U.S. GRAINS COUNCIL

Market Perspectives

January 30, 2015

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn March Contract					
$/Bu	**Monday 26 Jan**	**Tuesday 27 Jan**	**Wednesday 28 Jan**	**Thursday 29 Jan**	**Friday 30 Jan**
Change	-0.0275	-0.0275	-0.0800	-0.075	-0.0150
Closing Price	3.8400	3.8125	3.7325	3.7150	3.7000
Factors Affecting the Market	The March contract drifted lower as speculative funds attempted to gracefully roll out of their long positions.	Selling continued as the arrival of First Notice Day in the March contract gives large traders limited choices.	Technical weakness enabled buyers of corn contracts to step back and purchase at lower levels.	Another week of favorable export sales increased interest in buying the March corn contract below $3.70 per bushel.	Once again, the March contract traded below $3.70 per bushel and then bounced back due to strong buying interest.

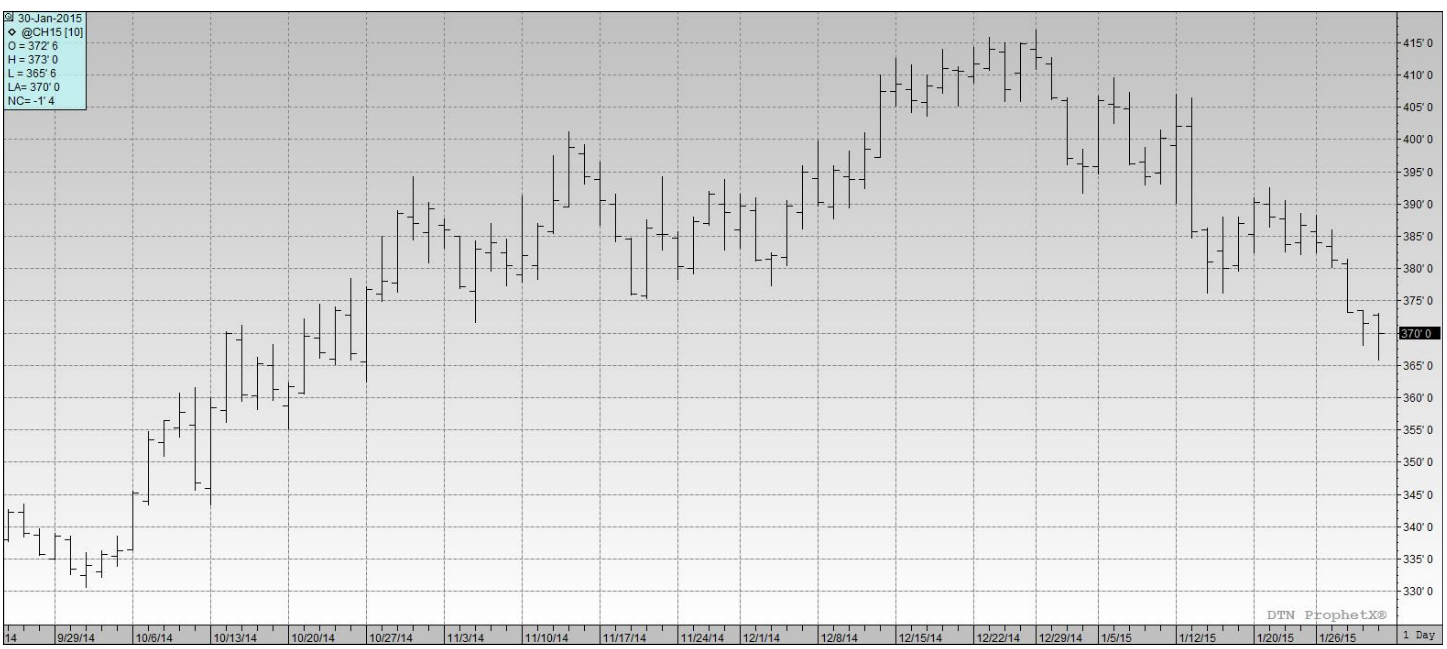
For more information on the contents of this newsletter or the U.S. Grains Council, its mission and programs, please contact Manuel Sanchez or Alvaro Cordero at (202) 789-0789.

Outlook: Fund managers had built a sizable long position in corn contracts and the approach of February meant that they needed to reduce their positions in the nearby March contract. The lack of any new bullish catalyst meant that buyers could continue to step back and purchase at steadily lower levels. The result has been the recent sell-off. This circumstance is currently presenting end-users of corn a chance to cover spring needs at favorable price levels.

The arrival of February has more significance than just the need for traders to adjust their positions. Planting intentions normally become a dominant topic of market conversation around the middle of February. The general consensus seems to be that U.S. corn acreage will be lower this spring than a year ago. However, estimates may widely vary because the price ratio between November 2015 soybeans and December 2015 corn is currently not a good indicator about the extent of any decline in U.S. corn acreage. As always, spring weather and rotation patterns will also influence plantings.

USDA will give a preliminary estimate of crop acreages at the Agricultural Outlook Forum that will occur on February 19-20, 2015 in Arlington Virginia. There, the results of actual planting intention surveys will be published in the Prospective Plantings report on March 31. Afterward, the actual acreage estimates will be published on June 30, 2015.

CBOT MARCH CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending January 30, 2015			
Commodity	**30-Jan**	**23-Jan**	**Net Change**
Corn			
Mar 15	370.00	386.75	-16.75
May 15	378.50	395.25	-16.75
Jul 15	386.00	402.75	-16.75
Sep 15	393.00	409.25	-16.25
Soybeans			
Jan 15	961.00	972.75	-11.75
Mar 15	967.75	979.50	-11.75
May 15	972.75	985.25	-12.50
Jul 15	972.00	985.50	-13.50
Soymeal			
Jan 15	329.90	331.50	-1.60
Mar 15	324.00	323.70	0.30
May 15	321.80	321.90	-0.10
Jul 15	320.80	321.20	-0.40
Soyoil			
Jan 15	30.00	31.60	-1.60
Mar 15	30.24	31.79	-1.55
May 15	30.46	31.99	-1.53
Jul 15	30.52	31.99	-1.47
SRW			
Mar 15	502.75	530.00	-27.25
May 15	506.75	532.75	-26.00
Jul 15	511.50	536.50	-25.00
Sep 15	519.75	544.25	-24.50
HRW			
Mar 15	540.25	564.00	-23.75
May 15	542.75	569.00	-26.25
Jul 15	546.25	572.25	-26.00
Sep 15	557.75	583.75	-26.00
MGEX (HRS)			
Mar 15	556.75	576.00	-19.25
May 15	561.25	582.50	-21.25
Jul 15	569.00	590.75	-21.75
Sep 15	577.00	598.50	-21.50

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: Over the next week, temperatures are expected to be below normal for most areas east of the Continental Divide. The greatest departures are projected to be over the upper Midwest and Great Lakes regions while temperatures are expected to stay above normal over the western United States. Models are in fairly strong agreement on a strong storm system developing over the Southwest and ejecting onto the Plains. This system does pull some Pacific moisture into it, bringing a good chance of precipitation over Arizona, New Mexico and the desert regions of southern California. As this system tracks to the east, much of the southern plains, lower Mississippi River valley and Mid-Atlantic are expecting to see precipitation of up to 1.5 inches.

The 10 day outlook continues to show that the western third of the United States has the highest probabilities of above-normal temperatures. After being above normal during the last few weeks, the eastern half of the country looks to get back into a more seasonal pattern, with the best chances of below-normal temperatures over New England. The drought in the West will not see much relief through the first week of February as the area remains likely to have below-normal precipitation. There are also above-normal chances of below-normal precipitation through much of the plains, Midwest, Gulf Coast and Ohio River valley, while portions of the central and northern Rocky Mountains and the southeast look to have the best chances of receiving above-normal precipitation. 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 January 22, 2015					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	559,000	340,500	14,617.6	19,937.3	-23%
Corn	1,154,400	942,600	14,720.2	31,414.5	0%
Sorghum	245,300	300,700	3,142.7	6,845.8	116%
Barley	0	100	107.1	136.6	8%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 1,068,200 MT for 2014/15 were down 51 percent from the previous week, but unchanged from the prior four week average. Increases were reported for Japan (440,100 MT, including 228,200 MT switched from unknown destinations and decreases of 11,600 MT), Mexico (221,700 MT), South Korea (181,100 MT), Egypt (60,000 MT), Venezuela (38,000 MT, switched from unknown destinations), Morocco (33,000 MT, including 30,000 MT switched from unknown destinations) and Nicaragua (21,300 MT). Decreases were reported for unknown destinations (37,900 MT). Net sales of 16,000 MT for 2015/16 were reported for Canada (10,000 MT) and Nicaragua (6,000 MT). Exports of 942,600 MT were up 24 percent from the previous week and 61 percent from the prior four week average. The primary destinations were Japan (549,800 MT), Mexico (210,000 MT), Venezuela (58,000 MT), Morocco (33,000 MT) and Colombia (31,900 MT). Optional Origin Sales: For 2014/15, outstanding optional origin sales total 68,000 MT, all South Korea.

Barley: There were no net sales reported during the week. Exports of 100 MT were reported for Taiwan.

Sorghum: Net sales of 231,900 MT for 2014/15 were down 25 percent from the previous week and 2 percent from the prior four week average. Increases were for China (210,900 MT, including 116,000 MT switched unknown destinations and decreases of 13,400 MT), unknown destinations (20,000 MT) and Japan (1,000 MT). Exports of 300,700 MT were up noticeably from the previous week and from the prior four week average. The destinations were China (289,500 MT) and Japan (11,200 MT).

U.S. Export Inspections: Week Ending January 22, 2015					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	886,825	747,634	14,283,140	14,049,306	102%
Sorghum	301,752	234,670	3,717,534	1,205,075	308%
Soybeans	1,522,036	1,521,831	35,715,085	30,343,370	118%
Wheat	263,035	314,272	14,674,417	21,747,021	67%
Barley	2,314	16,500	121,256	94,394	128%

*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 October January 22, 2015						
Last Week	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	591,610	70%	33,000	81%	299,042	99%
PNW	138,556	16%	0	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Interior Export Rail	116,065	14%	7,584	19%	2,710	1%
Total (Metric Tons)	846,231	100%	40,584	100%	301,752	100%
White Corn Shipments by Country (MT)			40,584	to Mexico		
Total White Corn (MT)			40,584			
Sorghum Shipments by Country (MT)					301,752	to China
Total Sorghum (MT)					301,752	

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)
February	+0.82 H	$177.94	+1.10 H	$188.97
March	+0.68 H	$172.43	+1.08 H	$188.18
April	+0.65 K	$174.60	+1.05 K	$190.34
May	+0.65 K	$174.60	+1.07 K	$191.13

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	February	March	April
Gulf	$210	$210	$210

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
January	+2.75 H	$253.92	+2.75 H	$253.92
February	+2.75 H	$253.92	+2.75 H	$253.92
March	+2.75 H	$253.92	+2.75 H	$253.92
April	+2.75 K	$257.27	+2.75 K	$257.27

Barley: Feed Barley (FOB USD/MT)			
	February	March	April
FOB PNW	$265	$265	$265

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	February	March	April
New Orleans	$165	$165	$165
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**February**	**March**	**April**
New Orleans	$770	$770	$760
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: January 30, 2015 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**Feb.**	**Mar.**	**Apr.**
Barge CIF New Orleans	255	255	241
FOB Vessel GULF	269	269	259
Rail delivered PNW	262	262	259
Rail delivered California	263	263	260
Mid-Bridge Laredo, TX	269	269	250
40 ft. Containers to South Korea (Busan)	311	308	311
40 ft. Containers to Taiwan (Kaohsiung)	306	304	306
40 ft. Containers to Philippines (Manila)	342	339	342
40 ft. Containers to Indonesia (Jakarta)	322	319	322
40 ft. Containers to Malaysia (Port Kelang)	322	319	322
40 ft. Containers to Vietnam (HCMC)	325	323	325
40 ft. Containers to Japan (Yokohama)	318	315	318
40 ft containers to Thailand (LCMB)	321	316	318
40 ft Containers to Shanghai, China	307	305	307
KC & Elwood, IL Rail Yard (delivered Ramp)	234	232	232

*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: This past week there were consistent declines of $5 to $10/MT for both domestic and international prices of DDGS. However, there is an ebb and flow in the price changes from week to week. For example, last week bulk rates from the Gulf of Mexico were attractive because barge and FOB vessel rates had the largest average price declines. This week those same rates rebounded slightly while the rail rates to the Pacific Northwest region and California had further rate declines that ranged from $10 to $15/MT. Texas and Mexican DDGS buyers will likely be attracted by the comparable price declines this week.

In a similar example, there was a large rate decline for containerized DDGS to the Philippines last week. This week there was an additional rate decline to the Philippines, but a similar sized decline occurred for all other Asian destinations.

Asian buyers who were waiting for a price setback several weeks ago may now have an opportunity to purchase near their prior objective levels. In China, domestic soymeal prices have recently become more competitive but this development does not override the pricing opportunities of DDGs for spring and summer.

Some Chinese buyers seem to already perceive the opportunity because sales occurred this week for 3,000/MT per month for April and May at $305/MT, CFR, Shanghai/Qingdao.

Ethanol Comments: Ethanol continues to be the least expensive means for refiners to increase octane, reports a story by Reuters. That same news source notes that ethanol producers have improved their operations for efficiency and are financially stronger than in the past due to consolidated and reduced debt. Basically, the whole industry can better handle cycles in the market. As well, stability is reflected in the fact that this week's ethanol stocks of 20.6 million barrels remained nearly the same as the week-ago level of 20.4 million barrels. The daily production rate of 978,000 barrels per day (bpd) was also basically unchanged from the prior week's level of 979,000 bpd.

Stability is also implied by the differential between the cost of corn and the return for the co-products of ethanol and DDGS. While the differential is not margin and is only reflective of the current spot market, it implies stability with its consistent improvements across the Corn Belt for the week ending Friday, January 30, 2015:

- Illinois differential is $1.81 per bushel, in comparison to $1.63 the prior week and $3.49 a year ago.
- Iowa differential is $1.56 per bushel, in comparison to $1.32 the prior week and $2.60 a year ago.
- Nebraska differential is $1.43 per bushel, in comparison to $1.26 the prior week and $2.48 a year ago.
- South Dakota differential is $1.68 per bushel, in comparison to $1.60 the prior week and $2.72 a year ago.

COUNTRY NEWS

Brazil: Forecasters are calling for increased rain over the country's grain belt through mid-February, according to Reuters. This is welcome news to farmers after experiencing three weeks of hot and dry weather.

China: State corn stocks are expected to reach record volumes this year in an effort to increase demand with a tax rebate for corn starch exports, reports Reuters. Export tax rebates for corn starch and other corn-based products (including monosodium glutamate) have been raised to 13 percent.

Iran: Iran purchased 66,000 MT of U.S. corn last week, which was its first purchase in three years, according to Reuters.

Russia/Ukraine: A dry autumn has ensured that the winter grain crop in Russia and Ukraine is unlikely to exceed 2014's record harvest, reports Reuters. Russia's crop, in particular, has suffered from weather damage, a nearly 40 percent reduction in the value of the ruble and export curbs. Ukraine's crop also saw little rain during planting, but milder and wetter weather in December and early January will ensure that its grain is not as hard hit as Russia's.

South Africa: Africa's largest corn producing nation will be reducing its overall corn acreage by 1.2 percent this year due to low global prices for corn compared to wheat, according to Bloomberg News. The corn area that farmers will sow is expected to fall to 2.66 million hectares, which is down from the prior estimate of 2.67

million hectares. Despite this overall decrease, yellow corn plantings will see an increase of 2.8 percent to total 1.2 million hectares.

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	$28.00	Down $6.00	Handymax at $29.50/MT
55,000 U.S. PNW-Japan	$16.00	Down $2.50	Handymax at $17.00/MT
55,000 U.S. Gulf-China PNW to China	$26.00 $15.00	Down $7.00 Down $2.50	North China
25,000 U.S. Gulf-Veracruz, México	$13.00	Down $0.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	$11.00	Down $0.50	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	$14.50 $23.50	Down $0.50 Up $0.50	West Coast Colombia at $23.00
36-40,000 U.S. Gulf-Guatemala	$22.00	Down $2.00	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf-Algeria	$28.00 $31.50	Down $1.50 Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$28.00	Down $1.50	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$26.00 $26.00	Down $1.50 Down $1.00	55,000 -60,000 MT St. Lawrence to Egypt $27.50
60-70,000 U.S. Gulf-Europe-Rotterdam	$13.00	Down $1.50	Handymax at +$1.50 more
Brazil, Santos-China	$23.00 $21.50	Down $1.50 Down $2.00	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$28.00	Down $2.00	—

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 not a pretty week for vessel owners and operators. The market fired a broadside and sank everything in sight. The Baltic Indices and physical rates took it hard and look like they are sitting on the bottom of the sea. It will take a bid to determine what can actually be booked but I'm sure that, for the most part, vessel owners will prefer to sit this storm out in port and not take to the sea. Those who are running on time charters will still need to run to get some return on their investment. Negotiations are going to be tricky.

I cannot find any new issues that caused this additional drop-off to occur. It just appears to be a continuation of the same old fundamental issues of over supply verses insufficient demand.

You will note that I changed the Japan and China rates to reflect the dramatic market adjustment this week, but I have not made as big of a change to most the other rates. This is simply because I'm truly not sure where to place them after such a major shift. It will take at least another week to sort this out better.

Baltic Panamax Dry-Bulk Indices				
January 30, 2015 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	8,625	11,488	-2,863	-24.9%
P3A: PNW/Pacific– Japan	3,600	4,537	-937	-20.7%

Source: O'Neil Commodity Consulting

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

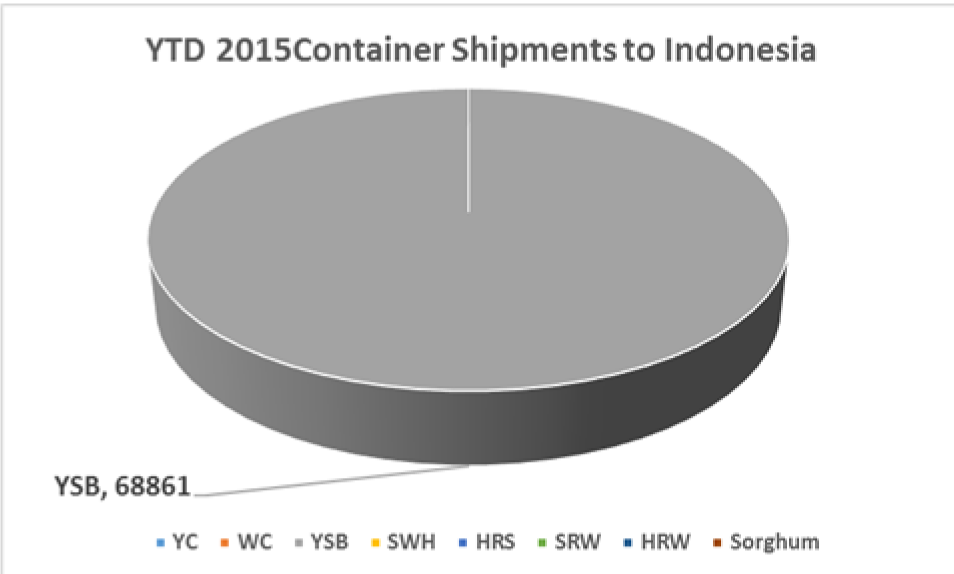
Week of January 30, 2015	
Four weeks ago:	$5.00-$5.40
Three weeks ago:	$4.25-$5.10
Two weeks ago	$4.05-$4.35
One week ago:	$4.30-$4.60
This week	$4.30-$4.60

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
January 30, 2015	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.04	0.68	0.22	$8.66	PNW
Soybeans	1.10	0.98	0.12	$4.72	PNW
Ocean Freight	$16.00	$26.00	0.39-0.42	($15.50)	February

Source: O'Neil Commodity Consulting

The charts below represent January-December 2014 annual totals versus year-to-date 2015 container shipments to Indonesia.



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**	$31	$33	$32	$28	$25	$23	-
	Brazil	$23	$25	$24	$24	$20	$17	-
Corn (White)	**Argentina**	$31	$33	$32	$28	$25	$23	-
	Brazil	$23	$25	$24	$24	$20	$17	-
Barley	**Argentina**	$31	$33	$32	$28	$25	$23	-
	Brazil	$23	$25	$24	$24	$20	$17	-
Sorghum	**Argentina**	$31	$33	$32	$28	$25	$23	-
	Brazil	$23	$25	$24	$24	$20	$17	-

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 28, 2015			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.36	0.36	0.36
LIBOR (1 year)	0.62	0.61	0.63

Source: www.bankrate.com