Market Perspectives

November 22, 2013

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 18 November**	**Tuesday 19 November**	**Wednesday 20 November**	**Thursday 21 November**	**Friday 22 November**
Change	-0.1000	0.0575	-0.0075	0.0525	-0.0075
Closing Price	4.1200	4.1775	4.1700	4.2300	4.2225
Factors Affecting the Market	Friday's announcement from EPA to cut the ethanol mandate continued to be utilized as an excuse to drive December 2013 corn another notch lower.	The December contract gained back half the prior-day's loses as market participants seem to believe that bearish news is factored into current prices.	Market related news stories continued to beat a bearish drum but nobody was anxious to sell at lower levels and so prices remained firm.	The direction of least resistance was up and the December contract was able to steadily work higher. A close above $4.24 would make charts more bullish.	The December contract closed the week with an indecisive technical chart pattern.Traders who owned puts below $4.20 were unable to drive prices lower.

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 EPA's proposal last Friday was not an unexpected event. Nevertheless, the nearby corn contract started off this week by taking another step down to a low of $4.1150 per bushel. Speculative traders have sought justification for bearish price action in the corn market and limited attention has been paid to the fact that the export sales pace for corn is currently above 65 percent of USDA's annual estimate, which is about 20 percent ahead of the normal five-year average sales pace. A continuation of this sales pace will likely cause USDA to revise upward their corn export projections for the United States.

The attempt to shove the nearby corn price lower may also have had something to do with fact that December 2013 corn options were expiring this week, and traders who purchase out options with strikes below $4.20 like to see them expire in the money. Many $4.00 puts had been sold, but the market was finding it impossible to get there because the low corn contracts are attracting a good deal of demand. After an initial attempt to knock the December contract into submission on Monday, prices spent the rest of the week moving steadily higher. Bearish traders who were feeling extremely confident at the beginning of the week were feeling increasingly anxious by week's end.

The fact is increasingly apparent to market participants that any action by the EPA is unlikely to have a major influence on ethanol production in the present 2013/14 season. Exports are strong and so is the cash basis for a large crop. South American corn is not competitive against current U.S. prices. Ukraine is competitive, but that is partly because of their more limited storage capacity. Global buyers who want to extend their coverage of quality corn at favorable prices are looking primarily at the United States.

Market Perspectives

November 22, 2013

Developing Markets • Enabling Trade • Improving Lives

CBOT DECEMBER CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending November 22, 2013			
Commodity	**November 22**	**November 15**	**Net Change**
Corn			
Dec 13	422.25	422.00	0.25
Mar 14	429.25	430.50	-1.25
May 14	437.25	438.50	-1.25
Jul 14	444.25	445.75	-1.50
Soybeans			
Jan 14	1319.50	1280.50	39.00
Mar 14	1306.00	1265.75	40.25
May 14	1290.50	1250.25	40.25
Jul 14	1284.00	1245.00	39.00
Soymeal			
Dec 13	427.80	410.50	17.30
Jan 14	421.00	405.70	15.30
Mar 14	412.70	396.50	16.20
May 14	402.70	387.90	14.80
Soyoil			

Dec 13	41.16	40.47	0.69
Jan 14	41.45	40.74	0.71
Mar 14	41.82	41.12	0.70
May 14	42.20	41.48	0.72
CBOT Wheat			
Dec 13	649.50	644.50	5.00
Mar 14	657.00	654.50	2.50
May 14	661.25	658.50	2.75
Jul 14	659.00	655.75	3.25
KCBOT Wheat			
Dec 13	701.75	698.25	3.50
Mar 14	701.00	700.25	0.75
May 14	699.75	699.25	0.50
Jul 14	690.25	690.75	-0.50
MGE Wheat			
Dec 13	699.25	696.75	2.50
Mar 14	706.75	706.50	0.25
May 14	713.00	714.50	-1.50
Jul 14	719.75	721.25	-1.50

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: The NWS HPC Quantitative Precipitation Forecast (QPF) calls for a frontal system to bring an inch or more of precipitation across much of the Southwest, and from the southern Plains (east Texas and southeast Oklahoma), across the Southeast, and to the Mid-Atlantic through November 27. Little-to-no precipitation is forecast for the Pacific Northwest to the northern Plains. Temperatures will be below-normal as the front moves across the country.

The four-to-eight day and six-to-12 day outlooks project above-normal temperatures across much of the West, and below-normal temperatures in the Southwest and most of the country east of the Rockies, as a circulation pattern sets up consisting of a warm ridge in the west and cold trough in the east. Drier-than-normal conditions are expected for much of the West to the Ohio Valley, with wetter-than-normal conditions across the Gulf of Mexico coast and Atlantic seaboard. 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 November 14, 2013					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	656,100	551,500	16,617.6	21,814.2	37%
Corn	968,900	756,300	6,358.1	24,399.5	104%

Sorghum	68,500	50,500	602.7	1,745.4	138%
Barley	500	400	63.4	114.4	-5%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 945,100 MT for 2013/14 reported for Japan (403,000 MT, including 34,700 MT switched from unknown destinations), China (321,600 MT, including 313,700 MT switched from unknown destinations and decreases of 2,700 MT), Mexico (275,800 MT), Egypt (60,000 MT), Colombia (37,700 MT, including 32,000 MT switched from unknown destinations) and Guatemala (23,500 MT), were partially offset by decreases for unknown destinations (201,400 MT). Net sales of 37,600 MT for 2014/15 were reported for Japan. Exports of 756,300 MT were primarily to China (339,700 MT), Mexico (210,900 MT), Japan (86,500 MT), Colombia (35,200 MT) and El Salvador (27,200 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 100,000 MT, all Mexico.

Barley: Net sales of 500 MT were reported for Taiwan. Exports of 400 MT were to South Korea.

Sorghum: Net sales of 63,900 MT for 2013/14 were for unknown destinations (58,000 MT), China (4,000 MT) and Hong Kong (2,000 MT). Exports of 50,500 MT were to China. Optional Origin Sales: For 2013/14, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending November 14, 2013					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	781,335	437,329	6,469,279	4,639,061	139%
Sorghum	57,863	11,761	766,374	580,006	132%
Soybeans	2,389,810	2,248,368	13,849,297	13,742,093	101%
Wheat	492,963	340,799	17,120,143	11,939,305	143%
Barley	784	827	67,406	118,853	57%

*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 November 14, 2013						
Last Week (000 bushels)	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	15,935	52%	0	0%	1,987	87%
PNW	7,350	24%	1	100%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	79	0%	0	0%	0	0%
Interior Export Rail	7,395	24%	0	0%	291	13%
Total (1,000 bu)	30,759	100%	1	100%	2,278	100%
Total (Metric Tons)	781,309		25		57,863	
White Corn Shipments by Country (MT)			25	to Korea		

Total White Corn (MT)			25			
Sorghum Shipments by Country (MT)					56,060	to China
					1,803	to to Mexico
Total Sorghum (MT)					57,863	

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 December	-	-	+1.60 Z	$229.22
LH December	-	-	+1.60 Z	$229.22
January	+1.00 H	$208.35	+1.35 H	$222.13
February	+0.88 H	$203.63	+1.33 H	$221.35
March	+0.83 H	$201.66	+1.33 H	$221.35

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**December**	**January**	**February**
Gulf	$240	$240	$240

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	**NOLA**		**TEXAS**	
	Basis	**Flat Price**	**Basis**	**Flat Price**
November	+1.50 Z	$225.28	+1.50 Z	$225.28
December	+1.50 Z	$225.28	+1.50 Z	$225.28

Barley: Feed Barley (FOB USD/MT)			
	December	**January**	**February**
FOB PNW	$255	$255	$255

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	December	**January**	**February**
New Orleans	$220	$220	-
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**December**	**January**	**February**
New Orleans	$815	$815	-
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: November 22, 2013 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**Dec**	**Jan**	**Feb**
Barge CIF New Orleans	292	285	280
FOB Vessel GULF	300	293	288
Rail delivered PNW	306	300	292
Rail delivered California	312	306	298
Mid-Bridge Laredo, TX	315	303	300
40 ft. Containers to South Korea (Busan)	341	339	336
40 ft. Containers to Taiwan (Kaohsiung)	337	334	332
40 ft. Containers to Philippines (Manila)	350	348	345
40 ft. Containers to Indonesia (Jakarta)	349	347	344
40 ft. Containers to Malaysia (Port Kelang)	350	347	345
40 ft. Containers to Vietnam (HCMC)	352	349	347
40 ft. Containers to Japan (Yokohama)	344	342	339
40 ft. containers to Thailand (LCMB)	348	345	343
40 ft. Containers to Shanghai, China	338	336	333
KC & Elwood, IL Rail Yard (delivered Ramp)	285	278	270

*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 setback that occurred early this week in corn futures is making market conditions a little difficult for DDGS buyers to interpret: Should they expect prices to continue trading lower and hold off on purchases, or should they immediately seek to take advantage of the lower prices? Using this week's price setback as a buying opportunity presently seems like it was the correct strategy, because corn futures contracts steadily worked higher as the week progressed.

It was noted in the Ethanol section of this report that a primary reason for this week's lower prices was an attempt by traders who had purchased puts with lower strike prices to drive the nearby December contract down before those options expired. However, that tactic did not work very well. A substantial number of traders still hold speculative short positions in the nearby December contract. It would not be advantageous for any uncovered buyer of DDGS if those speculative traders simultaneously decide to reduce their short positions next week because there is often reduced trade volume during the U.S. Thanksgiving holiday. As well, the majority of DDGS merchandisers will be out of the office Thursday and Friday of next week.

Domestic cattle producers are the largest consumers of DDGS, but many of them have recently reduced the proportion of DDGS in their rations due to the comparatively inexpensive cost of corn. The greater bulk volume of corn is less of a concern for those domestic DDGS end-users because they use trucks to transport shorter distances. Consequently, if DDGS merchandisers find their domestic demand has slowed, then that could increase their willingness to negotiate on price with foreign buyers. This fact may already have been discerned by various foreign buyers because merchandisers report that buyers, particularly from China, are requesting slightly lower prices. However, those buyers should also be aware that DDGS merchandisers need to arrange logistics during the approaching holiday season (Thanksgiving, Christmas and the New Year) which lasts into the first of January, 2014. Domestic buyers are also likely to return in greater forces after the start of the new year.

Various Asian buyers seem to have anticipated such market developments, and one DDGS merchandiser reported large sales this week of 14,000 metric tons, mostly to China and Vietnam for the January/February/March time frame at the following price levels:

Qingdao: $326
HCMC: $339

Ethanol Comments: A story by Reuters made an interesting point this week by highlighting the fact that last week's announcement about the Environmental Protection Agency's desire to cut the ethanol blending requirements for next season should have substantially reduced the value Renewable Identification Numbers (RINs), but that did not happen.

The story noted that the limited decline in RIN prices seemed to imply that market participants are uncertain that EPA intentions will not be overruled. In other words, there is some possibility that EPA's proposal will get over turned by a legal challenge. No such lawsuit can be filed until the agency finalizes it rules, which could be as late as June. Consequently, the statement was made in the prior Outlook section that any action by the EPA is unlikely to have a major influence on ethanol production in the present 2013/14 season. Further confirmation is found in the fact that the price of ethanol futures did not fall apart this week.

Ethanol production was 904,000 barrels per day (bpd) for the week ending November 15, 2013, which was down about 2.5 percent from the prior week's level of 927,000 bpd. Please note that the production level for this week was more than 11 percent larger than the year-ago level, but the total U.S. ethanol stocks experienced a week to week decline, from 15.2 down to15.1 million barrels. The present total U.S. ethanol stocks level of 15.1 million barrels is more than 20 percent below the year-ago stocks level of 18.9 million barrels. That fact is emphasized to point out that any potential policy alteration by EPA is not going to produce a sudden glut of ethanol that will stifle production.

Ethanol market related news this week was further supportive as large increases were reported in the differentials between corn and the co-products values cross the Corn Belt:

- Illinois differential increased to $4.74 per bushel, which is up strong from $3.29 the prior week and well above $1.39 for this same week a year ago.
- Iowa differential increased to $4.08 per bushel, which is up strong from $2.51 the prior week and well above $1.19 for this same week a year ago.
- Nebraska differential increased to $3.94 per bushel, which is up strong from $2.30 the prior week and well above $1.59 for this same week a year ago.
- South Dakota differential increased to $3.98 per bushel, which is up strong from $2.62 the prior week and well above $1.39 for this same week a year ago.

.

COUNTRY NEWS

Brazil: Corn farmers are engaged in an expensive effort to protect what could be a record crop from the Helicoverpa armigera caterpillar that has become an increasing threat over 2013, according to Reuters. Increased demand for pesiticide is exhausting domestic stocks and the government has declared a state of emergency in Bahia and Mato Grosso to combat the threat. The Mato Grosso farm economy institute has estimated that application costs for insecticide have gone up by 88 percent to $115 per hectare.

China: China rejected a cargo of U.S.-sourced corn this week because it contained a genetically modified variety that has not yet been approved by the government, reports Reuters. The strain in question is Syngenta AG's Agrisure Viptera, which is set to be approved by China soon and is already approved for export to Japan, Mexico and the EU. Despite this, its discovery has caused some concern among Chinese buyers at a time when China is buying high amounts of U.S. corn to ensure its food security.

Japan: The Ministry of Agriculture announced that it will import 126,370 MT of feed wheat via an SBS auction that closed on Wednesday, according to Reuters. The government had sought to purchase 120,000 MT of feed wheat and 200,000 MT of feed barley and will be seeking the same amounts in another tender to be held on November 27.

South Africa: The South Africa corn harvest is likely to be smaller this year than in 2012, reports Bloomberg News. The government's Crop Estimates Committee had indicated that farmers produced 11.7 MMT of corn this year (the predicted range was 11.55-11.8 MMT) and brought in 12.1 MMT last year. In comparison, South Africa produced 12.8 MMT of corn in 2010, which was the largest crop since 1982.

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	$53.00	Unchanged	Handymax at $54.50/MT
55,000 U.S. PNW- Japan	$28.00	Unchanged	Handymax at $29.50/MT
55,000 U.S. Gulf – China PNW to China	$51.00 $26.00	Down $0.25 Unchanged	North China
25,000 U.S. Gulf- Veracruz, México	$20.00	Up $1.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	$17.00	Up $1.50	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$22.50 $35.00	Up $2.50 Up $3.00	West Coast Colombia at $33.00 West Coast Colombia

			from Argentina at $43.00
35,000 U.S. Gulf - Guatemala	$31.00	Up $3.50	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$39.00 $41.00	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$41.00	Unchanged	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$36.00 $39.50	Up $1.00 Up $1.00	55,000 -60,000 MT St. Lawrence to Egypt $35.50
60-70,000 U.S. Gulf – Europe – Rotterdam	$23.50	Unchanged	Handymax at +$1.50 more
Brazil, Santos – China	$39.50 $37.00	Down $0.50 Down $1.00	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$45.50	Down $0.50	—

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: Dry-Bulk freight markets are looking for some stability and improvement but are not finding much. The vessel owner anticipated Q4 rally certainly did not materialize this year, and with the exception of the Handymax and Supramax markets, the other freight markets are still languishing and waiting for better demand to show up. The Baltic-Panamax index was up slightly on Friday but remained lower for the week.

I saw the following comment in a Tuesday morning Grain market wire, "Brazilian loading capacity will be the issue this year, but we are hearing that Brazil ports will not be loading corn this year from February forward, and capacity will be full tilt for beans."

From my research this is partially true. Brazil loads the majority of their corn exports in the August-December period and then largely switches to soybeans. But Brazil exports 20-21 MMT of corn and some pre-existing corn sales will be allowed to load during the August-December period. With expected soybean exports of 44 MMT and SBM exports of 13.6 MMT and no significant improvement in infrastructure, Brazil is going to have another monumental challenge in getting commodities out. Guess we should expect overly large vessel line-ups and big loading delays again this shipping season (February-July). Without question, this will soak up a lot of Panamax vessel capacity and cause tightness in available supply for a period of time.

Baltic Panamax Dry-Bulk Indices				
November 22, 2013 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	20,140	20,497	-357	-1.7%

P3A: PNW/Pacific – Japan	10,126	10,376	-250	-2.4%

Source: O'Neil Commodity Consulting

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

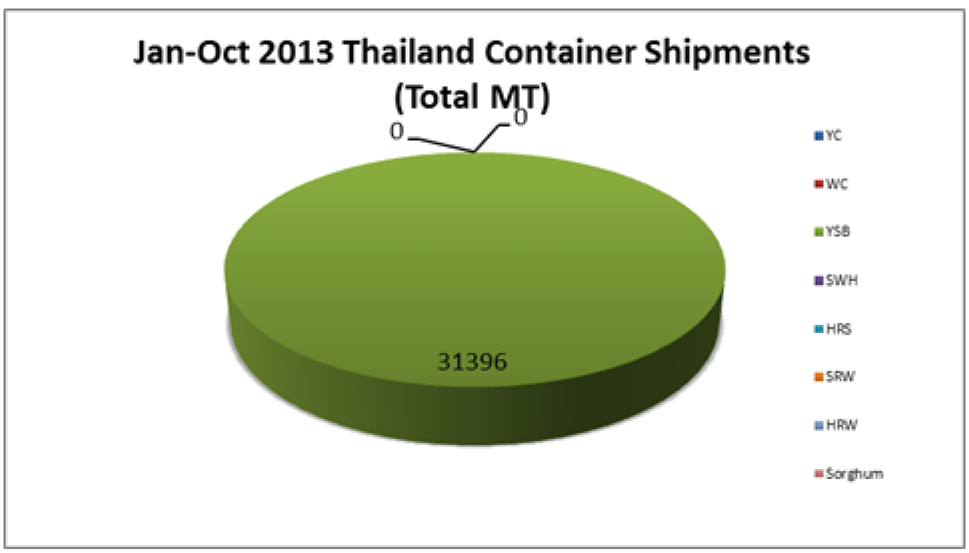
Week of November 22, 2013	
Four weeks ago	$10.25-$-9.45
Three weeks ago	$8.20-$9.15
Two weeks ago	$8.25-$9.15
One week ago	$8.70-$9.20
This week	$9.25-$10.25

Source: O'Neil Commodity Consulting

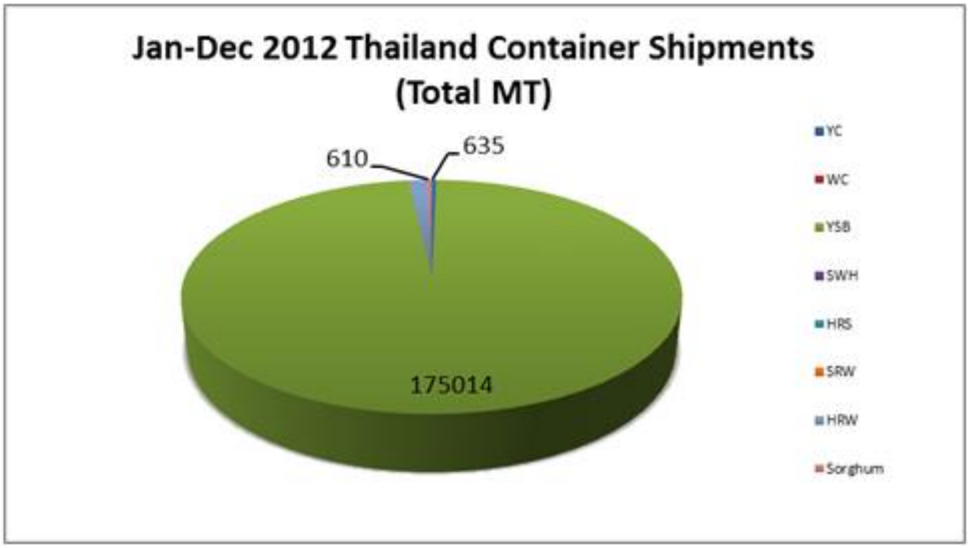
U.S. – Asia Market Spreads					
November 22, 2013	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
# 2 Corn	1.65	1.00	0.65	$25.59	BOTH
Soybeans	1.85	1.38	0.47	$17.27	PNW
Ocean Freight	$26.00	$51.25	0.64-0.68	($25.00)	Dec.

Source: O'Neil Commodity Consulting

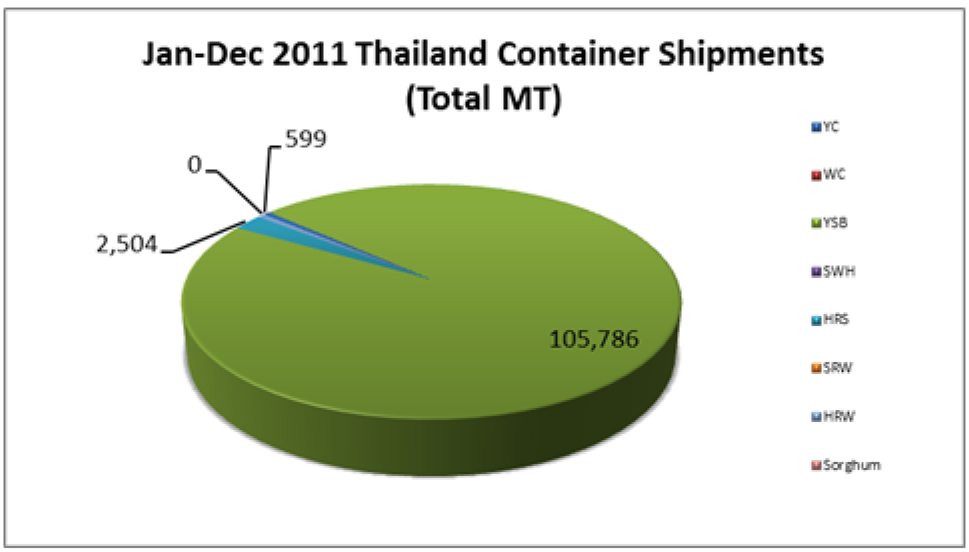
The charts below represent January-December 2011 and January-December 2012 annual totals versus January-October 2013 year-to-date container shipments for Thailand.



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**	$47	$49	$50	$32.5	$33	$37.5	-
	Brazil	$39	$42	$45	$31	$24	$26.5	-
Corn (White)	**Argentina**	$47	$49	$50	$32.5	$33	$37.5	-
	Brazil	$39	$42	$45	$31	$24	$26.5	-

Barley	**Argentina**	$47	$49	$50	$32.5	$33	$37.5	-
	Brazil	$39	$42	$45	$31	$24	$26.5	-
Sorghum	**Argentina**	$47	$49	$50	$32.5	$33	$37.5	-
	Brazil	$39	$42	$45	$31	$24	$26.5	-

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 (%): November 20, 2013			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.35	0.35	0.36
LIBOR (1 year)	0.58	0.59	0.61

Source: www.bankrate.com