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Idaho Barley NewsBrief

Inside this Edition:

Idaho barley check-off dollars at work…

IBC has won its 9th competitive grant from the Western Center for Risk Management Education based at WSU to conduct grain risk management education across Idaho. The newest award for $15,000 will allow the IBC to collaborate with grain extension faculty in several southern, eastern and northern Idaho counties to offer a series of Farm Business Management webinars and local training sessions in Jerome, Burley, Pocatello, Rexburg, Craigmont, Genesee and Coeur d'Alene.

IBC has been awarded a total of $108,500 in competitive risk management education grants since 2001.

USDA releases first outlook for new marketing year 2011/2012

USDA's first Global Grain Supply & Demand snapshot for the New Marketing Year 2011/12. was released May 11, 2011..

BARLEY—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.**

WHEAT - 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%.**

CORN – **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** (a 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

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Policy Watch - Ethanol subsidies at center of heated federal budget debate

Ethanol is a great American success story but is its future in doubt?

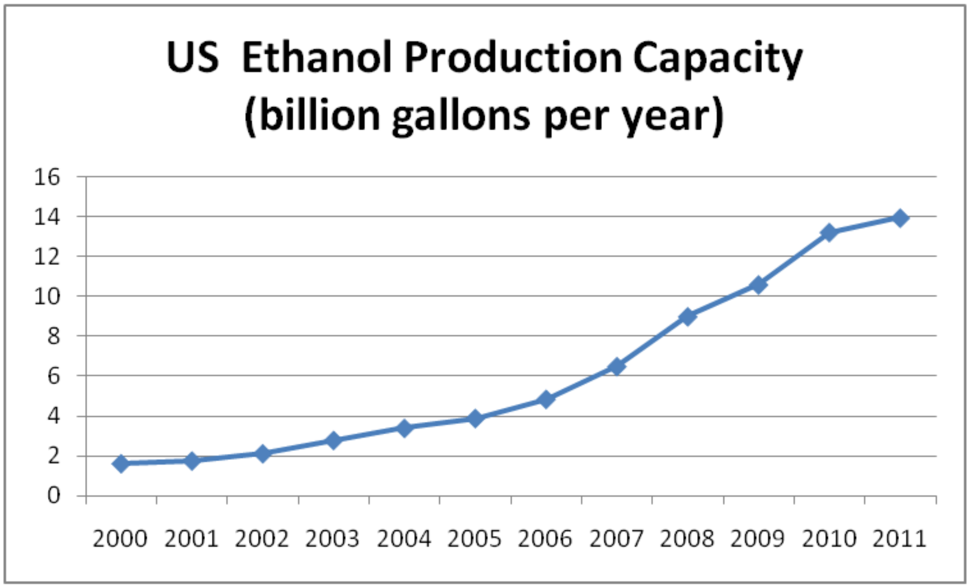
Without question, the rise of corn-based ethanol production in this country has created a **huge new demand for U.S. corn which has helped underpin strong farm-gate prices that we have seen in recent years.** This success story has received some critical help along the way from federal policymakers and taxpayers but in return has helped displace more imported oil than we source from Saudi Arabia each year and has reduced the price of gasoline at the retail pump by 15-50 cents per gallon, according to economists at the Department of Energy and Iowa State University.

Starting with the 45-cent-per-gallon ethanol blending tax credit in 2004 and significantly augmented by both the 2005 and 2007 energy bills which introduced and expanded the Renewable Fuels Standard or blending mandate, **ethanol production has skyrocketed in the past five years in this country - rising from 3.9 billion gallons per year in 2005 to about 13.2 billion gallons in 2010. The U.S. Department of Agriculture is currently projecting that 5 billion bushels of U.S. corn will be used to manufacture ethanol in the current marketing year, or about 35% of the total corn supply.**

This rising star is not without its critics who blame subsidized ethanol as one of the principal causes for higher livestock feed costs and the current estimated 3-4% rise in food costs around the world. Supporters say that simply isn't true. **Iowa State University agricultural economists recently completed an in-depth study to estimate just how much ethanol subsidies have really affected corn prices** and offer the following conclusions:

- The general corn price trends since 2005 – rising prices in 2006 and 2007, followed by a price spike in 2008 and a sharp price decline in 2009 – would have occurred without ethanol subsidies or even if corn ethanol production had not expanded.
- The rapid expansion in corn ethanol processing starting in 2005 and 2006 would have occurred even without subsidies because of a combination of cheap corn, phase-out of MTBE additive and higher crude oil prices made ethanol plants profitable.
- Together, the ethanol expansion from market-based forces and from subsidies only account for 32% of the average increase in the corn price, meaning that 68% of the rise in corn prices can be attributed to other market forces.

This battle over the merits of corn ethanol has been waged in editorial pages across the country but now shifts back to Congress who must decide whether to **renew the 45-cent blenders tax credit and 54-cent import tariff which are scheduled to expire at the end of 2011.** And not surprisingly ethanol incentives, like almost all domestic spending, has come under the cross-hairs of ardent budget cutters. According to Bob Dinneen, President of the Renewable Fuels Association, an ethanol advocacy group, "given the current budget concerns and the maturing nature of existing ethanol production, the ethanol blenders credit is ripe for transformation. One idea is to transition to a variable tax credit tied to the price of oil." Dinneen emphasizes that "America's desire to reduce our dependence on imported oil cannot be achieved without the market expansion for ethanol… so policies that help continue ethanol's evolution must be maintained and expanded, such as expanding incentives for the installation of ethanol blender pumps capable of offering a range of fuel blends from zero percent ethanol up to 85 percent known as E85. That means working with automakers, retailers and other stakeholders to permanently remove any ethanol blender walls."



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Global Grain Outlook for MY 2011/21, continued from page 1

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.**