



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..... 11

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
\$/Bu	Monday 29 September	Tuesday 30 September	Wednesday 1 October	Thursday 2 October	Friday 3 October
Change	0.0275	-0.0500	0.0050	0.0150	0.0050
Closing Price	3.2575	3.2075	3.2125	3.2275	3.2325
Factors Affecting the Market	This morning's grain inspection report showed enough active movement to allow prices to stabilize.	USDA's stocks report showed more corn than expected and that factor sent the December corn contract lower.	Buyers were ready to purchase the December contract below \$3.20 per bushel.	Rainy weather slowed down production but traders were not concerned enough to start purchasing.	A slowdown in the harvest due to rainy weather is encouraging traders to wait and see the data on Monday.

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.

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.

Outlook: USDA published the quarterly Grain Stocks Report on Tuesday of this past week. The report is a snapshot of U.S. grain stocks on September 1. Measuring the stocks on that date is important because this is the first day of the new 2014/15 crop year for both corn and sorghum. In other words, the data shows the beginning stocks for the current new-crop year and the ending stocks for the prior 2013/14 old-crop year.

Total U.S. corn stocks on September 1 were 1.24 billion bushels. Subtracting this amount from the amount of corn stocks on June 1 implied that total corn consumption during the June through August time period was 2.65 billion bushels. This was a healthy increase in consumption above the prior year's rate of 1.95 billion bushels for the same time period. Sorghum consumption during the same quarter was up 125 percent from the year-ago level. The importance of this data is the indication that the steady decline in feed grain prices during this past summer was not because of weak demand but due to anticipation of surplus harvest production.

Grain merchandisers report that they are receiving an increased volume of inquiries from customers as to when they should buy. In other words, there is additional demand that is trying to figure out when to buy. Remaining a patient buyer has paid off as general anticipation of larger yields and recent strength in the dollar have weighed on prices, but those factors are being increasingly offset by harvest progress and the approach of fall weather.

CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

October 3, 2014

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Futures Price Performance: Week Ending October 3, 2014			
Commodity	3-Oct	26-Sep	Net Change
Corn			
Dec 14	323.25	323.00	0.25
Mar 15	336.25	335.75	0.50
May 15	345.00	344.25	0.75
Jul 15	352.75	351.50	1.25
Soybeans			
Nov 14	912.25	910.25	2.00
Jan 15	920.50	918.75	1.75
Mar 15	928.50	927.00	1.50
May 15	935.50	935.25	0.25
Soymeal			
Oct 14	308.00	307.20	0.80
Dec 14	298.80	301.10	-2.30
Jan 15	297.40	298.90	-1.50
Mar 15	294.60	297.20	-2.60
Soyoil			
Oct 14	32.29	31.92	0.37
Dec 14	32.42	31.99	0.43
Jan 15	32.68	32.27	0.41
Mar 15	32.93	32.54	0.39
SRW			
Dec 14	485.75	474.25	11.50
Mar 15	497.00	487.50	9.50
May 15	505.25	497.00	8.25
Jul 15	513.75	503.75	10.00
HRW			
Dec 14	568.00	563.75	4.25
Mar 15	568.75	567.00	1.75
May 15	570.50	569.75	0.75
Jul 15	566.50	563.75	2.75
MGEX (HRS)			
Dec 14	543.50	533.25	10.25
Mar 15	558.25	548.75	9.50
May 15	569.25	560.50	8.75
Jul 15	579.75	572.00	7.75

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: September 28, 2014					
	Very Poor	Poor	Fair	Good	Excellent
Corn	2%	5%	19%	51%	23%
Sorghum	3%	9%	31%	46%	11%

U.S. Drought Monitor Weather Forecast: An upper-level ridge of high pressure will build over the West during October 2-9, bringing a return of dry and warmer-than-normal weather, while the upper-level trough of low pressure slowly moves east of the Rockies. The trough will funnel cooler-than-normal air into the north central and eastern states, with widespread areas of rain forecasted along fronts and surface lows from the Mississippi River to the East Coast and in parts of the Plains. The heaviest rain, 1-4 inches, is expected from Missouri to the Great Lakes, with areas of about an inch in parts of Nebraska, the Tennessee Valley to Southern Appalachians and parts of the Northeast.

The upper-level circulation pattern will become stalled during October 9-15, with a ridge over the western CONUS and trough over the east. Dry and warm weather should dominate the West, while colder-than-normal air masses frequent the Plains to Midwest states. Gulf of Mexico moisture is expected to feed weather systems which bring above-normal precipitation to the Plains, Midwest and Northeast states. The Southeast is forecast to have near to below-normal precipitation during this period. 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 September 25, 2014					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	755,700	554,700	8,563.2	13,567.4	-27%
Corn	698,500	620,400	3,076.9	14,513.6	-1%
Sorghum	154,700	194,900	369.2	2,482.9	153%
Barley	500	400	23.4	82.1	-21%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 638,000 MT for 2014/15 were reported primarily for Mexico (164,800 MT), Canada (115,800 MT), South Korea (67,800 MT, including 65,000 MT switched from unknown destinations), Colombia (64,600 MT, including 38,000 MT switched from unknown destinations and decreases of 14,900 MT) and Taiwan (40,300 MT). Decreases were reported for unknown destinations (8,600 MT), Costa Rica (3,800 MT) and Jamaica (1,000 MT). Net sales of 47,900 MT for 2015/2016 were reported for Mexico. Exports of 620,400 MT were primarily to Japan (232,000 MT), Mexico (147,800 MT), Colombia (111,700 MT), South Korea (68,000 MT) and Canada (40,800 MT).

October 3, 2014

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Barley: Net sales of 500 MT resulted as increases for Morocco (25,000 MT, switched from unknown destinations) and Taiwan (500 MT), were more than offset by decreases for unknown destinations (25,000 MT). Exports of 400 MT were reported to Taiwan (200 MT) and South Korea (200 MT).

Sorghum: Net sales of 153,400 MT for 2014/15 were reported for China (143,300 MT) and Japan (10,100 MT). Exports of 194,900 MT were reported to China (182,800 MT) and Japan (12,200 MT).

U.S. Export Inspections: Week Ending September 25, 2014

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	601,825	1,054,237	3,141,838	1,734,941	181%
Sorghum	296,434	126,907	635,652	414,706	153%
Soybeans	687,191	468,027	1,490,245	988,184	151%
Wheat	573,647	519,155	8,861,447	13,546,683	65%
Barley	590	764	38,417	53,316	72%

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 September 25, 2014

Last Week	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	342,778	57%	0	0%	288,743	97%
PNW	126,756	21%	146	4%	0	0%
Lakes	17,356	3%	0	0%	0	0%
Atlantic	3,184	1%	0	0%	0	0%
Interior Export Rail	108,215	18%	3,390	96%	7,691	3%
Total (Metric Tons)	598,289	100%	3,536	100%	296,434	100%
White Corn Shipments by Country (MT)			3,390	to Mexico		
			146	to Korea		
Total White Corn (MT)			3,536			
Sorghum Shipments by Country (MT)					296,434	to China
Total Sorghum (MT)					296,434	

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)
October	+1.27 Z	\$177.25	+1.65 Z	\$192.21
November	+1.25 Z	\$176.47	+1.58 Z	\$189.46
December	+1.21 Z	\$174.89	+1.55 Z	\$188.28
January	+1.03 H	\$172.92	+1.35 H	\$185.52

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	\$229.61	+2.60 Z	\$229.61
November	+2.50 Z	\$225.68	+2.50 Z	\$225.68

Barley: Feed Barley (FOB USD/MT)			
	October	November	December
FOB PNW	\$250	\$250	\$250

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	October	November	December
New Orleans	\$175	\$175	\$175
<i>Quantity 5,000 MT</i>			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	October	November	December
New Orleans	\$680	\$680	\$680
<i>*5-10,000 MT Minimum</i>			

*All prices are market estimates.

DDGS Price Table: October 3, 2014 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Oct.	Nov.	Dec.
Barge CIF New Orleans	154	155	155
FOB Vessel GULF	173	174	174
Rail delivered PNW	178	175	175
Rail delivered California	169	167	167
Mid-Bridge Laredo, TX	189	183	183
40 ft. Containers to South Korea (Busan)	190	192	192

40 ft. Containers to Taiwan (Kaohsiung)	190	192	192
40 ft. Containers to Philippines (Manila)	206	208	208
40 ft. Containers to Indonesia (Jakarta)	203	205	205
40 ft. Containers to Malaysia (Port Kelang)	203	205	205
40 ft. Containers to Vietnam (HCMC)	201	203	203
40 ft. Containers to Japan (Yokohama)	195	199	199
40 ft containers to Thailand (LCMB)	203	205	205
40 ft Containers to Shanghai, China	191	191	191
KC & Elwood, IL Rail Yard (delivered Ramp)	123	125	125

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: DDGS merchandisers are generally in agreement that demand is weak as end-users seem to be primarily focused on testing how low bids can be driven in relation to the price of corn contracts. So while some of the larger commercial grain trading firms are showing interest in buying the December corn futures contract around \$3.25 per bushel, a number of DDGS buyers are still testing just how low they can purchase DDGS in relation to those more stable futures prices.

As buyers test the market, DDGS merchandisers report that the quantities sold are commonly small, often less than 500 MT. Constraining the size of purchases is presently giving the upper hand to buyers, and they are using that to their advantage by forcing DDGS merchandisers to competitively undercut each other in order to move product. One merchandiser reported that he missed a lot of sales in the October and November time period by keeping his prices firm.

A higher freight rate is an additional factor that is presently keeping the DDGS sales pace slow. The higher rates are not an unexpected event: This commentary has warned about it repeatedly in the past. Freight increases took place as logistical companies have sought to take advantage of increased demand that stems from a bumper crop. However, the reduced activity at trans-loaders in Minneapolis and Chicago may be an indicator that the price increases for freight have been taken too far.

The high freight costs just incentivize buyers to keep their purchases small and apply additional pressure on merchandisers to reduce their asking prices. The growing competition to move pent-up DDGS production came into full fruition this week as domestic DDGS prices declined on average by an additional \$10/MT, and rates on containerized product declined by more than \$20/MT. Such declines make DDGS prices very favorable in relation to corn contracts. So, when some sort of rebound does happen in corn the increase in DDGS prices could actually outpace the increase in corn contracts.

Ethanol Comments: There was a slowdown in the sharp declines that have recently occurred in the differential between the cost of corn and returns on co-products of ethanol and DDGS. There was even a slight improvement this past week in the differential in the Nebraska region. Please note, the year-ago values will be

October 3, 2014

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unavailable for several weeks in the data below because of the government shutdown that occurred last year. The differential for the week ending Friday, October 3, 2014 is as follows:

- Illinois differential is \$2.12 per bushel, in comparison to \$2.28 the prior week.
- Iowa differential is \$1.99 per bushel, in comparison to \$2.07 the prior week.
- Nebraska differential is \$1.84 per bushel, in comparison to \$1.79 the prior week.
- South Dakota differential is \$2.18 per bushel, in comparison to \$2.26 the prior week.

The average daily ethanol production rate of 881,000 barrels per day (bpd) declined slightly from the week-ago level of 889,000 bpd. This current level of production is only slightly above the year-ago level of 875,000 bpd. However, there was an unfavorable increase in the amount of total U.S. ethanol stocks to 18.8 million barrels. That is 1.3 percent above the prior week's level of 18.6 million barrels and a substantial 21.4 percent above the year-ago level of 15.5 million barrels.

COUNTRY NEWS

EU: ADM Germany has announced that the European Union's corn crop is expected to total some 70.46 MMT, which is a substantial increase over last year's 64.48 MMT, According to Reuters.

Iraq: The United Nations has estimated that the Islamic State now controls substantial portions of Iraq's grain growing regions and that their advance forced many farmers to flee their land in the midst of the barley harvest, reports Reuters. Iraq's Ministry of Agriculture has also expressed concern about next year's barley crop, given that farmers traditionally use seed stock from the previous harvest when planting. Nineveh Province alone is usually sown with 835,000 hectares of barley, but it is unclear to what extent the fields will be planted.

South Africa: South African yellow corn for December delivery has dropped to \$161/MT, according to Bloomberg News. This is yellow corn's lowest price in three weeks. Further, the Crop Estimates Committee has maintained its estimate for the yellow corn harvest at 6.6 MMT.

Ukraine: Persistently hot weather in the late summer likely cut Ukraine's corn harvest by 13 percent to total some 27 MMT, according to Reuters. Following last year's record 30.9 MMT crop, farmers had planted corn at a record high 4.8 million hectares. However, poor weather may have cut yields to 5.2-5.6 MT per hectare, down from the 6.4 MT per hectare seen 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	\$47.00	Up \$2.00	Handymax at \$47.50/MT
55,000 U.S. PNW-Japan	\$24.50	Up \$2.00	Handymax at \$25.00/MT
55,000 U.S. Gulf-China	\$45.50	Up \$1.00	North China
PNW to China	\$34.50	Down \$1.00	

October 3, 2014

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25,000 U.S. Gulf-Veracruz, México	\$16.00	Unchanged	3,000 MT daily discharge rate
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	\$20.50 \$30.00	Unchanged Unchanged	West Coast Colombia at \$28.50
36-40,000 U.S. Gulf-Guatemala	\$27.00	Unchanged	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf-Algeria	\$35.00 \$37.00	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$35.00	Unchanged	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	\$33.00 \$32.50	Unchanged Unchanged	55,000 -60,000 MT St. Lawrence to Egypt \$33.50
60-70,000 U.S. Gulf-Europe-Rotterdam	\$20.50	Up \$0.50	Handymax at +\$1.50 more
Brazil, Santos-China	\$35.00 \$34.00	Unchanged Unchanged	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	\$39.50	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: It is the Golden Week festival in China and many people are on holiday. However, we did witness a flurry of activity early in the week and markets were firmer in the U.S. Gulf-Atlantic, especially in the Handymax and Panamax sectors. Overall, we continue to see freight markets moving in a teeter-totter motion from week to week without really showing any conviction yet to any particular direction.

The U.S. PNW Panamax rates to Asia did not truly decline in value this week, but I had to adjust the below rates lower to correct for an earlier over estimate on the high side.

The Capesize market gained a few cents, but was losing some ground it had made by week's end.

For another week the only freight markets on fire are the North American rail car and river barge markets. Barge freight on the Mississippi River system is trading at over 1,000 percent of tariff. The corn and soybean harvests are progressing well and shippers are paying big premiums for interior transportation.

Baltic Panamax Dry-Bulk Indices

October 3, 2014	This	Last	Difference	Percent
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October 3, 2014

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Route	Week	Week		Change
P2A: Gulf/Atlantic – Japan	15,150	14,362	788	5.5%
P3A: PNW/Pacific– Japan	7,352	6,813	539	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 South China:

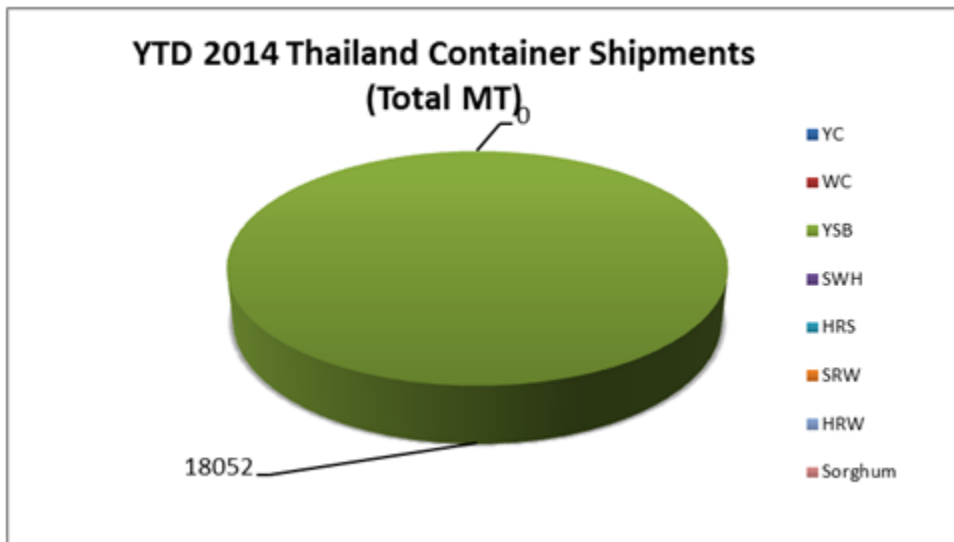
Week of October 3, 2014	
Four weeks ago	\$8.40-\$8.80
Three weeks ago:	\$8.50-\$8.95
Two weeks ago	\$7.80-\$8.50
One week ago:	\$7.40-\$7.90
This week	\$8.00-\$8.20

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
October 3, 2014	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.59	1.25	0.34	\$13.39	PNW
Soybeans	2.30	1.70	0.60	\$22.05	Noth
Ocean Freight	\$23.50	\$45.50	0.56-0.60	(\$22.00)	November

Source: O'Neil Commodity Consulting

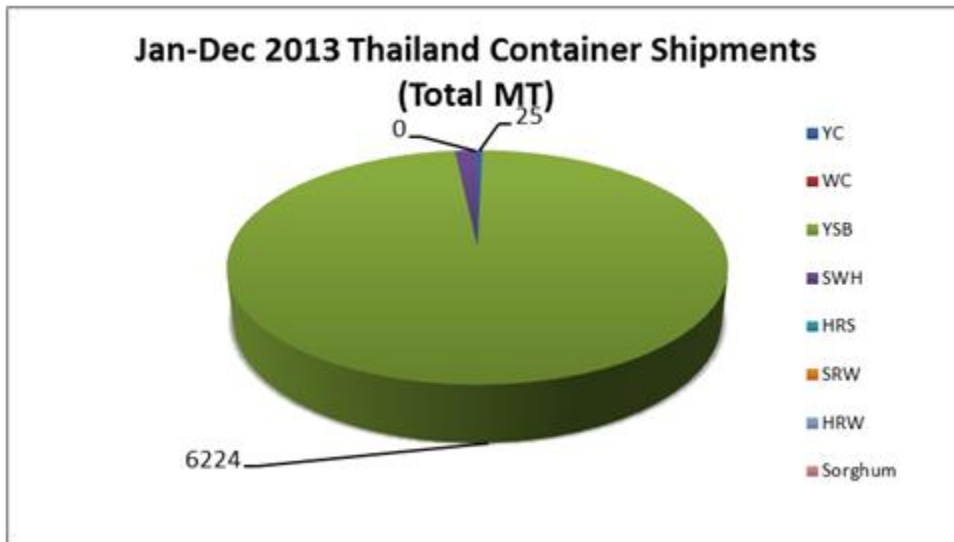
The charts below represent January-December 2013 annual totals versus year-to-date 2014 container shipments to Thailand.



Source: O'Neil Commodity Consulting

October 3, 2014

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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	44	47	45	30	32	31	43
	Brazil	37	41	38	26	25	22	-
Corn (White)	Argentina	44	47	45	30	32	31	43
	Brazil	37	41	38	26	25	22	-
Barley	Argentina	44	47	45	30	32	31	43
	Brazil	37	41	38	26	25	22	-
Sorghum	Argentina	44	47	45	30	32	31	43
	Brazil	37	41	38	26	25	22	-

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 1, 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)	0.58	0.58	0.56

Source: www.bankrate.com