U.S. GRAINS COUNCIL

Market Perspectives

July 12, 2013

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
$/Bu	**Monday 8 July**	**Tuesday 9 July**	**Wednesday 10 July**	**Thursday 11 July**	**Friday 12 July**
Change	0.0925	0.2125	-0.0025	0.0550	-0.1775
Closing Price	5.0050	5.2175	5.2150	5.2700	5.0925
Factors Affecting the Market	Increased uncertainty about future weather conditions caused the lifting of short positions and the December contract closed back above $5.00/bushel.	The prospects of a strengthening high pressure ridge in the 10-day weather forecast allowed the December contract to rally more than 20 cents.	Higher price action stalled as traders squared up their positions before the Thursday release of USDA reports.	The July WASDE was released at noon Eastern Time and held no surprises, but the December corn contract still traded in a volatile manner before closing near its high.	The end to this volatile week occurred when the announcement that China made a large purchase of U.S. corn seemed to have little influence and could not stop a sell-off in futures.

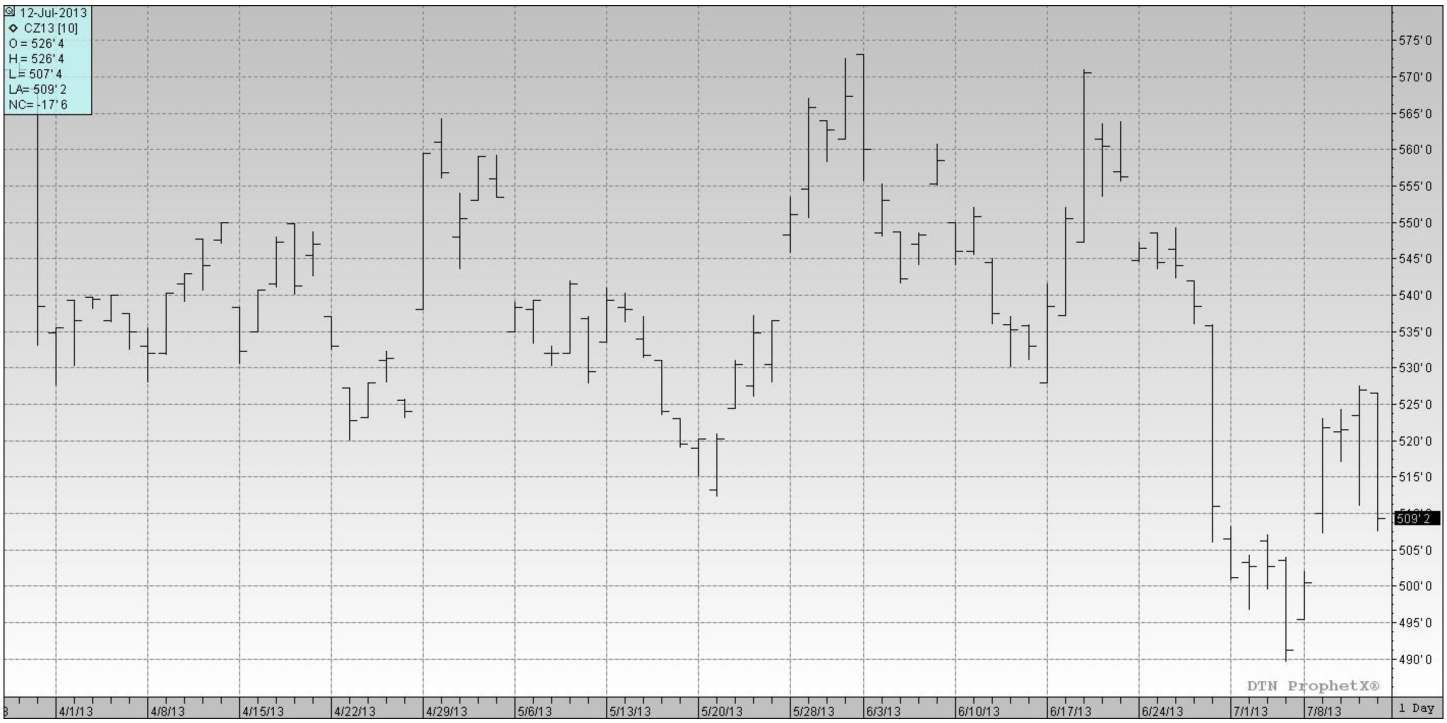
For more information on the contents of this newsletter or the U.S. Grains Council, its mission and programs, please contact Kevin Roepke or Alvaro Cordero at (202) 326-0637.

Outlook: USDA released their July WASDE report Thursday and slight adjustments were made to reflect the data that was released in the June 28 Acreage and Stocks reports, and the report contained no major surprises. The July 11 WASDE made the following changes to coarse grain projections:

- U.S. feed grain supplies were lowered moderately, as harvested acreage was reduced by 400,000 acres for corn (from 89.5 to 89.1 million acres), reduced by 500,000 acres for sorghum (from 6.6 to 6.1 million acres) and reduced 100,000 acres for barley (from 3.2 to 3.1 million acres).
- Yields forecasts for 2013/14 were left unchanged for corn at 156.6 bushels/acre, increased for sorghum from 64.4 to 64.9 bushels/acre and increased for barley from 68.8 to 71.4 bushels/acre. USDA will publish more precise yield estimates on August 12.
- U.S. corn ending stocks in the 2013/14 season were increased by 10 million bushels to 1,959 million bushels. 50 million bushel decreases for both exports and feed and residual stocks more than offset the 55 million bushel reduction from less harvested acres and a 40 million bushel decrease in beginning stocks.
- USDA projects that U.S. corn production will be a record at 13,950 million bushels this fall.
- The seasonal average U.S. farm price was left unchanged at $4.40-$5.20 per bushel.
- Projected changes in foreign coarse grain supply and use were largely insignificant.

The short-run outlook is that the market's attention will now focus primarily on factors such as weather, crop conditions and export announcements. Market participants recognize that unfavorable weather during the rather short-window of pollination can have a pronounced influence on yields. Many individuals remember that rain patterns improved last season - after corn pollination was over. They also realize that short-term forecasts are much more dependable than are the 10- to- 14 day weather forecasts. Consequently, the market will be keeping an eye on weather for the next few weeks.

CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending July 12, 2013			
Commodity	**12-July**	**5-July**	**Net Change**
Corn			
July	701.50	684.75	16.75
Sep	545.50	525.75	19.75
Dec	509.25	491.25	18.00
Soybeans			
July	1563.25	1588.00	-24.75
Aug	1429.00	1432.00	-3.00
Sep	1298.25	1276.25	22.00
Soymeal			
July	535.50	489.10	46.40
Soyoil			
July	46.09	47.23	-1.14
CBOT Wheat			
July	675.50	656.00	19.50

Sep	681.00	660.00	21.00
Dec	693.75	670.50	23.25
KCBOT Wheat			
July	712.75	676.50	36.25
Sep	708.50	685.75	22.75
Dec	724.25	706.25	18.00
MGE Wheat			
July	796.25	761.25	35.00
Sep	766.50	763.50	3.00
Dec	778.25	772.00	6.25

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: July 7, 2012					
	Very Poor	**Poor**	**Fair**	**Good**	**Excellent**
Corn	2%	6%	24%	51%	17%
Sorghum	5%	12%	39%	38%	6%
Barley	1%	3%	30%	55%	11%

Source: USDA

U.S. Drought Monitor Weather Forecast: Conditions through July 15 favor wet weather across most of the of the Nation that lies east of the Ohio and Mississippi Rivers, with heavy rains forecast from the Gulf Coast to the Mid-Atlantic. Some rains associated with the North American Monsoon are also likely during the next five days across Arizona and Colorado, largely bypassing New Mexico. Generally, less than 1.0 inches of rain is forecast across the area from Texas to Illinois, California and the Pacific Northwest.

For the ensuing five days (July 16-20), the odds favor above-median precipitation over the southern Rockies, the Northern Great Plains, Western and Central Gulf Coasts and from the Great Lakes to the Mid-Atlantic. Dry conditions are likely across the Pacific Northwest and the Central Great Plains. Temperatures are likely to be above-normal west of the Continental Divide, and from the Midwest to the Northeast, with below-normal temperatures favored over New Mexico and the Southeast. 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 July 4, 2013					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	1,520,400	714,700	2,877.40	10,637.70	43%
Corn	404,900	265,800	15,322.20	18,559.70	-53%

Sorghum	-	2,800	1,075.20	1,524.30	58%
Barley	1,000	100	4.5	31.2	-63%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 392,000 MT for 2012/13 were up 68 percent from the previous week and up noticeably from the prior four-week average. Increases for Japan (178,500 MT), Mexico (115,100 MT), Venezuela (58,000 MT, including 32,000 MT switched from Brazil), Taiwan (32,200 MT), Colombia (15,100 MT), and unknown destinations (14,600 MT), were partially offset by decreases for Brazil (32,000 MT). Net sales of 657,800 MT for 2013/14 were primarily for Mexico (352,300 MT), unknown destinations (158,000 MT), and China (122,500 MT). Exports of 265,800 MT were down 25 percent from the previous week, but unchanged from the prior four-week average. The primary destinations were Mexico (117,500 MT), Japan (87,000 MT), Venezuela (26,000 MT), and Jamaica (15,700 MT). Optional Origin Sales: For 2012/13, outstanding optional origin sales total 65,000 MT, all South Korea. For 2013/14, optional origin sales totaling 48,000 MT were reported for Japan. Outstanding optional origin sales total 148,000 MT, and are for Japan (48,000 MT) and Mexico (100,000 MT).

Barley: Net sales of 1,000 MT were reported for the Philippines. Exports of 100 MT were to Taiwan.

Sorghum: Net sales reductions of 6,400 MT for 2012/13 were reported for Mexico. Net sales of 9,500 MT for 2013/14 were for China (9,000 MT) and Taiwan (500 MT). Exports of 2,800 MT were reported to Mexico (2,700 MT) and China (100 MT). Optional Origin Sales*:* For 2013/14, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending July 4, 2013					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	208,415	378,678	14,982,373	34,191,499	44%
Sorghum	0	35,612	1,485,019	1,106,925	134%
Soybeans	67,087	122,853	35,084,717	33,639,765	104%
Wheat	696,430	719,047	2,954,841	2,746,367	108%
Barley	218	218	3,679	1,045	352%

*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 July 4, 2013						
Last Week (000 bushels)	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	5,971	75%	286	100%	0	0%
PNW	0	0%	0	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Interior Export Rail	1,948	25%	0	0%	0	0%
Total (1,000 bu)	7,919	100%	286	100%	0	0%

Total (Metric Tons)	201,151		7,265		0	
White Corn Shipments by Country (MT)			7,265	to Colombia		
Total White Corn (MT)			7,265			

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)
August	+2.08 U	$296.64	+2.50 U	$313.17
September	+1.03 U	$255.30	+2.00 U	$293.49
FH October	+.81 Z	$232.37	+1.45 Z	$257.56
LH October	+.73 Z	$229.22	+1.45 Z	$257.56
November	+.72 Z	$228.83	+1.30 Z	$251.66

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	Oct	Nov	Dec
Gulf	$275	$275	$275

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
August	-	-	+1.60 Z	$263.47
September	+1.20 Z	$247.72	+1.20 Z	$247.72
October	+1.10 Z	$243.79	+1.10 Z	$243.79

Barley: Feed Barley (FOB USD/MT)			
	August	September	October
FOB PNW	$276	$276	$276

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)		
	August	September
New Orleans	$208	$215
Quantity 5,000 MT		
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)		
Bulk 60% Pro.	**August**	**September**
New Orleans	$698	$690
**5-10,000 MT Minimum*		

**All prices are market estimates.*

DDGS Price Table: July 12, 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	301	301	301
FOB Vessel GULF	300	301	302
Rail delivered PNW	309	309	311
Rail delivered California	316	315	317
Mid-Bridge Laredo, TX	321	321	321
40 ft. Containers to South Korea (Busan)	357	357	357
40 ft. Containers to Taiwan (Kaohsiung)	357	357	357
40 ft. Containers to Philippines (Manila)	375	375	375
40 ft. Containers to Indonesia (Jakarta)	370	370	370
40 ft. Containers to Malaysia (Port Kelang)	368	368	368
40 ft. Containers to Vietnam (HCMC)	363	363	363
40 ft. Containers to Japan (Yokohama)	362	362	362
40 ft. containers to Thailand (LCMB)	368	368	368
40 ft. Containers to Shanghai, China	355	355	355
KC & Elwood, IL Rail Yard (delivered Ramp)	250	250	250

*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: Merchandisers report that prices are about $5.00 firmer in most markets. However, some merchandisers have run out of available supplies for July and have limited product for August. Merchandisers are receiving inquiries for the October to December period, but they are hesitant to make offers that far out in an inverted market.

International buying seems to have cooled off in the spot market as there is currently about a $10 per metric ton spread between the bid and the ask. Pricing further into the future is also requiring some active discussion, because the DDGS producers are asking September prices which are equal to August, while the buyers want September prices at October levels. Merchandisers acknowledge that the August to September time period will be a period of active negotiating.

Ethanol Comments: The July WASDE projections were unchanged at 4.9 billion bushels for 2013/14 corn used in ethanol and by-products production. That would be a rebound from this season's usage of 4.65 billion, but still below the 2011/12 level of 5.011 billion bushels. Increasing ethanol production to levels seen in the 2011/12 season seems dependent upon consumer demand for gasoline during the summer driving season. Ethanol producers have increased production to 881,000 barrels per day (bpd) for the week ending 5 July. That is a two percent increase from the prior week's level of 863,000 bpd. This increased production is also above the level for the same week a year ago at 821,000 bpd, and the level two years ago at 872,000 bpd. Adding to this increased domestic production is a return of imports, though at a moderate 25,000 bpd. The increased ethanol production is contributing to the declining premium that present returns have over year-ago levels. However, that decline is occurring at a rather gradual pace because present ethanol stocks of 15.7 million barrels are still 19.5 percent smaller than the year-ago levels of 19.5 million barrels. The narrowing of returns is implied in the proceeding differentials between processing product values and corn prices:

- Illinois differential increased to $2.31 per bushel, which is up from $2.13 the prior week and above $1.47 last year.
- Iowa differential decreased to $1.95 per bushel, which is down from $2.04 the prior week but above $1.73 last year.
- Nebraska differential increased to $1.98 per bushel, which is just above $1.96 the prior week and moderately above $1.77 last year.
- South Dakota differential decreased to $2.14 per bushel, which is down from $2.36 the prior week but above $1.87 last year.

COUNTRY NEWS

Brazil: Stevedores at the important port of Santos staged a one-day strike Thursday in solidarity with other union demonstrations in several Brazilian cities, according to Reuters. The strikers blocked truck entrance to the port and in the process held up 13 container ships. Despite their efforts, bulk cargo shipments of corn were not impacted. Bulk cargo of grains is generally less affected by strikes due to the reduced labor required in its movement. Brazil is currently exporting corn at a record rate.

France: Corn producers in France's rain soaked Southwest are being forced to leave the remaining unplanted area fallow due to flooding and generally inclement conditions, reports Bloomberg News. As of July 1, farmers in Aquitaine had planted 95 percent of their planned area, while farmers in the neighboring region of Midi-Pyrenees had sowed 96 percent. These two regions account for 30 percent of French corn. 44 percent of the corn crop in Aquitaine currently rates as good or excellent, which is the same percentage as the week previous. As of July 1, 56 percent of the overall French corn crop has been rated good or excellent, which is 1 percent over the previous week and down from a 77 percent rating in May. The overall condition of French corn at this time last year stood at 75 percent good or excellent. France is typically the largest corn producer in the EU and accounted for 23 percent of all EU corn production in 2011.

Russia: Russia is projected to export 233,400 MT of barley from the port of Novorossiysk in July, according to Bloomberg News. Grain exports are projected to increase as the summer wears on and the harvest progresses. 11 percent of the grain crop was harvested by July 9 for a total of 16.7 MMT and the total grain crop is projected to reach 95 MMT this year, which is a 34 percent increase over last year's drought blighted harvest.

South Africa: Corn futures have risen to their highest point in three weeks due to speculation of tight local supplies, according to Bloomberg News. White corn for December delivery increased by 2.4 percent to $238/MT, while yellow corn for September delivery increased by 1.5 percent to $225.94/MT. The Grain and Oilseeds Supply and Demand Estimates Committee projected in a June 28 report that South Africa will likely consume 4.54 MMT domestically and has the potential to supply 5.74 MMT in the marketing year through April.

United Kingdom: After being forced to abandon some 22 percent (156,000 hectares) of their winter rapeseed crop, British farmers have opted to replant the fields with barley among other crops, reports Bloomberg News.

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	Unchanged	Handymax at $46.50/MT
55,000 U.S. PNW- Japan	$24.00	Unchanged	Handymax at $25.00/MT
55,000 U.S. Gulf – China PNW to China	$42.50 $22.50	Unchanged Unchanged	North or South China
25,000 U.S. Gulf- Veracruz, México	$19.50	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	$17.50	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$22.50 $30.00	Unchanged Unchanged	West Coast Colombia at $31.00 West Coast Colombia from Argentina at $38.00
35,000 U.S. Gulf - Guatemala	$29.00	Unchanged Unchanged	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$36.50 $38.50	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$37.00	Down $0.50	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$26.50 $33.00	Down $0.50 Unchanged	55,000 -60,000 MT St. Lawrence to Egypt $27.00
60-70,000 U.S. Gulf – Europe – Rotterdam	$23.00	Unchanged	Handymax at +$2.50 more
Brazil, Santos – China	$36.00 $34.50	Unchanged Unchanged	54-58,000 Supramax-Panamax

			60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$40.00	Unchanged	—

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: Slow steaming is the preferred method of operation for most vessels, and the same can be said for ocean freight markets. World freight markets seem to be in slow steaming mode and are not traveling too far too fast. It was another fairly uneventful week with rates little changed. The market has received some support from improved grain business out of the Black Sea, US Gulf and South America. Cheap grain and freight prices are generating some additional demand, and even U.S. export lineups are improving. The Baltic indices were up a little for the week, but I have not seen any substantial movement in the physical freight rate structure. I am therefore leaving rates unchanged until I see verifiable movement in one direction or the other.

No significant new news in the PNW Grain elevator labor situation. The wheat harvest is progressing in the South and Central U.S., so we need to monitor the port situation closely.

Baltic Panamax Dry-Bulk Indices				
11-July-13 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	16,329	15,585	744	4.8%
P3A: PNW/Pacific – Japan	6,686	6,337	349	5.5%

Source: O'Neil Commodity Consulting

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

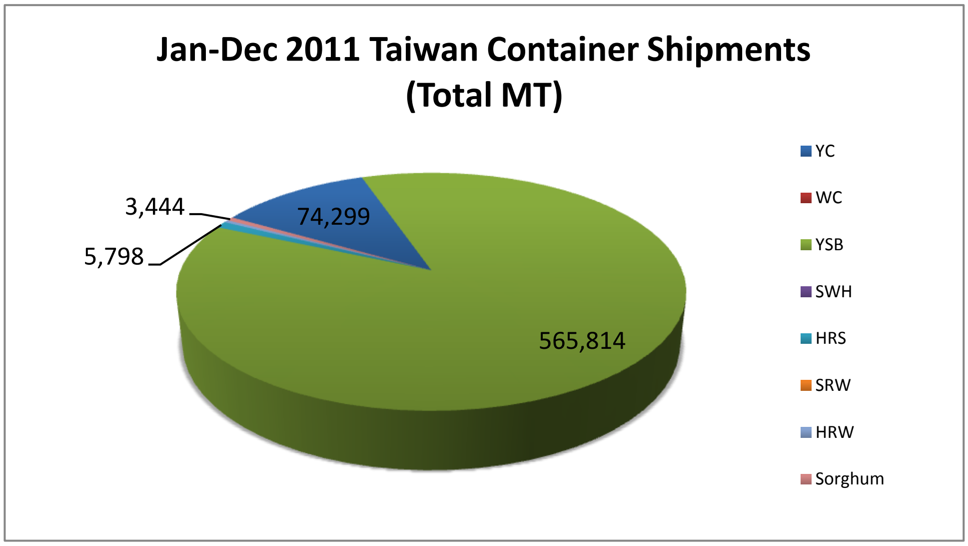
Week of July 11, 2013	
Four weeks ago	$7.25-$7.40
Three weeks ago	$7.40-$8.00
Two weeks ago	$8.00-$8.15
One week ago	$7.70-$8.00
This week	$7.40-$7.70

Source: O'Neil Commodity Consulting

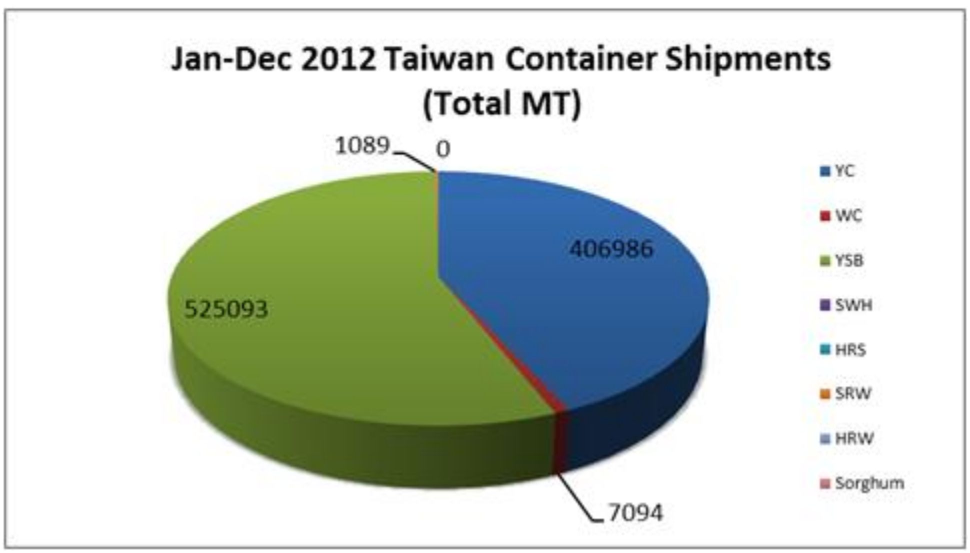
U.S. – Asia Market Spreads					
7/11/2013	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	2.50	1.50	1.00	$39.37	GULF
Soybeans	4.25	3.50	0.75	$27.56	GULF
Ocean Freight	$22.50	$42.50	0.51-0.54	($20.00)	August

Source: O'Neil Commodity Consulting

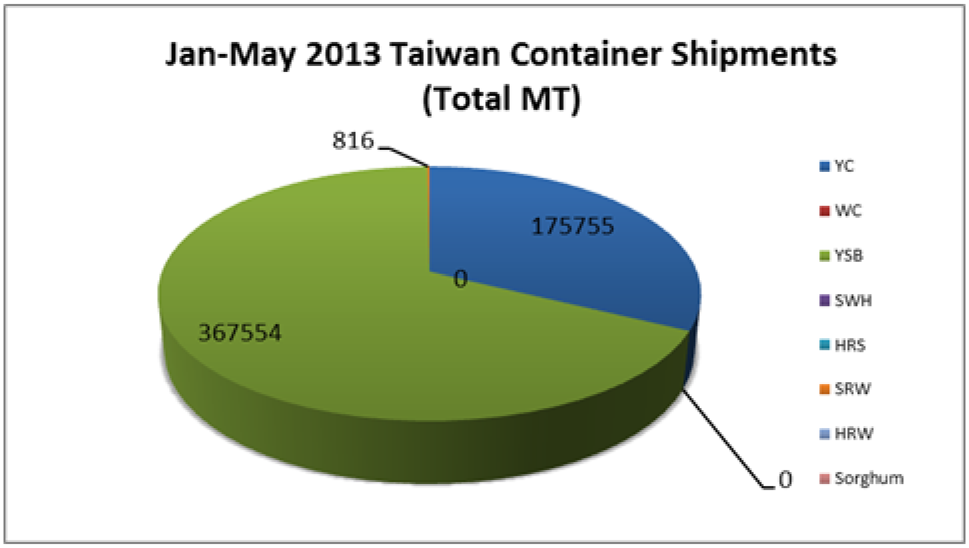
The charts below represent January-December 2011 and January-December 2012 annual totals versus January-May 2013 year-to-date container shipments for Taiwan.



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting



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	$44	$38	$34	$31	$45
	Brazil	$42	$41	$33	$28	$24	$37
Corn (White)	**Argentina**	$45	$44	$38	$34	$31	$45
	Brazil	$42	$41	$33	$28	$24	$37
Barley	**Argentina**	$45	$44	$38	$34	$31	$45
	Brazil	$42	$41	$33	$28	$24	$37
Sorghum	**Argentina**	$45	$44	$38	$34	$31	$45
	Brazil	$42	$41	$33	$28	$24	$37

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 (%): July 9, 2013			
	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)	0.69	0.69	0.69

Source: www.bankrate.com