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CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
\$/Bu	Friday 26 August	Monday 29 August	Tuesday 30 August	Wednesday 31 August	Thursday 1 September
Change	-0.070	-0.043	-0.0500	-0.0025	0.0825
Closing Price	3.25	3.2075	3.1575	3.155	3.2375
Factors Affecting the Market	Corn closed lower as crop tours confirmed the very large crop. Noncommercial traders are net long again but failed to create bullish pressure. Weakness in wheat futures and a strong dollar added to bearish views.	December futures reached a new contract low on persistent good Midwest weather and a bearish export inspections report. December wheat futures added to bearish sentiment by putting in new contract lows.	Another new contract low was scored as a stronger dollar pressured crop prices. Corn conditions in the Midwest rank among historical bests, allowing expected supply surpluses to outweigh good demand prospects.	Corn achieved a third consecutive contract low but closed only marginally lower. Commercials are willing buyers at these low prices, offering some support. However, harvest progress near the Gulf is pressuring basis.	Turnaround Thursday occurred on positive export news and continued commercial buying. Futures are sharply oversold and bears will likely need a rest before moving lower.

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: Full comprehension of the colossal 2016/17 corn harvest was achieved by the markets this week. December corn futures put in three consecutive new contract lows this week, leaving spot prices at their lowest levels in seven years. Bearish sentiment came from the Pro Farmer tour which concluded the national yield will be less than USDA's projected 175 bushels per acre at 170.2. While less than USDA's August projections, the Pro Farmer yield estimate still implies record production and a national yield of 165 bushels per acre would be needed to create any significantly bullish scenario. At this point, any bullish event will have to be demand-driven as the condition of the corn crop is at historic highs and crop maturity levels signal little risk from an early freeze. Barring any unforeseen weather event, the 2016/17 U.S. corn crop will be 15 billion bushels, much of which will land in ending stocks.

With the continued downtrend in corn prices, some commercial traders are building their long positions, taking advantage of low prices to secure product. Similarly, the USDA reported 8.4 million bushels of corn were exported for the week ending August 25, an increase from the prior week but still down for the 4-week moving average. On Wednesday, the USDA reported a surprising sale of 275,000 MT of corn to Mexico which provided some support to the market. Reports are beginning to surface that Brazil's vessel lineup is heading into an earlier-than-usual seasonal decline which may prove USDA's August export figures to be overly ambitious. So far, Brazil's exports are lagging behind last year's record setting pace but are in line with more typical years. If Brazil's exports slow more than expected, it could open up opportunities for U.S. exporters.

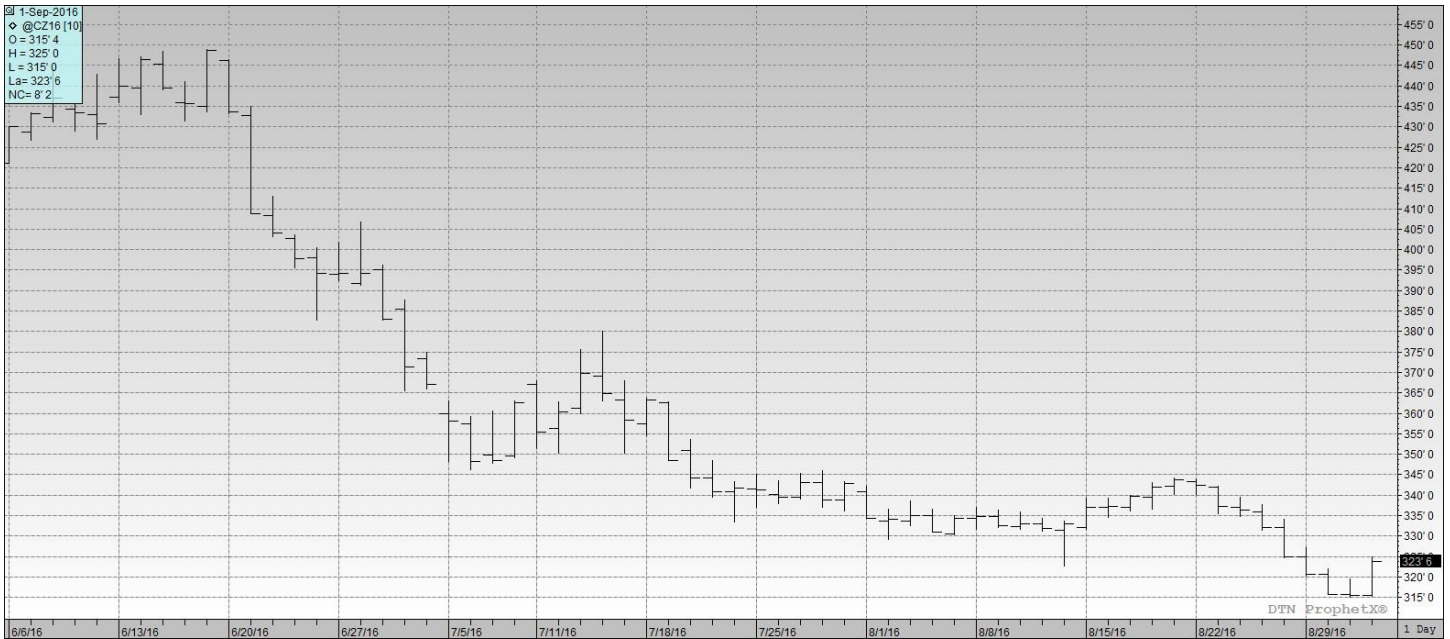
Thursday's export inspections report was neutral-to-bearish with 56 million bushels of old crop corn inspected for export. This puts inspections for the 2015/16 crop at 1.794 billion bushels, a 2 percent increase from the prior year but below USDA's projected 3 percent demand expansion. To reach the USDA's projections, 131 million bushels would have to be exported in the four business days remaining in the 2015/16 MY. Net exports for the week ending August 25 reached 8.4 million bushels, making the USDA's projections a long shot.

December futures plunged lower this week breaking relevant support points and leaving Wednesday's contract low of \$3.14 $\frac{1}{4}$ as the nearest support. From here, the next support is likely found near \$3.00, the September 2009 monthly low. However, futures were overextended by Wednesday's close, having traded below the Bollinger Band line and pushed the 14-day RSI to 25 percent. The oversold condition of the market, combined with some export sales, left the market primed for an upward move on Thursday. Short covering and support in the wheat market fueled the corrective jump in prices. Initial resistance lies at \$3.29 $\frac{1}{4}$ from the 10-day moving average and again at \$3.39 from the 40-day moving average. Thursday's bounce will likely be limited to a technical correction as bullish news remains limited. Cash prices across the U.S. have been weakening, especially near the Gulf area where harvest progress is pressuring basis levels. The national average corn price was \$0.41 under December futures and at its lowest level in seven years.

September 1, 2016

Developing Markets • Enabling Trade • Improving Lives

CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending September 1, 2016			
Commodity	1-Sep	26-Aug	Net Change
Corn			
Sep 16	301.50	316.25	-14.75
Dec 16	315.50	325.00	-9.50
Mar 17	326.00	334.50	-8.50
May 17	333.50	341.75	-8.25
Soybeans			
Sep 16	960.00	990.75	-30.75
Nov 16	943.00	967.25	-24.25
Jan 17	946.00	969.75	-23.75
Mar 17	948.25	970.50	-22.25
Soymeal			
Sep 16	312.20	321.20	-9.00
Oct 16	308.40	318.20	-9.80
Dec 16	306.70	315.50	-8.80
Jan 17	305.50	313.30	-7.80
Soyoil			
Sep 16	32.47	32.95	-0.48
Oct 16	32.60	33.06	-0.46
Dec 16	32.87	33.35	-0.48
Jan 17	33.08	33.54	-0.46
SRW			
Sep 16	361.00	383.50	-22.50
Dec 16	388.25	407.50	-19.25
Mar 17	410.25	432.00	-21.75
May 17	424.25	446.75	-22.50
HRW			
Sep 16	371.25	389.75	-18.50
Dec 16	397.50	416.75	-19.25
Mar 17	414.00	432.75	-18.75
May 17	424.75	443.25	-18.50
MGEX (HRS)			
Sep 16	485.75	492.50	-6.75
Dec 16	481.50	492.75	-11.25
Mar 17	490.75	505.00	-14.25
May 17	500.25	514.75	-14.50

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: August 28, 2016					
	Very Poor	Poor	Fair	Good	Excellent
Corn	2%	5%	18%	54%	21%
Sorghum	1%	5%	29%	52%	13%
Barley	-	-	-	-	-

Source: USDA

U.S. Drought Monitor Weather Forecast: According to the Climate Prediction Center (CPC), the heaviest precipitation will fall along the coast of Florida and the Carolinas over the course of the next 24-48 hours. This is associated with Tropical Storm Hermine. As the Tropical Storm moves along the eastern seaboard, it is forecasted to leave several inches of rain in its wake. During the next 5 days, precipitation is expected to be in the 1-2 inch category across the New Mexico and Texas border region stretching north and eastward into Oklahoma and into the Dakotas. Maximum temperatures during the next 3-5 days will be in the 90's across much of the southern plains and Tennessee valley, while mid-60's will be seen in the High Plains. According to the CPC, chances are greater than normal to have above average temperatures in the eastern half of the country while the High Plains may experience below average temperatures. During the same period odds are in favor for above average precipitation to fall in the Great Lakes region. Below average precipitation is expected in the Southwest and much of the East Coast.

Looking further out at 8-14 days, odds are favorable that above average temperatures will occur in the Northeast while the High Plains continues to be below normal. Precipitation during the period is likely to be below normal in portions of the Southeast, but above normal for the Midwest.

Follow this link to view current U.S. and international weather patterns and the future outlook: [Weather and Crop Bulletin](#).

U.S. EXPORT STATISTICS

U.S. Export Sales and Exports: Week Ending August 25, 2016					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	345,500	594,100	6,227.9	11,845.4	18%
Corn	304,100	1,464,500	45,564.2	50,082.7	6%
Sorghum	9,500	145,100	7,782.1	8,216.4	-4%
Barley	0	0	4.7	11.8	-51%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 214,100 MT for 2015/2016 were up noticeably from the previous week, but down 27 percent from the prior 4-week average. Increases were reported for Japan (113,100 MT, including 58,000 MT

switched from unknown destinations and decreases of 7,200 MT), Colombia (78,100 MT, including 70,000 MT switched from unknown destinations), Algeria (77,700 MT, including 70,000 MT switched from unknown destinations), Israel (70,900 MT, including 70,000 MT switched from unknown destinations), and South Korea (61,200 MT, including 60,000 MT switched from unknown destinations and decreases of 2,300MT). Reductions were reported for unknown destinations (425,900 MT), Mexico (4,400 MT), and Chile (4,300 MT). For 2016/2017, net sales of 647,500 MT reported primarily for unknown destinations (309,500 MT), Mexico (224,300 MT), and Canada (33,900 MT), were partially offset by reductions for Taiwan (2,200 MT). Exports of 1,464,500 MT were up 40 percent from the previous week and 22 percent from the prior 4-week average. The primary destinations were Mexico (270,500 MT), Japan (249,200 MT), Taiwan (160,600 MT), South Korea (131,200 MT), and Algeria (122,700 MT).

Optional Origin Sales: For 2015/2016, options were exercised to export 58,000 MT to Japan from the United States, switched from unknown destinations. The current outstanding balance is 276,000 MT, all unknown destinations. For 2016/2017, the current outstanding balance is 65,000 MT, all Taiwan.

Barley: There were no sales or exports reported during the week.

Sorghum: Net sales of 9,500 MT for 2015/2016 resulted as increases for China (64,200 MT, including 55,000 MT switched from unknown destinations), Indonesia (200 MT), and South Korea (100 MT), were partially offset by reductions for unknown destinations (55,000 MT). For 2016/2017, net sales of 68,000 MT were reported for unknown destinations (58,000 MT) and Japan (10,000 MT). Exports of 145,100 MT were up noticeably from the previous week and 33 percent from the prior 4-week average. The destinations were China (143,200 MT), Mexico (1,400 MT), Indonesia (400 MT), and South Korea (200 MT).

U.S. Export Inspections: Week Ending August 25, 2016

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	1,286	499	18,309	6,121	299%
Corn	1,422,274	1,279,604	45,574,544	44,720,509	102%
Sorghum	206,606	50,884	8,749,810	8,840,696	99%
Soybeans	921,137	945,594	50,303,681	49,792,297	101%
Wheat	511,965	536,703	6,488,672	5,112,758	127%

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 August 25, 2016						
Region	YC	% of Total	WC	% of Total	Sorghum	% of Total
Lakes	20,836	2%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Gulf	778,021	57%	45,058	87%	199,673	97%
PNW	405,884	30%	0	0%	122	0%
Interior Export Rail	165,467	12%	7,008	13%	6,811	3%
Total (Metric Tons)	1,370,208	0%	52,066	100%	206,606	100%
White Corn Shipments by Country (MT)			6,050	to Colombia		
			11,720	to El Salvador		
			5,919	to Japan		
			28,255	to Mexico		
			122	to Korea		
Total White Corn (MT)			52,066			
Sorghum Shipments by Country (MT)					199,673	to China
					146	to Korea
					6,787	to Mexico
Total Sorghum (MT)					206,606	

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	+0.85 Z	\$157.67	-	-
FH October	+0.90 Z	\$159.64	+1.33 Z	\$176.57
October	+0.93 Z	\$160.82	+1.33 Z	\$176.57
November	+0.98 Z	\$162.79	+1.30 Z	\$175.38

Please note that given the lack of volume in the white corn trade we are unable to provide accurate pricing figures for today's report.

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
September	-	-	+0.95 Z	\$161.61
October	+1.10 Z	\$167.51	+0.95 Z	\$161.61

Please note that given the lack of volume in the feed barley trade we are unable to provide accurate pricing figures for today's report.

Please note that given the lack of volume in the corn gluten feed pellets and corn gluten meal trade we are unable to provide accurate pricing figures for today's report.

DDGS Price Table: September 1, 2016 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	September	October	November
Barge CIF New Orleans	172	174	175
FOB Vessel GULF	183	188	187
Rail delivered PNW	190	191	191
Rail delivered California	191	192	192
Mid-Bridge Laredo, TX	190	190	190
FOB Lethbridge, Alberta	165	165	165
40 ft. Containers to South Korea (Busan)	205	204	204
40 ft. Containers to Taiwan (Kaohsiung)	205	202	202
40 ft. Containers to Philippines (Manila)	215	211	211
40 ft. Containers to Indonesia (Jakarta)	207	205	206
40 ft. Containers to Malaysia (Port Kelang)	210	207	207
40 ft. Containers to Vietnam (HCMC)	215	210	210
40 ft. Containers to Japan (Yokohama)	215	206	206
40 ft. containers to Thailand (LCMB)	206	203	203
40 ft. Containers to Shanghai, China	210	207	207
KC & Elwood, IL Rail Yard (delivered Ramp)	168	167	166

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: Southeast Asian markets have been a bright spot for DDGS exports this year as expanding demand is giving way to added market access. Thus far the trade has seen 110 percent and 100 percent YTD increases, respectively, in Vietnamese and South Korean imports of U.S. DDGS. Mexico's imports of DDGS have been strong so far in 2016 as well, increasing 23 percent YTD. Further, July marked the

third consecutive month-over-month increase in China's DDGS imports from the U.S. this year, according to the latest Chinese customs data.

Flagging ethanol production is providing mild support to DDGS prices and buyers are actively procuring distillers grains as weak corn and soybean meal futures make feedstuffs purchases attractive. U.S. Rail rates for DDGS held largely steady this week with prices rising or falling \$1/ton depending on destination. FOB prices to Canada experienced an increase for delivery through November. Across the Pacific, Asian prices fell modestly this week as DDGS are remaining competitive in the markets. Many containers for October or November delivery are discounted relative to September shipments, indicating upward price potential as those months become the spot month.

The biggest news in the export world this week is the bankruptcy of Hanjin Shipping. The company was ranked #7 in the shipping world and their receivership will impact the container freight market significantly.

Ethanol Comments: Ethanol margins are softer this week with higher stocks and lower demand outweighing production decreases. Ethanol production fell for a second week in a row with production coming in at 1.023 million barrels per day, down 5,000 from the prior week. Gasoline consumption is heading into its seasonal decline with the Labor Day holiday signaling the end of the summer driving season. Gasoline consumption moderated again this past week and reached 9.511 million barrels per day during the past week, a decrease of 140,000 barrels from the prior week.

The margin between the corn price and the value of ethanol and coproducts was lower this past week across the four reference markets (see below), while the spread versus this time last year continues to remain positive.

- Illinois differential is \$1.86 per bushel, in comparison to \$1.87 the prior week and \$1.64 a year ago.
- Iowa differential is \$1.82 per bushel, in comparison to \$1.78 the prior week and \$1.63 a year ago.
- Nebraska differential is \$1.53 per bushel, in comparison to \$1.43 the prior week and \$1.45 a year ago.
- South Dakota differential is \$1.90 per bushel, in comparison to \$1.88 the prior week and \$1.77 a year ago.

COUNTRY NEWS

Brazil: Dalton Carlos Heringer of Fertilizantes Heringer says that the drop in the amount of corn being exported has reduced the availability of trucks for backhauling fertilizer to the interior, which means it costs 15-20 percent more to get the input back to farms. (Bloomberg)

India: Prime Minister Modi wants the Ethanol Blending Program to increase the percentage blend to 10 percent across the country. Given the rapid expansion in the number of automobiles, this will involve a significant increase in demand. (WPI)

Kenya: Head smut has been found in corn fields in the North Rift region of Kenya and Anthony Kioko of the Cereal Growers Association is worried that the infestation could spread in future planting seasons; the disease can ruin 30-50 percent of production. (Bloomberg)

Mexico: The government announced a mandatory ethanol blend rate in gasoline of 5.8 percent. However, the requirement will be waived in three metropolitan areas. (Bloomberg)

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	\$30.00	Up \$0.50	Handymax at \$30.75/MT
55,000 U.S. PNW-Japan	\$16.50	Unchanged	Handymax at \$17.00/MT
58-60,000 U.S. Gulf-China PNW to China	\$28.00 \$15.25	Unchanged Down \$0.25	North China
30,000 U.S. Gulf-Veracruz, México	\$15.00	Unchanged	4,000 MT daily discharge rate
40-45,000 U.S. Gulf-Veracruz, México	\$13.00	Down \$0.25	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$16.25 \$27.50	Unchanged Unchanged	West Coast Colombia at \$22.50
43,000 U.S. Gulf-Guatemala	\$22.75	Unchanged	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	\$33.00 \$33.50	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$33.75	Unchanged	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	\$22.00 \$24.25	Unchanged Unchanged	55,000 -60,000 MT St. Lawrence to Egypt \$22.50
65-75,000 U.S. Gulf-Europe- Rotterdam	\$15.25	Up \$0.25	Handymax at +\$1.25 more
Brazil, Santos-China	\$19.25 \$18.25	Down \$0.50 Down \$0.50	54-58,000 Supramax- Panamax 60-66,000 Post Panamax
Itacoatiara Port up river Amazonia-China	\$29.00	Down \$0.25	48-53,000 MT (11.5-meter draft)
56-60,000 Argentina-China Upriver with Top-Off	\$28.00	Down \$0.50	—

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: It has been an interesting week, but this week's news was not about the Dry-Bulk market as it really did not provide any excitement. The big new was in the container shipping market with the announcement that Korean shipping line Hanjin (the world's 6th largest container shipping line) was going into liquidation. This will cause considerable problems for those who have loaded containers on Hanjin vessels; due to alliance agreements there are other containers moving on Hanjin vessels as well. Today I spoke with a U.S. grain shipper who has Evergreen containers on Hanjin ships and cannot get access to them. This is going to cause many sleepless nights for many shippers and receivers. The resulting turbulence will likely cause some increases in shipping rates by the stronger lines.

It should be noted that we are currently at historically low container shipping rates. Container rates from the U.S East Coast to Taiwan have been reported at levels as low as \$200-\$250/TEU. Container rates from other origins are also at historical low levels. This has motivated Taiwanese soybean buyers to shift the majority of their purchases from Dry-Bulk to container. So, it is a real battle out there and this is creating some serious indigestion on all sides of the freight business.

Baltic-Panamax Dry-Bulk Indices				
September 1, 2016	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	10,033	10,394	-361	-3.5%
P3A: PNW/Pacific– Japan	5,158	5,365	-207	-3.9%

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 September 1, 2016	
Four weeks ago:	\$3.80-\$4.10
Three weeks ago:	\$4.05-\$4.10
Two weeks ago	\$4.40-\$4.85
One week ago:	\$4.40-\$4.85
This week	\$4.60-\$4.75

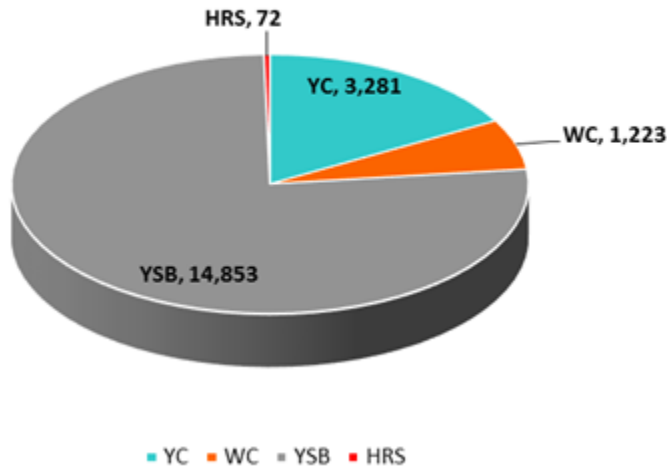
Source: O'Neil Commodity Consulting

U.S.-Asia Market Spreads					
September 1, 2016	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	1.33	0.90	0.43	\$16.23	Gulf
Soybeans	1.55	1.30	0.25	\$9.84	PNW
Ocean Freight	\$15.25	\$28.00	0.32-0.35	(\$12.75)	October

Source: O'Neil Commodity Consulting

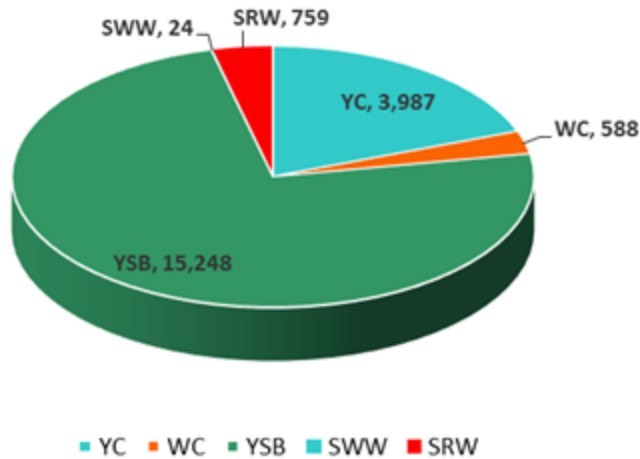
The charts below represent year-to-date 2016 versus January-December 2015 annual totals for container shipments to Japan.

2016 YTD Container Shipments to Japan



Source: O'Neil Commodity Consulting

2015 Japan Container Shipments



Source: O'Neil Commodity Consulting

International Freight Rates for Feed Grains – Select Routes
Estimated Spot Price (\$/MT) – Week Ending September 1, 2016

Commodity	Origins	China	Japan	Korea	Morocco	Egypt	Saudi Arabia	Morocco	Colombia
Vessel Size		PNMX	PNMX	PNMX	PNMX	PNMX	PNMX	Handy	Handy
Corn (Yellow)	Argentina	\$25.00	\$27.00	\$26.00	\$21.50	\$21.00	\$25.50	\$28.50	\$28.00
	Brazil	\$18.25	\$20.50	\$19.75	\$11.50	\$14.00	\$15.25	\$24.00	\$25.00
Corn (White)	Argentina	\$25.00	\$27.00	\$26.00	\$21.50	\$21.00	\$25.50	\$28.50	\$28.00
	Brazil	\$18.25	\$20.50	\$19.75	\$11.50	\$14.00	\$15.25	\$24.00	\$25.00
Barley	Argentina	\$25.00	\$27.00	\$26.00	\$21.50	\$21.00	\$25.50	\$28.50	\$28.00
	Brazil	\$18.25	\$20.50	\$19.75	\$11.50	\$14.00	\$15.25	\$24.00	\$25.00
Sorghum	Argentina	\$25.00	\$27.00	\$26.00	\$21.50	\$21.00	\$25.50	\$28.50	\$28.00
	Brazil	\$18.25	\$20.50	\$19.75	\$11.50	\$14.00	\$15.25	\$24.00	\$25.00

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 (%): August 31, 2016

	Current Week	Last Week	Last Month
U.S. Prime	3.50	3.50	3.50
LIBOR (6 month)	1.24	1.23	1.13
LIBOR (1 year)	1.54	1.52	1.43

Source: www.bankrate.com