Market Perspectives

January 26, 2017

U.S. GRAINS COUNCIL

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn March Contract					
$/Bu	**Friday 20 January**	**Monday 23 January**	**Tuesday 24 January**	**Wednesday 25 January**	**Thursday 26 January**
Change	3.500	-0.250	-6.2500	3.0000	-2.5000
Closing Price	369.750	0.000	363.250	366.250	363.750
Factors Affecting the Market	Corn closed at a 6-month high as dry weather in Argentina and wet weather in Brazil added production concerns. USDA's export sales report was neutral (53.8 million bu). The USD fell 0.39 as traders know President Trump favors a low dollar.	Commercial selling pulled the market slightly lower. Weather in Brazil is looking better which is increasing bearish reasoning. Export inspections were bullish at 37.9 million bu. Crude oil was lower as were the USD and U.S. equities.	More commercial selling pushed corn lower on light volume. Beans closed lower for the 4th straight day, offering no support. One firm pegged corn acreage at 90.5 mln. acres; that'd keep 2017/18 supplies near current levels.	Daily export sales of 5.6 mln. bu and strong ethanol production boosted the market. Argentina's weather is still dry though conditions in Brazil are easing. The USD was down 0.17 while the DJIA index closed above 20,000.	Chinese corn prices fell 1.1 percent, depressing global corn markets. This week's lower USD helped weekly export sales (1.37 MMT). South American weather concerns remain but are fading. Outside markets were mostly higher.

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.

USGC is looking for a new manager of global trade. This position supports worldwide activities, monitors and tracks trade issues and manages programs to expand markets. More information can be found here.

Outlook: March corn futures have generally been under selling pressure this week as commercials took advantage of higher prices to sell and hedge inventory. The weather in South American remains a concern from a global production standpoint but the persistent high-pressure ridge that has created so much chaos in the region is weakening. Ethanol margins were weaker this week and, with a continued bias to the downside, will be creating reductions in corn demand. More significantly, the U.S. dollar's four weeks of lower price action continued this week and did not substantially spur the corn market. Some traders and policy analysts are pointing to Mexican President Enrique Nieto's cancellation of his meeting with President Trump. Concerns exist that Trump's campaign promises to renegotiate NAFTA could damage U.S. exports to the country. Bearish sentiment was certainly uncovered this week but demand remains strong, 2017/18 production will likely be lower than last year, and South America has weather issues. There is still opportunity for an upward move in the corn market.

A fourth week of higher corn export sales was noted in this week's report from USDA/FAS. Total sales (current and next marketing year) reached 54.8 million bushels and U.S. exporters sent 38.52 million bushels abroad last week. Last week's activity brings YTD totals to 744.5 million bushels, up from 443 million this time last year. YTD bookings are up 69 percent but today's report is largely considered neutral for corn. The weekly sales rate was above what was needed to reach USDA's projections but actual shipments were below the 46 million bushels needed. Notably, the volume of unshipped (sold but not yet exported) corn is approaching 800 million bushels, well above the 450 million bushels that is typical for this time of year.

Friday's CFTC data showed noncommercial traders are still net long and are adding to their position. Conversely, commercials are now net short after taking advantage of recent high prices to sell and hedge inventory. With this week's more bearish tone, we are likely to see some reduction in fund length with tomorrow's data. However, the corn market is still slowly grinding higher and some bullish factors are still in force. It is doubtful that funds will pare long positions significantly and higher prices are likely with fund's current and expected position.

From a technical perspective, support has formed at $3.61 where strong demand appeared on Wednesday. The support allowed corn to shrug off Tuesday's bearish outside day which was driven by a retreat from significant resistance at the 200-day moving average. For now, the 20-day moving average ($3.55) stands as support and a close below this point (which hasn't happened since January 3rd) would likely usher in an additional wave of selling. Conversely, a close above $3.71 would be bullish and open $3.83 as the next price target for bulls.

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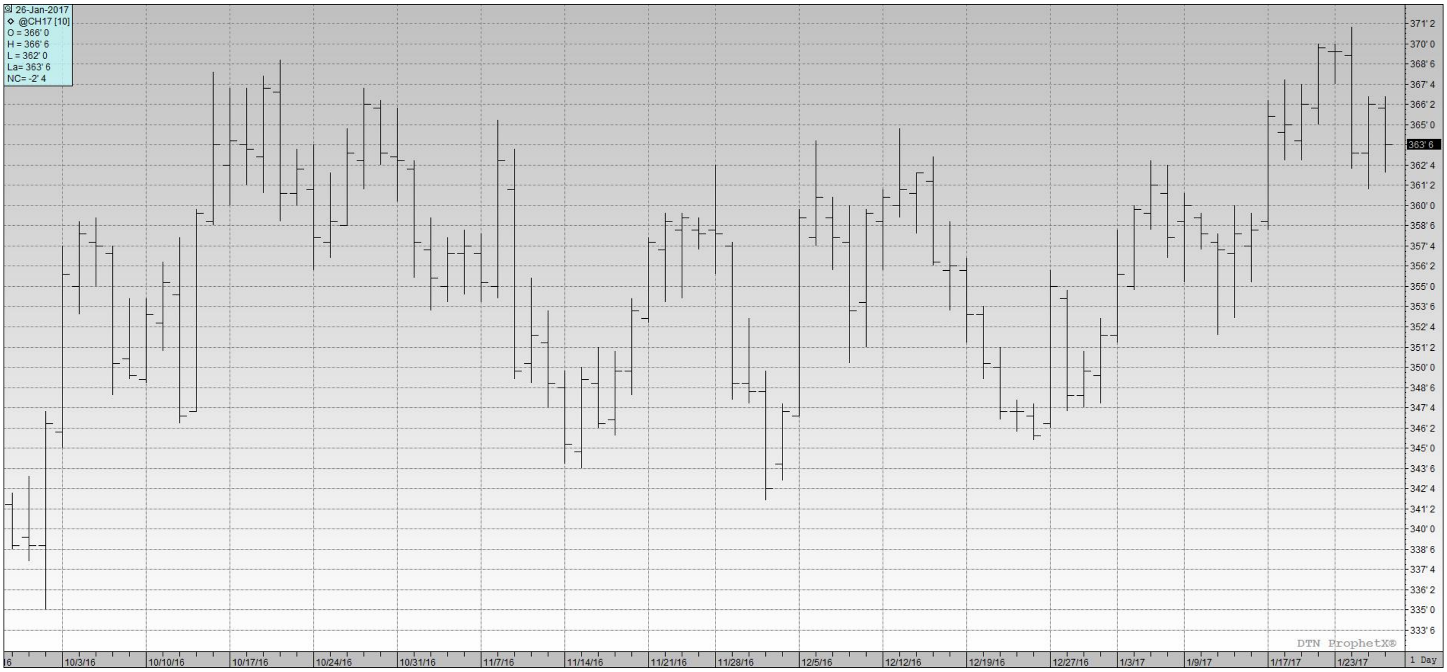
CBOT MARCH CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending January 26, 2017			
Commodity	**26-Jan**	**20-Jan**	**Net Change**
Corn			
Mar 17	363.75	369.75	-6.00
May 17	371.00	376.25	-5.25
Jul 17	378.00	383.00	-5.00
Sep 17	384.25	389.25	-5.00
Soybeans			
Mar 17	1049.50	1067.50	-18.00
May 17	1059.00	1076.00	-17.00
Jul 17	1065.75	1082.00	-16.25
Aug 17	1062.50	1076.25	-13.75
Soymeal			
Mar 17	342.40	348.70	-6.30
May 17	345.50	351.00	-5.50
Jul 17	347.50	351.90	-4.40
Aug 17	344.80	348.70	-3.90
Soyoil			
Mar 17	34.47	35.15	-0.68
May 17	34.74	35.39	-0.65
Jul 17	34.98	35.63	-0.65
Aug 17	35.01	35.58	-0.57
SRW			
Mar 17	427.00	428.25	-1.25
May 17	440.50	443.25	-2.75
Jul 17	455.00	458.50	-3.50
Sep 17	469.75	473.25	-3.50
HRW			
Mar 17	440.25	443.00	-2.75
May 17	452.50	455.00	-2.50
Jul 17	464.50	466.50	-2.00
Sep 17	478.75	480.25	-1.50
MGEX (HRS)			
Mar 17	566.75	568.50	-1.75
May 17	558.50	560.50	-2.00
Jul 17	558.25	558.50	-0.25
Sep 17	559.75	558.75	1.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: Drier than normal weather will dominate the contiguous 48 states during January 26-30, 2017. Focusing on areas of dryness and drought, only northern sections of New York and Vermont are expecting over half an inch, topping out around 1.5 inches east of Lake Erie. Between 0.1 and 0.5 inch is expected in the D1 to D3 areas of the Southeast, across Deep South Texas, and in a swath from north-central Pennsylvania northeastward through New Hampshire. Less than 0.1 inch is forecast for other areas experiencing dryness and drought. Temperatures are expected to average 6 to 12 degrees above normal in the central and northern Plains, adjacent central Montana, and the upper Mississippi Valley. In contrast, temperatures averaging 6 to 12 degrees below normal are forecast from eastern Oregon, southern Idaho, and central Colorado southward through most of the Intermountain West and Rockies.

For the ensuing 5 days (January 31-February 4, 2017), the odds favor continued dryness from the central High Plains and southern Rockies eastward to the Atlantic Coast, and in the Northeast. Enhanced chances for surplus precipitation exist across northern portions of the Plains and Rockies, the central and northern Intermountain West, and the West Coast. Odds favor above-normal temperatures in the Nation's mid-section, centered on central and southern sections of the Mississippi Valley and Plains. Enhanced chances for subnormal temperatures cover part of the Northwest, New England, and much of Florida.

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

U.S. EXPORT STATISTICS

U.S. Export Sales and Exports: Week Ending January 19, 2017					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	856,100	296,700	15,654.0	22,436.5	34%
Corn	1,519,400	978,500	18,912.1	39,074.0	69%
Sorghum	77,600	124,400	1,888.8	3,182.9	-45%
Barley	200	0	13.4	16.8	-36%

Corn: Net sales of 1,370,400 MT for 2016/2017 were up 2 percent from the previous week and 63 percent from the prior 4-week average. Increases were for unknown destinations (358,000 MT), Japan (292,000 MT, including decreases of 65,500 MT), Colombia (171,800 MT, including decreases of 25,000 MT), Mexico (169,700 MT, including decreases of 42,800 MT), and South Korea (138,100 MT, including 71,500 MT switched from unknown destinations and decreases of 5,000 MT). Reductions were for Canada (1,000 MT). For 2017/2018, net sales of 21,000 MT were reported for Mexico. Exports of 978,500 MT were up 6 percent from the previous week and 22 percent from the prior 4-week average. The primary destinations were Mexico (326,100 MT), Taiwan (154,000 MT), South Korea (143,500 MT), Colombia (86,900 MT), and Japan (57,100 MT).

Optional Origin Sales: For 2016/2017, options were exercised to export 68,000 MT to South Korea from the United States. The current optional origin outstanding balance of 760,000 MT is for South Korea (536,000 MT) and unknown destinations (224,000 MT).

Barley: Net sales of 200 MT for 2016/2017 were reported for Taiwan. There were no exports reported during the week.

Sorghum: Net sales of 76,500 MT were up 34 percent from the previous week and up noticeably from the prior 4-week average. Increases were reported for unknown destinations (42,500 MT), Japan (20,500 MT), Mexico (9,100 MT), China (4,100 MT, including decreases of 1,200 MT), and Indonesia (300 MT). Exports of 124,400 MT were up noticeably from the previous week and 22 percent from the prior 4-week average. The primary destinations were China (108,100 MT), Mexico (9,100 MT), Japan (5,500 MT), Nigeria (1,100 MT), and Indonesia (500 MT).

U.S. Export Inspections: Week Ending January 19, 2017					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	168	871	29,824	28,698	104%
Corn	963,897	902,528	19,806,071	11,236,298	176%
Sorghum	145,529	174,376	2,300,140	4,246,067	54%
Soybeans	1,290,777	1,420,068	37,151,702	31,777,316	117%
Wheat	276,205	385,475	16,463,340	13,079,470	126%

*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.*

USDA Grain Inspections for Export Report: Week Ending January 19, 2017						
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	561,155	61%	40,080	100%	134,722	93%
PNW	262,721	28%	0	0%	5,500	4%
Interior Export Rail	99,941	11%	0	0%	5,307	4%
Total (Metric Tons)	923,817	100%	40,080	100%	145,529	100%
White Corn Shipments by Country (MT)			12,084	to Colombia		
			27,996	to Mexico		
Total White Corn (MT)			40,080			
Sorghum Shipments by Country (MT)					107,492	to China
					27,230	to Sudan
					5,500	to Japan
					4,621	to Mexico
					686	to Somalia
Total Sorghum (MT)					145,529	

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 February	+0.73 H	$171.94	+1.00 H	$182.57
March	+0.65 H	$168.79	+0.99 H	$182.17
LH March	+0.59 H	$166.43	+0.99 H	$182.17

#2 White Corn (U.S. $/MT FOB Vessel)		
Max. 15.0% Moisture	**February**	**March**
Gulf	$202	$202

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	**NOLA**		**TEXAS**	
	Basis	**Flat Price**	**Basis**	**Flat Price**
January	-	-	+0.65 H	$168.79
February	-	-	+0.65 H	$168.79

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

**Prices reflect the week of January 19, 2017.*

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)		
	February	**March**
New Orleans	$145	$145
Quantity 5,000 MT		
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)		
Bulk 60% Pro.	**February**	**March**
New Orleans	$600	$600
**5-10,000 MT Minimum*		
Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. $/ST)		
	February	**March**
Rail Delvd. East Coast	-	-
Rail Delvd. Chicago	$545	$545
Truck Delvd. Chicago	$545	$545
Truck Delvd. Channahon/Elwood	-	-

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

DDGS Price Table: January 26, 2017 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**February**	**March**	**April**
Barge CIF New Orleans	141	142	144
FOB Vessel GULF	153	153	155
Rail delivered PNW	174	176	178
Rail delivered California	178	180	183
Mid-Bridge Laredo, TX	175	177	179
FOB Lethbridge, Alberta	149	150	151
40 ft. Containers to South Korea (Busan)	172	173	175
40 ft. Containers to Taiwan (Kaohsiung)	171	171	174
40 ft. Containers to Philippines (Manila)	180	181	183
40 ft. Containers to Indonesia (Jakarta)	175	175	177
40 ft. Containers to Malaysia (Port Kelang)	177	177	179
40 ft. Containers to Vietnam (HCMC)	180	180	182
40 ft. Containers to Japan (Yokohama)	178	178	180
40 ft. containers to Thailand (LCMB)	174	175	177
40 ft. Containers to Shanghai, China	171	172	176
KC & Elwood, IL Rail Yard (delivered Ramp)	132	133	135

*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.*

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DISTILLER'S DRIED GRAINS WITH SOLUBLES (DDGS)

DDGS Comments: The bottom in international DDGS prices seems to be confirmed as prices were again stronger this week. Barge CIF NOLA prices increased $9/MT this week while FOB Gulf prices were $8/MT higher for January shipment. Merchandisers are reporting that, due to the Chinese New Year, the export market has been quieter this week. However, Korean buyers were active and shipments to Busan had a firmer tone. Overall, prices for 40-foot containers to Southeast Asia were mostly unchanged, down $1/ton on average.

This week's drop-off in soybean meal prices has not exerted much influence on the domestic DDGS market. DDGS are still at a $3.46/protein unit discount to soybean meal and priced at 38% of soybean meal FOB U.S. Gulf. FOB corn values have been on a mild uptick this month but, until recently, DDGS have not followed, heading lower to buy demand in international markets. Now that demand has been found and with the Chinese New Year ending near the beginning of February, prices have a significantly more positive outlook. If weakening ethanol margins continue to work against ethanol production, the resulting supply tightening will be even more positive for DDGS merchandisers.

Across the Atlantic, corn-based DDGS were found to be a more consistent feed ingredient than DDGS based on other products, per a recent EU study. While DDGS in the U.S. are nearly exclusively produced from corn, the raw materials used in Europe are quite diverse, spanning wheat, barley, other cereals, and occasionally beet syrup. Moreover, blends of different raw materials are common. The study sought to determine the variation in nutrient composition of DDGS produced from different materials. The results showed corn-based DDGS were more consistent in their composition and were highly similar to corn-based DDGS from North America.

Ethanol Comments: President Trump's campaign promises to support American ethanol may be lower on his priority list now that he's in office. The newly inaugurated President failed to pick cabinet-level staff with a significantly pro-RFS record, leading some in the Midwest to question the President's intent to keep his campaign promise. Some have pointed to new EPA chief Scott Pruitt's record of criticizing the RFS. However, it is the Trump administration that is in the White House, not the Pruitt administration. Elected with strong Midwest support, it is unlikely the Trump administration will allow much harm to an ethanol industry so critical to the communities where its votes originated.

Ethanol production continued at a breakneck pace this week, though falling 3,000 barrels/day from the prior week. Still, production totaled 1.051 million barrels/day which is the second-highest production figure in history. Ethanol stocks grew 2.9 percent this week and gasoline supplied fell 10 percent (2.06 million barrels). The increase in stocks pushed ethanol prices lower, in turn pressuring ethanol margins. The deterioration in margins has many in the trade predicting a gradual decrease in production over the next several weeks. Some econometric models have weekly production falling from this week's 308.9 million gallons to 302 million by the first of February.

Across the four reference markets, ethanol margins fell in three; Illinois, Iowa, and Nebraska. South Dakota margins increased, helped by a 5-cent increase in regional ethanol prices. This week's average margin of $1.42/bushel is still $0.31 higher than one year prior.

- Illinois differential is $1.27 per bushel, in comparison to $1.34 the prior week and $1.10 a year ago.
- Iowa differential is $1.26 per bushel, in comparison to $1.38 the prior week and $0.98 a year ago.
- Nebraska differential is $1.44 per bushel, in comparison to $1.55 the prior week and $1.17 a year ago.
- South Dakota differential is $1.71 per bushel, in comparison to $1.64 the prior week and $1.19 a year ago.

COUNTRY NEWS

Israel: Private traders issued a tender for 85 KMT of corn, 25 KMT of feed barley and 40 KMT of feed wheat. The grain can be optional origin. (Reuters)

Philippines: After ideal weather conditions and the use of hybrid seed, the Philippines hit record corn production (8.1 MMT) at 120 percent of consumption (5.6 MMT). Agriculture secretary Emmanuel “Manny” Piñol said the country would target the 2 million tons of exports at Malaysia, South Korea and Taiwan. (SunStar Philippines)

South Africa: Corn stocks are tight and new production is under threat from the spread of army worms in the region. Wandile Sihlobo says the country will need to import 300 KMT of white corn before the next harvest. (Agrimoney) An earlier shipment of white corn from Mexico arrived with mold on it after it took the 60 percent longer route of going around South America’s Tierra del Fuego rather than pay the cost of going through the Panama Canal. Meanwhile, the government in Pretoria approved and issued 15 import permits for 1.3 MMT of genetically modified corn from the U.S. BVG Ltd. trader Brink van Wyk said that it will be “a lot cheaper that the non-GM.” (Bloomberg)

Zambia: Army worms are thriving as Agriculture Minister Dora Siliya says the pest has affected 124,000 hectares of corn. That is about 10 percent of the planted area. There are also problems caused by stalk borers. (Inter Press Service)

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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	$35.50	Up $0.25	Handymax at $36.00/MT
55,000 U.S. PNW-Japan	$18.00	Unchanged	Handymax at $18.50/MT
55,000 U.S. Gulf-China PNW to China	$34.25 $17.25	Unchanged Unchanged	North China
25,000 U.S. Gulf-Veracruz, México	$15.75	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	$19.25 $31.25	Unchanged Unchanged	West Coast Colombia at $27.75
40-45,000 U.S. Gulf-Guatemala	$25.75	Unchanged	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	$24.00 $27.00	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$23.25	Unchanged	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$21.25 $24.75	Unchanged Unchanged	55,000 -60,000 MT St. Lawrence to Egypt $22.00
60-70,000 U.S. Gulf-Europe-Rotterdam	$14.50	Unchanged	Handymax at +$1.50 more
Brazil, Santos-China Itacoatiara Port up river Amazonia-China	$24.05 $23.70 $31.00	Down $0.20 Down $0.20 Unchanged	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$32.55	Down $0.20	—

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: Tonight, Friday in Asia, starts the TET or Lunar New year. This means that the markets are getting quieter as we head into the Asian holiday. I did not see much change in vessel daily hire rates or market rates in general this week. The Capesize market backed off a little. Panamax and Handymax markets slipped lower early in the week but recovered most of the losses by week's end, resulting in a mostly unchanged situation. The Panama Canal is still favoring container, LNG, car carriers and crude oil vessel schedules over dry-bulk through the new locks, and this has created an unfavorable situation for the bigger dry-bulk vessels; hence why we don't see them utilizing the new locals.

On the container side: *Alphaliner* reports that "Boxship deliveries will outpace scrapping two to one in 2017. Some 78 percent of the 1.69 million TEU of new container capacity scheduled to be added to the fleet is concentrated on ships above 10,000 TEU." This is not going to help container rates nor ship line financials.

Baltic-Panamax Dry-Bulk Indices				
January 26, 2017 Route	**This Week**	**Last Week**	**Difference**	**Percent Change**
P2A: Gulf/Atlantic – Japan	13,225	13,265	-40	-0.3%
P3A: PNW/Pacific– Japan	5,666	5,593	-73	1.3%

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:

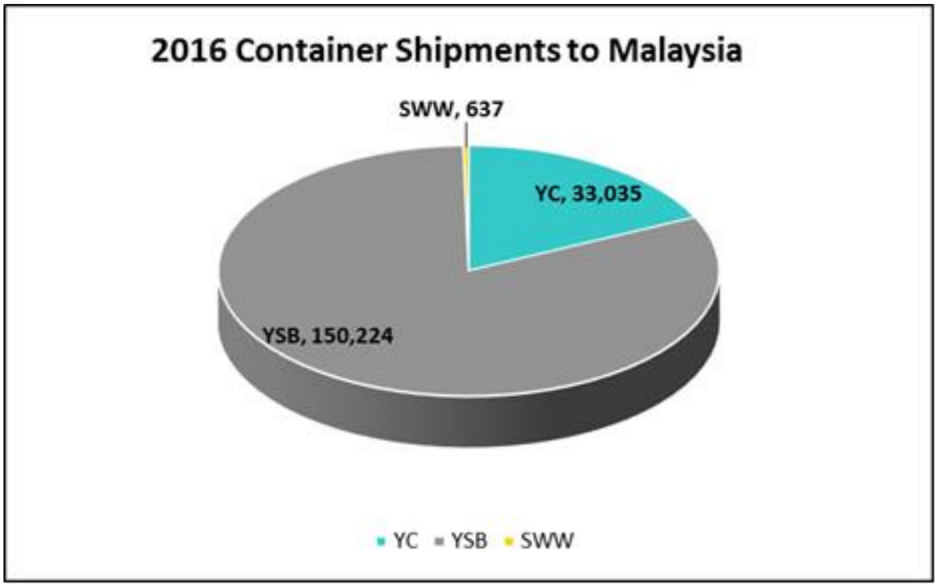
Week Ending January 26, 2017	
Four weeks ago:	$4.95-$5.10
Three weeks ago:	$5.45-$6.30
Two weeks ago:	$5.40-$6.30
One week ago:	$5.70-$5.95
This week	$5.05-$5.85

Source: O'Neil Commodity Consulting

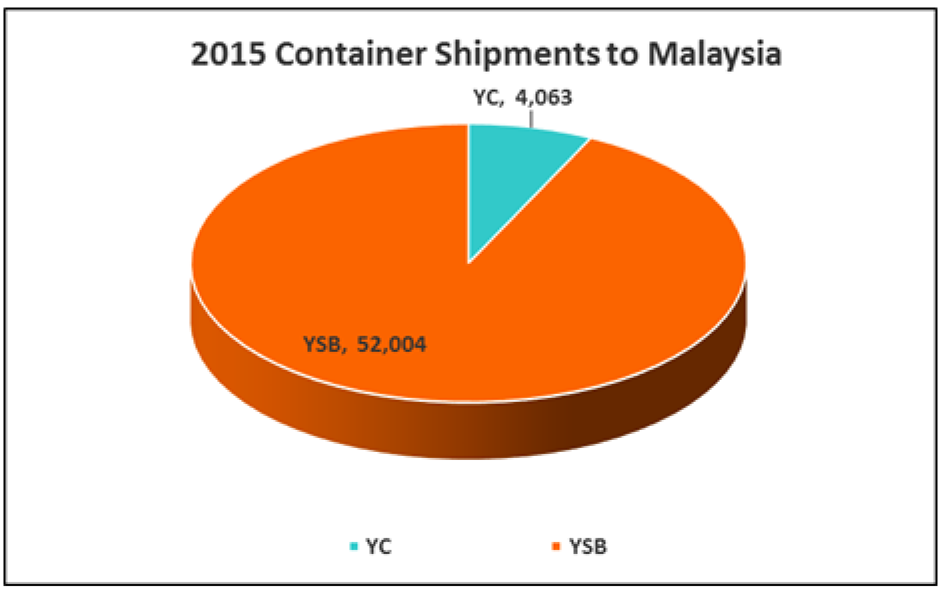
U.S.-Asia Market Spreads					
January 26, 2017	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
#2 Corn	0.91	0.58	0.33	$12.99	PNW
Soybeans	0.90	0.43	0.47	$18.50	Gulf
Ocean Freight	$17.25	$34.25	0.43-0.45	($17.00)	March

Source: O'Neil Commodity Consulting

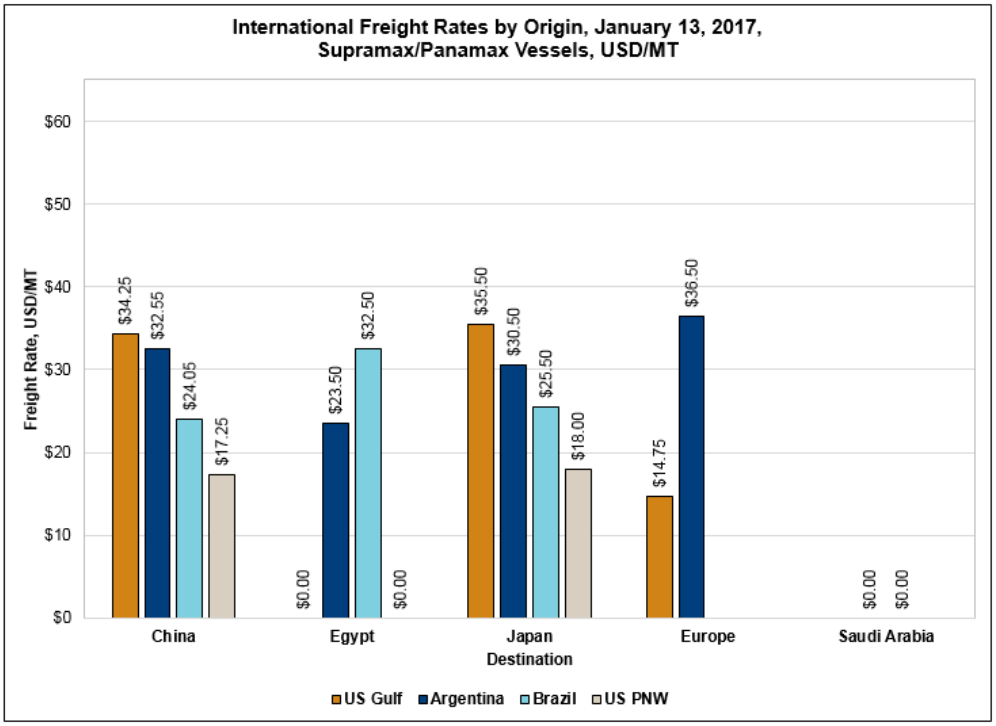
The charts below represent January-December 2016 annual totals versus January-December 2015 annual totals for container shipments to Malaysia.



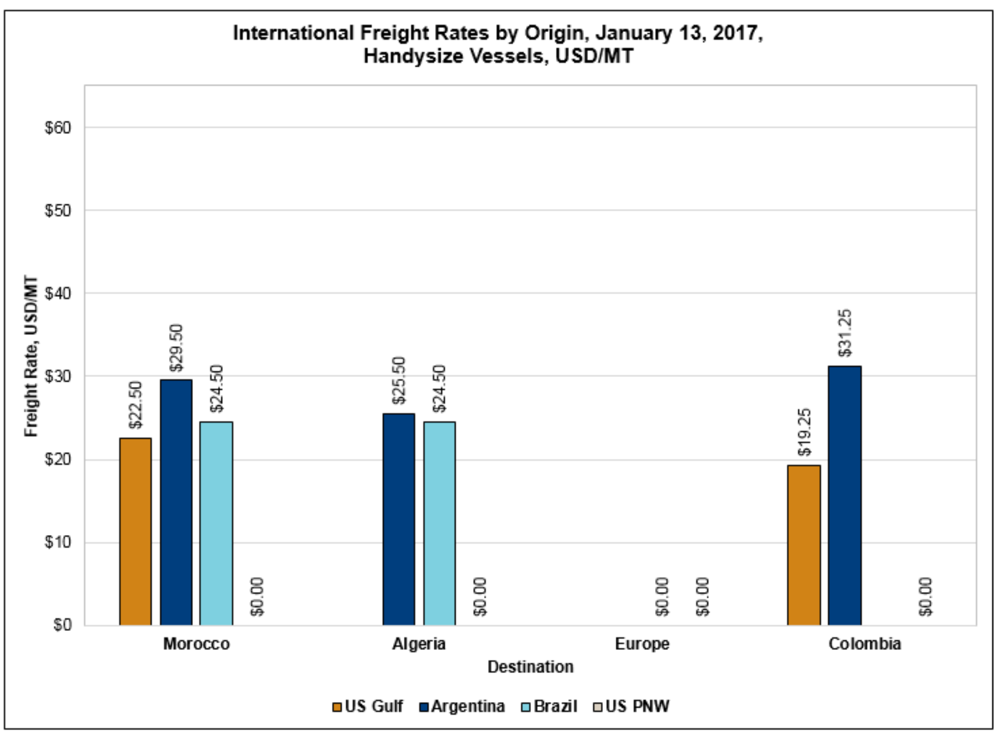
Source: O'Neil Commodity Consulting



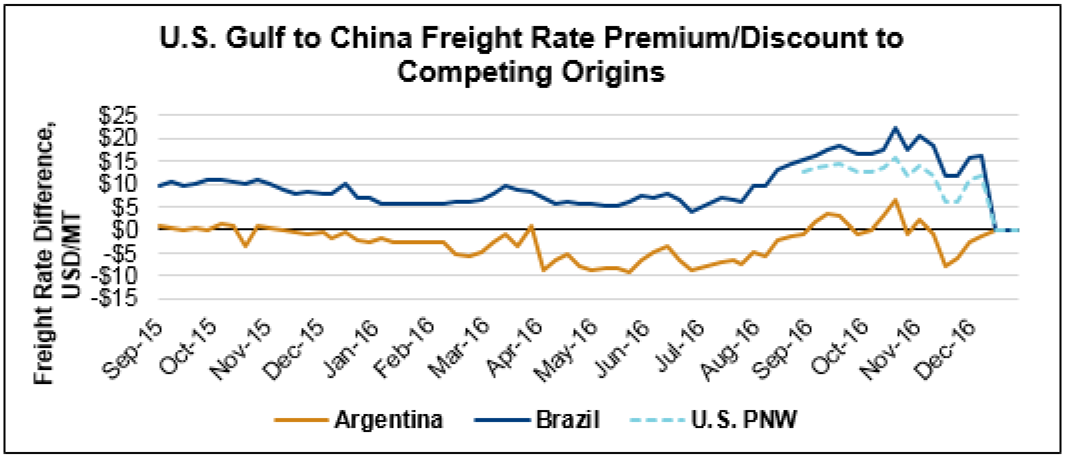
Source: O'Neil Commodity Consulting



Source: DTN, O'Neil Commodity Consulting and WPI



Source: DTN, O'Neil Commodity Consulting and WPI



Source: DTN, O'Neil Commodity Consulting and WPI

INTEREST RATES

Interest Rates (%): January 26, 2017			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.75	3.75	3.75
LIBOR (6 month)	1.35	1.33	1.32
LIBOR (1 year)	1.73	1.70	1.69

Source: www.bankrate.com