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CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn March Contract

\$/Bu	Monday 8 Dec	Tuesday 9 Dec	Wednesday 10 Dec	Thursday 11 Dec	Friday 12 Dec
Change	-0.0475	0.0500	-0.0150	0.0475	0.0900
Closing Price	3.9025	3.9525	3.9375	3.9850	4.0750
Factors Affecting the Market	Increased export sales were unable to pull March corn higher. Traders were adjusting their long positions before the WASDE.	Commercial traders bought March corn the day before WASDE's release. These traders are normally in-tune with changes.	U.S. corn data in the Dec. WASDE was slightly below expectations, but traders seemed uncertain how to interpret the numbers.	Charts of corn contracts steadily strengthened and export sales remained good. March corn worked upward toward \$4.00 per bushel.	Today was the first time since July 10 that the March 2015 corn contract closed above \$4.00 per bushel. Perceptions may be changing.

For more information on the contents of this newsletter or the U.S. Grains Council, its mission and programs, please contact Manuel Sanchez or Alvaro Cordero at (202) 789-0789.

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.

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Outlook: The December WASDE was released on Wednesday. While the data for U.S. corn ending stocks was slightly below expectations, traders initially were uncertain how to interpret it and prices temporarily weakened after publication. Such action is not uncommon when newly released data contains no major surprise and opposing camps of long and short traders enter into a momentary shoving match. Bearish traders were initially the strongest but they were unable to overcome the persistent resolve of bullish traders that steadily pressed prices higher by the end of the week. (Tangent point of interest: a bull shoves up with his horns and a bear strikes down with his paws – the reason for the names bulls and bears.)

A 10 million bushel increase in food, seed and industrial was the only change contained on balance sheet for U.S. corn within the December WASDE, but that was enough to cause the estimated ending stocks for U.S. corn in the current 2014/15 season to fall 2 billion bushels. This is an important psychological level because ending stocks really do need to be above it to make a case for extremely bearish price action. Market participants expected the estimate to remain above that level.

The present estimate of 1.998 billion bushels is still large, well above last year's level of 1.236, but fundamental analysts recognize that there is a good probability for a further reduction in U.S. corn ending stocks in the January report. Such knowledge makes commercial traders more inclined to buy dips rather than sell rallies when corn futures contracts are priced below \$4.00 per bushel. It really does not matter that speculators have already built up a sizable long position because they are unlikely to get forced out at current price levels if there is no one of size who is waiting to sell. Eventually selling will increase, but probably at higher than present prices.

CBOT MARCH CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending December 12, 2014			
Commodity	12-Dec	5-Dec	Net Change
Corn			
Dec 14	396.25	381.50	14.75
Mar 15	407.50	395.00	12.50
May 15	415.75	403.50	12.25
Jul 15	421.50	410.00	11.50
Soybeans			
Nov 14	1047.25	1036.00	11.25
Jan 15	1053.75	1042.00	11.75
Mar 15	1059.50	1048.25	11.25
May 15	1064.50	1053.50	11.00
Soymeal			
Dec 14	378.90	394.20	-15.30
Jan 15	367.00	366.40	0.60
Mar 15	356.30	354.20	2.10
May 15	350.70	349.40	1.30
Soyoil			
Dec 14	31.97	32.01	-0.04
Jan 15	32.36	32.08	0.28
Mar 15	32.57	32.30	0.27
May 15	32.79	32.53	0.26
SRW			
Dec 14	627.50	609.00	18.50
Mar 15	606.50	594.00	12.50
May 15	608.75	599.00	9.75
Jul 15	607.75	602.25	5.50
HRW			
Dec 14	634.00	632.50	1.50
Mar 15	634.25	639.25	-5.00
May 15	637.00	643.25	-6.25
Jul 15	640.25	643.25	-3.00
MGEX (HRS)			
Dec 14	670.00	619.50	50.50
Mar 15	620.75	623.00	-2.25
May 15	627.00	629.75	-2.75
Jul 15	634.00	637.00	-3.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: For the upcoming period of December 12-15, very heavy precipitation (5-9 inches, liquid equivalent) is anticipated across northern and central portions of California, with moderate precipitation (0.5-2.0 inches) predicted from the southern Sierras westward to the coast. Between 4-5 inches of precipitation (liquid equivalent) is also forecast for the Olympic Range of Washington. Moderate precipitation (0.5-2.0 inches) is also predicted for portions of the northern Rockies, the Wasatch Range in northern Utah, the central and southern Great Plains, upstate New York and northern New England. Most remaining areas are expected to receive light precipitation (up to 0.5-inch), if any.

For the ensuing period of December 16-20, above-median precipitation is favored for most areas west of the Continental Divide (about a 60-65 percent chance in central California), the central and southern Plains, most of the Mississippi, Ohio and Tennessee Valleys and most of the Southeast. Below-median precipitation is favored over the Northeast and mid-Atlantic regions, much of the Great Lakes region, the northern Great Plains and southern 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 December 4, 2014					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	412,800	449,600	12,036.5	16,932.9	-25%
Corn	1,261,900	746,400	9,257.5	22,750.0	-10%
Sorghum	398,500	111,200	1,712.4	4,618.5	119%
Barley	2,400	34,600	87.8	107.8	-9%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 962,800 MT for 2014/15 were down 18 percent from the previous week, but up 9 percent from the prior four-week average. Increases were reported for Japan (595,600 MT, including 199,400 MT switched from unknown destinations), Mexico (244,400 MT), South Korea (122,100 MT, including 62,000 MT switched from unknown destinations), Peru (83,900 MT, including 70,000 MT switched from unknown destinations), Colombia (70,300 MT, including 30,000 MT switched from unknown destinations and decreases of 2,400 MT) and Saudi Arabia (36,300 MT, including 33,000 MT switched from unknown destinations). Decreases were reported for unknown destinations (244,000 MT) and Nicaragua (1,200 MT). Exports of 678,300 MT were primarily to Japan (246,400 MT), Peru (103,900 MT), Mexico (95,000 MT), Colombia (77,000 MT), Costa Rica (38,400 MT) and Saudi Arabia (36,300 MT). *Optional Origin Sales:* For 2014/15, outstanding optional origin sales total 68,000 MT, all South Korea.

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Barley: Net sales of 15,000 MT for 2014/15 were reported for Japan. Exports of 500 MT were down 99 percent from the previous week and 95 percent from the prior four-week average. The destinations were South Korea (400 MT) and Taiwan (100 MT).

Sorghum: Net sales of 316,700 MT for 2014/15 were reported for China (200,700 MT) and unknown destinations (116,000 MT). Exports of 118,600 MT were reported primarily to China.

U.S. Export Inspections: Week Ending December 4, 2014

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Corn	486,700	330,900	12,367.4	17,375.3	-24%
Sorghum	1,042,900	678,300	9,935.8	23,712.8	-8%
Soybeans	377,700	118,600	1,831.0	4,935.3	106%
Wheat	15,000	500	88.3	122.8	-1%
Barley	486,700	330,900	12,367.4	17,375.3	-24%

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 December 4, 2014

Last Week	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	401,120	77%	12,800	98%	190,141	91%
PNW	31,500	6%	244	2%	490	0%
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Interior Export Rail	86,934	17%	0	0%	17,462	8%
Total (Metric Tons)	519,554	100%	13,044	100%	208,093	100%
White Corn Shipments by Country (MT)			12,800	to Honduras		
			244	to Korea		
Total White Corn (MT)			13,044			
Sorghum Shipments by Country (MT)					164,653	to China
					43,440	to Sudan
Total Sorghum (MT)					208,093	

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)
December	+0.90 H	\$195.86	-	-
January	+0.80 H	\$191.92	+1.15 H	\$205.70
February	+0.80 H	\$191.92	+1.10 H	\$203.73
March	+0.80 H	\$191.92	+1.10 H	\$203.73

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
November	+2.60 H	\$262.78	+2.60 H	\$262.78
December	+2.60 H	\$262.78	+2.60 H	\$262.78
January	+2.60 H	\$262.78	+2.60 H	\$262.78

Barley: Feed Barley (FOB USD/MT)			
	December	January	February
FOB PNW	\$245	\$245	\$245

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	December	January	February
New Orleans	\$220	\$220	\$220
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	December	January	February
New Orleans	\$750	\$750	\$750
*5-10,000 MT Minimum			

*All prices are market estimates.

DDGS Price Table: December 12, 2014 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Dec.	Jan.	Feb.
Barge CIF New Orleans	234	236	236
FOB Vessel GULF	243	247	247
Rail delivered PNW	253	253	253
Rail delivered California	251	249	249

Mid-Bridge Laredo, TX	245	245	245
40 ft. Containers to South Korea (Busan)	269	271	274
40 ft. Containers to Taiwan (Kaohsiung)	267	269	272
40 ft. Containers to Philippines (Manila)	303	305	308
40 ft. Containers to Indonesia (Jakarta)	282	285	287
40 ft. Containers to Malaysia (Port Kelang)	282	285	287
40 ft. Containers to Vietnam (HCMC)	284	286	289
40 ft. Containers to Japan (Yokohama)	276	279	281
40 ft containers to Thailand (LCMB)	277	279	282
40 ft Containers to Shanghai, China	268	273	278
KC & Elwood, IL Rail Yard (delivered Ramp)	211	213	215

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: This was the first time since July 10 that the price of the March corn contract has closed above \$4.00 per bushel. The increasing price of corn is a primary reason that both domestic and export prices for DDGS increased this past week by approximately \$20/MT. However, there are also other price influencing factors, such as active rumors about the potential return of certain large Asian buyers. While those rumors can be neither confirmed nor denied, it is fact that there was purchasing this past week by other Asian buyers as a sale occurred: Kaohsiung Taiwan at \$266 for February. As well, Vietnamese buyers received offers for \$260 to HCMC for January/February.

Current uncertainty about potential demand has sparked a lot of inquiry among both domestic and foreign DDGS buyers. DDGS merchandisers welcome such discussions because last week's ethanol production set a new high, and so there is a significant amount of DDGS being produced. The end of grain harvest in the United States also means that there are more opportunities for DDGS merchandisers to seek out favorable freight rates for their clients.

Ethanol Comments: Last week, U.S. ethanol production increased to a new record daily average production rate of 988,000 barrels per day (bpd). In turn, the total U.S. ethanol stocks increased from 17.3 million barrels to 17.8 million barrels. That is a notable weekly increase but present U.S. ethanol stocks are no more than 15 percent above the year ago stocks level of 15.4 million barrels.

Exports of ethanol throughout the past year have acted as an excellent relief valve and kept U.S. stocks at manageable levels. Some ethanol market participants have recently become concerned that sharp declines in the price of crude oil could eliminate the export demand. However, multiple foreign nations have mandates in place to consume some level of ethanol and the United States is likely to remain a primary supply source because of recent declines in Brazilian ethanol production.

Earlier in the Brazilian sugar processing season, which began in April, there was an increase in sugar production but there has been a premature end to processing for many mills due to a worsening drought in the Sao Paulo production region. The Dow Jones Newswire has noted that the Brazilian Sugarcane Industry Association reported that processing in the center-south portion of this region declined by 40 percent from late November. Such declines will reduce Brazilian ethanol production and any potential exports. Of course, such a reduction cannot fully offset the full influence of increasing costs for corn and reducing crude oil prices.

The differential between the cost of corn and the return for the co-products of ethanol and DDGS are now below week ago and year ago levels. The differentials in the various regions are as follows for the week ending Friday, December 12, 2014.

- Illinois differential is \$3.33 per bushel in comparison to \$3.92 the prior week and \$4.50 a year ago.
- Iowa differential is \$3.02 per bushel in comparison to \$3.58 the prior week and \$4.25 a year ago.
- Nebraska differential is \$3.11 per bushel in comparison to \$3.71 the prior week and \$3.87 a year ago.
- South Dakota differential is \$3.11 per bushel in comparison to \$3.83 the prior week and \$4.34 a year ago.

COUNTRY NEWS

Argentina: The Rosario Grains Exchange has announced that as of this week 51.8 percent of Argentina's corn crop has been planted, according to Reuters.

Brazil: Brazilian farmers are expanding their soy acreage by 4.9 percent at the expense of corn as low global prices have made it a less profitable crop, according to Bloomberg News.

Kenya: Kenya's agriculture secretary anticipates there being a surplus corn crop this year despite an outbreak of Maize Lethal Necrosis, reports Bloomberg News. Output could total 3.63 MMT, which is up from 3.5 MMT last year. Annual corn consumption in Kenya is 3.62 MMT. The surplus is being attributed to favorable rains and a government effort to distribute seed and fertilizer to farmers.

Russia: The Veterinary and Phytosanitary Surveillance Service has announced that it is not yet using new regulations for grain exports, but will implement them should quality issues arise, according to Reuters. The new rules would include inspecting conditions at grain storage facilities, machines used and the grain itself.

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	\$41.50	Down \$1.00	Handymax at \$42.50/MT
55,000 U.S. PNW-Japan	\$22.50	Down \$0.50	Handymax at \$25.00/MT
55,000 U.S. Gulf-China	\$40.00	Down \$1.00	North China
PNW to China	\$31.50	Down \$0.50	

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25,000 U.S. Gulf-Veracruz, México	\$16.00	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	\$14.00	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$17.50 \$27.00	Down \$0.50 Down \$1.00	West Coast Colombia at \$27.00
36-40,000 U.S. Gulf-Guatemala	\$26.75	Down \$0.25	Acajutla/Quetzal - 8,000 out
25-30,000 U.S. Gulf-Algeria	\$32.50 \$34.50	Down \$1.00 Up \$1.00	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$32.50	Down \$1.00	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	\$31.50 \$32.00	Down \$1.00 Down \$1.00	55,000 -60,000 MT St. Lawrence to Egypt \$32.00
60-70,000 U.S. Gulf-Europe-Rotterdam	\$17.00	Down \$1.00	Handymax at +\$1.50 more
Brazil, Santos-China	\$32.50 \$30.25	Down \$1.00 Down \$1.00	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	\$36.00	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: It must be Black Friday in global Dry-Bulk markets as everything is bargain priced. It will not be a jolly Christmas for vessel owners, but charterers and international buyers are getting the gift of lower prices.

The Baltic Dry-Bulk index closes were very late in being published today; maybe someone was trying to hide the terrible results? It was another down week for the Baltic indices and for physical rates, which does not bode well for the Q1 2015 outlook if you are a vessel owner.

As is its job, the market is sending a message to vessel owners and their financiers. Stop building new ships! If they cannot logically come to this conclusion on their own the market will force the issue and it will be painful.

Baltic Panamax Dry-Bulk Indices				
December 12, 2014	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	14,735	15,492	-757	-4.9%
P3A: PNW/Pacific– Japan	6,875	7,844	-969	-12.4%

Source: O'Neil Commodity Consulting

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

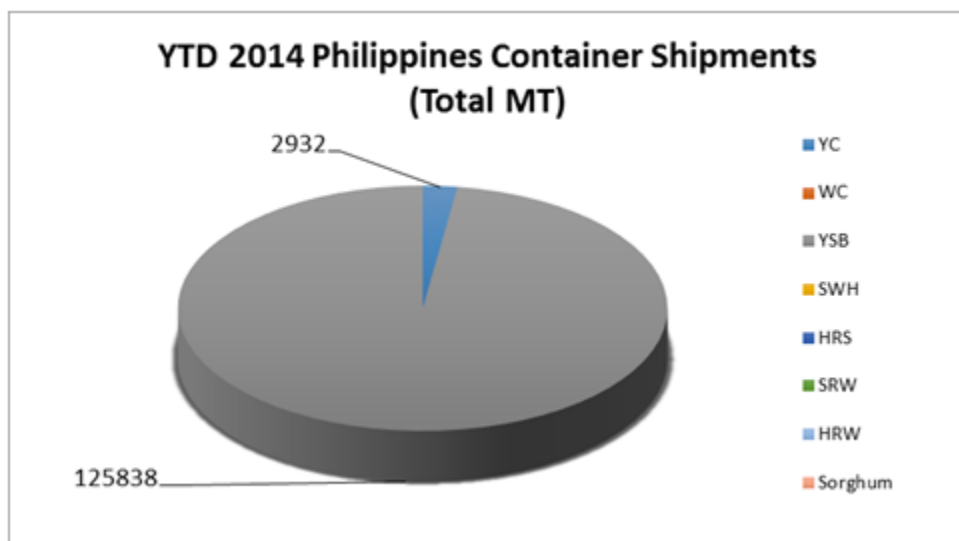
Week of December 12, 2014	
Four weeks ago:	\$9.30-\$9.70
Three weeks ago:	\$9.35-\$9.65
Two weeks ago:	\$8.40-\$9.00
One week ago:	\$6.55-\$7.60
This week:	\$5.55-\$6.10

Source: O'Neil Commodity Consulting

U.S. – Asia Market Spreads					
December 12, 2014	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	1.15	0.82	0.33	\$12.99	PNW
Soybeans	1.45	1.10	0.35	\$13.78	PNW
Ocean Freight	\$21.50	\$40.00	0.47-0.50	(\$18.50)	January

Source: O'Neil Commodity Consulting

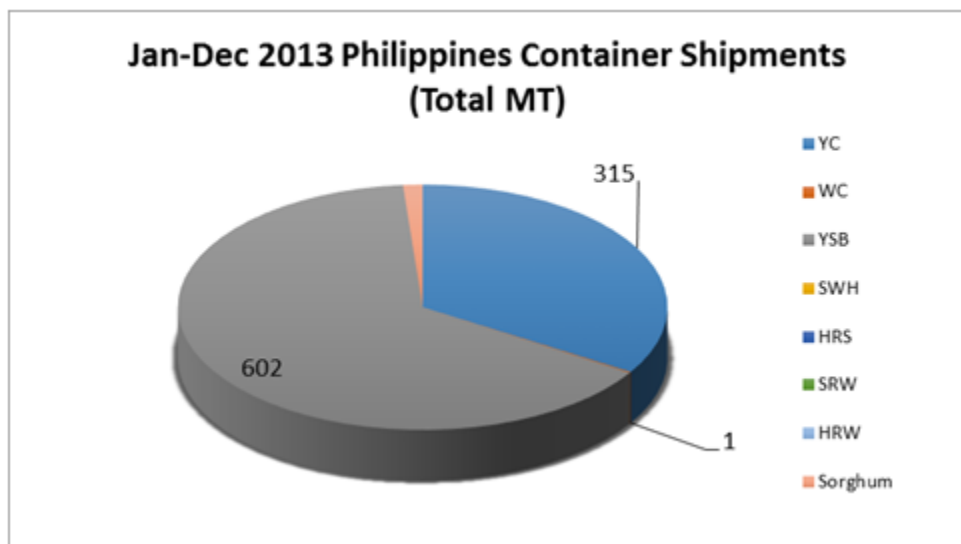
The charts below represent January-December 2013 annual totals versus year-to-date 2014 container shipments to Philippines.



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	China	Japan	Korea	Colombia	Morocco	Egypt	Saudi Arabia
Corn (Yellow)	Argentina	\$35	\$38	\$37	\$30	\$32	\$25	-
	Brazil	\$28	\$31	\$30	\$25	\$25	\$19	-
Corn (White)	Argentina	\$35	\$38	\$37	\$30	\$32	\$25	-
	Brazil	\$28	\$31	\$30	\$25	\$25	\$19	-
Barley	Argentina	\$35	\$38	\$37	\$30	\$32	\$25	-
	Brazil	\$28	\$31	\$30	\$25	\$25	\$19	-
Sorghum	Argentina	\$35	\$38	\$37	\$30	\$32	\$25	-
	Brazil	\$28	\$31	\$30	\$25	\$25	\$19	-

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 (%): December 10, 2014			
	Current Week	Last Week	Last Month
U.S. Prime	3.25	3.25	3.25
LIBOR (6 month)	0.34	0.33	0.33
LIBOR (1 year)	0.58	0.56	0.56

Source: www.bankrate.com