Market Perspectives

January 5, 2017

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn March Contract					
$/Bu	**Friday 30 December**	**Monday 2 January**	**Tuesday 3 January**	**Wednesday 4 January**	**Thursday 5 January**
Change	2.250	0.000	3.7500	4.0000	1.5000
Closing Price	352.000	0.000	355.750	359.750	361.250
Factors Affecting the Market	Quiet trading yielded a higher close to cap a year marked with bearish activity. The March 2017 corn contract ended 2016 down 8 percent but on a slight uptrend. Outside markets were lower and a 44-point drop in the dollar was supportive.	Markets closed in observance of New Year's Day holiday.	Commercial demand and non-commercial traders' small long position boosted prices. The market waits for additional South American weather news before making a big move. Export inspections were neutral at 25.1 million bu.	Heavy rains in Argentina and spill-over buying from soybeans pulled corn higher. Exports are slowing but Gulf basis levels remain competitive vs. Brazil. Midwest corn basis levels are increasing on good demand and a lower US dollar.	Corn achieved a 5th day of gains on a sharp drop in the USD and record high ethanol production. Cash markets firmed as the U.S. remains competitive vs. South America. The dollar and equities were down in pre-jobs report trading.

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 ten 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: The holidays were kind to the corn market, bringing bulls the gift of a high-pressure ridge across Brazil and heavy rain with some flooding for Argentina. While Brazil and Argentina might argue the classification of recent weather as a "gift," bulls at the CBOT view it as such. The high-pressure ridge started last week and is expected to hold for at least one more, brining hot, dry weather to northeast Brazil during the key soybean development period (January in Brazil is equivalent to July in the U.S. crop cycle). Concurrently, the ridge creates a wet pattern for southern Brazil, Argentina, Paraguay, and Uruguay with some low-level flooding. All in all, the situation creates some concern for the South American soybean crop which has spilled over into support for corn.

Aside from the weather, there has been little fundamental news for the market to trade. Exports continue to run above year-ago levels (YTD bookings are 75 percent above last year) but have been slowing since early December as the market awaits USDA's Grain Stocks report on January 12. The report will give a good indicator of how much grain is "in the bin" and available for export and domestic use. It will likely be a market-moving report with a significant price movement one way or the other. Traders appear to be paring back short positions in preparation for a possibly bullish report.

One interesting feature of the markets lately is investment funds' and money managers' growing interest in building long positions. Many investors view commodities as "cheap" given the long commodity bear market and rising stock prices, prompting interest to "buy low". With a stronger macroeconomic outlook in place and predictions of increasing inflation, investment funds are expecting commodity prices to rise. If changing fundamentals motivate the market to trade above its recent range, the move would likely generate additional investment in the corn/grain markets.

From a technical perspective, the uptrend in March corn remains intact. Indeed, the market touched the trendline on December 23 and has since pulled away in a classic indicator of a trending market. However, the resistance line formed from the October 20 and December 13 highs has turned back four rallies since October and hovers above today's close at $3.65. Corn is trading above its 10-day, 20-day, and 40-day moving averages which is a bullish sign, as is the "buy" signal flashed by the MACD earlier this week. However, the burden of proof is on the bulls and pushing above resistance will be a substantial fight. Look for the market to get turned back at the resistance line and resume choppy trading this week unless substantive new fundamental information is revealed.

CBOT MARCH CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending January 5, 2017			
Commodity	**5-Jan**	**30-Dec**	**Net Change**
Corn			
Mar 17	361.25	352.00	9.25
May 17	367.50	357.50	10.00
Jul 17	374.25	364.25	10.00
Sep 17	380.75	371.25	9.50
Soybeans			
Jan 17	1003.50	996.50	7.00
Mar 17	1012.50	1004.00	8.50
May 17	1021.00	1012.50	8.50
Jul 17	1027.75	1019.00	8.75
Soymeal			
Jan 17	314.40	312.90	1.50
Mar 17	318.20	316.60	1.60
May 17	320.60	319.20	1.40
Jul 17	323.10	322.00	1.10
Soyoil			
Jan 17	35.00	34.42	0.58
Mar 17	35.22	34.66	0.56
May 17	35.47	34.92	0.55
Jul 17	35.69	35.13	0.56
SRW			
Mar 17	426.25	408.00	18.25
May 17	436.50	420.50	16.00
Jul 17	449.25	434.25	15.00
Sep 17	460.75	447.75	13.00
HRW			
Mar 17	434.50	418.50	16.00
May 17	446.00	430.00	16.00
Jul 17	457.00	441.25	15.75
Sep 17	470.50	455.25	15.25
MGEX (HRS)			
Mar 17	550.25	538.00	12.25
May 17	544.75	534.00	10.75
Jul 17	545.75	538.00	7.75
Sep 17	550.00	544.00	6.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: During the next 5 days (January 5-9), several Pacific storm systems laden with moisture are expected to batter California and the West, with up to 18 inches of precipitation forecast for the Sierra Nevada Mountains. Coastal areas of Oregon and the northern two-thirds of California are expecting more than 4 inches of precipitation, while the Intermountain West, northern, central, and southern Rockies and Cascades may see 1-3 inches. Unfortunately, little or no precipitation is predicted in the middle third of the Nation (including the Plains), while a storm may develop off the Atlantic Coast. Light totals (less than 1 inch) may occur along the eastern Gulf and south Atlantic Coasts, with lake-effect snows likely in the favored Great Lakes snow belts. Temperatures across much of the lower 48 States should be well-below normal except for above-normal readings in the Southwest.

During January 10-14, the odds favor above-median precipitation in the West, northern Plains, Midwest, and Northeast, with good chances for sub-median precipitation in the southern Rockies, southern half of the Plains, and along the Gulf and southern Atlantic Coasts. Temperatures are expected to rebound from the day 1-5 cold spell, with a favorable tilt toward above-normal readings across the southern half and eastern third of the U.S., with the cold expected to remain in the Northwest and northern Plains.

Follow this link to view current U.S. and international weather patterns and future outlook: Weather and Crop Bulletin.

U.S. EXPORT STATISTICS

Due to the Monday, January 2 holiday, weekly U.S. export sales will be published on Friday, January 6. Updated U.S. export sales will be published in the January 12 edition of *Market Perspectives*.

U.S. Export Sales and Exports: Week Ending December 22, 2016					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	595,900	481,900	14,364.1	20,765.9	32%
Corn	1,000,500	992,000	15,702.8	35,303.5	75%
Sorghum	33,900	115,000	1,470.5	3,034.7	-42%
Barley	0	1,000	11.8	16.6	-37%

Corn: Net sales of 958,600 MT for 2016/2017 were down 23 percent from the previous week and 24 percent from the prior 4-week average. Increases were for Mexico (480,900 MT, including 40,000 MT switched from unknown destinations and decreases of 8,800 MT), Japan (181,500 MT, including 88,800 MT switched from unknown destinations and decreases of 5,300 MT), Peru (129,600 MT, including 45,000 MT switched from unknown destinations and decreases of 14,900 MT), Malaysia (66,300 MT), and South Korea (56,500 MT, switched from unknown destinations and decreases of 3,500 MT). Reductions were for unknown destinations (70,200 MT), Guatemala (6,400 MT), Colombia (5,700 MT), and Panama (1,500 MT). For 2017/2018, net sales of 46,200 MT were reported for Mexico (32,000 MT), Peru (13,000 MT), and Honduras (1,200 MT). Exports of

992,000 MT were up 27 percent from the previous week and 5 percent from the prior 4-week average. The primary destinations were Mexico (286,800 MT), South Korea (187,800 MT), Japan (179,800 MT), Peru (142,500 MT), and Colombia (42,000 MT).

Optional Origin Sales: For 2016/2017, the current optional origin outstanding balance of 828,000 MT is for South Korea (604,000 MT) and unknown destinations (224,000 MT).

Barley: No net sales were reported for the week. Exports of 1,000 MT were reported to Japan (800 MT) and Vietnam (200 MT).

Sorghum: Net sales of 30,700 MT for 2016/2017 resulted as increases for China (64,500 MT, including 58,000 MT switched from unknown destinations and decreases of 3,200 MT), Mexico (17,900 MT), and Indonesia (3,300 MT), were partially offset by reductions for unknown destinations (55,000 MT). Exports of 115,000 MT were down 57 percent from the previous week and 31 percent from the prior 4-week average. The destinations were China (108,800 MT), Mexico (5,700 MT), and Nigeria (400 MT).

U.S. Export Inspections: Week Ending December 29, 2016

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	0	807	28,785	27,890	103%
Corn	636,684	992,497	17,057,983	9,504,748	179%
Sorghum	64,964	167,289	1,787,679	3,830,088	47%
Soybeans	1,578,703	1,718,583	32,963,459	27,937,517	118%
Wheat	395,417	540,268	15,526,305	12,153,244	128%

*Source: USDA/AMS. *Marketing Year is June 1-May 31 for wheat and barley and September 1-August 31 for corn, sorghum and soybeans. Week-to-week reports will vary due to exporter reported conditions and cancellations to previous week's reports.*

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USDA Grain Inspections for Export Report: Week Ending December 29, 2016						
Region	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Gulf	336,746	54%	11,418	99%	49,061	76%
PNW	193,095	31%	147	1%	0	0%
Interior Export Rail	95,278	15%	0	0%	15,903	24%
Total (Metric Tons)	625,119	100%	11,565	100%	64,964	100%
White Corn Shipments by Country (MT)			11,418	to Colombia		
			147	to South Korea		
Total White Corn (MT)			11,565			
Sorghum Shipments by Country (MT)					49,061	to China
					587	to Indonesia
					15,218	to Mexico
					98	to Panama
Total Sorghum (MT)					64,964	

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 January	+0.60 H	$165.84	-	-
February	+0.60 H	$165.84	+0.95 H	$179.62
LH February	+0.58 H	$165.05	+0.95 H	$179.62

Due to the low volume of trade in the market, we are unable to provide accurate White Corn FOB values for this week’s report.

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	**NOLA**		**TEXAS**	
	Basis	**Flat Price**	**Basis**	**Flat Price**
January	-	-	+0.68 H	$168.99
February	-	-	+0.68 H	$168.99

Barley: Feed Barley (FOB USD/MT)			
	January	**February**	**March**
FOB PNW	$185	$190	$195

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	January	**February**	**March**
New Orleans	$135	$135	$135
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**January**	**February**	**March**
New Orleans	$590	$590	$590
**5-10,000 MT Minimum*			

Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. $/ST)		
	January	**February**
Rail Delvd. East Coast	$565	$560
Rail Delvd. Chicago	-	-
Truck Delvd. Chicago	$555	$545
Truck Delvd. Channahon/Elwood	-	-

***All prices are market estimates.**

DDGS Price Table: January 5, 2017 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**January**	**February**	**March**
Barge CIF New Orleans	138	140	141
FOB Vessel GULF	147	150	150
Rail delivered PNW	174	176	177
Rail delivered California	177	179	180
Mid-Bridge Laredo, TX	174	176	177
FOB Lethbridge, Alberta	150	152	152
40 ft. Containers to South Korea (Busan)	180	180	182
40 ft. Containers to Taiwan (Kaohsiung)	179	180	182
40 ft. Containers to Philippines (Manila)	188	188	191
40 ft. Containers to Indonesia (Jakarta)	184	184	186
40 ft. Containers to Malaysia (Port Kelang)	186	186	188
40 ft. Containers to Vietnam (HCMC)	188	188	191
40 ft. Containers to Japan (Yokohama)	188	189	191
40 ft. containers to Thailand (LCMB)	184	184	186
40 ft. Containers to Shanghai, China	185	185	190
KC & Elwood, IL Rail Yard (delivered Ramp)	139	141	143

*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.*

DISTILLER'S DRIED GRAINS WITH SOLUBLES (DDGS)

DDGS Comments: Rising soybean meal prices are helping keep DDGS competitive in domestic feed rations. On a per-protein unit basis, DDGS have a $2.66 advantage over soybean meal as South American weather concerns buoy the soy complex. The holidays created a brief lull in demand and merchandisers lowered prices to stimulate additional demand. CIF NOLA prices and FOB Gulf prices were both slightly lower this week but prices in Alberta were $2-3/ton higher. On the international market, prices were softer due to the holidays. However, end users have likely only covered their needs through the holidays and not much further into 2017. Accordingly, as business returns to normal during the first weeks of January, additional buying and a price rebound are likely. Such an event could quickly erase any softness observed in the markets this week.

Ethanol Comments: Ethanol producers finished 2016 with a bang, pushing production to a record-high 1.043 million barrels/day (306.64 million gallons per week). The 1.5 percent increase came even as ethanol stocks were flat and gasoline supplied (a measure of ethanol consumption) fell 11 percent on holiday-reduced demand. Ethanol prices worked their way lower in recent weeks but stable cash corn prices allowed plants to maintain solid margins. The outlook calls for a slow decrease in production heading into the end of January but production should remain above 303.4 million gallons per week.

Ethanol margins were lower this week three of the four reference markets. Producers in Illinois saw margins experience the only increase as they gained $0.02/bushel this week. Margins in South Dakota and Iowa experiences the largest declines, falling $0.29/bushel and $0.19/bushel, respectively. Ethanol producers are still enjoying comparatively good margins, which are up $0.70/bushel over last year on average to start 2017. Specific margins for the four reference markets are as follow:

- Illinois differential is $2.08 per bushel, in comparison to $2.06 the prior week and $1.47 a year ago.
- Iowa differential is $2.02 per bushel, in comparison to $2.21 the prior week and $1.29 a year ago.
- Nebraska differential is $2.13 per bushel, in comparison to $2.20 the prior week and $1.44 a year ago.
- South Dakota differential is $2.22 per bushel, in comparison to $2.51 the prior week and $1.44 a year ago.

COUNTRY NEWS

Argentina: Excessive wetness has delayed corn seeding and is driving the corn market higher but the South American land mass is large and there are weather issues somewhere every year. (Reuters)

Brazil: The Secretariat of Foreign Commerce reported that December corn exports were down 84 percent from the same month a year ago, and overall corn exports for the marketing year at 19.8 MMT were down 31 percent from a year earlier. (Bloomberg)

China: Corn prices climbed to 1,534 yuan ($222.91) per ton, the highest in two weeks on the view that corn is underpriced relative to soybeans and farmers will plant less of it this coming year. (Bloomberg) The government adopted a direct payment subsidy scheme for corn farmers similar to the U.S. program. Farmers in the four main corn production provinces will be paid between $109 and $163 (average $137) per acre for the corn they plant. China is offering corn for export at prices below those of the U.S. and Brazil. The government's Document Number One policy statement says it will "carefully promote GM food crops, though likely traits supplied by Chinese companies. (Iowa Corn Farmer)

Ukraine: The Agriculture Ministry projects annual corn exports at 18.5 MMT, the most of any country but still below the 2013/14 record of 20 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	$35.00	Down $0.50	Handymax at $36.00/MT
55,000 U.S. PNW-Japan	$17.75	Down $0.50	Handymax at $19.00/MT
55,000 U.S. Gulf-China PNW to China	$33.50 $17.00	Down $0.50 Down $0.50	North China
25,000 U.S. Gulf-Veracruz, México	$15.75	Down $0.25	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	$14.00	Down $0.25	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	$18.50 $30.50	Unchanged Unchanged	West Coast Colombia at $27.00
40-45,000 U.S. Gulf-Guatemala	$25.00	Unchanged	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	$23.25 $26.25	Down $0.25 Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$22.50	Down $0.75	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$20.50 $24.00	Down $0.75 Down $0.50	55,000 -60,000 MT St. Lawrence to Egypt $21.00
60-70,000 U.S. Gulf-Europe-Rotterdam	$14.50	Up $0.50	Handymax at +$1.50 more
Brazil, Santos-China Itacoatiara Port up river Amazonia-China	$21.25 $21.50 $29.75	Down $0.25 Unchanged Down $0.25	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$30.75	Down $0.25	—

Source: O'Neil Commodity Consulting
**Numbers for this table based on previous night's closing values.*

U.S. GRAINS COUNCIL

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OCEAN FREIGHT COMMENTS

Transportation and Export Report: Jay O'Neil, O'Neil Commodity Consulting: This is the week that the world markets start to wake up from their Holiday sleep and get back to business. Of course, not everyone is back in their office chair just yet. Jerome Sorrel made the following observation: One-third of the world has been off for the occidental Christmas and New Year holiday, followed by another third of the world off shortly thereafter for the Lunar New Year, followed by another third of the world off for Ramadan. So, it will be difficult to get a lot of clarity out of the market for a while. As best as I can tell most Dry-Bulk shipping routes are off $1,500 to $3,000/day on their daily hire rates this week versus just before the holidays. It looks as if the U.S. Gulf Handysize market is on the biggest loser side of this equation; but it was the strongest on the up side. The Capesize vessel market is the holding its own pretty well, and even moving up a bit, as buyers are trying to get coverage before the Chinese New Year holiday at the end of this month. Though we most likely did make multi-year contract lows and bounced off of them in 2016, it does not appear that we will be making any new 12-month contract highs in the first half of 2017.

Baltic-Panamax Dry-Bulk Indices				
January 5, 2017 Route	**This Week**	**Last Week**	**Difference**	**Percent Change**
P2A: Gulf/Atlantic – Japan	11,858	11,553	305	2.6%
P3A: PNW/Pacific– Japan	4,936	5,541	-605	10.9%

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:

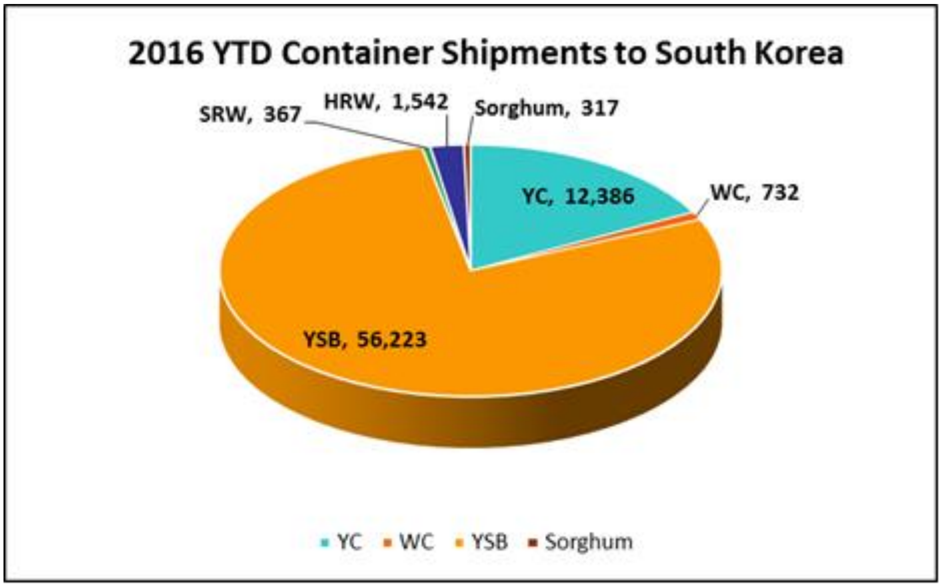
Week Ending January 5, 2017	
Four weeks ago:	$6.25-$6.50
Three weeks ago:	$5.50-$6.20
Two weeks ago:	$5.10-$5.85
One week ago:	$4.95-$5.10
This week	$5.45-$6.30

Source: O'Neil Commodity Consulting

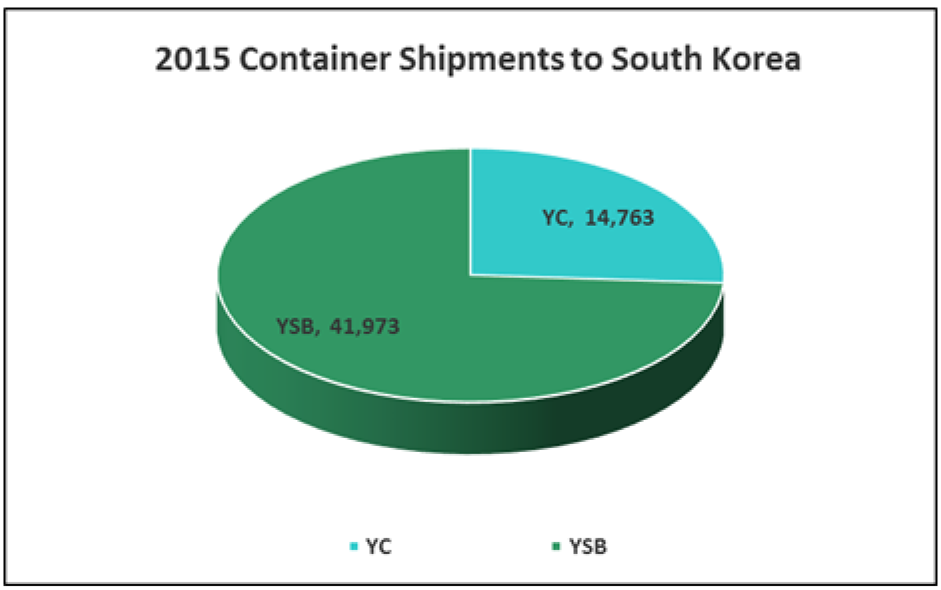
U.S.-Asia Market Spreads					
January 5, 2017	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
#2 Corn	0.95	0.58	0.37	$14.57	PNW
Soybeans	0.95	0.50	0.45	$17.72	Gulf
Ocean Freight	$17.00	$33.50	0.42-0.45	($16.50)	February

Source: O'Neil Commodity Consulting

The charts below represent year-to-date 2016 versus January-December 2015 annual totals for container shipments to South Korea.



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

International Freight Rates for Feed Grains – Select Routes Estimated Spot Price ($/MT) – Week Ending January 5, 2017									
Commodity	**Origins**	**China**	**Japan**	**Korea**	**Morocco**	**Egypt**	**Saudi Arabia**	**Morocco**	**Colombia**
Vessel Size		**PNMX**	**PNMX**	**PNMX**	**PNMX**	**PNMX**	**PNMX**	**Handy**	**Handy**
Corn (Yellow)	**Argentina**	$27.75	$29.00	$28.50	$26.25	$24.25	$28.75	$28.75	$27.75
	Brazil	$21.00	$22.75	$24.25	$24.75	$26.75	$18.25	$27.25	$26.25
Corn (White)	**Argentina**	$27.75	$29.00	$28.50	$26.25	$24.25	$28.75	$28.75	$27.75
	Brazil	$21.00	$22.75	$24.25	$24.75	$26.75	$18.25	$27.25	$26.25
Barley	**Argentina**	$27.75	$29.00	$28.50	$26.25	$24.25	$28.75	$28.75	$27.75
	Brazil	$21.00	$22.75	$24.25	$24.75	$26.75	$18.25	$27.25	$26.25
Sorghum	**Argentina**	$27.75	$29.00	$28.50	$26.25	$24.25	$28.75	$28.75	$27.75
	Brazil	$21.00	$22.75	$24.25	$24.75	$26.75	$18.25	$27.25	$26.25

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 (%): January 5, 2016			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.75	3.75	3.50
LIBOR (6 month)	1.32	1.32	1.29
LIBOR (1 year)	1.69	1.69	1.64

Source: www.bankrate.com