

Idaho Grain Market Report, May 21, 2009

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Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, May 20, 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	\$5.44	\$6.92
Idaho Falls	\$6.25	(2-R)\$8.44-\$8.50 (6-R)\$8.44	\$4.60	\$5.45	\$7.00
Blackfoot / Pocatello	\$6.39	(2-R) \$7.50 (6-R) \$7.50	\$4.65	\$5.17	\$6.78
Grace / Soda Springs	\$6.67	(2-R) NQ (6-R) NQ	\$4.53	\$5.50	\$6.97
Burley / Rupert Hazelton	\$6.00	(2-R) \$8.44 (6-R) \$8.44	\$4.35-\$4.40	\$5.30-\$5.36	\$6.79-\$6.85
Twin Falls / Eden / Buhl	\$6.85	(2-R) NQ (6-R) NQ	\$4.17	NQ	NQ
Weiser	\$6.75	(2-R) NQ (6-R) NQ	\$4.61	NQ	NQ
Nez Perce / Craigmont	\$4.63	(2-R) \$4.63 (6-R) \$4.63	\$5.26	\$6.06	\$7.61
Lewiston	\$5.08	(2-R) \$5.08 (6-R) \$5.08	\$5.45	\$6.25	\$7.80
Moscow / Genesee	\$4.68-\$6.25	(2-R) \$4.68 (6-R) \$4.68	\$5.22-\$5.85	\$6.02-\$6.75	\$7.57-\$8.28

Trading Prices at Selected Terminal Markets, cash prices FOB

	Barley (Cwt.)		Malting	Wheat (bu.)		
	#2 Feed 46 lbs. -- unit trains barge	Single rail cars-domestic		#1 SWW	#1 HRW 11.5% Protein	#1 DNS 14% Protein
Portland	NQ	NQ	NQ	May \$5.80-\$5.85 Aug NC \$5.85	May \$6.70-\$6.82 Aug NC \$6.80-\$6.88	May \$8.26-\$8.41 Aug NC \$8.02-\$8.17
Los Angeles	\$9.15	NQ	NQ	NQ	NQ	NQ
Stockton	\$9.00	NQ	NQ	NQ	NQ	NQ
Tulare	\$9.15	NQ	NQ	NQ	NQ	NQ
Ogden	\$6.74	NQ	NQ	\$4.74	\$5.65	\$7.14
Great Falls	\$5.00-\$5.65	NQ	\$8.00	NQ	\$5.13-\$5.26	\$6.30-\$6.99
Minneapolis	\$5.83	NQ	\$9.06	NQ	\$6.78 ½ (12%)	\$7.95 ½ - \$8.00 ½

Market trends this week

BARLEY – Local barley prices were higher, ranging from no change to 50 cents higher this week. USDA did not report any barley export sales last week. Barley export shipments last week totaled .2 TMT for Mexico.

Barley Competitor/Buyer News – There are a range of European barley crop projections so far this year ... the European Commission has pegged the EU-27 crop at 60.7 MMT, Strategie Grains is projecting 62.9 MMT and USDA at 64.2 MMT. The EU-27's 2008 barley production totaled 65.6 MMT, up more than 14% from the previous year's crop.

Mega-merger between leading Canadian and Australian grain companies – On May 19 it was confirmed that **Viterra Inc**, Canada's leading grain handler and agricultural product retailer, and **ABB Grains Ltd** (formerly the Australian Barley Board), a leading Australian agribusiness with diversified operations in barley, malt processing, wheat and canola, have agreed to merge their operations. According to the two companies, merger benefits include (1) an increased international scale – they estimate they will have 37% global market share of net exports of wheat, barley and canola; (2) broader business and geographic diversification; and (3) stronger capital structure. As part of its holdings, ABB operates the Joe

White Malting Co., one of the top 10 maltsters in the world, producing more than 500 TMT of malt annually at 8 plants. ABB exports about 80% of their malt production.

WHEAT – Local wheat prices were mostly higher this week: SWW ranged from no change to 17 cents higher; HRW ranged from 2 to 17 cents higher; and DNS from 3 cents lower to 36 cents higher. U.S. wheat export sales for MY 08-09 which ends May 31 hit a marketing year low at 20.2 TMT (plus MY 09-10 export sales of 543.3 TMT), down 80% from the previous week and 89% from the prior 4-week average. Export shipments last week totaled 412.4 TMT, which was up 33% from the week before and 27% from the prior 4-week average.

Wheat Competitor/Buyer News – Reports this week that Egypt has quarantined a third shipment of Russian wheat (30 TMT) for dead insects. Rumors that Iraq purchased wheat from Canada and Australia.

CORN – Corn export sales were well below trade expectations last week at 683.4 TMT (new crop sales totaled 138.6 TMT) which was down 27% from the previous week and 31% from prior 4-week average. Export shipments last week totaled 708.3 TMT, which was down 44% from the previous week and 28% from the prior 4-week average.

Corn Competitor/Buyer News – South Korea purchased 165 TMT U.S. corn and Taiwan purchased 83 TMT U.S. corn.

Futures market activity this week

Are we seeing the return of a Bull Market? Wall Street showed more evidence this week that investors are becoming a bit more positive and more willing to take risk, prompting some leading analysts to believe that a bull market is re-emerging. However, Tuesday brought **disappointing news on the housing front**...new construction starts dropped an unexpected 13% to the lowest level recorded due to sharp declines in multi-family dwellings like condominiums and apartment buildings. Single family starts rose for the second consecutive month. The Federal Reserve also released a revised economic outlook on Wednesday – now showing U.S. GDP will decline by 1.2 to 2% this year, compared to their January projection of .5 to 1.3% contraction. Unemployment is now expected to rise to 9.2 to 9.6%, compared to their earlier projection of 8.5 to 8.8%. Thursday brought news of **continuing weakness in the jobs market**...new weekly unemployment claims were slightly more than expected at 631,000, but 12,000 below the previous week. The number of Americans receiving unemployment benefits topped an all time high of 6.6 million.



The **Bull Market** camp believes that a 37% rally since early March is confirmation that the U.S. stock market found its bottom in early March. Others believe we are in the middle of a bull rally in a bear market and they fear another retracement to lower levels, pointing to similar conditions in 1974 which experienced a 114% retracement of the previous bull market. The last big bear market in 2002 saw a 61% retracement. The Bears believe that worsening unemployment and tightening credit (they believe major banks are going to begin contracting, not expanding, credit due to worsening condition of borrowers' balance sheets) will forestall a consumer-led recovery.

Wheat – Wheat futures began the week trading sharply higher late in the session on a lower dollar and large scale short covering by trend following funds which are heavily short in the wheat markets. Prices dipped slightly lower on Tuesday under pressure from favorable crop weather, profit-taking and ideas that wheat markets were becoming overbought. Prices rebounded higher on Wednesday, supported by fresh fund buying and unsettled weather which reinforces crop concerns including ideas that some spring wheat acres will shift to soybeans. A sharply lower U.S. dollar index, which fell to its lowest level of the year, also provided support. Wheat took the path of least resistance lower today (Thursday) as HRW harvest gears up. A firmer U.S. dollar also pressured the markets. **Wheat market closes on Thursday, 5/21/09...**

	<u>July 09</u>	<u>Weekly Summary</u>	<u>Sept 09</u>	<u>Weekly Summary</u>
Chicago	\$5.93 ½	Up \$.16	\$6.19 ½	Up \$.15 ½
Kansas City	\$6.47	Up \$.16 ½	\$6.57	Up \$.16 ¾
Minneapolis DNS	\$7.26 ½	Up \$.21 ¼	\$7.23	Up \$.21 ½

Corn – Corn prices began the week modestly higher on mostly spillover support from higher soybeans, wheat and crude oil. Corn continued its modest advances on Tuesday, with early gains coming under pressure late into the session but still managing to pull higher on fund buying and some private weather forecasts which showed wet conditions returning to the Eastern Corn Belt by the weekend. Wednesday saw only fractional gains on profit-taking and a lack of fresh buying that was sparked by an active planting pace and a slighter drier weather outlook for the next week. Corn finished lower today (Thursday) on improved planting weather, disappointing export sales and weakness in outside markets. **July 09 corn contract closed on Thursday, 5/21/09, at \$4.24, up \$.06 ¾ for the week and the Sept 09 contract at \$4.33¾, up \$.07 for the week.**

Near-term Commodity Market Outlook – prices moved higher this week, largely boosted by an increased flow of speculative money into commodities.

Soybeans – still have the most bullish old-crop fundamentals with some traders believing that U.S. ending stocks will fall below a very snug 100 million bu (USDA's May 12 estimate pegged ending stocks at 130 million bu and 145 million bu a year ago), clearly making soybeans the price leader in near-by contracts. MY 2010 fundamentals are not as supportive.

Corn – has benefitted from an increased money flow and support from outside markets. Planting delays and improving demand have provided fundamental support, but short-term dynamics are still largely driven by crude oil and soybeans. Long-term fundamentals are supportive as world coarse grain production is expected to fall below consumption, causing stocks to decline.

Wheat – sluggish export demand has relegated wheat to a follower's role. However, U.S. crop concerns (drought/freeze damage in HRW and planting delays in DNS areas) provide underlying support. A lower trending U.S. dollar also provides support. Right now, world wheat production is expected to be ample to meet consumption, causing world stocks to continue building.

Other Major Factors to Watch

- § **Crude Oil** – futures traded mostly higher this week – topping \$62/bbl - on a bigger than expected decrease in U.S. supplies and ideas that global demand was strengthening. Wednesday's weekly petroleum inventory report once again showed sharply lower stocks - crude oil inventories fell by 2.1 million bbls, compared to an expected decrease of 1.15 million bbls; distillate stocks increased .6 million bbls, compared to an expected increase of 1.2 million bbls; and gasoline stocks fell 4.3 million bbls, compared to an expected draw of 1.35 million bbls.
- § **U.S. weather / crop watch** – The week has been mostly dry and the NWS's 6-10 and 8-14 day outlooks show normal to below normal precip, however other private forecasters see a system returning by early next week. Some showers were beginning to work their way into the NW Cornbelt on Thursday. Updated weather maps look a bit wetter next week, likely bringing more moisture to water-logged Illinois. On Monday, USDA reported IL corn was only 20% planted compared to an average of 92% and IN was 24% planted compared to an average of 83%. The optimum planting window for this area is rapidly closing, prompting many traders to think that as much as 1 to 2 million corn acres might shift to soybeans and that national average corn yields will fall below USDA's initial peg of 155.4 bpa. The Univ. of Illinois crop model suggests that IL's corn yields will drop nearly 22 bpa this year due to late planting. Of course, ideal mid-to-late summer weather can overcome this yield deficit, as proven with the Iowa corn crop last year. The Northern Plains saw improved planting weather this week, but ND began the week with only 31% of its spring wheat acres planted and only 28% of its barley planted. The overall winter wheat crop rating gained 2% this week to 48% good/excellent, compared to 45% last year. There are concerns about disease pressures in winter wheat crops which have seen excessive moisture recently.
- § **International Weather Watch** –
 - § **Canada** – Unseasonably cool temps have slowed spring grain emergence across the western prairies. While recent rains provided some relief to a drier than normal winter, more rains will be needed to improve early growth prospects.
 - § **Europe** – Heavy localized rain across England, France and Germany favored winter grain reproduction, but slowed corn planting. Poland and Balkans continued to receive beneficial moisture after an extended dry period. Recent dryness across Eastern Europe has prompted many analysts to cut EU-27 grain crop projections for 2009.
 - § **Russia / Ukraine** – Light to moderate showers across the Ukraine and western Russia provided beneficial moisture for jointing winter grains, but dryness in eastern Russia is causing plant stress.
 - § **China** – Rains across the North China Plains and Yangtze Valley continued to benefit emerging summer crops like corn, but drier weather would be welcome for maturing winter grains.
 - § **Middle East** – Dry warm conditions in Turkey and Iran favored winter grain maturation and harvesting (south).
 - § **Northwest Africa** – Warm dry conditions in Morocco and western Algeria promoted winter grain maturation and harvesting, while rains caused a slow down in winter grain maturation and harvesting in parts of eastern Algeria and northern Tunisia.
 - § **Argentina** – Showers were reported today (Thursday) and chances for more this weekend but could fall short of replenishing topsoils ready for winter grain planting.
 - § **Australia** – Eastern areas picked up substantial rain early this week with active storm systems moving into southern and western regions during the week, bringing needed moisture to promote winter grain planting.

USDA Crop Progress / Condition Report, May 18, 2009

Crop	% Planted	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
US barley	50%	33%	89%	87%			
ID barley	84%	69%	82%	86%			
US spring wheat	50%	35%	92%	90%			
ID spring wheat	93%	85%	92%	93%			
US winter wheat	Headed 56%	40%	47%	60%	48%	46%	45%
ID winter wheat	Headed 0%	0%	0%	0%	94%	93%	
US Corn	62%	48%	70%	85%			