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CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
\$/Bu	Monday 28 July	Tuesday 29 July	Wednesday 30 July	Thursday 31 July	Friday 1 August
Change	0.0500	-0.0575	0.0050	-0.0450	-0.0475
Closing Price	3.7675	3.7100	3.7150	3.6700	3.6225
Factors Affecting the Market	Limited short covering occurred in corn contracts as soybeans worked higher, but ideal growing conditions capped prices.	Stable crop conditions and consistently mild summer weather gave no justification for a higher move in December corn.	The December contract closed basically unchanged as there was little interest to either buy or sell at the present level.	The prospect for limited dryness declined and so the December contract sagged back below \$3.70 with a general lack of enthusiasm.	A cool July and a pleasant start to August is giving no support. The December contract appears like it wants to test \$3.50/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: A standard bushel of corn weighs 56 pounds. If that bushel of corn is priced at \$3.50, then it is being sold for 6 cents per pound. Six cents per pound for a crop that has been planted, tended through the growing season, harvested and cleanly removed from the cob so that only the most desirable part of the plant is presented to the final customer. That is an excellent deal for the end users.

U.S. farmers really need prices above 8 cents per pound (\$4.50 per bushel) to break even financially, and this fact holds true for farmers around the globe. As noted last week, U.S. farmers may have the financial means to deal with this season's lower prices but South American and Black Sea farmers may struggle to plant corn next year. As a result, there could be some wide swings in feed grain prices during the next two years.

Various domestic and international buyers seem to recognize that current price levels for corn are likely to be a temporary phenomenon. U.S. corn exports are right on pace to meet USDA's estimate of 1.9 billion bushels for the current 2013/14 old-crop season, which will end on August 31, and the sales are strong for the 2014/15 new-crop season that will begin on September 1.

USDA is presently estimating that U.S. corn exports will decline in the 2014/15 new crop season to 1.7 billion bushels because of increasing competition from other global producers. However, the territorial issues that Ukraine is experiencing along with the financial issues in Argentina are likely to make the United States a much more attractive source for global buyers.

U.S. corn exports above 2 billion bushels were historically a norm and it would not take much additional buying to return exports to those levels. Signs of increased export demand will likely prompt more aggressive purchasing by domestic buyers for their feed use and ethanol production. Their knowledge that the least costly endeavor is likely purchasing and storing inexpensive corn could ignite somewhat of a race for ownership. After all, if too much grain is purchased then it can be resold, but it probably is not going to be resold at a loss. The transition through harvest of a bumper crop into that increasingly competitive buying process could take four or five months – and then the market will once again be looking at global planting intentions.

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CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending August 1, 2014			
Commodity	August 1	July 25	Net Change
Corn			
Sep 14	352.50	363.00	-10.50
Dec 14	362.25	371.75	-9.50
Mar 15	374.75	383.25	-8.50
May 15	383.25	391.00	-7.75
Soybeans			
Aug 14	1215.00	1212.25	2.75
Sep 14	1073.50	1113.75	-40.25
Nov 14	1058.50	1083.50	-25.00
Jan 15	1066.75	1090.25	-23.50
Soymeal			
Aug 14	387.50	398.00	-10.50
Sep 14	355.80	369.80	-14.00
Oct 14	345.10	353.50	-8.40
Dec 14	342.40	350.20	-7.80
Soyoil			
Aug 14	35.45	36.09	-0.64

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Sep 14	35.54	36.18	-0.64
Oct 14	35.58	36.17	-0.59
Dec 14	35.71	36.25	-0.54
SRW			
Sep 14	534.25	538.00	-3.75
Dec 14	553.25	559.75	-6.50
Mar 15	574.00	581.50	-7.50
May 15	587.00	596.25	-9.25
HRW			
Sep 14	632.75	631.25	1.50
Dec 14	643.50	645.25	-1.75
Mar 15	648.00	653.00	-5.00
May 15	650.75	658.25	-7.50
MGEX (HRS)			
Sep 14	616.00	627.75	-11.75
Dec 14	626.75	635.00	-8.25
Mar 15	640.50	646.50	-6.00
May 15	648.25	654.25	-6.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: July 28, 2014					
	Very Poor	Poor	Fair	Good	Excellent
Corn	1%	5%	19%	53%	22%
Sorghum	2%	7%	31%	49%	11%
Barley	1%	3%	29%	55%	12%

U.S. Drought Monitor Weather Forecast: From August 1-4, locally heavy showers will shift eastward across the South, eventually reaching the southern Atlantic States. Five-day rainfall totals could reach 1-3 inches from Florida into the southern mid-Atlantic region. Meanwhile, showers will linger across the central and southern Rockies in the wake of a significant rainfall event. Most of the remainder of the West will experience dry weather, except for isolated showers across the Great Basin and Intermountain region. Mostly dry weather will also prevail during the next several days from the northern Plains into the middle Mississippi Valley. Elsewhere, an ongoing heat wave in the Northwest will contrast with near- to below-normal temperatures in most other parts of the country.

The NWS outlook for August 5 – 9 calls for the likelihood of below-normal temperatures in large sections of the central and eastern U.S., as well as the central Rockies, while hotter-than-normal conditions will cover the lower Southeast, the lower Rio Grande Valley and the Far West. Meanwhile, near- to above-normal rainfall across the majority of the U.S. will contrast with the likelihood of drier-than-normal conditions in the Pacific

Northwest, northern Plains, far upper Midwest and southern parts of Arizona, Texas 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 July 24, 2014					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	804,600	419,600	3,558.2	9,731.8	-25%
Corn	335,700	865,500	41,934.2	48,615.0	158%
Sorghum	7,800	233,800	3,655.0	4,845.6	202%
Barley	500	0	16.1	24.8	-52%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 173,800 MT for 2013/14 were down 40 percent from the previous week and 54 percent from the prior four-week average. Increases were reported for South Korea (136,600 MT, including 65,000 MT switched from Japan and 63,000 MT switched from China), Saudi Arabia (71,500 MT, including 65,000 MT switched from unknown destinations), Mexico (61,400 MT), Peru (60,000 MT, including 30,000 MT switched from unknown destinations), Canada (37,000 MT) and Morocco (26,600 MT). Decreases were reported for Japan (160,100 MT), China (62,500 MT), unknown destinations (60,400 MT) and Ireland (1,000 MT). Net sales of 1,093,200 MT for 2014/15 were reported primarily for Mexico (431,500 MT), unknown destinations (277,200 MT), Colombia (129,000 MT) and Costa Rica (103,200 MT). Exports of 865,500 MT were down 13 percent from the previous week and 14 percent from the prior four-week average. The primary destinations were Japan (318,400 MT), Mexico (168,900 MT), South Korea (136,600 MT), Saudi Arabia (71,500 MT), Egypt (50,800 MT), Morocco (26,700 MT) and Panama (21,000 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 55,000 MT, all South Korea.

Barley: Net sales of 500 MT for 2014/15 were reported for Taiwan. There were no exports reported during the week.

Sorghum: Net sales of 4,000 MT for 2013/14 resulted as increases for China (119,400 MT, including 115,900 MT switched from unknown destinations and decreases of 1,300 MT) and Japan (2,600 MT), were partially offset by decreases for unknown destinations (118,000 MT). Net sales of 113,000 MT for 2014/15 were reported for unknown destinations (58,000 MT) and China (55,000 MT). Exports of 233,800 MT were reported to China (225,000 MT) and Japan (8,700 MT).

U.S. Export Inspections: Week Ending July 24, 2014					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	805,365	941,977	41,818,344	15,954,578	262%
Sorghum	178,192	114,362	4,191,328	1,578,425	266%
Soybeans	112,345	97,160	43,022,445	35,333,329	122%

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Wheat	395,963	527,633	3,643,897	5,116,841	71%
Barley	21,791	3,693	30,547	5,180	590%

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 July 24, 2014						
Last Week	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	356,338	45%	17,518	100%	172,838	97%
PNW	283,852	36%	0	0%	0	0%
Lakes	3,141	0%	0	0%	0	0%
Atlantic	30,598	4%	0	0%	490	0%
Interior Export Rail	113,918	14%	0	0%	4,864	3%
Total (Metric Tons)	787,847	100%	17,518	100%	178,192	100%
White Corn Shipments by Country (MT)			8,810	to Mexico		
			8,708	to Colombia		
Total White Corn (MT)			17,518			
Sorghum Shipments by Country (MT)					169,023	to China
					8,737	to Japan
					432	to Mexico
Total Sorghum (MT)					178,192	

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 August	-	-	+1.70 U	\$205.70
LH August	+1.43 U	\$195.07	+1.70 U	\$205.70
September	+1.43 U	\$195.07	+1.68 U	\$204.91
October	+1.32 Z	\$194.58	+1.65 Z	\$207.57
November	+1.32 Z	\$194.58	+1.65 Z	\$207.57

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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
LH July	+1.95 Z	\$219.38	+1.95 Z	\$219.38
August	+1.95 Z	\$219.38	+1.95 Z	\$219.38
September	+1.95 Z	\$219.38	+1.95 Z	\$219.38

Barley: Feed Barley (FOB USD/MT)			
	August	September	October
FOB PNW	\$280	\$280	\$280

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	August	September	October
New Orleans	\$175	\$175	\$175
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	August	September	October
New Orleans	\$692	\$692	\$692
*5-10,000 MT Minimum			

*All prices are market estimates.

DDGS Price Table: August 1, 2014 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Aug.	Sep.	Oct.
Barge CIF New Orleans	161	164	166
FOB Vessel GULF	177	181	186
Rail delivered PNW	165	165	168
Rail delivered California	179	181	184
Mid-Bridge Laredo, TX	190	190	193
40 ft. Containers to South Korea (Busan)	194	194	215
40 ft. Containers to Taiwan (Kaohsiung)	194	194	207
40 ft. Containers to Philippines (Manila)	201	201	219
40 ft. Containers to Indonesia (Jakarta)	200	200	219
40 ft. Containers to Malaysia (Port Kelang)	200	200	220
40 ft. Containers to Vietnam (HCMC)	204	204	226
40 ft. Containers to Japan (Yokohama)	205	205	210
40 ft containers to Thailand (LCMB)	197	197	219
40 ft Containers to Shanghai, China	188	188	211
KC & Elwood, IL Rail Yard (delivered Ramp)	118	119	133

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: Containerized DDGS rates fell by significant amounts this week as merchandisers are forced to competitively realign their customer base since Chinese buyers are being locked out of the market to U.S. DDGS by actions taken by their own government. That is unfortunate because Chinese customers have developed a strong appreciation for DDGS, with the trade eventually accounting for more than half of the global DDGS exports. The forced alternation to their demand has resulted in some dramatic price shocks, but the market will adjust as new destinations are increasingly found.

In the search to broaden the customer base, merchandisers are presently offering DDGS at values that are substantially discounted to the price of corn. Merchandisers are seeking new clients who have a reputation of dependability. The merchandiser's strong interest in obtaining a dependable customer base can work to the good of a buyer who is willing to establish a relationship that maintains consistent product flow. Domestic buyers seem to recognize this and a number of feedlots are reported to be showing interest in obtaining more DDGS.

Domestic buyers remain the largest consumers of DDGS and many of those experienced buyers seek to negotiate extended contracts in periods when feed prices are weak, especially because they know that prices normally do not stay at extreme highs or lows. (The outlook section at the beginning of this week's publication discusses the topic of future changes in market conditions.) The preceding table covering DDGS prices shows that market participants anticipate higher prices in October, presumably because the customer base is expected to have stabilized by that point in time.

Ethanol Comments: Export demand for U.S. ethanol is coming from locations such as India and the Middle East, reports a story by Dow Jones. That story basically confirms what was being indicated in EIA's weekly data over the past couple of months. Those stable exports and weak corn prices have allowed ethanol facilities to maintain sizable production levels and favorable margins. Unfortunately, declining DDGS prices may become somewhat of an anchor on ethanol producer returns.

Even though spot corn prices continued to decline this week, the drag of weaker DDGS prices seemed to offset that benefit. The differential between the cost of corn and the co-products at ethanol facilities are the following for week-ending Friday, August 1, 2014:

- Illinois differential is \$3.41 per bushel in comparison to \$3.51 the prior week and \$2.26 a year ago.
- Iowa differential is \$3.26 per bushel in comparison to \$3.32 the prior week and \$1.86 a year ago.
- Nebraska differential is \$3.12 per bushel in comparison to \$3.22 the prior week and \$2.09 a year ago.
- South Dakota differential is \$3.68 per bushel in comparison to \$3.67 the prior week and \$1.70 a year ago.

COUNTRY NEWS

Australia: Barley exports are set to hit record levels in 2014/15 as Chinese buyers turn to it in the face of expensive domestic corn, according to Reuters. Exports are expected to be around 3 MMT through the end of July and booked shipping records indicate that it could potentially outstrip the record 6.15 MMT of barley Australia shipped in the 2011/12 season. The Australian Bureau of Agricultural and Resource Economics and Sciences estimated in June that coarse grain exports would total some 5.2 MMT this year and has predicted that barely production will fall by around 20 percent to 7.5 MMT.

Brazil: The government has given approval for ADM to begin shipping corn from their new terminal on the mouth of the Amazon, according to Reuters. The terminal is located just outside of Belem, and will have an initial annual shipping capacity of 1.5 MMT, which is expected to increase to 6 MMT by 2016. The opening of this terminal in northern Brazil is expected to reduce shipping costs by 34 percent compared to cargoes arriving from Brazil's main port of Santos in the country's south.

China: Drought and high temperatures have caused damage to over a million hectares of farm land in the provinces of Henan and Inner Mongolia, reports Reuters. Henan is one of China's larger barley producing provinces, and the province's drought is the worst seen in four decades. It has negatively impacted 900,000 hectares of crops and forced the provincial government to restrict usage for water intensive industries. Inner Mongolia has been in a state of drought since April. This has negatively impacted 150,000 hectares of farm land, 16.4 million hectares of pasture land and severely impacted the drinking water supply of 300,000 people. The drought in Inner Mongolia is believed to have caused around \$37 million of damage so far.

South Africa: South Africa has raised its forecast for corn production to 14.02 MMT, which is an increase from the prior estimate of 13.9 MMT. Sorghum production estimates jumped by 9.6 percent to 255,700 MT.

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	\$41.50	Down \$0.50	Handymax at \$42.50/MT
55,000 U.S. PNW- Japan	\$23.00	Down \$0.25	Handymax at \$23.75/MT
55,000 U.S. Gulf – China	\$40.500	Down \$0.50	North China
PNW to China	\$22.00	Down \$0.25	
25,000 U.S. Gulf- Veracruz, México	\$14.50	Down \$1.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	\$12.00	Down \$2.25	Deep draft and 8,000 MT per day discharge rate.

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25/35,000 U.S. Gulf- East Coast Colombia, Argentina	\$19.25 \$28.00	Down \$0.50 Down \$0.50	West Coast Colombia at \$27.50
35,000 U.S. Gulf - Guatemala	\$25.50	Down \$0.50	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	\$34.00 \$36.00	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	\$33.50	Unchanged	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	\$32.00 \$30.00	Unchanged Unchanged	55,000 -60,000 MT St. Lawrence to Egypt \$31.00
60-70,000 U.S. Gulf – Europe – Rotterdam	\$18.00	Down \$0.50	Handymax at +\$1.50 more
Brazil, Santos – China	\$32.75 \$31.25	Down \$0.25 Down \$0.50	54-58,000 Supramax- Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	\$37.00	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: Ocean freight markets tried to rally a little this week but ran out of fuel by week's end.

The Capesize iron ore trade between western Australia and China moved up close to \$0.25MT before settling back to be unchanged for the week. The Atlantic Panamax trade was able to stabilize for the moment but the Pacific markets continue to be quite soft.

Determining the best rates in this buyers' market requires putting out a bid. The spot and 20-day market remains the weakest with vessel owners refusing to let go of forward tonnage for September and October unless they can get a \$3.00-4.50MTt premium over nearby values.

The below rate indications are for the 30-45 day market; spot prices can be lower.

Baltic Panamax Dry-Bulk Indices				
August 1, 2014	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	11,325	10,843	482	4.4%
P3A: PNW/Pacific – Japan	3,310	3,747	-437	-11.7%

Source: O'Neil Commodity Consulting

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

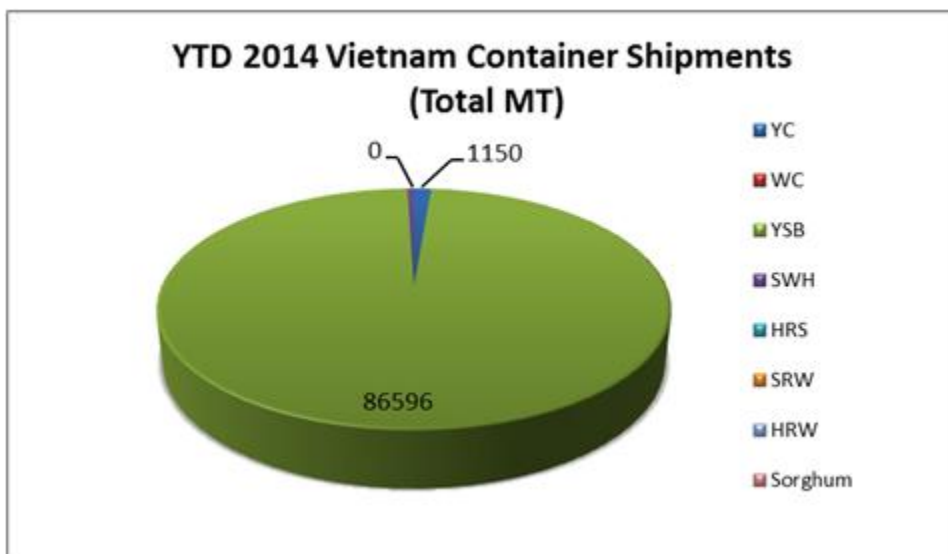
Week of August 1, 2014	
Four weeks ago	\$7.90-\$8.20
Three weeks ago:	\$7.60-\$7.90
Two weeks ago	\$7.50-\$7.65
One week ago:	\$7.50-\$8.00
This week	\$7.70-\$8.00

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
August 1, 2014	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.65	1.35	0.30	\$11.81	PNW
Soybeans	2.60	2.10	0.50	\$18.37	Both
Ocean Freight	\$22.00	\$40.50	0.47-0.50	(\$18.50)	September

Source: O'Neil Commodity Consulting

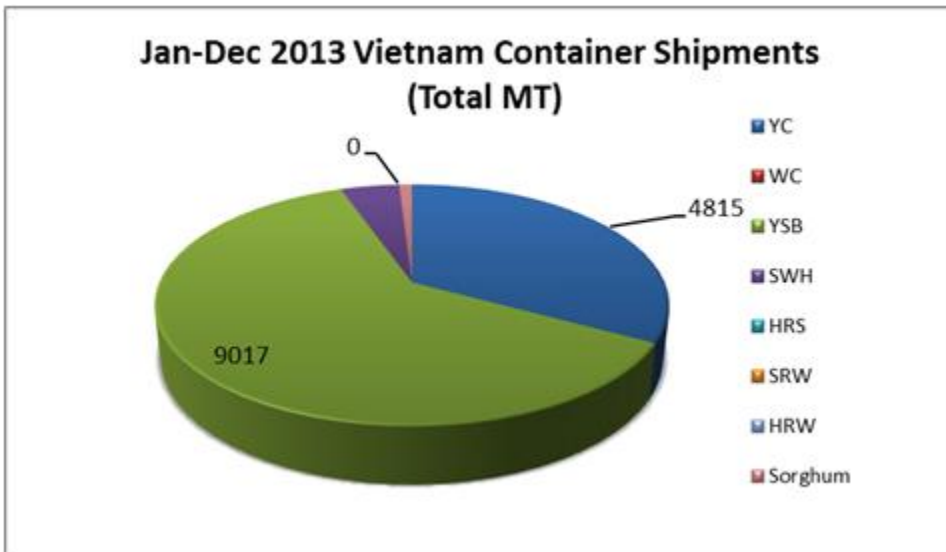
The charts below represent January-December 2013 annual totals versus January-May 2014 container shipments for Vietnam.



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	China	Japan	Korea	Colombia	Morocco	Egypt	Saudi Arabia
Corn (Yellow)	Argentina	\$37.5	\$42	\$39	\$28	\$34	\$26	\$42
	Brazil	\$31	\$35	\$33	\$25	\$24	\$20	-
Corn (White)	Argentina	\$37.5	\$42	\$39	\$28	\$34	\$26	\$42
	Brazil	\$31	\$35	\$33	\$25	\$24	\$20	-
Barley	Argentina	\$37.5	\$42	\$39	\$28	\$34	\$26	\$42
	Brazil	\$31	\$35	\$33	\$25	\$24	\$20	-
Sorghum	Argentina	\$37.5	\$42	\$39	\$28	\$34	\$26	\$42
	Brazil	\$31	\$35	\$33	\$25	\$24	\$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 (%): July 30, 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	0.55	0.55

Source: www.bankrate.com