



February 15, 2018

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**For more information on the contents of this newsletter or the U.S. Grains Council, its mission and programs, please contact 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.*

## CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn March Contract					
\$/Bu	Friday February 9	Monday February 12	Tuesday February 13	Wednesday February 14	Thursday February 15
<b>Change</b>	-3.750	5.000	-0.250	0.500	0.5000
<b>Closing Price</b>	362.00	367.00	366.75	367.25	367.75
<b>Factors Affecting the Market</b>	March corn finished lower for the day but in the green for the week as Argentina's weather and increased export activity support the market. U.S. ethanol exports were announced today as being up 60 percent in December, a bullish sign for corn demand.	March corn gained back all of Friday's losses on spillover buying from soybeans and wheat. The CFTC data shows funds more bullish grains in general and today's export inspections were supportive as well. The dollar fell 21 points with U.S. equities higher.	March corn finished a quarter-cent lower in quiet trading and little fresh news. Argentina is the biggest bull driver right now, but it can only push the market so far. The dollar fell 37 points while U.S. equities continued a three-day recovery from the recent correction.	March corn gained a half-penny even with ethanol production falling 4 percent this week. The forecast remains dry for Argentina and the U.S. Plains states. The dollar dropped 72 points while U.S. equities bounced back sharply and continued their five-day streak higher.	March corn settled even with its key resistance level on strong export sales and lackluster shipments this week. Wheat and the soy complex continue to move higher, supporting higher corn values. U.S. equities are higher for the sixth straight day.

**Outlook:** The rally in March corn futures has stalled somewhat since last week, but the market's ability to maintain current prices is a sign of strength as well. The ongoing drought in Argentina is the biggest factor directly impacting the corn market, but dryness across the southern U.S. is also concerning. Additionally, the corn market has benefited from spillover buying in the wheat and soybean markets, which are arguably more impacted by the Argentina/southern U.S. weather dynamics than corn.

This week's Export Sales report from USDA featured large 2017/18 corn sales (2.06 MMT of gross sales and 1.974 MMT net sales) but a smaller volume exported. Exports reached 864,500 MT this week, keeping YTD export totals down 14 percent from this same time last year. With the U.S. dollar index's return below 89, exports should pick up in the near-term – especially as FOB NOLA corn remains the most competitive globally.

Weekly ethanol production fell 4 percent this week with ethanol stocks falling 2 percent but remaining above year-ago levels. Gasoline consumption was down 1 percent but should pick up through the spring with the spring/summer driving season. Ethanol production margins are creeping back into the green with higher DDGS valuations and rising ethanol values. This should keep corn moving into ethanol plants this spring and aid in corn demand.

From a technical perspective, March corn is trending higher but has hit significant resistance at \$3.68. The continuing drought in Argentina and spillover buying from wheat and soybeans are losing their power to push corn higher and fresh, bullish news for the corn market will be required to break above this resistance level. CFTC's latest data shows funds have already pared back a substantial segment of their massive short position, limiting one reason for corn prices to move higher. The world still has plenty of corn and for now, it's a game of U.S. exports and anticipated U.S. plantings influencing the futures market.

# CBOT MARCH CORN FUTURES



Source: Prophet X

## Current Market Values:

Futures Price Performance: Week Ending February 15, 2018			
Commodity	15-Feb	9-Feb	Net Change
<b>Corn</b>			
Mar 18	367.75	362.00	5.75
May 18	375.50	369.75	5.75
Jul 18	383.00	377.50	5.50
Sep 18	389.75	384.25	5.50
<b>Soybeans</b>			
Mar 18	1024.25	983.00	41.25
May 18	1035.00	993.50	41.50
Jul 18	1044.75	1003.50	41.25
Aug 18	1045.75	1005.00	40.75
<b>Soymeal</b>			
Mar 18	373.70	343.80	29.90
May 18	375.50	346.60	28.90
Jul 18	372.20	347.60	24.60
Aug 18	366.40	345.60	20.80
<b>Soyoil</b>			
Mar 18	31.70	31.96	-0.26
May 18	31.90	32.15	-0.25
Jul 18	32.11	32.34	-0.23
Aug 18	32.22	32.43	-0.21
<b>SRW</b>			
Mar 18	461.75	449.00	12.75
May 18	475.25	461.00	14.25
Jul 18	490.00	474.75	15.25
Sep 18	505.50	489.75	15.75
<b>HRW</b>			
Mar 18	478.00	465.50	12.50
May 18	493.00	480.50	12.50
Jul 18	510.50	497.25	13.25
Sep 18	528.00	513.50	14.50
<b>MGEX (HRS)</b>			
Mar 18	608.50	603.50	5.00
May 18	618.75	615.75	3.00
Jul 18	627.50	625.25	2.25
Sep 18	633.75	629.25	4.50

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

## U.S. WEATHER/CROP PROGRESS

**U.S. Drought Monitor Weather Forecast:** An unsettled weather pattern will maintain periods of rain and snow over much of the nation, although pockets of dryness will persist. A series of storms will bring moderate to heavy rain and mountain snow to much of the west, although unfavorably dry conditions will persist from California into western Nevada. East of the Rockies, an active southern storm track will bring much-needed precipitation to locales from southeastern New Mexico across the southern two thirds of Texas into southern Oklahoma and the northern Delta. Despite the welcomed storminess, dry weather will linger from the south-central Plains into western Missouri as well as over the lower Southeast. Farther north, another round of moderate to heavy snow is expected from Montana into the Great Lakes and eastern Corn Belt and may

include the Mid-Atlantic as well as Northeastern States. The NWS 6- to 10-day outlook for February 20-24 calls for near- to above-normal precipitation over much of the nation, in particular areas east of the Mississippi save for Florida and the lower Southeast, where drier-than-normal conditions are expected. Below-normal precipitation is also anticipated in the Southwest and on the southern High Plains. Above-normal temperatures over the southern and eastern U.S. will contrast with colder-than-normal weather from the Pacific Coast States into the upper Midwest.

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 February 8, 2018					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000 MT)	YTD Bookings (000 MT)	% Change YTD Bookings
Wheat	434,500	489,400	16,216.4	21,115.2	-12%
Corn	2,061,700	864,500	15,636.6	35,996.0	-14%
Sorghum	126,900	130,100	2,636.2	5,379.1	59%
Barley	0	600	23.1	37.8	124%

Source: USDA, World Perspectives, Inc.

**Corn:** Net sales of 1,974,500 MT for 2017/2018 were up 12 percent from the previous week and 14 percent from the prior 4-week average. Increases were reported for Japan (453,300 MT, including 59,000 MT switched from unknown destinations and decreases of 18,300 MT), unknown destinations (432,900 MT), Mexico (258,600 MT, including decreases of 9,800 MT), Colombia (193,800 MT, including 27,500 MT switched from unknown destinations), and Saudi Arabia (140,000 MT). Reductions were reported for Portugal (28,000 MT), Spain (28,000 MT), and Panama (1,100 MT). For 2018/2019, net sales of 97,500 MT were for Japan. Exports of 864,500 MT were down 10 percent from the previous week, but up 7 percent from the prior 4-week average. The destinations were primarily to Japan (293,200 MT), Mexico (239,700 MT), Bangladesh (60,900 MT), the Philippines (58,300 MT), and Colombia (34,500 MT).

*Optional Origin Sales:* For 2017/2018, new optional origin sales of 50,000 MT were reported for unknown destinations. The current optional origin outstanding balance of 774,500 MT is for South Korea (342,000 MT), unknown destinations (311,500 MT), and Vietnam (121,000 MT).

**Barley:** No net sales were reported for 2017/2018. For 2018/2019, net sales of 4,000 MT were for Japan. Exports of 600 MT were reported to Japan.

**Sorghum:** Net sales of 126,900 MT for 2017/2018 were up 73 percent from the previous week, but down 24 percent from the prior 4-week average. Increases were reported for China (116,200 MT) and Japan (10,700 MT). Exports of 130,100 MT were up 4 percent from the previous week, but down 21 percent from the prior 4-week average. The destinations were China (122,300 MT) and Japan (7,700 MT).

U.S. Export Inspections: Week Ending February 8, 2018					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	539	637	20,386	30,831	66%
Corn	835,131	1,093,241	15,695,529	23,267,923	67%
Sorghum	14,570	196,455	2,300,584	2,864,817	80%
Soybeans	1,319,038	1,303,968	36,029,184	41,629,366	87%
Wheat	487,902	429,602	17,111,987	17,817,705	96%

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 February 8, 2018						
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	445,705	57%	45,782	93%	0	0%
PNW	224,923	29%	196	0%	7,700	53%
Interior Export Rail	115,531	15%	2,994	6%	6,870	47%
<b>Total (Metric Tons)</b>	<b>786,159</b>	<b>100%</b>	<b>48,972</b>	<b>100%</b>	<b>14,570</b>	<b>100%</b>
<b>White Corn Shipments by Country (MT)</b>			3,013	to Costa Rica		
			7,536	to Honduras		
			3,098	to Japan		
			35,129	to Mexico		
			196	to Korea		
<b>Total White Corn (MT)</b>			<b>48,972</b>			
<b>Sorghum Shipments by Country (MT)</b>					7,700	to Japan
					6,319	to China
					551	to Mexico
<b>Total Sorghum (MT)</b>					<b>14,570</b>	

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	0.65+H	\$170.36	-	-
FH March	0.64+H	\$169.97	0.88+H	\$179.42
LH March	0.63+H	\$169.58	0.88+H	\$179.42
April	0.57+K	\$170.27	0.78+K	\$178.53

#2 White Corn (U.S. \$/MT FOB Vessel)			
Max. 15.0% Moisture	March	April	May
Gulf	\$176	\$176	\$176

<b>Sorghum (USD/MT FOB Vessel)</b>				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
March	1.45+H	\$201.86	1.65+H	\$209.73
April	1.45+K	\$204.91	1.50+K	\$207.96

<b>Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)</b>			
	March	April	May
New Orleans	\$165	\$160	\$155
Quantity 5,000 MT			
<b>Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)</b>			
Bulk 60% Pro.	March	April	May
New Orleans	\$588	\$583	\$578
*5-10,000 MT Minimum			
<b>Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. \$/ST)</b>			
	February	March	
Rail Delvd. Chicago	\$495	\$495	
Rail Delvd. Savannah	\$505	\$505	
Truck Delvd. Chicago	\$500	\$500	

<b>DDGS Price Table: February 15, 2018 (USD/MT)</b> (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	March	April	May
Barge CIF New Orleans	203	197	197
FOB Vessel GULF	213	206	203
Rail delivered PNW	226	225	223
Rail delivered California	228	226	225
Mid-Bridge Laredo, TX	223	222	222
FOB Lethbridge, Alberta	196	195	194
40 ft. Containers to South Korea (Busan)	231	230	229
40 ft. Containers to Taiwan (Kaohsiung)	234	233	233
40 ft. Containers to Philippines (Manila)	237	237	237
40 ft. Containers to Indonesia (Jakarta)	235	234	234
40 ft. Containers to Malaysia (Port Kelang)	235	234	234
40 ft. Containers to Vietnam (HCMC)	241	239	239
40 ft. Containers to Japan (Yokohama)	233	233	233
40 ft. containers to Thailand (LCMB)	233	232	232
40 ft. Containers to China (Shanghai)	237	237	237
40 ft. Containers to Bangladesh (Chittagong)	263	261	261
40 ft. Containers to Myanmar (Yangon)	257	255	255
KC Rail Yard (delivered ramp)	195	190	190
Elwood, IL Rail Yard (delivered ramp)	197	195	195

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:** DDGS prices are firmer this week as rising U.S. and international soybean meal values support the ethanol co-product. FOB ethanol plant DDGS are \$2/MT lower this week while Kansas City

soybean meal is \$42/MT higher, making DDGS \$1.76/protein-unit less expensive than soybean meal. The per-protein unit cost moved in favor of DDGS by 93 cents this week. Barge CIF NOLA prices are \$8/MT higher this week while FOB Gulf DDGS values are up \$9/MT.

Merchandisers are reporting Asian buyers are showing only light interest at current prices, waiting for prices to moderate somewhat. However, prices for 40-foot containers to Southeast Asia increased \$6/MT this week with prices to Shanghai leading the way (up \$9/MT). On average, DDGS destined for Southeast Asia increased \$4/MT this week.

## COUNTRY NEWS

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**Asia:** The region's feed market is showing increased demand for U.S.-sourced corn as Argentina falls out of competitiveness. For 2018 to date, the U.S. has supplied 42.72 percent of the region's corn imports versus 39.34 percent for all of 2017. (AgriCensus)

**China:** Trade sources say that the government made it more difficult for importers to obtain permits for bringing in GMO corn, forcing buyers to go to Ukraine for non-GMO maize. Cherry Zhang of Shanghai JC Intelligence explained that non-GMO corn "doesn't require the (processing) permit." The increased demand for Ukrainian corn has pushed that country's prices to 18-month highs at \$181.50/MT. (Reuters; S&P Global Platts)

**France:** The French export agency FranceAgriMer raised the estimate for barley ending stocks to 1.05 MMT from 925 KMT, and increased the maize ending stock estimate to 2.8 MMT from 2.5 MMT based on a larger harvest and lower exports. (Reuters)



## 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	\$43.00	Unchanged	Handymax at \$43.25/MT
55,000 U.S. PNW-Japan	\$23.25	Unchanged	Handymax at \$24.00/MT
65,000 U.S. Gulf-China	\$42.25	Unchanged	North or South China
PNW to China	\$22.50	Unchanged	
25,000 U.S. Gulf-Veracruz, Mexico	\$15.50	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, Mexico	\$13.50	Unchanged	Deep draft and 6,000 MT/day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia	\$19.00	Unchanged	West Coast Colombia at \$27.00
From Argentina	\$32.00	Unchanged	
40-45,000 U.S. Gulf-Guatemala	\$27.25	Unchanged	Acajutla/Quetzal-8,000 out
26-30,000 U.S. Gulf-Algeria	\$30.25	Unchanged	8,000 MT daily discharge
	\$32.00	Unchanged	3,000 MT daily discharge
25-30,000 US Gulf-Morocco	\$29.50	Unchanged	Discharge rate: 5,000
55,000 U.S. Gulf-Egypt	\$27.25	Unchanged	55,000-60,000 MT Russia Black Sea-Egypt \$13.50
PNW to Egypt	\$26.00	Unchanged	
60-70,000 U.S. Gulf-Europe-Rotterdam	\$16.00	Unchanged	Handymax at +\$2.00 more
Brazil, Santos-China	\$32.50	Down \$0.25	54-59,000 Supramax-Panamax 60-66,000 Post Panamax
Itacoatiara Port up River	\$31.50	Down \$0.25	
Amazonia North Brazil-China	\$36.00	Down \$0.25	
56-60,000 Argentina-China	\$38.00	Down \$0.25	Upriver with top-off \$40.50

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:** The freight trade is getting pretty thin this week. As is normal, the only people looking to push anything going into the Lunar Holiday week are those who must close something before everyone goes on holiday. The first part of the week saw a continued downward price trend, but we have now seen some dry-bulk freight buyers trying to book something quick in the spot markets and this has caused a slight market turnaround. Net, however, we are now basically back to rate levels that traded last week, and I therefore must call things unchanged for the most part.

Baltic-Panamax Dry-Bulk Indices				
February 15, 2018	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	16,623	17,003	-380	-2.2%
P3A: PNW/Pacific– Japan	9,042	9,019	23	0.3%
S1C: U.S. Gulf-China-S. Japan	21,194	20,425	769	3.8%

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:

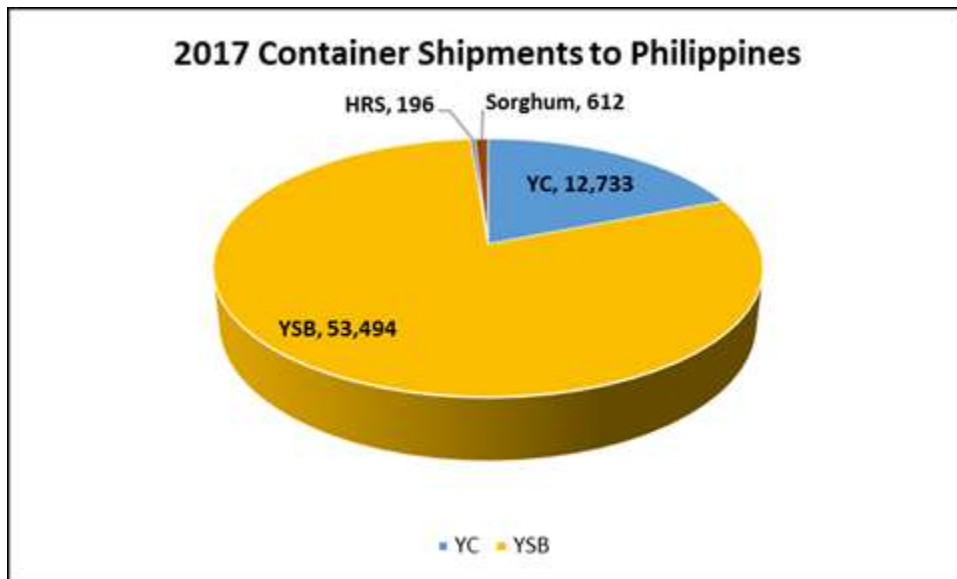
Week Ending February 15, 2018	
Four weeks ago:	\$5.80-\$6.90
Three weeks ago:	\$4.90-\$6.85
Two weeks ago:	\$6.60-\$7.50
One week ago:	\$6.20-\$6.70
This week	\$6.40-\$6.85

Source: O'Neil Commodity Consulting

U.S.-Asia Market Spreads					
February 15, 2018	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	0.88	0.64	0.24	\$9.45	PNW
Soybeans	0.85	0.46	0.39	\$15.35	PNW
Ocean Freight	\$22.50	\$42.25	0.50-0.54	<b>\$19.75</b>	March

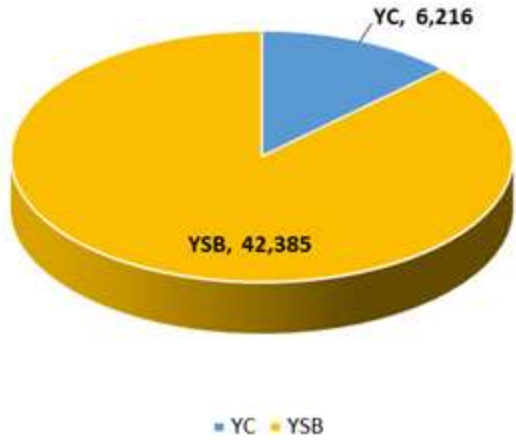
Source: O'Neil Commodity Consulting

The charts below represent 2017 annual totals versus 2016 annual totals for container shipments to the Philippines.



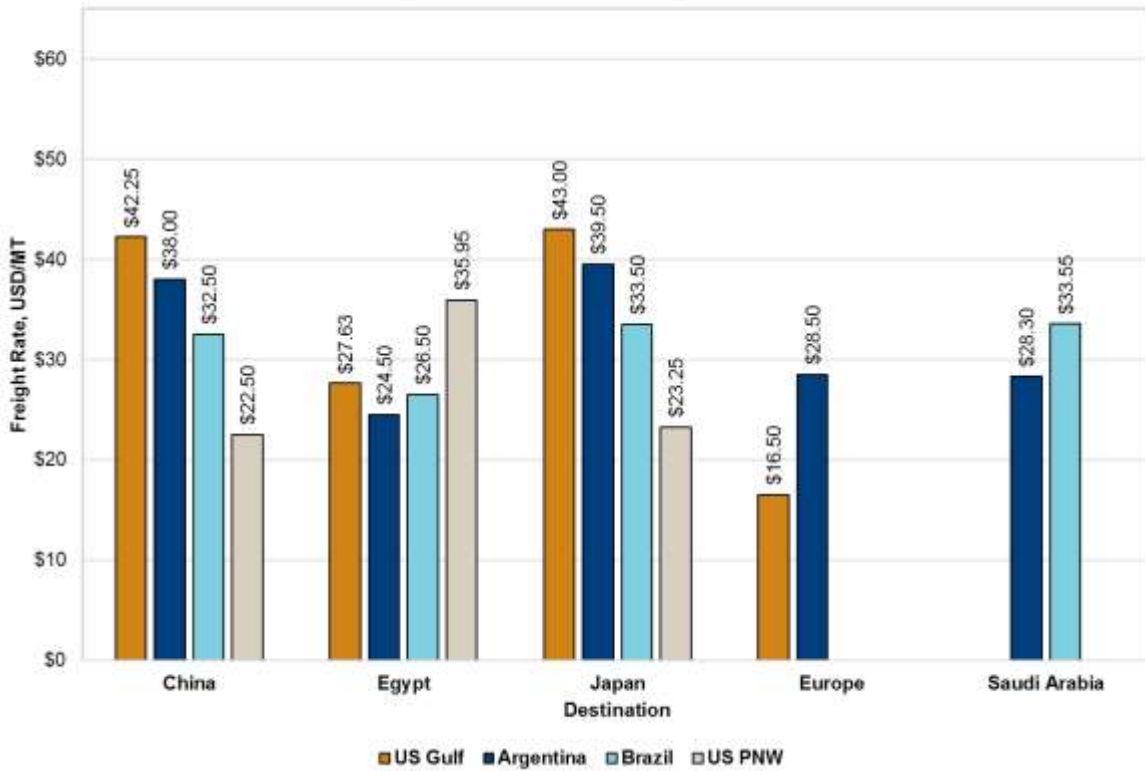
Source: O'Neil Commodity Consulting

### 2016 Container Shipments to Philippines

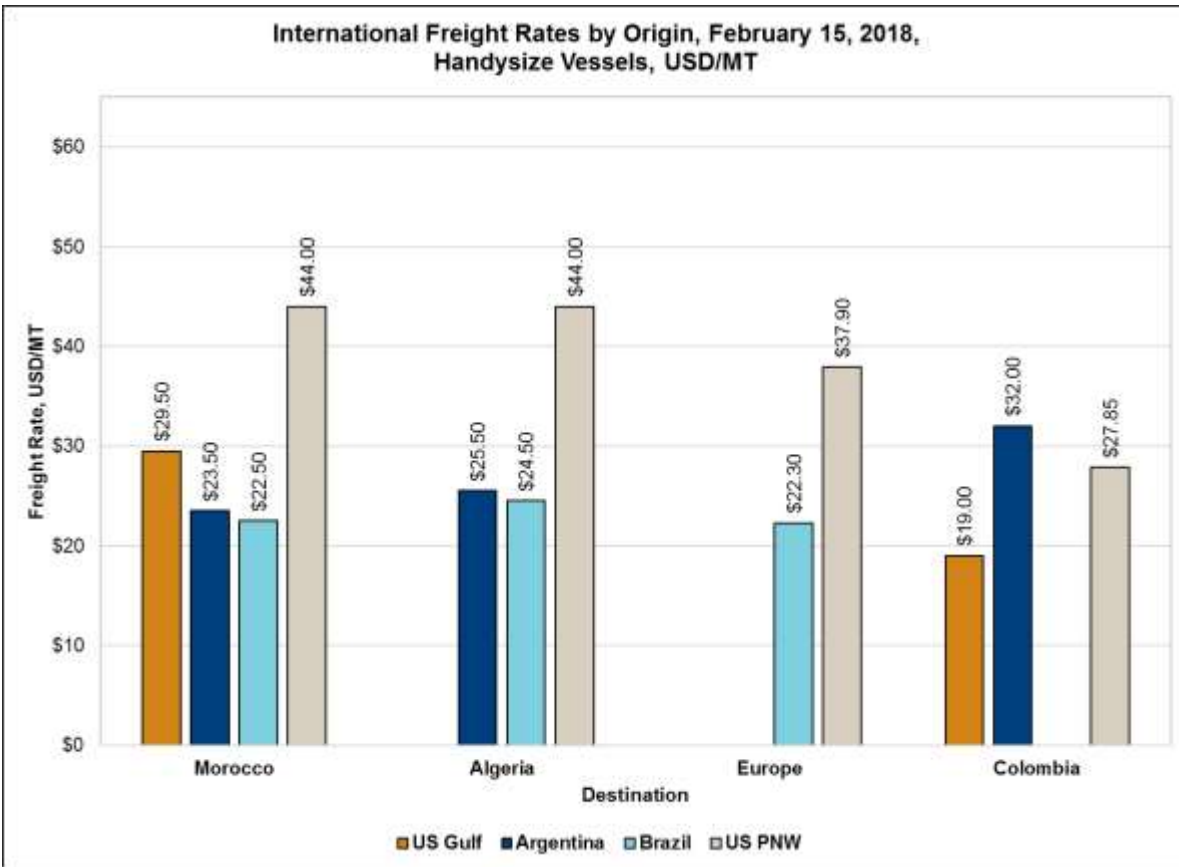


Source: O'Neil Commodity Consulting

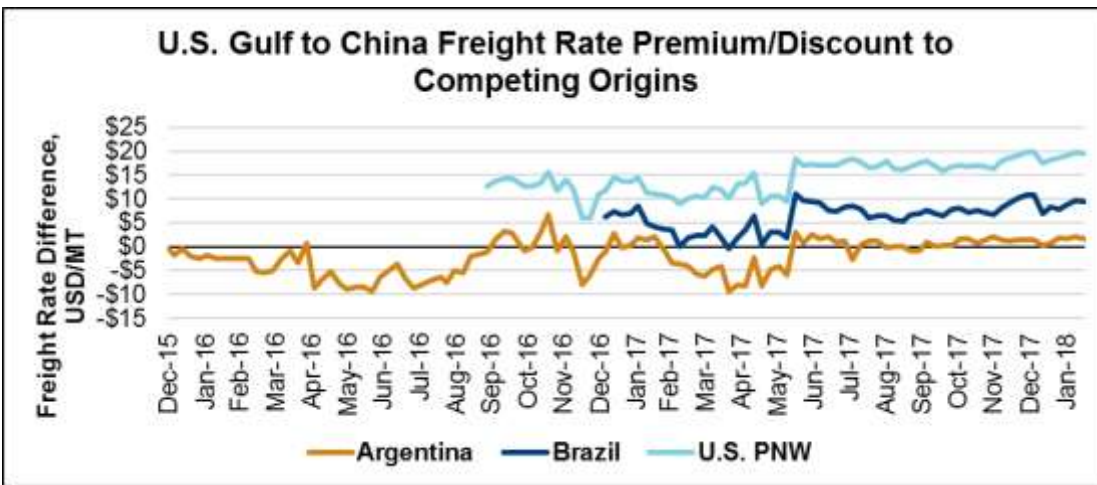
### International Freight Rates by Origin, February 15, 2018, Supramax/Panamax Vessels, USD/MT



Source: DTN, O'Neil Commodity Consulting and World Perspectives, Inc.



Source: DTN, O'Neil Commodity Consulting and World Perspectives, Inc.



Source: DTN, O'Neil Commodity Consulting and World Perspectives, Inc.

## INTEREST RATES

<b>Interest Rates (%): February 15, 2018</b>			
	<b>Current Week</b>	<b>Last Week</b>	<b>Last Month</b>
<b>U.S. Prime</b>	4.5	4.5	4.5
<b>LIBOR (6 month)</b>	2.06	1.99	1.90
<b>LIBOR (1 year)</b>	2.33	2.28	2.20

Source: [www.bankrate.com](http://www.bankrate.com)