



**CONTENTS**

CHICAGO BOARD OF TRADE MARKET NEWS ..... 1

CBOT DECEMBER CORN FUTURES ..... 2

U.S. WEATHER/CROP PROGRESS ..... 4

U.S. EXPORT STATISTICS ..... 4

FOB..... 6

DISTILLERS DRIED GRAINS WITH SOLUBLES (DDGS) ..... 7

COUNTRY NEWS ..... 7

OCEAN FREIGHT MARKETS AND SPREAD ..... 8

OCEAN FREIGHT COMMENTS ..... 9

INTEREST RATES..... 12

**CHICAGO BOARD OF TRADE MARKET NEWS**

Week in Review: CME Corn December Contract					
\$/Bu	Monday 13 October	Tuesday 14 October	Wednesday 15 October	Thursday 16 October	Friday 17 October
Change	0.1200	0.1100	-0.0950	0.0475	-0.0425
Closing Price	3.4600	3.5700	3.4750	3.5225	3.4800
Factors Affecting the Market	The prospect of rainy weather allowed corn contracts to gain back the last Friday's losses, a potential sign that a bottom is developing.	Corn contracts continued to rally upward even though the dollar was stronger. Meanwhile, export inspection data for U.S. corn is looking good.	Corn contracts sold off even though the harvest pace is delayed. Such price action implies that a trading range is being formed.	Attitudes are changing: a sizable export announcement caused prices to bounce. That would have had limited influence three weeks ago.	Approach of better harvest weather next week caused the nearby Dec. contract to close the week back below \$3.50 per bushel.

**Outlook:** A trending market needs additional news, or at least the anticipation of such, to keep the trend progressing. The recent downward trend in corn contracts has basically run out of bearish news. From this point on into the near-term future, news stories relating to weather and exports are expected to range from neutral to bullish.

**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.*

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The prospect of ideal weather in both North and South America would presumably have more of a neutral than bearish effect on prices, since harvest is already delayed in the U.S. and corn acreage is expected to be down in South America. The likelihood that rain delays could cause some South America acreage to transition back from soybeans into corn seems limited because of the tight financial resources of farmers, particularly in Argentina. More than likely, rain delays will just result in less total planted acreage.

Export sales normally pick up as harvest reaches the halfway point during seasons of abundant production. The size of buyer volume also tends to increase as a downward trend levels off into a trading range, which appears to be the dynamic that is presently unfolding. Large export sales announcements of corn are expected to become increasingly prevalent from now until year's end.

Speculative traders with large short position will presumably watch the preceding event materialize and increasingly decide to take profits. The action of buying back their short positions could cause basis to weaken, an event that could frustrate producers. Unfavorable basis can slow the marketing pace of U.S. farmers; they may decide to wait and see if an issue, such as South American weather, produces a limited bounce in prices to utilize as a selling opportunity.

## CBOT DECEMBER CORN FUTURES



Source: Prophet X

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**Current Market Values:**

<b>Futures Price Performance: Week Ending October 10, 2014</b>			
<b>Commodity</b>	<b>17-Oct</b>	<b>10-Oct</b>	<b>Net Change</b>
<b>Corn</b>			
Dec 14	348.00	334.00	14.00
Mar 15	361.25	346.75	14.50
May 15	370.00	355.75	14.25
Jul 15	377.50	363.75	13.75
<b>Soybeans</b>			
Nov 14	951.75	922.50	29.25
Jan 15	959.75	930.50	29.25
Mar 15	968.00	938.75	29.25
May 15	976.75	947.00	29.75
<b>Soymeal</b>			
Dec 14	330.50	311.00	19.50
Jan 15	325.10	307.50	17.60
Mar 15	318.90	303.20	15.70
May 15	316.80	301.90	14.90
<b>Soyoil</b>			
Dec 14	32.02	32.44	-0.42
Jan 15	32.29	32.71	-0.42
Mar 15	32.53	32.95	-0.42
May 15	32.73	33.13	-0.40
<b>SRW</b>			
Dec 14	516.00	498.50	17.50
Mar 15	528.00	509.50	18.50
May 15	534.50	515.25	19.25
Jul 15	541.50	522.75	18.75
<b>HRW</b>			
Dec 14	601.75	577.75	24.00
Mar 15	601.75	578.75	23.00
May 15	598.50	578.75	19.75
Jul 15	588.25	572.75	15.50
<b>MGEX (HRS)</b>			
Dec 14	570.50	553.25	17.25
Mar 15	575.75	563.50	12.25
May 15	583.50	573.25	10.25
Jul 15	591.25	583.25	8.00

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

## U.S. WEATHER/CROP PROGRESS

**U.S. Drought Monitor Weather Forecast:** For the period October 17-20, after seeing a very wet pattern the past few weeks across the country's mid-section, there should finally be some time to dry out and let the harvesting resume. The only areas showing good chances for heavier precipitation are in the coastal ranges and mountains in the Pacific Northwest, primarily from northern Oregon up into Canada. The other area expecting good rains is from the Mid-Atlantic up into New England, where 1-3 inches should bring some relief to the region. As for temperatures, most of the West, Pacific Northwest and the Great Plains states are expecting to see unseasonably warm temperatures, with readings likely running 3-6 degrees above-normal.

Looking at the 6- to 10-day time frame (October 21-25), the warm temperature trend continues into this period, and the entire western two-thirds of the country are expected to see above-normal temperatures, with the strongest likelihood falling in the High Plains and along the Rocky Front Range from Colorado and Wyoming up into Montana. The bulls-eye for cooler than normal weather is found in the Tennessee and Ohio Valleys and within the Mid-Atlantic from Georgia northward into New Jersey. A greater likelihood of above-normal precipitation over this period is confined to the Pacific Northwest, Four Corners, southern Florida and the New England coastline. However, a large area of the country from the Great Plains eastward into the Mississippi Valley, the Midwest, Ohio Valley, Tennessee Valley and the western fringes of the Mid-Atlantic can expect it to be dry, with the highest probability falling from the Great Lakes down to the Gulf Coast along the Mississippi Valley. 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 October 9, 2014					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	493,400	485,300	9,716.9	14,393.8	-25%
Corn	1,966,200	901,700	4,956.7	17,221.2	8%
Sorghum	59,000	204,600	734.7	2,602.7	111%
Barley	1,400	600	52.0	86.0	-17%

Source: USDA, World Perspectives, Inc.

**Corn:** Net sales of 1,922,800 MT for 2014/2015 – a marketing-year high – were reported primarily for Mexico (1,071,900 MT), Japan (214,700 MT, including 148,600 MT switched from unknown destinations), Venezuela (124,000 MT, including 94,000 MT switched from unknown destinations), Colombia (118,300 MT, including 40,000 MT switched from unknown destinations), unknown destinations (91,200 MT), and Peru (68,900 MT, including 35,000 MT switched from unknown destinations and decreases of 2,600 MT). Decreases were reported for Morocco (1,000 MT). Net sales of 510,500 MT for 2015/2016 were reported for Mexico. Exports of 901,700 MT were primarily to Japan (348,200 MT), Colombia (115,800 MT), Mexico (87,400 MT), Peru (83,900 MT), and Egypt (65,500 MT).

October 17, 2014

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**Barley:** Net sales reductions of 28,600 MT for 2014/2015 resulted as increases for South Korea (1,400 MT), were more than offset by decreases for China (30,000 MT). Exports of 600 MT were reported to Taiwan.

**Sorghum:** Net sales of 54,000 MT were for China (116,000 MT, including 58,000 MT switched from unknown destinations and decreases of 1,000 MT). Decreases were reported for unknown destinations (58,000 MT) and Japan (4,000 MT). Exports of 204,600 MT – a marketing-year high – were reported to China.

### U.S. Export Inspections: Week Ending October 9, 2014

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	933,788	883,548	4,970,011	2,947,989	169%
Sorghum	130,100	158,136	940,279	531,776	177%
Soybeans	1,428,094	974,341	3,921,406	3,113,060	126%
Wheat	423,880	650,560	9,995,544	15,061,574	66%
Barley	367	28,111	66,895	64,308	104%

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 9, 2014

Last Week	YC	% of Total	WC	% of Total	Sorghum	% of Total
<b>Gulf</b>	772,162	84%	9,314	82%	125,081	96%
<b>PNW</b>	73	0%	98	1%	196	0%
<b>Lakes</b>	17,891	2%	0	0%	0	0%
<b>Atlantic</b>	46,713	5%	0	0%	0	0%
<b>Interior Export Rail</b>	85,541	9%	1,996	17%	4,823	4%
<b>Total (Metric Tons)</b>	922,380	100%	11,408	100%	130,100	100%
<b>White Corn Shipments by Country (MT)</b>			3,245	to Honduras		
			6,069	to Japan		
			98	to Korea		
			1,996	to Mexico		
<b>Total White Corn (MT)</b>			11,408			
<b>Sorghum Shipments by Country (MT)</b>					121,020	to China
					9,080	to Japan
<b>Total Sorghum (MT)</b>					130,100	

Source: USDA, World Perspectives, Inc.



October 17, 2014

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## 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)
November	+1.25 Z	\$186.21	+1.59 Z	\$199.59
December	+1.11 Z	\$180.70	+1.54 Z	\$197.63
January	+1.02 H	\$182.37	+1.35 H	\$195.36
February	+0.95 H	\$179.62	+1.39 H	\$196.94

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
October	+2.60 Z	\$239.36	+2.60 Z	\$239.36
November	+2.50 Z	\$235.42	+2.50 Z	\$235.42
December	+2.40 Z	\$231.48	+2.40 Z	\$231.48

Barley: Feed Barley (FOB USD/MT)			
	November	December	January
FOB PNW	\$275	\$275	\$275

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	November	December	January
New Orleans	\$152	\$152	\$152
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	November	December	January
New Orleans	\$670	\$670	\$670
*5-10,000 MT Minimum			

\*All prices are market estimates.

DDGS Price Table: October 17, 2014 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Nov.	Dec.	Jan.
Barge CIF New Orleans	156	157	165
FOB Vessel GULF	174	175	175
Rail delivered PNW	185	183	183
Rail delivered California	174	173	187
Mid-Bridge Laredo, TX	120	123	124
40 ft. Containers to South Korea (Busan)	184	189	194

October 17, 2014

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40 ft. Containers to Taiwan ( Kaohsiung )	182	187	192
40 ft. Containers to Philippines ( Manila )	197	202	207
40 ft. Containers to Indonesia ( Jakarta )	195	199	205
40 ft. Containers to Malaysia (Port Kelang)	198	202	208
40 ft. Containers to Vietnam (HCMC)	199	204	209
40 ft. Containers to Japan (Yokohama)	194	196	199
40 ft containers to Thailand (LCMB)	194	199	204
40 ft Containers to Shanghai, China	185	190	197
KC & Elwood, IL Rail Yard (delivered Ramp)	130	136	143

*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:** Domestic DDGS prices for the remainder of November were about \$4/MT stronger and pricing for December onward was an additional couple of dollars higher. In contrast, containerized DDGS for the export market presented an opportunity to buy at price levels that are lower than last week. Similar to the domestic pricing structure, the greatest weakness for exported DDGS prices was in the spot market.

The favorable pricing caused interest from Asian buyers to pick up suddenly. Korean buyers just purchased 10,000 MT to Busan/Kwangyang at the \$179-181/MT level. There have also been some smaller sales to buyers from Thailand in the past two weeks. The amount of inquiry from Southeast Asia has suddenly spiked.

The increased interest from buyers seemingly relates to corn price levels that existed several weeks ago. Corn futures contracts have rallied more than 30 cents per bushel from the first of October until now. Selling at those prior levels can be difficult, but some DDGS merchandisers have inventory that needs to move and will do their best to assist buyers in coming close to their pricing objectives. Those pricing opportunities will decline in number as the surplus DDGS inventory is depleted. Merchandisers seem to be particularly interested in doing business with buyers who maintain good credit ratings via on-time payments.

**Ethanol Comments:** There is a normal seasonal pattern for fuel consumption to peak in summer and then decline into fall. Those alternations in demand have an expected influence upon price, and recent changes in ethanol prices are no exception. Of course, the reduced demand does eventually level off and prices stabilize, often into a trading range. Near-term alterations to stocks can then have an influence if prices are in the high or low end of that trading range.

There was a modest decline in ethanol stocks this past week down to 18.4 million barrels. That was 1.6 percent less than the prior week's level of 18.7 million barrels. The decline in total ethanol stocks was enough to enable the annual change to fall back below 20 percent of the year-ago stocks level of 15.4 million barrels. Remaining below 20 percent of the year-ago level seems necessary for ethanol prices to go midlevel or higher within the trading range.

October 17, 2014

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Last year's relatively tight stocks and high prices incentivized increased ethanol production. On October 18, 2013, the differential between the price of corn and the co-products ethanol and DDGS was more than a dollar above current levels across the Corn Belt. The fact that the differential has primarily leveled off at lower rates is not encouragement for increased production. Consequently, it makes sense that there was a slight decline from 901,000 barrels per day (bpd) down to an average daily rate of 885,000 bpd for week ending October 10, 2014.

The differential for the week ending Friday, October 17, 2014 is as follows:

- Illinois differential is \$2.29 per bushel, in comparison to \$2.06 the prior week and \$3.41 a year ago.
- Iowa differential is \$1.96 per bushel, in comparison to \$1.94 the prior week and \$3.04 a year ago.
- Nebraska differential is \$2.01 per bushel, in comparison to \$1.72 the prior week and \$2.93 a year ago.
- South Dakota differential is \$2.12 per bushel, in comparison to \$1.97 the prior week and \$3.28 a year ago.

## COUNTRY NEWS

**Russia:** The grain harvest in Siberia has hit delays due to snow, according to Bloomberg News. Snowfall totaling an inch before melting has made it difficult to get equipment into the fields and could force farmers to scale back the harvest. Siberia produced 17 percent of Russia's 92.4 MMT grain harvest in 2013/14 and roughly 90 percent of Siberian grain has been harvested. Russia's barely harvest is estimated to be 19.5-20 MMT and the corn harvest is estimated at 11-12.5 MMT.

**South Africa:** Yellow corn for December delivery fell by 1.2 percent to \$178/MT, reports Bloomberg News. This fall came after five days of rising prices.

**Ukraine:** UkrAgroConsult has announced that Ukrainian corn exports could fall by 7 percent to 18.5 MMT in 2014/15 due to a reduced harvest and already low global corn prices, according to Reuters. Very hot late summer weather and the loss of corn acreage due to fighting in Eastern Ukraine are chiefly to blame for the reduction. Ukraine has the potential to harvest up to 25.9 MMT of corn this year, which is a decrease from the record 27 MMT it saw 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	\$45.50	Down \$0.50	Handymax at \$46.00/MT
55,000 U.S. PNW-Japan	\$24.50	Down \$0.50	Handymax at \$25.00/MT
55,000 U.S. Gulf-China	\$44.00	Down \$0.50	North China
PNW to China	\$33.00	Down \$0.50	
25,000 U.S. Gulf-Veracruz, México	\$16.00	Unchanged	3,000 MT daily discharge rate



October 17, 2014

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35-40,000 U.S. Gulf-Veracruz, México	\$13.50	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$20.00 \$30.00	Down \$0.50 Unchanged	West Coast Colombia at \$28.50
36-40,000 U.S. Gulf-Guatemala	\$27.50	Unchanged	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf-Algeria	\$34.50 \$36.50	Down \$0.50 Down \$0.50	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$34.50	Down \$0.50	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	\$32.00 \$32.00	Down \$1.00 Down \$0.50	55,000 -60,000 MT St. Lawrence to Egypt \$33.00
60-70,000 U.S. Gulf-Europe-Rotterdam	\$19.50	Down \$0.50	Handymax at +\$1.50 more
Brazil, Santos-China	\$34.00 \$33.00	Down \$0.50 Down \$0.50	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	\$38.50	Down \$0.50	—

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:** In this week's Dry-Bulk freight markets, the Panamax sector stood alone and firm. All other markets slid back and continue to look weak. This begs the question: can the Panamax sector remain firm to better if everything else is softening? Physical grain rates did not really follow the Baltic Panamax index as they actually dropped slightly this week. The U.S. PNW market is gaining in freight demand. The spot and October market remains at a discount to November-December freight. The average daily earnings for capsized vessels this week was \$9,875, the lowest level since August 11. Average daily earnings for Panamax vessels now stands at \$7,088/day.

There are new news stories about the potential new canal through Nicaragua. I've not given this project any credibility in the past but I had an interesting conversation with an official from the Panama Canal Authority and they stated that they had previously given the Nicaragua project a less than 10 percent chance of happening. They now would give it a 30 percent chance, though its completion would be at least 12-15 or more years out, if at all.

See today's news story, which opens with the following sentence: "Nicaragua's canal will break ground in December and will be a multinational project, not an all-Chinese operation, according to a high-ranking official in Nicaragua's government."

October 17, 2014

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Baltic Panamax Dry-Bulk Indices				
October 17, 2014	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	15,073	14,654	419	2.9%
P3A: PNW/Pacific– Japan	8,731	7,419	1,312	17.7%

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 October 17, 2014	
Four weeks ago:	\$7.50-\$8.50
Three weeks ago:	\$7.40-\$7.90
Two weeks ago:	\$7.40-\$7.90
One week ago:	\$7.55-\$7.95
This week:	\$7.15-\$7.50

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
October 17, 2014	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.59	1.15	0.44	\$17.32	PNW
Soybeans	2.05	1.60	0.45	\$16.53	PNW
Ocean Freight	\$23.00	\$44.00	0.53-0.57	(\$21.00)	November

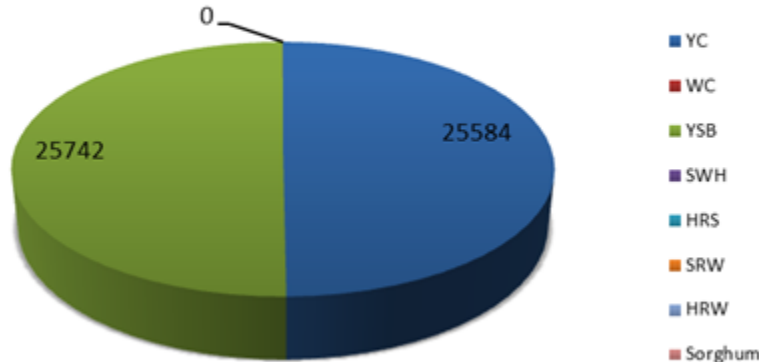
Source: O'Neil Commodity Consulting

The charts below represent January-December 2013 annual totals versus year-to-date 2014 container shipments to Taiwan.

October 17, 2014

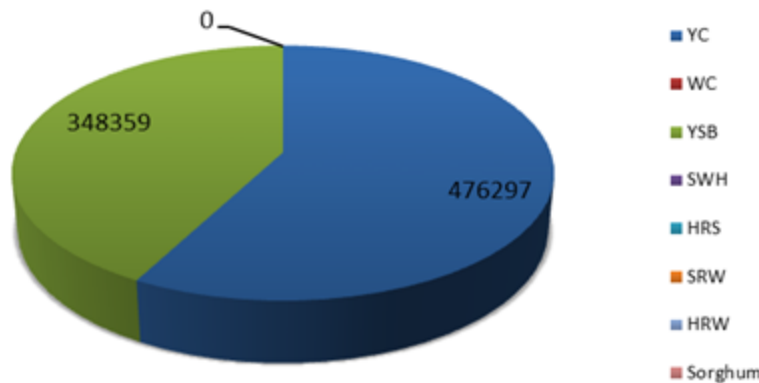
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**Jan-Dec 2013 Taiwan Container Shipments  
(Total MT)**



Source: O'Neil Commodity Consulting

**YTD 2014 Taiwan Container Shipments  
(Total MT)**



Source: O'Neil Commodity Consulting

## International Freight Rates for Feed Grains – Select Routes

October 17, 2014

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Estimated Spot Price (\$/MT)								
Commodity	Origins	China	Japan	Korea	Colombia	Morocco	Egypt	Saudi Arabia
Corn (Yellow)	Argentina	\$40	\$43	\$41	\$30	\$31	\$29	\$40
	Brazil	\$34	\$37	\$35	\$26	\$24	\$21	-
Corn (White)	Argentina	\$40	\$43	\$41	\$30	\$31	\$29	\$40
	Brazil	\$34	\$37	\$35	\$26	\$24	\$21	-
Barley	Argentina	\$40	\$43	\$41	\$30	\$31	\$29	\$40
	Brazil	\$34	\$37	\$35	\$26	\$24	\$21	-
Sorghum	Argentina	\$40	\$43	\$41	\$30	\$31	\$29	\$40
	Brazil	\$34	\$37	\$35	\$26	\$24	\$21	-

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 (%): October 15, 2014			
	Current Week	Last Week	Last Month
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.32	0.33	0.33
LIBOR (1 year)	0.55	0.57	0.59

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