U.S. GRAINS COUNCIL

Market Perspectives

July 18, 2014

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
$/Bu	**Monday 14 July**	**Tuesday 15 July**	**Wednesday 16 July**	**Thursday 17 July**	**Friday 18 July**
Change	0.0350	-0.0650	0.0500	0.0050	-0.0875
Closing Price	3.8825	3.8175	3.8675	3.8725	3.7850
Factors Affecting the Market	The December corn contract finally had a limited higher close after being consistently negative for two weeks in a row.	Corn contracts returned lower once again as the reported condition of the U.S. corn crop remained favorable.	Another slight rebound took place as current price levels of corn sparked some interest by global buyers.	Corn contracts closed basically unchanged as a short-term trading range was carved out until yields become more definitive.	This week ended with the fourth negative weekly close in a row, but the decline seems to be slowing as buying interest increases.

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.

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Outlook: Percentage wise, since the spring highs corn futures have fallen slightly more than soybean futures. Yet, in the U.S., it was soybeans that had the enormous year-over-year increase in acreage, not corn. The recent aggressive decline in corn happened when a large group of speculative traders, who were holding unprofitable long positions in corn contracts, decided to simultaneously exit because there was no bullish surprise in recent USDA data or weather going into pollination.

U.S. corn pollination is approximately 50 percent complete and weather conditions have been consistently favorable. The favorable weather has produced consistently high crop ratings for the U.S., which in turn implies that average yields will be high. USDA is forecasting that average U.S. corn yields will be 165.3 bushels per acre. Continuation of pristine growing conditions could result in final yields that even surpass 170 bushels per acre. However, weather forecasts for next week in the western Corn Belt imply there could be some heat.

After a substantial sell-off, corn contracts seem to have once again plateaued into a trading range as commercial buying increases. The majority of commercial end-users are interested in locking in favorable returns rather than attempting to purchase the absolute low. They will gladly buy any remaining positions that long speculators want to exit at current price levels. Speculators know this, but they are not thrilled about the offer. Commercials know that the long speculators will eventually need to exit and that there is presently no bullish news to bounce prices higher. So, the outlook is that corn contracts are momentarily in a horizontal trading range.

CBOT DECEMBER CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending July 18, 2014			
Commodity	**July 18**	**July 11**	**Net Change**
Corn			
Sep 14	371.25	378.25	-7.00
Dec 14	378.50	384.75	-6.25
Mar 15	390.50	396.00	-5.50
May 15	399.00	404.25	-5.25
Soybeans			
Aug 14	1176.75	1195.75	-19.00
Sep 14	1104.25	1099.25	5.00
Nov 14	1085.25	1075.00	10.25
Jan 15	1093.50	1084.00	9.50
Soymeal			
Aug 14	380.30	387.80	-7.50
Sep 14	363.20	362.10	1.10
Oct 14	354.30	348.20	6.10
Dec 14	351.80	345.00	6.80
Soyoil			
Aug 14	36.57	36.77	-0.20
Sep 14	36.66	36.86	-0.20
Oct 14	36.63	36.85	-0.22
Dec 14	36.72	36.96	-0.24
SRW			
Sep 14	532.25	526.00	6.25
Dec 14	556.25	547.75	8.50
Mar 15	577.75	569.50	8.25
May 15	592.75	585.75	7.00
HRW			
Sep 14	633.75	636.25	-2.50
Dec 14	645.75	646.75	-1.00
Mar 15	652.50	653.50	-1.00
May 15	657.50	657.50	0.00
MGEX (HRS)			
Sep 14	630.25	628.00	2.25
Dec 14	640.00	640.00	0.00
Mar 15	652.75	656.75	-4.00
May 15	661.00	666.00	-5.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: July 14, 2014					
	Very Poor	Poor	Fair	Good	Excellent
Corn	1%	4%	19%	54%	22%
Sorghum	1%	6%	31%	51%	11%
Barley	1%	4%	31%	53%	11%

U.S. Drought Monitor Weather Forecast: During the period of July 18-21, moderate-to-heavy rains are expected from the central Rockies southeastward to the lower Delta, and then into the Southeast. Florida should also see moderate rains. The largest amounts (3- 6 inches) are forecast for the Red River Valley and eastward into Arkansas. The West will be seasonably dry, and the southwest monsoon is predicted to be quiet, with only light totals (<0.5 inches) in eastern Arizona and New Mexico. The northern Rockies and Plains, plus the Midwest, should be mostly dry. Subnormal temperatures are forecast for the West Coast and eastern half of the Nation, with above-normal readings expected in the Rockies and northern Plains.

For the ensuing period of July 22-26, the odds favor above-median precipitation in the eastern half of the U.S. and Pacific Northwest, with below-median rainfall likely in the Great Basin, Rockies, High Plains, and south Texas. Temperatures are expected to average below normal in the Pacific Northwest, but likely to be above-median in the Southwest, Rockies, Plains, Great Lakes region, and New England.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 10, 2014					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	369,900	417,400	2,586.8	8,487.6	-27%
Corn	746,700	907,900	40,076.2	48,149.6	157%
Sorghum	353,000	143,100	3,251.9	4,735.4	211%
Barley	500	300	16.1	24.3	-60%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 573,700 MT for 2013/14 were up 58 percent from the previous week and up noticeably from the prior four-week average. Increases were reported for Japan (246,900 MT, including 90,300 MT switched from unknown destinations and decreases of 26,700 MT), Colombia (94,300 MT, including 40,000 MT switched from unknown destinations), Taiwan (42,900 MT), the Philippines (39,900 MT), Mexico (37,700 MT) and Morocco (30,000 MT). Decreases were reported for unknown destinations (51,400 MT). Net sales of 495,000 MT for 2014/15 were reported primarily for unknown destinations (198,900 MT), Japan (150,400 MT) and Mexico (108,200 MT). Exports of 907,900 MT were down 25 percent from the previous week and 16 percent from the prior four-week average. The primary destinations were Japan (276,300 MT), Mexico (231,200 MT), South Korea (116,400 MT), Spain (64,900 MT), Colombia (43,700 MT), Peru (32,400 MT) and Guatemala (29,300 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 55,000 MT, all South Korea.

Barley: Net sales of 500 MT for 2014/1015 were reported for Taiwan. Exports of 300 MT were reported to South Korea.

Sorghum: Net sales of 292,900 MT for 2013/14 were reported for China (346,400 MT, including 170,000 MT reported late) and Germany (58,000 MT), were partially offset by decreases for unknown destinations (111,400 MT). Net sales of 109,500 MT for 2014/15 were reported for Germany (58,000 MT), China (50,000 MT, reported late) and Singapore (1,500 MT) . Exports of 143,100 MT were reported to China.

U.S. Export Inspections: Week Ending July 10, 2014					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	926,329	1,263,667	40,051,018	15,398,274	260%
Sorghum	204,680	65,051	3,839,351	1,500,103	256%
Soybeans	115,280	92,698	42,810,027	35,190,268	122%
Wheat	377,520	470,372	2,697,972	3,750,356	72%
Barley	421	347	5,063	3926	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 July 10, 2014						
Last Week	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	639,815	71%	25,193	94%	199,016	97%
PNW	168,915	19%	147	1%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	4,658	1%	0	0%	0	0%
Interior Export Rail	86,204	10%	1,397	5%	5,664	3%
Total (Metric Tons)	899,592	100%	26,737	100%	204,680	100%
White Corn Shipments by Country (MT)			15,270	to Honduras		
			11,320	to Mexico		
			147	to S. Korea		
Total White Corn (MT)			26,737			
Sorghum Shipments by Country (MT)					202,860	to China

					1,820	to Mexico
Total Sorghum (MT)					204,680	

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	-	-	+1.45 U	$203.24
LH August	+1.25 U	$195.36	+1.45 U	$203.24
September	+1.15 U	$191.43	+1.43 U	$202.45
October	+1.15 Z	$194.28	+1.45 Z	$206.09
November	+1.15 Z	$194.28	+1.48 Z	$207.27

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	$217.90	+1.75 Z	$217.90
August	+1.75 Z	$217.90	+1.75 Z	$217.90
September	+1.70 Z	$215.93	+1.70 Z	$215.93

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

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	August	September	October
New Orleans	$197	$197	$197
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**August**	**September**	**October**
New Orleans	$770	$770	$770
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: July 18, 2014 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Aug.	Sep.	Oct.
Barge CIF New Orleans	192	193	194

FOB Vessel GULF	200	202	205
Rail delivered PNW	194	194	195
Rail delivered California	204	203	205
Mid-Bridge Laredo, TX	216	215	216
40 ft. Containers to South Korea (Busan)	268	267	267
40 ft. Containers to Taiwan (Kaohsiung)	262	261	262
40 ft. Containers to Philippines (Manila)	281	281	279
40 ft. Containers to Indonesia (Jakarta)	281	281	278
40 ft. Containers to Malaysia (Port Kelang)	280	279	279
40 ft. Containers to Vietnam (HCMC)	282	282	282
40 ft. Containers to Japan (Yokohama)	280	280	280
40 ft containers to Thailand (LCMB)	275	274	275
40 ft Containers to Shanghai, China	263	263	264
KC & Elwood, IL Rail Yard (delivered Ramp)	181	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: Corn futures have spent the last month in decline, but DDGS price action seems to indicate that end-users are anticipating that a bottom is being placed in the market. Domestic DDGS prices suddenly rebounded by an average of more than $15/MT this past week while containerized DDGS for the export market continued to decline by another $5/MT. Domestic demand has recently been leading the price action in DDGS markets, and so containerized export prices are likely to follow that example and also stabilize next week.

Quoted rail and truck rates for bulk grain have both recently increased in the United States due to anticipation of great logistical demand to move this season's large harvest. Gran buyers will attempt to compensate by offering farmers lower cash prices, but U.S. farmers will presumably be reluctant to accept low bids. Such a combination of factors could make both grain and transportation costs inconsistent this fall. Consequently, it may actually be more difficult this fall for DDGS merchandisers to arrange extended contract pricing than is presently the case.

The preceding Outlook section notes that an increasing number of large commercial buyers are purchasing corn at present price levels. Those end-users have calculated the price levels that are necessary to generate consistent profits. It can be frustrating for DDGS merchandisers when some of the DDGS buyers seem to be unrealistically focused on purchasing at the season's low.

It may be possible for DDGS merchandisers to guarantee a buyer that he or she can purchase a limited amount at the seasonal low, for bragging rights, but the merchandiser cannot offer the full contract at that price level. After all, the ethanol plant is also a buyer of corn before it is processed into DDGS. No U.S. farmer is going to offer all of his corn to the DDGS producer at the season's lowest prices. Therefore, merchandisers must find agreeable terms for both the farmer and the DDGS buyer.

Ethanol Comments: Last week the fact was noted that the spot market differential between declining corn prices and the byproducts had improved for ethanol facilities and was an incentive for production to increase. Data from the Energy Information Administration (EIA) indicates that production did behave as expected and increased from the prior week's rate of 927,000 barrels per day (bpd) to 943,000 bpd for week ending July 11. A more interesting fact is that total U.S. ethanol stocks declined while that increase took place.

Increasing exports of U.S. ethanol is a likely reason for the decline in total ethanol stocks to 17.9 million barrels from the prior week's level of 18.3 million barrels. The spread has narrowed to 1.3 million barrels between the current stocks level and last year's stocks level of 16.6 million barrels. Further declines in the level of total stocks could add some support to the price of ethanol and/or encourage greater ethanol imports into the United States.

The United States imported ethanol at an average daily rate of 5,000 bpd for the week ending July 11. Please note that this is a decline from the prior-week's average daily import of 9,000 bpd. This import pace is also substantially below last year's average daily rate of 50,000 bpd and also below the rate two years ago of 18,000 bpd. Considering such factors, the probability seems good that total U.S. ethanol stocks will continue to drift lower – so long as there is no substantial decline in the price of gasoline.

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 for week ending Friday, July 18, 2014:

- Illinois differential is $3.49 per bushel, in comparison to $3.39 the prior week and $2.43 a year ago.
- Iowa differential is $3.26 per bushel, in comparison to $3.09 the prior week and $1.95 a year ago.
- Nebraska differential is $3.19 per bushel, in comparison to $2.95 the prior week and $2.01 a year ago.
- South Dakota differential is $3.59 per bushel, in comparison to $3.43 the prior week and $2.14 a year ago.

COUNTRY NEWS

Argentina: Dock workers at the port of Rosario began a strike at midnight on Wednesday in an effort to secure higher wages, according to Reuters. Exceptionally high inflation have made strikes and labor disputes increasingly common in Argentina. Rosario is Argentina's primary grain exporting hub and this strike comes at the height of the corn harvest.

Russia: The Ministry of Agriculture now predicts that Russia could harvest more than 100 MMT of grain this year, according to Bloomberg News. If this prediction pans out, it will be the first time since 2008 that Russia has brought in over 100 MMT. However, persistent dry weather in Siberia has some analysts tempering these optimistic grain totals. Grain yields so far are 3.55 MT per hectare, which is 0.5 MT greater than last year.

South Africa: Yellow corn for December delivery in Africa's largest corn producing country rose by 1.5 percent and currently stands at $173/MT, reports Bloomberg News. This is the largest advance in the yellow corn contract since June 27.

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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	$42.50	Down $0.50	Handymax at $43.00/MT
55,000 U.S. PNW- Japan	$23.50	Down $0.50	Handymax at $24.50/MT
55,000 U.S. Gulf – China PNW to China	$41.50 $22.50	Down $0.50 Down $0.50	North China
25,000 U.S. Gulf- Veracruz, México	$16.00	Down $0.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	$14.50	Down $0.50	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$20.00 $29.00	Down $0.50 Down $0.50	West Coast Colombia at $27.50
35,000 U.S. Gulf - Guatemala	$26.50	Down $0.50	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$34.00 $36.00	Down $0.50 Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$33.50	Down $0.50	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$31.00 $30.50	Down $0.50 Down $0.50	55,000 -60,000 MT St. Lawrence to Egypt $31.00
60-70,000 U.S. Gulf – Europe – Rotterdam	$18.50	Down $0.50	Handymax at +$1.50 more
Brazil, Santos – China	$34.00 $32.75	Unchanged Up $0.25	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$38.25	Down $0.25	—

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 freight markets have that sinking feeling again and it was not a good week for vessel owners. I think everyone has heard this news many times before. World freight markets are still waiting for the turnaround that seems to be always just over the horizon in the next physical quarter. I still have to believe that markets are very close to a bottom and do not have room to continue down too much further. However, I certainly do not see anything in front of us that would cause a significant upward rally. Vessel owners are just going to have to hang on for a while longer if they can. On spot and short route business Panamax vessels have been getting only $2,000/day in the

Atlantic verses $4,900/day on longer hauls.

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 18, 2014 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	10,350	11,168	-818	-7.3%
P3A: PNW/Pacific – Japan	4,444	5,516	1,072	19.4%

Source: O'Neil Commodity Consulting

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

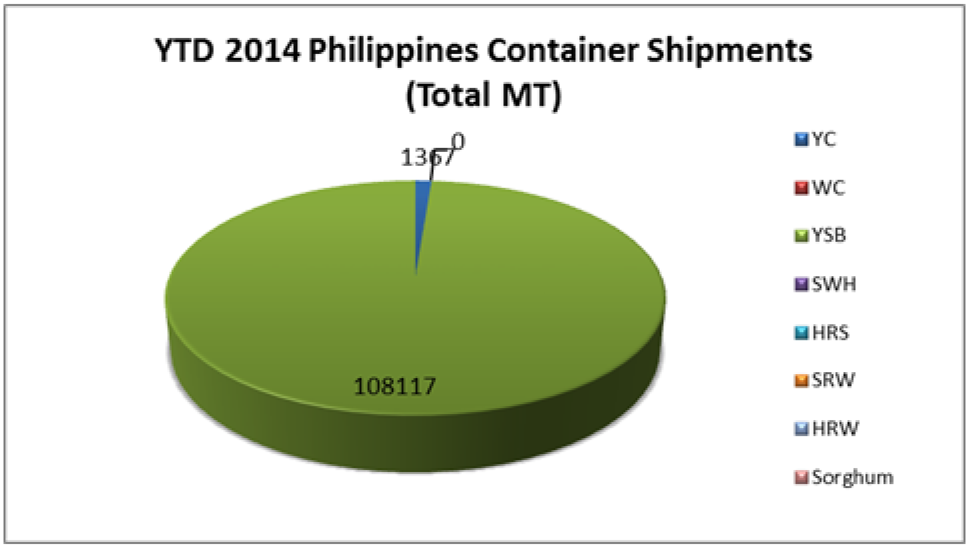
Week of July 18, 2014	
Four weeks ago	$7.70-$8.00
Three weeks ago:	$7.70-$7.85
Two weeks ago	$7.90-$8.20
One week ago:	$7.60-$7.90
This week	$7.50-$7.65

Source: O'Neil Commodity Consulting

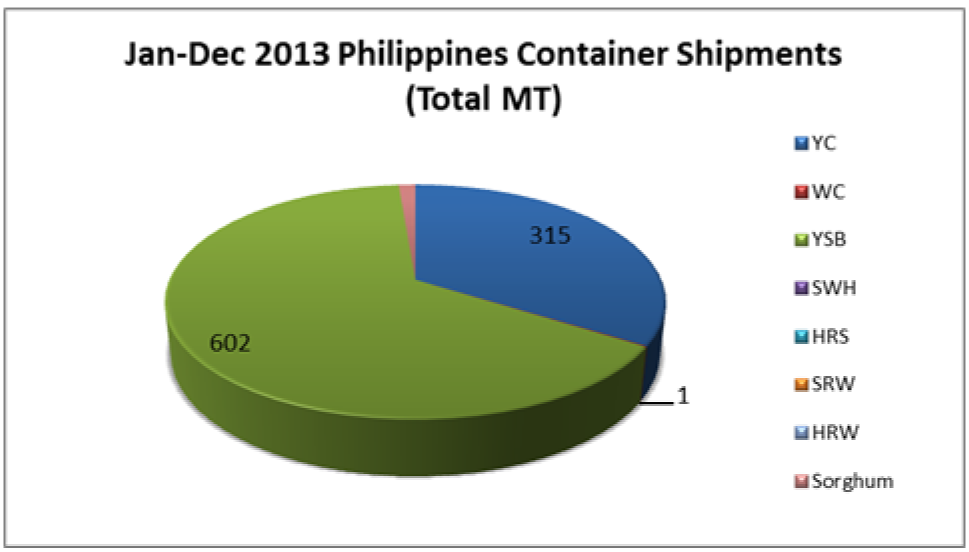
U.S. – Asia Market Spreads					
July 18, 2014	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.60	1.10	0.50	$19.68	Both
Soybeans	1.80	1.60	0.20	$7.35	PNW
Ocean Freight	$22.50	$41.50	0.48-0.52	($19.00)	August

Source: O'Neil Commodity Consulting

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



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**	$38	$42	$39	$28	$34	$26	$42
	Brazil	$31	$35	$33	$25	$24	$20	-
Corn (White)	**Argentina**	$38	$42	$39	$28	$34	$26	$42
	Brazil	$31	$35	$33	$25	$24	$20	-
Barley	**Argentina**	$38	$42	$39	$28	$34	$26	$42
	Brazil	$31	$35	$33	$25	$24	$20	-
Sorghum	**Argentina**	$38	$42	$39	$28	$34	$26	$42
	Brazil	$31	$35	$33	$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 (%): July 16, 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	0.54

Source: www.bankrate.com