Market Perspectives

June 21, 2013

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

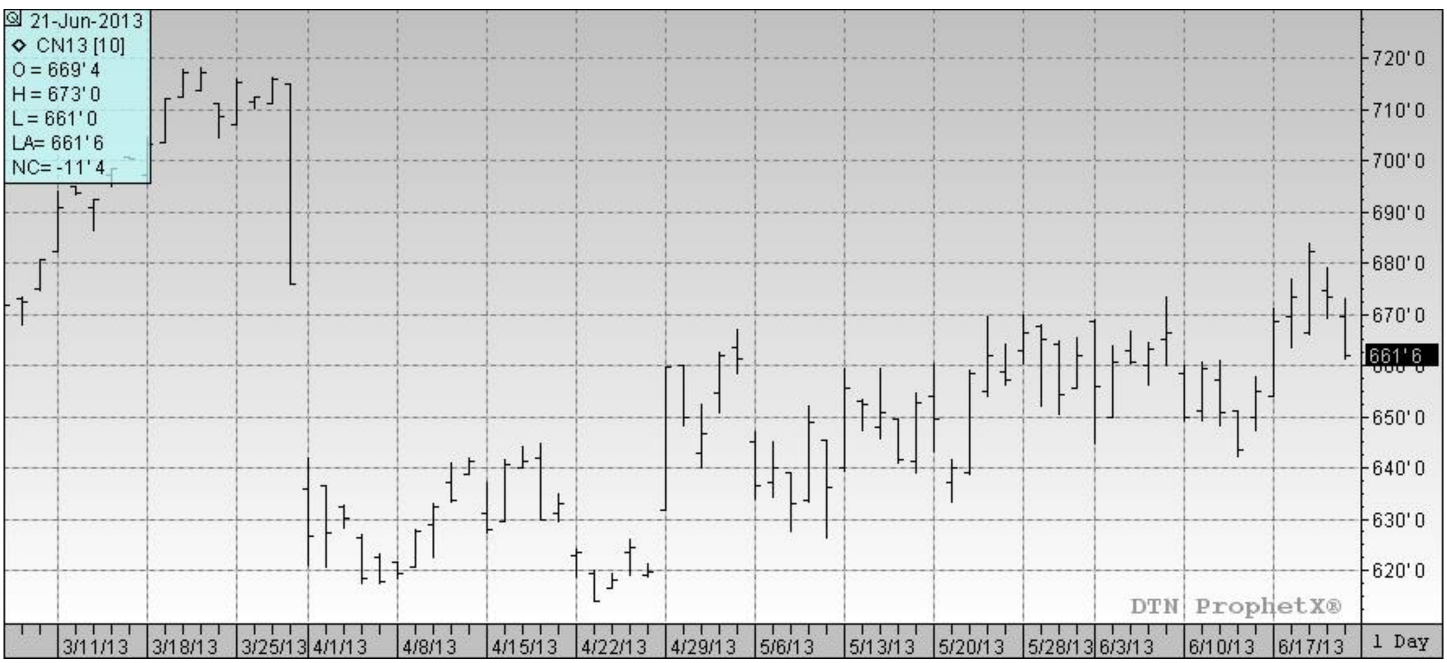
Week in Review: CME Corn July Contract					
$/Bu	**Monday 17 June**	**Tuesday 18 June**	**Wednesday 19 June**	**Thursday 20 June**	**Friday 21 June**
Change	0.1350	0.0475	0.0900	-0.0900	-0.1150
Closing Price	6.6850	6.7325	6.8225	6.7325	6.6175
Factors Affecting the Market	Improved export inspections and uncertainty about the contents of the weekly Crop Progress report caused sellers to be reluctant and corn futures to work higher.	New crop corn contracts led the way higher, with the December contract up 12 cents and the old crop July contract up about 5 cents.	Warmer and drier forecasts sparked memories of weather conditions this time last year, and corn contracts rallied.	The July corn contract gave back the prior day's gains as anxious traders seemed to realize that they had not yet received any substantially bullish news.	A weaker basis and bear spreading pressured the nearby July contract, which closed more than 20 cents below its weekly high of $6.8350.

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: On June 7 this report commented that the July 2013 contract was likely to trade up to the $6.70-6.90 range. That price behavior happened this week. It was also noted that such a price spike could be a selling opportunity for the remaining old crop feed grain stocks. A number of producers seemed to share that opinion, as movement did increase in the cash grain market, causing interior basis levels to weaken somewhat. It was also noted last week that there is time for a limited sell-off and corresponding rebound in corn contracts prior to USDA's June 28 reports. Such an event may occur. We believe the spread between old crop and new crop contracts is likely to become increasingly volatile and to compress at some point.

The final price of the July 2013 contract will be heavily dependent upon USDA's Grain Stocks report that is scheduled to be released next Friday, along with the Acreage report. Several farmers have expressed their intent to wait and see if the Grain Stocks report contains a bullish surprise before marketing the remainder of their old crop feed grains. That strategy could pay off; however, the September contract is increasingly assuming the role of the nearby contract for local elevators as the open interest in the July contract declines. Under such conditions, it could be possible for a producer to correctly call the high of the market and still receive a lower price.

CBOT JULY CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending June 21, 2013			
Commodity	**21-June**	**14-June**	**Net Change**
Corn			
July	661.75	655.00	6.75
Sep	592.00	571.75	20.25
Dec	556.25	533.00	23.25
Soybeans			
July	1493.25	1516.50	-23.25
Aug	1413.75	1434.00	-20.25
Sep	1315.75	1342.50	-26.75
Soymeal			
July	447.70	450.70	-3.00
Soyoil			
July	48.02	48.48	-0.46
CBOT Wheat			
July	698.00	680.75	17.25
Sep	705.00	688.75	16.25
Dec	717.00	701.50	15.50
KCBOT Wheat			
July	736.50	711.50	25.00
Sep	736.00	715.50	20.50
Dec	750.50	733.25	17.25
MGE Wheat			
July	814.00	804.00	10.00
Sep	791.50	785.25	6.25
Dec	800.00	792.50	7.50

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Planting Progress				
Commodity	**16-June-13**	**Last Week**	**Last Year**	**2008-12 Average**
Sorghum	84%	69%	90%	90%
Barley	92%	88%	100%	98%

Source: USDA

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U.S. Crop Condition: June 16, 2012					
	Very Poor	Poor	Fair	Good	Excellent
Corn	2%	6%	28%	52%	12%
Sorghum	5%	8%	34%	46%	7%
Barley	1%	3%	29%	56%	11%

Source: USDA

U.S. Drought Monitor Weather Forecast: The NWS WPC four-day (June 21-24) Quantitative Precipitation Forecast (QPF) is showing good prospects for a nice shot of unseasonably cooler weather across the Pacific Northwest, California and Nevada. The opposite holds true, though, for the southern Rockies region, central Plains, Midwest and Northeast, where readings could soar well above normal. The precipitation outlook during this period shows the best bet for significant totals to fall in the Pacific Northwest, Northern Plains, upper Midwest, Gulf Coast and up along the southern Atlantic coast into South Carolina.The six- to 10-day outlooks (June 25-29) are calling for a real summertime pattern to emerge, with the odds well tilted toward above-normal temperatures across southern California, the Intermountain West, northern Rockies, Central and Northern Plains, the Midwest and the Northeast. The only areas seeing a greater likelihood of cooler weather are the Pacific Northwest coastal ranges and the western Gulf Coast region. Prospects for rain seem to be best in the Pacific Northwest, upper Midwest, Mid-Atlantic and Northeast. Below-normal precipitation is most likely in the Intermountain West, Wyoming and the 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 13, 2013					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	498,700	619,100	995.3	7,839.5	23%
Corn	167,300	322,400	14,551.8	17,598.0	-55%
Sorghum	0	100	1,070.6	1,492.6	60%
Barley	800	800	1.7	29.5	-1%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 133,400 MT for 2012/13 resulted as increases for Japan (132,400 MT, including 43,500 MT switched from unknown destinations), Mexico (32,600 MT), Venezuela (30,000 MT, switched from unknown destinations), Guatemala (10,400 MT, switched from unknown destinations) and El Salvador (8,500 MT, switched from unknown destinations) were partially offset by decreases for unknown destinations (72,300 MT) and Jamaica (14,500 MT). Net sales of 77,100 MT for 2013/14 were for Mexico (80,400 MT), Taiwan (4,500 MT), China (4,000 MT) and Colombia (4,000 MT). Decreases were reported for Jamaica (8,300 MT) and Panama (7,500 MT). Exports of 322,400 MT were up 39 percent from the previous week and 6 percent from the prior four-week average. The primary destinations were Mexico (118,300 MT), Japan (93,000 MT), Venezuela (48,000 MT) and Panama (30,100 MT). Optional Origin Sales: For 2012/13, outstanding optional origin sales total 65,000 MT, all South Korea. For 2013/14, outstanding optional origin sales total 100,000 MT, all Mexico.

Barley: Net sales of 700 MT resulted as increases for South Korea (900 MT) were partially offset by decreases for Japan (100 MT) and Taiwan (100 MT). Exports of 800 MT were reported to Taiwan.

Sorghum: There were no sales or exports reported during the week. Optional Origin Sales: For 2013/14, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending June 13, 2013					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	359,272	162,617	14,246,506	32,233,234	44%
Sorghum	991	4,090	1,448,187	1,076,113	135%
Soybeans	75,089	95,882	34,669,945	32,509,566	107%
Wheat	587,648	676,045	1,137,819	1,182,971	96%
Barley	501	0	501	958	52%

*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 13, 2013						
Last Week (000 bushels)	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	11,823	86%	402	100%	0	0%
PNW	0	0%	0	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Interior Export Rail	1,919	14%	0	0%	39	100%
Total (1,000 bu)	13,742	100%	402	100%	39	100%
Total (Metric Tons)	349,061		10,211		991	
White Corn Shipments by County (MT)			10,211	to Colombia		
Total White Corn (MT)			10,211			
Sorghum Shipments by Country (MT)					991	to Mexico
Total Sorghum (MT)					991	

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)
LH July	+1.10 N	$303.82	+1.55 N	$321.54
August	+1.31 U	$284.63	+1.90 U	$307.86
September	+1.02 U	$273.21	+1.60 U	$296.05
FH October	+.78 Z	$249.69	+1.40 Z	$274.10
LH October	+.71 Z	$246.93	+1.40Z	$274.10
November	+.71 Z	$303.82	+1.30Z	$321.54

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**Oct**	**Nov**	**Dec**
Gulf	$295	$295	$295

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
LH July	-	-	+.35 N	$274.30
August	-	-	+.35 N	$274.30
September	+1.00 Z	$258.35	+1.35 Z	$272.13
October	+.95 Z	$256.38	-	-

Barley: Feed Barley (FOB USD/MT)			
	July	**August**	**September**
FOB PNW	$270	$270	$270

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)		
	July	**August**
New Orleans	$222	$222
Quantity 5,000 MT		
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)		
Bulk 60% Pro.	**July**	**August**
New Orleans	$705	$705
**5-10,000 MT Minimum*		

**All prices are market estimates.*

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DDGS Price Table: June 21, 2013 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**July**	**August**	**Sep**
Barge CIF New Orleans	287	287	289
FOB Vessel GULF	293	293	298
Rail delivered PNW	312	312	314
Rail delivered California	319	319	321
Mid-Bridge Laredo, TX	318	318	321
40 ft. Containers to South Korea (Busan)	375	363	365
40 ft. Containers to Taiwan (Kaohsiung)	355	353	345
40 ft. Containers to Philippines (Manila)	375	372	365
40 ft. Containers to Indonesia (Jakarta)	375	370	365
40 ft. Containers to Malaysia (Port Kelang)	377	370	367
40 ft. Containers to Vietnam (HCMC)	385	371	375
40 ft. Containers to Japan (Yokohama)	380	368	370
40 ft. containers to Thailand (LCMB)	375	369	365
40 ft. Containers to Shanghai, China	365	358	355
KC & Elwood, IL Rail Yard (delivered Ramp)	310	309	307

*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: Both domestic and foreign DDGS buying have slowed down, as all market participants appear to be anxiously awaiting next Friday's Acreage and Grain Stocks reports from USDA. If there is a near-term bullish reaction to report contents, then the most general expectation seems to be that ethanol plants could temporarily reduce their operating rates in order to stretch out corn supplies before the new crop arrives.

One merchandiser reported that Chinese buyers did secure a couple thousand metric tons for August shipment, but noted that they are cautious about booking further into the future. Domestic buyers reportedly are purchasing week by week, and the container market seems to be setting the market pace. A common consensus is that there will be no new buying frenzy for the next few months. The container demand for DDGS continues to be supported by issues with delayed shipments of soybeans and soymeal out of South America and by U.S. corn currently being so difficult to source. But these conditions will not last forever. The two major reports will be out of the way in one more week, and U.S growing conditions currently are favorable.

Ethanol Comments: Next Friday's Grain Stocks report is probably more important for ethanol producers than the Acreage report. Market participants already are expecting a reduction in corn acreage, but far less attention has been paid to the quarterly stocks report. However, a number of ethanol plants seem to have taken prudent preemptive action by obtaining sufficient coverage to withstand a short-term reaction to any bullish surprise. A positive note is that the duration of any rally could be limited if there is no change in the currently favorable growing conditions.

Ethanol stocks for the week ending June 14 increased from 16 million barrels to 16.5 million barrels and remained well below year-ago levels of 21.2 million barrels. Weekly average production declined from 884,000 barrels per day (bpd) to 873,000 bpd as producer margins narrowed. The differential between corn and co-product processing values declined in all regions:

- Illinois differential decreased to $2.21 per bushel, which is down from $2.31 the prior week but above $1.20 last year.
- Iowa differential decreased to $1.90 per bushel, which is down from $2.06 the prior week but above $1.42 last year.
- Nebraska differential decreased to $1.95 per bushel, which is down from $2.26 the prior week but above $1.25 last year.
- South Dakota differential decreased to $2.04 per bushel, which is down from $2.07 the prior week but above $1.20 last year.

Ethanol producer margins could be squeezed further in the near term because of the current high corn prices and the return of ethanol imports. Ethanol imports returned at a rate of 65,000 bpd for the week ending June 14.

COUNTRY NEWS

Japan: Since U.S. corn prices have spiked, Japan's use of the grain in animal feed production has fallen from 43.9 percent in April 2012 to 42.0 percent in April of this year, according to Reuters. Imports of U.S. corn in April amounted to 1.03 MMT, down by 17.7 percent from a year ago. In the meantime, the Japanese have been sourcing cheaper corn from Brazil. Imports from the South American country increased from zero in April 2012 to 40.7 percent in April 2013.

Kenya: There reportedly has been an outbreak of corn necrosis in Kenya, according to WPI, and neighboring countries are worried that imports of the diseased grain may infect their local corn crops. The Tanzanian government said it is controlling imports from Kenya to ensure that this does not happen.

Russia: Russia's winter barley harvesting campaign began 10 days ahead of schedule in the southern regions of Krasnodar and Stavropol, reports Reuters. Thus far, farmers in these regions have harvested 148,300 MT of grain from 27,700 hectares. Yields are at 5.28 MT/hectare, which is an improvement over the yield of 2.98 MT/hectare at the start of last year's campaign. With increased offers of new crop barley flooding the market, Russian barley export prices took a tumble. Prices fell from $255/MT two weeks ago to $248/MT FOB Black Sea last week. The first cargoes are expected to arrive in Novorossiisk by the end of the month, according to analysts.

Serbia: Serbian corn plantings decreased to 1.19 million hectares, down by 7.3 percent compared to the previous season, reports Bloomberg.

South Africa: The South African government is expected to cut its corn production forecast for 2013 once again, as drought conditions earlier in the year have negatively affected crop growth. The corn crop is now expected to be 11.44 MMT, down from 11.83 MMT last year. A Reuters survey averaging the estimates of seven trading houses pegs the crop at an even lower number: 11.37 MMT.

Meanwhile, South African white corn futures have had a volatile week, according to Bloomberg. They rose the most in nearly three weeks after the rand dropped for a fifth day, but today declined the most in a week after the rand gained against the dollar and as prices fell in Chicago. The strengthening rand improves the country's export prospects and makes imports less expensive as well.

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	$46.00	Up $01.50	Handymax at $47.00/MT
55,000 U.S. PNW- Japan	$24.00	Unchanged	Handymax at $25.00/MT
55,000 U.S. Gulf – China PNW to China	$43.50 $23.00	Unchanged Unchanged	North or South China
25,000 U.S. Gulf- Veracruz, México	$19.50	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	$17.50	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$23.00 $29.00	Unchanged Unchanged	West Coast Colombia at $31.50 West Coast Colombia from Argentina at $37.00
35,000 U.S. Gulf - Guatemala	$29.50	Unchanged	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$36.50 $38.50	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$37.50	Unchanged	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$27.00 $33.00	Unchanged Unchanged	55,000 -60,000 MT St. Lawrence to Egypt $27.00
60-70,000 U.S. Gulf – Europe – Rotterdam	$22.00	Up $0.50	Handymax at +$2.50 more
Brazil, Santos – China	$35.00 $33.50	Unchanged Unchanged	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$40.00	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: The Baltic indices, especially in the Capsize market, were up this week and at their highest level in six months. This was true for the indices, but I don't see the physical market following to the same degree. We are up a little for the week on some routes. The Brazil to China Panamax and Post-Panamax freight market continues to be offered at aggressive rates.

An ocean freight news wire this week stated, "Something has to give; either rates have to come up or asset values have to drop." I'm afraid it is the latter that is more likely to occur. According to Simpson Spence Young (SSY) figures, the dry bulk new build deliveries year-to-date totaled 389 vessels (32.3 mdwt). The breakdown on this was as follows: 56 Capesizes of 12.3 mdwt, 128 Panamaxes of 10.5 mdwt, 112 Supramaxes of 6.4 mdwt and 93 Handymaxes of 3.1 mdwt. We are still adding to the world fleet, and the impact of that ought to be obvious.

There is no significant update on the PNW grain elevator labor situation. The wheat harvest is progressing in the South and Central U.S., so we need to monitor the port situation closely.

Baltic Panamax Dry-Bulk Indices				
21-June-13 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	14,547	13,453	1,094	8.1%
P3A: PNW/Pacfic – Japan	6,013	6,038	-25	-0.4%

Source: O'Neil Commodity Consulting

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

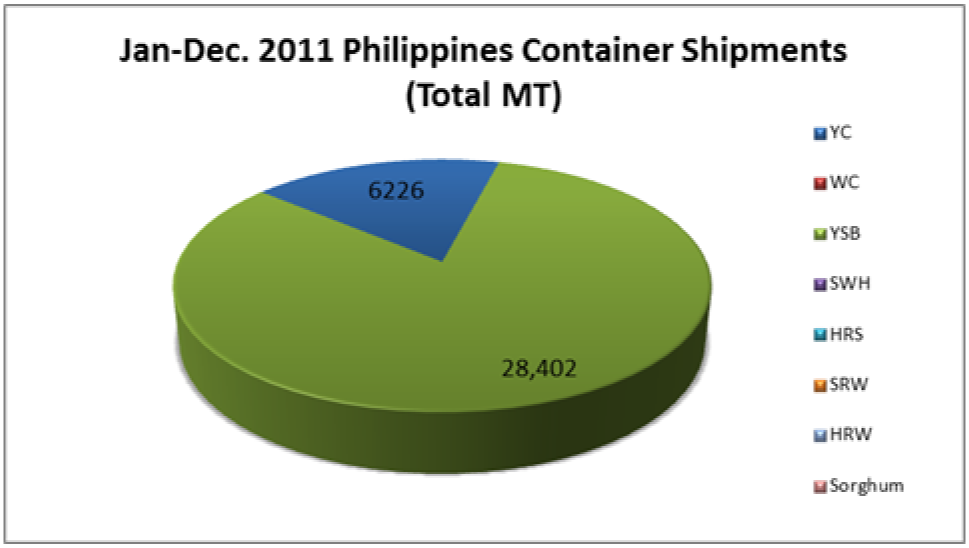
Week of June 21, 2013	
Four weeks ago	$7.10-$7.30
Three weeks ago	$7.25-$7.80
Two weeks ago	$7.25-$7.40
One week ago	$7.20-$7.80
This week	$7.40-$8.00

Source: O'Neil Commodity Consulting

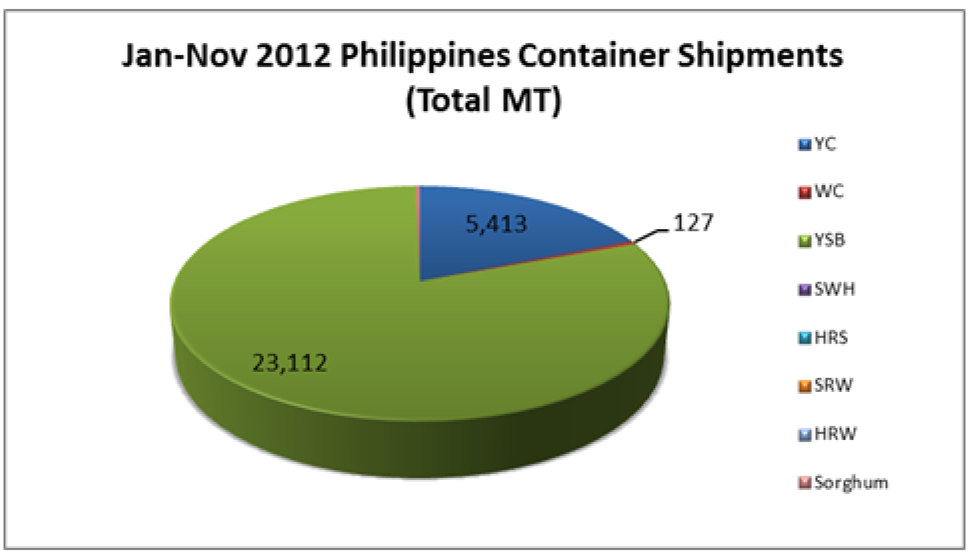
U.S. – Asia Market Spreads					
6/21/2013	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.60	1.10	0.50	$19.68	Both
Soybeans	1.70	1.00	0.70	$25.72	GULF
Ocean Freight	$23.00	$43.50	0.52-0.56	($20.50)	July

Source: O'Neil Commodity Consulting

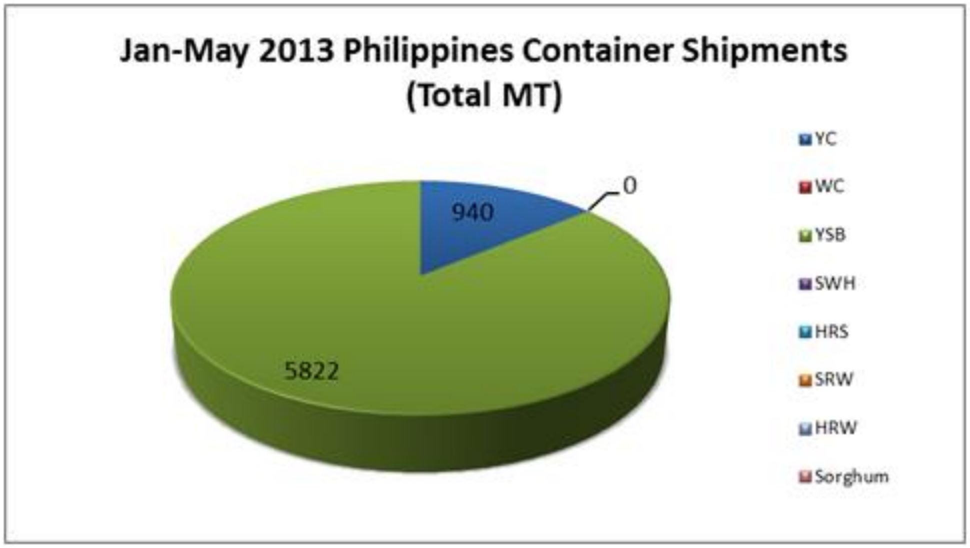
The charts below represent January-December 2011 and January-November 2012 annual totals versus January-May 2013 year-to-date container shipments for the Philippines.



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

International Freight Rates for Feed Grains – Select Routes Estimated Spot Price ($/MT)							
Commodity	Origins	Japan	Korea	Colombia	Morocco	Egypt	Saudi Arabia
Corn (Yellow)	Argentina	$45	$42	$35	$34	$35	$46
	Brazil	$40	$37	$32	$32	$32	$37
Corn (White)	Argentina	$45	$42	$35	$34	$35	$46
	Brazil	$40	$37	$32	$32	$32	$37
Barley	Argentina	$45	$42	$35	$34	$35	$46
	Brazil	$40	$37	$32	$32	$32	$37
Sorghum	Argentina	$45	$42	$35	$34	$35	$46
	Brazil	$40	$37	$32	$32	$32	$37

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 19, 2013			
	Current Week	Last Week	Last Month
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.41	0.41	0.42
LIBOR (1 year)	0.67	0.69	0.69

Source: www.bankrate.com