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**CHICAGO BOARD OF TRADE MARKET NEWS**

**Week in Review: CME Corn March Contract**

<b>\$/Bu</b>	<b>Monday 15 Dec</b>	<b>Tuesday 16 Dec</b>	<b>Wednesday 17 Dec</b>	<b>Thursday 18 Dec</b>	<b>Friday 19 Dec</b>
<b>Change</b>	0.0100	-0.0250	0.0225	0.0275	-0.0050
<b>Closing Price</b>	4.0850	4.0600	4.0825	4.1100	4.1050
<b>Factors Affecting the Market</b>	After Friday's rally, March corn showed its resolve to remain above \$4.00 bu. by making another new high.	A new range of consolidation started to develop in corn contracts, which may last through year-end.	The ability to hold a narrow trading range for three days implied that there will soon be an attempt to break out.	An attempted break-out to the upside did occur that quickly ran out of steam. Yet, March corn did close higher than \$4.10 bu.	Large export sales were made to Japan and Mexico. Total demand is strong from exports, ethanol and feeding.

**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:** U.S. Secretary of Agriculture Tom Vilsack announced that China's yearlong ban on select varieties of corn has come to an end. This welcome news basically means that door for potential entry into China has been unlocked. However, the fact of having an unlocked door does not mean that it will be instantaneously flung open and vast quantities will flow through. Rather, it means that the door can be opened if and when the need arises, and that prospect alters market perceptions. As noted a couple weeks ago, 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.

Consider recent price action in the wheat market. There is presently no shortage of wheat anywhere in the world, but discussions that Russia would limit its wheat exports to favored clients caused wheat contracts to suddenly increase in an exponential manner. With that example in mind, what trader will establish a large short position in corn contracts at present price levels prior to having more definitive knowledge of acreage and planting conditions in China and North America this spring?

Perceptions are being altered so that price setbacks during the next two months will be increasingly analyzed as potential buying opportunities rather than as confirmation of excessive supply. Ample supply should be available since U.S. producers are likely to sell into any further increase in corn prices after the New Year begins, but that selling will come in synchronized allotments rather than as all or nothing. The ebb and flow of supply and demand will carve out a trading range, which range is more likely to have somewhat of a positive slope during the next two months.

## CBOT MARCH CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending December 19, 2014			
Commodity	19-Dec	12-Dec	Net Change
<b>Corn</b>			
Dec 14	410.50	407.50	3.00
Mar 15	419.00	415.75	3.25
May 15	426.00	421.50	4.50
Jul 15	428.25	424.75	3.50
<b>Soybeans</b>			
Nov 14	1030.50	1047.25	-16.75
Jan 15	1038.50	1053.75	-15.25
Mar 15	1046.00	1059.50	-13.50
May 15	1052.00	1064.50	-12.50
<b>Soymeal</b>			
Dec 14	363.50	367.00	-3.50
Jan 15	352.00	356.30	-4.30
Mar 15	347.10	350.70	-3.60
May 15	346.00	349.90	-3.90
<b>Soyoil</b>			
Dec 14	31.97	32.36	-0.39
Jan 15	32.16	32.57	-0.41
Mar 15	32.38	32.79	-0.41
May 15	32.60	33.00	-0.40
<b>SRW</b>			
Dec 14	632.25	606.50	25.75
Mar 15	635.00	608.75	26.25
May 15	634.25	607.75	26.50
Jul 15	641.25	615.75	25.50
<b>HRW</b>			
Dec 14	666.00	634.25	31.75
Mar 15	670.25	637.00	33.25
May 15	672.00	640.25	31.75
Jul 15	680.00	649.25	30.75
<b>MGEX (HRS)</b>			
Dec 14	648.25	620.75	27.50
Mar 15	654.00	627.00	27.00
May 15	660.75	634.00	26.75
Jul 15	664.25	641.25	23.00

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

## U.S. WEATHER/CROP PROGRESS

**U.S. Drought Monitor Weather Forecast:** For the upcoming period of December 18-22, heavy precipitation (up to 10 inches in northwest Oregon) is forecast for the Pacific Northwest, northwestern California and the northern Rockies, with lighter amounts in the central Rockies. A southern storm system should bring widespread moderate-to-heavy precipitation (1-4 inches) from central Texas eastward to Georgia and the Carolinas (including the expanding drought area in the Southeast), and lighter amounts along the Northeast Coast and in the central Great Plains. Mostly dry weather is expected in the Southwest (including southern California), High Plains, upper Midwest, Ohio Valley and southern Florida. Near to above normal temperatures should envelop most of the lower-48 States, with the greatest positive departures in the northern Rockies and Plains and upper Midwest.

For the ensuing period of December 23-27, the CPC 6-10 day outlooks tilt the odds toward subnormal precipitation from southern Oregon and California southeastward into the lower Mississippi Valley (lower Delta). Favorable chances of above median precipitation are expected across the northern tier of States, and in the eastern quarter of the nation, with the highest odds in the Great Lakes region and Northeast. Above median temperatures are expected in the Far West, Southwest and New England, with subnormal readings favored in the northern Plains and Florida. 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 11, 2014					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	486,500	413,700	12,781.1	17,851.5	-24%
Corn	972,000	754,000	10,689.8	24,406.2	-8%
Sorghum	173,600	248,000	2,079.1	5,083.0	106%
Barley	11,500	600	88.9	134.3	7%

Source: USDA, World Perspectives, Inc.

**Corn:** Net sales of 693,500 MT for 2014/15 were down 28 percent from the previous week and 30 percent from the prior four-week average. Increases were reported for unknown destinations (268,700 MT), Mexico (159,900 MT), Japan (114,300 MT, including 45,400 MT switched from unknown destinations), Peru (64,000 MT, including 60,000 MT switched from unknown destinations), South Korea (59,600 MT) and El Salvador (29,500 MT). Decreases were reported for Taiwan (51,900 MT), Guatemala (17,800 MT) and the Dominican Republic (7,200 MT). Net sales of 5,000 MT for 2015/2016 were for El Salvador. Exports of 754,000 MT were up 11 percent from the previous week and 24 percent from the prior four-week average. The primary destinations were Japan (271,000 MT), Mexico (219,800 MT), Peru (64,000 MT), South Korea (60,400 MT), Venezuela (30,000 MT) and Panama (23,400 MT). Optional Origin Sales: For 2014/15, outstanding optional origin sales total 68,000 MT, all South Korea.

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**Barley:** Net sales of 11,500 MT for 2014/15 were reported for Japan (10,000 MT) and Taiwan (1,500 MT). Exports of 600 MT were up 34 percent from the previous week, but down 93 percent from the prior four-week average. The destination was South Korea (600 MT).

**Sorghum:** Net sales of 147,700 MT for 2014/15 were reported for China (144,800 MT, including 55,000 MT switched from unknown destinations and decreases of 25,800 MT) and Japan (5,000 MT, switched from unknown destinations). Decreases were reported for unknown destinations (2,100 MT). Exports of 248,000 MT were reported primarily to China (243,000 MT) and Japan (5,000 MT).

U.S. Export Inspections: Week Ending December 11, 2014					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	546,515	533,530	10,161,202	9,825,180	103%
Sorghum	217,197	209,538	2,523,583	929,404	272%
Soybeans	1,820,364	2,206,955	25,567,235	20,879,007	122%
Wheat	385,974	270,217	12,803,086	18,956,812	68%
Barley	0	73	101,928	77,946	131%

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 December 11, 2014						
Last Week	YC	% of Total	WC	% of Total	Sorghum	% of Total
<b>Gulf</b>	390,440	78%	38,507	89%	215,703	99%
<b>PNW</b>	40,909	8%	415	1%	1347	1%
<b>Lakes</b>	7,133	1%	0	0%	0	0%
<b>Atlantic</b>	0	0%	0	0%	0	0%
<b>Interior Export Rail</b>	64,620	13%	4,491	10%	147	0%
<b>Total (Metric Tons)</b>	503,102	100%	43,413	100%	217,197	100%
<b>White Corn Shipments by Country (MT)</b>			38,331	to Mexico		
			3,116	to Japan		
			1,551	to Honduras		
			366	to Korea		
			49	to Malaysia		
<b>Total White Corn (MT)</b>			43,413			
<b>Sorghum Shipments by Country (MT)</b>					212,177	to China
					5,002	to Japan
<b>Total Sorghum (MT)</b>					217,179	

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	+0.73 H	\$190.34	-	-
January	+0.71 H	\$189.56	+1.13 H	\$206.09
February	+0.71 H	\$189.56	+1.11 H	\$205.30
March	+0.71 H	\$189.56	+1.10 H	\$204.91

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
January	+2.55 H	\$261.99	+2.55 H	\$261.99
February	+2.55 H	\$261.99	+2.55 H	\$261.99
March	+2.55 H	\$261.99	+2.55 H	\$261.99

Barley: Feed Barley (FOB USD/MT)			
	January	February	March
FOB PNW	\$245	\$245	\$245

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	January	February	March
New Orleans	\$165	\$165	\$165
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	January	February	March
New Orleans	\$715	\$715	\$715
*5-10,000 MT Minimum			

\*All prices are market estimates.

DDGS Price Table: December 19, 2014 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Jan.	Feb.	Mar.
Barge CIF New Orleans	253	253	253
FOB Vessel GULF	262	262	262



Rail delivered PNW	264	265	265
Rail delivered California	265	266	266
Mid-Bridge Laredo, TX	263	260	260
40 ft. Containers to South Korea (Busan)	311	315	316
40 ft. Containers to Taiwan ( Kaohsiung )	312	315	317
40 ft. Containers to Philippines ( Manila )	339	342	344
40 ft. Containers to Indonesia ( Jakarta )	326	329	331
40 ft. Containers to Malaysia (Port Kelang)	324	327	329
40 ft. Containers to Vietnam (HCMC)	326	329	331
40 ft. Containers to Japan (Yokohama)	323	327	328
40 ft containers to Thailand (LCMB)	323	326	328
40 ft Containers to Shanghai, China	304	309	311
KC & Elwood, IL Rail Yard (delivered Ramp)	242	247	249

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:** China has returned as a buyer of DDGS. Chinese buyers have purchased as many as 15 cargoes, each totaling about 50,000 MT, of DDGS from the U.S. Corn Belt for the December through March time period, as reported by Bloomberg News. While China presently has abundant supplies of its own domestic corn, many Chinese livestock producers seem to have a particularly strong appreciation for DDGS.

DDGS merchandisers note that they are cautiously optimistic about the return of Chinese buyers, but many do plan to request that Chinese customers put down at least 20 percent payment for any future purchase. Until trust is fully regained, this may create somewhat of an advantage for foreign buyers from locations such as Mexico, Canada, Taiwan, Thailand, Vietnam, Indonesia and other Asian destinations.

One of the more active DDGS merchandisers noted the fact that just two weeks ago he was selling DDGS to a Vietnamese customer for February shipment at \$248/MT. Today, that same DDGS is being sold at \$323/MT - \$75/MT higher. While it is obvious that the China news has definitely brought a more bullish tone to the market, merchandisers have not forgotten about their established customer base.

U.S. livestock producers also have developed an appreciation for DDGS in their rations. These buyers had been purchasing their DDGS needs on a hand-to-mouth basis because of the assumption that abundant stocks of corn and lack of Chinese buying would cause competition to keep a lid on prices. Many of these buyers also assumed that the recent rebound in corn futures contracts was a temporary phenomenon. This assumption encouraged them to maintain their short-term purchasing strategy. However, U.S. livestock producers have become increasingly interested in knowing their longer-term feed costs because futures prices for U.S. livestock have recently become extremely volatile. The strength of the negotiating power of domestic livestock producers with DDGS merchandisers depends upon if they make longer-term agreements before or after foreign buyers do so.

DDGS prices have been steadily increasing and more buyers are willing to consider longer-term contracts. DDGS prices into the future are structured in the same manner as corn futures contracts, with prices higher this coming spring due to the costs of storage. Longer-term purchasing agreements with buyers enable DDGS merchandisers to fix the cost of their corn and allows them to then help the client shop for better logistical rates.

**Ethanol Comments:** The industry numbers seem to paint an interesting dynamic as weekly ethanol production continues to set new record levels, while ethanol stocks slowly declined even as the differential between the cost of corn and the return for co-products dropped off sharply. Consider this data: weekly ethanol production edged up to a new record high of 990,000 barrels per day (bpd) while total U.S. ethanol stocks dropped to 17.7 million barrels. This stocks level is below the prior week's level of 17.8 million barrels and 13 percent above the year-ago level of 15.6 million barrels. (Note, this is a decline from the last reported percent one year ago of 15 percent).

The differential between the cost of corn and the return for the co-products of ethanol and DDGS has substantially dropped off during the week ending Friday, December 19, 2014.

- Illinois differential is \$2.47 per bushel, in comparison to \$3.33 the prior week and \$3.97 a year ago.
- Iowa differential is \$2.30 per bushel, in comparison to \$3.02 the prior week and \$3.40 a year ago.
- Nebraska differential is \$2.29 per bushel, in comparison to \$3.11 the prior week and \$3.08 a year ago.
- South Dakota differential is \$2.40 per bushel, in comparison to \$3.11 the prior week and \$3.60 a year ago.

## COUNTRY NEWS

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**EU:** Recent increases in Chicago wheat futures contracts could result in higher EU wheat exports, which may then in-turn cause the EU to import more corn if feed wheat supplies tighten up reports Bloomberg News.

**Morocco:** Morocco's grain imports for the June-October period were up by 80 percent in 2014 compared to the same period in 2013 to total 2.2 MMT, reports WPI. Of this total, some 220,000 MT was barley and 1.1 MMT was composed of corn, sourced mainly from Argentina and Brazil.

**Russia:** Russia has instituted a series of informal actions to cut down on the country's grain exports in order to stabilize domestic prices. According to Reuters. Railway loading has been cut significantly this week and as of now will be in place for an indefinite period of time. This action comes in tandem with stricter quality checks at grain processing and storage facilities as a means of preventing grain from leaving Russia.

**Uganda:** Uganda is predicted to export 300,000 MT of corn this year, which is up from last year's 250,000 MT, according to WPI.



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## 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	\$40.00	Down \$1.50	Handymax at \$41.00/MT
55,000 U.S. PNW-Japan	\$21.50	Down \$1.00	Handymax at \$24.00/MT
55,000 U.S. Gulf-China	\$37.00	Down \$3.00	North China
PNW to China	\$30.50	Down \$1.00	
25,000 U.S. Gulf-Veracruz, México	\$15.50	Down \$0.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	\$13.50	Down \$0.50	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$17.00 \$26.00	Down \$0.50 Down \$1.00	West Coast Colombia at \$26.50
36-40,000 U.S. Gulf-Guatemala	\$26.25	Down \$0.50	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf-Algeria	\$32.00	Down \$0.50	8,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$34.00	Down \$0.50	3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$32.00	Down \$0.50	5,000 discharge rate
55,000 U.S. Gulf-Egypt	\$30.50	Down \$1.00	55,000 -60,000 MT St. Lawrence to Egypt \$31.00
PNW to Egypt	\$31.00	Down \$1.00	
60-70,000 U.S. Gulf-Europe-Rotterdam	\$16.00	Down \$1.00	Handymax at +\$1.50 more
Brazil, Santos-China	\$31.50	Down \$1.00	54-58,000 Supramax- Panamax 60-66,000 Post Panamax
	\$29.00	Down \$1.25	
56-60,000 Argentina-China Upriver with Top-Off	\$34.75	Down \$1.25	—

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:** Are world ocean freight markets getting better or worse? It all depends on your perspective. Those needing to purchase freight are surely happy to see rates dropping. The current rate structure is a pleasant surprise to those who were expecting to pay more due to an anticipated Q4 2014 market rally. That market rally did not happen and vessel owners and operators are feeling the effects. From an owner's perspective, shipping economics are not looking positive.

Freight markets started out the year of 2014 with a Baltic BPI at 1780, Gulf to China Panamax rates at

57.00/MT and PNW rates to China at 28.50/MT.

Today the BPI is 907 (down 851 points or 49 percent). US Gulf physical rates to China are down \$18.50/MT or 32 percent with PNW rates down by \$8.00/MT or 28 percent from the beginning of the year. So, 2014 certainly was not the turnaround year many anticipated, and the first quarter of 2015 may not show any better results. So slow steaming will continue to be the order from the bridge and consolidation will likely be the news out of 2015.

### Baltic Panamax Dry-Bulk Indices

December 19, 2014	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	13,742	14,735	-993	-6.7%
P3A: PNW/Pacific– Japan	6,056	6,875	-819	-11.9%

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 19, 2014

Four weeks ago:	\$9.35-\$9.65
Three weeks ago:	\$8.40-\$9.00
Two weeks ago:	\$6.55-\$7.60
One week ago:	\$5.55-\$6.10
This week:	\$5.00-\$5.40

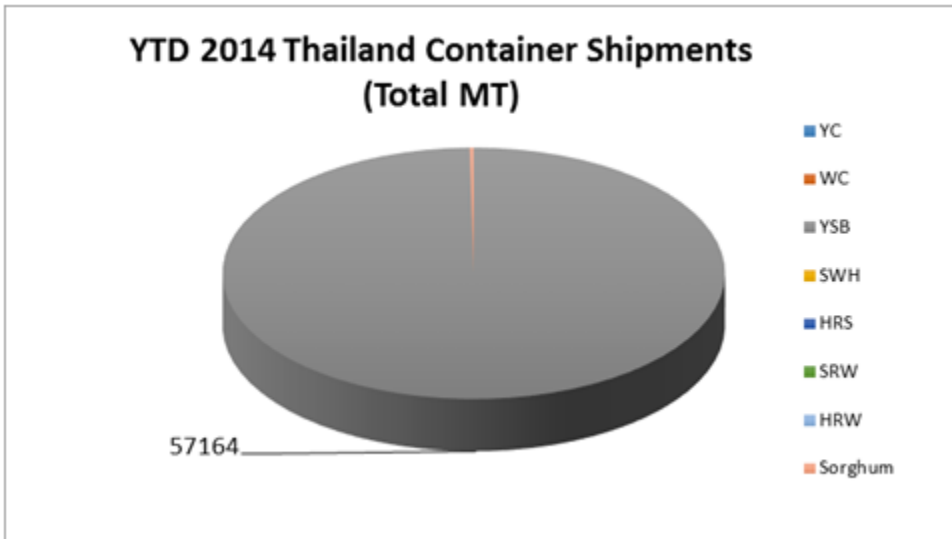
Source: O'Neil Commodity Consulting

### U.S. – Asia Market Spreads

December 19, 2014	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.03	0.69	0.34	\$13.39	PNW
Soybeans	1.35	1.06	0.29	\$11.42	PNW
Ocean Freight	\$20.50	\$38.50	0.47-0.50	(\$18.00)	January

Source: O'Neil Commodity Consulting

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



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	\$35	\$37	\$36	\$28	\$30	\$25	-
	Brazil	\$27	\$30	\$29	\$24	\$24	\$19	-
Corn (White)	Argentina	\$35	\$37	\$36	\$28	\$30	\$25	-
	Brazil	\$27	\$30	\$29	\$24	\$24	\$19	-
Barley	Argentina	\$35	\$37	\$36	\$28	\$30	\$25	-
	Brazil	\$27	\$30	\$29	\$24	\$24	\$19	-
Sorghum	Argentina	\$35	\$37	\$36	\$28	\$30	\$25	-
	Brazil	\$27	\$30	\$29	\$24	\$24	\$19	-

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 17, 2014**

	Current Week	Last Week	Last Month
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.34	0.34	0.33
LIBOR (1 year)	0.60	0.58	0.57

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