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**CHICAGO BOARD OF TRADE MARKET NEWS**

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

<b>\$/Bu</b>	<b>Monday 5 Jan</b>	<b>Tuesday 6 Jan</b>	<b>Wednesday 7 Jan</b>	<b>Thursday 8 Jan</b>	<b>Friday 9 Jan</b>
<b>Change</b>	0.1025	-0.0100	-0.0875	-0.0200	0.0600
<b>Closing Price</b>	4.0600	4.0500	3.9625	3.9425	4.0025
<b>Factors Affecting the Market</b>	Cold air stressing livestock and uncertain South American weather allowed corn to hold steady even as crude oil weakened.	The March corn contract was able to hold basically unchanged even though the nearby crude oil contract traded below \$50 bbl.	Traders remained focused on USDA reports slated for Monday release.	Corn contracts remained in a horizontal range as traders spent another day preparing their positions prior to the release of USDA data.	Traders seemed reluctant to sell the March corn contract below \$4.00 per bushel prior to the release of weighty data on Monday.

**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:** USDA will publish their last production estimates for the current 2014/15 season on Monday, January 12, 2015. Pre-report surveys indicate that most analysts expect to see modest reductions in the average yield and harvested acreage. As well, USDA will also publish quarterly grain stocks data on Monday. This data will show the amount of corn stocks on hand after the robust consumption during the last quarter of 2014.

The sizable exports and ethanol production during the past quarter gave large speculative funds the confidence to build a sizable long position in corn futures contracts when they had the opportunity to buy below or near \$4.00 per bushel. The fact that their buying was being met by good commercial selling seems to imply that sales, and the resulting future demand, will remain good through the first quarter of 2015.

It is interesting how the future often tends to repeat itself; firms that have aggressively hedged basis contracts at relatively low price levels could find themselves in an uncomfortable position if the upside movement of futures outpaces cash, as previously occurred around the 2007/08 time period. Fuel to the fire could be added if they are forced to lighten up their positions if the basis widens beyond expectations, and then frustrations are heightened as the market settles back shortly thereafter as uncertainties diminish. The key point is that the profitability of feed grain traders in 2015 will likely depend upon their abilities to be anticipatory rather than reactionary.

## CBOT MARCH CORN FUTURES



Source: Prophet X

**Current Market Values:**

<b>Futures Price Performance: Week Ending January 9, 2014</b>			
<b>Commodity</b>	<b>9-Jan</b>	<b>2 Jan</b>	<b>Net Change</b>
<b>Corn</b>			
Mar 15	400.25	395.75	4.50
May 15	408.25	404.50	3.75
Jul 15	414.50	411.25	3.25
Sep 15	417.00	413.50	3.50
<b>Soybeans</b>			
Jan 15	1051.50	1002.50	49.00
Mar 15	1052.25	1007.50	44.75
May 15	1057.50	1014.75	42.75
Jul 15	1062.00	1020.50	41.50
<b>Soymeal</b>			
Jan 15	363.80	356.50	7.30
Mar 15	349.10	340.40	8.70
May 15	344.10	334.10	10.00
Jul 15	342.40	333.20	9.20
<b>Soyoil</b>			
Jan 15	33.54	31.95	1.59
Mar 15	33.68	32.09	1.59
May 15	33.83	32.27	1.56
Jul 15	34.02	32.45	1.57
<b>SRW</b>			
Mar 15	563.75	581.25	-17.50
May 15	567.75	586.75	-19.00
Jul 15	572.50	589.00	-16.50
Sep 15	579.00	596.25	-17.25
<b>HRW</b>			
Mar 15	600.50	617.00	-16.50
May 15	605.25	622.00	-16.75
Jul 15	609.25	624.25	-15.00
Sep 15	620.00	635.00	-15.00
<b>MGEX (HRS)</b>			
Mar 15	603.25	611.00	-7.75
May 15	609.75	619.00	-9.25
Jul 15	616.50	626.50	-10.00
Sep 15	622.50	632.25	-9.75

\*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 January 9-12, very cold weather will continue to dominate the central and eastern U.S. During the cold snap, snow showers and squalls will rage downwind of the Great Lakes. In contrast, mild, dry weather will prevail in much of the West. During the weekend, rain will develop in the western Gulf Coast region. As precipitation spreads northeastward early next week, the interaction between moisture and lingering cold air could result in snow, sleet, and freezing rain across parts of the South, East, and lower Midwest.

The NWS 10-day outlook for January 13-17 calls for the likelihood of below-normal temperatures in most areas east of a line from Texas to Wisconsin, while warmer-than-normal weather can be expected across the northern High Plains and the West. Meanwhile, below-normal precipitation will be the probable outcome across the northern half of the nation, as well as southern California and environs, but wetter-than-normal conditions will likely prevail in the southern Atlantic States and southern portions of the Rockies and High Plains. 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 1, 2014					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports ('000MT)	YTD Bookings ('000MT)	% Change YTD Bookings
Wheat	205,200	456,000	13,772.3	18,649.8	-24%
Corn	397,500	510,400	12,615.0	27,342.0	-3%
Sorghum	183,900	172,800	2,647.0	6,031.7	120%
Barley	0	200	90.1	134.3	6%

Source: USDA, World Perspectives, Inc.

**Corn:** Net sales of 387,600 MT for 2014/15--a marketing-year low--were down 57 percent from the previous week and 63 percent from the prior four-week average. Increases were reported for Mexico (251,300 MT), Colombia (63,400 MT), Japan (50,100 MT, switched from unknown destinations), Honduras (37,500 MT, including 17,800 MT switched from unknown destinations), Peru (27,400 MT, including 30,000 MT switched from unknown destinations and decreases of 3,000 MT) and El Salvador (22,000 MT). Decreases were reported for unknown destinations (101,800 MT). Net sales of 210,000 MT for 2015/16 were for Japan. Exports of 510,400 MT were down 24 percent from the previous week and 28 percent from the prior four-week average. The primary destinations were Colombia (118,900 MT), Japan (107,900 MT), Mexico (98,400 MT), Peru (90,400 MT), Taiwan (32,900 MT) and New Zealand (19,600 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 200 MT were down 69 percent from the previous week and 72 percent from the prior four-week average. The destination was Taiwan.

**Sorghum:** Net sales of 182,700 MT for 2014/15 resulted as increases for China (240,700 MT, including 58,000 MT switched from unknown destinations and decreases of 1,200 MT), were partially offset by decreases for



unknown destinations (58,000 MT). Exports of 172,800 MT were up noticeably from the previous week, but down 9 percent from the prior four-week average. The destination was China.

U.S. Export Inspections: Week Ending January 1, 2014					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	538,945	609,613	12,147,056	12,012,447	101%
Sorghum	121,451	225,023	3,056,693	1,033,493	296%
Soybeans	1,406,496	1,501,619	30,802,605	25,173,495	122%
Wheat	352,829	241,025	13,892,275	20,222,525	69%
Barley	0	0	101,928	79,012	129%

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, 2014							
Last Week	YC	% of Total	WC	% of Total	Sorghum	% of Total	
<b>Gulf</b>	313,975	63%	37,798	100%	118,024	97%	
<b>PNW</b>	100,048	20%	73	0%	0	0%	
<b>Lakes</b>	0	0%	0	0%	0	0%	
<b>Atlantic</b>	0	0%	0	0%	147	0%	
<b>Interior Export Rail</b>	87,051	17%	0	0%	3,280	3%	
<b>Total (Metric Tons)</b>	501,074	100%	37,871	100%	121,451	100%	
<b>White Corn Shipments by Country (MT)</b>			19,601	to New Zealand			
			18,197	to Colombia			
			73	to Korea			
<b>Total White Corn (MT)</b>			37,871				
<b>Sorghum Shipments by Country (MT)</b>					121,451	to China	
<b>Total Sorghum (MT)</b>					121,451		

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)
January	+0.68 H	\$184.34	+1.02 H	\$197.73



February	+0.65 H	\$183.16	+0.95 H	\$194.97
March	+0.68 H	\$184.34	+0.96 H	\$195.36
April	+0.65 K	\$186.31	+0.94 K	\$197.73

#2 White Corn (U.S. \$/MT FOB Vessel)			
Max. 15.0% Moisture	January	February	March
Gulf	-	\$228	\$228

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	\$257.96	+2.55 H	\$257.96
February	+2.55 H	\$257.96	+2.55 H	\$257.96
March	+2.55 H	\$257.96	+2.55 H	\$257.96

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

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	January	February	March
New Orleans	\$191	\$191	\$191
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	January	February	March
New Orleans	\$755	\$755	\$755
*5-10,000 MT Minimum			

\*All prices are market estimates.

DDGS Price Table: January 9, 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	263	263	262
FOB Vessel GULF	273	273	273
Rail delivered PNW	270	270	270
Rail delivered California	265	265	264
Mid-Bridge Laredo, TX	270	275	280
40 ft. Containers to South Korea (Busan)	316	314	316

40 ft. Containers to Taiwan ( Kaohsiung )	312	310	312
40 ft. Containers to Philippines ( Manila )	349	348	350
40 ft. Containers to Indonesia ( Jakarta )	326	324	326
40 ft. Containers to Malaysia (Port Kelang)	326	325	327
40 ft. Containers to Vietnam (HCMC)	330	328	330
40 ft. Containers to Japan (Yokohama)	326	324	326
40 ft containers to Thailand (LCMB)	322	320	322
40 ft Containers to Shanghai, China	315	312	315
KC & Elwood, IL Rail Yard (delivered Ramp)	236	235	238

*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:** DDGS prices traded below corn throughout much of the fourth quarter of 2014. Then in the month of December, DDGS prices started steadily increasing by greater percentages than did the price of corn in anticipation of returning Chinese demand. The price of some DDGS increased through the month of December to levels of more than 125 percent the price of local corn. DDGS prices will presumably struggle to go any higher in relation to corn without China purchasing a significant amount of containerized DDGS during the first quarter of 2015.

DDGS merchandisers report that they are receiving a good number of inquiries from Chinese buyers about potential business in the first quarter. However, the majority of DDGS merchandisers are now requiring Chinese customers to make down payments of up to 35 percent. If such requirements slow Chinese demand, then any future increase in the price of DDGS is likely to be proportionally less than an increase in the price of corn. Such a development could create a favorable opportunity for buyers from destinations such as Mexico or other Asian locations.

USDA is publishing a number of important reports on Monday and if the data is considered bullish for corn, then DDGS buyers may observe the price of corn increasing more rapidly than the price of DDGS from current price levels. In other words, DDGS prices could decline in relation to the price of corn in the next few weeks and present a buying opportunity.

**Ethanol Comments:** A number of ethanol producers have skillfully hedged themselves by purchasing corn contracts at lower price levels. That is good news and it will help the associated ethanol facilities maintain favorable returns. Another favorable item is that ethanol exports throughout much of 2014 were strong and acted as a relief valve in consuming surplus stocks. Ethanol exports in November were at the highest level since December 2011. Unfortunately, there are also a few less favorable developments that have started to weigh on spot margins for the overall industry.

The price of petroleum has collapsed in the past month and there presumably has been a significant decline in recent exports as the prices of ethanol rise above gasoline. The lower price of gasoline in proportion to ethanol

may also encourage domestic petroleum refineries to slow ethanol blending and instead increasingly utilize any surplus Renewable Identification Numbers (RINs) that they have acquired through time. Such factors are expected to weigh on ethanol producer margins in the near-term.

The differential between the cost of corn and the return for the co-products of ethanol and DDGS is not a producer margin, but it is an effective barometer that shows a substantial decline from year-ago levels for the week ending Friday, January 9, 2015.

- Illinois differential is \$1.67 per bushel, in comparison to \$2.44 the prior week and \$4.40 a year ago.
- Iowa differential is \$1.53 per bushel, in comparison to \$2.14 the prior week and \$3.00 a year ago.
- Nebraska differential is \$1.53 per bushel, in comparison to \$2.10 the prior week and \$3.06 a year ago.
- South Dakota differential is \$1.79 per bushel, in comparison to \$2.15 the prior week and \$3.25 a year ago.

## COUNTRY NEWS

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**Brazil:** Rainfall in the top corn-producing state of Mato Grosso was slightly above average in December and the southern grain-producing states have also seen significant precipitation and localized flooding, according to Reuters. Rainfall for January is also expected to be above average.

**China:** Growing demand from China's livestock feeding sector is responsible for the U.S. selling the highest amount of sorghum in 19 years, reports Bloomberg News. Sorghum sales of 584,324 MT had been reported as of December 18, 2014, with over half going to China. It is predicted that China will import 5 MMT of sorghum in the year-long period that began on October 1, 2014, which is up from the 4.16 MMT it brought in the prior year. The amount of U.S. sorghum inspected for export has doubled from last year to total 2.83 MMT.

**Ukraine:** Ukraine's Agricultural Ministry is slated to meet with major grain traders on January 13 to discuss the country's exports and domestic markets in the wake of Russia's decision to curb grain exports, according to Reuters. One February 1, Russia is set to implement grain export duties of €35/MT in order to keep its domestic grain prices under control. Ukrainian authorities have previously stated that the country will likely increase the asking price for its grain exports in the wake of Russia's decision.

Ukrainian grain exports totaled 19.6 MMT between July 1, 2014 and January 6, 2015. These exports included 7.61 MMT of corn and 3.63 MMT of barley, compared to 10.7 MMT of corn and 2.1 MMT of barley exported in the same time last year. Ukraine is expected to export around 33 MMT of grain this year out of a total harvest of 64 MMT. The country exported around 32 MMT of grain last year.



## 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	\$36.50	Down \$2.50	Handymax at \$37.00/MT
55,000 U.S. PNW-Japan	\$20.00	Down \$1.00	Handymax at \$20.50/MT
55,000 U.S. Gulf-China	\$35.00	Down \$2.50	North China
PNW to China	\$19.00	Down \$1.00	
25,000 U.S. Gulf-Veracruz, México	\$14.50	Down \$0.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	\$12.50	Down \$0.50	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$16.00 \$24.00	Down \$0.50 Down \$0.50	West Coast Colombia at \$25.50
36-40,000 U.S. Gulf-Guatemala	\$25.50	Down \$0.50	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf-Algeria	\$31.00	Down \$1.00	8,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$33.00	Down \$1.00	3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$31.00	Down \$1.00	5,000 discharge rate
55,000 U.S. Gulf-Egypt	\$29.00	Down \$1.00	55,000 -60,000 MT St. Lawrence to Egypt \$31.00
PNW to Egypt	\$29.00	Down \$1.00	
60-70,000 U.S. Gulf-Europe-Rotterdam	\$15.00	Down \$1.00	Handymax at +\$1.50 more
Brazil, Santos-China	\$28.50	Down \$2.00	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
	\$26.00	Down \$2.00	
56-60,000 Argentina-China Upriver with Top-Off	\$32.00	Down \$2.00	—

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:** Everyone probably knows well that I am not bullish on ocean freight rates for the near term, but I must admit that I keep watching the Baltic Indices and physical markets and wondering when they will finally bottom out. The dry-bulk markets have dropped daily for the past 40 days, and the overall downward trend has persisted since last September. We ought to be finding bottom soon. I cannot remember when I've seen the Capesize iron ore rates from Western Australia to China at \$4.25/MT. Slow steaming will not alleviate the pain of current rates and therefore

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increased vessel layups and scrappings will have to ensue. Rates may not go back up much, but we certainly can't go too much lower. The below soybean freight fixture from Santos Brazil to China for May shipment at just \$25.00/MT provides a clear view of the market outlook. I've pegged the US Gulf Panamax rates to Japan at \$36.50/MT, but have actually heard lower estimates. The last time we saw US Gulf to Japan or China at these levels was in February of 2008. It's definitely a buyers' market.

The Chinese New Year falls on February 19 this year and freight markets are hoping for a resurgence in demand once the week long holiday concludes. It may well be wishful thinking, but the market desperately needs something to spur cargo demand.

Baltic Panamax Dry-Bulk Indices				
January 9, 2014	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	12,171	13,000	-829	-6.4%
P3A: PNW/Pacific– Japan	5,123	5,803	-680	-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 South China:

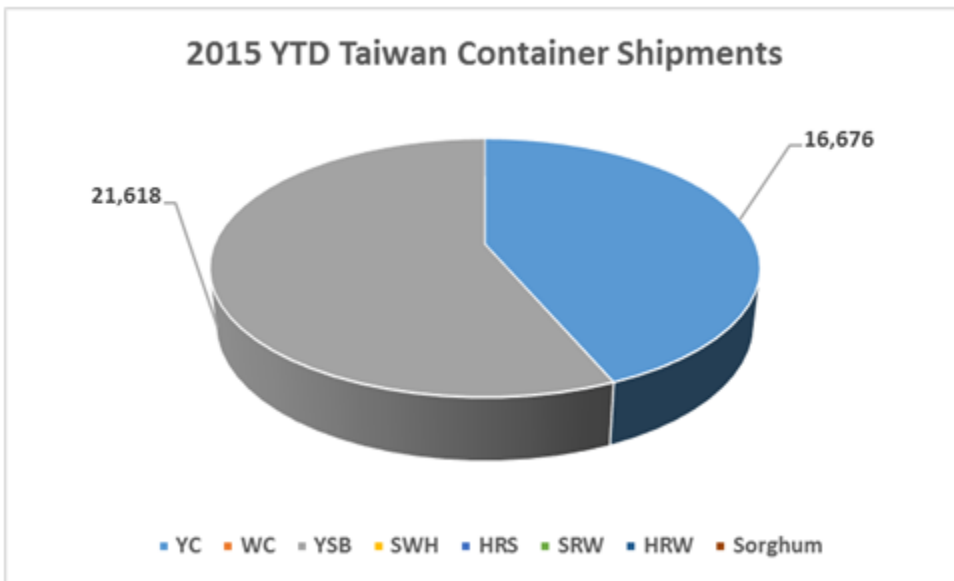
Week of January 9, 2014	
Four weeks ago:	\$8.40-\$9.00
Three weeks ago:	\$6.55-\$7.60
Two weeks ago:	\$5.55-\$6.10
One week ago:	\$5.00-\$5.40
This week	\$4.25-\$5.10

Source: O'Neil Commodity Consulting

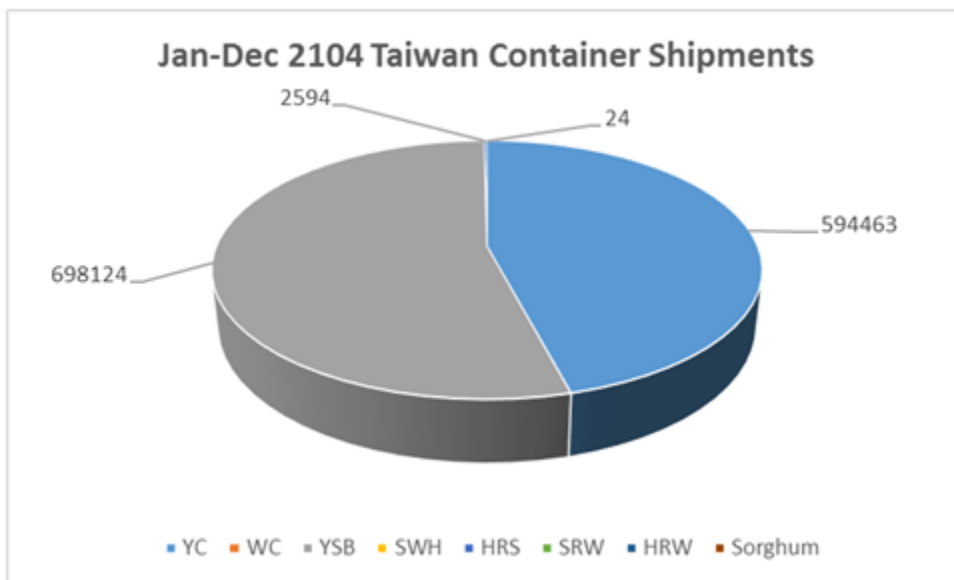
U.S. – Asia Market Spreads					
January 9, 2014	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	0.95	0.65	0.30	\$11.81	PNW
Soybeans	1.05	0.83	0.22	\$8.66	PNW
Ocean Freight	\$19.00	\$35.00	0.41-0.44	(\$16.00)	February

Source: O'Neil Commodity Consulting

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



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	\$32	\$35	\$34	\$27	\$30	\$24	-
	Brazil	\$24	\$26	\$28	\$24	\$24	\$18	-
Corn (White)	Argentina	\$32	\$35	\$34	\$27	\$30	\$24	-
	Brazil	\$24	\$26	\$28	\$24	\$24	\$18	-
Barley	Argentina	\$32	\$35	\$34	\$27	\$30	\$24	-
	Brazil	\$24	\$26	\$28	\$24	\$24	\$18	-
Sorghum	Argentina	\$32	\$35	\$34	\$27	\$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 7, 2014			
	Current Week	Last Week	Last Month
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.36	-	0.34
LIBOR (1 year)	0.63	-	0.58

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