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CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn March Contract

| \$/Bu | Monday 1 Dec | Tuesday 2 Dec | Wednesday 3 Dec | Thursday 4 Dec | Friday 5 Dec |
|-------------------------------------|--|--|--|---|--|
| Change | 0.0100 | -0.0850 | -0.0075 | 0.0775 | 0.0525 |
| Closing Price | 3.8975 | 3.8125 | 3.8200 | 3.8975 | 3.9500 |
| Factors Affecting the Market | More exports of U.S. corn and a weaker dollar were still not enough for March corn to close above \$3.90 bu. | March corn reversed direction to test a lower move, but there was strong buying interest around \$3.75 bu. | A second attempt to retest the recent lows was rebuffed. Corn contracts remain in a trading range. | Since the bottom of the recent trading range held firm, traders were determined to again test the top of the range. | The prospect that next week's WASDE will be bullish rather than bearish was enough for March corn to close strong. |

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.

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: The December WASDE will be published next Tuesday. Final revisions to the data will not be published until January, but it would not take much of a bullish surprise to increase the upside of the present trading range for the March corn contract. That is because the market is transitioning into the increasingly uncertain and generally bullish pre-planting time of the first quarter.

The ability to purchase corn below \$4.00 per bushel in the first quarter of 2015 is attractive. Sales have been active this season because buyers know that they are unlikely to be criticized for purchasing needs below that price level. However, there is likely to be ample criticism of any buyer if the opportunity to purchase below \$4.00 per bushel comes and goes without any real action.

End-users are not the only market participants who are susceptible to scrutiny for a lost opportunity; large speculative traders who hold short positions are normally better off taking some profits and then reentering the market later at a better location rather than remaining inactive as profits to just come and go.

In commodity markets it is the ebb and flow of concerns and emotions that alters perceptions. It is perceptions that determines if corn approaching \$4.00 per bushel is entirely too high and should be sold, or if it is still a buying opportunity. The outlook is that we are going into a time period when the latter thought will become increasingly prevalent.

CBOT MARCH CORN FUTURES



Source: Prophet X

Current Market Values:

| Futures Price Performance: Week Ending December 5, 2014 | | | |
|--|---------------|---------------|-------------------|
| Commodity | 21-Nov | 28-Nov | Net Change |
| Corn | | | |
| Dec 14 | 381.50 | 375.75 | 5.75 |
| Mar 15 | 395.00 | 388.75 | 6.25 |
| May 15 | 403.50 | 397.00 | 6.50 |
| Jul 15 | 410.00 | 403.75 | 6.25 |
| Soybeans | | | |
| Nov 14 | 1036.00 | 1016.00 | 20.00 |
| Jan 15 | 1042.00 | 1022.50 | 19.50 |
| Mar 15 | 1048.25 | 1029.25 | 19.00 |
| May 15 | 1053.50 | 1033.25 | 20.25 |
| Soymeal | | | |
| Dec 14 | 394.20 | 391.10 | 3.10 |
| Jan 15 | 366.40 | 366.30 | 0.10 |
| Mar 15 | 354.20 | 351.10 | 3.10 |
| May 15 | 349.40 | 342.90 | 6.50 |
| Soyoil | | | |
| Dec 14 | 32.01 | 32.18 | -0.17 |
| Jan 15 | 32.08 | 32.29 | -0.21 |
| Mar 15 | 32.30 | 32.41 | -0.11 |
| May 15 | 32.53 | 32.59 | -0.06 |
| SRW | | | |
| Dec 14 | 609.00 | 577.25 | 31.75 |
| Mar 15 | 594.00 | 578.50 | 15.50 |
| May 15 | 599.00 | 584.50 | 14.50 |
| Jul 15 | 602.25 | 589.00 | 13.25 |
| HRW | | | |
| Dec 14 | 632.50 | 637.00 | -4.50 |
| Mar 15 | 639.25 | 640.00 | -0.75 |
| May 15 | 643.25 | 641.00 | 2.25 |
| Jul 15 | 643.25 | 635.50 | 7.75 |
| MGEX (HRS) | | | |
| Dec 14 | 619.50 | 621.00 | -1.50 |
| Mar 15 | 623.00 | 616.25 | 6.75 |
| May 15 | 629.75 | 623.50 | 6.25 |
| Jul 15 | 637.00 | 630.25 | 6.75 |

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: For the upcoming five-day period (December 5-8), moderate precipitation (1-2 inches) is predicted from eastern sections of the southern Great Plains northeastward to the central Appalachians, while 0.5-1.0 inch amounts of precipitation are forecast across parts of the Four Corners region and northern Rockies. Anywhere from 3-7 inches of precipitation (liquid equivalent) is anticipated for the coastal ranges of the Pacific Northwest (including northwest California), as well as parts of the Sierras. For the ensuing period of December 9-13, above-median precipitation is favored for much of the West, southern Plains and Northeast, while modest probabilities for below-median precipitation are predicted for the northern and central Great Plains, and a large portion of the east-central CONUS. 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 November 27, 2014 | | | | | |
|---|------------------|--------------|---------------------|----------------------|-----------------------|
| Commodity | Gross Sales (MT) | Exports (MT) | YTD Exports (000MT) | YTD Bookings (000MT) | % Change YTD Bookings |
| Wheat | 412,800 | 449,600 | 12,036.5 | 16,932.9 | -25% |
| Corn | 1,261,900 | 746,400 | 9,257.5 | 22,750.0 | -10% |
| Sorghum | 398,500 | 111,200 | 1,712.4 | 4,618.5 | 119% |
| Barley | 2,400 | 34,600 | 87.8 | 107.8 | -9% |

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 1,170,700 MT for 2014/15 were up 24 percent from the previous week and 65 percent from the prior four-week average. Increases were reported for Mexico (304,400 MT), Japan (236,000 MT, including 44,400 MT switched from unknown destinations), Peru (131,300 MT, including 120,000 MT switched from unknown destinations), South Korea (122,700 MT), Costa Rica (109,600 MT) and unknown destinations (91,700 MT). Decreases were reported for El Salvador (21,500 MT), the French West Indies (4,500 MT), Taiwan (3,500 MT) and Haiti (3,000 MT). Exports of 746,400 MT were primarily to Mexico (182,800 MT), Peru (177,500 MT), Japan (92,700 MT), Egypt (66,000 MT), Guatemala (63,400 MT) and Colombia (58,500 MT). Optional Origin Sales: For 2014/15, optional origin sales totaling 68,000 MT were reported for South Korea. Outstanding optional origin sales total 68,000 MT, all South Korea.

Barley: Net sales of 2,400 MT for 2014/15 were reported for Japan. Exports of 34,600 MT--a marketing-year high--were up noticeably from the previous week and from the prior four-week average. The destinations were Japan (34,400 MT) and the Philippines (200 MT).

Sorghum: Net sales of 393,900 MT for 2014/15 were reported for China (277,900 MT) and unknown destinations (116,000 MT). Exports of 111,200 MT were reported primarily to China.



| U.S. Export Inspections: Week Ending November 27, 2014 | | | | | |
|--|--------------------|---------------|--------------------|--------------|----------------------------|
| Commodity (MT) | Export Inspections | | Current Market YTD | Previous YTD | YTD as Percent of Previous |
| | Current Week | Previous Week | | | |
| Corn | 743,769 | 530,400 | 9,069,799 | 8,155,718 | 111% |
| Sorghum | 163,068 | 130,435 | 2,096,848 | 840,927 | 249% |
| Soybeans | 1,849,221 | 2,846,183 | 21,320,589 | 17,494,641 | 122% |
| Wheat | 273,055 | 451,973 | 12,144,200 | 17,938,001 | 68% |
| Barley | 34,495 | 245 | 101,855 | 71,611 | 142% |

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 October November 27, 2014 | | | | | | | |
|---|---------|------------|--------|--------------|---------|------------|--|
| Last Week | YC | % of Total | WC | % of Total | Sorghum | % of Total | |
| Gulf | 549,603 | 82% | 66,332 | 95% | 154,867 | 95% | |
| PNW | 49,485 | 7% | 0 | 0% | 0 | 0% | |
| Lakes | 0 | 0% | 0 | 0% | 0 | 0% | |
| Atlantic | 0 | 0% | 0 | 0% | 0 | 0% | |
| Interior Export Rail | 74,856 | 11% | 3,493 | 5% | 8,201 | 5% | |
| Total (Metric Tons) | 673,944 | 100% | 69,825 | 100% | 163,068 | 100% | |
| White Corn Shipments by Country (MT) | | | 41,993 | to Mexico | | | |
| | | | 25,132 | to Guatemala | | | |
| | | | 2,700 | to Nicaragua | | | |
| Total White Corn (MT) | | | 69,825 | | | | |
| Sorghum Shipments by Country (MT) | | | | | 163,068 | to China | |
| Total Sorghum (MT) | | | | | 163,068 | | |

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) |
| December | +0.90 H | \$190.93 | +1.38 H | \$209.83 |
| January | +0.88 H | \$190.15 | +1.25 H | \$203.71 |
| February | +0.85 H | \$188.97 | +1.26 H | \$205.11 |
| March | +0.83 H | \$188.17 | +1.29 H | \$206.29 |



| Sorghum (USD/MT FOB Vessel) | | | | |
|---|---------|------------|---------|------------|
| #2 YGS FOB Vessel Max 14.0% Moisture | NOLA | | TEXAS | |
| | Basis | Flat Price | Basis | Flat Price |
| November | +2.55 H | \$255.89 | +2.55 H | \$255.89 |
| December | +2.55 H | \$255.89 | +2.55 H | \$255.89 |
| January | +2.55 H | \$255.89 | +2.55 H | \$255.89 |

| Barley: Feed Barley (FOB USD/MT) | | | |
|----------------------------------|----------|---------|----------|
| | December | January | February |
| FOB PNW | \$245 | \$245 | \$245 |

| Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT) | | | |
|---|----------|---------|----------|
| | December | January | February |
| New Orleans | \$155 | \$155 | \$155 |
| <i>Quantity 5,000 MT</i> | | | |
| Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT) | | | |
| Bulk 60% Pro. | December | January | February |
| New Orleans | \$718 | \$718 | \$718 |
| <i>*5-10,000 MT Minimum</i> | | | |

*All prices are market estimates.

| DDGS Price Table: December 5, 2014 (USD/MT) (Quantity, availability, payment and delivery terms vary) | | | |
|--|------|------|------|
| Delivery Point Quality Min. 35% Pro-fat combined | Nov. | Dec. | Jan. |
| Barge CIF New Orleans | 212 | 216 | 216 |
| FOB Vessel GULF | 222 | 226 | 226 |
| Rail delivered PNW | 246 | 242 | 241 |
| Rail delivered California | 245 | 239 | 239 |
| Mid-Bridge Laredo, TX | 231 | 231 | 230 |
| 40 ft. Containers to South Korea (Busan) | 250 | 250 | 250 |
| 40 ft. Containers to Taiwan (Kaohsiung) | 247 | 247 | 247 |
| 40 ft. Containers to Philippines (Manila) | 270 | 270 | 270 |
| 40 ft. Containers to Indonesia (Jakarta) | 262 | 262 | 262 |
| 40 ft. Containers to Malaysia (Port Kelang) | 264 | 264 | 264 |
| 40 ft. Containers to Vietnam (HCMC) | 269 | 269 | 269 |
| 40 ft. Containers to Japan (Yokohama) | 260 | 260 | 260 |
| 40 ft containers to Thailand (LCMB) | 260 | 260 | 260 |
| 40 ft Containers to Shanghai, China | 250 | 250 | 250 |
| KC & Elwood, IL Rail Yard (delivered) | 181 | 182 | 183 |

| | | | |
|-------|--|--|--|
| Ramp) | | | |
|-------|--|--|--|

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 DDGS prices have increased on average by almost \$20/MT in the past two weeks, and foreign containerized DDGS are up by more than \$5/MT. The price increases are attributable to reductions in surplus stocks, better logistics and corn futures closing in the upper end of the trading range. Corn futures could still trade somewhat higher if next Tuesday's WASDE report is considered bullish. If so, DDGS prices would presumably also increase. However, a positive note for buyers is that DDGS prices are flat for the December-February time period.

The general assumption is that the bottom is in for corn prices in the present 2014/15 season. That fact is causing more market participants to express interest in DDGS. That growing interest is resulting in better ways to include DDGS in feed rations. For example, U.S. cattle producers have learned that mixing a small amount of calcium oxide, CaO, in with DDGS product can result in better digestive performance. It was research from Purdue University that showed including limited amounts of this natural and harmless supplement with DDGS has a positive effect. As well, studies at Iowa State University have shown that DDGS can be used to replace a portion of more expensive fish meal in aquaculture diets on fish farms. DDGS merchandisers can work with buyers in gathering such materials to assist in improving feeding programs.

Ethanol Comments: The U.S. ethanol industry is finishing out the 2014 season in good financial health and most industry participants seem to be optimistic about market conditions going into 2015. The latest figure showed total U.S. ethanol stocks at 17.3 million barrels. This is a slight increase from the prior week's level of 17.1 million barrels. Ethanol stock could slowly continue to increase because the cool weather at this time of year is ideal for ethanol production. Stocks are presently about 15 percent above the year ago level.

The daily average production rate fell back to 962,000 barrels per day (bpd) for week ending November 28. That is a decline from the prior week's level of 982,000 bpd. The ability to produce at this rate has been facilitated by ethanol exports and a story by Reuters on Wednesday relays an opinion that recent declines in crude oil prices is expected to significantly reduce the ethanol export pace.

Returns from ethanol production vary from plant to plant but the differential between the cost of corn and the return for the co-products of ethanol and DDGS are at levels that seem to imply consistent profitability for all producers. The differentials in the various regions are as follows for the week ending Friday, December 05, 2014.

- Illinois differential is \$3.92 per bushel in comparison to \$4.40 the prior week and \$4.81 a year ago.
- Iowa differential is \$3.58 per bushel in comparison to \$4.18 the prior week and \$4.32 a year ago.
- Nebraska differential is \$3.65 per bushel in comparison to \$3.61 the prior week and \$4.19 a year ago.
- South Dakota differential is \$3.83 per bushel in comparison to \$4.34 the prior week and \$4.48 a year ago.

COUNTRY NEWS

Australia: Corn and sorghum production is anticipated to reach a five-year low in 2014/15 following an extended period of poor precipitation to total 3.19 MMT, according to Reuters. Corn and sorghum are used mostly as feedstock in Australia.

Canada: Canadian barley production is set to total 7.1 MMT, which is slightly smaller than earlier forecasts had predicted, reports Reuters.

Russia: Russia's National Association of Exporters of Agricultural Products, a grain industry lobbying group, has requested that the government not curb exports as it could hurt the country's agricultural sector, according to Bloomberg News. This request comes following an announcement from the government's Veterinary and Phytosanitary Surveillance Service that it would introduce new regulations that could cause grain exports to drop.

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 | \$42.50 | Down \$1.00 | Handymax at \$43.00/MT |
| 55,000 U.S. PNW-Japan | \$23.00 | Down \$1.00 | Handymax at \$25.00/MT |
| 55,000 U.S. Gulf-China PNW to China | \$41.00 \$32.00 | Down \$1.50 Down \$1.00 | North China |
| 25,000 U.S. Gulf-Veracruz, México | \$16.00 | Down \$0.50 | 3,000 MT daily discharge rate |
| 35-40,000 U.S. Gulf-Veracruz, México | \$14.00 | Unchanged | Deep draft and 8,000 MT per day discharge rate. |
| 25/35,000 U.S. Gulf-East Coast Colombia, from Argentina | \$18.00 \$28.00 | Down \$2.00 Down \$2.00 | West Coast Colombia at \$27.00 |
| 36-40,000 U.S. Gulf-Guatemala | \$27.00 | Down \$0.50 | Acajutla/Quetzal - 8,000 out |
| 25-30,000 U.S. Gulf-Algeria | \$33.50 | Down \$0.50 | 8,000 MT daily discharge |
| 25-30,000 U.S. Gulf-Morocco | \$33.50 | Down \$2.50 | 3,000 MT daily discharge |
| 25-30,000 U.S. Gulf-Morocco | \$33.50 | Down \$0.50 | 5,000 discharge rate |
| 55,000 U.S. Gulf-Egypt PNW to Egypt | \$32.50 \$33.00 | Up \$1.50 Up \$1.00 | 55,000 -60,000 MT St. Lawrence to Egypt \$33.00 |
| 60-70,000 U.S. Gulf-Europe- Rotterdam | \$18.00 | Down \$1.00 | Handymax at +\$1.50 more |
| Brazil, Santos-China | \$33.50 \$31.25 | Down \$1.00 Down \$0.75 | 54-58,000 Supramax- Panamax |

December 5, 2014

Developing Markets • Enabling Trade • Improving Lives

| | | | |
|--|---------|-------------|------------------------|
| | | | 60-66,000 Post Panamax |
| 56-60,000 Argentina-China Upriver with Top-Off | \$37.00 | 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: We have reached the last month of the year and it has produced neither what vessel owners and operators were hoping for nor expecting. The Q4 2014 market rally never happened and rates actually lost ground from their mid-year gains. It's not going to be a good Christmas for fleet owners or their bankers. The big ships, the Capesize vessels that carry the iron ore to China, took the biggest hit this week as that market slowed its imports of bulk raw materials. Bunker fuel prices are down and that helps operating costs, but this market is still hurting vessel owners and trying to send them a message to quit ordering new vessels. And I cannot expect the first quarter of 2015 to be much different.

| Baltic Panamax Dry-Bulk Indices | | | | |
|---------------------------------|-----------|-----------|------------|----------------|
| December 5, 2014 | This Week | Last Week | Difference | Percent Change |
| Route | | | | |
| P2A: Gulf/Atlantic – Japan | 15,492 | 15,731 | -239 | -1.5% |
| P3A: PNW/Pacific– Japan | 7,844 | 8,981 | -1,137 | -12.7% |

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:

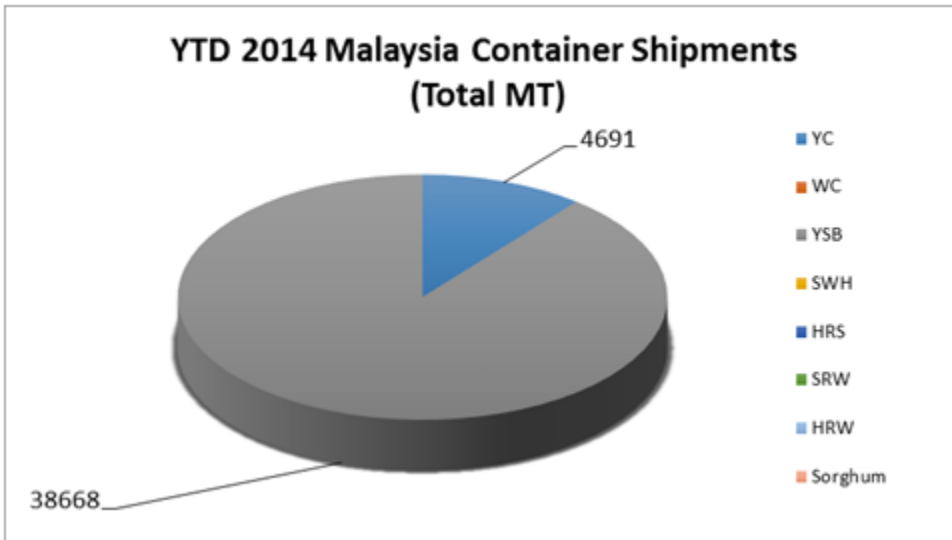
| Week of December 5, 2014 | |
|--------------------------|---------------|
| Four weeks ago: | \$8.00-\$8.95 |
| Three weeks ago: | \$9.30-\$9.70 |
| Two weeks ago: | \$9.35-\$9.65 |
| One week ago: | \$8.40-\$9.00 |
| This week: | \$6.55-\$7.60 |

Source: O'Neil Commodity Consulting

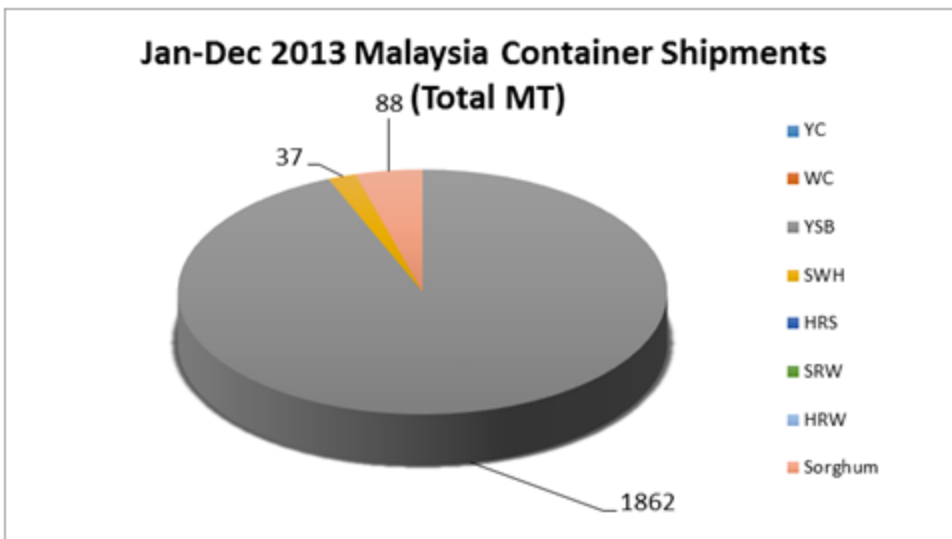
| U.S. – Asia Market Spreads | | | | | |
|----------------------------|---------|---------|---------------|-----------|-----------|
| December 5, 2014 | PNW | Gulf | Bushel Spread | MT Spread | Advantage |
| # 2 Corn | 1.11 | 0.82 | 0.29 | \$11.42 | PNW |
| Soybeans | 1.45 | 1.10 | 0.35 | \$13.78 | PNW |
| Ocean Freight | \$22.00 | \$41.00 | 0.48-0.52 | (\$19.00) | January |

Source: O'Neil Commodity Consulting

The charts below represent January-December 2013 annual totals versus year-to-date 2014 container shipments to Malaysia.



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

| International Freight Rates for Feed Grains – Select Routes Estimated Spot Price (\$/MT) | | | | | | | | |
|---|-----------|--------|-------|-------|----------|---------|-------|--------------|
| Commodity | Origins | China | Japan | Korea | Colombia | Morocco | Egypt | Saudi Arabia |
| Corn (Yellow) | Argentina | \$36.5 | \$39 | \$37 | \$30 | \$32 | \$26 | - |
| | Brazil | \$30.5 | \$33 | \$32 | \$25 | \$25 | \$20 | - |
| Corn (White) | Argentina | \$36.5 | \$39 | \$37 | \$30 | \$32 | \$26 | - |
| | Brazil | \$30.5 | \$33 | \$32 | \$25 | \$25 | \$20 | - |
| Barley | Argentina | \$36.5 | \$39 | \$37 | \$30 | \$32 | \$26 | - |
| | Brazil | \$30.5 | \$33 | \$32 | \$25 | \$25 | \$20 | - |
| Sorghum | Argentina | \$36.5 | \$39 | \$37 | \$30 | \$32 | \$26 | - |
| | Brazil | \$30.5 | \$33 | \$32 | \$25 | \$25 | \$20 | - |

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 (%): December 3, 2014 | | | |
|--------------------------------------|--------------|-----------|------------|
| | Current Week | Last Week | Last Month |
| U.S. Prime | 3.25 | 3.25 | 3.25 |
| LIBOR (6 month) | 0.33 | 0.33 | 0.33 |
| LIBOR (1 year) | 0.56 | 0.56 | 0.56 |

Source: www.bankrate.com