Market Perspectives

November 8, 2013

Developing Markets • Enabling Trade • Improving Lives

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CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
$/Bu	**Monday 4 November**	**Tuesday 5 November**	**Wednesday 6 November**	**Thursday 7 November**	**Friday 8 November**
Change	-0.0100	-0.0125	-0.0375	-0.0075	0.0625
Closing Price	4.2625	4.2500	4.2125	4.2050	4.2675
Factors Affecting the Market	The week started off with the market's attention fully anticipating this Friday's USDA reports. Prices traded in a narrow range as bulls and bears were evenly matched.	Corn contracts continued to drift slightly lower as the harvest rate of 73 percent surpassed the five-year average of 71 percent. The trading range remained narrow.	Larger speculators were confidently bearish and continued to increase their record short position. Commercials were willing buyers.	A second week of excellent export sales was offset by uncertainty about the content of USDA reports. Traders were squared-off and anxious to see USDA's data.	USDA's data was not as bearish as many traders had expected and the December contract regained the week's losses in very active trading.

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's November data was not as bearish as the market had expectated and there is no justification for a continued sell-off in U.S. corn prices. The average U.S. corn yield increased from the September estimate of 155.3 bushels to 160.4 bushels per acre. Offsetting much of that increase was a reduction in harvested acres from 89.1 to 87.2 million acres. The result is that production only increased by 146 million bushels. Beginning stocks for this season were increased by 163 million bushels, but that was offset by a 175 million bushel increase in exports and 100 million bushel increase in feed consumption. The final result is that corn ending stocks for the 2013/14 season were increased by 32 million bushels, and such a limited increase does not justify further price erosion.

A large number of speculative traders seem to have already determined in their minds that corn contracts are destined go lower. There seemed to almost be an attempt to muscle the nearby December contract lower, but end-users embraced their selling at present price levels and the daily trading volume in the December contract exploded to almost 350,000 contracts. It will be interesting to see how speculative traders attempt to exit their record short position in the December contract over the next month.

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CBOT DECEMBER CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending November 8, 2013			
Commodity	**November 8**	**November 1**	**Net Change**
Corn			
Dec	426.75	427.25	-0.50
Mar	438.50	437.50	1.00
May	447.00	445.75	1.25
July	453.75	452.25	1.50
Soybeans			
Nov	1306.00	1266.00	40.00
Jan	1296.00	1251.50	44.50
Mar	1276.75	1237.00	39.75
May	1258.00	1228.50	29.50
Soymeal			
Dec	422.30	394.90	27.40
Jan	414.90	387.90	27.00
Mar	402.80	379.20	23.60
May	392.30	373.80	18.50
Soyoil			

Dec	40.24	41.59	-1.35
Jan	40.55	41.90	-1.35
Mar	40.98	42.27	-1.29
May	41.39	42.59	-1.20
CBOT Wheat			
Dec	649.75	667.75	-18.00
Mar	661.50	679.75	-18.25
May	668.00	686.25	-18.25
July	668.50	684.75	-16.25
KCBOT Wheat			
Dec	708.50	733.50	-25.00
Mar	711.25	736.00	-24.75
May	711.50	735.50	-24.00
July	706.50	722.75	-16.25
MGE Wheat			
Dec	708.00	725.50	-17.50
Mar	719.50	737.00	-17.50
May	726.75	743.50	-16.75
July	732.75	748.50	-15.75

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: The NWS HPC Seven-Day Quantitative Precipitation Forecast (QPF) calls for moderate- to- heavy precipitation across the Pacific Northwest. Mountain snow is expected in the northern Sierras (CA), Cascades (OR/WA), Sawtooths (ID), Bitteroots (MT) and Tetons (WY). Modest precipitation totals (less than one and a half inches) are expected from eastern Texas extending northeast through the Mississippi Valley, Upper Midwest and Northeast. The ten-day outlooks call for a high probability of above-normal precipitation and below-normal temperatures across the Pacific Northwest, Northern California and Northern Rockies. In contrast, above-normal temperatures are expected over the southern half of the United States with the exception of southern California. Above-normal precipitation is also expected across the Great Plains, Midwest and South Florida. 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 October 31, 2013					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	506,300	312,000	15,683.4	20,908.3	40%
Corn	1,786,900	710,200	5,138.0	22,251.5	101%

Sorghum	18,800	29,800	543.6	1,543.3	135%
Barley	0	200	62.9	113.9	-6%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 1,718,600 MT for 2013/14 were reported for Japan (382,400 MT, including 76,000 MT switched from unknown destinations and decreases of 9,000 MT), unknown destinations (330,600 MT), South Korea (308,200 MT), China (289,400 MT, including 55,000 MT switched from unknown destinations and decreases of 6,700 MT), Mexico (221,100 MT) and Egypt (110,000 MT). Exports of 710,200 MT were primarily to Mexico (295,400 MT), China (194,100 MT), Japan (132,700 MT), Colombia (38,300 MT) and Indonesia (22,600 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 100,000 MT, all Mexico.

Barley: There were no sales reported during the week. Exports of 200 MT were to Taiwan.

Sorghum: Net sales of 18,800 MT for 2013/14 were for Japan (20,500 MT, including 10,700 MT switched from unknown destinations). Decreases were reported for unknown destinations (1,700 MT). Exports of 29,800 MT were to Japan (29,700 MT) and Mexico (100 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending October 31, 2013					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	795,458	684,608	5,249,599	4,032,282	130%
Sorghum	31,573	32,056	694,413	500,959	139%
Soybeans	2,192,494	2,276,918	9,213,514	10,101,654	91%
Wheat	194,486	451,894	16,238,345	11,345,071	143%
Barley	697	0	65,795	118,592	55%

*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 October 31, 2013						
Last Week (000 bushels)	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	18,784	63%	1,515	95%	1,169	94%
PNW	48	0%	2	0%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	1863	6%	0	0%	0	0%
Interior Export Rail	9,028	30%	76	5%	74	6%
Total (1,000 bu)	29,723	100%	1,593	100%	1,243	100%
Total (Metric Tons)	754,994		40,464		31,573	
White Corn Shipments by			33,809	to Mexico		

Country (MT)						
			6,604	to Colombia		
			51	to Korea		
Total White Corn (MT)			40,464			
Sorghum Shipments by Country (MT)					26,694	to Japan
					1,879	to Mexico
Total Sorghum (MT)					31,573	

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 November	-	-	+1.68 Z	$234.14
LH November	-	-	+1.68 Z	$234.14
FH December	+1.22 Z	$216.03	+1.50 Z	$227.05
LH December	+1.17 Z	$214.06	+1.50 Z	$227.05
January	+0.82 H	$204.91	+1.30 H	$223.81

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**November**	**December**	**January**
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**
November	+1.50 Z	$227.05	+1.50 Z	$227.05
December	+1.50 Z	$227.05	+1.50 Z	$227.05

Barley: Feed Barley (FOB USD/MT)			
	November	**December**	**January**
FOB PNW	$250	$250	$250

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	November	**December**	**January**
New Orleans	$227	$227	$227
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			

Bulk 60% Pro.	November	December	January
New Orleans	$770	$770	$770
**5-10,000 MT Minimum*			

*****All prices are market estimates.*

DDGS Price Table: November 8, 2013 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Nov	Dec	Jan
Barge CIF New Orleans	280	275	270
FOB Vessel GULF	-	279	271
Rail delivered PNW	286	283	278
Rail delivered California	284	278	273
Mid-Bridge Laredo, TX	290	286	282
40 ft. Containers to South Korea (Busan)	341	342	340
40 ft. Containers to Taiwan (Kaohsiung)	335	336	334
40 ft. Containers to Philippines (Manila)	351	352	350
40 ft. Containers to Indonesia (Jakarta)	350	351	349
40 ft. Containers to Malaysia (Port Kelang)	351	352	349
40 ft. Containers to Vietnam (HCMC)	350	351	349
40 ft. Containers to Japan (Yokohama)	343	344	342
40 ft. containers to Thailand (LCMB)	349	350	347
40 ft. Containers to Shanghai, China	336	337	335
KC & Elwood, IL Rail Yard (delivered Ramp)	273	265	255

*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: USDA published their highly anticipated production estimates today, and the data gave no justification for U.S. corn prices to continue trending lower. This fact is a disappointment to bearish traders who were almost entirely dependent upon this report to drive prices lower, as 1) the cash basis had already stabilized due to strong domestic demand, 2) corn exports have been enormous for the past few weeks, and 3) a large number of farmers have decided to place their grain in storage rather than market during harvest.

Foreign DDGS buyers should note the fact that DDGS merchandisers are presently looking at a corn market which has little additional downside left. Perhaps even more important is the fact that at domestic logistic markets where resources are tight and prices have increased, domestic truck and rail companies seem to understand that they currently have the upper-hand. One way that DDGS merchandisers can attempt to regain some leverage is by offering higher volumes of freight movement. Consequently, it may be mutually beneficial for DDGS buyers and merchandisers to discuss the prospects of larger-than-normal purchases in order to lock in present corn prices and more favorable freight rates.

The U.S. truck market is particularly tight, and one merchandiser was told by a freight company that the tight logistical situation may not improve before the year's end. A different merchandiser reported that buyers are focused primarily upon the price of DDGS, and many are less aware of how tight the logistical situation has become. The availability of loading equipment and containers in the Midwest continues to cause headaches that may impact on-time loading. Of course, customers need shipments to sail on time because the arrival date can influence the final price. Being able to offer large volume movement increases the negotiating ability of the merchandisers.

Ethanol Comments: In today's WASDE, USDA left the corn use for ethanol and co-products unchanged for the 2013/14 season at 4.9 billion bushels. That estimate makes sense, with the most recent ethanol production levels of 902,000 barrels per day (bpd). That was a slight reduction from the prior-week level of 911,000 bpd, but above the year-ago domestic production level of 827,000 bpd. However, it is important not to forget to tack on an additional 60,000 bpd of ethanol imports to that year-ago figure. Furthermore, greater usage seems evident in total U.S. ethanol stocks data from the Energy Information Administration (EIA). Present ethanol stocks of 15.2 million barrels are 16.4 percent below last year's levels.

The recent favorable margins of ethanol producers and the prolonged period of total U.S. ethanol stocks remaining below last year's levels has been sufficient incentive to restart several ethanol plants, which are coming back online as declines are occurring to ethanol producer margins.

Recent reductions in ethanol producer margins are primarily attributable to weakness in ethanol prices rather than returns from DDGS. Returns for ethanol facilities in Illinois, Iowa and Nebraska declined as ethanol dropped from 17 to 23 cents per gallon. However, there was actually a slight increase in the value of DDGS at plants in Illinois and Iowa. Ethanol producer returns remained unchanged in South Dakota as prices were stationary for both ethanol and DDGS. USDA's reported difference between corn and the co-products values are as follows for the week ending November 8:

- Illinois differential decreased to $2.64 per bushel, which is down from $3.16 the prior week but above $1.49 for this same week a year ago.
- Iowa differential decreased to $2.28 per bushel, which is down from $2.68 the prior week but above $1.24 for this same week a year ago.
- Nebraska differential decreased to $1.88 per bushel, which is down from $2.55 the prior week but above $1.54 for this same week a year ago.
- South Dakota differential remained unchanged at $2.88 per bushel, which is above $1.40 for this same week a year ago.

COUNTRY NEWS

Brazil: The governmental agency, Conab, projects that Brazil will bring in 78.5-79.8 MMT of corn in 2013/14, reports Reuters. These totals are up from the 78.4-79.6 MMT predicted last month. Conab reduced its outlook for 2012/13 to 81 MMT, which is down from 81 MMT predicted earlier.

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China: The Chinese government has approved corn imports from Brazil as that country tries to allieviate a large supply surplus, according to Reuters. This move has followed a recent trend on the part of the Chinese government to diversify its corn imports away from a near total reliance on the U.S. China allowed imports from Argentina in August of this year. China is expected to import 7 MMT in 2013/14, which is up from 3 MMT in 2012/13.

European Union: The corn harvest in Western Europe is smaller than originally hoped due to poor weather throughout the growing period, reports Reuters. This disappointing turnout stands in stark contrast to the bumper harvests that are expected in places like the U.S. and Ukraine, which compounds the woes of European farmers as prices are dragged down to their lowest points in three years.

France: French barley exports have increased by 65 percent to 738,973 MT while corn exports have fallen by 25 percent to 298,456 MT, according to Bloomberg News.

Japan: The Ministry of Agriculture has announced that it will import 115,000 MT of feed barley via a simultaneous buy and sell auction that closed on Wednesday, reports Reuters. The tender had sought 200,000 MT of feed barley and 120,000 MT of feed wheat. Japan will seek the same quantities in another tender to be held on November 13.

South Africa: Yellow corn futures in Africa's largest corn producer rose for the first time after a four-day slump, reports Bloomberg News. Yellow corn for December delivery rose to $228/MT.

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	$54.50	Unchanged	Handymax at $55.50/MT
55,000 U.S. PNW- Japan	$30.00	Down $0.05	Handymax at $31.00/MT
55,000 U.S. Gulf – China PNW to China	$53.00 $28.00	Up $0.50 Down $0.50	North China
25,000 U.S. Gulf- Veracruz, México	$19.00	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	$16.00	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf- East Coast Colombia, Argentina	$23.00 $33.00	Up $0.50 Unchanged	West Coast Colombia at $30.00 West Coast Colombia from Argentina at $40.50
35,000 U.S. Gulf - Guatemala	$28.00	Unchanged	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$40.00 $42.00	Up $0.50 Unchanged	8,000 MT daily discharge 3,000 MT daily discharge

25,000 U.S. Gulf-Morocco	$42.00	Unchanged	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$36.00 $40.00	Down $0.50 Unchanged	55,000 -60,000 MT St. Lawrence to Egypt $36.00
60-70,000 U.S. Gulf – Europe – Rotterdam	$25.00	Unchanged	Handymax at +$1.50 more
Brazil, Santos – China	$42.00 $40.00	Down $1.00 Down $2.00	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$48.00	Down $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: World dry-bulk ocean freight markets continue to struggle with a basic oversupply of vessels. Over the past few years, the market has staged a rally in the November-December period and vessel owners are hoping for a repeat of that scenario. However, I'm not sure their wish is going to be granted this year. The Capesize market does seem to have stabilized with Western Australia iron ore rates to China holding at close to $9.00/MT. However, there has been no such support in the Panamax sector, which continues to suffer a lack of strong demand and no help from the Capesize market. Keep in mind that the big Panamax market rally back in September-October was primarily fueled by demand needing to split Capesise bulk cargoes, which this is no longer the case. Average daily hire rates in the Capesize market are now $20,148/day verses $12,731/day for Panamax vessels. In sharp contrast, the Handymax vessel market has shown continued strength since last August.

Baltic Panamax Dry-Bulk Indices				
November 8, 2013 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	22,232	23,120	-888	-3.8%
P3A: PNW/Pacific – Japan	11,413	11,844	-431	-3.6%

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 November 8, 2013	
Four weeks ago	$12.50-$13.95
Three weeks ago	$10.75-$11.40
Two weeks ago	$10.25-$-9.45
One week ago	$8.20-$9.15
This week	$8.25-$9.15

Source: O'Neil Commodity Consulting

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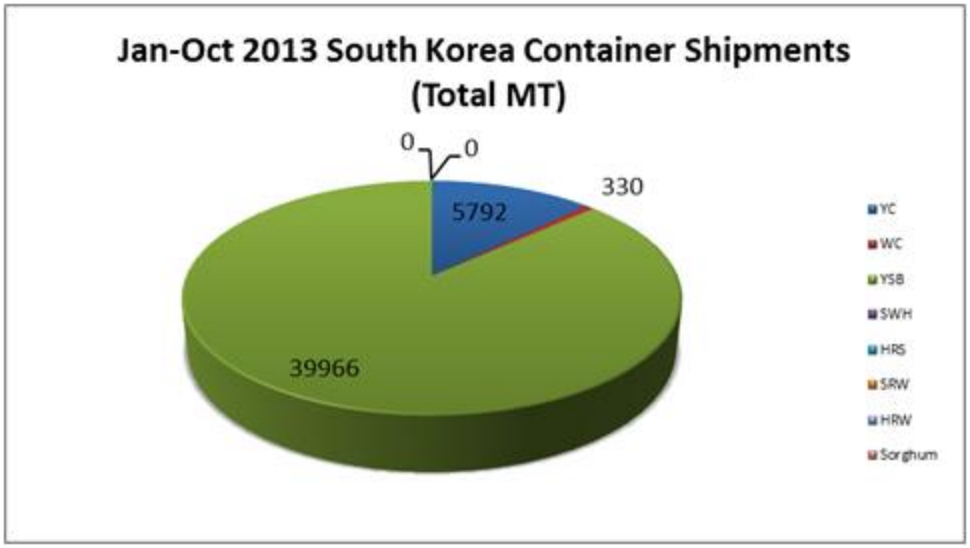
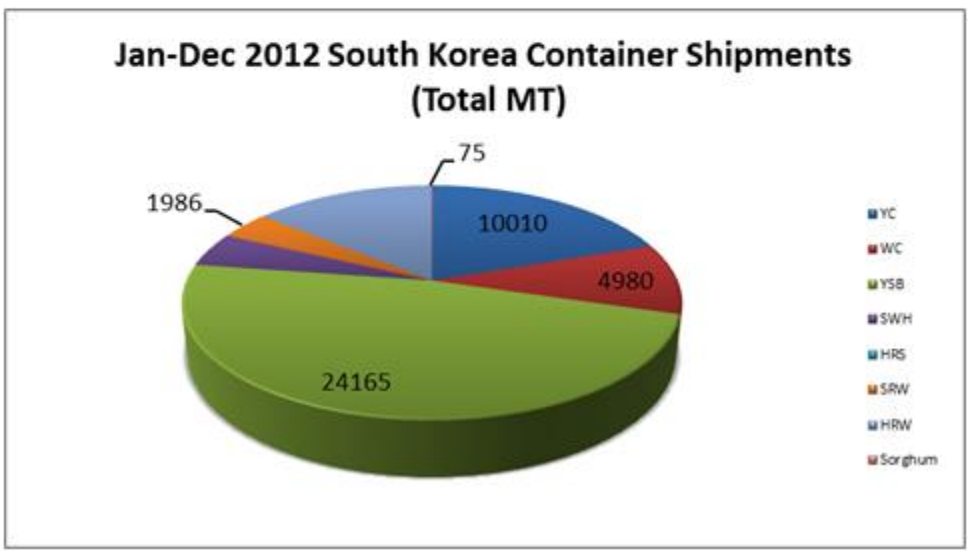
U.S. – Asia Market Spreads					
November 8, 2013	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.55	0.95	0.60	$23.62	PNW
Soybeans	1.88	1.30	0.58	$21.31	PNW
Ocean Freight	$28.00	$53.00	0.63-0.68	($25.00)	Dec.

Source: O'Neil Commodity Consulting

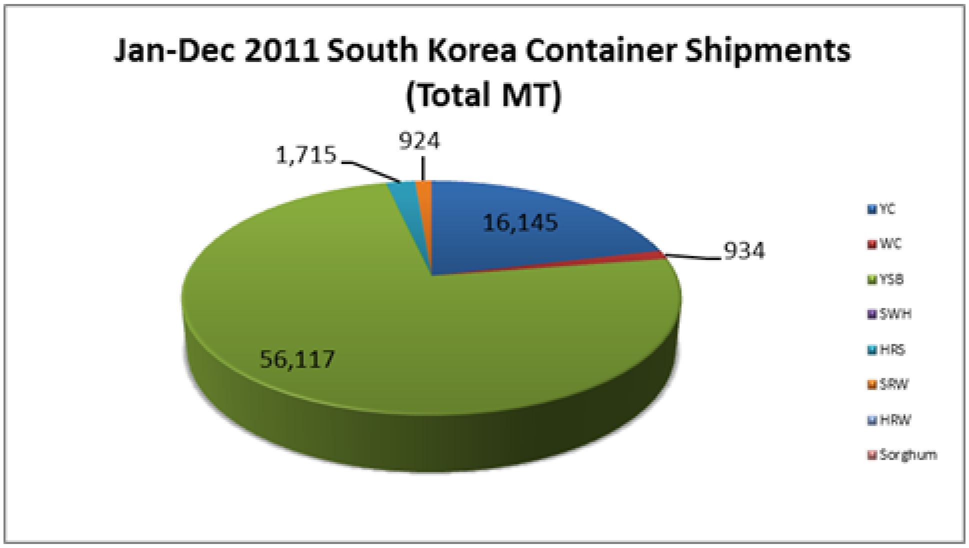
The charts below represent January-December 2011 and January-December 2012 annual totals versus January-October 2013 year-to-date container shipments for South Korea.



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**	**China**	**Japan**	**Korea**	**Colombia**	**Morocco**	**Egypt**	**Saudi Arabia**
Corn (Yellow)	**Argentina**	$46.5	$48	$47	$32.5	$33	$38	-
	Brazil	$39	$41	$40	$31	$25	$30	-
Corn (White)	**Argentina**	$46.5	$48	$47	$32.5	$33	$38	-
	Brazil	$39	$41	$40	$31	$25	$30	-
Barley	**Argentina**	$46.5	$48	$47	$32.5	$33	$38	-
	Brazil	$39	$41	$40	$31	$25	$30	-
Sorghum	**Argentina**	$46.5	$48	$47	$32.5	$33	$38	-
	Brazil	$39	$41	$40	$31	$25	$30	-

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 (%): November 6, 2013			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.35	0.36	0.37
LIBOR (1 year)	0.60	0.61	0.62

Source: www.bankrate.com