday, along with speculative short covering and concerns about potential flooding along the Illinois and Mississippi Rivers which could disrupt barge traffic and potentially delay corn planting in the Eastern Corn Belt this spring. Corn prices retreated on Wednesday despite a bullish monthly S&D report which showed U.S. ending stocks declining more than had been expected (down 50 million bu from last month). Corn finished sharply higher today (Thursday) on better than expected export sales, short covering and spillover support from firmer outside markets. **May 09 corn contract closed on Thursday, 3/12/09, at \$3.85 ¼, up \$.23 ¾ for the week and the July 09 contract at \$3.95 ½, up \$.24 ½ for the week.**

Other Major Factors to Watch

- § **Crude oil** – Crude oil managed to divorce itself from Wall Street this week, rallying sharply on Monday in anticipation of an additional OPEC production cut at their planned weekend meeting. Unfortunately, gains could not be sustained on Tuesday as the market was pulled lower by a bearish Short Term Energy Outlook issued by DOE Energy Information Agency. EIA is projecting 2009 global oil demand will decline by 1.4 million bbl per day, an increase of 200,000 barrels from last month’s projection reflecting lower global economic expectations. The new projection is 3 million barrels below last September’s demand estimate. EIA is basing their lower global demand estimate on projections that world GDP will fall 0.8% this year, followed by a smaller growth rate of 2.6% in 2010. Lower demand coupled with increases in crude oil production capacity expected to come on line in the next couple years could result in a surplus capacity of 4 to 5 million bbl per day. **EIA pegged 2009 crude oil prices at \$42/bbl, diesel prices at \$2.19/gallon and gasoline prices at \$1.96/gallon.** Futures prices continued to slide on Wednesday in the face of a weekly inventory report which showed crude oil stocks increasing by 700,000 barrels - more than the 400,000 bbl build that trade analysts had expected. Gasoline inventories, on the other hand, declined by 3.0 million barrels.
- § **International Weather/Crop Watch** –
 - **US hard red winter wheat belt** - Weather was mixed this week – some beneficial moisture fell in parts of TX and OK, but most of the precipitation fell in the eastern edge of the Central Plains. Chilly temperatures were reported in northeastern CO and western KS, potentially causing minor crop damage to as much as a quarter of the wheat crops in those areas. The two-week outlook shows conditions will remain mostly dry.
 - **North China Plain** – Central China received more beneficial rainfall this week, easing nearby drought concerns.