Market Perspectives

March 28, 2014

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CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn May Contract					
$/Bu	**Monday 24 March**	**Tuesday 25 March**	**Wednesday 26 March**	**Thursday 27 March**	**Friday 28 March**
Change	0.1100	-0.0350	-0.0200	0.0750	0.0000
Closing Price	4.9000	4.8650	4.8450	4.9200	4.9200
Factors Affecting the Market	Increased numbers of cattle on feed, higher ethanol prices and strong exports encouraged corn to start off the week with double digit gains.	May corn was hesitant to trade much above $4.90 per bushel prior to the release of USDA data next Monday and closed slightly lower.	Trading active slowed and corn contracts remained in a horizontal trading range as positions were adjusted prior to the release of USDA data.	Another week of high export sales allowed the May corn contract to close back above the $4.90 level. Demand estimates could increase in the April 9 WASDE.	The May contract closed unchanged as traders were content to wait on the release of Monday's data before taking any further action.

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.

Outlook: The recent increase in price levels of is not diminishing the consistent demand for corn so long as profit margins remain favorable for domestic livestock producers, ethanol plants and foreign buyers. USDA's Grain Stocks report on Monday will indicate just how strong that demand for corn has been throughout the past quarter. That report will be published in conjunction with the USDA's Prospective Plantings report. There is already a common consensus that U.S. corn acreage will be down this summer; the uncertainty is by how much corn acreage will be down.

2014 weather is starting off cool across the U.S. Corn Belt. Temperatures will improve steadily but farmers need temperatures to be consistently warm enough to allow the soil to average about 55 degrees Fahrenheit. The progression of time reduces the prospect of early planting occurring this season. Furthermore, the increase in temperatures is normally accompanied by increased precipitation. Sufficient moisture is necessary but excessive moisture can turn the fields into mud and further delay planting.

Because of the strong export pace and the release of the quarterly stocks estimates next Monday March 31, there is a high probability that USDA will adjust their demand estimates in the April 9 WASDE for the present 2013/14 season. If there is no discovery of additional corn stocks, then any increase in demand should cause a reduction in the final ending stocks of corn for this season and a reduction in the beginning stocks of corn for the 2014/15 season, which will begin on September 1, 2014. The first estimate for the 2014/15 season (which is being planted this spring and will be harvested in the fall) will be published by USDA in the May 9 WASDE. By that point in time, the market will have a much better understanding about the spring planting rate of corn for the 2014/15 season. If the spring planting rate for corn is slow, then traders could price additional weather premiums prior to summer pollination. Funds have built a substantial long position in corn and they will not be disappointed if evolving market conditions justify their driving prices higher into the first of June.

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CBOT MAY CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending March 28, 2014			
Commodity	**March 28**	**March 21**	**Net Change**
Corn			
May 14	492.00	479.00	13.00
Jul 14	496.25	483.75	12.50
Sep 14	491.25	481.00	10.25
Dec 14	487.25	480.00	7.25
Soybeans			
May 14	1436.50	1408.75	27.75
Jul 14	1407.75	1382.25	25.50
Aug 14	1351.50	1325.50	26.00
Sep 14	1247.00	1231.75	15.25
Soymeal			
May 14	468.40	455.90	12.50
Jul 14	453.70	440.90	12.80
Aug 14	430.90	418.80	12.10
Sep 14	405.50	396.00	9.50
Soyoil			

May 14	40.48	41.02	-0.54
Jul 14	40.71	41.19	-0.48
Aug 14	40.66	41.00	-0.34
Sep 14	40.43	40.62	-0.19
SRW			
May 14	695.50	693.25	2.25
Jul 14	699.25	695.50	3.75
Sep 14	706.75	702.50	4.25
Dec 14	716.25	712.00	4.25
HRW			
May 14	763.50	771.25	-7.75
Jul 14	763.75	766.50	-2.75
Sep 14	766.75	769.75	-3.00
Dec 14	775.50	777.75	-2.25
MGEX (HRS)			
May 14	739.75	743.25	-3.50
Jul 14	739.00	739.25	-0.25
Sep 14	742.25	741.50	0.75
Dec 14	750.25	748.75	1.50

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: The NWS HPC Quantitative Precipitation Forecast (QPF) calls for moderate-to-heavy precipitation across northern California, the Pacific Northwest and the Northern Rockies of Idaho and Wyoming. Across the South, precipitation accumulations of one-to-two inches are forecasted while greater accumulations (two-to-four inches) are expected across portions of the Northeast.

The 5-10 day outlooks call for a high probability of above-normal temperatures across most of the West and Southern Plains while the Northern Plains, Upper Midwest, and Eastern Seaboard will be below-normal. A high probability of above-normal precipitation is forecasted across most of the northern tier of the Lower-48 while the Southwest is expected to have below-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 March 20, 2014					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	562,500	530,400	24,455.5	29,916.3	18%
Corn	1,652,100	1,230	21,397.7	40,372.1	166%
Sorghum	8,300	125,900	1,869.3	3,460.8	162%
Barley	200	500	135.1	178	34%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 1,408,300 MT for 2013/14 were up 89 percent from the previous week and 49 percent from the prior four-week average. Increases were reported for Egypt (431,100 MT, including 26,100 MT switched from unknown destinations), Mexico (239,600 MT) Colombia (187,400 MT, including 62,700 MT switched from unknown destinations and decreases of 1,800 MT), South Korea (139,000 MT), Japan (110,300 MT, including 108,200 MT switched from unknown destinations and decreases of 29,100 MT), Taiwan (72,000 MT), Morocco (37,300 MT, including 20,000 MT switched from unknown destinations and 12,000 MT switched from China) and Peru (35,200 MT). Decreases were reported for unknown destinations (16,100 MT), China (9,500 MT), and Guatemala (2,900 MT). Net sales of 28,400 MT for 2014/15 were reported for unknown destinations (25,400 MT) and China (5,000 MT). Decreases were reported for Mexico (2,000 MT). Exports of 1,230,000 MT were up 33 percent from the previous week and 29 percent from the prior four-week average. The primary destinations were Mexico (353,200 MT), Japan (249,800 MT), Colombia (127,600 MT), Taiwan (79,400 MT), Venezuela (71,000 MT), and South Korea (63,100 MT). Optional Origin Sales: For 2013/14, optional origin sales totaling 68,000 MT were reported for South Korea. Outstanding optional origin sales total 123,000 MT, all South Korea.

Barley: Net sales of 200 MT for 2013/14 were reported for South Korea. Exports of 500 MT were reported to Taiwan.

Sorghum: Net sales reductions of 2,300 MT for 2013/14 resulted as increases for China (63,100 MT, including 58,000 MT switched from unknown destinations and decreases of 1,500 MT), Mexico (1,400 MT) and Hong Kong (300 MT), were more than offset by decreases for unknown destinations (67,000 MT). Exports of 125,900 MT were reported to China (125,100 MT), Mexico (500 MT) and Hong Kong (300 MT).

U.S. Export Inspections: Week Ending March 20, 2014					
Commodity (MT)	**Export Inspections**		**Current Market YTD**	**Previous YTD**	**YTD as Percent of Previous**
	Current Week	**Previous Week**			
Corn	29,026,282	24,810,224	535,165,261	266,255,873	201%
Sorghum	3,148,124	5,049,058	54,806,315	33,275,081	165%
Soybeans	19,925,705	25,879,286	1,079,262,210	883,391,788	122%
Wheat	14,284,508	13,509,914	691,117,851	567,720,154	122%

Barley	26,083	274,327	3,414,329	2,927,245	117%

*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 March 20, 2014						
Last Week	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	765,238	70%	41,982	100%	122,603	99%
PNW	191,220	17%	122	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	11,325	1%	0	0%	637	1%
Interior Export Rail	132,835	12%	0	0%	697	1%
Total (Metric Tons)	1,100,618	100%	42,104	100%	123,937	100%
White Corn Shipments by Country (MT)			33,182	to Mexico		
			8,800	to El Salvador		
			122	to South Korea		
Total White Corn (MT)			42,104			
Sorghum Shipments by Country (MT)					123,362	to China
					575	to Mexico
Total Sorghum (MT)					123,937	

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)**
FH April	-	-	+1.50 K	$252.74
LH April	+0.92 K	$229.91	+1.50 K	$252.74
May	+0.86 K	$227.55	+1.40 K	$248.80
June	+0.78 N	$226.07	+1.35 N	$248.51
July	+0.78 N	$226.07	+1.32 N	$247.33

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Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
April	+1.75 K	$262.58	+1.75 K	$262.58
May	+1.75 K	$262.58	+1.75 K	$262.58
LH July	+1.25 N	$244.57	+1.25 N	$244.57

Barley: Feed Barley (FOB USD/MT)			
	April	May	June
FOB PNW	$275	$275	$275

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	April	May	June
New Orleans	$228	$228	$228
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**April**	**May**	**June**
New Orleans	$930	$930	$930
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: March 28, 2014 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Mar	Apr	May
Mid-Bridge Laredo, TX	340	330	320
40 ft. Containers to South Korea (Busan)	367	370	366
40 ft. Containers to Taiwan (Kaohsiung)	363	361	357
40 ft. Containers to Philippines (Manila)	369	367	363
40 ft. Containers to Indonesia (Jakarta)	370	367	364
40 ft. Containers to Malaysia (Port Kelang)	372	369	366
40 ft. Containers to Vietnam (HCMC)	380	373	369
40 ft. Containers to Japan (Yokohama)	372	370	366
40 ft containers to Thailand (LCMB)	378	371	368
40 ft Containers to Shanghai, China	368	362	359
KC & Elwood, IL Rail Yard (delivered Ramp)	279	276	273

*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: There is presently a slight decline in DDGS prices from the spot market going into the month of June. That is perhaps one reason that buyers are showing great interest in the May-forward time period. Another reason seems to be because many market participants are hesitant to act before seeing the contents of USDA reports that will be published on Monday, March 31, 2014. Please note, the preceding Outlook section of this report highlights some near-term factors that could influence U.S. corn prices.

DDGS demand from Mexican buyers is presently slow because of ample local feed grain supplies and the fact that more will soon come from the state of Nayarit. More feed grain supplies will also be available from northeastern Mexico later this spring and summer. Nevertheless, Mexican buyers are expected to eventually return with increasing inquiries regarding DDGS pricing. They could be returning in a similar time period as Chinese buyers.

Chinese buyers are showing increased interest in pricing DDGS in forward months. Their bids are presently below most asking prices but the difference between buyer and seller is likely to close once purchasing approval is granted for all varieties. Several DDGS merchandisers reported that there is about a $10-$15 spread between the bid and ask for more distant delivery. Prices in the nearby spot market remain strong and some of the reasons for that are discussed in the Ethanol section of this report.

Ethanol Comments: Recall how ethanol prices declined last season as it become increasingly evident that corn production was going to rebound and corn prices would fall. Ethanol price behavior this season is not conveying such a confident perspective in relation to future corn prices and production. Presently, ethanol producers know that they can make a favorable margin with current corn prices so long as they are able to move the product.

The current large premium of New York Harbor ethanol prices over ethanol prices in the Midwest may take a month or more to correct even though the rail lines are working aggressively to correct the logistical backlog. Ethanol plants appreciate the fact that potential margins are good, but those returns remain only potential when the inventory is not being moved. Consequently, ethanol plants are as anxious as anyone in the supply chain to see an improvement in logistical conditions. While waiting on conditions to improve, a number of plants will continue with their plans to undergo spring maintenance.

The present awkward dynamic is indicated in the fact that the potential margins being offered to producers continue to escalate even while total U.S. ethanol stocks build and production declines. U.S. total ethanol stocks for the week ending March 21 increased by 2.5 percent to 15.7 million barrels while weekly ethanol production declined slightly to 885,000 barrels per day. This occurs as the differential between spot corn and co-products valves continues to widen, as implied in the data below for the week ending March 28:

- Illinois differential is $8.31 per bushel, in comparison to $7.89 the prior week and $1.93 a year ago.
- Iowa differential is $6.33 per bushel, in comparison to $5.48 the prior week and $2.00 a year ago.
- Nebraska differential is $5.98 per bushel, in comparison to $5.11 the prior week and $2.02 a year ago.

- South Dakota differential is $6.69 per bushel, in comparison to $6.26 the prior week and $2.26 a year ago.

COUNTRY NEWS

Germany: German agricultural conglomerate BayWa AG is experiencing a positive boost from increasing global grain prices brought on by the continuing tensions between Russia and Ukraine, according to Reuters. BayWa annually trades 2-2.5 MMT of Ukrainian grain and is referring to the spike in grain prices brought on by supply concerns and fear of sanctions as the “Putin Premium”.

South Africa: Africa’s largest corn producer has raised its output forecast by 4.5 percent after good rains in February bolstered the crop, which would make the 2014 harvest the country’s largest since 1981, reports Bloomberg News. Farmers may grow 12.95 MMT of corn (5.95 MMT of yellow corn), which is an improvement over last month’s predictions of 12.4 MMT. This total would also be an 11 percent increase over last years 11.7 MMT. Farmers grew 14.4 MMT of corn in 1981. South Africa’s sorghum forecast was cut by 4.7 percent to 228,450 MMT.

Ukraine: As of March 24, Ukrainian farmers had sown 3.7 million acres of spring grain, according to Bloomberg News. This is 52 percent of the intended total area and is the fastest planting rate in six years. This development comes despite fears that the devaluation of Ukraine’s currency could force farmers to reduce purchases of inputs such as fuel, fertilizers and pesticides. Additionally, it is predicted that Ukraine’s corn harvest will total some 26 MMT, which is a 16 percent reduction from last season’s 30.9 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	$52.00	Down $1.00	Handymax at $53.00/MT
55,000 U.S. PNW- Japan	$28.00	Down $1.00	Handymax at $29.00/MT
55,000 U.S. Gulf – China PNW to China	$49.50 $26.50	Down $1.50 Down $1.00	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	$17.00	Down $0.50	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$23.50 $34.50	Down $0.50 Down $1.50	West Coast Colombia at $31.50
35,000 U.S. Gulf - Guatemala	$32.00	Down $1.00	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$39.00 $42.00	Down $1.00 Down $1.00	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$41.00	Down $1.00	5,000 discharge rate

55,000 U.S. Gulf – Egypt PNW to Egypt	$34.00 $35.00	Down $1.00 Down $1.00	55,000 -60,000 MT St. Lawrence to Egypt $34.50
60-70,000 U.S. Gulf – Europe – Rotterdam	$22.00	Down $1.00	Handymax at +$1.50 more
Brazil, Santos – China	$42.00 $40.00	Down $1.00 Down $1.75	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$45.00	Down $3.75	—

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: World ocean freight markets were starting to look a bit better early in the week but could not maintain support. By midweek the Capesize and Panamax markets turned south, and some say that "reality" set in. The spot Capesize market is "flooded" with prompt tonnage due to reduced Chinese imports of iron ore. The Panamax Dry-bulk market is suffering from a slowdown in Chinese grain imports and less-than-expected demand for South American soybeans. There continues to be a lot of chatter in the market regarding possible Chinese cancellations of Brazilian soybeans and the potential of those coming to the U.S. The spot and ten-day freight market for Capes and Panamax is very soft and biddable. The Supramax and Handymax vessel segments, however, were relatively stable this week.

The average daily earnings for a Capesize vessel has dropped to $19,853/day and Panamax to $8,210/day. So a Panamax owner can now get more revenue out of demurrage payments than voyage hire. I guess that's a good reason to steam to South America?

Though still substantial, you will notice that vessel wait times at the U.S. Gulf and PNW are declining slowly. Any potential Brazilian soybeans wanting to work their way to the U.S. would have to come into the East Coast and or Texas Gulf. Handymax freight on the wheat cargoes going from the U.S. Gulf to Brazil is in the $20-$23/MT range. A Panamax cargo would be a couple of dollars cheaper. Coming back up from Brazil to the Gulf or East Coast with a Panamax of soybeans should cost close to $23-$25/MT. Keep in mind that Gulfports are designed for exporting, not importing. Any soybean imports would have to go through Houston or Corpus Christi USG Floating Rigs or the East Coast. I hear some (four-to-six) have been booked into the East Coast.

Baltic Panamax Dry-Bulk Indices				
March 28, 2014 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	15,493	17,107	-1,614	-9.4%
P3A: PNW/Pacific – Japan	10,606	11,531	-925	-8.0%

Source: O'Neil Commodity Consulting

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

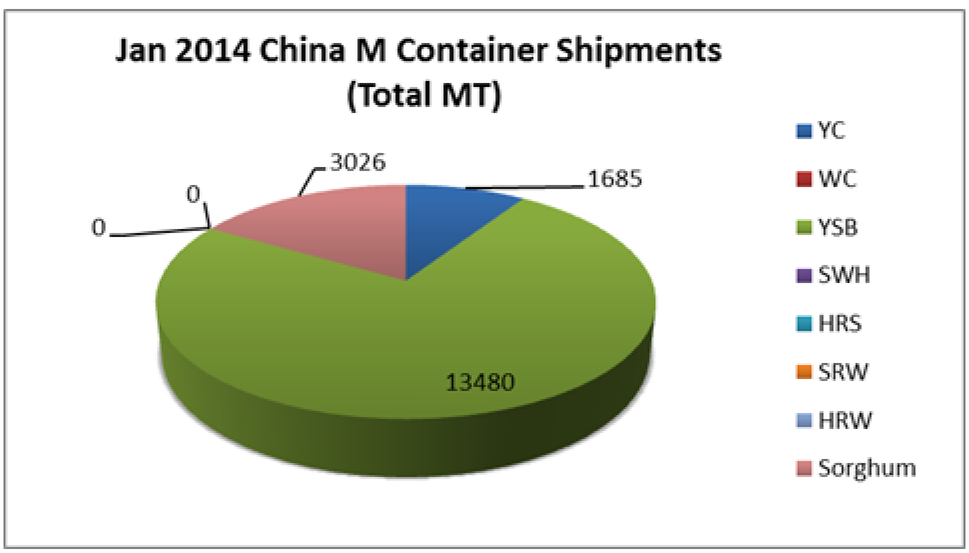
Week of March 28, 2014	
Four weeks ago	\$8.25-\$8.60
Three weeks ago:	\$9.05-\$9.45
Two weeks ago	\$9.00-\$10.50
One week ago:	\$9.75-\$11.70
This week	\$10.00-\$11.20

Source: O'Neil Commodity Consulting

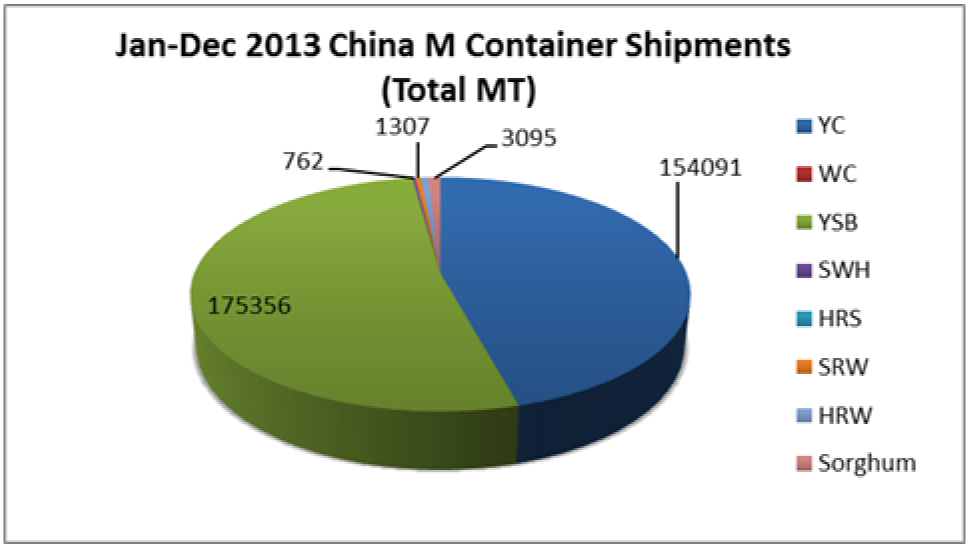
U.S. – Asia Market Spreads					
March 28, 2014	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
# 2 Corn	1.50	0.90	0.60	\$23.62	Both
Soybeans	1.65	1.10	0.55	\$20.21	PNW
Ocean Freight	\$26.50	\$49.50	0.58-0.63	(\$23.00)	April

Source: O'Neil Commodity Consulting

The charts below represent January-December 2013 and January-December 2012 annual totals versus January-February 2014 year-to-date container shipments for China.



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	$56	$52	$37	$40	$38	$45
	Brazil	$43	$48	$45	$35	$30	$26	-
Corn (White)	**Argentina**	$51	$56	$52	$37	$40	$38	$45
	Brazil	$43	$48	$45	$35	$30	$26	-
Barley	**Argentina**	$51	$56	$52	$37	$40	$38	$45
	Brazil	$43	$48	$45	$35	$30	$26	-
Sorghum	**Argentina**	$51	$56	$52	$37	$40	$38	$45
	Brazil	$43	$48	$45	$35	$30	$26	-

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 (%): March 26, 2014			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.33	0.33	0.33
LIBOR (1 year)	0.56	0.56	0.55

Source: www.bankrate.com