U.S. GRAINS COUNCIL

Market Perspectives

July 10, 2014

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
$/Bu	**Monday 7 July**	**Tuesday 8 July**	**Wednesday 9 July**	**Thursday 10 July**	**Friday 11 July**
Change	-0.0900	-0.0200	-0.0625	-0.0575	-0.0800
Closing Price	4.0625	4.0424	3.9800	3.9275	3.8475
Factors Affecting the Market	There were few buyers to be found after a long weekend of favorable weather, and the December contract continued to erode.	The fact that crop conditions remained consistently favorable gave no support to prices. U.S. corn was rated 75 percent good to excellent.	Today was the first time that a December contract closed below $4.00 per bushel since 2010. Weather conditions remained good.	The psychological support of $4.00 per bushel may soon turn into overhead resistance as the December contract tumbled into new lows.	The July WASDE indicated that global feed grain supplies will be ample in 2014/15 and that was enough to drive prices lower.

Outlook: USDA updated the world supply and demand estimates today with the release of the July WASDE report. The balance sheet with U.S. corn estimates was adjusted for the current 2013/14 season that will end on August 31, with feed use of corn being reduced by 125 million bushels. That reduction in feed use was partly offset by a 25 million bushel increase in corn used for ethanol production. The end result for the current season was a 100 million bushel increase in corn ending stocks, from 1,146 to 1,246 million bushels – which in turn resulted in USDA reducing the range of estimated farm prices for corn by 10 cents. USDA's limited price adjustment makes sense because the corn stock-to-use ratio for the current season remains below 10 percent. However, a more aggressive decline continues in both old-crop and new-crop corn futures contracts as long speculators attempt to exit and buyers remain hesitant to make purchases until a bottom in price charts is better defined.

A reduction in harvested acreage caused the production estimate for U.S. corn production in the 2014/15 year to decline by 75 million bushels. However, that decline in production was more than offset by the 100 million bushel increase in beginning stocks that was carried over from the current season, and a 50 million bushel reduction in the estimate for feed use in the approaching new crop season. As a result, the estimate for corn ending stocks increased by 75 million bushels in the 2014/15 season, from 1.726 to 1.801 billion bushels. While this ending stocks estimate is really not excessively burdensome, the common consensus in the market is still a bearish mindset, and will likely remain so until large speculators are thoroughly washed out of their losing long positions. Ironically, that point is also likely to be when many buyers will uniformly decide that it is the time right to step in and cover their needs for the season.

Looking beyond this fall's feed grain harvest for 2014/15, market-related discussion may transition from the topic of large production to the topic of even larger demand, similar to what occurred after the bumper crop year of 1994.

U.S. GRAINS COUNCIL

Market Perspectives

July 10, 2014

Developing Markets • Enabling Trade • Improving Lives

CBOT DECEMBER CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending July 11, 2014			
Commodity	**July 11**	**July 3**	**Net Change**
Corn			
Jul 14	399.75	417.00	-17.25
Sep 14	378.25	409.50	-31.25
Dec 14	384.75	415.25	-30.50
Mar 15	396.00	426.75	-30.75
Soybeans			
Jul 14	1295.75	1387.75	-92.00
Aug 14	1195.75	1299.75	-104.00
Sep 14	1099.25	1166.75	-67.50
Nov 14	1075.00	1133.50	-58.50
Soymeal			
Jul 14	421.80	447.00	-25.20
Aug 14	387.80	417.70	-29.90
Sep 14	362.10	384.60	-22.50
Oct 14	348.20	363.30	-15.10
Soyoil			
Jul 14	36.71	38.56	-1.85

Aug 14	36.77	38.67	-1.90
Sep 14	36.86	38.72	-1.86
Oct 14	36.85	38.66	-1.81
SRW			
Jul 14	514.75	568.00	-53.25
Sep 14	526.00	579.50	-53.50
Dec 14	547.75	603.75	-56.00
Mar 15	569.50	627.50	-58.00
HRW			
Jul 14	634.25	697.00	-62.75
Sep 14	636.25	687.25	-51.00
Dec 14	646.75	697.00	-50.25
Mar 15	653.50	703.50	-50.00
MGEX (HRS)			
Jul 14	737.75	660.75	77.00
Sep 14	628.00	672.50	-44.50
Dec 14	640.00	682.25	-42.25
Mar 15	656.75	691.00	-34.25

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Planting Progress				
Commodity	**July 6, 2014**	**Last Week**	**Last Year**	**2009-13 Average**
Sorghum	98%	93%	100%	99%

Source: USDA

U.S. Crop Condition: July 6, 2014					
	Very Poor	**Poor**	**Fair**	**Good**	**Excellent**
Corn	1%	4%	20%	54%	21%
Sorghum	1%	5%	33%	51%	10%
Barley	-	3%	29%	57%	11%

U.S. Drought Monitor Weather Forecast: During July 11-14, a broad band of moderate precipitation (0.5-2.0 inches) is expected from Arizona and New Mexico northeastward and eastward across the north-central Plains, the north-central Mississippi Valley, the Ohio Valley, and interior Northeast. A band of moderate to heavy rainfall (1.0-3.5 inches) is forecast for the central and eastern Gulf Coast states, and the southern Atlantic states from Florida to Delaware.

For the ensuing period of July 15-19, there are enhanced odds of above-median rainfall in the Southwest, the Southeast, and over northern and southwestern Alaska. There are enhanced odds of below-median rainfall in the Pacific Northwest, from eastern Montana to Michigan, southern Texas and southern Louisiana. 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 3, 2014					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	340,500	394,700	2,169.4	8,167.0	-23%
Corn	500,000	1,207,100	39,168.3	47,575.9	156%
Sorghum	65,800	4,800	3,108.8	4,442.5	191%
Barley	700	600	15.8	23.8	-24%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 363,000 MT for 2013/14 were up 25 percent from the previous week and 36 percent from the prior four-week average. Increases were reported for South Korea (199,000 MT, including 120,000 MT switched from unknown destinations, 60,000 MT switched from China and decreases of 2,300 MT), Japan (188,600 MT, including 131,000 MT switched from unknown destinations and decreases of 22,200 MT), Egypt (126,000 MT, including 60,000 MT switched from unknown destinations), Taiwan (99,400 MT, including 63,000 MT switched from unknown destinations), Venezuela (60,000 MT, including 62,000 MT switched from unknown destinations and decreases of 2,000 MT) and Peru (46,700 MT, including 33,000 MT switched from unknown destinations). Decreases were reported for unknown destinations (424,900 MT), China (60,600 MT), Guatemala (4,000 MT) and Nicaragua (1,300 MT). Net sales of 381,600 MT for 2014/15 were reported primarily for Egypt (176,000 MT), unknown destinations (122,500 MT), Japan (45,600 MT) and New Zealand (25,000 MT). Decreases were reported for China (3,000 MT). Exports of 1,207,100 MT were up 33 percent from the previous week and 15 percent from the prior four-week average. The primary destinations were Japan (334,100 MT), Mexico (233,000 MT), South Korea (181,700 MT), Taiwan (81,500 MT), Venezuela (80,000 MT), the Netherland s (66,000 MT), Egypt (66,000 MT) and Morocco (64,500 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 55,000 MT, all South Korea.

Barley: Net sales of 700 MT for 2014/1015 were reported for Taiwan (500 MT) and the Philippines (200 MT). Exports of 600 MT were reported to Taiwan.

Sorghum: Net sales of 62,400 MT for 2013/14 were reported for unknown destinations (48,700 MT), China (5,600 MT), Mexico (5,100 MT) and Japan (3,000 MT, switched from unknown destinations). Net sales of 55,000 MT for 2014/15 were reported for China. Exports of 4,800 MT were reported to Japan (3,000 MT) and China (1,800 MT).

U.S. Export Inspections: Week Ending July 3, 2014					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	1,080,525	886,949	38,937,286	14,983,362	260%
Sorghum	4,888	3,836	3,574,412	1,494,979	239%

Soybeans	59,959	74,324	42,659,339	35,090,098	122%
Wheat	417,063	347,411	2,267,143	3,082,730	74%
Barley	347	1,665	4,642	3665	127%

*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 3, 2014						
Last Week	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	597,096	58%	49,938	97%	3,000	61%
PNW	202,033	20%	857	2%	0	0%
Lakes	29,254	3%	0	0%	0	0%
Atlantic	57,299	6%	0	0%	0	0%
Interior Export Rail	143,349	14%	699	1%	1,888	39%
Total (Metric Tons)	1,029,031	100%	51,494	100%	4,888	100%
White Corn Shipments by Country (MT)			41,308	to Mexico		
			9,329	to Guatemala		
			735	to Japan		
			122	to S. Korea		
Total White Corn (MT)			51,494			
Sorghum Shipments by Country (MT)					3,000	to Japan
					958	to Mexico
					930	to China
Total Sorghum (MT)					4,888	

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	+1.05 U	$190.25	+1.30 U	$200.09
LH August	+1.00 U	$188.28	+1.30 U	$200.09
FH September	+0.90 U	$184.34	+1.30 U	$200.09
LH September	+0.90 U	$184.34	+1.30 U	$200.09
October	+0.90 Z	$186.90	+1.30 Z	$202.65

U.S. GRAINS COUNCIL

Market Perspectives

July 10, 2014

Developing Markets • Enabling Trade • Improving Lives

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
LH July	+1.75 Z	$220.36	+1.75 Z	$220.36
August	+1.75 Z	$220.36	+1.75 Z	$220.36
September	+1.70 Z	$218.39	+1.70 Z	$218.39

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

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	July	August	September
New Orleans	$182	$182	$182
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**July**	**August**	**September**
New Orleans	$670	$670	$670
**5-10,000 MT Minimum*			

***All prices are market estimates.*

DDGS Price Table: July 11, 2014 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	July	Aug.	Sep.
Barge CIF New Orleans	178	177	176
FOB Vessel GULF	186	184	184
Rail delivered PNW	187	188	189
Rail delivered California	190	191	192
Mid-Bridge Laredo, TX	188	187	186
40 ft. Containers to South Korea (Busan)	281	278	278
40 ft. Containers to Taiwan (Kaohsiung)	274	272	272
40 ft. Containers to Philippines (Manila)	283	286	286
40 ft. Containers to Indonesia (Jakarta)	287	285	285
40 ft. Containers to Malaysia (Port Kelang)	283	280	280
40 ft. Containers to Vietnam (HCMC)	286	283	283
40 ft. Containers to Japan (Yokohama)	302	297	297
40 ft containers to Thailand (LCMB)	285	282	282
40 ft Containers to Shanghai, China	267	266	266
KC & Elwood, IL Rail Yard (delivered Ramp)	182	180	179

*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: In last week's report this section noted the prospect of increases in global freight rates. Since then, additional validation for expressing that statement was given in a Reuters news story which discussed the prospect that grain exporters could feel more price pain as shipping rates are set to rise. The story notes that logistical companies are prepared to increase rates because of expectations for increased demand. Rate increases are expected for bulk, barge and containers.

While freight is expected to be very tight this fall, a favorable pricing opportunity is currently being presented as increasing freight rates are unlikely to offset the tremendous declines that occurred this past week in DDGS prices. Declines in domestic DDGS prices were particularly pronounced and fell more than $25/MT out through September.

The price for containerized DDGS to export markets declined $10 to $1 5/MT during this past week as corn futures tumbled down to new lows. At the moment, this process of declining corn futures is rather aggressive as speculators exit the remainder of their large long positions in corn contracts. A number of buyers are apparently attempting to delay purchases in hopes of buying at the absolute bottom. As is commonly the case in market dynamics, multiple buyers simultaneously have that same objective. Some in the group are likely to purchase after speculators have already exited their losing long positions. Alternatively, other DDGS buyers seem to have an objective plan to purchase in order to achieve a specific margin level. These buyers seem to feel that attempting to purchase the absolute seasonal low is not a realistic expectation. Rather, their opinion seems to be that credit is given to the management team who can consistently obtain favorable returns.

Ethanol Comments: Ethanol stocks are remaining stable even as corn prices decline. U.S. ethanol stocks of 18.3 million barrels for week ending July 4 are basically unchanged from prior week's level of 18.2 million barrels. The present stocks level is 15.7 percent above the year-ago level of 16.3 million barrels, but that is largely because the average daily production rate for the same week a year ago only averaged 881,000 barrels per day (bpd), due primarily to higher corn prices. Recall that a year ago the expiring spot market July contract was trading its last days above $7.00 per bushel. Current corn input costs are substantially lower for ethanol facilities, and yet ethanol production is not increasing as the price of corn falls. Rather, ethanol production declined to an average weekly rate of 927,000 bpd, in comparison to the prior weekly rate of 953,000 bpd.

Stability in ethanol stocks and production is not a certainty: Ethanol imports have returned at a rate of 9,000 bpd. As well, there is potential for U.S. production levels to expand because the spot market differential between the declining price of corn and the price of byproducts improved for ethanol facilities during the week ending Friday, July 11. The average differential of all regions is more than a dollar above the year ago level – which is incentive for production. The differential between the cost of corn and the value of ethanol and DDGS at processing plants in different regions of the Corn Belt are as follows:

- Illinois differential is $3.39 per bushel, in comparison to $3.09 the prior week and $2.31 a year ago.
- Iowa differential is $3.09 per bushel, in comparison to $2.93 the prior week and $2.04 a year ago.
- Nebraska differential is $2.95 per bushel, in comparison to $2.68 the prior week and $1.98 a year ago.
- South Dakota differential is $3.43 per bushel, in comparison to $3.16 the prior week and $2.36 a year ago.

COUNTRY NEWS

Argentina: It is anticipated that farmers will sow less corn in the upcoming 2014/15 season should Argentina default on its sovereign debt, according to Reuters. Argentine farmers are heavily reliant on loans in order to fund planting each year, and a default would force interest rates to rise and have a negative impact on their ability to secure credit. Corn is already considered the most expensive crop to cultivate in Argentina.

Asia: Grain importers throughout Asia have reduced purchases in the hope that prices will drop even further than their already low levels, according to Reuters. While feed mills generally book cargoes three-to-four months in advance, many are now booking just two months in advance. It is feared that this action could have a negative impact on major grain exporters and could leave consumers vulnerable to supply disruptions, particularly in an El Nino year.

China: It seems likely that China will soon disband its reserve-based corn price support system in favor of transitioning to a market-based system that would allow supply and demand to decide crop prices, reports Reuters. The expectation is that markets will more efficiently streamline China's food production chain compared to centralized control. Further on China: State corn sales have increased this week as the government sold 2 MMT (40 percent of the total volume offered) at an average price of $340-$360/MT.

Russia: The Ministry of Agriculture has advised that Russia should begin replenishing grain stocks with domestic purchases beginning in October, according to Reuters. This decision came following a meeting between the ministry and market participants including producers, unions and traders.

South Africa: Yellow corn for December delivery in Africa's largest corn producing country fell by 4.9 percent and currently stands at $166.97/MT, reports Bloomberg News. South Africa is predicted to produce 13.9 MMT of corn this year, and so far around 7.5 MMT has been harvested.

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 $1.00	Handymax at $43.00/MT
55,000 U.S. PNW- Japan	$24.00	Up $0.50	Handymax at $24.50/MT
55,000 U.S. Gulf – China PNW to China	$42.00 $23.00	Up $1.00 Up $0.50	North China
25,000 U.S. Gulf- Veracruz, México	$16.50	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	$15.00	Unchanged	Deep draft and 8,000 MT per day discharge rate.

25/35,000 U.S. Gulf- East Coast Colombia, Argentina	\$20.50 \$29.50	Down \$0.50 Unchanged	West Coast Colombia at \$28.00
35,000 U.S. Gulf - Guatemala	\$26.50	Up \$0.50	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	\$34.50 \$36.00	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	\$34.00	Unchanged	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	\$31.50 \$31.00	Unchanged Up \$0.50	55,000 -60,000 MT St. Lawrence to Egypt \$31.50
60-70,000 U.S. Gulf – Europe – Rotterdam	\$19.00	Unchanged	Handymax at +\$1.50 more
Brazil, Santos – China	\$34.00 \$32.50	Unchanged Unchanged	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	\$38.50	Unchanged	—

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: News reports this week are stating that world ocean freight prices are "gaining support" and showing some improvement. Although somewhat true, I think it is all a matter of relationship and perspective. Afterall, to some, a sick person who is not getting worse can be viewed as improving. Rates have, for the moment, stopped going down and that may seem like the definition of "support" to some. In reality we have witnessed only a little improvement in some sectors and some declines in others. Panamax rates are doing slightly better than the Capes, but hope springs eternal if you are a vessel owner. All-in-all I'd have to say that the patient is still on life support and full recovery remains a long ways off. It should be carefully noted that the below rate indications are for the 30-45 day market; spot prices can be lower and vessel offers out into September and forward positions will definitely be higher.

Baltic Panamax Dry-Bulk Indices				
July 11, 2014 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	11,332	10,761	571	5.3%
P3A: PNW/Pacific – Japan	5,775	5,350	425	7.9%

Source: O'Neil Commodity Consulting

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

Market Perspectives

July 10, 2014

Developing Markets • Enabling Trade • Improving Lives

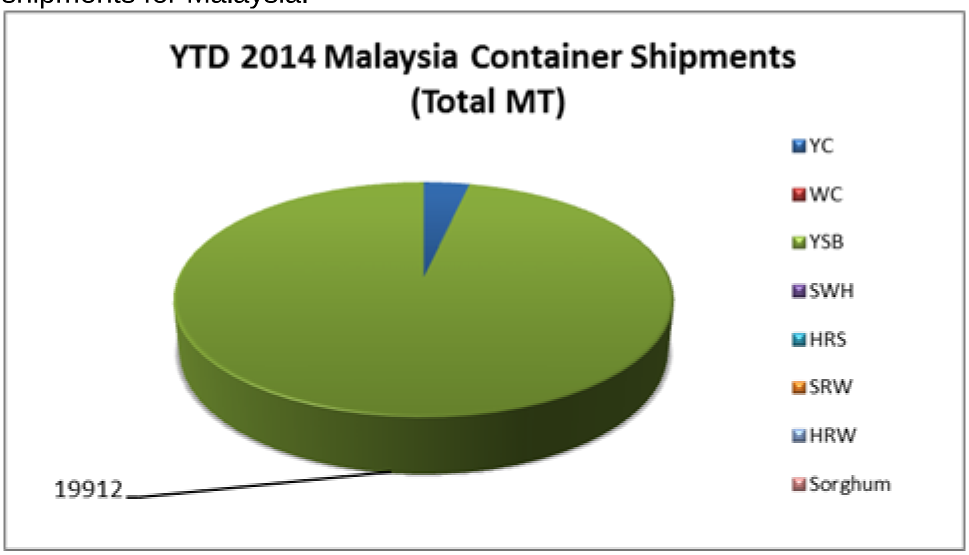
Week of July 11, 2014	
Four weeks ago	$7.85-$8.10
Three weeks ago:	$7.70-$8.00
Two weeks ago	$7.70-$7.85
One week ago:	$7.90-$8.20
This week	$7.60-$7.90

Source: O'Neil Commodity Consulting

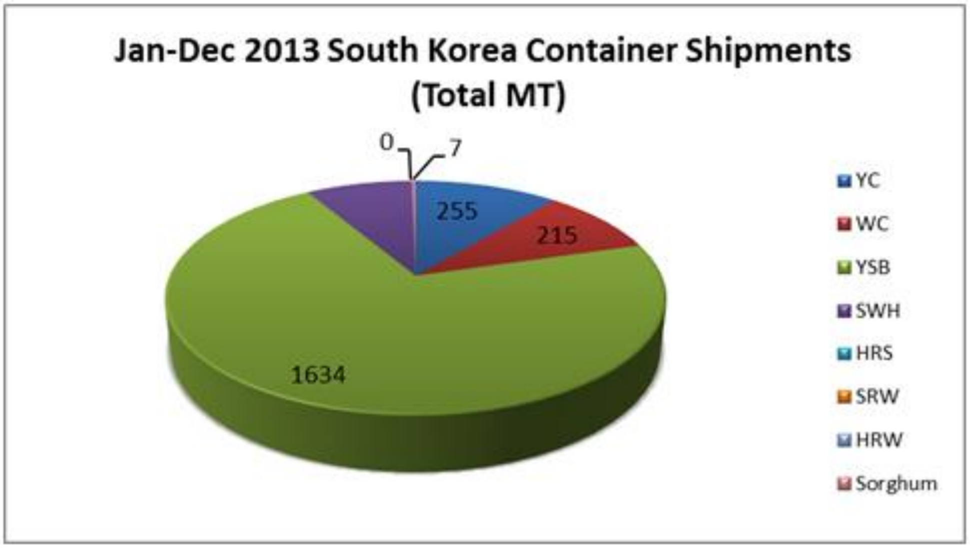
U.S. – Asia Market Spreads					
July 11, 2014	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
# 2 Corn	1.40	1.00	0.40	$15.75	PNW
Soybeans	1.80	1.70	0.10	$13.67	PNW
Ocean Freight	$23.00	$42.00	0.58-0.52	($19.00)	August

Source: O'Neil Commodity Consulting

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



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**	$39	$43	$40	$30	$35	$26	$42
	Brazil	$33	$36	$34	$27	$25	$20	-
Corn (White)	**Argentina**	$39	$43	$40	$30	$35	$26	$42
	Brazil	$33	$36	$34	$27	$25	$20	-
Barley	**Argentina**	$39	$43	$40	$30	$35	$26	$42
	Brazil	$33	$36	$34	$27	$25	$20	-
Sorghum	**Argentina**	$39	$43	$40	$30	$35	$26	$42
	Brazil	$33	$36	$34	$27	$25	$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 9, 2014			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.33	0.33	0.32
LIBOR (1 year)	0.55	0.55	0.53

Source: www.bankrate.com