Market Perspectives

July 19, 2013

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
$/Bu	**Monday 15 July**	**Tuesday 16 July**	**Wednesday 17 July**	**Thursday 18 July**	**Friday 19 July**
Change	-0.0575	0.0725	-0.0875	-0.0125	0.0000
Closing Price	5.0350	5.1075	5.0200	5.0075	5.0075
Factors Affecting the Market	Weather forecasts for the U.S. Corn-Belt became the dominant market influence, and prices drifted lower due to growing conditions being less threatening.	Conflicting forecasts between the U.S. and the European weather models increased uncertainty and caused corn prices to rebound.	The two primary weather models came into agreement with improved weather forecasts and corn futures were pressed back down.	The December contract spent most of the day trading below $5.00 per bushel and managed to surface just above $5.00 before the close of the day.	Commercial buyers met the selling made by large speculators that were attracted by negative chart patterns. Next week's price action will depend upon the weather.

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: Weather has become the dominant market influence, and is likely to remain so for the next few weeks. Crop conditions for corn declined a couple percentage points last Monday, and are likely to decline again next Monday (July 22). Nevertheless, the total percentage that is rated as good to excellent is about 66 percent and still above the five year average. These condition ratings and large acreage have caused certain large speculators to establish a fairly sizable net short position in new-crop corn futures. In anticipation of a substantial sell-off, these traders may have gotten a little ahead of themselves.

The current crop condition ratings level and pattern of development is presently similar tothat seen in 2011. The national average U.S. corn crop condition ratings in 2011 drifted moderately lower from July 1 into September 1 before plateauing. Whether or not a similar pattern happens again this season depends upon the timeliness of near-term rains and the average daily highs. With present weather forecasts, it is entirely possible that growing conditions could improve somewhat next week with an additional shot of precipitation and moderately lower temperatures. If so, then crop conditions could show some improvement by Monday July 29. Ideally, crop conditions could improve toward the levels of 2010, when national average corn yield was 152.8 bushels per acre. Once trend is factored into the equation, USDA's current yield estimate of 156.5 bushels per acre looks very realistic. However, that improvement in the national average corn crop condition has still not happened. Right now, crop conditions are following a path that is more similar to 2011, when the average yield was 147.2 bushels per acre. If that pattern continues to be the case, then USDA's recent yield estimate is likely to be too high, even after the trend is factored into the equation.

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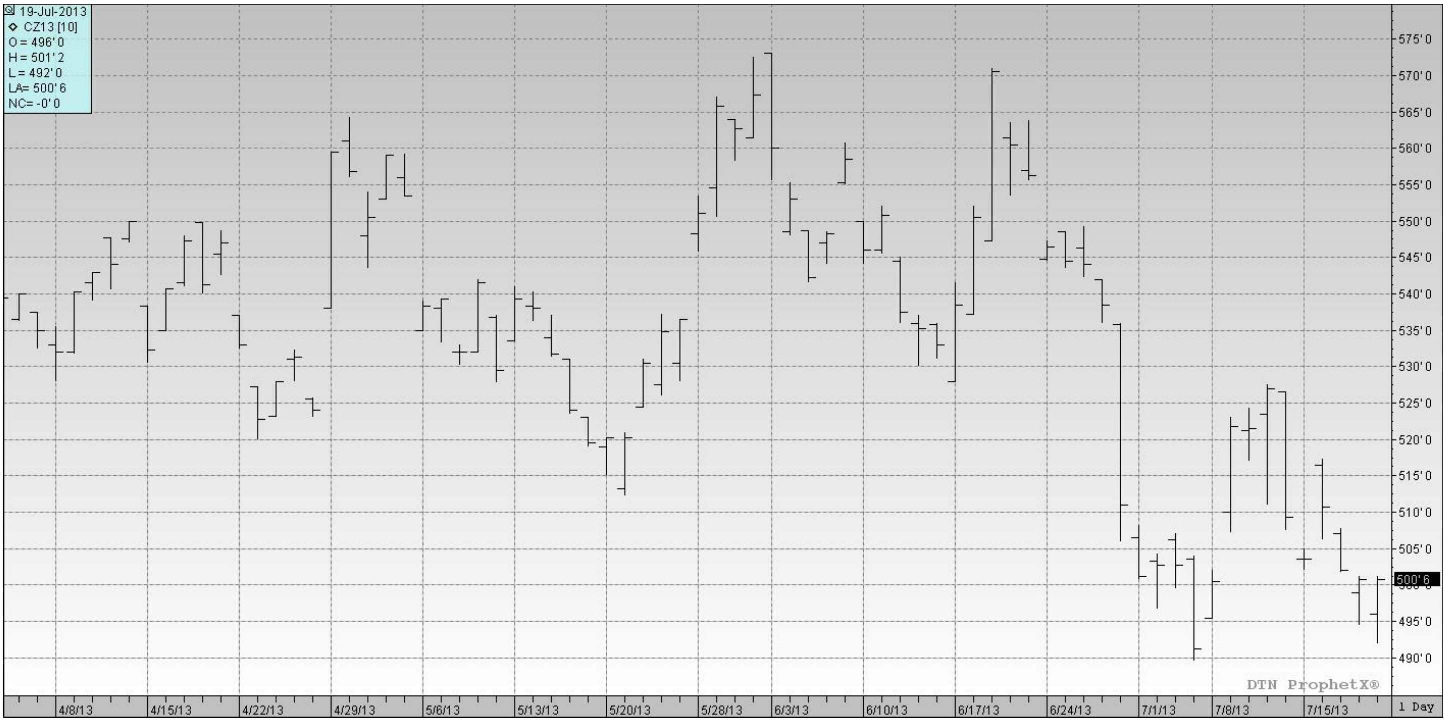
CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending July 19, 2013			
Commodity	**19-July**	**12-July**	**Net Change**
Corn			
Sep	544.00	701.5	-157.50
Dec	500.75	545.5	-44.75
Mar	512.75	509.25	3.50
Soybeans			
Aug	1490.75	1563.25	-72.50
Sep	1326.00	1429	-103.00
Nov	1274.00	1298.25	-24.25
Soymeal			
Sep	423.70	535.5	-111.80
Soyoil			
Aug	45.50	46.09	-0.59
CBOT Wheat			
Sep	664.50	675.5	-11.00

Dec	675.25	681	-5.75
Mar	685.50	693.75	-8.25
KCBOT Wheat			
Sep	705.25	712.75	-7.50
Dec	717.50	708.5	9.00
Mar	727.00	724.25	2.75
MGE Wheat			
Sep	750.50	796.25	-45.75
Dec	761.50	766.5	-5.00
Mar	774.25	778.25	-4.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: July 14, 2012					
	Very Poor	**Poor**	**Fair**	**Good**	**Excellent**
Corn	3%	6%	25%	49%	17%
Sorghum	6%	12%	38%	39%	5%
Barley	1%	3%	31%	54%	11%

Source: USDA

U.S. Drought Monitor Weather Forecast: Forecasts for July 19-22 show a stationary front draped across the Central Plains to Mid-Atlantic that may bring up to an inch of rain from Eastern Nebraska to the East Coast, Great Lakes and Gulf of Mexico Coast, with over 2 inches possible along the Mid-Mississippi to Ohio and Tennessee valleys. Monsoon showers could bring an inch or more of rain to the Four Corners states. Less than a quarter of an inch of rain is forecast for Oklahoma and adjoining parts of Texas, with most of the West expected to be dry. Temperatures should be near to above-normal, with the warmest anomalies (6-12 degrees above-normal) expected in parts of the West.

The NWS forecasts for July 23-31 show the highest likelihood of above-normal precipitation for the Southwest and much of the country east of the Mississippi, with below-normal precipitation from the Northwest to the Central and Southern Plains. The Northeast may expect cooler-than-normal temperatures with the highest likelihood of above-normal temperatures from the West to Great 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 July 11, 2013					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	1,076,700	726,000	3,603.4	11,634.3	56%
Corn	160,500	407,300	15,729.5	18,712.7	-52%

Sorghum	700	1,100	1,076.3	1,525.0	58%
Barley	2,900	200	4.8	60.2	-29%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 152,900 MT for 2012/13 were down 61 percent from the previous week and 44 percent from the prior four-week average. Increases for Japan (178,000 MT, including 132,800 MT switched from unknown destinations and decreases of 5,600 MT), Venezuela (70,600 MT, including 63,600 MT switched from unknown destinations), Mexico (68,800 MT), El Salvador (5,200 MT, including 4,800 MT switched from Guatemala), and Taiwan (4,100 MT), were partially offset by decreases for unknown destinations (176,500 MT) and Guatemala (3,600 MT). Net sales of 1,590,800 MT for 2013/14 were primarily for China (1,263,000 MT), unknown destinations (212,600 MT), and Japan (61,000 MT). Exports of 407,300 MT were up 53 percent from the previous week and 49 percent from the prior four-week average. The primary destinations were Japan (174,000 MT), Venezuela (102,600 MT), Mexico (50,700 MT), and Costa Rica (27,500 MT). Optional Origin Sales: For 2012/2013, outstanding optional origin sales total 65,000 MT, all South Korea. For 2013/14, outstanding optional origin sales total 148,000 MT, and are for Japan (48,000 MT) and Mexico (100,000 MT).

Barley: Net sales of 29,000 MT for 2013/14--a marketing-year high--were reported for Libya (20,000 MT) and Japan (9,000 MT). Exports of 200 MT were to the Philippines.

Sorghum: Net sales of 700 MT for 2012/13 were reported for China. Exports of 1,100 MT were reported to Mexico (700 MT) and China (400 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending July 11, 2013					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	413,528	208,415	15,395,978	34,757,433	44%
Sorghum	0	1,397	1,487,686	1,124,858	132%
Soybeans	99,883	67,523	35,185,035	34,046,209	103%
Wheat	665,649	784,828	3,717,733	3,160,458	118%
Barley	0	218	3,679	1,132	325%

*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 11, 2013						
Last Week (000 bushels)	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	13,508	83%	0	0%	0	0%
PNW	1,217	7%	0	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Interior Export Rail	1,555	10%	0	0%	0	0%

Total (1,000 bu)	16,280	100%	0	0%	0	0%
Total (Metric Tons)	413,528		0		0	

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	+2.04 U	$294.47	+2.85 U	$326.36
LH August	+2.04 U	$294.47	+2.85 U	$326.36
FH September	+1.00 U	$253.53	+2.65 U	$318.49
LH September	+1.00 U	$253.53	+2.65 U	$318.49
FH October	-	-	+1.60 Z	$260.12
LH October	-	-	+1.60 Z	$318.49
November	+.79 Z	$228.24	+1.30 Z	$318.49

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	Oct	Nov	Dec
Gulf	$270	$270	$270

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
August	-	-	+1.60 Z	$260.12
September	+1.50 Z	$256.19	+1.45 Z	$254.22
October	+1.40 Z	$252.25	+1.40 Z	$252.25

Barley: Feed Barley (FOB USD/MT)			
	August	September	October
FOB PNW	$275	$275	$275

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)		
	August	September
New Orleans	$205	$205
Quantity 5,000 MT		
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)		
Bulk 60% Pro.	**August**	**September**
New Orleans	$705	$705
**5-10,000 MT Minimum*		

**All prices are market estimates.*

DDGS Price Table: July 19, 2013 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**Aug**	**Sep**	**Oct**
Barge CIF New Orleans	292	280	266
FOB Vessel GULF	298	286	272
Rail delivered PNW	315	308	264
Rail delivered California	322	315	270
Mid-Bridge Laredo, TX	315	310	275
40 ft. Containers to South Korea (Busan)	362	361	340
40 ft. Containers to Taiwan (Kaohsiung)	358	357	332
40 ft. Containers to Philippines (Manila)	373	373	346
40 ft. Containers to Indonesia (Jakarta)	369	369	343
40 ft. Containers to Malaysia (Port Kelang)	369	369	345
40 ft. Containers to Vietnam (HCMC)	372	371	352
40 ft. Containers to Japan (Yokohama)	365	365	342
40 ft. containers to Thailand (LCMB)	369	368	344
40 ft. Containers to Shanghai, China	358	357	335
KC & Elwood, IL Rail Yard (delivered Ramp)	308	308	260

*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: It was noted in this section last week that August-September will be a period of active negotiating , which is proving to be true as September DDGS prices are all over the board. It makes sense to many buyers that September prices should be discount to August prices by as much as $15-20/MT. Merchandisers reply by pointing at the expensive cash corn prices, with positive basis as high as $2.25 per bushel in some locations, and the fact that some of them are already out of available DDGS supplies for August shipment.

A number of buyers apparently had the foresight to anticipate uncertain market conditions, and they aggressively bought for August shipments specifically to pile up inventory in order to skip September shipment and start buying again in October. Other buyers have chosen to remain hand-to-mouth for the next few months. It will be interesting to see which tactic works best. As noted in the prior Outlook section of this report, near-term corn prices are entirely dependent upon weather conditions for the next few weeks. DDGS merchandisers would like to see improved weather conditions drive prices lower.

Certain experienced buyers are working with DDGS merchandisers to discuss various “what-if” scenarios for pricing their needs as far out as March 2014. In the meantime, the spot DDGS market is reported to be steady, with Chicago buying still strong for export demand. One merchandiser noted that the DDGS values he is seeing net an ethanol plant are about 100 percent the price of corn.

Ethanol Comments: Ethanol stocks rebounded 5.5 percent last week to 16.6 million barrels. Total ethanol stocks remain below the year ago level of 19.6 million barrels, but the gap is narrowing. Weekly ethanol production of 876,000 barrels per day (bpd) is slightly lower than the prior week's level of 881,000 bpd, but above the year ago level of 802,000 bpd and also the prior year's level of 873,000 bpd. Adding to the increase in stocks are higher ethanol imports.

This section has commented in the past about the prospects of increased ethanol imports during the summer, and it now seems that those expectations are becoming realities, as ethanol imports doubled to an average of 50,000 bpd for the week ending July 12. This import level is also above the same week for the prior two years. It is possible to absorb such imports with present stock levels, but it is less than desirable for ethanol imports to increase while the summer driving season peaks.

The weaker Brazilian currency and the fact that more sugar is going into ethanol are likely to keep a certain amount of ethanol imports flowing into the United States. However, the level of those imports may be restrained by Brazil increasing its own domestic consumption of ethanol in gasoline from 20- to- 25 percent. If so, margins for U.S. corn ethanol producers could even improve despite slightly larger stocks and increased imports, as is implied this week by USDA's reported differential between corn prices and the value of co-products:

- Illinois differential increased to $2.43 per bushel, which is up from $2.31 the prior week and above $1.79 for this same week a year ago.
- Iowa differential increased to $2.02 per bushel, which is up from $1.95 the prior week and above $1.85 for this same week a year ago.
- Nebraska differential increased to $2.01 per bushel, which is up from $1.98 the prior week and above $1.85 for this same week a year ago.
- Illinois differential increased to $2.24 per bushel, which is up from $2.14 the prior week and above $2.00 for this same week a year ago.

COUNTRY NEWS

Russia: Russia's grain harvest may be lower than what was previously forecast, reports WPI. The government had previously anticipated the overall harvest at a record breaking 95 MMT; however, drought in some grain producing regions has caused projections to be cut back. Forecasts are now calling for 90-94 MMT, which would still be a substantial improvement over last year's harvest of 71 MMT.

South Africa: Corn futures have fallen for a second day due to weather predictions calling for precipitation, according to Bloomberg News. White corn for December delivery dropped 0.4 percent to $240/MT, while yellow corn for September delivery gained 0.3 percent to close at $223.91/MT.

Additionally, WPI reports that there is concern in South Africa that continued yellow corn exports may cause a shortage and force the use of white corn (slated for human consumption) as a feed grain. South Africa recently shipped 78,000 MT of yellow corn to Japan, which has given rise to these concerns.

Sub-Saharan Africa: Three new varieties of corn designed to thrive in low nitrogen soils have been announced for use in Sub-Saharan Africa, according to WPI. Farmers in the region generally apply only 9 kg of fertilizer per hectare, which is exceptionally low when compared to Latin America, for example, where average fertilizer use per acre is in the neighborhood of 73 kg. The corn will be priced similarly to the current seed types available in the region. However, large-scale introduction may be delayed as many farmers plant a part of the previous year's crop as opposed to purchasing seed commercially.

Syria: Continued violence and political unrest has taken an increasingly negative toll on Syrian agricultural production, reports Bloomberg News. A reduced area was planted with cereals this year because of high production costs, a dearth of labor, continued violence that has damaged farm equipment, land abandonment and deteriorating utilities and infrastructure. Total grain production (including barley and corn) is expected to total 3.48 MMT, which is an 8 percent decrease from last year. Syria's grain imports may increase by 5 percent over last year as close to four million people face food insecurity.

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	$46.50	Up $1.00	Handymax at $47.50/MT
55,000 U.S. PNW- Japan	$24.75	Up $0.75	Handymax at $25.75/MT
55,000 U.S. Gulf – China PNW to China	$43.50 $23.25	Up $1.00 Up $0.75	North or South China
25,000 U.S. Gulf- Veracruz, México	$21.00	Up $1.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	$18.00	Up $0.50	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$23.00 $30.50	Up $0.50 Up $0.50	West Coast Colombia at $31.50 West Coast Colombia from Argentina at $39.00
35,000 U.S. Gulf - Guatemala	$29.50	Up $0.50	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$37.50 $39.50	Up $1.00 Up $1.00	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$38.00	Up $1.00	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$27.50 $34.50	Up $1.00 Up $1.50	55,000 -60,000 MT St. Lawrence to Egypt $28.00
60-70,000 U.S. Gulf – Europe –	$23.50	Up $0.50	Handymax at +$2.50 more

Rotterdam			
Brazil, Santos – China	$36.00 $35.50	Unchanged Up $1.00	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$41.00	Up $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: Ocean freight markets found additional support from Indian iron ore business combined with improved grain exports out of the Black Sea and the U.S. Gulf and East Coast this week. As such, daily hire rates on Panamax vessels increased by about $1,000/day. I am doubtful however about the market's ability to keep the rally going. The Capesize vessel market seems to be running out of steam.

No significant new news in the PNW Grain elevator labor situation. The wheat harvest is progressing and we need to monitor the port situation closely.

Baltic Panamax Dry-Bulk Indices				
18-July-13 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	17,718	16,806	912	5.4%
P3A: PNW/Pacific – Japan	7,409	6,905	504	7.3%

Source: O'Neil Commodity Consulting

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

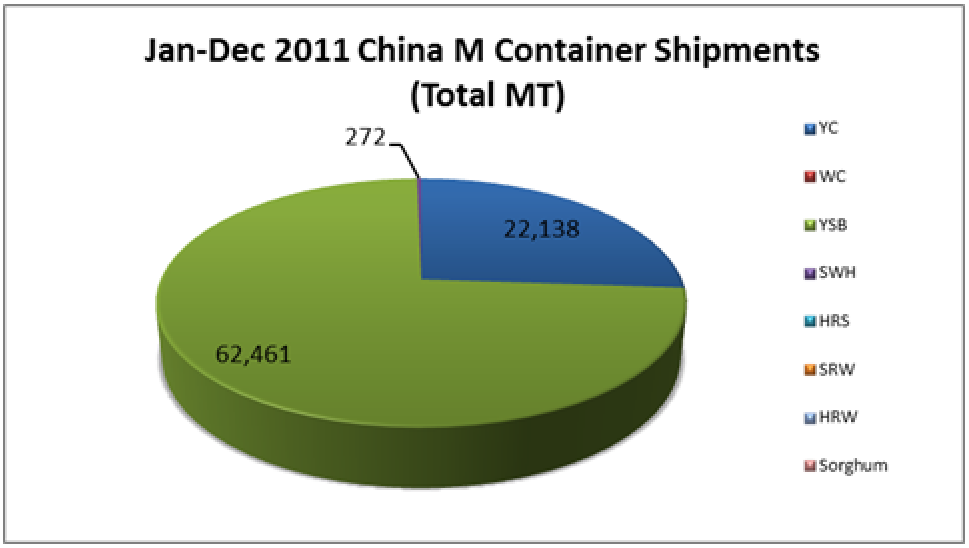
Week of July 18, 2013	
Four weeks ago	$7.40-$8.00
Three weeks ago	$8.00-$8.15
Two weeks ago	$7.70-$8.00
One week ago	$7.40-$7.70
This week	$7.55-$7.75

Source: O'Neil Commodity Consulting

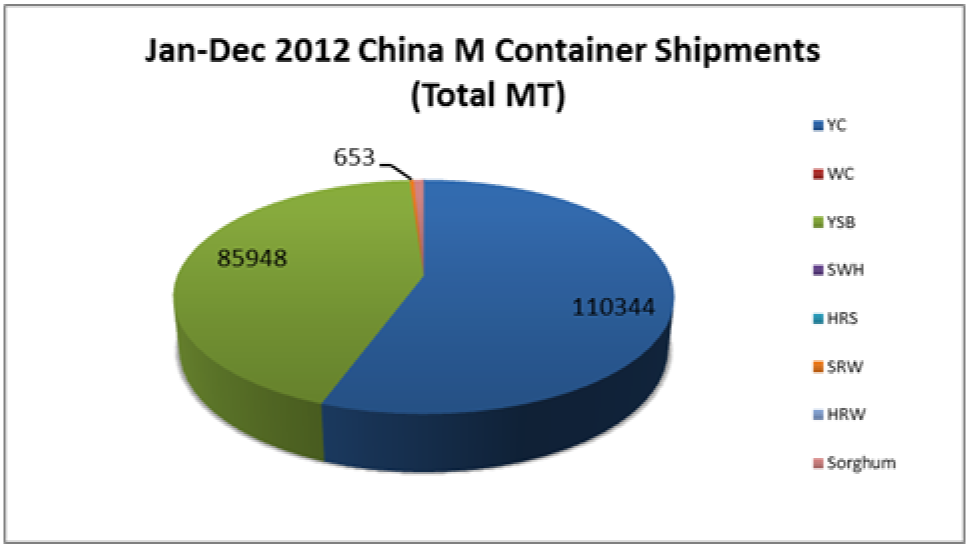
U.S. – Asia Market Spreads					
7/18/2013	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	2.85	1.80	1.05	$41.34	GULF
Soybeans	2.10	1.80	0.30	$11.02	PNW
Ocean Freight	$23.25	$43.50	0.51-0.54	($20.25)	August

Source: O'Neil Commodity Consulting

The charts below represent January-December 2011 and January-December 2012 annual totals versus January-June 2013 year-to-date container shipments for China.



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

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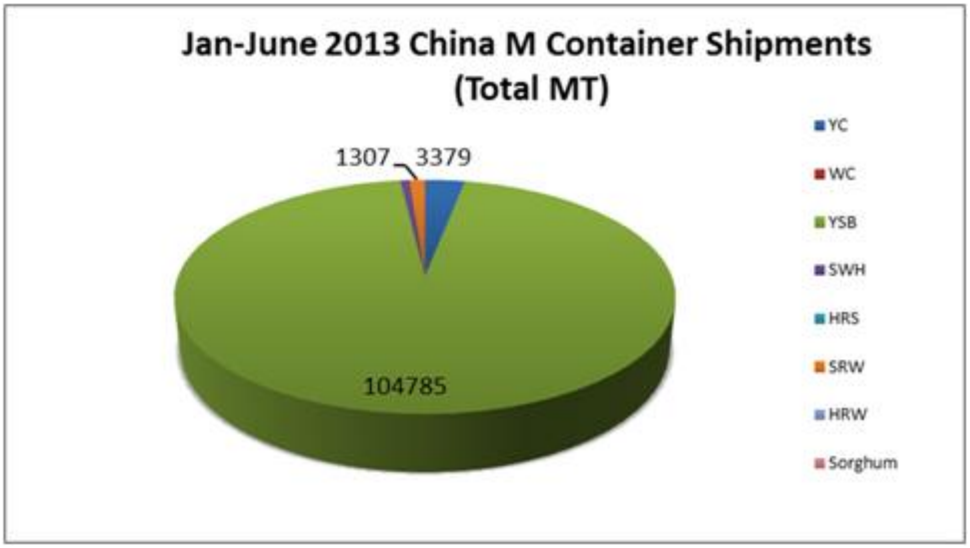

Source: O'Neil Commodity Consulting

International Freight Rates for Feed Grains – Select Routes Estimated Spot Price ($/MT)							
Commodity	**Origins**	**Japan**	**Korea**	**Colombia**	**Morocco**	**Egypt**	**Saudi Arabia**
Corn (Yellow)	**Argentina**	$44	$44	$38	$34	$32	$45
	Brazil	$39.5	$39	$33	$28	$24	$37
Corn (White)	**Argentina**	$44	$44	$38	$34	$32	$45
	Brazil	$39.5	$39	$33	$28	$24	$37
Barley	**Argentina**	$44	$44	$38	$34	$32	$45
	Brazil	$39.5	$39	$33	$28	$24	$37
Sorghum	**Argentina**	$44	$44	$38	$34	$32	$45
	Brazil	$39.5	$39	$33	$28	$24	$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 (%): July 17, 2013			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.40	0.41	0.41
LIBOR (1 year)	0.69	0.69	0.67

Source: www.bankrate.com