Market Perspectives

February 7, 2014

U.S. GRAINS COUNCIL

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
$/Bu	**Monday 3 February**	**Tuesday 4 February**	**Wednesday 5 February**	**Thursday 6 February**	**Friday 7 February**
Change	0.0175	0.0060	0.0150	-0.0025	0.0125
Closing Price	4.3575	4.4175	4.4325	4.4300	4.4425
Factors Affecting the Market	The March contract traded higher through-out the day. It was another day of modest trading as the contract remained within a narrow 5-cent range.	Unfavorable Brazilian weather forecasts and reduced corn production estimates for South American allowed corn futures to post solid gains.	Corn contracts began the day slightly lower, but then worked higher due to an additional export announcement and more S.A. weather talk.	The March contract closed the trading day just slightly lower after spending the past five sessions working through some key resistance levels.	Corn contracts have climbed steadily higher this week prior to the release of USDA data next Monday. That data will influence near-term price direction.

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 will update their global supply and demand estimates on Monday, February 10. The estimate for U.S. corn exports could be increased and the South American production forecast reduced slightly. Market participants are waiting to see how any changes in data will impact U.S. and global ending stocks of feed grains. This pre-report anticipation is one reason that corn contracts have been able to work higher for the past week. The daily moves have been moderate in size but important in the ability to push through resistance levels.

The majority of market participants are expecting USDA to lower ending stocks for U.S. corn below the most recent January estimate of 1.631 billion bushels for the current 2013/14 season. Estimates range from a high of 1.667 down to a low of 1.574 billion bushels, with an average of 1.606 billion bushels. An estimate below 1.6 billion bushels could further dampen some of the recent bearish mindset. That fact will be particularly true if there is a notable decline in South American corn production estimates as well. In January, USDA estimated that total Brazilian corn production would be 70 MMT and Argentine corn production 25 MMT.

After USDA's estimates are published on Monday, then attentions will quickly return to the U.S. export sales pace for corn and South American weather, which could improve some next week. Shortly thereafter, thoughts and discussion will turn to the topic of U.S. plantings. USDA will give very preliminary estimates for 2014/15 acreage at their Agricultural Outlook Forum that will occur on February 20-21. Actual survey results of farmer planting intentions will be published by USDA on March 28 in the Prospective Plantings report, which will also be accompanied with the important Grain Stocks report.

As noted last week, a further modest increase in prices could entice farmer selling in order to take care of some tax and lease obligations, but aggressive selling seems unlikely prior to seeing the contents of USDA's reports and weather forecasts at the end of March. After all, many farmers simply find it difficult to call corn overpriced when the nearby oat contract has recently held a premium.

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CBOT MARCH CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending February 7, 2014			
Commodity	**February 7**	**January 31**	**Net Change**
Corn			
Mar 14	444.25	434.00	10.25
May 14	450.00	439.50	10.50
Jul 14	455.50	444.00	11.50
Sep 14	457.00	446.25	10.75
Soybeans			
Mar 14	1331.50	1282.75	48.75
May 14	1317.50	1268.50	49.00
Jul 14	1298.00	1252.00	46.00
Aug 14	1251.00	1210.50	40.50
Soymeal			
Mar 14	446.40	426.10	20.30
May 14	429.90	411.10	18.80
Jul 14	417.70	400.50	17.20
Aug 14	399.90	386.20	13.70
Soyoil			

Mar 14	38.56	37.64	0.92
May 14	38.88	37.93	0.95
Jul 14	39.18	38.25	0.93
Aug 14	39.22	38.38	0.84
SRW			
Mar 14	577.50	555.75	21.75
May 14	579.25	558.25	21.00
Jul 14	583.75	561.50	22.25
Sep 14	592.00	570.00	22.00
HRW			
Mar 14	649.25	615.50	33.75
May 14	638.50	611.00	27.50
Jul 14	626.75	602.75	24.00
Sep 14	634.25	612.50	21.75
MGEX (HRS)			
Mar 14	639.25	604.00	35.25
May 14	619.25	599.25	20.00
Jul 14	622.25	607.50	14.75
Sep 14	629.50	616.00	13.50

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: During the period of February 7-10, very heavy precipitation (as much as 7-9 inches, liquid equivalent) is predicted in northern California, and 3-4 inches in western Oregon. This will go a long way in helping to mitigate some of the drought conditions in these areas, though reassessment of conditions next week will be needed to determine the extent of any potential improvements in the Drought Monitor depiction. Along the Southeast coast including northern Florida, 1.0-1.5 inches of rain is expected during the period which will be beneficial to the small areas of abnormal dryness (D0) in that region. With the exception of 3-4 inches of precipitation anticipated over the central Rockies and Wasatch Range, most other areas of the CONUS can expect a half-inch or less of precipitation within the next five days.

For the period of February 11-15, there are elevated odds of above-median precipitation for most of the northern and eastern Lower 48 states. Probabilities for above-median precipitation rise up to 60 percent in the Pacific Northwest, and 50 percent over the Gulf and Atlantic Coast states. Below-median precipitation is favored for southern California, much of the Southwest and southern Rockies, the central and southern High Plains. Follow this link to view current U.S. and international weather patterns and the future outlook: Weather and Crop Bulletin.

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U.S. EXPORT STATISTICS

Export Sales and Exports: Week Ending January 30, 2013					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	677,200	367,900	21,168.0	26,694.4	27%
Corn	1,903,400	747,300	14,940.8	33,510.8	145%
Sorghum	127,900	149,500	1,109.7	3,298.4	253%
Barley	33,500	44,100	120.7	158.6	29%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 1,700,100 MT for 2013/14 were down 8 percent from the previous week, but up 94 percent from the prior four-week average. Increases were reported for Japan (798,900 MT, including 117,000 MT switched from China, 83,700 MT switched from unknown destinations, and decreases of 50,000 MT), unknown destinations (311,900 MT), Spain (280,000 MT), Vietnam (78,100 MT) and Taiwan (66,500 MT, including 57,400 MT switched from China). Decreases were reported for China (72,400 MT) and Peru (1,400 MT). Exports of 747,300 MT were down 26 percent from the previous week and 3 percent from the prior four-week average. The primary destinations were Japan (255,000 MT), Taiwan (137,000 MT), Mexico (121,700 MT), Vietnam (63,100 MT) and Venezuela (32,000 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 55,000 MT, all South Korea. Export Adjustments: Accumulated exports to China were adjusted down 63,127 MT for week ending December 19, 2013. Vietnam is the new destination for these shipments and is included in this week's report.

Barley: Net sales of 32,400 MT for 2013/14 were reported for Japan. Exports of 44,100 MT--a marketing-year high--were to Japan (43,900 MT) and Taiwan (200 MT).

Sorghum: Net sales of 125,800 MT for 2013/14 were down 34 percent from the previous week, but up 18 percent from the prior four-week average. Increases reported for China (297,500 MT, including 175,000 MT switched from unknown destinations and decreases of 2,200 MT), were partially offset by decreases for unknown destinations (117,300 MT) and Japan (54,500 MT). Exports of 149,500 MT were to China (144,200 MT) and Japan (5,300 MT).Optional Origin Sales: For 2013/14, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending January 30, 2013					
Commodity (MT)	**Export Inspections**		**Current Market YTD**	**Previous YTD**	**YTD as Percent of Previous**
	Current Week	**Previous Week**			
Corn	14,293,956	18,714,339	370,889,399	201,268,811	184%
Sorghum	4,539,464	1,535,643	35,149,574	25,240,212	139%
Soybeans	32,423,972	54,786,298	858,246,844	745,208,154	115%
Wheat	8,944,103	10,815,774	600,618,446	444,226,846	135%
Barley	955,769	3,788	3,022,672	2,650,545	114%

*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 January 30, 2013						
Last Week (000 bushels)	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	294,601	53%	3,059	78%	175,622	98%
PNW	132,070	24%	0	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	175	0%	0	0%	0	0%
Interior Export Rail	131,952	24%	875	22%	3,090	2%
Total (1,000 bu)	558,798	100%	3,934	100%	178,712	100%
Total (Metric Tons)	14,194,028		99,928		4,539,464	
White Corn Shipments by Country (MT)			77,702	to Japan		
			20,727	to Mexico		
			1,499	to South Korea		
Total White Corn (MT)			99,928			
Sorghum Shipments by Country (MT)					3,691,096	to China
					637,311	to Chad
					134,625	to Japan
					68710	to Kenya
					7,722	to Mexico
Total Sorghum (MT)					4,539,464	

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 March	-	-	+1.50 H	$233.95
LH March	+1.10 H	$218.20	+1.50 H	$233.95
April	+0.88 K	$211.80	+1.36 K	$230.70
May	+0.85 K	$210.62	+1.36 K	$230.70

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**February**	**March**	**April**
Gulf	$255	$255	$255

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	**NOLA**		**TEXAS**	
	Basis	**Flat Price**	**Basis**	**Flat Price**
February	+1.65 H	$239.85	+1.65 H	$239.85
March	+1.65 H	$239.85	+1.65 H	$239.85
April	+1.60 K	$240.14	+1.60 K	$240.14

Barley: Feed Barley (FOB USD/MT)			
	February	**March**	**April**
FOB PNW	$245	$245	$245

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	February	**March**	**April**
New Orleans	$225	$225	$225
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**February**	**March**	**April**
New Orleans	$800	$800	$800
**5-10,000 MT Minimum*			

***All prices are market estimates.*

DDGS Price Table: February 7, 2014 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**Feb**	**Mar**	**Apr**
Barge CIF New Orleans	313	310	302
FOB Vessel GULF	310	304	292
Rail delivered PNW	311	310	303
Rail delivered California	315	312	305
Mid-Bridge Laredo, TX	310	308	300
40 ft. Containers to South Korea (Busan)	341	338	336
40 ft. Containers to Taiwan (Kaohsiung)	338	336	333
40 ft. Containers to Philippines (Manila)	353	350	348
40 ft. Containers to Indonesia (Jakarta)	352	349	347
40 ft. Containers to Malaysia (Port Kelang)	351	349	346
40 ft. Containers to Vietnam (HCMC)	357	354	352

40 ft. Containers to Japan (Yokohama)	348	345	343
40 ft containers to Thailand (LCMB)	351	349	346
40 ft Containers to Shanghai, China	338	336	333
KC & Elwood, IL Rail Yard (delivered Ramp)	264	261	259

*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: The preceding Outlook section discusses some reasons that corn prices have worked higher during the past week, and that is one reason why DDGS prices have increased from $5.00 to $10.00 higher per metric ton. An additional reason for said price increase is that recent winter storms moving across the United States have produced extremely cold temperatures and deep snow. That cold weather has driven up the cost of natural gas, which is used to dry DDGS. Some of the domestic end-users of DDGS are attempting to avoid the impact of higher natural gas prices by purchasing more of the product wet. This strategy can work to some degree for domestic buyers, depending on how cold the weather gets. However, the increased weight of wet product means that it is only feasible to market to local consumers within a limited radius; otherwise, ethanol facilities need to dry the DDGS product.

Foreign buying has slowed somewhat this week due to the Chinese New Year holiday, but DDGS merchandisers noted that inquiries are again starting to pick up from Asian buyers and are likely to return in greater force next week. Of course, many of those foreign buyers will desire to ship their purchased product by container. Foreign buyers may want to work with the DDGS merchandisers to allow sufficient time to acquire containers and arrange logistics for the following reasons:

1. There is a seasonal tendency for containers and vessel space to tighten, but that shortage has become more pronounced this year due to the large export volumes.
2. This year's severe winter weather has delayed truck traffic and even caused some highway closures. As well, the extremely cold temperatures and dangerous wind chills have slowed container loading activities.
3. Weather is also one factor that is contributing to a shortage of ethanol rail cars. The limited supply is causing some of the ethanol plants to slow down their production, thus resulting in reduced DDGS production.

Ethanol Comments: In relation to ethanol policy, the Environmental Protection Agency (EPA) recently noted that any further reductions in the annual blending requirements are presently unnecessary and would not support the objectives of Congress as laid out in the original 2007 Energy Independence and Security Act. While the agency did agree to reduce the cellulosic ethanol requirements, it would not reduce the requirement to blend 16.55 billion gallons into the fuel supply of the United States. EPA estimates that this mandate can be met with corn-based ethanol, bio-based diesel and the petroleum industry's own stockpile of renewable identification numbers (RINs).

A limited decline in weekly U.S. ethanol production was reported by the Energy Information Agency (EIA) this past week at 895,000 barrels per day (bpd), down slightly from an average rate of 900,000 bpd the prior week. There was also a modest decline in total U.S. ethanol stocks to 16.7 million barrels. This is down from 16.9 million barrels the prior week, a substantial 16.7 percent from the year-ago level of 20.1 million barrels and 20.5 percent from the 21.2 million barrel level two years ago.

Additionally, there was a story in Bloomberg news this week that said about 3.3 million gallons of U.S. corn-based ethanol had been exported to Brazil. Exports to Brazil imply that ethanol imports into the United States are unlikely anytime soon. It has been approximately 20 weeks since any ethanol was imported into the United States. Such positive news stories are pointed out to reemphasize the fact that the U.S. ethanol industry is healthy and it is expected to remain in this condition so long as corn prices continue at present levels.

Differences between corn and co-product processing values across the Corn Belt are not producer margins, but they can be used as indicators of changing conditions. The differentials for locations across the Corn Belt are as follows:

- Illinois differential is $3.43 per bushel, in comparison to $3.49 the prior week and $1.74 a year ago.
- Iowa differential is $2.60 per bushel, in comparison to $2.60 the prior week and $1.55 a year ago.
- Nebraska differential is $2.60 per bushel, in comparison to $2.48 the prior week and $1.91 a year ago.
- South Dakota differential is $2.75 per bushel, in comparison to $2.72 the prior week and $1.73 a year ago.

COUNTRY NEWS

Australia: Drought has caused the price of sorghum to jump to its highest point since 2007, reports Bloomberg News. The grain, which is commonly used to feed livestock, was at $310/MT in January.

Brazil: Rains are forecast for Brazil's dry center-south growing region after February 17, according to Reuters. However, the amount of rain that could fall remains uncertain and the hot and dry weather have already caused stress to the country's corn crop.

Vietnam: One corn cargo of 63,127 MT that had been reported as shipped to China was instead diverted to Vietnam, according to Reuters. Other cargoes have also been reported as diverted to Japan, South Korea and Spain.

Japan: The Ministry of Agriculture received no bids for the importation of feed barley or feed wheat in its weekly auction that closed on Wednesday, reports Reuters. The MOA had sought 120,000 MT of feed wheat and 200,000 MT of feed barley and will seek the same amounts in a tender that closes February 12.

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	$55.50	Down $1.00	Handymax at $56.50/MT
55,000 U.S. PNW- Japan	$28.00	Unchanged	Handymax at $29.00/MT
55,000 U.S. Gulf – China PNW to China	$54.00 $26.00	Down $1.00 Unchanged	North China
25,000 U.S. Gulf- Veracruz, México	$20.00	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	$17.50	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$25.00 $37.00	Unchanged Unchanged	West Coast Colombia at $35.00 West Coast Colombia from Argentina at $43.00
35,000 U.S. Gulf - Guatemala	$35.00	Unchanged	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$43.00 $45.00	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$45.00	Unchanged	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$39.50 $40.00	Unchanged Unchanged	55,000 -60,000 MT St. Lawrence to Egypt $39.00
60-70,000 U.S. Gulf – Europe – Rotterdam	$24.00	Unchanged	Handymax at +$1.50 more
Brazil, Santos – China	$42.50 $41.00	Up $1.00Up $1.00	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$48.50	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: By Monday the Lunar New Year celebrating should be over and Asian industries should be returning to work.

World ocean freight markets are anxious to see what new business develops and are certainly hoping that the uptick in North and South American grain and oilseed exports will provide a needed boost in cargo demand and prices. Current Baltic indices are back to where they were in mid-November, but they are considerably better relative to this time last year.

U.S. grain and oilseed exports continue at a very good pace and are soaking up much of our export capacity for the next three months. According to USD data, during the week ending January 30, 37 ocean-going grain vessels were loaded in the U.S. Gulf, which is 5 percent less than the same period last year. Ninety-seven vessels are expected to be loaded within the next 10 days, which is 106 percent more than the same period last year. Interior logistics remain messy and expensive. Buying grains, oilseeds and freight is not the problem – getting the product to the port and loaded in a timely fashion is. Logistic should be as much a concern as price in today's markets.

Baltic Panamax Dry-Bulk Indices				
February 7, 2014 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	21,073	21,710	-637	-2.9%
P3A: PNW/Pacific – Japan	8,994	8,580	414	4.8%

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 February 7, 2014	
Four weeks ago	$12.50-$12.50
Three weeks ago:	$7.30-$7.75
Two weeks ago	$7.75-$8.05
One week ago:	$7.10-$7.60
This week	$7.15-$7.60

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
February 7, 2014	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.50	1.10	0.45	$17.72	PNW
Soybeans	1.70	1.20	0.50	$18.37	PNW
Ocean Freight	$26.00	$54.00	0.71-0.76	($28.00)	March

Source: O'Neil Commodity Consulting

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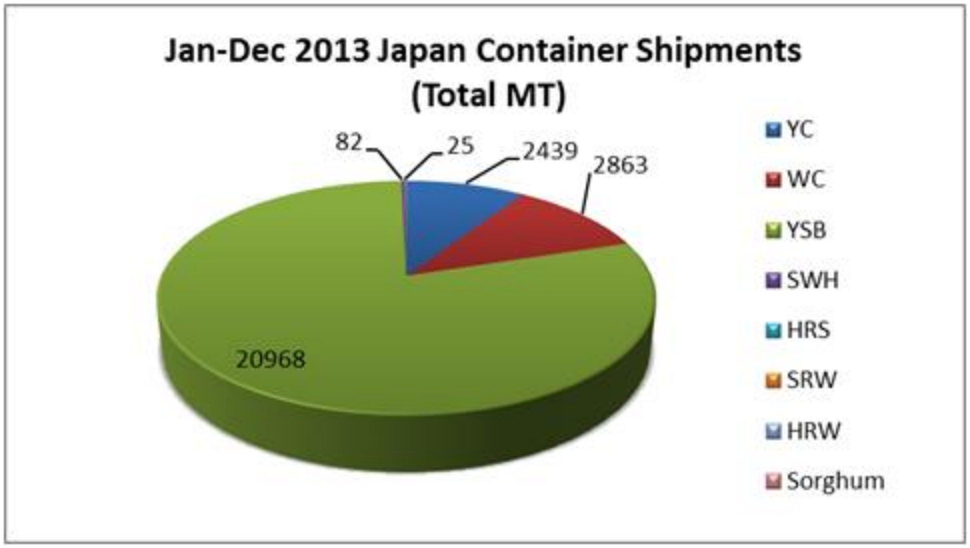
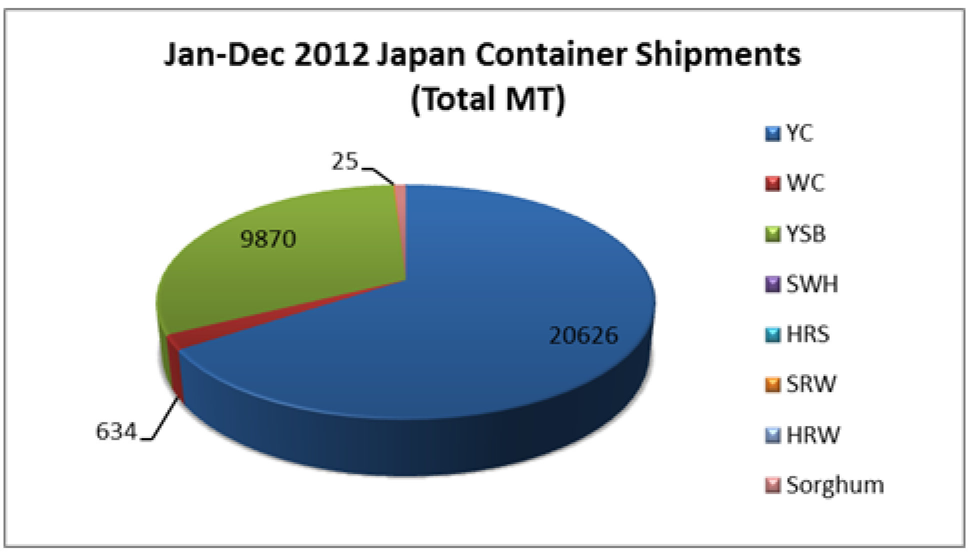
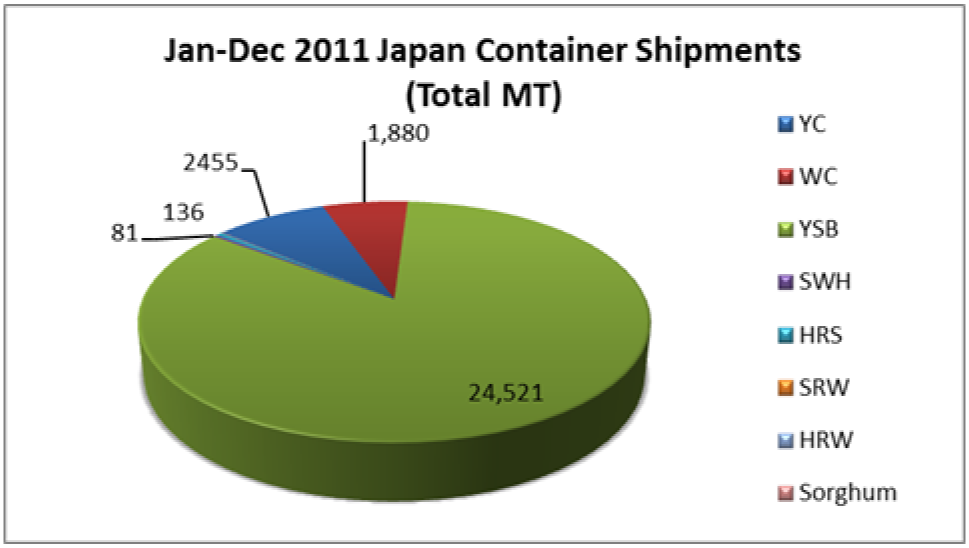
The charts below represent January-December 2011 and January-December 2012 annual totals versus January-December 2013 year-to-date container shipments for Japan.



Source: O'Neil Commodity Consulting



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**	$50	$54	$53	$44	$42	$40	-
	Brazil	$45	$45	$45	$38	$32	$33	-
Corn (White)	**Argentina**	$50	$54	$53	$44	$42	$40	-
	Brazil	$45	$45	$45	$38	$32	$33	-
Barley	**Argentina**	$50	$54	$53	$44	$42	$40	-
	Brazil	$45	$45	$45	$38	$32	$33	-
Sorghum	**Argentina**	$50	$54	$53	$44	$42	$40	-
	Brazil	$45	$45	$45	$38	$32	$33	-

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 (%): February 5, 2014			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.33	0.33	0.34
LIBOR (1 year)	0.57	0.57	0.58

Source: www.bankrate.com