

Idaho Grain Market Report, December 9, 2010

Published by the Idaho Barley Commission, kolson@idahobarley.org, 208-334-2090

Idaho Grain Marketing Workshops –“Understanding technical trends in grain futures & strategies for improving your net malting barley/wheat contract price in 2011”

To register, call 208-334-2090 or send an email to kolson@idahobarley.org

- **Dec. 16 at 8:30 a.m.** at the Meridian Center, 310 N. Meridian Street, **Blackfoot, ID**
- **Dec. 16 at 1:30 p.m.** at the Rexburg Chamber of Commerce, 127 E. Main St., **Rexburg, ID**
- **Jan. 5 at 9:00 a.m.** at Minidoka County Extension office at 85 East Baseline, **Rupert, ID**
- **Jan. 6 at 9:00 a.m.** at Senior Center in **Mud Lake, ID**

Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, December 8, 2010. Barley prices in \$/Cwt. and wheat prices in \$/bu.

	<u>Barley (Cwt.)</u>		<u>Wheat (bu.)</u>		
	#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) NQ	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	NQ	(2-R) NQ (6-R) NQ	NQ	NQ	NQ
Idaho Falls	\$8.35	(2-R) \$8.33-\$9.00 (6-R) \$8.33	\$6.50	\$6.89	\$8.74
Blackfoot / Pocatello	\$8.33	(2-R) \$8.50 (6-R) NQ	\$6.20	\$6.57	\$8.39
Grace / Soda Springs	\$8.24-\$8.25	(2-R) NQ (6-R) NQ	\$6.25	\$6.67-\$6.75	\$8.37
Burley / Rupert Hazelton	\$8.00-\$8.25	(2-R) \$8.33 (6-R) \$8.33	\$6.25	\$6.67	\$8.47
Twin Falls / Eden / Buhl	\$8.20-\$9.00	(2-R) NQ (6-R) NQ	\$5.60-\$5.90	NQ	NQ
Weiser	\$8.25	(2-R) NQ (6-R) NQ	\$6.29	NQ	NQ
Nez Perce / Craigmont	\$7.60	(2-R) \$7.60 (6-R) \$7.60	\$6.64	\$7.53	\$9.13
Lewiston	\$7.85	(2-R) \$7.85 (6-R) \$7.85	\$6.83	\$7.72	\$9.32
Moscow / Genesee	\$7.65-\$9.00	(2-R) \$7.65 (6-R) \$7.65	\$6.60-\$7.25	\$7.49-\$8.17	\$9.09-\$9.31

Trading Prices at Selected Terminal Markets, cash prices FOB

	<u>Barley (Cwt.)</u>			<u>Wheat (bu.)</u>		
	#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	Dec \$7.30-\$7.50	Dec \$8.18-\$8.38	NQ
Los Angeles	\$11.50	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	\$11.50	NQ	NQ	NQ	NQ	NQ
Ogden	\$8.50	NQ	NQ	\$6.50	\$6.85	\$8.55
Great Falls	\$7.25-\$7.75	NQ	\$9.00	NQ	\$5.84-\$6.05	\$8.36-\$8.89
Minneapolis	\$7.81	NQ	\$10.42	NQ	\$7.95 ¾ (12%)	\$9.72 ¾-\$10.12 ¾

Market trends this week

BARLEY – Local barley prices were mostly higher this week ranging from \$.05 lower to \$.52 higher in southern Idaho and \$.15 higher in northern Idaho. USDA did not report any barley export sales or export shipments for last week.

Barley Competitor/Buyer News - Australian Bureau of Agricultural Resource Economics (ABARE) has pegged the Australian barley crop at 9.8 MMT, up 24% from last year and well above the 5-year average of 7.36 MMT. However, a very large share of this crop won't make malting quality due to drought problems in the west and excessive moisture at harvest in the east and south.

WHEAT – Local wheat prices were higher this week: SWW ranged from \$.15 to \$.65 cents higher; HRW ranged from \$.26 to \$1.07 higher; and DNS ranged from \$.37 to \$1.06 higher. U.S. wheat export sales were above trade expectations at 727 TMT total - 535.5 TMT for the current market year, down 19% from previous week and 33% from the previous 4-week average. Wheat export shipments last week totaled 675.2 TMT, up 15% from the previous week and 31% from the previous 4-week average. Cumulative wheat export sales total 69.8% of the USDA projection for the year, compared to 71.0% for a five-year average.

Average trade estimate for U.S. wheat ending stocks in tomorrow's monthly S&D report is 842.3 million bu, compared to USDA's Nov. estimate of 848 million bu. Some analysts believe the ending stocks number could be lower based on a strong export pace.

Wheat Competitor/Buyer News – Australian crop quality losses are mounting due to excessive moisture throughout the eastern and southern regions. However, the Australian Bureau of Agricultural Resource Economics (ABARE) released its official crop estimate this week, projecting a **record production of 26.8 MMT**, up from their previous forecast of 25.1 MMT and well above a five year average of 18.5 MMT. But as noted above, a very large share of this bumper crop won't make milling quality - probably at least 60% in the east and south. ABARE cut their Australian wheat export projection from 18.4 MMT to 16 MMT, in recognition of quality issues. The Buenos Aires Grain Exchange is forecasting the Argentine wheat crop at 13.0 MMT. Reports indicate that as much as 20% of China's prime winter wheat growing area is suffering drought conditions right now and could be vulnerable to winterkill threats. Pakistan has lifted its wheat export ban and will likely export as much as 2 MMT of wheat during the next 6 months. Iraq purchased 250 TMT of U.S. wheat this week, while Egypt passed on U.S. wheat and purchased 240 TMT of wheat from France and Argentina.

CORN – USDA reported corn export sales last week were within trade expectations at a total of 808 TMT - 671.1 TMT for current marketing year, down 12% from the previous week and remained unchanged from the previous 4-week average. Corn export shipments last week totaled 695.2 TMT, down 11% from the previous week and 10% below the previous 4-week average. Cumulative corn export sales total 47.5% of the USDA projection for the year, compared to 46.4% for a five-year average.

Average trade estimate for U.S. corn ending stocks in tomorrow's monthly S&D report is 806.3 million bu, compared to USDA's Nov. estimate of 827 million bu. Some analysts believe the ending stocks number could be higher based on a slow export pace.

Ethanol corn usage – DOE's Energy Information Agency reported that U.S. ethanol production last week totaled a record high of 939,000 barrels per day, up 6.1% from last week and up 19.2% from a year ago. This equates to 98.595 million bushels of corn consumption last week, well above the weekly pace needed to meet the USDA's projection for the entire year.

Corn Competitor/Buyer News – Reports this week that China only sold 10% of the 1.8 MMT of domestic corn reserves offered for auction. Private forecasts indicate that the Argentine corn crop is shrinking due to the poor start and expanding drought conditions ahead of pollination.

Futures market activity this week

WHEAT –Wheat shrugged off pressure from a higher dollar and weakness in outside markets, to post solid gains on Monday - the 4th straight day of impressive gains – on continuing crop concerns in Australia (too wet) and various winter wheat production areas in the Northern Hemisphere (too dry). Profit-taking drove wheat prices mostly lower on Tuesday (MGEX bucked the trend and closed higher on strong demand for high protein wheat). Wheat closed mixed to higher on Wednesday, with spillover support from higher corn and expanding worries about tightening stocks of milling quality wheat. Wheat markets finished solidly higher again today (Thursday) on continued crop issues. **Wheat futures market closes on Thursday, 12/09/10. Please note we have shifted to reporting the March 2011 and May 2011 futures contracts...**

	Mar 2011	Weekly Summary	May 2011	Weekly Summary
Chicago	\$7.88 ½	Up \$.09 ½	\$8.14	Up \$.23 ¼
Kansas City	\$8.43 ¾	Up \$.21 ¾	\$8.50 ½	Up \$.21 ¾
Minneapolis DNS	\$8.74	Up \$.38 ¾	\$8.78 ¼	Up \$.34

CORN – Corn began the week moderately lower under pressure from a speculative selling triggered by a strong dollar and concerns that the U.S. ethanol tax incentives will lapse at the end of this month. Another week of disappointing export shipments also pressured corn. Corn extended its losses on Tuesday, on a bearish technical reversal, as the dollar continued to gain strength against the euro due to renewed worries about the EU debt crisis. Corn prices rebounded and moved solidly higher on Wednesday – another bullish technical reversal - on support from reports that an ethanol tax credit extension will likely be part of the congressional tax deal currently being negotiated between Republicans and the

White House. Corn finished fractionally lower to unchanged today (Thursday) in choppy trading ahead of Friday's monthly S&D report. **Mar 2011 corn futures contract closed Thursday, 12/09/10, at \$5.74 ¼, up \$.00 ¾ for the week and the May 2011 contract closed at \$5.83, up \$.02 ½ for the week.**

Near-by Grain Futures Market Outlook –

Corn – A typically weak seasonal trend is keeping a lid on corn prices for now, with light trading volume, lack of fresh market-moving news and end-of-year positioning the most notable features.

Wheat - Clearly, wheat has re-established itself as the price leader in the grain and oilseed complex, due to the growing concern about a shortage of milling quality wheat later in the marketing year and doubts about the new 2011 wheat crop in many key production areas. U.S. wheat exports are expected to show an even stronger pace which will provide underlying support.

OTHER MAJOR FACTORS TO WATCH –

- **CRUDE OIL** – Crude oil tried but failed to push above \$90/bbl this week, with gains limited by continued worries that EU debt crisis will slow consumption across Europe. Ideas that China will raise interest rates in coming weeks also added bearish pressure. Wednesday's weekly petroleum inventory was a mixed picture with a bullish decline in crude oil offset by a bearish jump in both distillate and gasoline stocks. The report showed crude oil inventories fell last week by 3.82 million bbls, compared to an expected draw of 1.4 million bbls; distillate stocks increased by 2.15 million bbls, compared to an expected decline of 900,000 bbls; and gasoline stocks increased by 3.81 million bbls compared to an expected decline of 300,000 bbls.
- **U.S. WEATHER / CROP WATCH** – HRW areas remain mostly dry, with snow cover adequate in most areas of NE, CO and western KS. Weekend snow showers blanketed most SRW areas in the eastern Midwest and Delta regions, providing protective snow cover. These areas are expected to see a **blast of arctic cold air next week**, with snow cover hopefully limiting winterkill threats but this trend is worth keeping a close eye on.
- **INTERNATIONAL WEATHER / CROP WATCH** –
 - **Northern Hemisphere drought watch** – Many winter wheat growing areas in the Northern Hemisphere went into dormancy in poorly established condition and condition to suffer from moisture stress and are vulnerable to winterkill, depending on the local temperatures. These areas include the U.S., Middle East, Northern Africa, Former Soviet Union and North China Plains. Reports suggest that as much as 20% of China's wheat crop is in poor condition and vulnerable to winterkill. Europe and Russia are experiencing abnormally cold temperatures this week but most areas have protective snow cover.
 - **Argentina** – saw some isolated showers last weekend, but severe November moisture shortages are clearly causing stress in the new corn and soybean crops, with some estimates that as much as 50% of the corn crop could experience yield reductions. Hot temperatures this week adds to the crop worries. Dry conditions are expected to linger into next week as the corn crop approaches the critical pollination stage.
 - **Australia** – Eastern and southern areas continued to see excessive moisture, causing harvest delays and quality deterioration. It is now estimated that as much as 60% of this bumper grain crop in the east and parts of the south will be downgraded as feed quality. More moisture is in the forecast for the next 2 weeks.

Please note that the weekly Idaho Grain Market Alert, a companion market update produced by Craig Corbett, which provides an in-depth understanding of the technical trends in the grain futures markets (wheat, corn and barley) will become a subscription-only report in early January 2011. The Idaho Barley Commission was very pleased to initiate this project with Craig, a fellow grain producer from eastern Idaho, but our plan was to transition this report to a paid-subscription basis after five months. Because of the interest, we extended our agreement with Craig through the month of December. We will provide more information in our next couple reports on how you can continue to receive this valuable market report directly from Craig.

Why should you pay attention to technical trends? This month's *Top Producer* magazine has an excellent explanation from Mike Florez, a market analyst with Florez Trading, "If you can lean some technical analysis and understand the tools to *project market momentum*, you can get your own ideas on when the markets are topping. How to read the charts and key in on market signals will be crucial for farmers in the coming months."