Market Perspectives

January 24, 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 20 January**	**Tuesday 21 January**	**Wednesday 22 January**	**Thursday 23 January**	**Friday 24 January**
Change	-	0.0125	0.0125	0.0275	0.0050
Closing Price	-	4.25	4.2625	4.2900	4.2950
Factors Affecting the Market	Martin Luther King Day	The March corn contract closed positive despite aggressive selling in soybean futures. That was partly because speculative traders were exiting their long soybean and short corn spreads.	Speculators reduced their short positions in corn. At present price levels traders seem uninterested in adding to their positions until more definitive market news develops.	The average price of March corn remained in a trading range just below $4.30 per bushel. A catalyst to move corn contracts in one direction or another could still be several weeks away.	March corn spent this week within a narrow trading range, but slowing worked higher. Corn export sales were good this morning (a day late due to the holiday).

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 March corn contract spent the week in a narrow trading range while soybeans sold off. This price activity was related in large part to speculators exiting their long soybean and short corn spreads. As well, present market conditions are not overly bearish for corn because winter is normally a period of strong domestic feed demand and the recent cold weather in the United States is further increasing feed rations. Higher cattle prices are incentive for feedlots to maximize weight gain and for pork and poultry producers to increase production. This afternoon, USDA will publish the Cattle on Feed report which will influence whether cattle prices continue to escalate upward or not. Strong winter feed usage may be evident when USDA publishes the March stocks report on March 28.

In the near-term, feed grain market participants will continue to watch the export demand for corn and the rate of domestic ethanol production. South American weather will also be crucial for the next few weeks as Argentine corn pollinates. There has been some improvement in soil moisture conditions in Argentina. However, that improved production prospect may be offset by declining economic conditions, which is making Argentine farmers more hesitant to market their developing crops. The result is that U.S. corn is now competitively priced against Ukrainian corn and the impending harvest in South America.

Stable basis in the export markets, logistical contraints due to winter weather (as well as strong feed demand), and reluctance by U.S. farmers to sell on price declines should maintain and/or strengthen interior basis levels while corn futures contracts remain in a vertical trading range. The feed grain basis is likely to remain firm going into March, when there is expected to be some increased farmer selling for tax reasons and to settle lease agreeements. By that point, futures may make up for weakness in the basis.

CBOT MARCH CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending January 24, 2014			
Commodity	**January 24**	**January 17**	**Net Change**
Corn			
Mar 14	429.50	424.00	5.50
May 14	436.00	431.75	4.25
Jul 14	441.50	438.50	3.00
Sep 14	444.25	443.25	1.00
Soybeans			
Mar 14	1284.75	1316.50	-31.75
May 14	1270.00	1297.25	-27.25
Jul 14	1257.75	1282.00	-24.25
Aug 14	1218.75	1241.25	-22.50
Soymeal			
Mar 14	425.70	434.50	-8.80
May 14	410.40	420.70	-10.30
Jul 14	401.70	411.90	-10.20
Aug 14	388.90	398.10	-9.20
Soyoil			

Mar 14	37.54	37.74	-0.20
May 14	37.90	38.06	-0.16
Jul 14	38.27	38.43	-0.16
Aug 14	38.39	38.55	-0.16
SRW			
Mar 14	565.25	563.50	1.75
May 14	571.50	570.50	1.00
Jul 14	577.00	577.00	0.00
Sep 14	585.50	585.75	-0.25
HRW			
Mar 14	627.25	623.25	4.00
May 14	625.25	621.00	4.25
Jul 14	619.25	617.50	1.75
Sep 14	628.75	628.75	0.00
MGEX (HRS)			
Mar 14	613.00	617.75	-4.75
May 14	613.00	615.00	-2.00
Jul 14	621.00	622.50	-1.50
Sep 14	629.00	630.00	-1.00

**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 January 24-27, 2014, between 0.25 and 0.75 inch of precipitation (with locally higher totals) is forecast in the dry areas of the Northeast, central Florida, and southern and southeastern Texas. Light precipitation is anticipated in areas adjacent to these and in most of the Rockies. No measurable precipitation is expected elsewhere. The pattern of above-normal temperatures in the western U.S. and below-normal temperatures farther east is expected to continue.

For the period of January 28-February 1, 2014, the odds favor above-normal precipitation in the central and northern Rockies and along the northern tier of states from the northern Rockies through the Great Lakes region. There are enhanced chances of below-normal precipitation in the southern Rockies and in central and southern sections of the rest of the contiguous 48 states from the Appalachians and Piedmont westward to the Pacific coast, except Florida and southern Texas. Neither dryer- nor wetter-than-normal conditions are favored elsewhere. The pattern of above-normal temperatures in the West and below-normal temperatures farther east is expected to continue. Follow this link to view current U.S. and international weather patterns and the future outlook: Weather and Crop Bulletin.

Market Perspectives

January 24, 2014

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U.S. EXPORT STATISTICS

Export Sales and Exports: Week Ending January 16, 2013					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	450,800	420,700	20,428.2	25,310.9	24%
Corn	848,400	799,100	13,312.5	30,096.0	126%
Sorghum	179,600	34,100	892.0	2,981.8	224%
Barley	0	500	76.5	126.2	3%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 693,000 MT for 2013/14 were down 16 percent from the previous week, but up 6 percent from the prior four-week average. Increases were reported for Egypt (244,000 MT), Taiwan (129,200 MT), Japan (116,700 MT, including 49,700 MT switched from unknown destinations), Mexico (112,700 MT) and China (75,900 MT). Decreases were reported for unknown destinations (178,400 MT) and Guatemala (8,800 MT). Exports of 799,100 MT were up 19 percent from the previous week, but down 8 percent from the prior four-week average. The primary destinations were Mexico (212,800 MT), Japan (160,700 MT), Peru (140,500 MT), South Korea (120,100 MT) and Colombia (71,200 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 64,000 MT for week ending November 21, 2013. South Korea 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 500 MT were to Taiwan.

Sorghum: Net sales of 5,500 MT for 2013/14 resulted as increases for Republic of South Africa (19,900 MT, including 18,700 MT switched from unknown destinations) and China (4,300 MT), were partially offset by decreases for unknown destinations (18,700 MT). Net sales of 290, 000 MT for 2014/2015 were reported for China (174,000 MT) and unknown destinations (116,000 MT). Exports of 34,100 MT were to Republic of South Africa (19,900 MT) and China (14,200 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending January 16, 2013					
Commodity (MT)	**Export Inspections**		**Current Market YTD**	**Previous YTD**	**YTD as Percent of Previous**
	Current Week	**Previous Week**			
Corn	757,229	531,237	13,300,192	7,217,567	184%
Sorghum	43,842	67,363	1,145,356	865,082	132%
Soybeans	1,540,181	1,616,141	28,329,815	24,748,652	114%
Wheat	423,399	696,621	21,342,733	15,295,011	140%
Barley	15,393	348	94,752	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 16, 2013						
Last Week (000 bushels)	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	19,459	72%	2,623	98%	1,626	94%
PNW	4,277	16%	4	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	20	1%
Interior Export Rail	3,408	13%	40	1%	80	5%
Total (1,000 bu)	27,144	100%	2,667	100%	1,726	100%
Total (Metric Tons)	689,485		67,744		43,842	
White Corn Shipments by Country (MT)			66,652	to Mexico		
			991	to Japan		
			101	to South Korea		
Total White Corn (MT)			67,744			
					19,914	to South Africa
Sorghum Shipments by Country (MT)					14,606	to China
					8,027	to Japan
					1295	to Mexico
Total Sorghum (MT)					43,842	

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)**
LH February	-	-	+1.60 H	$232.07
March	+1.00 H	$208.45	+1.50 H	$228.14
April	+0.80 K	$203.14	+1.29 K	$222.43
May	+0.79 K	$202.74	+1.30 K	$222.82

#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	$234.04	+1.65 H	$234.04
March	+1.65 H	$234.04	+1.65 H	$234.04
April	+1.60 K	$234.63	+1.60 K	$234.63

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	$217	$217	$217
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**February**	**March**	**April**
New Orleans	$745	$745	$745
**5-10,000 MT Minimum*			

***All prices are market estimates.*

DDGS Price Table: January 24, 2014 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Feb	Mar	Apr
40 ft. Containers to South Korea (Busan)	334	336	333
40 ft. Containers to Taiwan (Kaohsiung)	331	333	331
40 ft. Containers to Philippines (Manila)	346	348	345
40 ft. Containers to Indonesia (Jakarta)	345	347	344
40 ft. Containers to Malaysia (Port Kelang)	344	346	344
40 ft. Containers to Vietnam (HCMC)	350	352	349
40 ft. Containers to Japan (Yokohama)	341	343	340
40 ft containers to Thailand (LCMB)	344	346	344
40 ft Containers to Shanghai, China	332	334	331
KC & Elwood, IL Rail Yard (delivered Ramp)	270	268	365

*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: Merchandisers report that the DDGS market has slowed now that China is celebrating the Lunar New Year. Some buyers from Southeast Asian regions are purchasing hand-to-mouth in anticipation of further price weakness. Certainly, any build up in DDGS inventory can cause ethanol plants to temporarily reduce DDGS prices in order to encourage movement, but such savings for a buyer can often be eaten up by offsetting costs when logistical arrangements are rushed. This is in part because the availability of empty containers has declined now that the holiday volume to the United States has slowed. Of course, fewer available containers could cause trucking freight to decline, but domestic U.S. truck and rail movement has been temporarily strained by winter weather. It is generally the case that better freight rates can be obtained when there is time to negotiate.

One DDGS merchandiser reported that he was working with Vietnamese buyers this week and they made a purchase. He noted that other Asian buyers are seeking “fire sale” prices because of recently diverted DDGS containers from China, but such product has not lasted long in the market and that is not a viable long-term strategy.

Foreign and domestic buyers are encouraged to read the preceding commentary in the Outlook section which notes that the price of corn futures has leveled off into a trading range and the near-term forecast is for cash basis to strengthen. Current market dynamics seem to be presenting an ideal opportunity for both foreign and domestic buyers to hold discussions with merchandisers about potential strategies to secure DDGS stocks to meet their protein needs into the first half of 2014.

Ethanol Comments: Ethanol producer returns remain consistently well above year-ago levels and this fact is causing the four-week average weekly production of 902,000 barrels per day (bpd) to remain exactly 100,000 bpd above the prior-year’s four-week average of 802,000 bpd. Demand for U.S. ethanol is sufficiently strong that the total U.S. stock of 17 million barrels remains 15.3 percent below the year-ago total stocks level of 20.1 million barrels. Domestic use, exports and lack of imports have all combined to maintain this lower stocks level for an extended period of time, but the gap in stocks between this year and last is destined to narrow.

A primary reason for the present difference between corn and the co-products values is the current low price of corn. A general assumption that is now being held amount corn market particpants is that the future outlook is neutral to bearish if the U.S. corn acreage gets planted on time and weather conditions are non-threatening. Of course, it is the ability to deal with unforeseen circumstances that determines the degree of long-term success.

The differentials between corn and the co-products values for the week ending January 24, 2014 were lower across the Corn-Belt, but all remain well above the year-ago levels:

- Illinois differential is $3.61 per bushel in comparison to $4.31 the prior-week and $1.45 a year ago.
- Iowa differential is $2.64 per bushel in comparison to $2.79 the prior-week and $1.12 a year ago.
- Nebraska differential is $2.73 per bushel in comparison to $2.98 the prior-week and $1.87 a year ago.
- South Dakota differential is $2.95 per bushel in comparison to $3.21 the prior-week and $1.78 a year ago.

COUNTRY NEWS

Germany: German wheat exports fell in November while barley exports increased, reports Bloomberg News. Wheat shipments fell rom 866,437 MT valued at €243.2 million in November 2012 to 602,767 MT valued at

€130.6 million in November 2013. Barley shipments rose to 237,064 MT in November 2013, which was up from 197,451 MT seen the year prior. Corn exports fell to 75,323 MT in November 2013, which was a steep drop from the 186,749 MT exported in November 2012. Corn imports fell to 288,659 MT in November 2013, which was down from 336,198 MT the year before.

Japan: The Ministry of Agriculture has announced that it will import 15,150 MT of feed wheat and 86,850 MT of feed barley from a simultaneous buy and sell auction that closed on Wednesday, according to Reuters. The ministry had sought to purchase 120,000 MT of feed wheat and 200,000 MT of barley. It will be seeking these same amounts in another auction to be held on January 29.

South Africa: Grain SA has reported that because of lows rainfall during the 2012 and 2013 planting seasons South Africa will have a corn shortfall of around 500,000 MT when the harvest begins in April, according to Bloomberg News. Stocks of yellow corn fell 18 percent to 1.33 MMT, while white corn stocks fell by 30 percent to 1.84 MMT.

Zambia: Zambia may experience its worst corn crop in three years due to inefficient fertilizer distribution and late rains, reports Bloomberg News. A government program to distribute subsidized seed and fertilizer to the small-scale farmers that make account for around 80 percent of Zambian corn production has been termed a disaster that exacerbated the difficulties caused by the late rains. Shortages and increased demand across much of Africa cause prices in Zambia to rise by 35 percent in 2013 through November.

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	\$41.00 \$39.50	Up \$1.00 Up \$1.50	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	\$47.50	Up \$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: Ocean freight news articles are full of stories describing how 2014 will be the big turnaround year for freight markets. I'm guessing we have indeed seen the bottom and that things should gradually improve. However, it is difficult for me to envision a "Big" turnaround and smoother sailing for vessel owners as we move through 2014. I'm still of the opinion that it will be a bumpy year. The biggest question continues to be how fast will the world economy improve and soak up the excess vessel supply? The next seven-to-10 days should remain fairly quiet as we pass through the Lunar New Year holiday period in Asia. Then we will have to see how hungry the market is for freight when the holiday celebrations are over.

The one bright spot on the demand side will be the advent of the South American Corn and Soybean shipping season. We already see 27+ vessels in line at Brazilian ports waiting for the harvest. I'm leaving most rates unchanged this week due to the lack of activity.

According to SSY fleet data just over 60.0 Mdwt of dry-bulk vessel new buildings were delivered in 2013. This is the lowest annual total since 2009 and was down by almost 40 percent from 2012's record. But this is, of course what is supposed to occur after going through a major drop in vessel values. The total dry bulk order book at the end of 2013 rose to a 16-month high of 133.3 Mdwt. The job of the market is to discourage another major new build program for the next few years.

Baltic Panamax Dry-Bulk Indices				
January 24, 2014 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	22,613	23,467	-854	-3.6%
P3A: PNW/Pacific – Japan	9,225	10,258	-1,033	-10.1%

Source: O'Neil Commodity Consulting

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

Market Perspectives

January 24, 2014

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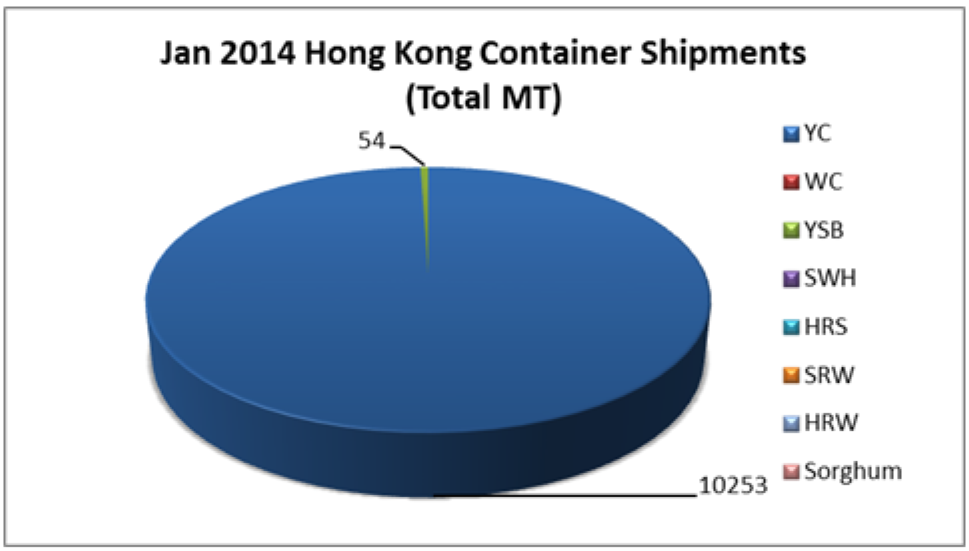
Week of January 24, 2014	
Four weeks ago	$12.50-$12.75
Three weeks ago:	$12.50-$12.50
Two weeks ago	$12.00-$12.50
One week ago:	$7.30-$8.00
This week	$7.75-$8.05

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
January 24, 2014	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
# 2 Corn	1.60	1.00	0.60	$23.62	PNW
Soybeans	2.00	1.35	0.65	$23.88	PNW
Ocean Freight	$26.00	$55.00	0.74-0.79	($29.00)	Feb.

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 China.



Source: O'Neil Commodity Consulting

Market Perspectives

January 24, 2014

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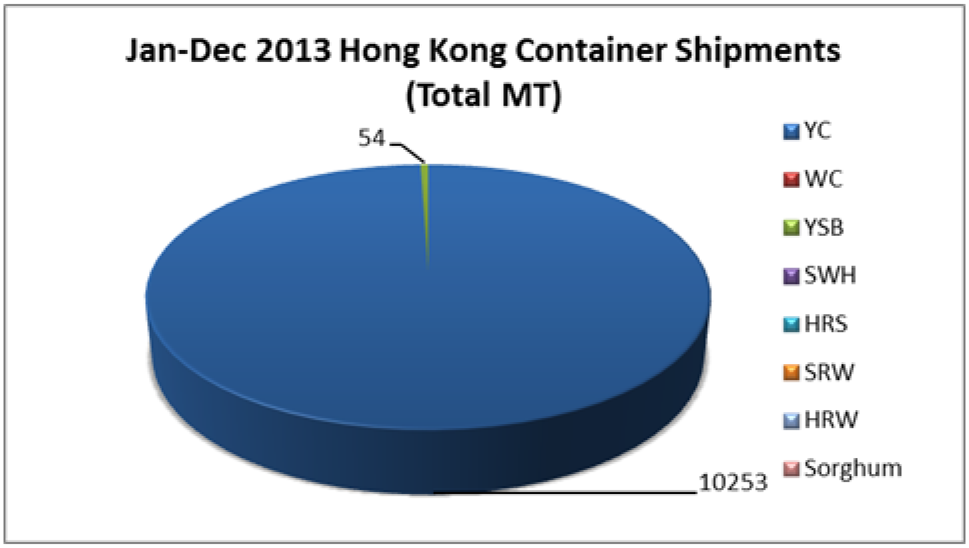
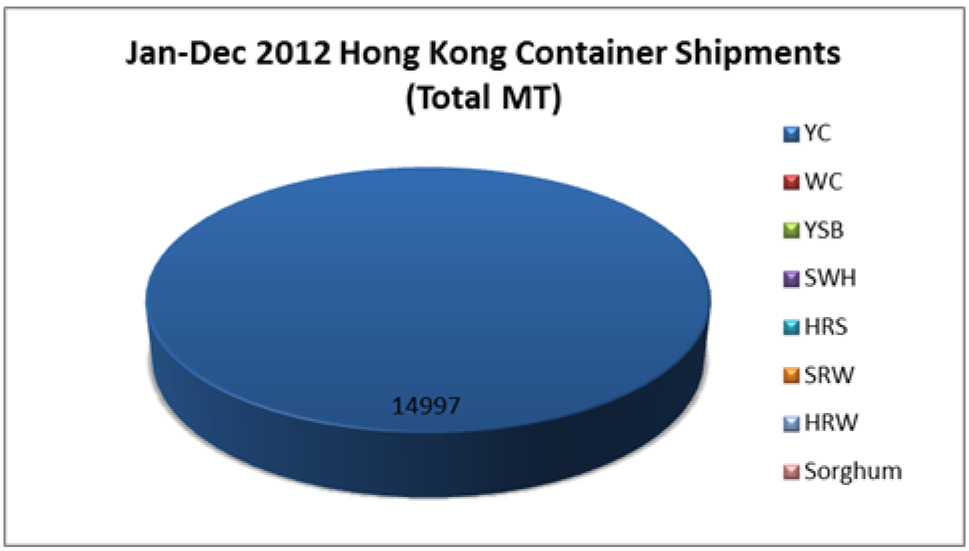


Source: O'Neil Commodity Consulting



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	$51	$54	$53	$39	$42	$40	$45
	Brazil	$45	$45	$45	$37	$32	$33	-
Corn (White)	Argentina	$51	$54	$53	$39	$42	$40	$45
	Brazil	$45	$45	$45	$37	$32	$33	-

Barley	**Argentina**	$51	$54	$53	$39	$42	$40	$45
	Brazil	$45	$45	$45	$37	$32	$33	-
Sorghum	**Argentina**	$51	$54	$53	$39	$42	$40	$45
	Brazil	$45	$45	$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 (%): January 22, 2014			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.33	0.34	0.35
LIBOR (1 year)	0.57	0.58	0.58

Source: www.bankrate.com