Market Perspectives

February 27, 2015

U.S. GRAINS COUNCIL

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn March Contract					
$/Bu	**Monday 23 Feb**	**Tuesday 24 Feb**	**Wednesday 25 Feb**	**Thursday 26 Feb**	**Friday 27 Feb**
Change	-0.0625	-0.0125	-0.0175	0.0475	0.0475
Closing Price	3.8675	3.8550	3.8375	3.8850	3.9325
Factors Affecting the Market	The May corn contract closed below recent support around $3.87 per bushel. Such price action could trigger several more days of lower closes.	The decline in May corn slowed down as the expiring March contract obtained solid support around the level of $3.75 per bushel.	Support levels were again tested early this morning but buying emerged in corn contracts and there was a rally higher into the close.	Yesterday's active buying at lower price levels meant that the direction of least resistance was up. A modest rebound occurred in May corn.	The May corn contract rebounded back over $4.00 bu. End-of-month position adjusting occurred throughout the day

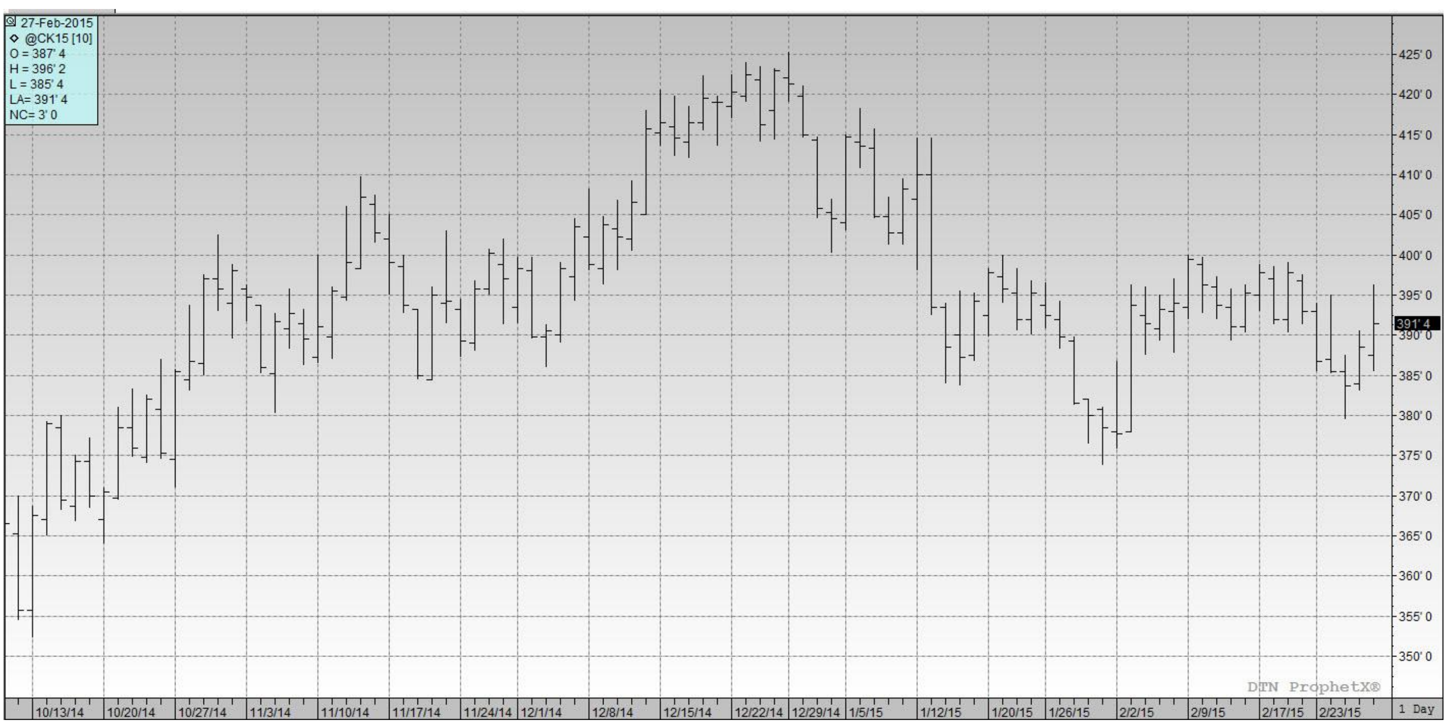
For more information on the contents of this newsletter or the U.S. Grains Council, its mission and programs, please contact Manuel Sanchez or Alvaro Cordero at (202) 789-0789.

Outlook: The basis for feed grains is stable in the U.S. Corn Belt and that price action implies that farmers are not racing to market more grain whenever there is a limited rebound in futures contracts. Patience in marketing seems to stem from a perception that global feed grain production will decline if market prices remain at current levels. One key reason that reduced corn acreage is likely this spring in the Black Sea region is because weaker domestic currencies will make input costs more expensive. As well, U.S. feed grain producers seem aware that global planting weather is seldom universally ideal. Thus, they see no reason to change their strategy of selling piecemeal.

Futures traders would like to assume that the soy complex has the same justifications for price stability that feed grains do, but that simply is not the case. South America is beginning to harvest a substantial soybean crop. In addition, U.S. soybean acreage is expected to increase this spring while corn acreage declines. The prospects of this acreage transition are particularly strong if soybean futures do no weaken in relation to corn for fall 2015. If prices do adjust by means of a sudden near-term setback in the soy complex, then more limited downward pressure on corn contracts could create a favorable buying opportunity for end-users of corn.

The initial stages of weather talk are just starting to emerge; and there was some discussion this week about potential dryness in the Western Plains of the United States. Uncertainty about moisture levels generally encourages the planted of soybeans more than corn. The topics of weather and prospective plantings will become increasingly active going into the month of March.

CBOT MAY CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending February 27, 2015			
Commodity	**27-Feb**	**13-Feb**	**Net Change**
Corn			
Mar 15	384.50	385.25	-0.75
May 15	393.25	393.00	0.25
Jul 15	401.25	400.50	0.75
Sep 15	408.25	407.50	0.75
Soybeans			
Mar 15	1030.75	999.25	31.50
May 15	1031.75	1002.25	29.50
Jul 15	1034.75	1006.75	28.00
Aug 15	1031.00	1005.75	25.25
Soymeal			
Mar 15	353.70	347.50	6.20
May 15	342.40	338.70	3.70
Jul 15	339.00	335.60	3.40
Aug 15	337.10	333.90	3.20
Soyoil			
Mar 15	32.80	31.48	1.32
May 15	32.95	31.67	1.28
Jul 15	33.11	31.86	1.25
Aug 15	33.11	31.94	1.17
SRW			
Mar 15	517.50	510.25	7.25
May 15	513.00	507.00	6.00
Jul 15	516.75	511.50	5.25
Sep 15	525.00	519.75	5.25
HRW			
Mar 15	534.50	533.25	1.25
May 15	539.50	538.25	1.25
Jul 15	546.00	545.75	0.25
Sep 15	558.75	558.00	0.75
MGEX (HRS)			
Mar 15	556.00	566.75	-10.75
May 15	566.50	567.00	-0.50
Jul 15	572.50	571.75	0.75
Sep 15	579.25	577.75	1.50

**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 undergo a change in the next seven days. Weather systems will undermine the western ridge, allowing colder-than-normal air to spread westward and encompass most of the CONUS. Some precipitation (a tenth of an inch or more) is expected to fall across most of the CONUS during February 26-March 3. An inch or more is forecast for parts of the Pacific Northwest, Southwest, and southern-to-central Rockies, and for most of the country from the eastern Plains to the East Coast. The eastern storm track is predicted to bring two or more inches of precipitation to the Mid-Mississippi Valley to Ohio Valley and Southern Appalachians, as well as the Coastal Carolinas. The driest areas are expected to be the Northern Plains, southwest Texas, and parts of California.

The 10-14 day outlooks keep the area of below-normal temperatures across most of the CONUS, with only the extreme Southeast warmer than normal. The greatest chances for above-normal precipitation during March 2-10 are expected to be over the eastern third of the CONUS. Below-normal precipitation is expected over the West and Northern Plains, spreading across the Rockies and into the Midwest later 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 19, 2015					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	335,800	493,900	16,316.8	21,339.2	-24%
Corn	762,800	865,100	17,503.8	34,799.0	-3%
Sorghum	4,600	211,700	3,874.5	7,441.2	116%
Barley	0	0	123.3	138.3	-16%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 715,800 MT for 2014/15 were down 23 percent from the previous week and from the prior four-week average. Increases were reported for Japan (287,800 MT, including 143,700 MT switched from unknown destinations, 65,000 MT switched from South Korea and decreases of 1,800 MT), Colombia (182,700 MT, including 11,000 MT switched from unknown destinations), Mexico (172,200 MT), Algeria (47,700 MT, including 45,000 MT switched from unknown destinations), Peru (31,900 MT) and Canada (11,500 MT). Decreases were reported for unknown destinations (22,900 MT), South Korea (7,300 MT) and Egypt (3,300 MT). Net sales of 148,200 MT for 2015/2016 were reported for Japan (81,500 MT), unknown destinations (50,800 MT) and Panama (15,800 MT). Exports of 865,100 MT were up 24 percent from the previous week and 21 percent from the prior four-week average. The primary destinations were Japan (252,300 MT), Taiwan (138,300 MT), Mexico (126,900 MT), South Korea (124,100 MT), Algeria (92,700 MT), Egypt (64,700 MT) and Peru (33,000 MT). Optional Origin Sales: For 2014/15, outstanding optional origin sales total 68,000 MT, all South Korea.

Barley: There were no sales or exports reported during the week.

Sorghum: Net sales of 3,700 MT for 2014/15--a marketing-year low--were down 90 percent from the previous week and 98 percent from the prior four-week average. Increases were for China (2,400 MT) and Japan (1,200 MT). Net sales of 50,000 MT for 2015/2016 were reported for China. Exports of 211,700 MT were down 22 percent from the previous week, but up 3 percent from the prior four-week average. The destinations were China (200,500 MT) and Japan (11,200 MT).

U.S. Export Inspections: Week Ending February 19, 2015					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	900,965	724,900	17,293,125	16,955,914	102%
Sorghum	268,562	271,967	4,557,979	1,567,863	291%
Soybeans	961,749	1,336,578	41,253,720	35,898,375	115%
Wheat	501,548	404,332	16,488,430	23,324,013	71%
Barley	1,497	17,742	143,927	142,725	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 19, 2015						
Last Week	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	528,248	60%	3,086	19%	223,390	83%
PNW	257,480	29%	0	0%	44194	16%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Interior Export Rail	98,754	11%	13,397	81%	978	0%
Total (Metric Tons)	884,482	100%	16,483	100%	268,562	100%
White Corn Shipments by Country (MT)			13,373	to Mexico		
			3,086	to Japan		
			24	to Korea		
Total White Corn (MT)			16,483			
Sorghum Shipments by Country (MT)					257,338	to China
					11,176	to Japan
					48	to Mexico
Total Sorghum (MT)					268,562	

Source: USDA, World Perspectives, Inc.

FOB

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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	$180.90	-	-
March	+0.71 H	$179.32	+1.02 H	$191.52
April	+0.62 K	$179.22	+0.99 K	$193.79
May	+0.62 K	$179.22	+1.00 K	$194.18

#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	$253.73	+2.60 H	$253.73
March	+2.60 H	$253.73	+2.60 H	$253.73
April	+2.60 K	$257.17	+2.60 K	$257.17

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	$172.5	$172.5	$172.5
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**March**	**April**	**May**
New Orleans	$752.5	$747.5	$742.5
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: February 27, 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	248	244	243
FOB Vessel GULF	259	255	255
Rail delivered PNW	265	262	261
Rail delivered California	265	261	260
Mid-Bridge Laredo, TX	260	257	257
40 ft. Containers to South Korea (Busan)	309	301	304
40 ft. Containers to Taiwan (Kaohsiung)	304	297	300
40 ft. Containers to Philippines (Manila)	335	330	333
40 ft. Containers to Indonesia (Jakarta)	319	311	314
40 ft. Containers to Malaysia (Port Kelang)	319	311	313
40 ft. Containers to Vietnam (HCMC)	328	320	322
40 ft. Containers to Japan (Yokohama)	316	313	316
40 ft containers to Thailand (LCMB)	321	311	318
40 ft Containers to Shanghai, China	303	298	300
KC & Elwood, IL Rail Yard (delivered Ramp)	231	230	230

*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: The price of containerized DDGS prices to Asian markets increased by approximately $5/MT for the month of March, but was slightly lower for April and May. This pricing dynamic seems to imply that DDGS supplies in the spot market are becoming tighter as ethanol facilities momentarily slow down their production rates. (Please see related discussion in the ethanol section).

Domestic buyers would like to secure more DDGS at favorable prices because the basis for corn in the Central United States remains firm. One reason behind this situation is because many U.S. farmers are confident that feed grain prices will remain firm going into USDA's Prospective Plantings Report that will be published on March 31.

Domestic buyers of DDGS have recently been able to purchase all of the DDGS they needed in the spot market since the majority of Asian buyers were temporarily celebrating Chinese New Year. The need for domestic buyers to compete against returning Asian buyers seems to be a second reason that containerized DDGS prices have increased for the month of March.

Ethanol Comments: Ethanol stocks are presently increasing back up to levels where they were in the middle of 2012, but a return to levels of two years ago is not ominous by itself. The fact that total U.S. ethanol stocks continued to increase to 21.6 million barrels would be more threatening if it occurred in the fall rather than for week ending February 20.

Long-term storage of ethanol stocks can be expensive and would likely apply additional pressure to prices, except for the fact that the current market is about to enter a period of increasing demand. Therefore, short-term storage of sizable stocks is not expected to exert excessive pressure on present ethanol prices.

Ethanol producers are currently taking the appropriate actions by reducing the rate of average daily production down to 947,000 barrels per day (bpd). That is a one week decline in the daily rate by 18,000 bpd. More than likely, such declines will continue, which will help guarantee that increasing ethanol consumption this spring will be taken from stocks.

The differential between the cost of corn and the return for the co-products of ethanol gives no cause for alarm. The differential between the spot value of co-products and ethanol is the following across the Corn Belt for week ending Friday, February 27, 2015:

Illinois differential is $1.78 per bushel in comparison to $1.73 the prior week and $5.36 a year ago.
Iowa differential is $1.41 per bushel in comparison to $1.43 the prior week and $3.27 a year ago.
Nebraska differential is $1.28 per bushel in comparison to $1.37 the prior week and $3.05 a year ago.
South Dakota differential is $1.67 per bushel in comparison to $1.58 the prior week and $3.69 a year ago.

COUNTRY NEWS

Brazil: Truckers in Mato Grosso continued their strikes this week after rejecting an initial government overture to meet some of their demands followed by threats of large fines, according to Reuters. The strike has expanded to 91 blockades across nine states and has caused shortages of petroleum and fresh food in the impacted areas. The government initially reached out by offering a year of free financing for truckers as well as offering to work with truckers and transportation companies to create a rate-setting framework, which was ignored by the strikers. This offer was followed up by a threat from Justice Minister Jose Eduard Cardozo to impose fines of $1,700-$3,400 per hour on the strikers for blocking roads. The primary motivators of the strike are demands for the reduction of the price of diesel, which are about 50 percent higher than the international average. So far, the major ports of Parangua, Santos and Rio Grande have not seen a huge impact in their shipping, but there are fears that this could worsen if the strike continues.

China: China’s corn imports have declined as the country begins turning to its large stockpiles to meet demand, according to Bloomberg News. January corn imports totaled 579,534 MT, which was a decline from December’s 607,323 MT and January 2014’s 650,985 MT. Ukraine was the largest supplier in January 2015, providing 470,047 MT, which was a 19 percent increase from the amount it shipped in December. USDA has pegged China’s corn stockpiles at 100 MMT, which led it to cut its import estimates for China from 6 MMT to 2.5 MMT. USDA further amended that it estimates imports will increase to 2.9 MMT in 2015/16, which is down from the earlier estimate of 7 MMT. Its 2023/24 estimate was cut from 22 MMT to 6.5 MMT.

Russia/Ukraine: Both Russian and Ukrainian officials are considering increased trade protections in a bid to keep food prices from spiraling out of control as their currencies consistently lose value at an alarming rate, reports Reuters. For the moment, Russia has taken greater steps to control exports than has Ukraine. The Russian ruble has lost about 50 percent of its value while Ukraine’s hryvnia has lost 70 percent since early 2014. Food prices since January 2014 have inflated by 20.7 percent in Russia and 30.1 percent in Ukraine. So far, export curbs have only been assigned to wheat, but officials could potentially expand this to include barley and corn. A mild, wet winter could be propitious for Ukraine's crop this year, while Russia's winter grain is in very poor condition.

South Africa: Continued hot and arid conditions in Free State and North West provinces, which produced 64 percent of South Africa's 2014 corn harvest, could shrink the corn crop by 32 percent, reports Bloomberg News. Insufficient rains in the impacted provinces have caused irreversible damage to the corn crop. Farmers could bring in 9.67 MMT of corn this year, which is down from last year's bumper harvest of 14.3 MMT.

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	$21.00	Up $2.50	Handymax at $29.50/MT
55,000 U.S. PNW-Japan	$17.00	Unchanged	Handymax at $18.00/MT
55,000 U.S. Gulf-China PNW to China	$30.00 $15.50	Up $3.00 Down $0.50	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	$14.50 $23.50	Down $0.50 Down $0.50	West Coast Colombia at $21.00
36-40,000 U.S. Gulf-Guatemala	$21.00	Down $1.00	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf-Algeria	$27.50 $30.00	Down $2.50 Down $2.50	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$26.50	Down $2.50	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$24.00 $23.50	Down $4.50 Down $4.50	55,000 -60,000 MT St. Lawrence to Egypt $23.00
60-70,000 U.S. Gulf-Europe-Rotterdam	$14.00	Unchanged	Handymax at +$1.50 more
Brazil, Santos-China	$23.00 $21.75	Down $1.50 Down $1.50	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$28.50	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: If you look at the Baltic Indices you will see that things are up a little this week. However, it is only very light volume and I have not seen the physical rates follow this trend. As far as marker prices go, please don't conclude that the freight markets have moved exactly as my rate indications show. I have found the need to readjust the freight spreads between U.S. Gulf and South America and also discovered that I got a bit optimistic on my U.S. Gulf to Egypt and North Africa rates last week. Therefore many of the price movements in this week's report are simply adjustments to bring things back into alignment. South American freight offers however are down $1.00-$1.50 this week.

The overall market remains at a carry (backwardation) and remains optimistic that things have to get better eventually. Panamax values for March are at $5,400/day while Q1 offers are at $7,000/day and Q4 offers are at $8,000/day. Hope springs eternal.

According to the WSJ, Private Equity Investment funds Oaktree Capital Monarch Alternative Capital and BlueMountain Capital have incurred substantial losses on their investments in financing shipping companies and other related shipping industry investments. Hedge funds like Aventine Capital Group, BlueMountain and York Capital Management have seen as much as a 79 percent drop in the value of their shipping investments. These entities entered the shipping finance game after banks and most traditional funding sources topped out on their lending limits and exited. This new money is what added more fuel to the building programs and greatly added to the additional over supply of vessels. It has been said that shipping generally has two good years followed by seven bad ones. Maybe we are just following that adage?

The West Coast PMA-ILWU container port labor negotiations came to a tentative settlement late last Friday and are waiting for ratification by the union general membership. But the ports are back to work at full speed and trying to get through the large backlog. Prevailing estimates are that it will take three-to-six months to catch up fully and return to "normal" operations.

Baltic Panamax Dry-Bulk Indices				
February 27, 2015 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	8,763	8,557	206	2.4%
P3A: PNW/Pacific– Japan	3,387	3,929	458	11.7%

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:

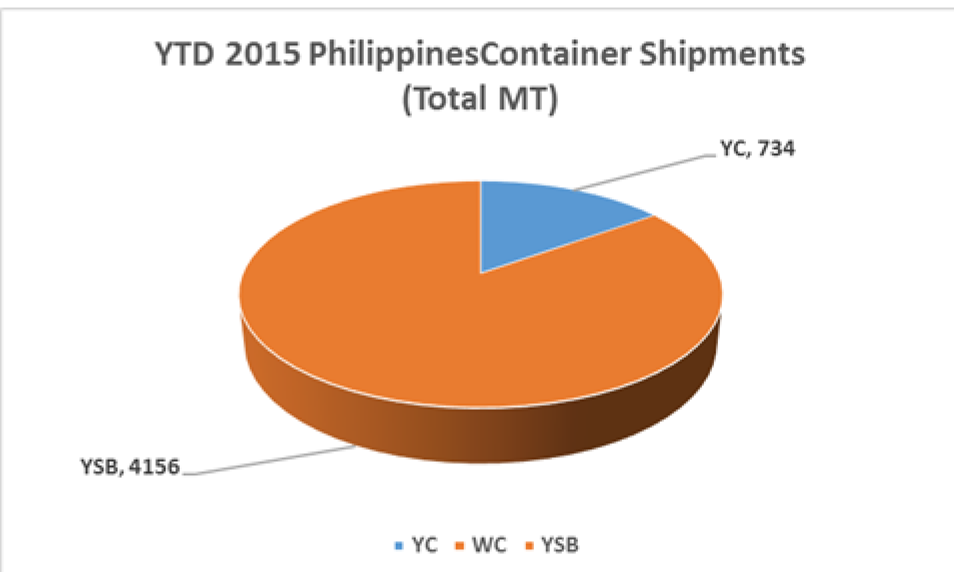
Week of February 27, 2015	
Four weeks ago:	$4.30-$4.60
Three weeks ago:	$4.15-$4.30
Two weeks ago	$4.30-$4.70
One week ago:	$4.35-$4.90
This week	$4.25-$4.50

Source: O'Neil Commodity Consulting

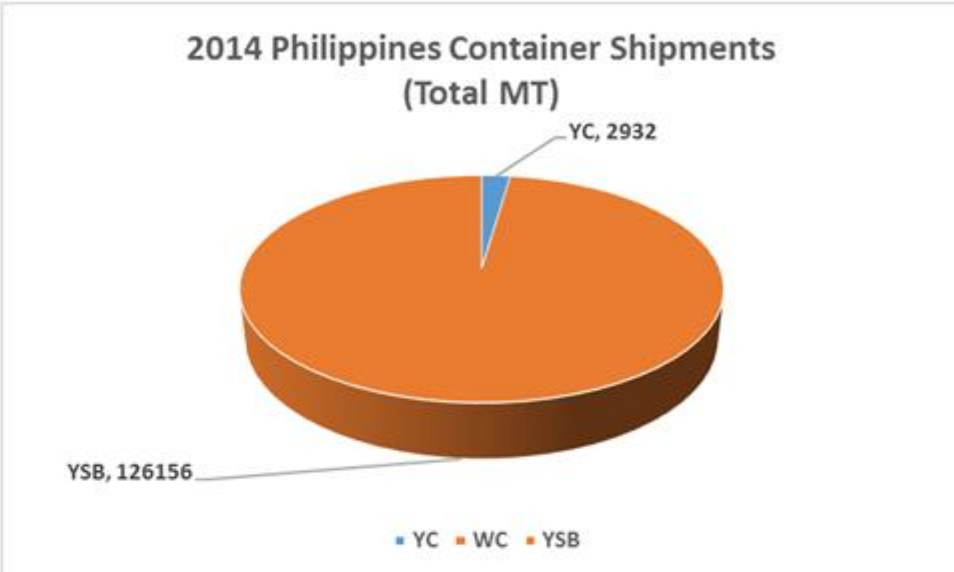
U.S. – Asia Market Spreads					
February 27, 2015	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
# 2 Corn	1.05	0.60	0.45	$17.72	GULF
Soybeans	1.10	0.95	0.15	$5.91	PNW
Ocean Freight	$15.50	$30.00	0.37-0.39	($14.50)	March

Source: O'Neil Commodity Consulting

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



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**	$29	$31	$30	$24	$25	$22	-
	Brazil	$22	$25	$24	$20	$20	$18	-
Corn (White)	**Argentina**	$29	$31	$30	$24	$25	$22	-
	Brazil	$22	$25	$24	$20	$20	$18	-
Barley	**Argentina**	$29	$31	$30	$24	$25	$22	-
	Brazil	$22	$25	$24	$20	$20	$18	-
Sorghum	**Argentina**	$29	$31	$30	$24	$25	$22	-
	Brazil	$22	$25	$24	$20	$20	$18	-

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 25, 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	0.62

Source: www.bankrate.com