Market Perspectives

September 15, 2016

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
$/Bu	**Friday 9 September**	**Monday 12 September**	**Tuesday 13 September**	**Wednesday 14 September**	**Thursday 15 September**
Change	2.500	-1.500	-9.5000	1.7500	-1.7500
Closing Price	341.000	339.500	330.000	331.750	330.000
Factors Affecting the Market	Light buying occurred as traders positioned for the WASDE. Reports of wet Midwest fields and light yields in the Southern U.S. offered modest support. Outside markets were mixed with mild strength in the U.S. dollar.	Markets traded to 5.5 cents lower but closed down only slightly after USDA modestly trimmed yield and production estimates. Declines in soybeans weighed on markets even as the dollar dropped.	Markets were sharply lower in response to USDA's projected 15.1 billion bushel U.S. corn crop. Excellent crop conditions support USDA's yield estimate and sent markets lower. Soybean weakness also pressured corn.	A narrow trading range occurred as WASDE implications were finalized. The focus now is on whether yields will reach USDA projections. Ethanol production increased, providing mild support.	Weak export sales and good harvest progress pressured corn today. Markets finished down slightly after rallying from a 5 cent loss early. Soybeans and energies were higher, supporting corn, while the dollar was flat.

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.

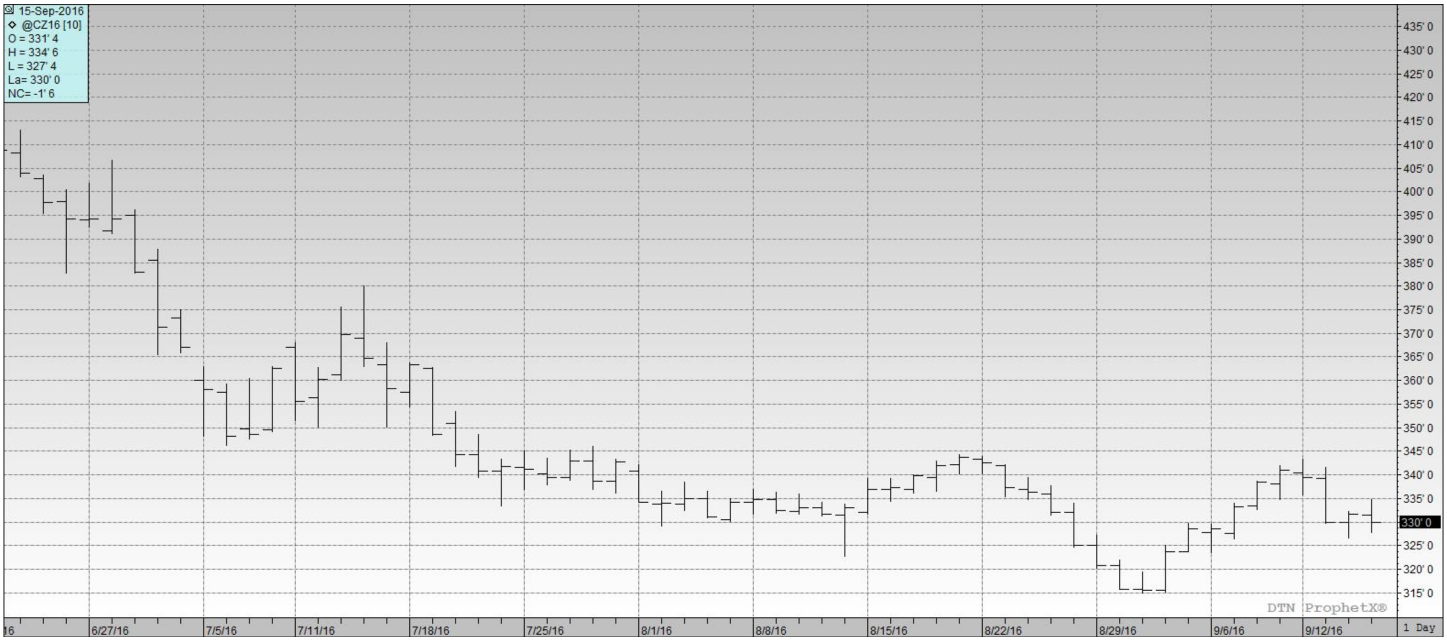
Outlook: Monday's WASDE report from the USDA confirmed the market's expectations: a lot of corn will be harvested this fall. The September WASDE did offer some surprises as USDA's trimming of corn yields and production was less than expected. USDA's estimated national average yield was 174.4 bushels per acre, giving way to production of 15.09 billion bushels. Despite reductions from the previous WASDE, USDA's latest production estimates are 11 percent higher than the 2015/16 crop year. Corn use in feed rations was reduced 25 million bushels from last month as cheap feed wheat is aggressively competing against corn for inclusions in livestock rations. However, feed use of corn will still be 9 percent higher than the previous crop year. Notably, USDA kept export forecasts unchanged from last month at 2.175 billion bushels which would be the highest corn export number since 2007/08. The 14 percent year-over-year increase in corn exports generated a 1 percent reduction in ending stocks for the new crop. Ending stocks were estimated at 2.384 billion bushels which was 62 million higher that pre-report expectations.

Interesting adjustments were made for other countries in the WASDE as well. While USDA left the global corn crop unchanged at 1.028 billion MT, China's production was reduced nearly 1 percent while Brazil's production was increased 3 percent to 82.5 MMT as favorable prices in the southern region will favor first-crop corn over soybeans. Brazil's export forecast for the coming crop year was raised due to the production increase. Finally, USDA left global corn ending stocks unchanged at 219.4 MMT which still suggests there is more than ample corn for the world's needs.

U.S. corn export sales for the week were at the lower end of the forecast range, coming in at a total of 724,600 MT with 703,500 MT of that from new crop sales. The weekly sales were below the pace needed (746,100) to reach USDA's 2016/17 demand forecast of 2.175 billion bushels. However, weekly shipments of 1.128 MMT were above the level required for this week's report. Overall, the market is likely to view today's export figures as neutral.

December corn futures remain lodged in a bearish down trend but are trying to form a seasonal bottom. Following Tuesday's WASDE-induced selloff, futures have stabilized and have failed to close below key chart resistance at $3.26. The December contract seems to have formed a "V" bottom from the August 31 contract low ($3.14 ¾) which stands as strong support going forward. The market is no longer technically oversold and will likely trade within a corrective range between $3.14 ¾ and the major resistance at $3.46. A close above the 20-day moving average would open up $3.46 as a target and a close above this target would be needed to usher in significant buying strength. Notably, commercials are adding to their long positions, highlighting the value of corn at these prices. Commercials seem to indicate some cash buying interest as the national cash price index moved up 1 cent to $2.91 per bushel, even as the national average basis weakened 1 penny to 40 cents under December futures.

CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending September 15, 2016			
Commodity	**15-Sep**	**9-Sep**	**Net Change**
Corn			
Dec 16	330.00	341.00	-11.00
Mar 17	340.25	351.50	-11.25
May 17	347.00	358.75	-11.75
Jul 17	354.00	365.25	-11.25
Soybeans			
Nov 16	950.50	980.25	-29.75
Jan 17	955.75	984.25	-28.50
Mar 17	958.75	987.50	-28.75
May 17	964.50	991.00	-26.50
Soymeal			
Oct 16	308.60	317.70	-9.10
Dec 16	307.20	316.50	-9.30
Jan 17	307.10	315.50	-8.40
Mar 17	306.30	314.20	-7.90
Soyoil			
Oct 16	32.04	33.10	-1.06
Dec 16	32.28	33.37	-1.09
Jan 17	32.51	33.60	-1.09
Mar 17	32.76	33.82	-1.06
SRW			
Dec 16	399.50	403.50	-4.00
Mar 17	422.25	424.75	-2.50
May 17	437.00	439.50	-2.50
Jul 17	448.25	451.00	-2.75
HRW			
Dec 16	416.00	418.50	-2.50
Mar 17	432.00	434.50	-2.50
May 17	442.50	445.00	-2.50
Jul 17	453.00	455.00	-2.00
MGEX (HRS)			
Dec 16	491.25	494.00	-2.75
Mar 17	501.75	504.75	-3.00
May 17	510.75	514.00	-3.25
Jul 17	519.75	523.50	-3.75

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: September 11, 2016					
	Very Poor	Poor	Fair	Good	Excellent
Corn	2%	5%	19%	54%	20%
Sorghum	1%	5%	29%	51%	14%
Barley	-	-	-	-	-

Source: USDA
Note: This is the final crop condition publication for this crop year.

U.S. Drought Monitor Weather Forecast: Tropical Storm Julia will likely be a short-lived tropical storm due to land interaction and unfavorable upper-level winds. Nevertheless, additional rainfall totals of 3 to 6 inches or more can be expected, especially along the South Carolina coast. Farther west, a weakening cold front will move through the Northeast and stall across the South, while a robust storm system will emerge from the northern Intermountain West before crossing the northern Plains and upper Midwest on September 15-16. Five-day rainfall could total an inch or more across portions of the northern Plains and upper Midwest, and reach 1 to 3 inches from the central and southern Plains into the middle Mississippi Valley. Parts of the Northeast could also receive more than an inch of rain, while late-week showers will overspread the Northwest. The NWS 6- to 10-day outlook for September 20-24 calls for near- to above-normal temperatures nationwide, except for the northern Rockies, with the greatest likelihood of warm weather in the Great Lakes region and the eastern U.S. Meanwhile, below-normal precipitation will linger over the Mid-Atlantic and Northeast as well as from the central Plains to the Great Basin and central Pacific Coast. Wetter-than-normal conditions are expected from the Southeast and Gulf Coast States into the Midwest, extending westward along the Canadian border into the Pacific Northwest.

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 September 8, 2016					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	435,600	708,500	7,567.3	12,908.7	21%
Corn	836,300	1,128,500	1,427.5	17,046.0	83%
Sorghum	89,500	56,900	60.6	725.5	-78%
Barley	0	500	5.5	11.9	-49%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 703,500 metric tons were reported for 2016/2017. The primary destinations were South Korea (198,100 MT, including 187,300 MT switched from unknown destinations), Colombia (170,900 MT, including 37,500 MT switched from unknown destinations), Chile (93,600 MT, including 24,000 MT switched from Peru and decreases of 1,400 MT), Peru (90,800 MT, including 40,000 MT switched from unknown destinations), Japan 86,500 MT, including 25,300 MT switched from unknown destinations and decreases of 2,700 MT), and Vietnam (69,000 MT, including 70,000 MT switched from unknown destinations and decreases of 1,000 MT). Reductions were for unknown destinations (325,600 MT), Nicaragua (10,000 MT), and Venezuela (7,100 MT). For 2017/2018, net sales of 21,100 MT were reported for Mexico (11,100 MT and Nicaragua (10,000 MT). Exports of 1,128,500 MT were reported to South Korea (261,100 MT), Mexico (192,900 MT), Japan (134,000 MT), Colombia (96,100 MT), Taiwan (76,000 MT), Peru (75,000 MT), and Vietnam (74,800 MT).

Optional Origin Sales: For 2016/2017, the current outstanding balance totals 341,000 MT, and is for unknown destinations (276,000 MT), and Taiwan (65,000 MT).

Barley: There were no sales reported during the week. Exports of 500 MT were reported to Japan.

Sorghum: Net sales of 88,800 MT for 2016/2017 were reported for China (87,300 MT, including 58,000 MT switched from unknown destinations and decreases of 700 MT) and unknown destinations (1,500 MT). Exports of 59,600 MT were reported to China (57,300 MT), Mexico (2,000 MT), and Indonesia (300 MT).

U.S. Export Inspections: Week Ending September 8, 2016					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	0	1,857	20,166	19,941	101%
Corn	1,343,886	1,469,123	1,633,896	1,205,108	136%
Sorghum	64,275	40,786	65,449	178,215	37%
Soybeans	948,570	1,232,739	1,151,994	396,448	291%
Wheat	720,436	643,008	7,979,794	6,223,416	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.*

USDA Grain Inspections for Export Report: Week Ending September 8, 2016						
Region	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Lakes	61,922	5%	0	0%	0	0%
Atlantic	906	0%	0	0%	0	0%
Gulf	728,912	54%	0	0%	57,303	89%
PNW	430,919	32%	0	0%	0	0%
Interior Export Rail	120,828	9%	399	100%	6,972	11%
Total (Metric Tons)	1,343,487	0%	399	100%	64,275	100%
White Corn Shipments by Country (MT)			399	to Mexico		
			399			
Total White Corn (MT)						
Sorghum Shipments by Country (MT)					58,283	to China
					244	to Indonesia
					5,748	to Mexico
Total Sorghum (MT)					64,275	

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	+0.80 Z	$161.41	-	-
FH October	+0.83 Z	$162.59	+1.33 Z	$182.27
October	+0.85 Z	$163.38	+1.33 Z	$182.27
November	+0.92 Z	$166.13	+1.29 Z	$180.70

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**
October	+1.10 Z	$173.22	+1.10 Z	$173.22
November	+1.05 Z	$171.25	+1.10 Z	$173.22

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.

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	September	**October**	**November**
New Orleans	$150	$150	$150
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**September**	**October**	**November**
New Orleans	$560	$560	$560
**5-10,000 MT Minimum*			
Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. $/ST)			
	September	**October**	**November**
Rail Delvd. East Coast	$525	$525	$525
Rail Delvd. Chicago	$515	-	-
Truck Delvd. Channahon/Elwood	$517	$498	-

***All prices are market estimates.*

DDGS Price Table: September 15, 2016 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**October**	**November**	**December**
Barge CIF New Orleans	172	172	172
FOB Vessel GULF	178	180	180
Rail delivered PNW	184	185	185
Rail delivered California	186	188	188
Mid-Bridge Laredo, TX	187	188	188
FOB Lethbridge, Alberta	140	142	142
40 ft. Containers to South Korea (Busan)	207	208	209
40 ft. Containers to Taiwan (Kaohsiung)	207	209	209
40 ft. Containers to Philippines (Manila)	214	214	214
40 ft. Containers to Indonesia (Jakarta)	212	213	214
40 ft. Containers to Malaysia (Port Kelang)	214	216	216
40 ft. Containers to Vietnam (HCMC)	218	220	220
40 ft. Containers to Japan (Yokohama)	223	219	219
40 ft. containers to Thailand (LCMB)	210	211	212
40 ft. Containers to Shanghai, China	212	211	211
KC & Elwood, IL Rail Yard (delivered Ramp)	170	171	171

*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: A recent University of Nebraska-Lincoln (UNL) study shows beef producers are finding new ways to use DDGS in feed rations. The report highlighted that changes in the efficiency of ethanol plants to extract corn oil from the grain has given way to slight changes in DDGS nutritional content. In response, beef producers have been adjusting DDGS inclusion rates and one company developed a pellet composed of distiller's grain and calcium oxide-treated corn stover to replace corn in feed lot rations. The UNL study (available here) found that feeding DDGS increased overall feedlot performance (measured by dry matter intake, average daily gain, finished weights, and fat development) above what was realized with corn based rations.

Following last week's rally, DDGS prices for international destinations were softer this week in response to international freight issues. The Hanjin Shipping crisis and subsequent ocean freight rate increases that will begin in October are prompting a hand-to-mouth approach for international buyers this week. However, international demand remains active for several market including Taiwan, Vietnam, and Korea. Modest declines (less than $3/ton) for October shipments to Malaysia, Vietnam and Taiwan were observed while prices to Japan were mildly stronger (up $1/ton).

Trading has been quiet in the U.S. market this week with buyers, having covered immediate needs, taking a "wait and see" approach. Despite any quietness, however, DDGS are finding ways to remain competitive in feed rations. The price per protein unit of DDGS was $4.72 this week versus $6.40 per protein unit in soybean meal. DDGS are still holding 101.4 percent of the value of corn and some pricing strength was observed in the Western Corn Belt, particularly in the Dakotas and part of Iowa. Merchandisers are beginning to report intentions for seasonal plant maintenance shutdowns. These shutdowns typically last a few days which should bring some support to the DDGS market in the coming weeks. Some traders are reporting feelings of a near term pricing low setting in with the maintenance shutdowns ending any further market weakness.

Ethanol Comments: Ethanol margins are mixed this week after production rose 6,000 barrels per day last week to reach 1.004 million barrels per day. Expanding production failed to add to ethanol stocks which decreased 40,000 barrels to 20.207 million. Oddly, gasoline consumption fell along with stocks as 9.406 million barrels per day were delivered this past week, down from 9.595 million the week prior. The concurrent fall of stocks and consumption seems to implicate higher exports as the force behind declining stocks. Ethanol exports were exceptionally strong in July and similar strength may be carrying over into the current month.

The margin between the corn price and the value of ethanol and coproducts was mixed this past week across the four reference markets (see below), with gains noted in Illinois and Nebraska. Compared to this same week last year, the spread is $0.14-$0.38 higher in all reference markets.

- Illinois differential is $2.04 per bushel, in comparison to $2.02 the prior week and $1.66 a year ago.
- Iowa differential is $1.86 per bushel, in comparison to $1.96 the prior week and $1.61 a year ago.
- Nebraska differential is $1.71 per bushel, in comparison to $1.69 the prior week and $1.54 a year ago.
- South Dakota differential is $1.99 per bushel, in comparison to $2.07 the prior week and $1.85 a year ago.

COUNTRY NEWS

Brazil: BRF CEO Pedro Faria says he is buying up strategic supplies of corn for the world's largest poultry exporter after earlier experiencing shortages. (Reuters)

Brazil: CONAB is auctioning 50,000 MT of corn in Mato Grosso today (September 15) to the livestock industry and has a total stockpile of 500,000 MT that can be used to limit domestic prices. (Bloomberg)

Saudi Arabia: Corn imports have been reduced because avian influenza has caused a 25 percent mortality rate in the poultry industry. Meanwhile, the FAO forecasts that Saudi Arabian imports in 2016/17 will include 9.7 MMT of barley and 3.5 MMT of corn. (WPI)

Ukraine: Approximately 400,000 MT of barley was exported in early September to Saudi Arabia, UAE and Libya. Additionally, 8,000 MT of corn was exported to the EU. (UkrAgroConsult)

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	Down $0.50	Handymax at $31.00/MT
55,000 U.S. PNW-Japan	$16.25	Down $0.25	Handymax at $17.00/MT
58-60,000 U.S. Gulf-China PNW to China	$28.50 $15.25	Up $0.25 Unchanged	North China
30,000 U.S. Gulf-Veracruz, México	$14.50	Down $0.50	4,000 MT daily discharge rate
40-45,000 U.S. Gulf-Veracruz, México	$12.75	Down $0.25	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	$16.00 $27.50	Down $0.25 Unchanged	West Coast Colombia at $22.50
43,000 U.S. Gulf-Guatemala	$22.50	Down $0.25	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	$22.50 $23.00	Adjusted down $10.50	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$21.50	Adjusted down $12.25	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$20.50 $22.25	Down $1.50 Down $2.00	55,000 -60,000 MT St. Lawrence to Egypt $21.00
65-75,000 U.S. Gulf-Europe-Rotterdam	$15.25	Up $0.25	Handymax at +$1.25 more
Brazil, Santos-China Itacoatiara Port up river Amazonia-China	$19.25 $18.25 $29.00	Unchanged Unchanged Unchanged	54-58,000 Supramax-Panamax 60-66,000 Post Panamax 48-53,000 MT (11.5-meter draft)
56-60,000 Argentina-China Upriver with Top-Off	$28.00	Unchanged	—

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 another slow, but up and down week for the Baltic Dry-Bulk Indices and the physical freight markets. All-in-all things did not travel too far. It is still very difficult for the market to sustain any meaningful rally. The Dry-Bulk market is waiting for volume to pick up once the North American harvest gets underway in earnest. Container rates want to go up, need to go up, but again will most likely be able to do so only for a very limited period of time. We continue to see bigger soybean cargoes loaded out of the U.S. Gulf to China, but they still are not utilizing the new locks at the Panama Canal. U.S. railroads report that close to a record number of locomotives and rail equipment is idled awaiting a pickup in business.

Note that North African freight rates have been out of line and show a needed adjustment in this week's report. Further, note that the cost of freight to North Africa from the U.S. Gulf and Argentina are very close to one another (within $1.50-2.00/MT).

The following is an interesting quote from John McCauley of Cargill to GLS Asia: "If the financial health of carriers was the only criteria we used, we wouldn't be shipping anything."

Baltic-Panamax Dry-Bulk Indices				
September 15, 2016 Route	**This Week**	**Last Week**	**Difference**	**Percent Change**
P2A: Gulf/Atlantic – Japan	9,829	9,883	-54	-0.5%
P3A: PNW/Pacific– Japan	5,441	5,522	-81	-1.5%

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:

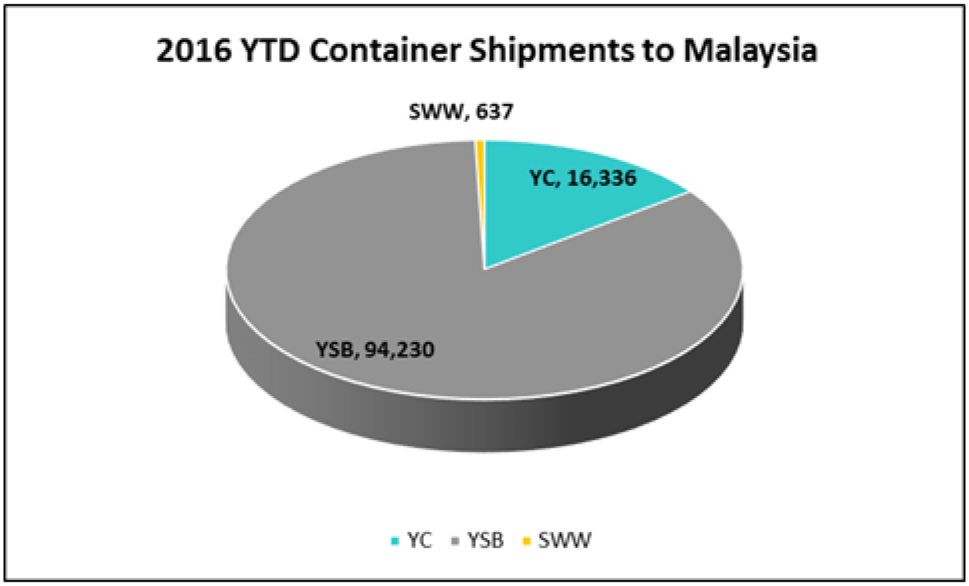
Week Ending September 15, 2016	
Four weeks ago:	$4.40-$4.85
Three weeks ago:	$4.40-$4.85
Two weeks ago	$4.60-$4.75
One week ago:	$5.05-$5.40
This week	$5.55-$5.90

Source: O'Neil Commodity Consulting

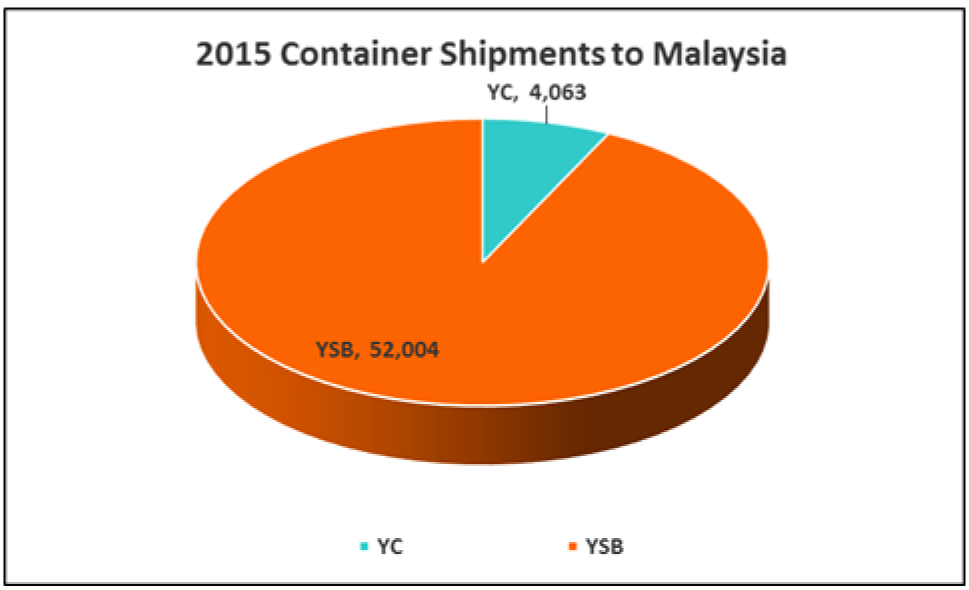
U.S.-Asia Market Spreads					
September 15, 2016	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
#2 Corn	1.29	0.94	0.35	$13.78	Both
Soybeans	1.40	1.17	0.23	$9.05	PNW
Ocean Freight	$15.25	$28.50	0.33-0.35	($13.25)	November

Source: O'Neil Commodity Consulting

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



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

International Freight Rates for Feed Grains – Select Routes Estimated Spot Price ($/MT) – Week Ending September 15, 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**	$24.85	$20.25	$25.50	$11.25	$21.00	$25.50	$28.50	$28.00
	Brazil	$18.25	$20.50	$20.00	$11.50	$14.00	$15.25	$24.00	$25.00
Corn (White)	**Argentina**	$24.85	$20.25	$25.50	$11.25	$21.00	$25.50	$28.50	$28.00
	Brazil	$18.25	$20.50	$20.00	$11.50	$14.00	$15.25	$24.00	$25.00
Barley	**Argentina**	$24.85	$20.25	$25.50	$11.25	$21.00	$25.50	$28.50	$28.00
	Brazil	$18.25	$20.50	$20.00	$11.50	$14.00	$15.25	$24.00	$25.00
Sorghum	**Argentina**	$24.85	$20.25	$25.50	$11.25	$21.00	$25.50	$28.50	$28.00
	Brazil	$18.25	$20.50	$20.00	$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 (%): September 14, 2016			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.50	3.50	3.50
LIBOR (6 month)	1.25	1.25	1.19
LIBOR (1 year)	1.56	1.56	1.52

Source: www.bankrate.com