

Idaho Grain Market Report, October 2, 2008

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

Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, October 1, 2008. 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) \$13.50 (6-R) \$13.50 | NQ | NQ | NQ |
| Rexburg/ Ririe/ Roberts | NQ | (2-R) NQ (6-R) NQ | NQ | NQ | NQ |
| Idaho Falls | NQ | (2-R) \$14.00 (6-R) \$14.00 | NQ | NQ | NQ |
| Blackfoot / Pocatello | \$9.15 | (2-R) \$13.50 (6-R) \$13.50 | NQ | \$6.09 | \$7.28 |
| Grace / Soda Springs | \$9.20-\$9.75 | (2-R) NQ (6-R) NQ | \$5.20 | \$6.15-\$6.19 | \$7.24-\$7.26 |
| Burley / Rupert Hazelton | \$8.50-\$9.00 | (2-R) \$14.00 (6-R) NQ | \$5.25-\$5.55 | \$5.48 | \$5.83 |
| Twin Falls / Eden / Buhl | \$9.20 | (2-R) NQ (6-R) NQ | \$5.20-\$6.25 | NQ | NQ |
| Weiser | \$8.50 | (2-R) NQ (6-R) NQ | \$5.18 | NQ | NQ |
| Nez Perce / Craigmont | \$6.78 | (2-R) \$8.28 (6-R) \$8.28 | \$5.66 | \$6.92 | \$8.10 |
| Lewiston | \$7.23 | (2-R) \$8.73 (6-R) \$8.73 | \$5.85 | \$7.11 | \$8.29 |
| Moscow / Genesee | \$6.83 | (2-R) \$8.33 (6-R) \$8.33 | \$5.62-\$6.40 | \$6.88-\$7.64 | \$8.06-\$8.74 |

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 | Oct \$6.25-\$6.40 Nov \$6.30-\$6.45 | Oct \$7.49-\$7.64 | Oct \$8.54-\$8.79 |
| Los Angeles | \$11.00 | NQ | NQ | NQ | NQ | NQ |
| Stockton | \$11.50-\$12.00 | NQ | NQ | NQ | NQ | NQ |
| Tulare | \$11.00 | NQ | NQ | NQ | NQ | NQ |
| Ogden | \$9.65 | NQ | NQ | \$6.00 | \$6.47 | \$7.62 |
| Great Falls | \$6.70-\$7.50 | NQ | \$12.00 | NQ | \$5.79-\$6.23 | \$7.20-\$7.82 |
| Minneapolis | \$7.81 | NQ | NQ | NQ | \$6.86 ½ (12%) | \$7.63 ½ -\$7.68 ½ |

Market trends this week

BARLEY – Local barley prices were lower again this week. Barley export sales last week totaled 1.1 TMT for Japan. Barley export shipments last week totaled 27.6 TMT for Japan and Canada.

Final 2008 Barley Production Estimate – USDA released its annual Small Grains Production Summary on September 30, showing U.S. barley production at 239.5 million bu, up 21 million bu from the August estimate and 13% above 2007. Idaho barley production was pegged at 49.88 million bu, up 13% from 2007.

Quarterly Barley Stocks, Sept. 30, 2008 – USDA pegged barley stocks as of September 1 at 207 million bu, up 10% from a year ago. The implied disappearance for the period June through August 2008 was 100 million bu, up 9% from the same period a year ago.

Barley Competitor/Buyer News - Stats Canada released its new crop projections for the year on Thursday, showing Canadian barley production above trade expectations at 11.2 MMT, which is 4% above last month's estimate.

WHEAT – Local wheat prices were also lower this week. Wheat export sales last week exceeded trade expectations at 651.9 TMT, which was 229% above the previous week and 42% above the prior 4-week average. Export shipments last week totaled 632.3 TMT, down 13% from the previous week and 10% from the prior 4-week average. Cumulative wheat export sales have reached 62.7% of the USDA forecast for the year, compared to a 5-year average of 51.8%.

Final 2008 Wheat Production Estimate – USDA has pegged the 2008 all wheat production estimate at 2.499 billion bu, up 37 million bu from the August estimate and 21% above 2007. Idaho wheat production was pegged at 98.17 million bu, up 17% from 2007.

Quarterly Wheat Stocks, Sept. 30, 2008 – USDA pegged wheat stocks as of September 1 at 1.86 billion bu, up 8% from a year ago. This was 75 million bu below the average pre-report trade estimate of 1.932 billion bu. The implied disappearance for the period June through August 2008 was 949 million bu, up 18% from the same period a year ago.

Wheat Competitor/Buyer News – Stats Canada is now showing Canadian wheat production at 27.27 MMT, up 7% from last month's projection. Iran reported they will need to import as much as 5 to 6 MMT of wheat this year, but says none of it will be sourced from the U.S.

CORN - Corn export sales last week were on the high end of trade expectations at 568.5 TMT, up 4% from the previous week. Export shipments last week totaled a strong 1.17 MMT, up 17% from the previous week and 37% from the prior 4-week average. Cumulative wheat export sales have reached 26.6% of the USDA forecast for the year, compared to a 5-year average of 26.7%.

Quarterly Corn Stocks, Sept. 30, 2008 – USDA pegged old crop corn stocks as of September 1 at 1.624 billion bu, up 25% from a year ago. This was 78 million bu above the average pre-report trade estimate of 1.546 billion bu. The implied disappearance for the period June through August 2008 was 2.4 billion bu, up 8% from the same period a year ago.

Corn Competitor/Buyer News – Argentine farmers will halt grain sales, starting Friday, for the next 6 days to demand lower export taxes and government help for producers who are facing the worst drought in 100 years.

Futures market activity this week

The cycle of investor panic and pessimism continued to weigh ag markets this week. It is estimated that the index funds have liquidated at least \$50 billion in long positions during the past 2 months, with the largest decline in commodities and energies. A higher U.S. dollar, which closed at its highest level in the past year against the euro, also is weighing on commodity markets.

Wheat – Wheat markets began the week sharply lower under pressure from a collapse of the U.S. stock market (Dow Jones saw its largest single day drop of nearly 778 pts) that was largely triggered by the House's stunning defeat of a financial rescue plan. News of European bank problems provided additional bearish pressure. Wheat prices reversed direction on Tuesday, moving higher on short covering and a lower than expected quarterly wheat stocks estimate from USDA. However, the gains were short-lived as wheat prices turned lower again on Wednesday on profit taking and a sharply higher US dollar. Despite the Senate's passage of a massive financial rescue plan which now includes new tax incentives (vote of 74-25 on Wednesday evening), wheat prices fell sharply today (Thursday) in the face of a widespread stock and commodity selloff. **Wheat market closes on Thursday, 10/02...**

| | <u>Dec. 08</u> | <u>Weekly Summary</u> | <u>Mar. 09</u> | <u>Weekly Summary</u> |
|-----------------|----------------|-----------------------|----------------|-----------------------|
| Chicago | \$6.36 | Down \$.80 | \$6.57 ¾ | Down \$.79 ¼ |
| Kansas City | \$6.68 ¾ | Down \$.77 | \$6.88 ¾ | Down \$.77 |
| Minneapolis DNS | \$7.05 ¼ | Down \$.84 ½ | \$7.20 ¾ | Down \$.80 ½ |

Corn – Corn prices began the week limit down under the weight of investor fears and on prospects of weaker demand. Prices continued lower on Tuesday under pressure from a bearish corn stocks report from USDA which showed higher than expected quarterly stocks on September 1. This suggests lower feed and/or ethanol usage in the past three months. Wednesday saw prices chop lower under pressure from negative outside market influences (lower crude oil and a higher dollar). Corn finished sharply lower today (Thursday) on investor uncertainties and generally favorable harvest weather, which should accelerate harvest hedge pressures. **Dec 08 corn contract closed on Thursday, 10/02, at \$4.54, down \$.89 for the week and the Mar 09 contract at \$4.73, down \$.88 for the week.**

Major Factors to Watch

- § **Crude oil** – Crude oil began the week falling nearly 10% on fears of increasing turbulence in the financial markets in the wake of the House’s failure to pass a financial market rescue plan on Monday. Expectations of lower energy demand also continued to weigh on crude oil futures. Prices rallied on Tuesday on a surge in optimism in the stock market that an attempt will be made to resurrect the congressional rescue plan later this week. Crude prices fell on Wednesday on a bigger than expected build in U.S. inventory, providing further evidence that demand is shrinking. To underscore global weakness, Japan’s oil demand in August was reported to have fallen to a 21 year low, down nearly 12%.
- § **U.S. Weather Watch** –The NWS 6-10 day forecast calls for above normal temps across the midwestern region and above normal precipitation in the western Corn Belt and dry conditions in the east. Weather was mostly favorable this week, but corn dry-down and maturation is taking longer than expected in many production areas.
- § **Southern Hemisphere grain crops – Australian** growing conditions have been a mixed bag in the past several days, with the Western and Eastern regions seeing beneficial moisture. Frost damage was reported in Western Australia. **Hot windy conditions in South Australia reportedly have caused substantial crop damage in that state (region was expected to produce 15% of the country’s wheat crop and 28% of the barley crop). New wheat crop estimates have surfaced this week** – the National Australia Bank has pegged the Australian wheat crop at 20.8 MMT and the USDA Ag Attache in Canberra has projected 21.6 MMT. This compares with ABARE’s official crop estimate last week of 22.5 MMT and USDA’s mid Sept. estimate of 22 MMT. **Argentina** also has seen beneficial showers in the past week and more rain was expected this week. However, **possible freezing temperatures also were forecast for this coming weekend.**
- § **International Weather/Crop Watch** –
 - **Europe** – Drier weather in Western Europe continued to favor spring grain harvest and winter grain planting. Meanwhile, continued showers in the Balkans helped alleviate recent drought conditions but slowed final grain harvesting and winter grain planting.
 - **Russia / Ukraine** – Showers continued to slow completion of grain harvest and winter grain planting in the south, but dry weather in Siberia aided spring grain harvesting. Ukraine saw early-week rain which interrupted corn harvest and winter grain planting but boosted topsoil moisture.
 - **Middle East** – Turkey finally received some beneficial rainfall, helping to ease long-term drought affects. Other areas remained in the grips of a prolonged drought, including Iran which now expects to import several million tons of wheat this year.
 - **Canada** – Mostly warm, dry conditions favored grain harvesting.
 - **Australia** – Conditions remain mixed for reproductive grains. Western Australia saw soaking rains that provided a welcome boost to topsoil moisture, but a recent freeze may have caused some crop damage. Widespread showers in New South Wales favored filling winter grain, with more rains expected this week. South Australian grain crops have been damaged by recent hot/dry windy conditions.
 - **Argentina** – Showers across Central Argentina brought some welcome relief to persistent dry conditions, with more beneficial rains expected this week. Freezing temperatures are possible this coming weekend.

USDA Crop Progress / Condition Report, Sept. 29, 2008

| Crop | Crop Progress | Previous Week | Previous Year | 5-Year Average | Condition rating % good/excellent | Previous Week | Previous Year |
|-----------------|----------------------------|---------------|---------------|----------------|-----------------------------------|---------------|---------------|
| US barley | 97% harvested | 94% | 100% | 99% | | | |
| ID barley | 96% harvested | 92% | 100% | 99% | | | |
| US winter wheat | 42% planted | 22% | 38% | 45% | | | |
| ID winter wheat | 50% planted | 32% | 49% | 43% | | | |
| US corn | 52% mature 9% harvested | 33% 5% | 88% 29% | 79% 21% | 61% | 59% | 63% |