Market Perspectives

January 31, 2014

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
$/Bu	**Monday 27 January**	**Tuesday 28 January**	**Wednesday 29 January**	**Thursday 30 January**	**Friday 31 January**
Change	0.0225	0.0025	-0.0450	0.0600	0.0050
Closing Price	4.3175	4.3200	4.2750	4.3350	4.3400
Factors Affecting the Market	A large export sales announcement by USDA kept corn futures contracts firm throughout the day. Cold weather was also slowing down grain movement.	USDA announced that Spain purchased U.S. corn. Prices in South America and Ukraine were both higher than U.S. corn export prices.	The March corn contract closed lower, but that was not much of a bearish indicator due to commercial interest in the spot market.	Corn contracts gained back the prior day's losses and then some due to a third day of reported strong export sales. The March contract appeared firm.	Robust export sales and commercial interest allowed March corn to work back into the upper end of its recent trading range.

For more information on the contents of this newsletter or the U.S. Grains Council, its mission and programs, please contact Kevin Roepke or Alvaro Cordero at (202) 326-0637.

The U.S. Grains Council is a private, non-profit partnership of producers and agribusinesses committed to building and expanding international markets for U.S. barley, corn, grain sorghum and their products. The Council is headquartered in Washington, D.C., and has nine international offices that oversee programs in more than 50 countries. Financial support from our private industry members, including state checkoffs, agribusinesses, state entities and others, triggers federal matching funds from the USDA resulting in a combined program value of more than $26 million.

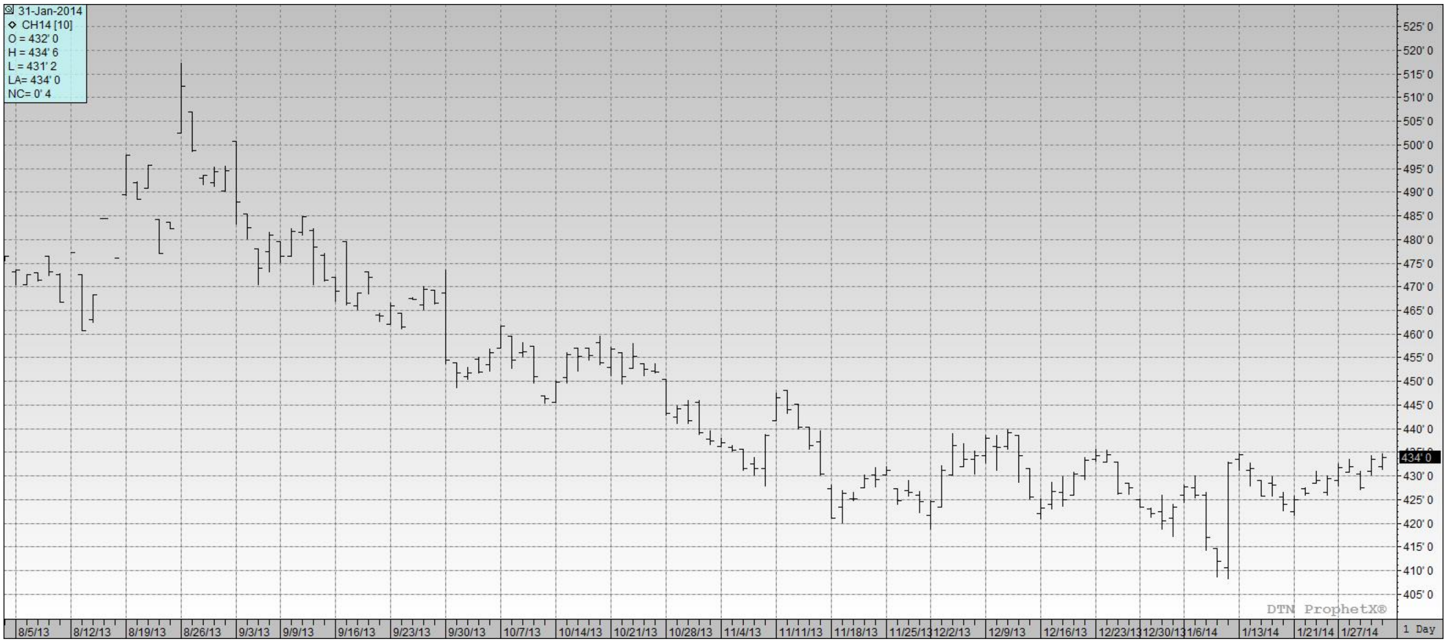
Outlook: The unstable economic and political situations in South America and Ukraine have slowed corn marketing in those regions, and the United States currently has the most favorable pricing for global feed grains. The result is that U.S. corn export sales are moving at a fast clip. Presently more than 85 percent of USDA's 2013/14 annual corn export sales forecast for the United States has occurred, in comparison to a rate that is normally closer to 65 percent. This fact implies that USDA is likely to increase their estimate for U.S. corn exports in the February WASDE.

South American weather is currently forecasting a warmer and drier pattern in central Brazil and improved growing conditions in Argentina. However, the Argentine crop is maturing and Brazil's second corn crop is going into the soil. Drier conditions in Brazil could be momentarily favorable for planting, but soils in central Brazil do not have excellent water retention. As well, Brazil's second corn crop acreage is already anticipated to be down by more than 10 percent. Global feed grain prices could start to work higher if Brazilian weather conditions do not transition back to more favorable patterns as the season progresses for the second corn crop.

A further increase in corn futures prices is likely to entice some U.S. farmer selling of corn, primarily to pay taxes and settle lease rates. However, U.S. farmers are not expected to substantially empty their bins for an additional 15 cents per bushel. Rather, they are more likely wait until the end of March to see U.S. acreage intentions and weather forecasts. In the United States, excessive moisture that causes planting delays often has more of a bullish influence on corn futures prices than do drier conditions that allow early planting. Prices commonly peak in May in years when there are concerns about planting delays.

Foreign buyers seem to recognize that the downside to U.S. feed grain prices is presently limited. The result is very strong U.S. corn exports, and also strong sorghum exports. U.S. sorghum exports are currently running about three times larger than last year.

CBOT MARCH CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending January 31, 2014			
Commodity	**January 31**	**January 24**	**Net Change**
Corn			
Mar 14	434.00	429.50	4.50
May 14	439.50	436.00	3.50
Jul 14	444.00	441.50	2.50
Sep 14	446.25	444.25	2.00
Soybeans			
Mar 14	1282.75	1284.75	-2.00
May 14	1268.50	1270.00	-1.50
Jul 14	1252.00	1257.75	-5.75
Aug 14	1210.50	1218.75	-8.25
Soymeal			
Mar 14	426.10	425.70	0.40
May 14	411.10	410.40	0.70
Jul 14	400.50	401.70	-1.20
Aug 14	386.20	388.90	-2.70
Soyoil			

Mar 14	37.64	37.54	0.10
May 14	37.93	37.90	0.03
Jul 14	38.25	38.27	-0.02
Aug 14	38.38	38.39	-0.01
SRW			
Mar 14	555.75	565.25	-9.50
May 14	558.25	571.50	-13.25
Jul 14	561.50	577.00	-15.50
Sep 14	570.00	585.50	-15.50
HRW			
Mar 14	615.50	627.25	-11.75
May 14	611.00	625.25	-14.25
Jul 14	602.75	619.25	-16.50
Sep 14	612.50	628.75	-16.25
MGEX (HRS)			
Mar 14	604.00	613.00	-9.00
May 14	599.25	613.00	-13.75
Jul 14	607.50	621.00	-13.50
Sep 14	616.00	629.00	-13.00

**Price unit: Cents and quarter-cents/bu (5,000 bu)*

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: During January 31-February 3, locally heavy precipitation amounts (2.5-3.5 inches, liquid equivalent) are expected for the higher elevations of the Cascades, the Sierras, the Bitterroots, the Wasatch, and the Colorado Front Range, which should help to elevate the SWE's in those areas. Moderate precipitation (0.5-1.5 inches) is predicted across the abnormally dry regions of the central Gulf Coast and lower Mississippi Valley, as well as parts of south-central Florida. Elsewhere, precipitation amounts of less than a half-inch are generally forecast.

For the ensuing period of February 4-8, there are elevated odds of above-median precipitation over much of the nation east of the Continental Divide, except for portions of the upper Mississippi Valley and Northern Plains, where odds favor below-median precipitation. Below-median precipitation is also favored for California and southern Arizona. Follow this link to view current U.S. and international weather patterns and the future outlook: Weather and Crop Bulletin.

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U.S. EXPORT STATISTICS

Export Sales and Exports: Week Ending January 23, 2013					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	925,500	422,000	20,850.3	26,105.7	26%
Corn	1,854,100	1,004,100	14,256.6	31,873.9	136%
Sorghum	191,800	68,200	960.2	3,172.7	244%
Barley	0	100	76.6	126.2	3%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 1,837,900 MT for 2013/2014 were up noticeably from the previous week and from the prior 4-week average. Increases were reported for Japan (797,800 MT, including 48,500 MT switched from unknown destinations), unknown destinations (305,900 MT), Spain (270,000 MT), Egypt (120,000 MT) and South Korea (120,000 MT). Decreases were reported for the French West Indies (5,600 MT). Net sales of 105,700 MT for 2014/15 were reported for Japan. Exports of 1,004,100 MT were up 26 percent from the previous week and 38 percent from the prior four-week average. The primary destinations were Japan (381,700 MT), Mexico (230,300 MT), Colombia (94,400 MT), Peru (92,200 MT) and South Korea (60,600 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 55,000 MT, all South Korea. Export Adjustments: Accumulated exports to China were adjusted down 60,000 MT for week ending November 28, 2013. Spain is the new destination for these shipments and is included in this week's report.

Barley: There were no sales reported during the week. Exports of 100 MT were to Taiwan.

Sorghum: Net sales of 190,900 MT for 2013/14 were up noticeably from the previous week and from the prior four-week average. Increases were reported for China (144,100 MT, including 58,000 MT switched from unknown destinations) and Japan (86,500 MT). Decreases were reported for unknown destinations (39,700 MT). Exports of 68,200 MT were to China (60,200 MT) and Japan (8,000 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending January 23, 2013					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	729,034	757,229	14,031,843	7,762,266	181%
Sorghum	60,480	43,842	1,205,836	913,598	132%
Soybeans	2,009,602	1,541,324	30,346,303	25,861,759	117%
Wheat	382,031	423,399	21,724,764	15,904,867	137%
Barley	174	15,393	94,926	121,553	78%

*Source: USDA/AMS. *Marketing Year is June 1-May 31 for wheat and barley and Sept. 1-Aug. 31 for corn, sorghum and soybeans. Week-to-week reports will vary due to exporter reported corrections and cancellations to previous week's reports.*

USDA Grain Inspections for Export Report: Week Ending January 23, 2013						
Last Week (000 bushels)	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	18,584	65%	0	0%	2,284	96%
PNW	5,410	19%	0	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Interior Export Rail	4,402	16%	305	100%	97	4%
Total (1,000 bu)	28,396	100%	305	100%	2,381	100%
Total (Metric Tons)	721,287		7,747		60,480	
White Corn Shipments by Country (MT)			7,620	to Mexico		
			127	to South Korea		
Total White Corn (MT)			7,747			
					60,251	to China
Sorghum Shipments by Country (MT)					229	to Mexico
Total Sorghum (MT)					60,480	

Source: USDA, World Perspectives, Inc.

FOB

Yellow Corn (USD/MT FOB Vessel)				
YC FOB Vessel Max. 15.0% Moisture	**GULF**		**PNW**	
	Basis (#2 YC)	**Flat Price (#2 YC)**	**Basis (#2 YC)**	**Flat Price (#2 YC)**
FH March	-	-	+1.50 H	$229.91
LH March	+1.18 H	$217.31	+1.50 H	$229.91
April	+0.90 K	$208.45	+1.31 K	$224.59
May	+0.85 K	$206.48	+1.31 K	$224.59

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**February**	**March**	**April**
Gulf	$257	$257	-

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	**NOLA**		**TEXAS**	
	Basis	**Flat Price**	**Basis**	**Flat Price**
February	+1.65 H	$235.81	+1.65 H	$235.81

March	+1.65 H	$235.81	+1.65 H	$235.81
April	+1.60 K	$236.01	+1.60 K	$236.01

Barley: Feed Barley (FOB USD/MT)			
	February	**March**	**April**
FOB PNW	$245	$245	$245

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	February	**March**	**April**
New Orleans	$225	$225	$225
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**February**	**March**	**April**
New Orleans	$770	$770	$770
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: January 31, 2014 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**Feb**	**Mar**	**Apr**
Barge CIF New Orleans	297	295	289
FOB Vessel GULF	300	295	282
Rail delivered PNW	297	297	294
Rail delivered California	299	299	295
Mid-Bridge Laredo, TX	298	295	290
40 ft. Containers to South Korea (Busan)	333	333	335
40 ft. Containers to Taiwan (Kaohsiung)	331	331	330
40 ft. Containers to Philippines (Manila)	345	345	340
40 ft. Containers to Indonesia (Jakarta)	344	344	338
40 ft. Containers to Malaysia (Port Kelang)	344	344	338
40 ft. Containers to Vietnam (HCMC)	349	349	350
40 ft. Containers to Japan (Yokohama)	340	340	345
40 ft containers to Thailand (LCMB)	344	344	338
40 ft Containers to Shanghai, China	331	331	330
KC & Elwood, IL Rail Yard (delivered Ramp)	258	257	253

*Source: WPI, *Prices are based on offer indications only; terms of delivery, payment and quality may vary from one supplier to another, impacting the actual value of the price.*

DISTILLERS DRIED GRAINS WITH SOLUBLES (DDGS)

DDGS Comments: The Chinese New Year begins today. Tradition has it that the year of the Wood Horse is about reaching onwards and upwards and planning ahead, and that seems to be exactly what many Asian

DDGS buyers are doing. One DDGS merchandiser reported that various Chinese buyers are quietly making inquiries about possible DDGS pricing shipments in the April-forward time period. In the meantime, Japanese buyers are already in the market and making purchases. Merchandisers report that DDGS sales occurred this week for March shipment to various Japanese destinations such as Tokyo, Kobe and Nagoya.

Domestically, ethanol railcars are currently in tight supply and that is forcing some U.S. ethanol plants to slow down their production, which will have some short-term impact on DDGS production. That development is presently not creating much of a problem. However, various market participants seem concerned that competition is likely to increase going into April.

The preceding outlook section discusses the intensifying global interest in U.S. feed grains. Such interest is expected to influence the DDGS market, as DDGS is increasingly utilized as a protein source. DDGS merchandisers note that domestic demand is presently steady, but domestic buyers are watching market conditions related to China and biotech issues. Meanwhile, some of the Japanese buyers have decided that is it wiser to take action in the existing slower market.

Ethanol Comments: USDA is forecasting that corn used in the production of ethanol and by-products will increase from 4.648 billion bushels in 2012/13 to 5 billion bushels in the current 2013/14 crop year (which runs from September/August). That is approximately an 8 percent year-over-year increase. USDA's predictive ability seems to be accurate when looking at current ethanol production figures that show there is about a 10 percent increase during the September to January period. Relatively strong consumptive demand for this increased production is indicated by the present U.S. ethanol stocks of 16.9 million barrels, a figure 17.6 percent below last year's level of 20.5 million barrels.

Please note that the weekly average ethanol production rate of 900,000 barrels per day (bpd) is 16.9 percent above the level from the same week a year ago of 770,000 bpd, but that is not overly concerning when considering the two year ago production rate. In the 2011/12 season there was an identical 5 billion bushels of corn used by the ethanol industry and total ethanol production during the same week two years ago was 4.1 percent larger (939,000 bpd) than the same week this year. In summary, the current weekly ethanol production levels make sense, total ethanol stocks are not burdensome and ethanol producer margins are implied to be favorable when comparing the corn prices with the value of processing products for facilities in the following locations across the Corn Belt:

- Illinois differential is $3.49 per bushel, in comparison to $3.61 the prior week and $1.66 a year ago.
- Iowa differential is $2.60 per bushel, in comparison to $2.64 the prior week and $1.46 a year ago.
- Nebraska differential is $2.48 per bushel, in comparison to $2.73 the prior week and $1.83 a year ago.
- South Dakota differential is $2.72 per bushel, in comparison to $2.92 the prior week and $1.73 a year ago.

COUNTRY NEWS

Canada: Despite a crippling and unprecedented transportation bottleneck, Canada's large corn harvest is making its way across the Atlantic into the feed rations of Ireland's cattle, according to Reuters. While typically a net-importer, Canada harvested a record 14.2 MMT of corn in 2013. While most of this crop will remain at home for use in ethanol production, around 185,000 MT was shipped abroad between August and December 2013 with almost three-quarters of it slated for Ireland. While the volumes exported this year will be substantially higher than most years, they will likely still fall short of the 600,000 MT exported in 2012/13.

South Africa: South African yellow corn for July delivery declined by 1.6 percent to $199.87/MT, reports Bloomberg News. National corn stockpiles are down by 25 percent compared to this time last year, with yellow corn at 1.33 MMT. Monthly demands for corn are around 900,000 MT, which will have to hold until the April harvest.

South Africa has also delivered the first 20,000 MT of a total of 150,000 MT of corn to Zimbabwe this week, according to WPI. It had previously been delayed due to the holiday season.

Ukraine: Ukraine and Iran have announced that they will be collaborating more closely on the development of joint agricultural efforts with the hoped-for effect of tripling their business dealings together, according to WPI. Ukraine hopes to continue expanding its grain exports to Iran beyond their current annual totals of 2 MMT as well as move further into livestock, food supply and food production.

Zambia: Corn millers continue to voice concern about short corn supplies for milling and that the 30,000 MT released by the government has neither balanced supplies nor halted the rapid increase in corn prices, according to WPI. Millers further allege that the government has yet to discharge the 30,000 MT of corn, and that the process has not started due to administrative complications. As a result of this, prices continue to soar as supplies continue to shrink.

OCEAN FREIGHT MARKETS AND SPREAD

Bulk Freight Indices for HSS — Heavy Grain, Sorghum and Soybeans*			
Route and Vessel Size	**Current Week (USD/MT)**	**Change from Previous Report**	**Remarks**
55,000 U.S. Gulf-Japan	$56.50	Unchanged	Handymax at $57.50/MT
55,000 U.S. PNW- Japan	$28.00	Unchanged	Handymax at $29.00/MT
55,000 U.S. Gulf – China PNW to China	$55.00 $26.00	Unchanged Unchanged	North China
25,000 U.S. Gulf- Veracruz, México	$20.00	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	$17.50	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$25.00 $37.00	Unchanged Unchanged	West Coast Colombia at $35.00 West Coast Colombia from Argentina at $43.00
35,000 U.S. Gulf - Guatemala	$35.00	Unchanged	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$43.00 $45.00	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge

25,000 U.S. Gulf-Morocco	$45.00	Unchanged	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$39.50 $40.00	Unchanged Unchanged	55,000 -60,000 MT St. Lawrence to Egypt $39.00
60-70,000 U.S. Gulf – Europe – Rotterdam	$24.00	Unchanged	Handymax at +$1.50 more
Brazil, Santos – China	$41.50 $40.00	Up $0.50 Up $0.50	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$47.50	Unchanged	—

Source: O'Neil Commodity Consulting
**Numbers for this table based on previous night's closing values.*

OCEAN FREIGHT COMMENTS

Transportation and Export Report: Jay O'Neil, O'Neil Commodity Consulting: Xin Nian Kuei Le and Gong Xi Fa Cai. It is the Lunar New Year and the Chinese Golden week celebration has begun. If the markets were not already quiet enough, then they will be more so over the next seven days.

World ocean freight markets remain soft and defensive with very little trading. It is therefore difficult to peg specific values. The Baltic indices are lower, but I have to leave most freight rates unchanged due to the lack of activity. The expectation (hope) is that things will pick up in a week or so when everyone is back at work and the South American grain harvest gains momentum. U.S. grain and oilseed exports are continuing at a very good pace and are soaking up much of our export capacity for the next three months. U.S. Gulf and PNW Export elevations should remain tight through April unless the Chinese cancel (swap out) some of their U.S. soybean purchases. World grain buyers would be well advised to keep their logistical needs covered three or more months forward and to buy CIF to protect their delivery requirements. Shipment logistics are already messy and likely to get worse as South American programs get underway. Buying grains, oilseeds and freight is not the problem; getting them loaded and shipped in a timely fashion is.

Baltic Panamax Dry-Bulk Indices				
January 31, 2014 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	21,710	22,613	-903	-4.0%
P3A: PNW/Pacific – Japan	8,580	9,225	-645	-7.0%

Source: O'Neil Commodity Consulting

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Below is a recent history of freight values for Capesize vessels of iron ore from Western Australia to China:

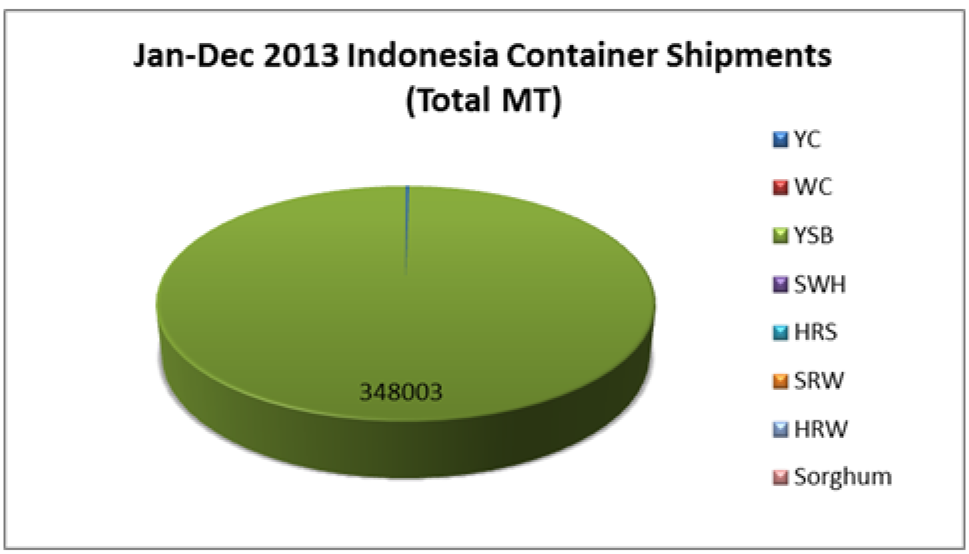
Week of January 31, 2014	
Four weeks ago	$12.50-$12.50
Three weeks ago:	$12.00-$12.50
Two weeks ago	$7.30-$8.00
One week ago:	$7.75-$8.05
This week	$7.10-$7.30

Source: O'Neil Commodity Consulting

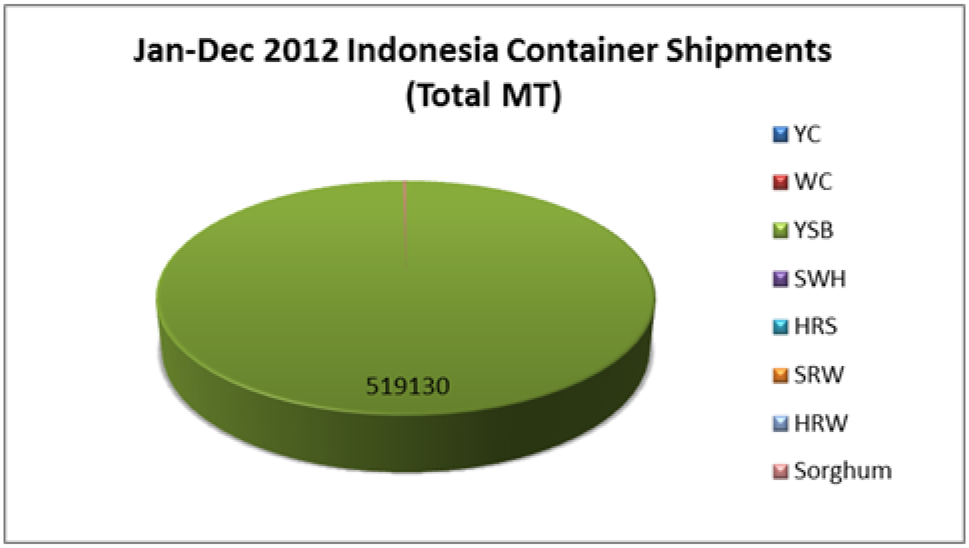
U.S. – Asia Market Spreads					
January 31, 2014	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
# 2 Corn	1.50	0.98	0.52	$20.47	PNW
Soybeans	1.80	1.15	0.65	$23.88	PNW
Ocean Freight	$26.00	$55.00	0.74-0.79	($29.00)	March

Source: O'Neil Commodity Consulting

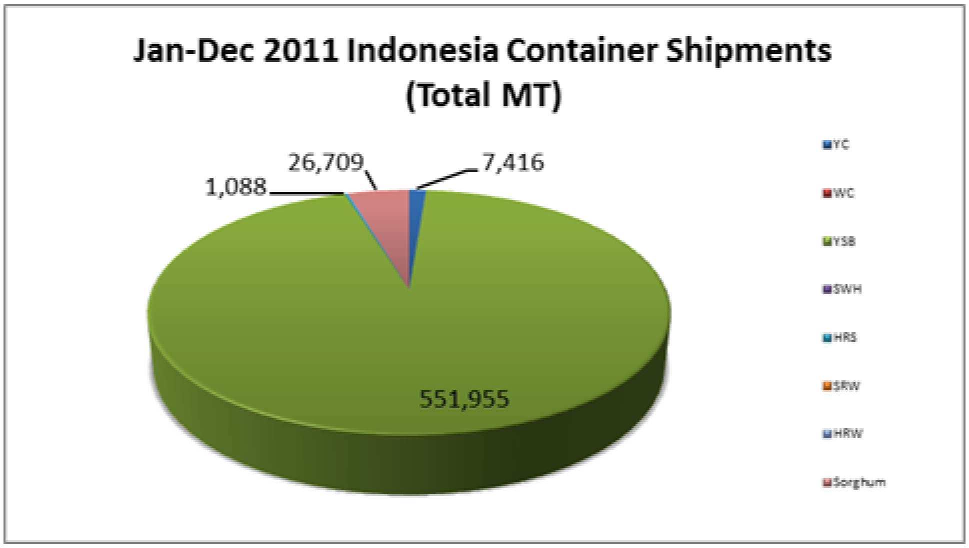
The charts below represent January-December 2012 and January-December 2013 annual totals versus January 2014 year-to-date container shipments for Indonesia.



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

International Freight Rates for Feed Grains – Select Routes Estimated Spot Price ($/MT)								
Commodity	**Origins**	**China**	**Japan**	**Korea**	**Colombia**	**Morocco**	**Egypt**	**Saudi Arabia**
Corn (Yellow)	**Argentina**	$50	$54	$53	$44	$42	$40	-
	Brazil	$45	$45	$45	$38	$32	$33	-
Corn (White)	**Argentina**	$50	$54	$53	$44	$42	$40	-
	Brazil	$45	$45	$45	$38	$32	$33	-
Barley	**Argentina**	$50	$54	$53	$44	$42	$40	-
	Brazil	$45	$45	$45	$38	$32	$33	-
Sorghum	**Argentina**	$50	$54	$53	$44	$42	$40	-
	Brazil	$45	$45	$45	$38	$32	$33	-

Note: Bid-ask spreads can vary in width and initial offers may be higher on less active routes.
Source: World Perspectives, Inc.

INTEREST RATES

Interest Rates (%): January 29, 2014			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.33	0.33	0.35
LIBOR (1 year)	0.57	0.57	0.58

Source: www.bankrate.com