Market Perspectives

January 16, 2015

U.S. GRAINS COUNCIL

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn March Contract					
$/Bu	**Monday 12 Jan**	**Tuesday 13 Jan**	**Wednesday 14 Jan**	**Thursday 15 Jan**	**Friday 16 Jan**
Change	0.0175	-0.1625	-0.0475	-0.0100	0.0700
Closing Price	4.0200	3.8575	3.8100	3.8000	3.8700
Factors Affecting the Market	The March corn contract closed with little change after neutral data was published in USDA's January reports. Bearish soybean data may eventually influence feed grain prices.	The prospect that corn contracts will range-trade for another month and the influence of bearish soybean data combined to pressure March corn.	Selling continued as traders adjusted positions but the decline slowed as there were plenty of willing buyers below $3.70 per bushel.	The downside of corn contracts looked limited even though soybean and crude oil contracts have been in steady decline. Corn export sales remained large.	The direction of least resistance was upward as more traders were anxious to buy the March contract around $3.70 than to sell it below $4.00 per bushel.

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.

Outlook: The composite of USDA data that was published on Monday January 12 was neutral for feed grains. There was a 2.4 bushel per acre reduction in the average U.S. corn yield to 171 bushels, but the yield and production are still record large and global supplies are abundant. Domestic feed consumption was reduced by 100 million bushels because usage in the first quarter of the crop year (September-November) was less than expected. The reduced feed usage was partly offset by a 25 million bushel increase in corn for ethanol production, but that increase may be somewhat premature due to recent steep declines in ethanol producer margins. Alternatively, the export estimate for the 2014/15 season was left unchanged at 1.75 billion bushels and that could increase if there is any further decline in U.S. corn prices.

Sorghum exports have been particularly strong and are up 17 percent annually. Exports are expected to consume about 58 percent of total sorghum supplies during the 2014/15 season. Chinese buyers appreciate U.S. sorghum because their government places no import quota on it (unlike corn) and there is virtually no likelihood of rejection by customs authorities. This aggressive buying has created the rare occurrence when the average U.S. farm price of sorghum is above the price of corn.

The estimated farm price of U.S. sorghum at $3.80 per bushel is 15 cents above the average farm price of corn at $3.65 per bushel in 2014/15. USDA notes that the last time this happened was in the 2006/07 crop year. Prior to that year, there were only 10 other years when U.S. sorghum prices averaged above corn and most of those events were in the 1920’s and 1930’s.

In relation to barley, total barley supplies of the present 2014/15 season are estimated to be down about 7 percent. USDA data also indicated that total U.S. barley stocks on December 1 were down 7 percent from a year ago at 157.7 million bushels. A noteworthy comment by USDA is that Minneapolis feed barley prices have been steadily increasing since establishing a low in the first week of September.

Corn remains the dominant influence on price because it is expected to account for 93 percent of feed consumption in the 2014/15 seasonal. From present levels, substantial declines in the price of corn contracts seems unlikely because the yield reduction to 171 bushels per acre and ending stocks of 1.877 billion bushels means that any setback in the nearby corn futures contract below $3.70 is likely to be perceived as a buying opportunity by global end-users. Unfortunately, local basis in certain regions could be weak because of poor ethanol producer margins.

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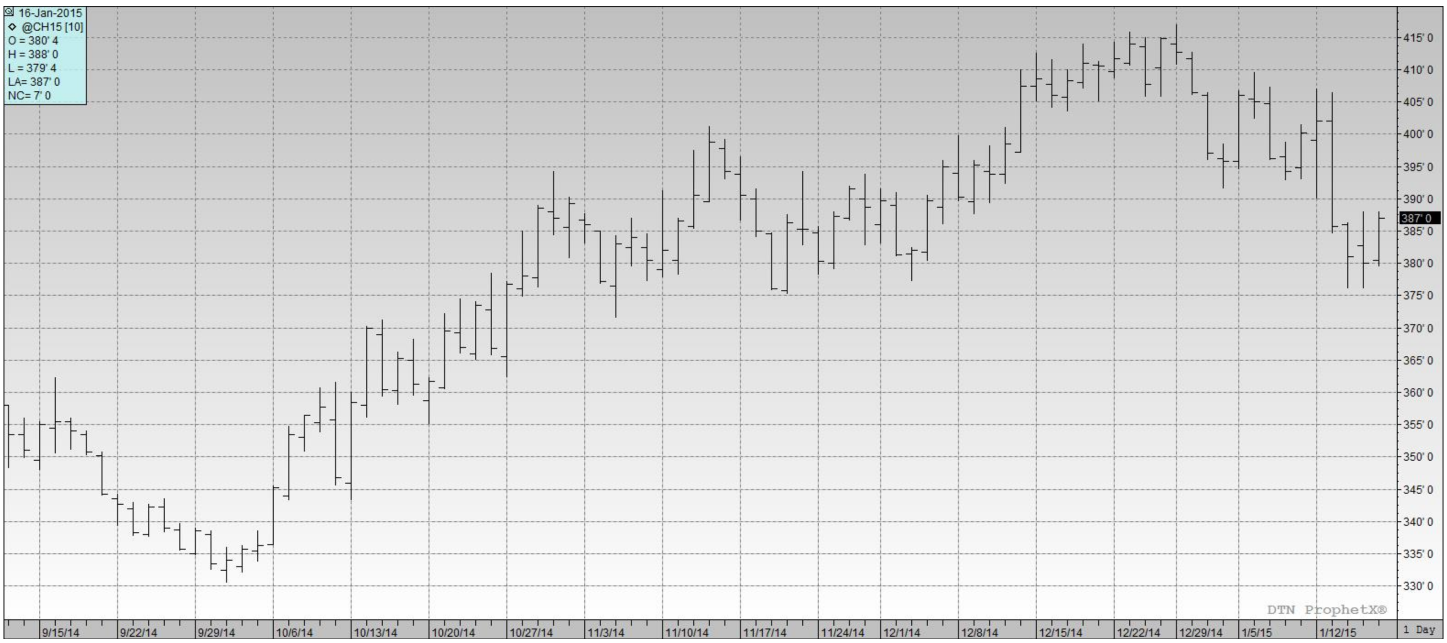
CBOT MARCH CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending January 16, 2015			
Commodity	**16-Jan**	**9-Jan**	**Net Change**
Corn			
Mar 15	387.00	400.25	-13.25
May 15	394.25	408.25	-14.00
Jul 15	401.00	414.50	-13.50
Sep 15	406.75	417.00	-10.25
Soybeans			
Jan 15	991.75	1052.25	-60.50
Mar 15	997.50	1057.50	-60.00
May 15	1003.00	1062.00	-59.00
Jul 15	1002.50	1059.00	-56.50
Soymeal			
Jan 15	326.20	349.10	-22.90
Mar 15	320.50	344.10	-23.60
May 15	320.70	342.40	-21.70
Jul 15	320.50	341.30	-20.80
Soyoil			
Jan 15	33.39	33.68	-0.29

Mar 15	33.52	33.83	-0.31
May 15	33.69	34.02	-0.33
Jul 15	33.60	34.02	-0.42
SRW			
Mar 15	532.75	563.75	-31.00
May 15	534.75	567.75	-33.00
Jul 15	538.25	572.50	-34.25
Sep 15	546.00	579.00	-33.00
HRW			
Mar 15	577.00	600.50	-23.50
May 15	579.50	605.25	-25.75
Jul 15	582.75	609.25	-26.50
Sep 15	593.75	620.00	-26.25
MGEX (HRS)			
Mar 15	584.50	603.25	-18.75
May 15	590.75	609.75	-19.00
Jul 15	598.75	616.50	-17.75
Sep 15	605.75	622.50	-16.75

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: The upcoming period of January 16 – 18 looks generally mild and dry across the contiguous 48 states. According to the Weather Prediction Center, heavy precipitation (2-7 inches) should be limited to northwest California and the Pacific Northwest along and west of the Cascades, with the largest amounts expected along parts of the immediate coastline and windward mountain slopes. Moderate-to-locally heavy precipitation (1.5-3.0 inches) is expected in parts of central and northern Idaho. Elsewhere, amounts of 0.5-1.5 inches are forecast across the remainders of northern California, the Pacific Northwest and Idaho, plus adjacent portions of western Montana and northwestern Wyoming. Farther south and east, totals above 0.5 inch should be limited to New England, the Outer Banks and the immediate central Gulf Coast. The rest of the East Coast, southern sections of the central Gulf Coast states and the upper Great Lakes regions are expected to receive light precipitation, with little or none anticipated elsewhere. Temperatures should average at least somewhat above normal from the Mississippi Valley westward, with daily highs averaging 9 degrees-18 degrees above normal from south-central sections of the Plains and Front Range northward to the Canadian border.

For the period of January 19 – 23, warmer than normal weather is favored across almost all of the 48 continental states, except parts of the central and northern High Plains and adjacent Rockies. Subnormal precipitation is anticipated throughout the West Coast states, western Arizona and most of Nevada while surplus precipitation is expected from the eastern edge of the Rockies eastward through the Great Lakes region, the middle Ohio Valley and the central Gulf Coast region. 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 January 8, 2015					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	287,000	225,600	13,997.9	18,934.5	-24%
Corn	957,000	400,200	13,015.2	28,160.9	-3%
Sorghum	274,600	86,700	2,733.6	6,306.2	112%
Barley	0	400	90.5	134.3	6%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 818,800 MT for 2014/15 were up noticeably from the previous week, but down 10 percent from the prior four-week average. Increases were reported for unknown destinations (374,100 MT), Mexico (190,300 MT), South Korea (136,000 MT), Algeria (45,000 MT) and Colombia (40,400 MT). Decreases were reported for the Dominican Republic (23,300 MT). Net sales of 25,200 MT for 2015/16 were for Japan (14,400 MT) and Mexico (10,800 MT). Exports of 400,200 MT were down 22 percent from the previous week and 40 percent from the prior four-week average. The primary destinations were Japan (186,700 MT), Mexico (129,900 MT), Colombia (30,700 MT), Peru (27,500 MT) and Taiwan (16,100 MT). Optional Origin Sales: For 2014/15, outstanding optional origin sales total 68,000 MT, all South Korea.

Barley: There were no net sales reported during the week. Exports of 400 MT were up noticeably from the previous week, but down 20 percent from the prior four-week average. The destination was Japan.

Sorghum: Net sales of 274,500 MT for 2014/15 were up 50 percent from the previous week, but unchanged from the prior four-week average. Increases were for unknown destinations (171,000 MT) and China (103,500 MT). Exports of 86,700 MT were down 50 percent from the previous week and 58 percent from the prior four-week average. The destination was China.

U.S. Export Inspections: Week Ending January 1, 2015					
Commodity (MT)	**Export Inspections**		**Current Market YTD**	**Previous YTD**	**YTD as Percent of Previous**
	Current Week	**Previous Week**			
Corn	500,353	538,945	12,647,409	12,554,349	101%
Sorghum	100,494	122,186	3,157,922	1,100,826	287%
Soybeans	1,839,042	1,406,496	32,641,647	26,789,465	122%
Wheat	238,153	355,388	14,132,987	20,925,521	68%
Barley	0	0	101,928	79,360	128%

*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 January 1, 2015						
Last Week	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	287,393	60%	19,700	83%	99,637	99%
PNW	110,920	23%	0	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Interior Export Rail	78,348	16%	3,992	17%	857	1%
Total (Metric Tons)	476,661	100%	23,692	100%	100,494	100%
White Corn Shipments by Country (MT)			19,700	to Colombia		
			3,992	to Mexico		
Total White Corn (MT)			23,692			
Sorghum Shipments by Country (MT)					85,454	to China
					12,090	to Kenya
					2,950	to Ethiopia
Total Sorghum (MT)					100,494	

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)**
February	+0.75 H	$181.88	+0.95 H	$189.75
March	+0.72 H	$180.70	+0.96 H	$190.15
April	+0.65 K	$180.80	+0.92 K	$191.43
May	+0.65 K	$180.80	+0.93 K	$191.82

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**February**	**March**	**April**
Gulf	$220	$220	$220

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	$252.74	+2.55 H	$252.74
February	+2.55 H	$252.74	+2.55 H	$252.74
March	+2.55 H	$252.74	+2.55 H	$252.74
April	+2.55 H	$252.74	+2.55 H	$252.74

Barley: Feed Barley (FOB USD/MT)			
	February	March	April
FOB PNW	$255	$255	$255

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	February	March	April
New Orleans	$192.50	$192.50	$192.50
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**February**	**March**	**April**
New Orleans	$770	$770	$770
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: January 16, 2015 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Feb.	Mar.	Apr.
Barge CIF New Orleans	269	268	262
FOB Vessel GULF	279	278	271
Rail delivered PNW	270	269	269
Rail delivered California	269	268	268
Mid-Bridge Laredo, TX	267	266	265
40 ft. Containers to South Korea (Busan)	320	310	315
40 ft. Containers to Taiwan (Kaohsiung)	315	305	310
40 ft. Containers to Philippines (Manila)	380	370	375
40 ft. Containers to Indonesia (Jakarta)	330	320	325
40 ft. Containers to Malaysia (Port Kelang)	330	320	325
40 ft. Containers to Vietnam (HCMC)	340	330	335
40 ft. Containers to Japan (Yokohama)	328	318	323
40 ft containers to Thailand (LCMB)	325	315	320
40 ft Containers to Shanghai, China	320	315	320
KC & Elwood, IL Rail Yard (delivered Ramp)	246	245	247

*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: Substantial export demand for bulk volumes of DDGS through the Gulf of Mexico seems to be building because barge bids are pushing prices higher in the spot market. Barges are reported to be priced steady at approximately $265/MT through February. This action has temporarily elevated the local domestic prices of DDGS in relation to other feed ingredients. One of the leading merchandisers noted that this foreign buying could momentarily cannibalize some of the domestic demand, but other feed prices are also being affected by foreign demand. As discussed in the preceding Outlook section, the export demand has pulled sorghum prices above the price of corn.

Merchandisers report that while the nearby DDGS prices are well supported and more thinly offered, the deferred time periods have more volume available and prices have declined in unison with the recent action of corn futures contracts. However, that could soon change because the approval of MIR-162 by the Chinese Ministry of Agriculture (MOA) has resulted in many inquiries from Chinese buyers of DDGS for the March/April/May time period.

Ethanol Comments: Crude oil contracts appear to have recently leveled off and that may give some stability to ethanol contracts that have recently traded down to record low levels. Please recall that the point was noted within this section last week that the decline in petroleum contracts had temporarily caused the price of ethanol to be above gasoline, and those developments could in-turn slow ethanol blending and result in the building of ethanol stocks. This seems to have happened.

A pronounced increase in ethanol stocks was reported in this week's data. Ethanol stocks increased by 7.3 percent in one week to 20.2 million barrels. This amount is 25.8 percent above the year ago level of 16.3 million barrels. The price of ethanol can be negatively influenced when ethanol stocks increase beyond 20 percent of the year ago level, but any further sizable decline may be negated by the fact that ethanol prices are already low and petroleum contracts appear to have plateaued.

The differential between the cost of corn and the return for the co-products of ethanol and DDGS did decline in different sections of the Corn Belt for the week ending Friday, January 16, 2015, but it was not in free-fall:

- Illinois differential is $1.57 per bushel in comparison to $1.67 the prior week and $4.31 a year ago.
- Iowa differential is $1.29 per bushel in comparison to $1.53 the prior week and $2.79 a year ago.
- Nebraska differential is $1.22 per bushel in comparison to $1.53 the prior week and $2.98 a year ago.
- South Dakota differential is $1.60 per bushel in comparison to $1.79 the prior week and $3.21 a year ago.

COUNTRY NEWS

Argentina: The Rosario Grain Exchange's monthly report estimates Argentine corn production to total 22.4 MMT, which is up from a previous prediction of 21.5 MMT, according to Reuters. The report also indicated that nearly 90 percent of the 2014/15 corn crop has been planted.

Brazil: While parts of Brazil are receiving rainfall, there are concerns that it is not nearly enough to offset the country's worst drought in 80 years, reports Reuters. Southeastern Brazil, which accounts for 60 percent of the country's GDP, was hit particularly hard by the drought and there are concerns about its ability to recover economically this year.

Russia: Russia has increased informal curbs on grain exports in the leadup to the implementation of a formal export tax on February 1, reports Reuters. These curbs include increased and more frequent quality monitoring inspections by food safety organization Rosselkhoznadzor and increased deleays in getting final port documents so that ships can get underway.This is being done in an effort to bring domestic prices under control.

South Africa: South African corn futures have fallen to their lowest level in over two months, according to Bloomberg News. Yellow corn for March delivery fell by 3.9 percent to $173/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	$35.00	Down $1.50	Handymax at $36.500/MT
55,000 U.S. PNW-Japan	$19.50	Down $0.50	Handymax at $20.50/MT
55,000 U.S. Gulf-China PNW to China	$34.00 $18.500	Down $1.00 Down $0.50	North China
25,000 U.S. Gulf-Veracruz, México	$14.00	Down $0.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	$12.00	Down $0.50	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	$15.50 $23.00	Down $0.50 Down $1.00	West Coast Colombia at $24.50
36-40,000 U.S. Gulf-Guatemala	$24.50	Down $1.00	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf-Algeria	$30.00 $32.00	Down $1.00 Down $1.00	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$30.00	Down $1.00	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$28.00 $28.00	Down $1.00 Down $1.00	55,000 -60,000 MT St. Lawrence to Egypt

			$31.00
60-70,000 U.S. Gulf-Europe-Rotterdam	$15.00	Unchanged	Handymax at +$1.50 more
Brazil, Santos-China	$25.50 $24.50	Down $3.00 Down $1.50	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$31.00	Down $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: The Baltic Indices attempted a small bounce rally this week, but it did not hold up and by week's end things were softening again. I think the market simply got tired of going down every day and needed some up as in addition to the down action. Physical rates have not really recovered and remain defensive. The Dry-Bulk market still requires a firm bid to determine an exact rate. Soybeans from the U.S. Gulf to Rotterdam are close to $15.00/MT freight with Brazil to Rotterdam at around $13.50/MT. Spot markets are cheaper than the deferred. We are starting to see Dry-bulk vessels from Asia ballasting to East Coast South America in anticipation of the developing harvest business from there. That will likely keep those markets cheap. The soybean harvest in Mato Grosso, however, is only 4 percent completed. We have to expect more vessels to decide to layup in Singapore harbor until things improve.

Capesize iron ore rates from Western Australia to China seem to have stabilized at very low levels ($4.25-30/MT). Keep in mind that we are approaching the Lunar New Year, which falls on February19, and this will lead to a full week holiday in many Asian countries.

Baltic Panamax Dry-Bulk Indices				
January 16, 2014 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	12,150	12,171	-21	-0.2%
P3A: PNW/Pacific– Japan	5,229	5,123	1063	2.1%

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 January 16, 2014	
Four weeks ago:	$6.55-$7.60
Three weeks ago:	$5.55-$6.10
Two weeks ago	$5.00-$5.40
One week ago:	$4.25-$5.10

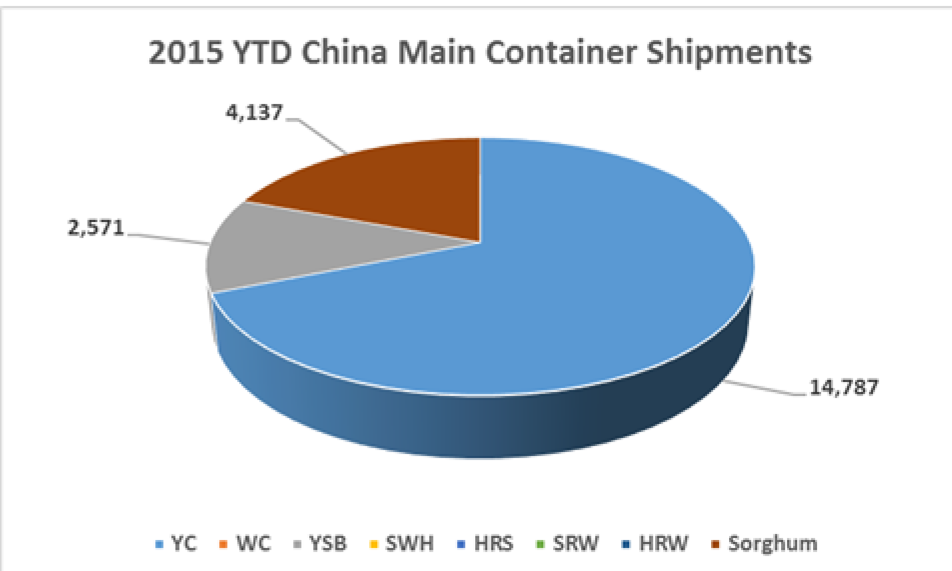
This week	\$4.05-\$4.35

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
January 16, 2014	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
# 2 Corn	1.10	0.95	0.15	\$5.91	PNW
Soybeans	1.05	0.83	0.22	\$8.66	PNW
Ocean Freight	\$18.50	\$34.00	0.39-0.42	(\$15.50)	February

Source: O'Neil Commodity Consulting

The charts below represent January-December 2014 annual totals versus year-to-date 2015 container shipments to China.



Source: O'Neil Commodity Consulting

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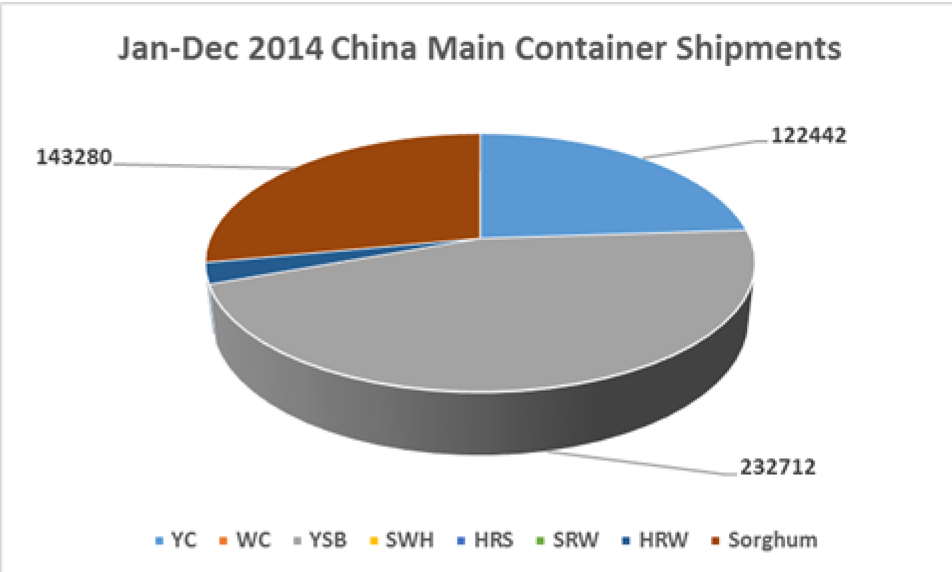

Source: O'Neil Commodity Consulting

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**	$32	$35	$34	$28	$30	$24	-
	Brazil	$24	$26	$28	$24	$24	$18	-
Corn (White)	**Argentina**	$32	$35	$34	$28	$30	$24	-
	Brazil	$24	$26	$28	$24	$24	$18	-
Barley	**Argentina**	$32	$35	$34	$28	$30	$24	-
	Brazil	$24	$26	$28	$24	$24	$18	-
Sorghum	**Argentina**	$32	$35	$34	$28	$30	$24	-
	Brazil	$24	$26	$28	$24	$24	$18	-

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 (%): January 14, 2015			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.36	0.36	0.34
LIBOR (1 year)	0.63	0.63	0.60

Source: www.bankrate.com