

Idaho Grain Market Report, May 14, 2009

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Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, May 13, 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) \$7.50 (6-R) \$7.50	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	\$5.75	(2-R) NQ (6-R) NQ	\$4.51	\$5.34	\$6.91
Idaho Falls	\$6.00	(2-R)\$8.44-\$8.50 (6-R)\$8.44	\$4.53	\$5.38	\$7.03
Blackfoot / Pocatello	\$6.22	(2-R) \$7.50 (6-R) \$7.50	\$4.60	\$5.13	\$6.79
Grace / Soda Springs	\$6.47	(2-R) NQ (6-R) NQ	\$4.43	\$5.33	\$6.61
Burley / Rupert Hazelton	\$6.00	(2-R) \$8.44 (6-R) \$8.44	\$4.35-\$4.40	\$5.28	\$6.73
Twin Falls / Eden / Buhl	\$6.35	(2-R) NQ (6-R) NQ	\$4.12	NQ	NQ
Weiser	\$6.75	(2-R) NQ (6-R) NQ	\$4.52	NQ	NQ
Nez Perce / Craigmont	\$4.63	(2-R) \$4.63 (6-R) \$4.63	\$5.09	\$6.04	\$7.59
Lewiston	\$5.08	(2-R) \$5.08 (6-R) \$5.08	\$5.28	\$5.23	\$7.78
Moscow / Genesee	\$4.68-\$6.25	(2-R) \$4.68 (6-R) \$4.68	\$5.05-\$5.79	\$6.00-\$6.68	\$7.55-\$8.13

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	May \$5.70-\$5.75 Aug NC \$5.70-\$5.75	May \$6.58-\$6.68 Aug NC \$6.68-\$6.76	May \$8.18-\$8.28 Aug NC \$7.88-\$7.99
Los Angeles	\$8.75-9.00	NQ	NQ	NQ	NQ	NQ
Stockton	\$9.00	NQ	NQ	NQ	NQ	NQ
Tulare	\$8.75-9.00	NQ	NQ	NQ	NQ	NQ
Ogden	\$6.54	NQ	NQ	\$4.59	\$5.48	\$7.08
Great Falls	\$5.00-\$5.65	NQ	\$8.00	NQ	\$5.02-\$5.23	\$7.31-\$7.61
Minneapolis	\$6.04	NQ	\$8.95	NQ	\$6.76 ¼ (12%)	\$7.83 ¼ - \$7.88 ¼

Market trends this week

BARLEY – Local barley prices were slightly higher, ranging from no change to 30 cents higher this week. USDA did not report any barley export sales last week. Barley export shipments last week totaled 3.3 TMT for Canada and Mexico.

USDA's first S&D report for MY 2010 - BARLEY – May 12 – For MY 09 which ends May 31, USDA cut U.S. feed usage by 5 million bu to 65 million bu and raised ending stocks by 6 million bu to 89 million bu. **For the New Marketing Year 2010**, USDA pegged beginning stocks at 89 million bu, 2009 production at 225 million bu (down 14 million bu or 6%), raised domestic feed usage to 70 million bu (up 5 million bu), raised exports to 20 million bu (up 6 million bu) and lowered ending stocks to 79 million bu (down 10 million bu or 11%). Average farm gate price for U.S. barley was pegged at \$3.75-4.45/bu, compared to \$5.20 in 2008/09. **World barley production was pegged at 146.3 MMT, down 5% and world ending stocks were estimated at 32.0 MMT, up 6%.**

Barley Competitor/Buyer News – Here is USDA's first look at our global competitors in MY 2009-10...

Major Barley Competitors	MY 2009-0 Production	% change	MY 2009-10 Exports	% change
U.S.	4.9 MMT	- 6%	.4 MMT	+ 14%
EU-27	64.2 MMT	- 2%	3.2 MMT	- 9%
Canada	10.7 MMT	- 9%	1.8 MMT	+ 13%
Australia	7.5 MMT	+ 7%	4.0 MMT	+ 14%
Russia	16.0 MMT	- 31%	1.6 MMT	- 33%
Ukraine	9.5 MMT	- 25%	4.5 MMT	- 18%

WHEAT – Local wheat prices were higher this week: SWW ranged from 20 to 22 cents higher; HRW ranged from 27 to 38 cents higher; and DNS from 7 to 20 cents higher. U.S. wheat export sales were below trade expectations again last week at 102.6 TMT (new crop sales totaled 131.5 TMT), down 60% from the previous week and 45% from the prior 4-week average. Export shipments last week totaled 311.1 TMT, which was up 16% from the week before however it was down 17% from the prior 4-week average.

USDA's first S&D report for MY 2010 - WHEAT – May 12 - For MY 09 which ends May 31, USDA made a few tweaks - increased wheat imports by 5 million bu to 125 million bu, raised exports by an expected 30 million bu to 1.01 billion bu, and lowered U.S. ending stocks by 30 million bu to 669 million bu. This was 19 million bu **below** the average pre-report trade estimate of 688 million bu. **For the New Marketing Year 2010**, USDA pegged beginning stocks at 669 million bu, 2009 production at 2.026 billion bu (down 19%), raised domestic food usage to 955 million bu (up 33 million bu), lowered exports to 900 million bu (down 110 million bu) and lowered ending stocks to 637 million bu (down 32 million bu or 5%). This was in line with the average pre-report trade estimate. **USDA pegged the U.S. winter wheat crop at 1.502 billion bu, which was 24 million bu below the pre-report trade expectations and well below last year's 1.868 billion bu.** Hard red winter wheat was pegged at 871 million bu (1.035 billion bu last year); soft red winter at 422 million bu (614 million bu last year) and soft white at 208 million (219 million bu last year). The average farm gate price for U.S. wheat was pegged at \$4.70-5.70/bu, compared to \$6.85 in 2008/09. **World wheat production was pegged at 657.6 MMT, down 4% from this year before, and world ending stocks at 181.9 MMT, up 9%.**

Wheat Competitor/Buyer News – Egypt reportedly has quarantined about 52 TMT of Russian wheat after finding dead insects in the grain. India announced they expect to export 2 MMT of wheat this year, making them a net exporter for the first time in at least three years. **Here is USDA's first look at our global competitors in MY 2009-10...**

Major Wheat Competitors	MY 2009-10 Production	% change	MY 2009-10 Exports	% change
U.S.	55.1 MMT	- 19%	25.0 MMT	- 7%
EU-27	138.2MMT	- 9%	18.0 MMT	- 18%
Canada	26 MMT	- 9%	17.5 MMT	+ 6%
Australia	23 MMT	+ 7%	14.5 MMT	+ 7%
Argentina	11 MMT	+ 31%	4.0 MMT	- 48%
Russia	58 MMT	- 9%	17.5 MMT	+ 3%
Ukraine	19 MMT	- 27%	6.00 MMT	- 50%

CORN – Corn export sales were within trade expectations last week at 936.8 TMT (new crop sales totaled 246 TMT) which was up 59% from the previous week but down 4% from prior 4-week average. Export shipments last week hit a marketing year high at 1.27 MMT, which was up 61% from the previous week and 45% from the prior 4-week average.

USDA's first S&D report for MY 2010 - CORN – May 12 - For MY 08-09 which ends Sept. 30, USDA raised domestic ethanol usage by 50 million bu to 3.75 billion bu, raised U.S. exports by 50 million bu to 1.75 billion bu and lowered U.S. ending stocks by 100 million bu to 1.6 billion bu. This was 67 million bu below the average pre-report trade estimate of 1.667 billion bu. **For New Marketing Year 2010**, USDA pegged beginning stocks at 1.6 billion bu, 2009 production at **12.09 billion bu (down slightly due to lower acreage – average yields were pegged at 155.4 bpa compared to 153.9 bpa last year)**, lowered domestic feed usage to 5.25 billion bu (down 100 million bu due to more DDGS usage), raised domestic ethanol usage to 4.1 billion bu (up 350 million bu), raised exports to 1.9 billion bu (up 150 million bu) and cut U.S. ending stocks to 1.145 billion bu (down 455 million bu or 28%) to a snug 33-day supply. This was 138 million bu **below** the average pre-report trade estimate of 1.283 billion bu. Average farm gate price for U.S. corn was pegged at \$3.70-4.50/bu, compared to \$4.10-4.30 in 2008/09. **World corn production was pegged at 785.14 MMT, down almost 3 MMT from the current year, while world ending stocks are projected to decline 8% to 128.2 MMT, due to strong growth in foreign feeding and U.S. ethanol use.**

Corn Competitor/Buyer News – Here is USDA's first look at our global competitors in MY 2009-10...

Major Corn Competitors	MY 2009-10 Production	% Change	MY 2009-10 Exports	% Change
U.S.	307.1 MMT	- .1%	49.0 MMT	+ 10%
China	162.5 MMT	- 2%	.5 MMT	0%

	MY 2009-10 Production	% Change	MY 2009-10 Exports	% Change
Argentina	15.0 MMT	+ 15%	8.0 MMT	+ 14%
Brazil	54.0 MMT	+ 7%	10.0 MMT	0%
Ukraine	8.5 MMT	- 25%	2.5 MMT	- 44%
South Africa	11.5 MMT	- 4%	2.0 MMT	- 20%

Futures market activity this week

Profit-taking and disappointing economic news drove equities mostly lower this week, after an impressive two month rally. Pressure came from a weaker than expected April retail sales report and fears that General Motors would need to declare bankruptcy. GM stock values plummeted to \$1.20/share, the lowest it has traded since 1933. Stocks regained upward momentum today (Thursday) in mostly bargain hunting, shrugging off news of higher than expected weekly unemployment claims, which jumped back up to 637,000 from 601,000 the week before and an expected 610,000. The higher number is most likely due to increasing layoffs in the auto industry.

Wheat – Wheat futures began the week mixed to slightly higher in choppy thin trading. Prices turned higher on Tuesday with support from a weaker dollar and a mildly supportive S&D report, which showed U.S. production and ending stocks slightly below trade expectations. Gains were limited, however, by USDA's projection that world wheat ending stocks would continue to build (up 9%). Prices closed mixed to lower on Wednesday under pressure from weak outside markets and profit-taking pressures. However, losses were limited by concerns about the slow spring wheat planting pace (ND only 13% planted compared to 74% on average). Wheat prices finished higher today (Thursday) on weather concerns, including a forecast for freezing temps in the Dakotas and Canadian prairies on Saturday. **Wheat market closes on Thursday, 5/14/09...**

	<u>July 09</u>	<u>Weekly Summary</u>	<u>Sept 09</u>	<u>Weekly Summary</u>
Chicago	\$5.93 ¹ / ₄	Up \$.02 ¹ / ₄	\$6.19 ³ / ₄	Up \$.02 ¹ / ₂
Kansas City	\$6.43 ³ / ₄	Up \$.10 ³ / ₄	\$6.53 ³ / ₄	Up \$.09 ³ / ₄
Minneapolis DNS	\$7.25 ³ / ₄	Up \$.25 ³ / ₄	\$7.19 ³ / ₄	Up \$.23 ¹ / ₂

Corn – Corn prices began the week mostly unchanged to fractionally higher in positioning ahead of Tuesday's S&D report. Support came from better than expected export shipments, but gains were limited by a slightly weaker crude oil market. A slow corn planting pace – 48% completed which ties for the second slowest on record – and a somewhat bullish S&D report which showed lower than expected U.S. ending stocks drove prices higher on Tuesday to 7-month highs. Prices drifted slightly lower on Wednesday under pressure from profit-taking and increased farmer selling. Corn finished modestly higher today (Thursday) as planting concerns were offset by increased farmer selling and the release of a slightly drier forecast for next week. **July 09 corn contract closed on Thursday, 5/14/09, at \$4.28 ¹/₄, up \$.07 ¹/₄ for the week and the Sept 09 contact at \$4.37 ¹/₂, up \$.08 for the week.**

Other Major Factors to Watch

- § **Crude oil** – Crude oil prices chopped around this week but remained above \$58/bbl. Wednesday's weekly petroleum inventory report delivered a bullish surprise - crude oil inventories fell by 4.7 million bbls, compared to an expected build of 1.0 million bbls; distillate stocks increased 1.0 million bbls, compared to an expected increase of 1.25 million bbls; and gasoline stocks fell 4.1 million bbls, compared to no change. Energies traded higher today on support from higher stock market, but the near-by June contract failed to push above \$60/bbl.
- § **U.S. biofuels demand and the rising concerns about measuring the carbon footprint of corn-based ethanol** – Traders have had their eyes on two recent regulatory decisions that raise some uncertainty about the future demand for corn ethanol. In 2009, corn for ethanol use is projected to be about 4.1 billion bushels or at least one-third of the total crop. But new provisions approved by the state of California and now proposed by EPA may cast some doubt on future demand. On April 23, the California Air Resources Board approved a new low carbon fuel standard that requires a reduction of at least 10% in the carbon intensity of California's transportation fuels by 2020. In addition to measuring the direct CO₂ emissions associated with production, transportation and consumption of a particular fuel used in that state, "indirect" land use impacts must now be measured. That means if U.S. corn production for biofuels displaces other crops and forces producers in other countries to burn down forests or grasslands, these additional carbon impacts must be incorporated into ethanol's carbon intensity calculation. On May 5, EPA issued its draft rule implementing the new Renewable Fuels Standard (RFS2) approved by Congress in 2007 that requires an expansion of the existing mandate (12.0 billion gallons in 2010) to 36 billion gallon per year by 2022. The controversy arises over EPA's proposed targets for reducing the lifetime greenhouse gas emissions in order for the fuels to qualify for the expanding mandate - corn ethanol must reduce GHG emissions by 20% relative to gasoline and biodiesel by 50%. Like California, EPA says this GHG calculation should include so-called "in-direct" land use impacts. Existing corn-based ethanol plants or those under construction when the 2007 energy legislation was enacted will be grandfathered in but the proposed rule would prohibit "dry gas mill" and "coal dry mill" production processes. The EPA draft rule is now open for public comment.
- § **U.S. weather / crop watch** – Rains last weekend rains slowed field work in the southern edge of the Corn Belt and two storm systems were working their way through the Midwest this week. The first storm delivered heavy rainfall to the ECB on Wednesday, continuing to slow corn and soybean planting. On Monday, IL corn was only

10% planted compared to an average of 84% and IN was 11% planted compared to an average of 70%. A second system was expected to move across the Central U.S. over the next 2 to 3 days, bringing 50% coverage to the WCB and 70% coverage to the ECB. The 11-16 day outlook, however, shows normal to below normal precipitation, which should allow for planting to accelerate. The Northern Plains continued to see periodic showers and cooler temperatures, but spring cereal planting prospects were expected to be fairly good across much of the region over the next 10 days. Meanwhile, dryness concerns are building in the western edge of the HRW region in western KS and eastern CO. The overall winter wheat crop rating slipped 1% this week to 46% good/excellent, compared to 47% last year.

§ **International Weather Watch –**

- **Canada** – Western prairies received beneficial moisture, after a drier than normal winter, but cold temps continue to limit spring crop emergence.
- **Europe** – Showers covered Poland, Germany and the Balkans, providing much needed topsoil moisture for winter grains, following a month-long dry spell.
- **Russia / Ukraine** – Showers across the Ukraine and southern Russia eased plant stress that has resulted from several weeks of drier than normal conditions. There are reports of possible yield losses as high as 40% in some winter wheat areas of Ukraine resulting from severe frost damage in mid April.
- **China** – Rains benefited filling winter wheat and corn emergence across the North China Plains
- **Middle East** – Widespread rains continued to benefit wheat and barley crops in western Iran and Turkey, while dry weather was accelerating winter grain maturation in Syria and southern Iran.
- **Northwest Africa** – Mostly warm dry conditions accelerated winter grain maturation and early harvesting
- **Argentina** – Moisture remains critically short for winter grain planting and emergence, but some areas were receiving rainfall this week.
- **Australia** – Winter grain planting was beginning in southeastern regions, which have received recent rainfall, but Western Australia, the largest wheat and barley producing state, remains too dry for planting.

USDA Crop Progress / Condition Report, May 11, 2009

Crop	% Planted	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
US barley	33%	22%	73%	74%			
ID barley	69%	54%	70%	78%			
US spring wheat	35%	23%	77%	78%			
ID spring wheat	85%	67%	83%	87%			
US winter wheat	Headed 40%	27%	34%	48%	46%	47%	47%
ID winter wheat	Headed 0%	0%	0%	0%	93%	89%	
US Corn	48%	33%	48%	71%			