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CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
\$/Bu	Monday 29 July	Tuesday 30 July	Wednesday 31 July	Thursday 1 August	Friday 2 August
Change	-0.0275	0.0425	-0.0150	-0.1200	-0.0325
Closing Price	4.7325	4.7750	4.7900	4.6700	4.6375
Factors Affecting the Market	The December corn contract traded rather indecisively, as favorable weather forecasts offset uncertainty about the afternoon crop condition report.	Crop conditions were unchanged from the prior-week, which was enough to allow corn contracts to work moderately higher.	Upward momentum stalled due to market talk that the final U.S. corn yield could be above USDA's current estimate of 156.5 bushels per acre.	A lack of any bullish news and poor technical chart patterns generated increased selling. This resulted in double-digit declines in the most active December contract.	Nonthreatening weather became the focal point. Speculators turned into sellers as end-users patiently bought on the way down, and watched to see how low it will go.

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 production estimates will be issued on Monday August 12, and will include field surveys. Plant counts and measurements such as the number of corn ears, size and weight will assist in creating the most accurate yield estimate possible. The maturity of the crop will be considered, but evaluating a less mature crop can reduce the accuracy of production estimates.

Favorable growing conditions seem to have created a general consensus among traders that USDA's present corn yield estimate of 156.5 bushels per acre is likely to be increased. If the yield estimate is increased, it will be because USDA's test plots and extensive surveys justify the increase. Average U.S. corn yields were larger than 156.5 bushels per acre in both 2004/05 (160.3 bushels) and in 2009/10 (164.7 bushels) – but those were the only two years where yields reached above 156.5 bushels per acre.

The current yield projection of 156.5 bushels per acre is already optimistic. U.S. weather has been non-threatening, even a little cool in some regions, and it is possible that the delayed maturity of the crop will not validate increasing the yield further at this point in time. As a result, fund managers who have been building large short positions in anticipation of more bearish news could eventually find that they have driven corn prices down to levels where they cannot exit by buying back their positions, because no one is willing to take the other side as a seller. Consequently, the outlook is that the recent period of price volatility is still not over.

CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending August 2, 2013			
Commodity	2-August	26-July	Net Change
Corn			
Sep	476.00	492.00	-16.00
Dec	463.75	476.00	-12.25
Mar	476.50	488.75	-12.25
Soybeans			
Aug	1331.00	1349.75	-18.75
Sep	1212.75	1275.25	-62.50
Nov	1181.50	1228.50	-47.00
Soymeal			
Sep	42.49	43.62	-1.13
Soyoil			
Sep	412.10	430.30	-18.20
CBOT Wheat			
Sep	660.50	650.25	10.25
Dec	673.00	661.50	11.50



Mar	682.50	671.50	11.00
KCBOT Wheat			
Sep	706.75	691.50	15.25
Dec	718.75	701.25	17.50
Mar	726.75	709.00	17.75
MGE Wheat			
Sep	741.25	736.50	4.75
Dec	750.00	747.75	2.25
Mar	762.00	759.50	2.50

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: July 28, 2012					
	Very Poor	Poor	Fair	Good	Excellent
Corn	3%	8%	26%	46%	17%
Sorghum	7%	12%	34%	40%	7%
Barley	1%	3%	28%	54%	14%

Source: USDA

U.S. Drought Monitor Weather Forecast: Over the period of August 2-August 4 temperatures will continue to be cool over much of the United States, with departures from normal in the three to six degrees Fahrenheit range over the Northeast, Midwest, Northern Plains, and West Coast. The warmest temperatures are expected over the South. The active rain pattern will continue over much of the eastern half of the United States. Rainfall of more than an inch is projected over areas from Nebraska eastward, including much of the East Coast. The monsoon rainfalls over the desert Southwest will likely continue into next week. Most of the West and Texas are expected to stay dry during this time.

The CPC forecast for August 5-9 has stated that the best chances for cooler than normal temperatures will be over the Central and Northern Plains, Midwest, and Northeast, with the best chances for above-normal temperatures in the Pacific Northwest and the Southern Plains. There are good chances for above-normal precipitation over much of the eastern half of the United States, with the best chances in the Central Plains. The best chances for below normal precipitation are in Southern Texas and the Great Basin of the Western United States. 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 25, 2013					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	601,800	627,400	4,798.7	12,892.6	45%

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Corn	143,400	328,100	16,297.5	18,818.7	-52%
Sorghum	19,800	45,600	1,145.1	1,602.7	63%
Barley	1,000	1,200	6.2	52.2	-61%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 134,000 MT for 2012/13 resulted as increases for Japan (98,000 MT, including 48,400 MT switched from unknown destinations and decreases of 1,700 MT), Taiwan (39,400 MT), China (25,000 MT), Venezuela (17,800 MT, including 19,000 MT switched from unknown destinations and decreases of 3,200 MT), and Mexico (15,400 MT), were partially offset by decreases for unknown destinations (59,300 MT) and the French West Indies (4,000 MT). Net sales of 1,091,200 MT for 2013/2014 were primarily for Mexico (393,800 MT), unknown destinations (306,200 MT), China (208,600 MT), and Japan (123,300 MT). Exports of 328,100 MT were up 37 percent from the previous week and 4 percent from the prior four-week average. The primary destinations were Japan (127,000 MT), Mexico (118,800 MT), Venezuela (62,800 MT), and El Salvador (7,000 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 148,000 MT, and are for Japan (48,000 MT) and Mexico (100,000 MT).

Barley: Net sales reductions of 8,000 MT for 2013/14 resulted as increases for Taiwan (900 MT), were more than offset by decreases for Japan (8,900 MT). Exports of 1,200 MT were to the Philippines (1,000 MT) and Japan (200 MT).

Sorghum: Net sales of 19,800 MT for 2012/13 resulted as increases for Mexico (54,400 MT, including 38,100 MT switched from unknown destinations) and China (3,500 MT), were partially offset by decreases for unknown destinations (38,100 MT). Net sales of 78,300 MT for 2013/14 were for unknown destinations (60,000 MT) and Japan (18,300 MT). Exports of 45,600 MT were reported to Mexico. Optional Origin Sales: For 2013/14, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending July 25, 2013					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	281,621	252,943	15,933,158	35,804,005	45%
Sorghum	49,151	27,789	1,577,783	1,234,590	128%
Soybeans	36,524	106,578	35,328,328	34,904,656	101%
Wheat	690,279	658,219	5,068,844	4,000,235	127%
Barley	261	1,002	5,204	1,568	332%

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 25, 2013						
Last Week (000 bushels)	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	7,471	67%	0	0%	1,650	85%
PNW	382	3%	0	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Interior Export Rail	3,234	29%	0	0%	285	15%
Total (1,000 bu)	11,087	100%	0	0%	1,935	100%
Total (Metric Tons)	281,621		0		49,151	
Sorghum Shipments by Country (MT)					47,627	to Mexico
					1,524	to China
Total Sorghum (MT)					49,151	

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 August	+1.44 U	\$244.08	+2.85 U	\$299.59
FH September	+1.05 U	\$228.73	+2.65 U	\$291.72
LH September	+.85 U	\$220.85	+2.65 U	\$291.72
FH October	+1.05 Z	\$223.90	+1.60 Z	\$245.56
LH October	+1.02 Z	\$222.72	+1.60 Z	\$245.56
FH November	+.92 Z	\$218.79	+1.30 Z	\$233.75
LH November	+.85 Z	\$216.03	+1.30 Z	\$233.75
December	+.80 Z	\$214.06	+1.35 Z	\$235.72

#2 White Corn (U.S. \$/MT FOB Vessel)			
Max. 15.0% Moisture	Oct	Nov	Dec
Gulf	\$254	\$254	\$254



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	\$245.56
September	+1.50 Z	\$241.62	+1.45 Z	\$239.65
October	+1.40 Z	\$237.68	+1.40 Z	\$237.68

Barley: Feed Barley (FOB USD/MT)			
	August	September	October
FOB PNW	\$265	\$265	\$265

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)		
	August	September
New Orleans	\$192	\$192
Quantity 5,000 MT		
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)		
	August	September
Bulk 60% Pro. New Orleans	\$678	\$678
*5-10,000 MT Minimum		

*All prices are market estimates.

DDGS Price Table: August 2, 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	264	250	237
FOB Vessel GULF	272	260	247
Rail delivered PNW	297	294	248
Rail delivered California	303	300	254
Mid-Bridge Laredo, TX	300	295	252
40 ft. Containers to South Korea (Busan)	365	360	330
40 ft. Containers to Taiwan (Kaohsiung)	357	347	317
40 ft. Containers to Philippines (Manila)	371	366	336
40 ft. Containers to Indonesia (Jakarta)	368	363	333
40 ft. Containers to Malaysia (Port Kelang)	370	365	335
40 ft. Containers to Vietnam (HCMC)	375	370	345
40 ft. Containers to Japan (Yokohama)	370	365	335
40 ft. containers to Thailand (LCMB)	371	366	336
40 ft. Containers to Shanghai, China	360	355	333
KC & Elwood, IL Rail Yard (delivered Ramp)	298	296	261

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: Sales of DDGS are likely to increase once it becomes apparent that a bottom is developing in corn futures. As a result, it may be advantageous for international buyers to shop around for the better freight rates and to work with DDGS merchandisers as corn futures and basis both decline.

Corn basis is improving as the inverse narrows between the nearby September contract and more distant December contract. The September contract was trading more than 40 cents above the December contract just a little over a week ago, and now it is trading less than 15 cents above. Normally, that spread does not trade at an inverse when it expires, and so it could narrow even further. The potential narrowing of that spread is something that buyers may want to keep an eye on with their DDGS merchandisers.

DDGS merchandisers will find it easier to meet buyer requests to price at new crop values as the spot market declines. However, ample corn supplies are still not available and merchandisers are forced to pass along old-crop prices in order to meet immediate August needs. One merchandiser reported container sales to Vietnam (Haiphong) for September at \$371/MT. Another merchandiser reported that he is getting more than normal requests for 4th quarter quotes. There are rumors that Chinese buyers are seeking to load vessels of DDGS off the West Coast.

The Chinese corn crop seems to have sufficient moisture, but the current heat wave in the region could still have some negative impact on corn pollination. If China's corn production is less than expected, then lower-priced U.S. corn and DDGS are expected to become an attractive means to maintain stocks and satisfy feed needs.

Ethanol Comments: Seasonal maintenance is common for ethanol plants around August. Last week's data implied that margins were poor enough to result in an increasing number of plants temporarily shutting down this season. It is amazing how things can change in a week, as ethanol stocks fell 4.7 percent in one week from 17.3 to 16.5 million barrels, weekly ethanol imports declined from an average of 41,000 to 13,000 barrels per day (bpd) and production declined from 853,000 down to 832,000 bpd. Most importantly – margins rebounded, which is implied by the proceeding differentials between corn and the value of co-products:

- Illinois differential increased to \$2.26 per bushel, which is up from \$1.97 the prior week and above \$1.61 for this same week a year ago.
- Iowa differential increased to \$2.58 per bushel, which is up from \$1.86 the prior week and above \$1.70 for this same week a year ago.
- Nebraska differential increased to \$2.09 per bushel, which is up from \$1.66 the prior week and above \$1.96 for this same week a year ago.
- South Dakota differential increased to \$2.51 per bushel, which is up from \$1.70 the prior week and above \$1.78 for this same week a year ago.

COUNTRY NEWS

China: The state-owned company COFCO Corp. has purchased 120,000 MT of Ukrainian corn, according to Bloomberg News. This is the first transaction between the two countries since the signing of a quarantine pact

in November. The two shipments are slated to arrive in October and November. This purchase is set to pave the way for greater Chinese imports of Ukrainian corn and will increase competition with the United States as a major corn exporter to China.

France: Grain exports from Rouen have almost doubled over the course of the week due to a barley shipment to Saudi Arabia, reports Bloomberg News. 58,484 MT of feed barley were exported to Saudi Arabia, while total grain exports from Rouen this week were 72,734 MT.

India: Grain production may be record setting this year after India experienced its best start to the Monsoon season since 1994, according to Bloomberg News. Crop totals (including corn and barley) may exceed the all-time high 131.3 MMT seen in the 2011-12 season; in comparison, last year's totals were 128.2 MMT. Monsoon rains for the period of June 1-July 29 this year are 17 percent above the 50-year average of 19.95 inches, which is critical in a country where 55 percent of all farm land is not irrigated.

South Africa: Corn futures have declined again this week in tandem with lower U.S. prices brought about by good weather, reports Bloomberg News. White corn for December delivery fell 0.7 percent to \$236/MT. Yellow corn for September delivery declined by 0.2 percent to \$215.12/MT.

Further on South Africa, Bloomberg News reports that sorghum production estimates have been cut by 5.6 percent to 164,069 MT.

Vietnam: Importers have purchased 150,000 MT of South American corn for December shipment, according to Reuters. The corn was purchased for between \$255-\$260/MT C&F. Vietnam generally purchases corn only a month or two in advance, but importers have changed their tactics this year in order to take advantage of lower global grain prices, and to that extent the country is almost entirely booked through December.

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 \$0.50	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	\$44.00	Up \$1.00	North or South China
PNW to China	\$23.00	Up \$0.50	
25,000 U.S. Gulf- Veracruz, México	\$21.00	Up \$0.25	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	\$18.00	Up \$0.25	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	\$23.00	Unchanged	West Coast Colombia at \$31.50
	\$30.50	Unchanged	West Coast Colombia from Argentina at \$39.00
35,000 U.S. Gulf - Guatemala	\$29.50	Unchanged	Acajutla/Quetzal - 8,000

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			out
25-30,000 U.S. Gulf – Algeria	\$37.50 \$39.50	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	\$38.00	Unchanged	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	\$27.50 \$34.50	UP \$0.50 UP \$0.50	55,000 -60,000 MT St. Lawrence to Egypt \$28.00
60-70,000 U.S. Gulf – Europe – Rotterdam	\$24.00	Up \$1.00	Handymax at +\$2.50 more
Brazil, Santos – China	\$36.00 \$35.00	Unchanged Unchanged	54-58,000 Supramax- Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	\$41.00	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 for dry-bulk freight continued to soften this week. The reason given was a "lack of new business." This means that demand for freight is not increasing at a sufficient rate to soak up the supply of vessels. Logistical delays have propped up rates over the last two months, but even those cannot hold things up forever. Net-net, the market has backed off on the gains of the Panamax, Supramax and Handymax markets over the last month, and we will have to see how much farther things will sink back before finding bottom again. The Capesize market was able to eke out a small gain for the week, with slightly improved iron-ore business out of Western Australia. Overall rates in the physical grain markets did not change much this week, as owners rested the lower bids. We are in the doldrums of summer and things are very quiet in the market. Everyone is anticipating better (higher) markets once we get into the October-November new crop harvest period in North America.

No significant new news yet in the PNW Grain elevator International Longshore and Warehouse Union (ILWU) labor situation.

Baltic Panamax Dry-Bulk Indices				
August 2, 2013	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	16,294	17,120	-826	-4.8%
P3A: PNW/Pacific – Japan	6,281	6,912	-631	-9.1%

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 August 2, 2013	
Four weeks ago	\$7.70-\$8.00
Three weeks ago	\$7.40-\$7.70
Two weeks ago	\$7.55-\$7.75
One week ago	\$7.70-\$7.75
This week	\$7.75-\$8.25

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
August 2, 2013	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	2.30	1.00	1.30	\$51.18	GULF
Soybeans	3.00	1.75	1.25	\$45.93	GULF
Ocean Freight	\$23.00	\$44.00	0.53-0.57	(\$21.00)	Sept

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 Indonesia.



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

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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	\$36	\$34	\$32	\$45
	Brazil	\$39.5	\$39	\$33	\$28	\$24	\$37
Corn (White)	Argentina	\$44	\$44	\$36	\$34	\$32	\$45
	Brazil	\$39.5	\$39	\$33	\$28	\$24	\$37
Barley	Argentina	\$44	\$44	\$36	\$34	\$32	\$45
	Brazil	\$39.5	\$39	\$33	\$28	\$24	\$37
Sorghum	Argentina	\$44	\$44	\$36	\$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 31, 2013			
	Current Week	Last Week	Last Month
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.40	0.40	0.41
LIBOR (1 year)	0.67	0.68	0.69

Source: www.bankrate.com