

## Idaho Grain Market Report, August 5, 2010

Published by the Idaho Barley Commission, [kolson@idahobarley.org](mailto:kolson@idahobarley.org), 208-334-2090

**Check out our NEW IDAHO GRAIN MARKET ALERT** – this is a new companion grain market service being sponsored by the Idaho Barley Commission and provided by Craig Corbett, grain producer and market analyst from Grace, ID. We want to hear from readers with your questions and comments – please contact us at [kolson@idahobarley.org](mailto:kolson@idahobarley.org).

**Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, August 4, 2010. 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) \$6.50 (6-R) NQ	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	NQ	(2-R) NQ (6-R) NQ	NQ	NQ	NQ
Idaho Falls	\$6.00	(2-R)\$6.50-\$6.85 (6-R)\$6.50	\$5.00	\$5.28	\$5.97
Blackfoot / Pocatello	\$6.25	(2-R) \$6.50 (6-R) NQ	\$5.13	\$5.16	\$6.27
Grace / Soda Springs	\$6.00	(2-R) NQ (6-R) NQ	\$4.85	\$4.79	\$5.86
Burley / Rupert Hazelton	\$6.00	(2-R) \$6.50 (6-R) \$6.50	\$5.25-\$5.40	\$5.34	\$6.20
Twin Falls / Eden / Buhl	\$6.70-\$6.75	(2-R) NQ (6-R) NQ	\$4.95	NQ	NQ
Weiser	\$6.75	(2-R) NQ (6-R) NQ	\$5.39	NQ	NQ
Nez Perce / Craigmont	\$5.10	(2-R) \$5.10 (6-R) \$5.10	\$5.84	\$6.01	\$6.76
Lewiston	\$5.35	(2-R) \$5.35 (6-R) \$5.35	\$6.03	\$6.20	\$6.95
Moscow / Genesee	\$5.15-\$6.25	(2-R) \$5.15 (6-R) \$5.15	\$5.80-\$6.50	\$5.97-\$7.58	\$6.72-\$8.40

**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	Aug \$6.00-\$6.50 Dec \$6.30-\$6.60	Aug \$6.67-\$6.76	NQ
Los Angeles	\$8.10	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	\$8.10	NQ	NQ	NQ	NQ	NQ
Ogden	\$6.10	NQ	NQ	\$5.50	\$5.90	NQ
Great Falls	\$5.00-\$5.40	NQ	\$6.50	NQ	\$4.57-\$4.98	\$6.49-\$6.71
Minneapolis	\$4.48	NQ	NQ	NQ	\$6.00 (12%)	\$7.57-\$7.92

**Market trends this week**

**BARLEY** – Local barley prices were higher this week ranging from steady to 75 cents higher in southern Idaho and 25 cents higher in northern Idaho. USDA reported that there were no barley export sales last week; shipments totaled .1 TMT to Mexico.

**WHEAT** – Local wheat prices continued to climb higher this week in response to explosive price gains in the futures markets: SWW ranged from \$.25 to \$.95 higher; HRW ranged from \$.41 to \$1.42 higher; and DNS ranged from \$.35 to \$1.27 higher. U.S. wheat export sales last week were on the high end of trade expectations at 854.6 TMT, which was down 7% from the previous week, but up 61% from the prior 4-week average. Export shipments last week totaled 572.7 TMT, up 27% from the previous week and 20% from the prior 4-week average.

**Wheat Competitor/Buyer News** – Egypt bought another 180 TMT of Russian wheat this week, further igniting the current debate on the status of Russian wheat stocks and their ability to continue bidding on import tenders. Jordan also reportedly filled its current tenders this week (50 TMT) with optional origin wheat believed to be Black Sea origin, but was able to only fill half of its needs. Meanwhile, Tunisia which has been buying only Russian wheat specified French, U.S. or German wheat on half of its current 50 TMT tender. On Wednesday evening, Russian Prime Minister Vladimir Putin announced a temporary halt to Russian grain (wheat, barley, corn) exports starting from August 15 to December 31 in order to assess their crop supply in the face of their worst drought on record. While this news had been widely anticipated, it gave another big jolt to wheat futures in both the EU and U.S. There were also reports that Kazakhstan will decide on a similar grain export ban by the end of this month and that Ukraine might have defaulted on grain sales to Asia. Egypt announced it will buy an additional 60 TMT per month to make up for the shortfall caused by the Russian ban.

**CORN** – U.S. corn export sales exceeded trade expectations at 472.2 TMT for MY 2009/10 and 821.9 TMT for MY 2010/11 for a combined 1,293 MMT. Corn export shipments last week totaled 833.3 TMT, down 31% from the previous week and 21% from the prior 4-week average.

**Corn Competitor/Buyer News** –China sold another 667 TMT of corn from its domestic reserves this week while also tightening restrictions on mills in order to stretch stocks further. Many believe this is a strong signal that Chinese corn reserves are dwindling fast and may not be sufficient to meet needs before their new crop is harvested. China has reportedly sold 10.8 MMT out of 13.6 MMT offered from its strategic corn reserves and has purchased 1.2 MMT of U.S. corn since April. Brazilian Confab agency estimated their MY 09/10 corn crop was higher than earlier projected at 54.38 MMT. Israel switched an import tender for 50 TMT corn from Black Sea to U.S. origin overnight.

#### Futures market activity this week

**WHEAT** – Wheat prices surged higher on Monday, following Friday's big gains, on continued fund buying triggered by new highs in the EU wheat futures and a lack of rain and more heat in the Russian weather outlook. Prices took a breather on Tuesday, closing lower on profit-taking pressures. But the bullish momentum was back in place on Wednesday, driving prices nearly limit up on massive fund and commercial buying as importers begin to show some panic buying. Wheat finished limit or near limit up again today (Thursday) on the announcement that Russia has temporarily halted grain exports starting August 15 through the end of December and rumors that Ukraine was defaulting on some grain sales into Asia. Kazakhstan also reportedly will decide on a grain export ban by the end of this month. **Wheat market closes on Thursday, 8/05/10...**

	<u>Sept 2010</u>	<u>Weekly Summary</u>	<u>Dec 2010</u>	<u>Weekly Summary</u>
Chicago	\$7.85 <sup>3</sup> / <sub>4</sub>	Up \$.31 <sup>1</sup> / <sub>4</sub>	\$8.15 <sup>1</sup> / <sub>4</sub>	Up \$.32 <sup>1</sup> / <sub>4</sub>
Kansas City	\$7.80	Up \$.31 <sup>1</sup> / <sub>4</sub>	\$7.95	Up \$.31 <sup>1</sup> / <sub>4</sub>
Minneapolis DNS	\$7.83	Up \$.29 <sup>3</sup> / <sub>4</sub>	\$7.92 <sup>1</sup> / <sub>2</sub>	Up \$.28 <sup>1</sup> / <sub>2</sub>

**CORN** – Corn began the trading session on Monday higher, lifted by the strong rally in wheat, but then eased moderately lower into the close as producer selling picked up. Corn drifted sideways to fractionally lower again on Tuesday as the market saw little fresh news to ignite buying interest as traders expect USDA will raise U.S. production estimate next week based on a higher corn yield estimate. Losses, however, were limited by strong rally in crude oil. Wednesday saw corn prices surge higher, along for the ride on wheat's explosive coattails. Corn prices settled moderately higher today (Thursday) after early sharp gains were eased by late session fund selling in both corn and soybeans. **Sept 2010 corn contract closed Thursday, 8/05/10, at \$4.03 <sup>1</sup>/<sub>2</sub>, up \$.10 <sup>3</sup>/<sub>4</sub> for the week and the Dec 2010 contact closed at \$4.18, up \$.11 <sup>1</sup>/<sub>4</sub> for the week.**

#### Near-by Commodity Outlook –

**Wheat** – Futures price gains have been explosive the past two weeks, driven by an inflow of investment monies, coupled with a strong rally on the EU wheat futures on concerns about declining production prospects in Russia, Kazakhstan, Ukraine, parts of Europe and Canada. At this point, the wheat bullish momentum seems to be feeding upon itself, as the futures market is overbought and could see a substantial profit-taking correction at any time, while fundamentals remain mostly bearish. The question on everyone's mind is whether this rally can and will continue, given the relatively high global and wheat carryover stocks compared to 2007 when wheat prices set new record highs. The best advice we can offer is that guessing market tops and bottoms is very risky business, given that domestic wheat fundamentals remain bearish. These attractive prices offer profitability at least on part of your wheat production. **Some factors to watch closely this week ...** A possible bounce higher in the dollar after testing support at the 200-day moving average this week and USDA's monthly S&D projections on August 12 are likely to show tighter global stocks but still ample U.S. stocks. USDA is expected to increase its U.S. wheat production estimate based on strong HRW and HRS yields, but could offset higher output with increased U.S. exports to fill the gap left by declining stocks elsewhere, resulting in a modest decline in U.S. ending stocks.

**Corn** - While much of the recent attention has focused on declining wheat production in the Former Soviet Union, many analysts believe the impact may be even greater on feed grain supplies, as feed wheat and barley export supplies are sharply reduced from this region. Corn production from this region is also likely to be in jeopardy as the current drought intensifies, with some estimates showing yield losses in Russia in the 15% to 35% range. **This will shift animal feed**

demand back to U.S. corn, with carryover stocks already fairly tight (global corn stocks are pegged at less than a 2-month supply and the 3<sup>rd</sup> tightest in 35 years). We are already beginning to see evidence of this with the stronger weekly export sales pace. Dec corn could see a test of resistance at \$4.50. But in the short-term USDA is likely to offer up a bearish yield and production estimate in next week's S&D report.

## OTHER MAJOR FACTORS TO WATCH –

- **Crude Oil** – Crude began the week solidly higher, gaining more than \$2/bbl to top \$81/bbl on Monday in response to a weaker dollar and some better than expected economic news which drove Wall Street sharply higher. Crude oil prices continued to show strength on Tuesday reaching a 12-week high of \$82.55/bbl with support from a weaker dollar and stronger than expected readings from the service sector and private sector employment. Prices slipped fractionally lower on profit-taking pressures Wednesday to \$82.47/bbl. The weekly petroleum inventory report showed a mixed picture with crude stocks falling more than expected but gasoline stocks remaining on the high end. Crude oil stocks fell 2.8 million bbls, compared to an expected decline of 1.4 million bbls; distillates rose by 2.2 million bbls, compared to an expected increase of 1.1 million bbls; and gasoline stocks increased by 700,000 bbls, compared to an expected build of 800,000 bbls. Crude oil eased back to \$82.01/bbl today (Thursday).
- **U.S. weather / crop watch** – While much of the Central U.S. continued to see mostly favorable crop weather this week, there was a round of excessive heat in the central/southern region, with moisture deficits covering as much as 20% of the belt. Storms early to mid week took a north central track covering parts of NE, SD, IA, northern IL, IN and OH. Rain was expected to return to the northwestern edge late in the weekend and expand through the north and east next week, while the southwestern corner is expected to see more heat.
- **International weather / crop watch** –
  - **Canada** – Above normal temps favored crop growth but rains were expected to return this week. Northwest Alberta remains abnormally dry, representing about 5% of the grain production.
  - **Europe** – Mostly dry weather favored winter grain harvest and spring grain maturation, except in Central and Eastern Europe where locally heavy rains continued to hamper grain harvest and promote disease.
  - **Former Soviet Union** – Excessive heat and drought continued to dominate a wide region stretching from eastern Ukraine through Central Russia and Kazakhstan, severely reducing grain yield prospects. Russia is experiencing a massive number of life-threatening wildfires throughout the central part of the country. Showers in Western Ukraine and Belarus favored corn crop but caused some winter wheat harvest delays.
  - **China** – Corn growing regions continued to pick up beneficial moisture this week with several more opportunities for showers in the coming week coupled with moderate temperatures.
  - **Argentina / Brazil** – Conditions remained cold and dry although some areas saw rain recently. The western edge remains dry and will need moisture soon. Planting of the last 15% of wheat area has been delayed by cold conditions. Southern Brazil wheat areas saw mostly dry and warm conditions in recent days and could begin to see abnormally dry conditions due to the La Nina weather cycle.
  - **Australia** – Overall most production areas, particularly in the east and south, have received sufficient showers in recent weeks to maintain good moisture for winter grains. The western region has been drier but saw widespread light rains in recent days, which is helping to recharge soil moisture.

### USDA Crop Progress / Condition Report, August 2, 2010

Crop	Stage	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
US barley	headed 97%	90%	97%	98%	86%	86%	78%
<b>ID barley</b>	<b>headed 97%</b>	<b>91%</b>	<b>100%</b>	<b>99%</b>	<b>95%</b>	<b>96%</b>	
US spring wheat	harvested 5%	NA	3%	13%	82%	83%	71%
<b>ID spring Wheat</b>	<b>harvested 1%</b>	<b>NA</b>	<b>1%</b>	<b>3%</b>	<b>95%</b>	<b>96%</b>	
US winter wheat	harvested 83%	79%	83%	88%			
<b>ID winter wheat</b>	<b>harvested 5%</b>	<b>1%</b>	<b>16%</b>	<b>19%</b>	<b>93%</b>	<b>90%</b>	
US Corn	silking 93% dough 31% dented 7%	84%	74%	86%	72%	72%	70%