

Idaho Grain Market Report, August 25, 2011

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

IBC will host a **Grain Market Outlook Webinar on Wednesday, Sept. 7 at 6:30 a.m. MDT** to help Idaho malting barley producers prepare for the upcoming 2012 malting barley contract season. To participate, simply log on to <https://connect.cals.uidaho.edu/barley>. This webinar will be recorded and available to download later that day from the IBC website at www.idahobarley.org

Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, August 24, 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) \$13.05 (6-R) \$13.05	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	\$12.00	(2-R) NQ (6-R) NQ	\$7.15	\$7.63	\$8.88
Idaho Falls	\$11.50	(2-R) \$13.02-\$13.25 (6-R) \$13.02	\$7.00	\$7.36	\$8.94
Blackfoot / Pocatello	\$12.00	(2-R) \$13.05 (6-R) \$13.05	\$7.00	NQ	NQ
Grace / Soda Springs	\$12.30	(2-R) NQ (6-R) NQ	\$7.00	\$7.22	\$8.95
Burley / Rupert	\$12.50	(2-R) \$13.02 (6-R) \$13.02	\$7.00-\$7.10	\$7.22	\$8.60
Hazelton					
Twin Falls / Eden / Buhl	\$13.00	(2-R) NQ (6-R) NQ	\$6.75-\$7.50	NQ	NQ
Weiser	\$12.00	(2-R) NQ (6-R) NQ	\$6.23	NQ	NQ
Nez Perce / Craigmont	\$10.35	(2-R) \$10.35 (6-R) \$10.35	\$6.44	\$8.04	\$9.36
Lewiston	\$10.60	(2-R) \$10.60 (6-R) \$10.60	\$6.63	\$8.23	\$9.55
Moscow / Genesee	\$10.40-\$11.75	(2-R) \$10.40 (6-R) \$10.40	\$6.40-\$7.15	\$8.00-\$8.80	\$9.32-\$10.09

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	Sept \$7.05-\$7.25 Dec \$7.20-\$7.45	Aug \$8.65-\$8.79	NQ
Los Angeles	\$15.20	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	\$15.20	NQ	NQ	NQ	NQ	NQ
Ogden	\$12.45	NQ	NQ	\$7.25	\$9.39	\$9.12
Great Falls	\$10.00	NQ	\$13.00	NQ	\$8.82-\$9.09	\$6.49-\$6.76
Minneapolis	\$11.15	NQ	\$16.35	NQ	\$8.62 ½ (12%)	\$10.32 ½

Market trends this week

BARLEY – Local barley prices were higher, ranging from \$.25 to \$2.00 higher in southern Idaho and no change to \$.25 higher in northern Idaho. USDA reported that there were no barley export sales or shipments last week.

Barley Competitor/Buyer News - Stats Canada pegged the 2011 Canadian barley crop this week at 8.274 MMT, up nearly 9% from last year and in line with USDA's August 11 estimate of 8.2 MMT.

WHEAT – Local wheat prices were also higher this week: SWW ranged from 5 to 50 cents higher; HRW ranged from 29 to 67 cents higher; and DNS ranged from 18 to 56 cents higher. USDA reported wheat export sales last week were below trade expectations at 347.1 TMT, down 37% from the previous week and 27% from the 4-week average. Export shipments totaled 469 TMT, down 27% from the previous week and 19% from the 4-week average. Cumulative wheat

export sales for MY 2011/12 are now running at a pace of 39.5% of the year's estimated sales compared to a 5-year average of 40.4%.

IGC's Wheat S&D Estimates for MY 2011/12 – The International Grains Council (IGC) released their monthly grain S&D projections on August 25, increasing world wheat production by 2 MMT this month to **677 MMT**, up 4% from last year. World wheat carryover also was adjusted 1 MMT higher this month to **191 MMT**, down slightly from last year. IGC confirmed that **milling quality stocks remain tight in light of U.S. spring wheat crop uncertainties and rain damage in parts of Europe**. Due to the tightness in U.S. corn stocks, IGC also is projecting a **20 year high in the amount of wheat that will be fed to livestock** – rising to 125 MMT this year. **On August 11, USDA pegged world wheat production at 672 MMT and ending stocks at 189 MMT.**

Wheat Competitor/Buyer News – Stats Canada pegged the 2011 Canadian wheat crop this week at 24.1 MMT, about 0.5 MMT above trade expectations and nearly 4% above last year. This estimate is well above USDA's Aug. 11 estimate of 21.5 MMT. Egypt purchased 180 TMT of wheat this week, all from Russia.

CORN – Corn export sales last week were within trade expectations at 536.1 TMT for both MY 2011 and 2012, which were up 58% from the previous week and 17% from the 4-week average. Corn export shipments last week totaled 826.2 TMT, down 9% from the previous week and also 9% from the 4-week average. Cumulative corn export sales for MY 2011/12 are now running at a pace of 19.6% of the year's estimated sales compared to a 5-year average of 15.5%.

Ethanol corn usage – DOE's Energy Information Agency reported an uptick in U.S. ethanol production last week, totaling 904,000 bbls, up 0.5% from the previous week and up 8.26% from last year.

IGC's Corn S&D Estimates for MY 2011/12 – The IGC cut their world corn production estimate by 10 MMT to **849 MMT** – still a new record high production and 3% above last year – based on declining production prospects in the U.S. World corn carryover also was cut by 4 MMT this month to **118 MMT**, down 6% from last year, again due mostly to a sharp draw-down in U.S. corn stocks. World corn trade was cut by 1 MMT this month to 93 MMT, unchanged from last year, in the face of increased feed wheat competition. **On August 11, USDA pegged world corn production at 860.5 MMT and ending stocks at 114.5 MMT.**

Futures market activity this week

After the recent extreme volatility in equities and commodities (gold saw wild action this week), investors remain cautious about their appetite for risk and remain worried about continuing euro debt problems and weakening growth prospects for both the U.S. and global economies. For now, all eyes are on the Federal Reserve which is holding an annual conference in Jackson Hole and expectations that Fed Chairman Ben Bernanke might announce they are working on another round of stimulus (QE3). While hopes of such an announcement seem to be fading, the markets could react negatively tomorrow as traders exit for the weekend. From a fundamental standpoint the grain markets are well supported, but investor worries which seem to change almost daily could lead to more extreme volatility in the weeks and months ahead.

WHEAT – Wheat posted modest gains on Monday with support from a more bullish tone across commodity markets and a lower US dollar early in the session. Gains eroded into the close as the dollar pushed higher and gains on Wall Street eroded. Tuesday saw an impressive bounce higher with support from a weaker dollar and continued talk of crop problems in several regions, including rain damage in the German wheat crop, disappointing U.S. spring wheat yields and persistent drought in at least 1/3 of the US hard red winter wheat belt which needs to be planted in the next month. Wheat drifted lower on Wednesday, after early session gains, with MGE leading the decline as profit-taking was triggered by a higher than expected Canadian wheat production estimate and generally overbought conditions. Wheat finished moderately higher today (Thursday) - leading the gains in grains - on short covering and new fund buying sparked by a recovery in gold and heightened concerns about poor U.S. winter wheat planting conditions and tightening milling quality stocks.

Wheat futures market closes on Thursday, 08/25/11...

	Sept 2011	Weekly Summary	Dec 2011	Weekly Summary
Chicago	\$7.57 ¼	Up \$0.26 ½	\$7.87 ¾	Up \$0.26 ½
Kansas City	\$ 8.47 ¾	Up \$0.28 ¾	\$8.72 ½	Up \$0.34 ¾
Minneapolis DNS	\$9.34 ¾	Down \$0.10 ½	\$9.20	Down \$0.00 ¾

CORN – Corn markets began the week solidly higher with December posting new contract highs, lifted by positive outside markets, confirmation of strong domestic feed demand (cattle on feed up 8% and placements up a whopping 22%) and ideas that weekend rains were not sufficient to ease stress in many key production areas in the heart of the Corn Belt. However, gains were limited by a mid day set back in equities. Corn extended its gains on Tuesday with continued support from Midwest crop tour that reports highly variable yield expectations in a year when every bushel will count. Wednesday saw a third consecutive day of contract highs in the December contract, but then drifted fractionally lower into the close on profit-taking sparked by a sharp sell-off in gold. However, **underlying support from expectations of a sub-par crop remains in place, underscored by a new crop estimate from the Commodity Weather Group which has pegged the 2011 yield at 148.7 bpa and output at 12.485 billion bu, compared to USDA's August yield forecast of 153 bpa and production at 12.914 billion bu.** This week's corn crop tour results won't be released until Friday. Corn posted fractional gains today (Thursday), with spillover support from a strong recovery in gold helping to offset early profit-

taking pressure. **Sept 2011 corn futures contract closed Thursday, 08/25/11, at \$7.32 ¼, up \$0.21 ¼ and the Dec 2011 contact closed at \$7.43 ½, up \$.18 ¼ for the week.**

OTHER MAJOR FACTORS TO WATCH –

▪ **CRUDE OIL** – Crude oil chopped higher this week in an attempt to erase sharp losses suffered last week. Prices moved \$1.86 higher to close at \$84.12/bbl on Monday, followed by another \$1.02 gain on Tuesday to close at \$85.44/bbl, with support from a weaker dollar and surging stock market. Crude oil prices ground modestly lower on Wednesday – down \$.28 to close at \$85.16/bbl – under pressure from renewed weakness in global equities and a very mixed demand outlook. The weekly government petroleum stocks report was a mixed picture again this week, showing an unexpected drop in crude oil and an equally unexpected build in gasoline supplies. Crude oil stocks declined by 2.21 million bbls, compared to an expected increase of 1.75 million bbls; distillates increased by 1.73 million bbls; and gasoline stocks increased by 1.36 million bbls, compared to an expected draw of 1.0 million bbls. Crude oil held its value just above \$85 today (Thursday), closing up \$0.14 to \$85.30/bbl.

▪ **U.S. WEATHER / CROP WATCH** – Temperatures were mostly moderate across much of the Midwest this week and several storm systems moved across the upper and mid Mississippi River Valley, but moisture levels continued to be disappointing in many dry areas in Iowa and Illinois. **About 20% of the belt remains unfavorably dry during grain fill.** The Northern Plains were mostly dry this week allowing spring grain harvest to push ahead, but rains are expected to return this weekend and again late in the 6-10 day period. By contrast, the Southern Plains continued to experience persistent drought, which could cause serious germination problems for about 1/3 of the hard red winter wheat crop. This week's corn crop tour confirmed highly variable yield expectations. **The 6-10 day outlook shows a cold front and moisture pushing into the northwestern edge of the Corn Belt early in the period and the possibility of badly needed moisture in the southwest. A general warm up is expected across the remainder of the region. Current 16-30 day outlook suggests only minor harvest delays.**

▪ **INTERNATIONAL WEATHER / CROP WATCH**

- **Canada** – Mostly favorable conditions continued across much of the Prairies, but cooler temperatures and moisture in the nearby outlook could slow crop maturation and harvest, particularly in the Eastern Prairies.
- **Europe** – Northern Europe continued to see more rain which has been unfavorable for small grain harvest but beneficial for summer crops. Persistent rains during harvest have raised milling quality concerns, pushing European milling wheat futures prices higher this week. Rains could ease up this weekend into early next week.
- **Former Soviet Union** – Ukraine continued to see some wet weather harvest delays but Russia saw favorable warm and dry conditions which accelerated small grain maturation and harvest.
- **China** – Rains benefitted filling corn in the northeastern region but slowed early harvest progress on the North China Plains. However, satellite maps show poor vegetative health in the corn crop compared to a year ago due to moisture stress earlier in the crop season.
- **Argentina** – Beneficial moisture was received in southern wheat growing areas, while northern production areas **received notable frost last weekend, affecting about 10% of that country's wheat crop.**
- **Australia** – After recent beneficial moisture, conditions turned mostly drier this week, but showers could push into the dry northeastern region by the end of this week and into early next week.

USDA Crop Progress / Condition Report, August 22, 2011

Crop	% Progress	Previous Week	Previous Year	5-Year Average	Condition rating % good/excellent	Previous Week	Previous Year
U.S. barley	25% harvested	8%	45%	55%	66%	68%	84%
ID barley	23% harvested	8%	28%	41%	88%	88%	
U.S. spring wheat	21% harvested	13%	49%	56%	62%	66%	82%
ID spring wheat	17% harvested	7%	13%	39%	86%	87%	
U.S. winter wheat	94% harvested	91%	94%	97%			
ID winter wheat	47% harvested	20%	56%	75%	75%	76%	
Corn	73% dough 33% dented	52% 17%	86% 51%	73% 37%	57%	60%	70%