Market Perspectives

February 14, 2014

U.S. GRAINS COUNCIL

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
$/Bu	**Monday 10 February**	**Tuesday 11 February**	**Wednesday 12 February**	**Thursday 13 February**	**Friday 14 February**
Change	-0.0125	-0.0150	-0.0150	0.0050	0.0475
Closing Price	4.4300	4.4150	4.4000	4.4050	4.4525
Factors Affecting the Market	USDA published their WASDE report and the data was bullish for corn. However, traders seemed uncertain if prices could continue higher after already increasing before the report.	The March corn contract continued to consolidate and carve out a trading range as the market appears most comfortable at current price levels.	There was an attempt to shove the March corn contract below $4.40 per bushel, but the effort was not successful as commercials were ready buyers.	Buy and sell forces once again were evenly balanced in corn futures contracts. However, strong export sales data gives more weight to the prospect of higher prices.	March corn closed out the week with a solid rebound. Today's close was the highest of the week and the March contract looks destined to test $4.50 resistance.

Outlook: USDA updated their world supply and demand estimates on Monday and the data was more bullish for corn than pre-report estimates. U.S. corn ending stocks for the current 2013/14 season declined from the

January estimate of 1.631 billion bushels down to 1.481 billion bushels. The average taken from pre-report estimates figured that U.S. corn ending stocks would decline to 1.606 billion bushels. This decline happened primarily because USDA increased their estimate for U.S. corn exports by 150 million bushels. This increase in U.S. corn exports is forecast to occur because Argentina's corn exports were reduced by 1 MMT, due to poor weather in January, and because of increased global feed use from nations such as Mexico, South Korea, Canada, the EU and Egypt. The final result is that the stocks-to-use ratio for U.S. corn declined from 12.4 percent to 11.1 percent.

USDA reduced global corn ending stocks to 157.3 MMT and this resulted in a modest decline in the global corn stocks-to-use ratio to 16.7 percent. Global supplies are sufficient enough that there is presently no cause for a sudden sharp rally in corn – so long as no additional threat evolves to challenge future global feed grain production. There was already a steady increase in futures contracts as speculators reduced their large short position prior to the release of Monday's report. As a result, corn futures now seem stuck in a sideways trading pattern and are likely to remain there until a new catalyst emerges.

In the near-term, the market's attention will focus on the U.S. export sales pace for corn, South American weather, and the condition of U.S. winter wheat as it comes out of dormancy. Any of these factors could have a limited impact on corn contract prices. Shortly thereafter, the market's attention will further encompass weather developments in the U.S. Corn Belt and the results of USDA's Prospective Plantings and Grain Stocks report, which will be published on March 28th. These latter factors could have a larger impact on corn contract prices.

Market Perspectives

February 14, 2014

Developing Markets • Enabling Trade • Improving Lives

CBOT MARCH CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending February 14, 2014			
Commodity	**February 14**	**February 7**	**Net Change**
Corn			
Mar 14	445.25	444.25	1.00
May 14	450.75	450.00	0.75
Jul 14	455.00	455.50	-0.50
Sep 14	456.25	457.00	-0.75
Soybeans			
Mar 14	1337.50	1331.50	6.00
May 14	1325.00	1317.50	7.50
Jul 14	1307.50	1298.00	9.50
Aug 14	1258.75	1251.00	7.75
Soymeal			
Mar 14	450.00	446.40	3.60

May 14	432.30	429.90	2.40
Jul 14	420.50	417.70	2.80
Aug 14	401.90	399.90	2.00
Soyoil			
Mar 14	39.15	38.56	0.59
May 14	39.47	38.88	0.59
Jul 14	39.76	39.18	0.58
Aug 14	39.69	39.22	0.47
SRW			
Mar 14	598.50	577.50	21.00
May 14	596.25	579.25	17.00
Jul 14	600.50	583.75	16.75
Sep 14	608.75	592.00	16.75
HRW			
Mar 14	674.50	649.25	25.25
May 14	666.00	638.50	27.50
Jul 14	657.00	626.75	30.25
Sep 14	664.00	634.25	29.75
MGEX (HRS)			
Mar 14	666.50	639.25	27.25
May 14	647.00	619.25	27.75
Jul 14	648.00	622.25	25.75
Sep 14	654.75	629.50	25.25

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: During the period of February 14-17, a departing Atlantic Coast storm should drop moderate to heavy precipitation on the Northeast, while unsettled weather in the Northwest should bring heavy precipitation (4-12 inches) from the Cascades southward into northern California. Unfortunately, it appears as though the southern half of California will miss out on the precipitation. Decent precipitation should also fall on Idaho and the western parts of Montana and Wyoming. Light snows are expected for the northern Plains into the Great Lakes region and Ohio Valley. Dry weather is forecast for the southwestern quarter of the Nation. Much above-normal temperatures should envelop the western half of the U.S. while subnormal readings are expected in the northeastern quarter of the country.

For the ensuing five-day period, February 18-22, the odds favor above-median precipitation across the northern half of the Nation, with the greatest probabilities in the Northwest and Great Lakes region. Below-median precipitation is favored across the southern third of the U.S., especially in the Southwest and Southeast. Above-median temperatures are likely east of the Rockies, while the odds for sub-median readings are probable in the Far West. Follow this link to view current U.S. and international weather patterns and the future outlook: Weather and Crop Bulletin.

U.S. EXPORT STATISTICS

Export Sales and Exports: Week Ending February 6, 2014					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	628,400	403,700	21,571.7	27,291.4	26%
Corn	1,523,300	952,500	15,717.0	34,604.3	149%
Sorghum	4,700	61,900	1,171.6	3,30.6	225%
Barley	6,000	0	120.7	164.6	34%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 1,269,800 MT for 2013/14 were down 25 percent from the previous week, but up 1 percent from the prior four-week average. Increases were reported for unknown destinations (421,900 MT), Colombia (233,800 MT, including 65,000 MT switched from unknown destinations and decreases of 4,400 MT), South Korea (233,500 MT), Mexico (144,200 MT) and Japan (109,700 MT, including 42,500 MT switched from unknown destinations). Decreases were reported for China (228,000 MT) and the United Kingdom (1,600 MT). Net sales of 71,100 MT for 2014/15 were reported for unknown destinations (50,800 MT) and Japan (20,300 MT). Exports of 952,500 MT were up 28 percent from the previous week and 18 percent from the prior four-week average. The primary destinations were Mexico (221,000 MT), Japan (209,100 MT), South Korea (178,300 MT), Colombia (115,700 MT) and Saudi Arabia (69,800 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 58,100 MT for week ending October 24, 2013. Accumulated exports to China were adjusted down 59,003 MT for week ending October 31, 2013. Accumulated exports to China were adjusted down 59,302 MT for week ending November 14, 2013. South Korea is the new destination for these shipments and is included in this week's report.

Barley: Net sales of 6,000 MT for 2013/14 were reported for South Korea. There were no exports reported during the week.

Sorghum: Net sales of 4,200 MT for 2013/14 were down 97 percent from the previous week and from the prior four-week average. Increases reported for China (4,600 MT) and Japan (2,700 MT, including 3,000 MT switched from unknown destinations), were partially offset by decreases for unknown destinations (3,100 MT). Exports of 61,900 MT were reported to China (59,100 MT) and Japan (2,700 MT).

U.S. Export Inspections: Week Ending February 6, 2014					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	695,181	562,732	15,296,551	8,299,973	184%
Sorghum	64,833	178,712	1,448,620	1,022,099	142%
Soybeans	1,551,796	1,191,357	33,086,439	28,219,524	117%
Wheat	446,197	328,634	22,514,776	16,955,217	133%
Barley	1,497	43,899	140,330	122,002	115%

*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 February 6, 2014						
Last Week	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	484,284	74%	30,300	75%	60,477	93%
PNW	63,698	10%	367	1%	2,817	4%
Lakes	0	0%	0	0%	0	0%
Atlantic	8,189	1%	0	0%	0	0%
Interior Export Rail	98,863	15%	9,480	24%	1,539	2%
Total (Metric Tons)	655,034		40,147		64,833	
White Corn Shipments by Country (MT)			39,780	to Mexico		
			367	to South Korea		
Total White Corn (MT)			40,147			
Sorghum Shipments by Country (MT)					61,941	to China
					2,724	to Japan
					168	to Mexico
Total Sorghum (MT)					64,833	

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	-	-	+1.55 H	$236.31
LH March	+1.03 H	$215.83	+1.55 H	$236.31
April	+0.95 K	$214.85	+1.38 K	$231.78
May	+0.89 K	$212.49	+1.35 K	$230.60

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**February**	**March**	**April**
Gulf	$255	$255	$255

Sorghum (USD/MT FOB Vessel)

Market Perspectives

February 14, 2014

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#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
February	+1.65 H	$240.24	+1.65 H	$240.24
March	+1.65 H	$240.24	+1.65 H	$240.24
April	+1.60 K	$240.44	+1.60 K	$240.44

Barley: Feed Barley (FOB USD/MT)			
	February	March	April
FOB PNW	$240	$240	$240

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	$805	$805	$805
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: February 14, 2014 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Mar	Apr	May
Barge CIF New Orleans	318	305	290
FOB Vessel GULF	320	308	293
Rail delivered PNW	318	308	298
Rail delivered California	326	312	305
Mid-Bridge Laredo, TX	310	300	293
40 ft. Containers to South Korea (Busan)	349	343	347
40 ft. Containers to Taiwan (Kaohsiung)	347	344	344
40 ft. Containers to Philippines (Manila)	360	358	358
40 ft. Containers to Indonesia (Jakarta)	360	358	358
40 ft. Containers to Malaysia (Port Kelang)	360	357	357
40 ft. Containers to Vietnam (HCMC)	365	363	363
40 ft. Containers to Japan (Yokohama)	356	354	354
40 ft containers to Thailand (LCMB)	359	359	357
40 ft Containers to Shanghai, China	347	342	339
KC & Elwood, IL Rail Yard (delivered Ramp)	268	264	262

*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.*

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Market Perspectives

February 14, 2014

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DISTILLERS DRIED GRAINS WITH SOLUBLES (DDGS)

DDGS Comments: This season's severe winter weather continues to cause problems within the DDGS market. Merchandisers report that winter storms have disrupted railroad logistics for both hopper cars and ethanol cars. The disruption has even forced some ethanol plants to temporarily stop production and delay delivery by rail. Of course, this situation is influencing prices, and domestic markets have firms by $5-10 per MT in most locations for truck rates, while local prices at some facilities prices have advanced up to $25 per MT in the spot market. The result is that February DDGS prices are presently trading higher than in the March forward time period.

Domestic buyers of DDGS are struggling to meet their needs what with the winter weather, just as foreign buyers are showing increased interest in purchasing again. Vietnamese buyers were particularly active in making pricing inquiries this past week. However, Vietnamese buyers hoped to obtain pre-Chinese New Year holiday price levels, which is no longer the case. Some of these buyers were surprised by export price levels that were $35-40 per MT higher that previously reported, as delays from winter weather have rippled through the entire logistical system.

Unforeseen factors, such as the recent winter storms, are a nuisance for everyone. Many market participants are increasingly monitoring factors such as uncertainty in the Argentine soy complex and the prospect of returning Chinese demand for DDGS, both of which could impact future DDGS prices. The most successful DDGS buyers in the present dynamic conditions seem to be those who maintain active dialogs with the merchandisers and work to create extended pricing strategies.

Ethanol Comments: This week the differential between corn and co-product processing values improved across the Corn Belt. The differentials are not profit margins but they can be used as somewhat of an indicator of the relative financial health of the industry. The differentials for the week ending February 14, 2014 are as follows:

- Illinois differential is $4.40 per bushel, in comparison to $3.43 the prior week and $1.81 a year ago.
- Iowa differential is $2.74 per bushel, in comparison to $2.60 the prior week and $1.62 a year ago.
- Nebraska differential is $2.66 per bushel, in comparison to $2.60 the prior week and $1.93 a year ago.
- South Dakota differential is $2.89 per bushel, in comparison to $2.75 the prior week and $1.92 a year ago.

Significant improvements have happened in a relatively short amount of time: Recall how difficult a year 2012 was for ethanol producers, as drought drove corn prices to $8.00 per bushel and the industry suffered through a period of consistent losses – and not all producers survived. Margins did not become black again until early 2013, but by the end of the year the financial health of many producers had recovered. Halfway through the first quarter of 2014, it appears that margins will remain solid due to relatively low corn prices, increased demand for fuel and strong ethanol exports.

Export demand for U.S. ethanol has grown through 2013 and has been a major factor in keeping total stocks below year-ago levels. Foreign demand is growing and China has recently purchased U.S. corn-based ethanol. Of course, demand will vary from week to week and stocks will ebb and flow.

For the week ending 7 Feb 2014, total U.S. ethanol stocks increased to 17.1 million barrels, in comparison to the prior week's level of 16.7 million barrels and the year-ago stocks level of 19.5 million barrels. Favorable margins also encouraged weekly production to increase slightly to 902,000 barrels per day (bpd), which was above the prior week's production level of 895,000 bpd.

COUNTRY NEWS

Australia: Barley output may reach 9.5 MMT this year, which is up from a December 2013 estimate of 8.6 MMT, according to Bloomberg News. Sorghum production may total 1.3 MMT in 2013/14, which is down from the December 2013 estimate of 1.6 MMT and the year ago estimate of 2 MMT. A drought in Queensland has caused prices to climb by 7.2 percent. This has the potential to be Australia's smallest sorghum crop since 2006/07.

Japan: The Ministry of Agriculture received no bids for the importation of feed barley or feed wheat in its weekly auction that closed on Wednesday, reports Reuters. The MOA had sought 120,000 MT of feed wheat and 200,000 MT of feed barley and will seek the same amounts in a tender that closes February 19.

South Africa: Yellow corn prices gained for a third day to reach their highest level this month, according to Bloomberg News. Yellow corn for July delivery rose to $203/MT, which is its highest level since January 31.

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	$52.00	Down $3.50	Handymax at $54.00/MT
55,000 U.S. PNW- Japan	$27.00	Down $1.00	Handymax at $28.00/MT
55,000 U.S. Gulf – China PNW to China	$50.00 $25.00	Down $4.00 Down $1.00	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
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	\$37.50 \$38.00	Down \$2.00 Down \$2.00	55,000 -60,000 MT St. Lawrence to Egypt \$38.50
60-70,000 U.S. Gulf – Europe – Rotterdam	\$22.00	Down \$2.00	Handymax at +\$1.50 more
Brazil, Santos – China	\$41.00 \$39.50	Down \$1.50 Down \$1.50	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	\$47.00	Down \$1.50	—

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: All of the trade is now back at work and vessel trading activity has increased, especially in the Brazil to China soybean business. This week we've seen numerous Panamax fixtures from Santos to China at between \$38.50-\$39.50/MT. So, the South American export season has truly begun. These fixtures indicate that the market is lower than it was prior to the Lunar New Year holiday period. I've heard that there may be as many as 75-100 Dry-Bulk vessels ballasting to South America to get in line for the business to come. This already is and will continue to put some immediate pressure on rates, but after the lineups grow and the loading delays increase, the inefficiencies will soak up a lot of capacity and we will likely see rates gradually trend upward (maybe \$3.00/MT or more over the next 3 weeks?).

With some of the demand pressure coming off at the U.S. Gulf, we are seeing the Panamax rate spreads between the Gulf and South America narrow into the \$10-10.50/MT range. I do not see the physical rates in the Pacific to be a strong as the Baltic index would indicate.

Capesize vessels are currently earning about \$8,418 per day and Panamax vessels are getting an average daily hire rate of \$10,517.

Baltic Panamax Dry-Bulk Indices				
February 14, 2014 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	19,910	21,073	-1,163	-5.5%
P3A: PNW/Pacific – Japan	11,121	8,994	2,127	23.6%

Source: O'Neil Commodity Consulting

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

Week of February 14, 2014	
Four weeks ago	\$7.30-\$7.75

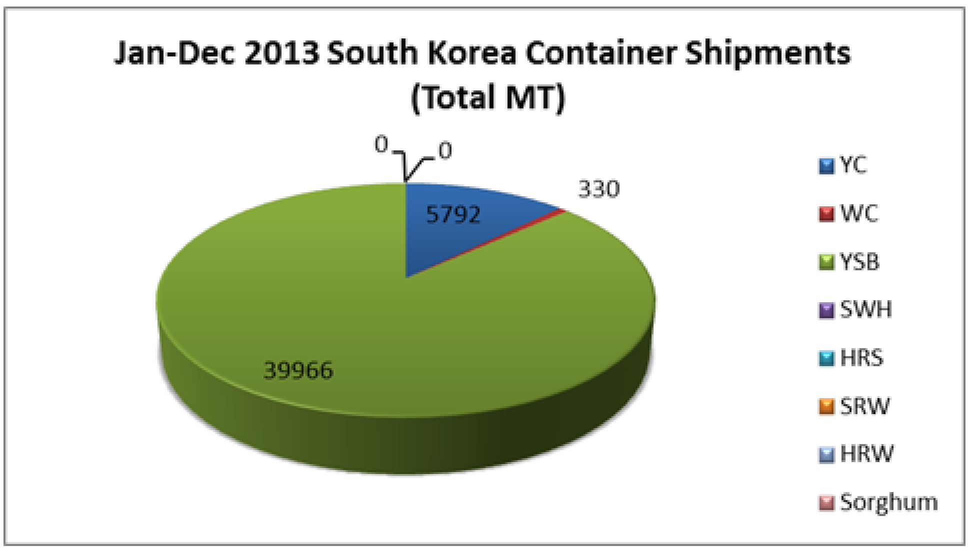
Three weeks ago:	$7.75-$8.05
Two weeks ago	$7.10-$7.60
One week ago:	$7.15-$7.60
This week	$7.50-$7.60

Source: O'Neil Commodity Consulting

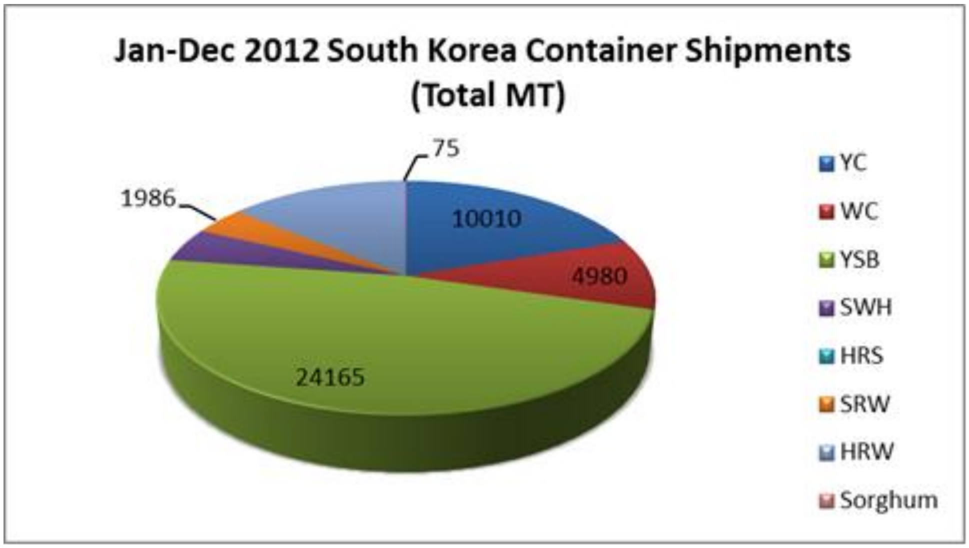
U.S. – Asia Market Spreads					
February 14, 2014	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
# 2 Corn	1.60	0.95	0.65	$25.59	PNW
Soybeans	1.60	1.15	0.45	$16.53	PNW
Ocean Freight	$25.00	$50.00	0.64-0.68	($25.00)	March

Source: O'Neil Commodity Consulting

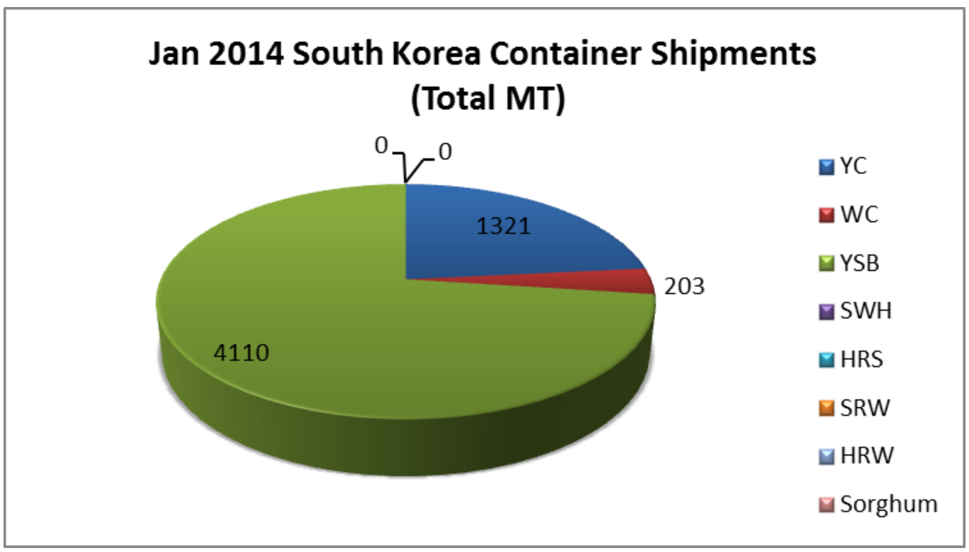
The charts below represent January-December 2013 and January-December 2012 annual totals versus January 2014 year-to-date container shipments for South Korea.



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	$52.50	$58	$53	$39	$42	$40	$45
	Brazil	$45	$50	$45	$37	$32	$33	-
Corn (White)	Argentina	$52.50	$58	$53	$39	$42	$40	$45
	Brazil	$45	$50	$45	$37	$32	$33	-
Barley	Argentina	$52.50	$58	$53	$39	$42	$40	$45

	Brazil	$45	$50	$45	$37	$32	$33	-
Sorghum	**Argentina**	$52.50	$58	$53	$39	$42	$40	$45
	Brazil	$45	$50	$45	$37	$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 (%): February 12, 2014			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.33	0.33	0.34
LIBOR (1 year)	0.56	0.57	0.58

Source: www.bankrate.com