Market Perspectives

September 27, 2013

U.S. GRAINS COUNCIL

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 23 September**	**Tuesday 24 September**	**Wednesday 25 September**	**Thursday 26 September**	**Friday 27 September**
Change	0.0225	-0.0450	0.0600	0.0200	-0.0275
Closing Price	4.5325	4.4875	4.5475	4.5675	4.5400
Factors Affecting the Market	The U.S. corn harvest is preparing to begin in earnest, but the December contract is unable to make a new low as commercial end-users are glad to buy at present price levels.	Speculators attempted to drive the December contract through the prior low of $4.4575 per bushel, but they have still not quenched the buying interest.	The resolve of short sellers in corn contracts seemed to weaken somewhat under the influence of strengthening soybean and wheat contract prices.	Corn contracts remain firm in the face of harvest. Technical indicators are now becoming more bullish as futures are working slowly higher.	December corn remains in a trading range; Monday's weather forecasts and USDA data may give this contract an excuse to breakout one way or another.

Outlook: USDA will release their Grain Stocks Report this coming Monday, September 30. The report is a snapshot of total grain stocks for the United States on September 1, which is the first day of the present 2013/14 crop year for corn and sorghum. Of course, the vast majority of this seaon's U.S. corn was still standing in the fields on September 1. Consequently, the numbers in this report will give a fairly good indication of the final ending stocks for the 2012/13 season, which will have some impact on the present 2013/14 season. However, that impact will be far less important than the yield estimates for this season's crop that is currently being harvested.

Various commodity analysts continue to report that corn yields are favorable and the likelihood is good that USDA will increase their yield estimate in the October 11 WASDE report. The prospect of increased yields is already well known among market participants, and is the major reason that speculative traders continue to add to their short position in corn. Open interest in CBOT corn contracts had been increasing recently as large speculative traders attempted to muscle the December contract below the August 13 low of $4.4575 per bushel; despite their determined efforts, they have been unable to do so due to even more pronounced buying by commercial end-users.

Traders with short corn positions may be able to finally achieve their objective of punching through the August 13 low if Monday's Grain Stocks Report has a corn number that is greater than the average trade estimate of 680 million bushels (and if soybean stocks are not overly bullish). After all, many of those bearish speculative traders are confident that the October WASDE will show some sort of yield increase; this may increase their resolve to press the market into a new low. If that happens, then ethanol facilities, feedlots, poultry producers, hog operations and exporters will embrace the opportunity to secure greater financial health by locking in even more profitable pricing through the 2013/14 seasons.

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CBOT DECEMBER CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending September 27, 2013			
Commodity	**27-September**	**20-September**	**Net Change**
Corn			
Dec	454.00	451.00	3.00
Mar	466.50	463.75	2.75
May	474.50	472.00	2.50
July	481.00	478.75	2.25
Soybeans			
Nov	1319.75	1315.25	4.50
Jan	1321.50	1318.00	3.50
Mar	1298.50	1300.25	-1.75
May	1273.25	1277.25	-4.00
Soymeal			
Oct	419.90	413.40	6.50
Dec	418.30	411.60	6.70
Jan	416.20	411.10	5.10
Mar	406.20	404.20	2.00
Soyoil			

Oct	41.51	42.09	-0.58
Dec	41.81	42.34	-0.53
Jan	42.11	42.58	-0.47
Mar	42.41	42.86	-0.45
CBOT Wheat			
Dec	683.00	646.25	36.75
Mar	691.50	657.00	34.50
May	694.25	662.75	31.50
July	684.25	657.50	26.75
KCBOT Wheat			
Dec	731.75	692.75	39.00
Mar	733.00	697.25	35.75
May	733.75	699.75	34.00
July	716.50	689.00	27.50
MGE Wheat			
Dec	731.50	699.75	31.75
Mar	740.75	712.50	28.25
May	744.25	719.50	24.75
July	745.50	725.50	20.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: September 22, 2012					
	Very Poor	Poor	Fair	Good	Excellent
Corn	5%	11%	29%	42%	13%
Sorghum	4%	11%	31%	44%	10%

Source: USDA

U.S. Drought Monitor Weather Forecast: An early-season snowstorm will wind down by September 27 across the northern Rockies, while rain showers will gradually end in the Southeast. Meanwhile, a slow-moving cold front — and its associated surge of cold air — will reach the nation's mid-section toward week's end before weakening. A frontal remnant will move into the South and East early next week, while Pacific energy will arrive in the Northwest. Associated with the cold front, late-week precipitation totals of one- to- two inches can be expected across portions of the nation's mid-section. Starting on September 27, heavy precipitation (locally four- to- eight inches or more) will develop in the Pacific Northwest.

The outlook for October 1-5 calls for near- to above-normal temperatures nationwide, except for cooler-than-normal conditions in a small area centered on the Four Corners region. Meanwhile, near- to below-normal precipitation across the majority of the U.S. will contrast with wetter-than-normal weather in the Pacific

Northwest and a broad area stretching from the Gulf Coast into the lower Great Lakes region. 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 19, 2013					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	648,300	1,028,500	12,077.4	17,691.2	38%
Corn	659,400	479,100	1,169.1	13,860.7	37%
Sorghum	18,500	61,700	283.0	969.3	71%
Barley	45,000	200	52.0	103.3	-14%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 640,100 MT for 2013/14 were reported for Mexico (390,600 MT), China (130,500 MT, including 55,000 MT switched from unknown destinations), Guatemala (31,200 MT, including 17,700 MT switched from unknown destinations), Japan (17,600 MT, including 12,800 MT switched from unknown destination and decreases of 7,100 MT) and Honduras (13,300 MT). Exports of 479,100 MT were primarily to Mexico (189,600 MT), China (118,600 MT), Japan (63,600 MT), Venezuela (36,500 MT), and Guatemala (17,700 MT). Optional Origin Sales: For 2013/14, outstanding optional origin sales total 100,000 MT, all Mexico.

Barley: Net sales of 45,000 MT--a marketing-year high--were reported for Japan. Exports of 200 MT were to South Korea.

Sorghum: Net sales of 18,000 MT for 2013/14 resulted as increases for China (61,300 MT, including 60,000 MT switched from unknown destinations) were partially offset by decreases for unknown destinations (42,800 MT) and Taiwan (500 MT). Exports of 61,700 MT were reported to China (61,300 MT) and Mexico (400 MT). Optional Origin Sales: For 2013/2014, outstanding optional origin sales total 60,000 MT, all China.

U.S. Export Inspections: Week Ending September 19, 2013					
Commodity (MT)	**Export Inspections**		**Current Market YTD**	**Previous YTD**	**YTD as Percent of Previous**
	Current Week	**Previous Week**			
Corn	455,084	512,795	1,175,304	1,586,699	74%
Sorghum	61,826	146,310	309,257	150,196	206%
Soybeans	457,038	80,886	588,165	957,840	61%
Wheat	1,151,754	1,264,564	12,595,592	9,015,572	140%
Barley	610	23,296	51,817	97,060	53%

*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 19, 2013						
Last Week (000 bushels)	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Gulf	13,932	79%	217	99%	2,413	99%
PNW	99	1%	2	1%	0	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	471	3%	0	0%	0	0%
Interior Export Rail	3,195	18%	0	0%	21	1%
Total (1,000 bu)	17,697	100%	219	100%	2,434	100%
Total (Metric Tons)	449,521		5,563		61,826	
White Corn Shipments by Country (MT)			5,512	to Mexico		
			51	to Korea		
Total White Corn (MT)			5,563			
Sorghum Shipments by Country (MT)						
					61,293	to China
					533	to Mexico
Total Sorghum (MT)					61,826	

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	+.90 Z	$214.16	-	-
FH October	+1.00 Z	$218.10	+1.65 Z	$243.69
LH October	+1.00 Z	$218.10	+1.65 Z	$243.69
FH November	+.93 Z	$215.34	+1.27 Z	$228.73
LH November	+.84 Z	$211.80	+1.27 Z	$228.73
December	+.78 Z	$209.44	+1.22 Z	$226.76

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**October**	**November**	**December**
Gulf	$255	$255	$255

Sorghum (USD/MT FOB Vessel)		
#2 YGS FOB Vessel	**NOLA**	**TEXAS**

Max 14.0% Moisture	Basis	Flat Price	Basis	Flat Price
October	+1.50 Z	$237.78	+1.50 Z	$237.78
November	+1.50 Z	$237.78	+1.50 Z	$237.78
December	-	-	+1.50 Z	$237.78

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

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	October	November	December
New Orleans	$195	$195	$195
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**October**	**November**	**December**
New Orleans	$680	$680	$680
**5-10,000 MT Minimum*			

All prices are market estimates.

DDGS Price Table: September 27, 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	292	282	272
FOB Vessel GULF	300	292	282
Rail delivered PNW	287	279	269
Rail delivered California	293	285	275
Mid-Bridge Laredo, TX	290	280	272
40 ft. Containers to South Korea (Busan)	343	336	338
40 ft. Containers to Taiwan (Kaohsiung)	341	334	334
40 ft. Containers to Philippines (Manila)	359	352	354
40 ft. Containers to Indonesia (Jakarta)	359	352	354
40 ft. Containers to Malaysia (Port Kelang)	359	352	354
40 ft. Containers to Vietnam (HCMC)	358	351	353
40 ft. Containers to Japan (Yokohama)	346	339	341
40 ft. containers to Thailand (LCMB)	355	350	352
40 ft. Containers to Shanghai, China	341	334	336
KC & Elwood, IL Rail Yard (delivered Ramp)	-	-	-

*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: It was noted in this section last week that China's present national tariff-rate quota (TRQ) restricts corn imports to 7.2 million metric tons (MMT) per calendar year and that a lot of private Chinese companies have no more corn quota allotments left. As a result, they are now looking at DDGS as a popular alternative. Further substantiating that discussion is a news story this week from Bloomberg News that quotes an executive within the corn division of China's state-owned trading house who predicts that DDGS imports into China could total 3 MMT this year. That would be a substantial 25 percent increase over China's estimated DDGS imports last year of 2.4 MMT, and above the record of 2.5 MMT in 2010.

DDGS merchandisers report that Asian demand remains strong this week and bidding by domestic buyers continues to lag behind, especially for the October through December time period. Available DDGS supplies for October have become very limited; November supplies are tight while DDGS supplies for December are still available. As a result, there is still a premium for nearby DDGS versus pricing in December.

Ethanol Comments: The U.S. corn harvest was only 4 percent complete as of last Sunday, well below the five year average of 16 percent, but recent weather has allowed the crop to mature at a favorable pace. So long as extended weather forecasts are benign, harvest is likely to remain delayed in order to allow the crop to dry-down. However, it will not be much longer before more threatening forecasts will start to emerge and combines hit the fields in earnest; shortly behind that action will be increased ethanol production as plants conclude their seasonal down-time.

Ethanol production last week averaged 832,000 barrels per day (bpd), which was below the prior week of 838,000 bpd. Unfortunately the 6,000 bpd reduced production was more than offset by imports, which increased to a daily average of 48,000 bpd; well above the prior week's import level of 3,000 bpd. Fortunately, demand for ethanol appears to be healthy as there was a sizable 3.5 percent drop in weekly ethanol stocks from 16.2 million barrels down to 15.6 for the week ending September 20. This level of ethanol stocks is close to last June's low amount, and is almost 19 percent below this same week a year level of 19.3 million barrels.

This substantial difference in inventory is the primary factor keeping current producer margins elevated – for those facilities that have access to sufficient corn. The following differentials between corn and the value of co-product values shows the implied increase in profitability for ethanol facilities across the Corn Belt last week:

- Illinois differential increased to $3.59 per bushel, in comparison to $3.57 the prior week and $1.81 for this same week a year ago.
- Iowa differential increased to $2.88 per bushel, in comparison to $2.72 the prior week and $1.20 for this same week a year ago.
- Nebraska differential increased to $2.78 per bushel, in comparison to $2.71 the prior week and $1.58 for this same week a year ago.
- South Dakota differential increased to $3.04 per bushel, in comparison to $2.97 the prior week and $1.39 for this same week a year ago.

COUNTRY NEWS

Argentina: Corn planting has been delayed due to inclement weather, reports Reuters. Despite this setback, Argentina predicts that it will bring in a total corn crop of 30 MMT in 2013/14. USDA, on the other hand, predicts that Argentina will harvest 26 MMT.

China: A report from Bloomberg News indicated that Chinese corn imports are likely to remain around 7 MMT for the 2013/14 year.

Germany: German barley exports in July rose to 79,537 MT, which is a significant increase over the 57,707 MT exported by the same time last year, reports Bloomberg News. However, German barley imports also increased to 137,343 MT from their prior-year level of 126,174 MT. July corn exports increased to 126,178 MT, which is up from 57,741 MT the year previous. Imports of corn fell to 98,751 MT from their year-ago level of 177,866 MT.

India: Due to the highest monsoon rainfall since 1994, India is set to harvest a record amount of grains, including corn and barley, according to Bloomberg News. Predictions for the total grain crop now stand at 92.3 MMT in the 2013/14 season. Corn production is predicted to total 17.78 MMT, which is up from 16.04 MMT a year ago.

Japan: The Ministry of Agriculture has announced that it is importing 8,860 MT of barley from a simultaneous buy and sell auction that occurred Wednesday, according to Reuters. The ministry had hoped to secure 200,000 MT of feed barley and 120,000 of feed wheat in the weekly tender. It will be seeking 180,000 MT of barley and 180,000 MT of feed wheat in a tender to be held on October 2.

South Africa: Africa's largest corn producer has increased its forecast for the 2012/13 season by 1.8 percent, reports Bloomberg News. The country's Crop Estimates Committee has indicated that farmers likely harvested 11.7 MMT of corn this year, which is above the group's earlier prediction of 11.5 MMT. The yellow corn forecast was increased by 3.5 percent to 6.14 MMT. Yellow corn for December delivery has risen by 0.8 percent to $215.55/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	$58.00	Up $7.50	Handymax at $57.00/MT
55,000 U.S. PNW- Japan	$35.00	Up $4.00	Handymax at $34.00/MT
55,000 U.S. Gulf – China PNW to China	$57.00 $33.50	Up $8.00 Up $4.00	North or South China
25,000 U.S. Gulf- Veracruz, México	$20.00	Unchanged	3,000 MT daily discharge rate

35-40,000 U.S. Gulf- Veracruz, México	$17.00	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	Unchanged Up $1.00	West Coast Colombia at $31.00 West Coast Colombia from Argentina at $40.00
35,000 U.S. Gulf - Guatemala	$29.00	Up $1.00	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf – Algeria	$42.00 $44.00	Up $1.50 Up $1.50	8,000 MT daily discharge 3,000 MT daily discharge
25,000 U.S. Gulf-Morocco	$42.00	Up $2.00	5,000 discharge rate
55,000 U.S. Gulf – Egypt PNW to Egypt	$39.00 $45.00	Up $6.00 Up $4.00	55,000 -60,000 MT St. Lawrence to Egypt $39.00
60-70,000 U.S. Gulf – Europe – Rotterdam	$32.00	Up $5.00	Handymax at +$1.00 more
Brazil, Santos – China	$47.00 $47.50	Up $6.50 Up $8.50	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$54.00	Up $9.00	—

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: It would seem that Dry-Bulk ocean freight markets are following the line from the old U.S. Honeymooners TV show – "to the moon Alice." They just keep going up. The Capesize market is still leading the charge based on "stockpiling" of raw materials by the Chinese, which makes me wonder what is to happen after the stockpiling is completed? But it is continuing for now and this, together with the effect of vessels "slow steaming," improved grain exports and the logistical backup of Panamax vessels in Brazil, is fueling the market rally. Some now believe that the rally will continue through the end of the year.

The strength in the Capesize market has also caused charters to reach down into the Panamax fleet for split shipments. The daily hire rate for Capesize is now up to $40-42,000/day versus Panamax vessels at $13-17,000/day depending on the vessel position. I'm still very suspicious of the thinking of vessel owners and what message this market is sending to them. Will the higher rates motivate them to speed up and cease their slow steaming strategy? Will they be motivated to slow demolition rates? Will this motivate them to place additional newbuild vessel orders? Any or all of these reactions would spoil the "good times."

We would need to go back to early May 2012 to locate the last time the Panamax index in the Atlantic and Pacific were up to these levels. As best I can figure, there are three reasons for this upward move in rates.

According to SSY, dry bulk new vessel deliveries have totaled 539 vessels (44.5 Mdwt) year to date. These were split as follows: 77 Capes (16.9 Mdwt), 177 Panamaxes (14.4 Mdwt), 152 Supramaxes (8.7 Mdwt) and 133 Handysizes (4.4 Mdwt).

Baltic Panamax Dry-Bulk Indices				
September 27, 2013 Route	This Week	Last Week	Difference	Percent Change
P2A: Gulf/Atlantic – Japan	23,628	17,650	5,978	33.9%
P3A: PNW/Pacific – Japan	15,824	13,100	2,724	20.8%

Source: O'Neil Commodity Consulting

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

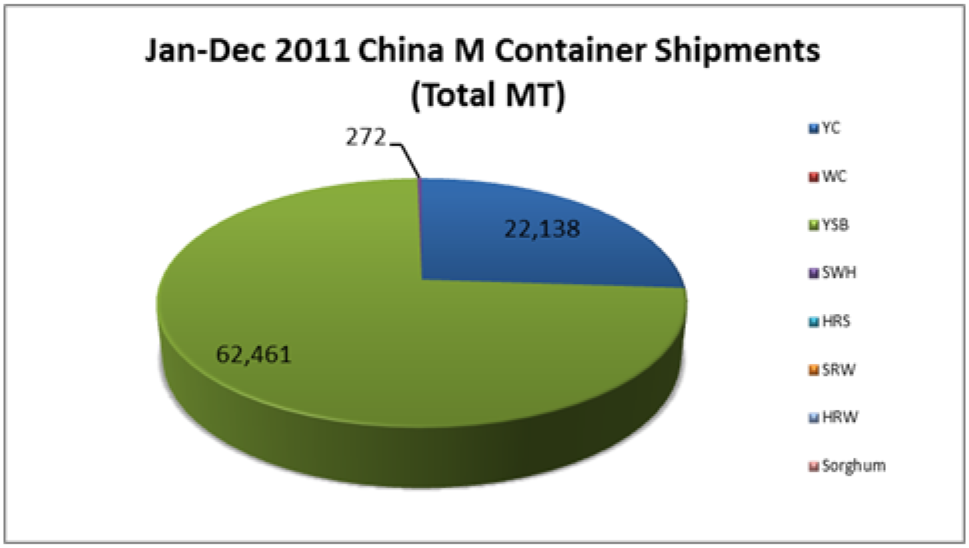
Week of September 27, 2013	
Four weeks ago	$8.55-$9.00
Three weeks ago	$9.30-$10.45
Two weeks ago	$11.65-$12.10
One week ago	$11.95-$12.75
This week	$13.10-$13.85

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
September 27, 2013	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.65	0.90	0.75	$29.53	GULF
Soybeans	2.00	1.45	0.55	$22.21	GULF
Ocean Freight	$35.00	$58.00	0.58-0.63	($23.00)	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 China.



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**	**China**	**Japan**	**Korea**	**Colombia**	**Morocco**	**Egypt**	**Saudi Arabia**
Corn (Yellow)	**Argentina**	$46	$50	$46	$32.5	$32	$32	$45
	Brazil	$41	$37	$40	$31	$25	$24	$38
Corn (White)	**Argentina**	$46	$50	$46	$32.5	$32	$32	$45
	Brazil	$41	$37	$40	$31	$25	$24	$38
Barley	**Argentina**	$46	$50	$46	$32.5	$32	$32	$45
	Brazil	$41	$37	$40	$31	$25	$24	$38
Sorghum	**Argentina**	$46	$50	$46	$32.5	$32	$32	$45
	Brazil	$41	$37	$40	$31	$25	$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 25, 2013			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.38	0.38	0.39
LIBOR (1 year)	0.64	0.66	0.68

Source: www.bankrate.com