

Idaho Grain Market Report, May 12, 2011

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Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, May 11, 2011. 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) \$11.50 (6-R) NQ | NQ | NQ | NQ |
| Rexburg/ Ririe/ Roberts | NQ | (2-R) NQ (6-R) NQ | NQ | NQ | NQ |
| Idaho Falls | \$11.00 | (2-R) \$11.25-\$11.75 (6-R) \$11.25 | \$7.45 | \$8.21 | \$10.87 |
| Blackfoot / Pocatello | \$11.45 | (2-R) \$11.50 (6-R) NQ | \$7.70 | \$7.80 | NQ |
| Grace / Soda Springs | \$11.68 | (2-R) NQ (6-R) NQ | \$7.50 | \$7.74 | \$10.46 |
| Burley / Rupert Hazelton | \$11.25 | (2-R) \$11.25 (6-R) \$11.25 | \$7.45 | \$7.63 | \$10.32 |
| Twin Falls / Eden / Buhl | \$11.00-\$11.80 | (2-R) NQ (6-R) NQ | \$7.15 | NQ | NQ |
| Weiser | \$11.50 | (2-R) NQ (6-R) NQ | \$6.65 | NQ | NQ |
| Nez Perce / Craigmont | \$10.10 | (2-R) \$10.10 (6-R) \$10.10 | \$6.94 | \$8.69 | \$11.19 |
| Lewiston | \$10.35 | (2-R) \$10.35 (6-R) \$10.35 | \$7.13 | \$8.88 | \$11.38 |
| Moscow / Genesee | \$10.15-\$11.00 | (2-R) \$10.15 (6-R) \$10.15 | \$6.90-\$7.60 | \$8.65-\$9.12 | \$11.15-\$11.52 |

Trading Prices at Selected Terminal Markets, cash prices FOB

| | #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 \$7.60-\$7.80 Aug NC \$7.60-\$7.80 | May \$9.40-\$9.45 Aug NC \$9.18-\$9.38 | May \$11.76-\$12.11 Aug NC \$10.53-\$10.78 |
| Los Angeles | \$13.55 | NQ | NQ | NQ | NQ | NQ |
| Stockton | NQ | NQ | NQ | NQ | NQ | NQ |
| Tulare | \$13.55 | NQ | NQ | NQ | NQ | NQ |
| Ogden | \$12.26 | NQ | NQ | \$7.70 | \$7.71 | \$10.66 |
| Great Falls | \$10.00-\$10.25 | NQ | \$11.00 | NQ | \$6.09-\$7.22 | \$8.67-\$9.01 |
| Minneapolis | \$8.75 | NQ | \$12.92 | NQ | \$8.70 ½ (12%) | \$11.75 ½ - \$12.45 ½ |

Market trends this week

BARLEY – Local barley prices were mixed this week ranging from 70 cents lower to 50 cents higher in southern Idaho and from no change to 75 cents lower in northern Idaho. USDA reported that there were no barley export sales last week; however exports totaled .9 TMT for Canada.

USDA's first S&D report for MY 2011/12 - BARLEY – May 11 – USDA pegged beginning stocks at 93 million bu, **2011 production at a historically low 175 million bu (down 5 million bu or 3%)**, domestic feed usage at 40 million bu (down 5 million bu), exports at 10 million bu (up 2 million bu) and **2012 ending stocks at a very snug 68 million bu (down 25 million bu or 27%)**. Average farm gate price for U.S. barley was pegged at a historically high \$5.75-\$6.85/bu, compared to \$3.80 in 2010/11. **World barley production was pegged at 132 MMT, up 6% and world ending stocks were estimated at 22 MMT, down 11%, after falling 34% in the current marketing year.**

Barley Competitor/Buyer News – Here is USDA's first look at our global competitors in MY 2011/12...

| Major Barley Competitors | MY 2011/12 Production | % change | MY 2011/12 Exports | % change |
|--------------------------|-----------------------|----------|--------------------|----------|
| U.S. | 3.8 MMT | - 3% | 0.2 MMT | + 33% |
| EU-27 | 53.9 MMT | + 1% | 2.5 MMT | - 46% |

| | | | | |
|-----------|-----------------|---------------|----------------|---------------|
| Canada | 8.5 MMT | + 12% | 1.1 MMT | - 15% |
| Australia | 9.0 MMT | - 3% | 4.7 MMT | + 4% |
| Russia | 13.5 MMT | + 62% | 0.8 MMT | + 167% |
| Ukraine | 8.5 MMT | + 0.2% | 3.5 MMT | + 40% |

WHEAT – Local wheat prices were also mixed this week: SWW ranged from 20 cents lower to 30 cents higher; HRW ranged from 14 to 37 cents higher; and DNS ranged from 30 cents lower to 25 cents higher. USDA reported that wheat export sales last week for both MY 2010/11 and MY 2011/12 totaled 550.5 TMT and were within trade expectations (old crop sales of 320.6 TMT plus new crop sales at 229.9 TMT), up 17% from the previous week and 15% from the prior 4-week average. Wheat export shipments last week hit a marketing year high at 1.3 MMT, up 18% from the previous week and 25% from the prior 4-week average.

USDA's first S&D report for MY 2011/12 - WHEAT – May 11 - USDA pegged beginning stocks at 839 million bu, **2011 production at 2.043 billion bu (down 165 million bu or 7%)**, domestic food usage at 945 million bu (up 15 million bu), exports at 1.05 billion bu (down 225 million bu) and **2012 ending stocks at 702 million bu (down 137 million bu or 16%)**. Production was ABOVE the average pre-report trade estimate of 2.037 billion bu and ending stocks were ABOVE the average trade estimate of 658 million bu. USDA pegged the U.S. winter wheat crop at 1.424 billion bu, which was 29 million bu ABOVE the pre-report trade estimate of 1.395 billion bu and below last year's 1.485 billion bu. Hard red winter wheat was pegged at 762 million bu (1.018 billion bu last year); soft red winter at 427 million bu (238 million bu last year) and soft white at 224 million (229 million bu last year). The average farm gate price for U.S. wheat was pegged at a historically high \$6.80-\$8.20/bu, compared to \$5.65 in 2010/11. **World wheat production was pegged at 670 MMT, up 3% from the current year, and world ending stocks at 181 MMT, down nearly 1%.**

Here is USDA's first look at our global wheat competitors in MY 2011/12...

| Major Wheat Competitors | MY 2011/12 Production | % change | MY 2010/11 Exports | % change |
|-------------------------|-----------------------|---------------|--------------------|---------------|
| U.S. | 55.6 MMT | - 7% | 29.0 MMT | - 18% |
| EU-27 | 138.6 MMT | + 2% | 18.0 MMT | - 18% |
| Canada | 26.0 MMT | + 12% | 18.5 MMT | + 12% |
| Australia | 24.5 MMT | - 6% | 15.0 MMT | - 6% |
| Argentina | 13.5 MMT | - 10% | 7.0 MMT | - 7% |
| Russia | 53 MMT | + 28% | 10.0 MMT | + 150% |
| Ukraine | 19 MMT | + 13 % | 8.5 MMT | + 143% |

Wheat Competitor/Buyer News – Strategie Grains lowered their MY 2012 estimate for **EU-27 soft wheat production by 3.6 MMT this week to 131.5 MMT**, compared to USDA's initial projection for total EU wheat output of 138.6 MMT.

CORN – Corn export sales last week were within trade expectations at 433.8 TMT, up 53% from the previous week, however it was down 17% from the prior 4-week average. Corn export shipments last week totaled 860.3 TMT, up 8% from the previous week, however it was down 8% from the prior 4-week average.

Ethanol corn usage – DOE's Energy Information Agency reported that U.S. ethanol production slowed for the third consecutive week, totaling 862,000 bbls, down 1.49% from the previous week but up 1.77% from last year – **representing a weekly corn use of 90.5 million bushels which remains below the weekly pace of 101.4 million bu needed to meet USDA's marketing year demand estimate of 5 billion bushels**. Despite this slower pace, USDA chose not to lower their ethanol usage estimate in their May 11th supply and demand estimates.

USDA's first S&D report for MY 2011/12 - CORN – May 11 - For MY 2010/11 which ends Aug. 31, USDA raised imports by 5 million bu to 25 million bu and lowered exports by 50 million bu to 1.9 billion bu due to a recent slow pace in export sales. This resulted in an **increase of 55 million bu in 2011 ending stocks to 730 million bu** (still very tight 5.4% stocks-to-use ratio). However this stocks estimate came in ABOVE the average pre-report trade estimate of 661 million bu. **For New Marketing Year 2012**, USDA pegged beginning stocks at 730 million bu, **2011 production at a record high of 13.5 billion bu (up 8.5% due to a 4 million acre increase in plantings BUT a below trend line yield of 158.7 bpa due to the slow planting pace)**. Domestic feed usage was pegged at 5.1 billion bu (down 50 million bu), domestic ethanol usage at 5.05 billion bu (up 50 million bu), exports at 1.8 billion bu (down 100 million bu due to increased competition on the world market) and U.S. ending stocks at 900 million bu (up 170 million bu or 23%). This ending stocks projection was 92 million bu ABOVE the average pre-report trade estimate of 808 million bu. Average farm gate price for U.S. corn was pegged at a historically high \$5.50-\$6.50/bu, compared to \$5.10-\$5.40 in the current marketing year. **World corn production was pegged at 868 MMT, up 6% from the current year, while world ending stocks are projected to jump 6% to 129.1 MMT.**

| Major Corn Competitors | MY 2011/12 Production | % Change | MY 2011/12 Exports | % Change |
|------------------------|-----------------------|-------------|--------------------|-------------|
| U.S. | 343.0 MMT | + 9% | 46.0 MMT | - 5% |

| | | | | |
|--------------|----------|-------|----------|-------|
| China | 172 MMT | + 2% | | |
| Argentina | 26 MMT | + 18% | 17.0 MMT | +21% |
| Brazil | 55.0 MMT | 0% | 8.0 MMT | - 27% |
| Ukraine | 14.5 MMT | + 22% | 6.5 MMT | + 8% |
| South Africa | 12.5 MMT | + 4% | 2.0 MMT | - 9% |

Corn Competitor/Buyer News – Rumors this week that China would need to buy corn in the fourth quarter of this year. Argentine government has approved the export of an additional 2.5 MMT of new crop corn, on top of the already 8.5 MMT authorized for export. Egypt reportedly purchased 400 TMT of Ukrainian corn after Ukraine lifted their export ban on corn last week.

Futures market activity this week

WHEAT – Wheat markets began the week soaring higher, boosted by a sharp turnaround in outside market forces (a refreshing change from the overwhelming bearish trends we saw the previous week) and continuing weather-related crop concerns, particularly with the poor hard red winter wheat crop conditions across the Central and Southern Plains which were exacerbated by hot windy conditions over the weekend and into early part of this week. Continued dry conditions in northern Europe also provided underlying support as European wheat futures turned sharply higher. A slower than normal spring wheat planting pace and persistent HRW crop worries pushed wheat higher again on Tuesday. **USDA confirmed the slowest spring wheat planting pace on record at 22% completed versus 61% on average.** Wednesday saw wheat prices plummet on a combination of disappointing S&D estimates from USDA (bigger than expected winter wheat crop) and broad-based commodity selling. Wheat futures continued to tumble lower today (Thursday) under pressure from widespread fund selling in commodity and equity markets and talk of crop stress easing in some areas of the Central U.S. Plains and northern Europe. **Wheat futures market closes on Thursday, 05/12/11...**

| | July 2011 | Weekly Summary | Sept 2011 | Weekly Summary |
|-----------------|-----------|----------------|-----------|----------------|
| Chicago | \$7.35 ½ | Down \$0.24 | \$7.82 ¼ | Down \$0.20 ¾ |
| Kansas City | \$8.76 ¼ | Up \$0.02 ¼ | \$8.93 ¾ | Up \$0.01 |
| Minneapolis DNS | \$9.04 ¼ | Up \$0.02 ¼ | \$9.07 | Up \$0.01 |

CORN – Corn markets began the week sharply higher, lifted by a positive tilt to investor money flow, mixed weather outlook and uncertainty about planting progress particularly in parts of the northwestern and eastern Corn Belts where additional acres are expected to be planted this year. Spillover strength in wheat also provided support. Corn turned fractionally lower on Tuesday as early support from strong wheat and crude oil evaporated into the close under pressure from pre-report profit-taking and better than expected corn planting progress (40% completed versus expectations of 30%). Corn prices tumbled sharply on Wednesday under pressure from higher than expected ending stock estimates in both the current marketing year 2010/11 and next marketing year 2011/12, amplified by headwinds from bearish investor sentiment. Corn shrugged off outside weakness to close modestly higher today (Thursday) on talk of wetter weather in the forecast and rumors that China will be back in the market for corn imports in the 4th quarter of this year. **July 2011 corn futures contract closed Thursday, 05/12/11, at \$6.80 ½, down \$0.05 ¾ and the Sept 2011 contact closed at \$6.53, down \$.15 ¼ for the week.**

OTHER MAJOR FACTORS TO WATCH –

- **CRUDE OIL** – Crude oil began the week on an upswing from better than expected economic data in emerging markets where energy demand is rising, and a global equity rally. Markets then collapsed mid week under the weight of a bearish domestic inventory report, higher US dollar, lower U.S. gasoline demand and lower than expected industrial output in China. Crude closed above \$102/bbl on Monday, \$103.88/bbl on Tuesday, but then **fell \$5.67 to close at \$98.21/bbl on Wednesday.** The weekly government petroleum stocks report was bearish this week, showing crude oil stocks increased by 3.8 million bbls, compared to an expected build of 1.5 million bbls; distillate supplies fell by 0.8 million bbls; and gasoline stocks reversed an 11 week trend and turned sharply higher, increasing by 1.3 million bbls, compared to an expected draw of 0.75 million bbls. Domestic gasoline demand fell by 2.4% last week, the largest drop in 7 weeks. **The International Energy Agency (IEA) also confirmed bearish global fundamentals, showing a slowing demand pace in recent weeks.** They reduced their global demand by 200,000 barrels per day for 2011 or about 0.2% based on a lower GDP forecast for advanced economies. IEA pegs global oil demand will average 89.2 million barrels per day during 2011, up 1.5% from the 2010 average of 87.9 mbp. **Crude oil prices extended their heavy selling early in Thursday's session on bearish domestic inventories and bearish world demand estimates but then stabilized to close modestly higher – up \$.76 to finish at \$98.97/bbl.**

- **U.S. WEATHER / CROP WATCH** – A slow (west to east) moving storm continued to bring light showers to the northwestern Corn Belt over the weekend into the early part of this week. By mid week this moisture was concentrated in the already water logged mid-Mississippi River region and is expected to settle into the eastern belt by this weekend. Parched areas of the Central Plains received some beneficial moisture, while the Northern Plains spring region continued to struggle to catch up on planting progress. **Winter wheat** – The weekly U.S. wheat condition index continued to deteriorate to the third lowest score on record at 275, down 4 pts from the previous week and down 95 points from last year. Last week's **Wheat Quality Tour pegged Kansas' wheat yield at 37.4 bpa, with production of 256.7 million bu, but conditions deteriorated sharply last weekend, likely shaving 4 bushels off of that yield target.** Scattered showers mid week provided some relief to parts of central KS, southeastern CO and NE and these areas should continue to see good rain coverage in the 6-10 day period. However, **moisture has arrived too late to benefit about one-half of**

the HRW belt (southern KS, OK and TX) where conditions quickly deteriorated this week from very hot and windy conditions. **Spring wheat** –While the western 2/3 of the Canadian grain belt saw more favorable planting conditions this week, much of the Northern U.S. Plains and eastern Prairies continued to see periodic rain showers and planting progress lagged well behind normal, particularly in North Dakota and northern Minnesota. **Corn** – After good planting progress last week, the WCB saw more moisture early this week which slowed field work. Conditions remained wet across much of the Corn Belt this week and will likely extend into early next week, where the moisture will be concentrated over the already saturated northern and eastern Corn Belts. **The 6-10 day outlook shows cool but dry conditions, which should aid planting progress but will be followed by a wet pattern in the 11-15 day period.**

▪ **INTERNATIONAL WEATHER / CROPS -**

- **Canada** – Limited rains and warmer temperatures allowed significant seeding to occur in the northwestern two-thirds of the Canadian Prairies, while the eastern edge continued to see rain delays. Planting progress is expected to continue to accelerate for the next week but then could turn wetter again.
- **Europe** – Scattered showers last weekend into this week brought some relief to the UK and southern sections of France and Germany (about 40% of the grain area), while other regions remained stressed. **According to the French Grains Technology Institute, the French wheat crop could suffer at least a 5% yield decline this year due to the second hottest and driest April on record (rainfall was 70% of normal). The Institute disputes other reports of irreversible yield losses of 10-15%.**
- **Former Soviet Union** – Showers tapered off in the western regions while lingering across the Volga Valle, allowing spring grain planting to resume in most areas. The central belt remains on the dry side.
- **Middle East** – More rains continued to benefit winter grain crops but also were raising concerns about disease and crop quality.
- **Northern Africa** – Wet conditions persisted, slowing crop maturation and harvest.
- **China** – Continued to see favorable showers this week easing drought concerns somewhat but many analysts believe there has been some irreversible yield losses in the North China Plains winter wheat crop. Showers favored emerging corn crops in Manchuria.
- **Argentina** – Cool dry conditions favored corn and soybean harvesting.
- **Australia** – While winter grain planting is still weeks away, very dry conditions across Western Australia are already raising red flags about potential planting delays and poor germination conditions.

USDA Crop Progress / Condition Report, May 9, 2011

| Crop | % Planted | Previous Week | Previous Year | 5-Year Average | Condition rating % good/excellent | Previous Week | Previous Year |
|------------------------|--|---------------------------------|---------------------------------|---------------------------------|-----------------------------------|---------------|---------------|
| U.S. barley | 29% | 18% | 62% | 60% | | | |
| ID barley | 65% | 50% | 74% | 70% | | | |
| U.S. spring wheat | 22% | 10% | 65% | 61% | | | |
| ID spring wheat | 66% | 51% | 79% | 80% | | | |
| U.S. winter wheat | 42% headed | 33% | 39% | 40% | 33% | 34% | 66% |
| ID winter wheat | 0% headed 22% jointed | 0% 16% jointed | 0% 23% jointed | 0% 29% jointed | 83% | 81% | |
| Corn | 40% | 13% | 80% | 59% | | | |