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**CHICAGO BOARD OF TRADE MARKET NEWS**

Week in Review: CME Corn December Contract					
\$/Bu	Monday 9 December	Tuesday 10 December	Wednesday 11 December	Thursday 12 December	Friday 13 December
<b>Change</b>	0.0375	-0.0200	0.0325	-0.0500	-0.0875
<b>Closing Price</b>	4.3800	4.3600	4.3925	4.3400	4.2550
<b>Factors Affecting the Market</b>	Favorable grain export inspection data and strong ethanol prices were two key factors that caused corn contracts to close moderately higher.	USDA's WASDE was published and the data was moderately supportive for corn, but bearish traders attempted to shove prices lower anyway.	Corn futures were able to regain Tuesday's losses as ethanol production and export sales data indicated strong demand.	New rumors about a Congressional attempt to alter the RFS program caused buyers to back away and the March contract swung back lower.	Despite being unlikely to pass, the March contract seemed weighed down by a Senate bill to end the corn-based portion of the ethanol mandate.

**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:** USDA published the December WASDE on December 10 and estimated U.S. corn ending stocks for the 2013/14 season at 1,792 million bushels. The market expectation prior the release of the report was that there would only be a slight decrease in U.S. corn ending stocks to 1,871 million bushels from the November estimate of 1,887. Even though the data showed a larger-than-expected decline in ending stocks, it was not the outcome that bearish traders were looking for. There was an instant attempt to dismiss that fact and instead look forward for an anticipated increase in yields when the final data is release in January 2014. Of course, USDA's data could also show an increase in domestic feed usage when the quarterly stocks data is released at the same time.

Corn futures have worked lower in the second half of this week due to additional influence of bearish news stories about Chinese rejections of corn shipments and opposition to the RFS. However, corn futures seem hesitant to trade lower at the present time. That may be partly because the feed grain data in the December WASDE was not extremely bearish:

- As previously mentioned, U.S. corn ending stocks for the 2013/14 season were reduced to 1,792 million bushels, which is down from the November estimate of 1,887 million bushels. This reduction happened primarily because of increases in U.S. corn exports and ethanol production.
- Even though USDA increased their corn production estimates for both Canada and Ukraine by 1 MMT each, total global corn stocks were reduced slightly due to increased consumption in the United States, EU, Ukraine and Canada.
- USDA left their Brazilian and Argentinian corn crop assessment unchanged in the December WASDE even through there is a common expectation that some South American acreage will be shifted from corn to soybeans.
- USDA made no adjustments to U.S. production estimates of sorghum or barley in the December WASDE.

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## CBOT MARCH CORN FUTURES



Source: Prophet X

### Current Market Values:

Futures Price Performance: Week Ending December 13, 2013			
Commodity	December 13	December 6	Net Change
<b>Corn</b>			
Dec 13	420.50	424.00	-3.50
Mar 14	425.50	434.25	-8.75
May 14	433.75	442.75	-9.00
Jul 14	440.75	449.75	-9.00
<b>Soybeans</b>			
Jan 14	1327.50	1325.50	2.00
Mar 14	1313.75	1310.50	3.25
May 14	1297.00	1296.50	0.50
Jul 14	1284.00	1287.75	-3.75
<b>Soymeal</b>			
Dec 13	462.90	447.30	15.60
Jan 14	432.60	427.40	5.20
Mar 14	423.20	419.10	4.10
May 14	412.70	408.80	3.90
<b>Soyoil</b>			

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Dec 13	39.47	40.28	-0.81
Jan 14	39.83	40.49	-0.66
Mar 14	40.20	40.89	-0.69
May 14	40.59	41.29	-0.70
<b>CBOT Wheat</b>			
Dec 13	618.25	637.25	-19.00
Mar 14	628.75	651.00	-22.25
May 14	634.75	656.50	-21.75
Jul 14	637.00	654.00	-17.00
<b>KCBOT Wheat</b>			
Dec 13	657.00	705.25	-48.25
Mar 14	672.50	695.50	-23.00
May 14	675.75	696.25	-20.50
Jul 14	674.25	688.50	-14.25
<b>MGE Wheat</b>			
Dec 13	642.25	663.00	-20.75
Mar 14	660.50	681.00	-20.50
May 14	671.50	690.75	-19.25
Jul 14	681.50	698.25	-16.75

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

## U.S. WEATHER/CROP PROGRESS

**U.S. Drought Monitor Weather Forecast:** During the December 13-16 time period, the probability of precipitation is above-normal for nearly the entire eastern U.S. and in the Northwest early in the period. A below-normal chance of precipitation is expected in the rest of the West and spreads to the entire country by the end of this time period. Below-normal temperatures are expected across most of the eastern U.S. with the exception of Florida. Above-normal temperatures are expected for from the Southern Plains extending into New England. An above normal chance of precipitation is also present across areas of the West, particularly in the Southwest. Temperatures are expected to be below-normal across the country, with the exception of the East Coast during this time.

For the period of December 17-21, the odds favor normal to above-normal temperatures across the CONUS with the exception of a swath from North Dakota, through the Great Lakes and into New England. Below-normal temperatures are forecast for the previously mentioned part of the North and Northeast. Above normal-precipitation is likely across the Northern tier of the country and along the East Coast. Below-normal precipitation is expected from throughout the Southwest and into the Southern Plains. 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 December 5, 2013					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	389,500	563,200	17,881.3	22,977.8	35%
Corn	951,800	977,400	9,078.7	26,695.5	114%
Sorghum	298,800	17,900	689.7	2,397.8	184%
Barley	6,700	6,200	73.8	124.6	3%

Source: USDA, World Perspectives, Inc.

**Corn:** Net sales of 695,400 MT for 2013/14 were up 17 percent from the previous week, but down 26 percent from the prior four-week average. Increases were reported for Mexico (519,700 MT), Japan (201,100 MT, including 93,500 MT switched from unknown destinations and decreases of 6,000 MT), China (111,700 MT, including 54,000 MT switched from unknown destinations and decreases of 9,000 MT), Peru (63,500 MT), Venezuela (50,100 MT, including 30,000 MT switched from unknown destinations) and Guatemala (14,100 MT, including 13,300 MT switched from unknown destinations and decreases of 700 MT). Decreases were reported for unknown destinations (297,900 MT) and Colombia (13,500 MT). Net sales of 109,400 MT for 2014/15 were reported for Mexico. Exports of 977,400 MT were primarily to China (370,700 MT), Mexico (278,100 MT), Japan (93,500 MT), Peru (60,100 MT) and Venezuela (49,100 MT).

Optional Origin Sales: For 2013/14, outstanding optional origin sales total 100,000 MT, all Mexico.

**Barley:** Net sales of 6,700 MT were reported for Japan (6,200 MT) and Taiwan (500 MT). Exports of 6,200 MT were to Japan.

**Sorghum:** Net sales of 290,300 MT for 2013/14 were for China (231,600 MT, including 55,000 MT switched from unknown destinations), Brazil (55,000 MT) and Japan (4,600 MT, including 4,000 MT switched from unknown destinations and decreases of 8,500 MT). Decreases were reported for unknown destinations (1,000 MT). Exports of 17,900 MT were to China (13,900 MT) and Japan (4,000 MT).

U.S. Export Inspections: Week Ending December 5, 2013					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	1,022,289	915,884	9,177,483	5,521,568	166%
Sorghum	72,494	7,493	914,030	739,398	124%
Soybeans	1,644,663	1,495,819	19,142,782	17,801,224	108%
Wheat	537,788	422,256	18,475,881	12,947,549	143%
Barley	6,336	0	77,944	121,205	64%

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 Decemehr 5, 2013**

Last Week (000 bushels)	YC	% of Total	WC	% of Total	Sorghu m	% of Total
<b>Gulf</b>	23,491	61%	1,555	100%	1,941	68%
<b>PNW</b>	9,879	26%	0	0%	421	15%
<b>Lakes</b>	0	0%	0	0%	0	0%
<b>Atlantic</b>	0	0%	0	0%	0	0%
<b>Interior Export Rail</b>	5,320	14%	1	0%	492	17%
<b>Total (1,000 bu)</b>	38,690	100%	1,556	100%	2,854	100%
<b>Total (Metric Tons)</b>	982,765		39,524		72,494	
<b>White Corn Shipments by Country (MT)</b>			30,989	to Mexico		
			8,510	to Guatemala		
			25	to Jordan		
<b>Total White Corn (MT)</b>			39,524			
<b>Sorghum Shipments by Country (MT)</b>						
					45,036	to Ethiopia
					14,072	to China
					9,119	to Mexico
					4267	to Japan
<b>Total Sorghum (MT)</b>					72,494	

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)
January	-	-	+1.65 H	\$232.47
February	+1.00 H	\$206.88	+1.45 H	\$224.59
March	+0.85 H	\$200.97	+1.40 H	\$222.63
April	+0.66 K	\$196.74	+1.35 K	\$223.90

**#2 White Corn (U.S. \$/MT FOB Vessel)**

Max. 15.0% Moisture	January	February	March
<b>Gulf</b>	\$255	\$255	\$255



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Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
November	+1.50 H	\$226.56	+1.50 H	\$226.56
December	+1.50 H	\$226.56	+1.50 H	\$226.56

Barley: Feed Barley (FOB USD/MT)			
	January	February	March
FOB PNW	\$235	\$235	\$235

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	January	February	March
<b>New Orleans</b>	\$250	\$250	\$250
<i>Quantity 5,000 MT</i>			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	January	February	March
<b>New Orleans</b>	\$780	\$780	\$780
<i>*5-10,000 MT Minimum</i>			

\*All prices are market estimates.

DDGS Price Table: December 13, 2013 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Jan	Feb	Mar
Barge CIF New Orleans	303	295	290
FOB Vessel GULF	310	305	300
Rail delivered PNW	312	305	302
Rail delivered California	318	311	308
Mid-Bridge Laredo, TX	317	314	310
40 ft. Containers to South Korea (Busan)	354	351	351
40 ft. Containers to Taiwan ( Kaohsiung )	348	345	345
40 ft. Containers to Philippines ( Manila )	363	360	360
40 ft. Containers to Indonesia ( Jakarta )	360	358	358
40 ft. Containers to Malaysia (Port Kelang)	361	359	359
40 ft. Containers to Vietnam (HCMC)	365	362	362
40 ft. Containers to Japan (Yokohama)	355	352	352
40 ft containers to Thailand (LCMB)	357	355	355
40 ft Containers to Shanghai, China	345	343	343
KC & Elwood, IL Rail Yard (delivered Ramp)	282	277	272

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.

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## **DISTILLERS DRIED GRAINS WITH SOLUBLES (DDGS)**

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**DDGS Comments:** A price break of \$3-5/MT is reported to have started in the rail market. However, some of the DDGS producers were already asking higher prices for rail-loaded product than truck loaded product because it was taking longer than expected for some of the rail cars to return to plants for reloading. The key point here is that the domestic truck rates may not have quite as much downside room as the rail rates at the DDGS production facilities, where they are already being priced lower.

Naturally, domestic DDGS buyers are requesting lower prices as they consider present uncertainties regarding the Chinese market, recent increases in ethanol production and price weakness in corn futures. However, much of Chinese-related uncertainty may already be built into the present futures prices and additional downside in futures contracts may be limited, particularly if large speculators decide to buy back some of their large short positions before the end of the calendar year.

In relation to a buying strategy, one merchandiser pointed out the interesting fact that the nearby (December) DDGS prices are as much as \$15 higher than January-forward prices. Therefore, purchasing a longer time period could decrease the overall cost of DDGS since the nearby product would be discounted with the deferred shipments.

The price of DDGS are generally still at a premium to the flat-price of corn, but that is partly because DDGS are increasingly being priced into feed rations as a protein source – a source that is competitive against alternative sources of protein from soybean, canola or cottonseed meal.

**Ethanol Comments:** The December WASDE report was not bearish for feed grains, however, an end of week sell-off did occur in corn futures because of reports that 10 U.S. senators were introducing a bill to end the corn-based portion of the Renewable Fuel Standard (RFS). This bill has little prospect of success because Senator Barbara Boxer (D-CA), chairwoman of the Senate Environment and Public Works Committee, has noted that she holds the gavel and will not allow a reversal in current RFS policy. Consequently, a sell-off in corn futures is simply an opportunity for ethanol facilities to extend their future hedge coverage.

USDA increased the estimated amount of corn used in ethanol and by-product production in the current 2013/14 crop year by 50 million bushels, from 4,900 to 4,950 million bushels. Demand for ethanol remains sufficiently strong so that even though the most recent production of 944,000 barrels per day (bpd) is 14.6 percent above the year ago level, the total U.S. ethanol stocks level of 15.4 million barrels is still 22.9 percent below prior-year's level of 20 million barrels.

Producer margins continue to remain healthy as implied by the differentials between corn and the co-products values across the Corn Belt:

- Illinois differential is \$4.50 per bushel in comparison to \$4.81 the prior week and \$1.71 a year ago.
- Iowa differential is \$4.25 per bushel in comparison to \$4.32 the prior week and \$1.31 a year ago.
- Nebraska differential is \$3.87 per bushel in comparison to \$3.80 the prior week and \$1.60 a year ago.



- South Dakota's data was unavailable this week.

## COUNTRY NEWS

**Argentina:** Argentine farmers have planted 55.5 percent of this season's corn crop, which is up 7.8 percentage points for the week, reports Reuters. Farmers are expected to plant 3.3 million hectares this year.

**Brazil:** The Brazilian office of Archer Daniels Midland Co. anticipates that in 2014 it will move 1 MMT of grain through its new port terminal in Barcarena at the mouth of the Amazon, according to Reuters. ADM eventually hopes to expand the capacity at this facility in order to move 6 MMT of grain annually and relieve some of the immense congestion that plagues Brazil's southern ports. Currently, the grains slated for export from Barcarena come from Para and Mato Grosso via truck and barge, but there are plans for a rail line that would link the port to the landlocked grain regions in the center and west of Brazil.

**China:** Chinese stringency in evaluating U.S.-sourced corn for unapproved GMO strains is likely to continue into early 2014, according to Reuters. China is currently trying to curb cheap imports in order to support domestic corn prices as it stockpiles the grain in the northeastern corn belt. While the amount of imports rejected remains small at four bulk cargoes, the action has been enough to disrupt the flow of corn importation as traders scramble to redirect corn shipments to countries that will accept them.

**Russia:** Russia could export as much as 3 MMT of barley and 2.6 MMT of corn for the July-December 2013 time period, reports WPI. Should these totals bear out, then the export quantity for this time period will exceed that of the entire 2012/13 season.

**South Africa:** 86 percent of the corn planted in South Africa is now genetically modified, reports WPI. The development and planting of GM corn in South Africa has earned the country \$933 million since 1998 and benefits the economy by some \$100 million annually. South Africa's success has spurred a new discussion on the safety and validity of GM crops in Africa as repeated crop failures in countries, notably Kenya, have placed South Africa in a prime position to export its surplus to the rest of the continent.

## 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	\$59.50	Up \$2.50	Handymax at \$61.00/MT
55,000 U.S. PNW- Japan	\$31.50	Up \$1.00	Handymax at \$31.50/MT
55,000 U.S. Gulf – China	\$57.75	Up \$3.25	North China
PNW to China	\$29.50	Up \$1.00	
25,000 U.S. Gulf- Veracruz, México	\$21.50	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	\$18.50	Unchanged	Deep draft and 8,000 MT per day discharge rate.

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25/35,000 U.S. Gulf- East Coast Colombia, Argentina	\$26.00 \$37.00	Down \$2.00 Unchanged	West Coast Colombia at \$34.00 West Coast Colombia from Argentina at \$43.00
35,000 U.S. Gulf - Guatemala	\$33.00	Down \$1.00	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	\$43.50 \$46.00	Up \$1.00 Up \$1.00	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	\$46.50	Up \$1.00	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	\$40.00 \$42.00	Up \$1.50 Up \$1.00	55,000 -60,000 MT St. Lawrence to Egypt \$37.00
60-70,000 U.S. Gulf – Europe – Rotterdam	\$27.00	Up \$1.00	Handymax at +\$1.50 more
Brazil, Santos – China	\$43.00 \$41.00	Up \$1.00 Up \$1.50	54-58,000 Supramax- Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	\$49.00	Up \$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:** Vessel owners and operators have received an early Christmas present from the market rally of the past two weeks. I am not convinced that this will be a gift that keeps on giving since it may be running out of steam as we head into the holiday period. However, it has provided limited relief for those who have been struggling with vessel ownership. The uptick in rates has been fueled by increased Chinese imports of iron ore and by better grain and coal exports from the U.S..

As usual, vessel owners are not jumping to fix at these higher rates but instead are trying to hold out for more. I think that is generally considered being "greedy" or at least eternally optimistic.

The Handysize and Handymax markets continue to take no prisoners and have not looked back in many weeks.

In the world of ocean freight the new mantra seems to be that bigger is better and that is the way things are going. Smaller vessels are becoming a minority in relative percentage of the fleet total and their rate spreads are widening versus the larger cargo movements.

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Baltic Panamax Dry-Bulk Indices				
December 13, 2013	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	28,110	23,590	1,520	5.7%
P3A: PNW/Pacific – Japan	14,366	13,675	691	5.1%

Source: O'Neil Commodity Consulting

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

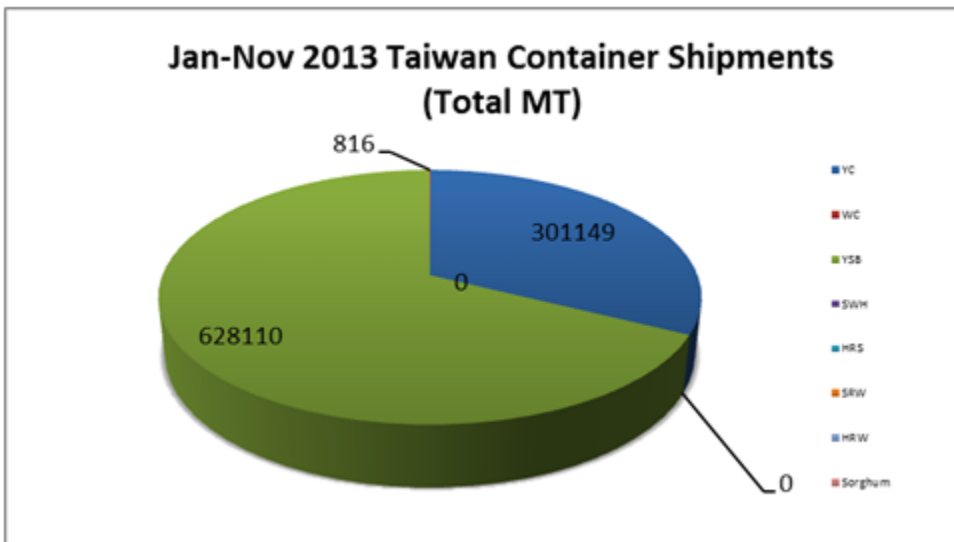
Week of December 13, 2013	
Four weeks ago	\$8.70-\$9.20
Three weeks ago	\$9.25-\$10.25
Two weeks ago	\$9.85-\$10.25
One week ago	\$12.05-\$13.00
This week	\$13.05-\$14.50

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
December 13, 2013	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.60	1.00	0.60	\$23.62	PNW
Soybeans	1.85	1.35	0.50	\$18.37	PNW
Ocean Freight	\$29.50	\$57.75	0.72-0.77	(\$28.25)	Jan.

Source: O'Neil Commodity Consulting

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



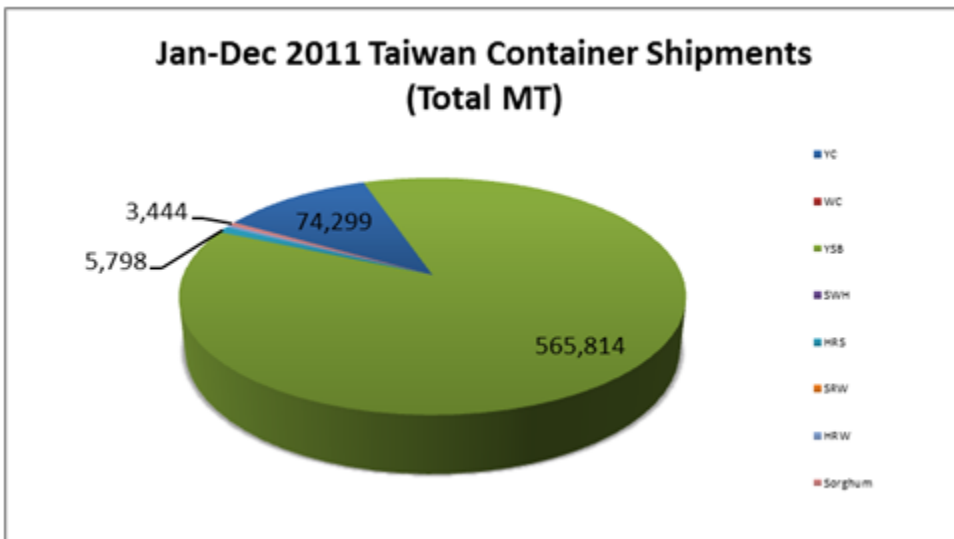
Source: O'Neil Commodity Consulting

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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	\$49	\$51	\$52	\$44	\$45	\$42	-
	Brazil	\$43	\$44	\$45	\$38	\$39	\$35	-
Corn (White)	Argentina	\$49	\$51	\$52	\$44	\$45	\$42	-
	Brazil	\$43	\$44	\$45	\$38	\$39	\$35	-
Barley	Argentina	\$49	\$51	\$52	\$44	\$45	\$42	-

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	<b>Brazil</b>	\$43	\$44	\$45	\$38	\$39	\$35	-
<b>Sorghum</b>	<b>Argentina</b>	\$49	\$51	\$52	\$44	\$45	\$42	-
	<b>Brazil</b>	\$43	\$44	\$45	\$38	\$39	\$35	-

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 11, 2013			
	Current Week	Last Week	Last Month
<b>U.S. Prime</b>	3.25	3.25	3.25
<b>LIBOR (6 month)</b>	0.34	0.34	0.35
<b>LIBOR (1 year)</b>	0.58	0.58	0.59

Source: [www.bankrate.com](http://www.bankrate.com)