Market Perspectives

August 30, 2013

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
$/Bu	**Monday 26 August**	**Tuesday 27 August**	**Wednesday 28 August**	**Thursday 29 August**	**Friday 30 August**
Change	0.3050	-0.1425	-0.0550	0.0075	0.0050
Closing Price	5.0050	4.8625	4.8075	4.8150	4.8200
Factors Affecting the Market	Above-average temperatures and limited precipitation sparked a sharp rally in both corn and soybean contracts. At one point, the December contract traded 38 cents higher.	Short-covering by large speculators did not materialize and contracts worked lower as traders seemed reluctant to chase prices above $5.00 per bushel.	Higher cash bids were not enough to keep the December contract supported as weather forecasts call for better conditions by the weekend.	The December contract entered into an indecisive price range and both bulls and bears seemed determined to see how weather would evolve over the long weekend.	The December corn contract spent most of the day lower, but rallied into the close as both bulls and bears attempt to create a more advantageous chart pattern prior to the long weekend.

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: The warmer weather this week was not entirely undesirable because it has increased the maturity of corn in a season where there has been greater-than-normal discussion about the threat of an early frost. Warm and dry conditions are expected to start toning down this weekend, but the average U.S. corn crop condition is likely to decline further next week. This creates an increasingly awkward scenario for speculative traders who are still holding onto large short postions, because it is increasingly evident that a large, but necessarily burdensome, corn crop is being produced. Those traders would like to get out of their positions back down below $4.60 per bushel, but in order to get there, they have to add to their positions. A pool of traders adding to short positions and uniformly seeking to exit at a similar price level increases the prospects for volatile whip-saw price action whenever open interest is reduced. That is exactly what we saw happen this past week as the December contract rocketed up to $5.08 and then fell back below $4.80 while the corn crop's maturity increased but conditions slowly declined.

Prices and basis can historically drift lower right into year-end when there is an ample harvest. This price action happened as elevators filled to capacity. This season is unque because it begins with many elevators in the Corn-Belt having empty bins. Of course, elevators make a significant portion of their returns from storage. A larger number of farmers also seem intent to store their grain into spring. Once grain is in storage, export competition can be less of a threat. Furthermore, U.S. new-crop corn export sales presently give little indicaiton of lost market share . Once in storage, anyone needing to purchase a feed grain is going to pay for it. As a result, the outlook is that harvest prices for feedgrains this season may actually be lower in September than they are in December.

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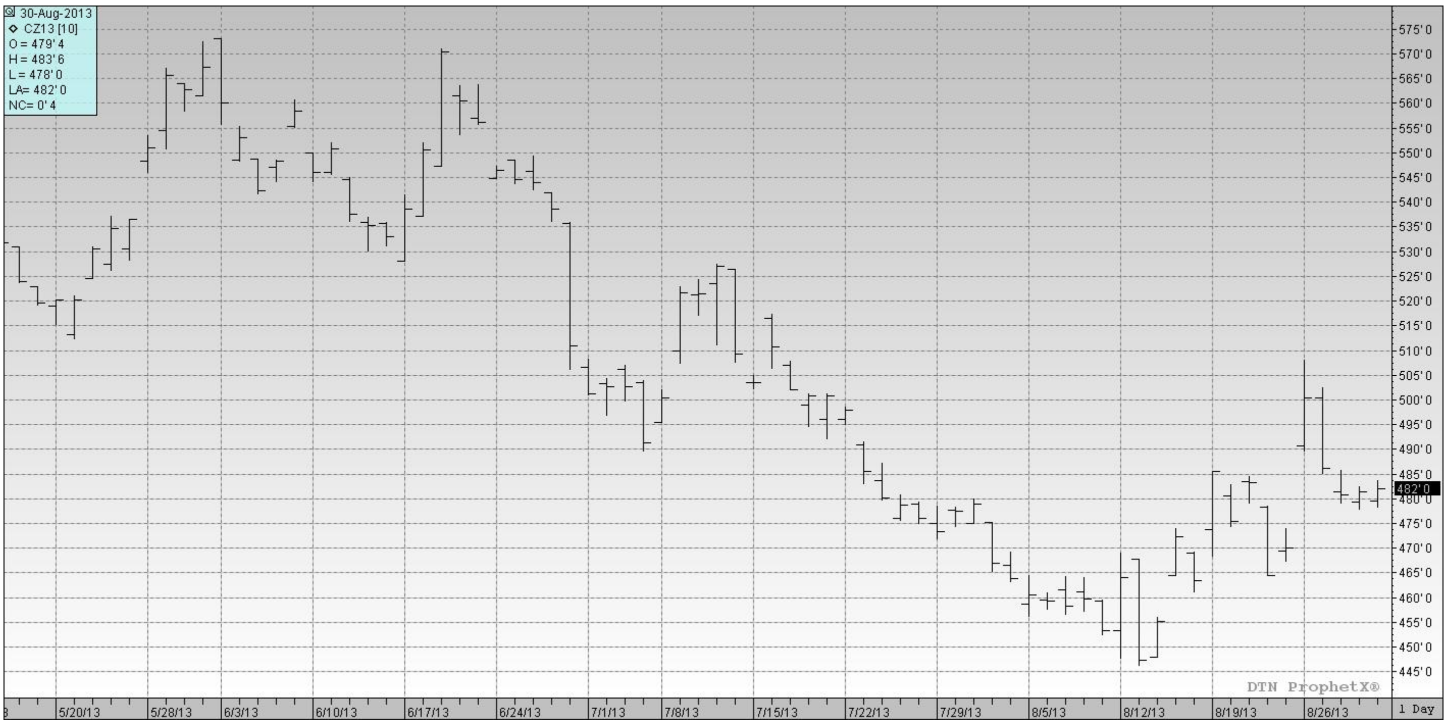
CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending August 30, 2013			
Commodity	**30-August**	**23-August**	**Net Change**
Corn			
Sep	495.00	495.50	-0.50
Dec	482.00	470.00	12.00
Mar	494.50	482.25	12.25
Soybeans			
Sep	1424.00	1365.25	58.75
Nov	1357.50	1328.00	29.50
Jan	1354.75	1328.50	26.25
Soymeal			
Sep	468.20	433.20	35.00
Soyoil			
Sep	43.89	42.64	1.25
CBOT Wheat			

Sep	643.25	634.50	8.75
Dec	654.00	646.00	8.00
Mar	665.50	658.00	7.50
KCBOT Wheat			
Sep	700.75	695.50	5.25
Dec	703.50	697.25	6.25
Mar	711.00	704.75	6.25
MGE Wheat			
Sep	720.25	716.25	4.00
Dec	730.25	725.00	5.25
Mar	741.75	739.75	2.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: August 25, 2012					
	Very Poor	Poor	Fair	Good	Excellent
Corn	4%	10%	27%	44%	15%
Sorghum	3%	9%	32%	46%	10%
Barley	1%	4%	29%	53%	13%

Source: USDA

U.S. Drought Monitor Weather Forecast: During the August 30-September 2 time period, 1.0-2.5 inches of rain is expected from Western North Dakota eastward across Central Minnesota, continuing southeastward across much of Wisconsin and Southern Michigan. Between 1.0-1.5 inches of rain is predicted to fall across much of Arizona. Temperatures across the Midwest are forecast to be about 8-12 degrees above normal for the first half of this period, followed by a brief respite, with temperatures near seasonal values.

For the period of September 3-7, near to below-median rainfall is favored across most of the central third of the country. Above-median rainfall is favored across the Four Corners region, most of the Rockies and Northwest, and the northern High Plains. Near to above-normal temperatures are predicted for all but northeastern portions of the country. 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 August 22, 2013					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	581,500	824,500	7,977.8	15,154.3	39%

Corn	9,300	329,300	17,608.1	19,092.8	-52%
Sorghum	3,900	55,800	1,328.9	1,615.5	60%
Barley	5,100	21,100	28.4	57.5	-61%

Source: USDA, World Perspectives, Inc.

Corn: Net sales reductions of 15,000 MT for 2012/13 resulted as increases for Japan (30,400 MT, including 32,300 MT switched from unknown destination and decreases of 2,000 MT), Taiwan (3,000 MT), Costa Rica (800 MT), Mexico (700 MT) and Jamaica (500 MT), were more than offset by decreases for unknown destinations (32,300 MT) and Panama (16,100 MT). Net sales of 673,800 MT for 2013/14 were primarily for Mexico (317,600 MT), Japan (138,200 MT) and Colombia (85,600 MT). Exports of 329,300 MT were up 90 percent from the previous week and 1 percent from the prior four-week average. The primary destinations were Japan (181,500 MT), Mexico (99,100 MT), Venezuela (20,000 MT) and Taiwan (9,800 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 Mexico (100,000 MT) and Japan (48,000 MT).

Barley: Net sales of 5,100 MT were reported for Japan (3,000 MT), South Korea (1,500 MT) and Libya (600 MT). Exports of 21,100 MT were to Libya (20,600 MT), Taiwan (400 MT) and South Korea (100 MT).

Sorghum: Net sales reductions of 1,400 MT for 2012/13 resulted as increases for Mexico (42,000 MT, including 38,100 MT switched from unknown destinations), were more than offset by decreases for unknown destinations (38,100 MT), China (4,000 MT), and Japan (1,300 MT). Net sales of 141,500 MT for 2013/14 were for China (120,500 MT) and Mexico (21,000 MT). Exports of 55,800 MT were reported to Mexico (54,800 MT) and China (1,000 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending August 22, 2013					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	305,066	181,973	17,219,719	37,859,962	45%
Sorghum	58,016	24,156	1,786,808	1,503,536	119%
Soybeans	66,979	144,109	35,670,650	36,753,521	97%
Wheat	848,921	919,547	8,273,773	6,337,382	131%
Barley	20,553	0	27,563	60,875	45%

*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 August 22, 2013						
Last Week (000 bushels)	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	10,098	84%	0	0%	2,129	93%
PNW	94	1%	0	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%

Interior Export Rail	1,818	15%	1	100%	155	7%
Total (1,000 bu)	12,010	100%	1	100%	2,284	100%
Total (Metric Tons)	305,066		25		58,016	
Sorghum Shipments by Country (MT)					57,965	to Mexico
					51	to Djibouti
Total Sorghum (MT)					58,016	

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 September	-	-	+2.40 U	$289.35
LH September	+1.05 U	$236.21	+2.40 U	$289.35
FH October	+1.30 Z	$240.93	+1.65 Z	$254.71
LH October	+1.30 Z	$240.93	+1.65 Z	$254.71
FH November	+.91 Z	$225.58	+1.30 Z	$240.93
LH November	+.86 Z	$223.61	+1.30 Z	$240.93
December	+.84 Z	$222.82	+1.30 Z	$240.93

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
September	+1.40 Z	$244.87	+1.40 Z	$244.87
October	+1.40 Z	$244.87	+1.40 Z	$244.87
November	-	-	+1.40 Z	$244.87

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

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)		
	November	December
New Orleans	$200	$200
Quantity 5,000 MT		
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)		
Bulk 60% Pro.	**November**	**December**
New Orleans	$658	$658
**5-10,000 MT Minimum*		

**All prices are market estimates.*

DDGS Price Table: August 30, 2013 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**Sep**	**Oct**	**Nov**
Barge CIF New Orleans	292	281	264
FOB Vessel GULF	300	292	276
Rail delivered PNW	296	281	267
Rail delivered California	303	288	274
Mid-Bridge Laredo, TX	295	285	275

*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: As noted in today's ethanol section, constrained production by ethanol facilities while profit margins have substantially increased is a good indicator that a number of plants are finding it difficult to secure sufficient amounts of corn – no matter what the price. There is light at the end of the tunnel, but that end could still be a month away in some locations.

In the meantime DDGS buyers need to take care of their immediate needs, and it has been a busy week for one merchandiser who reported selling over 12,000 MT of DDGS to customers from China, Vietnam, Malaysia and Indonesia. These international buyers are primarily interested in securing product for the October-December period; prices were Qingdao for October-December package at $320/MT and Xiamen for October and November package at $325/MT. However, one difficulty is the escalating container rates for this time period. Trans-loaders in such diverse locations as Savannah, Chicago and Kansas City are all getting booked, and it is hard to secure container loading space.

Logistical considerations in the domestic market seem to be better, and there is reported to be a lot of car availability. The purchasing pattern of domestic buyers is to limit buying to the spot market because they recognize that the convergence between old and new crop prices is going to be volatile. Domestic sales were reported with 5,000 tons for September at $255, for Chicago trucks, and another 2,000 tons in the November-December period at $215. Otherwise, the price reporting was extremely light this week because many merchandisers have already taken off for the holiday. The result is that there is a reduced DDGS pricing table this week: Hopefully everyone has a great holiday!

Ethanol Comments: Last week's ethanol production declined to 820,000 barrels per day (bpd); down from the prior week's level of 844 bpd. There was also a decline in ethanol stocks from 16.5 to 16.3 million barrels. Tight corn supplies are one reason for this constrained production. It is even becoming increasingly evident that USDA may need to lower their estimate for the amount of corn used for ethanol production in the 2012/13 season that ends on Saturday August 31. USDA's estimate is that 4.65 billion bushels of corn will be used in ethanol production, but it appears that estimate could be about 30 million bushels too high.

Ethanol imports fell from 19,000 bpd to only 4,000 bpd during the prior-week. That is excellent news considering that a story by Reuters reported that Brazilian cane mills had increased their ethanol output in August as weather became dryer and more favorable for crushing. Crushers in Brazil's main sugar-cane region have increased their year-over-year production by 15 percent in the first half of August. Fortunately, it seems that ethanol production has remained primarily within their local markets.

U.S. ethanol stocks may show a slight decline again next week due to increased gasoline consumption over the holiday weekend. The increased demand has contributed to a substantial jump in the profit margins of ethanol producers, as implied by the following increases in the differentials between corn and the value of co-products values:

- Illinois differential increased to $3.12 per bushel, which stands in comparison to $2.36 the prior week and $1.81 for this same week a year ago.
- Iowa differential increased to $2.97 per bushel, which stands in comparison to $2.20 the prior week and $1.48 for this same week a year ago.
- Nebraska differential increased to $2.71 per bushel, which stands in comparison to $1.98 the prior week and $1.76 for this same week a year ago.
- South Dakota differential increased to $3.19 per bushel, which stands in comparison to $2.64 the prior week and $1.89 for this same week a year ago.

COUNTRY NEWS

Argentina: Argentine farmers are anticipating China's potential consent to the importation of the last remaining unapproved strain of GMO corn grown in the Pampas corn belt, according to Reuters. There is an extra sense of urgency to the approval process for strain MIR-162 on the part of Argentina, as Brazilian GMO strains are also waiting for approval from the Chinese government.

Algeria: The UN has indicated that Algerian grain imports are set to decline by 3.2 percent this year after an increase in domestic production, reports Bloomberg News.Total grain imports may drop from the 2012/13 level of 9.26 MMT to 8.96 MMT in 2013/14. Domestic grain production may increase by as much as 9.1 percent over last year and total some 5.47 MMT. This year's production was 27 percent better than the five-year average, and includes some 1.75 MMT of barley.

Brazil: The Brazilian Trade Ministry is reporting that corn and ethanol exports increased during the first three weeks of August, after a drop in the value of the real against the dollar, according to Reuters. Ethanol exports have totaled some 407.8 million liters so far in August, which is the highest volume for any month this year, and an improvement over the 350.5 million liters shipped in July. In comparison, only some 313.9 million liters of ethanol were shipped in August 2012.

Canada: According to RMI Analytics, the Canadian barley harvest may be higher than government forecasts had earlier indicated, reports Bloomberg News. Barley production may exceed 9 MMT this year, which exceeds Statistics Canada'searlier estimate of 8.8 MMT. Much of the crop is in good condition and should be ready for harvest in roughly four weeks, while some areas are presently ready to be harvested.

European Union: Hot and dry conditions across Central Europe have forced the European Commission's crop monitoring unit to reduce the average yield estimate for corn grown there, reports Reuters. The revised estimate has EU corn production for 2013 totaling 6.97 MT/hectare, which is down from the 7.22 MT/hectare predicted previously, but is almost 15 percent above the 2012 yield. The five-year average for EU corn production stands at 6.99 MT/hectare.

South Africa: Yellow corn production may exceed white corn production for the first time in 19 years, according to Bloomberg News. It is believed that South Africa will produce 5.93 MMT of yellow corn and 5.58 MMT of white corn this year. A dearth of rain in the white corn growing regions of South Africa has led to a decrease in white corn production.

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	Up $0.50	Handymax at $45.50/MT
55,000 U.S. PNW- Japan	$25.00	Up $0.50	Handymax at $25.00/MT
55,000 U.S. Gulf – China PNW to China	$44.00 $24.00	Up $1.00 Up $1.50	North or South China
25,000 U.S. Gulf- Veracruz, México	$20.50	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	$18.00	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$21.00 $29.50	Down $1.00 Down $0.50	West Coast Colombia at $29.50 West Coast Colombia from Argentina at $37.50
35,000 U.S. Gulf - Guatemala	$28.00	Unchanged	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$37.00 $39.00	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$37.00	Unchanged	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$27.50 $35.50	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	$23.50	Up $0.50	Handymax at +$2.50 more
Brazil, Santos – China	$36.50 $35.00	Up $0.50 Up $0.50	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China	$40.50	Up $0.50	—

Upriver with Top-Off			

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: Panamax and Handymax freight in the Pacific continues to move slowly upward supported by the bauxite, ore and coal business. Gulf – Atlantic markets remain fairly quiet. Neither market is showing any real excitement or convincing directional signals.

The PNW Grain export facility and International Longshore and Warehouse Union (ILWU) labor dispute is starting to heat up.

Baltic Panamax Dry-Bulk Indices				
August 30, 2013 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	14,483	14,479	4	0.0%
P3A: PNW/Pacific – Japan	7,324	7,095	229	3.2%

Source: O'Neil Commodity Consulting

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

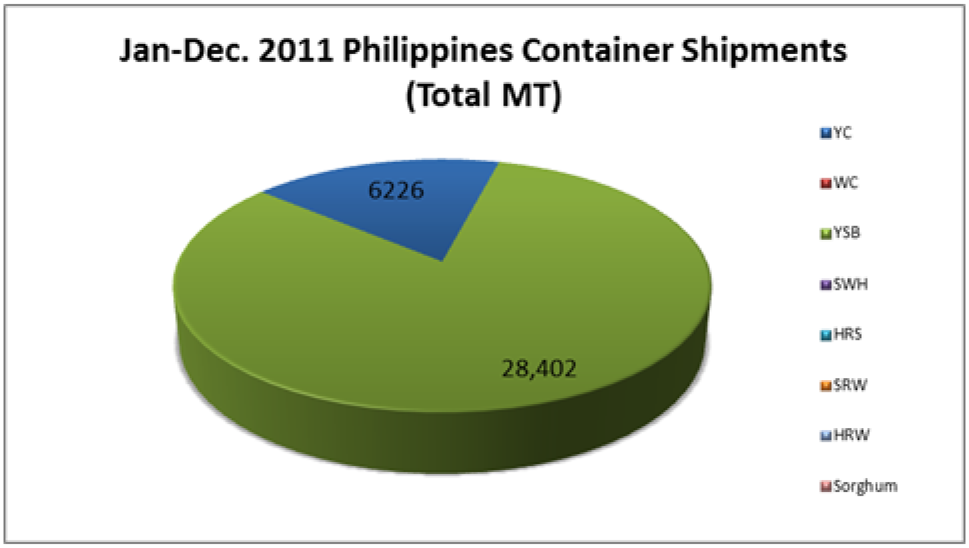
Week of August 30, 2013	
Four weeks ago	$7.75-$8.25
Three weeks ago	$8.45-$8.60
Two weeks ago	$8.25-$9.95
One week ago	$8.90-$9.15
This week	$8.55-$9.00

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
August 30, 2013	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	2.40	1.05	1.35	$53.15	GULF
Soybeans	3.00	1.65	1.35	$49.60	GULF
Ocean Freight	$24.00	$44.00	0.51-0.54	($20.00)	Sept

Source: O'Neil Commodity Consulting

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



Source: O'Neil Commodity Consulting

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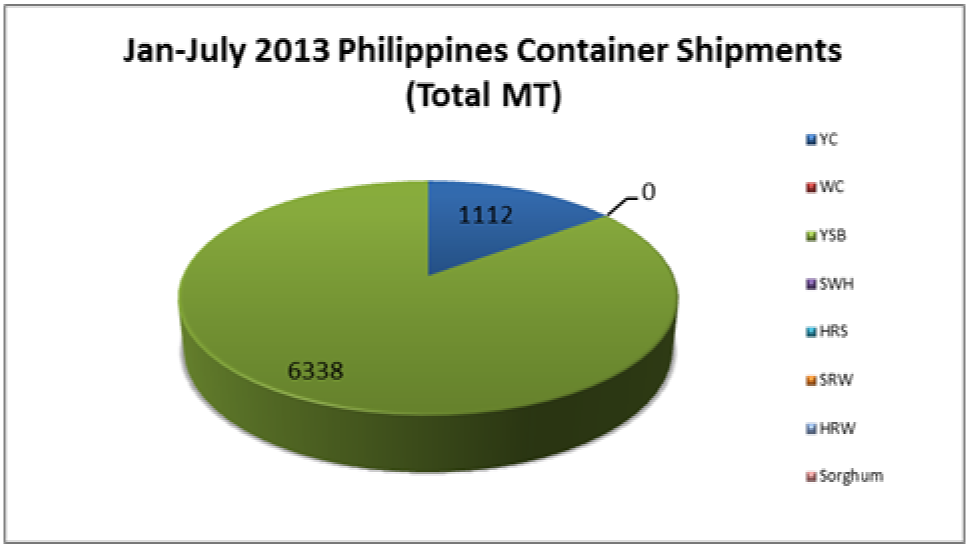

Source: O'Neil Commodity Consulting

International Freight Rates for Feed Grains – Select Routes Estimated Spot Price ($/MT)							
Commodity	**Origins**	**Japan**	**Korea**	**Colombia**	**Morocco**	**Egypt**	**Saudi Arabia**
Corn (Yellow)	**Argentina**	$43	$42	$33	$31	$29	$45
	Brazil	$37	$37	$31	$25	$21	$38
Corn (White)	**Argentina**	$43	$42	$33	$31	$29	$45
	Brazil	$37	$37	$31	$25	$21	$38
Barley	**Argentina**	$43	$42	$33	$31	$29	$45
	Brazil	$37	$37	$31	$25	$21	$38
Sorghum	**Argentina**	$43	$42	$33	$31	$29	$45
	Brazil	$37	$37	$31	$25	$21	$38

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 (%): August 28, 2013			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.39	0.39	0.40
LIBOR (1 year)	0.68	0.68	0.67

Source: www.bankrate.com