Market Perspectives

June 20, 2014

U.S. GRAINS COUNCIL

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

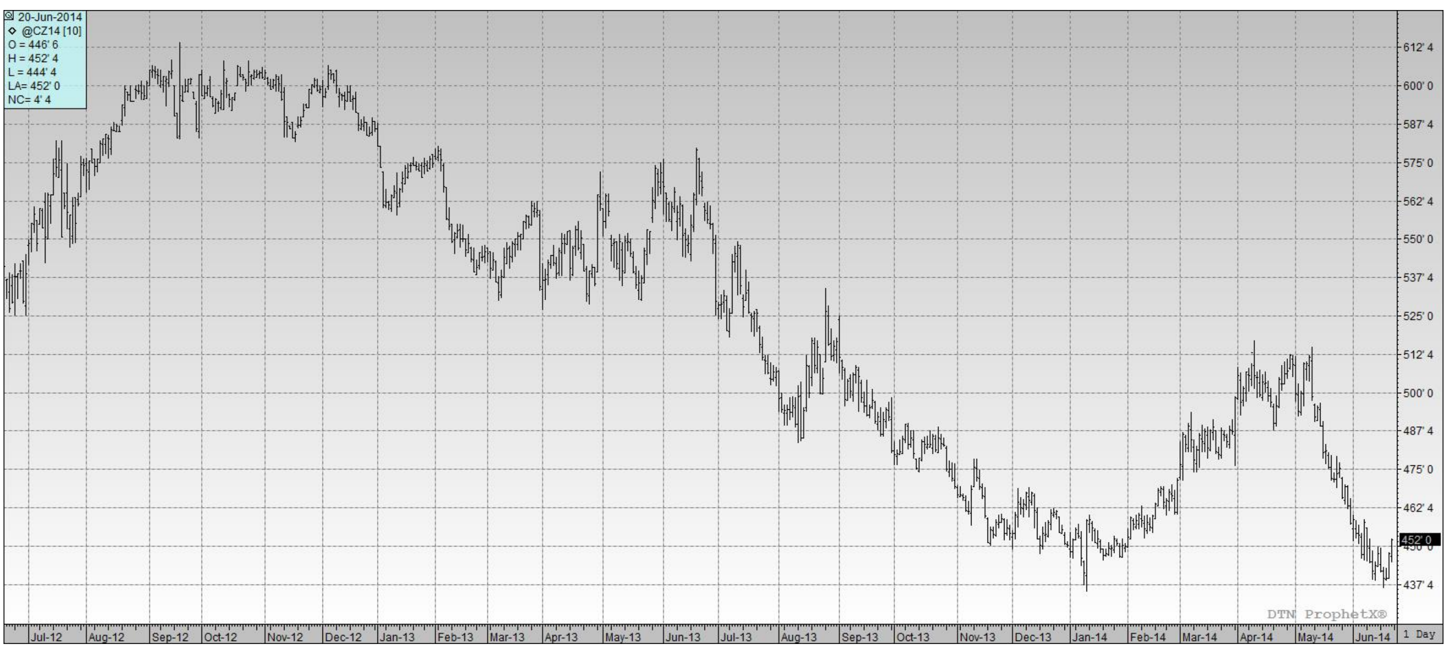
Week in Review: CME Corn December Contract					
$/Bu	**Monday 16 June**	**Tuesday 17 June**	**Wednesday 18 June**	**Thursday 19 June**	**Friday 20 June**
Change	-0.0550	-0.0250	-0.0000	0.0800	0.0450
Closing Price	4.4200	4.3950	4.3950	4.4750	4.5200
Factors Affecting the Market	December is now the most active corn contract and it started off stronger Sunday night, but could not maintain its strength and lost 5 cents by Monday's close.	Bearish traders made sure that the December corn contract closed below $4.40 per bushel in hopes of triggering further fund liquidation.	A second day of closing below $4.40 did not seem to trigger more selling but it could be a double bottom technical formation.	The same rains that were called bearish on Monday are called bullish today as corn contracts move in the direction of least resistance.	The December contract closed higher for the week. Any type of gap open higher next week could generate some more upside momentum.

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: The outlook for limited downside in current corn prices was noted in this section last week because developing market factors seemed to uniformly imply that was the most probable outcome. Probabilities proved to be correct. In relation to changing market conditions, it is interesting how the market's general attitudes can seem to uniformly shift in such a consolidated amount of time. There is suddenly more market discussion about the fact that ethanol producer margins are still rather favorable and increasing ethanol stocks can increasingly be exported if they become burdensome. There is also increased discussion about the approach of USDA's Acreage and Stocks report on June 30. After next week, there will also likely be discussions about developing weather patterns prior to pollination.

An additional factor that could influence the market's short-term perspective is the increasing evidence that it has probably been premature to call for above-average trend-line yields so early in the planting season, as well as the fact that a weaker U.S. dollar is conducive for U.S. producers to receive better prices. Please note that it would be incorrect to interpret the preceding combination of factors to mean that the absolute low has been established for the present season because the prospects are good that any production of trend yields or above will result in the prior lows of the December 2014 contract being retested. However, the absolute downside in 2014/15 corn prices is unlikely to be as deep or as prolonged as some forecasters had predicted. In other words, the longer-term outlook is that the 2014/15 season is unlikely to see a prolonged period of sub-$4.25 per bushel corn pricing.

CBOT DECEMBER CORN FUTURES



Source: Prophet X

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Current Market Values:

Futures Price Performance: Week Ending June 20, 2014			
Commodity	**June 20**	**June 13**	**Net Change**
Corn			
Jul 14	453.25	447.00	6.25
Sep 14	448.25	443.00	5.25
Dec 14	452.00	447.50	4.50
Mar 15	462.25	458.25	4.00
Soybeans			
Jul 14	1415.75	1425.75	-10.00
Aug 14	1361.50	1369.50	-8.00
Sep 14	1263.50	1260.00	3.50
Nov 14	1231.50	1221.25	10.25
Soymeal			
Jul 14	459.20	467.90	-8.70
Aug 14	439.70	443.40	-3.70
Sep 14	415.70	417.40	-1.70
Oct 14	400.60	398.40	2.20
Soyoil			
Jul 14	40.13	39.69	0.44
Aug 14	40.23	39.78	0.45
Sep 14	40.22	39.76	0.46
Oct 14	40.03	39.58	0.45
SRW			
Jul 14	585.25	586.00	-0.75
Sep 14	593.25	596.50	-3.25
Dec 14	615.75	617.00	-1.25
Mar 15	634.50	635.00	-0.50
HRW			
Jul 14	720.75	713.25	7.50
Sep 14	717.75	715.50	2.25
Dec 14	723.00	724.25	-1.25
Mar 15	725.50	728.75	-3.25
MGEX (HRS)			
Jul 14	690.50	684.25	6.25
Sep 14	694.75	691.50	3.25
Dec 14	704.75	703.75	1.00
Mar 15	713.75	710.75	3.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Planting Progress				
Commodity	**June 15, 2014**	**Last Week**	**Last Year**	**2009-13 Average**
Sorghum	75%	67%	82%	83%

Source: USDA

U.S. Drought Monitor Weather Forecast: Hot, humid conditions along with scattered afternoon and evening showers and thunderstorms will persist from the central and southern Plains to the Atlantic Coast, while dry weather prevails from California into the Southwest. The best chance for moderate-to-heavy rain appears to be from northern Texas northward into the Great Lakes, with additional heavy downpours possible in some of the already-flooded areas of the western Corn Belt. Farther south, seasonal showers will persist in Florida, while spotty showers in the interior Southeast may afford localized relief from developing dryness. Out west, rain and mountain snow will diminish in northern portions of the region, while dry, cooler-than-normal weather lingers for much of the period from California into the Four Corners.

The NWS outlook for June 24-28 calls for above-normal rainfall in the Northwest and from the southern Plains to the central Atlantic Coast. Conversely, drier-than-normal conditions will prevail from northern California into the Four Corners and from the northern Plains into the Upper Midwest. Temperatures are expected to average above normal across much of the contiguous U.S., with cooler-than-normal weather confined to the east-central 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 June 12, 2014					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	487,800	523,800	852.3	6,901.9	-12%
Corn	556,200	1,123,000	35,963.2	46,666.8	165%
Sorghum	62,200	1,000	3,032.4	4,308.6	189%
Barley	2,900	600	13.4	22.1	-25%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 109,000 MT for 2013/14 were down 73 percent from the previous week and 79 percent from the prior four-week average. Increases were reported for Japan (168,300 MT, including 91,100 MT switched from unknown destinations and decreases of 9,200 MT), Saudi Arabia (76,600 MT, including 70,000 MT switched from unknown destinations), Taiwan (64,200 MT), South Korea (59,600 MT, including 57,800 MT switched from Japan and decreases of 800 MT) and Peru (47,200 MT). Decreases were reported for unknown destinations (396,900 MT), Colombia (44,200 MT) and Costa Rica (1,100 MT). Net sales of 78,900 MT for 2014/15 were reported for Mexico (40,800 MT), unknown destinations (37,500 MT) and South Korea (600 MT).

Exports of 1,123,000 MT were up 5 percent from the previous week, but down 1 percent from the prior four-week average. The primary destinations were Japan (357,900 MT), Mexico (258,700 MT), Taiwan (100,600 MT), South Korea (85,400 MT), Saudi Arabia (80,100 MT), Egypt (71,300 MT) and Colombia (67,500 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 123,000 MT, all South Korea.

Barley: Net sales of 2,900 MT for 2014/1015 were reported for Japan (1,500 MT), South Korea (900 MT) and Taiwan (500 MT). Exports of 600 MT were reported to South Korea (400 MT) and Japan (100 MT). Export Adjustments: Accumulated exports to Japan were decreased 600 MT for week ending June 5, 2014. This shipment was reported twice

.

Sorghum: Net sales of 62,200 MT for 2013/14 were reported for China. Net sales of 60,000 MT for 2014/15 were reported for China. Exports of 1,000 MT--a marketing-year low--were reported to China.

U.S. Export Inspections: Week Ending June 12 2014					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	1,102,514	1,153,135	35,932,592	14,246,384	252%
Sorghum	11,827	67,461	3,502,023	1,447,797	242%
Soybeans	215,619	124,242	42,460,019	34,675,571	122%
Wheat	396,437	519,363	751,318	1,137,855	66%
Barley	391	1,237	1,212	488	248%

*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 June 12, 2014						
Last Week	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	663,262	61%	20,502	93%	9,500	80%
PNW	222,726	21%	0	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	32,398	3%	0	0%	0	0%
Interior Export Rail	162,182	15%	1,444	7%	2,327	20%
Total (Metric Tons)	1,080,568	100%	21,946	100%	11,827	100%
White Corn Shipments by Country (MT)			17,338	to Colombia		
			3,164	to Japan		
			1,297	to Mexico		
			147	to S. Korea		
Total White Corn (MT)			21,946			
Sorghum Shipments by Country (MT)					9,500	to Japan

					2,327	to China
Total Sorghum (MT)					11,827	

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 July	+0.98 N	$217.02	+1.35 N	$231.58
LH July	+0.85 N	$211.90	+1.35 N	$231.58
August	+0.86 U	$210.32	+1.37 U	$230.01
September	+0.86 U	$210.32	+1.36 U	$230.40

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**July**	**August**	**September**
Gulf	$250	$250	$250

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	**NOLA**		**TEXAS**	
	Basis	**Flat Price**	**Basis**	**Flat Price**
LH July	+1.85 Z	$250.77	+1.85 Z	$250.77
August	+1.75 Z	$246.84	+1.75 Z	$246.84
September	+1.70 Z	$244.87	+1.70 Z	$244.87

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	$152	$152	$152
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**July**	**August**	**September**
New Orleans	$810	$810	$810
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: June 20, 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	226	224	222
FOB Vessel GULF	233	234	232
Rail delivered PNW	242	238	238
Rail delivered California	248	244	244
Mid-Bridge Laredo, TX	240	235	235
40 ft. Containers to South Korea (Busan)	293	295	297
40 ft. Containers to Taiwan (Kaohsiung)	287	289	290
40 ft. Containers to Philippines (Manila)	303	305	307
40 ft. Containers to Indonesia (Jakarta)	302	304	305
40 ft. Containers to Malaysia (Port Kelang)	300	302	303
40 ft. Containers to Vietnam (HCMC)	300	302	303
40 ft. Containers to Japan (Yokohama)	305	307	312
40 ft containers to Thailand (LCMB)	299	301	303
40 ft Containers to Shanghai, China	287	289	290
KC & Elwood, IL Rail Yard (delivered Ramp)	222	224	225

*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: Reports of buying activity were mixed as the week started off generally slow. However, by mid-week the DDGS buyers who had been patiently waiting on the sidelines increasingly entered the market. Merchandisers initially had ample inventory for all takers, but by the end of the week prices of DDGS shipped by barge had rebounded a couple dollars above the prior week's level. However, some buyers were still able to secure even lower prices than the prior week. For example, rail-delivered DDGS to the Pacific Northwest could be purchased for $5-$7/MT below the prior-week's rate. As well, some substantial rate reductions were offered early in the week to the destinations of Vietnam and Thailand. Reduced rates were also being offered in the more distant months for delivery to Japan.

The availability of rock-bottom buying opportunities varied by location, but the number of opportunities seemed to decline as the week progressed and inventory was increasingly committed to various destinations. Merchandisers reported that as the week progressed there was even a sudden flurry of buying that caused Chicago DDGs prices to jump nearly $15 per U.S. short ton. At the end of the week, there were a number of Southeast Asian buyers who were unsuccessfully seeking to obtain the depressed prices of last week. Those Southeast Asian buyers who purchased in the early part of this week were rather successful in achieving their objectives while it appears that those who waited until the end of this week may have missed the best buying opportunity.

DDGS prices next week will be more heavily influenced by the price action of corn futures contracts because merchandisers now have less excess inventory pressing against them. Corn contracts closed out this week looking fairly strong. As a result, DDGS buyers should keep an eye on how corn contracts start next week.

Ethanol Comments: The fact that there was a decline in total U.S. ethanol stocks of 572,000 barrels while production increased to record levels seems to have quieted some of the recent ominous predictions about ethanol producer returns and production. Gasoline futures are presently holding about a dollar-per-gallon premium over ethanol and this section has noted in the past that exports can act as a relief valve for building U.S. ethanol stocks.

U.S. ethanol production for the week ending June 13 increased to an average daily rate of 972,000 barrels per day (bpd), which was up from the prior week's average production of 944,000 bpd and about 11.4 percent above the same week a year ago rate of 873,000 bpd. U.S. ethanol imports remain zero. Strong demand is implied in the fact that stocks shrank while production reached a new record.

U.S. corn based ethanol producers are being encouraged by favorable margins to maintain ample production. Naturally, a limited rebound in corn contracts could cause spot margins to tighten up in the next few weeks. The differential between the cost of corn and the value of ethanol and DDGS at processing plants and facilities across the U.S. Corn Belt for the week ending June 20, 2014 are as follows:

- Illinois differential is $3.16 per bushel, in comparison to $3.53 the prior week and $2.20 a year ago.
- Iowa differential is $2.72 per bushel, in comparison to $3.33 the prior week and $2.06 a year ago.
- Nebraska differential is $2.73 per bushel, in comparison to $3.23 the prior week and $1.95 a year ago.
- South Dakota differential is $3.25 per bushel, in comparison to $3.76 the prior week and $2.04 a year ago.

COUNTRY NEWS

India: While the monsoon is finally covering half of the Indian subcontinent, the amount of rain it's producing is still lackluster, according to Reuters. Rainfall for the period ending June 18 was 45 percent below-average, and was 48 percent below-average last week. Meteorologists are predicting that the monsoon will strengthen over Central India in the next week. Additionally, India's farm commissioner is confident that farmers will be able to tap into reservoirs that are up by 25 percent from last year to provide water if there is a rainfall shortage.

South Africa: Yellow corn for July delivery in Africa's largest corn producing country has fallen to $182/MT, which is its lowest level in three weeks, reports Bloomberg News.

Tanzania: Tanzania is expected to have another good corn crop in 2014 that will total some 4.7 MMT this year, according to WPI. This is right in line with production totals for 2013. Because of the harvest, domestic corn prices have fallen by half from their March levels, and are below those seen at this time 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	$43.50	Down $0.50	Handymax at $44.50/MT
55,000 U.S. PNW- Japan	$23.00	Unchanged	Handymax at $24.00/MT
55,000 U.S. Gulf – China PNW to China	$42.00 $22.00	Unchanged Unchanged	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	$14.50	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$20.00 $29.00	Unchanged Down $0.50	West Coast Colombia at $27.00
35,000 U.S. Gulf - Guatemala	$26.00	Unchanged	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$34.00 $36.00	Down $1.00 Down $2.00	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$34.50	Down $1.50	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$31.50 $30.00	Down $0.50 Unchanged	55,000 -60,000 MT St. Lawrence to Egypt $30.50
60-70,000 U.S. Gulf – Europe – Rotterdam	$19.00	Unchanged	Handymax at +$1.50 more
Brazil, Santos – China	$34.50 $33.00	Down $1.50 Down $2.00	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$41.00	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: Every day this week I thought we were going to bottom out, but the Panamax market just went lower and lower. Even being the bear that I've been, I have to think we must be touching bottom. I'll bet $1.00 that we are up a little next week. The Capesize market seems to have stabilized. Also note that the market is at a good carry, meaning that vessel operators want $2-$4 /MT more for August-September over July. For the year, BIMCO estimates dry-bulk fleet growth will reach 52 million DWT of new deliveries. Thus, the fleet will not shrink this year, but will actually grow by 5.3 percent. Just when you thought it safe to go back into the water…

The new vessel order book holds 1,989 ships (163.4 million DWT) and is heavily loaded on the Panamax side. So far, only 109 ships (6.6 million DWT) have gone to demolition. The Panamax segment is setting a new fleet size record every day, and is currently growing at 8.7 percent year-on-year and stands at 191 million DWT. According to BIMCO, at this rate, the 200 million DWT fleet size threshold is likely to be reached before year's end. Capes are now getting $14,100/day and Panamax vessels about $5,100/day on long hauls. Some Panamax vessels are going out on short distance spot charters for no income other than fuel cost and others are already laying-up.

For those watching world crop weather – we went from a strong El Nino in 2009-2010 to a strong La Nina in 2010-2011, then a brief neutral period was followed by a moderate La Nina in 2011-2012. This year we have a 70 percent chance of experiencing an El Nino event in July-August and an 80 percent chance for the September-October period.

Baltic Panamax Dry-Bulk Indices				
June 20, 2014 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	10,261	11,511	-1,250	-10.9%
P3A: PNW/Pacific – Japan	3,642	4,675	-1,033	-22.1%

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 June 20, 2014	
Four weeks ago	$7.20-$7.55
Three weeks ago:	$7.50-$8.20
Two weeks ago	$7.50-$8.10
One week ago:	$7.85-$8.10
This week	$7.70-$8.00

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
June 20, 2014	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.32	0.85	0.47	$18.50	PNW
Soybeans	1.45	0.85	0.60	$22.05	GULF
Ocean Freight	$22.00	$42.00	0.53-0.56	($20.00)	July

Source: O'Neil Commodity Consulting

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

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**	$49	$40	$40	$30	$35	$34	$42
	Brazil	$33	$34	$34	$27	$25	$24	-
Corn (White)	**Argentina**	$49	$40	$40	$30	$35	$34	$42
	Brazil	$33	$34	$34	$27	$25	$24	-
Barley	**Argentina**	$49	$40	$40	$30	$35	$34	$42
	Brazil	$33	$34	$34	$27	$25	$24	-
Sorghum	**Argentina**	$49	$40	$40	$30	$35	$34	$42
	Brazil	$33	$34	$34	$27	$25	$24	-

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 (%): June 18, 2014			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.32	0.32	0.33
LIBOR (1 year)	0.54	0.53	0.53

Source: www.bankrate.com