U.S. GRAINS COUNCIL

Market Perspectives

September 13, 2013

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
$/Bu	**Monday 9 September**	**Tuesday 10 September**	**Wednesday 11 September**	**Thursday 12 September**	**Friday 13 September**
Change	-0.0475	0.0550	0.0350	-0.0625	-0.0725
Closing Price	463.50	4.6900	4.7250	4.6625	4.5900
Factors Affecting the Market	Better-than-expected weekend rains and a weaker basis seemed to offset the two percent decline in the condition of U.S. corn reported as good or excellent.	USDA will publish WASDE on Thursday, and corn futures traded higher as pre-report estimates are for a slight reduction in corn yields.	Continued short covering occurred ahead of USDA's reports, but volume was light, and much of the buying occurred at the end of the trading day.	USDA's data was considered bearish because of a larger than expected yield estimate and the December corn contract initially sold off 15 cents but then slowly rebounded.	After digesting USDA's data over night, the market pressed the December contract back down. Next week there may be a test of the August 13 low of $4.4575 per bushel.

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 released their WASDE report Thursday, and it confirmed established market biases by being bullish on soybeans and being somewhat bearish for corn. As a result of the data, soybeans rallied and corn sold off. This price action is noted because a substantial number of large speculative traders already hold positions that are long soybeans and short corn. In the very near-term, those traders may seek to rally soybeans and drive the December corn contract to a new low, but it will not be much longer before they reverse those positions and seek to lock in profits.

As noted last week, data will be released by Farm Service Agency (FSA) on September 17, which may imply that total U.S. corn acreage is likely to be adjusted downward. As well, there is less certainty about how favorable corn yields will be as the harvest moves into the more northern portions of the Corn Belt. Consequently, if a new low price is established in the December corn contract, then traders with short positions may be seeking to take profits shortly thereafter. Their attempt to exit their short positions could cause somewhat of a rebound in futures prices.

In Summary: USDA increased the yield estimate for average U.S. corn production from the August estimate of 154.4 bushels per acre to a new estimate of 155.3 bushels per acre. This increase occurred because of better yields across the South and in the Central Plains. Total planted and harvested acreage was left unchanged. As noted previously, FSA will release revised data next week and that could cause USDA to adjust their October acreage numbers.

The bump up in corn yields for the present 2013/14 season was partly offset by a modest 58 million bushel reduction in the carry-over stocks from the prior 2012/13 season, which just ended on August 31. Demand factors in the present 2013/14 season were left unchanged and the result is that total ending stocks are forecast to increase from 1.837 to 1.855 billion bushels. USDA forecasts that this slight increase in production will reduce the average U.S. farm price of corn by 10 cents a bushel. Average farm prices are expected to range from $4.40 to $5.20 per bushel, assuming the correctness of this cash price forecast supports the notion that corn futures have limited downside from present price levels.

Market Perspectives

September 13, 2013

Developing Markets • Enabling Trade • Improving Lives

CBOT DECEMBER CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending September 13, 2013			
Commodity	**13-September**	**6-September**	**Net Change**
Corn			
Sep	450.00	491.50	-41.50
Dec	459.00	468.25	-9.25
Mar	471.50	481.00	-9.50
Soybeans			
Sep	1488.75	1437.00	51.75
Nov	1381.50	1367.75	13.75
Jan	1379.75	1365.25	14.50
Soymeal			
Sep	496.20	482.10	14.10
Oct	444.60	434.70	9.90
Dec	442.80	428.90	13.90
Soyoil			
Sep	42.22	43.36	-1.14

Oct	42.34	43.43	-1.09
Dec	42.56	43.72	-1.16
CBOT Wheat			
Sep	627.75	635.00	-7.25
Dec	641.50	647.75	-6.25
Mar	652.25	660.25	-8.00
KCBOT Wheat			
Sep	685.00	708.50	-23.50
Dec	692.00	695.50	-3.50
Mar	698.75	703.50	-4.75
MGE Wheat			
Sep	705.25	707.75	-2.50
Dec	705.75	712.75	-7.00
Mar	718.00	726.25	-8.25

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: September 8, 2012					
	Very Poor	Poor	Fair	Good	Excellent
Corn	5%	12%	29%	41%	13%
Sorghum	4%	11%	31%	45%	9%

Source: USDA

U.S. Drought Monitor Weather Forecast: During the period of September 13-16, heavy rainfall (2-4 inches) is anticipated over New Mexico, Colorado, western Kansas, and far southern Texas. Generally light rain (0.5-inch or less) is expected across the Midwest, with high temperatures near- to slightly below normal.

For the ensuing five days (September 17-21), odds for above-normal precipitation are greatest across the central third of the contiguous U.S., the Gulf Coast and Pacific Northwest, with maximum probabilities near 60 percent over southern Texas. Odds for below normal precipitation are greatest over the Northeast, mid-Atlantic region, and upper Ohio Valley. 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 September 5, 2013					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	727,000	911,900	9,844.5	16,366.5	38%

Corn	1,214,700	171,200	171.2	12,783.2	27%
Sorghum	281,100	75,100	75.1	903.1	76%
Barley	0	100	28.6	57.5	-61%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 332,600 MT for the 2013/14 marketing year (which began September 1) were primarily for Mexico (181,200 MT), Japan (44,300 MT, including 29,600 MT switched from unknown destinations and decreases of 4,500 MT), Costa Rica (31,600 MT, including 3,000 MT switched from El Salvador), Peru (30,000 MT), Venezuela (20,000 MT, including 10,000 MT switched from Colombia) and unknown destinations (8,800 MT). Decreases were reported for El Salvador (4,100 MT). Net Sales reductions of 59,400 MT for delivery in 2012/13 resulted as increases for Japan (24,900 MT, including 46,500 MT switched from unknown destinations and decreases of 21,600 MT), Jamaica (400 MT), and Hong Kong (100 MT), were more than offset by decreases for unknown destinations (46,500 MT), Mexico (21,600 MT) and Taiwan (16,700 MT). A total of 876,100 MT in sales were outstanding on August 31 (the end of the 2012/13 marketing year) and carried over to the 2013/14 marketing year. Exports of 64,700 MT were reported for August 31. The primary destinations were Japan (46,500 MT) and Mexico (11,100 MT). Accumulated exports for the 2012/13 marketing year were 18,044,200 MT, down 52 percent from the prior year's total of 37,914,800 MT. Exports for September 1-5 of 171,200 MT were primarily for Japan (77,700 MT), Mexico (54,800 MT), Guatemala (12,200 MT), and Venezuela (10,000 MT). Optional Origin Sales: For 2012/13, outstanding optional origin sales total 65,000 MT, all South Korea (carried over to 2013/14). For 2013/14, outstanding optional origin sales total 165,000 MT, and are for Mexico (100,000 MT) and South Korea (65,000 MT).

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

Sorghum: Net sales for the 2013/14 marketing year, which began September 1, totaled 5,500 MT, resulted as increases for Mexico (40,100 MT, including 38,100 MT switched from unknown destinations), Japan (6,000 MT, switched from unknown destinations), and China (3,500 MT), were partially offset by decreases for unknown destinations (44,100 MT). A total of 275,600 MT were outstanding, and carried over to the 2013/14 marketing year. There were no sales or exports reported for the 2012/13 marketing year, which ended August 31. Accumulated exports for the 2012/13 marketing year totaled 1,340,900 MT, up 41 percent from the prior year's total of 948,200 MT. Exports of 75,100 MT for September 1-5 were to China (58,500 MT), Mexico (10,600 MT) and Japan (6,000 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending September 5, 2013					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	249,616	452,544	32,564	88,954	37%
Sorghum	113,822	14,936	101,121	9,322	1085%
Soybeans	60,474	39,191	43,246	343,221	13%
Wheat	859,726	1,009,850	10,145,553	7,598,462	134%
Barley	174	174	27,912	76,246	37%

*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 September 5, 2013						
Last Week (000 bushels)	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	7,539	77%	243	100%	4,784	99%
PNW	0	0%	0	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Interior Export Rail	2,225	23%	0	0%	57	1%
Total (1,000 bu)	9,764	100%	243	100%	4,841	100%
Total (Metric Tons)	248,015		6,172		122,966	
White Corn Shipments by Country (MT)			3,429	to El Salvador		
			2,743	to Japan		
Total White Corn (MT)			6,172			
Sorghum Shipments by Country (MT)					58,498	to China
					47,119	to Sudan
					11,354	to Mexico
					5,995	to Japan
Total Sorghum (MT)					122,966	

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	+.95 Z	$218.10	-	-
FH October	+1.15 Z	$225.97	+1.70 Z	$247.62
LH October	+1.30 Z	$231.88	+1.70 Z	$247.62
FH November	+1.00 Z	$220.07	+1.27 Z	$230.70
LH November	+.85 Z	$214.16	+1.27 Z	$230.70
December	+.79 Z	$211.80	+1.28 Z	$231.09

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	October	November	December
Gulf	$245	$245	$245

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	$235.81	+1.40 Z	$235.81
October	+1.40 Z	$235.81	+1.40 Z	$235.81
November	-	-	+1.40 Z	$235.81

Barley: Feed Barley (FOB USD/MT)			
	October	November	December
FOB PNW	$240	$240	$240

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)		
	November	December
New Orleans	$205	$205
Quantity 5,000 MT		
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)		
Bulk 60% Pro.	**November**	**December**
New Orleans	$695	$695
**5-10,000 MT Minimum*		

***All prices are market estimates.*

DDGS Price Table: September 13, 2013 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Oct	Nov	Dec
Barge CIF New Orleans	270	265	260
FOB Vessel GULF	280	275	270
Rail delivered PNW	277	272	265
Rail delivered California	284	280	271
Mid-Bridge Laredo, TX	280	278	276
40 ft. Containers to South Korea (Busan)	360	350	335
40 ft. Containers to Taiwan (Kaohsiung)	365	355	340
40 ft. Containers to Philippines (Manila)	375	365	350
40 ft. Containers to Indonesia (Jakarta)	373	363	348
40 ft. Containers to Malaysia (Port Kelang)	372	362	347
40 ft. Containers to Vietnam (HCMC)	380	370	355

40 ft. Containers to Japan (Yokohama)	375	365	350
40 ft. containers to Thailand (LCMB)	372	362	347
40 ft. Containers to Shanghai, China	360	350	335
KC & Elwood, IL Rail Yard (delivered Ramp)	278	270	265

*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: The table of DDGS prices shows that the premium for spot prices continues to narrow. As a result, increasing numbers of DDGS end-users are in serious discussions with merchandisers about extending their coverage. The prior year has been difficult for both seller and buyers of DDGS, and both parties recognize that pricing conditions could be less favorable next spring. There has already been an announcement that Taiwan intends to purchase 500,000 MT of DDGs from the United States over the next couple of years.

The Taiwanese purchases of 250,000 MT for each of the next two seasons are substantial. However, that is less than 3 percent of the approximately 10 MMT of DDGS that are exported each year, and less than one percent of the roughly 40 MMT of total DDGS produced each season. There remain plenty of business opportunities for both buyers and merchandisers of DDGS. As well, longer-term purchasing agreements also have the advantage of being able to specify content characteristics.

Approximately 75 percent of all DDGS production remains within the domestic market because there is an appreciation for this product. All that is needed is transparency in communication and rations can be adjusted according to nutritional characteristics to generate maximum animal performance. For example, North American cattle operations have found that low-oil DDGS are an excellent replacement for barley within rations. (Representatives at U.S. Grains Council can direct market participants toward educational resources about the usage of DDGS. For guidance please contact either Kevin Roepke (KRoepke@grains.org) or Alvaro Cordero (ACordero@grains.org).

Ethanol Comments: In Thursday's WASDE report, USDA increased corn used in ethanol and by-product production for the prior 2012/13 season (that just finished on August 31) by 15 million bushels. The estimate was increased because data released by the Energy Information Administration indicated that August production was stronger than expected. That strong production makes sense when considering the recent increases in ethanol producer margins. The following data indicates that those margins continue to remain favorable, which is good for both the ethanol industry and buyers of DDGS.

It is also noteworthy that even though Brazilian cane and ethanol production has increased, most of that ethanol is remaining within their domestic market. Ethanol imports into the United States for the week ending September 6 declined to 15,000 barrels per day (bpd), which is below the prior week's average of 37,000 bpd and well below the same week a year ago level of 89,000 bpd.

Total U.S. ethanol stocks are presently unchanged at 16.3 million barrels in comparison to the prior-week level of 16.2 million barrels. The present stocks level is 14.2 percent below the year ago stocks level of 19 million barrels. That year-to-year percentage difference has widened back out some, but that trajectory may not continue into fall because present production levels have increased to 848,000 bpd. This stands in comparison to 819,000 the prior week and 816,000 for the same week a year ago. The differentials between corn and the value of co-products values indicate that margins are strong and production should remain at higher levels:

- Illinois differential increased to $3.54 per bushel, which is in comparison to $3.31 the prior week and $1.43 for this same week a year ago.
- Iowa differential decreased slightly to $3.28 per bushel, which is in comparison to $3.33 the prior week and $1.43 for this same week a year ago.
- Nebraska differential decreased to $3.17 per bushel, which is in comparison to $3.30 the prior week and $1.46 for this same week a year ago.
- South Dakota differential decreased to $3.27 per bushel, which is in comparison to $3.44 the prior week and $1.57 for this same week a year ago.

COUNTRY NEWS

Argentina: The Argentine government has approved an additional 3 MMT of corn exports, which brings the total exportable amount to 20.5 MMT, according to Reuters. USDA estimates that Argentina will harvest 26.5 MMT of corn in 2012/13, while the Argentine government estimates that totals for the year will be 32.1 MMT. Around 8 MMT of corn is required for domestic consumption. As of this week, the corn crop is 99 percent harvested.

Australia: Despite persistent dry weather, Australia is set to harvest more barley than originally predicted, reports Bloomberg News. Barley production is now expected to total 7.7 MMT, which is up from a June estimate of 7.4 MMT.

China: Chinese mills are increasingly turning to U.S.-sourced sorghum, according to Reuters. Chinese millers have already used up this year’s allocation of 2.88 MMT of corn import quotas, and may import more than 1 MMT of sorghum to make up the shortfall in 2013/14. Sorghum, unlike corn, is not subject to quota restrictions. Because of this, U.S. sorghum prices are roughly $20/MT higher than equivalent corn prices. The U.S. is expected to reap a bumper crop of 10 MMT of sorghum, of which 30-40 percent will be slated for export.

Taiwan: Taiwan has signed a letter of intent to purchase 5 MMT of U.S. corn over the next two years and 500,000 MT of DDGS, according to Retuers. The agreement was signed by the Taiwan Feed Industry on behalf of the Taiwanese Agricultural Goodwill Mission.

Ukraine: The Ukrainian Agriculture Ministry has stated that grain exports have risen 11 percent over last year to total some 4.6 MMT, reports Reuters. Of this total, some 1.5 MMT was composed of barley and 566,000 MT was corn. 965,000 MT of grain have been exported so far for the month of September, and it is estimated that the monthly total will be 2.5-2.6 MMT.

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	$50.50	Up $3.00	Handymax at $50.00/MT
55,000 U.S. PNW- Japan	$31.00	Up $4.00	Handymax at $29.50/MT
55,000 U.S. Gulf – China PNW to China	$49.00 $29.50	Up $3.00 Up $4.00	North or South China
25,000 U.S. Gulf- Veracruz, México	$22.00	Up $0.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	$19.50	Up $0.50	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$22.00 $33.00	Down $1.00 Up $1.50	West Coast Colombia at $31.00 West Coast Colombia from Argentina at $41.00
35,000 U.S. Gulf - Guatemala	$28.50	Down $1.00	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$40.50 $42.50	Up $1.50 Up $1.50	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$40.50	Up $1.50	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$33.00 $41.00	Up $3.00 Up $3.00	55,000 -60,000 MT St. Lawrence to Egypt $34.00
60-70,000 U.S. Gulf – Europe – Rotterdam	$29.00	Up $3.50	Handymax at +$1.50 more
Brazil, Santos – China	$40.50 $39.00	Up $2.00 Up $2.50	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$45.00	Up $2.50	—

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 ocean freight rally continues. The Capesize vessel market remains the leader of the pack. As usual, it is improved demand for iron ore, coal and metals that is feeding the market demand. But this leads us to the question of whether this increase in demand for freight is a sign of a true market economic recovery, or is it a bit of a temporary aberration? As mentioned previously, I'm not yet convinced that the world economic situation has truly changed dramatically for the better. I'm left wondering if some of this demand increase isn't a response to the turmoil in the Mid-East and a degree of stock building for safety reasons by the Chinese?

We have witnessed some "splitting" of Capesize cargoes (the spread between daily hire rates for Capesize vessels at up to $27,036/day verses Panamax vessels at $13,000/day has caused some Capes charters to reach down in size and charter 2 Panamax vessels), which of course has helped to support Panamax rates. Anticipation of a good North American grain harvest and increased grain exports is also adding to market optimism. Once again, the biggest increase in daily hire rates was in the Pacific. The labor negotiations/dispute at some PNW export grain facilities continues to heat up, and some unloading and loading problems are beginning to surface. Export facilities are open and working, but the union is applying more pressure and trouble tactics as we approach the fall harvest period. We will need to see what develops.

Baltic Panamax Dry-Bulk Indices				
September 13, 2013 Route	**This Week**	**Last Week**	**Difference**	**Percent Change**
P2A: Gulf/Atlantic – Japan	17,341	15,544	1,797	11.6%
P3A: PNW/Pacific – Japan	12,900	9,078	3,822	42.1%

Source: O'Neil Commodity Consulting

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

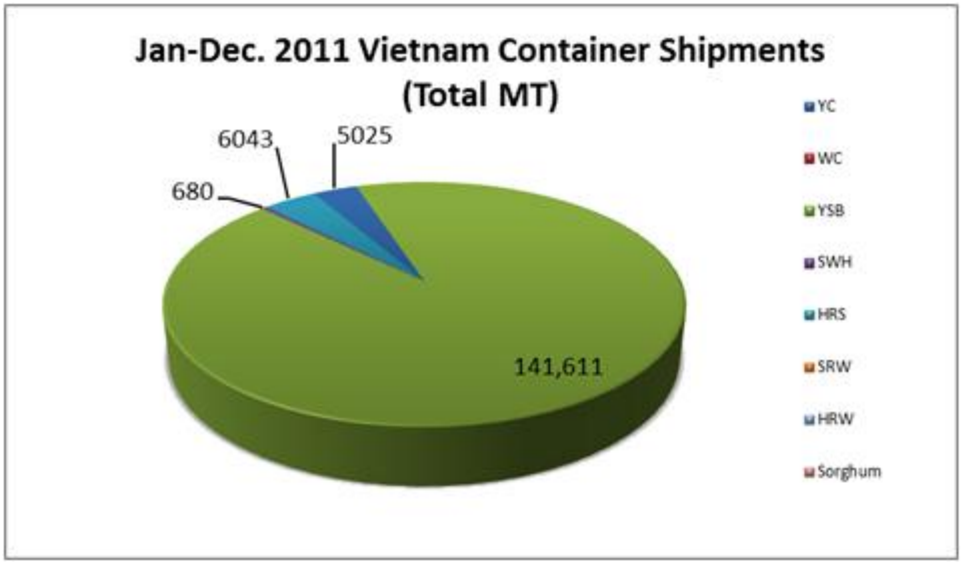
Week of September 13, 2013	
Four weeks ago	$8.25-$9.95
Three weeks ago	$8.90-$9.15
Two weeks ago	$8.55-$9.00
One week ago	$9.30-$10.45
This week	$11.65-$12.10

Source: O'Neil Commodity Consulting

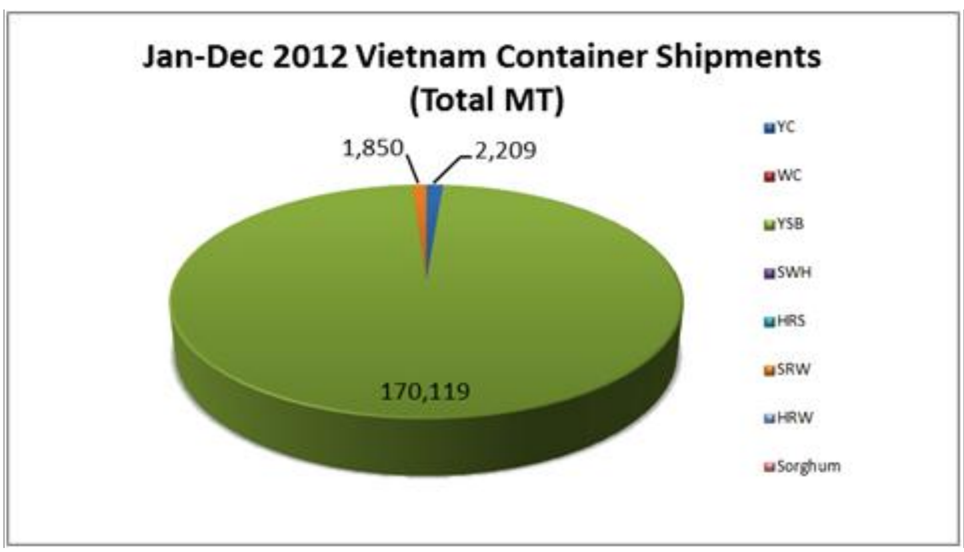
U.S. – Asia Market Spreads					
September 13, 2013	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
# 2 Corn	1.70	0.92	0.78	$30.71	GULF
Soybeans	2.05	1.45	0.60	$22.05	GULF
Ocean Freight	$25.50	$49.00	0.50-0.53	($19.50)	Oct.

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 Vietnam.



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

U.S. GRAINS COUNCIL

Market Perspectives

September 13, 2013

Developing Markets • Enabling Trade • Improving Lives

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	$33	$32	$45
	Brazil	$37	$40	$31	$27	$24	$38
Corn (White)	**Argentina**	$49	$45	$33	$33	$32	$45
	Brazil	$37	$40	$31	$27	$24	$38
Barley	**Argentina**	$49	$45	$33	$33	$32	$45
	Brazil	$37	$40	$31	$27	$24	$38
Sorghum	**Argentina**	$49	$45	$33	$33	$32	$45
	Brazil	$37	$40	$31	$27	$24	$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 11, 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	0.67	0.67

Source: www.bankrate.com