U.S. GRAINS COUNCIL

Market Perspectives

November 12, 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	**Friday 6 November**	**Monday 9 November**	**Tuesday 10 November**	**Wednesday 11 November**	**Thursday 12 November**
Change	-0.0150	-0.0675	-0.0775	0.0325	-0.0025
Closing Price	3.7300	3.6675	3.5900	3.6225	3.6200
Factors Affecting the Market	The Dec. corn contract closed the week below its recent trading range, making the chart pattern appear weak and increasingly destined to trade lower.	Sellers seemed emboldened by a slow export pace and reports of high yields to cause the nearby Dec. corn contract to close below $3.70 bu.	USDA's Nov. WASDE report increased the avg. U.S. corn yield as traders expected, but by a larger amount and the $3.60 support was tested.	Interest in trading Dec. corn below $3.60 seemed limited, but there was also little desire to buy, resulting in a narrow 4 cent trading range.	Charts look as though price action could be forming a bottom as a narrow trading range extended horizontally with an indecisive close.

Outlook: USDA increased the latest estimate for the average U.S. corn yield to 169.3 bushels per acre (bu.) on Tuesday, November 10 2015. This was a larger-than-expected 1.3 bu. increase above the October estimate of 168 bu. The result is that the nearby December corn contract punched through and closed slightly below key support at $3.60 per bushel. The significance of this price level was noted two weeks ago as it was explained that the December contract is likely to receive strong support in that region because of a common interest among traders to purchase corn contracts from March 2016-onward at lower prices. At that time and again last week, end-users of corn were encouraged to consider creation of a purchasing plan should a buying opportunity present itself. All indications are that that opportunity has arrived.

U.S. sorghum ending stocks increased to 58 million bushels in USDA's November data. This is a sizable 16 million bushel increase above the October estimate, and well above the previous two years. The increase happened because sorghum exports were reduced and the average U.S. sorghum yield was raised to 77.7 bu., up 2.7 bu. from the prior October estimate of 75 bu. The upper end of the estimate for the average farm price of U.S. sorghum was reduced by 45 cents, and that in turn is expected to encourage U.S. ethanol facilities to utilize more sorghum at the expense of corn. The outcome is that corn used for ethanol production was reduced by 75 million bushels (while sorghum increased 85 million bushels) and that contributed to the ending stocks of U.S. corn increasing to 1.760 billion bushels from the prior October estimate of 1.561 billion bushels.

USDA's logic in the preceding chain of events makes sense, particularly if one assumes that pinching pennies is necessary for ethanol facilities that are operating with increasingly tight margins. However, those same facilities are also likely to consider the desires of customers who may favor consistency in feed products. Irrespective, ethanol facilities and all other users of feed grains seem to be currently presented with a favorable opportunity to extend coverage of future needs.

CBOT DECEMBER CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending November 12, 2015			
Commodity	**12-Nov**	**6-Nov**	**Net Change**
Corn			
Dec 15	362.00	373.00	-11.00
Mar 16	369.50	381.75	-12.25
May 16	375.50	388.25	-12.75
Jul 16	381.00	393.75	-12.75
Soybeans			
Nov 15	869.25	871.25	-2.00
Jan 16	863.00	867.25	-4.25
Mar 16	864.00	869.50	-5.50
May 16	868.75	874.75	-6.00
Soymeal			
Dec 15	291.40	295.70	-4.30
Jan 16	291.90	294.80	-2.90
Mar 16	291.40	293.20	-1.80
May 16	291.80	292.80	-1.00
Soyoil			
Dec 15	27.44	28.04	-0.60
Jan 16	27.71	28.32	-0.61
Mar 16	27.93	28.53	-0.60
May 16	28.13	28.75	-0.62
SRW			
Dec 15	498.00	523.25	-25.25
Mar 16	500.25	525.50	-25.25
May 16	503.00	529.25	-26.25
Jul 16	504.25	530.00	-25.75
HRW			
Dec 15	463.75	490.25	-26.50
Mar 16	478.00	505.75	-27.75
May 16	487.75	516.25	-28.50
Jul 16	498.00	526.75	-28.75
MGEX (HRS)			
Dec 15	505.25	518.75	-13.50
Mar 16	511.25	527.50	-16.25
May 16	521.50	536.50	-15.00
Jul 16	531.50	546.00	-14.50

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: During November 12-16, the heaviest precipitation should fall on windward slopes in western Washington and northern Idaho. Peak values of 12 to nearly 18 inches are anticipated in the northwestern-most reaches of Washington while totals may top 6 inches in northernmost Idaho. Substantial totals are also expected in western Oregon and far northwestern California, with amounts topping out in the 2-4 inch range along the Oregon Coast. Relatively heavy precipitation is also anticipated across the northern half of the Great Lakes, with 2 to 3 inches forecast in northwestern Wisconsin and adjacent areas. Meanwhile, moderate precipitation (with amounts above 2 inches only in a few isolated locations) is expected across the northern half of New England and New York, far southern Florida, the southeastern Great Plains and western Lower Mississippi Valley, and parts of the northern Sierra Nevada and southern Cascades. Temperatures should average well above normal (5 to 10 degrees) in the northern half of the Plains and much of the Great Lakes Region. In contrast, temperatures should average around 3 degrees below normal in the Great Basin and central Intermountain West.

For the ensuing 5 days (November 17-21), the odds at least slightly favor wetter than normal conditions nationwide, except in a small part of the northern Plains and in a swath across the Big Bend of Texas, southern sections of Arizona and New Mexico, and central and southern California. The best chances for wetness are in the southern half of the Mississippi Valley. We should see warmer than normal temperatures on average in the central and eastern parts of the country and cooler than typical conditions from the Rockies westward.

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 October 29, 2015					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	147,700	176,900	8,713.2	12,834.9	-17%
Corn	612,500	492,700	5,115.8	13,144.7	-32%
Sorghum	152,100	227,600	1,822.6	3,778.1	21%
Barley	3,200	100	19.0	27.6	-68%

Source: USDA, World Perspectives, Inc.
Note: the above data is unchanged from last week's report due to the delayed release of new export sales data given the November 11, 2015 holiday.

Due to the holiday on November 11, 2015, the next export sales report will be published on Friday, November 13. Next week's edition of Market Perspectives will reflect newly released export sales information.

Market Perspectives

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U.S. Export Inspections: Week Ending November 5, 2015					
Commodity (MT)	**Export Inspections**		**Current Market YTD**	**Previous YTD**	**YTD as Percent of Previous**
	Current Week	**Previous Week**			
Barley	908	1,584	24,415	67,115	36%
Corn	295,701	477,438	5,538,691	7,396,069	75%
Sorghum	179,614	121,661	2,117,217	1,623,376	130%
Soybeans	2,026,509	2,561,791	14,035,032	13,498,511	104%
Wheat	282,551	170,993	9,333,305	11,278,393	83%

*Source: USDA/AMS. *Marketing Year is June 1-May 31 for wheat and barley and September 1-August 31 for corn, sorghum and soybeans. Week-to-week reports will vary due to exporter reported conditions and cancellations to previous week's reports.*

USDA Grain Inspections for Export Report: Week Ending November 5, 2015						
Last Week	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Gulf	171,770	60%	7,330	100%	177,933	99%
PNW	366	0%	0	0%	0	0%
Interior Export Rail	116,235	40%	0	0%	1,681	1%
Total (Metric Tons)	288,371	100%	7,330	100%	179,614	100%
White Corn Shipments by Country (MT)			7,330	to Guatemala		
Total White Corn (MT)			7,330			
Sorghum Shipments by Country (MT)					163,543	to China
					14,390	to Sudan
					1,681	to Mexico
Total Sorghum (MT)					179,614	

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 November	+0.72 Z	$170.86	-	-
December	+0.70 Z	$170.07	+0.90 Z	$177.94
January	+0.66 H	$171.45	+0.84 H	$178.53
February	+0.67 H	$171.84	+0.85 H	$178.93

#2 White Corn (U.S. $/MT FOB Vessel)		
Max. 15.0% Moisture	**December**	**January**
Gulf	$205	$205

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	**NOLA**		**TEXAS**	
	Basis	**Flat Price**	**Basis**	**Flat Price**
November	+1.15 Z	$187.78	+1.00 Z	$181.88
December	+1.10 Z	$185.82	+0.95 Z	$179.97
January	+1.05 H	$186.80	+0.90 H	$180.90

Barley: Feed Barley (FOB USD/MT)		
	November	**December**
FOB PNW	-	$225

Prices reflect the month of October, 2015.

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	December	**January**	**February**
New Orleans	$165	$165	$165
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**December**	**January**	**February**
New Orleans	$595	$595	$595
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: November 12, 2015 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**Nov**	**Dec**	**Jan**
Barge CIF New Orleans	175	176	176
FOB Vessel GULF	183	184	185
Rail delivered PNW	193	194	196
Rail delivered California	194	195	199
Mid-Bridge Laredo, TX	192	193	194
FOB Lethbridge, Alberta	163	165	167
40 ft. Containers to South Korea (Busan)	211	222	224
40 ft. Containers to Taiwan (Kaohsiung)	209	222	223
40 ft. Containers to Philippines (Manila)	219	237	238
40 ft. Containers to Indonesia (Jakarta)	219	230	232
40 ft. Containers to Malaysia (Port Kelang)	221	232	234
40 ft. Containers to Vietnam (HCMC)	223	231	232
40 ft. Containers to Japan (Yokohama)	215	228	229

40 ft. containers to Thailand (LCMB)	217	228	230
40 ft. Containers to Shanghai, China	210	221	222
KC & Elwood, IL Rail Yard (delivered Ramp)	174	175	178

*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: DDGS merchandisers consistently reported that business was slow during the past week; that development presumably stems from the fact that many customers desired to see USDA's November data before conducting any additional purchases. The Outlook section of this report notes that USDA's data was more bearish than expected and that enabled corn contracts to fall down to levels around $3.60 per bushel for the nearby December contract. Prices only declined for a day after the report before stabilizing because there seems to be a large number of investors who are looking to purchase corn contracts around this lower level. Many ethanol facilities would like to lock in the price of their future corn needs and encourage their DDGS merchandisers to build mutually beneficial agreements with customers.

Domestic and foreign DDGS buyers limited most of their purchases in the nearby spot market this past week. For example, there was a sale of 3,000 MT to buyers from Thailand and another 1,000 MT to Vietnamese buyers. However, a number of merchandisers are willing to offer a larger volume of inventory into the future and they are seeking to entice such interest by reducing prices by $6/MT for containerized DDGS in December and January, but with little change in their offers for the nearby spot market.

Distant DDGS prices are modestly more expensive because of the cost of carry that is priced into corn futures contracts. It is presumably not realistic to assume that those more distant corn contracts will eventually decline down to the present level of the nearby contract, because uncertainty and price volatility normally increase going into the spring.

Ethanol Comments: Crude oil futures have been in decline while the most recently weekly data from the Energy Information Administration (EIA) reports that the national average price of regular gasoline increased 11 cents above the prior week. The development of such dichotomies may be an indication that a bottom is forming in prices. Such news would be welcomed by the majority of U.S. ethanol facilities.

Ethanol stocks of 18.9 million barrels for the week ending November 6, 2015 are basically unchanged from the prior week's level of 18.8 million barrels. This occurred even though the average daily rate of production increased to 982,000 barrels per day (bpd); this is above the prior week's rate of 969,000 bpd and is 3.8 percent above the year-ago rate of 946,000 bpd. The current sizable daily production rate and stable stocks could be interpreted to mean that there is a steady outflow of exports; however, ethanol imports are also on the rise. The average daily rate of ethanol imports increased to 26,000 bpd for the week ending November 6, 2015, above the week-ago rate of 10,000 bpd. Increasing imports could facilitate a rebound in total stocks, particularly if exports slow down, and that development could constrain ethanol producer margins as already seems to be implied in the data below that shows the differentials between the value of corn and co-products for the week ending November 6, 2015:

- Illinois differential is $1.70 per bushel, in comparison to $1.86 the prior week and $3.26 a year ago.
- Iowa differential is $1.47 per bushel, in comparison to $1.60 the prior week and $2.80 a year ago.
- Nebraska differential is $1.71 per bushel, in comparison to $1.78 the prior week and $2.76 a year ago.
- South Dakota differential is $1.67 per bushel, in comparison to $1.79 the prior week and $2.76 a year ago.

COUNTRY NEWS

Bulgaria and Romania: Favorable weather will enable the harvesting of the remaining 10 percent of the corn crop, but yields overall are down from a year ago by 20 percent in Romania and by 30 percent in Bulgaria as a result of drought. This is the second year in a row in which corn yields have been suboptimal and will encourage farmers to instead plant sunflower seed in 2016. (WPI)

China/India: Efforts to remedy pollution in China and India will cause a surge in demand for ethanol. (Dow Jones)

EU: Brussels has forecast barley production this year at 60.9 MMT, a 0.7 percent increase over 2014/15, but it has lowered the forecast for corn production to 57.4 MMT, a more than 20 percent slide from the 77.9 MMT produced last year. (EU Commission)

Iran: Tehran announced that the government purchase price for local barley will be increased by 10 percent for the 2016 crop. Iran is the world's third largest importer of barley but it has been increasing its support to domestic farmers, first by raising the import duty in July and now by raising the support price. (WPI, Reuters)

South Africa: White maize prices fell three days in a row to their lowest level since August 19 ($211.07/MT) on reports of impending rain. However, the price could shoot back up quickly if the current forecast for hot and very dry conditions in production areas does not reverse itself. (Bloomberg)

Zambia: Maize farmers in Zambia are quite happy as the government reports that 60 percent of corn deliveries have been paid and that the balance should be covered in the next few weeks. A local study says that the country's open borders for maize have led to growth in the farming industry while causing no negative effects on food security. Poor transport infrastructure and import barriers in neighboring countries prevents Zambia from becoming an even larger exporter of maize. (WPI)

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	$30.50	Down $0.25	Handymax at $31.25/MT
55,000 U.S. PNW-Japan	$16.50	Down $0.50	Handymax at $17.00/MT
55,000 U.S. Gulf-China PNW to China	$29.25 $15.00	Down $0.25 Down $0.75	North China
30,000 U.S. Gulf-Veracruz, México	$14.00	Down $0.25	4,000 MT daily discharge rate
40-45,000 U.S. Gulf-Veracruz, México	$12.25	Down $0.25	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	$16.00 $28.00	Unchanged Down $0.25	West Coast Colombia at $22.00
36-40,000 U.S. Gulf-Guatemala	$22.25	Down $0.50	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	$31.00 $32.00	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$30.00	Unchanged	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$23.00 $24.50	Unchanged Unchanged	55,000 -60,000 MT St. Lawrence to Egypt $24.00
65-75,000 U.S. Gulf-Europe-Rotterdam	$14.00	Unchanged	Handymax at +$1.50 more
Brazil, Santos-China Itacoatiara Port up river Amazonia-China	$21.00 $20.00 $32.00	Down $0.50 Down $0.25 Down $0.25	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	$28.50	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: Two weeks ago I asked the question: How low can rates go? It now looks like the market is attempting to answer that question. The month of October was seemingly hard enough on vessel owners as global indexes and physical rates basically slid south all month. However, November is not turning out to be any better from an owner's perspective.

With the Baltic P2 Panamax index in the Atlantic at 9,064 we have reached a new five-and-a-half month low. If things drop just a little lower (below 8,200) we will be back to levels not seen since February of 2014 (7,721). And, if we break through that level we will be back to December 2008 levels. So, the market is truly flirting with disaster for those who own and operate ships. The 2015 low for Panamax rates from the PNW to Japan is $16.00. Beyond that we have to go back to January 2008 and a market low of $13.00. This is the lowest rate I've seen for as long as I've been keeping records (going back to 2003-plus).

The WTO has downgraded world trade growth this year to 2.8 percent from 3.3 percent; Asian imports are down to 2.6 percent growth from 5.0 percent. Chinese iron ore and coal imports have slowed. So, with no meaningful turn around in sight it is getting very ugly for the shipping industry and those who finance them. As they use to say on the 1980's TV show Hill Street Blues – "Be careful out there."

Baltic-Panamax Dry-Bulk Indices				
November 12, 2015 Route	**This Week**	**Last Week**	**Difference**	**Percent Change**
P2A: Gulf/Atlantic – Japan	9,064	10,091	-1,027	-10.2%
P3A: PNW/Pacific– Japan	3,597	4,322	-725	-16.8%

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 November 12, 2015	
Four weeks ago:	$5.40-$5.55
Three weeks ago:	$4.85-$5.25
Two weeks ago	$4.80-$5.20
One week ago:	$4.55-$5.05
This week	$4.55-$5.10

Source: O'Neil Commodity Consulting

U.S.-Asia Market Spreads					
November 12, 2015	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
# 2 Corn	0.94	0.73	0.21	$8.27	PNW
Soybeans	1.01	0.90	0.11	$4.33	PNW
Ocean Freight	$15.00	$29.25	0.36-0.39	($14.25)	Dec.

Source: O'Neil Commodity Consulting

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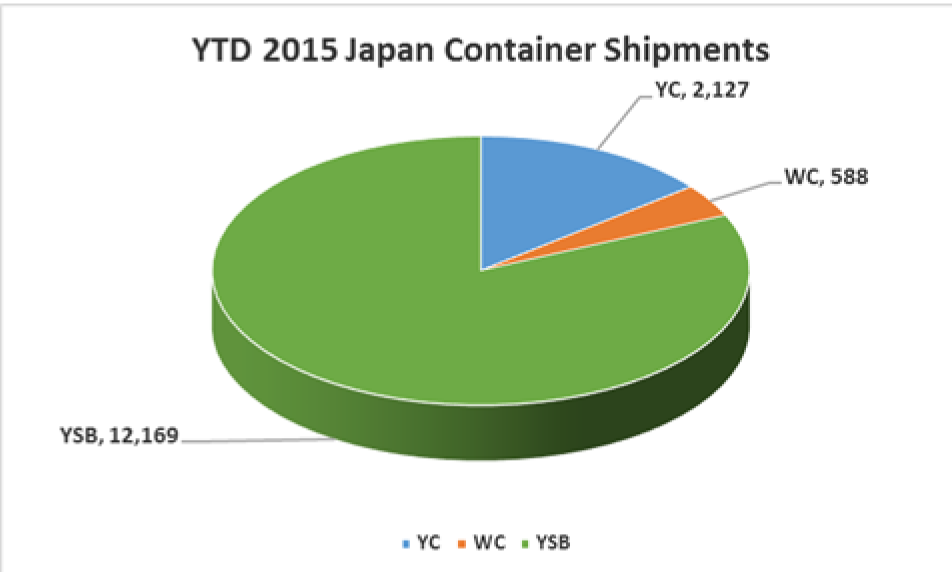
The charts below represent year-to-date 2015 versus January-December 2014 annual totals for container shipments to Japan.



Source: O'Neil Commodity Consulting

Source: O'Neil Commodity Consulting

International Freight Rates for Feed Grains – Select Routes Estimated Spot Price ($/MT) – Week Ending November 12, 2015								
Commodity	**Origins**	**China**	**Japan**	**Korea**	**Colombia**	**Morocco**	**Egypt**	**Saudi Arabia**
Corn (Yellow)	**Argentina**	$28	$30	$29	$28	$25	$22	-
	Brazil	$20	$23	$21	$25	$19	$17	-
Corn (White)	**Argentina**	$28	$30	$29	$28	$25	$22	-
	Brazil	$20	$23	$21	$25	$19	$17	-
Barley	**Argentina**	$28	$30	$29	$28	$25	$22	-
	Brazil	$20	$23	$21	$25	$19	$17	-
Sorghum	**Argentina**	$28	$30	$29	$28	$25	$22	-
	Brazil	$20	$23	$21	$25	$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 (%): November 11, 2015			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.59	0.56	0.52
LIBOR (1 year)	0.90	0.87	0.84

Source: www.bankrate.com