Market Perspectives

June 14, 2013

U.S. GRAINS COUNCIL

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn July Contract					
$/Bu	**Monday 10 June**	**Tuesday 11 June**	**Wednesday 12 June**	**Thursday 13 June**	**Friday 14 June**
Change	-0.1626	0.0950	-0.0875	-0.0725	0.1150
Closing Price	6.5000	6.5950	6.5075	6.4350	6.5500
Factors Affecting the Market	Drier-than-expected weather over the weekend and funds rolling out of long positions in the July contact caused prices to sell-off hard.	Bull spreading occurred prior to the release of USDA's June WASDE, and that allowed July contracts to regain part of Monday's losses.	USDA's June WASDE was considered mildly bearish, and the July contract traded back down to retest Monday's closing price.	Disappointing exports and yesterday's USDA report allowed July corn to punch through and close below first-level support.	A strong basis seemed to yank the July contract back up, while improving production prospects caused the December contract to close lower.

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.

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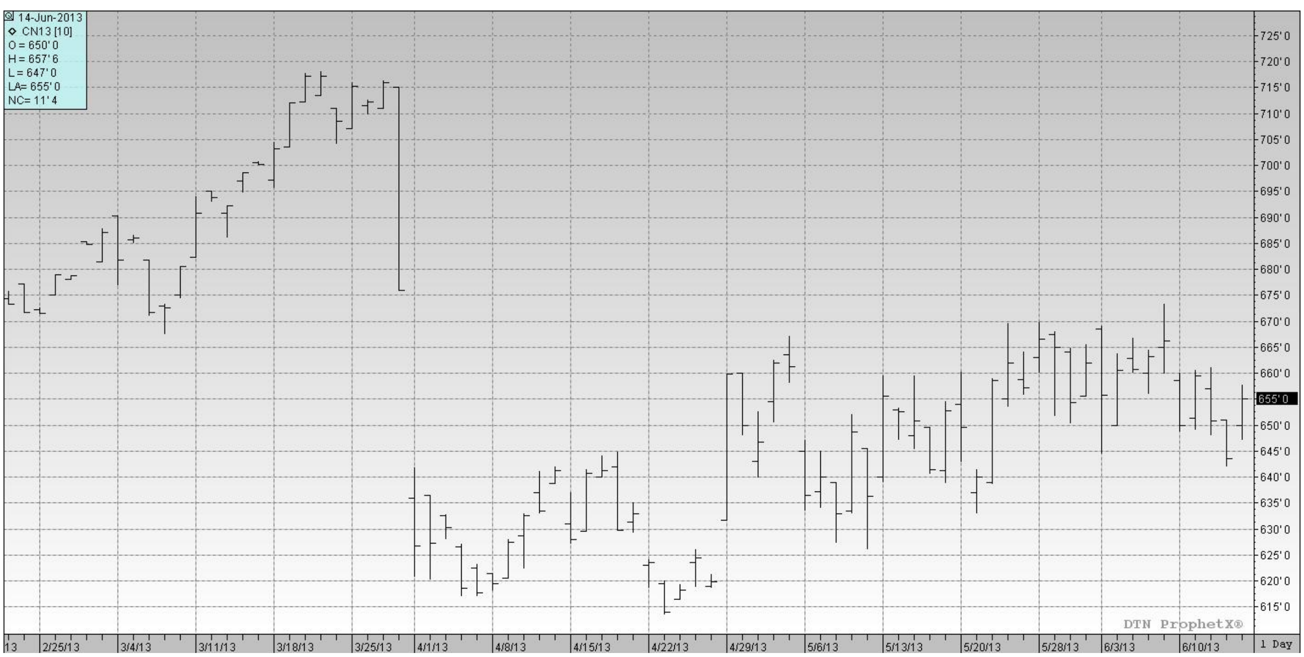
Outlook: USDA’s June 12 WASDE was considered mildly bearish for corn. There was a slight increase in the U.S. ending stocks estimate for the current 2012/13 season, as additional ethanol and other industrial corn use was more than offset by reduced exports and increased imports. As a result, the June estimate for 2012/13 U.S. corn ending stocks of 769 million bushels was 10 million bushels above the May estimate of 759 million bushels. The estimate for U.S. corn ending stocks for the approaching 2013/14 season (which will begin on September 1) was 1.949 billion bushels, and this was larger than the average trade estimate of 1.834 billion bushels. USDA did reduce its estimate for the average U.S. corn yield by 1.5 bushels to 156.5 bushels, but it did not adjust planted acreage from the initial March estimate of 97.3 million acres.

There is a common consensus that USDA will adjust down U.S. corn acreage in the June 28 Acreage report, but there is debate about the size of that reduction. The lack of surprising information in this week’s WASDE allowed corn futures to drift lower, as traders continued to exit long positions in the July contract. However, the cash basis remains strong and a protracted sell-off in futures prior to the June 28 Acreage report seems unlikely.

Depending on the content of the June 28 Acreage and Grain Stocks reports, the old crop/new crop spread could narrow if crop conditions for U.S. corn improve above the five-year average and the Acreage report does not show a larger than expected decline in U.S. corn planting. There is commonly a reluctance to sell aggressively before important USDA reports. As a result, the near-term outlook is that corn futures are likely to remain volatile during the next two weeks, and there is time for a limited sell-off and corresponding rebound in corn contracts prior to June 28.

CBOT JULY CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending June 14, 2013			
Commodity	**14-June**	**7-June**	**Net Change**
Corn			
May	655.00	666.25	-11.25
July	571.75	591.50	-19.75
Sep	533.00	558.50	-25.50
Soybeans			
May	1516.50	1528.25	-11.75
July	1434.00	1456.25	-22.25
Aug	1342.50	1374.00	-31.50
Soymeal			
May	450.70	452.50	-1.80
Soyoil			
May	48.48	48.53	-0.05
CBOT Wheat			
May	680.75	696.25	-15.50
July	688.75	704.75	-16.00
Sept	701.50	719.25	-17.75
KCBOT Wheat			
May	711.50	735.00	-23.50
July	715.50	742.75	-27.25
Sep	733.25	760.75	-27.50
MGE Wheat			
May	804.00	819.75	-15.75
July	785.25	805.00	-19.75
Sep	792.50	812.25	-19.75

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Planting Progress				
Commodity	**9-June-13**	**Last Week**	**Last Year**	**2008-12 Average**
Corn	95%	91%	100%	98%
Sorghum	69%	52%	84%	72%
Barley	88%	83%	100%	96%

Source: USDA

U.S. Drought Monitor Weather Forecast: The NWS HPC Quantitative Precipitation Forecast (QPF) calls for moderate to heavy precipitation over the Midwest and Northeast, while modest rainfall is forecast across the eastern portions of the Great Plains, Southeast and Pacific Northwest. The three- to seven-day outlooks call for a high probability of above-normal precipitation and below-normal temperatures across New England, the Mid-Atlantic, the Midwest, the northern Great Plains and the Pacific Northwest. In contrast, a high probability of above-normal temperatures and below-normal precipitation are expected across the Intermountain West, southern Great Plains and the South. 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 June 6, 2013					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	1,231,200	376,100	13.8	7,406.7	33%
Corn	93,800	232,800	14,229.4	17,464.6	-55%
Sorghum	0	0	1,070.6	1,492.6	61%
Barley	2,500	900	900.0	28.8	-3%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 81,500 MT for 2012/13 resulted as increases for Japan (56,700 MT, including 31,700 MT switched from unknown destinations and decreases of 4,500 MT), Venezuela (17,500 MT, including 10,500 MT switched from unknown destinations), Mexico (16,800 MT) and Jamaica (8,600 MT) were partially offset by decreases for unknown destinations (36,000 MT) and Panama (4,000 MT). Net sales of 68,000 MT for 2013/14 were for Mexico (44,600 MT), Japan (18,200 MT), China (7,800 MT), Taiwan (4,000 MT) and South Korea (600 MT). Decreases were reported for Trinidad (7,200 MT). Exports of 232,800 MT were down 35 percent from the previous week and 27 percent from the prior four-week average. The primary destinations were Japan (80,800 MT), Mexico (78,000 MT), Venezuela (51,500 MT), and Trinidad (7,700 MT). Optional Origin Sales: For 2012/13, outstanding optional origin sales total 65,000 MT, all South Korea. For 2013/14, outstanding optional origin sales total 100,000 MT, all Mexico.

Barley: Net sales for the 2013/14 marketing year, which began June 1, of 100 MT were for the Philippines. There were no sales carried over from the 2012/13 marketing year, which ended May 31. There were no exports reported for the period ending May 31, which brought accumulated exports to 132,700 MT, up 59 percent from the prior year's total of 83,300 MT. Exports for June 1-6 of 900 MT were primarily to Taiwan (600 MT) and Japan (300 MT).

Sorghum: There were no sales or exports reported during the week. Optional Origin Sales: For 2013/14, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending June 6, 2013					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	168,536	296,176	13,886,523	31,543,063	44%
Sorghum	4,090	16,866	1,447,197	1,071,948	135%
Soybeans	83,254	122,227	34,582,528	32,189,969	107%

Wheat	663,254	457,202	537,380	610,346	88%
Barley	0	653	0	784	0%

*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 June 6, 2013						
Last Week (000 bushels)	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	4,367	69%	0	0%	144	89%
PNW	0	0%	20	50%	4	2%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Interior Export Rail	1,958	31%	20	50%	13	8%
Total (1,000 bu)	6,325	100%	40	100%	161	100%
Total (Metric Tons)	160,661		1,016		4,090	
White Corn Shipments by County (MT)			508	to Japan		
			406	to Italy		
			102	to South Korea		
Total White Corn (MT)			1,016			
Sorghum Shipments by Country (MT)					3,658	to Chad
					330	to Mexico
					102	to South Korea
Total Sorghum (MT)					4,090	

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)**
June	-	-	+1.60 N	$320.85
FH July	+1.03 N	$298.41	+1.51 N	$317.30
LH July	+.86 N	$291.72	+1.51 N	$317.30
August	+1.32 U	$277.05	+1.85 U	$297.92
September	+1.02 U	$265.24	+1.55 U	$286.11

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#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**Oct**	**Nov**	**Dec**
Gulf	$285	$285	$285

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	**NOLA**		**TEXAS**	
	Basis	**Flat Price**	**Basis**	**Flat Price**
LH July	-	-	+.35 N	$271.64
August	-	-	+.35 N	$$271.64
September	+1.00 Z	$249.20	+1.35 Z	$262.98
October	+.95 Z	$247.23	-	-

Barley: Feed Barley (FOB USD/MT)			
	June	**July**	**August**
FOB PNW	$270	$270	$270

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	June	**July**	**August**
New Orleans	$222	$222	$222
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**June**	**July**	**August**
New Orleans	$690	$690	$690
**5-10,000 MT Minimum*			

**All prices are market estimates.*

DDGS Price Table: June 14, 2013 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**July**	**August**	**Sep**
Barge CIF New Orleans	297	296	295
FOB Vessel GULF	300	299	300
Rail delivered PNW	313	312	311
Rail delivered California	318	316	316
Mid-Bridge Laredo, TX	320	317	317
40 ft. Containers to South Korea (Busan)	367	365	376
40 ft. Containers to Taiwan (Kaohsiung)	356	355	355
40 ft. Containers to Philippines (Manila)	377	375	378
40 ft. Containers to Indonesia (Jakarta)	375	374	375
40 ft. Containers to Malaysia (Port Kelang)	376	374	377

40 ft. Containers to Vietnam (HCMC)	380	379	388
40 ft. Containers to Japan (Yokohama)	369	368	378
40 ft. containers to Thailand (LCMB)	374	373	374
40 ft. Containers to Shanghai, China	361	360	365
KC & Elwood, IL Rail Yard (delivered Ramp)	310	308	307

*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: Domestic feed buyers apparently are favoring DDGS in their rations because of tight corn supplies and the run-up in soymeal prices. They are competing against foreign buyers, as both are looking to secure product while attempting to buy hand-to-mouth. At the moment, foreign buyers seem to be giving the domestic buyers stiff competition.

DDGS merchandisers report that a fresh round of buying interest has been initiated by Asian buyers for export container demand. One merchandiser reports that there is some tire-kicking as domestic buyers aim to get a better handle on market dynamics. As noted in the Outlook section of this report, substantially lower prices seem unlikely for the next couple of weeks because of uncertainty about USDA's reports that will be published on June 28. Shortly after the reports are released, the U.S. corn crop will go into pollination and prices may remain volatile for another couple of week, but prices are expected to improve.

In relation to near-term pricing challenges, a senior merchandiser is anticipating another "challenging quarter." He said, "Until we have the new crop, we have to deal with the current crop with very unusually high basis in the cash market."

So far, DDGS merchandisers have been able to serve their clients through a challenging time period.

Ethanol Comments: There are two pieces of good news on which to report. The first is that the passage of a farm bill may occur next week and there is a high probability that it will include continued funding for renewable energy programs. The second is that ethanol's discount to gasoline continues to narrow as U.S. ethanol stocks remain tight relative to recent history.

Ethanol stocks for the week ending June 7 declined to 16 million barrels. This is a substantial reduction from last week's level of 16.4 million barrels and 22.6 percent below the level seen this time last year of 20.7 million barrels. Ethanol stocks are not rebounding in part because weekly production is not increasing. This week's average production of 884,000 barrels per day (bpd) was slightly below last week's level of 885,000 bpd. A second reason that stocks are not building is because ethanol imports remain at zero.

The following price differentials between corn and co-product processing values are excellent indirect indicators of changes to facility margins. This week these values give no indication of week-to-week improvements in margins, but the year-over-year improvements are noteworthy. Please note that such substantial annual improvements in the price differentials cannot be entirely credited to improved ethanol demand alone. Instead, increased demand for both ethanol and DDGS has supported the margins for ethanol facilities, despite the difficultires of having to deal with higher corn prices due to tight corn stocks.

- Illinois differential decreased to $2.31 per bushel, which is down from $2.52 the prior week but above $1.06 last year.
- Iowa differential increased to $2.06 per bushel, which is just above $2.05 the prior week and above $1.10 last year.
- Nebraska differential decreased to $2.26 per bushel, which is down from $2.32 the prior week but well above $0.73 last year.
- South Dakota differential decreased to $2.07 per bushel, which is down from $2.28 the prior week but above $1.18 last year.

U.S. ethanol facilities have struggled over the past four years as corn stocks have steadily declined. There may be some relief on the way if USDA's current corn production forecasts prove to be accurate. U.S. corn stocks may rebound back to levels not seen since the 2005/06 growing season. That is perhaps the most welcome of all news for the U.S. ethanol industry and its clients.

COUNTRY NEWS

Argentina: Argentine grain exports may hit a snag next week, as farmers will begin a five-day suspension of crop sales on Saturday June 15 to protest government policies, according to Reuters. In anticipation of the strike, exporters purchased more than their usual amounts of corn to try and ease the potential negative impact; however, corn stocks available for purchase were at very low levels. As of Thursday, there were 149 ships lined up and waiting to load grain along the Argentine coast. So long as they are kept on standby, it is estimated that exporters will have to pay in the neighborhood of $20,000 per day per ship. Argentina is the world's third-largest corn exporter, and recent government data indicates that farmers have harvested 74 percent of the 2012/13 corn crop.

China: China is expected to increase corn imports this year, as feed mills and other commercial interests have stockpiled a larger-than-expected amount of corn, tightening domestic supplies, reports Reuters.

India: Heavy rain in eastern India's corn belt has delayed shipments of some 500,000 MTof corn and caused feed grain supplies in Southeast Asia to tighten, according to Reuters. India is Asia's largest producer of corn and the traditional supplier for the region; however, the inclement weather could give global exporting giants like Brazil and Argentina a chance to increase their market access. The situation has increased the cost of Indian corn to about $300/MT C&F, which is up $20-30 from prices offered in May. In comparison, Argentine corn is being offered in Southeast Asia at between $270-280/MT.

Japan: The Japanese Agricultural Ministry has issued a tender this week for 200,000 MT of feed barley, reports Reuters.

South Africa: South African corn fell again this week, continuing a recent trend, according to Bloomberg News. White corn for July delivery fell by 2.1 percent to $229.23/MT, which is its lowest closing price in 10 days. Yellow corn for July shipment has dropped by 2.2 percent to $225.98. The rand gained 2.6 percent against the dollar on Thursday, which made imports a cheaper alternative to domestic purchases

Ukraine: Ukraine is actively looking to improve its grain exports this year and intends to do so through re-establishing trade links in Middle Eastern countries that were negatively impacted by political unrest, reports Reuters. Ukraine is expected to have a 17 percent increase in its grain output this year for a possible total of 54 MMT (28 MMT of which is corn), which could make its exports as high as 27 MMT, up from the 23 MMT exported in the 2012/13 season.

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	$45.50	Up $1.50	Handymax at $46.00/MT
55,000 U.S. PNW- Japan	$24.00	Up $1.50	Handymax at $25.00/MT
55,000 U.S. Gulf – China PNW to China	$43.50 $23.00	Up $2.00 Up $1.50	North or South China
25,000 U.S. Gulf- Veracruz, México	$19.50	Up $1.00	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	$17.50	Up $1.00	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$23.00 $29.00	Up $1.50 Unchanged	West Coast Colombia at $30.00 West Coast Colombia from Argentina at $37.00
35,000 U.S. Gulf - Guatemala	$29.50	Up $1.00	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$36.50 $38.50	Up $1.50 Up $1.50	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$37.50	Up $1.50	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$27.00 $33.00	Up $1.50 Unchanged	55,000 -60,000 MT St. Lawrence to Egypt $27.00
60-70,000 U.S. Gulf – Europe – Rotterdam	$21.50	Up $1.50	Handymax at +$2.50 more
55-60,000 Brazil, Santos – China Parangua	$34.50 $33.50	Down $1.00 Down $1.00	54-59,000 Supramax-Panamax 60-66,000 Post Panamax
55-60,000 Argentina-China Deep draft	$40.00	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: Ocean freight markets did find bottom last week and have bounced off it in an attempt to eke out a little better revenue. I think we reached the level where vessel owners simply did not want to sail below those values.

We are up slightly on rates this week, but we still don't have any real bullish news in the market to fuel a big rally. Therefore, it will be difficult to maintain much of a continued upward move for an extended period of time. As you see in the below chart, the Baltic Panamax index in the Atlantic was up 8 percent for the week and the Pacific index was up a whopping 25 percent. Of course, it takes a much smaller change to move things up 25 percent when starting from a small or low figure than when calculating from a bigger or higher one. As usual, the physical market has not responded as vigorously as the indices would indicate, but we are up for the week.

No significant new news in the PNW grain elevator labor situation. We still have two PNW export grain facilities that have locked out the International Longshore and Warehouse Union (ILWU), United Grain at Vancouver, Washington and Columbia Grain in Portland, Oregon. PNW grain elevators continue to work as the situation plays out. We are seeing a rise in labor tensions as we move into the June-July wheat harvest. We need to monitor this closely.

Baltic Panamax Dry-Bulk Indices				
14-June-13 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	13,453	12,455	998	8.0%
P3A: PNW/Pacfic – Japan	6,038	4,828	1210	25.1%

Source: O'Neil Commodity Consulting

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

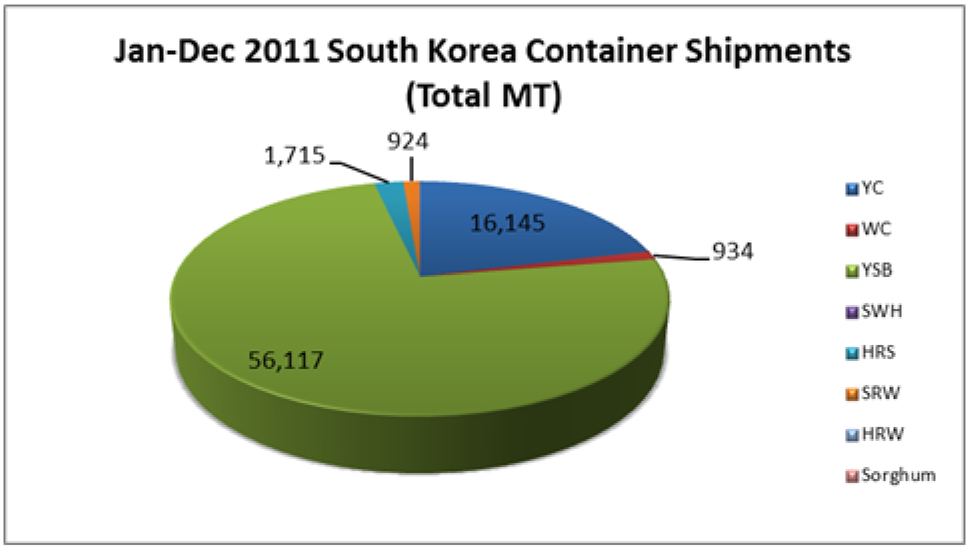
Week of June 14, 2013	
Four weeks ago	$7.15-$7.25
Three weeks ago	$7.10-$7.30
Two weeks ago	$7.25-$7.80
One week ago	$7.25-$7.40
This week	$7.20-$7.80

Source: O'Neil Commodity Consulting

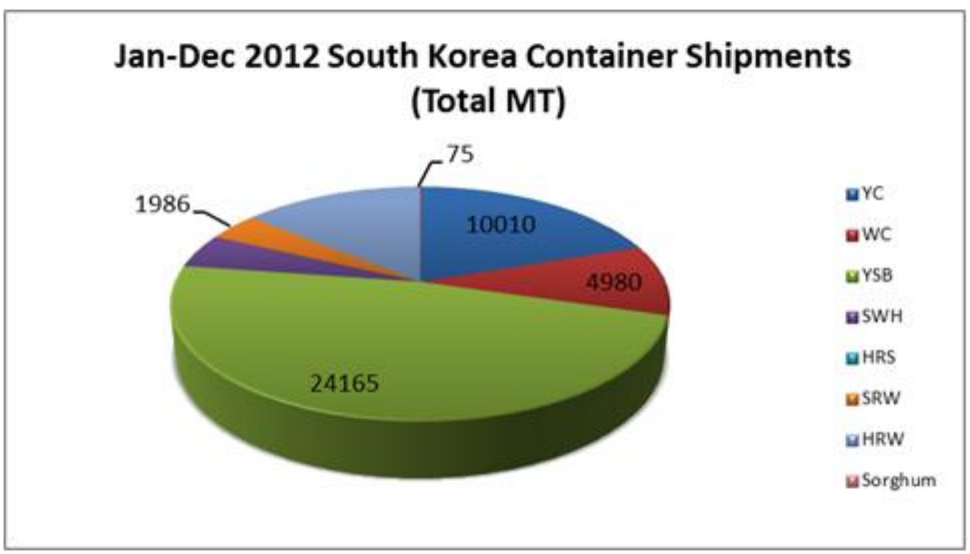
U.S. – Asia Market Spreads					
6/14/2013	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.55	1.00	0.55	$21.65	GULF
Soybeans	1.70	0.98	0.72	$26.46	GULF
Ocean Freight	$23.00	$43.50	0.52-0.56	($20.50)	July

Source: O'Neil Commodity Consulting

The charts below represent January-December 2011 and 2012 annual totals versus January-April 2013 year-to-date container shipments for South Korea.



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

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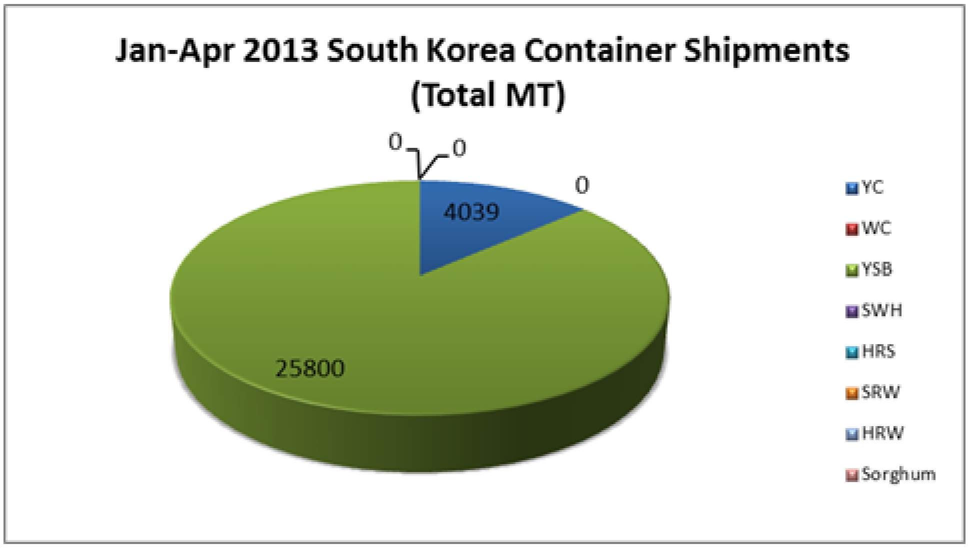

Source: O'Neil Commodity Consulting

International Freight Rates for Feed Grains – Select Routes Estimated Spot Price ($/MT)							
Commodity	**Origins**	**Japan**	**Korea**	**Colombia**	**Morocco**	**Egypt**	**Saudi Arabia**
Corn (Yellow)	**Argentina**	$45	$46	$35	$34	$35	$44
	Brazil	$40	$43	$32	$32	$32	$37
Corn (White)	**Argentina**	$45	$46	$35	$34	$35	$44
	Brazil	$40	$43	$32	$32	$32	$37
Barley	**Argentina**	$45	$46	$35	$34	$35	$44
	Brazil	$40	$43	$32	$32	$32	$37
Sorghum	**Argentina**	$45	$46	$35	$34	$35	$44
	Brazil	$40	$43	$32	$32	$32	$37

Source: World Perspectives, Inc.

INTEREST RATES

Interest Rates (%): June 12, 2013			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.41	0.41	0.42
LIBOR (1 year)	0.69	0.69	0.70

Source: www.bankrate.com