Market Perspectives

July 24, 2015

Developing Markets • Enabling Trade • Improving Lives

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CHICAGO BOARD OF TRADE MARKET NEWS

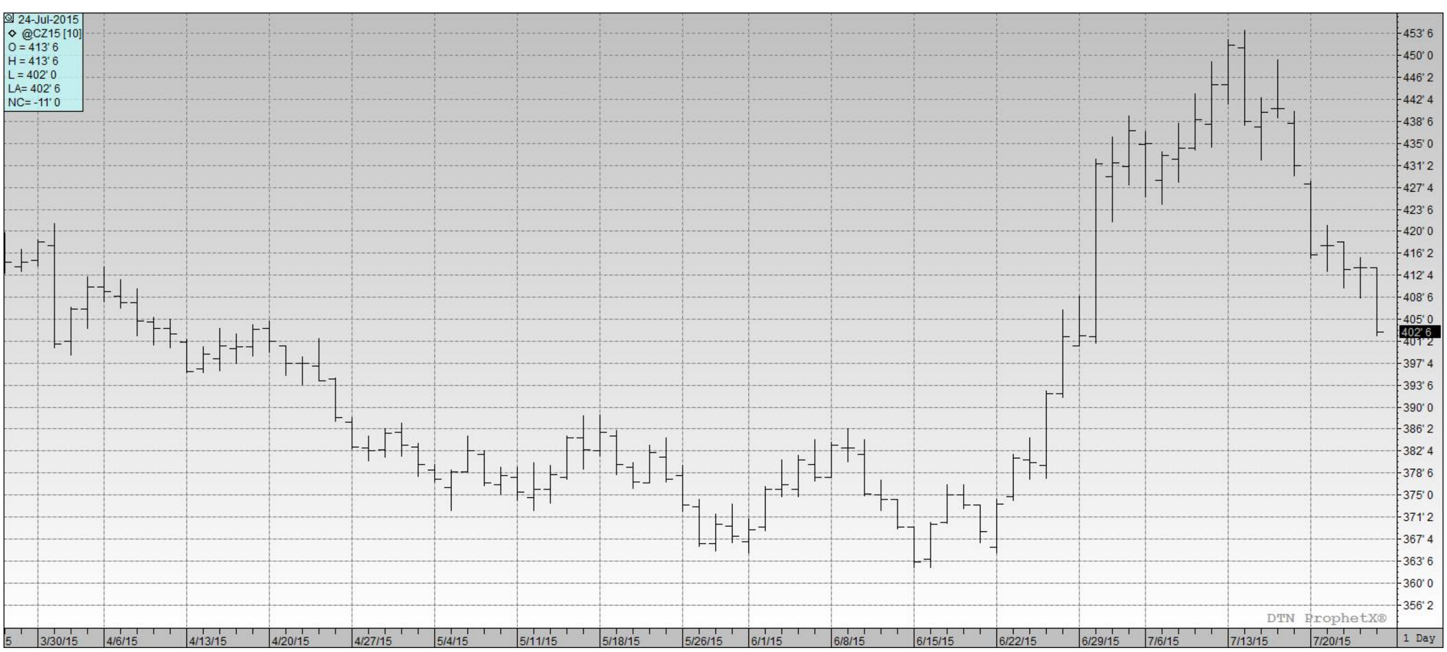
Week in Review: CME Corn December Contract					
$/Bu	**Monday 20 July**	**Tuesday 21 July**	**Wednesday 22 July**	**Thursday 23 July**	**Friday 24 July**
Change	-0.1525	0.0150	-0.0400	-0.0025	-0.1100
Closing Price	4.1600	4.1750	4.1350	4.1375	4.0275
Factors Affecting the Market	The December corn contract gapped lower and continued to move downward through the day to close with double digit losses.	Technical charts for corn contracts were indecisive. December corn was reluctant to trade above $4.20 or below $4.15 bu.	There was more willingness to test support at $4.10 bu. than to test the overhead resistance at $4.20 bu.	A second indecisive chart pattern within the same week indicated that opposing forces are building for a more defined move.	The Dec. corn contract appears ready to test $4.00 bu. support early next week but it will likely be perceived as a buying opportunity.

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: Last week this section explained why the short-term outlook was for corn contracts to selloff into the first of August, and that expected event appears to have largely happened. However, it is also prudent to explain that this anticipated decline is not assumed to be the start of a continuous price decline into harvest. Rather, corn contracts are expected to bounce prior to the release of USDA's August WASDE and Crop Production reports on Wednesday August 12. This expectation is noted to benefit end-users of feed grains by highlighting that the present buying opportunity is not assumed to be prolonged.

The average crop condition for U.S. corn is closer to the average of the past 10 years than it is to last season's continuously high ratings. Monday's data did have a subtle increase in U.S. corn's average crop condition ratings to 52 percent good and 17 percent excellent from the prior-week's rating of 54 percent good and 15 percent excellent. However, please note that there was no increase in the combined total of 69 percent good-to-excellent ratings but a 2 percent shift in ratings from good-to-excellent. It is normally good to be optimistic, but being realistic is also necessary. There seems to be little-to-no possibility that corn condition ratings will escalate upward to last season's 76 percent good-to-excellent rating that resulted in yields well above the trend-line. USDA is already giving the benefit of the doubt with their current average U.S. corn yield estimate of 166.8 bu., which is closer to last season's read yield of 171 bu. than to the prior-year's yield of 158.1 bu. Actual field data will come into play from August onward. Consequently, the expectation is given for some sort of rebound in the December corn futures contract prior to the release of August data.

CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending July 24, 2015			
Commodity	**24-July**	**17-July**	**Net Change**
Corn			
Sep 15	392.50	420.25	-27.75
Dec 15	402.75	431.25	-28.50
Mar 16	412.75	441.50	-28.75
May 16	418.25	447.25	-29.00
Soybeans			
Aug 15	991.25	1014.75	-23.50
Sep 15	967.25	1005.75	-38.50
Nov 15	965.00	1006.75	-41.75
Jan 16	970.75	1012.75	-42.00
Soymeal			
Aug 15	354.80	361.10	-6.30
Sep 15	345.40	353.00	-7.60
Oct 15	336.80	348.50	-11.70
Dec 15	333.40	347.70	-14.30
Soyoil			
Aug 15	30.48	31.78	-1.30
Sep 15	30.56	31.87	-1.31
Oct 15	30.64	31.94	-1.30
Dec 15	30.85	32.16	-1.31
SRW			
Sep 15	511.75	554.00	-42.25
Dec 15	519.75	563.50	-43.75
Mar 16	527.00	572.00	-45.00
May 16	531.25	576.00	-44.75
HRW			
Sep 15	507.25	546.50	-39.25
Dec 15	527.25	566.00	-38.75
Mar 16	541.75	580.25	-38.50
May 16	550.50	588.75	-38.25
MGEX (HRS)			
Sep 15	545.00	574.75	-29.75
Dec 15	562.50	591.00	-28.50
Mar 16	578.25	605.25	-27.00
May 16	588.25	614.25	-26.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: July 31, 2014					
	Very Poor	Poor	Fair	Good	Excellent
Corn	2%	7%	22%	52%	17%
Sorghum	3%	4%	26%	56%	11%
Barley	1%	5%	23%	52%	19%

Source: USDA

U.S. Drought Monitor Weather Forecast: The NWS WPC Seven-Day Quantitative Precipitation Forecast (QPF) calls for generally dry conditions across most of the western U.S. with the exception of some modest accumulation (1-2 inches) in northern portions of the Great Basin, northern Rockies and North Cascades. In contrast, the central and northern Plains and western portions of the Midwest are forecasted to receive 1-3 inches while heavy precipitation is forecasted in southern Georgia and Florida with totals in the 3-7 inch range.

The CPC 10-day outlooks call for a high probability of above-normal temperatures east of the Rockies as well as along the West Coast while most of the interior West will be below normal. Across the West (with the exception of extreme southeastern Arizona and southwestern New Mexico), there's a high probability of below-normal precipitation while the central and northern Plains, western portions of the Midwest, Northeast and Southeast have a high probability of above-average 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 July 16, 2015					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	527,100	582,300	2,265.2	6,985.7	-22%
Corn	310,299	1,156,800	39,470.4	46,764.3	-3%
Sorghum	61,500	116,500	7,084.3	8,405.9	74%
Barley	0	0	2.9	8.7	-64%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 223,400 MT for delivery in 2014/15--a marketing-year low--were down 33 percent from the previous week and 54 percent from the prior four-week average. Increases were reported for Colombia (110,000 MT, including 60,000 MT switched from Panama and decreases of 300 MT), Japan (99,200 MT, including 94,600 MT switched from unknown destinations and decreases of 59,500 MT), Portugal (83,200 MT, including 77,000 MT switched from unknown destinations), Mexico (76,700 MT), South Korea (66,500 MT, including 65,000 MT switched from unknown destinations and decreases of 1,400 MT) and Egypt (65,000 MT, including 58,000 MT switched from unknown destinations). Decreases were reported for unknown destinations (321,400 MT), Panama (60,600 MT) and New Zealand (4,200 MT). Net sales of 311,400 MT for 2015/16 were reported primarily for Japan (147,300 MT) and Mexico (105,200 MT). Exports of 1,156,800 MT were up 2 percent from the previous week and 9 percent from the prior four-week average. The primary destinations were Japan (245,900 MT), Mexico (218,300 MT), South Korea (121,500 MT), Colombia (86,300 MT), Portugal (83,200 MT) and Taiwan (78,200 MT).Optional Origin Sales: For 2014/15, outstanding optional origin sales total 52,500 MT, all Egypt.

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

Sorghum: Net sales of 6,500 MT for 2014/15 resulted as increases for unknown destinations (58,000 MT), were partially offset by decreases for China (51,500 MT). Net sales of 105,000 MT for 2015/16 were reported for China. Exports of 116,500 MT were up 55 percent from the previous week and up noticeably from the prior four-week average. The destination was China.

U.S. Export Inspections: Week Ending July 16, 2015					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	1,161,106	1,057,085	39,084,506	41,012,979	95%
Sorghum	116,500	100,115	7,747,149	3,953,809	196%
Soybeans	306,379	146,130	48,562,347	42,909,953	113%
Wheat	489,089	271,191	2,370,201	3,252,367	73%
Barley	0	856	4,799	8,756	55%

*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 16, 2015						
Last Week	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	635,994	56%	15,448	68%	116,500	100%
PNW	316,753	28%	0	0%	0	0%
Lakes	40,295	4%	0	0%	0	0%
Atlantic	7,699	1%	0	0%	0	0%
Interior Export Rail	137,533	12%	7,384	32%	0	0%
Total (Metric Tons)	1,138,274	100%	22,832	100%	116,500	100%
White Corn Shipments by Country (MT)			15,448	To New Zealand		
			7,384	to Mexico		
Total White Corn (MT)			22,832			
Sorghum Shipments by Country (MT)					116,500	to China
Total Sorghum (MT)					116,500	

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)**
LH July	+0.67 U	$180.90	-	-
August	+0.64 U	$179.71	+0.76 U	$184.44
FH September	+0.63 U	$179.32	+0.78 U	$185.23
LH September	+0.66 U	$180.50	+0.78 U	$185.23

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	**NOLA**		**TEXAS**	
	Basis	**Flat Price**	**Basis**	**Flat Price**
July	+2.50 Z	$256.97	+2.50 Z	$256.97
August	+1.75 Z	$227.45	+1.75 Z	$227.45
September	+1.75 Z	$227.45	+1.75 Z	$227.45

Barley: Feed Barley (FOB USD/MT)			
	August	**September**	**October**
FOB PNW	$230	$230	$230

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	August	**September**	**October**
New Orleans	$160	$160	$160
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**August**	**September**	**October**
New Orleans	$685	$685	$685
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: July 24, 2015 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**Aug.**	**Sep.**	**Oct.**
Barge CIF New Orleans	214	215	217
FOB Vessel GULF	223	225	227
Rail delivered PNW	222	221	223
Rail delivered California	223	223	225
Mid-Bridge Laredo, TX	223	222	221

FOB Lethbridge, Alberta	182	185	188
40 ft. Containers to South Korea (Busan)	268	266	268
40 ft. Containers to Taiwan (Kaohsiung)	267	261	261
40 ft. Containers to Philippines (Manila)	287	281	281
40 ft. Containers to Indonesia (Jakarta)	278	276	278
40 ft. Containers to Malaysia (Port Kelang)	279	277	279
40 ft. Containers to Vietnam (HCMC)	286	285	287
40 ft. Containers to Japan (Yokohama)	284	278	278
40 ft. containers to Thailand (LCMB)	274	273	275
40 ft. Containers to Shanghai, China	259	256	258
KC & Elwood, IL Rail Yard (delivered Ramp)	211	212	213

*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: Buying of DDGS slowed this past week and there is now about a $10/MT spread between most bids and offers. End users logically expect the price of DDGS to decline in unison with this week's setback in corn futures contracts. In response, merchandisers note that the corn is seldom purchased at the time that DDGS are produced. Furthermore, it is hard for DDGS merchandisers to instantaneously drop their price in relation to the behavior of corn futures because such price action can often be temporary. The preceding Outlook section within this report explains why that presently may be the case.

Pricing and usage agreements can work in favor of both the merchandiser and the buyer during periods of uncertain price action. The merchandiser may agree to very thin margins in exchange for the buyers agreeing to purchase a set amount of inventory. Establishing such an agreement allows the merchandiser and buyer to then work as a team in devising a purchasing strategy for corn. Together they define the intended futures price and basis. More sizable agreements can also be mutually beneficial in allowing the team to negotiate better freight rates and maintain a steady flow of inventory. In contrast, consistent buying and selling in the spot market generally does not work in favor of both parties.

The price for both domestic and international DDGS were up about $5/MT this past week. Containerized DDGS that were purchased one to two months into the future for Asian destinations tended to have an additional modest reduction in price. Such reductions are not always offered on domestic bulk rates, presumably because of the tendency by domestic end users to purchase in the spot market.

Ethanol Comments: Factors such as a renewed strength in the U.S. Dollar, the passage of peak U.S. driving demand, a lethargic Chinese economy and a potential Iranian deal combined to enable global crude oil prices to drift below $50 per barrel this past week. This low price level for gasoline can reduce the immediate demand for ethanol exports, particularly until there is better evidence that crude oil stocks are in decline. As well, there is no indication of declining ethanol stocks to incentivize blenders to secure more inventories.

U.S. ethanol stocks were 19.6 million barrels for the week ending July 17, which is basically unchanged from the prior-week's level of 19.7 million barrels and 9 percent above the year-ago level of 17.9 million barrels. However, there was a modest decline in the average daily ethanol production rate for that week to 973,000 barrels per day (bpd), in comparison to the prior-week's level of 984,000 bpd. Without increased demand, sizable declines in ethanol stocks seems unlikely so long as the weekly production level remain above the yea-ago level, which for the same week a year ago was an average rate of 959,000 bpd. The end result is that margins continue to slowly narrow and the advantage goes to the most cost-efficient ethanol producer. The differential between the cost of corn and the co-products is the following for primary Corn Belt locations for week ending July 24, 2015:

- Illinois differential is $1.61 per bushel in comparison to $1.53 the prior week and $3.51 a year ago.
- Iowa differential is $1.46 per bushel in comparison to $1.56 the prior week and $3.32 a year ago.
- Nebraska differential is $1.19 per bushel in comparison to $1.20 the prior week and $3.22 a year ago.
- South Dakota differential is $1.90 per bushel in comparison to $1.99 the prior week and $3.67 a year ago.

COUNTRY NEWS

China: Corn imports increased by more than double in June and reached their highest level in a decade as buyers sought to beat a late-month surge in U.S. corn prices, reports Bloomberg News. June shipments reached 872,928 MT compared to 404,102 MT in May, which is the highest recorded since 2005. Corn imports in June 2014 totaled 27,230 MT. Chinese buyers were also incentivized to seek corn abroad as domestic supplies are both more expensive and of lower quality, despite the government's best efforts to sell from the state stockpiles.

Iran: Iranian traders have purchased 180,000 MT of Brazilian corn for shipment in July and August this week, according to Reuters. This was the country's first major grain purchase in months.

Further, Iran has imposed import duties on barley that will be in effect until September 22, 2015. Iran is the world's third-largest feed barley importer after Saudi Arabia and China.

Ukraine: The Ministry of Agriculture has announced that it may reduce its outlook for the 2015 corn crop due to excessive heat and drought, reports Reuters. A June estimate placed corn output at 26.4 MMT in 2015 compared to 28.5 MMT last year. As of now the projection for the overall grain harvest remains unchanged at 60 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	$35.50	Down $0.50	Handymax at $35.50/MT
55,000 U.S. PNW-Japan	$19.00	Down $0.50	Handymax at $19.50/MT
55,000 U.S. Gulf-China PNW to China	$33.50 $18.00	Down $1.00 Down $0.50	North China
30,000 U.S. Gulf-Veracruz, México	$14.50	Down $1.00	4,000 MT daily discharge rate
40-45,000 U.S. Gulf-Veracruz, México	$13.00	Down $1.00	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	$15.00 $27.25	Down $0.75 Down $1.00	West Coast Colombia at $23.00
36-40,000 U.S. Gulf-Guatemala	$23.50	Down $1.00	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	$32.00 $33.00	Down $1.00 Down $1.00	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$31.00	Down $1.00	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$25.00 $27.00	Down $0.50 Down $1.00	55,000 -60,000 MT St. Lawrence to Egypt $26.00
65-75,000 U.S. Gulf-Europe-Rotterdam	$16.00	Down $1.00	Handymax at +$1.50 more
Brazil, Santos-China Itacoatiara Port up river Amazonia-China	$27.00 $26.00 $36.00	Down $1.00 Down $1.00 Down $1.00	54-58,000 Supramax-Panamax 60-66,000 Post Panamax 48-53,000 MT (11.5 meter draft)
56-60,000 Argentina-China Upriver with Top-Off	$34.25	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: There was continued price support in global freight markets early this week as the eight-week rally attempted to continue its run. However, the daily increases in the Baltic indices became smaller as the week progressed and by Friday the market took back most of the week's gains. It appears that the upswing is running out of steam. The primary factor in this recent rally has been the seasonal dislocation between demand and supply, primarily in the Atlantic.

It is also theorized that, with the previous long term slide in freight values, the big grain companies did not renew many of their annual time charters and therefore have less coverage than in past years. This may be one of the reasons we have seen so many grain buyers simultaneously entering the market and pushing it up. It is also interesting to note that, in the first half of 2015 we saw a total of 19.6 million dwt worth of bulk carriers scrapped. When compared to the rate of new buildings this equates to a net fleet growth of just 1 percent. It looks like vessel owners have gotten the message and maybe we are starting to move towards a rebalancing? However, it is still going to be a long process.

Baltic Panamax Dry-Bulk Indices				
July 24, 2015 Route	**This Week**	**Last Week**	**Difference**	**Percent Change**
P2A: Gulf/Atlantic – Japan	15,327	15,777	-450	-2.9%
P3A: PNW/Pacific– Japan	7,910	7,907	3	<1.0%

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:

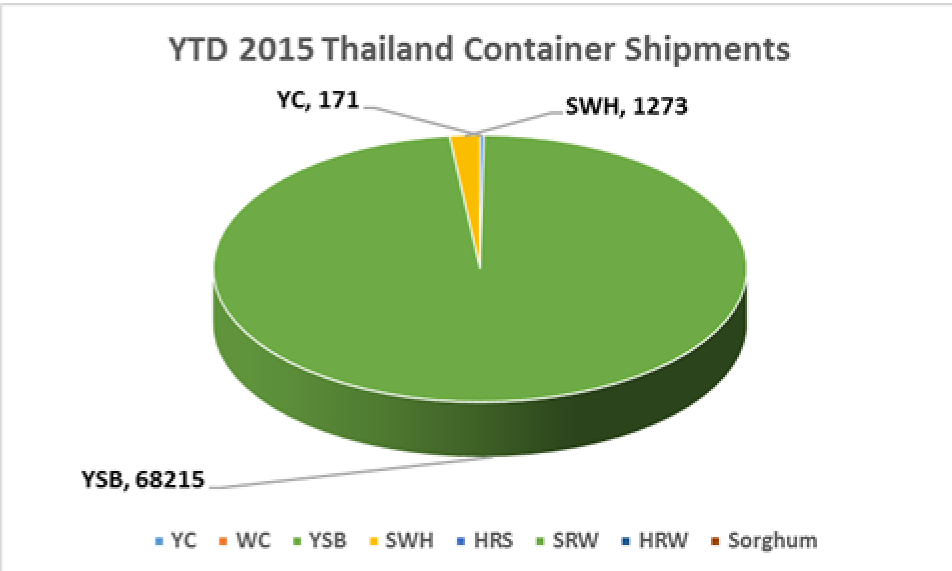
Week of July 24, 2015	
Four weeks ago:	$5.75-$5.90
Three weeks ago:	$5.40-$5.70
Two weeks ago	$5.20-$5.65
One week ago:	$5.50-$5.80
This week	$5.50-$6.00

Source: O'Neil Commodity Consulting

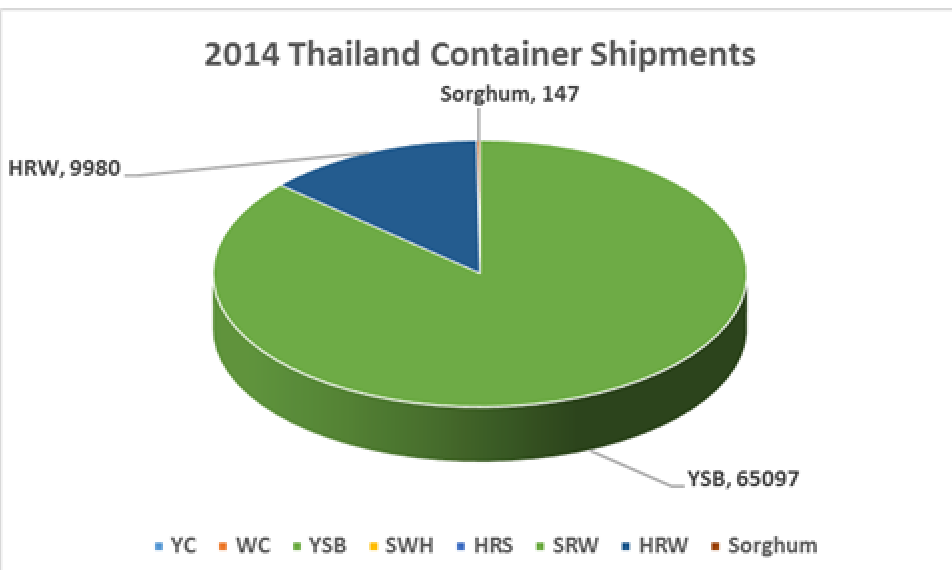
U.S. – Asia Market Spreads					
July 24, 2015	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
# 2 Corn	0.76	0.60	0.16	$6.30	PNW
Soybeans	0.90	0.72	0.18	$7.09	PNW
Ocean Freight	$18.00	$33.50	0.39-0.42	($15.50)	August

Source: O'Neil Commodity Consulting

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



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

Market Perspectives

July 24, 2015

Developing Markets • Enabling Trade • Improving Lives

International Freight Rates for Feed Grains – Select Routes Estimated Spot Price ($/MT) – Week ending July 24, 2015								
Commodity	**Origins**	**China**	**Japan**	**Korea**	**Colombia**	**Morocco**	**Egypt**	**Saudi Arabia**
Corn (Yellow)	**Argentina**	$31	$34	$32	$25	$25	$23	-
	Brazil	$23	$25	$24	$21	$19	$18	-
Corn (White)	**Argentina**	$31	$34	$32	$25	$25	$23	-
	Brazil	$23	$25	$24	$21	$19	$18	-
Barley	**Argentina**	$31	$34	$32	$25	$25	$23	-
	Brazil	$23	$25	$24	$21	$19	$18	-
Sorghum	**Argentina**	$31	$34	$32	$25	$25	$23	-
	Brazil	$23	$25	$24	$21	$19	$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 (%): July 22, 2015			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.47	0.44	0.44
LIBOR (1 year)	0.78	0.76	0.77

Source: www.bankrate.com