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## CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
\$/Bu	Friday 23 September	Monday 26 September	Tuesday 27 September	Wednesday 28 September	Thursday 29 September
<b>Change</b>	-0.0025	-0.0750	0.0275	-0.0250	0.0000
<b>Closing Price</b>	3.3650	3.2900	3.3175	3.2925	3.2925
<b>Factors Affecting the Market</b>	Despite dropping expectations about the size of the crop, bearish sentiment tests the bottom.	Quality concerns were overlooked and instead expected farmer selling drove the mood.	After trading lower, the close was to the upside to keep a sideways momentum going.	Supplies are expected to be so large that even a grand export sale to Mexico could not spur the market.	The dollar was up following a higher Q2 GDP estimate but corn managed to close unchanged.

**Outlook:** The U.S. corn harvest started the week at 15 percent complete and is expected to be a fifth of the way done by its end, both of which are behind average. The cause is an early season prediction of a dry, hot end to the U.S. growing season has instead brought the opposite – heavy rains that will affect crop quality if they persist. Still, at this juncture, the crop remains rated at 74 percent good/excellent. The yield potential is rising in some states and falling in others, but most expect USDA to lower the overall yield in its next report.

**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.*

U.S. corn export sales this week were overall neutral but next week's report will reflect a milestone with the sale of 1.577 MMT (two-thirds old crop) of corn to Mexico. That amounts to the fourth highest daily sale on record and the largest ever single day sale to Mexico. Corn sales to Mexico this year are on track to be larger and that market has replaced Japan as the largest one for U.S. corn. Overall, corn export lifts are running 51 percent ahead of last year and this is pushing freight charges higher.

The International Grains Council on Thursday reduced its forecast for the 2016/17 world corn crop by 3 MMT (1/3 old crop), mostly due to a downward assessment of China's crop.

Here in the gut slot of the U.S. harvest, corn cannot break above \$3.46 nor below \$3.14, and with the soybean/corn ratio approaching 3:1, soybean planting is favored in the spring.

Tomorrow USDA will release its quarterly grain stocks estimate, and its annual report on small grains.

## CBOT DECEMBER CORN FUTURES



Source: Prophet X

**Current Market Values:**

<b>Futures Price Performance: Week Ending September 29, 2016</b>			
<b>Commodity</b>	<b>29-Sep</b>	<b>23-Sep</b>	<b>Net Change</b>
<b>Corn</b>			
Dec 16	329.25	336.50	-7.25
Mar 17	339.00	346.25	-7.25
May 17	346.00	352.75	-6.75
Jul 17	353.00	359.50	-6.50
<b>Soybeans</b>			
Nov 16	950.25	955.00	-4.75
Jan 17	956.25	961.00	-4.75
Mar 17	963.00	966.50	-3.50
May 17	969.50	971.75	-2.25
<b>Soymeal</b>			
Oct 16	297.90	303.30	-5.40
Dec 16	298.70	302.80	-4.10
Jan 17	299.80	303.50	-3.70
Mar 17	301.80	304.70	-2.90
<b>Soyoil</b>			
Oct 16	33.09	33.31	-0.22
Dec 16	33.34	33.56	-0.22
Jan 17	33.58	33.79	-0.21
Mar 17	33.83	34.05	-0.22
<b>SRW</b>			
Dec 16	399.00	404.75	-5.75
Mar 17	421.75	428.00	-6.25
May 17	435.50	441.75	-6.25
Jul 17	446.25	450.00	-3.75
<b>HRW</b>			
Dec 16	417.25	421.50	-4.25
Mar 17	433.75	438.00	-4.25
May 17	444.00	448.00	-4.00
Jul 17	454.00	457.75	-3.75
<b>MGEX (HRS)</b>			
Dec 16	509.75	503.75	6.00
Mar 17	517.25	510.50	6.75
May 17	524.75	518.50	6.25
Jul 17	533.00	526.75	6.25

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

## U.S. WEATHER/CROP PROGRESS

**U.S. Drought Monitor Weather Forecast:** During the next few days, a strong upper level low pressure system stalls out over the Ohio Valley providing relief to the Mid-Atlantic region. As much as 3-6 inches of rain is forecasted, so flooding and flash flooding is possible in some areas. Some of the areas that were placed in D0 status this USDM week may see several inches of rain from this event. Please note that the Drought Monitor depicts conditions valid through Tuesday morning, 8 a.m., EDT (12 UTC); any of the recent locally heavy rain which fell after Tuesday morning (September 27) will be incorporated into next week's drought assessment. Meanwhile, the rest of the CONUS will be relatively quiet. For average temperatures during the next few days, the largest positive anomalies are forecasted to occur in the West, Northwest, and High Plains. The largest negative anomalies should be concentrated in the Midwest and are forecasted to gradually slide southward. For the second half of the next USDM period, much cooler than normal temperatures return to the West Coast, while the warmer than normal temperatures are confined to much of the area east of the Rockies. The 6-10 day outlooks from CPC show an increased probability of warmer than normal temperatures for the eastern half of the country and the western half has the best chance of cooler than normal temperatures. There is an increased probability that above normal precipitation will fall in the Northern Rockies and High Plains while the probability is best for below normal precipitation to occur in the Southeast.

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 22, 2016					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	595,600	843,400	8,962.4	14,040.4	27%
Corn	714,400	1,261,500	4,042.0	18,542.9	76%
Sorghum	228,100	119,400	288.0	991.5	-72%
Barley	700	100	5.6	13.4	-42%

Source: USDA, World Perspectives, Inc.

**Corn:** Net sales of 575,000 metric tons were reported for 2016/2017. The primary destinations were Mexico (286,200 MT, including 33,000 MT switched from unknown destinations and decreases of 1,900 MT), Colombia (230,300 MT, including 87,500 MT switched from unknown destinations and decreases of 19,500 MT), South Korea (68,200 MT, including 65,000 MT switched from unknown destinations), the Dominican Republic (48,400 MT, including 15,000 MT switched from unknown destinations and decreases of 900 MT), and Peru (46,900 MT, including 34,000 MT switched from unknown destinations, and decreases of 2,900 MT). Reductions were for unknown destinations (364,900 MT) and the French West Indies (5,600 MT). Exports of 1,261,500 MT were reported to Mexico (366,500 MT), Japan (283,400 MT), Colombia (139,400 MT), South Korea (127,400 MT), Peru (64,900 MT), Morocco (51,100 MT), and Bangladesh (43,900 MT).

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

**Barley:** Net sales of 700 MT for 2016/2017 were reported for Vietnam (500 MT) and Japan (200 MT). Exports of 100 MT were reported to Taiwan.

**Sorghum:** Net sales of 227,300 MT for 2016/2017 were reported for China (169,300 MT, including 58,000 MT switched from unknown destinations and decreases of 700 MT), unknown destinations (58,000 MT), and Indonesia (100 MT). Exports of 119,400 MT were reported to China (119,300 MT), South Korea (100 MT), and Indonesia (100 MT).

### U.S. Export Inspections: Week Ending September 22, 2016

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	1,198	998	22,961	20,455	112%
Corn	1,335,643	1,296,515	4,267,096	2,751,029	155%
Sorghum	123,040	159,372	348,579	743,744	47%
Soybeans	383,953	756,026	2,291,973	1,440,864	159%
Wheat	875,049	574,129	9,452,515	7,471,482	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 September 22, 2016

Region	YC	% of Total	WC	% of Total	Sorghum	% of Total
Lakes	3,130	0%	0	0%	0	0%
Atlantic	12,139	1%	0	0%	0	0%
Gulf	880,179	66%	0	0%	119,254	97%
PNW	320,810	24%	49	100%	122	0%
Interior Export Rail	119,336	9%	0	0%	3,664	3%
<b>Total (Metric Tons)</b>	<b>1,335,594</b>	<b>0%</b>	<b>49</b>	<b>100%</b>	<b>123,040</b>	<b>100%</b>
White Corn Shipments by Country (MT)			49	to Korea		
			49			
<b>Total White Corn (MT)</b>						
Sorghum Shipments by Country (MT)					119,254	to China
					122	to Korea
					3,664	to Mexico
<b>Total Sorghum (MT)</b>					<b>123,040</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)
FH October	+0.85 Z	\$163.08	+1.21 Z	\$177.25
October	+0.87 Z	\$163.87	+1.21 Z	\$177.25
FH November	+0.88 Z	\$164.26	+1.15 Z	\$174.89
November	+0.90 Z	\$165.05	+1.15 Z	\$174.89

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	\$172.92	+1.10 Z	\$172.92
November	+0.90 Z	\$165.05	+0.95 Z	\$167.02

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)			
	October	November	December
New Orleans	\$142.5	\$142.5	\$142.5
<i>Quantity 5,000 MT</i>			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	October	November	December
New Orleans	\$557.50	\$550	\$550
<i>*5-10,000 MT Minimum</i>			
Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. \$/ST)			
	October	November	December
Rail Delvd. East Coast	\$530	-	-
Rail Delvd. Chicago	\$510	\$510	\$510
Truck Delvd. Channahon/Elwood	\$497	-	-

*\*All prices are market estimates.*

DDGS Price Table: September 29, 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	163	162	163
FOB Vessel GULF	167	169	168
Rail delivered PNW	178	178	179
Rail delivered California	181	181	182
Mid-Bridge Laredo, TX	182	182	183
FOB Lethbridge, Alberta	146	147	149
40 ft. Containers to South Korea (Busan)	198	197	197
40 ft. Containers to Taiwan (Kaohsiung)	198	196	195
40 ft. Containers to Philippines (Manila)	206	203	203
40 ft. Containers to Indonesia (Jakarta)	201	200	200
40 ft. Containers to Malaysia (Port Kelang)	204	203	203
40 ft. Containers to Vietnam (HCMC)	207	206	206
40 ft. Containers to Japan (Yokohama)	199	196	196
40 ft. containers to Thailand (LCMB)	199	198	198
40 ft. Containers to Shanghai, China	207	202	202
KC & Elwood, IL Rail Yard (delivered Ramp)	156	156	157

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:** Container values fell this past week with the sharpest decline for containers headed to Japan. Some sources in the trade believe that U.S. DDGS prices will still be on par with domestic Chinese product after the combined CVD/AD is applied. This will make customer preference regarding quality a stronger variable. To the degree that China's DDGS imports decline, buyers in other destinations will see this as an opportunity – including in Vietnam and Korea among other destinations. Indeed, there is likely to be a bottom in the near-term given that market demand for product historically increases toward the end of the calendar year and in the early months of a new one.

**Ethanol Comments:** U.S. ethanol production was up 8,000 barrels per day this past week, incentivized by some of the best margins in two years. However, stocks grew by 600,000 barrels to reach 20.6 million barrels, up 10 percent from a year ago.

China's imports of ethanol continue to be sluggish relative to past volumes. The margin between the corn price and the value of ethanol and coproducts across the four reference markets is detailed below.

- Illinois differential is \$2.26 per bushel, in comparison to \$2.19 the prior week and \$1.58 a year ago.
- Iowa differential is \$2.05 per bushel, in comparison to \$2.23 the prior week and \$1.58 a year ago.

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- Nebraska differential is \$1.82 per bushel, in comparison to \$1.81 the prior week and \$1.64 a year ago.
  - South Dakota differential is \$2.21 per bushel, in comparison to \$2.20 the prior week and \$1.86 a year ago.

## COUNTRY NEWS

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**Bangladesh:** Corn production has gone from 65,000 MT in 1997-98 to 2.75 MMT in 2015-16, making it now the second most important cereal crop in the country after rice. Profit levels are higher for corn than for rice, and the crop requires less water. (WPI)

**China:** Sinograin sold a relatively small 76,353 MT of corn reserves on September 27 at an average price of 1,678 yuan/MT (\$251.76). However, CNGOI says that China has sold 41.5 MMT of corn out of state reserves thus far this year, which is 137 percent more than was sold during all of last year. The average Chinese corn price (\$261.66/MT) continues to drop. (Bloomberg)

**EU:** The crop monitoring service has cut its yield forecast for EU maize for the second month in a row, putting it below the five-year average. (Reuters)

**Korea:** The Korean Feed Association is tendering for 130,000 MT of corn, the Korean Corn Processing Industry Association tendered for 55,000 MY of corn, and giant Korean feed maker NOFI is separately tendering for up to 138,000 MT of corn. (Reuters)

**Russia:** The Ministry of Agriculture intends to lift the current 102-ruble excise tax (\$1.62/liter ≈ 90 percent cost of production) on domestic fuel ethanol by the end of the year. Lifting the tax is expected to increase production by up to 670 million gallons per year. (Ethanol Producer Magazine)

**South Africa:** The Crop Estimates Committee raised its forecast for corn production to 5.54 MMT, which is 3.3 percent above the previous month. Recent rains have helped as the local price has now dropped by 22 percent. Corn imports of 3.8 MMT are still expected, of which a third will be white corn.

**Tunisia:** The state grains agency tendered for the purchase of 25,000 MT of feed barley with the lowest offer at \$167/MT C&F. (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	\$30.00	Down \$0.25	Handymax at \$31.00/MT
55,000 U.S. PNW-Japan	\$16.50	Unchanged	Handymax at \$17.00/MT
58-60,000 U.S. Gulf-China	\$28.75	Down \$0.25	North China
PNW to China	\$15.50	Unchanged	
30,000 U.S. Gulf-Veracruz, México	\$14.50	Unchanged	4,000 MT daily discharge rate
40-45,000 U.S. Gulf-Veracruz, México	\$12.75	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast	\$16.25	Unchanged	West Coast Colombia at \$22.75
Colombia, from Argentina	\$28.00	Unchanged	
43,000 U.S. Gulf-Guatemala	\$22.50	Unchanged	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	\$22.00	Unchanged	8,000 MT daily discharge
	\$23.50	Unchanged	3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$21.00	Down \$0.50	5,000 discharge rate
55,000 U.S. Gulf-Egypt	\$20.50	Unchanged	55,000 -60,000 MT St. Lawrence to Egypt \$20.50
PNW to Egypt	\$21.50	Unchanged	
65-75,000 U.S. Gulf-Europe-Rotterdam	\$15.50	Unchanged	Handymax at +\$1.50 more
Brazil, Santos-China	\$19.50	Up \$0.25	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
Itacoatiara Port up river	\$18.75	Up \$0.25	
Amazonia-China	\$29.50	Up \$0.25	48-53,000 MT (11.5-meter draft)
56-60,000 Argentina-China Upriver with Top-Off	\$28.75	Up \$0.25	—

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:** I do not see anything very new or exciting in global ocean freight markets this week. We do continue to see the Baltic Index traders trying to move the indices up, but physical markets are just not following. Next week China will be on holiday and I imagine that things will get even quieter.

Capesize vessels are currently earning about \$10,250/day in the spot market and are bid at \$11,300 for October. Panamax vessels are getting \$5,300/day in the spot market but can find bids at \$6,600 for October. So, there remains some optimism in the thinking that things will improve some as we get into the gut slot of the North American grain harvest. However, these daily hire rates are not all that much of an improvement over what has been paid for the last number of months. The freight markets are not out of the dog house yet.

Baltic-Panamax Dry-Bulk Indices				
September 29, 2016	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	10,933	10,429	504	4.8%
P3A: PNW/Pacific– Japan	6,227	5,914	313	5.3%

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:

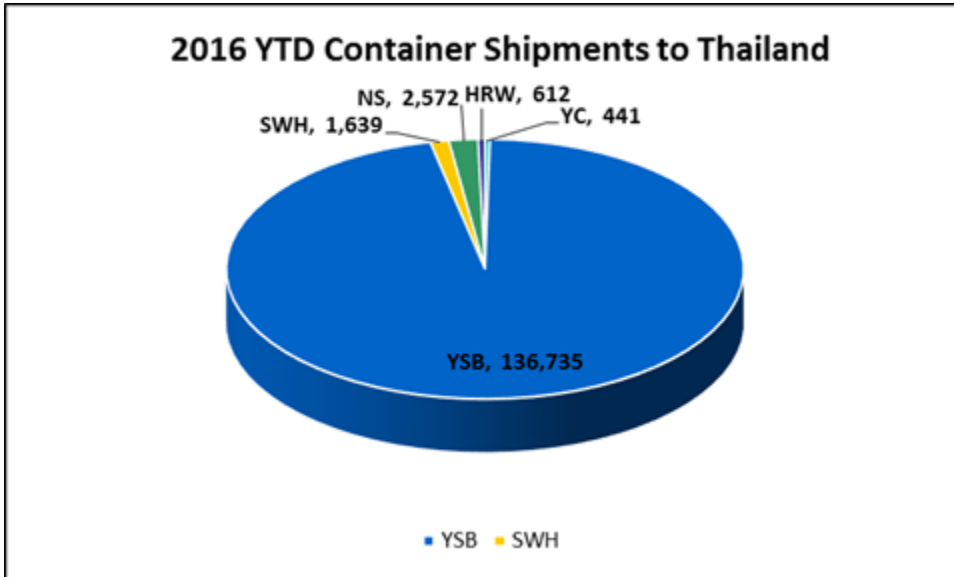
Week Ending September 29, 2016	
Four weeks ago:	\$4.60-\$4.75
Three weeks ago:	\$5.05-\$5.40
Two weeks ago:	\$5.55-\$5.90
One week ago:	\$5.90-\$6.40
This week	\$5.80-\$6.40

Source: O'Neil Commodity Consulting

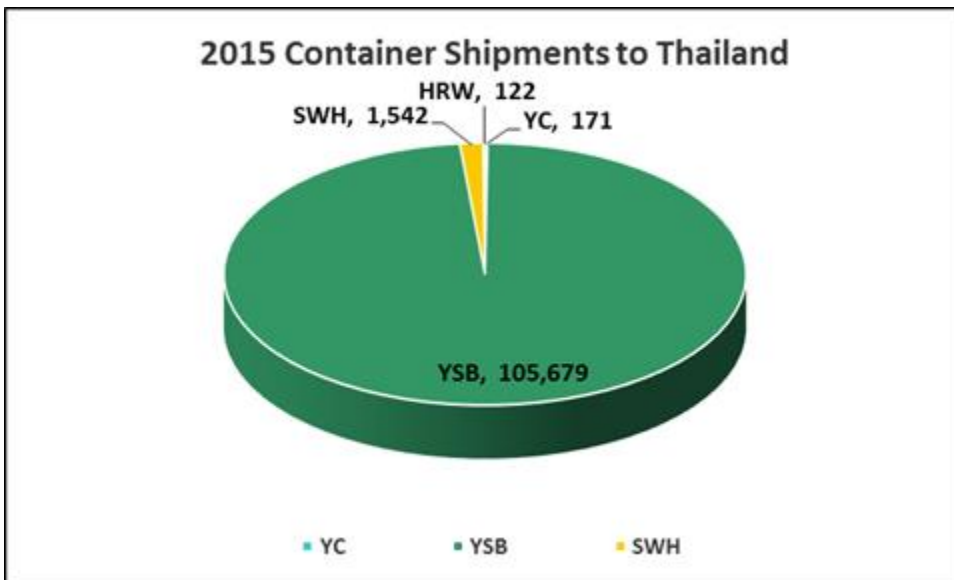
U.S.-Asia Market Spreads					
September 29, 2016	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	1.18	0.89	0.29	\$11.42	PNW
Soybeans	1.25	1.00	0.25	\$9.84	PNW
Ocean Freight	\$15.50	\$29.00	0.34-0.37	(\$13.50)	November

Source: O'Neil Commodity Consulting

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



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 29, 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	\$25.50	\$27.50	\$26.50	\$22.00	\$21.50	\$26.00	\$28.50	\$28.00
	Brazil	\$18.75	\$21.00	\$20.25	\$12.00	\$14.50	\$15.75	\$24.00	\$25.00
Corn (White)	Argentina	\$25.50	\$27.50	\$26.50	\$22.00	\$21.50	\$26.00	\$28.50	\$28.00
	Brazil	\$18.75	\$21.00	\$20.25	\$12.00	\$14.50	\$15.75	\$24.00	\$25.00
Barley	Argentina	\$25.50	\$27.50	\$26.50	\$22.00	\$21.50	\$26.00	\$28.50	\$28.00
	Brazil	\$18.75	\$21.00	\$20.25	\$12.00	\$14.50	\$15.75	\$24.00	\$25.00
Sorghum	Argentina	\$25.50	\$27.50	\$26.50	\$22.00	\$21.50	\$26.00	\$28.50	\$28.00
	Brazil	\$18.75	\$21.00	\$20.25	\$12.00	\$14.50	\$15.75	\$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 28, 2016			
	Current Week	Last Week	Last Month
U.S. Prime	3.50	3.50	3.50
LIBOR (6 month)	1.24	1.26	1.24
LIBOR (1 year)	1.56	1.54	1.54

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