U.S. GRAINS COUNCIL

Market Perspectives

September 6, 2013

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
$/Bu	**Monday 2 September**	**Tuesday 3 September**	**Wednesday 4 September**	**Thursday 5 September**	**Friday 6 September**
Change	-	-0.0675	-0.0575	-0.0875	0.0725
Closing Price	-	4.7525	4.6950	4.6100	4.6825
Factors Affecting the Market	Labor Day Holiday	Weaker basis drove down the December corn contract despite a 3 percent decline in the percent of U.S. corn rated good or excellent.	Charts became increasingly bearish as the December contract closed back below $4.70 per bushel. Buyers hoped to purchase at lower prices.	After initial weakness, the December contract seemed to hit stable support around $4.60 per bushel. Below this point, there currently appears to be some hesitancy to sell.	Traders were reluctant to sell the December contract below $4.60 per bushel and lightened short positions prior to next week's Crop Production and WASDE reports.

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: Next Monday's Crop Progress report could show another slight decline in the percent of total U.S. corn rated as either good or excellent. Historically, changes in conditions start to plateau from about this time period forward. However, this season the crop is lagging in maturity, and only 4 percent was rated mature last week in comparision to a five-year average of 17 percent. Then, WASDE and Crop Production reports will be released on Thursday September 12. In that report, USDA could leave their corn yield estimate unchanged at 154.4 bushels per acre or reduce it slightly, but they are not expected to increase it. A third significant report for the month will be published on September 17, when the Farm Service Agency (FSA) updates their Certified Acreage Data.

FSA's Certified Acreage Data can be used as an underlying indicator of total corn acreage. Farmers participating in several government programs are required to submit an annual report regarding all cropland use on their farms. The FSA data does not tally to 100 percent of planted acres, but it is heavily relied upon by the National Agricultural Statistics Service (NASS) to estimate total planted acreage. NASS could again reduce their estimate for U.S. corn acreage if the FAS data implies that such an adjustment is warranted.
Lastly, USDA will pubish their quarterly Grain Stocks report on September 30. This data will give a snapshot indication of stocks on September 1 – before the majority of corn grain has been harvested. This season was unique in that the stocks of several commercial elevators were drawn down to the last kernel.

The outlook is that there is unlikely to be any information in the forthcoming reports that will give large speculative traders justification to steadily hammer corn contracts downward as this month progresses. As a result, their strategy will increasingly become one of trying to create negative looking charts to trigger an opportunity to exit their established short positions. Traders may point out that cash basis is weakening, but that is already expected as the market transitions from old to new crop.

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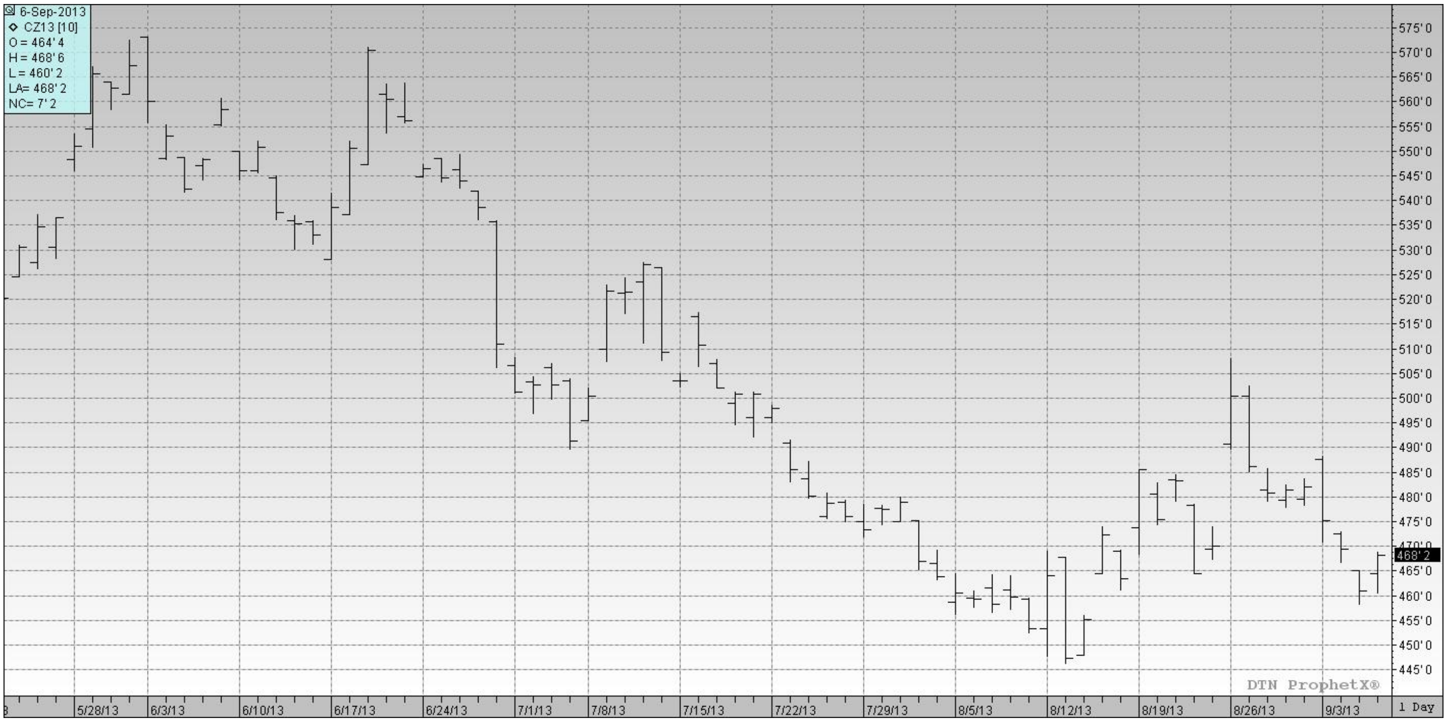
CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending September 6, 2013			
Commodity	**6-September**	**30-August**	**Net Change**
Corn			
Sep	491.50	495.00	-3.50
Dec	468.25	482.00	-13.75
Mar	481.00	494.50	-13.50
Soybeans			
Sep	1437.00	1424.00	13.00
Nov	1367.75	1357.50	10.25
Jan	1365.25	1354.75	10.50
Soymeal			
Sep	482.10	468.20	13.90
Oct	434.70	428.40	6.30
Dec	428.90	423.70	5.20
Soyoil			
Sep	43.36	43.89	-0.53

Oct	43.43	43.97	-0.54
Dec	43.72	44.29	-0.57
CBOT Wheat			
Sep	635.00	643.25	-8.25
Dec	647.75	654.00	-6.25
Mar	660.25	665.50	-5.25
KCBOT Wheat			
Sep	708.50	700.75	7.75
Dec	695.50	703.50	-8.00
Mar	703.50	711.00	-7.50
MGE Wheat			
Sep	707.75	720.25	-12.50
Dec	712.75	730.25	-17.50
Mar	726.25	741.75	-15.50

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: September 1, 2012					
	Very Poor	**Poor**	**Fair**	**Good**	**Excellent**
Corn	5%	11%	28%	42%	14%
Sorghum	3%	11%	32%	45%	9%

Source: USDA

U.S. Drought Monitor Weather Forecast: During the period of September 6-9, rainfall is forecast along the borders of the contiguous U.S., namely in the Northwest, the Great Lakes region into New England, along the Gulf Coast (Texas to Florida) and in the Southwest. Unseasonable warmth is predicted for much of the country, but especially in the North-Central States.

For the period of September 10-14, odds for above-normal precipitation are greatest in the Southwest, Great Lakes region and Appalachians. Subnormal rainfall probabilities are highest in the Northwest, Southern Plains, lower Mississippi Valley and coastal New England. Temperatures are expected to be above-normal in the western two-thirds of the U.S. and Southeast. 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 29, 2013					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	715,000	954,800	8,932.6	15,822.6	38%
Corn	31,300	371,400	17,979.5	18,979.6	-52%
Sorghum	1,000	12,000	1,340.9	1,615.5	59%
Barley	0	100	28.5	57.5	-61%

Source: USDA, World Perspectives, Inc.

Corn: Net sales reductions of 113,200 MT for 2012/13 resulted as increases for Costa Rica (19,100 MT, including 17,900 MT switched from unknown destination), Mexico (16,100 MT), El Salvador (6,000 MT, including 5,500 MT switched from unknown destinations), Taiwan (3,900 MT) and Canada (1,000 MT), were more than offset by decreases for Colombia (85,000 MT) and unknown destinations (72,800 MT). Net sales of 328,300 MT for 2013/14 were primarily for unknown destinations (137,200 MT), Japan (55,400 MT), El Salvador (33,400 MT), Jamaica (28,200 MT) and Venezuela (27,000 MT). Decreases were reported for Trinidad (6,000 MT). Exports of 371,400 MT were up 13 percent from the previous week and from the prior four-week average. The primary destinations were Mexico (174,800 MT), Japan (102,400 MT), Taiwan (33,300 MT) and Cuba (25,000 MT). Optional Origin Sales: For 2012/13, outstanding optional origin sales total 65,000 MT, all South Korea. For 2013/2014, outstanding optional origin sales total 148,000 MT, and are for Mexico (100,000 MT) and Japan (48,000 MT).

Barley: There were no sales reported during the week. Exports of 100 MT were to South Korea.

Sorghum: Net sales of 1,000 MT for 2012/13 were reported for Japan. Exports of 12,000 MT were reported to Japan (11,000 MT) and Mexico (1,000 MT). Optional Origin Sales: For 2013/2014, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending August 29, 2013					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	442,892	306,311	17,663,855	38,079,579	46%
Sorghum	14,936	58,981	1,802,709	1,615,910	112%
Soybeans	38,701	68,067	35,710,440	37,176,321	96%
Wheat	990,935	851,126	9,266,912	7,029,920	132%
Barley	174	20,553	27,738	60,875	46%

*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 29, 2013						
Last Week (000 bushels)	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	13,479	77%	0	0%	433	74%
PNW	391	2%	0	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Interior Export Rail	3,566	20%	0	0%	155	26%
Total (1,000 bu)	17,436	100%	0	100%	588	100%
Total (Metric Tons)	442,892		0		14,936	
Sorghum Shipments by Country (MT)					10,999	to Japan
					2,566	to Mexico
					1,371	to Djibouti
Total Sorghum (MT)					14,936	

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 September	+1.05 Z	$225.68	+2.40 Z	$278.82
FH October	+1.14 Z	$229.22	+1.65 Z	$249.30
LH October	+1.14 Z	$229.22	+1.65 Z	$249.30
FH November	+.92 Z	$220.56	+1.30 Z	$235.52
LH November	+.87 Z	$218.59	+1.30 Z	$235.52
December	+.81 Z	$216.23	+1.30 Z	$235.52

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**Oct**	**Nov**	**Dec**
Gulf	$250	$250	$250

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	$239.45	+1.40 Z	$239.45
October	+1.40 Z	$239.45	+1.40 Z	$239.45

November	-	-	+1.40 Z	$239.45

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	$195	$195
Quantity 5,000 MT		
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)		
Bulk 60% Pro.	**November**	**December**
New Orleans	$668	$668
**5-10,000 MT Minimum*		

All prices are market estimates.

DDGS Price Table: September 6, 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	291	279	270
FOB Vessel GULF	300	290	280
Rail delivered PNW	297	280	278
Rail delivered California	302	284	282
Mid-Bridge Laredo, TX	307	285	284
40 ft. Containers to South Korea (Busan)	-	323	327
40 ft. Containers to Taiwan (Kaohsiung)	-	323	327
40 ft. Containers to Philippines (Manila)	-	342	346
40 ft. Containers to Indonesia (Jakarta)	-	342	346
40 ft. Containers to Malaysia (Port Kelang)	-	341	345
40 ft. Containers to Vietnam (HCMC)	-	336	340
40 ft. Containers to Japan (Yokohama)	-	327	331
40 ft. containers to Thailand (LCMB)	-	340	344
40 ft. Containers to Shanghai, China	-	325	329
KC & Elwood, IL Rail Yard (delivered Ramp)	284	279	271

*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: Domestic DDGS buyers continue to purchase hand-to-mouth as they wait for the spread between old and new crop prices to narrow. Domestic DDGS prices ranged from $5.00 higher to $5.00 lower.

There is price discovery taking place as the corn basis narrows between old and new crop, but the market presently seems firm going into the October-November-December (OND) period.

One reason for the stability of price is because DDGS seems to be increasingly looked at as not just a replacement for corn, but also as a protein source. Consequently, the uncertainty about the U.S. soybean crop and high soymeal prices may support the DDGS market into November. (Domestic meal supplies may be limited until November.) Buyers seem to be aware of these price supporting dynamics and they are making active inquires about DDGS prices into the December period.

The limited availability of Indian soybean meal and high local prices are keeping Asian buyers of DDGS active. Japanese, Korean and Chinese buyers all made purchases this past week – with Chinese buyers being the most active. Many Chinese customers are seeking a OND package. It is noted that several reliable sources from China mentioned price ranges from $308 to $322/MT for Qingdao/Shanghai for OND. Of course, no prices are concrete because, as noted in the Outlook section, a number of USDA reports will be published this month and they are likely to influence U.S. corn prices through the OND period.

Ethanol Comments: Profit margins continue to improve for ethanol facilities due to recent declines in both corn futures and cash basis. As implied in the Outlook section of this report, the opportunity to take advantage of current price levels may not be indefinite despite the approach of a potentially large harvest.

Ethanol futures contracts have found it difficult to mimic the behavior of recent increases in crude oil prices. Historically, crude oil prices have normally peaked in early October, but in more recent years the peak has occurred around August. One reason for the comparative weakness of ethanol is the usage of RIN credits and another is the prospect of imported ethanol.

Ethanol imports did increase this past week to a daily average of 37,000 barrels per day (bpd), which is above the prior week's average of 4,000 bpd. Overall, the amount of ethanol imports have not been too threatening and that may stem in part due to the weakness of the Brazilian real, which according to a Reuters story, has encouraged end-users to extend coverage on their sugar purchases. However, the fact that Brazil is in the process of harvesting a record cane crop and that the real has declined over 15 percent against the U.S. dollar does indicate that sugar-based ethanol imports do need to be consistently monitored. So long as imports do not grow, domestic ethanol stocks and production remain at manageable levels.

U.S. ethanol stocks are basically unchanged at 16.2 million barrels. Stocks were 16.3 million barrels the prior week while the year-ago level was 13.4 percent larger at 18.7 million barrels. Throughout this calendar year, the ethanol industry has done an excellent job of keeping average stock levels below those seen a year ago. Even though margins increased this past week, production declined slightly to 819,000 bpd, which is down from 820,000 bpd the prior week and 829,000 bpd during the same week a year ago. Those production figures may increase in the future as plants that are currently down for maintenance return and more corn becomes available. The differentials between corn and the value of co-products values indicate the present favorable margins:

- Illinois differential increased to $3.31 per bushel, which is in comparison to $3.12 the prior week and $1.89 for this same week a year ago.

- Iowa differential increased to $3.33 per bushel, which is in comparison to $2.97 the prior week and $1.57 for this same week a year ago.
- Nebraska differential increased to $3.30 per bushel, which is in comparison to $2.71 the prior week and $1.77 for this same week a year ago.
- South Dakota differential increased to $3.44 per bushel, which is in comparison to $3.19 the prior week and $1.73 for this same week a year ago.

COUNTRY NEWS

China: Chinese corn imports could increase to around 20-30 MMT to cover increasing supply shortages, according to Reuters. This shift would come on the heels of a potential reduction in the country's corn self-sufficiency rate to 80 percent, which is down from the current target of 95 percent.

Additionally on China: It is expected that the country will approve the importation of Brazilian corn at some point this year. The delay currently stems from sanitary concerns, and it is incumbent upon the Brazilian government to proved that there is no risk of fungal or insect contamination. As reported last week, China is also expected to approve the large-scale importation of genetically modified Argentine corn.

India: Indian corn prices have fallen because of a large depreciation in the value of the rupee, reports Reuters. As a result, Indian new crop corn for December shipment is now being offered at $235/MT, which is down from $245/MT last month. Comparitive Argentine corn prices In Southeast Asia were quoted at $245-$250/MT, while U.S. new crop corn is being offered at $275/MT. Despite the decline in prices, India is still likely to see a 40 percent reduction in exports this year, as much of the corn crop was damaged by heavy rains this year. Despite this, Malaysian buyers are looking to fill an order for 120,000 MT of corn from India.

Russia: Russia is expected to increase corn exports this year after reaping a record harvest, according to Bloomberg News. Exports will increase to an all-time high of 3 MMT, up from the 1.9 MMT exported last year. Moscow-based agricultural consultants OOO ProZerno have predicted the overall Russian corn harvest at 9.8-10 MMT, which is up from the 9.7 MMT predicted last month.

South Africa: Yellow corn futures have fallen to their lowest point in three weeks due to speculation that output could increase, reports Bloomberg News. Yellow corn for December delivery fell to $211/MT. The South African Crop Estimates Committee raised its forecast for yellow corn by 5.1 percent to 5.93 MMT.

Yemen: The FAO reports that Yemeni grain imports may increase by 7.1 percent over last year despite increased domestic production, according to Bloomberg News. Production is expected to total some 935,000 MT, which is a 2.9 percent increase over last year, and 13 percent higher than the five-year average. Of this total, some 460,000 MT is expected to be comprised of sorghum. Yemen may import 3.75 MMT of grain this year, which is up from 3.5 MMT last year. However, the continued deprecation of Yemen's currency against the U.S. dollar in conjunction with an extrememly low level of foreign currency reserves has negatively impacted the country's ability to afford its import requirements.

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	$47.50	Up $2.00	Handymax at $47.50/MT
55,000 U.S. PNW- Japan	$27.00	Up $2.00	Handymax at $27.50/MT
55,000 U.S. Gulf – China PNW to China	$46.00 $25.50	Up $2.00 Up $1.50	North or South China
25,000 U.S. Gulf- Veracruz, México	$21.50	Up $1.00	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	$19.00	Up $1.00	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$23.00 $31.50	Up $2.00 Up $2.00	West Coast Colombia at $31.50 West Coast Colombia from Argentina at $39.50
35,000 U.S. Gulf - Guatemala	$29.50	Up $1.50	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$39.00 $41.00	Up $2.00 Up $2.00	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$39.00	Up $2.00	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$30.00 $38.00	Up $2.50 Up $2.50	55,000 -60,000 MT St. Lawrence to Egypt $30.00
60-70,000 U.S. Gulf – Europe – Rotterdam	$25.50	Up $2.00	Handymax at +$2.50 more
Brazil, Santos – China	$38.50 $36.50	Up $2.00 Up $1.50	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$42.50	Up $2.00	—

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: Vessel owners who waited for better markets turned out to be right. Europe and China returned from the August summer holiday to rebuild iron ore and steel stocks. This created an uptick in demand for raw materials and freight, and therefore higher ocean freight values. Summer is over and it's time to get back to work.

This week's market rally was led by a very strong Capesize market, however the market has also seen increased demand for coal and nickel ore that has supported the Panamax and Handymax markets. Once again, the biggest increase in daily hire rates was in the Pacific. Vessel owners and operators are calling this move a market turnaround, expect things to improve from here and believe they will see better times in 2014 rather then having to wait until 2015 for improved profitability. Personally I'm still not convinced about this logic as I do not yet see that significant of an improvement in world economies ,and still see a large surplus of vessels in the market; especially in the Panamax and Capesize markets. I would like to believe the world economic picture is making a fast recovery, as it would greatly help my retirement account, but I'm not that optimistic yet. As always, time will tell. Let's see how long the rally can last.

Baltic Panamax Dry-Bulk Indices				
September 6, 2013 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	15,544	14,516	1,028	7.1%
P3A: PNW/Pacific – Japan	9,078	7,363	1,715	23.3%

Source: O'Neil Commodity Consulting

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

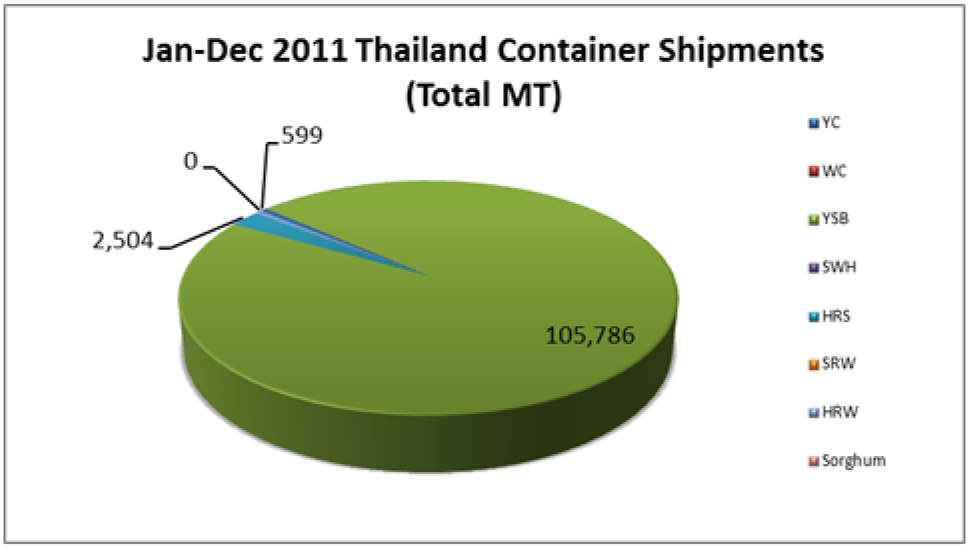
Week of September 6, 2013	
Four weeks ago	$8.45-$8.60
Three weeks ago	$8.25-$9.95
Two weeks ago	$8.90-$9.15
One week ago	$8.55-$9.00
This week	$9.30-$10.45

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
September 6, 2013	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.50	0.92	0.58	$22.83	GULF
Soybeans	2.00	1.45	0.55	$20.21	GULF
Ocean Freight	$25.50	$46.00	0.52-0.56	($20.50)	Oct.

Source: O'Neil Commodity Consulting

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



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**	$49	$45	$33	$32	$31	$45
	Brazil	$37	$40	$31	$26	$23	$38
Corn (White)	**Argentina**	$49	$45	$33	$32	$31	$45
	Brazil	$37	$40	$31	$26	$23	$38
Barley	**Argentina**	$49	$45	$33	$32	$31	$45
	Brazil	$37	$40	$31	$26	$23	$38
Sorghum	**Argentina**	$49	$45	$33	$32	$31	$45
	Brazil	$37	$40	$31	$26	$23	$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 (%): September 4, 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)	0.67	0.68	0.67

Source: www.bankrate.com