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CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
\$/Bu	Monday 11 August	Tuesday 12 August	Wednesday 13 August	Thursday 14 August	Friday 15 August
Change	0.0475	0.0075	0.0075	0.0375	0.0350
Closing Price	3.6825	3.6900	3.6975	3.7350	3.7700
Factors Affecting the Market	The December contract closed higher as traders reduced short positions in corn prior to the publication of USDA's August reports.	Corn futures contracts closed basically unchanged since the WASDE report did not justify driving prices lower.	December corn spent another day stationary as traders took a second look at data that did not justify further selling.	A couple of days have passed since USDA published the August WASDE and there were growing expectations for a limited bounce.	It is has been a long time since every weekday closed positive. Yields will presumably need to increase before new lows are established.

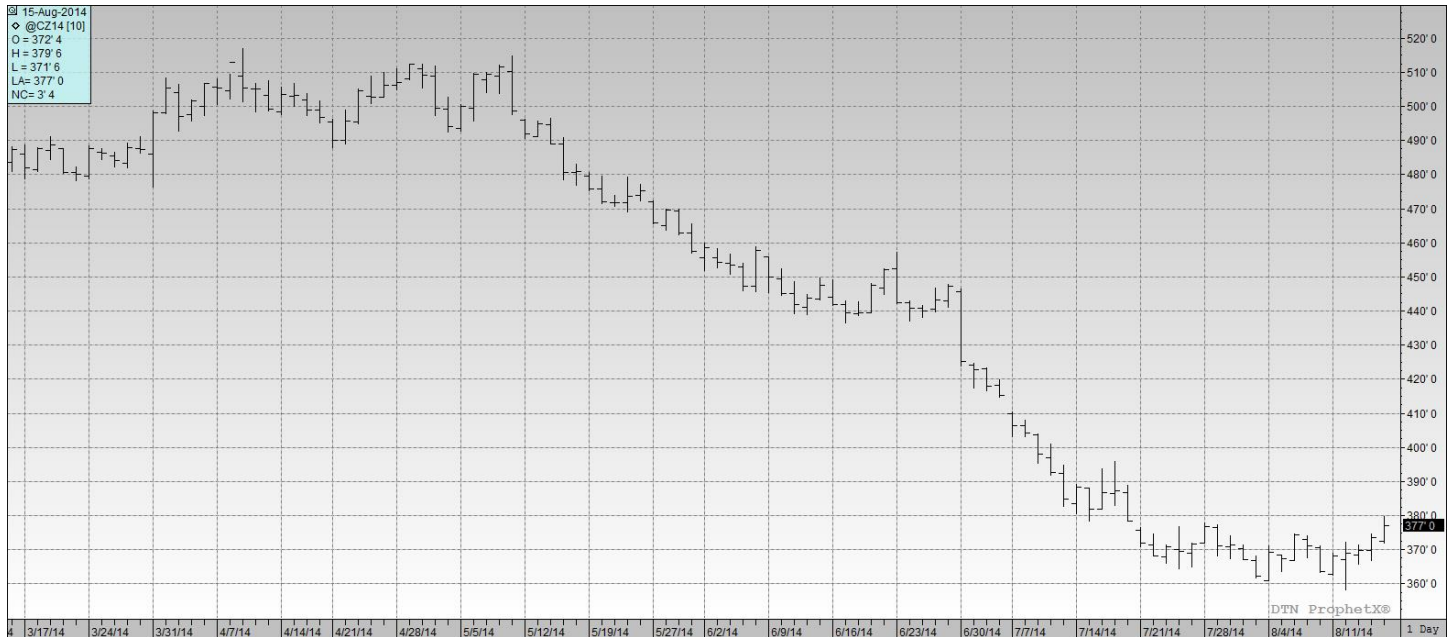
For more information on the contents of this newsletter or the U.S. Grains Council, its mission and programs, please contact Kevin Roepke or Alvaro Cordero at (202) 326-0637.

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's August WASDE and Crop Production reports were published on Tuesday, and the estimated average U.S. corn yield was increased by 2.1 bushels above the prior trend estimate to a record of 167.4 bushels per acre. Such a large yield is expected to produce just over 14 billion bushels of corn. The combination of that production and the beginning stocks will produce a new record corn supply for the approaching 2014/15 season. However, the estimate for U.S. corn ending-stocks in 2014/15 of 1.808 billion bushels was virtually unchanged from the prior July estimate of 1.801 billion bushels. Bearish traders with short position were disappointed because they needed an estimate of U.S. corn ending stocks well in excess of 2 billion bushels to justify driving prices lower. Because of this, the outlook is that there can presently be a limited bounce in corn futures contracts as positions are adjusted. Future corn yield estimates for the 2014/15 season will need to increase further before there is sufficient justification to drive prices lower. A summary of the feed grain data in Tuesday's August WASDE follows:

- The first survey-based estimate from USDA is for a national average corn yield of 167.4 bushels per acre. The sorghum yield forecast was increased 3.0 bushels per acre for a national average yield of 67.1 bushels and production of 429 million bushels. Yet, the 2014/15 ending stocks for U.S. sorghum declined by 10 million bushels due to increased demand. The report also contained a 2 bushel per acre yield increase for barley to 73.2 bushels per acre, but barley ending stocks only increase 1 million bushels from the prior estimate, to 81 million bushels for 2014/15.
- The record corn supply of 15,243 million bushels for the 2014/15 season is not expected to be so cumbersome; The production is partly offset by a 65-million-bushel reduction in beginning stock for the 2013/14 season as corn use for ethanol and exports were increased 45 million bushels and 20 million bushels and in the 2014/15 season, ethanol and exports were each raised 25 million bushels, and feed and residual was increased 50 million bushels. The end result is that the low of USDA's projected season-average farm price for U.S. corn was lowered 10 cents to \$3.55 per bushel, which is about present price levels.

CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending August 85 , 2014			
Commodity	August 15	August 8	Net Change
Corn			
Sep 14	365.75	351.75	14.00
Dec 14	377.00	363.50	13.50
Mar 15	390.25	376.50	13.75
May 15	398.75	384.50	14.25
Soybeans			
Sep 14	1102.50	1113.75	-11.25
Nov 14	1052.00	1084.75	-32.75
Jan 15	1061.00	1093.25	-32.25
Mar 15	1069.00	1100.75	-31.75
Soymeal			
Sep 14	388.30	367.90	20.40
Oct 14	357.90	353.60	4.30
Dec 14	353.50	350.60	2.90
Jan 15	351.70	349.50	2.20
Soyoil			

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Sep 14	32.87	35.52	-2.65
Oct 14	32.95	35.61	-2.66
Dec 14	33.21	35.87	-2.66
Jan 15	33.50	36.10	-2.60
SRW			
Sep 14	551.25	549.25	2.00
Dec 14	563.50	566.00	-2.50
Mar 15	583.50	585.25	-1.75
May 15	595.25	597.50	-2.25
HRW			
Sep 14	619.75	629.25	-9.50
Dec 14	634.25	642.75	-8.50
Mar 15	643.75	652.50	-8.75
May 15	648.25	656.00	-7.75
MGEX (HRS)			
Sep 14	612.00	618.75	-6.75
Dec 14	623.25	630.75	-7.50
Mar 15	637.00	642.75	-5.75
May 15	646.25	650.75	-4.50

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: August 10, 2014					
	Very Poor	Poor	Fair	Good	Excellent
Corn	2%	5%	20%	51%	22%
Sorghum	2%	8%	31%	49%	10%
Barley	1%	4%	30%	53%	12%

U.S. Drought Monitor Weather Forecast: August 15-18 is expected to bring a swath of moderate-to-locally heavy rain (0.5 to 2.5 inches) from the northernmost reaches of the Cascades, Intermountain West and Rockies southeastward through most of the Dakotas, the upper Mississippi Valley, the southern Great Lakes Region and the Ohio Valley. Light rainfall is expected for most other regions of dryness and drought, with scattered moderate rains dampening the Rockies. Little, if any, precipitation is expected in much of Georgia and South Carolina, central and southern Texas, the Great Basin, and the Far West south of the Cascades.

The ensuing period of August 19-23 favor above-median rainfall from the northern Rockies eastward through the northern Plains, the middle and upper Mississippi Valley, the Great Lakes, the Ohio Valley, the upper South and the Northeast outside of New England. Below-median precipitation is anticipated for Oregon, Nevada, Utah, the Four Corners States, Texas and adjacent parts of neighboring states. Elsewhere, neither

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unusually dry nor wet weather is favored. 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 August 7, 2014					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	485,000	501,300	4,474.7	10,661.4	-24%
Corn	150,400	721,800	43,727.7	48,618.7	155%
Sorghum	163,600	318,200	4,094.1	5,009.5	211%
Barley	12,000	700	17.2	37.2	-29%

Source: USDA, World Perspectives, Inc.

Corn: Net sales reductions of 117,100 MT for 2013/14 were down noticeably from the previous week and from the prior four-week average. Increases reported for South Korea (131,200 MT, including 128,000 MT switched from unknown destinations), Venezuela (73,500 MT, including 56,900 MT switched from unknown destinations), Mexico (56,700 MT), Taiwan (22,300 MT), Canada (15,900 MT) and the Netherlands (8,400 MT), were more than offset by decreases for unknown destinations (322,500 MT), Colombia (57,400 MT), Morocco (29,700 MT), the Dominican Republic (20,500 MT) and Japan (10,600 MT). Net sales of 787,800 MT for 2014/15 were reported primarily for Colombia (284,000 MT), unknown destinations (138,200 MT), Mexico (75,500 MT), Japan (74,000 MT), Peru (69,900 MT) and Guatemala (45,000 MT). Exports of 721,800 MT were down 33 percent from the previous week and 25 percent from the prior four-week average. The primary destinations were Mexico (212,300 MT), South Korea (131,600 MT), Japan (120,200 MT), Venezuela (70,000 MT), the Netherlands (60,400 MT), Guatemala (58,800 MT) and Taiwan (24,100 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 55,000 MT, all South Korea.

Barley: Net sales of 12,000 MT for 2014/15 were reported for Japan. Exports of 700 MT were reported to Taiwan (500 MT) and South Korea (200 MT).

Sorghum: Net sales of 161,600 MT for 2013/14 resulted as increases for China (274,600 MT, including 113,000 MT switched from unknown destinations and decreases of 2,000 MT), were partially offset by decreases for unknown destinations (113,000 MT). Exports of 318,200 MT were reported to China (313,100 MT) and Mexico (5,100 MT).

U.S. Export Inspections: Week Ending August 7, 2014					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	905,137	1,140,546	43,874,727	16,739,637	262%
Sorghum	318,114	122,702	4,633,612	1,703,563	272%
Soybeans	98,910	39,256	43,160,611	35,464,128	122%
Wheat	526,997	384,421	4,555,805	6,523,550	70%
Barley	0	2,572	33,119	6,985	474%



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 August 7, 2014						
Last Week	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	570,827	64%	0	0%	309,759	97%
PNW	201,770	23%	11244	69%	1739	1%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Interior Export Rail	116,306	13%	4,990	31%	6,616	2%
Total (Metric Tons)	888,903	100%	16,234	100%	318,114	100%
White Corn Shipments by Country (MT)			11,097	to New Zealand		
			4,990	to Mayotte		
			147	to S. Korea		
Total White Corn (MT)			16,234			
Sorghum Shipments by Country (MT)					317,658	to China
					456	to Mexico
Total Sorghum (MT)					318,114	

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 August	+1.27 U	\$193.99	+1.65 U	\$208.94
September	+1.27 U	\$193.99	+1.65 U	\$208.94
October	+1.27 Z	\$198.41	+1.65 Z	\$213.37
November	+1.27 Z	\$198.41	+1.65 Z	\$213.37

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
August	+1.95 Z	\$225.18	+1.95 Z	\$225.18
September	+1.95 Z	\$225.18	+1.95 Z	\$225.18
October	+1.95 Z	\$225.18	+1.95 Z	\$225.18



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

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	September	October	November
New Orleans	\$172	\$172	\$172
<i>Quantity 5,000 MT</i>			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	September	October	November
New Orleans	\$670	\$670	\$670
<i>*5-10,000 MT Minimum</i>			

*All prices are market estimates.

DDGS Price Table: August 15, 2014 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Sep.	Oct.	Nov.
Barge CIF New Orleans	175	180	183
FOB Vessel GULF	198	200	206
Rail delivered PNW	188	192	197
Rail delivered California	194	198	205
Mid-Bridge Laredo, TX	190	195	200
40 ft. Containers to South Korea (Busan)	233	244	244
40 ft. Containers to Taiwan (Kaohsiung)	229	243	243
40 ft. Containers to Philippines (Manila)	242	251	251
40 ft. Containers to Indonesia (Jakarta)	244	250	250
40 ft. Containers to Malaysia (Port Kelang)	243	254	254
40 ft. Containers to Vietnam (HCMC)	238	247	247
40 ft. Containers to Japan (Yokohama)	231	236	236
40 ft containers to Thailand (LCMB)	241	250	250
40 ft Containers to Shanghai, China	232	253	253
KC & Elwood, IL Rail Yard (delivered Ramp)	168	182	182

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: Merchandisers were in agreement that DDGS prices showed some recovery this past week. Demand has still not returned to full strength but fourth quarter prices seem to be consistently holding a

\$5-10/MT premium over SEP prices. That fact seems evident in the reported rates and estimates in the pricing table. In relation to September prices, there were some containerized sales to Vietnamese buyers at \$227/MT, for September shipment. Vietnamese buyers have become increasingly skilled at correctly interpreting market conditions in the past few years.

Buyers from other Asian destinations, such as Thailand and the Philippines, are also making pricing inquiries – but in many instances there continues to be about a \$10/MT difference between the bid and asking price. As buyers and merchandisers negotiate with each other on that spread, a general rate increase (GRI) seems to be developing in logistical channels for the late November or early December time period. Current market discussion is that freight rates could go up as much as \$200 for 40-foot containers.

A number of ethanol facilities are presently operating at full capacity and the affiliated DDGS merchandisers have a lot of product to move, and they sound ready to negotiate with any buyer who is willing to acquire substantial volume. The largest increases in demand have come this past week from the domestic feed mills and feed lot operations. Those domestic buyers often focus heavily upon basis and the price of differential of DDGS in relation to cash corn, and their increased interest seems to indicate that they perceive an opportunity.

Ethanol Comments: USDA increased corn used for ethanol production in the expiring 2013/14 season by 45 million bushels and by 25 million bushels in the approaching 2014/15 season that begins September 1. The increases stem in large part from the strong export demand for corn based ethanol. That demand is indicated in the fact that ethanol production increased from an average daily rate of 902,000 barrels per day (bpd) to 931,000 bpd while U.S. ethanol stocks dropped from 18.3 to 17.8 million barrels in the same period. Market dynamics seem able to facilitate present ethanol production levels if there is no substantial decline in global gasoline prices and/or increase in corn prices.

USDA seems to have accounted for the likelihood of strong corn demand coming from the ethanol industry as much of the increase in global coarse grain consumption in 2014/15 is due to U.S. domestic consumption. The estimate for E.U. corn consumption was actually lowered by 2 MMT because heavy rains have reduced wheat quality and increased the prospects for more of their own wheat feeding.

Delayed consumption from the E.U. and China should allow ethanol facilities sufficient time to price out their corn needs well into the 2014/15 season. However, those two buyers will not remain out of the market forever. As well, USDA is forecasting that other global buyers, such as Egypt, Saudi Arabia, South Africa, Algeria and Taiwan will increase their purchases.

The differential between the cost of corn and the co-products at ethanol facilities implies that spot margins rebounded this past week across the Corn-Belt. The differentials are the following for week-ending Friday, August 15, 2014:

- Illinois differential is \$3.55 per bushel in comparison to \$3.16 the prior week and \$2.40 a year ago.
- Iowa differential is \$3.47 per bushel in comparison to \$3.17 the prior week and \$2.37 a year ago.
- Nebraska differential is \$3.50 per bushel in comparison to \$3.02 the prior week and \$2.02 a year ago.
- South Dakota differential is \$3.81 per bushel in comparison to \$3.31 the prior week and \$2.47 a year ago.

COUNTRY NEWS

China: The drought in Central China is expected to have a limited impact on national corn output due to higher overall planted acreage offsetting the crop damage, according to Reuters. High domestic supplies following four straight years of record harvests will likely preclude China from going abroad to purchase grain. China has already cut corn imports by 10 percent this year. While the drought is having little effect on corn output, it is expected to put a dent in China's barley crop.

Kazakhstan: Central Asia's largest grain producer is set to lower exports this year in anticipation of a smaller harvest, reports Reuters. Poor weather in the country's main northern growing regions are the primary culprit for the reduction. So far this year the country's Food Contract Corporation has exported 453,000 MT of grain, 430,000 MT of which has gone to Iran. Kazakhstan exported 8.7 MMT of the 18.2 MMT of grain that farmers harvested in 2013/14.

Russia: The cost of borrowing has risen significantly for Russian farmers and is driving a rush in grain exports to cover bank loans, according to Reuters. Russian farmers rely heavily on loans to finance themselves, however the rush to sell may cause more harm than good given that it could drive global grain prices down even further from their current four-year lows. The government rushed to the aid of farmers during the financial crisis of 2008 and 2010's drought, however Western sanctions are taking their toll on the Russian economy and will likely limit Moscow's ability to provide assistance. Further, Sberbank and the Russian Agricultural Bank, two of the country's largest farm creditors, have been sanctioned by the EU, which prevents them from accessing its capital markets. The Russian Agricultural Bank has also been sanctioned by the U.S.

Russia's Central Bank has reported that debt in the agriculture and hunting sectors had as of July 1 grown to 1.27 trillion rubles, up from the 1.24 trillion rubles reported in January. Interest rates on agricultural loans are also up an additional 3-4 percent from the 12-14 percent rates seen in January.

South Africa: Corn prices in the continent's largest producer have fallen for the second week in a row on the expectation of the largest harvest in 33 years, reports Bloomberg News. Yellow corn prices dropped 3 percent to total \$176/MT. South Africa is expected to produce 14.1 MMT of corn this year.

Ukraine: Ukraine's agricultural minister, Ihor Shvaika, has announced that the 2014 grain harvest could exceed 63 MMT, according to Reuters. Analysts had previously forecast that Ukraine would bring in 59-61 MMT of grain, and UkrAgroConsult raised its forecast this week to 58.5 MMT.

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	\$43.00	Up \$1.50	Handymax at \$44.00/MT
55,000 U.S. PNW- Japan	\$24.00	Up \$1.25	Handymax at \$25.00/MT

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55,000 U.S. Gulf – China PNW to China	\$42.00 \$23.00	Up \$1.50 Up \$1.25	North China
25,000 U.S. Gulf- Veracruz, México	\$15.00	Up \$0.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	\$12.50	Up \$0.50	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	\$19.50 \$28.00	Up \$0.25 Unchanged	West Coast Colombia at \$27.50
35,000 U.S. Gulf - Guatemala	\$26.50	Up \$1.00	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	\$31.00 \$31.00	Down \$1.00 Up \$1.00	55,000 -60,000 MT St. Lawrence to Egypt \$32.00
60-70,000 U.S. Gulf – Europe – Rotterdam	\$19.00	Up \$1.25	Handymax at +\$1.50 more
Brazil, Santos – China	\$32.75 \$32.00	Unchanged Up \$0.75	54-58,000 Supramax- Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	\$38.00	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: It was quite a rally in the Baltic Indices this week; at least in terms of the percentage movement.

However, when a market is down this low it does not take much to produce a double digit percentage change. Is this the turnaround in ocean freight values that vessel owners were hoping for? Maybe not, but it will provide some relief against the prevailing poor vessel economics and it may confirm that we have put in the lows for the year. The physical market is not up as much as the Baltic Indices but things are a bit better and the Pacific Panamax segments seem to be getting a good bounce. We will have to see if this can hold until we get into the North American fall harvest season.

Baltic Panamax Dry-Bulk Indices				
August 15, 2014	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	14,109	11,904	1,538	18.5%

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P3A: PNW/Pacific – Japan	4,852	3,025	1,028	60.4%
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Source: O'Neil Commodity Consulting

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

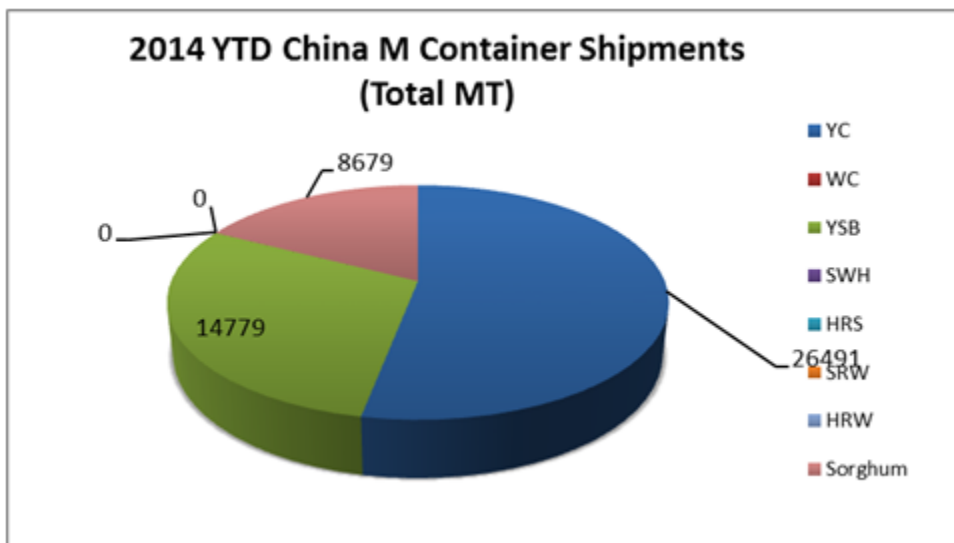
Week of August 15, 2014	
Four weeks ago	\$7.55-\$7.90
Three weeks ago:	\$7.50-\$7.65
Two weeks ago	\$7.50-\$8.00
One week ago:	\$7.70-\$8.00
This week	\$7.40-\$8.85

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
August 15, 2014	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.59	1.25	0.34	\$13.39	PNW
Soybeans	2.60	2.15	0.45	\$16.53	PNW
Ocean Freight	\$23.00	\$42.00	0.48-0.51	(\$19.00)	September

Source: O'Neil Commodity Consulting

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



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	\$46	\$50	\$47	\$28	\$34	\$26	\$42
	Brazil	\$39	\$43	\$40	\$25	\$24	\$20	-
Corn (White)	Argentina	\$46	\$50	\$47	\$28	\$34	\$26	\$42
	Brazil	\$39	\$43	\$40	\$25	\$24	\$20	-
Barley	Argentina	\$46	\$50	\$47	\$28	\$34	\$26	\$42
	Brazil	\$39	\$43	\$40	\$25	\$24	\$20	-
Sorghum	Argentina	\$46	\$50	\$47	\$28	\$34	\$26	\$42
	Brazil	\$39	\$43	\$40	\$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 (%): August 13, 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)	0.55	0.58	0.55

Source: www.bankrate.com