Market Perspectives

July 25, 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 21 July**	**Tuesday 22 July**	**Wednesday 23 July**	**Thursday 24 July**	**Friday 25 July**
Change	-0.0650	-0.0375	0.0250	-0.0150	0.0225
Closing Price	3.7200	3.6825	3.7075	3.6950	3.7175
Factors Affecting the Market	A new contract low was established in December corn as buyers remained absent and assumeed there would be ample time to eventually buy.	Continuation of more than 75 percent of the U.S. corn crop being rated good-to-excellent during pollination was enough to press down prices.	It seems some-what ironic that soybeans would lead corn higher, but that is what occurred today as global soybean prices stiffened.	Disappointing export shipments and favorable weather were reason enough for the December corn contract to close back below $3.70 per bushel.	The December contract closed slightly higher on the day but down 6.76 cents for the week. This contract has traded lower for nine of the past 12 weeks.

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.

Outlook: A number of market participants have inquired about the longer term ramifications of current price actions: In response it is noted that U.S. farmers will need to move the majority of old crop grain out of the bins as the harvest takes place. As a result, there is plenty of grain for sale to meet current demand. It is sales demand, both domestic and export, that has weakened recently as buyers wait to see just how low prices will go as they attempt to buy at the very bottom.

Demand for feed grains is expected to pick up as a bottom becomes more evident on corn charts. However, there is an additional offsetting cost of higher freight rates as both rail and truck rates have recently been increasing in the face of a bumper harvest. Such factors mean that export sales could pick up more quickly than export shipments this fall as buyers seek to secure inexpensive product and then worry about logistics later. This condition will presumably result in storage, both on farm and off-farm, being fully utilized this season.

Recall that earlier this calendar year U.S. farmers were reluctant sellers in anticipation of higher prices. Virtually everyone recognized that a bumper crop was a possibility, but many producers were willing to take a chance and hold out for a possible scare that would drive prices higher during the current growing season – which obviously did not happen. Now that prices are already driven down to very low levels, U.S. farmers will have enough common sense not to practice panic selling at the bottom. However, those farmers who lack sufficient storage will need to move some grain. That product movement may weaken basis. The weaker prices, both cash and futures, is likely to result in reduced lease rates on farmland next season.

Soybeans have the advantage of requiring less storage, but corn has historically had the advantage of generating better returns – assuming of course that pollination goes off without any problems. While financially painful, U.S. farmers will have the financial means to deal with lower prices in the new-crop season. Alternatively South American and Black Sea farmers may struggle to plant corn next season because of the higher production costs. As a result, the longer-term outlook is that there could be some very wide swings in feed grain prices during the time period that stretches from this fall and two years out into the future.

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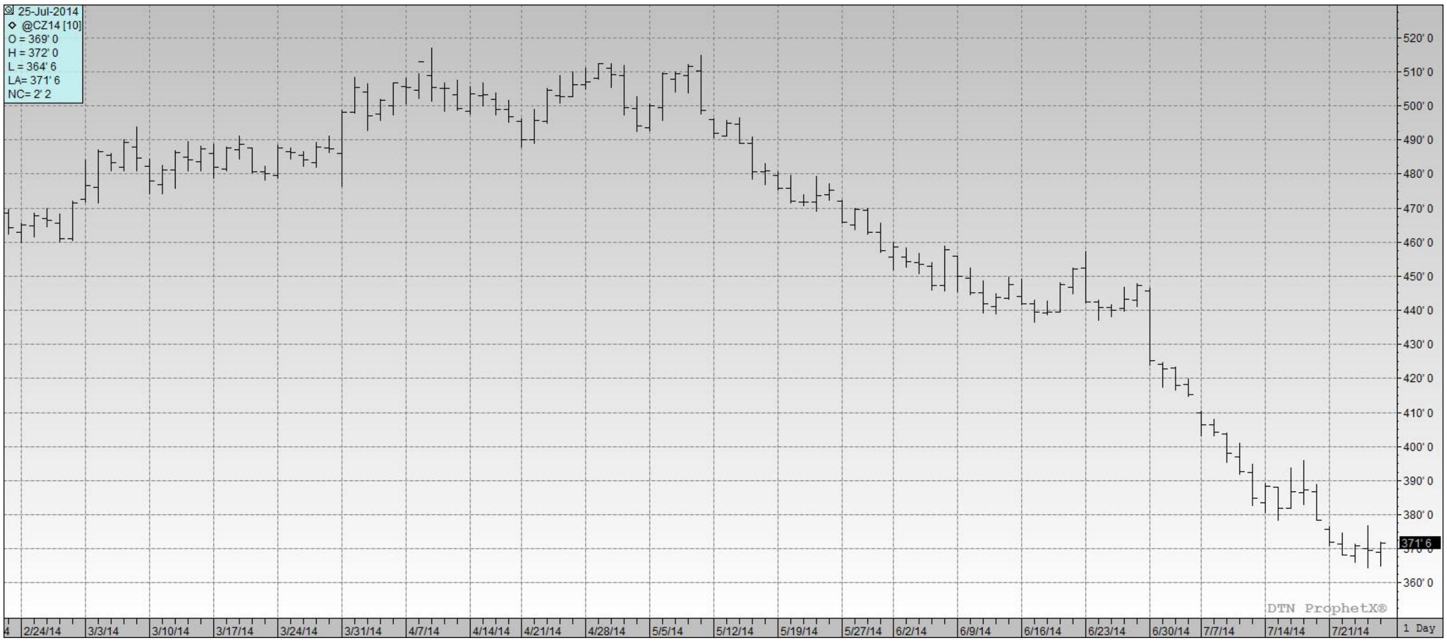
CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending July 25, 2014			
Commodity	**July 25**	**July 18**	**Net Change**
Corn			
Sep 14	363.00	371.25	-8.25
Dec 14	371.75	378.50	-6.75
Mar 15	383.25	390.50	-7.25
May 15	391.00	399.00	-8.00
Soybeans			
Aug 14	1212.25	1176.75	35.50
Sep 14	1113.75	1104.25	9.50
Nov 14	1083.50	1085.25	-1.75
Jan 15	1090.25	1093.50	-3.25
Soymeal			
Aug 14	398.00	380.30	17.70
Sep 14	369.80	363.20	6.60
Oct 14	353.50	354.30	-0.80
Dec 14	350.20	351.80	-1.60
Soyoil			
Aug 14	36.09	36.57	-0.48

Sep 14	36.18	36.66	-0.48
Oct 14	36.17	36.63	-0.46
Dec 14	36.25	36.72	-0.47
SRW			
Sep 14	538.00	532.25	5.75
Dec 14	559.75	556.25	3.50
Mar 15	581.50	577.75	3.75
May 15	596.25	592.75	3.50
HRW			
Sep 14	631.25	633.75	-2.50
Dec 14	645.25	645.75	-0.50
Mar 15	653.00	652.50	0.50
May 15	658.25	657.50	0.75
MGEX (HRS)			
Sep 14	627.75	630.25	-2.50
Dec 14	635.00	640.00	-5.00
Mar 15	646.50	652.75	-6.25
May 15	654.25	661.00	-6.75

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: July 21, 2014					
	Very Poor	**Poor**	**Fair**	**Good**	**Excellent**
Corn	1%	4%	19%	54%	22%
Sorghum	1%	6%	31%	51%	11%
Barley	1%	4%	29%	55%	11%

U.S. Drought Monitor Weather Forecast: During July 24-28, wet weather is forecast for the eastern third of the Nation, Pacific Northwest, and parts of the northern and south-central Plains. Later in the period, some monsoonal moisture is expected to trek northward into Arizona, New Mexico, and Colorado and trigger scattered light to moderate showers. Little or no precipitation for the five-day period is expected in California and the Great Basin, north-central Rockies, southern Plains, and central Great Plains. Temperatures should average below normal across the northern tier of States and above normal across the southern third of the U.S., with the greatest positive departures in the Southwest.

For the ensuing period of July 29-August 2, the odds favor above median precipitation from the eastern Great Basin and Arizona southeastward along the Gulf Coast and northeastward along the southern and middle Atlantic Coast. Sub-median precipitation is likely in the Pacific Northwest, and from the northern Plains and upper Midwest southeastward into the Tennessee Valley. An expected strong ridge of high pressure over the Far West and a deep trough over the eastern U.S. will favor strong chances of above-median temperatures in the West and below-median readings in the eastern half of the U.S.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 17, 2014					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	457,100	551,700	3,138.6	8,930.8	-27%
Corn	309,600	992,500	41,068.7	48,441.2	159%
Sorghum	110,700	169,400	3,421.3	4,841.6	206%
Barley	0	0	16.1	24.3	-60%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 291,500 MT for 2013/14 were down 49 percent from the previous week and 21 percent from the prior four-week average. Increases were reported for Japan (216,200 MT, including 112,300 MT switched from unknown destinations, 50,000 MT switched from China and decreases of 1,100 MT), Spain (70,000 MT, including 65,000 MT switched from unknown destinations), South Korea (67,800 MT, including 63,000 MT switched from unknown destinations and decreases of 2,400 MT), the Netherlands (52,000 MT, switched from unknown destinations), Mexico (50,200 MT) and Canada (25,600 MT). Decreases were reported for unknown destinations (220,100 MT) and China (50,000 MT). Net sales of 1,143,400 MT for 2014/15 were reported primarily for unknown destinations (644,000 MT), Japan (268,400 MT) and Costa Rica (43,800 MT). Exports of 992,500 MT were up 9 percent from the previous week, but down 4 percent from the prior four-week average. The primary destinations were Japan (262,100 MT), South Korea (255,800 MT), Mexico (139,500 MT), Egypt (133,200 MT), Spain (70,000 MT) and Costa Rica (32,600 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 55,000 MT, all South Korea.

Barley: There were no net sales or exports reported during the week.

Sorghum: Net sales of 106,100 MT for 2013/14 resulted as increases for China (167,100 MT, including 58,000 MT switched from Germany and decreases of 900 MT) and Japan (2,200 MT, including 1,500 MT switched from unknown destinations), were partially offset by decreases for Germany (58,000 MT) and unknown destinations (5,100 MT). Net sales of 52,100 MT for 2014/15 resulted as increases for China (108,000 MT) and unknown destinations (3,600 MT). Decreases were reported for Germany (58,000 MT) and Singapore (1,500 MT). Exports of 169,400 MT were reported to China (167,200 MT) and Japan (2,200 MT).

U.S. Export Inspections: Week Ending July 17, 2014					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	939,791	946,313	41,010,793	15,661,245	262%
Sorghum	114,122	264,103	4,012,896	1,527,781	263%
Soybeans	96,915	118,193	42,909,855	35,296,744	122%

Wheat	515,283	387,400	3,234,684	4,409,864	73%
Barley	3,693	421	8,756	4919	178%

*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 17, 2014						
Last Week	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	519,952	56%	10,062	94%	110,023	96%
PNW	255,831	28%	24	0%	1494	1%
Lakes	20,659	2%	0	0%	0	0%
Atlantic	11,303	1%	0	0%	0	0%
Interior Export Rail	121,361	13%	599	6%	2,605	2%
Total (Metric Tons)	929,106	100%	10,685	100%	114,122	100%
White Corn Shipments by Country (MT)			6,830	to Japan		
			3,232	to Honduras		
			599	to Mexico		
			24	to S. Korea		
Total White Corn (MT)			10,685			
Sorghum Shipments by Country (MT)					111,206	to China
					2,172	to Japan
					744	to Mexico
Total Sorghum (MT)					114,122	

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	-	-	+1.60 U	$205.89
LH August	+1.40 U	$198.02	+1.60 U	$205.89
September	+1.40 U	$198.02	+1.55 U	$203.93
October	+1.30 Z	$197.53	+1.45 Z	$203.43
November	+1.30 Z	$197.53	+1.45 Z	$203.43

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Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
LH July	+1.95 Z	$223.12	+1.95 Z	$223.12
August	+1.95 Z	$223.12	+1.95 Z	$223.12
September	+1.95 Z	$223.12	+1.95 Z	$223.12

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	$178	$178	$178
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**August**	**September**	**October**
New Orleans	$705	$705	$705
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: July 25, 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	190	190	191
FOB Vessel GULF	186	187	188
Rail delivered PNW	187	186	188
Rail delivered California	194	194	195
Mid-Bridge Laredo, TX	200	201	202
40 ft. Containers to South Korea (Busan)	266	266	263
40 ft. Containers to Taiwan (Kaohsiung)	260	260	257
40 ft. Containers to Philippines (Manila)	262	262	270
40 ft. Containers to Indonesia (Jakarta)	260	260	257
40 ft. Containers to Malaysia (Port Kelang)	262	262	264
40 ft. Containers to Vietnam (HCMC)	266	266	262
40 ft. Containers to Japan (Yokohama)	-	-	-
40 ft containers to Thailand (LCMB)	262	262	262
40 ft Containers to Shanghai, China	248	248	259
KC & Elwood, IL Rail Yard (delivered Ramp)	156	158	157

*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: Strong basis and high logistical rates limited the decline in domestic DDGS prices sent by barge to New Orleans, but overall domestic prices averaged down more than $10/MTfor the week ending Friday, July 25, 2014. There was even a slightly larger decline of $13/ MT in the average price of containerized DDGS for export. Such declines are presently happening because production facilities have incentive to produce ethanol but only so much storage to house DDGS. Normally buyers have been anxious to secure their share of DDGS as soon as production occurs, but buying has temporarily slowed as there seems to be a common interest in catching the bottom of prices. DDGS merchandisers are finding this development to be frustrating.

While many buyers continue to wait, there seems to suddenly be growing interest from buyers in Canada, and it will be interesting to see if they are soon followed by Mexican buyers. The size of any potential increase in North American demand will be influenced by changes in logistical rates. Rail and truck rates have increased in anticipation of a bumper grain harvest. However, those increases may be a little premature. If so, then logistical rates could back off and enable the local North American demand for DDGS to increase.

In the meantime, there is some pressure on DDGS merchandisers to move product and substantial declines in price are being offered for containerized rates to select Asian destinations. For example, the price declined by more than $15/MT this past week to the Philippines, Indonesia, Malaysia and Vietnam. Similar price declines may also be likely for Japanese buyers.

Ethanol Comments: The need for exports to act as a relief valve for any excess ethanol production means that near-term ethanol prices will be heavily influenced by changes in the price of crude oil. Higher prices for petroleum derived gasoline will generate greater interest in less expensive ethanol. A substantial increase in the price of gasoline would like open the value of U.S. ethanol exports. Despite multiple potential threats to global crude oil production, the current price action of crude oil is rather sedate.

Recall how crude oil prices increased from $20 a barrel in early 2002 to more than $147 dollars a barrel in July of 2008. Then the Financial Collapse happened and prices fell back to $33 a barrel by January of 2009. After that, prices then began to work back upward to current price levels of just over $100 a barrel. Present global uncertainties may keep crude oil in an upward sloping channel with lows above $90 and highs toward $125 if the market gets spooked. Considering present conditions, it is likely to be at least several more months before growing production is able to press crude oil prices further downward.

U.S. ethanol stocks were unchanged in weekly data at 17.9 million barrels. This is now only about 4 percent more than the year ago stocks level of 17.3 million barrels. The fact that the ratio between the year ago and current stocks levels continues to narrow while production is up indicates that there is a flow of ethanol exports. Ethanol production averaged 959,000 barrels per day (bpd) for the week ending July 18. This was above the prior week's level of 943,000 bpd and more than 12 percent above the year ago level of 853,000 bpd.

There continues to be improvement in the differential between the cost of corn and the co-products at ethanol facilities across the Corn-Belt. The differentials are the following for week-ending Friday, July 18, 2014:

- Illinois differential is $3.51 per bushel in comparison to $3.49 the prior week and $1.97 a year ago.

- Iowa differential is $3.32 per bushel in comparison to $3.26 the prior week and $2.02 a year ago.
- Nebraska differential is $3.22 per bushel in comparison to $3.19 the prior week and $1.66 a year ago.
- South Dakota differential is $3.67 per bushel in comparison to $3.59 the prior week and $2.24 a year ago.

COUNTRY NEWS

Argentina: Grain shipments from the port of Rosario resumed this week after several unions suspended their strikes after having met with management and in anticipation of talks with the government, according to Reuters. The strikes came at the height of the exporting season and sought higher wages for port workers as Argentina's very high inflation rates continue to erode the value of a paycheck. The unions maintain that this lull could be temporary pending the outcome of their negotiations.

Brazil: Soaking rains are predicted for southeastern Brazil through next week, which could bring the country's winter corn harvest to a halt, according to Reuters. The time between May and September is generally a dry season in Brazil, but meteorologists are predicting that the country will receive 5-15 mm of rain per day. The month of July generally averages 20 mm of rain total. The rains are also likely to suspend production in the country's ethanol mills and slow grain loading at the ports of Santos and Paranagua.

France: France will be making substantial barley sales to China early in the 2014/15 season, reports Reuters. France has exported 228,000 MT of barley to China since 1 July, which is already larger than the annual average of 180,000 MT of it has exported to China over the past five years. Further, animal feed barley is making up a portion of these shipments, in contrast to years previous when malting barley was what Chinese buyers usually booked. A large harvest in tandem with cheap prices have made French barley attractive on the global market.

South Africa: Yellow corn for December delivery in Africa's largest corn producing country currently stands at $177.61/MT, according to Bloomberg News.

Ukraine: Ukraine's winter barley harvest is now 97 percent complete, reports Reuters. Net yields are currently standing at 5.5 MT per hectare, which is an increase of 49 percent from the levels seen in 2013.

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	$42.00	Down $0.50	Handymax at $42.50/MT
55,000 U.S. PNW- Japan	$23.25	Down $0.25	Handymax at $24.00/MT
55,000 U.S. Gulf – China PNW to China	$41.00 $22.25	Down $0.50 Down $0.25	North China
25,000 U.S. Gulf- Veracruz, México	$16.00	Unchanged	3,000 MT daily discharge rate

35-40,000 U.S. Gulf- Veracruz, México	$14.25	Down $0.25	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$19.75 $28.50	Down $0.25 Down $0.50	West Coast Colombia at $27.50
35,000 U.S. Gulf - Guatemala	$26.00	Down $0.50	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$34.00 $36.00	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$33.50	Unchanged	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$32.00 $30.00	Up $1.00 Down $0.50	55,000 -60,000 MT St. Lawrence to Egypt $31.00
60-70,000 U.S. Gulf – Europe – Rotterdam	$18.50	Unchanged	Handymax at +$1.50 more
Brazil, Santos – China	$33.00 $31.75	Down $1.00 Down $1.00	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$37.50	Down $0.75	—

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: This week was a bit of a mixed bag for world ocean freight markets. The situation improved a slightly in the Capesize iron ore trade between West Australia and China, but only modestly. The Panamax market in the Atlantic and US Gulf seems to have stabilized at slightly lower levels. The Pacific market for Panamax's is still a dog and not providing any relief for vessel owners. We remain at price levels that cause vessels to steam slowly and or sit and wait for better possibilities. The Capesize sector is now getting about $9,439/day with Panamax vessels earning close to $4,750/day for deferred positions. The spot market continues to trade at a substantial discount. From both a vessel owner's perspective and that of the charterer, one of the big questions now is who can weather these tough financial times and who will go bankrupt?

The long awaited freight recovery is taking a lot longer then owners or their banks anticipated, and the light at the end of the tunnel is not yet visible. 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 25, 2014 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	10,843	10,350	493	4.8%

P3A: PNW/Pacific – Japan	3,747	4,444	-697	-15.7%

Source: O'Neil Commodity Consulting

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

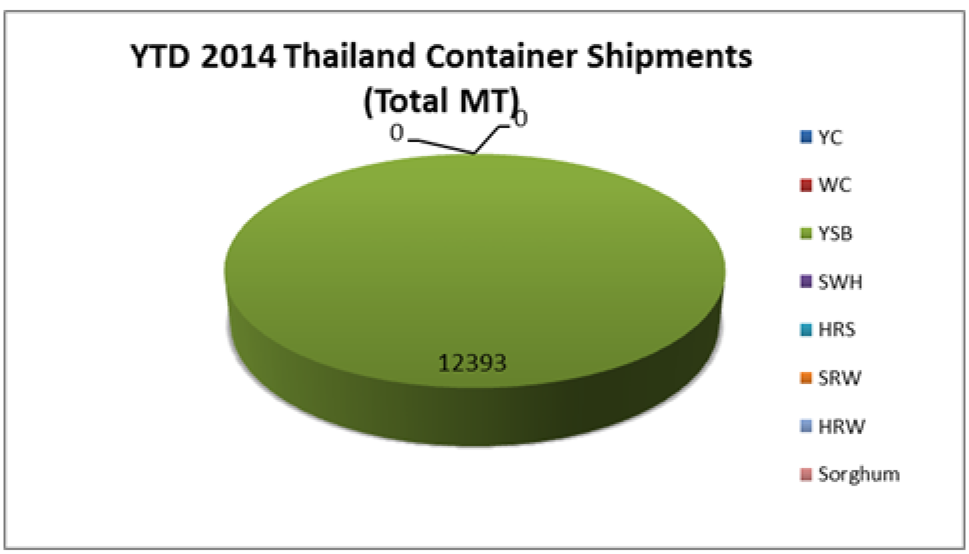
Week of July 25, 2014	
Four weeks ago	$7.70-$7.85
Three weeks ago:	$7.90-$8.20
Two weeks ago	$7.60-$7.90
One week ago:	$7.50-$7.65
This week	$7.50-$8.00

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
July 25, 2014	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
# 2 Corn	1.70	1.35	0.35	$13.78	PNW
Soybeans	2.30	1.80	0.50	$18.37	Both
Ocean Freight	$22.25	$41.00	0.48-0.51	($18.75)	August

Source: O'Neil Commodity Consulting

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



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**	$37.5	$42	$39	$28	$34	$26	$42
	Brazil	$31	$35	$33	$25	$24	$20	-
Corn (White)	**Argentina**	$37.5	$42	$39	$28	$34	$26	$42
	Brazil	$31	$35	$33	$25	$24	$20	-
Barley	**Argentina**	$37.5	$42	$39	$28	$34	$26	$42
	Brazil	$31	$35	$33	$25	$24	$20	-
Sorghum	**Argentina**	$37.5	$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 23, 2014			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.33	0.33	0.33
LIBOR (1 year)	0.55	0.55	0.55

Source: www.bankrate.com