Market Perspectives

May 22, 2015

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

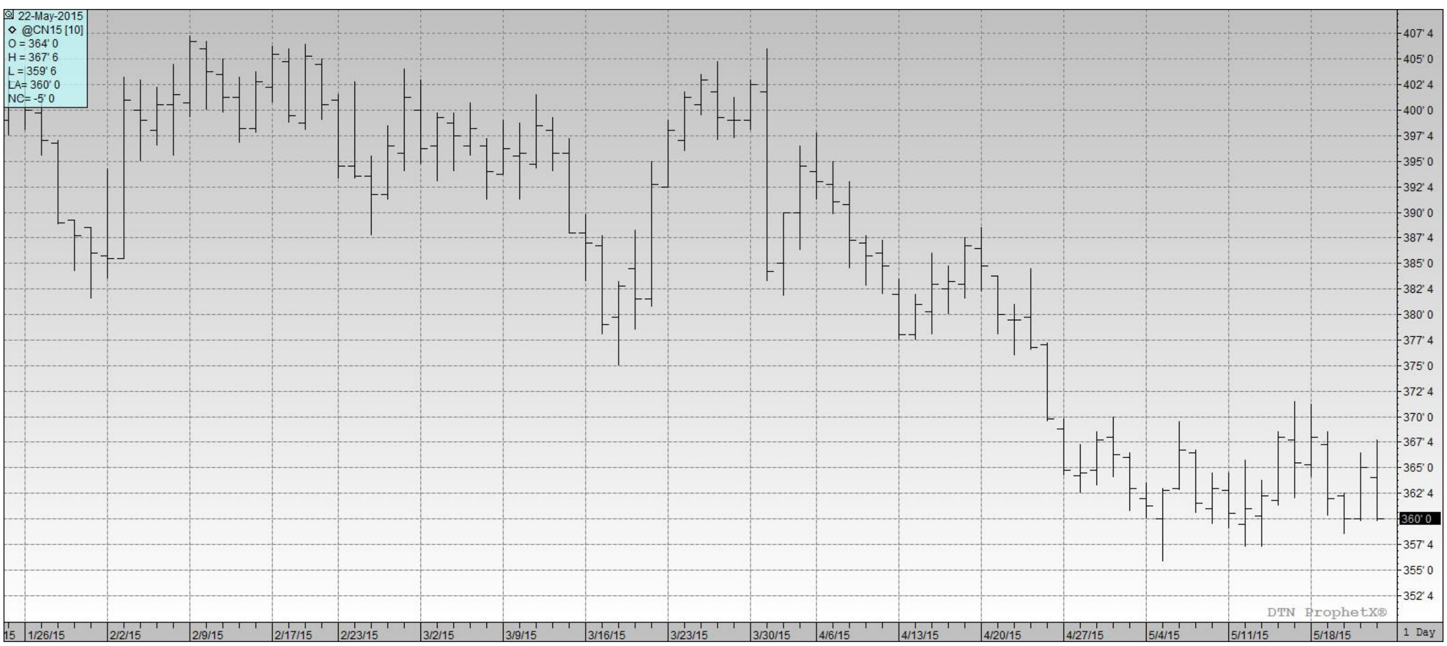
Week in Review: CME Corn July Contract					
$/Bu	**Monday 18 May**	**Tuesday 19 May**	**Wednesday 20 May**	**Thursday 21 May**	**Friday 22 May**
Change	0.0250	-0.0600	-0.0200	0.0500	-0.0500
Closing Price	3.6800	3.6200	3.6000	3.6500	3.6000
Factors Affecting the Market	Cool weather in the northwestern Corn Belt and labor strikes in Argentina enabled corn contracts to start off the week at higher levels.	A favorable planting progress was used as justification to press prices lower in order to retest recent support levels.	Further pressure was applied through active selling, but the closing price of the July corn contract held above $3.60.	Commercial buying tested the ability of large speculators to continue the downward momentum at current prices.	Speculators fought hard to drive the July corn contract below $3.60 per bushel. It did not happen, but next week will likely be more definitive.

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: This week started off with the price of corn futures contracts becoming modestly firmer. However, speculative traders who held short positions attempted to quickly squash any rebound that could cause technical indicators of a transition to neutral or bullish. They, in turn, attempted to shove the nearby July contract below $3.60 per bushel, but each attempt proved unsuccessful as global end-users were willing to buy at current price levels. In the longer run, aggressive selling by speculators at current low price levels could end up being be a sacrifice to win a battle that costs the war.

Weather premiums have largely been removed from the pricing within corn futures contracts. The July contract could sell-off another 10-20 cents in the next month if weather throughout the northern hemisphere is forecast to be favorable through the middle of July and the weekly crop conditions that are reported by USDA are comparable to last season (USDA will start reporting crop conditions after the Memorial Day weekend). If there is significant deterioration in weather and corn crop conditions, then there is likely to be a sudden and sizable increase in feed grain prices above present levels.

CBOT JULY CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending May 22, 2015			
Commodity	**22-May**	**15-May**	**Net Change**
Corn			
Jul 15	360.00	365.50	-5.50
Sep 15	366.75	372.50	-5.75
Dec 15	377.75	382.75	-5.00
Mar 16	388.25	393.50	-5.25
Soybeans			
Jul 15	924.25	953.25	-29.00
Aug 15	916.25	946.50	-30.25
Sep 15	907.50	937.00	-29.50
Nov 15	907.00	934.50	-27.50
Soymeal			
Jul 15	304.20	303.30	0.90
Aug 15	299.90	301.20	-1.30
Sep 15	297.10	299.50	-2.40
Oct 15	295.10	297.10	-2.00
Soyoil			
Jul 15	31.64	33.07	-1.43
Aug 15	31.69	33.12	-1.43
Sep 15	31.73	33.16	-1.43
Oct 15	31.75	33.17	-1.42
SRW			
Jul 15	515.25	511.00	4.25
Sep 15	523.00	517.50	5.50
Dec 15	537.00	532.00	5.00
Mar 16	551.50	546.25	5.25
HRW			
Jul 15	546.50	541.75	4.75
Sep 15	557.00	551.25	5.75
Dec 15	573.50	567.75	5.75
Mar 16	586.25	580.00	6.25
MGEX (HRS)			
Jul 15	568.75	561.25	7.50
Sep 15	580.00	572.75	7.25
Dec 15	593.25	587.25	6.00
Mar 16	605.75	600.25	5.50

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Planting Progress				
Commodity	**17-May-15**	**Last Week**	**Last Year**	**2010-14 Average**
Corn	85%	75%	71%	75%
Sorghum	38%	32%	39%	38%
Barley	95%	88%	66%	70%

Source: USDA

U.S. Drought Monitor Weather Forecast: During the next several days, a parade of storms will continue to emerge from the western U.S. As a result, five-day precipitation totals could reach 1-2 inches from Oregon and northern California to the Intermountain West. Meanwhile, totals of 2-5 inches or more can be expected across the central and southern Plains and parts of the mid-South. In contrast, little-to-no rain will fall in the eastern U.S. and across the nation's northern tier. Most of the country, excluding the Southeast and Northwest, will continue to experience cool weather.

The NWS 6- to 10-day outlook for May 26 – 30 calls for likelihood of above-normal temperatures along the Pacific Coast, in the Northwest, and east of the Mississippi River. Meanwhile, cooler-than-normal conditions will cover the central and southern High Plains and parts of the Southwest. A wet pattern will persist nearly nationwide, with drier-than-normal weather likely limited to the northern Pacific Coast, southern Florida, and a small area near the Canadian border centered on northern North Dakota. 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 May 14, 2015					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	133,200	297,500	21,065.1	23,193.6	-27%
Corn	645,700	1,109,300	29,086.4	41,528.7	-7%
Sorghum	40,800	165,800	6,305.4	8,111.2	104%
Barley	*	500	127.7	148.7	-19%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 812,600 MT for delivery in 2014/15 were up noticeably from the previous week and 12 percent from the prior four-week average. Increases were reported for Japan (455,900 MT, including 107,800 MT switched from unknown destinations and decreases of 71,000 MT), Colombia (117,000 MT, including 65,000 MT switched from unknown destinations, 50,000 MT switched from Panama and decreases of 7,900 MT), South Korea (112,500 MT, including 80,000 MT switched from unknown destinations), Taiwan (57,000 MT), Mexico (42,200 MT) and Peru (39,000 MT). Decreases were reported for unknown destinations (52,500 MT), Panama (50,000 MT) and China (900 MT). Net sales of 80,700 MT for 2015/16 were reported for China (58,000 MT), Mexico (13,700 MT), El Salvador (8,000 MT) and unknown destinations (1,000 MT). Exports of 1,079,500 MT were down 3 percent from the previous week and 5 percent from the prior four-week average.

The primary destinations were Mexico (267,800 MT), Japan (229,900 MT), Colombia (214,300 MT), Taiwan (133,600 MT), South Korea (91,000 MT) and Saudi Arabia (75,500 MT).

Barley: There were no sales reported during the week. Net sales of 200 MT for 2015/16 were reported for Japan. Exports of 200 MT were reported to South Korea.

Sorghum: Net sales of 100,600 MT for 2014/15 resulted as increases for China (179,500 MT, including 82,000 MT switched from unknown destinations and decreases of 4,900 MT), were partially offset by decreases for unknown destinations (79,000 MT). Net sales of 271,000 MT for 2015/16 were reported for China (163,000 MT) and unknown destinations (108,000 MT). Exports of 147,300 MT were down 11 percent from the previous week and 23 percent from the prior four-week average. The destination was China.

U.S. Export Inspections: Week Ending May 14, 2015					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	84,300	370,000	21,435.1	23,268.0	-27%
Sorghum	999,100	1,079,500	30,165.8	42,341.2	-6%
Soybeans	105,500	147,300	6,452.8	8,211.8	107%
Wheat	0	200	128.0	148.7	-16%
Barley	84,300	370,000	21,435.1	23,268.0	-27%

*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 May 14, 2015						
Last Week	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	692,263	65%	32,670	88%	139,802	100%
PNW	205,789	19%	171	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	5,261	0%	0	0%	0	0%
Interior Export Rail	167,394	16%	4,491	12%	0	0%
Total (Metric Tons)	1,070,707	100%	37,332	100%	139,802	100%
White Corn Shipments by Country (MT)			37,161	to Mexico		
			171	to Korea		
Total White Corn (MT)			37,332			
Sorghum Shipments by Country (MT)					139,802	to China
Total Sorghum (MT)					139,802	

Source: USDA, World Perspectives, Inc.

U.S. GRAINS COUNCIL

Market Perspectives

May 22, 2015

Developing Markets • Enabling Trade • Improving Lives

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 June	+0.75 N	$171.25	+0.98 N	$180.30
LH June	+0.74 N	$170.86	+0.98 N	$180.30
July	+0.70 N	$169.28	+0.97 N	$179.91
Sugust	+0.64 U	$169.58	+0.90 U	$179.81

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**June**	**July**	**August**
Gulf	$200	$200	$200

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	**NOLA**		**TEXAS**	
	Basis	**Flat Price**	**Basis**	**Flat Price**
June	+2.80 N	$251.95	+2.80 N	$251.95
July	+2.50 Z	$247.13	+2.50 Z	$247.13
August	+2.50 Z	$247.13	+2.30 Z	$239.26

Barley: Feed Barley (FOB USD/MT)			
	June	**July**	**August**
FOB PNW	$235	$235	$235

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	June	**July**	**August**
New Orleans	$140	$140	$140
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**June**	**July**	**August**
New Orleans	$680	$680	$680
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: May 22, 2015 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**Jun.**	**Jul.**	**Aug.**
Barge CIF New Orleans	237	232	232
FOB Vessel GULF	247	242	242
Rail delivered PNW	240	235	235
Rail delivered California	242	237	237
Mid-Bridge Laredo, TX	235	235	235
40 ft. Containers to South Korea (Busan)	287	281	281
40 ft. Containers to Taiwan (Kaohsiung)	288	279	279
40 ft. Containers to Philippines (Manila)	299	291	291
40 ft. Containers to Indonesia (Jakarta)	297	291	291
40 ft. Containers to Malaysia (Port Kelang)	302	298	298
40 ft. Containers to Vietnam (HCMC)	302	298	298
40 ft. Containers to Japan (Yokohama)	294	288	288
40 ft. containers to Thailand (LCMB)	295	291	291
40 ft. Containers to Shanghai, China	281	275	275
KC & Elwood, IL Rail Yard (delivered Ramp)	228	226	225

*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: While corn futures contracts have recently stabilized, the price of DDGS continued to work lower this past week. However, different logistical costs meant that price declines were not uniform. DDGS delivered by rail to the West Coast of the United States dropped in price by about $8/MT while barge rates to the Gulf increased by more than $5/MT. Rates for containerized DDGS to Asian nations averaged down about $3/MT, but the range varied from $3 higher to $12 lower. The delivered price to Japan saw the largest decline, and that sparked a fresh inquiry from a Japanese buyer for prompt shipment of 1,400 MT to base ports.

Ethanol/DDGS production has recently increased to meet the demands of the summer driving season while domestic demand for DDGS from the beef sector is at a seasonal low point. Such factors can work to the benefit of Asian buyers in negotiating rates for containerized DDGS prices through the July to September time period. However, any additional downside is likely to be limited before pollination of the U.S. corn crop is complete in July. In contracts, any sort of unfavorable weather in the near-term and resulting declines in crop corn conditions should cause prices to rally, and that in turn would reduce the ability of DDGS merchandisers to agree with negotiations for prices that are even lower than current levels.

Ethanol Comments: The U.S. ethanol industry is currently on pace to export about 5-6 percent of its total ethanol inventory. The need to entice continued global demand means that ethanol must remain priced competitively and large petroleum reserves will presumably cap summer gasoline prices. As well, DDGS prices must remain competitive against abundant global soymeal. The end result of such facts is that margins for ethanol facilities are expected to remain positive, albeit thin this summer. That expectation seems to be reflected in the present struggles of the differentials between the spot price of corn and ethanol co-products in primary regions of the Corn Belt to rise above the week ago levels. Those differentials are as follows for the week ending May 22, 2015:

- Illinois differential is $2.60 per bushel, in comparison to $2.49 the prior week and $3.83 a year ago.
- Iowa differential is $2.35 per bushel, in comparison to $2.39 the prior week and $3.62 a year ago.
- Nebraska differential is $2.11 per bushel, in comparison to $2.18 the prior week and $3.44 a year ago.
- South Dakota differential is $2.57 per bushel, in comparison to $2.61 the prior week and $3.97 a year ago.

Present demand for ethanol is sufficient to maintain ethanol stocks of 20.4 million barrels, which is close to the week-ago level of 20.3 million barrels. However, it is necessary for prices to encourage increased consumption of production that averaged 958,000 barrels per day (bpd) for the week ending May 15 (a rebound from the prior-week's level of 912,000 bpd), in order not to see a more substantial growth in total U.S. ethanol stocks.

COUNTRY NEWS

Argentina: ADM announced this week that it is expanding the grain export capacity at the Puerto San Martin terminal, reports Reuters. The 25 percent increase in capacity will be completed by early 2016. This comes after a February announcement that ADM had entered into a partnership with Glencore to quadruple port capacity at a shared facility in northern Brazil.

Syria: Syria's barley harvest is expected to total 1.2 MMT, which is up from 800,000 MT produced last year, according to Bloomberg News. Further, the government is attempting to entice farmers in rebel-held areas to sell their harvests through official channels in an effort to stave off food shortages and to try and re-establish government control in those areas.

South Africa: South Africa will likely cut its corn production estimate by 0.6 percent as drought continues to afflict the country's crops, reports Bloomberg News. Farmers could bring in 9.7 MMT of corn in 2015, which is a substantial reduction from the 14.3 MMT harvested in 2014.

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	$30.25	Up $0.25	Handymax at $30.50/MT
55,000 U.S. PNW-Japan	$16.50	Up $0.25	Handymax at $17.00/MT
55,000 U.S. Gulf-China PNW to China	$29.00 $15.50	Up $0.25 Up $0.25	North China
25,000 U.S. Gulf-Veracruz, México	$14.00	Unchanged	3,000 MT daily discharge rate

35-40,000 U.S. Gulf-Veracruz, México	$11.50	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	$12.50 $23.50	Unchanged Unchanged	West Coast Colombia at $20.00
36-40,000 U.S. Gulf-Guatemala	$20.50	Up $0.25	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf-Algeria	$28.00 $29.50	Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$27.00	Unchanged	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$23.50 $24.00	Unchanged Unchanged	55,000 -60,000 MT St. Lawrence to Egypt $24.00
60-70,000 U.S. Gulf-Europe-Rotterdam	$13.25	Down $1.25	Handymax at +$1.50 more
Brazil, Santos-China Itacoatiara Port up river Amazonia-China	$23.00 $22.00 $31.00	Unchanged Up $0.25 Unchanged	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$28.75	Down $0.50	—

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: Things aren't getting any better for vessel owners, but I don't think any rational individual thought it would.

It was indeed another mostly flat week in global ocean freight markets. Having said this, I must add that all-told freight markets really don't have far to travel up or down. They are already at or near three-year lows, without much hope for a turnaround until perhaps 2017-18. We are stuck in rather dull markets and will likely just steam in circles for the foreseeable future. I have, however, noticed that rates have not yet forced many to take ships off the market in layup. January-April 2015 saw 241 new vessels delivered versus 177 vessels sold for demolition. This added a net 64 ships to the world's dry-tonnage list. According to Greek shipbroker Golden Destiny, 2015 began with 85 percent of the world's dry Supramax fleet of 1,992 ships being no more than 10 years old. Overall, 66.7 percent of the world's dry bulk fleet has been built during the last 14 years. Golden Destiny data is showing 1,066 new bulkers due for delivery in 2015, 732 in 2016 and 184 in 2017. Although new Dry-Bulk vessel orders are down significantly, they can change quickly if owners see an opportunity coming.

Please note that I upped the cargo quantity on the U.S. Gulf to Rotterdam route. It looks like most of those soybean shipments are going out at 75,000 MT and the rate was adjusted accordingly. If we say soybean vessel rates from the U.S. Gulf to Rotterdam are around $13.00 and Brazil is close to $21.50, then U.S. soybeans should be fairly competitive to Europe.

Baltic Panamax Dry-Bulk Indices				
May 22, 2015 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	8,295	8,723	-428	-4.9%
P3A: PNW/Pacific– Japan	4,798	4,634	164	3.5%

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 May 22, 2015	
Four weeks ago:	$4.40-$4.50
Three weeks ago:	$4.40-$4.50
Two weeks ago	$4.40-$4.65
One week ago:	$4.80-$5.60
This week	$4.90-$5.15

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
May 22, 2015	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	0.94	0.68	0.26	$10.24	PNW
Soybeans	1.25	0.95	0.33	$12.99	PNW
Ocean Freight	$15.50	$29.00	0.34-0.37	($13.50)	June

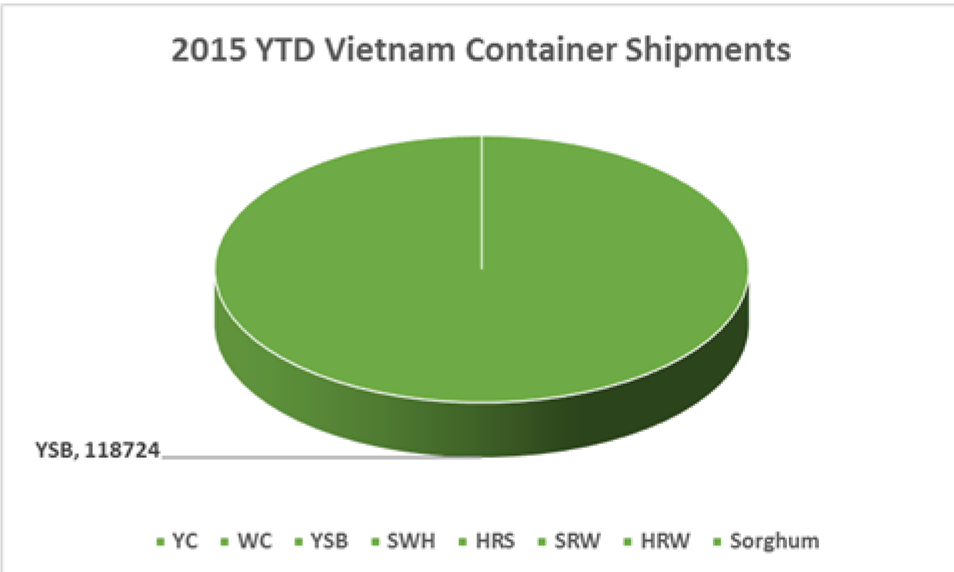
Source: O'Neil Commodity Consulting

Market Perspectives

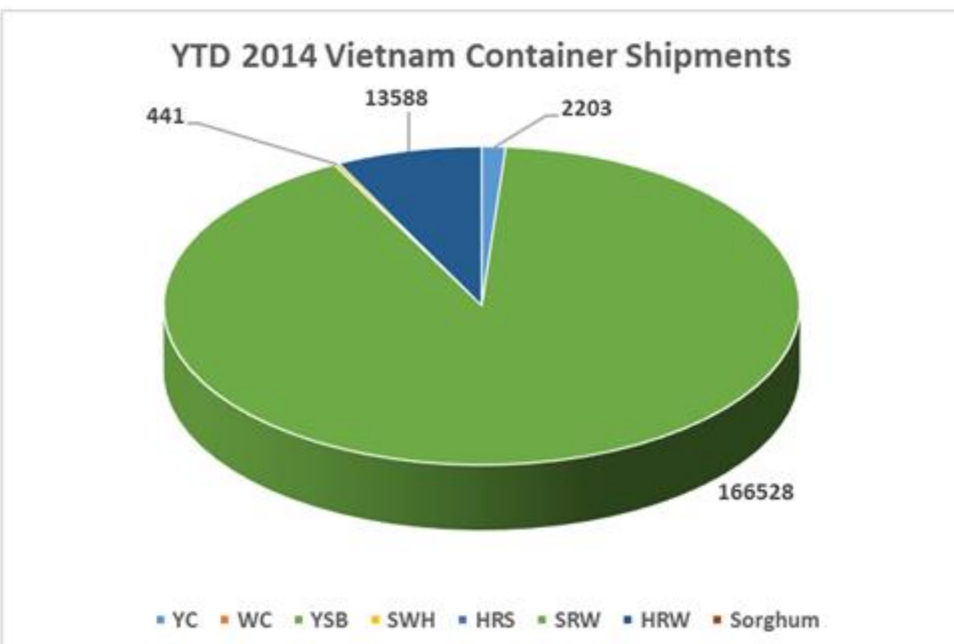
May 22, 2015

Developing Markets • Enabling Trade • Improving Lives

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



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

International Freight Rates for Feed Grains – Select Routes Estimated Spot Price ($/MT) *(Week Ending April 17)*								
Commodity	**Origins**	**China**	**Japan**	**Korea**	**Colombia**	**Morocco**	**Egypt**	**Saudi Arabia**
Corn (Yellow)	**Argentina**	$27	$29	$28	$21	$25	$22	-
	Brazil	$21	$23	$22	$21	$19	$17	-
Corn (White)	**Argentina**	$27	$29	$28	$21	$25	$22	-
	Brazil	$21	$23	$22	$21	$19	$17	-
Barley	**Argentina**	$27	$29	$28	$21	$25	$22	-
	Brazil	$21	$23	$22	$21	$19	$17	-
Sorghum	**Argentina**	$27	$29	$28	$21	$25	$22	-
	Brazil	$21	$23	$22	$21	$19	$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 (%): May 20, 2015			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.41	0.41	0.41
LIBOR (1 year)	0.72	0.73	0.69

Source: www.bankrate.com