Market Perspectives

August 16, 2013

U.S. GRAINS COUNCIL

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
$/Bu	**Monday 12 August**	**Tuesday 13 August**	**Wednesday 14 August**	**Thursday 15 August**	**Friday 16 August**
Change	0.1075	-0.1675	0.0800	0.1700	-0.0875
Closing Price	4.6400	4.4725	4.5525	4.7225	4.6350
Factors Affecting the Market	Lower-than-expected yield estimates for corn and soybeans in the August crop reports were considered a bullish surprise, and the December contract rebounded.	The December contract made new lows as large speculators with short positions decided to ignore USDA's yield estimates and returned as aggressive sellers to drive prices lower.	Drier weather forecasts and a reluctance to sell December corn below $4.50 per bushel allowed corn futures to regain about half of the prior day's losses.	Better than expected export sales of corn accelerated the prior day's upward momentum in corn futures. Technical chart patterns looked much stronger after today's trading.	Bearish traders attempted to lessen the strong rally of the prior two days by closing out the week with the December contract back below $4.70 per bushel.

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.

The U.S. Grains Council is a private, non-profit partnership of producers and agribusinesses committed to building and expanding international markets for U.S. barley, corn, grain sorghum and their products. The Council is headquartered in Washington, D.C., and has nine international offices that oversee programs in more than 50 countries. Financial support from our private industry members, including state checkoffs, agribusinesses, state entities and others, triggers federal matching funds from the USDA resulting in a combined program value of more than $26 million.

Outlook: Actual field survey analysis caused USDA to lower its estimate for the national average U.S. corn yield by 2.1 bushels per acre to 154.4 in the August 12 reports. This was below the July yield estimate of 156.5 bushels per acre and substantially below the average of commodity analysts' estimates of 157.7 bushels per acre. The possibility of a lower estimate was noted in this section last week, as USDA's August estimates are obtained in a rigorous format.

USDA obtained its national corn yield estimate of 154.4 bushels per acre from numerous physical evaluations of fields and from surveys sent to 24,000 producers. Nevertheless, speculators with substantial short positions were disgruntled and they decided to still shove the December corn contract to new lows the day after USDA data was published. Their aggressive selling was met by more buyers who appreciated the opportunity to acquire corn futures below $4.50 per bushel. Some of the more experienced speculators who were selling seemed to recognize that the potential rewards of a further downside objective may not justify the risks. This worked to weaken the resolve of speculative sellers and allowed prices to bounce back for the next two days.

Speculators who are seeking to drive the December corn contract down to $4.00 per bushel may want to define whom they expect to offset their position in order to reach that objective. Producers are unlikely to be short hedging at $4.00 per bushel, particularly if the basis becomes negative. As well, there is a substantial amount of empty bin space and farmers recognize that pricing ratios and weather could substantially alter pricing dynamics next spring. End-users are unlikely to be chased out of their long positions because most are hedging for the long haul and locking in profitable positions. Even lower prices simply give buyers the opportunity to extend their hedges into more distant contract months in order to lock-in future profits. The near-term outlook is that speculators are offering livestock producers, ethanol facilities and international feed grain buyers an extended pricing opportunity.

Market Perspectives

August 16, 2013

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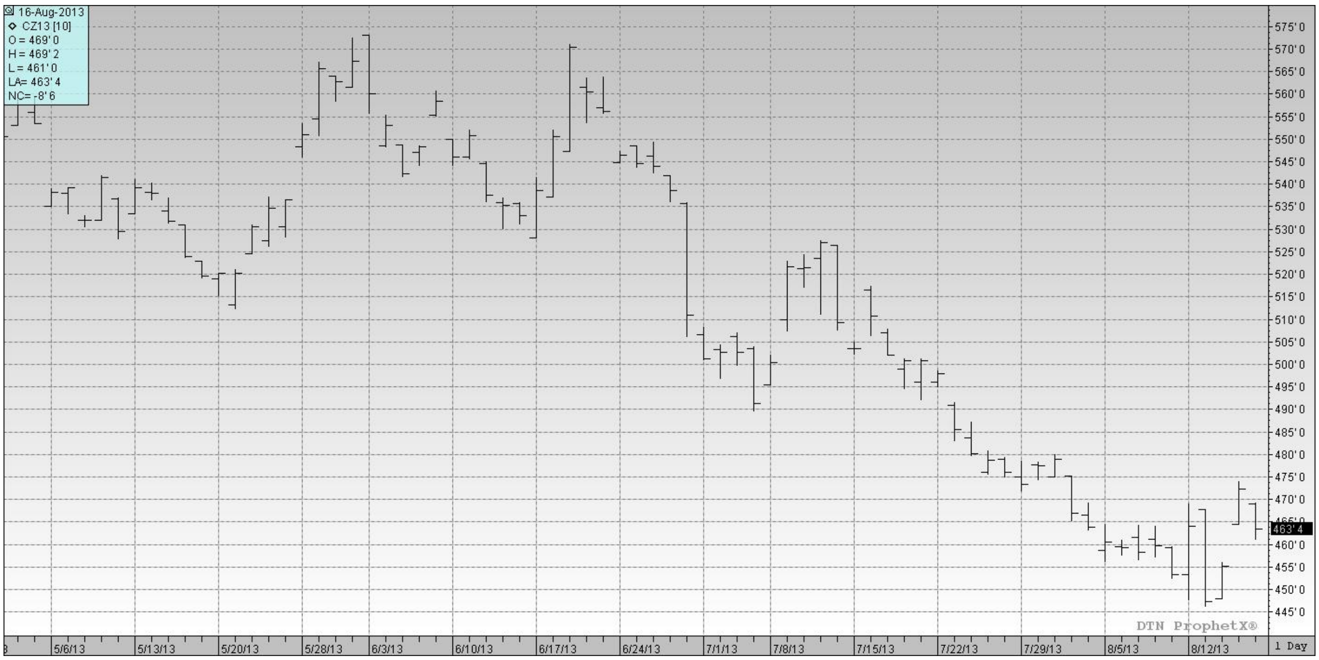
CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending August 16, 2013			
Commodity	**16-August**	**9-August**	**Net Change**
Corn			
Sep	473.75	465.75	8.00
Dec	463.50	453.25	10.25
Mar	476.00	466.75	9.25
Soybeans			
Sep	1283.25	1218.50	64.75
Nov	1259.25	1182.25	77.00
Jan	1261.75	1188.00	73.75
Soymeal			
Sep	408.80	390.60	18.20
Soyoil			
Sep	42.81	41.50	1.31
CBOT Wheat			
Sep	631.00	633.50	-2.50
Dec	643.50	647.25	-3.75
Mar	656.25	660.50	-4.25
KCBOT Wheat			

Sep	698.25	697.25	1.00
Dec	702.25	703.50	-1.25
Mar	710.00	712.25	-2.25
MGE Wheat			
Sep	737.25	732.00	5.25
Dec	738.25	739.75	-1.50
Mar	750.00	751.75	-1.75

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: August 11, 2012					
	Very Poor	**Poor**	**Fair**	**Good**	**Excellent**
Corn	3%	8%	25%	46%	18%
Sorghum	3%	10%	34%	44%	9%
Barley	1%	5%	28%	51%	15%

Source: USDA

U.S. Drought Monitor Weather Forecast: Over the period of August 16-19, there is an above-normal chance for precipitation in the Southeast and in areas of the High Plains. Temperatures are expected to be above-normal in the West, mostly centered on the Rockies, and below-normal in the Southern Plains and into the Southeast and Mid-Atlantic.

For the period of August 20-24, the odds favor above-normal temperatures throughout the entire West, across the northern tier of the country and into New England. Normal to below-normal temperatures are favored from the Central Plains, into the South and the Southeast. Above normal-precipitation is likely across most of the East Coast, through the Southeast, and into the Southern Plains. The Northern Plains and Northwest are likely to see 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 August 8, 2013					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	502,000	709,900	6,282.0	14,108.9	42%
Corn	176,800	377,400	17,105.3	19,049.7	-52%
Sorghum	13,600	75,000	1,252.3	1,613.2	60%
Barley	0	1,100	7.3	52.2	-65%

Source: USDA, World Perspectives, Inc.

Market Perspectives

August 16, 2013

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Corn: Net sales reductions of 59,100 MT for 2012/2013 resulted as increases for China (62,500 MT), Mexico (28,800 MT), Guatemala (26,000 MT, including 18,700 MT switched from unknown destinations), El Salvador (11,100 MT, including 10,200 MT switched from unknown destinations) and Taiwan (9,500 MT), were more than offset by decreases for Japan (103,100 MT) and unknown destinations (100,700 MT). Net sales of 836,100 MT for 2013/14 were primarily for unknown destinations (348,000 MT), Mexico (308,800 MT) and Japan (100,000 MT). Exports of 377,400 MT were down 12 percent from the previous week, but up 7 percent from the prior four-week average. The primary destinations were Japan (212,400 MT), Mexico (93,500 MT), Guatemala (20,200 MT), and Venezuela (20,000 MT). Optional Origin Sales: For 2012/13, outstanding optional origin sales total 65,000 MT, all South Korea. For 2013/2014, outstanding optional origin sales total 148,000 MT, and are for Japan (48,000 MT) and Mexico (100,000 MT).

Barley: There were no sales reported during the week. Exports of 1,100 MT were to Taiwan (900 MT) and South Korea (200 MT).

Sorghum: Net sales of 10,600 MT for 2012/13 were reported for Mexico (8,800 MT) and Japan (1,700 MT). Net sales of 3,000 MT for 2013/14 were for China. Exports of 75,000 MT were reported to Mexico (55,100 MT), Japan (19,200 MT), and China (700 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending August 8, 2013					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	374,893	384,800	16,702,199	36,910,904	45%
Sorghum	88,904	35,384	1,703,645	1,316,051	129%
Soybeans	92,997	37,585	35,459,128	35,688,178	99%
Wheat	647,441	800,341	6,534,997	5,185,818	126%
Barley	914	893	7,011	60,265	12%

*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 August 8, 2013						
Last Week (000 bushels)	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	10,280	70%	0	0%	3,305	94%
PNW	1,496	10%	3	75%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Interior Export Rail	2,979	20%	1	25%	195	6%
Total (1,000 bu)	14,755	100%	4	100%	3,500	100%
Total (Metric Tons)	374,792		102		88,904	
White Corn Shipments by			76	to Korea		

Country (MT)						
			26	to Mexico		
Total White Corn (MT)			102			
Sorghum Shipments by Country (MT)					57,814	to Mexico
					31,091	to Japan
Total Sorghum (MT)					88,904	

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 September	+1.10 U	$229.81	+2.30 U	$277.05
LH September	+.95 U	$223.90	+2.30 U	$277.05
FH October	+1.03 Z	$223.02	+1.50 Z	$241.52
LH October	+1.03 Z	$223.02	+1.50 Z	$241.52
FH November	+.88 Z	$217.11	+1.35 Z	$235.62
LH November	+.84 Z	$215.54	+1.35 Z	$235.62
December	+.79 Z	$213.79	+1.28 Z	$232.86

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**Oct**	**Nov**	**Dec**
Gulf	$250	$250	$250

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	$245.46
September	+1.50 Z	$241.52	+1.45 Z	$239.55
October	+1.40 Z	$237.58	+1.40 Z	$237.58

Barley: Feed Barley (FOB USD/MT)			
	September	**October**	**November**
FOB PNW	$255	$255	$255

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)		
	September	**October**
New Orleans	$170	$170
Quantity 5,000 MT		

Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)		
Bulk 60% Pro.	**September**	**October**
New Orleans	$657	$657
**5-10,000 MT Minimum*		

**All prices are market estimates.*

DDGS Price Table: August 16, 2013 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**Sep**	**Oct**	**Nov**
Barge CIF New Orleans	282	271	251
FOB Vessel GULF	288	270	257
Rail delivered PNW	299	283	241
Rail delivered California	305	282	253
Mid-Bridge Laredo, TX	308	292	259
40 ft. Containers to South Korea (Busan)	351	331	321
40 ft. Containers to Taiwan (Kaohsiung)	347	327	317
40 ft. Containers to Philippines (Manila)	326	306	294
40 ft. Containers to Indonesia (Jakarta)	359	339	326
40 ft. Containers to Malaysia (Port Kelang)	359	339	324
40 ft. Containers to Vietnam (HCMC)	358	338	326
40 ft. Containers to Japan (Yokohama)	354	334	322
40 ft. containers to Thailand (LCMB)	356	336	324
40 ft. Containers to Shanghai, China	348	328	315
KC & Elwood, IL Rail Yard (delivered Ramp)	295	290	270

*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: The range of spot prices varied from a couple dollars higher to $5.00 lower due to the volatile futures market. Buyers are becoming increasingly enticed by the discount of this year's DDGS prices in relation to year ago levels. One merchandiser reported that he sold 4,000 metric tons (MT) for Chicago truck values at $269/MT. A different merchandiser reported that he has some September sales for 2,000 MT to Shanghai/Qingdao at $339/MT and another 2,000 MT to Nansha at $343/MT. While those sales were for September, there seems to be plenty of interest from both existing and new clients for more distant pricing.

A substantial amount of the extended pricing inquiries are coming from Chinese buyers, with several looking to price and secure shipments out through April 2014. The logistics around these more distant shipments is becoming increasingly concerning due to tight container supplies, especially in the fourth quarter. A merchandiser who is particularly active in the Asian market noted that one freight forwarder warned him to be ready for container freight increases. He was told that $100/40' has been proposed for the September rate; to add on an additional $100/40' for October and then do so again for November. Such discussions may partly explain the recent activity by Chinese buyers and the market talk that seven bulk vessels of DDGS have been sold in the last seven weeks, all going to China.

Ethanol Comments: The preceding Outlook section notes the opportunity that lower corn prices are offering to ethanol producers to lock in profitable hedges, particularly if a production agreement can be arranged with the blender. The blender's interest in such pricing arrangements may be enhanced by the fact that lower corn prices make corn-based ethanol increasingly cost competitive against sugar-based ethanol.

Constraining sugar-based ethanol imports through competition is desirable because U.S. gasoline consumption has leveled off, which makes the E10 blend wall more challenging. It is advantageous for corn based ethanol producers to maintain domestic market share and to be a competitive alternative in export markets. Thus, the setback in corn prices has improved those marketing prospects. Note that USDA launched a program to buy domestic sugar under the Feedstock Flexibility Program (FFP), more commonly known as the sugar-for-ethanol program.

Ethanol imports declined last week to an average of 36,000 barrels per day (bpd), which is about a 36 percent decline from the prior-week's average ethanol imports of 56,000 bpd. Ethanol production increased slightly to 857,000 bpd, which stands in comparison to the prior week's production of 853,000 bpd. That production increase was more than offset by a moderate decline in total U.S. ethanol stocks to 16.4 million barrels, which is down from 16.7 million barrels the prior week, and more than 10 percent below the year ago level of 18.4 million barrels.

In relation to year ago margins, they are most favorable in regions around the states of Illinois and Iowa and weakest in Nebraska, which is implied in the following differentials between corn and the value of co-products values:

- Illinois differential remained about the same at $2.40 per bushel, compared to $2.41 the prior week and above $1.61 for this same week a year ago.
- Iowa differential decreased to $2.28 per bushel, which is down from $2.37 the prior week but above $1.58 for this same week a year ago.
- Nebraska differential remained about the same at $2.02 per bushel, compared to $2.01 the prior week and just above $1.98 for this same week a year ago.
- South Dakota differential increased to $2.57 per bushel, which is up from $2.47 the prior week and above $1.90 for this same week a year ago.

COUNTRY NEWS

Argentina: The Buenos Aires Grains Exchange announced that the world's third largest corn exporter is set to plant 3.56 million hectares of corn in the 2013/14 crop year, which is down from the 3.68 million hectares sown in 2012/13, reports Reuters. The 2012/13 corn crop harvest has nearly finished and the government anticipated the total amount of grains to be around 32.1 MMT.

China: An official Chinese think tank announced that the country will import 5.5 MMT of corn in 2013/14, which is a 2.8 MMT increase over the 2012/13 year, according to Reuters. China has so far purchased 4 MMT of U.S. sourced corn for 2013/14, and U.S. corn currently commands prices that are about $98/MT less than its Chinese counterpart.

India: Indian corn exports could fall by as much as 40 percent in the coming marketing year as foreign buyers are increasingly turning to cheaper and higher quality South American sourced grain following severe rain damage to India's crop, according to Reuters. Heavy rains afflicted the corn harvest across the country's eastern corn belt in May, which encouraged buyers to seek grain elsewhere. This setback comes at a particularly bad time for India. Global corn supplies are set to rebound in 2013/14, and grain importers are spoiled for choice with cheaper grain. Total corn exports could drop as low as 3 MMT in 2013/14, which is down from the 4.8 MMT exported in 2012/13.

South Africa: Yellow corn futures have risen for two days on the heels of increasing U.S. prices, reports Bloomberg News. Yellow corn for September delivery gained by 0.4 percent to $218.03/MT, while white corn for December delivery rose by 0.5 percent to $233/MT.

Ukraine: The Ministry of Agriculture has increased its August grain export forecast to now total more than 2 MMT, according to Reuters. The increase comes as a reaction to higher-than-expected demand for Ukrainian grain. Previously, Ukraine expected to export 1.5-1.7 MMT of grain, and it has already exported some 1.1 MMT so far in August. Ukraine has exported 2.3 MMT of grain since the current season began on July 1, and this total includes some 953,000 MT of barley and 468,000 MT of corn. The Agricultural Ministry predicts that this year's grain harvest could reach a record high of 57.1 MMT, which is a significant improvement over 2012's 46.2 MMT.

United Kingdom: The planting of spring barley in England totaled some 564,000 hectares, which is nearly twice as much as plantings last year, according to Bloomberg News. Winter barley planting on the other hand fell by 22 percent to 257,000 hectares. The winter barley harvest is about 75 percent complete and the yields so far are higher than the five-year average. Total 2013 barley planting stands at 821,000 hectares, which is a 32 percent improvement over 2012.

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	$45.00	Down $0.50	Handymax at $45.00/MT
55,000 U.S. PNW- Japan	$24.00	Unchanged	Handymax at $25.00/MT
55,000 U.S. Gulf – China PNW to China	$43.00 $22.50	Down $0.50 Unchanged	North or South China
25,000 U.S. Gulf- Veracruz, México	$20.50	Unchanged	3,000 MT daily discharge

			rate
35-40,000 U.S. Gulf- Veracruz, México	$18.00	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$22.00 $30.00	Unchanged Unchanged	West Coast Colombia at $30.00 West Coast Colombia from Argentina at $38.00
35,000 U.S. Gulf - Guatemala	$28.00	Down $0.50	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$37.00 $39.00	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$37.00	Unchanged	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$27.00 $34.00	Unchanged Unchanged	55,000 -60,000 MT St. Lawrence to Egypt $27.50
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: World ocean freight markets were a little more interesting this week as we saw some freight spread relationships change. The Capesize market started and showed some divergence in relationship to the Panamax market, and the Pacific Panamax market strengthened while the Gulf-Atlantic continued to soften. The Capesize market has enjoyed good iron ore demand from the Chinese as well as some logistical delays. However, this is the market with the biggest oversupply of vessels relative to worldwide demand, so it is difficult to treat this as a trend just yet. The balance of surplus Panamax vessels in the Pacific has temporarily shifted, but the pressure still remains in the U.S. Gulf-Atlantic market. It would seem logical to increase Panamax grain rates in the Pacific this week, but there has been no visible uptick in the physical rates verses the Baltic Index. In fact, there have possibly been some more aggressive (lower) fixtures than the rates below indicate. Let's see what next week brings.

Baltic Panamax Dry-Bulk Indices				
August 16, 2013 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	14,741	15,523	-512	-3.4%
P3A: PNW/Pacific – Japan	6,644	6,078	566	9.3%

Source: O'Neil Commodity Consulting

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

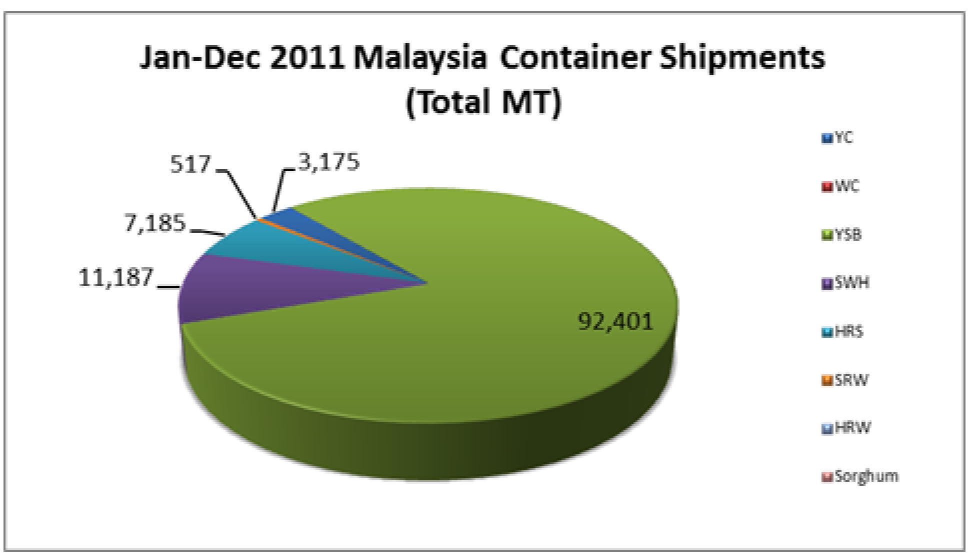
Week of August 16, 2013	
Four weeks ago	$7.55-$7.75
Three weeks ago	$7.70-$7.75
Two weeks ago	$7.75-$8.25
One week ago	$8.45-$8.60
This week	$8.25-$9.95

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
August 16, 2013	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	2.40	1.06	1.34	$52.75	GULF
Soybeans	3.00	1.90	1.10	$40.42	GULF
Ocean Freight	$22.50	$43.00	0.52-0.56	($20.50)	Sept

Source: O'Neil Commodity Consulting

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



Source: O'Neil Commodity Consulting

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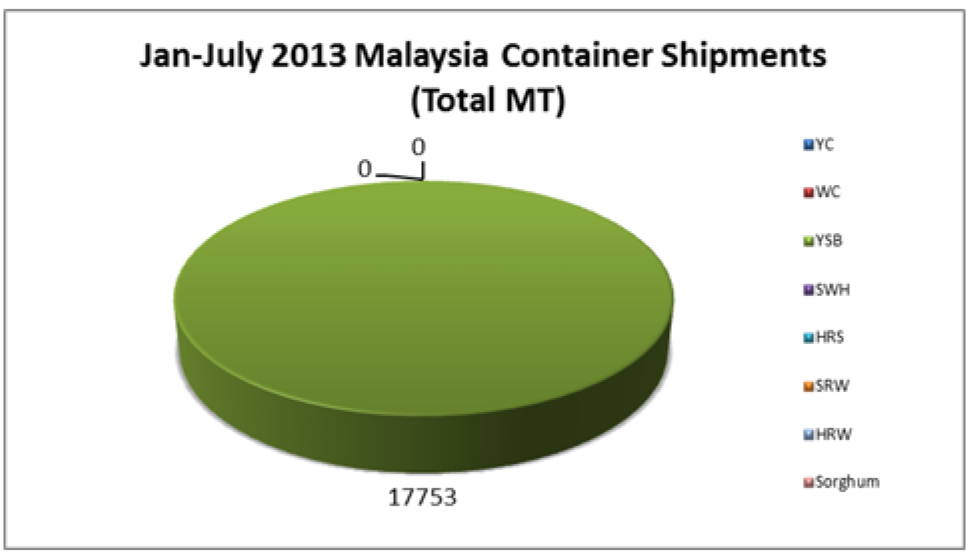

Source: O'Neil Commodity Consulting

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	$44	$36	$34	$32	$43
	Brazil	$39.5	$39	$33	$28	$25	$37
Corn (White)	**Argentina**	$45	$44	$36	$34	$32	$43
	Brazil	$39.5	$39	$33	$28	$25	$37
Barley	**Argentina**	$45	$44	$36	$34	$32	$43
	Brazil	$39.5	$39	$33	$28	$25	$37
Sorghum	**Argentina**	$45	$44	$36	$34	$32	$43
	Brazil	$39.5	$39	$33	$28	$25	$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 (%): August 14, 2013			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.40	0.40	0.40
LIBOR (1 year)	0.67	0.67	0.69

Source: www.bankrate.com