U.S. GRAINS COUNCIL

Market Perspectives

February 20, 2015

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn March Contract					
$/Bu	**Monday 16 Feb**	**Tuesday 17 Feb**	**Wednesday 18 Feb**	**Thursday 19 Feb**	**Friday 20 Feb**
Change	-	0.0225	-0.0575	0.0600	-0.0450
Closing Price	-	3.8950	3.8375	3.8975	3.8525
Factors Affecting the Market	Presidents' Day	The March corn contract continued to drift sideways. It was a slow day of trading after a three day weekend.	Corn contracts were unable to rally when South American weather remained favorable for production.	USDA's initial estimate of 89 million acres of U.S. corn was supportive to price, but the U.S. soybean planting estimate was an offsetting influence.	Weekly trading ranges for the March corn contract are only about 10 cents wide and look virtually identical.

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.

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.

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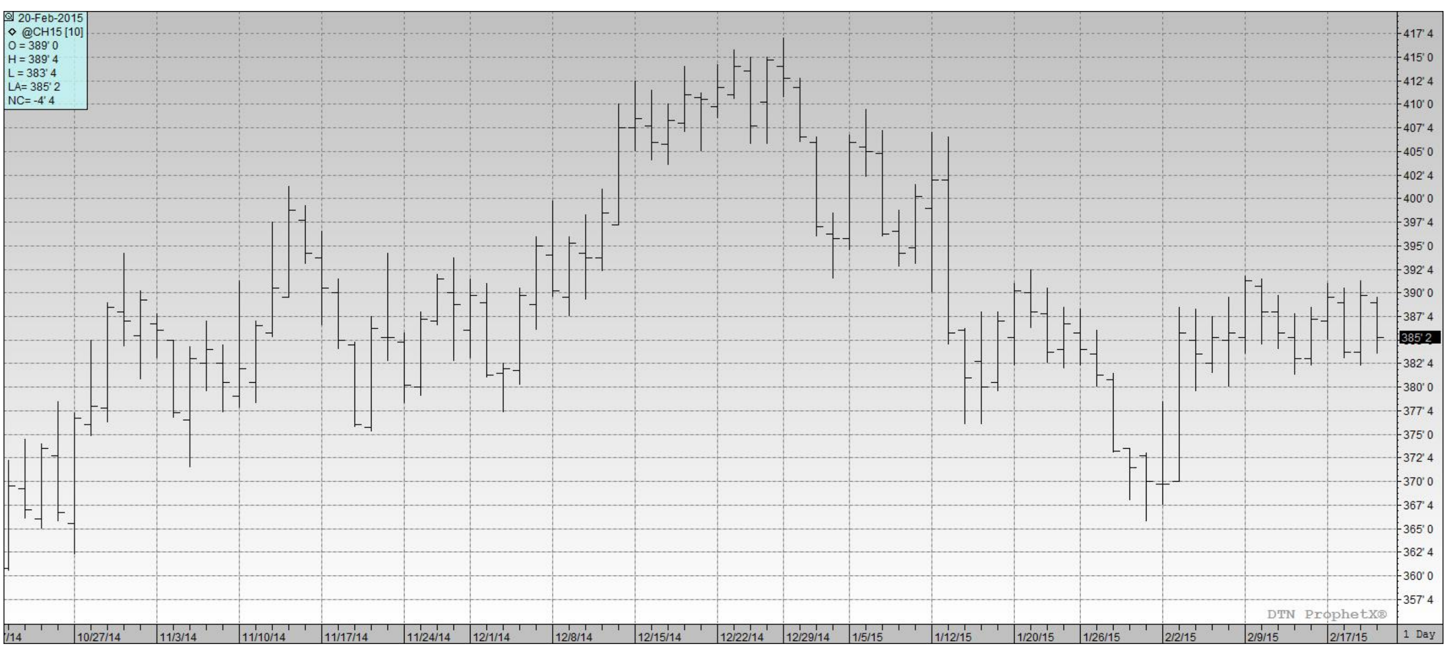
Outlook: USDA held their annual Outlook Forum in the Washington D.C. area this week. USDA's Acting Chief Economist Robert Johansson presented an overview of projections for the future. The current estimate is that U.S. farmers will plant a total of 89 million acres of corn in the 2015/16 season. Corn ending stocks are expected to decline from 1.83 billion bushels at the end of this season to 1.7 billion bushel at end of the 2015/16 season, assuming trend yield production.

Acreage for sorghum is expected to expand and increased production in the 2015/16 season is due to strong demand from China that has boosted sorghum prices. However, overall acreage for the largest eight major crops in the United States is expected to decline by about 3.3 million acres due to reduced farm margins. USDA is currently predicting that the average farm price of U.S. corn will be around $3.50 per bushel during the 2015/16 crop year, assuming there are no supply or demand shocks to the global market.

USDA's forecast was rather optimistic by predicting that the U.S. farm community will benefit as falling energy prices will reduce input and transportation costs. Farmers will also benefit from record asset levels. Agricultural land values are predicted to decline by less than one percent during 2015. One reason for such an optimistic prediction seems to be the expectation that USDA farm programs will help cushion declines in farm revenues. Lastly, disruptions to logistics at ports and rail service are expected to be resolved. Efficient transportation and the resolution of old trade disputes, and prospects for new agreements, will created more opportunities to U.S. producers. The United States is expected to remain the world's largest corn exporter during the next decade; with total U.S. market share increasing from about 40 percent in 2015/16 to about 45 percent by 2024/25.

CBOT MARCH CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending February 20, 2015			
Commodity	**20-Feb**	**13-Feb**	**Net Change**
Corn			
Mar 15	385.25	387.25	-2.00
May 15	393.00	395.25	-2.25
Jul 15	400.50	402.75	-2.25
Sep 15	407.50	409.25	-1.75
Soybeans			
Jan 15	999.25	990.50	8.75
Mar 15	1002.25	994.75	7.50
May 15	1006.75	1000.00	6.75
Jul 15	1005.75	999.25	6.50
Soymeal			
Jan 15	347.50	332.30	15.20
Mar 15	338.70	326.00	12.70
May 15	335.60	323.60	12.00
Jul 15	333.90	322.70	11.20
Soyoil			
Jan 15	31.48	32.40	-0.92
Mar 15	31.67	32.59	-0.92
May 15	31.86	32.76	-0.90
Jul 15	31.94	32.81	-0.87
SRW			
Mar 15	510.25	533.00	-22.75
May 15	507.00	529.25	-22.25
Jul 15	511.50	532.25	-20.75
Sep 15	519.75	539.75	-20.00
HRW			
Mar 15	533.25	562.75	-29.50
May 15	538.25	563.75	-25.50
Jul 15	545.75	568.50	-22.75
Sep 15	558.00	579.00	-21.00
MGEX (HRS)			
Mar 15	566.75	587.00	-20.25
May 15	567.00	585.00	-18.00
Jul 15	571.75	587.00	-15.25
Sep 15	577.75	593.25	-15.50

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: The upper-level circulation pattern (of ridge west/trough east) will continue. Above-normal temperatures are expected over the western CONUS and below-normal temperatures east of the Rockies, with weekly temperature anomalies as much as 20 degrees below normal during the next seven days. Another storm system will develop in the east, bringing an inch or more of precipitation to the Mid-Mississippi and Ohio Valleys and coastal Mid-Atlantic to Northeast. The NWS HPC 7-Day Quantitative Precipitation Forecast (QPF) also calls for half an inch or more of precipitation for February 19-25 across parts of the Rockies and central Plains, eastern portions of the Southern Plains, and most of the country east of the Mississippi River, while half an inch to no precipitation is forecast for the West.

The 10-day and 14-day outlooks expand the area of below-normal temperatures across the eastern CONUS to the Rockies, while above-normal temperatures should continue along the West Coast. Drier-than-normal weather is expected for February 24-March 4 from the northern Plains to western Great Lakes and southwest Alaska, while precipitation should be above normal from parts of the southern Plains, across the Southeast, to the coastal Northeast. Pacific weather systems undercutting the ridge should bring above-normal precipitation to the West late in 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 February 12, 2015					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	370,600	391,900	15,822.9	21,010.9	-24%
Corn	994,700	696,200	16,638.6	34,083.2	-3%
Sorghum	70,800	270,900	3,662.7	7,437.6	123%
Barley	500	15,700	123.3	138.3	-16%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 932,200 MT for 2014/15 were down 7 percent from the previous week and 25 percent from the prior four-week average. Increases were reported for Taiwan (257,100 MT), South Korea (186,300 MT, including 136,000 MT switched from Japan), Japan (164,100 MT, including 112,600 MT switched from unknown destinations and decreases of 18,300 MT), Mexico (148,100 MT), Morocco (60,400 MT, including 58,000 MT switched from unknown destinations), Algeria (42,800 MT, including 45,000 MT switched from unknown destinations and decreases of 3,500 MT), Chile (35,000 MT, switched from unknown destinations) and Colombia (31,400 MT, including 27,500 MT switched from unknown destinations and decreases of 16,300 MT). Decreases were reported for unknown destinations (106,500 MT) and Canada (2,600 MT). Net sales of 143,200 MT for 2015/2016 were reported for unknown destinations (136,800 MT) and Japan (6,400 MT). Exports of 696,200 MT were up 13 percent from the previous week, but down 5 percent from the prior four-week average. The primary destinations were Japan (158,500 MT), Mexico (154,000 MT), Algeria (87,800 MT), Colombia (68,700 MT), Morocco (60,200 MT), Chile (35,000 MT) and Costa Rica (26,800 MT).*Optional Origin Sales:* For 2014/15, outstanding optional origin sales total 68,000 MT, all South Korea.

Barley: Net sales of 500 MT for 2014/15 were reported for Japan. Exports of 15,700 MT were reported to Japan (15,500 MT) and Taiwan (200 MT).

Sorghum: Net sales of 35,800 MT for 2014/15--a marketing-year low--were down 89 percent from the previous week and 87 percent from the prior four-week average. Increases were for China (80,800 MT, including 55,000 MT switched from unknown destinations and decreases of 35,000 MT) and Japan (10,000 MT). Decreases were reported for unknown destinations (55,000 MT). Net sales of 54,000 MT for 2015/2016 were reported for unknown destinations. Exports of 270,900 MT were up 61 percent from the previous week and 65 percent from the prior four-week average. The destination was China.

U.S. Export Inspections: Week Ending February 12, 2015					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	724,900	701,389	16,392,160	16,151,426	101%
Sorghum	271,967	171,551	4,289,417	1,562,206	275%
Soybeans	1,335,647	1,486,323	40,291,040	34,585,696	116%
Wheat	401,937	397,906	15,945,345	22,841,583	70%
Barley	17,742	1,396	142,430	140,629	101%

*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 February 12, 2015						
Last Week	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	533,656	78%	44,786	100%	269,422	99%
PNW	1,444	0%	98	0%	98	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Interior Export Rail	144,916	21%	0	0%	2,447	1%
Total (Metric Tons)	680,016	100%	44,884	100%	271,967	100%
White Corn Shipments by Country (MT)			32,685	to Mexico		
			12,101	to Colombia		
			98	to Korea		
Total White Corn (MT)			44,884			
Sorghum Shipments by Country (MT)					271,871	to China
					96	to Mexico
Total Sorghum (MT)					271,967	

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	+0.75 H	$181.19	+1.03 H	$192.21
March	+0.71 H	$179.62	+1.02 H	$191.82
April	+0.62 K	$179.12	+0.99 K	$193.69
May	+0.62 K	$179.12	+1.00 K	$194.08

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**March**	**April**	**May**
Gulf	$225	$225	$225

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	**NOLA**		**TEXAS**	
	Basis	**Flat Price**	**Basis**	**Flat Price**
February	+2.60 H	$254.02	+2.60 H	$254.02
March	+2.60 H	$254.02	+2.60 H	$254.02
April	+2.60 K	$257.07	+2.60 K	$257.07

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

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	March	**April**	**May**
New Orleans	$170	$170	$170
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**March**	**April**	**May**
New Orleans	$745	$745	$752.5
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: February 20, 2015 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**Mar.**	**Apr.**	**May**
Barge CIF New Orleans	249	249	244
FOB Vessel GULF	259	259	254
Rail delivered PNW	269	269	265
Rail delivered California	265	265	261
Mid-Bridge Laredo, TX	255	255	250
40 ft. Containers to South Korea (Busan)	305	302	303
40 ft. Containers to Taiwan (Kaohsiung)	301	299	300
40 ft. Containers to Philippines (Manila)	334	331	332
40 ft. Containers to Indonesia (Jakarta)	316	313	314
40 ft. Containers to Malaysia (Port Kelang)	315	312	313
40 ft. Containers to Vietnam (HCMC)	324	321	322
40 ft. Containers to Japan (Yokohama)	310	311	309
40 ft containers to Thailand (LCMB)	315	310	311
40 ft Containers to Shanghai, China	300	298	298
KC & Elwood, IL Rail Yard (delivered Ramp)	236	237	237

*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: International buyers of bulk DDGS through the Gulf of Mexico were presented with a favorable opportunity this past week as barge rates for CIF New Orleans declined by $6.00/MT for March and FOB Vessel rates dropped $8.00/MT for March. Each of those rates also declined by $3.00/MT for April. Containerized DDGS rates to various Asian destinations similarly averaged about $3.00/MT lower for April. Alternatively, domestic rail rates for DDGS to California and the Pacific Northwest during the month of April were about $2.00/MT higher. Those higher rates are presumably the result of recent logistical issues at ports along the U.S. West Coast.

In relation to those West Coast logistical issues, there is some good news to pass along: a new five-year contract was reached this morning between the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA). The port congestion that has been impacting both inbound and outbound cargoes should start to come to a close. However, market participants estimate that correcting the entire backlog could take up 12 weeks before all activities are normalized.

An opportunity to more quickly correct that backlog may exist because of the present lull in logistical flow due to the Chinese New Year celebrations. The vast majority of Asia is presently enjoying the holiday, except perhaps in Japan. This week there was a sale of 400 MT of DDGS to Nagoya, Japan at $314/MT for MAR shipment.

Ethanol Comments: USDA published their long-run projections this week at the Outlook Forum. It should be noted that USDA does not present these projections as a forecast, but rather one possible scenario if select conditions remain unchanged into the future. In other word, USDA is presenting a useful tool for "what-if" analysis, but they are not attempting to define future conditions. Making that clarification, it is interesting to note that USDA's projection implies that U.S. corn-based ethanol production will become stationary during the next decade under present circumstances; as the amount of U.S. corn projected to be utilized for ethanol production is 5.2 billion bushels in 2015/16 and by 2024/25 the amount of corn projected for use in ethanol production is still 5.2 billion bushels. On average, about 35 percent of U.S. corn is expected to go into ethanol production during the next decade. One implication that could be derived from such USDA data is that the greatest advantage will go to the most efficient ethanol producers.

Total U.S. ethanol stocks remained unchanged at 21.1 million barrels for the week ending February 13. The average daily product of 964,000 barrels per day (bpd) was virtually the same as the prior week's level of 961,000 bpd. This data seems to imply that the current consumption rate of ethanol is steady. That makes sense because the recent decline in the price of gasoline should encourage slightly more consumption than a year ago, particularly as the weather improves this spring.

Increased gasoline consumption is desirable because the current ethanol stocks level is 22.6 percent above the year-ago level. Increased consumption could enable the differential between the cost of corn and the return for the co-products of ethanol and DDGS to improve; which is presently the following at select locations across the U.S. Corn Belt for week ending Friday, February 20, 2015:

- Illinois differential is $1.73 per bushel in comparison to $1.78 the prior week and $4.54 a year ago.
- Iowa differential is $1.43 per bushel in comparison to $1.46 the prior week and $2.86 a year ago.
- Nebraska differential is $1.37 per bushel in comparison to $1.41 the prior week and $2.78 a year ago.
- South Dakota differential is $1.58 per bushel in comparison to $1.67 the prior week and $3.09 a year ago.

COUNTRY NEWS

Brazil: Truckers in the corn producing hub of Mato Grosso limited the flow of traffic leading to the state's ports on Wednesday in order to protest a recent increase in fuel prices, according to Reuters.

Russia/Ukraine: French seed group, Vilmorin (the world's fourth largest seed producer) has announced that its sales to Ukraine and Russia will likely fall this year due to the increasingly dire financial situation in those countries, according to Reuters. Inability to secure bank loans and the decrease in value of local currencies has left Russian and Ukrainian farmers incapable of purchasing expensive imported commercial seed. UkrAgorConsult estimates that Ukraine could be forced to reduce its corn planting area by 7 percent this year. Vilmorin saw sales in 2013/14 of $91 million for corn and sunflower seed to Russia and Ukraine.

South Africa: South Africa's 2015 corn crop may be its smallest since 2011 due to persistently hot and dry weather, reports Bloomberg News. Farmers could bring in 10.5 MMT this year, while harvest totals in 2011 were 10.4 MMT. This stands in comparison to the 2014 corn crop of 14.25 MMT, which was South Africa's largest in 33 years. Free State and North West provinces (which produced 64 percent of the 2014 crop) have seen insufficient rain so far, and would require 20 millimeters of rain by the weekend for the crop to recover.

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	$28.50	Up $1.00	Handymax at $29.50/MT
55,000 U.S. PNW-Japan	$17.00	Up $1.00	Handymax at $18.00/MT
55,000 U.S. Gulf-China PNW to China	$27.00 $16.00	Up $1.00 Up $1.00	North China
25,000 U.S. Gulf-Veracruz, México	$13.00	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	$11.00	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	$15.00 $24.50	Up $0.50 Up $1.00	West Coast Colombia at $23.00
36-40,000 U.S. Gulf-Guatemala	$22.00	Unchanged	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf-Algeria	$29.00 $32.50	Up $1.00 Up $1.00	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$29.00	Up $1.00	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$28.00 $28.00	Up $2.00 Up $2.00	55,000 -60,000 MT St. Lawrence to Egypt $28.50
60-70,000 U.S. Gulf-Europe-Rotterdam	$14.00	Up $1.00	Handymax at +$1.50 more
Brazil, Santos-China	$24.50 $23.25	Up $2.00 Up $2.25	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$29.50	Up $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: The Lunar New Year holiday is upon us and, except for the celebratory Asian fireworks, things have gotten pretty quiet. The Baltic Indices are slightly higher and physical rates have bumped up slightly on low trade volume.

The only people who will be trying to trade freight next week will be those who have not covered their needs prior to the holiday and find themselves in an urgent situation. So, rated could go either way during the holiday week. The key will be not to be in critical need until everyone returns to work. Private equity investment funds that entered the ship building finance game last year in the hopes of getting in at the bottom and catching an upswing are reporting negative results and reevaluating their investments.

I do not know if any breaking news will come out prior to this report going to print but the Twitter rumor mill says that the West Coast PMA-ILWU container port labor negotiations are making good progress and could be very close to a settlement. Keep your fingers crossed! I think the U.S. Secretary of Labor has told the union to come to an agreement by today or the leaders of both sides will be taken to Washington D.C. to talk with the President who could issue a forced order to return to work under the 1947 Taft-Hartley act.

Baltic Panamax Dry-Bulk Indices				
February 20, 2015 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	8,557	8,321	236	2.8%
P3A: PNW/Pacific– Japan	3,929	3,667	262	7.1%

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:

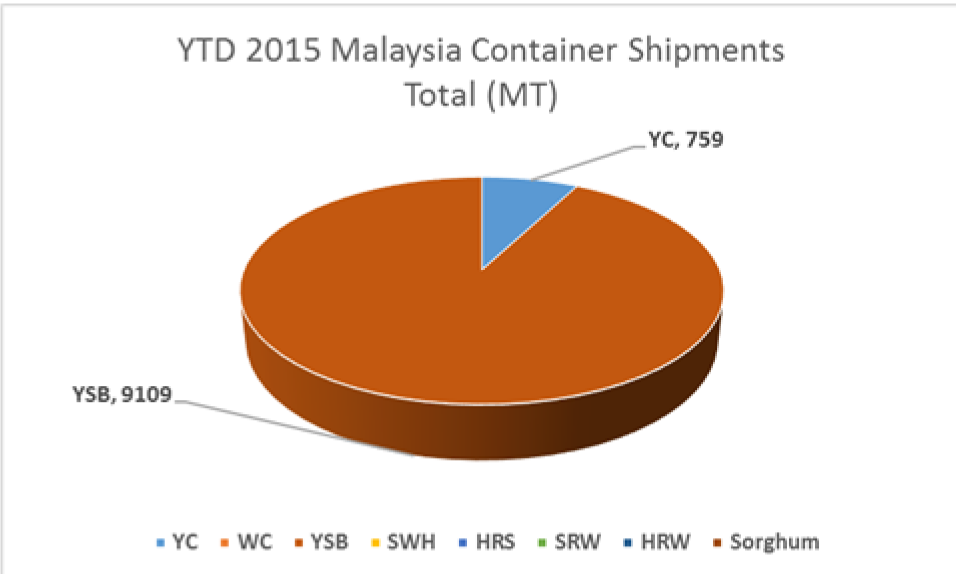
Week of February 20, 2015	
Four weeks ago:	$4.30-$4.60
Three weeks ago:	$4.30-$4.60
Two weeks ago	$4.15-$4.30
One week ago:	$4.30-$4.70
This week	$4.35-$4.90

Source: O'Neil Commodity Consulting

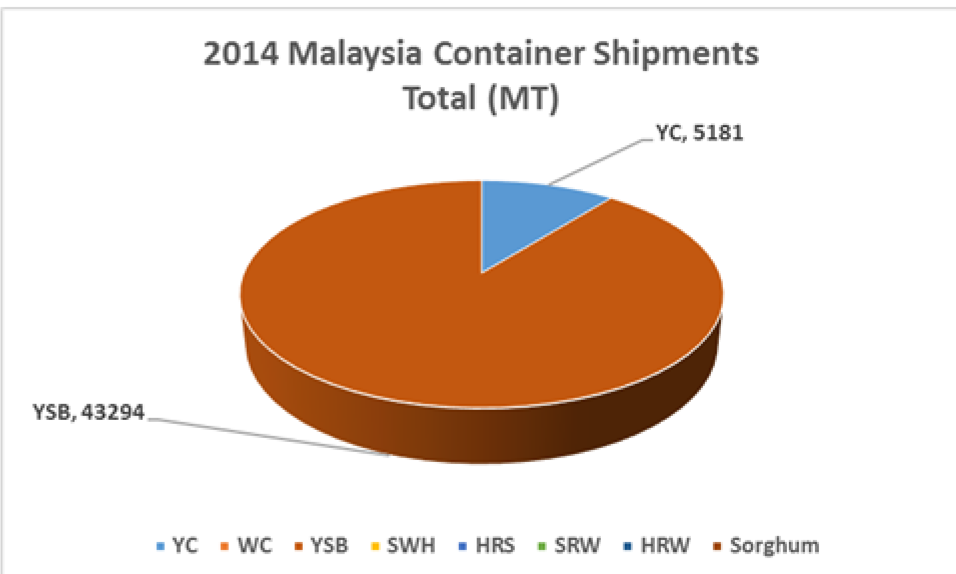
U.S. – Asia Market Spreads					
February 20, 2015	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.05	0.69	0.36	$14.17	Gulf
Soybeans	1.10	0.95	0.15	$5.91	PNW
Ocean Freight	$16.00	$27.00	0.28-0.30	($11.00)	March

Source: O'Neil Commodity Consulting

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



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**	$28	$30	$29	$24	$25	$21	-
	Brazil	$20	$24	$23	$20	$20	$16	-
Corn (White)	**Argentina**	$28	$30	$29	$24	$25	$21	-
	Brazil	$20	$24	$23	$20	$20	$16	-
Barley	**Argentina**	$28	$30	$29	$24	$25	$21	-
	Brazil	$20	$24	$23	$20	$20	$16	-
Sorghum	**Argentina**	$28	$30	$29	$24	$25	$21	-
	Brazil	$20	$24	$23	$20	$20	$16	-

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 (%): February 18, 2015			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.38	0.38	0.36
LIBOR (1 year)	0.67	0.63	0.61

Source: www.bankrate.com