Market Perspectives

June 6, 2014

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn July Contract					
$/Bu	**Monday 2 June**	**Tuesday 3 June**	**Wednesday 4 June**	**Thursday 5 June**	**Friday 6 June**
Change	-0.0025	-0.0725	0.0200	-0.0725	0.1000
Closing Price	4.6550	4.5825	4.5625	4.4900	4.5900
Factors Affecting the Market	The July contract closed basically unchanged and the December contract was up one cent, but selling may continue because the weather is favorable and charts look negative.	USDA reported Monday afternoon that 95 percent of the corn crop is planted. Soil moisture is abundant and traders are steadily exiting long positions.	The steady exiting of long positions was seemingly feeding upon itself as margin calls forced additional selling. July seems destined to test $4.50.	Shortly after the open, the July contract did not look back as it headed down toward its next objective price of $4.50 per bushel, which it closed slightly below.	“Enough” seemed to be the market’s sentiment to the consistently downward pressure that was occurring even before corn is successfully pollinated.

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: Corn contracts traded lower this week as speculators exited losing long positions in corn. The prospect of a pre-pollination bounce seems unappealing to speculators who realize they are likely to end up with a loss no matter what. As a result, a number of traders holding losing long positions seem to be throwing in the towel as gracefully as possible, which can be hard for those traders holding large positions.

As the exiting of losing long positions slows down, the probability of further downside in either July or December corn contracts does not seem great at this point in time. This is especially the case when one recalls that back when both of these contracts were making their absolute lows the December 2013 WASDE report was projecting an estimated corn ending stocks figure of 1.792 billion bushels. That prior projection is larger than USDA's present estimate of 1.146 billion bushels for either 2013/14 or the 1.726 billion bushel estimate for 2014/15. Also recall that USDA's prior December estimate of 1.792 billion bushels was given after harvest was complete and production uncertainty was minimal. In contrast, the present sell-off has occurred prior to pollination.

The U.S. corn crop is rated as 76 percent good to excellent, with 2007 being the only year in recent history that corn conditions were better. However, there is normally some decline in crop conditions as the growing season progresses. Consider that the final average U.S. corn yield in 2007 ended up being 3 bushels per acre below the prior 10-year trend.

Of course, if current crop conditions for U.S. corn remain unchanged until year-end then the final corn yields could exceed USDA's current trend estimate of 165.3 bushels per acre. Larger yields could increase ending stocks, but aggressively selling the December 2014 in the first week of June seems rather premature. For that reason, the present outlook is that this week's lower prices present an excellent opportunity for corn end-users to acquire favorable pricing for throughout the summer period.

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CBOT JULY CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending June 6, 2014			
Commodity	**June 6**	**May 30**	**Net Change**
Corn			
Jul 14	459.00	465.75	-6.75
Sep 14	456.25	458.00	-1.75
Dec 14	457.75	457.50	0.25
Mar 15	467.25	466.50	0.75
Soybeans			
Jul 14	1457.00	1493.25	-36.25
Aug 14	1401.00	1424.50	-23.50
Sep 14	1263.75	1285.75	-22.00
Nov 14	1218.75	1233.75	-15.00
Soymeal			
Jul 14	487.60	500.20	-12.60
Aug 14	461.70	473.90	-12.20
Sep 14	424.10	436.10	-12.00
Oct 14	398.10	407.00	-8.90
Soyoil			

Jul 14	39.01	38.50	0.51
Aug 14	39.14	38.61	0.53
Sep 14	39.25	38.68	0.57
Oct 14	39.21	38.71	0.50
SRW			
Jul 14	618.25	627.25	-9.00
Sep 14	630.25	639.75	-9.50
Dec 14	651.00	660.50	-9.50
Mar 15	669.75	677.25	-7.50
HRW			
Jul 14	735.50	723.00	12.50
Sep 14	740.25	730.75	9.50
Dec 14	749.75	742.00	7.75
Mar 15	754.75	748.00	6.75
MGEX (HRS)			
Jul 14	709.25	706.50	2.75
Sep 14	716.00	715.00	1.00
Dec 14	726.75	725.00	1.75
Mar 15	736.25	732.00	4.25

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Planting Progress				
Commodity	**June 1, 2014**	**Last Week**	**Last Year**	**2009-13 Average**
Corn	90%	88%	90%	94%
Sorghum	56%	46%	51%	57%
Barley	93%	84%	82%	89%

Source: USDA

U.S. Drought Monitor Weather Forecast: Moderate-to-very heavy rain is expected across large parts of the dry areas in the central and south-central Plains, the Tennessee Valley and the southern Appalachians during June 6-9. Generally one and a half to three and a half inches are forecast across the entire dry area from north Mississippi and west Tennessee eastward through the southern Appalachians. Farther west, precipitation may be heavier and even more widespread. Amounts near or over two inches are anticipated from western Nebraska, Kansas, southern Iowa, Missouri and western Illinois southward through the northern half of Arkansas, almost all of Oklahoma and the north-central and eastern Panhandle portions of Texas. The heaviest amounts, ranging from three to five and a half inches, are expected in the southwestern half of Missouri, central and eastern Kansas central and northeastern Oklahoma and adjacent Arkansas. Elsewhere, the forecast is for half an inch to one and a half inches of rain in south Florida and south-central Virginia, plus most of the High Plains, northern Great Plains, upper Midwest, southern Arkansas, central and northeast Texas and the west half of the Texas Panhandle. South of this area, anywhere from a few hundredths of an inch to near half of an inch is forecast in west-central, southern and eastern Texas as well as Louisiana and southern Mississippi, with amounts expected to decrease going southward to the Gulf of Mexico and Mexico. In sharp contrast, areas from the eastern Rockies westward to the Pacific Ocean are likely to get no measurable rainfall.

The period of June 10-14 features enhanced chances for above-normal rainfall across the dry area in the southern Appalachians, Tennessee Valley and upper Southeast once again. The odds also favor surplus rainfall in the lower Mississippi Valley, east Texas and from eastern Nebraska and most of Iowa northward through the dry areas in the northern Plains. On the other hand, most of the High Plains, the southwestern Great Plains, the eastern tier of the Rockies, central and northern Utah, the northern half of the Intermountain West, central and northern California and all but the northernmost tier of the Pacific Northwest seem more likely to end up drier-than-normal for the period. 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 May 29, 2014					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	49,000	492,000	29,962.6	31,739.2	17%
Corn	676,000	1,159,500	33,769.7	46,148.1	165%
Sorghum	117,300	142,000	2,965.5	4,129.4	177%
Barley	900	2,500	175.6	178.0	32%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 550,700 MT for 2013/14 were down 5 percent from the previous week, but up 39 percent from the prior four-week average. Increases were reported for Japan (242,900 MT, including 178,000 MT switched from unknown destinations and decreases of 3,900 MT), Colombia (151,100 MT, including 40,000 MT switched from China, 30,000 MT switched unknown destinations and decreases of 5,300 MT), Egypt (130,800 MT, including 60,000 MT switched from unknown destinations), South Korea (72,800 MT), Vietnam (64,500 MT, including 63,000 MT switched from unknown destinations) and Portugal (55,800 MT, including 50,000 MT switched from Spain). Decreases were reported for unknown destinations (230,400 MT) and China (92,000 MT). Net sales of 19,600 MT for 2014/15 were reported for unknown destinations (10,000 MT), Mexico (7,600 MT) and China (2,000 MT). Exports of 1,159,500 MT were down 1 percent from the previous week and 3 percent from the prior four-week average. The primary destinations were Japan (207,400 MT), Colombia (188,100 MT), Mexico (152,800 MT), South Korea (132,800 MT), Egypt (130,800 MT), Taiwan (85,700 MT) and Vietnam (64,500 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 123,000 MT, all South Korea. Export Adjustments: Accumulated exports to Colombia were adjusted down 44,000 MT for week ending May 22, 2014, because this shipment was reported twice.

Barley: Net sales of 900 MT for 2013/14 were reported for South Korea (500 MT) and Mexico (400 MT). Net sales of 500 MT for 2014/15 were reported for South Korea. Exports of 2,500 MT were reported to Japan (1,500 MT), South Korea (500 MT), Mexico (400 MT) and Taiwan (100 MT).

Sorghum: Net sales of 52,400 MT resulted as increases for unknown destinations (54,000 MT), were partially offset by decreases for China (1,700 MT). Net sales of 60,000 MT for 2014/15 were reported for China. Exports of 142,000 MT were reported to China.

U.S. Export Inspections: Week Ending May 29, 2014					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	976,061	1,168,964	33,665,567	13,724,622	245%
Sorghum	118,254	59,402	3,422,735	1,442,810	237%
Soybeans	156,364	90,543	42,117,342	34,504,106	122%
Wheat	514,667	509,077	31,247,960	27,332,057	114%
Barley	14,054	1,592	214,277	142,544	150%

*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 May 29, 2014						
Last Week	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	508,984	52%	3,520	97%	115,557	98%
PNW	310,833	32%	0	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	43,999	5%	0	0%	0	0%
Interior Export Rail	108,603	11%	122	3%	2697	2%
Total (Metric Tons)	972,419	100%	3,642	100%	118,254	100%
White Corn Shipments by Country (MT)			3,520	to El Salvador		
			122	to S. Korea		
Total White Corn (MT)			3,642			
Sorghum Shipments by Country (MT)					85,020	to China
					32,080	to S. Africa
					1,154	to Mexico
Total Sorghum (MT)					118,254	

Source: USDA, World Perspectives, Inc.

U.S. GRAINS COUNCIL

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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)
LH June	-	-	+1.20 N	$227.94
FHJuly	+0.87 N	$214.95	+1.20 N	$227.94
LH July	+0.79 N	$211.80	+1.20 N	$227.94
August	+0.85 U	$213.08	+1.20 U	$226.86

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	June	July	August
Gulf	$250	$250	$250

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
LH July	+1.50 Z	$239.75	+1.50 Z	$239.75
August	+1.50 Z	$239.75	+1.50 Z	$239.75
September	+1.50 Z	$239.75	+1.50 Z	$239.75

Barley: Feed Barley (FOB USD/MT)			
	June	July	August
FOB PNW	$280	$280	$280

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	June	July	August
New Orleans	$162	$162	$162
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**June**	**July**	**August**
New Orleans	$810	$810	$810
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: June 6, 2014 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**June**	**July**	**Aug.**
Barge CIF New Orleans	253	250	250
FOB Vessel GULF	260	258	258
Rail delivered PNW	272	268	265
Rail delivered California	278	274	271
Mid-Bridge Laredo, TX	270	265	263
40 ft. Containers to South Korea (Busan)	332	331	331
40 ft. Containers to Taiwan (Kaohsiung)	328	328	328
40 ft. Containers to Philippines (Manila)	342	341	341
40 ft. Containers to Indonesia (Jakarta)	337	336	336
40 ft. Containers to Malaysia (Port Kelang)	336	336	336
40 ft. Containers to Vietnam (HCMC)	338	338	338
40 ft. Containers to Japan (Yokohama)	336	335	335
40 ft containers to Thailand (LCMB)	336	335	335
40 ft Containers to Shanghai, China	324	323	323
KC & Elwood, IL Rail Yard (delivered Ramp)	243	242	240

*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: Declines this week in corn futures contracts at the Chicago Board of Trade (CBOT) has resulted in excellent pricing opportunities for DDGS end-users. Domestic prices for DDGS declined by $8-$9/MT and containerized prices to the export market declined from$8-$10/MT. As well, there is a substantial $7 decline from June to August in the domestic rail-delivered rates to the West Coast.

Buyers were dropping bids quickly and one DDGS merchandiser had to reduce his rate by $8/MT in order to confirm sales. This strategy of stepping away from the market can work for DDGS buyers as long as corn futures contracts are in decline. Futures traders at the CBOT seemed to hit a point at the end of this week where they simultaneously said “enough” to any lower prices and the corn contracts suddenly rebounded. Those traders recognize that there is more than a month before pollination starts to occur in most locations across the Corn Belt, and summer weather can change quickly in that length of time.

The recent slowdown in buying has caused a backlog in DDGS inventory at multiple ethanol facilities. Buyers are expected to return in force once it becomes evident that a near-term bottom has been established in the corn futures contracts. Of course, DDGS merchandisers may then have their turn to be more selective as buyers simultaneously return. Container rates are also likely to react to any increased interest. In the meantime, DDGS buyers are presently being offered some of the best rates in the past few years.

Ethanol Comments: This week there was some discussion among grain market participants that increasing ethanol stocks was justification for this week's declines in the price of corn futures contracts. While ethanol producers certainly appreciated seeing the lower corn contract prices, the reasoning that larger ethanol stocks was any justification for lower corn prices seems flawed.

The following data shows the spot market differentials between the price of corn and co-products that U.S. ethanol producers receive in different regions of the Corn Belt. In Illinois the differential is still 58 percent above a year ago, it's 62 percent above a year ago in Iowa, 46 percent above a year ago in Nebraska and 71 percent above a year ago in the South Dakota region. (The weaker corn basis in South Dakota is presumably one reason for that region's stronger differential.) Ethanol producer margins remain well in the black.

Lower corn prices may encourage active utilization of ethanol facilitates, but any builid-up in ethanol stocks, and a resulting decline in ethanol prices, should incentivize greater exports of U.S. corn-based ethanol.

- Illinois differential is $3.64 per bushel, in comparison to $4.12 the prior week and $2.31 a year ago.
- Iowa differential is $3.49 per bushel, in comparison to $4.02 the prior week and $2.15 a year ago.
- Nebraska differential is $3.38 per bushel, in comparison to $3.70 the prior week and $2.32 a year ago.
- South Dakota differential is $3.91 per bushel, in comparison to $4.22 the prior week and $2.28 a year ago.

COUNTRY NEWS

Argentina: Dry weather in the Pampas grain belt over the past week has enabled farmers to increase the pace of the corn harvest following an extremely wet May, reports Reuters. Argentine farmers are expected to bring in 24 MMT of corn this year.

Brazil: Fertilizer imports are reaching record levels due to lower prices, according to Bloomberg News. Brazil imported 8.8 MMT of fertilizer in the first five months of 2014, which is a 10 percent increase from the same period in 2013. Fertilizer prices are currently $324/MT, which is a 23 percent reduction from last year. An 18 percent reduction in corn prices over the last year has contributed to these reduced fertilizer prices.

Kenya: Kenya could produce 1 MMT of corn in the next month, which it is hoped will offset major supply shortages, reports Bloomberg News. Kenya currently faces a corn shortage of 720,000 90kg bags, which is expected to be covered by imports from the East African Community and the release of 500,000 bags from the country's national reserve. Kenya consumes 3.72 million 90kg bags of corn each month, and each bag sold for $35.46 in April.

Russia: A Russian food safety agency has issued a warning that it has discovered western corn rootworm in insect traps along the border with Ukraine, reports Bloomberg News. Western corn rootworm is endemic to North America, and causes an estimated $1 billion of crop damage a year there.

South Africa: Yellow corn for July delivery has fallen to $185/MT, according to Bloomberg News. This is the largest drop in yellow corn prices since May 30.

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	$45.00	Down $1.00	Handymax at $46.50/MT
55,000 U.S. PNW- Japan	$24.00	Down $1.00	Handymax at $25.50/MT
55,000 U.S. Gulf – China PNW to China	$44.00 $23.00	Down $1.00 Down $1.50	North China
25,000 U.S. Gulf- Veracruz, México	$17.00	Down $0.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	$15.00	Down $0.50	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$20.50 $30.00	Down $0.50 Down $1.00	West Coast Colombia at $27.50
35,000 U.S. Gulf - Guatemala	$26.50	Down $1.50	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$36.00 $38.00	Down $0.50 Down $0.50	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$36.00	Down $1.00	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$33.00 $31.00	Down $0.50 Down $1.00	55,000 -60,000 MT St. Lawrence to Egypt $32.00
60-70,000 U.S. Gulf – Europe – Rotterdam	$19.25	Unchanged	Handymax at +$1.50 more
Brazil, Santos – China	$36.00 $35.00	Down $1.50 Down $1.75	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$43.00	Down $1.00	—

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: It was yet another dull and soft week in international ocean freight markets. The reported excuse of the week was that the lack of activity was caused by the annual "Posidonia" conference in Greece. In truth, it was a good time for ocean freight executives to take a vacation in Greece as there just wasn't much going on back at the office, and there may not be sufficient budget to take a vacation next year. The Capesize market did exhibit some stability, but the Panamax markets took it on the chin. The Baltic Panamax index has reached its lowest level in 2014 and is now back to where it was on February 8, 2013. This certainly is not the direction vessel owners expected the market to take in 2014.

The WSJ reported this week that investment funds are starting to pour money into ocean freight because they believe there is nowhere for rates to go but up. This may be fundamentally right, but, as always, timing is everything and it may take longer than they expect to generate an acceptable return.

It does however seem that there can't be much more down side potential (famous last words) and that we should at least bottom out at these levels. Slow steaming alone will not sufficiently help to cover operating costs at these levels. The current daily hire rates for Capesize Bulk vessels is $13,000/day and Dry-Bulk Panamax vessels are at just $6,200/day for long haul voyages.

Baltic Panamax Dry-Bulk Indices				
June 6, 2014 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	12,842	13,904	-1,062	-7.6%
P3A: PNW/Pacific – Japan	5,725	6,844	-1,119	-16.4%

Source: O'Neil Commodity Consulting

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

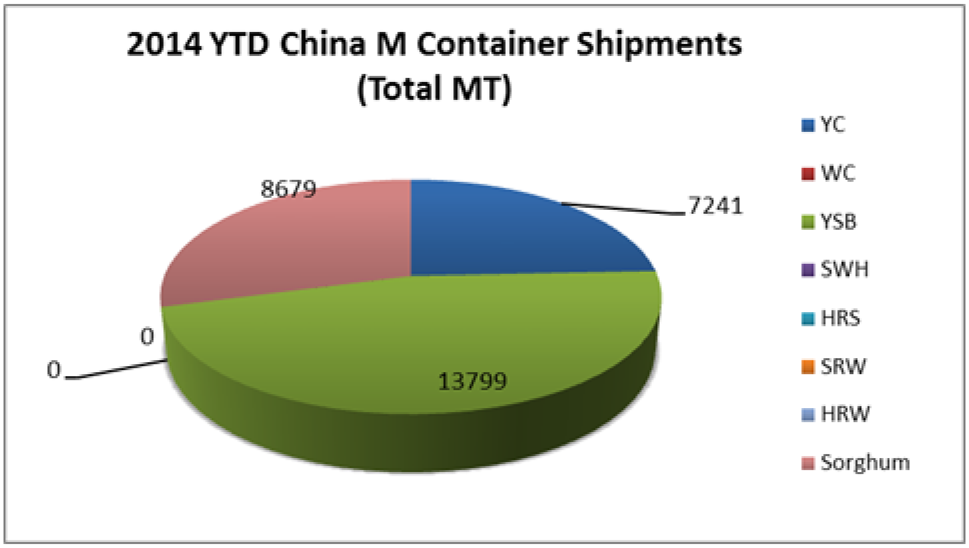
Week of June 6, 2014	
Four weeks ago	$6.90-$7.00
Three weeks ago:	$7.50-$8.10
Two weeks ago	$7.20-$7.55
One week ago:	$7.50-$8.20
This week	$7.70-$8.10

Source: O'Neil Commodity Consulting

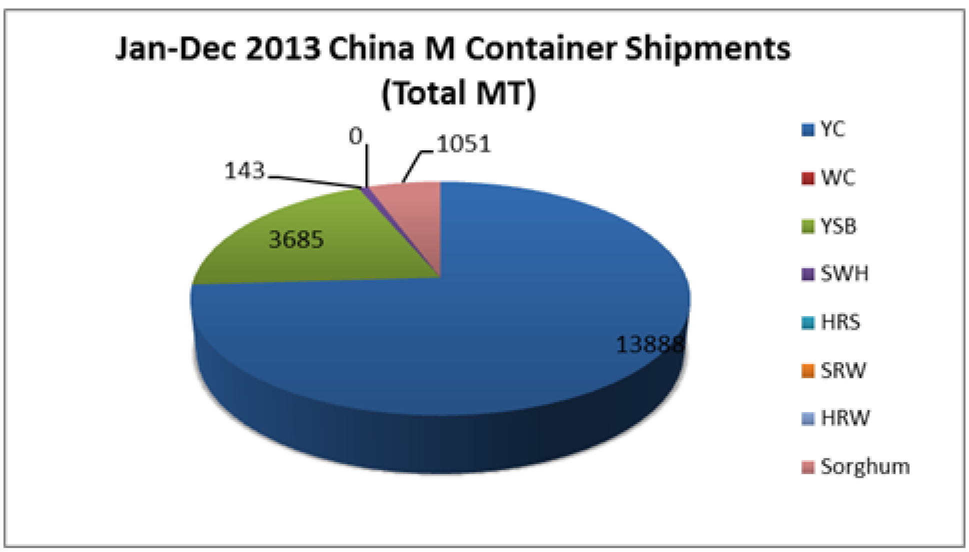
U.S. – Asia Market Spreads					
June 6, 2014	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.30	0.80	0.46	$18.11	PNW
Soybeans	1.45	0.90	0.55	$20.21	Both
Ocean Freight	$23.00	$44.00	0.53-0.56	($21.00)	July

Source: O'Neil Commodity Consulting

The charts below represent January-December 2013 annual totals versus January-May 2014 container shipments for China.



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

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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**	$39.5	$41	$40.5	$31	$36	$35	$42
	Brazil	$33	$34	$33.5	$28	$26	$25	-
Corn (White)	**Argentina**	$39.5	$41	$40.5	$31	$36	$35	$42
	Brazil	$33	$34	$33.5	$28	$26	$25	-
Barley	**Argentina**	$39.5	$41	$40.5	$31	$36	$35	$42
	Brazil	$33	$34	$33.5	$28	$26	$25	-
Sorghum	**Argentina**	$39.5	$41	$40.5	$31	$36	$35	$42
	Brazil	$33	$34	$33.5	$28	$26	$25	-

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 (%): June 4, 2014			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.32	0.32	0.32
LIBOR (1 year)	0.53	0.54	0.55

Source: www.bankrate.com