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**CHICAGO BOARD OF TRADE MARKET NEWS**

Week in Review: CME Corn December Contract					
\$/Bu	Monday 16 December	Tuesday 17 December	Wednesday 18 December	Thursday 19 December	Friday 20 December
<b>Change</b>	-0.0225	0.0350	-0.0175	0.0550	0.0275
<b>Closing Price</b>	4.2325	4.2675	4.2500	4.3050	4.3325
<b>Factors Affecting the Market</b>	The influence of bearish news initially spilled over into Monday morning trading but corn futures strengthened throughout the day and closed only moderately lower.	The nearby March contract closed a little higher due to forecasts for hotter and drier weather in South America made speculative sellers reluctant to press prices down.	Renewed discussions about Chinese rejections of U.S. corn were largely offset by concerns about South American weather and the March contract closed largely unchanged.	Today was the first time in a week that the March corn contract closed back above \$4.30 per bushel. Favorable export sales and South American weather supported higher prices	There seemed to be a growing consensus that recent negative news stories had their full influence and corn contracts could trend sideways to higher going into year's end.

**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.*



# Market Perspectives

December 20, 2013

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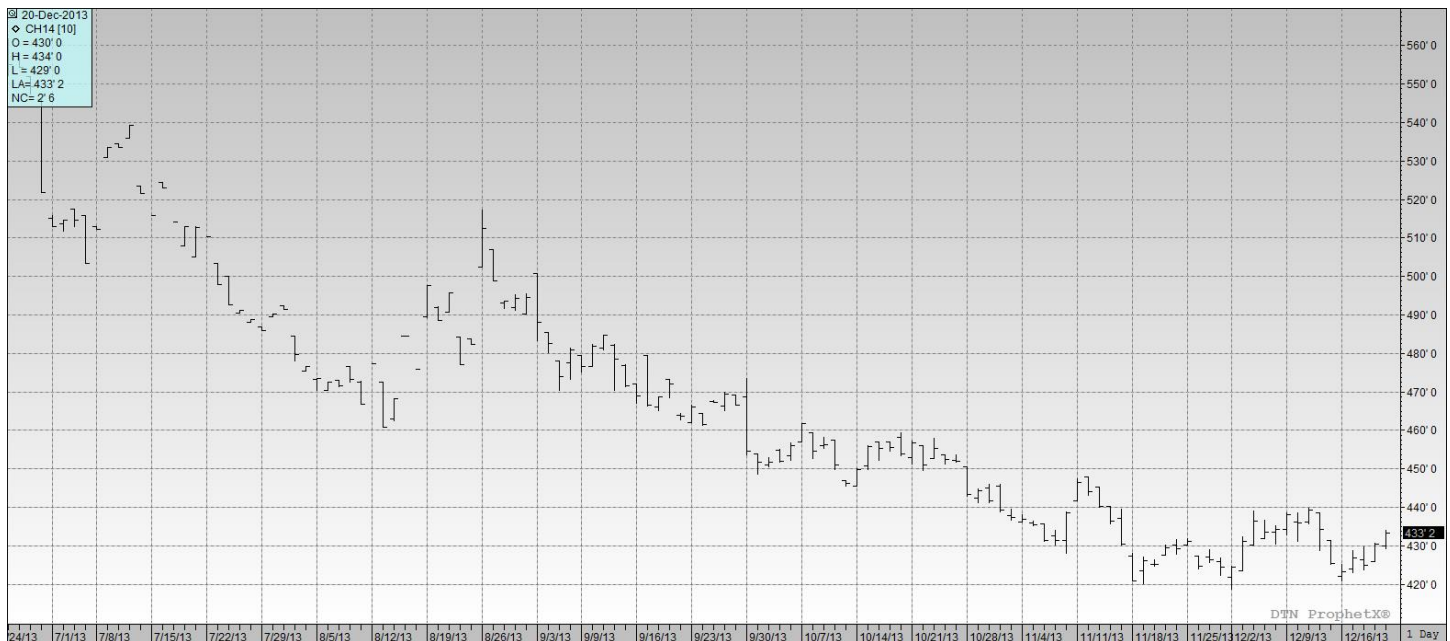
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**Outlook:** The market's attention will increasingly turn to South American weather as Argentine corn heads into pollination in the next few weeks. Argentine pollination will be slightly delayed and on less acreage than farmers initially intended because of a dry spell at the beginning of the season. The most threatening time for weather to become hot and dry is going into pollination.

U.S. Department of Agriculture Secretary Tom Vilsack is presently in Beijing, and is seeking a resolution to the Chinese concerns about an unapproved biotech strain. The Chinese are lagging behind the majority of other nations that have already granted their approval for the product. As a result, Secretary Vilsack has wisely encouraged a more synchronized approval process for biotechnology. Developing a more simultaneous approval process that is based entirely upon a science-based technique is an idea that seems to make the most sense for any global commodity. There simply are no long-term advantages for anyone when actions are based upon any other criteria, because any other criteria can cause merchandisers to lose profits and buyers to lose creditability.

The outlook going into the first quarter of calendar year 2014 is that more attention will be paid to South American weather, increasing efforts will be made to resolve Chinese concerns about biotech traits, and USDA will publish additional data on January 10 in which a potential yield increase could be partly offset by an increase in domestic feed and residual. Last, later data from USDA is generally expected to show a decline in U.S. corn acreage this spring.

## CBOT MARCH CORN FUTURES



Source: Prophet X

### Current Market Values:

Futures Price Performance: Week Ending December 20, 2013			
Commodity	December 20	December 13	Net Change
<b>Corn</b>			
Mar 14	433.25	425.50	7.75
May 14	441.50	433.75	7.75
Jul 14	448.50	440.75	7.75
Sep 14	454.25	446.00	8.25
<b>Soybeans</b>			
Jan 14	1339.00	1327.50	11.50
Mar 14	1331.00	1313.75	17.25
May 14	1316.00	1297.00	19.00
Jul 14	1301.25	1284.00	17.25
<b>Soymeal</b>			
Jan 14	446.60	432.60	14.00
Mar 14	433.60	423.20	10.40
May 14	424.00	412.70	11.30
Jul 14	415.50	404.80	10.70
<b>Soyoil</b>			

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Jan 14	39.44	39.83	-0.39
Mar 14	39.74	40.20	-0.46
May 14	40.12	40.59	-0.47
Jul 14	40.50	40.98	-0.48
<b>CBOT Wheat</b>			
Mar 14	613.50	628.75	-15.25
May 14	620.75	634.75	-14.00
Jul 14	624.75	637.00	-12.25
Sep 14	634.25	646.00	-11.75
<b>KCBOT Wheat</b>			
Mar 14	657.25	672.50	-15.25
May 14	657.75	675.75	-18.00
Jul 14	655.75	674.25	-18.50
Sep 14	666.75	684.00	-17.25
<b>MGE Wheat</b>			
Mar 14	650.50	660.50	-10.00
May 14	660.00	671.50	-11.50
Jul 14	669.75	681.50	-11.75
Sep 14	677.50	690.75	-13.25

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

## U.S. WEATHER/CROP PROGRESS

**U.S. Drought Monitor Weather Forecast:** During the December 20-23 time period, a system is expected to bring some much-needed moisture to the Pacific Northwest. Additionally, heavy rains are expected across portions of the eastern southern Plains and into the middle Mississippi and Ohio Valleys. Others along the eastern Seaboard and up into New England can also expect to share in some of the moisture, although at more modest levels. Above-normal to well-above-normal temperatures are expected across northern California, Texas and the Gulf Coast region and from Florida northward into New England. Cold air looks to remain entrenched across the central and northern Plains along with the western Great Lakes region.

For the period of December 24-28, warmer temperatures are anticipated across California and the southern Atlantic Coast region from Florida up to the coastal Carolinas. Cooler temperatures are expected in the Pacific Northwest, Intermountain West, Mississippi Valley and Midwest, including the Great Lakes. Dryness seems to be in the cards for most, with below-normal precipitation likely across most of the West, central and southern Plains, Mississippi Valley and western Gulf Coast states. The southern Atlantic Coast states can expect above-normal amounts of the wet stuff, though. 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 December 12, 2013					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	679,500	376,500	18,257.8	23,633.9	34%
Corn	861,600	693,400	9,772.0	27,522.6	118%
Sorghum	127,100	12,300	702.0	2,469.8	193%
Barley	500	400	74.2	125.1	3%

Source: USDA, World Perspectives, Inc.

**Corn:** Net sales of 827,100 MT for 2013/14 were up 19 percent from the previous week and 2 percent from the prior four-week average. Increases were reported for unknown destinations (238,700 MT), Mexico (135,100 MT), China (124,000 MT, including 180,000 MT switched from unknown destinations, 60,000 MT switched to South Korea and decreases of 4,700 MT), Taiwan (99,300 MT), South Korea (62,400 MT, including 60,000 MT switched from China) and the Dominican Republic (59,000 MT). Decreases were reported for Guatemala (10,100 MT). Net sales of 45,200 MT for 2014/15 were reported for Japan. Exports of 693,400 MT were down 29 percent from the previous week and 20 percent from the prior four-week average. The primary destinations were China (245,500 MT), Mexico (115,700 MT), Colombia (88,100 MT), South Korea (63,000 MT), Japan (54,700 MT) and Peru (45,800 MT). Optional Origin Sales: For 2013/14, new optional origin sales totaling 55,000 MT were reported to South Korea. Outstanding optional origin sales total 155,000 MT, and are for Mexico (100,000 MT) and South Korea (55,000 MT).

**Barley:** Net sales of 500 MT were reported for Taiwan. Exports of 400 MT were to Taiwan (200 MT) and Japan (200 MT).

**Sorghum:** Net sales of 72,000 MT for 2013/14 were down 75 percent from the previous week and 60 percent from the prior 4-week average. Increases were reported for China (120,900 MT) and Japan (8,500 MT, switched from unknown destinations). Decreases were reported for Brazil (55,000 MT) and unknown destinations (2,400 MT). Exports of 12,300 MT were to Japan (8,500 MT) and China (3,700 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending December 12, 2013					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	636,981	1,027,750	9,819,925	5,940,862	165%
Sorghum	12,497	75,339	929,372	751,514	124%
Soybeans	1,701,735	1,644,663	20,844,517	19,013,642	110%
Wheat	478,702	539,095	18,955,890	13,400,396	141%
Barley	0	6,336	77,944	121,205	64%

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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 Decemebtr 12, 2013						
Last Week (000 bushels)	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	10,228	41%	248	98%	336	68%
PNW	9,693	39%	4	2%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	219	1%	0	0%	16	3%
Interior Export Rail	4,685	19%	0	0%	140	28%
<b>Total (1,000 bu)</b>	<b>24,825</b>	<b>100%</b>	<b>252</b>	<b>100%</b>	<b>492</b>	<b>100%</b>
<b>Total (Metric Tons)</b>	<b>630,580</b>		<b>6,401</b>		<b>12,497</b>	
<b>White Corn Shipments by Country (MT)</b>			6,299	to Colombia		
			102	to South Korea		
<b>Total White Corn (MT)</b>			<b>6,401</b>			
<b>Sorghum Shipments by Country (MT)</b>					8,535	to Japan
					1,930	to China
					1,829	to Mexico
					203	to Philippines
<b>Total Sorghum (MT)</b>					<b>12,497</b>	

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)
January	-	-	+1.60 H	\$233.55
February	+1.00 H	\$209.93	+1.45 H	\$227.64
March	+0.90 H	\$205.99	+1.45 H	\$227.64
April	+0.68 K	\$200.58	+1.30 K	\$224.99

#2 White Corn (U.S. \$/MT FOB Vessel)			
Max. 15.0% Moisture	January	February	March
Gulf	-	\$260	\$260



Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
January	+1.60 H	\$233.55	+1.60 H	\$233.55
February	+1.65 H	\$235.52	+1.65 H	\$235.52
March	+1.65 H	\$235.52	+1.65 H	\$235.52

Barley: Feed Barley (FOB USD/MT)			
	January	February	March
FOB PNW	\$235	\$235	\$235

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	January	February	March
<b>New Orleans</b>	\$250	\$250	\$250
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	January	February	March
<b>New Orleans</b>	\$760	\$760	\$760
*5-10,000 MT Minimum			

\*All prices are market estimates.

DDGS Price Table: December 20, 2013 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Jan	Feb	Mar
Barge CIF New Orleans	315	313	308
FOB Vessel GULF	308	303	293
Rail delivered PNW	312	310	308
Rail delivered California	309	307	305
Mid-Bridge Laredo, TX	320	318	315
40 ft. Containers to South Korea (Busan)	372	367	367
40 ft. Containers to Taiwan ( Kaohsiung )	360	355	355
40 ft. Containers to Philippines ( Manila )	370	365	365
40 ft. Containers to Indonesia ( Jakarta )	365	360	360
40 ft. Containers to Malaysia (Port Kelang)	368	363	363
40 ft. Containers to Vietnam (HCMC)	380	375	375
40 ft. Containers to Japan (Yokohama)	370	365	365
40 ft containers to Thailand (LCMB)	362	357	357
40 ft Containers to Shanghai, China	355	350	350
KC & Elwood, IL Rail Yard (delivered Ramp)	272	269	267

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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## **DISTILLERS DRIED GRAINS WITH SOLUBLES (DDGS)**

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**DDGS Comments:** DDGS merchandisers reported several important changes to price dynamics this week: First, the sudden decline in Chinese demand caused the inverted condition of DDGS prices to decline so that the nearby prices are no longer as elevated in relation to forward prices. Second, shipping lines are implementing General Rate Increases (GRIs). (Please note that this section has been warning about the evolution of higher freight rates for some time and now such events seem to be transpiring).

It is unknown if inverted price conditions will return once Chinese buying resumes. However, DDGS merchandisers report that there are presently lots of inquiries from Chinese buyers who are anxious to keep a handle on market conditions. Presumably attributable to the momentary lull in Chinese buying is the fact that the California market feels a little softer in nearby prices, but steady in the deferred market.

Domestic DDGS prices were down early in the week but worked back up as the week progressed. This rebound happened in part because the early price weakness spurred many domestic end-users to lock in supplies through the first quarter of calendar year 2014. Various foreign buyers also secured pricing through the first and second quarters of next year. As a result, a number of ethanol plants claim they are sold out of DDGS through January.

**Ethanol Comments:** The price of ethanol, like any other commodity, is heavily influenced by available stocks. Total U.S. ethanol stocks are sufficiently tight that the price of ethanol is similar to last year even though corn input costs have declined. The result of a stable price and reduced cost is an improved profit margin for ethanol facilities. The improved margins should encourage greater production that eventually allows domestic stocks to rebuild. However, that point has still not been achieved as U.S. ethanol stocks are now reported to be a full 25 percent below last year. It seems that global buyers have an appreciation for U.S. ethanol.

It is unfortunate that demand for U.S. ethanol can appear more consistent than does U.S. biofuel policy, but industry participants presently have no reason to be overly concerned. Congressional opponents of the Renewable Fuels Standard (RFS) lack the support and positions to implement legislation that will reverse policy in the foreseeable future. EPA did make adjustments to account for the 10 percent blend-wall, but foreign demand has consumed any excess production and then some. If global crude oil production expands, then there could be points in the future when ethanol prices periodically decline in order to keep export channels open, but such price action is not a threat. The differentials between corn and the co-products values declined this week across the Corn Belt, but the decline was from outstanding to great:

- Illinois differential is \$3.97 per bushel in comparison to \$4.50 the prior week and \$1.21 a year ago.
- Iowa differential is \$3.40 per bushel in comparison to \$4.25 the prior week and \$1.17 a year ago.
- Nebraska differential is \$3.08 per bushel in comparison to \$3.87 the prior week and \$1.53 a year ago.
- South Dakota differential is \$3.60 per bushel in comparison to \$4.34 the prior week and \$1.34 a year ago.

As touched upon earlier, ethanol stocks of 15.6 million barrels were 25 percent below the year-ago level of 20.8 million barrels. Ethanol production declined for the week ending 12/13 to 928,000 barrels per day (bpd), in



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comparison to 944,000 bpd the week before. The production level for the same week a year ago was 822,000 bpd.

## COUNTRY NEWS

**China:** China has affirmed that it will continue to reject corn shipments containing the GM MIR 162 strain, according to Bloomberg News. MIR 162 has still not received a definitive safety certification from the Chinese government. 12 cargoes of U.S. corn containing MIR 162 totaling some 545,000 MT were rejected on December 19. This rejection comes at a time when China has placed a record order for 5.9 MMT of corn for importation this year.

**Ghana:** The government of Ghana has announced its intent to adopt GM technology to improve the country's agricultural production, according to WPI. While the government has yet to map out how exactly it wishes to achieve this goal, a government minister has been quoted as saying that senior staff changes will be required in order for the country to have a more scientific approach to advances in agricultural technology.

**Kenya:** The Kenyan government has announced that a new strain of corn seed that is resistant to maize lethal necrosis will be available to farmers in 2014, according to WPI. This seed is currently being grown by Kenyan farmers under a government contract and should be available for distribution by the start of the next growing season. However, some experts are concerned that the new strain will not be as effective against the disease in real world conditions as it has been in laboratory tests.

**South Africa:** Corn prices for march delivery in Africa's largest producer climbed again this week, reports Bloomberg News. Yellow corn is now \$249.39/MT, while white corn stands at \$257.45/MT.

## 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	\$58.00	Down \$1.50	Handymax at \$60.00/MT
55,000 U.S. PNW- Japan	\$29.50	Down \$2.00	Handymax at \$31.50/MT
55,000 U.S. Gulf – China	\$56.50	Down \$1.25	North China
PNW to China	\$27.50	Down \$2.00	
25,000 U.S. Gulf- Veracruz, México	\$20.50	Down \$1.00	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	\$18.00	Down \$0.50	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	\$25.00	Down \$1.00	West Coast Colombia at \$33.00
	\$36.00	Down \$1.00	West Coast Colombia from Argentina at \$42.00
35,000 U.S. Gulf - Guatemala	\$32.50	Down \$0.50	Acajutla/Quetzal - 8,000

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			out
25-30,000 U.S. Gulf – Algeria	\$43.00 \$45.50	Down \$0.50 Down \$0.50	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	\$45.50	Down \$1.00	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	\$39.00 \$40.00	Down \$1.00 Down \$2.00	55,000 -60,000 MT St. Lawrence to Egypt \$37.00
60-70,000 U.S. Gulf – Europe – Rotterdam	\$25.00	Down \$2.00	Handymax at +\$1.50 more
Brazil, Santos – China	\$41.50 \$39.25	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	\$47.50	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:** In this market, what goes up does not stay up for long. The market rally of the last three weeks has come to an end as the holiday period approaches. I guess those who needed to get coverage before leaving on holiday did. You will notice a big range in values in the below Capesize vessel rates from West Australia to China, but the fact of the matter is that rates closed out the week at the lower end of the range. Even the Handysize market finally topped and set back a little this week. This capped a three-month rally for the Handysize vessel index.

Aside from the Western holidays, the Chinese New Year (the year of the Horse) comes early this year on January 31, which means that the two-week celebrations in Asia will also start soon. Businesswise things should get fairly quiet fairly quick.

Baltic Panamax Dry-Bulk Indices				
December 20, 2013	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	25,990	28,110	-2,120	-7.5%
P3A: PNW/Pacific – Japan	12,185	14,366	-2,181	-15.2%

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 December 20, 2013	
Four weeks ago	\$9.25-\$10.25
Three weeks ago	\$9.85-\$10.25
Two weeks ago	\$12.05-\$13.00

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One week ago	\$13.05-\$14.50
This week	\$11.00-\$14.50

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
December 20, 2013	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.60	1.00	0.60	\$23.62	PNW
Soybeans	1.85	1.45	0.40	\$14.70	PNW
Ocean Freight	\$27.50	\$56.50	0.72-0.77	(\$29.00)	Jan.

Source: O'Neil Commodity Consulting

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

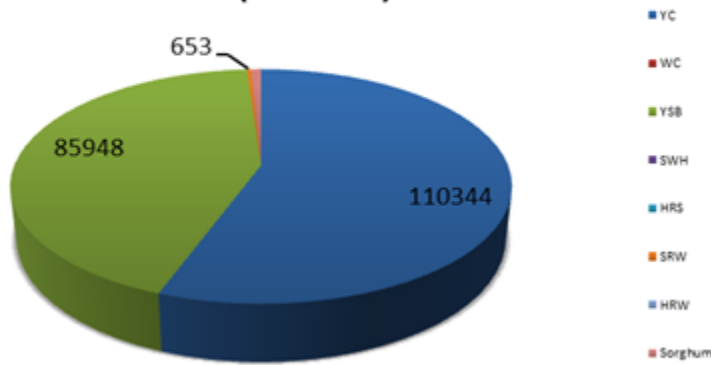


Source: O'Neil Commodity Consulting

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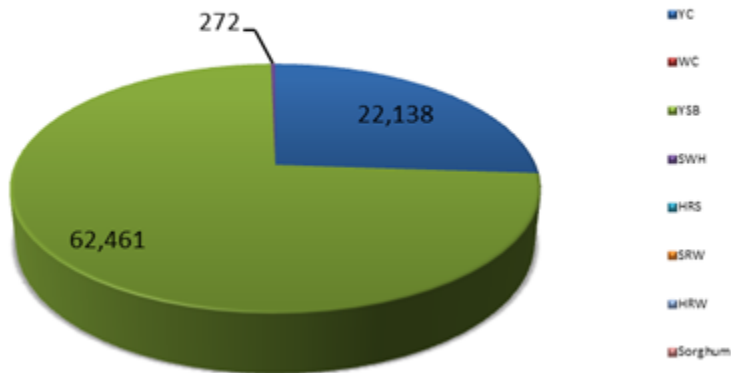
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**Jan-Dec 2012 China M Container Shipments  
(Total MT)**



Source: O'Neil Commodity Consulting

**Jan-Dec 2011 China M Container Shipments  
(Total MT)**



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	\$52	\$54	\$53	\$44	\$45	\$39	-
	Brazil	\$43	\$45	\$45	\$38	\$39	\$29	-
Corn (White)	Argentina	\$52	\$54	\$53	\$44	\$45	\$39	-
	Brazil	\$43	\$45	\$45	\$38	\$39	\$29	-
Barley	Argentina	\$52	\$54	\$53	\$44	\$45	\$39	-
	Brazil	\$43	\$45	\$45	\$38	\$39	\$29	-
Sorghum	Argentina	\$52	\$54	\$53	\$44	\$45	\$39	-
	Brazil	\$43	\$45	\$45	\$38	\$39	\$29	-

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 (%): December 18, 2013			
	Current Week	Last Week	Last Month
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.35	0.34	0.35
LIBOR (1 year)	0.58	0.58	0.58

Source: [www.bankrate.com](http://www.bankrate.com)